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VISION

BaselDAO is the first participative art investment fund for artworks built on Stellar. Investors sustain power to vote for new artworks to be acquired through buying Basels. Basels are tokens living on the Stellar blockchain and available to the general public through a liquidity pool consisting of Basel x XLM. Operating through a liquidity pool ensures a publicly available track record of the token price, Basel acquisitions result in a price increase due to the liquidity pool mechanism. Through the acquisition, the Basel holders sustain the right to vote on which artworks become part of the fund. After the decision has been made, the chosen artist, whose artwork has been selected, is paid in exchange for the artwork, which is therefore stored by the custodian. The artworks are held for a minimum of three years before being sold, the profits generated from the sale are used to acquire Basels and therefore increase their value.

MISSION

The main goal of the community BaselDAO is the democratization of the investment in art. Unique investment opportunities are created and accessible to every market participant. Through divided ownership, diversification allows to limit the risk of the investment. Additionally, the aim is to support the art community and increase the liquidity in the lower-to medium end of the art market.

CORE VALUES

The community is built on democratic values, resulting in communal decisions being put into actions.

- Participation freedom: everyone is able to engage in the project and invest regardless of professional background, income requirements, or previous experience with investment products.
- Cost-effective for participants: the underlying Stellar blockchain technology allows for low transaction costs and forgery-proof activities to be recorded with a fast value settlement time, from three to five seconds.
- Cooperation and development of the art community: it is the aim of the fund to either directly acquire artworks from contemporary living artists.

TOKEN ECONOMICS

The total amount of Basels tokens issued is 100,000 Basels, by the issuing account and under control of a distribution account with a multisignature account by the team members of Art3Labs.

In order to have an initial meaningful liquidity, 350 Basels and 70,000 XLM are sent to the liquidity pool, giving it a relation ratio of 200 XLM per Basel. As people continue to buy Basels, the price paid in XLM will slightly increase to about 300 XLM. At that time, Basels from the reserves are sold to keep this initial ratio until the first 20,000 Basels are sold.

Volatility in price is expected between 200 and 400 XLM on the first phase of the token placement, until the first 20,000 Basels are sold. In order to avoid even bigger swings in price, a suggestion will be included in the website for major Basel sales to be discussed directly with Art3Labs team members.

XLM are accumulated in the distribution account to be used for artwork acquisitions for the fund. As soon as the reserves allow for an acquisition to take place, a proposal for a new artwork acquisition can start.

After this threshold of 20,000 Basels being sold (20% of supply), the value of the Basels will start to freely fluctuate and 1,000 Basels will be sold every month to use the XLM in return to acquire the artworks voted by the community. This procedure means that Basels will be brought to the market for the next 5 years (60% of supply).

Compensation to the core development team, after the first 3 years, will be 5% of the Basels hold by the distribution account, and an extra 5% after 6 years. This compensation ensures the commitment of all participants. An extra 10% will be kept for future developers collaborators. Total compensation to developers from the total issued amount: 20%.

After all, Basels in the distribution account have been sold, mandatory sales of the artworks collected begin and the proceeds will be used to acquire Basels from the liquidity pool and send them to a 0 weighted address (burning process). Value of still existing Basels should therefore increase.

The returns to the participants go far beyond the Basel appreciation, also voting rights can be unbundled as well as sold to activists, and special rights to the holders for events attendance:

- Sales of an acquired artwork and Basels buybacks to be burnt are subject to happen at any time if it is voted so by the Basel community.
- For storage and administration costs a commission of 10% will be applied on purchase and 10% on future sales value.
- In the event of the BaselDAO team, Art3Labs, not able to fulfill its commitments or is declared bankrupt, all artworks will be sold in an auction and the fund investors will receive a proportionate pay out according to their shares. Also, the BaselDAO core development team, Art3Labs, role in governance or its assistance work may be passed to others.

TOKEN TECHNICAL IMPLEMENTATION

In this chapter an example is given of the token implementation on the Stellar blockchain, and the security methods chosen to avoid risks for the funds or any price manipulation.

ISSUING ADDRESS

Issuing address: GCEZRFERPNKVGVOQF5X7T32G2QJLVVTWLYXPQE6VEATCBIIVN7HCCIWV

A 100,000 Basels were issued, later on the account signing weight was changed to 0, which means no more Basels can be issued.

When a normal address (private + public key) is created on Stellar, it has one signature with weight 1 also the least weight to be able to sign operations. If a signature is changed to 0, there is no possibility to sign any operation in future, removing the possibility to create new Basels, neither the address can be reactivated.

The 100,000 Basels were sent to a distribution address under control of the core development team, Art3Labs.

DISTRIBUTION ADDRESS

Distribution address: GDDI4T3TRZGECW5TFAODDFISZUXYB6WG6MTWIF3HYJCK52O264Q353R

The reserves of the DAO are managed from this address. The distribution address has been set with several signatures, each of them in hands of a different trust member of the core development team. To execute a transaction the signatures of three independent persons are needed.

This 3-signature set up, also known as multi-signature, ensures the security of the reserves and thanks to it several risks like one-man-risk or miss appropriation of one signing address – funds are avoided.

On his own no team member is able to transfer funds to any address. This ensures protection against misappropriation of funds by team members and against the loss of access to one of the addresses.

The reserves will be steadily sent to the liquidity pool to give access to new investors to the fund and join the project.

LIQUIDITY POOL, SOURCE OF TRUE PRICE

Liquidity pool ID: 4832d98877f8f14e5e514d6e3e11920e290625c1973b51271c02958dc827e641 [See on bockchain explorer](#)

Liquidity pools were added last year to the Stellar core protocol and help us to provide the participants with a trusted price for a trade and a safe trading environment. The liquidity pool has a mechanism that helps to produce a price for the tokens without dependency from third party data providers, that's to say the price varies uniquely dependent on the trades against the pool's reserves.

Through integration with the DEX (Decentralized Exchange), on Stellar a buy offer for Basels can be created and the network itself will provide the best token price either from someone's private sale offer or from the liquidity pool's current price.

REAL TIME PRICE

When a trade occurs such as a buy order, XLM are being exchanged for Basels, then the Basels are taken from the pool and as it changes the previous relation of XLM to Basel, more XLM than Basels must be added to keep a constant product of the liquidity previously available in the pool. The constant product invariant does not allow the product of the reserves to decrease.

Any trade, buying or acquisition for Basels will check for the most beneficial price, either on private orders with a limited price on the blockchain or in the liquidity pools and execute the order.

ON-CHAIN LOGIC

The liquidity pool's code is built in the Stellar core protocol, the code is open source and has been reviewed by several parties behind the Stellar blockchain development and its use has been widely tested on the Stellar network by several projects. We are very confident in this pricing mechanism as a base functioning model for BaselDAO, even though we are not strictly dependent on it for the fund.

ADDING LIQUIDITY TO THE POOL

Liquidity creates value. A high liquidity in the pool incentives trading on the buying side resulting in a premium in the value of Basels. Liquidity is increased through adding both tokens XLM and Basels in the same relation as there was on the pool beforehand. Therefore, adding liquidity does not affect the price of Basels.

In return for the additional liquidity, the participant will get shares of the pool and own the assets in the pool. The liquidity providers will get a return of 0,3% of the traded volume. Pool shares are very similar to other Stellar assets, but there is one important difference: pool shares are not transferable and cannot be sold. The only way to increase the number of pool shares held is to deposit into a liquidity pool and the only way to decrease the number of pool shares held is to withdraw the liquidity.

A feature to provide liquidity to the pool will be built in the webapp. Please note that adding liquidity to the pool rewards you with a compensation of the trades but on the other side you will be giving up your voting rights.

BURNING ADDRESS

The burning address is an address created and a signature set to weight 0. As the issuer address has been set to weight 9, the bought Basels are sent there. When the buyback of the Basels in the liquidity pool has started, with the proceeds obtained from artworks sales, they will be sent to this address.

DAO GOVERNANCE

The decision to create a Decentralized Autonomous Organization (DAO) has been taken due to its multiple advantages. First of all, economies of scale can be used through a high number of participants in the project and a value increase in the service through constant new users joining the network.

The major difference of BaselDAO to traditional investment funds stems from its origin, which does not lie in Wall Street or traditional banks but in the decision power being given to the Basel holders. A participative art DAO is a unique opportunity to get returns from art and culture. It allows investors to save on fees, since conventional funds charge management, custody, transaction, and performance fees, while BaselDAO merely focuses on a small administrative fee charged for trades and a commission to pay for safe storage facilities for physical artworks in the collection.

While community participation is an important component of the fund, the initial set up will be carried out by the core team, Art3Labs. In the beginning Art3Labs is driving all the product decisions, the feedback of early users will be accepted and incorporated into the system.

To achieve a long-term adoption, four different aspects to governance are regarded as relevant at BaselDAO:

1. Collective asset ownership: the BaselDAO participants own shares of the basket comprising the acquired artworks.
2. Asset curation: the artworks to be acquired are filtered carefully to ensure asset appreciation.
3. Management: BaselDAO lays open its infrastructure for the community, including all numbers, comprising assets, liabilities, liquidity and income.
4. Risk management for assets: in order to monitor, the parameters for performance will constantly be updated, including volatility, price and other market conditions.

VOTING MECHANISM

For any changes occurring in BaselDAO, a “voting event” has to take place. A proposal must be submitted and discussed in Discord before the voting event starts. For every acquired Basel, owners receive voting tokens for each of the voting events. The possible voting events that can take place are defined after this section.

For every voting event, the following voting mechanism is proposed:

1. Voting tokens are distributed 10:1 to withheld Basels at the start of the voting events.
2. The investors receive the voting tokens.
3. The time period to allocate or delegate voting tokens is dependent on the type of voting event.
4. The votes are counted and the voting event’s objective gets implemented.

This mechanism allows BaselDAO to properly handle voting on-chain, in a public, trustless, and traceable way. There are different types of voting events examples: artworks acquisitions and asset management (e.g. when to sell).

Stellar address of the votes issuer: GCHPEQN5XYUACLYB5DHVN3STUR7LFORTDHBKMYWGWUHAUHTWDS52WWNX

VOTE DELEGATION AND PARTICIPANT ROLES

Delegating votes creates different roles on the platform and the figure of curators appear, individuals with important decision making on artworks acquisition. Tokens will be divided into votes for acquisitions and -, giving the possibility to delegate them to different participants.

BaselDAO available roles for all Basel token owners:

1. Investor: an individual who owns Basel tokens and makes use of all the voting rights, without delegation. This is the default state of every Basel token owner.
2. Curator: an individual who filters the best artworks and shares the motivation behind the selection. You may want to delegate them your acquisition votes.
3. Holder: an individual who benefits from the economic returns, while delegating all his votes or adding his balance as liquidity to the pool.

Users will be able to choose the curator role on the platform from the voting page. In the example of the curator, where the role is matched to the Stellar address, allowing Basel investors to delegate their votes to the curators.

In the following the types of voting events are explained which are expected to be executed by the DAO, the technical implementation of this on-chain method will not be covered by this whitepaper.

ACQUISITION AND VOTING EVENTS

The voting event starts with a curated selection of five art pieces. For three weeks, every Basel investor is allowed to allocate their voting tokens to their desired artworks.

After the three-week period, only the most voted for artwork gets acquired, while the second and third most voted will be included in the next voting event.

Any piece of art can only participate in three voting events before being completely removed from the curated selection of BaselDAO unless the artist decides to withdraw his BaselDAO curated art piece from any further voting events. Acquisition voting events shall have at least a week in between, as a period dedicated to transaction settlement.

In case of a high value of Basels, great engagement of the community, high available liquidity, great number of curated art pieces or other BaselDAO positive advancements, more than one voting event can take place at the same time (parallel voting events).

ASSET MANAGEMENT VOTING EVENTS

Asset management events will be in charge of making all the decisions related to the acquired artworks, such as selling, exhibition or other art-based sources of revenue. These events shall be developed in the future, as the current plan for BaselDAO is to hold the art pieces for a minimum of three years.

REGULATION AND CUSTODIANSHIP

As physical artworks will be acquired and they will be beholden by the Art3Labs team within Swiss borders, the Swiss law on ledger-based securities apply.

In Switzerland, there is a "Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology" (DLT). This adaptation includes the legal framework for the ledger-based securities, as Basel tokens are considered.

The asset tokens, transfer, and ownership records on the blockchain are considered legally binding in Switzerland.

ACHIEVING SUCCESS IN DECENTRALIZATION

The vision of BaselDAO is for it to be operated by its community of users. For a long-term successful project, running on blockchain needs to comply with the following components, BaselDAO is set up conforming with these principles

1. Product-market fit, a favorable trend

The art market has recorded a steady growth over the past decades. Especially the online art market has reached an all-time peak in sales. BaselDAO is using that trend and the willingness of investors to participate by creating the first participative art investment fund for artworks built on Stellar.

2. Community participation

While Web 2.0 platforms did not offer user-owned networks, Web 3.0 platforms are transferring responsibility to the community via direct ownership. Through community participation, it can be ensured that the fund remains aligned with its users.

To foster participation in the BaselDAO fund, incentives are supplied in the form of Basels to collaborators. The grant payments can effectively be made to any entity.

3. Sufficient decentralization

At BaselDAO through constantly adding new Basels to the liquidity pool, new participants are given the opportunity to join the fund.

CORE DEVELOPMENT TEAM: ART3LABS

Art3Labs is the team behind the BaselDAO fund, based in Basel (Switzerland). Another project created by Art3Labs is Kunst21.com, which is a crowdinvesting platform for art and collectibles. The team currently consists of 2 core developers, a business development manager and external collaborators thriving for excellent results.

John Felipe Branch is responsible for coordinating all team members and external collaborators, and finding the most talented professionals to help the projects, as well as providing compensation to those.



Felipe is the founder of Art3Labs. He has worked 2 years in blockchain implementations for fractionalized ownership. He is an industrial engineer who has six years of experience in investments and complex financial products. He has worked in autonomous driving research at a German University. He is a painter and art collector and understands the art business challenges.

ROADMAP

Prior to the launch of the final BaselDAO product, certain steps need to be taken to guarantee offering the best possible product to the holders.

Q1 2022: IDEATION

Based on the Art3Labs' wish of democratization of the investment in art, BaselDAO as a concept was born. Once the mission was defined, the Art3Labs team dedicated themselves to designing a technically and legally viable solution to achieve it.

The team's work culminates with this Whitepaper, and a detailed plan with the steps that will be executed to take BaselDAO from Whitepaper to a fully developed web3 investment fund.

Q2 2022: TECH SET UP FOR BACKEND AND FRONTEND, USERS AND LEGAL

On one side, as part of the Art3Labs team developments, three basic digital pillars of the DAO are built:

1. The underlying technological infrastructure, the Basel asset and a Stellar blockchain liquidity pool
2. A minimum viable frontend to interact with Stellar and get to know the project
3. A Discord channel to host the community

At the same time, the marketing team reaches the target group and communicates the project to build an engaged community of holders and voters, artists and galleries are contacted in order to get their support for the initiative and commitment. This received feedback is integrated to the WebApp and the governance and adding graphics to easily track Basels and underlying assets performance and community engagement.

Further, advisors are contracted to fulfill all the legal requirements necessary to set up a legal company in Switzerland.

Q2 2022: BUILDING A COMMUNITY AND FEEDBACK PROCESSING

Thanks to the rapid advancement in development, the next quarter's tasks have already started.

In order to secure the financial support for the team until BaselDAO can independently support it, the project is looking for funding, and will apply for a Stellar Community Fund grant. At the same time the feedback obtained during the application will be carefully analyzed for implementation.

To attract new community members before the launch, a token airdrop will be organized to give away a small amount of Basels to the very first members of the Discord channel.

Q2 2022: LAUNCH

The launch takes place, making BaselDAO a gathering place for art collectors and investors resolute to generate returns from their hobby and to collaborate with art curation decisions. The selling is starting in June and the first votings will take place in July.

During this time the DAO is ensured to provide Basels to the pool, maintaining available liquidity in the pool. As soon as the BaselDAO reserves levels reach the required by the token economics section, the curated art can be subjected to an acquisition voting event, accomplishing the first ever BaselDAO's community artwork purchase.

Q3 & Q4 2022: IMPROVEMENTS IMPLEMENTATION AND TRUST DELEGATION

BaselDAO will be serving the community by converting their investments into the art pieces you choose. What started as off-chain art curation, led by the core development team, now can be aimed at an on-chain art curation.

We aim to exhibit all the collected artworks in a showroom or temporary exhibitions. Further implementations will be brought via smart contracts when the Stellar blockchain makes it feasible.



BaselDAO will be a decentralized functioning art fund, performing buying, exhibition and selling transactions as decided by all of its members.

Thank you for your support so far,
The Art3Labs Team