

# Stakeey Whitepaper

v3.0.0

ABSTRACT

A research article released by Deloitte indicates that the average American does not have more than \$400 in savings in case of an emergency<sup>1</sup>, this begs us to ask the question, how much does he or she have saved away for investment purposes, if any. Before the proliferation of the likes of Robinhood and Etoro which allowed retail investors into the equity markets for cheap it was quite common for retail investors to be asked a minimum of a thousand dollars in order to open an account with a brokerage which would enable them to purchase shares in publicly traded companies and in most jurisdictions, especially in Africa where the likes of Robinhood and Etoro have not yet penetrated, this is still very much the case most retail investors are asked a minimum of about a thousand dollars to open an account with a brokerage firm. Where the average American does not even have \$400 tucked away for a bad day, the \$1000 minimum asking price to open an account with a brokerage firm rules out the opportunity for most people, especially Africans, to participate in the equity markets. Looking closer to home where the majority of Africa is unbanked most people are not afforded the opportunity to participate in the equity markets by simply not owning a bank account. With the ordinary American lacking a basic \$400 in case of a bad day, the data suggests that the average African would probably have much less than the \$400 which the basic American individual lacks. Where most if not all of the brokerages in Africa have a minimum asking price of a thousand dollars or the market equivalent in the country's currency to open an account with a brokerage which allows one to trade in public equities, we deem this to be a massive factor constricting retail investor participation on the African equity markets. This exclusion from equity markets through stipend amounts to open brokerage accounts has left many innocent African investors without many options but to be duped by MLM schemes which promise the same returns as those enjoyed on the public markets without the lump sum ask made by brokerage firms for one to open an account where one can buy shares of publicly traded companies. What if we could enable the average citizen to enjoy the same returns as those enjoyed on public markets without needing a bank account or a minimum of a \$1000 to open a brokerage account<sup>2</sup>. This is the vision that we hold with Stakeey and throughout this whitepaper we are going to look at how we are making it possible for the average person to enjoy the same returns as those enjoyed on the publicly listed equities without needing a bank account or a minimum of a \$1000 through fractionalized ownership of alternative investments such as fine art and real estate using the ERC-20 and ERC-721 Standard on the Ethereum Blockchain.

## 1. Online Art Gallery

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<sup>1</sup> <https://www.cnbc.com/amp/2018/05/22/fed-survey-40-percent-of-adults-cant-cover-400-emergency-expense.html>

<sup>2</sup> <https://startupbiz.co.zw/invest-zimbabwe-stock-exchange/>

The internet has massively reshaped the world we live in today in comparison to how life operated on a daily basis just a few decades ago. From shopping to payments, the internet has massively revolutionized these industries through companies such as Amazon and PayPal respectively. The online retail industry which virtually did not exist before the introduction of the likes of Amazon in the early 90's is today generating sales of around \$3.4 trillion on an annual basis<sup>3</sup>. Although art and crafts only form a small part of the merchandise sold online, we think there is much room for growth for the \$67 billion arts and crafts industry<sup>4</sup>, much of which can be achieved by the adoption of technology by big players in the industry such as Sotheby's, Christies and the likes. Where most auctions for famous art pieces are today handled inside art galleries which can barely accommodate 100's of people, the adoption of technology to enable online art auctions could just be exactly what art dealers need to generate demand for famous art pieces.

Our mission is to enable the average person to enjoy the same returns as those enjoyed on the public markets from as little as a \$1 without any limitations such as owning a bank account by using cryptocurrencies to make investments into the \$2 trillion arts and crafts industry. We think the world of art collectors and the people from whom art originates (artists) is much more connected than art galleries would have us imagine and we believe the decentralized web will play a massive role in magnifying the fundamental peer to peer transactions upon which the art gallery business model is built. To magnify these fundamental peer to peer transactions upon which the art gallery business model is built we are going to employ a hybrid model of a user operated marketplace on which market participants can purchase art which has been added onto our marketplace and get it physically delivered to their address as well as a decentralized application built on the Ethereum blockchain and a fractionalized ownership marketplace which will enable art collectors and art dealers alike to collect their favourite art pieces in the form of ERC-20 and ERC-721 tokens issued on the Ethereum blockchain instead of physically getting the art pieces delivered to their physical address and bearing the risk of wear and tear or theft.

The majority of small-scale artists in Africa rely on foot traffic on their roadside stalls to drive up sales and unless as an artist you are located in the CBD or in a frequented tourist area, the most traffic an artist could ever receive on a given day is in double digits. This in most cases has discouraged most people from pursuing careers in art and when they do, the only hope for receiving increased traffic can only be achieved by dealing with galleries which charge massive rentals as well as commission fees. For most artists this commission laden model is unsustainable which is the reason many small-scale artists resort to roadside stalls. Instead of charging artists and art dealers massive rental fees for listing their art on our marketplace, we will provide this service for free and only collect a small service fee if the art is successfully sold on our marketplace and in addition we will not charge market participants like artists and art dealers any storage costs for their art as do most art galleries. Small scale artists on our marketplace will also reap the benefits of increased specialization since we will take care of any and all courier needs involved in collecting the

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<sup>3</sup> <https://www.digitalcommerce360.com/article/global-ecommerce-sales/>

<sup>4</sup> <https://www.statista.com/topics/1119/art-market/>

art piece from artists and/or art dealers as well as delivering it to the purchasers. Purchasers alike will also enjoy the benefits of an all-in-one delivery as we will also go onto provide buyers with installation services for all art purchased on the Stakeey marketplace. To ensure deliveries are done in a timeously manner we will employ a gallery-like model where once an artist lists a piece of art on our marketplace, we then go onto collect the art piece for storage at no extra cost to ensure that as soon as an order is placed on the Stakeey marketplace for a certain piece of art, it can be delivered as promptly as possible without inconveniencing the seller with imprompt collection appointments.

As is the standard for most art in the event of liquidation, most artists and/or collectors or dealers would rather not set a price on a piece of art but rather have the market decide on a price. To allow for this, we are going to simulate an art gallery auction online. If the owner of a certain art piece decides that they would rather not set a price on a piece of art but rather have the market agree on a selling price, we will create an auction wherein interested buyers can place bids within a certain time frame and the buyer with the highest bid will be afforded a window period within which they can purchase the art piece and if the buyer fails to provide the payment within the afforded window period, the art piece will be brought back into auction until a point in which a buyer is found. The person with the highest bid can either settle their using fiat currency or through cryptocurrency. If the owner of an art piece were to accept bids to be settled in cryptocurrency and proceeds to do so with the Stakeey utility token there wouldn't be any service fee charged on that auction bar the transactions costs incurred in sending the Stakeey utility token which in most cases will amount to less than a \$1. However, if the transaction were to be settled in fiat currency such as the US dollar or South African Rand or any other cryptocurrency which is not the Stakeey utility token, a small service fee would be charged on that transaction.

We are also going to develop a Price Discovery Tool which acts very much like an auction in order to aid market participants get a better estimation of the value of their art holdings. Market participants will be able to place bids on art which hasn't yet gone up for sale and the owners of those art pieces will be able to use these bidding prices to estimate how much the market is willing to pay for the piece of art they own and thus be able to better estimate the opening asking price if the art piece were to go on auction or selling price if the art piece were to be put up for sale on the decentralized application or fractionalized ownership marketplace as well as the user operated buy and sell marketplace.

## 2. Stakey Decentralized Application

To date, many narratives have been spread about the potential of distributed databases across many industries, some of them from industry leaders such as IBM and MLB rallying the potential of blockchain technology in fields such as digital collectibles. Although that may sound absurd, in this paragraph we will look at how the Ethereum blockchain, particularly the ERC-721 Standard<sup>5</sup> could be useful in fields that have virtually remained untouched by technology such as the art industry and real estate.

If you've paid any attention to the blockchain community over the past few months or if you've been following our blog posts, you would have come across a term coined as the ERC-721. The ERC-721 is an open standard that describes how to build non-fungible or unique tokens on the Ethereum Blockchain. While most tokens are fungible (i.e. every other token is the same as every other token in circulation e.g. Bitcoin or Ripple) ERC-721 tokens are all unique. Think of them like rare one-of-a-kind collectibles. When Cryptokitties was launched back at the end of 2017, it was the first Ethereum decentralized application to utilize the ERC-721 Standard and more recently, MLB has tokenized collectibles in the form of baseball cards in further pronunciation of the ERC-721 Standard. To further understand the concept of ERC-721 digital collectibles, post stamps are perhaps the perfect example to illustrate the concept of ERC-721 digital collectibles such as Cryptokitties. People collect post stamps owing to their uniqueness and limited supply and overtime they are perceived as a store of value because if the demand exists you can re-sell those post stamps at a higher price than that which you got them for. Similarly, this concept can be applied to bottles or barrels of wine in the sense that the longer you keep a desirable bottle of wine while its supply else gets depleted, the more valuable it becomes overtime, while some people also enjoy the idea of owning art pieces but are not exactly keen on taking the risk of hanging the art in their apartments, either for fear of theft or wear and tear. This introduces an opportunity which many art dealers have not shyed away from wherein people buy and sell art without ever setting eyes on the art. However, the majority of these transactions wherein people buy and sell art without ever setting eyes on it are still marred by endless paperwork as well as middlemen in the form of custom offices and bonded warehouse operators who demand outrageously massive fees for the storage of art pieces in bonded warehouses such as the Geneva Freeport in Switzerland.

The Geneva Freeport is a warehouse complex in Switzerland for the storage of art and other valuables as well as other physical collectibles. Freeports such as the one in Geneva originated back in the 19<sup>th</sup> century when they served the purpose of temporary storage for goods like grain and tea. In the last few years, a handful of them (including The Geneva one) have increasingly come to operate as lockers for the super-rich. Located in tax-friendly countries and cities, freeports offer savings and security that art collectors and dealers find irresistible. This special taxing treatment is possible because goods in freeports are classified as being technically in transit even though in reality the ports are used more as permanent homes for whatever is housed inside of them until the goods are officially imported into the

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<sup>5</sup> [erc721.org](http://erc721.org)

country the Freeport is housed or exported elsewhere. Aside from enormous potential for tax savings, freeports have climate control that ensures that art pieces of high net worth individuals are protected in good environments, usually under video-surveillance and fire-resistant walls. The New York Times estimates that the Geneva Freeport is home to approximately 1.2 million pieces of art including famous ones such as Gustav Clint's Water Serpents, El Greas' Saint Sebastian as well as a few pieces from famous artists such as Van Gogh and Picasso<sup>6</sup>. Most if not all of these art pieces are owned by people who have chosen not to personally store the art pieces for many reasons such as tax exemption and safe-keeping. However, the follow up question to this is quite natural, outside of tax exemptions and safe-keeping, why would so many people opt to buy and sell art which is worth millions with they have probably never set eyes on or will set eyes on and choose to house the art with a third-party instead of using the art to decorate their apartments. Before we attempt to answer this question, we also have to consider that this is not necessarily a new trend since freeports have been in existence since the 19<sup>th</sup> century and many a times people invest in intangible assets which they never physically hold outside of printed paper such as company shares and thus the gradual evolution of art into an equity-like asset is only fathomable and is perhaps partly the reason that the super-rich have chosen to house their art pieces in places such as The Geneva Freeport.

In trying to understand why one would choose to buy a million dollar art piece and keep it tucked away in a locker instead of hanging the art in their apartment outside reasons such as the generational shift in preferences as well as the general evolution of art as an asset class, we believe the reasons could perhaps be better explained in numbers; If someone buys a \$100 million dollar painting at an auction in New York City, he/she will be looking at a sales tax bill of about \$9 million but if the buyer where to ship the purchased art piece to a Freeport, the tax bill would disappear, at least until when the buyer ships the art piece back to the US and if the art piece were to be sold from the Freeport, the initial buyer who would now be the seller would still enjoy major tax benefits. Since art pieces listed on the Stakeey decentralized application will never be physically delivered to any market participants who purchase ERC-721 tokens representing pieces of art on our decentralized application will be able to enjoy the same tax benefits as those enjoyed by storing one's art piece in a bonded warehouse such as the Geneva Freeport, well at least until a point in which our country of incorporation, Zimbabwe, starts recognizing tokenized assets as a taxable asset class.

Although Freeports have been considered the greatest museums no one can see we hope to bridge this gap by publicly displaying all the art kept by Stakeey using our decentralized application in order to drive viewership of art represented by digital tokens on our marketplace. However, many people have raised concerns over Freeport trading, citing the possibility that people might as well be purchasing art pieces which do not at all exist. Although many of these concerns have been unsubstantiated with any evidence since no one has ever requested an art piece they own from a Freeport in good practice and has been denied rights to the art piece, to guarantee market participants on our decentralized

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<sup>6</sup> <https://www.nytimes.com/2016/05/29/arts/design/one-of-the-worlds-greatest-art-collections-hides-behind-this-fence.amp.html>

application and Fractionalized Ownership marketplace that all ERC-721 tokens on our decentralized application and fractionalized ownership marketplace that all ERC-721 tokens on our decentralized application and fractionalized ownership marketplace are corresponded by authentic art which in fact exists, we will periodically publicize audits of all art which is listed on our decentralized application and fractionalized ownership marketplace by releasing photos of all art kept on our decentralized ownership marketplace and fractionalized ownership marketplace using coupled with blockchain time-stamps as well as corresponding cryptographic hashes to guarantee market participants that all art of tokens listed on our marketplaces is in fact in existence at any point in time in which these audits are publicized. Although buyers might enjoy the safety and offered by this form of art trading (Freeport trading), when it comes to liquidating their art holdings, many sellers face a very difficult time as they struggle to achieve any noteworthy demand without taking the art piece to an auction house or art dealer which once again results in large commission fees as well as an extended route to liquidity due to the waiting times imposed by auctions held at art galleries. Through the Stakeey decentralized application, buyers who buy art pieces for investment purposes will be able to achieve liquidity without paying massive commission fees to auction houses while at the same time foregoing the storage costs of housing one's art piece in a Freeport since we will not charge any fees for the storage of art works that are traded on our decentralized application. Instead of holding a piece of paper to authenticate the ownership of an art piece, users on the Stakeey decentralized application will be able to prove ownership through holding a digital token in the form of an ERC-721 token. Because of the nature of ERC-721 tokens, it is virtually impossible to replicate a token which is already in existence and this ensures holders of ERC-721 tokens representing pieces of art that there can never be a replica of the art piece which they hold and thus solving a counterfeit problem which has marred the art industry for centuries.

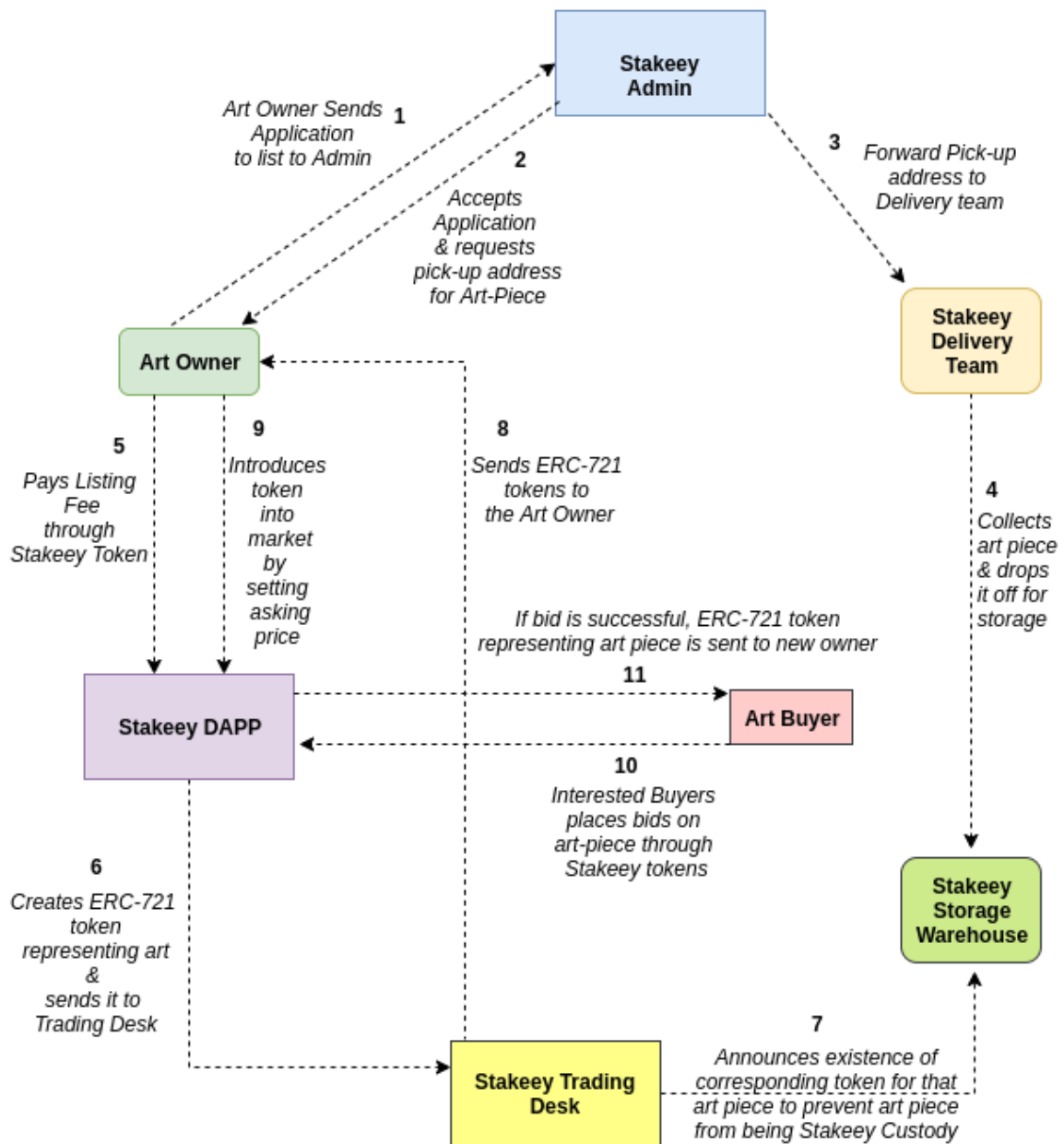
We will ensure that every ERC-721 token traded on the Stakeey decentralized application is corresponded by an art piece which will never be involved in any other auctions outside the decentralized application token trading and as such art which is represented by tokens on the decentralized application can never be physically delivered to anyone's physical address, the only time in which the art exits the custody of Stakeey is in the short moments in which those art pieces are taken to non-sale art exhibitions for advertising before they are brought back to the Stakeey Storage Warehouse. Instead of relying on auction houses to gain liquidity which sometimes takes months, art owners on our decentralized application will be able to sell their ERC-721 tokens representing art on our decentralized application at any point in time and instead of waiting days to find a buyer, art listed on our decentralized application can be purchased in minutes and settlements completed in seconds provided the Ethereum Blockchain is not clogged. Once the owner of an art piece sets a price on an ERC-721 token they would like to sell, all participants on our decentralized application will be able to place bids and the user with the bid that first gets recognition from the Auction Smart Contract will be the new owner of the art piece and the ERC-721 token representing the art piece will be transferred to their Ethereum address. Initially, bids on the Stakeey decentralized application will only be placed using the Stakeey utility token and ass time

moves on we will accept more cryptocurrencies such as Bitcoin, Ethereum, Ripple and the likes for payment processing on the Stakeey decentralized application.

However, if one were to make payments using the Stakeey utility token they would pay much lesser commissions than those paid if payment is processed by other cryptocurrencies. Where the turnover for most art pieces today is about once in a while as witnessed by Leonardo da Vinci's "The Salvator Mundi" which has changed ownership only a couple of times in the past 70 or so years, our decentralized application will enable any one piece of art to be traded hundreds if not thousands of times in any given year without relying upon art galleries and we believe this will contribute to the overall growth of the art market through turnover economics and behavioural shifts as people get more used to holding digital tokens in representation of real world assets instead of printed paper which can be easily tampered with. Over the next few lines we are going to detail the process that pieces of art will follow if they are to be listed on our decentralized application. There are two main ways in which pieces of art will be added onto our marketplace and that will be through accepting requests from artists and/ or dealers interested in listing art on our decentralized application as well as through using the Stakeey utility token to purchase pieces of art to be listed on our decentralized application and fractionalized ownership marketplace. If someone is interested in listing a piece of art on our decentralized application, they will be able to do so by filling out an application to list. Once our team receives the application, we will decide on whether or not the art piece meets the standard to be added on our decentralized application or fractionalized ownership marketplace. If the decision comes out in favour of listing that art piece we will ask the art owner to provide us with an address from which the Stakeey team can collect the art piece. Once the art piece is picked up from the art owner and it is registered into our custody, we will proceed with the tokenization process and issue the owner of that art piece an ERC-721 token in representation of an art piece we would have just collected from them. Once the art owner is in possession of the ERC-721 token in representation of the art in our custody they can now go on and list it for sale on our decentralized application or they could just hold it in their possession for investment purposes and just hold it in their possession for investment purposes and liquidate it at a later date. We will charge market participants wishing to list art on our decentralized application in this way a small listing fee which will only be payable using the Stakeey utility token. The diagram below illustrates the process of how pieces of art will be listed on our decentralized application through listing fees.

## HOW TO ADD ART PIECES ON THE STAKEEY DECENTRALIZED APPLICATION THROUGH LISTING FEES

### How to list an Art Piece on the Decentralized Application through Listing Fees

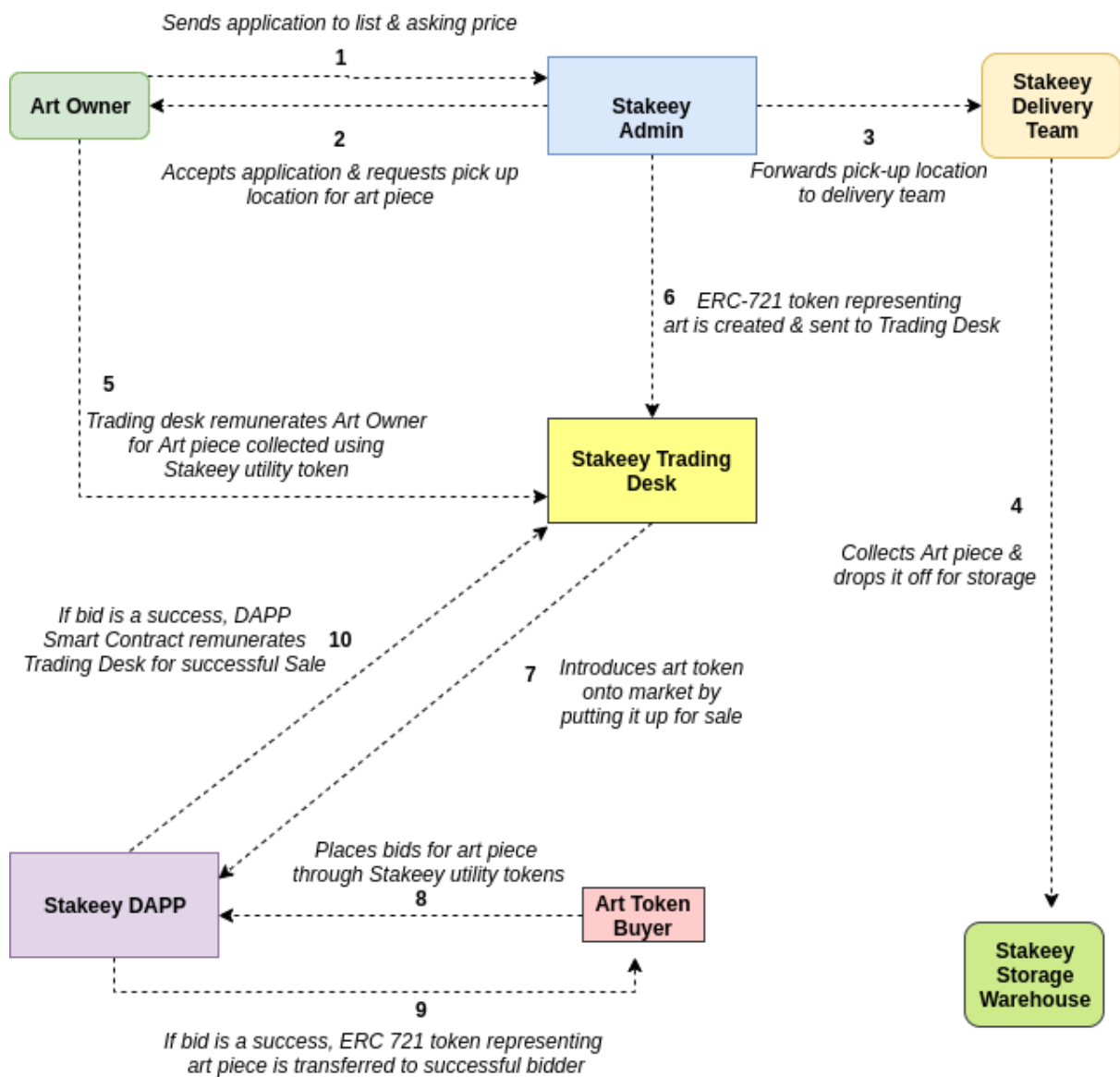




The other way in which art can be added onto our decentralized application involves using the Stakeey utility token to purchase the art to be listed onto the decentralized application. A certain amount of the Stakeey utility token which amounts to 2% of non-circulating supply will be set aside for the acquisition of art to be listed on the Stakeey decentralized application in any given financial year and this token allocation will be used to outright buy art pieces from market participants interested in having their art listed on the Stakeey decentralized application. Art pieces added in this way will too have to go through a screening process in which the Stakeey team decides on whether those art pieces fit the criteria for being listed on our decentralized application. Once we have collected the art piece from the art owner using the Stakeey utility token for the worth of the art piece using the Stakeey utility token we will then proceed with the tokenization process and issue an ERC-721 token representing that art piece and once the token representing the art work is in circulation it will be governed by the Stakeey trading desk which will make the decision on whether to long-term hold that art token or release it into the market through liquidation. Below is a diagram which illustrates the process of listing a piece of art on the Stakeey decentralized application through acquisition.

## HOW TO LIST AN ART PIECE ON THE STAKEEY DECENTRALIZED APPLICATION THROUGH ACQUISITION

### How to list an Art Piece on the Decentralized Application through Aquisition



Another way in which we will add art pieces on our decentralized application is by scrolling through art pieces listed on our buy and sell marketplace. If someone were to add a piece of art on our buy and sell marketplace which fits the criteria for being added on either the decentralized application or fractionalized ownership marketplace we would go onto buy that art piece using the Stakeey utility token if the seller of the art piece has the Stakeey utility token included as a payment option. In the event that a seller of a certain art piece does not have the Stakeey utility token included as a payment option, we will approach them through our trading desk and offer to purchase the art piece at a premium if the art owner were to accept payment in the Stakeey utility token. Once we have bought the art piece using the Stakeey utility token, we will proceed with the tokenization process before handing over the ERC-721 token representing that art piece to the Stakeey trading desk which will once again decide on that token's liquidity path, whose proceeds if liquidated go onto the overall growth of the Stakeey Balance Sheet. For a more technical understanding on how we are using ERC-721 tokens to re-invent art collection through tokenization, you are welcome to follow the link attached below to our GitHub Repository<sup>7</sup>.

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<sup>7</sup> <https://github.com/Stakeey/digital-art-gallery>

### 3. Democratizing Art Investments Through Fractionalized Ownership

One of the most common ways in which people find out about investments is either through word of mouth or through public sentiment by means such as media. As is the case with Bitcoin, when prices were at all-time highs, most people who owned Bitcoin or any other digital asset could not stop talking about the exponential returns and neither could major broadcasters such as CNBC and Bloomberg resist from tracking the prices of Bitcoin on a daily. This outburst in public sentiment is mainly the reason behind many market irregularities such as those witnessed in the crypto market in the past few months.

However, another factor which is very much overlooked is how much of these market irregularities are owing to the fact that an unlimited number of participants can potentially participate in the process of buying and selling bitcoin and thus there is no cap to how many people could be bitcoin owners unlike the art industry where the ownership of an asset is limited to one party and the and thus price is barely affected by the actions of others in the same market. Deconstructing this investor participation through fractionalized ownership of art is at the core of our mission. Where many people would feel quite comfortable outlaying a couple of hundreds of dollars to be part of the value creation which is Bitcoin, not a lot of people would exactly be considered candidates to purchasing a million dollar painting. We imagine a future where owning shares to a million dollar art piece is as easy as owning bitcoin or any other cryptocurrency. This very same concept of shared or fractionalized ownership has proven quite successful in fields such as real estate where it has been a massive success in democratizing investments into a relatively stable asset class outside ordinary investments such as company shares.

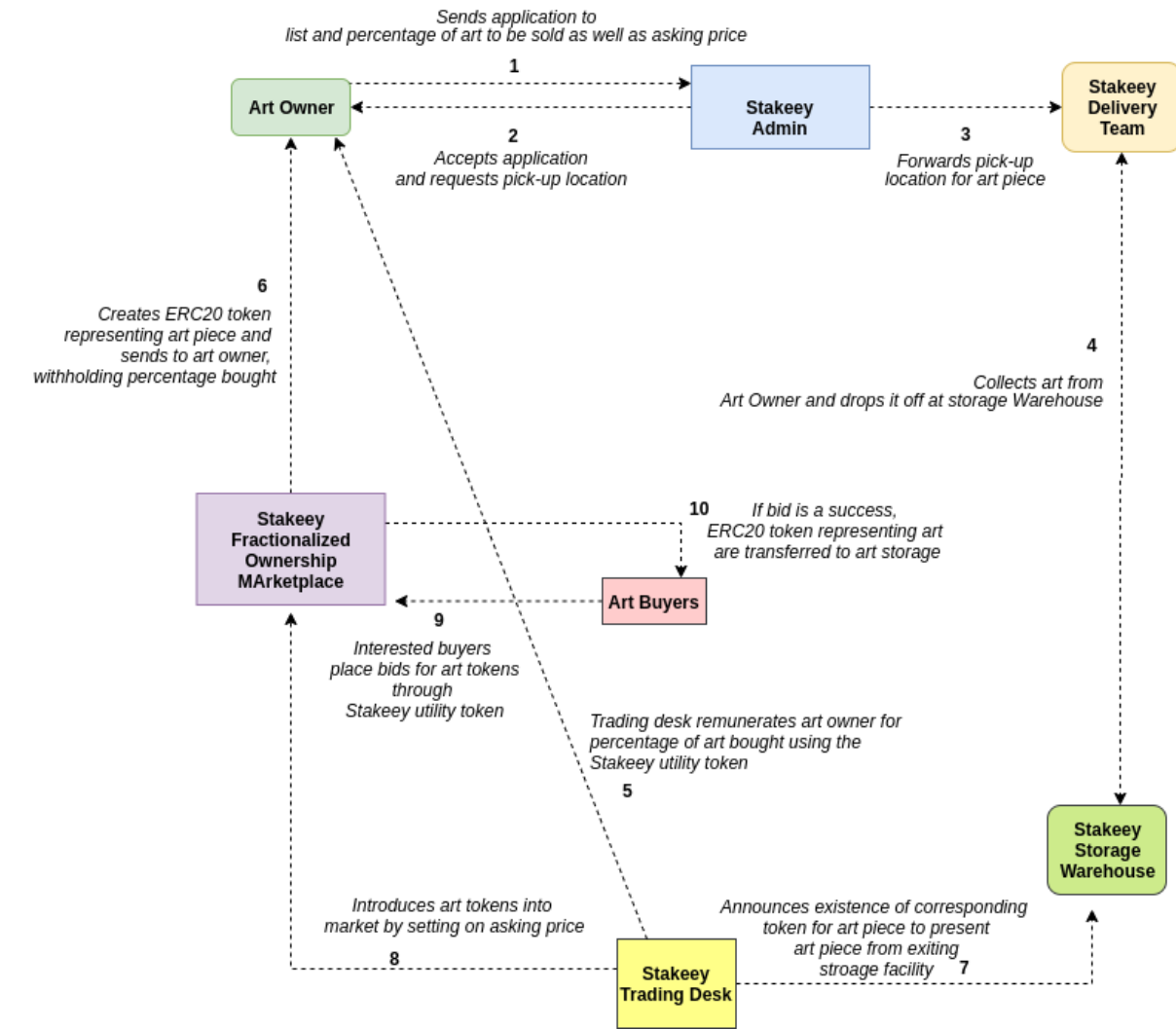
Today in most regions around the world in order for one to open a brokerage account where one can purchase shares in publicly traded companies comes at a minimum cost of about a thousand dollars and this limits the investment opportunities available to the ordinary citizen. Although owning a fraction of couldn't exactly be likened to owning shares in a publicly traded company such as Amazon or Google, both investments are relatively stable and owning a piece of art overall carries the same amount of risk if not less than that of owning shares in a publicly traded company yet the upside is equally matched. However, where one would need a \$1000 to invest in the shares of a publicly traded company, we are making it possible to make a very much similar investment from as little as a \$1 through fractionalized ownership of art pieces through tokenization on the Ethereum Blockchain.

The first implementation of our decentralized application will follow a sole ownership standard made possible through the ERC-721 Standard. Through the ERC-721 Standard any one piece of art can only be owned by one single person as ERC-721 tokens aren't exactly divisible and as such, any one piece of art can only be owned by one single person as ERC-721 tokens aren't exactly divisible and as such any one piece of art listed on our decentralized application can only be owned by one ethereum address at any point in time. However, our planned implementation of the fractionalized ownership marketplace involves ERC-20 tokens which are virtually infinitely divisible. This means a single piece of art can potentially have thousands if not millions of owners who can all claim ownership through

holding a digital token on the Ethereum Blockchain. To illustrate how we imagine fractionalized ownership taking effect on our marketplace, we will provide a brief example detailing the process a piece of art will follow from the moment the listing is created right through to the moment where the tokens will be tradeable on exchanges. In a scenario where someone who owns a piece of art which they value at a million dollars and now decides to list the art piece on our fractionalized ownership marketplace we will provide them with an option to sell us a fraction of the art piece before we go onto list that art piece on our fractionalized ownership marketplace. For explanatory purposes we will assume that the art owner agrees to sell 2% of the million dollar art piece. Once we have disbursed Stakeey tokens worth \$20 000 in representation of the 2% ownership stake in the art piece which we would have purchased from the art owner, we will then issue a million ERC-20 tokens, each representing a dollar's worth of the purported \$1 million worth. Once the art piece is in our custody, we will release 980 000 ERC-20 tokens in representation of the 98% ownership stake to the owner of the art piece before we go on to open a \$ARTTOKENNAME/\$STAKS market for that art piece on our fractionalized ownership marketplace by allowing market participants on the Stakeey fractionalized ownership marketplace to purchase the ERC-20 tokens in representation of that art piece using the Stakeey utility token (\$STAKS) which will be the only token accepted for purchasing ERC-20 tokens representing fractions of art listed on the Stakeey fractionalized ownership marketplace. Below is an illustration of the process that pieces of art will follow if they are to be listed on the fractionalized ownership marketplace through acquisition.

# HOW TO ADD ART ON THE STAKEEY FRACTIONALIZED OWNERSHIP MARKETPLACE THROUGH ACQUISITION

## How to Add Art on Fractionalized Ownership Marketplace through Acquisition



Anyone who is interested in owning a fraction of an art piece can simply go onto the fractionalized ownership marketplace and place bids using only the Stakeey utility token and these bids can be settled by either the owner of that art piece who holds the majority of the tokens in representation of that art piece or by the Stakeey trading desk who after purchasing a fraction of the art piece will own a tiny percentage of the that art piece's ERC-20 token for market making purposes and as the token holders of that art piece increase, price determination will be achieved through the market.

Today, an art piece such as The Monnalisa can only be owned by one single party and realistically the only people who can afford this investment would be high net worth individuals. However, through fractionalization a multi-million dollar piece of art such as The Monnalisa can have thousands if not millions of owners who can all claim ownership from as little a \$1 which affords the majority of the unbanked and those that are unable to afford the \$1000 ticket asked by most stock brokers to access investments in a relatively stable asset class which much like Bitcoin or company shares, can offer competitive returns over the long-run. We think this will afford many cryptocurrency owners the opportunity to diversify their crypto holdings across a non-correlated market, one which is unlikely to experience 90% declines in market prices as those witnessed in the cryptocurrency market recently, all without incurring the expenses of converting back into fiat. In line with our mission of enabling the average person to experience the same returns as those experienced on the public markets from as little as a \$1 we believe the fractionalization of art pieces will democratize an investment which has generally only been available to the very wealthy.

Unlike our decentralized application where the ERC-721 tokens will only be traded on the decentralized application and the art pieces represented by the ERC-721 tokens never physically delivered, the Stakeey fractionalized ownership marketplace will enable market participants to outright buy the art piece represented by ERC-20 tokens and get the art piece represented by those ERC-20 tokens physically delivered to them instead of just holding onto ERC-20 tokens. If someone is interested in physically owning an art piece which is listed on our fractionalized ownership marketplace they can go onto our fractionalized ownership marketplace and buy all tokens representing that art piece until they hold 100% of the issued supply of that token scenario where an art token is listed on other marketplaces outside Stakeey, one would have to go through all those marketplaces and buy all the tokens in representation of that art piece until they hold 100% of the issued supply of that token.

Once someone holds 100% of the issued supply of a certain token in representation of an art piece on our fractionalized ownership marketplace they can then go onto request that the tokens represented by that art piece be delisted from the Stakeey fractionalized ownership and any other secondary markets and we have confirmed that a certain address owns 100% of that token representing a piece of art, we will go onto ask the person holding that digital 100% issued supply to send all the tokens they are holding to us before going onto physically deliver that art piece to their physical address. Once we have received all the tokens representing the entirety of the issued supply of that art token we will go onto burn

all the ERC-20 tokens representing that piece of art to prevent any further secondary market trading. Another great way in which we will enable the average household to experience the same returns as those enjoyed on the public markets will be through initial coin offerings for art pieces. Looking into the future where the issuance of the Stakeey utility would have been maxed out or in an instance in which the 2% of non-circulating supply token allocation for buying pieces of art to be listed on our Fractionalized Ownership Marketplace is exhausted, we will enable market participants on the Stakeey fractionalized ownership marketplace to buy fractions of art pieces before that token is listed publicly on our fractionalized ownership marketplace.

Market participants on the Stakeey fractionalized ownership marketplace will be able to contribute to the Initial Coin Offerings of a certain art piece by contributing the Stakeey utility token (\$STAKS) in return for ERC-20 tokens representing pieces of art. Art owners wishing to list an art piece on our Art ICO Launchpad will be able to do so by either accepting the Stakeey utility token only or through accepting a combination of cryptocurrencies. If one is to choose to accept only the Stakeey utility token in the Initial Coin Offering of an art piece the only cost the art owner would have to bear is a small service fee for the purpose of market making which would have to be paid through the ERC-20 token representing the piece of art to be listed on our fractionalized ownership marketplace and the art owner would then be able to collect all the proceeds from the initial coin offering in the form of the Stakeey utility token. However, if one were to choose to accept a combination of cryptocurrencies of the initial coin offering of an art piece, they would be required to pay a small service fee which is only payable in the Stakeey utility token.

Only art pieces that have been voted for by Stakeey market participants holding the Stakeey utility token will be accepted on the ICO Launchpad to ensure secondary market participation for all art listed on the Stakeey fractionalized ownership marketplace. Just as many angel investors profit from investing in companies before they are publicly traded, we will be affording the average household the opportunity to experience similar returns from as little as a dollar by not setting a minimum contribution amount for the initial coin offerings on the Stakeey Launchpad. Over the next few lines we are going to detail the process that a piece of art will follow if an art owner were to request that their art piece be listed on the Art ICO Launchpad. Firstly, the person wishing to list a piece of on our fractionalized ownership marketplace would have to send in an application before we bring the decision on whether or not to add the art piece to a vote among holders of the Stakeey utility token. If the vote is in favour of adding that art piece, we will collect that art piece from the art owner before going onto ask the art owner what percentage of the art piece they would like to sell to early investors before publicly listing the art piece on our fractionalized ownership marketplace.

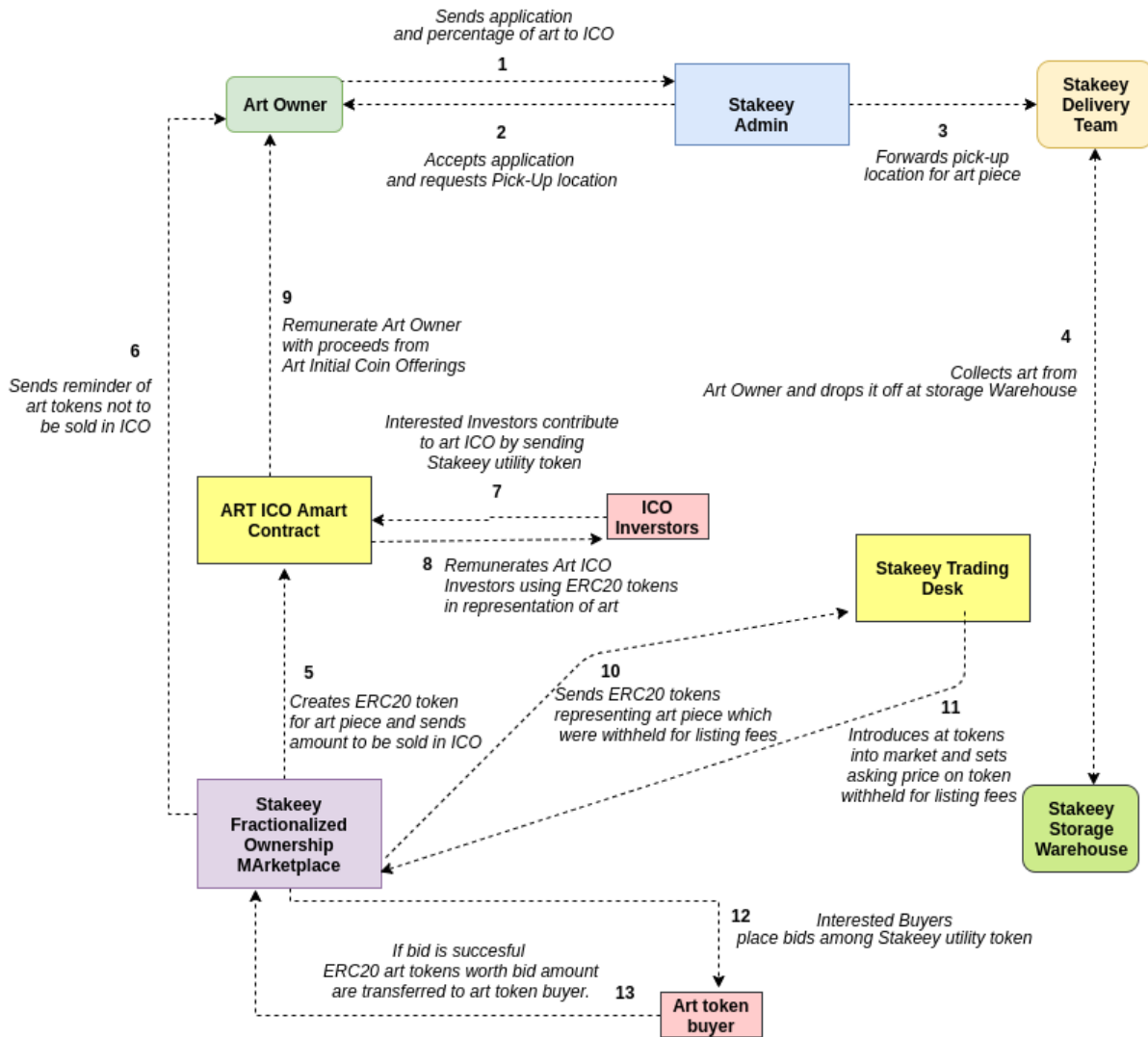
For explanatory purposes, we will assume the buyer agrees to put up 2% of the art piece for sale through the art ICO. In the application the art owner fills out they will also indicate what price they would like the art tokens to debut trading publicly, for explanatory purposes we will the art owner agrees to a debut trading price of \$100 000 for their art piece. We will



then go onto raise \$2000 through our marketplace from the public in return for the 2% ownership stake in the art piece which will be represented by ERC-20 tokens. Once interested investors on our marketplace have contributed \$2000 towards the initial coin offering of a certain art piece, we will disburse the \$2000 to the art owner coupled with ERC-20 tokens representing a 98% ownership stake in the art piece. Once the \$2000 funding target has been reached, we will go onto release ERC-20 tokens representing the 2% ownership stake in the art piece to all investors who would have participated in the Art ICO for that piece of art. Once everyone that participated in the Initial Coin Offering of that art piece is in possession of the ERC-20 token representing an ownership stake in the we will go onto create an \$ARTTOKENNAME/\$STAKS market for that piece of art by allowing market participants on the Stakeey fractionalized ownership marketplace to purchase pieces of that art piece using only the Stakeey utility token. Market participants who would have participated in the Initial Coin Offering of a certain art piece and are in possession of ERC-20 tokens representing an ownership stake in that art piece will be able to take those ERC-20 tokens on the fractionalized ownership marketplace and liquidate them in return for the Stakeey utility token or they could hold onto them for investment purposes and liquidate them at a later date when the appreciates. Likewise, market participants wishing to own a stake of that art piece will be able to do so by going onto the Stakeey fractionalized ownership marketplace and purchasing tokens representing fractions of art using the Stakeey utility token. The diagram below illustrates how an art piece can be added onto the fractionalized ownership marketplace through an initial coin offering.

# HOW TO ADD ART ON THE STAKEEY FRACTIONALIZED OWNERSHIP MARKETPLACE THROUGH AN ART INITIAL COIN OFFERING

## How to Add Art on Fractionalized Ownership Marketplace through Art Initial Coin Offerings



To give an example of how we imagine fractionalized ownership democratizing investments for the average person beyond Art Initial Coin Offerings we are going to run an analysis on the prices of The Salvator Mundi has sold for over the past few years to illustrate how the average person can earn as much as a 100X return on investment through fractionalized ownership of art. Much like ICO investments where people have invested in ICO's at prices of less than a \$1 a token and over time the token achieves a price of more than \$100 a token in a scenario like the Ethereum Initial Coin Offering, investors into ART ICO's will be able to achieve much similar returns as witnessed by The Salvator Mundi. The Salvator Mundi, one of the most famous art pieces by Da Vinci, according to an article released by The Telegraph was once sold for just \$45 in the 1950's and just recently was sold for \$450 million in an auction<sup>8</sup>. In retrospect, this is a 10 000 000X or a 1 000 000 000% appreciation in market of The Salvator Mundi over the past 70 or so years without considering any form of inflation. There aren't exactly many asset classes that offer this much appreciation in market prices and thus return on investment even over a timeline of more than the 70 or so years it has taken The Salvator Mundi to achieve a more than 10 000 000X appreciation on market prices and unless you are part of the lucky few that angel invest into companies that achieve tremendous valuations, most people would never achieve this much return on investment in a lifetime and we are making it possible for the average household to earn similar returns through fractionalized ownership of art without any limits to investor participation as those imposed in investing in early stage companies such as being an accredited investor. Through fractionalization, if someone had bought a fraction of The Salvator Mundi back in the 1950's they would have been able to achieve a 10 000 000X return on investment without having to meet the standards required in investing in early stage companies or the \$1000 minimum asked by most stock brokers to participate in the equity markets.

Through our fractionalized ownership marketplace, much like The Salvator Mundi, art pieces listed on our marketplace will be able to achieve exponential growth in market prices through the broadening of the base of market participants and the removal of barriers to participate in the equity markets which in turn allows the average citizen to achieve exponential return on investments from as little as a dollar without owning a bank account.

However, it is to be noted that we are in no way making guarantees that any art pieces listed on our fractionalized ownership marketplace will achieve exponential growth in market prices and thus provide the basic household with a 100X return on investment and as such this is not to be construed as financial advice but a price analysis of The Salvator Mundi as well as other digital assets such as Ethereum which have had exponential growth in market prices. One of the few ways we are going to incentivize consumer traffic onto our fractionalized ownership marketplace outside online advertising will be through non-sale art exhibitions where we will partner with art galleries to display some of the art pieces listed on our fractionalized ownership marketplace for a short while before the art is returned into our custody for safe keeping. During these non-sale art exhibitions, people in attendance will be able to view some of the art pieces which are represented by ERC-20 tokens on our

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<sup>8</sup> <https://news.artnet.com/market/timeline-salvator-mundi-45-to-450-million-59-years-1150661/amp-page>

fractionalized ownership marketplace in person which also serves to ensure market participants that all art represented by ERC-20 tokens on our fractionalized ownership marketplace is in fact in existence and that every token in existence is backed by an art piece in our custody. We will also make a habit of it to have some of our team present during these non-sale art exhibitions in order to assist individuals in attendance who would like to set up accounts on the Stakeey fractionalized ownership marketplace and purchase tokens representing fractions of art pieces on display and at any point in which we host these non-sale art exhibitions we will make sure of it to bring all the art that will be listed for sale on our decentralized application for exhibition as well to allow market participants in attendance the opportunity to purchase ERC-721 tokens in representation of the art pieces in exhibition during these non-sale art exhibitions. We will also incentivize people in attendance of the exhibitions to share the art on exhibition by means such as social media in return for rewards in the Stakeey utility token.

## 4. Platform Governance

The Stakeey marketplace will massively rely upon its participants to make decisions on how the marketplace/s are run. All participants that are involved on our marketplace by means of owning the Stakeey utility token will be afforded the ability to vote on some of the most important decisions that will be made on the Stakeey marketplaces including decisions such as adjusting token issuance as well as deciding on the art which will be added onto our various marketplaces. It is however to be noted that outside the provisional role of voting upon matters brought forward by the Stakeey core team, holders of the Stakeey voting token will not be eligible for any other provisions such as dividends. In this regard, the Stakeey utility token is not a security which obligates its holders to any financial reward but rather a utility token whose use case in non-monetary transactions such as voting does not implicate any financial reward. In ensuring retail investor participation for the art pieces listed on the Stakeey fractionalized ownership marketplace, we will make it a priority to only add art pieces that have a high demand and thus before adding any art on our decentralized application and fractionalized ownership marketplace we will ask market participants whether a certain art piece should be added or not. At the point in which a vote is called on a certain art piece, we will distribute voting tokens to all addresses that will be holding the Stakeey utility token. The tokens distributed during the voting process will not be available for trading on exchanges and thus holders of the voting tokens cannot profit from holding them or selling their votes to other market participants.

To make sure that market participants are unable to sell off their votes in profit to other market participants who might be willing to profit from the addition of certain art pieces, we will implement it into code that the voting tokens be only transferrable twice, once when we make them available to holders of the Stakeey utility token and once again when they are cast in the vote to a "YES" or "NO" Ethereum address. In this scenario, if one were to sell off a vote, the Ethereum address of the person receiving the voting token would not be able to execute another transaction into the "YES" or "NO" Ethereum address for the vote since the voting tokens will only be transferrable twice.

A certain amount of the Stakeey utility token has been set aside for the purpose of rewards and acquisition of art to be added on the various Stakeey marketplaces such as the fractionalized ownership marketplace and decentralized application. In the event that in any given year the amount that has been set aside for the acquisition of art has been depleted before the end of a given financial year wherein we don't have enough Bitcoin or Ethereum reserves and a certain art piece has been voted for being added on either of our marketplaces we will once again call a vote where Stakeey token holders will decide on whether or not to issue more Stakeey tokens for the purpose of acquiring art to be added on either the Stakeey decentralized application or fractionalized ownership marketplace. If the vote favours the acquisition of the art piece, the Stakeey token smart contract will wind up the issuance of the Stakeey utility token by however much has been prepaid toward the acquisition of the art piece. We are also going to incentivize the participation of as many artists as possible on our marketplaces in order to boost the supply side of our marketplace and we are going to be doing this through rewards in the Stakeey utility token and over the

next few lines we are going to detail the crucial role that Stakeey token holders will play in choosing the winners of these competitions through voting. At the end of each month we will nominate a few artists who would have added art during the course of that month and we will issue voting tokens to holders of the Stakeey utility token to decide on the artist they would like to see receiving the token reward for artist of the month. In a scenario in which we have nominated say 3 people for the artist of the month reward, people holding the Stakeey utility token will be issued a voting token which they can send to any of the 3 Ethereum addresses representing the 3 nominated artists. At the expiration of the voting period, the Ethereum address which receives the most voting tokens will be deemed as the winner for the artist of the month reward. The voting tokens will also play a crucial role in the price stability of the Stakeey utility token, in the event of major price movements wherein the only solution to regulating the token price is through the adjustment of the token supply, this decision too will be brought to holders of the Stakeey utility token to vote on it.

## 5. Stakeey Token

Money as we know it is continuously evolving, from back in the day when money was backed by gold which circulated as gold coins and later on notes and coins backed by a digital promise to the paper money we use today which is virtually backed by nothing right through to electronic money which is essentially just a bunch of zeros and ones. We believe it is only part of the evolutionary journey money is taking that the likes of Bitcoin surfaced just over a decade ago to provide an alternative to the inflation ridden affluences of central bank issued fiat currencies as well as privately issued electronic monies which are virtually collateralized by nothing through a means of transacting which is backed by digital scarcity unlike paper money which is virtually backed by nothing and as a result can be infinitely printed.

As much as cryptocurrencies are a precious invention in the field of money, we certainly most appreciate their benefits as a means of defragmenting global payments through seamless peer to peer transactions. The transaction costs faced by most buyers when using services such as PayPal to pay for goods purchased online are outrageous compared to the minimal costs involved in making payments using cryptocurrencies such as Bitcoin or Ripple. Many a times cryptocurrency holders have publicized images showing costs of less than a \$1 for sending as much as a million dollars using cryptocurrencies such as Bitcoin. To do the same using services such as PayPal or Alipay, one would have to spend a couple hundreds of dollars if not thousands in transaction fees in order to be able to send a million dollars or make a payment worth that much and this service isn't exactly available to everyone since PayPal is not available in some countries such as Zimbabwe whereas Bitcoin has no geographical boundaries or any limitations such as owning a bank account. This massive defragmentation of payments through the use of cryptocurrencies is the main reason we have chosen to implement a cryptocurrency payment gateway on the various marketplaces we are building as well as our own native Stakeey utility token which will be used to make payments alongside other major cryptocurrencies such as Bitcoin and other cryptocurrencies which allow for non-volatile payments such as the stable coin DAI.

The Stakeey utility token is an ERC-20 token issued on the Ethereum Blockchain which has various use cases on and off the Stakeey marketplaces. The most important ones being as a means of payment on the Stakeey marketplaces which allows market participants to make payments while incurring very minimal transaction fees and commission fees as well as a means of passing major decisions on the Stakeey marketplaces through voting. Market participants who choose to accept payments on the Stakeey marketplaces through the Stakeey utility token will face much lesser commissions than those faced by market participants who choose to accept payments through other cryptocurrencies or fiat currencies such as the US dollar or the Zimbabwean dollar.

Below are some of the use cases of the Stakeey utility token;

- Means of contributing towards Art ICO's on the Stakeey Launchpad
- Payment of listing fees on the Fractionalized Ownership Marketplace
- Rebate token on commissions charged to sellers on Stakeey marketplaces
- Paying out dividends on the Stakeey equity token
- Means of payment on Stakeey marketplaces
- Means of payment by 3<sup>rd</sup> party advertisers
- Loyalty points for adding goods and shopping on the Stakeey marketplaces
- Payment to artists listing their art work on the fractionalized ownership marketplace
- Trading pair for tokenized art pieces
- Payment for listing fees on the Stakeey decentralized application
- Loading up account balances on the Stakeey debit card

The Stakeey utility token was issued through an Initial Coin Offering which ended back in Q2 and the token allocations were as follows before the token began publicly trading on exchanges.

- 40% - Token Sale
- 40% - Team and Advisors
- 9% - Marketing and Advisors
- 9% - ICO Bounty
- 2% - Community Airdrop

We are currently in the process of sending in applications for listing on various exchanges as well as decentralized exchanges to ensure that would-be users of the Stakeey marketplaces are provided with ample exchanges from which they can purchase the Stakeey utility token if they were to decide to process their payments in the Stakeey utility token. The Stakeey utility token is currently trading on Ethedelta under the following specifications.

Contract Address: 0xed6d7fb20baf7e47f0367bae8b1bbfcfe23ea595

Number of Decimals: 18

Token Ticker: STAKS

Link to \$STAKS/\$ETH Market:

<https://forkdelta.app#!/trade/0xed6d7fb20baf7e47f0367bae8b1bbfcfe23ea595-ETH>

Maximum Token Supply: 1 000 000 000

Current Circulating Supply: 100 000 000

The Stakeey token will also play a vital role in the functioning of the Stakeey fractionalized marketplace. The Stakeey utility token will be the only trade pairing token which art tokens will be traded against on the Stakeey fractionalized ownership marketplace. In essence, the



only way one will be able to purchase an ERC-20 token representing a fraction of an art piece will be through using the Stakeey utility token as a payment method. However, to achieve fluidity in price mechanism, the token price of tokens representing pieces of art will be dually priced in the Stakeey token and the US dollar. To avoid inconveniencing market participants who might otherwise be holding onto other cryptocurrencies, the Stakeey fractionalized ownership marketplace will have a cryptocurrency only exchange gateway which can be used to convert popular cryptocurrencies such as Bitcoin, Ripple, Monero and the likes into the Stakeey utility token which can then be used to purchase tokens representing fractions of art pieces listed on our fractionalized ownership marketplace. The reason we decided on having only the Stakeey utility token as a trade pairing to tokens representing fractions of art pieces is to minimize the amount of smart contracts we take charge of, that way we believe we stand a better chance of keeping everyone's funds SAFU in a market where exchange hacks have become the norm.

Another aspect of the Stakeey utility token we are going to look at is the token issuance schedule which currently spans across a couple of decades. Outside the already ended Initial Coin Offering and purchasing of tokens on cryptocurrency exchanges, there are two main ways in which the Stakeey utility token will be made available to the greater public and that'll be through purchasing pieces of art to be added on the fractionalized ownership marketplace and decentralized application from art owners as well as through reward for buyers and sellers on the Stakeey marketplaces by means such as commission rebates and loyalty points. Over the next few lines we will dissect how these two issuance methods will influence the supply as well as demand of the Stakeey utility token considering the fact that the Stakeey utility token will be the only token that is accepted as a trade pairing on the fractionalized ownership marketplace. Firstly, the Stakeey token will be used as a means of payment to art owners wishing to list their art on our decentralized exchange as well as fractionalized ownership marketplace. As much as we will engage lots of market participants such as artists and art dealers to list their art on our marketplaces, we realize that this is one of the few ways in which the supply of the Stakeey utility token could be inflationary and as a precautionary measure unlike the affluences of central bank printed fiat currencies with no issuance limits, we have limited the amount of tokens to be released for the sake of purchasing pieces of art to be listed on the decentralized application and fractionalized ownership marketplace in any given year to 2% of the total of non-circulating supply of the Stakeey utility token. This also means we will do a great deal of in ensuring that only the best art works are added onto our marketplace to avoid listing art tokens that will fail to generate any secondary market demand. Once this threshold of 2% of non-circulating token supply of purchasing art to be listed on both the fractionalized ownership marketplace and decentralized application is reached at any point in time within a certain financial year, we will either refrain from adding art tokens on our fractionalized ownership marketplace and decentralized application or resort to purchasing art to be added on both the fractionalized ownership marketplace and decentralized application using Bitcoin or Ethereum. Art owners wishing to list their art on fractionalized ownership marketplace and decentralized application will be required to pay a small service fee which will be charged as a percentage

of the proposed value the art will debut on trading and this fee can only be paid using the Stakeey utility token.

If there is ever a case in which the 2% threshold for purchasing pieces of art to be listed on the fractionalized ownership marketplace and decentralized application is reached wherein we do not have enough Bitcoin or Ethereum reserves to purchase art to be added on either the fractionalized ownership marketplace or decentralized application and we are approached by someone interested in listing an art token of a highly prestigious art piece, we will bring the decision to adjust the 2% issuance threshold to a vote among holders of the Stakeey utility token. This vote will be done through the Stakeey token and all holders of the Stakeey token will be issued a voting token to decide on whether it is worth it to inflate the token issuance percentage in favour of listing the prestigious art piece on our fractionalized ownership marketplace. If the vote turns out in favour of purchasing the art piece, the Stakeey utility token smart contract will override the 2% issuance maximum and release however much is asked by the art owner wishing to sell us a piece of art to be added on either the fractionalized ownership marketplace and decentralized application.

The other way in which the Stakeey utility token will be made available to the public involves incentivizing market participants to buy and sell on the Stakeey marketplaces. Users of the various Stakeey marketplaces will be able to earn free cryptocurrency in the form of the Stakeey utility token by performing various activities on our marketplaces such as adding listings and contesting in various artist oriented competitions. The amount of tokens that are available for customer rewards and loyalty points will be capped at 20% of the 2% yearly threshold of non-circulating token supply which is reserved for purchasing art to be added onto the fractionalized ownership marketplace.

## 6. Summary

Tokenization has been a novel idea which much like blockchain technology itself, can be implemented across many different industries. With the art market as an entry point to the tokenized asset market, we look to expand into industries such as real estate through the fractionalization of investment properties. Another trend we have been closely observing is the tokenization of start-up equity where the company equity is represented in the form of ERC-20 tokens to enable a larger base of retail investors before the companies raise any major funding from institutional investors such as venture capital firms. We believe this will be another great way to afford the average household the same returns as those enjoyed by individuals purchasing public equities and thus over the long term we look to build a start-up equity tokenization portal as well as a marketplace which will allow retail investors to invest in early stage companies from as little as a \$1.

Unlike many stock brokers or trading platforms where investors are guaranteed the security of the equities they purchase by virtue of custodians associated with the stock brokers or trading platforms, most owners of digital assets such as cryptokitties and other tokenized assets are not guaranteed much security on the assets they own which has resulted in the loss of many digital assets which wallet providers such as Metamask do not account for as they place all liability on wallet operators and not themselves. More so, most cryptocurrency wallets out there only support the storage of ERC-20 issued assets which leaves the majority of ERC-721 token owners with options such as Metamask which do not at all offer much security on digital assets. We can't help but imagine that if someone were to purchase an ERC-721 token in representation of a million dollar art piece on our marketplace and end up losing the private keys to their Metamask wallet which holds the ERC-721 token in representation of a million dollar art piece they would probably partly hold us accountable for such an instance. In order to ensure that market participants on our decentralized application are able to securely store their ERC-721 token in representation of art pieces and ensure that such an instance as the one mentioned above never happens, we are going to build an ERC-721 wallet which allows market participants to securely store their million dollar art pieces in the form of ERC-721 tokens as well as other digital assets such as Cryptokitties and MLB collectibles without bearing the risk of misplacing their private keys and completely losing ownership of their cryptoassets.

The Stakeey cryptocurrency wallet will also enable owners of fractionalized assets to store their ERC-20 tokens such as tokenized art and real estate without the headaches of managing one's private keys. In summary, we aim not only to afford the average person the same returns as those enjoyed by market participants purchasing public equities but rather to use the decentralized web to magnify the fundamental peer to peer transactions upon which most investment markets are built and we envision a future where most investments can be done online and settlement times decreased from the days it takes to settle transactions on markets such as The Zimbabwe Stock Exchange to minutes if not seconds through peer to peer trade enabled by blockchain technology.

