

LEXIT's Distributed M&A Marketplace

A Distributed Intellectual Property and Company Sales Marketplace

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Executive Summary

Mergers and Acquisitions (M&A) is a complicated field. With millions of businesses forming and disintegrating annually, buyers and sellers have a hard time finding each other and negotiating fairly. Involving batteries of corporate lawyers, investment bankers, financial advisors and appraisers, the selling of a company or its assets entails very high costs, even before the first potential buyer is contacted.

These enormous barriers to entry have until now prevented the emergence of online M&A marketplaces, akin to those existing for other kinds of property. LEXIT aims to become the first such marketplace. Utilizing a platform approach, blockchain technologies, and an international network of business partners, LEXIT aims to increase the efficiency and liquidity of the corporate asset market in the same way eBay did for peer-to-peer commerce and Airbnb did for short-term renting.

To achieve this aim, LEXIT combines blockchain-based token economics and best practices developed by the platform-marketplace industry. Both are heavily reliant on the Law of Big Numbers: the larger the pool of buyers and sellers, the more reliable price discovery is and the faster optimal, win-win deals can be achieved.

On LEXIT's marketplace, buyers and sellers meet directly en masse allowing market forces and network dynamics to render corporate assets such as patents, trademarks, technology, specialized departments and entire companies into highly liquid assets that can be traded at ease, rented and

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licensed. We are convinced and able to demonstrate that this increased liquidity and market-efficiency will prove itself highly beneficial in terms of promoting innovation and supporting growth, while reducing overhead costs and risk.

As demonstrated further in this Whitepaper, the LEXIT Solution allows for M&A processes to be concluded faster and at about a quarter of traditional costs. Entrepreneurs are empowered to discover the true value of their assets on a vibrant and highly liquid marketplace, without having to bear excessive fees. And most importantly - for the first time - an efficient market for IP and patents is established, allowing companies to trade IP assets as conveniently as one would buy, sell or rent a car or real estate.

1 Introduction

Mergers and Acquisitions comprise a massive and global industry. For example, company growth may be only possible by taking over competitors. Other motives for M&A activity are outsourcing research and development by buying highly specialized companies. Some commercial actors buy companies just to sell them at a higher price in the future.

Besides companies, the M&A market also includes intellectual property like patents, licenses, trademarks and source code (open and closed source code).

If a company becomes insolvent and is liquidated, it is not unusual to split it off and sell the valuable components independently.

In general, the M&A market ranges from small companies of only local importance, to innovative start-ups with potential buyers from all over the world and large corporate transactions with established companies that involve billions of dollars.

While the large-scale M&A market is only accessible to buyers with necessary funds, thus narrowing down the number of possible acquisition targets, the situation is completely different in the mid-range M&A space which had a total volume of US \$3.63 trillion with 49'078 transactions in 2016¹.

In spite of its importance, this market is far from being perfect. Significant problems include price discovery, valuation of assets (especially patents), exposure of assets and availability of trustworthy and competent experts. As a result, parties producing or owning intellectual property may be unable to sell or otherwise realise its worth, leading to a waste of the resources initially appropriated to the development and production of the item.

This Whitepaper argues that the Coasian transaction costs involved in searching for potential buyers (seller's perspective) or finding patents, technology, soft assets and company branches (buyer's perspective) can be reduced by applying a platform approach. In the following sections of

¹Bothwick , J., Leibowitz, H., Cutler, W. Hale, P., and Dorr LLP (2017, 1.6). 2017 M&A Report. Retrieved from <https://corpgov.law.harvard.edu/2017/06/01/2017-ma-report/>

this Whitepaper, challenges, opportunities, potential for innovation and an approach for technical realization will be explored.

2 Industry Overview

Today, controlling knowledge and technology is strategically more important than controlling resources and hence frictionless technology and knowledge transfer is required for companies to develop their businesses. Patents are a reification of intellectual property making such property tradeable and transferable on IP markets. It is often easier to obtain a license, a patent or source code from outside the company than performing research and development inside the company

The objective of patent systems is to protect invention by granting the inventor remedies for enforcing the patent. Ideally, this increased legal security encourages the inventor to license other market participants who are interested in using the patented knowledge or technology. This way the inventor has an incentive to share his findings, based upon which others can innovate further.

Nevertheless, there is an asymmetry between small companies (SMEs) and individual inventors and large corporations as regards the legal expertise and financial resources that are needed to enforce patents.

Another issue with the IP market is the interplay between efficiency, transparency and liquidity:

- **Efficiency:** describes the IP market's ability to find prices that reflect the value of an IP item. Imprecise patents make it hard to estimate their value.
- **Transparency:** the market becomes more transparent the more market participants' individual views of the market overlap and intersect. Market participants are discouraged from economic activity if prices for like IP items vary too much.
- **Liquidity:** the easier it is to transfer an IP item, the more liquid it is. Liquidity of an IP item is hindered if its value cannot be determined and if it is unknown which prices were paid for similar items (transparency).

Another characteristic of today's IP markets is the presence of IP service providers, e.g., Non Practicing Entities. These entities are supposed to act as middlemen in the market. Nevertheless, low quality work by these entities discourages companies from outsourcing IP services which in turn retards market activity.

2.1 Unused IP

At present, large amounts of IP remain unused. SMEs, individual inventors and universities often lack the culture, legal expertise and financial resources to engage in the IP market. In a market

which is non-transparent regarding IP and IP service prices, these actors prefer to focus on research and development of their technologies. They also prefer to avoid the risk of litigation since large corporations are often in a monopoly position with their extended legal expertise and financial resources. Since large parts of IP are held by smaller IP market participants, resources are wasted when IP items from this group remain unused—not to mention the missing positive effect on society in general.

Another reason why IP remains unused is an inefficient IP market that fails to bring awareness of appropriate IP to market participants who need it. Even if appropriate IP can be found, it is often the case that the IP owner cannot be located.

2.2 Challenges of IP Valuation

Valuation of IP is a challenging task. It includes estimating its future relevance in general and efficiency gains in particular. A patent describing a very efficient technology that was open sourced has reduced value as has a patent that correctly predicts a trend in a certain field but fails to provide applicable innovation.

Ideally, patents describe worthwhile innovation. Nevertheless, it is not uncommon that patents are applied for, which lack innovation and quality in description. Both cases require expertise on patents in general and on the technology described in particular. An equally severe problem comprises patents that meet formal requirements for issuance but lack precise technical description of the patented technology. This leads to non-reproducibility of the described technology, making it impossible to assess its value.

2.3 Localized Experience

A problem with considerable negative effects in midrange M&A is the lack of experience and knowledge of sellers. Often, these persons are not aware of the value of their research results. Another issue is an understanding of how the M&A process usually works and how steps are sequenced: trust is established step-by-step and confidential information is not disclosed at the beginning. This is also related to legal aspects that govern the process. Sometimes slight variations in wording can make a considerable semantic difference with equally drastic outcomes. The challenge here is to provide sellers with experts to help them discover the true value of their assets and to guide them through the process of selling so that they do not end up in an adverse situation.

3 Industry Gaps and LEXIT Opportunities

In this section, we illustrate the IP market's lack of efficiency, transparency and liquidity by discussing more concrete issues and pointing out the opportunities that arise from them.

- Low patent quality: imprecise technology descriptions in patents and non-reproducibility of the described technology create financial and legal risks for SMEs and individual inventors. This creates an opportunity for connecting them to experts who possess the knowledge for accurately assessing the patent.
- Finding the most suitable IP: for a company requiring IP it is hard to find that which helps it best to achieve its business goals. The same applies to IP owners who cannot find enough potential buyers which in turn reduces the probability of selling at the highest price. Solving this issue requires a system with low entry barriers where sellers and potential buyers are exposed to each other. This system should also facilitate advanced filter and search mechanisms so that potential buyers can actually find the most suitable IP, in case it exists.
- No monitoring of IP ownership: even if a company can find suitable patents does not mean that it can be transferred. Since there is no obligation to track ownership, the potential buyer might not be able to locate the current owner. This creates a situation adverse for the patent owner, who misses an opportunity for revenue, and equally for the potential buyer, whose business growth is impaired.
- Finding expertise: finding experts for evaluating patents is not the only step where expertise is required. Transferring IP also includes negotiation and drafting a purchase agreement or contract. This requires legal expertise according to the jurisdiction that applies for the IP item transferred. The opportunity here is to create a system where experts can build a tamper-proof track record that fosters trust among IP market participants.
- Reluctance to disclose IP ownership: not knowing the owner of an IP item prevents others to invent on top of it. On the other hand, disclosing ownership creates an opportunity for revenue by licensing IP users.
- Liquidation after insolvency: selling a whole company after it became insolvent requires a buyer who can make use of all of the company's assets. Nevertheless, it is far more common to split the company into parts which are sold separately.

4 LEXIT's Process Innovation

The aforementioned issues are all symptoms of an imperfect market. By applying a platform approach, LEXIT seeks to improve the process steps that are connected to these issues.

4.1 Defining Platforms

A platform consists of producers, consumers, providers and the platform owner. Producers create value items that consumers require and are willing to reimburse for—in money and tokens but also attention and up votes. Providers are the interfaces that allow for accessing the platform—usually network capable electronic devices. The owner is the entity that is in control of the platform's IP.

Example: the android system with its Smartphone apps and App Store. App developers produce apps, that are consumed by Smartphone users. The Smartphone is the interface to the platform that provides the user with means necessary for interacting with the platform. Which apps get listed in the App Store, its design and the android operating system are controlled by the platform owner—in this case, Google. The value items are apps that are exchanged in the platform's core interaction between producer and consumer (downloading the app from the appstore to the Smartphone).

Compared to local and personal networks with limited reach, platforms can connect users from virtually any location. The platform's value stems from value creating interactions between its users. Although important as a facilitator, technologies like Smartphones or the internet are not the focal point of platforms. Android's app store is valuable to its user not because of its underlying code but because of the apps that are offered on it. The more users the platform has, the bigger the incentive for developers to produce apps. The richer the app store, the larger the probability for an individual user to find an app to meets his requirements. This self-amplifying feedback phenomenon is known as network effects. Creating a platform always contains a paradox the platform owners need to solve. If no consumers (android users) exist, producers (app developers) have no incentive to create value items (apps). On the other hand, if a platform has no value items to offer, users will see no value in becoming consumers of the platform.

This paradox can be solved by bootstrapping the platform with producers that are subsidized with funding raised by the platform owner.

4.2 A Platform for IP and M&A

LEXIT will create a platform facilitating M&A and IP transactions. Industry experts and market participants will be able to assume various roles in value creating interactions. The primary goal of this platform is to pool actors with only local reach in order to drastically increase the number of possible interaction partners. In this way, for example, a patent sales opportunity is not only seen by three potential buyers but three thousand.

The platform approach fulfils two functions:

- *Marketplace:* The platform will be a marketplace where IP, company branches and startups can be sold. A sophisticated search mechanism will help buyers to filter out appropriate items from a wide range of different items.
- *Ecosystem:* In order to make the marketplace functional, the platform will create incentives for experts to come to the platform. They are required for evaluating IP and companies offered on the marketplace and to provide legal assistance for preparing and committing M&A or IP transactions.

4.2.1 Roles and Actors on the LEXIT Platform

A platform user is not restricted to a single role. On the android platform, it is very likely that app developers use apps for checking repositories and getting in touch with other developers and the community using their app. In the same way, an app user can come to the conclusion that no app exists offering a certain functionality, motivating this user to develop it himself. As in the example of the android platform, users of the LEXIT platform are not restricted to a single role. The following roles are anticipated to occur on the platform:

- *Sellers*: are users who own a company or IP and want to sell it—these could be companies with a rich patent portfolio as well as professors managing the IP of their research institute. This role includes providing sufficient information for the items they want to get listed on the platform but also interaction with buyers and assessors to help estimate the value of the item they offer.
- *Buyers*: these users are companies looking for IP, assets or startups in order to grow their businesses. They request information from sellers of items listed on the platform in order to make more informed decisions.
- *Assessors*: are experts that provide sellers and buyers with expertise equally. Highly specialized experts from a specific field like crystal growth can help determining the value of patents (e.g. by verifying the reproducibility of the technology described). Accountants can help perform due diligence by looking at the books of companies to be sold. Lawyers can assist with drafting purchase agreements and adhering to legal requirements in specific jurisdictions, and ensure the legal transfer of title.

4.2.2 Value Creating Interactions

The most valuable asset of every platform is the community of users connected by and interacting through the platform. Nevertheless, a large number of users is in itself not sufficient for a platform to create value for its users—it is value creating interactions, facilitated by the platform's tools and rules that create value. Interactions create value if they make the steps of existing, well-established processes more efficient, more secure, less costly or reduce friction.

Example: a platform like Moodle for scheduling meetings reduces the friction of conventional communication via phone or email. Instead of keeping track of who is available at which date by going through countless emails, all information is stored and updated in one place—all potential participants have a shared view of the overall process state.

It is also the value creating transactions that stimulate the growth of a platform's user base and not merely the number of already registered users. Consider the case where an old-timer car addict needs to source a very specific spare part. On a small platform, it is unlikely, that a user will exist who can offer this part. On a platform with a large community, spare parts of old-timer cars might not be interesting for the majority of platform users. Nevertheless, the large user base increases the probability that someone offers this very specific spare part. The platform's ability

to successfully facilitate this transaction gives rise to subsequent interactions where unique items are offered and bought. This creates a feedback loop which keeps the platform and its community active. This self-amplifying phenomenon is called network effects.

4.3 The Conventional Process of Selling IP and Companies

An M&A transaction is a process where intellectual property, assets, a company or a company branch is transferred from the owner—the seller—to a buyer.

The conventional process encompasses the following steps:

1. The seller uses contacts and networks to find potential buyers or contracts a law firm for this task.
2. Potential buyers place buy offers.
3. Eventually one of the offers is chosen by the seller.
4. Both parties sign non-disclosure agreement, go through due diligence and draft a purchase agreement.
5. After the transaction details are negotiated, the purchase agreement is signed and the transaction committed.

Example: after the insolvency of a company, its patents are to be sold. First, the liquidator seeks to find potential buyers, e.g. a law firm. The lawyers will use their contacts and network to find buyers. In order to evaluate the offered patents, a potential buyer needs to find experts who can verify the patent's claims and the prospective economic value for the buyer.

4.4 The Process of Selling IP and Companies on the LEXIT Platform

The process on the LEXIT platform consists of the same steps in the same sequence as described above—yet there is a difference in how the steps are executed.

1. The seller uses the platform's web interface to create a listing of the asset he looks to sell which is published on the platform after a basic check by the platform owner (LEXIT).
2. Potential buyers can use the web interface to search for the assets, IP or company branches they need for the development and growth of their business.
3. The seller sees several buy offers and can check a potential buyer's history on the platform.
4. The web interface guides both parties through the necessary steps for closing the deal. Each of them can use the platform to find experts they need to support them during the whole process, including due diligence and estimation of value of the asset to be transferred.
5. Closing the deal on the platform will create data entries that help building a track record for each party involved including the experts.

Observe that a platform is used for listing and searching for items instead of private networks or those of M&A firms. Another aspect is the track record that is built by each assessor/expert whose expertise is used. In this way, trust can be established between users who have not yet interacted with each other before.

By employing a platform approach, aforementioned industry gaps and market inefficiencies can be remedied. As a result, friction and costs are considerably reduced for the end user, while the circle of potential participants in the global M&A market is widened to include buyers and sellers that were until now excluded due to high barriers to entry.

	TRADITIONAL M&A	LEXIT
PROCESS DURATION	UP TO 2 YEARS (DEPENDS ON THE TRANSACTION)	UP TO 6 MONTHS (DEPENDS ON THE TRANSACTION)
AVERAGE M&A TRANSACTION COST	UP TO 12% + FEES	UP TO 2-8%
PRICE ESTIMATION PROCESS	TIME-CONSUMING, MANUAL MARKET RESEARCH AND APPRAISEMENT	INSTANT NETWORK & AUCTION BASED PRICE DISCOVERY
SELLING INDIVIDUAL ASSETS (IP, PATENTS, CODE, PROTOTYPES, ETC)	...	✓
RETAINER FEE	✓	...
BARRIERS TO ENTRY	HIGH PRE-PAYMENTS	LOW, REASONABLE LISTING FEE
FINDING A BUYER	MANUAL, OFFLINE HEADHUNTING	GLOBAL ONLINE EXPOSURE & LEXIT'S MATCHMAKING NETWORK
SUCCESS FEE	✓	...
UNSUCCESSFUL TRANSACTION FEE	✓	...
LICENSING TECHNOLOGY INSTEAD OF SELLING IP RIGHTS	...	✓
CRYPTO PAYMENTS	...	✓
TRANSACTION PROGRESS TRACKING	OFFLINE, MANUAL	ONLINE, AUTOMATED
PROCESS FACILITATION	COMPLICATED, UNFAMILIAR, LOTS OF ROOM FOR MISTAKES	STEP BY STEP GUIDANCE, USER ORIENTED, FOOLPROOF UX/UI

5 The LEXIT Solution

In this section we discuss the marketplace and its search mechanism as well as rating mechanism for assessor and describe the platform's workflow.

5.1 Marketplace Aspect

Creating a marketplace for IP, soft assets and M&A in order to increase exposure and reach is not sufficient to improve market efficiency. It would merely result in an increase in “noise” where it is very difficult to find appropriate items. Therefore, the search mechanism is a vital component of the platform.

Besides making listings accessible to conventional search techniques by indexing, LEXIT will establish a system based on weighted tags. Tags are common keywords describing key features of the listing. For example:

- A startup producing wooden keyboards with tags like, *Mahogany*, *USB* or *external device*. A wood processing company might be interested in acquiring a branch that produces saleable goods.
- A patent for an electric car engine. Besides *electric car*, *electric car engine* or compatible battery technologies, the geographic location can be a tag as well. In this way, electrical engineering companies in the same location could find this patent and decide to get licensed in order to produce these engines, create a supply chain or initiate a local research partnership (which implies access to the technology described in the patent).
- For a bioengineering technique, *Polymerase Chain Reaction* or *thermocycler* could be tags, but also the year of discovery, involved researchers or the name of a field where it is applied.

Tags can be up- and down-voted by users in order to reduce “noise” and obtain a clear signal—which becomes more important, the larger the platform becomes. Instead of LEXIT predetermining categories, the wisdom of the crowd is employed. These weighted tags can also be used to discover trends in the platform and provide visualizations by applying cluster algorithms.

5.2 Governance

One of the crucial parts of every platform is governance. This is required to curate users and listings in order to avoid interactions that create low quality value items on the platform and users being driven out by unsatisfactory search results.

Part of the role of assessors is to provide assessments for new listings. Their compensation will depend on who appointed them and the accuracy of their assessment.

A seller who is convinced of the value of his IP could pay an assessor with a proven track record up front in order to increase credibility of his offer. Vice versa, an assessor can ask the seller of a new item to use him as an expert. A third way is that buyers ask experts to help with due diligence before they place a bid.

The utilization of experts to maintain quality by independent assessment of listings leads to the question of rating assessors. Expertise is only useful if users can trust the expert’s track record.

5.2.1 Rating Based on Auction Estimates

There are three data points that can be used to rate the quality of an assessment: the seller's estimate, the assessor's estimate and the exit value (actual price paid on the platform). The more accurate the assessor's estimate, the higher the quality of his assessment. Example:

- Low estimate by seller, high estimate by assessor, even higher exit value. The assessor helped the seller to discover the true value of his assets, IP or company and sell at a higher price.
- High estimate by seller, low estimate by assessor, exit value of zero (i.e. no buy offers). The assessors made the non-existent value explicit, thus reducing noise on the platform and maintaining overall quality of listings.

Conversely, inaccurate estimates by assessors will become part of their track record as well.

5.2.2 Ratings Based on Individual Token Payments

In the context of an auction, there is a second rating mechanism which is the paying of an assessor in LXT for his valuable insights at any stage of the auction process.

Since the marketplace depends on accurate information, providing such information should be incentivized regardless of the outcome of the auction. This is especially true in cases where assessors save potential buyers from wasting money or, alternatively, help a seller to exit at a much higher price.

An LXT payment is a more profound sign of appreciation than a five-star rating since it amounts to true monetary value spent by a seller or buyer. Because of the monetary value (LXT) being used, the use of LXT can also be perceived as a spam protection fee for avoiding inflationary use of five star or 100% ratings. Five-star or 100% ratings become more and more meaningless as an information source for rating assessors the more inflationary they are used, making it harder identifying an assessor's unique skills.

5.2.3 Data Points Usable for Track Records

Experts filling the assessor role have different strengths and approaches. By looking at the track record, users can find the experts on the platform that are most suitable. Assessors can be rated based on the following information:

- seller's approval/disapproval with provided evaluation of his auction,
- number of assessments,
- difference between a startup's value estimated by its seller, the assessor's evaluation and the actual exit value,

- number and volume of closed deals,
- business area and geographic location of assessed auctions.

LEXIT’s focus is not on drawing conclusions from this information but rather on making it accessible to the community and participants who use their own judgement. A potential buyer might need an assessor who has a track record of successfully handling high volume deals. Or consider a case where a startup discovered a more robust method for growing crystals. For evaluating its true value, a potential buyer could decide to appoint an assessor who just graduated in crystal growth. Because of the lack of a long track record, the potential buyer doesn’t have to pay a high compensation but the inexperienced assessor gets a chance to demonstrate his knowledge and get rewarded for it. He may be the only expert in the field — choosing him is eventually the only way for the potential buyer to take the business opportunity.

5.3 Dealflow

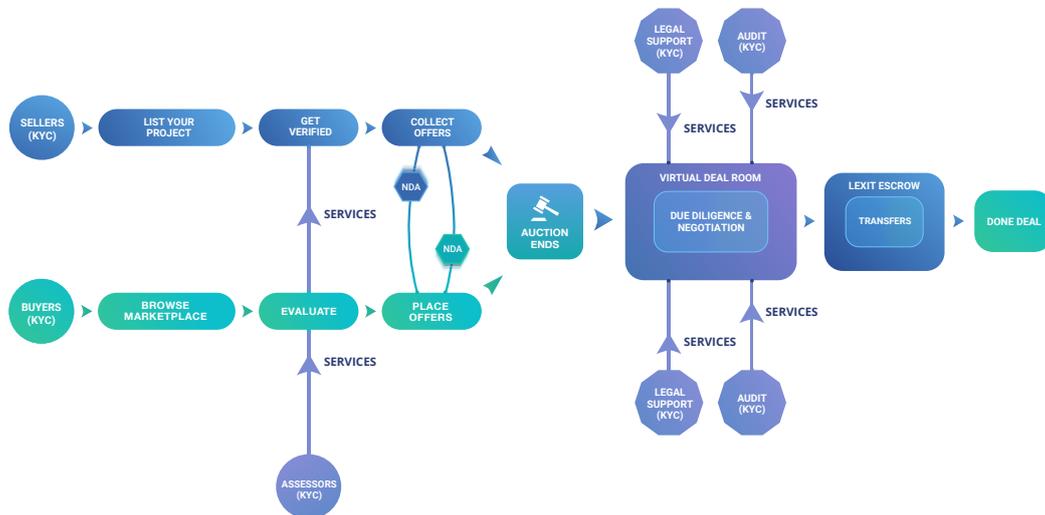


Figure 1: Transaction flow from start to *done deal*.

Before business activity ensues, buyers and seller have to pass the KYC process. Their identity is not revealed to other platform users while care is taken by LEXIT to prevent malicious actors from entering the community.

The deal flow consists of two consecutive phases.

1. In the marketplace phase, sellers create listings, assessors verify listings and buyers place bids on listings and eventually request support from assessors. A seller makes the final decision which buy offer to accept.

2. When a buy offer from a potential buyer is chosen by a seller, the dealroom phase follows. Both parties sign non disclosure agreements and exchange documents required for due diligence. Experts can be onboarded to assist with due diligence, audits, in-depth evaluation and negotiating contract terms. Agreed upon contract terms are fixed in a purchase agreement which is signed at the end of the deal flow.

6 The LEXIT Token—Why Tokenization?

Since the LEXIT marketplace is heavily dependent on network features such as listing fees, anti-spam payments, monetarily-backed ratings, and revenue-sharing among network participants, the introduction of an internal, cryptographic vehicle of value is essential.

Additionally, features such as payment-escrow, rapid settlements, and the facilitation of trust among parties in different jurisdictions, require the employment of smart contract technology in order to accommodate for the high transaction volume anticipated.

6.1 Introducing a Native Token

The reason for launching a native token is to avoid fluctuation in price and technology with established cryptocurrencies. Since LXT is used as quantitative rating method for assessors and as a commission for deals, high fluctuation would decrease the transparency of the platform. Consider, for example, two transactions with the same volume in USD that follow each other briefly but with a considerable LXT price difference. For new users of the platform, the impression could arise that both transactions had different volumes.

6.2 Token Utility

The LXT token powers the LEXIT platform and its services. LXT will be charged for:

- Rating users and their work, e.g., assessors and their evaluation of IP, soft assets or companies.
- Pay experts in LXT if they did exceptional good work—this is a display of trust and quality that makes it easier for platform users to find good experts. It can also be interpreted as a spam protection fee to avoid inflationary use of five star or 100% ratings.
- Categorization of listed items: to prevent tag vandalism, a small amount of LXT will be charged. Users who applied helpful and accurate tags can receive LXT based on the number of up votes of their tags.
- Paying the commission to LEXIT upon successful completion of a transaction.

6.3 Token Flow

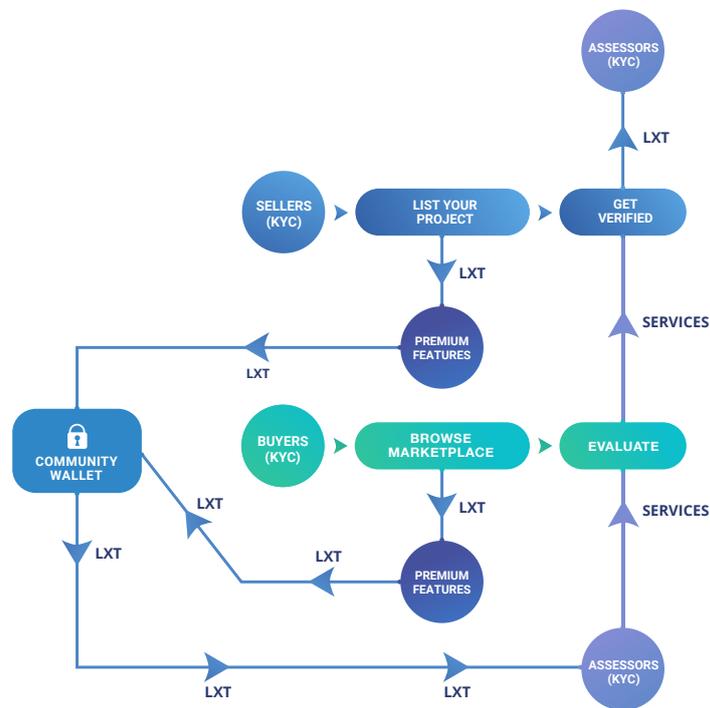


Figure 2: LXT within the LEXIT system.

When creating a new listing a fee is charged by LEXIT in LXT which is collected in LEXIT’s community wallet. Premium features, e.g. increasing visibility of the own listing or getting early access to new listings, are charged for the same way. During the launch phase of the platform, evaluation will be subsidized by LEXIT: experts are attracted by the opportunity to be recompensed for their special knowledge, sellers benefit from getting evaluations of their listings faster and cheaper and potential buyers see a more transparent market since listings are evaluated by experts.

6.4 Distribution

Allocation of raised funds:

- 50% token sale
- 15% rewards pool
- 5% advisors

- 10% partners
- 10% company
- 10% founders

7 Technical Approach

The implementation of the LEXIT platform will incorporate established technology like databases, web development frameworks and Smartphone apps but also upcoming technology like blockchains with smart contracting capabilities. Although using different technology, they are intended to achieve a common goal: help to establish trust among interacting parties throughout all layers of the platform. On the one hand, the platform helps to neutralize the fact that users sit in different locations by extending the reach of information. On the other hand, trust and credibility must be maintained.

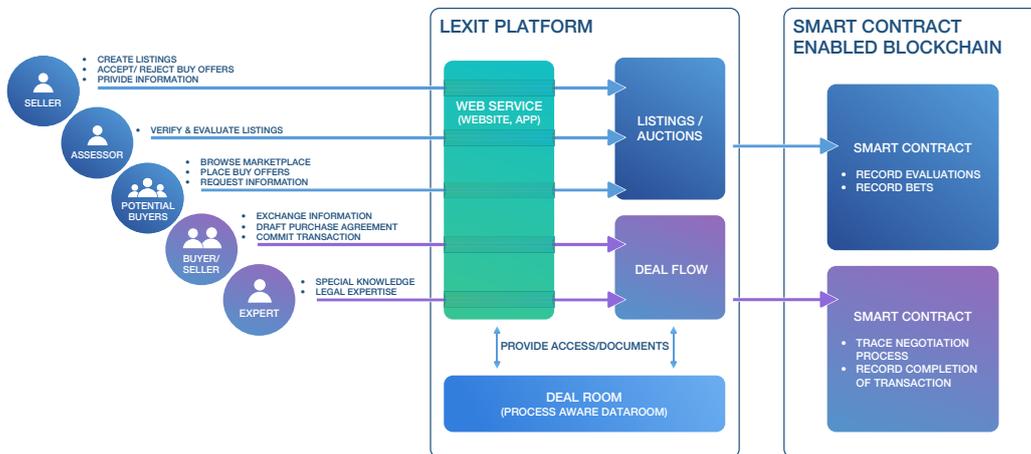


Figure 3: LEXIT platform schematics.

Users assuming various roles can interact through a webservice that acts as front end for the platform and will use common technology like webservers, databases and web development frameworks.

Buyers can browse the marketplace and place bids, sellers can create listings and manage buy offers—this requires a repository of currently active listings but also a sophisticated search engine that not only finds items that are appropriate but also all of them; that is, not leaving appropriate items out. This requires database servers including query languages and also code containing the logic for creating accurate database query requests.

Besides making information accessible and usable to the platform users, it must be sufficiently secured. Since the deal room will hold confidential documents containing trade secrets, robust and stable frameworks need to be used, as well as software development techniques aiming at risk reduction and application of security patterns. To achieve market transparency, placed bids, value estimates and transaction volumes will be recorded tamper proof on a smart contracts enabled blockchain. This way, platform users participating in the market can build a reputation and track record that can be trusted. The use of smart contracts allows for an architecture with better coherence and consistency between the blockchain component, the webservice and the business logic.

8 Partnerships

LEXIT's value proposition as a platform marketplace is heavily reliant on the establishment of massive network dynamics. The larger the pool of buyers and sellers, the more reliable price discovery is, the faster high-quality, mutually-beneficial deals can be achieved.

As discussed in section 4.1 *Defining Platforms*, this state of affairs leads naturally towards the so called Platform Paradox. If a platform is underpopulated in terms of one of its value-creating agents (buyers, sellers, assessors), other players have diminished incentives and capacities to create value, leading to a negative feedback loop and suboptimal network growth.

To remedy this situation, LEXIT introduces an international network of partners with both the aptitude as well as the incentive to massively onboard value-creating participants to the LEXIT platform.

The LEXIT Global Partner Program

LEXIT's Global Partners (GPs) are highly connected players in the IT/High-Tech industry, such as VC funds, Technology Hubs, and Accelerators. LEXIT GPs utilize their vast networks and in-depth knowledge of the industry to on-board potential buyers, sellers, and assessors to the LEXIT platform.

To widen the scope of this operation, LEXIT GPs can recruit Sub-Partners, permeating the depths of global industry-connections even further. While LEXIT GPs are institutional players, screened and contracted with LEXIT, Sub-Partners are smaller entities or individuals in trust relationships with their appointing GP.

Incentives

LEXIT GPs and Sub-Partners are incentivized to participate in the LEXIT network by direct incentives provided by LEXIT's compensation plans, as well as by indirect incentives resulting from their own business-related interests.

LEXIT designates 50% of its commission revenue to GPs involved in transactions creating said revenue. Where a Sub-Partner was involved in facilitating a successful transaction, they will receive 25% of LEXIT's net commission revenue of the respective transaction, while the GP affiliated with the Sub Partner receives an additional 5%.

Secondary Motivations

The aforementioned compensation plan poses an estimated incentive of several hundred-thousand USD per facilitated deal, resulting in a potential annual revenue of millions of USD for GPs. Beside this direct monetary incentive, the inherent business interests of agents acting as GPs provide additional, secondary motivations to list buyers, sellers, as well as assessors on the LEXIT platform.

Venture Capital Firms, Accelerators, and Technology Hubs, have a vested interest to promote fast and cost-efficient trade of corporate assets of companies affiliated with them. According to GEM estimates², 96% of attempted incorporations fail during their first two years. This figure also reflects the fail rate of startups comprising the portfolio of VCs and other potential LEXIT GPs.

In becoming a GP, Venture Capital Firms, Accelerators, and Technology Hubs can expedite the liquidation of companies they are invested in or affiliated with, while minimizing losses and eventually creating a revenue stream. VCs, Accelerators, and Angel-Investors may also direct their creations towards LEXIT to acquire needed technology or IP, while benefiting directly as well as indirectly from the resulting transaction.

9 A Glimpse Into LEXIT's Future

Given the general increase in cost-efficiency discussed throughout this paper, it can be postulated that the growth of LEXIT's market share is essentially not limited by foreseeable market dynamics. Building on this assumption, LEXIT strives to position itself as the default venue for the trade of corporate assets across all industries and business scales.

With the growth of LEXIT's transaction volume, the LEXIT platform will be further developed to accommodate the needs of a growing user base with diverse interests and behaviors.

Third Party API

LEXIT will provide a third-party API (Application Program Interface) to allow direct listings onto LEXIT by General Partners, Sub Partners and other external specialized actors and marketplaces, without having to use the LEXIT web-interface. These external entities will benefit from

²<http://www.gemconsortium.org/report>

LEXIT's global reach, while LEXIT in return increases its transaction volume and reach even further.

LEXIT Market Predictive Artificial Intelligence (MPAi)

By facilitating large numbers of business interactions and processing the respective metadata, LEXIT finds itself in the privileged position of possessing exclusive access to valuable, deidentified Big Data.

This information, in combination with various additional sources such as stock exchanges, patent offices, scientific, business and social media, LEXIT's MPAi will be able to deduce trends and other insights from given market behaviors. These insights can then be utilized to inform the decisions of LEXIT users, or be sold on-demand to third parties.

10 Closing Remarks

With the LEXIT platform, IP, soft assets and company branches can be exposed to a much wider audience than before. We do not focus on only one side of the market but both—sellers and buyers. For example, startup founders and researchers can put their company or technological innovation on the platform. At the same time, a search mechanism is provided that helps buyers to find adequate offers.

Liquidation of insolvent companies will be facilitated by the Platform. All assets can be managed in one place. This is especially helpful with a larger number of assets and an increased number of interested parties.

Transparency of the market will be allowed for by blockchain technology. Transactions are stored tamper proof in decentralized system of nodes. The LEXIT solution will be powered by the LEXIT token (LXT) for accessing the platform and its services as well as transacting value on it.

Because of the platform nature of the LEXIT solution, informative data will be accumulated over time that can be harnessed with the help of big data techniques to gain deeper insights in the current state of the market and its future development.