



LANDEX

Landex.ai - the First Land Investment Platform

Whitepaper - September 2021

ABSTRACT

LandEx is the first investment platform where everyone can easily invest in farm-and forestland. LandEx will unlock the true value of land by democratizing access to land investments.

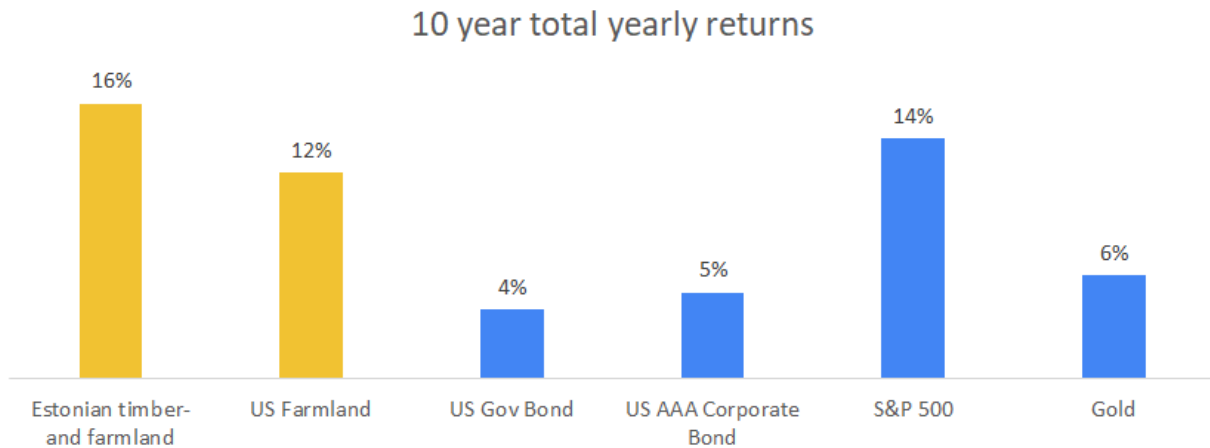
Land and its ownership, unlike OTC stocks and other crowdfunded securities, are in well kept and monitored state run registers making it a transparent investment. Land investing however, has stayed stuck in the 20th century as it is inaccessible digitally.

We are a first mover in this market, starting a journey to digitise land for a number of financial services.

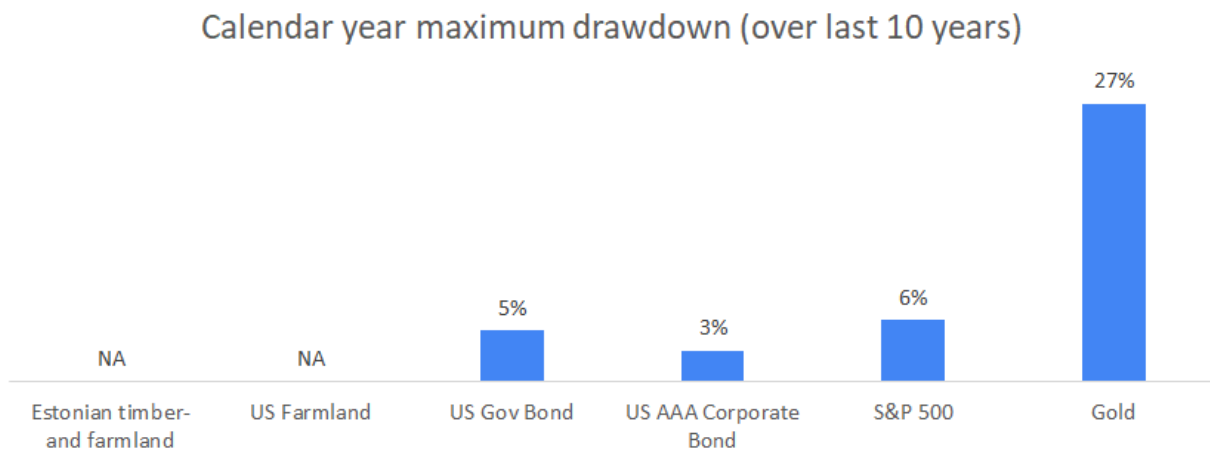
LAND AS AN INVESTMENT

Historic performance

Land has been one of the highest return asset classes over the last decade.



It has done so with less volatility than other asset classes, it has had no negative years for the last decade:



Calculated between 31 Dec of each calendar year.

Megatrends

We have identified the following megatrends driving future demand for land:

- **Inflationary climate** – inflation has only accelerated since the removal of the Gold Standard in the 1970s and the massive Quantitative Easing (QE) responses by central governments to recent economic crises.
There are very few asset classes that are suitable as inflation proof investments and land is one of them.
- **Sustainability** - predatory corporate interests pose a threat to preserving Earth's natural resources and its sustainable future while LandEx is providing new and differently thinking competing capital that will take other considerations on top of financial returns into account. We have a lot of know-how of carbon in-house which we will use to provide the investors with carbon-focused land investments.
- **Everyone is an investor** - we are living in the time where [everyone is an investor](#). Also, we currently have more investors in the world than ever before.
- **Bio-based economy** - bio-based materials have a much lower carbon footprint than fossil-based ones. As land is needed to produce them, we will see an increasing demand for land.
- **Growing population with “westernizing” diets** - we are expected to reach 10 billion people on Earth in the 2050s. With the growing middle-class of emerging economies switching their diets over to more animal proteins, this further increases demand for land. At the same time, the supply of farmland is decreasing.
- **Post-pandemic world** - interest in locating to rural areas and moving away from large cities has grown, especially among knowledge workers capable of remote working.
- **Land becoming a more popular asset class** - tech entrepreneurs spearheading the change, Bill Gates becoming the largest private landowner in the US and the Skype founders investment firm among the top 10 landowners in Estonia, many well-known future-looking investors are already investing in land signalling future demand.

LANDEX VALUE ADD

Solution overview

Landex.AI will create value and address the market demand through the following:

- **Fractional investing** – investors can invest in a fraction of land which allows to start investing for as little as €10
- **Secondary market** - ability to trade and liquidate investments in a secondary market regulated by the EU crowdfunding legislation
- **Auto Invest** - made for investors who like to make their investments work for them as seamlessly as possible, Auto Invest is the best way to diversify your investment portfolio without spending hours on active management
- **Predictive analytics** - continuously automated based on the latest real-time assumptions and carbon monetisation potential, we will show the investors what yields and price appreciation they can expect. We will provide historical and current market data, filters and investment analytics on all types of land
- **Risk assessment engine (LandEx rating)** - risk assessment engine taking into account soil, climate, country risk, stability of cash flow, crop risk and development potential to provide us and the investors an easy-to-understand risk assessment metric
- **Investor dashboard** - investors easily see the appreciation of value and yield of the land plots they have invested in
- **Tax report** - ready made yearly PDF document that can be used for tax submitting purposes

- **Secondary listing** - In order to enhance liquidity, we will relist the listings on our platform similar to primary listings, with the price set by the market. This will aid in price discovery even when the secondary market might have lower liquidity for a given land plot. Investors have a choice to exit the investment or to stay invested.
- **Plot optimization** - if advantageous to the investors (higher price), we will combine one secondary listing with other primary or secondary listings to increase its value. We will ask for your permission when doing so
- **Operational improvement** - if advantageous to the investors, we will change land use type to residential development land or renewable energy production. Finding the locations for these developments is a data issue, so we are especially well suited to solve it
- **Carbon project development** - We have in-house know-how how to create carbon projects. Carbon project development is a relatively complicated and costly process - needing know-how and economies of scale - that most small-to-midsize landowners lack.
- **Access to carbon financing** - Carbon asset (carbon rights, claims and credits) markets are heterogeneous. There are superbuyers (Microsoft, Shell, Shopify, etc. - a growing group) that are willing to pay significantly (10-100x) more for carbon assets but only when these assets can be sure to deliver on their promise to capture carbon without sacrificing biodiversity. We are working together with these players through intermediaries that need the highest level transparency and foolproof monitoring systems to be able to achieve such prices for their carbon assets.
- **Carbon certificates** - investors will be able to access information on their investments' carbon footprint and ongoing/future carbon capture
- **Final Exit** - the asset is solicited to outside buyers. We run a competitive auction between local landowners, professional and institutional investors to get the highest valuation. Purchase offers from outside LandEx will be shown on the platform and the asset is sold to the highest bidder if the price is above the one on LandEx. As private market auctions take more time to allow for the best price, we will take 1-3 months depending on the land plot for Final Exit. The asset will stay tradable throughout this period on the secondary market

Investor benefits

- **Diversification** - LandEx allows fractional land investment and through that diversification with small amounts. Fractional investment means that you can invest for example EUR 10 of all land plots across countries across continents hedging you against location-specific risks.
- **Easy to access** - Land supply is becoming more and more limited, as larger owners are concentrating ownership. With a secondary market, there will be an opportunity for land investment to be easily bought and sold with a click of a button.

Sources of investor returns

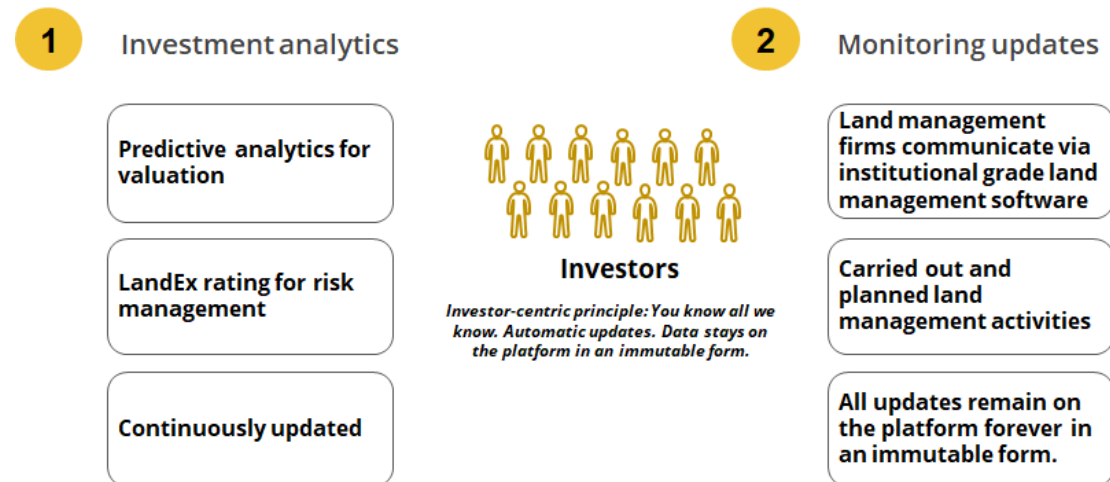
Value appreciation: land is a store of value, with increasing asset inflation, this asset class will also see price appreciation. Ease-of-access to invest and liquidity will further increase land values providing a premium to trades done on private markets.

Cashflow: rent in row crops (rent is usually paid at the end of the year). Rent combined with a revenue share in permanent crops (orchards). Revenue from wood sale in forestland. Carbon cash flow and ecological services cash flow (natural protection areas, biodiversity credits).

How much should land be worth? As with all store of value investments the interest rates, inflation and money supply should dictate the prices of LandEx land. We believe that LandEx land through ease-of-access, diversification and transparency could be seen as something that has yields similar to

government bonds (0.5-2%), which means that current land prices have upside potential of 100-500% based on just adding ease-of-access and fractional investment (diversification). This might also mean that LandEx will become the default place to sell one's land due to ease of use and transparent pricing.

Transparency



Land needs monitoring and “boots on the ground” - we take care of it for the investor by partnering with local best-of-class land management firms. These players would not work with any one small land plot but thanks to our scale, would work with LandEx. There's also economies of scale in land management that we would have thanks to having many land plots in close proximity bringing the cost per unit lower.

Land types provided on LandEx

We want to give investors a wide choice while doing thorough due diligence. We are well-equipped to assess and have listing of the following land types:

- **Farmland** - typical farmland investment where we lease the land to farmers
- **Forestland** - we manage the forestland and sell the crops
- **Carbon land** - a subcategory of all the above, lands that have a significant part of their returns coming from carbon income. Regenerative agriculture, reforestation lands and improved forest management, etc.
- **Biodiversity land** - types of lands that do not have a commercial crop. Naturally protected areas, wetlands (swamps, mangroves), natural grasslands, etc.
- **Development land** - land purchases with the idea to turn them into residential or commercial areas

Carbon lands

We as mankind have a duty to maintain Earth, one of the key ways for us to do so is to commit capital into preserving ecosystems that help us store carbon and biodiversity. Sustainable capital does in no way mean lower returns, in our case it is rather on the contrary.

1. Carbon project development. We have in-house know-how how to create carbon projects. Carbon project development is a relatively complicated process.
2. Access to carbon financing. Carbon asset (carbon rights, claims and credits) markets are heterogeneous. There are superbuyers (Microsoft, Shell, Shopify, etc. - a growing group) that are willing to pay significantly (10-100x) more for carbon assets but only when these assets can be sure to deliver on their promise to capture carbon without sacrificing biodiversity. We are working together with these players through intermediaries that need the highest level transparency and foolproof monitoring systems to be able to achieve such prices for their carbon assets.

Importantly, carbon know-how provides us with the opportunity to source lands which are carbon-focused where a significant part of the returns come from carbon financing.

These lands are currently structurally undervalued, as the market is not counting in the carbon monetisation potential. We will look for opportunities that the rest of the market is overlooking.

Example: Estonian pastureland that can be reforested through carbon financing. Pastureland itself is worth EUR 2,000-3,000/ha. When reforested (for free thanks to carbon financing), we get a payment in kind of EUR 2,000/ha. In one year after the planting we have a young forestland that has been recently planted, the value of which is c. EUR 4,500/ha (EUR 2,500 for the empty plot of land as well as EUR 2,000/ha for the planted trees). This is an 80% return in one year.

We plan to look for forestland/farmland and carbon rights to 1) af(re)forest farmland; 2) improve forest management; 3) convert traditional farmland to regenerative farming.

Fees

We find it correct to be aligned with the investors, so we have a fee structure that is set as % of land value, in other words, if the land prices increase thanks to ease-of-access, diversification and transparency, so would our revenue. The platform will be monetised on multiple levels typical of a marketplace:

Investors

Investing on LandEx is free of charge. There are no fees for opening an account, depositing money, or withdrawing money. Small, transparent fees apply to currency conversion and exiting the investments.

- **Secondary market fee** - 0-1% keeping it as low as possible to increase liquidity
- **Secondary listing fee** - 0-1% to cover for the listing-related marketing expenses
- **Final exit fee** - It is important for the platform to be fully aligned with the investors so we would benefit when you benefit. To achieve this, Final exit fee is 20% of any amount that is above 10% investor yearly returns. In other words, we make money when you make money.

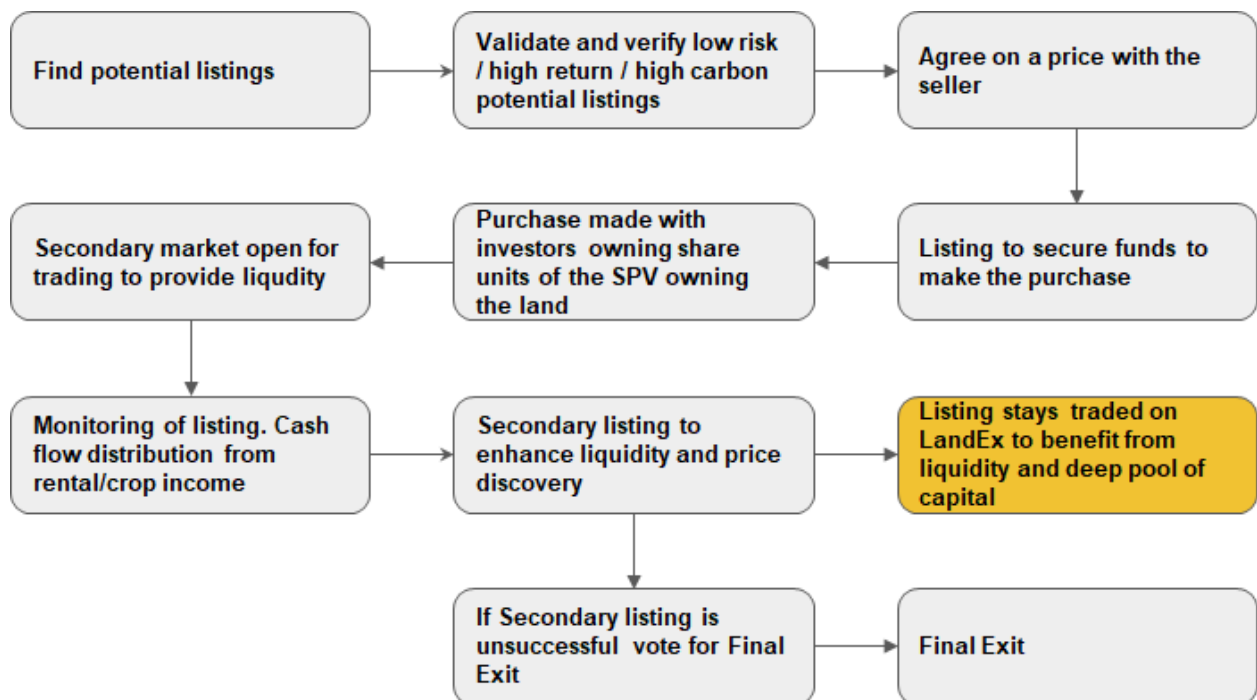
Land sellers

- The platform will charge listing fees from the sellers to list lands on the platform and to cover transaction costs

LANDEX PROCESS

Steps in the process

The steps one land plot will go through from start-to-finish are described below. The target hold period is envisioned to be forever with secondary listings acting as built-in liquidity mechanisms.



Sourcing & Analysing potential listings

Land in almost all countries does not have a centralized marketplace like Zillow, Craigslist, etc. that exists for real estate, used cars, etc. The key marketing channels for potential listings will be:

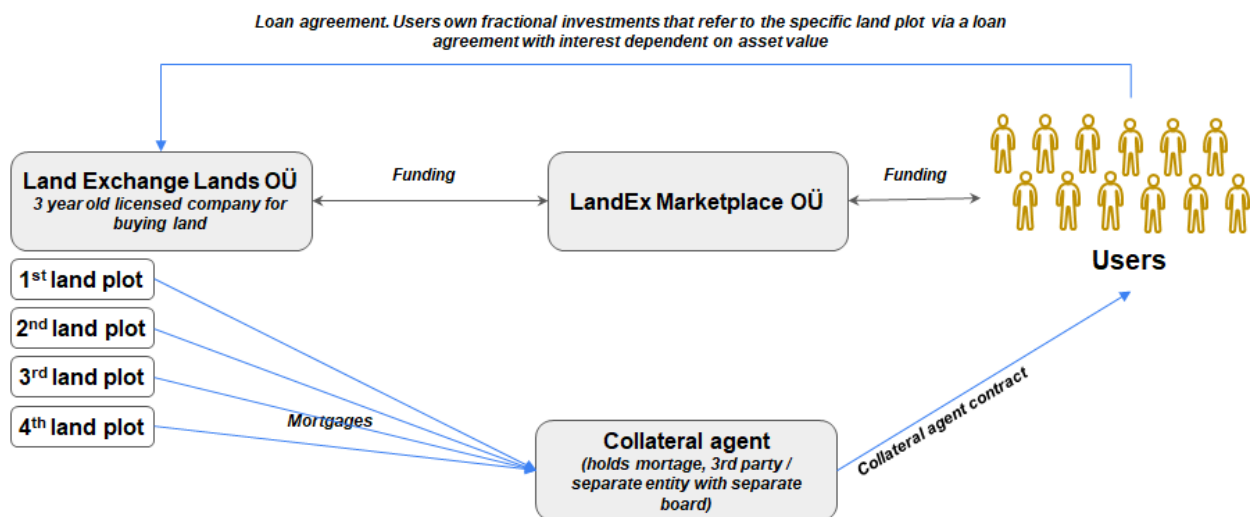
- **Referrals** - LandEx offers referral fees to brokers referring farmland and investors bringing new participants to the platform
- **Direct** - we will invest into direct sourcing capabilities. To be scalable, these will be tech-enabled.

We will only operate in countries where we have understanding of land investing risks through partnering with local land management firms and trustworthy data to build predictive analytics.

All lands go through a thorough vetting process where we eliminate dubious, risky and negative/low estimated return lands. We will also be able to use our unique carbon know-how to plan and monetise carbon projects, which will allow us to purchase overlooked land assets.

Structure

In any country, the investment funds will flow into a dedicated SPV that owns the assets in that country. There will be no need to have separate SPVs for all assets as that will impractically increase legal costs. Direct land ownership (for now) is not set up in a way to allow cheap and easy fractionalisation. We are using a method typical of all crowdfunding sites where the investors will own fractional ownership through a loan product with the mortgage (collateral) held with a third party. This means that if something were to happen to LandEx, the investors' ownership of the assets would be accessed via the collateral agent.



Risks

Price risk - land is a low volatility asset class. With all the megatrends supporting land investment and LandEx's ease-of-access, diversified, transparent and sustainable approach, we believe price decline is a very low probability outcome.

Liquidity risk - liquidity of land, especially with small-to-medium sized holdings is larger than people think. In the markets we will operate in, typical asset sales happen in 3 - 30 days.

Management risk - productive agricultural properties generally require professional management. We are able to have local best-of-class land management firms as our service providers. These players would not work with any one small land plot but thanks to our scale, we'd be a top customer for them.

TEAM

Our founders have been building successful investment marketplaces for over a decade.

See more: <https://www.landex.ai/team>

PRODUCT ROADMAP

Digitisation of an asset class changes everything: with transparency, ease-of-access and liquidity, many financial products can be built on the assets.

- **Recurring deposits** - recurring deposits enable investors to make saving automatic. It will also allow us to have a perspective on land purchases that we need to make in the coming months, as we know at least partly the amount of capital that would be added onto the platform.
- **Blind-pool listings** - in order to provide pre-investment for the land purchases, we can list listings that specify the types of asset we will be searching for but that will not be about a specific land plot. This allows us to see investor interest in various land plots and also allows us to be cash buyers, potentially enabling us to get better terms. This can be with a soft or hard commitment, depending on regulatory aspects.
- **Minority listings** - Minority listings would allow large landowners to list a minority fraction of their land plots while they keep the majority ownership. Thanks to the LandEx tech platform, we will always know who owns the majority stake of the land and if/when it changes ownership. Many landowners would be interested to sell a minority of their lands as that would give their lands a fair value without giving up control, which matters from financing and also insurance perspective. Many investors would be very willing to invest as passive minority owners in well-run forest portfolios run by large forest owners.
- **Index funds** - Introducing funds on the platform will further enhance ease-of-access as it gets around the issue of one land plot's non-fungibility with another land plot. It would allow easy passive investment that fit with the investors' investment profile.
- **Loans** - When land is digital, if the borrower doesn't pay back the loan, the ownership of the land could be quickly moved over to the lender. LandEx can look into providing loan products on the platform, as we are uniquely well-equipped to do so. With our monitoring ability, we believe we are able to tap into financing structures that were before unavailable for small to medium-sized land parcels.
- **Insurance** - With our ability to transparently monitor the lands on our platform, we can expand the land insurance market to be available also for small land parcels and smaller investors.
- **LandEx Green** - platform for the investor that thinks biodiversity-first. Goal to turn this into the largest privately financed natural conservation area in the world. Many of these assets are undervalued or have no value in the eyes of the private land market. Enabling access of all investors will unlock the value of these lands.
- **Value add funds** - Hands-on funds on the platform that would invest in unique value-add opportunities related to land use change for example residential development projects, renewable energy, etc.
- **Smart contracts** - Blockchain usage in land will further advance all the key attributes of LandEx land (ease-of-access, diversification, transparency and sustainability). Currently setting mortgages and making purchase agreements need to be verified via a notary which creates significant friction due to transaction costs.



- **NFTs** - NFTs are a great way to store information about land plots containing information on who owned that land before, if there are any loans/liabilities related to that plot, what can or cannot be done with that plot, who has a rental agreement with that plot and which rental agreement is it. Currently, digital histories of land parcels and everything that has been done with them are very hard to aggregate. Through this transparency, we believe LandEx land prices should and would increase, when unchangeable histories of land plots could be easily accessible to retail investors on the blockchain. We would also work together with governments for them to see value in having their land registries be blockchain based.