



Democratizing Culture

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Art, The Value Store for the Wealthy

Art has always been a store of value and speculative instrument

For millennia, the wealthy have used fine arts to store value. The Medici's, arguably history's most well known patrons, were also prominent financiers who focused on foreign exchange. Although art patronage was a great passion for them, it was also part of a greater vision for a transfiguration of finance. The Medici's and Florence in turn began to lose its cultural edge when the Medici's began to associate patronage and their place with aristocracy instead of finance. France's Louis XIV obsessed over Art and secured his legacy 300+ years later through the incredible collections he built. Art has been passed down through families for generations and hailed as a unique store of value. Today, the fine art market is \$45B/year with sales in certain categories like contemporary art seeing consistent year over year gains. Over the last 10 years, Art's role as an asset class has begun to codify with the increasing prevalence of fine art hedge funds, loan products that allow borrowers to finance the purchase of works, consultancies springing up to advise institutions and corporate entities on how to diversify into fine art assets. There is a belief amongst dealers and industry experts that the market will continue to expand and that the staggering prices (north of \$30M) for certain masterworks (Picasso's works generated ~ \$327M in total sales in 2016) will just continue to grow. Most importantly, the value and trajectory of the market does it correlate to the performance of equities, making a diversified fine art strategy an interesting alternative investment class when considering diversification away from equities.

As of today however, access to this class of investment grade work is only limited to the wealthiest patrons. Not only does an art patron require vast resources to buy investment grade art from dealers and auctions, they also require a background and deep knowledge of market trends to make the right decisions. This makes investment grade participation in the art market completely inaccessible to most of the world's population. Larry's Lost, a Hong Kong based arts site has run a study for several years and estimates the number of art collectors or patrons who buy substantial works number between 8,000 -



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10,000. This number is staggeringly small. What is more, much of this works is held primarily for investment purposes. TEFAF 2017 reports that 1.2 million works of art are held in free-zone vaults, a new storage model that allows investors to avoid import tariffs by storing their works in facilities that are free from jurisdictional import laws. Many others are loaned to public collections.

These public arts collections in turn can have vast collections of supplemental works like photos of artists, manuscripts, drawing and sketchbooks, video art and interviews sitting in vaults- part of a larger collection- but in and of themselves, too specific or cumbersome to exhibit. That said, the institutions still have the burden to care for these works and keep them safe.

With all of these opportunities and the growing intricacies and services around the arts proliferating, as well as with increasing sale of fine art works transacting online, authenticity and trust is continuing to be an alarmingly important concern. Just in 2016, north of \$120M worth of art was questioned in regards to authenticity. Even the most prominent auction houses such as Christie's and Sotheby's have sold works that ended up being forgeries with unknown and unverifiable sources. What's more, with art coming from unknown sources, many works surviving conflicts such as WWII and the wars in Iraq and Afghanistan end up having origin called into question when owners and descendants of owners claim ownership over works, resold by multiple parties that end up ultimately in the hands of collectors. Sales records can be forged and when works sell in the 7 figures, the incentives of abuse are extremely high. All in all, the complexity, cost, and access to the markets as a whole is completely prohibitive to almost any investor or art lover. The sale of prints and less prominent works has always been there. However, works that are sold as decorative works or prints hardly ever accrue in value, and though they may be aesthetically interesting, seldom provide any economic value for down-market collectors. Though this may not seem like a big deal, remembering the Medici example mentioned previously, a really strong proliferation of the arts and culture requires not just aesthetic and cultural value but also economic value. Because of the price of investment grade art and the lack of economic value in most other works, and because the definition of what art is and how it creates value, it is limited to the 8,000-10,000 collectors that make up the art market. Living artists that could be making important work have no market for them. With the Bureau of Labor and Statistics reporting 7,000 artists working as full time artists in the US alone, a faint shadow of the 2.6 million arts graduates in the demonstrates the lack of opportunities for arts professionals. This problem is getting progressively worse as the price of fine arts increases and leaves major gaps in the middle and low end of the market for investment capable work.



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Without the economic drivers behind the work, artists have to compete at arts fairs and down-market galleries on price and attempt to make work that primary functions as an interior design accent, the market for the truly passionate art patron with enough means to sponsor meaningful art works isn't measurable but seems to be a tiny portion of the market as a whole.

The solutions

When financial motivators are introduced to the middle and down-market art galleries, the price of meaningful works will necessarily rise which would in turn attract more patrons who could afford to buy works they are passionate about knowing they will also appreciate in value.

In recent years, marketplaces have emerged trying to do just that online. They have taken a few forms. The first is that of open art markets that attempt to surface new artists to online buyers. The business models vary from interior design focused sites that help you find works to match your home - all the way through curator assisted sites. Though these marketplaces have provided both artists and patrons better ways to connect, they have been ineffective at bringing value creation and appreciation to the art market as a whole. The other trend sees the prints of prominent artists being sold to patrons who cannot afford paintings or other non-reproductive media. A print is a great way to own a Picasso for an affordable price but not only will that Picasso not appreciate in value, any increase in popularity of said prints is unlikely to have any impact on creating value in the living middle and down market.

In short, The approach has always been to make the downmarket and midmarket works look and feel investment grade. We feel this has been the wrong approach. What we need to do is provide a much bigger audience than some 10,000 collectors, the opportunities to participate in an investment grade art market. When a broader population of patrons is participating, helping set pricing and demand, and having a voice in the investment grade market, they could carry that same voice and demand across the art market as a whole.

What's more is that we believe the same solution which enables this broader market participation dynamic will solve a slew of other problems starting from the value locked in the vaults of public institutions all the way through the fraud and ownerships disputes that plague the arts markets. All while giving everyone in the world access to participate in the art market, the entire art market.

With the proliferation of blockchain technologies, we can give the world of art back to the world.

The key to solving all the problems we discussed is all about staging. We have to start by building a token funded collection of investment grade works. These are the same works that the 10,000 global



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collectors buy for their collections, to drive appreciation and hedge against market fluctuations. By funding the collection through our token sale, we can secure a portfolio of amazing works that will grow in value over time.

The next step is to create a marketplace where token holders can purchase the works. Because Artcoin is not a security, token holders will not own a % of the portfolio, instead they will be allowed to use their Artcoin to buy works out of the portfolio outright. In the beginning, this is tough to imagine, if we spend 10million on a masterwork, an Artcoin holder would have to come up with 10million worth of Artcoin in order to buy the work. Though the value of the works will span the spectrum of value, most works will be very expensive to begin with. The marketplace will allow coin holders to buy work (take possession of the works) outright but also to vote on their favorite works and start attributing proportional value to the portfolio. That will provide a baseline for evaluating the probability of price increases and will allow us to evaluate downmarket and middle market artists for inclusion in the marketplace. In short, the marketplace will use the economic value and access to the traditional investment grade portfolio to set a baseline for acquiring and / or selling directly, emerging and working artists and allowing the token holder community to have an appropriate valuation baseline for assessing the works.

All works sold through the marketplace and bought into the portfolio will be tracked for ownership and authenticity on the blockchain. All works in the portfolio will be purchasable by token holders and all works in the portfolio will be accessible to token holders both physically and virtually to enjoy.

The storage of the works as well as the works themselves will be democratically selected in collaboration with arts investment experts. Storage for the work will be done in institutions that are willing and able to display the work for token holders enjoyment and will be managed and insured to protect their value and the value of the Artcoin portfolio.



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Art - Defining Art

It is impossible to define art without making someone angry. For the purposes of Artcoin however, we need to define art in terms of its stages and roles.

Stage 1:

Art will be investment grade work, approved and selected by our arts council, voted on by token holders, insurable, verifiable owned, assessed by experts to have a high probability of appreciating in value, of interest to institutions to display

Stage 2:

Art will be work that has cultural value and a probability of appreciation as determined by our token holders. Stage 2 will be rolled out when our token holders have enough investment grade art exposure to influence market values. In short, when our token holders join the ranks of the 10,000 art collectors and patrons, they will have enough economic influence and clout in the art market to drive the some of the value attribution to the broader market of emerging and living middle market and down market artists. The selections will still be made in collaboration with experts and the value attribution mechanism will be designed in collaboration with economists to insure we both maintain value in tokens as well as are able to set or predict preferential pricing.



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Stage 3:

Digital rights, Digital Prints and Blockchain Art will further improve access to the arts by providing ways for Artcoin holders to buy or rent Artworks that are digital and unique. Editions of photography prints, videos or other manifestations of digital works might be provisioned for a certain set of copies the way a print run might have a certain set of copies, and sold to token holders as digital, trackable editions. These might come with rights like the right to print a copy or the right to create a 3D printed sculpture but the authentic works will only get attributed to buyers or their assignees, even if the works are somehow mimicked through screen grabs or forgeries.

Roadmap:

- **Art Marketplace**

- With the arts marketplace, the intention is to open up to a much broader market. Initially, the intent is to roll out the marketplace to artists represented by galleries. The reason for this is similar to the above. We would like to make works available that are likely to provide value for buyers not just culturally but economically as well. This will hopefully have the effect of creating some kind of constraints as the market evolves
- The marketplace will also allow the resale of work stored in the Artcoin blockchain for validation reasons.
- Buying work out of the collection can be done at any time by token holders. Though the dynamics are subject to change based on technical constraints and advisory direction, Artcoin holders should be able to fully purchase any work in the collection using Artcoin at a rate equivalent to the work's market value price as set by either an independent appraiser or through an auction. The price of work in Artcoin will not consider the price of other crypto currencies like ethereum or bitcoin but will be based on the exchange rate to a fiat currency. However, the total value of the portfolio can not be greater than the total Artcoin supply.



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- Accessible Collection

- The collection will be physically accessible by token holders during normal business hours. The collection may be spread out across locations. For additional details, please see consortium storage section.
- Institutions who store and host the physical collection will be asked to charge the admission fee to the collection in Artcoin (and provide existing token holders with free access) - this may be done in the form of paper coins resold through the institutions or through a mobile or POS integrated solution

- VR Gallery

- Everyone who holds Artcoin should be able to view and experience the collection. While the collection will be physically viewable at consortium storage institutions, the collection will also be viewable virtually using popular VR platforms like google cardboard to tour the collection, get historical information narrated by art historians or curators, and drill into the details of works.
- Optionally, Token holders will also be able to feature virtual profiles and depending on the extent of their Artcoin holdings, will be able to add work they are passionate about to their virtual profile as well as display that work on home screens as proud patrons.

- Digital Rights

- The digital rights platform will enable stage 3 art (described above) to be offered to the token holders
- Institutions will be able to unlock the value of their archives by loaning works and selling copies of digital works in their collections

- Ownership Authentication Blockchain

- The ownership blockchain will allow anyone to track the history of works bought, sold, or transferred with Artcoin
- The blockchain will serve as a decentralized ledger to resolve ownership and authenticity disputes
- Works may be armed with digital tokens and fitted with GPS tracking when in the consortium to insure a greater level of protection and trust
- The ownership blockchain could be extended for broader market usage by enabling auction houses and galleries to use Artcoin to conduct transactions



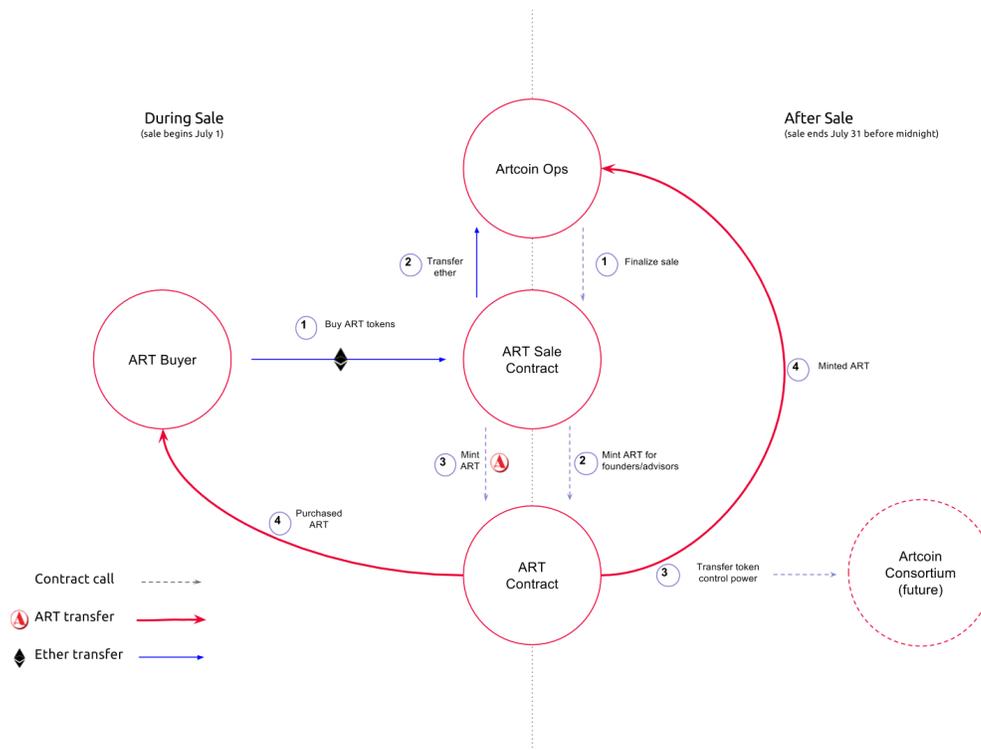
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- The ownership infrastructure could be licensed as a service to institutions that would like to record transactions, ownership and transfers.

How it works

- The Artcoin Token, ART

ART represents the wealth of the decentralized Artcoin community. To kickstart the network, an uncapped number of ART will be sold based on a predetermined price function that increases over time. The funds raised from the initial sale (and subsequent sales as deemed necessary by the Founders to kickstart the collection) will be transferred to the Artcoin Ops contract to fund development of the Artcoin Consortium as well as fund the first pieces of investment grade art for the collection. Some time after the sale ends, the Artcoin team will deploy the Artcoin Consortium once they consider it implements the stated mission and it is secure to do so. At this moment the consortium will initiate and governance decisions will begin to be made by ART token holders.





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- Consortium Structure

- The councils
 - Art Council
 - Economic Council
 - Legal Council
- Token Holders
- Contract Management will be governed by the consortium
- Managing the Mint will be executed from the consortium contracts and validated with economic council and token holders. The consortium will be able to view and set / vote on rules governing supply expansions, future crowd sales and other mechanics such as supply buy-backs
- Management Team Governance will be administered by the consortium - the consortium will have the ability to set management goals, meeting schedules and future artcoin compensation structures
- Financial Governance will be determined by the consortium and guided in collaboration with our councils.

- Consortium Holdings

- Art is chosen based on its propensity to grow in value over time. Just like in equity markets, there are higher risk, lesser known art that may have significant returns but is just as likely to have little to no growth over time and there is the kind of work that consistently appreciates in value. One of the key attributes of the market is that the supply is constrained to the work a particular artist has produce in their lifetime and sometimes, and with some works, enough visibility and significance that for all practical purposes, they are a supply of 1.
- The art chosen for its value will be based on technical economic analysis etc..
- The work will be bought from prominent galleries and auction houses as well as directly from living artists or estates if possible.



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- Consortium Storage

- While technically, any token holder with enough tokens to pay for a complete work can buy work out of a collection, most will not have enough art coin to purchase work outright. For those that do, information on how this will work is in section..XX
- One of the primary goals of this sale is to insure the collection is accessible by token holders. Works bought by the consortium for the collection will be stored in a way that is accessible. One example might be, as a loan to a public museum or other public institution.
- Criteria for Institutions
 - Institutions must be able to agree to reasonable changing the makeup of the collection (in the case that works are bought out of the collection) - we realize that too much variability in the collection could be a management burden for a potential institution and could discourage an institution from hosting the collection, so the delivery of work purchased out of the collection will be done monthly, an institution in turn has to be willing to rotate works through the collection to accommodate the marketplace movement
 - Institutions must have the ability to insure the safety and maintenance of the work. They will be required to have an insurance policy covering the full appraised value of the works, as well as the facilities, staff and knowledge that can insure the safety of the work
 - Institutions must be willing to accept the consortiums ownership of the work and be in countries where politics or policy is unlikely to compromise the ownership stake.
 - Institutions must be willing to restrict access of the work to Artcoin holders. We would like to involve all participants who look to enjoy the work in the token, as such, the institution can re-sell paper Artcoin tokens at market price equivalent to the price of admission for a special exhibition and provide visitors (and new token holders) with something much more than just a great day at the museum but tokens for the consortium. (for more information, read the institutional token sales)
 - Institutions must be willing to hold openings and promote and feature the exhibitions as Artcoin consortium exhibitions



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- Determining Storage
 - After the Crowdsale and formation of the arts council, a notice will go out to public and private institutions recommended by the arts council. Token holders will be allowed to submit recommendations but the ultimate vetting against the criteria above will be made by the council and documented. We are encouraging the list to be global, the collection should be stored across the world to provide the greatest level of access to token holders. After the list is created, the institutions will be notified to submit their applications.
 - Once a list of willing institutions is compiled, applications will be posted to be viewable by token holders and rated by the consortium on the extent to which they meet the criteria above. Token holders will then be able to vote on the institutions they would like to host the work. This process will be repeated every 6-12 months to insure the collection can travel if appropriate. The collection will ideally be lent out to multiple qualified institutions and spread out so that access could be maximized.