



FM Gallery White Paper

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Part 1 Introduction

Background

In the past few years, blockchain-powered platforms and crypto artworks have reshaped the art world. With the help of innovative tools, artists have created many artworks unique to our times, allowing collectors and art enthusiasts to expand their horizons. The application of blockchain in art creation enables artists and collectors to communicate in a new dimension, leads to new ways to display and trade artworks, and attracts more collectors to this realm. Undoubtedly, applying blockchain and NFT in arts is one of the best success stories of NFT ecosystems. Intellectual properties are now protected by new anti-counterfeiting and anti-fraud methods. In this white paper, we'd like to explore how blockchain technology can fix practical problems in the art industry.

According to *NFT Art Report 2019* by NonFungible.com, the global revenue of NFT artworks saw a 114.92% increase in 2019. Between 2018 and 2019, top-tier collectors purchased more diverse artworks, thanks to the booming market and massive inflow of new artists. The growth of NFT trading platforms, such as OpenSea, Rarible, and Nifty Gateway, has further activated the trading of NFT artworks. SuperRare, a community-powered platform that connects the isolated parties in the art ecosystem, has been selling over 700 artworks each month since its launch in 2017, reaching a total revenue of over 6.5 million USD.

Recently, the NFT market has been further boosted by the rise of NBA Top Shot, supported by the FLOW public chain. According to CryptoArt.io, the total revenue for NFT artworks in December 2020 reached a record high at 8.2 million USD. Christie's sold its first NFT artwork Robert Alice's Block 21 in October 2020 at 131,250 USD, which was ten times the initial valuation. The development of the NFT art market and the rising interests from crypto artists, investors, collectors, and critics are jointly pushing crypto art into the mainstream.

However, the crypto art market is still underdeveloped compared to the traditional one. Take a look at the fine art market: according to a report by AMMA and Artmarket, in 2019, over 550,000 fine art lots were sold via auctions, generating a

total of \$13.3 billion. Contemporary arts accounted for the largest market share in the U.S., France, the UK, and China. Collectors were gradually turning to artists previously neglected, such as abstract artists and blockchain artists. This trend had a significant influence on auction revenues.

It's evident in the data above that both the traditional and crypto art markets are small in terms of volume. Therefore, we need to make a user-friendly product that attracts customers to the art market. However, as the new art ecosystem is still underdeveloped, most decentralized NFT projects only have an impact on the crypto community. As mature centralized solutions are available in the traditional art industry, it's unnecessary to disrupt the entire ecosystem in the short term with a fully decentralized approach. To fuel this new ecosystem's sustainable growth, we should develop a robust primary market while attracting artists who have not created crypto artworks and audiences in the crypto art space.

The Chinese Art Market

The art ecosystem consists of artists, galleries, auction houses, art fairs, art museums, collectors, and investors. We'd like to first talk about the Chinese art market, our primary audience base. The art market in China can be divided into the traditional art market and the modern and contemporary art market. The former is shrinking due to its lack of order, while the latter is expanding rapidly.

One critical problem for the traditional art market is the appraisal. Amateur collectors often find it challenging to access trustworthy affordable appraisal services. As a result, some precious artworks were not qualified to enter the secondary market. Although online appraisal solutions exist, they are not widely used. Additionally, this market is infested with information asymmetry and adverse selection of financial intermediaries. Some art appraisal experts work for private organizations in a profit-oriented way, which distorts their appraisal and valuation. Given the issues above, it is challenging to transform the art market using blockchain alone.

The second problem in China's traditional art market is forgery. In recent years, forgery techniques have become cheaper and better, while authorities and ordinary customers can hardly detect the artwork's legitimacy. We can solve this issue by confirming the NFT ownership with the original issuer of the asset. However, we are more concerned about the lack of comprehensive laws and regulations for transactions in the art market. How the centralized judicial system can effectively punish art forgery is still pending exploration. Galleries play an essential role in the primary market by representing and incubating their artists, promoting the artists, and selling the works. However, galleries suffer from the high operating expense and the lack of substantial influence to generate sales currently. The entry of international competitors has also significantly impacted local businesses. Auction houses serve a vital role in the secondary market, where they collect lots and then sell artworks through auctions. The primary and secondary markets are unbalanced: the former is bleak, while the latter has a massive volume of transactions.

Many domestic artists lack self-promotion skills and do not leverage galleries properly to get exposure to more audiences and buyers. This has inspired us to use DAO to make a difference. As self-promotion is more crucial than royalty management for early-stage artists, we need innovative gameplay that caters to the market hype. We decide to target the royalty problem and deprioritize the promotion problem by collaborating with other decentralized marketplace platforms. Hence, FM Gallery is more of a gallery that releases on-chain assets rather than simply a marketplace platform.

Many art museums are struggling to survive in China since the Western "self-sufficient" model has not been integrated locally. As an essential node in the art world, the art museum is our collaborating partner rather than a transformation target. We plan to support museums to promote collections, exhibitions, resident projects, and emerging artists.

Many Chinese art investors make haphazard investments as they lack art appreciation skills and investment knowledge. Additionally, speculators have caused significant fluctuations in art prices, destabilizing the market and harming

the ecosystem in the long run. These issues indicate that this market is worth discussing: can it be transformed with blockchain?

Ideally, we'd like to establish FM Gallery as an example for blockchain-based galleries, leading other participants in the art ecosystem to collaborate with us, learn from our innovative model, and empower this ecosystem together.

Part 2 FM Gallery's Products

With the rapid development of ETH and other layer 2 solutions in the future, we aim to solve the issues mentioned without TPS problems. In the scheme, we will choose to deploy on the most appropriate public chain. Currently, we are deploying on ETH and we will consider deploying on BSC in the near future.

Our goal is to issue high-quality NFT assets. We'd like to emphasize that the ability to create assets is the key to winning, just like in NBA Top Shot's success story.

We believe that the role of a semi-centralized asset issuer can lead the industry's trend and become a barrier. We welcome institutions in the traditional market to collaborate with us, including physical high-end retail stores like Hypebeasts, and online e-commerce platforms like Stock X.

Main features of the first version of FM Gallery could include:

1. NFT blind boxes
2. NFT Art Fragments
3. NFT staking and liquidity mining
4. Voting

NFT Blind Boxes

We choose the form of blind box to cater to Asian customers. Given that Chinese users are becoming increasingly interested in NFTs, blind boxes can be adopted more efficiently based on local consumption behaviors. In the future, we will also consider incorporating group buying to promote our NFT artworks, which is similar to Pinduoduo's e-commerce model. As we continue to release blind boxes, we will keep the prices at a reasonable level to attract new customers to the NFT world. We have also included FMG tokens in the blind boxes to reward customers.

NFT Fragments (Coming soon)

The most crucial concept in art creation is the story behind the work. A digital artist's artwork is incomplete if the background is missing. The best way to fragment an artwork is to divide the piece based on its story and make sure these fragments are interconnected. See the example below:





We will divide an NFT into several fragments based on the artwork's story and present the author's intentions through each NFT fragment. Users can understand the full story once they have collected all the fragments and combined them into a complete NFT. Simultaneously, the scarcity of pieces and the collection-based gameplay will further increase the NFT's value in the NFT secondary market.

We will promote artists who are well recognized in the art world with their artworks, by publishing each artist's creative ideas and the stories behind them. Normally these artworks will be expensive. We will then create a unique NFT for each artwork and allow the artist to divide it into fragments. Users who have purchased these NFT fragments can also trade them on other marketplace platforms.

After users have collected all the NFT fragments of one artwork, they can use our platform to fuse the fragments into one complete NFT and receive FMG token rewards. Users can also redeem this NFTs to obtain the artist's physical artwork, with the user's unique signature incorporated. Once redeemed, the corresponding NFT status will change to "redeemed." Users can also choose to keep the NFT instead of receiving the physical artwork to maintain the artwork's economic value in the secondary market.

Staking and Voting (Coming soon)

After the implementation of DAO, our platform will launch a unique voting function. We will collaborate with physical, centralized platforms, such as auction houses, and decentralized solutions like OpenSea and Bounce. Community members who own NFT fragments can call the voting function to make decisions regarding the auctions. Those who have participated in the voting and agreed to conduct an auction will share the proceeds after the completion of the auction.

For more details about staking and mining, please check out part 4.

Part 3 Token Use Case

There are two types of tokens on the FM Gallery platform. The first one is NFT, which are non-fungible tokens representing various art pieces, and the other is FMG.

The goal of introducing FMG is to provide a convenient and secure mode of payment and settlement between participants who interact within the ecosystem on the FM Gallery platform. The FMG token is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer. FMG does not in any way represent any shareholding, participation, right, title, or interest in the Company, the Distributor, their respective affiliates, or any other company, enterprise or undertaking, nor will FMG entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in Singapore or any relevant jurisdiction. FMG may only be utilised on the FM Gallery platform, and ownership of FMG carries no rights, express or implied, other than the right to use FMG as a means to enable usage of and interaction within the FM Gallery platform.

In order to promote community governance on the network, FMG would allow holders to propose and vote on governance proposals to determine features and/or parameters of the FM Gallery platform as well as protocol improvements and new product development, or even changes to the governance process itself, with voting weight calculated in proportion to their token holdings. For the avoidance of doubt, the right to vote is restricted solely to voting on features of the FM Gallery platform and/or changes to the governance process; the right to vote does not entitle FMG holders to vote on the operation and management of the Company, its affiliates, or their assets, and does not constitute any equity interest in any of these entities.

NFT Use case

The NFT-related functions in the ecosystem will be launched gradually.

1. **Artwork Redemption:** Users are able to fuse NFT fragments into complete NFTs on the FM platform. When a user has a complete NFT, the user can use the NFT to redeem the physical artwork. Once the NFT has been redeemed, its status will be marked as “Redeemed.”
2. **Event Participation:** Users can use their NFTs to connect with artists. FM Gallery will curate special events for artists to interact with users. Some exclusive events will only be available for users who have purchased and currently possess artwork by the participating artists. Users are required to show the participating artists’ NFT certificates to complete the registration process for those exclusive events.
3. **NFT Staking:** Please stay tuned, the NFT Staking function will be launched soon.

FMG Use case

FMG is defined as a governance token and with payment utility. These functions will be released gradually.

1. **Voting:** The main purpose of DAO is to allow users to collectively decide on auctions of group ownership and the content of their favorite artists' future works.
2. **Signature:** Users can use the FMG token to sign on the NFT; each signature is unique and can only belong to one NFT. The signature of an NFT fragment creates a second layer of scarcity within the artwork. In this case, users become co-creators of the digital artwork.
3. **FMG-Only Exclusives:** FMG is the exclusive payment token for FM Gallery. Artists may release limited edition artworks that can only be purchased directly with FMG. Only selected users can participate in the sales of these exclusive artworks. The

user selection process will be based on how long the user has joined the FMG community, and the number of FMG tokens held by that user.

4. **Online and Onsite Events:** FM Gallery regularly hosts online and onsite events featuring different artists. These events only allow a limited number of participants and offer high-value, art-related services.

Part 4 Tokenomics

FMG will be the governance token for the FM Gallery ecosystem and will conform to the ERC20 standard. The total supply will be fixed at **100,000,000** tokens. Being a DAO, we need to design a fair model for distributing FMG tokens to incentivize the community to use the platform actively. The distribution breakdown is as follows:

1. Team – 20%
2. Ecosystem Fund/Community Governance – 15%
3. Private Sale, Seed Investors and Advisors –15%
4. Community – 50%

- **Team**

Team and Advisors will be allotted 20% of the supply (20 million FMG). 5% of that (1 million FMG) will be vested on TGE and remaining will be vested linearly over 12 months on a monthly basis.

- **Ecosystem Fund**

The Ecosystem Fund will be allotted 15% of the supply (15 million FMG). This will be used for funding for the day-to-day operations and other activities to grow the platform like marketing, partnership, smart contract audit, etc.

- **Private Sale, Seed Contributors and Advisors**

Private Sale and Seed Contributors will be allotted 15% of the supply (15 million FMG). Vesting schedule for each of them are –

1. Private Sale- 8.6% of the total distribution (8600000 FMG). Around 29% (2500000 FMG) will be vested at TGE and the remaining will be vested linearly over 12 months on a monthly basis.
2. Seed Contributors - 5% of the total distribution (5000000 FMG). Around 20%(1000000 FMG) will be vested at TGE and the remaining will be vested linearly over 12 months on a monthly basis.

3. Advisors- 1.4% of the total distribution (1400000 FMG). Around 20% (280000 FMG) will be vested at 1 month after TGE and the remaining will be vested linearly over the next 11 months on a monthly basis.

- **Community**

The community will be allotted 50% of the supply (50 million FMG). These tokens will be used to incentivize community engagement in different ways. The distribution model will be front-loaded and will be adjusted later based on community vote. There will be no vesting schedule for this part of the supply. There will be four ways for the community (breakdown can be later adjusted based on community vote) to earn the FMG tokens as incentives for participation in the platform:

1. Blind box NFT purchase rewards (15%)
2. Initial DEX Offering (4%)
3. FMG token liquidity mining (31%)

- **Initial DEX Offering**

Potentially, 300k worth of ETH will be raised for **2 million FMG** at the price of **0.15 USD per FMG token**. Another 2 million FMG will be added with 300k USD worth ETH to a Uniswap pool at TGE. More details regarding the IDO will be published later.

- **Blind Box NFT Purchase Rewards**

For every blind box NFT fragment purchased on FM Gallery, users will receive rebates in the form of FMG tokens. The amount of FMG tokens a user receives will be directly proportionate to that user's spending on blind boxes.

Based on initial parameters, the platform will rebate a stable 5% of that user's spending back in the form of distributed FMG tokens. However, this allocation may change when Limit Epoch Distribution applies and triggers a deferred

distribution. Be aware the rebate will not be now, we will reveal more details, such as how the distribution value is determined, later at certain stage.

- **Liquidity Mining**

To incentivise users to provide liquidity, a total of 31 million FMG tokens will be distributed via the "liquidity mining" program over two years. Initially we will launch a FMG-ETH Uniswap Pool and provide liquidity mining incentives to it. The epoch size for FMG distribution will be one week for all the pools. For users to be eligible to earn FMG tokens, they must stake liquidity until the end of the epoch.

Initial farming parameters will be shared near the TGE. The community FMG distribution parameters will be later adjusted based on community vote once the protocol moves towards being a DAO.

Token features

In particular, it is highlighted that FMG:

(a) does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does any person make any representation or give any commitment as to its value);

(b) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other virtual currency) or any payment obligation by the Company, the Distributor or any of their respective affiliates;

(c) does not represent or confer on the token holder any right of any form with respect to the Company, the Distributor (or any of their respective affiliates), or its revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data,

the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to the FM Gallery platform, the Company, the Distributor and/or their service providers;

(d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;

(e) is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment;

(f) is not a loan to the Company, the Distributor or any of their respective affiliates, is not intended to represent a debt owed by the Company, the Distributor or any of their respective affiliates, and there is no expectation of profit; and

(g) does not provide the token holder with any ownership or other interest in the Company, the Distributor or any of their respective affiliates.

Notwithstanding the FMG distribution, users have no economic or legal right over or beneficial interest in the assets of the Company, the Distributor, or any of their affiliates after the token distribution. To the extent a secondary market or exchange for trading FMG does develop, it would be run and operated wholly independently of the Company, the Distributor, the distribution of FMG and the FM Gallery platform. Neither the Company nor the Distributor will create such secondary markets nor will either entity act as an exchange for FMG.

DAO

The platform will move towards a DAO-based governance when a sufficient amount of FMG tokens are distributed to the community. The exact date for moving to DAO-based governance will be announced later. Till then, any adjustment to the liquidity mining tokenomics will be controlled by the team. For DAO, a space on Snapshot will be created near the platform launch date. Snapshot has become an industry

standard for governance of defi protocols due to the advantages it provides, including no on-chain transactions, easy verification of signatures, etc. To make sure that the protocol governance is not gamed, there will be certain required thresholds that must be met before a proposal is implemented. They are as follows:

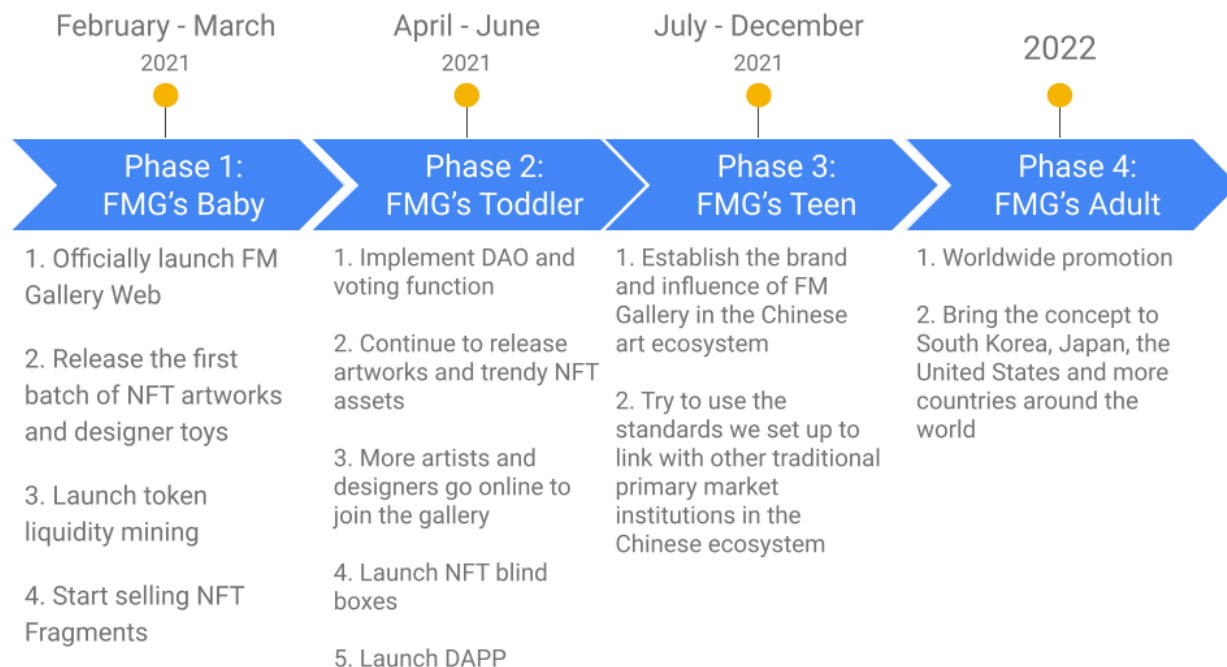
- **Proposal threshold:** 0.5% ownership of the DAO (0.5% of the circulating supply)
- **Vote length:** A vote will last for three days
- **Minimum Quorum:** 20% of the circulating supply must vote on the proposal

After the protocol has moved to DAO-based governance, any decision regarding the community distribution of FMG tokens will be decided based on community vote. Apart from the Snapshot space, there will be another forum for discussions regarding the protocol.

Before submitting a proposal to vote, the following steps are needed to ensure that the community is informed of the change:

1. Create a post on the FM Gallery forum following the structure of previous proposals.
2. Share the post with the discord and telegram communities.
3. If the proposal requires new implementation, check with the team and specify a timeline for the change to be implemented on the post.
4. If the proposal requires a tokenomics change, specify the proposed date for the change and its effects on the content creators and the community.
5. Have an informal vote for the proposal on the forum.

Part 5 Roadmap and Future



Looking into the Future

Due to historical factors, most contemporary Chinese artists create their arts based on the imitation of Western contemporary art with little self-expression. Therefore, their tastes are heavily based on the Western value system and currently lack originality in artworks and Chinese voice that represents modern Eastern culture.

The characteristics of local Chinese culture are gradually fading away. The platform has created an innovative form of NFT fragments, which provides art-derived services for Chinese artists, art lovers, collectors and investors, and opens a dialogue between different international art collectors.

In the era of globalization, Chinese artists hope to form their unique and irreplaceable academic personalities and status in local cultural construction and international communication. Thus, we aim to create a global cultural platform with actual oriental characteristics from a historical perspective. Unfortunately, as this industry has a relatively small market and weak capital-driven volume, it is almost impossible, especially under China's strict censorship, to solely rely on individual artists to reform the entire ecosystem and achieve the above goals. Therefore, we plan to integrate decentralized and centralized solutions to transform the foundation of China's art market. We aim to inspire our users, especially Generation Z, to form new visions and intuitions about traditional, contemporary and fashion art. FMG's mission is to establish a diversified and three-dimensional blockchain art ecosystem through online, offline, domestic, and international integration.