

TILCOIN



TILCOIN

ART BLOCKCHAIN

The global platform of art and antiques
on the technology of blockchain

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Chapter 1

What is Tilcoin?

TILCOIN is a unique international project at the confluence of traditional and digital art industry, unleashing the potential of blockchain technology. We are creating a global educational and investment platform of art and antiques that provides a decentralized algorithm of provenance, simple and affordable way to invest into authentic art objects, and the largest database of galleries, museums, and their collections. TILCOIN is tailored for co-owners of art and those who are interested in investing in art objects, talented artists and sculptors striving to reach their audience, museums and galleries, and art lovers.

TILCOIN's mission is to make the market of art more accessible, liquid, and efficient. We aim to introduce the art into the masses and provide incentives to foster greater talents in painting, sculpture, and graphics.

Today's rapidly-evolving blockchain-based technologies will soon make it easy to conduct business via the Internet in a simple, cheap, direct and safe way. Far-reaching changes are looming for many business processes. The art market is unlikely to sidestep this wave of progress. The art and antiques markets have always been used as risk-hedging tools, accessible to a small circle of people who understand them well. The advent of the information society has brought a flood of new investors, but as the market has rapidly expanded, so has the influx of fakes, that sold so well to art neophytes. Disparate communities, various experts and specialists, a large number of fakes and copies: this is what the market looks like today to the uninformed individual.

We know that the art and antiques markets have seen stable growth of between 8% and 10% annually and having such items in one's investment portfolio can bring an investor an income tens or hundreds of times greater than the average mid-term investment return from standard 3 to 5-year investment instruments. We know that the art and antiques markets combine the stability of traditional values with the chance to greatly increase one's capital. For many centuries, people have always invested their money into works of art and antiques. But there has always been one fundamental problem:

people who discover that the artwork they have bought in the past is fake, immediately lose almost all the invested money because the resale value is a tiny fraction of the initial price. Now, we have found a solution to this problem. TILCOIN is offering something extraordinary! Soon we are starting to reformat the art and antiques markets and, thanks to our efforts, you can plunge into the sublime world of beautiful art at the cost of a minimal investment, and with full guarantees of authenticity. We will be creating a common, decentralized registry of co-owners of art and antiques, to also include all the members of the TILCOIN community, where an initial virtual investment in a fractional part of a picture will be the affordable price of owning an art fragment.

The authenticity of all paintings and antiques will be verified by a decentralized community of experts. The information about them will be available through an online account, which will list the provenance data for the artwork (artist information, ownership history, past exhibitions, expert opinions, etc.), and include a record of all your operations within TILCOIN.

Now anyone who wishes to invest in art will be able to do so. Our platform will allow you, in just one click, to learn everything you need to know about a painting: the name of the artist, the title, a description, the current location, the contact information of the gallery or the museum (it is better not to keep a painting in the home or office, if it is a major asset), etc.

The information will be recorded in the Ethereum blockchain, the key characteristic of which is that the information entered cannot be altered. This makes the market open and understandable, attracting a new generation of investors (today's art investors can be as young as 25!), which will trigger a new phase in the rapid growth of the art market, by stimulating even more rapid expansion.

The TILCOIN will occupy strategic territory in this growing market, as it becomes the main platform to provide guarantees for market leaders, galleries and private individuals investing in antiques and works of art.

Chapter 2

Market valuation and overview

1. The art market

According to The Art Market 2018 report (published by Art Basel & UBS), sales of art objects in 2017 reached \$63.7 billion - a 12% increase from 2016 levels. The overwhelming majority of sales are in the three largest markets - USA, China and the UK - which constitute, respectively, 42%, 21% and 20% of total revenues. Auction sales in the USA and China amounted to a total of \$ 19.2 billion. At the same time, post-war and modern art remains the leading segment at auctions that constitutes about 46% of total sales.

The online segment of the art market is undergoing rapid development, and the use of emerging technologies is becoming a serious competitive advantage. 95% of the existing auction houses in the world offer the option of purchasing artworks online. Moreover, a survey conducted by Art Basel and UBS in 2017 shows that 56% of online companies predict a positive effect from the introduction of blockchain.

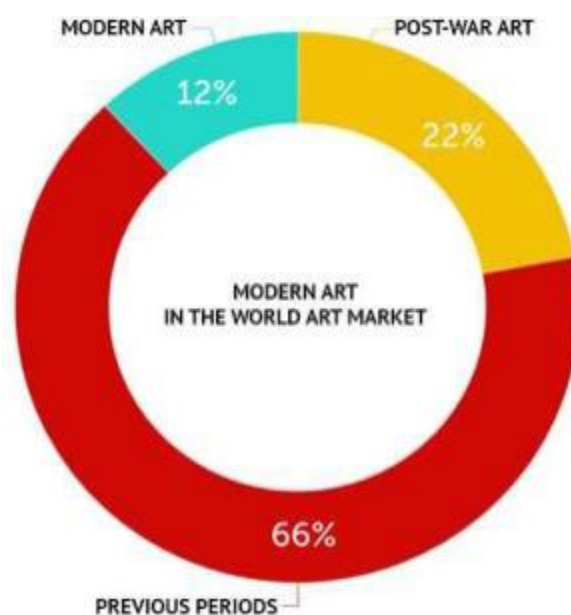
The number of persons making their first purchase of greater than a million pounds Sterling swelled by 40%, while the number of works sold for more than ten million pounds each jumped from 26 in 2016 to

65 in 2017. The volume of private sales reached \$ 611.8 million by the end of the year, which reflects a 35% drop. Online trading continues to be the main gateway for first-time buyers (37%). The most popular categories for the new market players in both live auctions and online trading are luxury items (28%) and decorative applied arts (18%).

2. Digitizing sales and easy access to markets

As the Internet becomes the main tool for finding and exchanging information, at least 95% of market players are trading using personal mobile devices. Moreover, of the auction houses that exist in the world, 95% have an Internet presence (in 2005, the figure was just 3%). The influence of the web became irreversible when the generation of "silver surfers" hit the art market. These

over-50 collectors are now the main group of buyers on the art market. This generation chooses the Internet and the social media as the main forum for studying the art market using their mobile gadgets, which ideally complements their lifestyle.



3. Financialization

This is the process of transforming financial capital into virtual capital, and its separation from the manufacturing sector of the economy. Here we see a massive increase in the number of art buyers (jumping from 500,000 in the post-war period to 70 million in 2015), a significant drop in their average age, and a geographical expansion of the market into the Asian and Pacific regions, South Africa, India, the Middle East and Latin America.

4. The development of the international museum industry

Every year, around 700 museums are opened across the globe, making the museum industry an economic reality in the 21st century (between 2010 and 2014 more museums were opened than in the previous two centuries). These institutions are also exploring the art market, in the search for works of the highest artistic quality and historical significance.

5. Investment attractiveness

The risk of market contraction and occasional price adjustment across the art market is not slowing the growth in the number of collectors. This includes a range of unit investment and other trusts, as well as pension funds, which are traditionally very conservative investors. While central banks practice negative or close-to-zero interest rates, effectively destroying savings, the art market shows unstoppable growth - the turnover in the segment of contemporary art has skyrocketed by 1370% over 16 years (The Contemporary Art Market Report 2018). The average cost of a work of contemporary art has increased by 115% during the same period, which gives an average annual income of 4.9%. The figure is even higher for artworks in the price range above \$20,000 - about 9% per year. Painting continues to dominate the art market, absorbing 42% of purchases in the lower and middle price segments, and two-thirds of the highest price segment. In that highest price segment, painting is followed by sculpture (16%) and drawing (8%). Graphic artwork and prints are the most affordable segment of the art market: 95% of such lots are sold at auction for prices under \$10,000.

The global art market covers absolutely all price categories. And although the most prestigious art auctions that attract the most media attention are well above the financial capabilities of most buyers, everyone can find something he can afford. Three-quarters of the market for paintings, drawings and lithographs are bought at prices below \$ 1,000, while 75% of paintings and sculptures go to auction for less than \$7,200.

This is the complex structure of the art market: the greatest number of lots is sold at relatively affordable prices.



6. The problem

The art investment market still remains fairly closed to a wide audience. Buyers of paintings need a single public artwork provenance ledger, as well as transaction records. Buying art objects requires special knowledge, skills and a developed taste to recognize their true value, and after a successful transaction the issues of insurance and storage also need to be resolved.

Combined with the fact that small private investors do not have access to a simple and transparent authentication mechanism, as well as a single register of title holders to art objects, some of them prefer to avoid these risks altogether and refuse to buy paintings, sculptures or antiques.

The threshold for entering the market is very high for contemporary artists. Due to excessive gallery commissions (50-70% of the purchase price), and strict rules for selling objects of art, artists lose funds that could be spent on their professional development or reaching their target audience.

Among other things, all participants of the process - investors, intermediaries and artists - are united by a common problem: the lack of protection of copyright and the forging of artworks. If it turns out that the art object is not authentic, its value automatically drops to zero. The investor loses the time and money spent, the reputation of intermediaries is damaged, and the artist does not receive rewards either at the time of investment or at the time of resale.

Since 2018, TILCOIN has started to change the art market - and thanks to us, each industry participant will now be able to plunge into the world of beauty with a guarantee of authenticity and regardless of his or her personal budget.

7. The target audience

The TILCOIN platform combines different groups of individuals involved in the art world. The target audience of the project consists of the following segments:

- Sellers and buyers of artworks. Both small private investors and a large dealers or collectors with a worldwide reputation can invest in the future through TILCOIN. The platform also creates a favorable environment for the development of artistic talents - painters or sculptors can put their works

on the marketplace and get access to a wide audience.

- Galleries, exhibitions, museums and art fairs can use TILCOIN as an effective marketing channel to promote their own events or collections, while at the same time increasing audience engagement by providing their own educational or informational materials.

- Art lovers. TILCOIN provides access to accurate and relevant information about the history of art, art objects, museums and galleries. With the help of online and offline materials, the platform helps to gain basic knowledge of the art world, so that the users can feel confident both attending exhibitions and buying artworks.

8. Market valuation

Despite high initial barriers to investing, the art world attracts a multimillion audience. Attendance at exhibitions and galleries is much more evenly distributed geographically than sales of art objects.

Museums and galleries attract millions of visitors on an annual basis. Each of the ten largest museums in the world, including the Louvre, the Metropolitan Museum, the Vatican Museums and Tate Modern, show attendance of at least 5 million people a year.

The potential for growth in the number of investors is also high. According to the Art Basel & UBS report, more than 2 million people have visited the largest global and regional art fairs in 2017, which are one of the main sales channels for paintings, sculptures and antiques.

The online segment of the art market has grown by more than 70% over the past 5 years, and is viewed by dealers and auction houses as a key development vector in the foreseeable future. Websites and platforms selling art are catching up with museums, galleries and art fairs in terms of audience size. Among the largest e-commerce sites, three have over 1 million visitors per month (art.com, saatchiart.com, 1stdibs.com).

The largest auction houses also rely on online sales. The top three in terms of attendance are Heritage Auctions and Christie's (about 2 million users per month each), as well as Sotheby's with more than 1.3 million users per month.

Aggregator platforms, providing high-quality informational and educational content, remain leaders in terms of audience size. For example,

the two largest art sites, Artsy and Artnet, have more than 4 million visits per month.

According to The Art Market 2018 report (Art Basel & UBS), the total sales of art objects in 2017 amounted to about \$63.7 billion. Of this amount, \$28.5 billion worth of paintings and other art objects were sold through auction houses. Another \$33.7 billion of sales were generated through art dealers (\$12.8 billion), online sites (\$5.4 billion), as well as exhibitions and galleries (\$15.5 billion).

Depending on the type of online platform, the sale of an artwork is accompanied by the payment of various commissions, which fall on the side of the seller or buyer. Thus, auction commissions make up about 10-30% of the final price of the painting. Dealers take similar commissions from artists and sculptors (10-40%), but in exceptional cases due to aggressive price increases, the commission can be very close to 90-100%. Art galleries, in which works of artists and sculptors are exhibited before the sale, usually charge a commission of about 50% of the artwork sale price. At the same time, online platforms, due to high traffic and low capital costs, can afford to reduce commissions to 15%.

The available market volume (Serviceable available market, SAM) of investing in art is equal to the sum of all commissions paid by various groups of market participants. Respectively,

$$\begin{aligned} \text{SAM} &= \sum \text{Segment Sales} \times \text{Segment Fee} = \\ &= \$28.5^b \times 20\% + \$12.8^b \times 25\% + \\ &+ \$5.4^b \times 10\% + \$15.5^b \times 50\% = \$17.19 \text{ billion} \end{aligned}$$

We plan to take a significant market share in each of the segments. In the next 2-3 years, it is expected that TILCOIN will become an alternative platform for about 10% of sales of auction houses and online platforms. In addition, about 20% of art dealers and 30% of galleries or exhibitions will be able to actively use the platform. Achieving these indicators is made possible due to the entry to the dynamically developing markets of Europe and Asia, as well as support from art world institutions (funds, museums, famous collections and artist's establishments) and the state. Thus, the actual achievable market volume for the TILCOIN (Serviceable obtainable market, SOM) project is approximately \$3.6 billion over a 3-year horizon.

$$\begin{aligned} \text{SOM} &= \sum \text{Segm. Sales} \times \text{Segm. Fee} \times \text{Mkt. Share} \\ &= \$28.5^b \times 20\% \times 10\% + \$12.8^b \times 25\% \times 20\% \\ &+ \$5.4^b \times 10\% \times 10\% + \$15.5^b \times 50\% \times 30\% = \\ &= \$3.6 \text{ billion} \end{aligned}$$

Chapter 3

TILCOIN stands at the crossroads between the worlds of modern art and cutting-edge technologies. We provide a full-fledged service, covering all stages of clients' journey through the world of art - from their first acquaintance with it all the way to investing professionally in masterpieces of painting or sculpture. TILCOIN will be partially integrate on the world's first hybrid platform-marketplace in the field of art, which contains both detailed information about artworks, museums and exhibitions (**TILWIKI**), and provides the opportunity to buy and sell artworks with minimal commissions and risks (**TILWIKI Marketplace**).

1. TILWIKI Marketplace

We have developed a platform for buying and selling art with minimal commissions and risks. TILCOIN provides users with a unique chance to participate in transferring a singular artistic masterpiece into the blockchain dimension.

The pictures on the platform are divided into numbered fragments and investors can become co-owners of serigraphy — a high-quality stencil print of one or several fragments.

After buying the fragment of a serigraphy, clients receive a security token secured by a real asset. The embedded smart contract confirms ownership of a part of the picture and stores the complete transaction history. The security token can be resold to anyone who wants it, so users automatically get the opportunity to quickly and with minimal effort get a return on investment. Each security token is registered in European jurisdiction and is linked to the exact artwork or its fragment that the buyer has chosen to acquire.

The owner of the fragment in the future can sell it on the internal exchange and eventually on an external exchange, setting their own price. Each sale goes through a smart contract, guaranteeing that all obligations are met. The owner can print out their fragment at any photographic laboratory, or order this service from the TILCOIN portal, for an additional fee.

The entire history and all terms of the transaction are recorded and invariably stored in the Ethereum blockchain. Using a decentralized registry ensures safe operations on the TILCOIN

Product Ecosystem

platform. For the convenience of our customers, information about the artworks is available in their personal accounts. Detailed information includes a provenance of a painting or sculpture: information about the author, full transaction history, exhibition history, expert reviews, and so on, as well as a history of all actions performed on the TILCOIN platform.

TILWIKI Marketplace project will consist of the following basic services:

- Verification and addition of new paintings and antique objects;
- The sale and purchase of fragments and tokens on the secondary market;
- Limited digital printing of picture fragments;
- Handling artworks; Education; Master classes
- Safe transactions and arbitration service;
- A service for making alterations to the system.

Thanks to the TILWIKI marketplace, artists, sculptors and investors will be able to safely operate in the art market without the need for any kind of intermediary.

2. TILWIKI

Within the framework of the TILWIKI information platform, we create a public decentralized register of artworks and galleries. The platform will feature an extensive database of all museums and galleries in the world with convenient search functions and interactive updates, as well as a series of educational seminars, master classes and reviews of select artworks.

Users will be able to view the museum collections in the highest resolution at a low monthly fee, as well as print them as posters through their personal account. In the "Blog" section, each user will be able to ask an expert online, as well as leave a review or share opinions with other users.

The platform will be useful to anyone who wants to understand the intricate beauty of art, learn more about the prominent figures of the art world and key artworks, to reach the halls of the most famous galleries in the world in one click.

3. Museums and galleries

Anyone interested in art, from enthusiasts to professional investors, can participate in various interactive events: attending online seminars and workshops, visiting museums online, watching live broadcasts of TILCOIN events, receiving the most relevant news of the art world.

Using the TILWIKI platform provides a number of advantages, including the option to buy tickets for art events online (without spending time in queues), as well as a subscription to participate in auctions of famous auction houses for the subsequent purchase of artworks in collective ownership.

The project makes immersion in the world of art simple and exciting. With TILCOIN and TILWIKI, art education reaches a whole new level. The platform will be invaluable to anyone who wants to develop as an art connoisseur or professional art investor.

4. Smart contract-based provenance

While aiming to make the art market more open and reduce the risks of investing in art, TILWIKI are focused on verifying the authenticity of all artworks, galleries and authors by independent qualified experts.

Verification of art objects:

- All paintings and sculptures, carefully selected for TILCOIN's collection, must be checked by a council of experts.
- New paintings and antiques, which are placed on the platform by authors, private collectors and galleries, are verified by the council of experts after the service has been paid for

All galleries and artists who want to work on the TILWIKI platform must pass verification according to the established protocol:

- The initial verification takes place by entering the top 200 galleries into the blockchain - the regular participants of the world's largest fairs and auctions and the top 500 world artists.
- A gallery that wants to be verified must have TLC- tokens and send a list of artworks submitted to it for review by the council of experts. The latter, in turn, selects artworks from the list to be checked later. Random representatives of the expert council are selected to conduct the authenticity test and ascertain the presence of these paintings in the gallery.

- Representatives of the expert council receive TLC-tokens as a reward for their work. In case the gallery fails to pass the verification procedure, it may submit to arbitration. All actions for verification of the gallery are recorded in the blockchain.

With TILWIKI, all art market participants (dealers, galleries, museums, investors) receive a reliable guarantee of the artworks' authenticity.

5. TILCOIN Gallery

TILCOIN users can discover the world of art both in a digital and traditional way. In 2019, we are planning to open TILCOIN galleries in several major cities in Europe and Asia, where TILCOIN collection of artworks will be exhibited. At the moment, the collection includes masterpieces of contemporary art by such famous artists as Ernst Neizvestny, Vladimir Ovchinnikov, Oleg Tselkov, Sergey Sergeev, Shimon Okshtein and Oleg Lang and others.

The TILCOIN collection will also be tokenized, and the company's clients can become co-owners of art objects presented in the gallery. Thus, users can invest in a portfolio of several paintings and sculptures, professionally selected by the company's experts. For making decisions on the sale of a particular object of art, a voting model will be implemented. Accordingly, each investor will have a weight in the decision-making process, proportional to his share in the artwork. The art objects owned by the company can be in the form of canvas/paintings, antiques, sculptures, or any other art piece representing historical and cultural value.

Physically, the art objects will be placed in the safe storage after we issue security token. The depositary receipt is transferred to the blockchain system by uploading a hash of a document or documents to IPFS, confirming the number and ownership of the art objects and antiques. These documents should indicate that at the time of their downloading, TILCOIN owns X art objects in total.

We also planning to open our own virtual TILCOIN gallery. Now is available on the official website of the project only viewing of some artworks, the following functionality is available:

- View high resolution pictures
- Mouse control to move in any direction
- Enlarging images for more detailed viewing

Thanks to TILCOIN, our users can enjoy art anywhere, anytime.

Chapter 4

Business Model

The company's business model is based on simplifying and enhancing the process of artwork evaluation and sale. With the help of high-precision professional equipment, each piece of art is digitized and a high-resolution copy of it is created. Serigraphy of a painting or sculpture will be divided into fragments and tokenized, so that each user can invest in an object of art he likes and subsequently resell his fragment on the platform.

Working at the crossroads between the traditional and digital art markets, the TILWIKI platform in the future will have several stable revenue channels:

- commissions from sales of tokenized paintings, sculptures and antiques on the marketplace;
- commissions from sales of tickets to public or private museums and galleries, as well as souvenir paraphernalia;
- sales of services for the promotion and advertising of various art events and exhibitions;
- sales of insurance services and storage of art objects;
- royalties from exclusive rights to reissue collections of famous artists and sculptors;
- Future revenue of the TILCOIN gallery, as well as profits from the resale of art objects owned by the company.

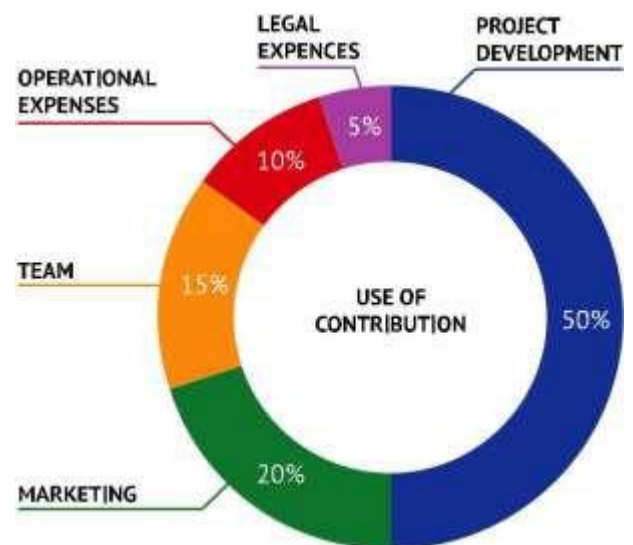
To open access to all the advantages offered by the platform and to highlight the full value of its services, we plan to conduct a large-scale marketing campaign that will help TILCOIN and TILWIKI to attract the audience from all the target segments - ranging from art enthusiasts and art galleries to professional experts and famous collectors. To achieve this goal, we plan to use not only traditional marketing channels, such as social networks and conferences, but also cooperation with the ministries of culture of various countries, creating partnerships with investment funds, museums, galleries, dealers and auction offices.

The main vectors of the TILCOIN platform development:

- development of IT infrastructure, due to which an effective process of tokenization and sale of artworks is made possible;
- research of the art market and hiring of third-party experts;

- creation of educational and informational content;
- forming partnerships with institutional market players;
- expanding the TILCOIN geographical presence;
- development of TILCOIN gallery and corporate collection.

The costs of the project can be divided into several main departments. For example, the development of a project requires the involvement of highly qualified experts; forming the corporate collection of paintings, sculptures and antiques; alignment and optimization of business processes. About a fifth of the budget is planned to be allocated for PR and marketing. TILCOIN also forms a motivated team of specialists in IT, project management, analytics, promotion, product development. In the course of operational activities, the company will also bear the costs of storage and insurance of art objects, IT infrastructure support, the maintenance of its own gallery. Also, due to the work in the complex industry of blockchain and cryptocurrency, TILCOIN has to allocate significant resources for the legal support of the project.



Thanks to the implementation of the best practices of the traditional art world, the creation of a community of highly qualified and motivated experts, as well as the close cooperation of all the market participants (artists, dealers, museums, experts, state agencies, investors and collectors), TILWIKI has every chance of becoming the leading platform for the sale of artworks worldwide.

Chapter 5

Value proposition and advantages

TILCOIN unites everyone wishing to connect with the beautiful world of art. The current art market is fragmented, and therefore people face difficulties to become its true and qualified participants. Within the single platform, we open the access to full-fledged education, information, and investment services.

The very first step to comprehending fine arts is usually made with the help of museums, galleries, and exhibitions. With TILCOIN, you can easily receive all available information about art masterpieces, talented artists and sculptors, and purchase tickets to major art events and exhibitions.

Then, if you decide to delve into the world of art, TILCOIN and TILWIKI are ready to offer you the digest of the latest news and series of educational seminars, master-classes, and online museum tours.

After you build your own vision and understanding of the art market, you will finally be able to invest in various art objects. The widest choice and the most favourable terms of investing are available at the TILWIKI marketplace.

Lower fees:

- When selling art objects, artists or investor pay a straightforward fee that is less than 10% and contains no hidden charges or limitations

All necessary information in one place:

- The marketplace with the wide variety of relevant offerings of paintings, sculptures, and antiques

- The world's biggest comprehensive database of museums and galleries
- Public decentralized ledger of art object and antiques owners, including every member of TILCOIN community
- Access to comprehensive and up-to-date information about art objects: story of origin, reviews, comments of experts, history of ownership
- Educational seminars and master classes in both online and offline formats
- Virtual gallery of art objects

Lower risks:

- Every art object added to the TILCOIN and TILWIKI platform undergoes the obligatory audit and expert evaluation
- Users can access the full history of art object ownership - any information about transactions or investors related to a piece of art is recorded with a smart-contract on Ethereum blockchain
- Transparent terms of making transactions
- An opportunity to receive a compensation when the art object is sold outside the platform
- Reputation of the project is backed by partnerships with the major art fairs and galleries, cybersecurity companies, and European partners in financial, legal, and tax areas

	TILCOIN	Maecenas	FRESCO	Artcoins	Artsquare
Marketplace of art objects	+	+	+	+	+
Art database	+	-	+	-	+
Provenance	+	+	+	+	+
Tickets to museums and art events	+	-	-	-	-
Payments in fiat currency	+	+	-	-	-
Smart contractS based ownership rights	+	+	+	+	+
Artwork insurance	+	+	-	+	+
Virtual gallery	+	-	+	+	-
Access to auction houses	+	-	-	-	-
Exclusive distribution rights	+	-	-	-	-
Own gallery and an art collection	+	-	-	-	-

The principal difference of our solution is that TILCOIN and TILWIKI platform assists users in becoming a fully valid participants of the art market by offering the complete suite of services related to world of art.

Chapter 6

Marketing

TILCOIN team aims to utilize the number of different marketing channels in order to become a key platform for art education or investment and to play a major role in developing and improving the market of art and antiques.

Social media marketing

- Active promotion of our platform in social media to stimulate an interest of the large community of art fans to TILCOIN project.

Relationship marketing

- TILCOIN works closely with key opinion leaders in the art market to increase the project's reputation and credibility while growing TILCOIN community
- Interaction and involvement with European and Asian art market to attract retail and corporate clients

PR operation

- Numerous publications and press-releases in top global media
- Participation in conferences and forums related to blockchain and innovative technologies in the art market
- Organization and planning of seminars and master-classes

Partnership activity

- Participation in art fairs and exhibitions in order to build partner relationships with investors, art dealers, and artists
- Collaboration with art-venues (e.g. galleries or museums) and auction houses
- Cooperation with art ministries and embassies of various countries in the area of solving global problems of the art market

Chapter 7

Traction

TILCOIN project will purchased a number of rare and notable pieces of art and antiques related to the period of nonconformism and social realism. The collection now includes sculptures of Ernst Neizvestny, artworks of Oleg Tselkov, Vladimir Ovchinnikov, Oleg Lang, Mikhail Shemyakin, Genia Chef, and others. We have signed several agreements with global companies and recognized art experts.

Use cases:

TILCOIN project is first to sell a serigraph of a painting using the blockchain technology. On March 23, 2018, the serigraph of Petr Lizunov's Airplane painting was divided into 86,400 squares (each with a side of 5mm) and put on sale on TILWIKI platform. Each fragment of the serigraph will be additionally became 1 TLC token, and the purchase of each token handled with a smart contract on Ethereum blockchain. On April 7, 2018, all fragments of the Petr Lizunov's artwork were successfully sold. Currently, the collection of TILCOIN art objects will continues to grow.

We also exhibiting our collection of art objects on the virtual platform that allows TILCOIN users to take 3D-tours in the gallery using their PC or mobile. With the help of TILCOIN project, you get an opportunity to explore the world of art and visit the gallery at any moment and from any place.

TILCOIN regularly organizes educational meetings and seminars for art fans. Intellectual club TLC is a community of partners and fellow-thinkers in the world of art. In the club, we plan the meetings of people who are involved with TILCOIN project and willing to broaden their horizons by learning something new about art and culture. The audience of TLC club is manifold and not bounded by age or certain professional interests. TLC club development is achieved with consistent efforts to grow its community and expand the range of offered programs and events. We invite recognized leaders and experts of culture and art, gallery and museum industry. TLC club events are held in various locations such as museums or art studios. During the history of the club, we have organized numerous lectures and museum tours, planned several offsite events, and visited art workshops of outstanding people of art.

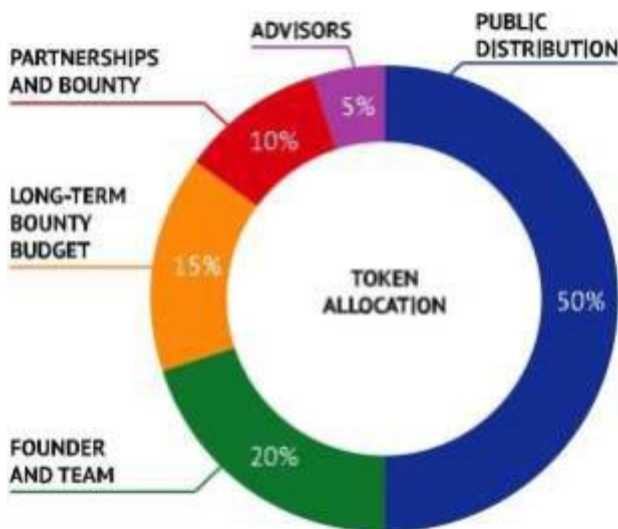
Chapter 8

Tokenomics

During the token sale, Riatco LLC has generated 50,000,000 TLC tokens and issued 170.220 of them. The results of the first fundraising stage, which was held from March to June 2018, are presented below:

- \$2.3 million raised
- Up to 3000 investors participated in the token sale
- more than 150,000 fragments of an artwork were sold

Distribution of tokens after the ICO



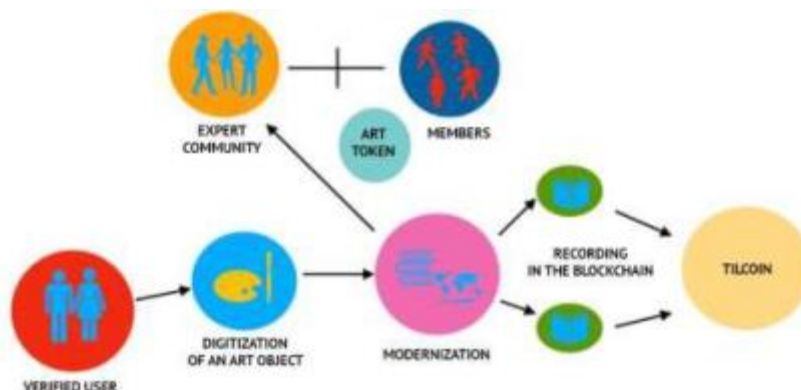
TILCOIN is developing a unique token model to ensure efficient and successful operation of the platform. The company is planning to use a combination of 1 utility token (TLC) and several security tokens that will be used for tokenization of art objects.

2. Utility Token

Utility token **TLC** is a loyalty token which offers its holders a full access to the platform and provides various discounts for company's services including purchasing and selling art objects on the marketplace TILWIKI, exploring the content of informational platform, purchasing museum and gallery tickets, artwork insurance and storage, and participation in auctions of the major auction houses.

TLC-token will be playing a role of an internal currency in the ecosystem of TILCOIN and TILWIKI products. At the same time, users will be allowed to use other cryptocurrencies or fiat money to pay for company's services. Token opens an access to TILCOIN and TILWIKI platform with a significant discount:

- Users get a membership-status if they agree to "freeze" and hold their own TLC tokens in the platform for a particular period of using platform. During that period, clients are offered the biggest available discount for purchasing TILCOIN services. They can also receive an exclusive access to company's special offers. After the end of the "freezing" period, TLC tokens are unlocked and can be withdrawn or sold to other users.
- Users are not required to get a membership-status in order to use company's services. In that case, clients are offered the discount of smaller size and only if they have TLC tokens. If clients pay with other cryptocurrencies or fiat money, they are not eligible for a discount.



TLC token is based on a “discount token” model, it therefore has both use value and resale value. The use value is only available for active TILCOIN clients because this value is unlocked at the moment of receiving discounts. The resale value is available for both active clients and token holders because after you finished your TILCOIN membership, TLC tokens can be sold in the market. As the TILCOIN platform grows, the utilization of its services increases and so is the token value for TLC owners.

Additionally, to increase accessibility of the platform for users, TILCOIN is going to offer a free bundle of basic services. For free users can invest in a limited number of artworks presented in the platform and obtain information about a limited number painting or sculptures per month. As free bundle runs out, users will be required to get a membership-status or start paying for TILCOIN and TILWIKI services.

With TLC token, it becomes possible to purchase or sell art objects with lower fees; to get a discount when paying for access to the information platform, for art market reports, for insurance and storage services; to obtain a membership at major auction houses; to receive special offers of TILCOIN and its partners.

3. Security Tokens

TILCOIN planning to register a security-token in Liechtenstein, which includes the option to issue several series of tokens. Though security-tokens will operate under unified framework with specified rules of issuance and circulation, they will differ in the underlying asset. Each series will be used to tokenize a single art object. For example, an owner of Amedeo Modigliani's Portrait of Paulette Jourdain is going to sell the artwork through the TILCOIN. The company's experts perform professional evaluations and estimate the price of the portrait at \$50 million. The owner decides to divide the painting into 10,000 fragments, so TILCOIN issues a distinct series of 10,000 tokens each of which costs \$50,000 and gives right to the particular fragment of the portrait.

Thanks to the option to issue not different tokens, but different series, TILCOIN significantly will improve and simplify the process of art tokenization by saving time and money for legal support of transactions. A user at the same time still gets a digital asset, which is fully backed by the piece of art, which he or she had purchased.

We set up a minimal price for art objects eligible to tokenization. All art objects with the estimated value lower than the certain limit, cannot be divided into fragments. However, TILCOIN users can buy the full original artwork for fiat or digital currency, or exchange it for TLC tokens.

The collection of art objects owned by TILCOIN itself can also be tokenized, providing investors with an opportunity to invest in diversified portfolio of artworks. Owners of the TILCOIN security token can profit from reselling paintings or sculptures from TILCOIN collection and can participate in voting for selling one or another artwork. Additionally, TILCOIN security token grants owner the right to receive dividends proportionally to his or her share in total supply of the security token (dividend pool will not exceed 10% of total artwork turnover on the TILCOIN platform). Consequently, the TILCOIN security token is an option to get both an exposure to growth of TILCOIN and dynamics of the art market.

For security-token TILCOIN emission, the information about total number of art objects in physical form belonging to the company is transferred to the blockchain. The art objects are bought from the artists, heirs, art dealers or in auction houses. The information about the ownership of the art objects of the company TILCOIN is public - for this the art objects are put in the depository. An extract or the depository receipt (electronic or printed) is presented by the depository.

The number of art objects is checked by a TILCOIN employee and at least once a quarter is checked by a third-party expert included in the TOP100 world experts. After that, we verify that the total number of TLC crypto assets in all wallets does not exceed the total number of art objects on the balance sheet. Accordingly, the blockchain issues the corresponding number of security tokens. If numbers do not match and some tokens are not backed by actual art objects, the excess quantity of tokens are written off the TILCOIN wallets. The history of supporting documents and TLC emissions will be stored in IPFS. Thus, the guarantee is given that these documents will not be changed and will remain forever in the system. Everyone will be able to view these documents and check them at any time.

4. Actions with the token

5.

Selling an artwork

Recording the information about an art object using blockchain as well as the issuance of the token will be held the following way:

- To add a new art object to the platform, a gallery sends the information to the blockchain, and only if the authenticity of the artwork is verified, a smart-contract sends a token of the artwork to the gallery's account
- If the investor of an art object decides to sell it, he or she should negotiate the terms with our gallery
- All transaction terms are recorded on the blockchain
- Our gallery, in case of the favourable market conditions, can decide to sell the art object at an auction

Selling an artwork token

- Owners can put the artwork token for sale on the external exchange through a secure transaction
- An artwork token can be sold for cryptocurrencies or fiat money

Provenance

- We are planning to partner with the major art galleries and exhibitions to receive the most up-to-date and trusted information about artworks

Secure transactions and arbitrage

- Every purchase or selling of art objects is performed with secure transaction mechanism
- Every expert in the platform has personal rating

Chapter 9

Roadmap

As of the fourth quarter of 2019, TILCOIN project continues the development of TILWIKI platform and expanding its collection of art objects that is going to be exhibited in the TILCOIN Gallery. The launch of the alfa version of platform is expected at the end 2019. Beta Version first quartile 2020.

TILCOIN is engaged in negotiations with several partners concerning the opening of the first offline gallery for presenting TILCOIN collection of paintings and sculptures. Given the proven track record, TILCOIN will open additional galleries in various cities. The company is growing fast and actively attracts specialists from different areas - business development, IT, evaluation and provenance of art objects. TILCOIN team (as well as the project community) is expected to expand dramatically.

In the future, the TLC utility token will be listed on one or several top cryptocurrency exchanges.

Our goal

Our initial goal as we enter the art market is to collect works of modern and classical artists of international renown, and with a potential for price growth. We want to create a gallery that every project participant can visit, learn about us and see the original painting or antique, of which they purchased a virtual part. Via our website, we will also regularly broadcast art masterclasses, webinars, online tours of museums, real-time coverage of other events we organize, and news from across the world of art. Our site will also have a blogs section where any visitor can ask an expert their questions, and receive an instant response, or simply leave a written review or opinion in the chat section, where they can converse with other users. And this is just the beginning!

We will be frequently adding new functions to our site. By laying down the history of works of art today, we calculate that in ten years there will be no works of international significance left, that will not have a blockchain record. Works with no blockchain history will be low-liquidity, high-risk acquisitions.

DISCLAIMER

PLEASE, FAMILIARIZE YOURSELF WITH THIS DISCLAIMER. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT YOUR LEGAL OR FINANCIAL ADVISOR.

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