



A R T E X

A R T P R O V E N A N C E B L O C K C H A I N

THE FIRST GLOBAL ART  
WORK PLATFORM BASED  
ON BLOCKCHAIN  
TECHNOLOGY

[artex.global](https://artex.global)



# CONTENTS

<b>Chapter 1. Basic provisions</b>	4
<b>Chapter 2. Glossary</b>	5
<b>Chapter 3. Brief Market Review</b>	5
3.1. Art Market.	5
3.2. Volume of investment into Art startups.	7
3.3. Artistic Photography Market	8
<b>Chapter 4. Key-Problems of the Art Industry</b>	9
<b>Chapter 5. What is Artex?</b>	10
5.1. What can our platform suggest?	10
<b>Chapter 6. Artex project ecosystem</b>	12
6.1. Proposed Services	12
6.2. Individual actors	12
6.3. Verification and adding of new photographers.	13
6.4. Verification and adding of new print labs	13
6.5. Verification of galleries.	14
6.6. Process of printing digital photos.	14
6.6.1. Release of a Photo Token	15
6.6.2. Actions with a Photo Token.	17
6.7. Description of photo management	18
6.8. Safe Deal mechanics and arbitration	20
6.9. System adjustment	21
<b>Chapter 7. Project team</b>	22
<b>Chapter 8. Tokens on the Platform</b>	25
<b>Chapter 9. Roadmap (Development stages)</b>	26
<b>Chapter 10. Financial Model of the Project</b>	27
10.1. Operations	28
10.2. Creation of an ART Portfolio	28
10.3. Exchange Turnover of the ARX Token Itself.	28
10.4. Structure of Operational Expenses	28
10.5. ROI Analysis	29
10.6. Summary.	30
<b>Глава 11. Token Pre-sale and Token Sale</b>	31
11.1. Pre-sale	31
11.2. Token-sale.	32
11.3. Distribution of Tokens.	34

# Chapter 1

## The Basics

Throughout history, the art market has been a vitally important instrument with which to hedge risks, known only to a closed circle of people. It was so valuable that it was known only to a limited circle of people. The advent of the Information Society has opened the art market to a plethora of new investors. Unfortunately, along with this rapid growth came a flood of high-quality forgeries which fooled many investors who were not skilled and experienced enough to understand the nuances of art.

To an uninformed investor, the Art Market seems to be filled with various communities, a multitude of experts, and a considerable number of fakes and copies. However, at present, the market does not resemble what it used to be in the past. Despite the chaos, the market has grown by nearly 10% per annum because good investment portfolios can realize momentous profits of 1000%, or even 10 000%, during a 3 to 5 year period.

The Art Market combines traditional values with an opportunity to increase profits aggressively.

After recent economic crises, the demand for works of art has, on the one hand, expanded dramatically, but on the other, many investors who wanted to sell their artworks found out that their treasured possessions were indeed fakes, and are not worth anywhere near what they had believed.

In 2018, we revolutionize this market. With the ARTEX project, we are making an artistic

catalog. On the first stage of the development paintings and photos worth up to \$ 5000 (70% of the market is comprised of pieces worth less than \$ 5000 less than 1% of these are forgeries) will be brought in only through confirmed galleries; they will be verified by a massive community of experts. All information about the works will be available in a convenient mobile application where an artwork's provenance (artist, purchase history, previous exhibitions, critical evaluations, and so on) will be available.

ARTEX will allow anyone who is in the market for a painting or a photo to find all the pertinent information in one click, including the copyright owner, property rights, current location, and contacts of the gallery where the piece of art is kept (It is highly inadvisable to keep an artwork purchased as an investment at home).

Information will be entered into an Ethereum blockchain, specially designed to maintain the integrity of the data. Thereby, we will eliminate the risk of dishonest dealers altering the information in any way. completely transparent and easily accessible market will attract a new generation of investors (currently, the average age of art investors is more than 45).

The debut of ARTEX will herald a new era of dynamic growth in the art market. Our project will become the main platform for dealers, galleries, and buyers who want to guarantee the safety and authenticity of their art.

# Chapter 2

## Glossary

**The ARX Token** – basic token in the system, the payment tool, will be on sale at the ICO.

**The Photo Token** – token granting the right to print at a verified print lab.

**The Picture Token** – token confirming ownership.

# Chapter 3

## Brief market review

### 3.1. Art Market

During the last decade, the art market grew by 212%. The MODERN art section of the market exploded by 1400%. This growth was caused by a series of factors, including:

- **Dematerialization of sales and ease of access to the market**

Was caused by the fact that the Internet became the main tool for finding and exchanging information. Thus, not less than

95% of participants in the market use mobile devices. Furthermore, 95% of the auction houses that exist in the world have a presence on the Internet (in 2005 there were only 3%). The influence of the Internet became irreversible after the generation of so-called «silver surfers» – collectors older than 50 with a high purchasing power, who are the main buyers in the art market now. This generation has chosen the Internet as the primary platform for art market research, and they use mobile gadgets which comfortably integrate with their way of life. (Research conducted in 2016 showed that the most active users of the mobile Internet are people over 50 from the wealthiest countries.)

### • Financialization

Financialization process of converting financial capital into fictive and virtual capital. This transformation is combined with a massive increase in the number of buyers of artwork (from 500 000 during the post-war period, up to 70 million in 2015), and a dramatic decrease of their average age. In addition, the market is notably expanding into Asia, the Pacific Rim, South Africa, India, the Middle East and Latin America.

### • Development of the world museum industry

Every year, about 700 new museums are opened throughout the world. Thus, the museum industry has become an economic entity in the 21st century. (Between 2010 and 2014 more museums were opened than in the two previous centuries). These institutions are always eager to find works of the maximal artistic and historical quality and value.

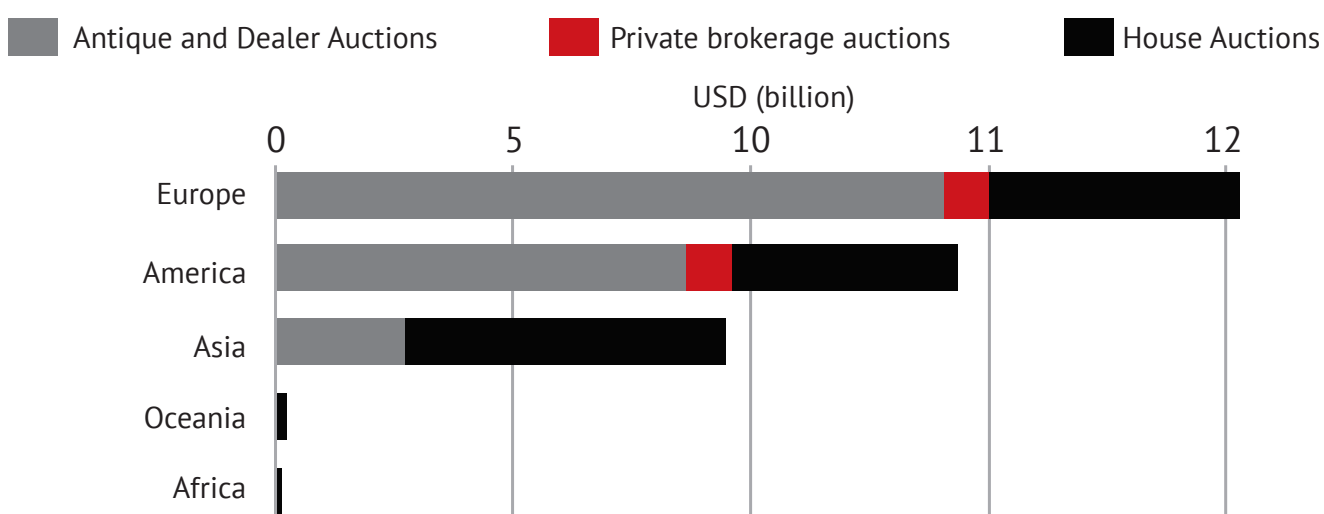
### • The investment appeal

The risk of market recessions and periodic price adjustments has not slowed the growth in the number of collectors of modern art.

While the practice of central banks to maintain negative interest rates is destroying savings, the modern art market has experienced massive growth of 1370% over the past 16 years. The average cost of a work of modern art has increased by 115%, an annual profit of 4,9%. Pieces sold for prices above \$20 000 have increased 9% per year.

Geographically speaking, the three leaders in the art market, the USA, China, and Great Britain, represent 87.5% of the secondary art market, \$14–16 billion.

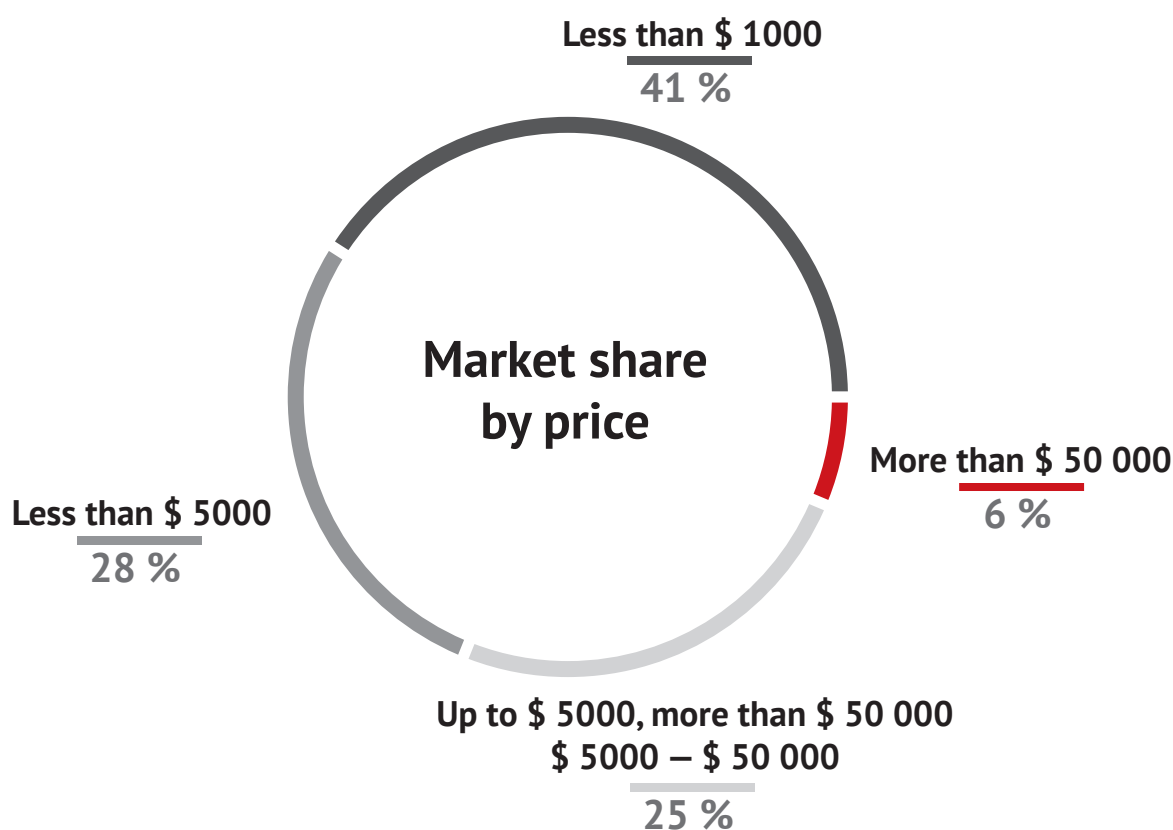
**Total market size in 2016 – \$45 bln.**



In 2015, 865 700 lots were offered for sale at world art auctions, a 3% increase over the year before.

The world art market covers all price categories, and even though the most prestigious art auctions that attract great media attention are inaccessible to most buyers, everyone should be able to find something interesting and affordable. Three-quarters of the market's photos, drawings and lithographs are traded at prices below \$5000, while 75% leave the showrooms for less than \$7200. Therefore, even though the market has a complex structure, the great majority of items can be purchased at affordable prices.

Paintings continue to dominate in the art market with 42% of purchases in the lower and average price sectors. At the upper end of the price structure, two-thirds of the items are paintings. The remainder of the most expensive market consists of sculptures (16%) and drawings (8 %). Graphics and prints represent the most accessible segment of the art market with 95% of such lots leaving auctions for prices below \$10 000. Photos occupy the middle position between «original» and «production» works, and this is reflected in their prices. A small number of photos sale for hundreds of thousands, or even millions of dollars, but 85% go for below \$10 000.



## 3.2. Investment in Art startups

The amount invested into Art Market startups shows increasing confidence in the online art and technology industry.

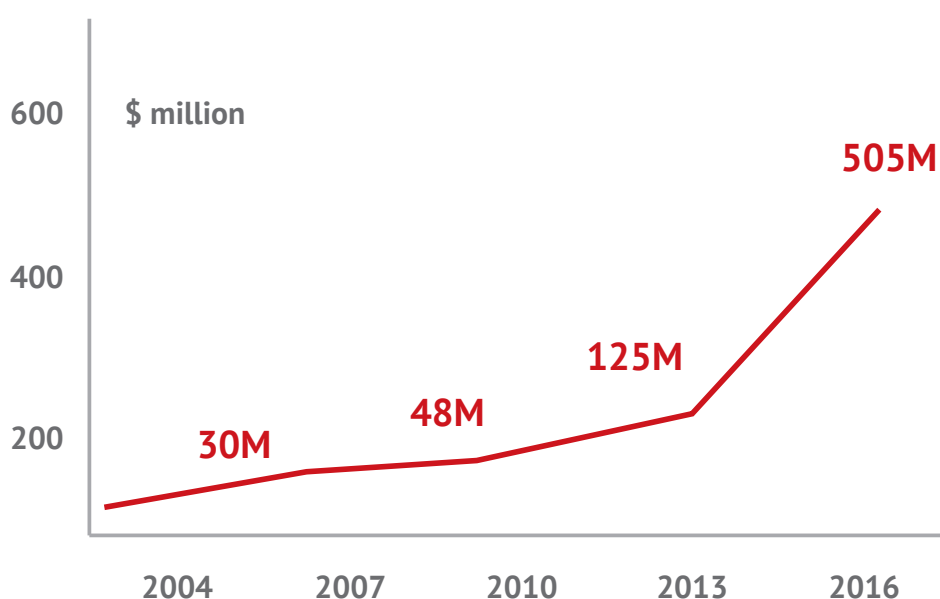
The total investment for the last 12 years was about \$1.19 billion, 84% of which came during the period of 2013–2015. Investments increased exponentially, with the peak coming

in 2015 – \$ 505 million among 23 startups. Most investments involved digital projects. Moreover, we should note that that investors in these startups mainly invest in the financial markets, not in the art market.

*The volume of investment in art startups in 2013–2015 was nearly \$1 billion (half of which came in 2015).*

*Source: <https://www2.deloitte.com/content/dam/Deloitte/at/Documents/finance/art-and-finance-report2016.pdf>*

### Investments in art startups volume in 3 years – \$1 billion



## 3.3. Artistic Photography Market

### Market size: \$1.5 billion

Photography has become increasingly popular in the modern art market and now represents 8% of market transactions.

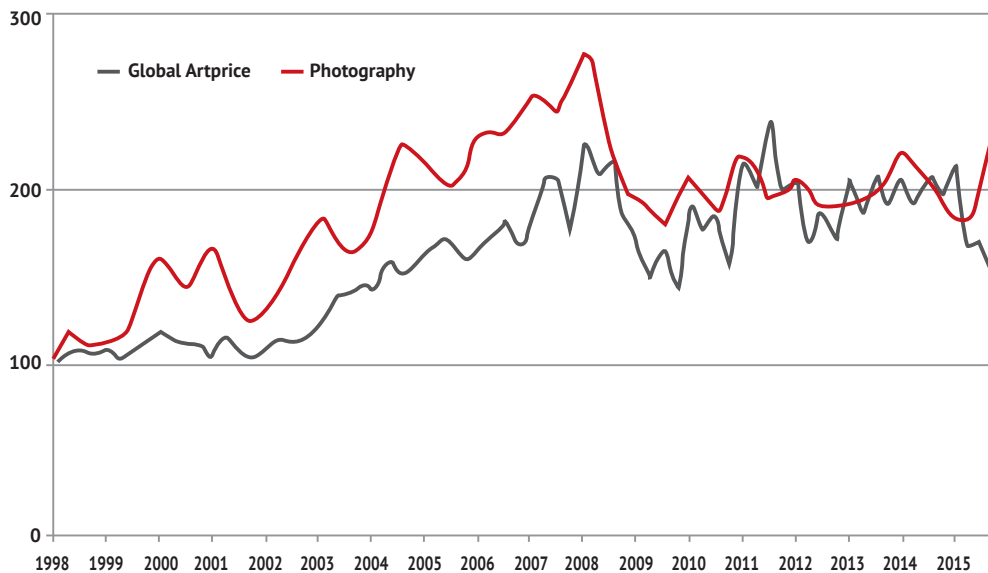
Fundamentals of the Art Photography Market: (source: The Contents of Artprice's 2015 Annual Report on the Art Photography Market).

- The average price of photos grew by 48% during the years 2010–2015.
- Photos are some of the best investments in the Art Market.

- During the first 6 months in 2015, half of all photos sold were estimated above \$ 1560.
- The average price of a photo sold is about \$ 10 000
- 54% of all photos were sold in the United States

A serious problem of the artistic photography market is an unregulated replication and the absence of an integrated guarantor of a work's authenticity. By solving this issue, we will make the market immensely more attractive to art investors, and provide on-demand services to the current investors who now represent from 35–60% of total market transactions.





## Chapter 4

# Key-Problems of the Art Industry

1. The absence of an integrated mechanism displaying artwork's history of transactions, copyrights, and authenticity.
2. There is no universal registry of art owners that defends owners' rights.
3. Half of the art market is an unregistered «gray» zone. Absence of a secure method to carry out safe transactions;
4. The lack of protection against digital reproduction of artistic photos (including new files created with professional scanners);
5. The absence of a secure method to verify authorship of a digital image.

# Chapter 5

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## What is Artex?

**Artex** is a platform which will establish the record a history of art objects – both digital images, and items of cultural and historical importance.

We will unite dealers, galleries, art critics, photographers, collectors, investors, and exhibitors on a single platform.

**At its base, the Artex platform includes several services:**

- Restricted printing of digital photos
- Authentication and sale of artwork

### 5.1. What can our platform suggest?

#### **1. An aggregated record of each art work's transactions**

Now the buyer of an art piece will be able to learn about its previous owners. A picture's history always begins with a reputable gallery. The initial authenticity of the artwork will be defined by an amalgamated group of accredited experts from around the world.

#### **2. Creation of a unified but decentralized registry for the authentication of artwork using blockchain technology**

Upon completion, our project will create a unified history for each piece of art that will completely eliminate the possibility of forgeries. All elements in said history will be verified by a decentralized group of experts, and the work will have a straightforward record.

With our application, each user will be able to instantly scrutinize artwork's exhibition and storage history, along with a record of ownership. They will also be able to see the number of art pieces duplications.

In addition to a chain of blocks with information for collectors and dealers, investors will have easily accessible data (description, artist, audio, video and so on) which will automatically be transferred to museums during an exhibition of artwork.

### **3. A secured Safe Deal<sup>1</sup>, with blockchain Smart Contacts for reliable transactions**

Artex will provide a safe exchange. We use an on-demand mechanism that allows completely safe transactions. The process is not complete until a third party confirms it. The third party can be a print laboratory, laboratory, a gallery, or another expert in the blockchain.

### **4. Confirmed limitation of a digital art piece's copies.**

It is carried out according to the Photo Token's release for a single printing of a photo. After the photo's physical copy is released, it gets a digital history and is protected by triple a key

that consists of the image code (its format, materials, veneering, size, date and a place of release), the owner's code, and the producer's code. The image can be verified through a mobile app at any moment, but a transaction is carried out only when all three codes are present.

### **5. Copyright protection for photographers**

Artex contends that, in the future, photographers will not need to use the courts to prove that they are the rightful owners of the copyright. Courts will accept the records that are confirmed by a blockchain system. It will significantly reduce legal costs, hold down unauthorized distribution, and legally protect artists.

### **6. Monetization of knowledge**

Artex will help experts (art historians, critics, gallery owners, professional photographers) to monetize their knowledge and abilities. They will earn ARX Tokens through moderation, assessment, and attribution of images and pictures.

We plan to use a world-wide community of experts who have been vetted and verified by investors with reliable professional reputations.

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<sup>1</sup> Safe Deal--digital insurance of transactions. Thanks to this payment service, the client's money will be delivered only after the terms of the transaction are completed.

# Chapter 6

## The Artex project ecosystem

### 6.1. Proposed services

**The Artex project will provide the following essential services:**

- 1) verification and addition of new photographers;
- 2) verification and addition of new laboratories;
- 3) verification and addition of new galleries;
- 4) promotion of the restricted printing digital photos;
- 5) artwork moderation;
- 6) Safe Deal and Arbitration;
- 7) a service for system modifications.

### 6.2. Individual actors

- **Photographer** – a person who was verified in the system after submitting a portfolio. Verification is carried out by an expert community through a secret ballot. The photographer is automatically considered an expert.
- **Expert** – any participant in the system who is rewarded for the estimating other work's quality. Any user can become the expert.

- **Advisory board** – authorized representatives of galleries or state organizations who are recognized as experts in art.
- **Arbiter** – a participant who can solve disputes and earns rewards; each transaction has its own arbiters.
- **Print Lab** – an approved print laboratory which prints photos.
- **Gallery** – the approved list of galleries.

## 6.3. Verification and adding of new photographers

- Photographers from the 35awards website who have already been selected by the decentralized committee will be considered original photographers; selection of other photographers will be made by secret ballot.
- New photographers must pay ARX Token in order to get a verification, as payment for the work of the decentralized expert community.
- Experts in this process are other photographers.

## 6.4. Verification and adding of new labs

- Laboratories certified by «HAHNEMÜHLE» will be considered original laboratories;
- New laboratories that want to be verified must pay ARX Tokens as payment for the work of the decentralized expert community;
- New laboratories will be verified by a vote of experts from the same region where the laboratory is located;
- Information about laboratories is stored in the blockchain.

## 6.5. Verification of galleries

Each gallery that wants to use the Artex platform must be verified. The process of gallery verification is described below.

- Initial verification (with a blockchain record) will be given to the top 100 galleries – permanent participants in the world's largest fairs and auctions.
- A gallery that wants to be verified must pay ARX Token and send the list of its artwork (photos, pictures and so on) to be checked by the advisory board. The advisory council will choose three random works from the list to be verified furthercheck. Selected representatives of the advisory board will judge the authenticity of these pictures and their actual existence in the gallery.
- Representatives of the advisory board receive ARX Token for their work. A gallery that doesn't obtain a verification may request arbitration. The records of each gallery's verification process will be saved in blockchain.

## 6.6. Printing digital photos

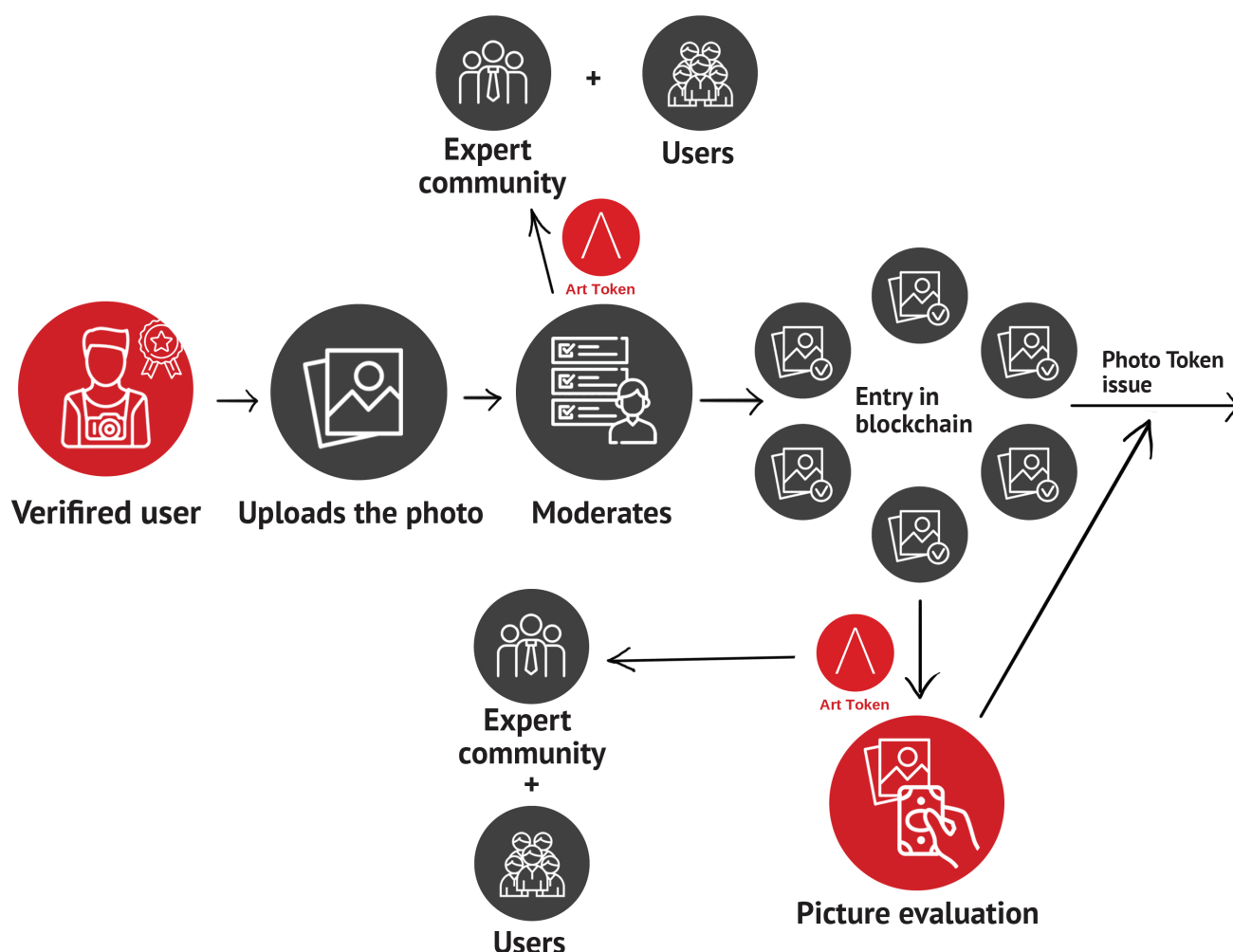
This service will allow the Art Photography market to become utterly transparent for investors. It will solve the main problem of this market – uncontrolled duplication of photos.

The primary goal of this service is to release Photo Tokens for the subsequent restricted printing of digital products. Both a token and the resulting artwork (a number of exclusive copies) are of value.

- Creation of a common decentralized photo registry within blockchain.
- Verification of the authorship of photos.
- Control on the circulation of printed photos.
- Photo record storage.

## 6.6.1. Release of a Photo Token

Photo Token issue infographics



The process looks as follows.

### The photographer uploads the photo

- The photo appears on the website;
- To upload a photo, the user must pay ARX Tokens to compensate work of the experts.

### The expert community moderates the photo

Processing and evaluations of photos are implemented by 35awards – one of the largest photo amalgamation websites in the world. In 2016, 75 000 people uploaded 200 000 photos to this site. A unique system of voting used more than 36 million user appraisals.

- Each photo uploaded is evaluated by an expert community and users;

- Experts compare the photo with similar images to check whether the picture is already in the blockchain.
- Experts determine if the person uploading the photo is truly its author.
- Experts and users compare the photo to other existing images and choose the best ones.
- The expert community is motivated by payment in ARX Token for their work.
- Users are motivated by an opportunity to become an expert and by the potential to earn ARX Token.
- Any user can become an expert if his or her evaluations are similar to the assessments of the expert community.
- If the photo is accepted, its information is registered the blockchain.

### **The photographer may determine the price of the photo**

- The photographer can set the photo price with the help of the expert community.
- To determine the cost of the photo, it is necessary to pay ARX Token for the work of the experts.
- Experts compare the price of the uploaded photo to the prices of existing photos in their category.
- Photographers act as experts in this service.

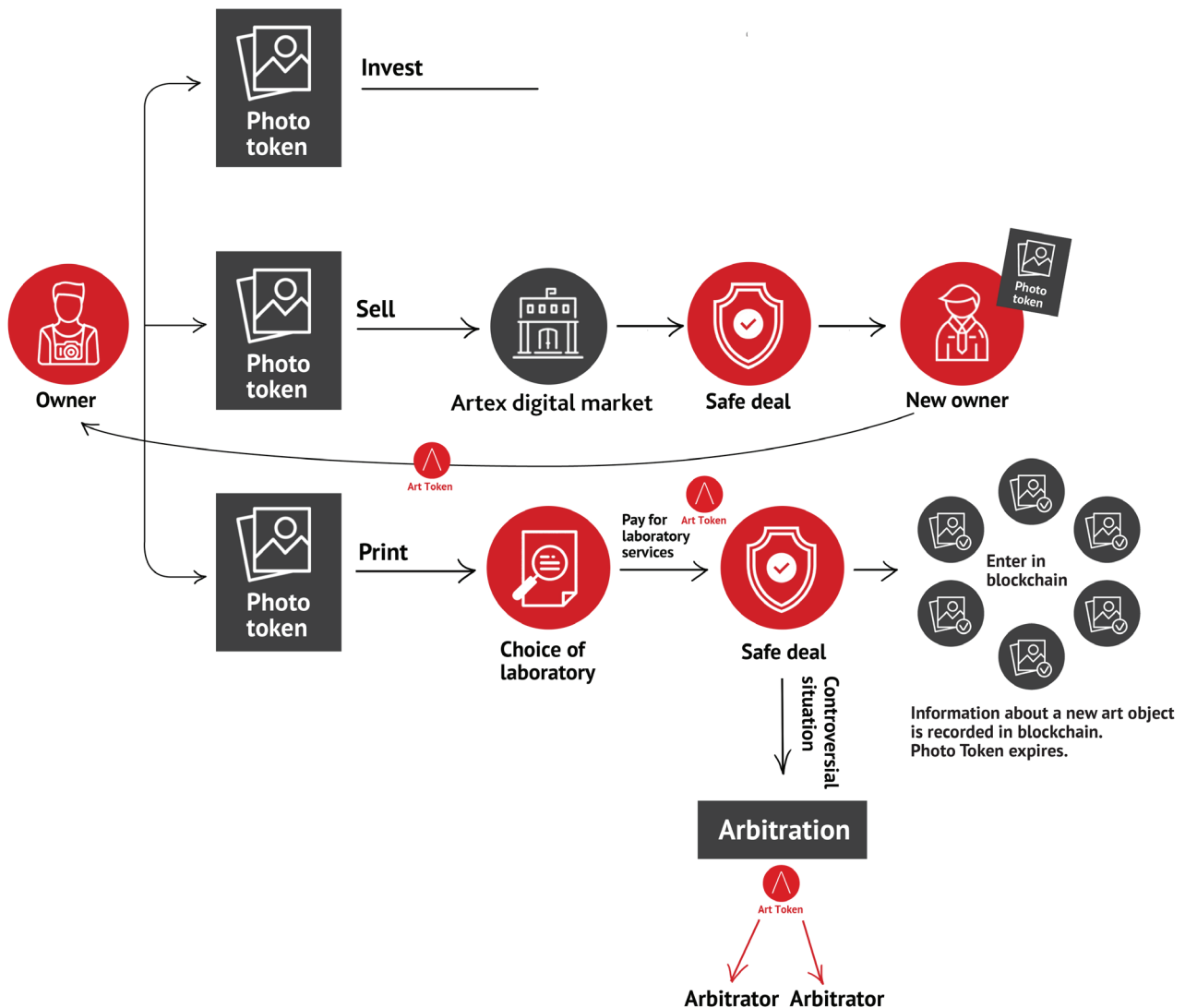
### **Release of a Photo Token**

The Photo Token gives the user the right to print the photo at approved print labs.

- The author of the photo may release several Photo Tokens.
- Photo Tokens may be released only one time.



## 6.6.2. Actions with a Photo Token



### Invest

Let's consider a simple situation when a photographer has issued 4 Photo Tokens of his picture. This means that there will be only 4 different works of art based on this picture in the whole world. After the time expires, all Photo Tokens except one were sold and printed out. What do you think will happen to the price of the remaining one? It will definitely grow.

### Sell

- Photographers can sell their pictures solely on the Artex digital market, and the photographers set the photo price by themselves.
- Every sale proceeds through a Smart Contract which guarantees the fulfillment of the contract.

## Print

A Photo Token owner can print this picture in a verified lab.

- User negotiates conditions of print and payment with the lab; this information is recorded into blockchain.
- After the information is inside blockchain, a token is sent automatically from the user to the lab.
- After the work is printed and received by the user, final payment is made, and the token expires. In case of any disputes between the user and the lab, they can be resolved using arbitration.
- A settlement between the customer and the laboratory is achieved through a Smart Contract.

## 6.7. Description of photo management

As technologies move forward, we have decided to inscribe the records of each piece of artwork and picture in blockchain and make them open to all the market participants. This will allow us to confirm the authenticity of the pictures, protect photographers' copyrights, and solve many other issues.

When entering the art market, we primarily want to handle artwork that is worth up to \$ 5 000. The probability of forgery is low and, therefore the cost of insurance is low. At the same time, the potential for monetary profit is at a maximum.

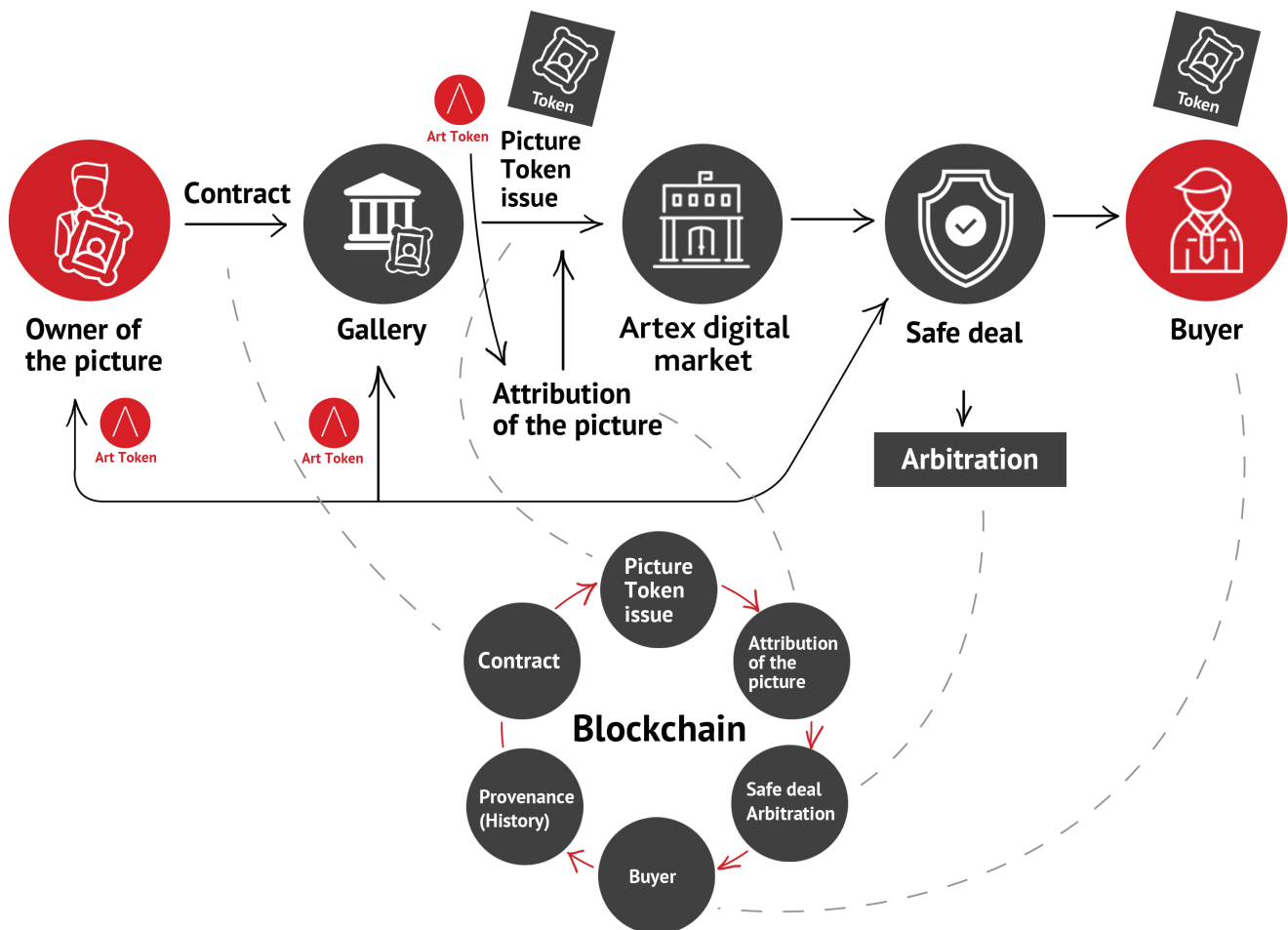
While creating the history of works of art today, after 10 years, there will be no art that does not have a digital record in the blockchain. Artwork that is not in blockchain will be classified as low liquidity and high-risk material.

Our service will the transfer of the provenance<sup>2</sup> of the artwork digitally, to create a decentralized registry of art objects in the blockchain, and to attract new art investors. It will also avoid fraud during the sale.

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<sup>2</sup> Provenance (FR. provenance – origin, source) – the art work's ownership record, and its origin. On art and antique markets, provenance is an integral part of the documentation supporting the authenticity of art objects.

- The storage, ownership, and sale price record of pictures will be entered in the blockchain.
- Creation of new market outlets for classic picture galleries.
- Safe Deals using the Artex platform.



## Picture sale

### Enter information about the painting in the block, and issue the Picture Token

- In order to add a new picture to the platform, the gallery sends info about it to blockchain and pays ARX Token for verification. This is payment for the expert's work. If the picture's authenticity is confirmed, Smart-Contract sends the token of the picture to the gallery's account in the platform.
- If a picture owner, who is not a gallery, wants to sell one of his or her pictures, they should come to an agreement with a gallery about conditions.
- Transaction details are recorded in the blockchain.

## Picture token sale

- A gallery can put up a picture token for sale.
- The sale is held on Artex digital market with Safe Deal.
- A picture token can be sold for ARX Token.

## Provenance

- We plan to collaborate with famous exhibitions and get picture information from them.
- All exhibitions are run mainly with the one single goal – to increase the monetary value of art objects or to increase an author's recognition.
- Therefore, it is advantageous for exhibitions to have their information posted in Artex.

## 6.8. Safe Deal mechanics and arbitration

- Every transaction inside the system is processed through Safe Deal mechanics.
- Every expert in the system has a rating.

### Arbitration

The system must guarantee the fulfillment of the terms of the deal between the customer and the executor. The funds must be returned to the customer if the transaction is not completed.

In the event of a dispute, the parties to the transaction may use the arbitration mechanism. The cost of arbitration will be determined by the amount of the transaction.

### Arbitration algorithm is described below

- Initially, the system randomly selects arbiters from the pool of arbiters.
- Customer and contractor submit their comments regarding the issue.

- Every arbiter makes a decision independently and submits his or her comments regarding the issue.
- The outcome is decided by a majority of votes.
- Each arbiter has an individual rating. The decisions by arbiters who are judged to be more reliable are given more importance.

## 6.9. System adjustment

- We understand that we may need to adjust the system in the future. Therefore, we have created a mechanism by which we can change elements of the Smart Contracts.
- Changes are voted on by all token holders, and are approved by a majority of votes.
- Any member who holds a certain number of tokens can initiate change.

# Chapter 7

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## Project team

### Vladimir Povshenko (CEO, co-founder)

One of the leading figures in the Russian photo market for the past 10 years. The owner of the «Russian photo» magazine, the creator of the largest professional community «Russian photo» Club. He organized over 100 different events – from seminars and exhibitions to the «The Photographer's Day» festival, which was attended by over 20 000 people in 2012. The Photographer's Day is a holiday widely celebrated every year on 12th of July (registered trademark). Co-owner of the project club.foto.ru.

### Valeriy Kochergin (CTO, co-founder)

The creator of the most extensive professional social networking site in the field of photography 35photo.ru. The founder of the Russia's largest (the world's second-largest to date) photo award 35AWARDS. A co-owner of the educational project 1photo.tv and a technical partner with Russian Photography Week. Evgeniy Galiakhmetov (CFO, co-founder)

## Evgeniy Galiakhmetov (CFO, co-founder)

13 years of banking experience, was promoted from credit cards sales manager at Citibank to a head of corporate sales at HSBC, then to head of retail business of ZENITH Bank. An investor in the blockchain assets.

## Anna Shvets (ART-manager & PR)

Art Manager and an expert on trends and events in the world of art. Thatcher's Art Management CEO, the Director of Antarctic Biennale, an author of educational programs on contemporary art, and an independent curator. After studying art management in Italy, she actively collaborates with leading art institutions and artists working in different fields and genres.

## Alexander Krivoshein (developer)

Alexander is the founder and CEO of payment service provider Europay s.r.o, Czech Republic. He is also a co-founder, CEO, and IT-Director of the Internet provider NETBYNET.

## Vladimir Pluzhnikov (developer)

An experienced full stack web developer. HTML/CSS, Javascript / ES2015 with and without frameworks, experience with Webpack2 and Gulp. Interfaces development: a good understanding of design and usability. PHP5 – a sufficient experience for writing a full-fledged CMS, modifying 3rd party's code, including blind work without any documentation and support. Dina Gurariy

## Dina Gurariy (ART-banking)

An art historian, co-owner of the «MustART» gallery. An active participant in the art market. The creator and curator of several major museum exhibitions. The visionary, initiator, and organizer of the complex socio-cultural events throughout Russia. The Chairman of the Dissertation Committee of the faculty of History of art in the Kosygin RSU.

## Mark Cobert (ART-manager)

A collector of photography, a curator, a professional photographer. Was engaged in the reproduction of a collection of paintings and photographs for the Museum of Modern Art Art4.ru and private collectors. Worked with archives and private collections of the most important masters in the world of photography. From 2010 until now, is the Director of the Gallery of the Classic Photography (Moscow). An organizer of the Moscow Photographic Salon, the only photo fair in Russia.

## Anna Sereda (Content and communications)

Sustainability and social innovations enthusiast, an expert in Classics and European literature. Ex-PR manager of the Antarctic Biennale. Worked as a journalist in Moscow, Copenhagen, and Berlin. Author and developer of several international social campaign cases. After studying communication and economy in Denmark initiated the first Russian research campaign on the Circular economy.



# Chapter 8

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## Tokens in the System

In the ecosystem Artex Art-token is the main payment instrument both for the professional community and for the system users.

### **Professional Use of the Token in the System:**

- payment for attribution (expert evaluation) of a piece of art;
- verification of a gallery and/or photo laboratory;
- payment for the exhibition organization services;
- payment for art promotion services;
- tokenization of pieces of art;
- payment for the photo laboratory services;
- payment for the escrow service.

### **Token Use in the System by an Investor:**

- purchasing pieces of art or parts thereof (through tokening);
- participation in closed art events and opening-days;
- exclusive offers of artists and galleries;
- purchasing preferential tickets for visiting exhibitions and museums;
- payment for the gallery's services of selecting and promoting an art portfolio;
- voting for changes in the system.

# Chapter 9

## Roadmap (stages of development)

<p><b>Stage 1</b></p> <p><b>Q4 2017 – Q4 2018</b></p> <p>Development of Artex for the photography market</p>	<p><b>Details:</b></p> <ul style="list-style-type: none"> <li>• infrastructure development;</li> <li>• verification and adding of new photographers;</li> <li>• photographers can add photos to the Artex database by adding information about authorship in the blockchain;</li> <li>• accreditation of primary photo printing labs and exhibition photo galleries;</li> <li>• processing and pre-assessment of a picture by an expert community (payment to examiners);</li> <li>• creation of a sizeable preliminary database of authentic photos from verified authors on the basis of 35photo and 35awards (approx. 1.6 million professional photos);</li> <li>• the creation of a mechanism for finding similar photographs using other photos in the database;</li> <li>• development of a quick photo search app for mobile IOS and Android;</li> <li>• issue and acquisition of tokens that give permission to print photos;</li> <li>• creation of Artex digital market for photos.</li> </ul>
<p><b>Stage 2</b></p> <p><b>Q1 2019 – Q3 2019</b></p> <p>Development of Artex for the photography market</p>	<p><b>Details:</b></p> <ul style="list-style-type: none"> <li>• verification and adding of new photo labs;</li> <li>• photo printing in a lab;</li> <li>• the safe Deal mechanism, Arbitration.</li> </ul>

<b>Stage 3</b> <b>Q4 2019 – Q4 2020</b> Development of Artex for the paintings market	<b>Details:</b> <ul style="list-style-type: none"> <li>• engagement of major art galleries to the Artex system;</li> <li>• digitization of famous paintings. creation of artists' registry;</li> <li>• creation and accreditation of a primary database of experts (art historians);</li> <li>• realization and release of a fully functional picture token;</li> <li>• realization of a fully functional token sale.</li> </ul>
<b>Stage 4</b> <b>Q1 2021 –</b> Expansion to other promising markets	<b>Transfer of the Artex operational mechanism to other areas</b> <ul style="list-style-type: none"> <li>• collection automobiles;</li> <li>• coins;</li> <li>• jewelry.</li> </ul>

## Chapter 10

# Financial Model of the Project

### Financial Model of the Project

The estimated period of reaching the breakeven date (exclusive of the token price on Artex digital market) – 24 months.

Project payout time – 36 months.

Preliminary arrangements are made with art market representatives in the following countries: USA, China, Great Britain, France, Germany, Italy, UAE, Australia, Singapore, and Russia.

## 10.1. Operations

The Company's operations are based on the involvement of art community representatives, investors (including crypto investors), collectors, and other members of the market into the ARTEX ecosystem. The model is based on the commission of an aggregator connecting market players thanks to the new service.

## 10.2. Creation of an Art Portfolio

Purchasing and managing pieces of art for project popularization among the professional Art community, PR in mass media, and providing start exchange capitalization and income at an early stage of the project.

## 10.3. Exchange Turnover of the ARX Token Itself

Purchasing and managing of artworks for project popularization among the professional Art community, PR in mass media, and providing start exchange capitalization and income at an early stage of the project.

## 10.4. Structure of Operational Expenses Itself

### Operational expenses:

\$70 000 per month / \$2 541 000 for 36 months.

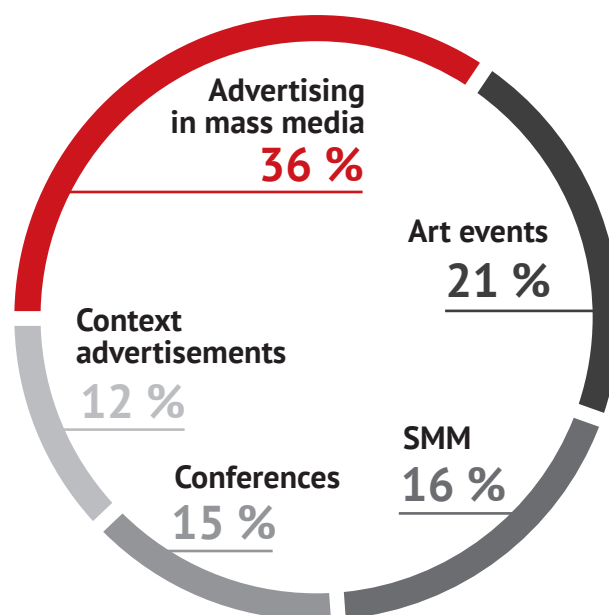
Operational expenses include the main costs of product development and promotion including administrative expenses.



### Marketing budget:

Marketing expenses are estimated based on the number of countries where the project will be developed initially (depends on a number of funds attracted from Crowdsale).

Marketing expenses amount is estimated from \$750 000 to \$3 750 000.



## 10.5. ROI Analysis

ROI analysis does not take into account the growth of the company's market capitalization and growth of token price at cryptocurrency exchanges.

System Commission 1%	2018	2019	2020
% of the total turnover of the ART market	0.1% of the ART market	0.1% of the Art market 500 000 000 \$	0.1% of the Art market 1 500 000 000 \$
System income	\$500 000	\$5 000 000	\$15 000 000

Art Portfolio (growth of 15-30% a year)	Cost of Investments into a Portfolio	2018 (Portfolio Value)	2019 (Portfolio Value)	2020 (Portfolio Value)
Tech cap	\$600 000	\$690–780	\$795–1015	\$915–1320
Soft cap	3 750 000 \$	4 310–4 875 \$	4 960–6 337 \$	5 700–8 240 \$
Hard cap	9 600 000 \$	11 040–12 480 \$	12 700–16 225 \$	14 600–21 100 \$

## 10.5. Summary

Taking into account the total capitalization of the Art market amounting to \$50 bln. a year, it would be enough for ARTEX to transfer some % of the art market into blockchain in order at least to double the invested funds within the next three years. Considering the necessity (confirmed by major marketing studies) to introduce a blockchain platform into the art market to record provenance, the blockchain potential exceeds 50% within the next 5 to 10 years. Besides, the fastest-growing segment of the market – photography (\$1.2–1.5bln.) – is yet outside the zone of possible attention of other blockchain projects in contrast to the creators of the ARTEX project.

The monetization model is built on the basis of the experience of the mass attraction of audiences in their own internet projects in various segments.

The current total traffic of 35photo, rosphoto.com, 35awards, and club.photo.ru projects, which are united by owners to a different degree, exceeds 1,000,000 people per month. The estimated capitalization of projects is \$1.2mln. - \$1.8mln. (based on annual turnover and project profitability).

Studies:

TEFAF Art Market Report 2017

An Art Basel & UBS Report 2017

Deloitte Art & Finance 2016

# Chapter 11

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## Token Pre-sale and Token Sale

### Token Pre-sale and Token Sale

- The Project will be financed with the help of Crowdsale.
- Crowdsale will take place within the Ethereum ecosystem based on smart-contracts.
- The exchange rate for the Artex token is 13 ARX for 1 US Dollar (this may change depending on the ETH/USD exchange rate).
- The address of the token smart-contract is available on the Artex.global website.
- The date and time of launching is October 17th 2017 (pre-sale).
- The condition for completion is getting ETH equivalent to 3 000 000 dollars.

### 11.1. Pre-sale

Token pre-sale is the initial stage of Crowdsale.

- Artex smart-contract performs the issuing of ARX Tokens, with the quantity limited during the Token pre-sale to the maximal collected sum of \$900 000 upon achievement of which the issuing of tokens will stop.
- Tokens will be sold at a price fixed in US dollars of \$1 = 13 ARX Tokens.
- The purchase will be affected by Ethereum transfer to the smart-contract address.
- At this stage, an investor will get a benefit of a 30% bonus compared to the Token sale stage.

All collected funds will be transferred to the team and must be spent in accordance with the table below.

\$ 300 000 Collected	\$ 600 000 Collected	\$ 900 000 Collected
Token sale expenses: – 100% marketing – Field-specific sites – Trackers – Social networks – Search networks – PR	Token sale expenses: – 95% marketing – Field-specific sites – Trackers – Social networks – Search networks – PR	Token sale expenses: – 95% marketing – Field-specific sites – Trackers – Social networks – Search networks – PR
Token-sale forecast \$ 3 000 000 – \$ 4 500 000	5% – creation of a mobile application for MVP (Apple)  Token-sale forecast \$ 7 500 000 – \$ 10 000 000	5% – creation of a mobile application for MVP (Apple + Android)  Token-sale forecast \$ 10 000 000 – \$ 15 000 000

## 11.2. Token-sale

The token sale is the main stage of Crowdsale.

ARTEX GLOBAL smart-contract performs the initial issue of ARX Tokens, with the quantity limited during the Token sale to the maximal collected sum of \$15 000 000, upon which achievement the issuing of tokens will stop.

Tokens will be sold at a price fixed in US dollars according to the following system:

\$ 1 000 – \$5 000 = 3% bonus

\$ 5 000 – \$ 10 000 = 5% bonus

\$ 10 000 – \$ 50 000 = 10% bonus

\$ 50 000 – \$ 100 000 = 15% bonus

Более \$ 100 000 = 20% bonus

### Example:

*Alice bought ARX Tokens to the sum of \$3000 (10 ETH approximately).*

*Tokens are exchanged at the exchange rate of \$1 = 10 ARX Tokens + 3% bonus.*

*Correspondingly, she receives:  $3000 \times 10 + 3\% = 30\,900$  ARX Tokens.*



The purchase will be affected by Ethereum transfer to the smart-contract address.

At the end of Crowdsale, a one-time additional issue will be carried out during which 26% of the total issued tokens will be issued, 25% of which will be distributed to team members, partners, and advisers, 1% is the bounty program.

Crowdsale will last from December 5th to the 24th 2017.

The collected funds will be distributed as follows:

\$ 3 000 000 (tech cap)	\$ 7 500 000 (soft cap)	\$ 15 000 000 (hard cap)
<b>55%</b> Product development and company operations  <b>25%</b> PR on one language, three countries: SMM, field-relevant mass media, blogs, context, video advertisements, and events  <b>20%</b> Creation of a minimal art portfolio (120–150 pieces and galleries) + minimal budget for marketing of pieces of art (the growth of art portfolio value is 10–15% a year)	<b>22%</b> Product development and company operations  <b>25%</b> PR on three languages, six countries: SMM, field-relevant mass media, blogs, context, video advertisements, and events  <b>50%</b> Creation of a medium art portfolio (350–400 pieces and galleries) + purchase of one of the 10 most expensive photo pieces in the world (for the value of over \$1 mln.) + budget for marketing of pieces of art (the growth of art portfolio value is 15–25% a year)	<b>11%</b> Product development and company operations  <b>25%</b> PR on five languages, ten countries: SMM, field-relevant mass media, blogs, context, video advertisements, and events  <b>64%</b> Creation of a large art portfolio (600–800 pieces and galleries) + purchase of one of the 10 most expensive photo pieces in the world (for the value of over \$1mln.) + tokenization of one of great artists' paintings to the value of over \$3 mln. + budget for marketing of pieces of art (the growth of art portfolio value is up to 100% a year)

*\* Under a compilation of an extensive art portfolio and an accurate promotion of its authors, the probability that one of them will make a breakthrough increases multiple times.*

## 11.3. Distribution of Tokens

In total, 76,870,748 to 243,537,415 ARX Tokens will be issued.

Here and hereinafter, the scatter depends on the sum collected during the Token sale.

ARX Tokens will be distributed as follows.

	Минимум, %	Максимум, %
Token pre sale	4,19	2,58
Token sale	69,81	71,42
Team	20	20
Project partners	5	5
Bounty	1	1