.ART

THE ART WORLD'S DIGITAL DOMAIN

BUSINESS PRESENTATION

April 2021

EXECUTIVE SUMMARY

Our mission

- Support the creative community, protect and strengthen digital identity of its members and generate value from art. .ART fosters creativity in a variety of forms through sponsorship of innovation in art and tech industries, sponsoring various awards and special projects.
- Make cultural institutions and depositories (museums, galleries, etc.) accessible to everyone.
- Preserve and protect the rights in physical and digital objects by the creation of .ART Digital Twin related to Fourth Industrial Revolution by Klaus Schwab.
- Protect social media users and their content (compare: (1) MySpace and Google+ disappeared over time, as did the information in them, and (2) existing social media platforms reserve users' content for their own use "as a gift"). .ART enables creators to store / save their art works in decentralized platforms. A website based on a .ART domain becomes a personal "treasure box" for the owner and makes it possible to structure and separate content in a way that adds/preserves value.
- Throughout the four years of .ART's existence, we have complied with the ICANN contract, built associations with partners, and developed our own infrastructure.
- We are now creating a market of information about objects. The demand for information about objects is robust, as demonstrated by eBay, that recently launched an authentication program for luxury watches and sneakers to prevent counterfeits and other fraudulent practices.

Our unique assets

- Registry agreement with ICANN
- Additional Registration Data Directory Services (RDDS) Data Fields *(see page 9)*
- License from China Ministry of Industry and Information Technology
- .ART Trademark #87102055
- .ART Digital Twin Patent US 10,805,263
- .ART Price Prediction Big Data Model *(see page 7)*

.ART

- The .ART project was launched in December 2016 by UK Creative Ideas Limited (UKCI) — a separate legal entity established to become the operator of .ART under an exclusive agreement with ICANN.

- UKCI Limited, based in the Isle of Man, UK, with offices/staff in the UK, the USA, Russia, and China, is the exclusive operator of the .ART Top-Level Domain Registry (TLD).
- By managing the .ART domain zone, UKCI has a **semantic monopoly** on the term "art".
- .ART was in the top 4 of most sought-after TLDs from among 2000+ new gTLDs applications received by ICANN:
  - .WEB by STRAAT Investments (sold on open auction for $135M)
  - .SHOP by GMO Registry (sold on open auction for $41.5M)
  - .APP by Google (sold on open auction for $25M)
  - .ART by UKCI (sold on private auction)
- .ART has agreements in place with 256 ICANN-accredited registrars in 170 countries, including all major registrars such as GoDaddy, Namecheap, Tucows, OVH, Alibaba, Automattic (WordPress), Google, Key-Systems, Gandi, and PDR that account for more than 99% of the global domain market share.
- Prominent institutions, individuals and brands from the art, luxury, entertainment, hi-tech and corporate worlds have joined the ranks of those using .ART domain names as an official website, including Ars Electronica, Artport Tel Aviv, The Berlin International Film Festival, Bank of America art fund, Bank of Italy (IT department), HDI Global Specialty, Galerie Canesso, The Cleveland Museum of Art, Elephant, Harvard Art Museum, Institute of Contemporary Arts London, Los Angeles County Museum of Art, The Louvre, PIXAR, Marina Abramovic Institute, Shen Wei, etc.
- .ART has sold over 150,000 domains (110,000 domains under management) since its official launch in February 2017, "learning the ropes" during our initial business phase: trying out various strategies and approaches.
- The renewal rate at 62% is one of the highest in the industry.
- .ART is in the Top 10 fastest growing new gTLD out of 1,238 others after only two years of 'General Availability'.
- .ART obtained all the necessary government permits to operate in China in 2018 the world`s second largest art market (15% of .ART sales to date).
- The majority of .ART domains are acquired by creative individuals; about a 20% go to businesses.
- 63% of .ART customers are creative people who bought 'personal names' domains (namesurname.art), 80% are artists, photographers, designers, and 20% are schools, universities, art studios, shops, web studios, galleries, web portals (*Appendix 11*).

WHAT MAKES US EXCEPTIONAL?

Back in 2017, WIX has acquired DeviantArt for $36M (our former competitor for acquiring the .ART domain) – a resource which now has nearly 50 million registered accounts. These types of highly specialized online resources, where art-oriented communities congregate, have huge amount registered accounts among them.

If we take a broader look, the 1+ billion Instagram accounts who posted more than 50 billion photos, videos and other content, are potential .ART clients. A portion of the content posted by each Instagrammer (YouTube blogger, Tik-toker, etc.) has cultural value. The hashtag #art alone is present in nearly 800K Instagram publications. In addition, there are related hashtags like #photographer (183K) and #tattoo (140K). In that sense, .ART has a monopoly position in the creative community, as so much of the content submitted online can be broadly defined as art.

However, the sheer volume of photos and videos posted online drowns out individuals artistic expression, which could more noticeably live on a .ART domain. A website based on a .ART domain becomes a personal "treasure box" for the owner and makes it possible to structure and separate content, while choosing to prioritize and "put out in front" high-quality material. This perspective leads to an estimated market size of a billion .ART domains and websites.

Moreover, there are approximately 2 billion art objects in the physical and digital space with an estimated value of $10 trillion (Hiscox online art trade report 2018). Combined with the sharp rise of digital art and online viewing rooms, we can safely say this number of potential .ART domain uses will continue to rise.

.ART became the first top-level domain (TLD) in the history of the Internet to be granted a permission by ICANN to extend WHOIS or Registration Data fields for the purpose of identifying assets (see Appendix 7), enabling the creation of .ART Digital Twin (PATENT US 10,805,263).

.ART Digital Twin is a solution, based on DNS and Website infrastructure, technology and protocols, that stores information for the identification, collecting, preservation, and "belongingness" related to any particular object: in art, culture or any other human creation.

"Ownership of an idea becomes a viable commercial proposition: it can be bought and sold in the same way as ownership of a physical painting. The physical manifestation of a work of Conceptual Art is not so much a work of art as a record of the idea of that work of art. Such records of the physical manifestations of pieces of Conceptual Art can also do duty as "tradeable" objects, standing in a similar relationship to the idea as a print to the original painting that it reproduces, or the bronze cast to the original sculpture. But sometimes it is simply a certificate that changes hands, a bit like a share certificate, to be framed and traded on at a profit in due course."

Philip Hook, Breakfast at Sotheby's: An A-Z of the Art World

PRODUCTS & SERVICES

.ART TRADITIONAL BUSINESS MODEL:

Products:

- **Standard domains** — regular domain names with an undiscounted price of $9 per annum (*see page 4*)

- **Premium domains** — short, memorable, easy-to-spell and art community specific names. These domains are priced higher than standard domains, because they are more likely to drive traffic to a website (*see page 5*)

- **.ART Digital Twin domains** — an innovative classification for domains that stores critical information for an object in a Digital Letter of Authenticity (*Appendix 9*). Pricing strategy has yet to be developed. We are seeking recommendations and assessment to realize maximum value

- **Third-level domains** – the part of a domain name or website address that comes before the second-level domain name. For example: *art.art.art*, is a third-level domain, *art.art* is a second-level domain. Pricing strategy has yet to be developed. We are seeking recommendations. (*see page 9*)
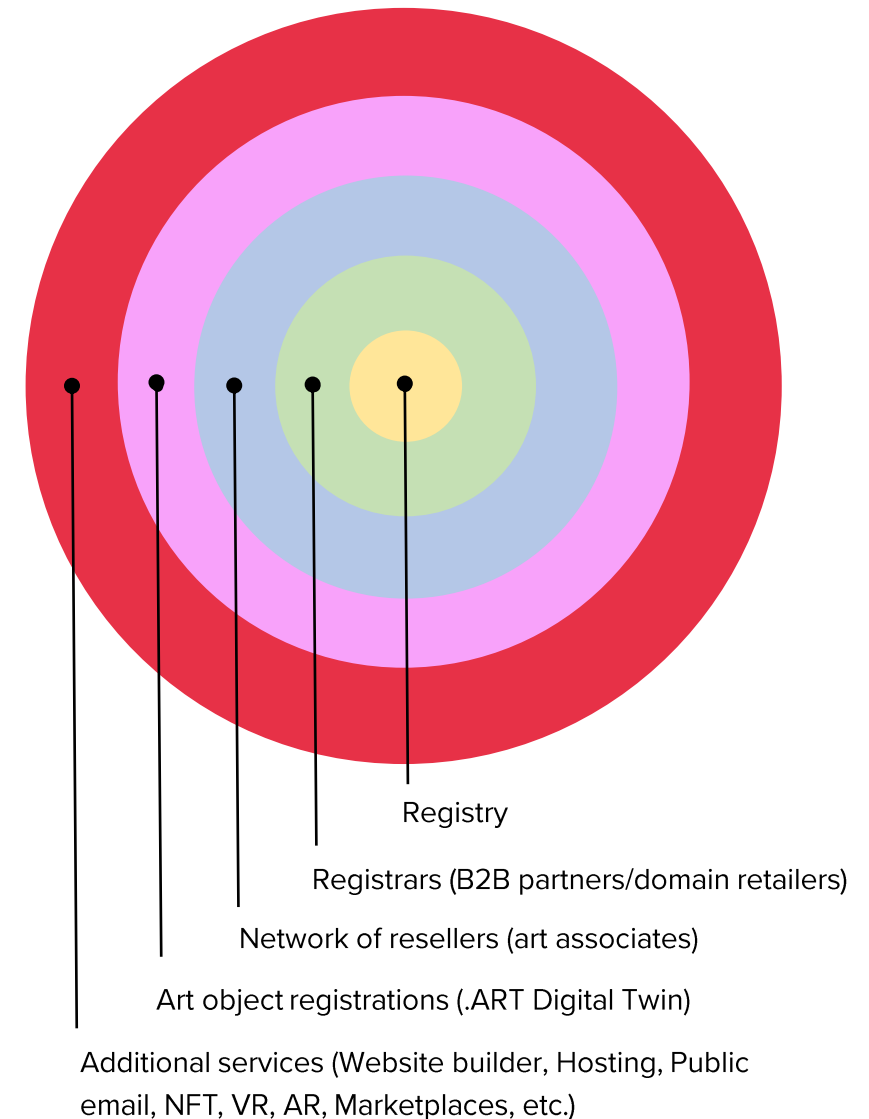
Additional services:

- Public email. **Needs assessment** (*Appendix 3*)

- Hosting. **Needs assessment** (*Appendix 4*)

- Website builders, website security, backup, SEO consulting and online marketing. **Needs assessment** (*Appendix 5*).

————

Hosting services are in high demand among artistic individuals who often publish high-resolution images, videos and other "heavy" (i.e., higher fee) files.

Given that additional services represent an additional investment in the domain, their purchase results in high domain renewal rates, providing year-on-year revenue.

Registry

Registrars (B2B partners/domain retailers)

Network of resellers (art associates)

Art object registrations (.ART Digital Twin)

Additional services (Website builder, Hosting, Public email, NFT, VR, AR, Marketplaces, etc.)

PRODUCTS & SERVICES: STANDARD NAMES

- All domains in this product line are sold and distributed (including renewals) exclusively through the network of distributors, i.e., ICANN-accredited registrars

- We also direct sales through our .ART-operated store, get.art, which is among the Top-10 in sales of our 256 ICANN-accredited registrars

- .ART has sales agreements in place with 256 ICANN-accredited registrars in 170 countries that account for more than 99% of the global domain market share, including all major registrars such as GoDaddy, Namecheap, Tucows, OVH, Alibaba, Automattic, Google, Key-Systems, Gandi and PDR

- Current prevalent adoption modes are: 'name and surname' domains for artistic individuals; as a connotation of success in any field (e.g., health, fashion, activity, beauty bloggers and influencers, etc.); and for general, public-facing businesses. An estimate of the audience size is presented in *Appendix 9*

- The market includes 230M "art-lovers" and museum annual visitors.

- The .ART standard domain model is fully competitive with other major TLD registries:

  - $9 per each domain
  - $9 for its renewal per year (subscription model)
  - Available globally through all major registrar (retail) channels.

- Standard names:

  - Constitutes 95% of all .ART domain names sold to date
  - Constitutes 37% of overall .ART domain names sales revenue to date
  - Average 61% renewal rate to date.

PRODUCTS & SERVICES: PREMIUM NAMES

- Premium names are high-value, generic domains identifying art forms, art terms and art professionals for both individuals and institutions – example are www.guggenheim.art; www.tate.art; www.fine.art; www.beyonce.art; www.book.art; www.picasso.art; www.magritte.art, etc.
- Prior to launch of the .ART TLD, UKCI undertook extensive research to identify the core audience, i.e., the community of art professionals and established art organizations & businesses. UKCI commissioned Deloitte to perform the marketing research to properly inform the creation of the 'premium' .ART domain names market, finding:
  - **55,000** museums in 202 countries (ICOM) (*see Appendix 9*)
  - **600,000** art-organizations (Deloitte)
  - **4,000,000** recognized art-professionals (Deloitte)
  - The US alone produces **130,000** art graduates annually. (For the majority of artistic job applications, having a portfolio is a pre-requisite)
  - Huge number of semi-professionals **(just DeviantArt has more than 50,000,000 users)**
  - **Billions** of accounts posting images to Instagram, YouTube, Tik-tok, etc.

- Based on this information, **3.5M** domains were created for the .ART 'premium' domain inventory (an explanation of the calculation and result can be found in the next slide and *Appendix 6*)
- The inventory of 'premium' domains potential market value is **$600M+** (*see Appendix 6*)
- Domain prices vary, starting from **$70** to **$10,000** per domain (where certain, currently reserved domains will likely reach values in excess of **millions** depending on their value to well-placed individuals and organizations, or those in privileged positions in the art and domain name markets).
- Premium names' median price is approximately **$300** per domain for the initial year. The **$30** per year renewal price for every premium (regardless of initial cost) is set at a level to maximize the chance of renewals while maintaining a healthy revenue stream
- High retention category — the annual renewal rate is significantly higher for the holders of premium names and currently stands at **85%**
- Sales in this category accounted for **63%** of total revenue and **5%** of total volume sales to date (*Appendix 11*)
- Projected target sales of **1,000** domain names per day going forward.

The total value of the **3,5M** premium domain inventory is **$600M+.**

.ART has made an offering to selected registrars where:
- we provide the initial year of a premium domain registration for free, forgiving the entire purchase price
- In exchange for a **10-year** registration where the registrant buys the nine-years of renewal **$30/year**.

To make the case for this offering, if all premium domains were sold in this way, .ART would receive the **9-year** renewal revenue of **$945M** (3.5M premium names x **$30** renewal paid per year x **9** years), compared to the **$600M** pricing value of the current premium inventory.

PREMIUM VALUE CALULATIONS AND FEEDBACK

The more recognizable the name is, the more awareness and traffic it generates, i.e., the more valuable it becomes. This makes the domain a more liquid digital asset, desirable for domain holders within and outside the art community, domain investors and industry leaders.

That is why www.monalisa.art and other relevant domains names are valued more highly than standard domain names.

.ART has invested significant resources to determine the scope of the premium inventory (the selection and value of names) using a unique "big-data" collection and algorithmic analysis approach that: (1) gathered hundreds of millions of words and word-combinations from online and static sources; (2) determined a relative value for each word combination using scoring against 23 unique attributes (e.g., word length, frequency of Google search); (3) then determined a monetary value by comparing the inventory against all past premium sales. Among 150 million possible combinations, only about 2% were determined to have significant value for the art community. These 3.5 million names were identified as premium names.

The first four years of .ART operations enabled the .ART registry to test its approach against the complicated structure of ICANN procedures, registrar operating practices, and other impacts in the domain industry. A significant amount of time was also invested in carefully testing the .ART approach and products with the .ART target audience.

As a result, in May 2019, the .ART Price Prediction Big Data model and pricing were updated, considering all findings to date and accommodating the preferences of our distribution channel (and thereby increasing their marketability).
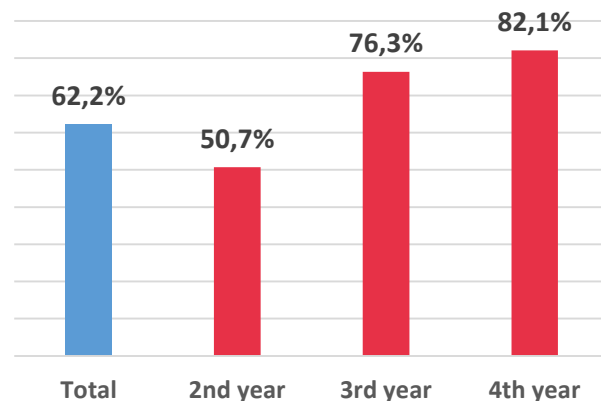
HIGHER VALUE → HIGHER AWARENESS → TRAFFIC GENERATING ABILITIES → HIGHER LIQUIDITY → HIGHER VALUE
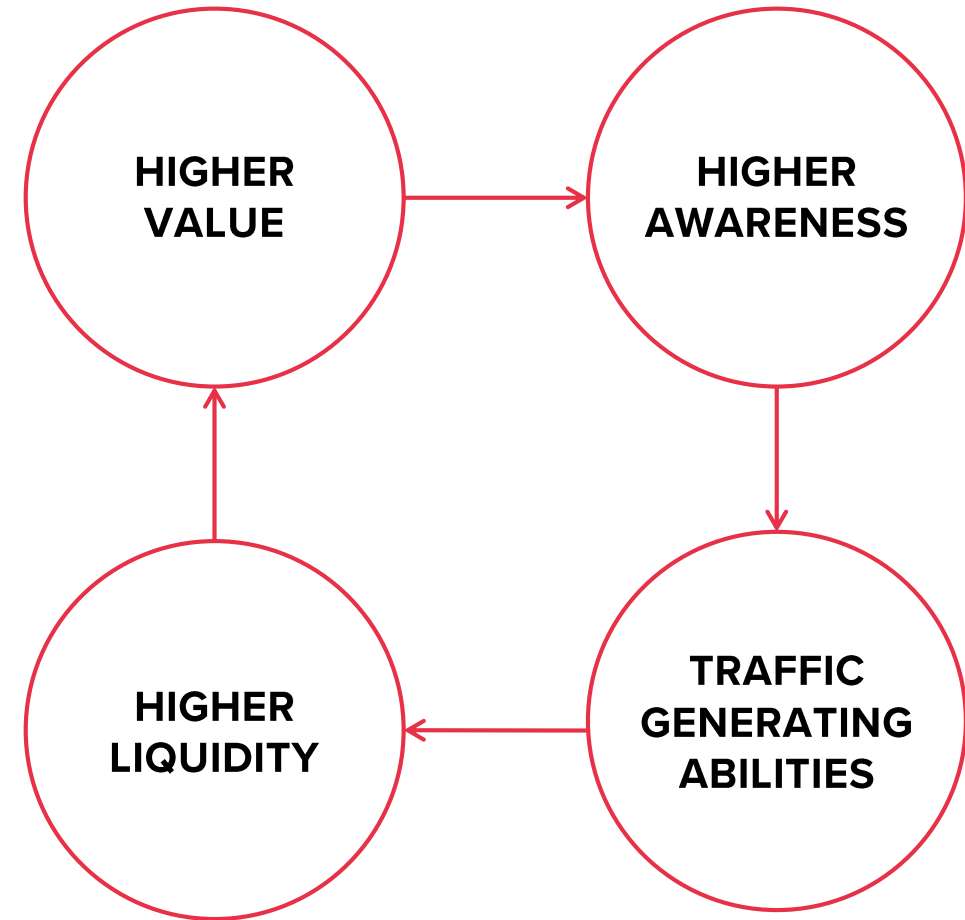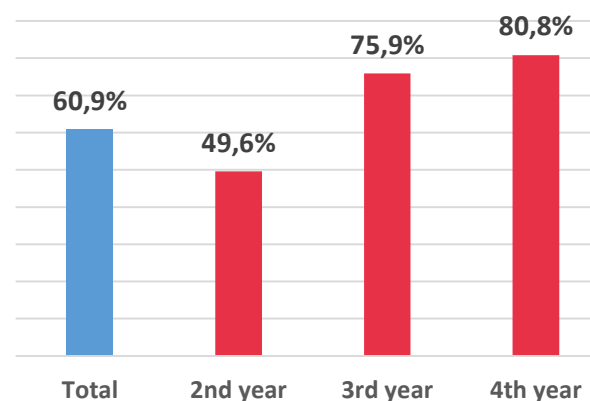
PRODUCTS & SERVICES: STANDARD & PREMIUM DOMAIN RENEWALS

- Domain renewals are a critical part of the domain business. Apart from giving us the opportunity to increase our revenue, renewals also help retain customers, in turn giving us more opportunities to cross-sell and up-sell other products
- The prime challenge lies in getting a customer to renew a domain for the 2nd year. Once a domain has been renewed the odds of it being renewed again improve significantly
- The renewal rate for all .ART domains is 62%, one of the highest in the industry:
    - Average renewal rate for standard domains is 61%, $9 for its renewal per year
    - Premium domains is high retention category — the annual renewal rate is significantly higher for the holders of premium names and currently stands at 85%. The $30 per year renewal price for every premium
- Upon analyzing a data sample for 2019, which covered one million domains registered across the eight leading TLDs, web hosting firm WhoIsHostingThis discovered that a mere 30% of all web domains are renewed after 12 months. This means that the true extent of the churn rate for domains across TLDs is 70%
- The randomly selected sample comprised .COM, .NET, .TOP, .ORG, .INFO, .CN, .XYZ and .BIZ domains
- Interestingly, the TLDs that saw the highest percentage of domains kept after one year were .NET, .ORG and .INFO, with renewal rates of 46.31%, 44.24% and 34.56% respectively
- On the other hand, the TLDs with the lowest percentage of renewals were .TOP, .BIZ, and .CN, with rates of 22.22%, 16.60% and 1.72%

Renewal rate, All domain names

	Total	2nd year	3rd year	4th year
	62,2%	50,7%	76,3%	82,1%

Renewal rate, Standard names

	Total	2nd year	3rd year	4th year
	60,9%	49,6%	75,9%	80,8%

Renewal rate, Premium names
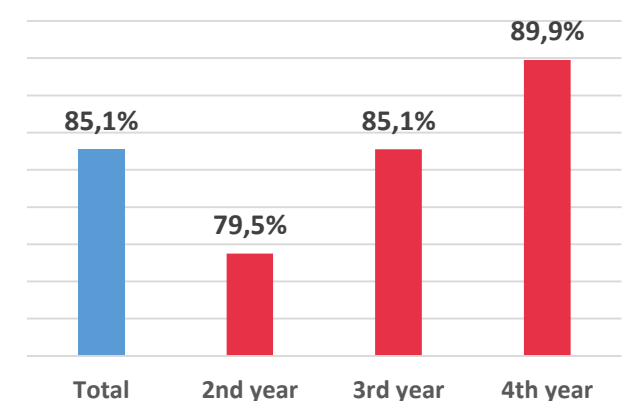
	Total	2nd year	3rd year	4th year
	85,1%	79,5%	85,1%	89,9%

PRODUCTS & SERVICES: .ART DIGITAL TWIN (PATENT US 10,805,263)

Official license.
.ART became the first domain registry in the history of the Internet to be granted a permission by ICANN to create additional WHOIS or Registration Data fields for the purpose of identifying assets (see *Appendix 7*), enabling the creation of .ART Digital Twin.

Proven approach.
The augmented information fields now include, e.g., the artist's name, title, medium, dimensions and art object identifying information. These parameters are based on the ObjectID™ standard that was developed by the Getty Trust and ICOM that has been adopted by organizations such as UNESCO and INTERPOL.

Authenticity.
As the object transfers ownership, so will the domain name, providing a chain of custody, evidence of trustworthiness and provenance that will enhance the art object's value and establish ownership credentials. In addition, DNS records such as websites, data files and images will provide additional indicia of authenticity and value. .ART Digital Twin thus can be considered as a letter of authenticity for a particular object.

Object placeholder on Internet.
Basically, .ART has created a new category of domain names that, instead of identifying an organization, business or person (e.g., https://art.art), ties the domain name uniquely to an artwork or art object.
We have been developing direct relationships with TOP

50 museums in the world**: Joining as a full member of ICOM, we have a direct channel to work with all 55,000 museums.**

Monetization. Streaming art.
The long-term goal of .ART Digital Twin service is democratization of the art world, enabling broad access where viewing opportunities have been restricted. For example, if you cannot afford a David Hockney piece, you will be able to afford to rent its streamed, high-quality digital copy, (similar to Netflix or iTunes), lowering the hurdle for art collecting while delivering more revenue to the artist than he would have made from selling one piece. (*Appendix 12*)

Reference to other platforms.
The .ART Digital Twin can contain a link to any identification system. For example, it was a simple matter for .ART Digital Twin to include a museum inventory number that is a link to the ENS version of blockchain. (Remarkably, this development took less than a one-week and $2,000 investment). This was a test case for us which confirmed endless possibilities of integration.

Ethereum name system (ENS).
ENS, a blockchain service, offers a secure & decentralized way to address resources both on and off the blockchain using simple, human-readable names. Benefits include:
1) No long addresses. With ENS, you'll be able to send

money to your friend or register an artwork acquisition at 'aardvark.eth' instead of '0x4cbe58c50480...'
2) Secure. You can be confident names you enter into the blockchain operate the way their owner intended.
3) Truly distributed. ENS operates in a distributed fashion for both its infrastructure and governance. (*Appendix 8*)

Non-fungible token (NFT).
NFT is a special type of cryptographic token which represents something unique.
.ART made this the standard solution for .ART Digital Twin.

Third-level domains
.ART's third-level domains provide an inexpensive and easy-to-use entrée into the world of domain names:
• Low-cost, opportunity to establish unique & permanent online address
• Showcase project, hobby or collections
• Protect of intellectual property
• Third-level domains are exempt from renewal fees

———

Current status. .ART Digital Twin certificates registration is launched at ip.art with backend at Alibaba Cloud, improvement works are ongoing.

PRODUCTS & SERVICES: .ART DIGITAL TWIN
Non-fungible Token (NFT)

An NFT is a special type of cryptographic token that represents something unique.

Basically, an NFT provides blockchain-backed "proof of ownership" on an item to which the token is attached. NFTs confirm an item's ownership by recording the details on a digital ledger known as a blockchain, which is public and stored on computers distributed across the internet, making it effectively impossible to lose or destroy. These items can quite virtually be anything, from music albums to video clips. An increasing number of artists, art critics and art collectors are embracing the "newly discovered" asset type. NFT sales have earned artists and others millions of dollars, and it increasingly looks like NFTs will transform the art world in the same way that streaming transformed how we consume music.

The Digital Collectibles market 2021 sales has **reached $400M** as of March 2021, almost doubling the total sales in 2020.

Examples of NFT projects implementation:

- A digital artwork by Mike Winkelmann, known as Beeple, sold for nearly $70M. Christie's, a 225-year-old auction house that used to only sell physical art, auctioned this entirely digital piece for $69,346,250.
- The singer Grimes has sold $6M in digital art.
- Musician 3LAU, who sold his music as NFTs for $11M last month, commissioned .ART adopter Alexander Demidov of Avxd.art to design Tesla's first cybertruck as an NFT.
- In Hong Kong, a digital artwork by humanoid robot Sophia was sold in the form of an NFT at auction for $688,888.
- Chris Torres, the artist who created the Nyan Cat, sold his meme for $590,000.
- Clips of NBA star LeBron James dunking are selling for as much as $225,000.
- Aphex Twin sold a new unique piece of artwork in the form of an NFT for $128,000.
- At the end of 2020 crypto artist Matt Kane released his record-breaking Bitcoin-based artwork priced $100,000 on volatility.art. The work and the domain volatility.art were sold to a private collector TokenAngels.
- Paris Hilton auctioned a painting of her cat in the form of a NFT. The artwork was sold on Ethereum-based auction platform Cryptograph for $17,000.
- Elon Musk tweeted his first NFT of a new electronic music track claiming that he's selling a song about NFTs as an NFT.
- The Hermitage will conduct the first exhibition research in Russia in the field of art of NFT tokens and their use in the artistic field. The exhibition will be a continuation of the State Hermitage's work on new forms of art, which was begun within the framework of the exhibitions "Innovation as an Artistic Technique" (2018) and "Artificial Intelligence and Dialogue of Cultures" (2019). This is being done together with RDI.Creative and seminars of the State Hermitage and ITMO University.
- Artnet Auctions will host non-fungible tokens auctions in 2021.
- Mark Cuban, owner of the Dallas Mavericks and an art collector, launched a digital art gallery for users to display NFTs.

DOMAIN INDUSTRY VALUE CHAIN: POTENTIAL .ART ECOSYSTEM

.ART DIGITAL TWIN

WEBSITE BUILDER / HOSTING / OTHER SERVICES

Examples of companies:
Shopify – market cap. is $130B
Wix.com – market cap. is $15B
BigCommerce – market cap. is $3.6B

REGISTRAR

Examples of companies:
GoDaddy – market cap. is $13B
United Internet – market cap. is $6B
Endurance – market cap. is $1.3B
CentralNIC – market cap. is $200M

REGISTRY

.ART here: a semantic monopoly on the term "art" at the top of the DNS value chain.

ROOT NAME SERVERS

The root name servers are a critical part of the internet infrastructure because they are the first step in communication between internet hosts. This is the essence of the internet.
2 out of 13 such servers are managed by **Verisign** (.com registry), its **market cap. is $23.8B.**

.ART's possession of the semantic monopoly on the term "art" can be combined with participation in successive links of the value chain, .ART can take a leading position in the newly created market for art domains at all levels of the supply chain.

.ART already has an idea of the potential audience size, these are:
- **55,000** museums in 202 countries (ICOM) (*see Appendix 9*)
- **600,000** art-organizations (Deloitte)
- **4,000,000** recognized art-professionals (Deloitte)
- The US alone produces **130,000** art graduates annually. For the majority of artistic job applications, having a portfolio is a pre-requisite
- Huge number of semi-professionals **(just DeviantArt has more than 50,000,000 users)**
- **Billions** of accounts in Instagram, YouTube, Tik-tok, etc.

Taking into account only these statistics, it can be concluded that the number of objects of cultural heritage is at least **1.8M objects** in the physical and digital space. (*see Appendix 9*)

But even this figure may be higher considering that the Sotheby auction began selling Nike sneakers, expanding the concept of "art".

ORGANIZATION & MANAGEMENT

UKCI has 5 offices in cities that are international art-hubs:

Isle of Man
Directors

London, UK
Legal team, financial management representatives and Strategic Planning Board and executive Chairman

Los Angeles, USA
Legal & ICANN relationship management and Strategic Planning Board

Moscow, Russia
Representative office in the CIS and Eastern Europe, tech development and back-end

Beijing, China
Subsidiary company (Asia, China, Pacific region)

Company structure:

Chairman and Strategic Planning Board which forms plans and the overall company strategy:

- 4 people, Chairman has 2 votes

Directors:

- 2 people on the Isle of Man

Team:

25 people (15 people – full-time, 10 people – part-time)

Current financial metrics and statistics:

- **Currently .ART is financially self-sustainable and cash flow positive**

- 256 distributors (representing >99% market share) accredited by ICANN are officially selling .ART domain names in 170 countries in the world

- Have obtained all relevant government permits to operate in China in 2018 (15% of .ART domains to date)

- Adding Art Record fields for .ART Digital Twin domains was officially approved by ICANN in September 2017, with the first market implementation having taken place in March 2019.

APPENDIX 1
DNS INDUSTRY FACTS

- The market for TLDs (including gTLDs) is virtually limitless — there are currently around 370M domain names in the World
- With the average price for a standard domain name at $10, the annual turnover in the industry stands at around $3.7B
- The average operational profit of 'standard' domain names is around 60% whereas profitability margins for 'premium' domain names are substantially higher as there are no marginal costs tied to price
- Amazon purchased .BUY for $4.6M and owns 55 other TLDs amongst which are — .BOOK, .LIKE, .PAY, .NEW, etc. including more than 39K domain names
- Google purchased .APP for $25M and owns 45 TLDs amongst which are — .ADS, .DOCS, .MAP, .PAGE, including more than 400K domain names
- GMO Registry purchased .SHOP for $41.5M and operates several TLDs amongst which are — .TOKYO, .NAGOYA, .YOKOHAMA, including more than 900K domain names
- STRAAT Investments (NU DOT CO), which was chiefly funded by market-dominant Verisign, purchased .WEB for $135M
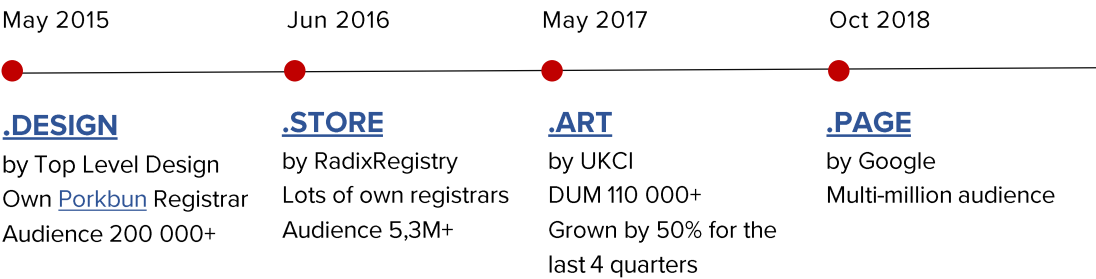- The most popular new gTLD is .XYZ with 3M registrations (mostly because of their chosen sales strategy of free or 1¢ registrations)
- .COM has over 150M domain names
- For the last 4 quarters, the total volume of registered domains in new gTLDs decreased. The peak of registrations in March was followed by a drop of 30%, which is due to the fact that most domain zones periodically "inject" considerable numbers of cheap domain names most of which won't be renewed. Taking all of this into account, .ART has a steady organic growth, with the number of domains under management (DUM) having grown by 50% in 2020.

Registrations for the last 4 quarters

New gTLD Registrations, mln domains:
- Q1 2020: 32,29
- Q2 2020: 31,57
- Q3 2020: 30,11
- Q4 2020: 26,01
- Q1 2021: 22,73

.ART Registrations, ths domains:
- Q1 2020: 69,71
- Q2 2020: 77,61
- Q3 2020: 86,96
- Q4 2020: 91,45
- Q1 2021: 106,32

■ New gTLD Registrations, mln domains   ○— .ART Registrations, ths domains
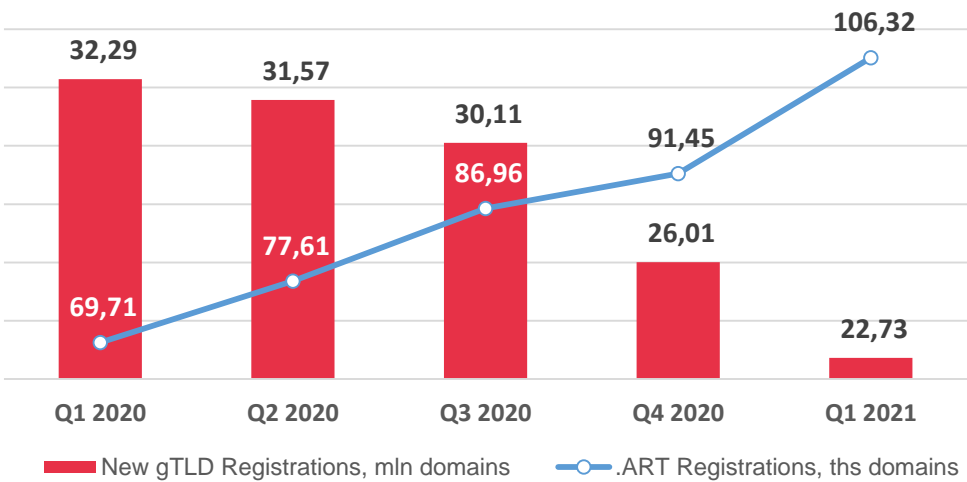
Top 4 new gTLDs with organic registration growth

General availability (GA)

May 2015	Jun 2016	May 2017	Oct 2018
.DESIGN	**.STORE**	**.ART**	**.PAGE**
by Top Level Design Own Porkbun Registrar Audience 200 000+	by RadixRegistry Lots of own registrars Audience 5,3M+	by UKCI DUM 110 000+ Grown by 50% for the last 4 quarters	by Google Multi-million audience

DNS INDUSTRY M&A

- In April 2021, GoDaddy has acquired 28 new top level domains from MMX (.VIP, .WORK, .XXX, etc.), as well as the .CLUB and .DESIGN top level domains. The company is paying $120M for the MMX strings. Financial details of the .CLUB and .DESIGN transactions were not revealed

- After acquiring Endurance, Clearlake will acquire Web.com from Siris at an enterprise value of $2.2B

- In November 2020, Clearlake Capital Group is acquiring Endurance International Group in a $3B deal (including debt). Endurance International Group is a rollup of web hosting and domain name companies. Its brands include BuyDomains, BlueHost, Hostgator, Domain.com, and Constant Contact, among others

- In November 2020, Donuts is acquiring domain name registry Afilias. The combined entity will manage about 25M domains; Donuts currently has 4.5M domains under management across 242 top level domains and Afilias has 20M. About half of Afilias' domains under management are .ORG. Afilias operates the backend registry for over 200 top level domain names. It also operates the large .INFO and .MOBI namespaces

- In November 2020, Web.com announced that it acquired FreeParking, which it says is New Zealand's top domain name registrar and hosting company. The company has over 90K customers and four brands: FreeParking, Open Host, Domains4less and Discount Domains

- In October 2020, new top level domain name registry XYZ has acquired Dominion Domains' portfolio of five top level domain names. The acquisition includes .AUTOS, .HOMES, .BOATS, .YACHTS and .MOTORCYCLES

- In September 2020, CentralNic announced that it is acquiring Codewise, which is a collection of advertising and domain monetization companies, for $36M

- In May 2020, GoDaddy announced that it acquired Neustar for $218M. Neustar operates .us, .co, and .biz, among other domain names.

- In February 2020, GoDaddy is acquiring the Uniregistry registrar and marketplace, Frank Schilling's Name Administration domain name portfolio. That deal was for less than $200M

- In November 2019, CentralNic is acquiring online advertising company Team Internet AG for $48M

- In October 2019, top level domain name company Radix has added .UNO to its stable of top level domains after acquiring the domain from Dot Latin LLC. It is the eleventh top level domain it will operate

- In July 2019, Web.com is buying Dreamscape Networks Limited for $73M. Dreamscape is known for its flagship registrar CrazyDomains, which focuses on the Australian market

- In June 2018, Web.com, the parent company of domain name registrars Network Solutions and Register.com, has agreed to be acquired by an affiliate of Siris Capital Group in a $2B deal

APPENDIX 3

PUBLIC EMAIL SERVICES (for reference)

#	Service	Addresses*	Free*	Paid per year, $	Revenue per year, $	Market Capitalization of Parent company, B$
1	Yahoo! Mail	146 500 000	56%	49.99	3 200 000 000	237
2	Outlook.Com	124 300 000	36%	69.99	5 600 000 000	1 750
3	Mail.ru	90 300 000	9%		—	4.8
4	Gmail	60 200 000	11%	60.00	3 200 000 000	1 370
5	Yandex.Mail	23 600 000	2%	36.00	828 200 000	22
6	AOL Mail	21 200 000	44%	59.88	709 300 000	237
7	rambler.ru	16 000 000	60%		—	-
8	GMX	9 300 000	35%	48.00	289 400 000	7.8
9	Web.de	8 300 000	20%		—	-
10	Lycos	5 900 000	77%	19.95	26 600 000	-
	Avg.	50 600 000	35%	49.12		
	ART AUDIENCE (FREE/PAID)	**1 000 000**	**35%**	**50**	**37 500 000**	
	ART AUDIENCE (PAID)	**1 000 000**	**0%**	**50**	**50 000 000**	

Source: https://gruss.cc/files/uafmail.pdf

APPENDIX 4

HOSTING SERVICES (for reference)

#	Service	Sites count*	Market Share*	Paid per year, $ (avg.)	Approx. Revenue per year, $	Market Capitalization of Parent company, B$
1	GoDaddy	10 000 000	19.30%	115.20	1 150 000 000	13
2	Amazon Web Services	1 700 000	3.23%	36.00	60 300 000	1 530
3	1&1	1 600 000	3.19%	104.40	172 800 000	-
4	HostGator	1 200 000	2.28%	79.20	93 700 000	1.34
5	BlueHost	1 100 000	2.21%	94.92	108 900 000	1.34
6	OVH.com	1 000 000	2.02%	79.32	83 100 000	-
7	Google Cloud Platform	893 000	1.72%	36.00	32 100 000	1 370
8	Wix Hosting	861 000	1.66%	216.00	186 000 000	13.9
9	Squarespace	846 000	1.63%	315.00	266 400 000	-
	Total	19 300 000	37%	119.56		

	ART SITES COUNT	**1 000 000**		**120**	**120 000 000**	

Source: https://hostadvice.com/marketshare/

APPENDIX 5

WEBSITE BUILDERS (for reference)

#	Service	Sites count	Market Capitalization of Parent company, B$
1	Wix	110 000 000	15
2	Squarespace	-	-
3	Weebly	50 000 000	-
4	Duda	15 000 000	-
5	GoDaddy	-	13
6	WordPress	-	3
7	Shopify	800 000	130
8	BigCommerce	-	3.6

Source: https://www.cnet.com/news/best-website-builder-for-2020-squarespace-wix-and-more-compared/

.ART PRICE PREDICTION BIG DATA MODEL

Note: The .ART premium names strategy is based on a unique algorithm – an exhaustive "big-data" collection and analysis approach that gathered hundreds of millions of words and word-combinations from online and static sources. This occurred over months of online data collection and included billions of queries. Each word combination was scored through a 14-dimensional matrix, against such criteria as word length and frequency of Google search in order to create relative values. These values were compared against every prior premium domain sale in the past, and, after appropriate normalization, a prospective market value was calculated for each of the possible domains.

.ART Price Prediction Big Data Model
150 million words and word combinations from 250 dynamic and static web sources were analyzed (among them: Adwords.google.com, Wordstat.yandex.ru, Wikipedia trends, Google Adwords, Encyclopedias and Dictionaries such as wikipedia.org, Britannica, World Art Directory and different research files such as Top Art Generic Names, .com and .net zone files).

- 62M+ keywords collected
- 423K+ art keywords
- 1M+ wiki categories
- 10B+ links inside DB
- 23 ranking factors
- 1.5TB+ imported data

As a result, there were identified 3.5 million art-related words and word combinations which offer value and meaning to our target audience and therefore can be uniquely priced.

3.5M Premium names were checked against a multi-parameter matrix with 23 parameters such as:

- Frequency (i.e. how often the word is used in different sources: e.g. the article "the" is one of the most frequently used words):
  - Art-relevance (i.e. how often this word is used in combination with ART-word or in articles about ART)
  - Popularity of term or phrase in .COM, .NET .RU, etc.

- Importantly, all previous sales in other domain zones were analyzed, what names are on sale now, what prices are set and the current market trands were considered
- As a result, the algorithm identified **3.5M Premium names** with an overall value of **$600M**
- In the out years, the inventory of **3.5M Premium names with a $30 renewal fee per year is worth = $105M per year in subscription cash.**

WHOIS PROTOCOL AND .ART DIGITAL TWIN
WHOIS AND DIGITAL TWIN. DESCRIPTION AND USE

The WHOIS protocol is widely used to provide information services to Internet users. While originally used to provide "white pages" services and information about registered domain names, current uses offer a broad range of information services. The protocol delivers its content in a human-readable format. Internet operators use WHOIS to identify individuals or entities responsible for the operation of a network resource on the Internet.
Over time, WHOIS has evolved to serve the need of many different stakeholders, such as domain name registrants, law enforcement agents, intellectual property and trademark owners, businesses and individuals.

Stakeholders use the WHOIS service for a variety of purposes, including to:

- Determine whether a domain is available

- Diagnose registration difficulties

- Contact web administrators for resolution of technical matters associated with a domain name

- Obtain the real-world identity, business location and contact information of an online merchant or business, or generally, any organization that has an online presence

- Associate a company, organization, or individual with a domain name, and to identify the party that is operating a web or other publicly accessible service using a domain name, for commercial or other purposes

- Contact a domain name registrant for the purpose of discussing and negotiating a secondary market transaction related to a registered domain name

- Notify a domain name registrant of the registrant's obligation to maintain accurate registration information

- Contact a domain name registrant on matters related to the protection and enforcement of intellectual property rights etc.

- In this way, anyone wishing to register a domain name must provide contact and technical information for display in the WHOIS database; WHOIS data is actually a subset of the information due at the time of registration. Registrars and registries are obligated to provide access to WHOIS data through registration data publication services.

Third-level domains
.ART's third-level domains provide an inexpensive and easy-to-use entrée into the world of domain names:

- Low-cost, opportunity to establish unique & permanent online address

- Showcase project, hobby or collections

- Protect of intellectual property

- Third-level domains are exempt from renewal fees

WHOIS PROTOCOL AND .ART DIGITAL TWIN

.ART DIGITAL TWIN DOMAIN VISUAL

```
[whois.nic.art]
Domain Name: ATELIERSOVETSKI.ART
Registry Domain ID: D156469081-CNIC
Registrar WHOIS Server: whois.aliyun.com
Registrar URL: http://www.alibabacloud.com
Updated Date: 2020-03-19T11:42:14.0Z
Creation Date: 2019-12-27T11:51:55.0Z
Registry Expiry Date: 2029-12-27T23:59:59.0Z
Registrar: ALIBABA.COM SINGAPORE E-COMMERCE PRIVATE LIMITED
Registrar IANA ID: 3775
Domain Status: ok https://icann.org/epp#ok
Registrant Organization: Ulvi Kasimov
Registrant State/Province: London
Registrant Country: GB
Registrant Email: Please query the RDDS service of the Registrar of Record identified in this
output for information on how to contact the Registrant, Admin, or Tech contact of the queried
domain name.
Admin Email: Please query the RDDS service of the Registrar of Record identified in this output
for information on how to contact the Registrant, Admin, or Tech contact of the queried domain
name.
Tech Email: Please query the RDDS service of the Registrar of Record identified in this output for
information on how to contact the Registrant, Admin, or Tech contact of the queried domain name.
Name Server: NS1.IP.ART
Name Server: NS2.IP.ART
DNSSEC: unsigned
Billing Email: Please query the RDDS service of the Registrar of Record identified in this output
for information on how to contact the Registrant, Admin, or Tech contact of the queried domain
name.
Registrar Abuse Contact Email: DomainAbuse@service.aliyun.com
Registrar Abuse Contact Phone: +86.95187
Art Record - Type of Object: Video installation
Art Record - Materials & Techniques: Video installation on 8 monitors
Art Record - Measurements: Duration: loop
Art Record - Title: Atelier Sovetski
Art Record - Date or Period: 2014
Art Record - Maker: Orkhan Huseynov
Art Record - Features: Edition 2/3 + 1AP
Art Record - Reference: 0x3a34cBc3a7a4dBe06244A7268d7C0C87fE3c149B
URL of the ICANN Whois Inaccuracy Complaint Form: https://www.icann.org/wicf/
>>> Last update of WHOIS database: 2020-04-26T19:18:50.0Z <<<
```

*Ethereum blockchain address – 0x40symbols(0-9a-f)

APPENDIX 8. BLOCKCHAIN, ex. ETHEREUM NAME SYSTEM (ENS), NON-FUNGIBLE TOKEN (NFT)

"Every Man is An Artist" — Joseph Beuys   21

Domain name as an address to Ethereum name system wallets.

ENS offers a secure & decentralized way to address resources both on and off the blockchain using simple, human-readable names. Benefits:

1. **No long addresses.**
   ENS eliminates the need to copy or type long addresses. With ENS, you'll be able to send money to your friend at 'aardvark.eth' instead of '0x4cbe58c50480...', interact with your favorite contract at 'mycontract.eth', or visit a Swarm-hosted site at 'swarmsite.eth'.
2. **Secure.**
   ENS is built on smart contracts on the Ethereum blockchain, meaning it doesn't suffer from the insecurity of the DNS system. You can be confident names you enter work the way their owner intended.
3. **Truly distributed.**
   ENS operates in a distributed fashion for both its infrastructure and governance. Anyone can register a .eth domain name for themselves by participating in an auction process, mediated by the blockchain.

TLDs that supports ENS and start of ENS domains registrations.

- .XYZ – September 2018
- .LUXE – November 2018
- .ART – October 2019

What's the benefit of pairing a domain name with an Ethereum wallet?

- You can now use your domain name as an identifier for your wallet. So, for example, you could use your domain OurARTwallet.art to reference your wallet instead of a standard wallet address like 0xf7004095d2d81fe3b5937241c106aace6d6e8e4a.
- Your wallet can take advantage of the power of the DNS when paired to your domain.
- Your domain has increased security options like DNSSEC, WHOIS privacy protection, and registrar/registry lock, adding even more security on top of your precious assets.

.ART – Pairing of domain name with ENS-enabled wallet.

Step 1: Register a .ART domain name at ip.art
Step 2: Associate the domain name to an existing 42-character Ethereum identifier filling a special field 'Ethereum blockchain address'.

.ART ENS Enabled Registrars

.ART Digital Twin certificates registration is launched at ip.art with backend at Alibaba Cloud. Deployment at any capacity is possible.

Non-fungible token (NFT).

NFT is a special type of cryptographic token which represents something unique. .ART made this standard solution for .ART Digital Twin.

NUMBER OF ART AND CULTURE OBJECTS IN THE WORLD
(for reference) – NEEDS ASSESSMENT

The approximate number of art objects owned & produced was estimated, as a result of an analysis of the number of professional artists, amateurs and museums. We concluded, at the end of 2018 there are:

- 55,000 museums in which about 1 billion items are stored
- 4.3 million professionals (according to Deloitte Tax & Consulting) who have now created about 90 million works
- 48 million amateurs (information about the number of DeviantArt live accounts and the number of works posted was used for the analysis, which at the end of 2018 was equal to 790 million images).

Taking into account only these statistics of the world of art, it can be concluded that the number of objects of cultural heritage in 2018 is at least **1.8M objects** in the physical and digital space, with a value estimated at **$10,200B** (estimated based on the report Hiscox online art trade report 2018).

The market size has increased by more than 2 times over the past 15 years. In 2003, it was about $ 4,300B (taking the number of artists & works growth rates into account). If the growth rate remains the same, it will be increased in value up to $ 20,180B with 3.8B objects.

		2003	2018	2025
Professionals	pers.	3 700 000	4 300 000	4 600 000
Amateurs	pers.	12 400 000	48 000 000	90 400 000
Museums	org.	40 000	55 000	64 000
Objects in Museums	items	726 500 000	1 000 000 000	1 100 000 000
Amateur art works	items	75 000 000	790 000 000	2 400 000 000
Professional art works	items	8 500 000	90 000 000	300 000 000
Total		**810 000 000**	**1 880 000 000**	**3 800 000 000**

APPENDIX 10

CULTURAL AND CREATIVE INDUSTRIES (CCI) (for reference)

CCI sectors	Revenues (US$B)	Number of jobs in the industry
Television	477	3 500 000
Visual arts	391	6 700 000
Newspapers and magazines	354	2 900 000
Advertising	285	1 900 000
Architecture	222	1 600 000
Books	143	3 600 000
Performing arts	127	3 500 000
Gaming	99	600 000
Movies	77	2 500 000
Music	65	4 000 000
Radio	46	500 000
Total (before removing double-counting)	**2 285**	**31 500 000**
Total (minus double-counting)	**2 253**	**29 500 000**

Source: Cultural times: the first global map of cultural and creative industries, EY, 2015
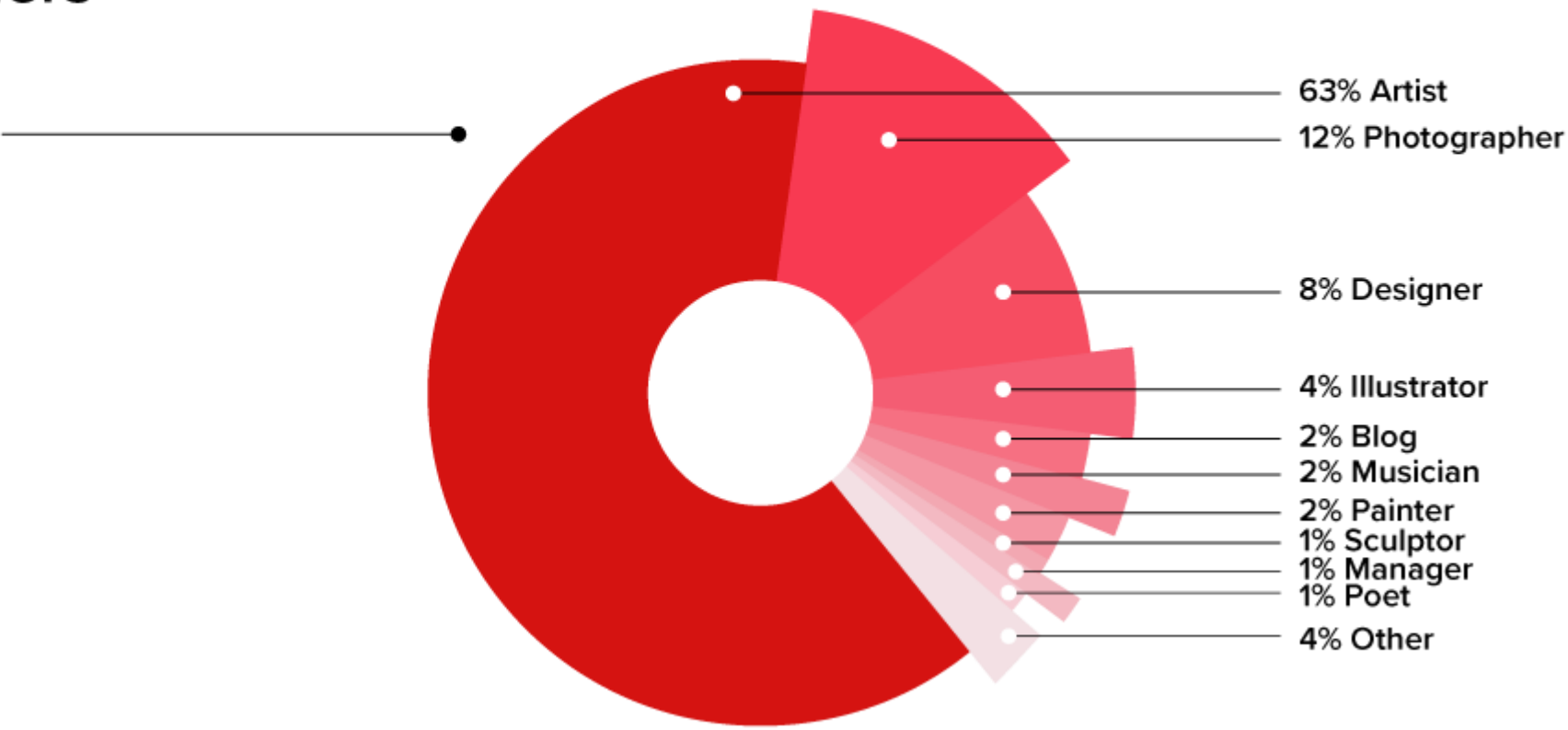
.ART ADOPTERS

There are more than 50 types of .ART clients, the largest are presented below:

Type of Audience

Type of Customers

80% person

20% company

63% Artist
12% Photographer
8% Designer
4% Illustrator
2% Blog
2% Musician
2% Painter
1% Sculptor
1% Manager
1% Poet
4% Other

Art consumption is currently divided into two clear-cut strata, where one is low-cost sales under 50$, while the other is auction and private sales with millions in turnaround. Between is a huge gap and a potential audience, which consists of younger generations of millennials and the Generation Z. Recent research on the generation of millennials (born between 1980 and 1996) shows the replacement of material objects consumption by non-material, educational patterns. The study claims that millennials, who are currently economically active and whose role in the economy will only increase, not only value impressions and experience higher than things, but spend more and more time and money on obtaining them. By extension we know that the coming generations will be a lot less likely to invest in expensive art, the same as they don't have the habit of buying expensive property – and yet they rent it for the experience. Similarly, the relation of the new generations with art industries where choice between owning and streaming is readily available speaks for itself. During the first half of 2018, sales of song downloads dropped 27.4% to 223.1 million, from 307.2 million during the same period in 2017. Meanwhile, streams surged to 403.4 billion during the six-month period, a jump of 41.6%. Moreover, in April 2018 music streaming overtook physical sales (CDs and records) for the first time in history. Easier streaming services have also put a dent in illegal downloading, gradually shrinking the percentage of pirated music. According to YouGov's 2018 Music Report, 10% of people in the UK used illegal downloads, down from 18% in 2013. A further 22% of them are not planning to be doing so in a five years' time. While backdoors like LimeWire and torrents are still available, they are losing their popularity due to technological and ideological transition in the music industry, which provides a legal solution with strikes the right balance between accessibility, simplicity and price.

So, what do we have? On the one hand, a generation eager to consume the experience of art materially more than its predecessors. On the other, the example of creative industries that have already gone through the transition from often elitist, mostly physical and widely illegal ownership to streaming of digital versions widely available to all for very little money.

A recent David Hockney exhibition at the Met represented his work across all media, including painting, drawing, photography – and his digital art, which was shown on three big screens that constantly had a crowd hovering due to not being static. The benefit of it being digital lies not only in entertainment, but in the way it can be accessed and distributed. What does this imply for the future? That with the right framework, one would be able to rent David Hockney's digital work from his website – to be able to show it at a private gathering, a party, or a small exhibition. The same framework will allow art to become a section on your Apple TV menu, which will allow users to stream artwork not just as a digital copy, but in a legal agreement with the artwork's owner, be it the author or his curating gallery.

While we are talking about the same transition the music industry has already realized, the art world is still missing the necessary instruments and infrastructure. In order to facilitate a quick transition such instruments ought to be based on a well-established technology to which the world is already accustomed to, thus having very low psychological and financial barriers of entry. .ART offers .ART Digital Twin, a solution based on DNS, which is essentially the foundation of the Internet itself, with a decades long history and a consensus of 7 billion people around it. Eventually, .ART Digital Twin can become an ecosystem for various tech solutions and services for marketing and distribution, enabling commercial exploitation of digital art.

DISCLAIMER

The information contained in these documents is confidential, privileged and only for the information of the intended recipient and may not be used, published or redistributed without the prior written consent of UK Creative Ideas Ltd.

The opinions expressed are in good faith and while every care has been taken in preparing these documents, UK Creative Ideas Ltd makes no representations and gives no warranties of whatever nature in respect of these documents, including but not limited to the accuracy or completeness of any information, facts and/or opinions contained therein.

UK Creative Ideas Ltd, its subsidiaries, the directors, employees and agents cannot be held liable for the use of and reliance of the opinions, estimates, forecasts and findings in these documents.

If you have any questions, contact us on: info@art.art