

SqPay:

Real Estate Crypto Investments

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Background:

SqPay offers a model of profitable investments in commercial real estate and shifts the traditional investment model (with a high entry threshold and tax complexities) to the environment of using Blockchain technology and digital tokens (on their basis). SqPay tokens are backed up by real estate items.

This manifesto details the concept and components of the mechanism.

1. Introduction

The project essence: SqPay connects Blockchain technologies with the realm of commercial real estate.

This business model creates a new approach in corporate governance, where every participant can easily take part in management and influence dividends distribution.

Modern technologies provide tremendous opportunities for private investors from all over the world to become a part of an ecosystem with no restrictions on the movement of capital.

Despite economic uncertainty and geopolitical challenges, investors' activity in the global real estate market remains high.

According to JLL experts, the global investment transactions with commercial real estate will increase from \$650 billion in 2016 to \$700 billion in 2017, having recovered to the levels of 2014-2015. According to JLL, the main investment real estate market in the world is the USA: it is in this country that 16 of the top 30 cities in terms of direct investments in the commercial real estate are located.

The absolute leader among the TOP-30 world cities in terms of direct investments in the commercial real estate is New York (\$33.1 billion in the first three quarters of 2016). The investment transactions in New York are almost double that of London – the second largest city in the list. Los Angeles has climbed to the third position with a 22% increase, to \$15.7 billion, due to an increase in foreign investment. The city has outperformed the previous leaders – Paris and Tokyo (fourth and fifth places, respectively).

TOP-30 World Cities in Terms of Direct Investment in the Commercial Real Estate

2015	2016	2017 1 st -2 nd quarter
London	New-York	New-York
New-York	London	London
Tokyo	Paris	Los-Angeles
Paris	Tokyo	Paris
Los-Angeles	Los-Angeles	Tokyo
Boston	Chicago	Washington
Washington	Shanghai	Seoul
Chicago	Boston	Chicago
San-Francisco	Washington	Hong Kong
Sydney	Hong Kong	Singapore
Seoul	Seattle	Silicon Valley
Singapore	San-Francisco	Dallas
Shanghai	Silicon Valley	Boston
Toronto	Atlanta	Shanghai
Dallas	Dallas	Seattle
Hong Kong	Sydney	Toronto
Melbourne	Singapore	Sydney
Silicon Valley	Phoenix	Atlanta
Stockholm	Toronto	Miami
Munich	Berlin	San-Francisco
Atlanta	Seoul	Beijing
Frankfurt	Beijing	Las-Vegas
Huston	San-Diego	Philadelphia
Seattle	Miami	Munich
Philadelphia	Munich	Denver
Denver	Frankfurt	Phoenix
Phoenix	Melbourne	Stockholm
Berlin	Oslo	Hamburg
Dublin	Denver	San-Diego
Beijing	Huston	Frankfurt

- Developed world cities
- New world cities
- Developing world cities

Investment activity in the World is supported by increased investment from institutional players attracted by the profitability of commercial real estate, as well as new sources of capital from countries such as China, India and Malaysia.

The share of cross-border transactions in the total volume of investment activity may exceed 50% by 2020 against the backdrop in interregional capital flows.

One of the brightest trends in commercial real estate is the strengthening of Chinese investors. According to the results of 2016, China has overtaken the US, becoming the world's largest cross-border buyer of commercial real estate.

The difference between commercial real estate and other major classes of assets is liquidity.

Compared to stock exchange securities, such as stocks and government bonds, the real estate market is not as organized and efficient as other markets.

Investments in liquid assets are hampered by the location in geographic areas deprived of internal investment opportunities.

Moreover, an important factor is the threshold for entry into such projects for a private investor. Although many investors are looking for the opportunities of investing in overseas real estate, there are huge obstacles to transfer the capital from the legal point of view.

2. The concept

The SqPay project will be implemented in several stages.

1. Creation of a trust (DAT – Decentralized Autonomous Trust) and collection of cryptocurrencies to the wallet of a Trust. The trust will be registered in Hong Kong since the legislation of this city allows to protect the rights of the token holders (Hong Kong is one of the most advanced cities for projects using crypto-currencies).

2. Creation of the Blockchain Web-based Infosystem in the Trust, which will allow the holders of tokens to vote for:

- Distribution of profit;
- Selection of real estate objects;
- New investment directions proposed by the committee.

3. Evaluation, audit and acquisition of commercial real estate object in street retail with the current anchor tenants.

4. Distribution of rental income to dividends and further business development as per voting results.

To officially launch the SqPay project, we need investments that are divided into two rounds:

1. PreITO – softCup 0.05 M \$ hardCup 0.15 M \$

2. ITO – softCup 10 M \$ hardCup 90 M \$

The funds collected at preITO are necessary for the Trust registration, legal structuring, software and project infrastructure development.

The funds raised at ITO will be used for the acquisition of commercial real estate objects, that will create a flow of profit to be distributed among the holders of the tokens.

3. The token system

3.1 System and functions

There are 3 main reasons for creating a system of tokens:

- Raise enough money to develop the project. Crowd-funding with detailed rights and warranties of participants is the best option for building a community that wants to create and increase capital.

- Tokens are a universal tool of value for each participant, both in decision-making and in income distribution.

- Tokens can be perceived as an investment tool, because the market price will change during the project development.

The profit source is not the turnover of the tokens themselves, but real estate items and their lease, while during the reinvestment the number of real estate objects and the market price of tokens will grow.

We would like to emphasize that SqPay team cannot guarantee a monotonous increase in the value of the Tokens and is not responsible for any losses associated with Tokens' speculation in the market.

3.2. Token descriptions

Tokens allow for the distribution of dividends in proportion to the total amount. Tokens bear the voting rights for the decisions proposed by the committee.

SQP tokens are divided, i.e. their number does not need to be an integer, since fractional partitioning will create the convenience for working with SQP.

The smallest fraction is 0.0001 SQP.

It should be noted that to obtain dividends and to vote, holders must have at least one full token. We will not be able to pay dividends if the token holder trades them on a third-party exchange, rather than inside our ecosystem.

The minimum number of tokens an investor can purchase is 1.

The total number of tokens is limited to 100,000,000.

In the ITO process, payments can be received in any crypto currency; this becomes possible when using the technology <https://shapeshift.io>

PreITO (2 weeks)

1 000 000 – 3 000 000 (1 – 3%) – \$0.5 per 1 token, and the minimum purchase is 1 tokens.

ITO (4 weeks)

90 000 000 (90%) – \$1 per token, and the minimum purchase is 1 token.

6 000 000 – 8 900 000 (6-8.9%) – will be distributed among the team

100 000 (0.1%) – Bounty campaign

In the event of fewer tokens sale via ITO, the number of tokens for the team will be reduced to 9%, and the rest will be “burnt.”

The funds raised will be stored in a multi-signature wallet under the supervision of three members of the advisory committee. The management of the funds will be transparent and in line with the strategic plan.

4. Financial and economic model

The financial and economic model is built and calculated on the basis of fundamental factors. The calculations take into account the payment of dividends in the amount of 50% of the profit. It does not take into account the increase in the company value as the result of effective management and favorable market situation. Based on the data given, the payback period of the project is 6-7 years (14.3 – 16.6% per annum).

Full financial model can be found at <http://sqpay.io/>.

Table 1 (Dividends per token per annum, USD)

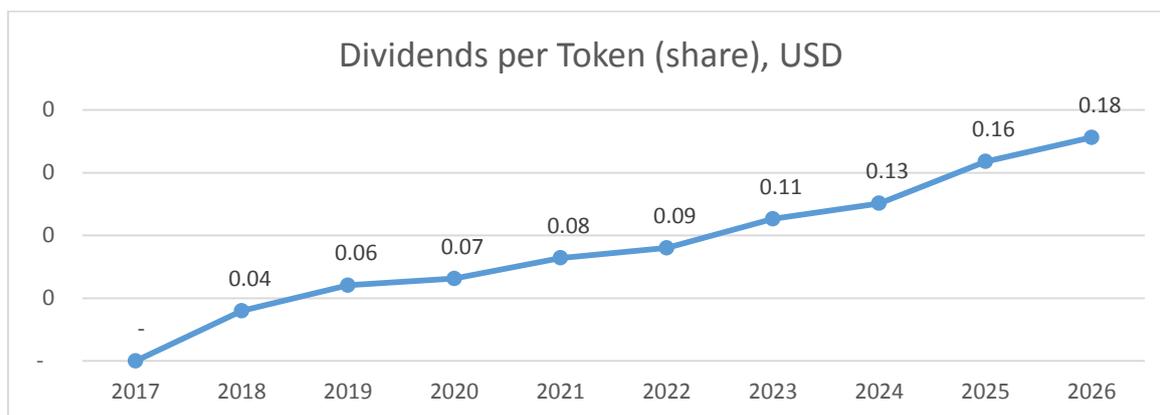
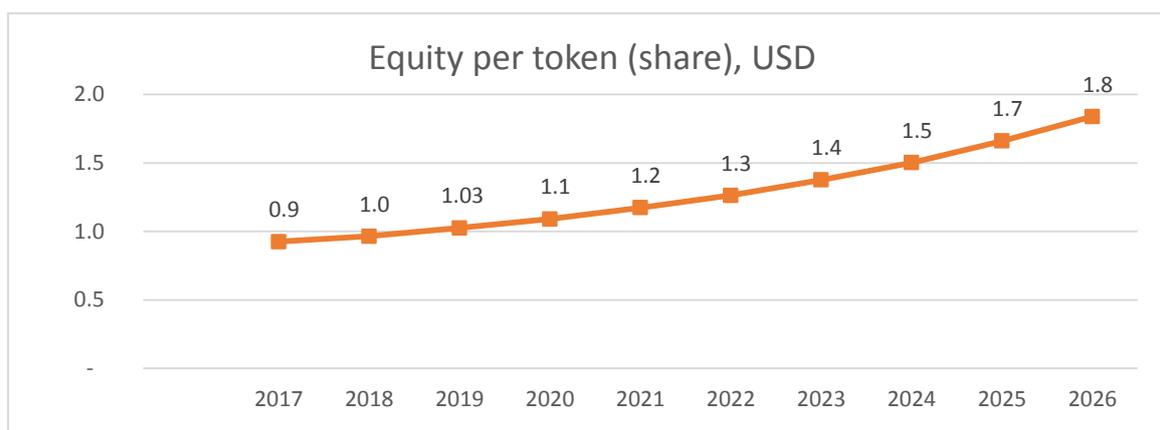


Table 2 (Cost of 1 token, USD)



5. Legal aspects

In order to implement the project and protect the rights of participants, a mutual fund will be established in the form of a trust in a jurisdiction with the most developed and

progressive system of the Anglo-Saxon law (currently, HongKong, Switzerland are being considered).

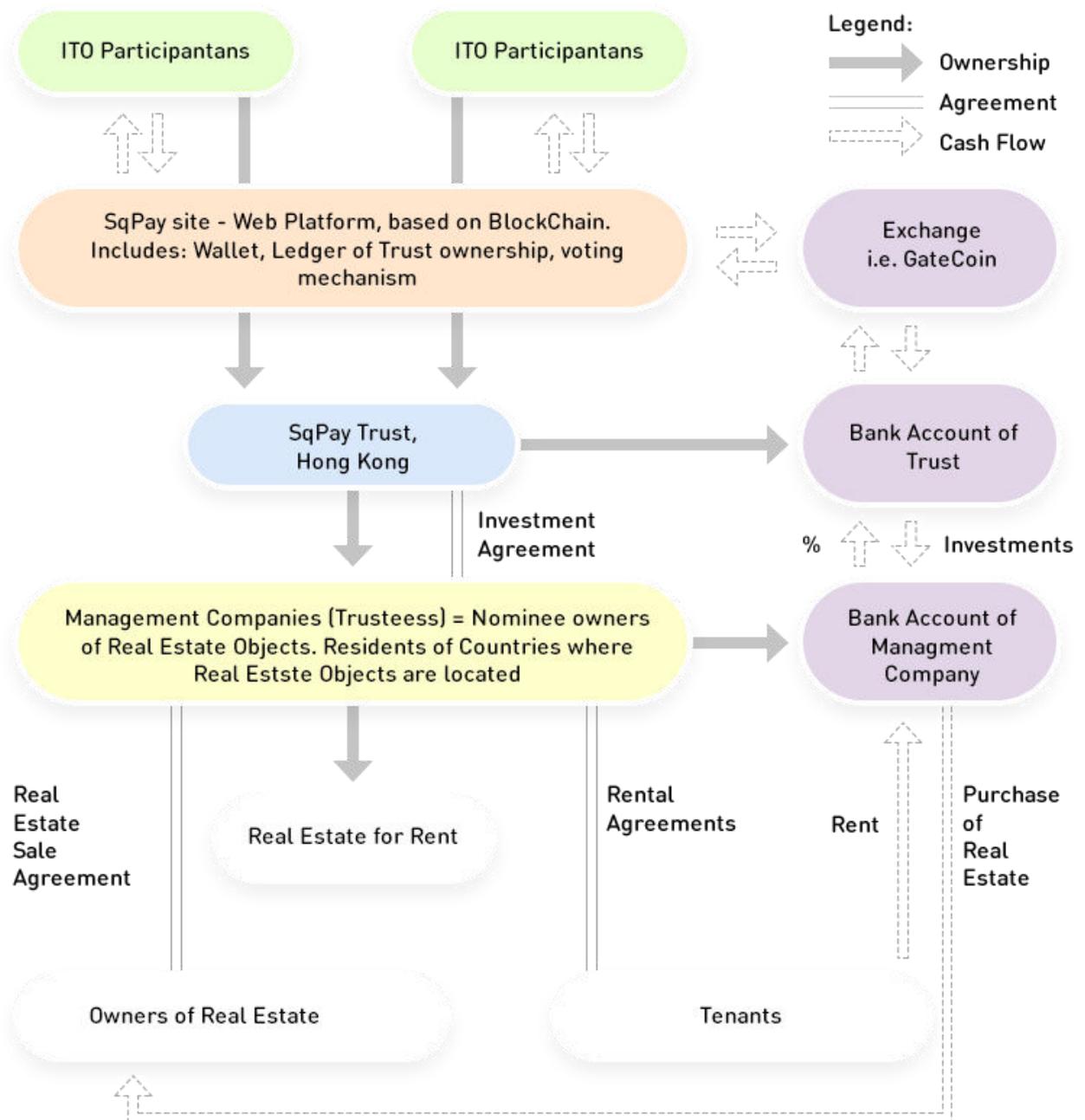
The trust will be created by analogy with the Real Estate Investment Fund (REIT) in the United States, providing investors with a yield of up to 40% per annum.

The trust manager (management company) will receive compensation based on the financial results of the fund. Objects of commercial real estate will be acquired on behalf of the trust and only in the interests of participants (beneficiaries of the trust).

The right of participants to hold the assets of the trust in proportion to the share of participation will be specified in the Charter and legally bound by a mutually binding agreement, i.e.- the trust rules, published on the web-site and in the SqPay application acting as a "wallet" for accounting of tokens. Tokens will be legally equated to the shares of the trust by the Charter.

The application and database on the web-site will be organized on the basis of the BlockChain technology, allowing participants to reduce the costs for the services of the custodians and registrars, as participants themselves will act as guarantors of transactions on the sale of the fund's shares.

SqPay also plans to use and develop the BlockChain technology to verify the ownership of real estate in state authorities.



6. Future development

We plan active development and acquisition of new commercial facilities. Diversification will create a constant cash flow despite market fluctuations. Blockchain and new technologies will create a strong and secure system.

Appendix A: Blockchain Technologies

The general ledger has been the heart of trade since ancient times and was used to record various things, most often assets such as money and property.

The Blockchain technology is based on the concept of distributed digital registers that are essentially asset databases, which can be shared on a network with multiple websites or institutions. All network members can have their own identical copies of

ledgers. Any changes in the ledger are reflected in all copies within minutes or, in some cases, seconds.

Distributed books are inherently more difficult to attack than traditional centralized versions. Instead of a single database, there are several common copies of the same database, so during a cyber-attack one has to attack all copies to be successful. This technology is also resistant to unauthorized changes or malicious interference since network members will immediately indicate a change of any part of the book. In addition, the method by which information is provided and updated means that participants can exchange data and be sure that all copies of the book coincide with each other at any time.

Traditional books provide a level of confidentiality, restricting access to information for the parties involved and a trusted third party. In contrast, the Blockchain system is transparent – all network members can view the entries in the register. However, confidentiality can still be preserved by disrupting the flow of information to other public keys that hold the alias, which correspond to the participants. The network can see that the transaction has occurred, but the unaffiliated parties do not have the information to associate the transaction with specific identifiers.

In 2009, Satoshi Nakamoto introduced Bitcoin – the first implementation of a protocol that allows issuing a digital document to a bearer without a trusted third party. This has been achieved through the use of the registry replication system, i.e. Blockchain. Bitcoin solves the complex task of implementing decentralized digital cash, but its security model limits its efficiency and throughput: its architecture supports only one proprietary asset, and its virtual machine offers limited support for user programs that determine the movement of assets, sometimes called smart contracts.

Ethereum, launched in 2015, develops the Blockchain concept for a fully programmable state replication mechanism. Although it includes a much larger (a powerful programming language), it presents additional challenges for scalability and efficiency. Its universal computational model creates difficulties for engineers to justify the safety of their applications.

Appendix B: Web application architecture

