

TILCOIN

TILCOIN

ART BLOCKCHAIN

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

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Chapter 1

Key Principles

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 have tried to sell the works of art that they have bought in the past have learned that all that time they actually possessed a fake, and the resale value is a tiny fraction of the amount they invested.

Now, we have found a solution to this problem. TILCOIN is offering something extraordinary!

This year 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. As a part of the TILCOIN

project, we are 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. All the information about them will be available through a convenient online account, which will list all the provenance data for the artwork (information about the artist, 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 project 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

Glossary of Terms

TLC-token – the main token, which is used as a payment currency within the system. This is what is actually sold during a Token Sale.

Picture Token – a token that confirms the ownership rights to a painting.

Chapter 3

A brief overview of the market

3.1. The art market

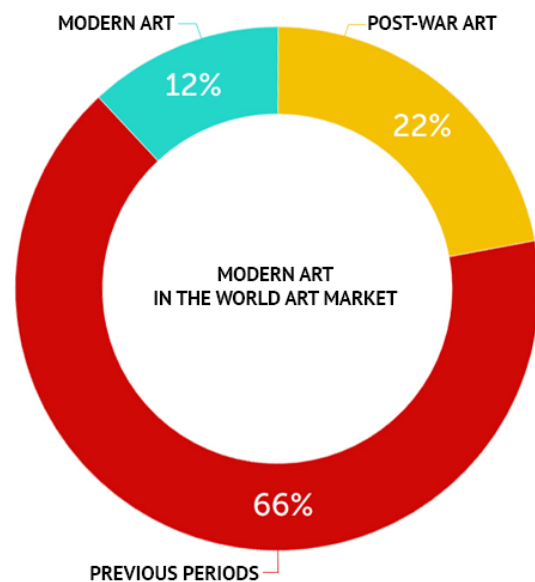
Over the past decade, the art market has grown by 212%, while the modern art market has grown by a factor of 14. The first wave of growth had a number of aspects, here are some of them. Auction sales in the USA amounted to a total of \$ 3.2 billion in 2017, reflecting growth of 62%; the same statistic for Asia was 754.9 million (7% growth); and \$2 billion in Europe and the Middle East (11% growth).

The most memorable event of the year was the record-breaking sale of Salvator Mundi, a painting by Leonardo da Vinci, for \$ 450.3 million, during November auctions in New York. Auction sales grew by 38% on average, reaching \$5.9 billion (33% growth). Online trading reached \$ 72.4 million, which is 8% greater than last year. 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%).

3.2. 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



3.3. 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.

3.4. 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.

3.5. Investment attractiveness

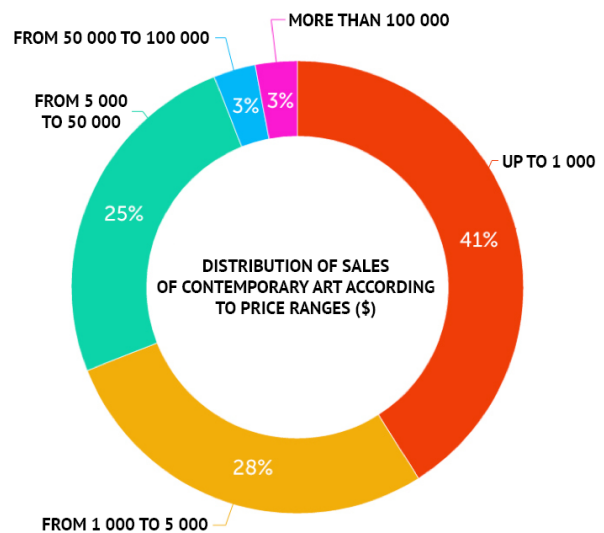
The risk of market contraction and occasional price adjustment across the art market is not slowing the growth in the number of collectors. This includes a range of unit investment and other trusts, as well as pension funds, which are traditionally very conservative investors.

While central banks practice negative interest rates that annihilate savings, the art market has reached 1370% turnover growth in the modern art segment over the past 16 years. The average value of a modern work of art for the same period increased by 115%, producing an average annual yield of 4.9%, or 9% p.a. for works acquired for sums greater than \$20,000.

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 world art market includes every possible price category. Although the most prestigious art auctions, attracting the most attention from the press, are beyond the reach of most buyers, anyone can find something they like

on the art market. Three-quarters of the market of paintings, drawings and lithographs are purchased at prices below \$5,000, while 75% of paintings and sculptures are auctioned off 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.



Chapter 4

The Top 5 lots sold in 2017 at Sotheby's auctions

The auction season at Sotheby's closes just before Christmas and coincides with end-of-year market reviews. It is noteworthy that for Sotheby's the year 2017 was very profitable: the art market expanded once again, and the auction house report boasts a 13% turnover increase, with a total trading volume of \$4.1 billion.



1. Jean-Michel Basquiat | Untitled (1982)

Sale price: \$110.5 million

This painting broke several records simultaneously: the most expensive canvas painted by an American artist, the most expensive painting by an Afro-American artist, the most expensive painting by Jean-Michel Basquiat and the most expensive Sotheby's lot in 2017.

The identity of the new owner was no surprise—in the last few years, the Japanese collector Yusaku Maezawa has been a fanatical collector of Basquiat paintings. Why? He has a dream: to open a museum of modern art in his native town, and the works of this neo-expressionist painter are the ideal choice. The collector's joy knew no bounds, as he rushed to inform his followers on Instagram.

This painting is typical of the work of Basquiat in the 1980's, and the recognition factor strongly influences the price.

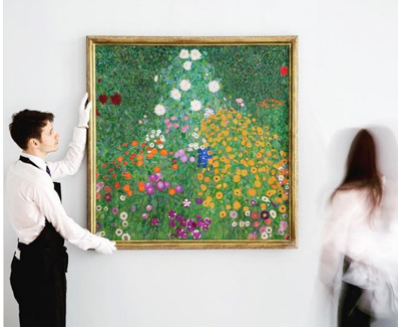
Another factor—though it seems cynical to even mention—was that the death of the artist, aged just 27, also increased the cost of his works.



2. The Pink Star diamond (59.60 carats)

Sale price: \$71.2 million

This diamond is another record-breaker, a beauty and the ultimate engagement gemstone. The Pink Star was sold at a Hong Kong auction, at twice the price of its previous auction sale, to become the most expensive stone ever sold in Asia. Interestingly, there was an attempt to purchase the stone privately in 2013, for \$83 million, but the client failed to find enough money to pay on time.



**3. Gustav Klimt |
Bauerngarten (1907)**
Sale price: \$59.3 million

The paintings of Gustav Klimt are unusual, in that they are rarely put up for sale. This work, Flower Garden, was acquired by the previous owner twenty years ago, for example. It has been six years since any painting by Klimt made an appearance on the art market.

Bauerngarten was painted during Klimt's golden period and was the main March lot in London. The marketing department did their job: Klimt's landscapes are not treasured as much as his most famous paintings, but the auctioneers organized an exhibition on the eve of the auction, with this painting as the centerpiece, and garnered delighted praise from critics in the press. As a result, the painting was sold for a record sum.



**4. Wassily Kandinsky |
Bild mit weissen Linien (1913)**
Sale price: \$41.6 million

Russian painters make up their own special category in the world of art. Wassily Kandinsky can unquestionably be called the father of the avant-garde movement. His paintings reach prices second only to those of Rothko and Malevich. The estimate, which was released only upon request, assessed the painting's value at around \$30 million,

despite the fact that Kandinsky's paintings had never been sold for more than 24 million.

The Painting with White Lines has a fairly interesting history. Apart from the fact that it was painted in 1913, which is considered to be the most successful year in this artist's creative history, it ended up in a private collection in the most unusual way.

Almost immediately after the outbreak of the First World War, Kandinsky returned from Germany to Russia, and sold his painting to Moscow's Museum of Painterly Culture. It was later transferred to the Penza Museum, and went from there to the Tretyakov Gallery. At some point in the 1970's it made its way into the collection of Wilhelm Hack. According to legend, this was in exchange for letters written by Vladimir Lenin.

**5. Francis Bacon |
Three Studies of George Dyer (1966)**
Sale price: \$38.6 million

The work of Francis Bacon is in equal parts repulsive and compelling. On the one hand, this is perhaps what guarantees his phenomenal success. Gloomy subjects and tones, thick with a rich mysticism, are not what one might expect to inspire such popular demand.

But Bacon is a law unto himself. The Three Studies of George Dyer take as their subject the artist's lover. For those who are unfamiliar with the legends of the art world, George Dyer was a burglar, whom Bacon caught in the act. Instead of the police, it was cupid who intervened, and the thief became the artist's muse for several years. This is a story that became the plot of a film script, brought to life by John Maybury in the film Love is the Devil.

Sotheby's main competitor, Christie's auction house, tots up its annual turnover each January. But it is already clear that it will remain a market leader, having sold Leonardo da Vinci's Salvator Mundi for \$450 million.

Chapter 5

What is TILCOIN?

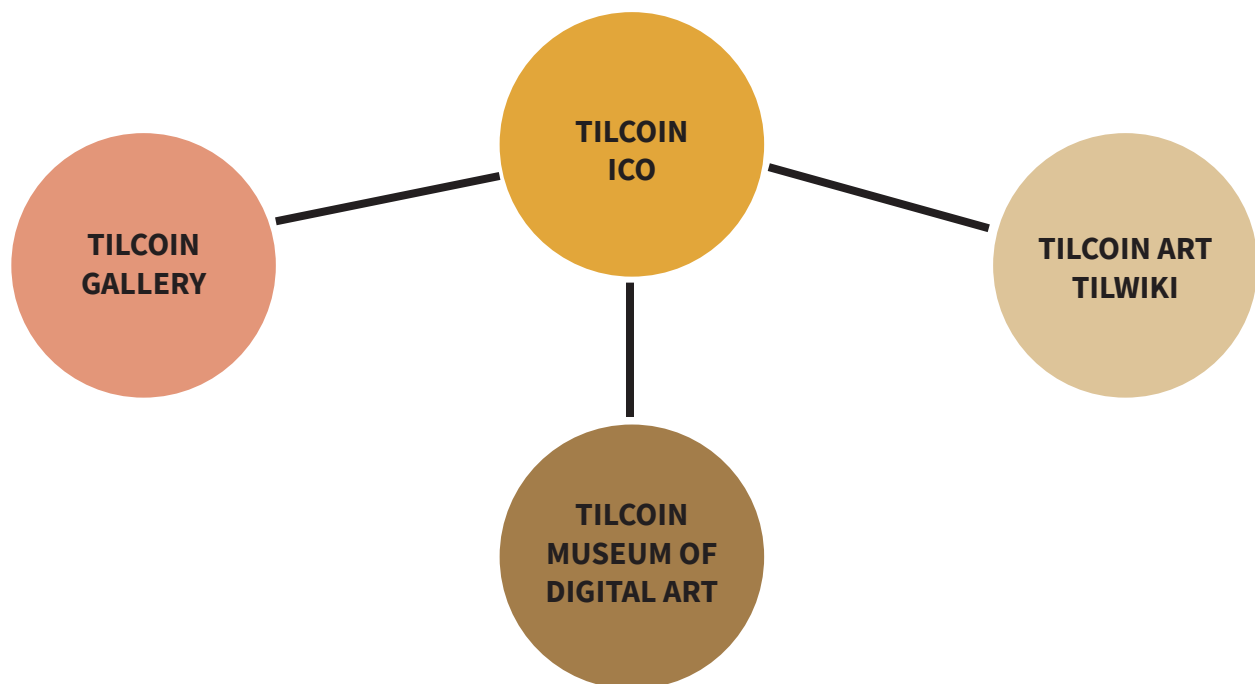
TILCOIN is a platform that will shape history of the art objects and antiques, for introducing them into the masses by selling virtual numbered ownership of the fragments through the token.

The primary activity of the project is the search, expertise and evaluation of the art objects (hereinafter AO), their acquisition, gallery activities and activities to ensure the wide publicity of the AO and their authors, the «retail sale» of the fragments of the AO for the purpose of owning and / or reselling.

After a unique search procedure, expert authentication and evaluation of the AO, there will be arranged its purchase with an official reflection of this asset on the balance sheet of the company.

Under the provision of the AO owned by the company, two types of electronic obligations (tokens) guaranteeing rights to the fragments of the AO are issued (on the basis of legislation on bill of exchange turnover). The cost of one utilitarian (internal) token is pegged to the value of the US dollar \$ (c.u.), for example, 30 c.u.

In the inventory records of the company the AO is divided into two parts, 49% and 51%, and the smaller part (49%) is allocated to the fragments intended for sale for utility tokens, while the quantity and the size of the AO fragments are based on the value of the AO and the currency exchange rate. The major part of the AO (51%) serves as an asset to material secure of the company's obligations in relation to the issuance of TLC crypto asset.



5.1. Internal token (currency) - TLC

The business model (hereinafter BM) is based on the «retail» sale of the art objects (paintings, antiques, sculpture).

The company selects, evaluates and examines the AO. The AO is digitized in high resolution using high-precision equipment. The copy, in turn, is divided on the principle of 51/49%, where 51% remains in the property of the company, making up its capitalization, and 49% is split into smaller fragments for the further resale to the retail client.

This operation and subsequent operations for the sale of the AO are secured by a smart contract based on the Ethereum blockchain, which reflects the entire chain of transactions and the ownership, the value and the authenticity of the AO.

User rights fixed in the «basic smart contract»:

The user acquiring through the electronic platform a fragment of the AO receives:

- The confirmation of the purchase (possession) of a part of the AO, which is reflected in the “basic smart contract”;
- The user has the right to resell his fragment inside the platform;
- The user has the right to participate in the events held by the company free of charge (access to training events, master classes, etc.);
- The compensation of the cost of the fragment when selling the AO outside the system;
- Getting the TLC crypto asset in the size of the acquired fragment.

The internal currency does not give the right to participate in the management of the company TILCOIN and is not an equity share.

5.2. TLC crypto asset

TLC is a crypto asset issued by TILCOIN provided that the company has assets tied to the value of the AO on the balance sheet of the company.

For TLC emission, the information about X number of art objects in physical form belonging to the company TILCOIN 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 depositary. An extract or the depositary receipt (electronic or printed) is presented by the depositary.

The art objects owned by the company can be in the form of:

- Canvas/ paintings;
- Antiques;
- Sculpture;
- Other, representing historical and cultural value.

Physically, the art objects are placed in the storage, the gallery of the company TILCOIN, and confirmed by the depositary receipt.

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 by the company TILCOIN. These documents should indicate that at the time of their downloading, TILCOIN owns X art objects in total.

This number X 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, a check is also carried out to ensure that the total number of TLC crypto assets in all wallets (hereinafter «Y») does not exceed the total number of X art objects on the balance sheet.

Accordingly, the blockchain issues $X - Y = T$ TLC crypto assets to the wallet of the company TILCOIN.

In case, if the number X is less than the number Y, under the results of the checking, the excess quantity of TLC must be written off automatically from the wallet of the company TILCOIN .

The history of supporting documents and TLC emissions is 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.

Possible use cases of the platform and crypto TLC asset.

1. Sale of works of art belonging to private collectors using the TILCOIN ecosystem

Process:

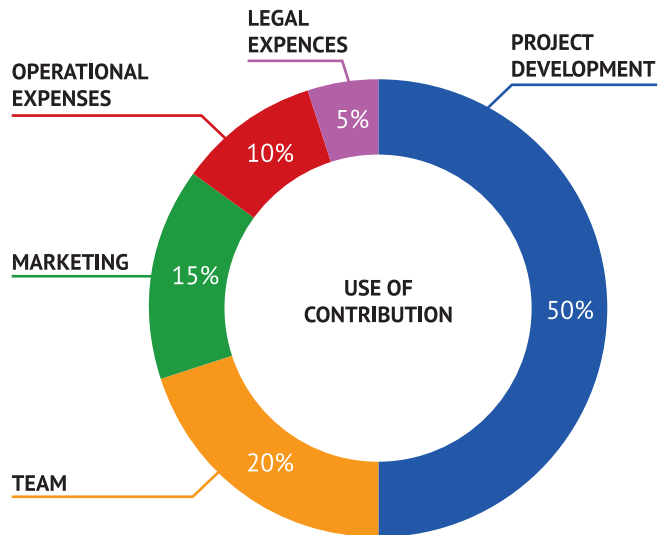
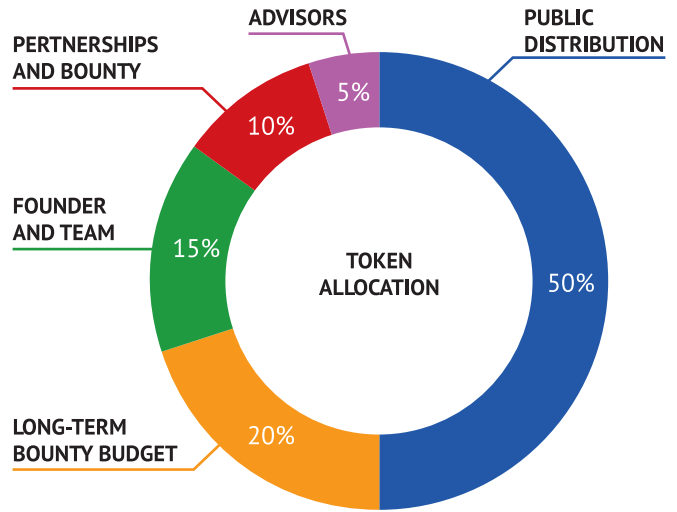
- The copyright holder of the AO transfers data (certificates of authenticity etc.) about the item belonging to him into the TILCOIN system;
- The company provides an expert authentication of the AO;
- The AO is scanned using high-precision equipment, and is divided into fragments, all transactions are entered in the blockchain;
- Data on the AO are entered in the catalog of the TILCOIN ecosystem with the possibility of acquiring of the AO entirely or fragmentally. Each transaction (operation) is entered in the blockchain.

2. Confirmation of the authenticity of the AO belonging to private collectors and companies.

3. Exchange of crypto asset TLC for Fiat

The exchange of the client’s financial resources for TLC crypto assets and subsequent reverse exchange on the territory of another state is possible. Such an operation requires KYC that needs to be done.

5.3. Token’s allocation and use of contribution after ICO



Chapter 6

The range of services that TILCOIN proposes to provide

The TILCOIN project will consist of the following basic services:

- 1) Verification and addition of new paintings and antique objects;
- 2) The sale and purchase of fragments and tokens on the secondary market;
- 3) Limited digital printing of picture fragments;
- 4) Handling artworks;
- 5) Safe transactions and arbitration service;
- 6) A service for making alterations to the system.

6.1. Roles in the system

Objet d'art: a painting that has undergone verification by an expert board and placed in the system for subsequent sale. The expert community conducts verification by closed ballot.

Expert: a participant in the system, who can receive remuneration for helping assess the quality of works.

Expert Board: trusted persons at a gallery or state organization, who are recognized experts in art.

Arbitrator: a participant of the system who can resolve dispute situations and receive remuneration.

Dealers: any individual who can, or wishes to, distribute information about the project to attract new customers.

Gallery: an approved list of galleries.

6.2. Verification and the addition of new paintings and antique objects

Initially, the platform will be loaded with paintings currently owned by TILCOIN, and which have already undergone decentralized selection by the Expert Board.

Private collectors or galleries, who have new paintings and antique items, which are not the property of TILCOIN, and which they wish to present for verification, must pay a TILCOIN Token, for the work of the decentralized expert community.

Information about new paintings and antique items that undergo verification will be entered into the blockchain.

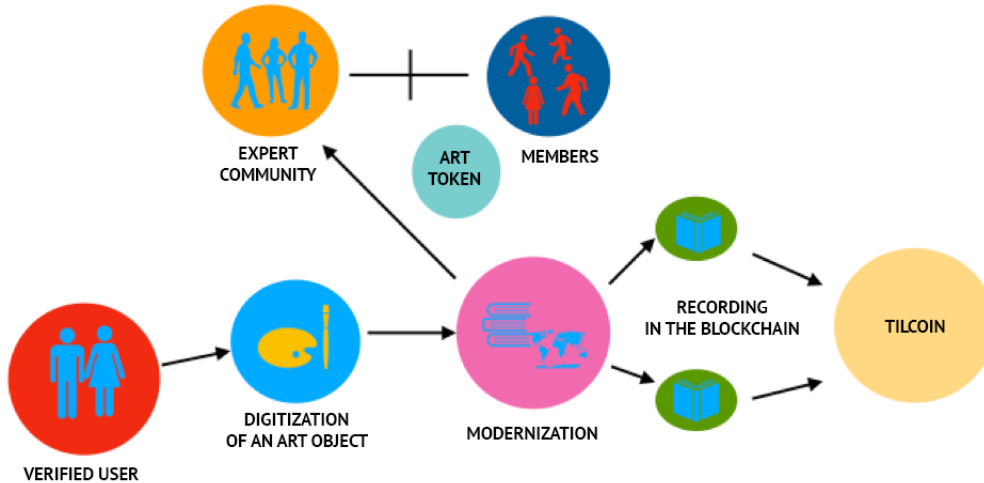
6.3. Verification of galleries and artists

Each gallery and artist who wishes to work on the TILCOIN platform must undergo verification according to an established process:

- Initial verification is conducted by entering the top 200 galleries into the blockchain—those galleries which are permanent participants at world fairs, including auction houses, and also the world's top 500 artists.
- A gallery that wishes to undergo verification must pay a TILCOIN Token and send a list of the works of art exhibited in the gallery for verification by the expert community. Those experts, in turn, will select the works from the list that are to be verified. Random representatives of the Expert Board are selected, who will then verify the authenticity and physical presence of the paintings in the gallery.
- Representatives of the Expert Board receive a TILCOIN Token for their work. A gallery that has failed verification can request arbitration. All gallery verification actions are recorded in the blockchain.

6.4. Release of TILCOIN-token

At the first stage of the first ICO we release utility token. After the successful first ICO, we plan to prepare for the release of security / e-money TLC (TILCOIN)



Investment

Let's consider a simple situation: the TILCOIN platform has presented a painting for investment, after virtually dividing it into small, numbered fragments.

You visit the site, where the works are presented, and select a fragment that you like. The price for the fragment is set by TILCOIN, based on the estimated value of the painting/object.

At purchase, one token is treated as one TILCOIN (TLC) coin. During the pre-sale offer a number of coins, calculated using the formula 1 token = 1 TLC, will be transferred to the seller, after TILCOIN goes public. What do you think will happen to the price of tokens? Of course, it will go up, because TLC is backed up by an asset—the painting or antique item—that has a statistical tendency to only become more valuable as the years pass.

Sale

The owner of the fragment 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.

Printing

The owner can print out their fragment at any photographic laboratory, or order this service from the TILCOIN portal, for an additional fee.

Our goal

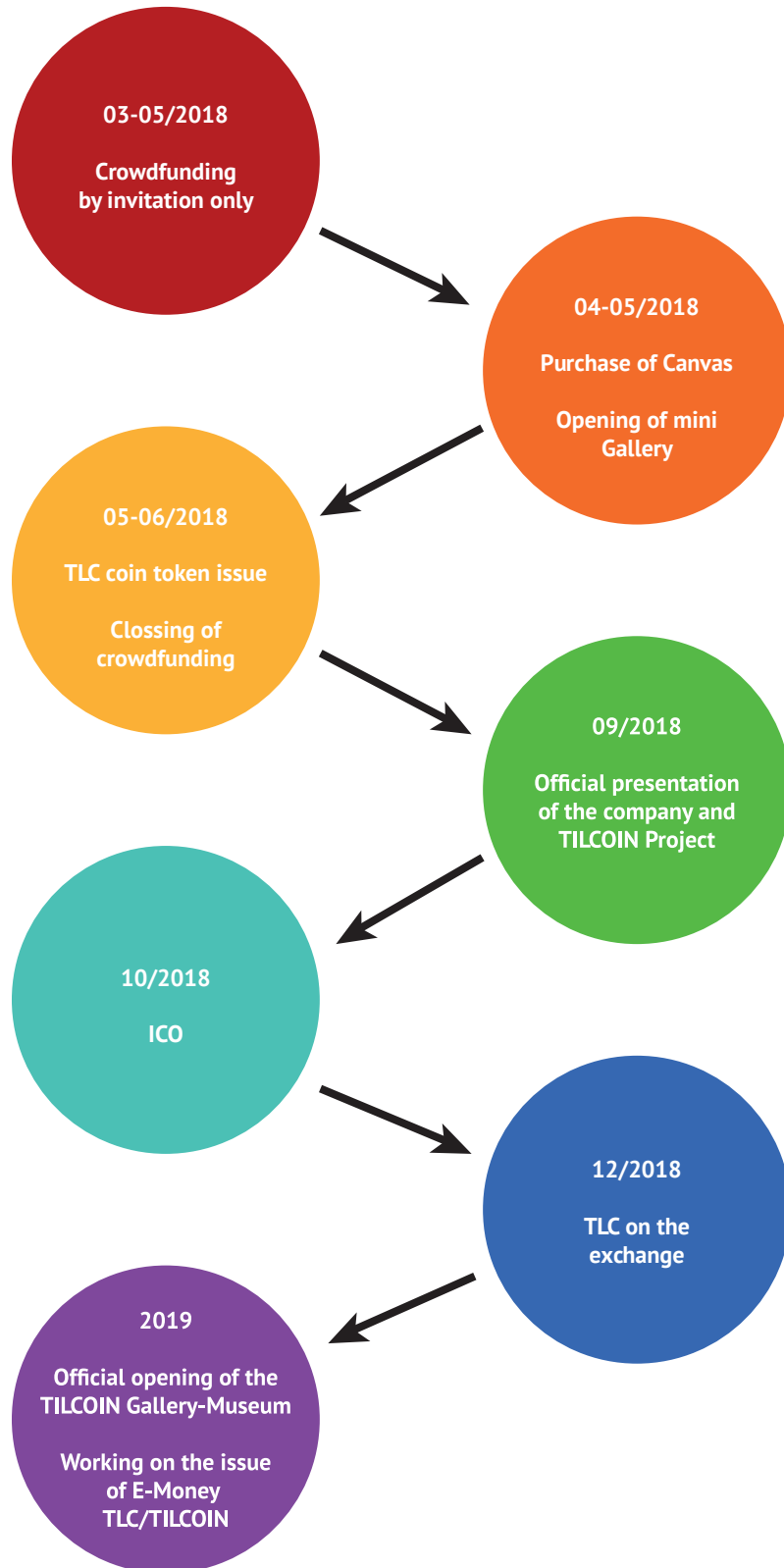
Our initial goal as we enter the art market is to collect works of modern and classical artists of international renown, and with a potential for price growth. We want to create a gallery that every project participant can visit, learn about us and see the original painting or antique, of which they 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.

Chapter 7

Roadmap



Chapter 8

The project team



Anaida Schneider (CEO & CFO)

MBA (Switzerland), educated in economics in Zurich, Switzerland, and also received higher education in the humanities in Russia. Her work experience in the private banking sector and high finance in Switzerland spans more than 10 years. Anaida has climbed the ladder from assistant to executive director of a private bank in Switzerland. Experience working in a leadership position in an asset management company in Switzerland. Founder and president of the Swiss charitable foundation 'Education for the Future', the goal of which is to help children from underprivileged families receive additional education. Anaida finances the foundation at her own expense, and from auctions of works of art. Has authored books for children and adults. A private collector of antiques, as well as modern and classical art.



Dmitriy Kosinov (CTO)

Entrepreneur, investor.

Has ten years of experience managing technological start-ups in the several IT and blockchain industry. Has brought numerous technical products for distributing multimedia content to the market. Created the largest market player in gambling. Brought projects onto the painting markets of Russia and the CIS.



Denis Marganov (CTO)

Information and IT project management.

Experience in IT and management of information projects of more than 10 years. Involved in selecting teams to implement projects, integration of automated accounting systems at major plants, developing successful marketing campaigns for an outsourcing organization working in IT, and the creation of a major regional media outlet.



Tamerlan Zanikov (PR , Marketing & Coaching)

Graduated from school with full honours. Received two higher education diplomas in law and practical psychology/psychoanalysis at leading Russian universities, and earned the coveted 'Red Diploma'. A practicing psychologist. As an investor, successfully completed elite residential projects in Moscow and Moscow Oblast. Founder and owner of the Sfera-Systems company, which for many years has successfully been implementing IT projects. Vice President of Sport-City, which implements sports facilities construction projects.



Laval/Lada Shamshurina (ART EXPERT)

Artist, educator, art therapist, curator of exhibition projects, member of the St. Petersburg Creative Union of Artists of the Russian Federation, and member of the Russian Art Therapy Association. Graduated from Nizhny Novgorod Art College, as an artist and educator, and the Training Academy for Art, Culture and Tourism Workers. Subsequently defended a History of Art thesis on 'Russian Art of the Latter Half of the Twentieth Century. The Non-Conformists', Repin Institute for Painting, Sculpture and Architecture (now the St Petersburg Academy of the Arts). Worked as an art expert and curator in various galleries. Founder and director of Open Studio, a creativity workshop. Has worked with the Russian Children's Foundation as project author and leader. Founded the Laval art agency to provide professional assistance to artists and collectors, organizing Russian and foreign exhibitions in Russia and abroad, involved in publishing activity to compile catalogues, albums, and booklets, to help conduct art expert and forensic consultations during the formation of private collections, and also consultations on preserving and exhibiting works of art. Has participated in group and personal exhibitions since 1987.

Target audience of tilcoin crypto assets

- Crypto traders for whom TLC (TILCOIN) is a tool for hedging crypto currency volatility risks. TILCOIN may become a key tool for exchanging crypto currency to fiat money.
- Traditional investors for whom the main reason for buying TILCOIN is an opportunity to preserve and increase their crypto currency savings backed by a tangible asset
- Individuals for whom TILCOIN is an opportunity to join the world of crypto currency and art with minimum investment, and use TILCOIN to pay for goods and services in future. It is particularly relevant for cross-border transactions, if the supplier is abroad and previous currency settlements were made through a bank, charging a significant commission for conducting and supporting the transaction.
- TILCOIN is a product for including investment crypto asset in the portfolio for current and potential Wealth Management clients.

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