REALISTO

WHITEPAPER

Real estate investment for Everyone

Digital Equity - Real Assets

V 1.2

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Introduction

For investors around the world, real estate has long been considered a source of significant, stable return. The popularity of real estate investment is undeniable given its annual worldwide transaction volume of approximately US$660 billion, a figure that is steadily rising. All in all, the total wealth stored in real estate is estimated to run into the trillions of dollars.

Unfortunately, vast amounts of capital are typically required in order to invest in real estate with the objective of realizing above-average return on investment – so much so that this asset class is out of reach for most individuals. Even for those investors who have the necessary capital, conventional methods of investing in real estate are fraught with inefficiency and disadvantages. Firstly, in addition to paying several middlemen for their services, the many vagaries of local regulation and taxation make it difficult for individual investors to realize reasonable returns. Secondly, real estate investments are relatively illiquid, meaning that invested capital is not easily accessible in the short term. Thirdly, the real estate business is by nature a local affair, an obstacle that many investors fail to take into account. Local marketplace knowledge is essential in order to gain access to high-quality deal flow. Without knowledge of a given locale's specific conditions and constraints, the potential for return on investment is severely limited while the risk skyrockets. That places investors in the dreaded position of obtaining lower returns at higher risk.

REALISTO addresses these issues by using the blockchain technology of Ethereum-based smart contracts and by applying expert industry savvy alongside specialized local knowledge. Essentially, REALISTO is a platform that enables real estate experts to present their projects, launch their own asset-backed tokens for those projects, and invite virtually anybody to invest in a selection of carefully curated, high-yield investment properties. This is, in effect, much like a crowdfunding campaign – with the distinct difference being that investors will immediately receive value for their money, in the form of asset-backed tokens.

With both the November ICO and the subsequent crowdfunding campaigns – during which asset-backed tokens will be issued for individual projects by outside experts – REALISTO delivers a secure way to diversify investment portfolios of any size. REALISTO offers access to an asset class that until now has been largely unattainable for smaller scale investors. In addition to lowering costs and simplifying cross-border transactions, our platform also lowers risk by operating only in those marketplaces whose dynamics are well known to us.

This white paper provides an overview of the value proposition, economic viability, investment strategy, and technical functionalities of the REALISTO platform. Because security is a priority for us, this white paper also presents a detailed explanation of our unique trustee-wallet system, which guards against any misappropriation or misuse of funds.

REALSTO offers a new, accessible way of investing in real estate, made possible by a platform with transparency, integrity, and industry expertise at its core.

Blockchain and Smart Contracts – A Brief Overview

Although cryptocurrency investors are typically familiar with the underlying blockchain technology, for the sake of clarity, we include a brief review of blockchain and the smart contracts it enables.

A blockchain is a type of digital ledger that is not maintained in one central location but is instead distributed among peers. The distributed records are kept on thousands, even millions, of individual computers all over the world – in contrast to the traditional form of database administered by a single, central body like a bank or federal reserve. Due to the decentralized nature of the distributed ledger, all recorded transactions are fully traceable and virtually impervious to tampering. This decentralized ledger, or blockchain, is synchronized within a given network via the internet, making all transactions visible to anyone within the network. Blockchain networks can have restricted membership or be open to the public. Because there is no centralized body with authority over blockchain networks, any individual with sufficient technological knowledge and resources can set up a blockchain.

Every time a digital transaction is carried out between members of the network in question, the specifics of the transaction are compiled into a "block" that is protected by sophisticated cryptography. This block is bundled with other transactions occurring within the same timeframe and sent out to every participant in the network. Members of the network then compete for the right to validate these transactions by solving a complex, cryptographic puzzle, a task that requires significant computing power. The first member to solve the problem and complete the validation receives a reward. This process of competing for the right to validate a block is called mining. Each validated block receives a timestamp and is appended to older blocks, creating a chain of blocks that shows every single network transaction in chronological order. The entire blockchain is updated every few minutes so that each network member's ledger contains identical information. Because any member can prove what is owned by whom at any given time, the blockchain is a completely transparent and tamper-proof record of transaction values and ownership.

Smart Contracts

One particularly promising application of blockchain technology comes in the form of "smart contracts." Smart contracts are self-fulfilling agreements between network members. Any information inserted into these contracts is automatically treated according to a previously agreed upon protocol. Since the previously agreed-upon protocol is the sole arbiter of the transaction, the transaction can be carried out transparently, free of conflict, and without expensive and time-consuming middlemen.

Traditionally, legally enforceable agreements have required the intervention of expensive lawyers and notaries who draft and validate contracts. The costs and delays associated with this lengthy process become even greater in cases where parties disagree about contractual obligations. With smart contracts, agreement stipulations and enforcement functionality are already built in. This functionality includes when, how, and where a given payment or return is to be made. The smart contract even carries out such payments. Smart contracts both define the terms of the agreement and automatically enforce applicable obligations. Once deployed to the blockchain, a smart contract is given an immutable address, and the deployed contract cannot be altered. That makes smart contracts a direct, secure way of agreeing on the exchange of money, property, shares, or practically anything of monetary value.

The Ethereum blockchain is especially dedicated to the development and application of smart contracts. Ethereum is an open blockchain that works as a decentralized computer, and as such, its source code is nonproprietary and visible to all. Although Ethereum has its own cryptocurrency (Ether or ETH), it also accommodates other cryptocurrencies. REALISTO adheres to the standards of the Ethereum blockchain and shares with Ethereum a philosophy of creating access and transparency.

Cryptocurrency Volatility

While cryptocurrencies have seen a significant increase in value in recent years, the cryptocurrency market has also experienced material volatility. Moreover, with governments around the world beginning to focus on cryptocurrencies, volatility could be amplified as market participants react to the possibility of increased regulation. However, such effects are difficult to predict, and cryptocurrency holders are therefore advised to diversify their holdings. For example, asset-backed tokens represent a promising source of diversification since token values are backed by real-world assets.

Blockchain as the Future of Real Estate Investing

Volatility is not the only problem that holders of cryptocurrencies face. There is also a scarcity of sound yet high-yielding investment opportunities, making diversification within a cryptocurrency portfolio difficult. A potential solution could be found in asset-backed investments, where the token is collateralized by real-world assets like real estate. However, many real estate ICOs neglect to mention the considerable expertise required to realize material return on these investments. While many of those ICOs promise stakes in large projects like hotels and commercial buildings, the reality is that the amount of capital usually raised could cover only a small portion of the investments proposed. As a result, the economic viability of such ventures is questionable. However, we envision a more feasible, efficient and cost-effective way of investing in tokenized real estate.

Investors Must Rely on ICOs That Know Their Assets and Their Reach

It is our belief that the only way forward is expertly curated, tokenized real estate investments that correspond to the amount of capital raised by a respective ICO. These investment properties would be chosen for their return on investment (ROI) potential as well as their value retention. If we are to establish a standard for the tokenized real estate industry, then we must look to ICOs that command actual real estate expertise and that can be realistically carried out with the amount of capital raised.

As previously discussed, conventional real estate is a difficult asset class to gain access to. Those who do manage to invest directly in conventional real estate face administrative burdens, the possibility of defaulting lessees, and the risk of damaged property. In most cases, the return does not justify the effort and risk of such investments. In addition, real estate is a relatively illiquid asset class, meaning that the capital invested is locked into the property and short-term liquidity is difficult to achieve. The process of liquidating real estate through conventional channels is cumbersome and almost always incurs considerable cost, especially in time-constrained scenarios. Individual investors may turn to real estate funds or real estate investment trusts (REITs) to free themselves of administrative burdens. However, in doing so, they give up control over the specific investments made, and they earn lower returns due to high management fees, among other things. Furthermore, REITs and real estate funds provide investors with little transparency on how these funds are managed. This seems to be to the detriment of the investor as, statistically, most real estate funds are likely to default after only a short time[1]. For these reasons, we view the current real estate market as being spectacularly inefficient when catering to the individual investor.

1) https://www.test.de/Geschlossene-Fonds-Die-schlimme-Bilanz-einer-Branche-4910691-0/

The Good News

The good news is that REALISTO offers a solution to the real estate investment conundrum. We do this by backing our tokens with expertly chosen real estate properties that are vetted, certified, and reliably managed. Instead of promising participation in glamourous, high-visibility projects, we confine REALISTO's activities to a marketplace that we know inside out. We use this expertise to assemble a core pool of real estate that truly mirrors token value. In short, we provide a way for investors to escape the pitfalls of overreach while realizing above-average return on investments made. Short-term liquidity is no longer a problem.

Thanks to blockchain technology – and its smart contracts that make transparent tokenization of real estate assets possible – there is now an efficient way for individuals to gain access to this highly profitable and stable asset class. By creating a platform in which tokens backed by expertly chosen real estate assets, we address all of the above-mentioned concerns about investing in real estate while, at the same time, maintaining a healthy risk-return tradeoff and minimizing costs. We predict that blockchain technology will play a significant role in the future of the entire real estate industry. This future will only come to pass if care is taken to avoid unrealistic promises and establish diligent investment processes. For now, tokenized real estate is a way for individual investors to gain access to a high-yielding asset class that was previously out of reach and to add a more secure holding to their cryptocurrency portfolio.

Knowing Your Markets Is Key

When considering an investment in real estate-backed tokens, one major question remains: How can investors ensure that their capital is not poured into "duds" by platform administrators with little industry knowledge? This concern can only be addressed by a platform based on industry expertise and a demonstrable track record in targeted markets.

If You Want Change, Be Realistic – and Go Step by Step

The real estate business is essentially a local affair, governed by local networks and relationships. Even the vast conglomerates that occasionally swoop in to buy swathes of apartment blocks or large-scale commercial properties spend years diligently laying the ground work. This work, which requires identifying and involving the right industry players and government actors, is carried out by experts who know the lay of the land. Deals of that magnitude are, at present, out of reach for ICO-driven platforms and their crowd-investing strategies. Although this may change over time, the current real estate environment favors carefully curated properties whose capital requirements align with the amounts of capital typically raised in ICOs (a figure likely to be closer to US$10 million than US$100 million). High yields and stable returns in the tokenized real estate market will come not from glamorous yet unrealistic luxury projects but from accessible investment properties identified thanks to our expertise in targeted markets.

One Last Thing: Ultimate Protection for the Investor

The importance of decentralization in the blockchain ecosystem bears reiteration, especially in light of the protection that it provides to smaller scale investors. The value that these investors own is stored on the blockchain, thus eliminating any uncertainty around ownership claims or contractual obligations that might previously have been open to interpretation.

The REALISTO vision: creating access for investors of all kinds

Many recent ICOs with asset-backed business models have emphasized the technical and the ideological aspects of crowd-investing. In doing so, they are asking their investors to blindly accept claims of token and asset value. We at REALISTO believe in the power of great tech but also recognize that deep asset knowledge is required in order to realize profit for investors. For us, blockchain is a means to an end, allowing us to weed out the inefficiencies of conventional real estate investing and make this asset class accessible to everyone.

REALISTO offers just that: a realistic way to profitably use the breakthrough technology and ideology that blockchain represents. REALISTO is changing the way people participate in the global real estate market. We see societal value in crowd-investing as a way to democratize the investment industry. We seek to demonstrate this claim via our ICO, coming this November. Once launched, the REALISTO team of real estate experts will immediately set up and manage a portfolio. This portfolio will serve as a model for the future ICOs to be launched through our platform, according to the strict quality and fiduciary standards that we have established for ourselves.

We at REALISTO believe that we can play a part in proving that real estate as an asset class can be made vastly more efficient, more transparent and more accessible. We aim to bring investor and real estate experts together in the most efficient and profitable way. Our goal is to effect radical change in this dysfunctional and insular market.

REALISTO – Benefits at a Glance

Real value	The REALISTO tokens (ticker symbol REA) are backed by real estate
Industry savvy and focus	Demonstrable expertise and experience in the targeted real estate marketplace (Berlin)
Above average returns	Expertly chosen real estate projects ensure that only profitable properties make their way into the REALISTO portfolio
Access	No matter how big or small the stakes, REALISTO provides user-friendly access to above-average real estate ROI
Frequent ROI payout	Governed by smart contracts
Integrity	All platform funds will be handled through an independent trustee wallet that is inaccessible to platform administrators; disbursement of funds only with proof of purchase
Unique transparency	A data room set up by third-party escrow lawyers, where all movement of platform funds, all real-world contracts, and all smart contracts will be accessible for review by investors
No overreach	REALISTO stands for realistic investments that are in line with the amount of capital raised, therefore ROI goals are likely to be realized
Reasonable token distribution	Only 10% of REA tokens are reserved for the team, and only 10% of the ICO proceeds go to the operational fund
Sound business model	Stable balance of interests between two types of users – investors and real estate experts seeking to raise capital
Diversity of assets	Carefully vetted real estate experts bring their individual projects to the REALISTO platform to raise capital for many different types of real estate ventures; diversity ensures choice as well as stability for investors
Geared for growth	By offering infrastructure, networks, and blockchain expertise to real estate experts who seek to capitalize their ventures, REALISTO is positioned for long-term growth
Investor opportunity	Investors get in on the ground floor of what might well be the future model for the entire industry, effectively creating a whole new category of real estate investment
Security	All real estate business is conducted in the legally secure environment of the German Civil Code (BGB)
Tech secure	The REA token employs Ethereum-standard smart contracts, audited by CoinFabrik.

The REALISTO Real Estate Investment Strategy

The real estate market offers exceptionally high returns to investors who are diligent and have in-depth market knowledge. Germany in general, and Berlin in particular, have demonstrated strong and stable overall growth. Real estate prices in Berlin still lag behind prices in other German regions as well as Europe as a whole, indicating that there is significant potential for growth. Berlin real estate prices have steadily been rising over the past 4 years, having now reached the same level as the European banking capital of Frankfurt. As it stands, Berlin is well on its way to reaching the price level of Munich or Hamburg. Several other German cities are also currently in this state of significant undervaluation.

The objective of our REA token ICO is to raise funds to set up the platform infrastructure and establish a core portfolio, which will serve as a model for the subsequent crowdfunding campaigns launched through the platform. With these subsequent launches, third-party emitters will issue their own asset-backed tokens. REALISTO will be a platform for carefully researched real estate projects, chosen by experts who have a commanding knowledge of their target markets. These projects will offer high-yield returns that are otherwise unattainable to individual investors with limited capital. REALISTO's name is derived from the following philosophy: Be realistic about your industry and market expertise, as well as the financial reach you have.

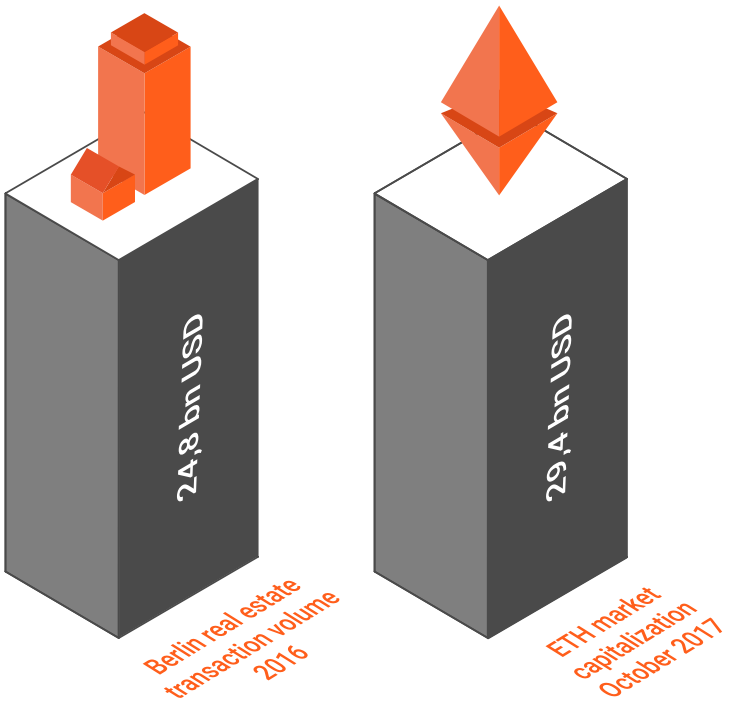
REALISTO is the brainchild of two Berlin real estate businessmen and their network of experts. The founders, Rouven Rosenbaum and Leonard Zobel, have been successfully operating in the Berlin real estate market since 2011. REALISTO is financially independent and has no outside stakeholders that could influence policy or seek insider advantages. With this ICO, REALISTO seeks to build a broad portfolio that yields above-average return for its investors, while at the same time establishing a platform for the future launch of many other real estate-backed tokens.

The founders and their team have amassed an intricate knowledge of the Berlin real estate market. They have created a local network comprised of key personnel in banks, institutions, and administration as well as large investors and on-the-ground real estate experts. A network like this is indispensable when seeking to operate profitably in such a complex and excessively regulated marketplace. At REALISTO, a successful real estate business infrastructure is already in place – and it has proven to be a source of exceptional returns.

Size of Targeted Market

One might understandably ask how market expertise in a single town, Berlin, could support an entire token investment strategy? The answer is surprisingly simple. The Berlin real estate market boasted an annual transaction volume in excess of US$24 billion for 2016. That means this “local” market could absorb one seventh of the entire market capitalization of all cryptocurrencies in existence, which amounts to about US$180 billion. Ether, the Ethereum cryptocurrency, has a market cap totaling roughly US$28 billion at the time of writing. These figures demonstrate that there is plenty of capacity for holders of cryptocurrency to gain exposure to the Berlin real estate market.

BERLIN REAL-ESTATE SALES VS. ETHEREUM MARKET CAPITALIZATION



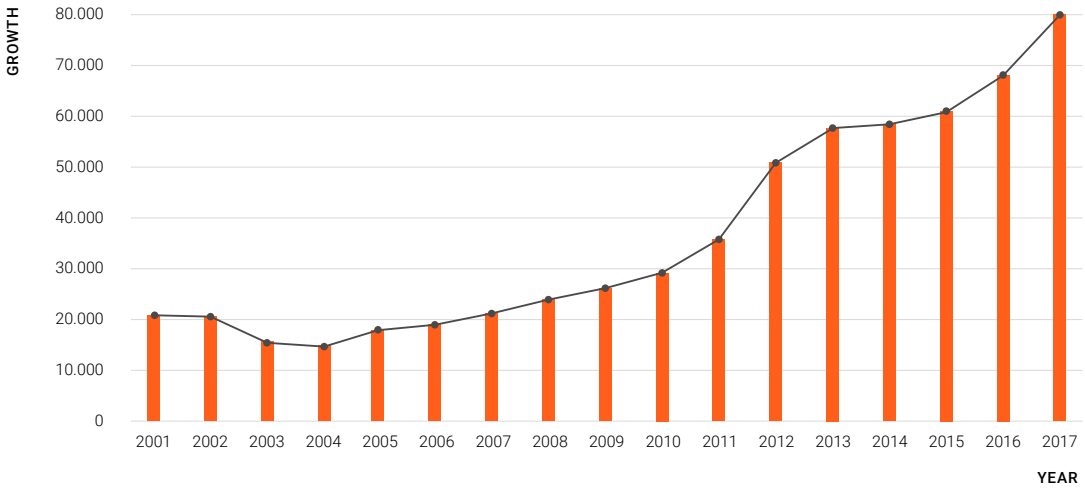
Market Fluidity Equals Opportunity

Berlin is an advantageous real estate market because it benefits from fluid urban development and zoning yet suffers from a relative scarcity of building plots. The city of Berlin is currently one of the most attractive European capitals, with a population steadily on the rise. As a result, the housing market is under constant pressure, leading to a steady increase in prices. The current environment is particularly rewarding for investment strategies that rely on the discovery of opportunities that do not appear on the official market.

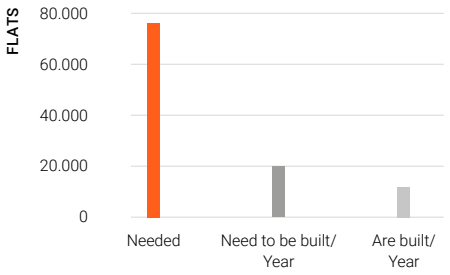
The demand in the Berlin property market currently exceeds existing supply, for both private homes and condominiums. For condominiums, the market situation is strained in the districts of Friedrichshain-Kreuzberg, Neukölln, Tempelhof-Schöneberg, and Charlottenburg-Wilmersdorf. This has led to an increase in purchasing prices of at least 8.3% in recent years. The rental segment is experiencing an equally strained situation, particularly in the above-mentioned districts. As for mortgages, current interest rates for real estate financing in Berlin are at a historic low, resulting in an ever-increasing influx of capital into the market.

All of this taken together suggests one thing: in terms of real estate, Berlin is a veritable Boom Town. It also means that REALISTO is operating in the right market to realize exceptional ROI for its investors over a long investment horizon. We expect the Berlin real estate market to retain its fluidity and manifold opportunities in the long term thanks to continued urban development.

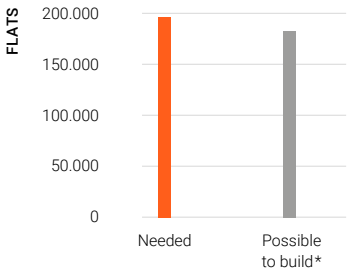
GROWTH OF POPULATION IN BERLIN 2001 – 2017



HOUSING SHORTAGE IN BERLIN



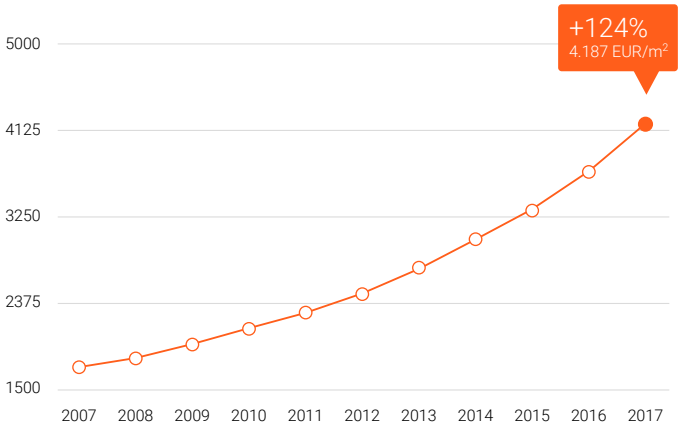
BUILDING PLOT SHORTAGE IN BERLIN UNTIL 2030



* If you take into account every available empty plot in Berlin.

BERLIN SALES PRICE INCREASE OVER PAST 11 YEARS

€ per m², 1st quarter 2007 to 1st quarter 2017



QUARTERLY INCREASE 2016

Q1	3.608 EUR/m²	+3%
Q2	3.747 EUR/m²	+4%
Q3	3.896 EUR/m²	+4%
Q4	4.042 EUR/m²	+4%

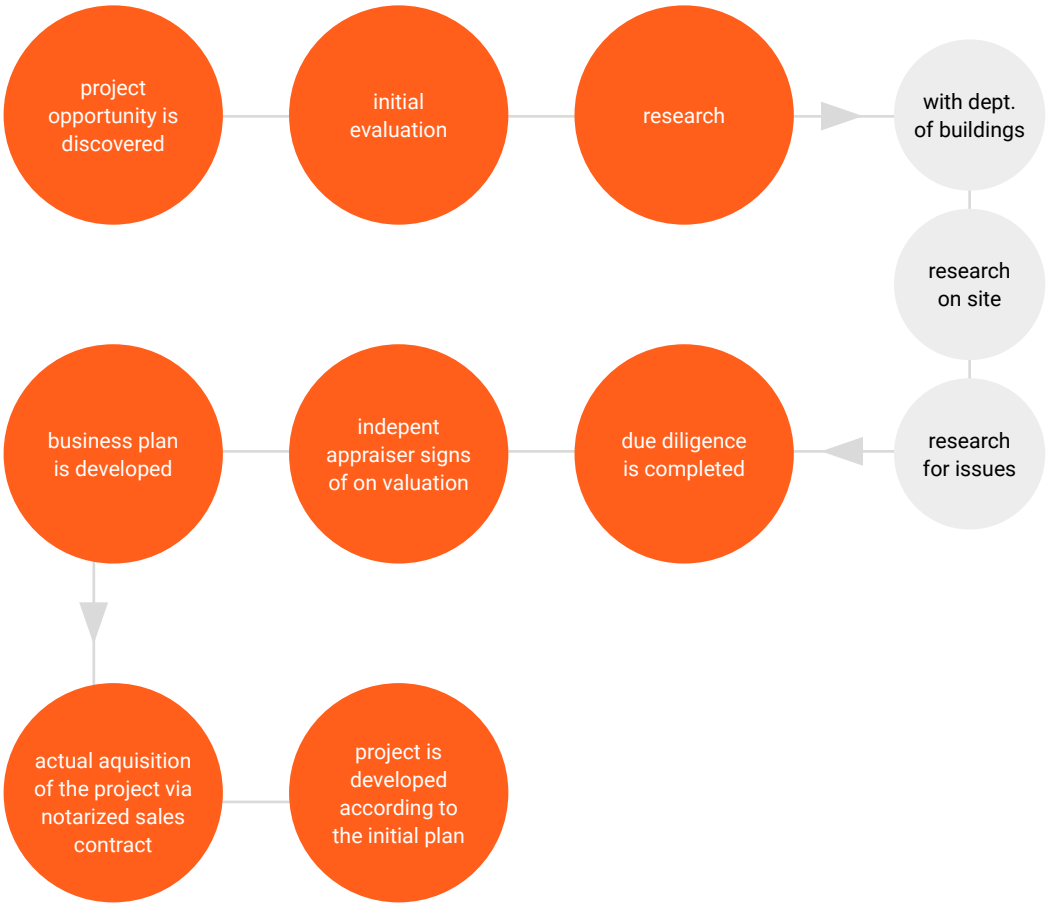
QUARTERLY INCREASE 2017

Q1	4.187 EUR/m²	+4%

A Balanced Catalog of Assets

The REALISTO strategy is to compile a portfolio of several properties with a view to flip, to lease, to develop, or to manage and resell them. Investments will never be placed into a single, make-or-break project. REALISTO does not chase after prestige properties but instead seeks a diverse array of projects that will realistically yield steady returns. To bring this about, REALISTO dedicates substantial time and effort to researching and analyzing each project's potential for tokenization. It is not uncommon for us to devote 100 man-hours worth of research work to an individual property. The Berlin market-place, and real estate in general, is an insider market that cannot be understood by leafing through the classifieds. The REALISTO goal is to build a balanced catalog of assets that vary in their yield-to-risk ratio. That way, token holders can allocate their tokens according to their individual investment needs and risk appetite.

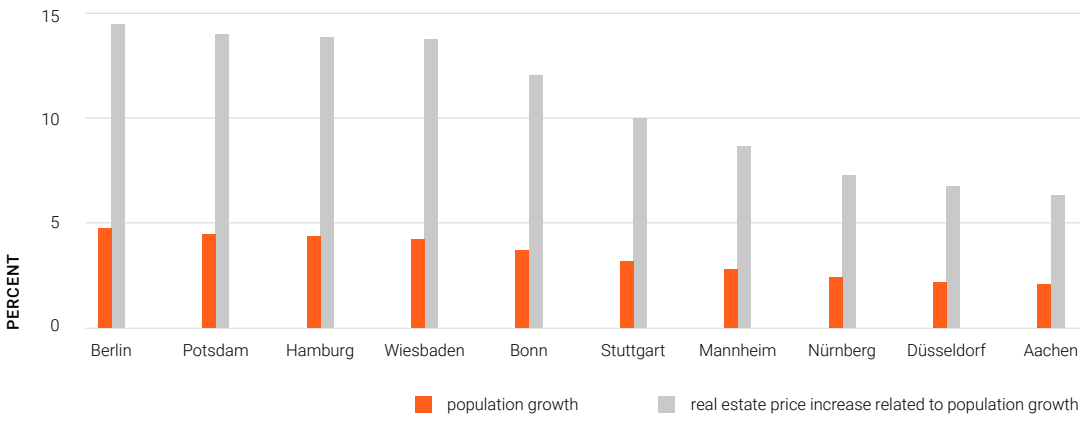
ASSET ACQUISITION FLOW



Securing the Future: Growth and Expansion

The REALISTO platform infrastructure is designed for growth. It is ready and able to accommodate a diverse array of real estate projects, provided they are in line with the strict rules and requirements that REALISTO has established. Berlin market activities will grow as the REA token grows. In the future, REALISTO will also expand to other German, and possibly even European, cities. As REALISTO has built a database of roughly 45,000 European industry contacts, expansion is not a matter of “if” but of “when”. However, any expansion to another marketplace is dependent upon the quality of the local experts proposing to work through the REALISTO platform. The standards of research, local networks and financial feasibility that REALISTO has established for its Berlin-based projects will equally apply to projects in new marketplaces.

POPULATION GROWTH VS. REAL ESTATE PRICES

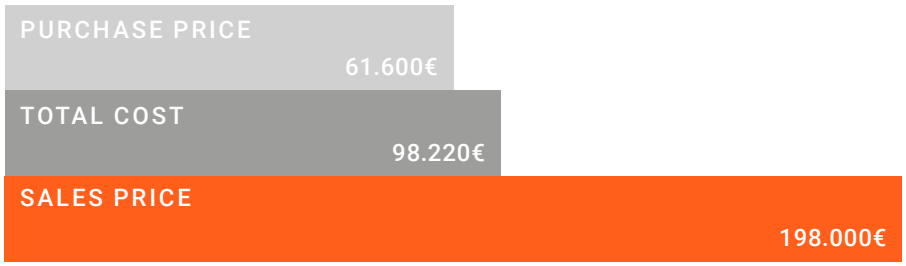


Exemplary Investment Projects

ROI PROJECTION – PURCHASE AND REFURBISHMENT OF A FLAT IN CENTRAL BERLIN

LIVING SPACE

56 m²
bought for 1.100€/m²



+ 6% transfer tax
3696€

+ 1.5% other correlated costs
924€

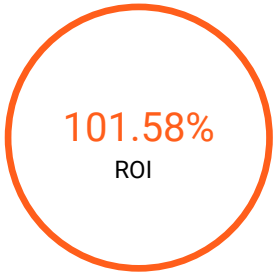
Full refurbishment costs
32.000€,
2 months of labor

Total cost including purchase price
98.220€ 1.753€/m²

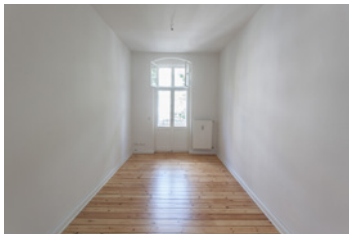
Estimated sales prices in the area
approx. 3.600/m²

Sale via real estate agent
198.000€ (3.535€/m²)

TOTAL PROFIT



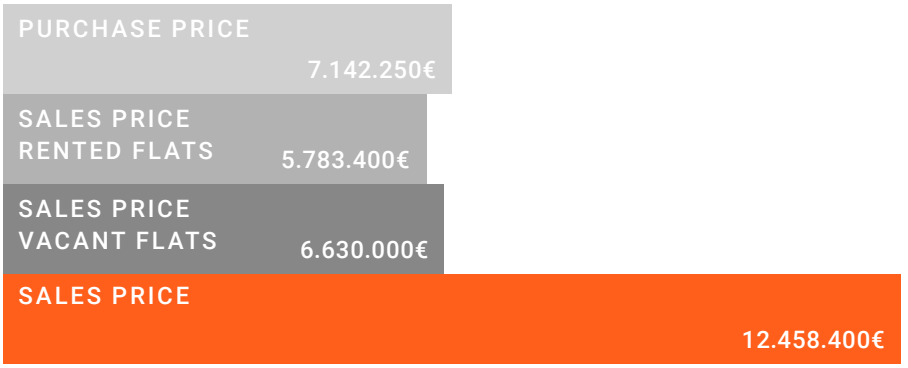
FLAT AFTER REFURBISHMENT



ROI PROJECTION – PURCHASE OF A PRE-WAR RESIDENTIAL BUILDING TO SELL THE 52 INDIVIDUAL FLATS

LIVING SPACE

purchase price 2.675 / m²



Purchase price per m²
2.675€/ m²
(6.675.000€ plus 7% tax and fees)

Flats rented
27

Retail price per m²
4.200€

Approximate sales price
5.783.400,00€

Flats vacant
25

Retail price per m²
5.200€ per m²

Approximate sales price
6.630.000,00€

PROJECTED PROFIT

ROI PROJECTION – COMMERCIAL BUILDING

COMMERCIAL SPACE
6.055m²

PURCHASE PRICE 3.000.000€

TOTAL COST 4.725.000€

SALES PRICE 5.800.000€

Purchase Price
495€/m²

+ 6% transfer tax
180.000€

+ 1.5% other correlated costs
45.000€

Income per year
381.465,00€

Expenses per year
80.000,00€ due to outdated pipes etc.

70% rented
7,50€/m²/month
31.788,75€ monthly income

30% vacancy
1.816,5 m²

Full refurbishment costs
1.500.000€
Refurbishment of the façade, floorplan improvements to enable use as co-working spaces with short term lease contracts

Increase in rent after refurbishments
15%, 438.684,75€ Income

Letting vacant space
Co-working spaces for 12€/m², 261.576,75€ Income

Income per year
526.4217,00€

Expenses per year after refurbishment
30.000€

property sold to commercial fund
5.800.000€

PROJECTED PROFIT

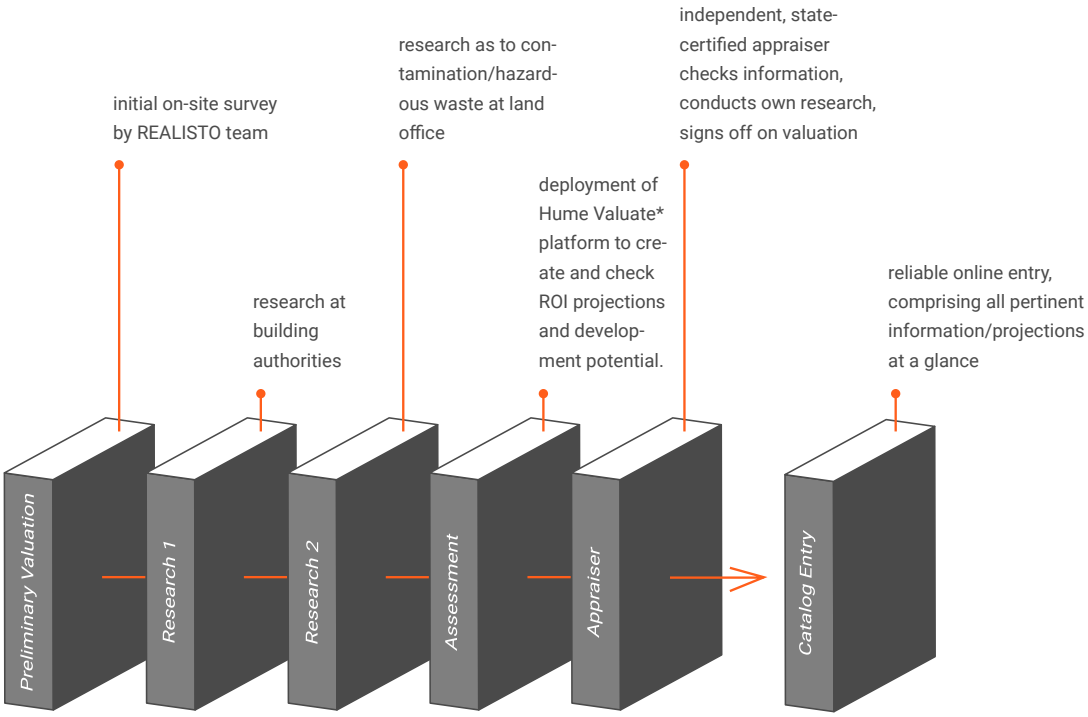
ROI in 18 month just from the sale
22.75%

Not included is the rental Income generated during the 18 months which will be at least 686.637,00€ thus rasinig total ROI to 37.26%.

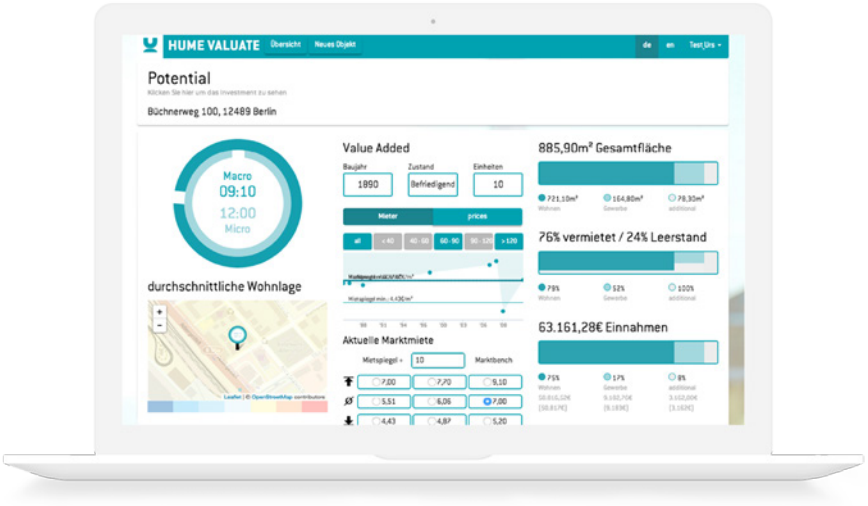
37.26%
ROI

+1.075.000€

REAL ESTATE PURCHASING DUE DILIGENCE



* Hume Valuate is a web-based service that takes property condition, projected profits and investment risk, as well as other essential data, and creates a reliable rating for the object/asset.



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The REALISTO ICO

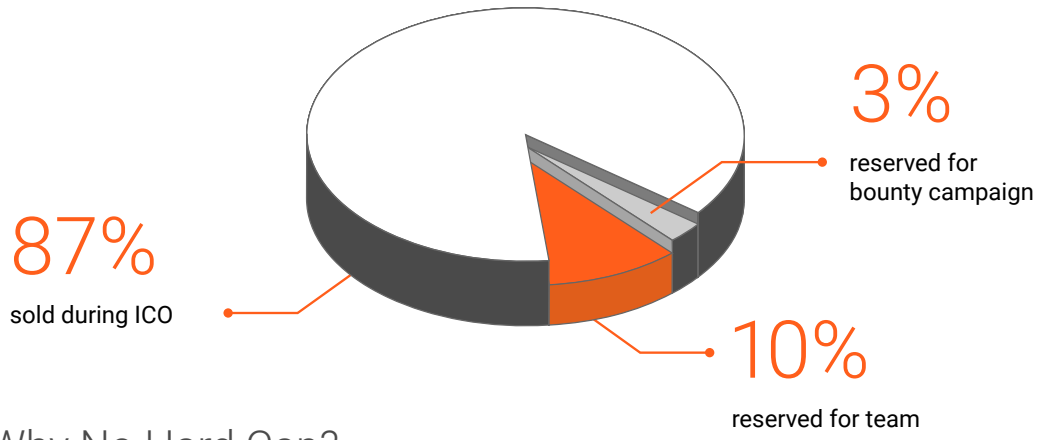
REA: The REALISTO Token

A capped pre-sale of the REA token will start on November 7, 2017 and end on November 14, 2017 – with a minimum contribution of 5 ETH at a 30% discount rate. The REA token sale will be conducted via smart contract, fully audited by *Coinfabrik*.

The uncapped, public ICO of REA tokens will start on November 15, 2017 and end on December 15, 2017 – with an initial discount of 15%. The discount rate will be lowered in increments of 5% percent over the duration of the 30-day sale, with the latest stage of the sale offering no discount. In any case, we expect that tokens acquired during the ICO will be heavily discounted against subsequent trading values of REA tokens in secondary markets. Minimal contribution in the public ICO is set at 0.01 ETH. We explain our rationale for an uncapped ICO further below.

The proceeds from the ICO will be split via smart contract in the following manner: 90% of the funds will be used to fund acquisition of assets and 10% will go to the operational fund that covers all operational costs.

TOKEN DISTRIBUTION



Why No Hard Cap?

REALISTO has opted for a “no hard cap” ICO format because we see no reason to limit the opportunity for our investors to acquire high-yield real estate. In the real estate business, the more capital one can deploy, the more diverse and stable the portfolio will be. We are fully aware of the reputation that some “no hard cap” ICOs have garnered. However, REALISTO will use only 10% of the capital raised to remunerate the team, develop the platform, conduct sales and marketing initiatives, and cover legal and auditing costs. That means 90% of the capital will be used to fund Core Pool and Opportunity Pool portfolios. Therefore, we are confident that our integrity is not compromised by opting for a token sale with no hard cap. Furthermore, a hard cap could potentially lead to “race conditions” that unduly privilege those with deeper pockets.

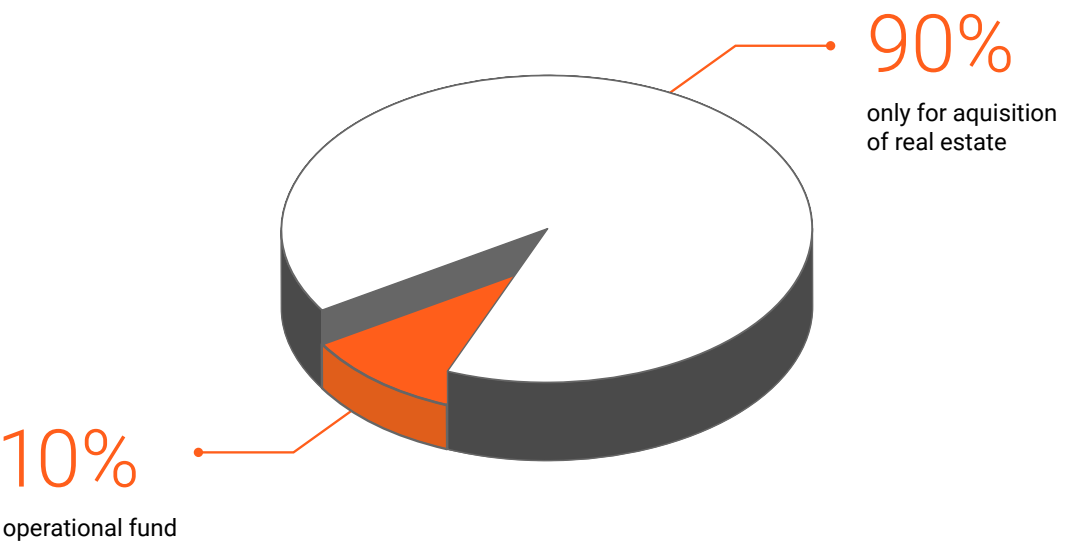
For our pre-sale, on the other hand, we have decided to apply a hard cap. This is due to the fact that our tokens are asset-backed; the more REA tokens we hand out for free as a pre-sale bonus, the less funds – in relation to tokens generated – we will have to buy assets. Our pre-sale is meant for investors who are convinced of the feasibility of the REALISTO concept and are willing to commit substantial amounts to the project right off the bat, for a 30% discount. Everyone else will still be rewarded with a 15% bonus in the first week of the ICO.

Three Kinds of Value

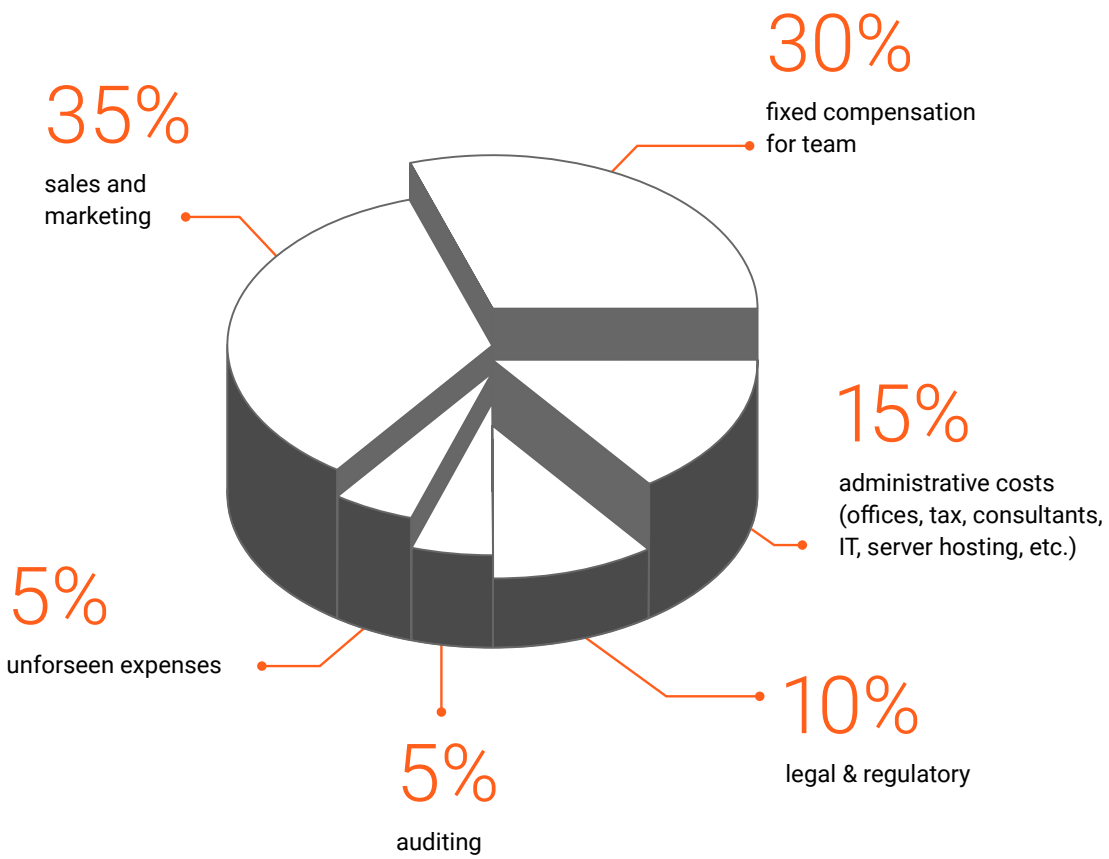
The REALISTO ICO will serve to crowdfund our new platform and launch the first asset-backed token issued from that platform. With the first half of the 90% of capital raised, REALISTO will set up a Core Pool of expertly selected, high-quality residential and commercial real estate assets. These assets will generate steady returns for users who plan to hold their tokens and watch the intrinsic value grow. The second half of the 90% of capital raised will be used for an Opportunity Pool, where more active investors can vote for the acquisition of real estate projects of different risk-to-yield ratios. Investors will vote by allocating their tokens according to their investment strategies.

A third source of profit for REA token holders comes from REALISTO's platform-as-a-service, which helps emitters to set up their crowdfunding campaigns for a fee. REA token holders will be given a 70% share of the profits made from these fees. At the same time, real estate crowd-investing is becoming more and more attractive to investors. As tokenized real estate investment via blockchain becomes more popular, we expect real estate experts to increasingly turn to platforms, like REALISTO, that provide a stable infrastructure for capitalizing their projects. This increased activity suggests healthy prospects for our third source of value.

USE OF PROCEEDS FROM THE ICO



OPERATIONAL FUND BREAK DOWN

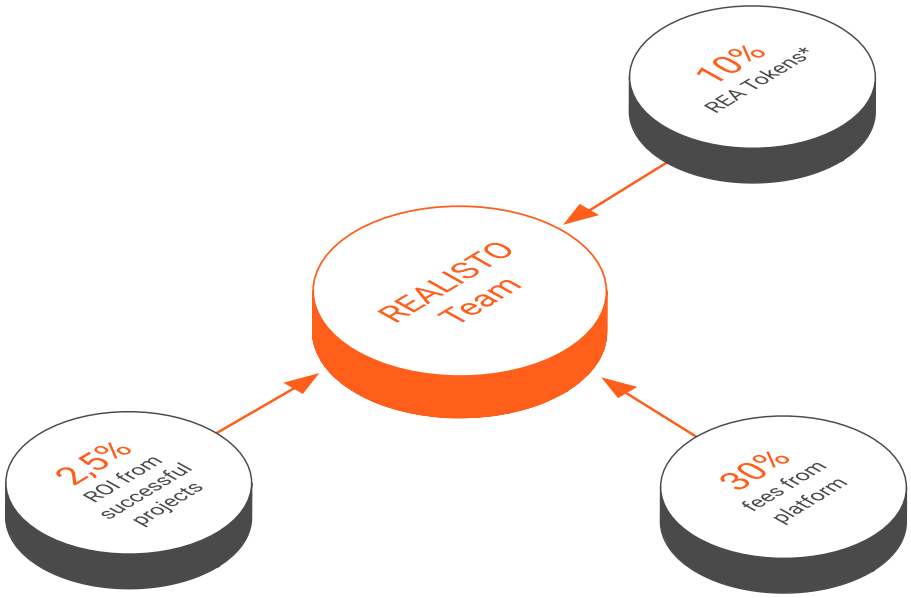


How Does the REALISTO Team Make Their Profit?

The REALISTO team will take 2.5% of the returns realized by the Core Pool and the Opportunity Pool. This is to remunerate the team for curating, administrating, managing, and developing the real estate assets.

The REALISTO team will take 30% of the fees generated by offering the platform to real estate experts for their own individual ICOs. This is to remunerate the team for managing and administrating the platform, maintaining the infrastructure, conducting emitter due diligence, managing issuances and crowdfunding campaigns, developing projects, marketing, and acquiring new projects.

10% of the REA tokens minted in the ICO will go to the REALISTO team. The tokens will be locked in for 12 months, thereby incentivizing the team to develop the platform to its fullest potential.



* locked for 1 year in smart contract

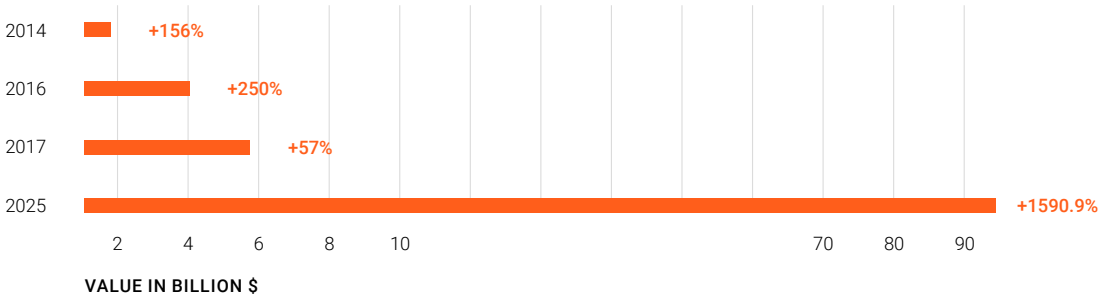
How the REALISTO Platform Works

Two Kinds of Users: Investors and Emitters

The REALISTO platform is designed to service two different kinds of users. First, there are the investors who wish to invest their cryptocurrency capital into tokens that enable them to participate in the platform's real estate projects. Second, there are the emitters who use the REALISTO platform to issue their own asset-backed tokens. REALISTO will use half of the capital raised in the November 2017 ICO (minus 10% for the operational fund) to establish a core portfolio of real estate, acquired at the team's own expert discretion. This will be called the *REALISTO Core Pool.* The other half of the capital raised will be used to set up the *REALISTO Opportunity Pool,* where real estate investment projects will be presented to investors so that they may vote on acquisition via token allocation. Therefore, the REALISTO Core Pool and the REALISTO Opportunity Pool will be the first two projects on the platform – built with 90% of the capital raised in the November REA token sale.

REALISTO aims to bring the interests of investors and emitters together in the most efficient and reliable way. We expect many crowdfunding campaigns to be launched through our platform by carefully vetted real estate experts. Every one of the future token emissions launched by other real estate experts through the REALISTO platform will adhere to the same exacting standards and business principles laid down in this paper. This means that REA investors will benefit from the profits made by the Core Pool and Opportunity Pool as well as the profits that come from the REALISTO platform-as-a-service.

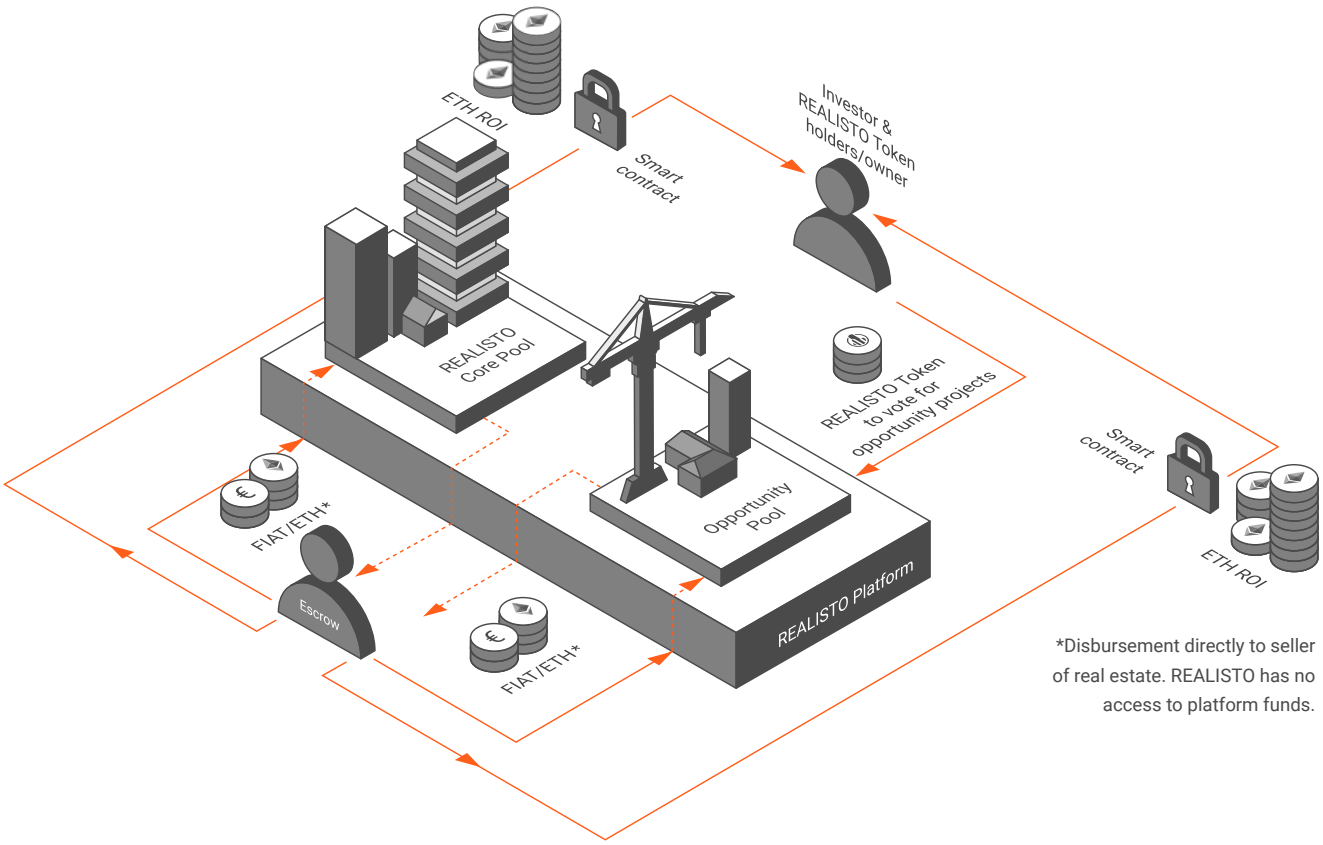
REAL ESTATE CROWD INVESTING MARKET GROWTH



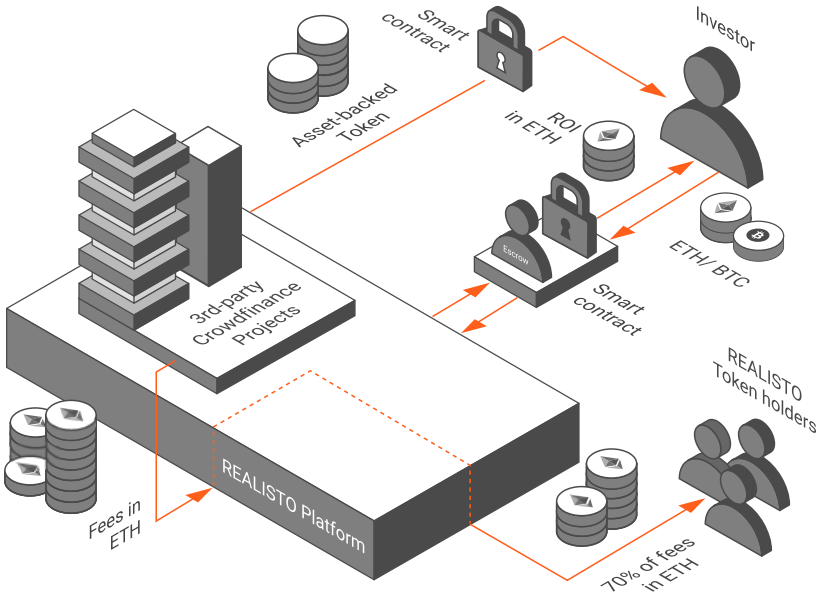
OPTIONS FOR ALL-SIZE PROJECTS, BUDGETS AND TYPES OF INVESTMENT

Real estate crowd funding grew by 156% in 2014, valued at US $ 1 bln. In 2016, it grew to $4.0 billion, making it one of the fastest growing branches of the crowdfunding sector. Based on 1st quarter projections real estate crowd funding will reach US $ 5.5bln by the end of 2017. According to World Bank predictions, the entire crowd-funding industry will value at US $ 93 bln by 2025.

REALISTO PLATFORM FLOW FOR INVESTORS AND EMITTERS



*Disbursement directly to seller of real estate. REALISTO has no access to platform funds.



The REALISTO Contract Structure

The smart contracts used by REALISTO are distributed applications on the Ethereum network. These smart contracts are written in the Solidity programming language and are compiled to byte code for the Ethereum VM.

The system of smart contracts created and employed by REALISTO is run via a Controller App, which is a front end for contract administration. Its main tasks are to provide a way to deploy tokens to the Ethereum network and to trigger contract functions such as “start,” “pause,” “finalize,” and “transfer.”

REALISTO USES FIVE DIFFERENT SMART CONTRACTS

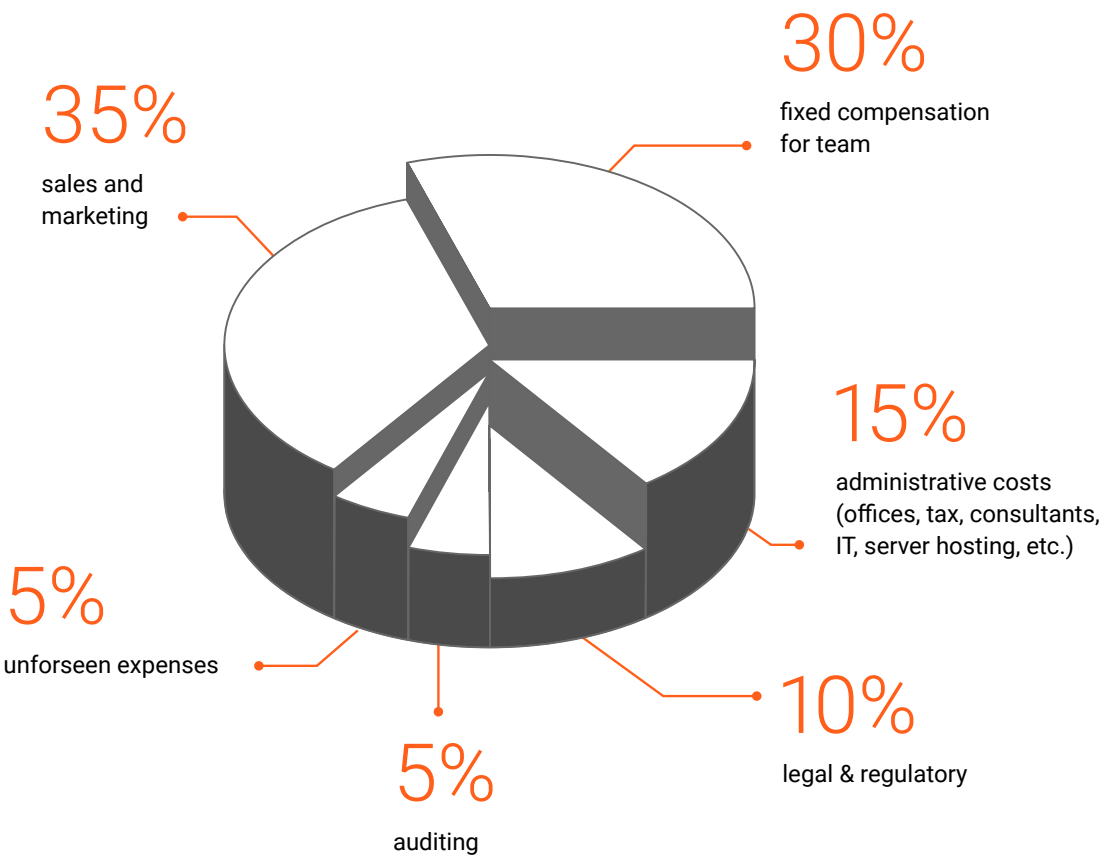
RealistoToken.sol	Our token, the REA, is based well tested MiniMe implementation of the ERC20 standard. As such, it allows for the standard operations of querying balance, transferring, and setting spending allowance. Additionally, it implements the function “generate_tokens_for,” which may be called only by the Campaign Controller (see below).
MiniMeToken.sol	Auxiliary contract, part of the MiniMe implementation. It is used to implement the cloning of the tokens. Not specific to our case.
TokenCampaign.sol	The Campaign Controller is the contract that accepts ETH from an address and triggers token generation via "generate_tokens_for" function of the Token contract. Additionally CampaignController allows generation of Tokens without incoming ETH for BTC contributors. This function is controlled by our BTC payment processing backend which also logs all activities related to token generation. The function “finalize” computes the team share and generates team tokens. This function may only be called upon when the crowd sale is over. It is possible to pause the crowd sale at any time in case of emergency.
LinearTokenVault.sol	TeamVault holds the team tokens. It is programmed to lock the tokens for a year to prevent the team from dumping tokens and only allows for controlled spending of tokens.
ROI Disbursement Contract	PayDividend is a smart contract that is not part of the ICO stage but will be deployed later when returns are to be disbursed from the trustee wallet to token holders.

The REALISTO Platform Escrow System

To keep investor money safe and diligently manage emitter capital, the REALISTO platform holds all working funds in an escrow wallet. This means that the platform funds are kept in escrow until the real estate experts of a given ICO show valid proof of purchase for the real estate project in question. ROI is disbursed only if the applicable smart contracts are triggered.

In addition to transparently controlling the platform's flow of capital, the REALISTO system also offers another important feature: the Data Room. The Data Room will be administered independently from the REALISTO platform, set up by a notary public. This Data Room may be visited by investors and emitters at any time. It will provide access to bank statements, real-world contracts pertaining to the purchase and sale of real estate, protocols exchanging tokens and cryptocurrency for fiat money (to purchase assets), and other pertinent financial statements. The Data Room thus provides an accurate and ongoing report of all activities, maintaining the full transparency that is essential to the REALISTO proposition.

OPERATIONAL FUND



Security Considerations

THE REALISTO SECURITY SYSTEM RESTS ON THREE PILLARS

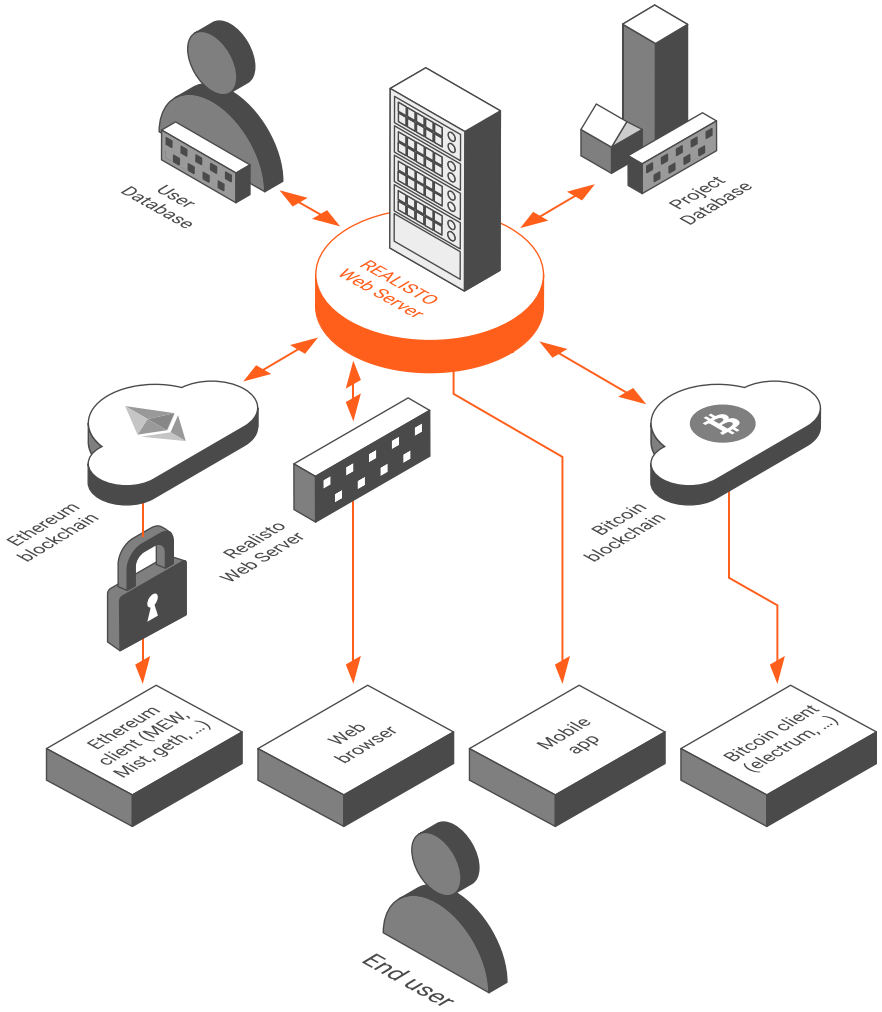
- **Real-world security pertaining to assets (real estate properties and projects)**
- **Fiduciary security of capital flows**
- **Tech security**

With regard to real-world security, REALISTO is working with some of the largest and most well-known insurers to acquire comprehensive insurance on all real estate assets in the portfolio. In Germany, we are legally required to insure buildings and structures against any liabilities that may originate from ownership. In addition, REALISTO will also acquire comprehensive insurance against damage by natural disaster and acts of god, a term that refers to freak accidents with no discernible party at fault.

Regarding fiduciary duties, access to the REALISTO platform funds is multi-signature, meaning that several parties must approve of each transaction by signature. Any transferal of monies can only be initiated upon presentation of proof of purchase, thereby preventing misappropriation of funds.

To ensure tech security, we have our smart contracts audited by *CoinFabrik* and tested extensively on *Testnet* and *Livenet.* REALISTO platform data is stored on a dedicated server and secured according to state-of-the-art protocols. User accounts and wallets will be secured by two-factor authentication. All funds are stored in air-gapped cold storage.

The REALISTO Tech Stack



Smart contracts	Web frontend	Mobile	Backend	Data storage
solidity, truffle, javascript	PHP, Javascript, React.js. web3.js	Clojure, Java, Swift, ReactNative	Clojure, Python, Electrum, Web3j, geth (own node)	PostgreSQL MongoDB

Necessary Limits of Full Tech Disclosure

Because we do not wish to provide ready-made gateways for hackers, we must limit the disclosure of the tech involved in running the REALISTO platform. Therefore, the specifics of our system architecture will remain confidential in order to provide protection for our platform and our users. On the other hand, the smart contracts that we use for business with our investors and emitters are open source and can be viewed and audited by anyone.

The REALISTO App – Managing Your Investment

Investors can manage their accounts and execute investment decisions through the REALISTO platform app. The REALISTO app connects investors to the blockchain, using the applicable smart contracts. The user wallets are thus blockchain wallets: all information pertaining to investments, tokens, and the value they carry is recorded in the immutable ledger of the blockchain.

The platform works as a mobile app and as a web application accessed through your browser. REALISTO aims to provide user-friendly access to the investment opportunities presented on our platform.

All platform interface functions are designed to serve clearly defined purposes. Any background activity is only executed to serve a specific purpose. REALISTO does not collect data about or from their users beyond the data necessary for execution of investments and disbursement. Data will never be passed on to third parties for commercial reasons. Any technical changes or development phases will always be explained in full at the earliest possible time. Therefore, you can use the REALISTO platform confident in the knowledge that your privacy is being protected.

Regulatory Terms

The REALISTO ICO has been initiated by the Realisto GmbH based in Germany (Fritz-Jäger-Allee 16 in 15086 Zossen, just outside Berlin). The company's office address is Pariser Strasse 61, 10719 Berlin. The company operates as a limited liability company, largely similar to the Anglo-Saxon LLC model. Its share capital amounts to €25,000. The company's commercial register number is HRB 28456 P, and its registry court is the Potsdam district court.

According to prevailing legal opinion, ICOs of the nature planned by REALISTO are not subject to supervision or subject to permission under German law. In terms of existing German law, the ICO is not considered to be a deposit business, nor will there be any own-account trading. No laws pertaining to legal tender or legal currency are applicable in this case, nor does German law consider tokens of the REALISTO kind a "security."

The REALISTO business venture is entirely legal and compliant with existing German law. However, a REALISTO ICO would be subject to prospectus requirements under German law and the laws of several other countries. As this involves lengthy procedures that would take at least one year to complete, REALISTO has opted to forgo said procedures at this stage. This means that citizens and residents of Germany, the United States of America, the People's Republic of China, and the Republic of Singapore are not eligible to participate in the REALISTO ICO.

The REALISTO Platform Is, and Will Be, Compliant with Existing Regulation

Should pertinent regulations change in the foreseeable future, REALISTO will immediately comply with said regulations. Furthermore, REALISTO will make investors and emitters fully aware of any consequences stemming from new regulations and subsequent compliance.

The REALISTO Team

REALISTO uses blockchain technology to democratize access to the real estate investment market. Such an ambitious project requires a high level of technical expertise as well as significant knowledge of real estate investing, local markets and the laws that govern the industry. Below we describe the REALISTO team, which brings together all of these capabilities.

Rouven Rosenbaum
Founder, Co-CEO

Born in 1985 in Berlin. Studied law and business administration. He went on to launch a number of real estate companies, turning each of them into a highly successful business venture. His current venture, Rouven Rosenbaum Immobilien GmbH (LLC), is to serve as the springboard for REALISTO.

Leonard Zobel
Founder, Co-CEO

Born 1989 in Berlin. Co-Founder of REALISTO, alongside Rouven Rosenbaum. An avid photographer and vintage car buff, he studied law and has been fully invested in his career in Berlin real estate since 2013. His success in this highly complex marketplace has enabled him to claim an equal share in the initial founding of REALISTO.

Pavel Metelitsyn
CTO, Software Developer

Born in 1984 in St. Petersburg, Russia. Holds a degree in mathematics from the Johannes-Guttenberg University in Mainz, Germany, specializing in algebraic geometry and high-performance computing. His knowledge and experience as a freelance coder and systems architect make him an invaluable asset to the REALISTO enterprise.

Manfred Loell
Real Estate Expert (Marketing and Development; Real Estate Database)

Born in 1976 in Berlin. A veteran Berlin real estate professional who has been responsible for hundreds of residential, commercial, and development projects. He is the architect of a large real estate database comprised of more than 45,000 professionals in the field. His marketing and development skill set is part of REALISTO's core value.

Rafael Rosenbaum
Real Estate Expert
(Acquisition and Development)

Born in 1989 in Berlin. A state-certified medical professional, he joined his brother Rouven in the REALISTO parent company in 2015. He has since become a knowledgeable real estate professional, specializing in the acquisition and conversion of investment projects.

Carlo Wandelt
Real Estate Expert
(Development and Project Management)

Born in 1989 in Berlin. Studied law at the University of Potsdam and undertook vocational training in real estate business administration. He has since worked as a freelance real estate dealer and as a project manager for several large projects. His Berlin real estate savvy is of great value to the REALISTO project.

Maxim Olschsanskij
Real Estate Expert (Residential)

Born in 1987 in Minsk, Belarus. Immigrated to Oldenburg, Germany in 1992. Studied fine arts at the Academie Minerva in the Netherlands while making a living in the Oldenburg real estate business. After moving to Berlin in 2013, he joined Rouven Rosenbaum's real estate business. His area of expertise is the development and sale of residential property to investors.

Christoph Willumeit
Marketing and Communication

Born in 1963 in Hamburg, Germany. Studied literature, philosophy, and art history at the University of Hamburg. Along with his strong background in the humanities, he brings decades of experience in marketing and communication to the REALISTO project.

Immanuel Scherer
Software Developer and Systems Architect

Born in 1981 in Corinth, Greece. Graduated in 2007 from the Munich Technical University, specializing in computer science. Has spent several years as a freelancer and as a developer and systems architect within various cutting-edge companies. He has also founded his own IT company and currently serves as its managing director and CTO.

Thomas Hinze
Platform Developer

Born in 1982 in Beeskow, Germany. Studied media sciences and graduated in 2006. Since then, has worked as a freelancer in process analytics, digital product development, and tech advisory for various companies. As a developer of the real estate-related HUME Valuate platform, he has considerable experience in bringing digital interfaces to the real estate world.

The REALISTO Advisory Board

Legal, fiduciary, business administration, and organizational concerns all need to be taken into account when embarking on a complex venture like the REALISTO platform. Because of this, the REALISTO team relies on the knowledge and advice of several experts in their respective fields. Our advisory board provides essential guidance on the development and the management of the platform.

Vinny Patel
Developer at CIM Group
RE Advisor

Vinny Patel was educated at The College of Charleston where he studied business administration. He went on to work for a major hotel chain, chalking up valuable experiences in the real estate field. He went on to become a development associate at CIM Group, a full service RE fund-managing firm.

Sabine Eberlein
Process Management

With her education in business administration, she brings international management expertise to the REALISTO project. Having worked for several renowned companies, she commands theoretical and practical experience in process analysis, organizational development, quality management, and customer service.

Kyle Wang
Senior Consultant at IBM
Blockchain Advisor

Kyle Wang was educated at Penn State, and earned a BS in finance. Before he became a senior consultant at IBM, specializing in Blockchain Strategy, he gathered valuable experience at several fintech companies. He is involved in several projects that concern cryptocurrency and ICOs.

Lutz Auffenberg
Lawyer

Studied law at Justus Liebig University in Giessen, Germany and at the Université de Liège in Belgium. As a certified specialist in banking and capital markets law with specific expertise in fintech, he advises and represents large corporations as well as small start-ups. He is an internationally renowned expert in regulation pertaining to cryptocurrency and blockchain.

Dr. Peter Diedrich
Lawyer & Notary public

Dr. iur. Istvan Szabados
Lawyer & Notary public

Sources

The following is a list of websites where you can obtain additional information about various aspects of the REALISTO project.

Allianz

www.allianz.de (insurance)

WINHELLER

www.winheller.de (consultants for the implementation of ICOs based in Germany)

autentek

www.autentek.de (website development, platform development, IT security consultants)

CoinFabrik

www.CoinFabrik.com (smart-contract auditing)

https://blog.ethereum.org/author/vitalik-buterin/ (blog by Ethereum founder Vitalik Butkerin)

http://vitalik.ca/general/2017/06/09/sales.html (discussion of token-sale models)

www.etherum.org (website Ethereum project)

Corporate and Contact Information

REALISTO GmbH is a limited liability company,
largely similar to the Anglo-Saxon LLC model.

REALISTO GMBH

Registered at	Amtsgericht (local court) Potsdam HRB 28456 P
Managing directors	Rouven Rosenbaum and Leonard Zobel
Registered address	Fritz-Jaeger-Allee 16 | 15806 Zossen OT Waldstadt, Germany
Business address	Pariser Str. 61 | 10719 Berlin, Germany
Phone	+49 30 9599819 11
Website	www.realisto.io
General Contact	hello@realisto.io
Investor Relations	investors@realisto.io
Bounty Campaign	bounty@realisto.io
Press Inquiries	press@realisto.io

REALISTO