



WHITEPAPER

[Trustnft.org](https://trustnft.org)

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Disclaimer:

After reading this document, joining our waitlist, or engaging with TrustNFT in any other way, please make sure that you are familiar with all of the terms used in this document, on our website, and in any of our other issued materials. If you have any questions or doubts about the terms and definitions used by us, please contact us by email at: info@trustnft.org

I. ABSTRACT

1.1. NFT Market Overview

From April 12 to September 15, 2021, the number of sales involving non-fungible tokens (NFTs) in the art segment fluctuated. As of April 12, 2021, roughly 23.7 thousand NFTs were sold in the art segment during the previous 30 days. As of September 15, 2021, the aggregated number of sales over 30 days reached approximately 94.5 thousand. As of that period, over 54 thousand sales came from the secondary market (www.statista.com).

The market for NFTs surged to new highs in the second quarter, with \$2.5 billion in sales so far this year, up from just \$13.7 million in the first half of 2020, marketplace data showed (reuters.com).

We firmly believe that this digital asset market will be as big as or even bigger than the physical asset market in the long run.

As soon as digital shopping became just as “good” as physical shopping, everyone started shopping online, and now, the e-commerce industry is on the cusp of becoming bigger than the physical retail market.

As soon as digital entertainment became just as “good” as physical entertainment, everyone started streaming Netflix, Disney+, and HBO Max, and now, the digital entertainment industry is on the cusp of being bigger than the physical entertainment market. Same with digital advertising. It’s already better than physical advertising. Within the next few years, digital ad spend will comprise more than 50% of total ad budgets.

As soon as digital replicas of physical industries become “good,” those digital replicas will take over.

Why won't the same happen with the digital asset, or NFT, market? Spoiler alert: It will. The same thing will happen, and at scale, the NFT market will be bigger than the physical asset market.

The investment opportunity, of course, is that the digital asset market today is a fraction of a fraction of the size of the physical asset market ([nasdaq.com](https://www.nasdaq.com)).

1.2. What Makes Us Different?

There are already some platforms in the market offering NFT-collateralized loans, but there is no accurate, reliable way of evaluating NFTs. Without accurate evaluation, solutions that use NFTs as collateral cannot operate. It's for this reason that we've focused all of our resources and attention on solving this issue by utilizing artificial intelligence (AI) and big data. The result of our work is MVP, an NFT Evaluation Machine.

I. WHAT IS TRUSTNFT?

2.1. Description

TrustNFT is a platform powered by AI and big data which accurately evaluates NFTs and unlocks their potential for use as loan collateral, which allows users to combine DeFi with NFTs to earn yield on selected NFT-backed loans. Our platform was designed to solve major problems in the NFT ecosystem, such as: low liquidity; investment risk; monetization of assets; and – most importantly – the problem of evaluating NFTs.

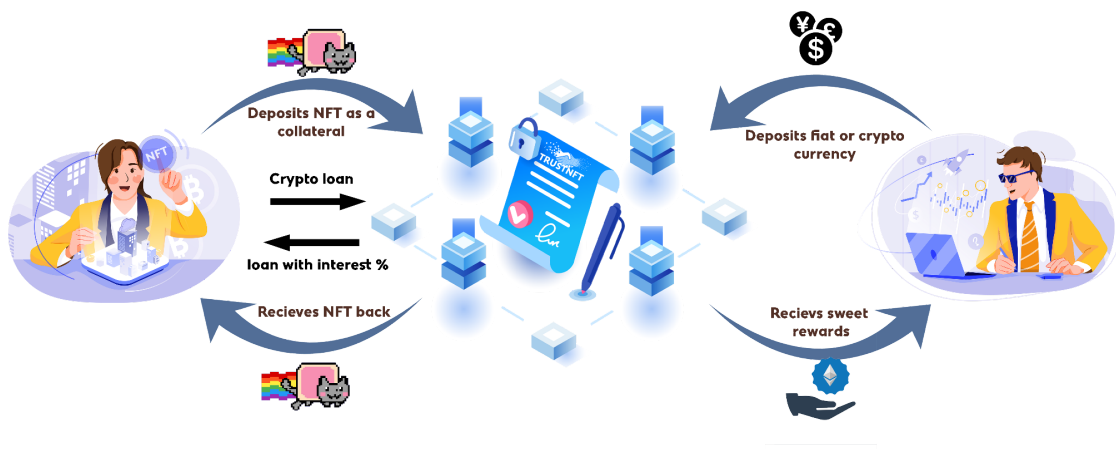
TrustNFT's objectives include allowing everyone to use NFTs as collateral to access loans. This will benefit NFT collectors and investors in a number of ways by: promoting instant liquidity and accurate pricing for NFTs; promoting portfolio variety; and opening up a new market of possibilities with other DeFi applications. The key component, however, is accurate pricing, which will be ensured by our platform – the MVP NFT evaluation machine. Without accurate evaluation, solutions involving the use of NFTs as collateral are impossible, which is why we've focused all of our resources and attention on solving this issue.

There are already some platforms in the market that offer solutions for low liquidity, investment risk, and the monetization of assets, but there is no reliable way to evaluate NFTs. Some solutions offer an evaluation process involving a group of experts, others offer to use the last price method, and some leave this question to be decided by the parties involved. We think that none of these are quite good enough, which is why we chose to utilize AI to help solve this problem.

We started building our platform – an NFT Evaluation Machine – at the beginning of 2021. Our platform not only uses data sources from blockchain, but also learns to define trends in the NFT and cryptocurrency markets. This is our main advantage, and the unique factor which differentiates us from other platforms that offer NFT-collateralized loans.

TrustNFT is two-sided platform, which includes:

1. A P2P marketplace for NFT-collateralized loans, which allows borrowers to put up assets for loans and lenders to make offers to lend in return for interest.
2. An automatic lending pool, which allows lenders to put up their assets to be lent to community members in exchange for guaranteed yield in TrustNFT tokens.



2.2. How Does TrustNFT Work?

The purpose of TrustNFT is to accurately evaluate NFTs and secure them as collateral. When an NFT owner wants to evaluate an NFT using the TrustNFT Evaluation Machine, all they have to do is choose one or a few of their NFTs and the platform will evaluate the maximum borrow limit for the asset(s). If the user agrees to this loan term and LTM, the asset is locked in a TrustNFT smart contract until the loan is completely repaid.

2.2.1. Borrowing

Users who want to apply for a loan with their NFT asset simply connect their wallet and choose one of them to collate. The TrustNFT Evaluation Machine then calculates the borrower's maximum loan limit according to the desired loan term and suggests two options:

2.2.1.1. NFT Loan Market

This option is very similar to an NFT marketplace. Users list their NFTs on the loan market alongside the requirements of the loan, and lenders can make offers against specific collateral. Lenders may be interested in particular NFTs, and may offer better loan terms for borrowers. Sometimes, it might take a while until another community member shows an interest in P2P lending against your NFTs. On the other hand, if an NFT is unique and some community members value it more than others, then the borrower might have the option to request more loan funds.

2.1.1.2. NFT Lending Pool

Users simply put their NFTs into the NFT auto lending pool and, depending on the funds in the pool, they almost immediately receive their loan directly to their connected wallet. This can come in the form of the following tokens: TNFT, DAI, ETH, BTC, USDC, USDT, or other cryptocurrencies.

Users can freely choose the coin that they want to receive against their collateral. After choosing their preferred option, the user transfers their asset(s) to a TrustNFT smart contract, signing a transaction with their connected wallet. The concrete NFT asset is then locked until the loan is repaid in full.

2.2.2. Lending

Lenders on the TrustNFT platform can earn rewards by providing liquidity to borrowers and earning interest. Lenders can submit their fungible assets to lending pools, or can manually choose NFT assets to lend their funds against.

Lending, or providing liquidity, consists of two modes:

2.2.2.1. Manual Lending

This form of lending lets users manually choose assets that they want to stake their liquidity in. Users with wallets connected to our platform can choose NFTs as they would in a marketplace.

2.2.2.2. Auto Lending

This type of lending utilizes NFT fractionalization. The user deposits their funds in the auto lending protocol, and our algorithms choose parts of NFT assets and combine them to create composite derivatives. In this case, the user does not need specific knowledge of the NFT market. In case of NFT default, the particular assets come to the loans marketplace. This can help manual sellers to acquire NFTs. Users providing liquidity via TNFT tokens will gain extra rewards with our reNFT token, which will be used on the platform.

2.2.3. NFT Price Evaluation

The correct estimation of an NFT asset's price plays a key role in our technical approach. To achieve this goal, our team uses artificial intelligence with historical data from open ledgers, such as previous transfers, transfers of owners, and so on. We also include evaluation of the NFT creator's popularity and the NFT's growth on social networks, search engines, and other resources. To build a mathematical model which can correctly ascertain the price of assets, we used machine learning algorithms that utilize unsupervised learning, ML algorithms or regression algorithms. Currently, this solution is being applied to training data collected from data brokers and ledgers. We will not go live with this approach until it is tested and audited, to prevent vulnerabilities and hacks. Price oracles are a critical, but often overlooked, component of DeFi security, but safely using price oracles is hard and there are plenty of ways to shoot yourself – or, worse, your users – in the foot. Further details about our asset estimation solution will be included later.

2.2.4. Community Voting

Holders of the TrustNFT token will be able to vote on different features and parameters of the platform and even our marketing strategy. In order to empower the TrustNFT community, our platform will allow holders to propose and vote on governance questions to determine the future features of the TrustNFT platform. Voting weight will be calculated in proportion to the tokens owned. The right to vote is restricted solely to voting on features of the TrustNFT platform and marketing campaigns. The right to vote does not entitle TrustNFT holders to vote on the operation and management of TrustNFT, its affiliates, its assets, or the distribution of such assets to token holders, and does not constitute equity interest in any of these entities. This agreement is not intended to be any form of joint venture or partnership.

2.2.5. Loan Default

Loan default occurs when a borrower fails to pay back a debt according to the initial agreement. This means that successive payments have been missed over the course of 2 months. In this case, the NFT collateral needs to be sold, which will proceed according to a three-step process. The NFT will be auctioned off as a whole, with the minimum sale price being slightly higher than the loan value. If this fails, the lender will receive compensation from the TrustNFT Insurance pool.

2.2.6. Insurance Pool

The TrustNFT insurance pool will be a voluntary option for TrustNFT platform users. Before providing a loan, users will have the option to secure insurance for a specific price. This pool will be used to compensate lenders in cases where NFT collateral cannot be sold to fully repay a loan. Participants in this pool will be rewarded with a percentage of all fees collected on the platform in exchange for their securing of loans.

2.2.7. Platform Fees

The platform will charge fees for various actions, including:

40% from the interest rate – paid at each installment by the borrower.

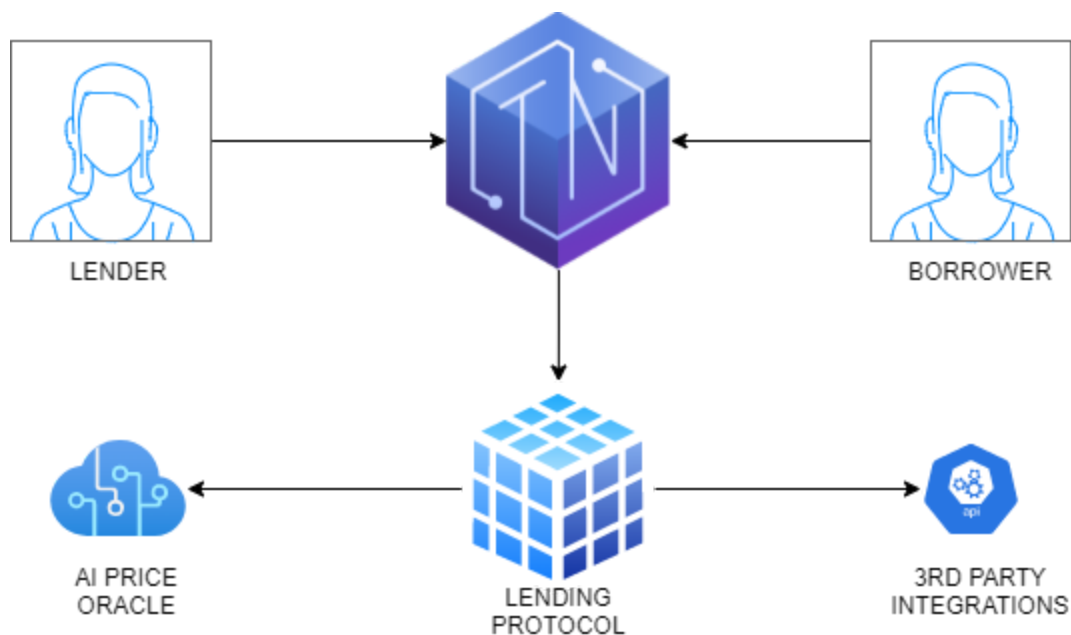
1% from the loan amount – paid at the beginning of the lending process when the borrower receives the loan.

0.5% for unstaking.

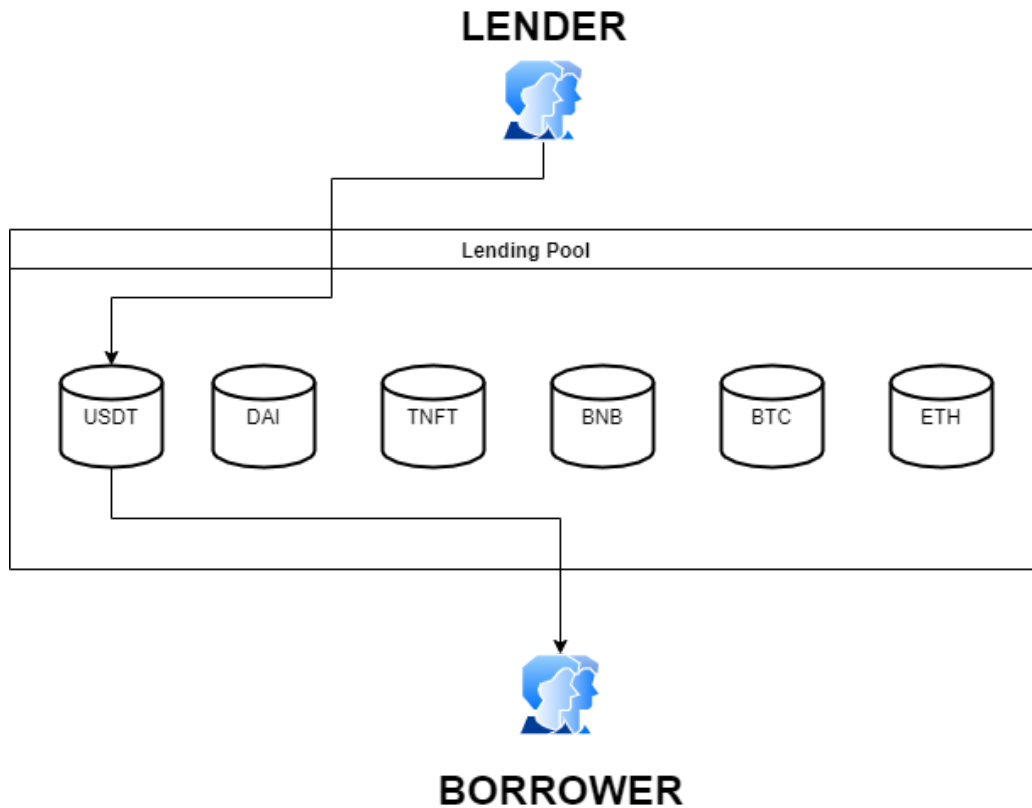
5% for loan default.

2.3. TrustNFT Lending Protocol

The TrustNFT lending protocol is based on a lending pool strategy. Lenders provide liquidity by depositing cryptocurrency assets into the lending pool contract. These funds can be borrowed by placing NFT tokens as collateral. A simplified diagram of the TrustNFT protocol is presented below.



2.3.1. Lending Pool



Within the platform, users contribute their assets to a large pool of liquidity called the Liquidity pool. This pool is available for other users to borrow from, and lenders share in the interest that borrowers pay back to the pool. When users supply assets, they receive TrustNFT or any other cryptocurrency. TrustNFT tokens are BSC tokens that can be redeemed for their underlying assets at any time. In this way, TrustNFT allows users to borrow cryptocurrency assets by using NFT assets as collateral.

One of the advanced features of the lending pool contract is the tokenization of the lending position. When a user deposits assets, they receive a corresponding amount of TrustNFT tokens, which map the liquidity deposited and accrue interest based on the underlying deposited assets. TrustNFT tokens are minted upon deposit – their value increases until they are burned on

redemption or liquidated. Whenever a user opens a borrow position, the NFTs used as collateral are locked and cannot be transferred.

2.3.2. Borrowers

Those that borrow crypto assets from the TrustNFT protocol pay a varying interest rate. The interest that borrowers pay produces the interest that lenders earn. Borrowing can be done via the platform interface, or can be done programmatically via smart contract integration.

2.3.3. Collateral

In order to borrow cryptocurrency assets from the TrustNFT protocol, users first need to supply an NFT as collateral. The maximum amount available to be borrowed is then calculated by the NFT Evaluation Machine.

2.3.4. Collateral Factor

The maximum amount that a user can borrow is limited by the collateral factors of the NFTs they have supplied. For example, if a user supplies an NFT worth 100 ETH, then the user can borrow at most 80 ETH worth of other assets at any given time. Each NFT on TrustNFT can have a different collateral factor. Collateral factors for each asset are set by the NFT Evaluation Machine.

2.3.5. Borrow Balance

This is the sum of a user's current borrowed amount plus the interest that needs to be repaid. This is calculated with an easy-to-use function within each TrustNFT contract.

2.3.6. Borrow Rate

Borrowers owe the prevailing interest rate of the asset they are borrowing. This is calculated by adding the Borrow Rate to the account's Borrow Balance every Ethereum block. While a borrow is open, the Borrow Balance is ever-increasing. Borrow and interest are never required to be

repaid unless the borrower becomes insolvent; otherwise, the borrower can choose to repay some or all of their borrow whenever they choose.

2.3.7. Liquidation

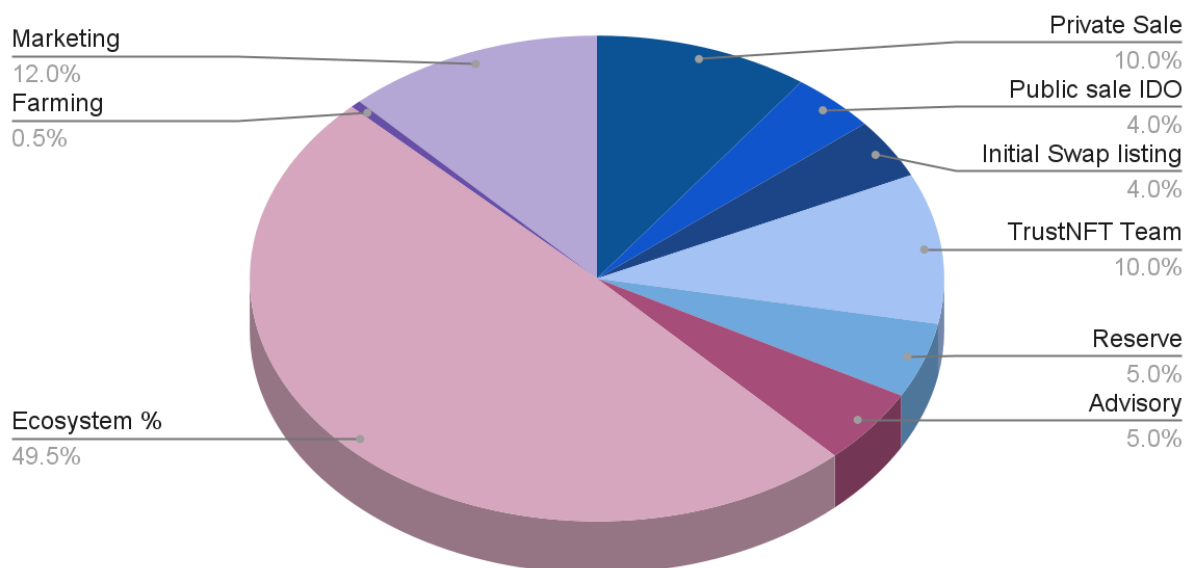
A borrowing account becomes insolvent when the Borrow Balance exceeds the amount permitted by the collateral factor. When an account becomes insolvent, other users can repay a portion of its outstanding borrow in exchange for a portion of its collateral, with a liquidation incentive currently set at 20% (subject to change through the TrustNFT governance system). The liquidation incentive means that liquidators receive the borrower's collateral at a 20% discount from the market price. The liquidation of an account is to be avoided because the user will lose some of their collateral.

2.3.8. Repaying a Borrow

Loans can be repaid using a function in the respective TrustNFT token contract. Once a loan has been repaid, the account's collateral can be entirely redeemed or transferred. There are also functions in the TrustNFT token contract that allow for a borrow to be repaid on behalf of another account.

III. TOKENOMICS

Token distribution will proceed according to the following proportions:



Private sale	100 000 000	10 %	70% locked for 9 months
Public sale IDO	40 000 000	4 %	100% unlocked
Initial Swap listing	40 000 000	4 %	Listing on PancakeSwap v2
TrustNFT Team	100 000 000	10 %	24-month vesting period per month
Reserve	50 000 000	5 %	24-month vesting period per month
Advisory	50 000 000	5 %	24-month vesting period per month
Ecosystem % rewards	495 000 000	49,5 %	Initial lending pool and ecosystem
Marketing	120 000 000	12%	Upfront 24-month vesting period per month
Farming	5 000 000	0,5 %	

IV. TEAM

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Andrius Budreika - Business Developer

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Team passed official KYC verification process by solidproof.io -

https://github.com/solidproof/kyc-certificates/blob/main/KYC_Certificate_TrustNFT.png?fbclid=IwAR0BYKbcz-PK8WjfJfTwkYxH5_NncgXekGviLABxowqELmgztjNGRsYibQ



CERTIFICATE OF COMPLIANCE

PROUDLY PRESENTED TO

TrustNFT

The Team passed the KYC verification process dated

16. November, 2021

with following requirements:

- ✓ Project ownership verified
- ✓ List of all team members
- ✓ Team identity is verified with random requirements
- ✓ Contract is published on mainnet

trustnft.org

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V. PLATFORM DEVELOPMENT TIMELINE

07 – 2021 **Project Start** – Research, Vision

09 – 2021 **Development Start** – Website, MVP, Smart contracts

10 – 2021 **Team & Project development** – Seed investment, Team expansion, Advisory, Marketing strategy

11 – 2021 **Token Sale** – Airdrop, Private Sale, IDO, Swap Listings

Q1 – 2022 **Product & Project development** – Peer-to-peer lending development, Marketplace development, Partnerships, Integrations (Rarible, Opensea)

Q2 – 2022 **AI Training** – Training data set for ML, Module testing

VI. RISKS

6.1. Market Risk

The possibility exists that asset value will decline over time due to market conditions, new information, or the idiosyncratic behavior of traders. Though it may not be the role of governments to protect against market risk for well-informed and well-capitalized investors in a well-functioning market, it is appropriate for them to be concerned that those conditions are met. This risk is managed by not giving away tokens for free (with the exception of a small amount of airdrop) and constantly improving our product and services.

6.2. Operational Risk

Although DeFi activity is highly automated, human operators still play a crucial role. The more decentralized a service, the less risk there is associated with any single point of failure. Auxiliary services may be centralized even when the DeFi service is highly decentralized. At the same time, greater decentralization can make it harder to respond effectively when something goes wrong. The fewer people who have the unique power to break a service, the fewer who have the power to fix it. This risk is managed by automating as many roles as possible, and empowering AI to make calculations and decisions.

6.3. Counterparty Risk

It is possibility that a counterparty will default on its obligations to a financial instrument. This might involve failing to repay a loan (credit risk) or failing to settle a transaction by providing the specified asset (settlement risk). Though some credit risk is mitigated through interest rates for loans, this might be a particular problem in DeFi, where the volatility of underlying digital assets produces undercollateralization, the ease of credit creation leads to excessive leverage, or the algorithmic determination of interest produces inaccuracies. This risk is managed by NFT collateralization and accurate evaluation by the NFT Evaluating Machine.

6.4. Smart Contract Risks

These risks involve dealing with code that might not execute as intended. All software has the potential for bugs. A programming flaw can cause a smart contract to fail to perform as desired, or attackers can exploit vulnerabilities to drain funds or engage in malicious activities. For example, where code has not been written properly, it can allow for exploits such as reentrancy attacks. Audits of smart contracts will be used to address these risks.

6.5. Transaction Risks

These risks concern limitations or failures of the underlying blockchain network. If the base-layer settlement network is successfully attacked, allows for double-spending, becomes too expensive for transactions, or lacks the necessary throughput, then these failures will affect the application layer. This risk is exceptionally rare and is extremely unlikely to ever occur, so preventative measures are not a priority.

DISCLAIMER

This TRUSTNFT whitepaper is a living document; it will be constantly updated in adaptation to changing legal and technical environments and to include the work that our company undertakes. The purpose of this whitepaper is to present a summary of the TRUSTNFT business model and its value proposition, and to provide an introduction for potential token purchasers in connection with the proposed TRUSTNFT crowdsale. The information set forth below may be changed for any reason, may not be exhaustive, and does not imply any elements of a contractual relationship.

This whitepaper may be updated or altered, with the latest version of the white paper prevailing over previous versions. TRUSTNFT is not obligated to provide notice of the fact or content of any changes. The latest version of this white paper is available in English at: <https://trustnft.org/>. However, there is no obligation to update, supplement, or correct this whitepaper or accompanying materials in any respect, or otherwise to provide access to any additional information. The information contained herein may, from time to time, be translated into languages other than English, or may be used in the course of written or verbal communications with existing or prospective token purchasers, customers, partners, etc. In the event of any conflicts or inconsistencies between translations/communications and this official English language whitepaper, the provisions of this original English language document will prevail.

If you are in any doubt as to the action you should take regarding NFTs, cryptocurrency, or any other aspect of the digital asset market, you should consult your legal, financial, tax, or other professional advisor(s), and should not contribute to the development of TRUSTNFT.

Please check your country's regulations if you are allowed to buy TRUSTNFT tokens. It is your responsibility to make sure that you don't break any laws or regulations of your country and that you are not eligible to participate in purchasing or trading any TRUSTNFT tokens.

In addition, TRUSTNFT discourages any type of market manipulation, including, but not limited to, the activities defined below, and has no intention of engaging in such activities.

Market manipulation is defined as actions taken by any market participant or a person acting in concert with a participant which are intended to:

- deceive or mislead other traders;
- artificially control or manipulate the price or trading volume of an asset; or
- aid, abet, enable, finance, support, or endorse either of the above.

Please be aware of the fact that, in general, the prices of decentralized tokens such as TRUSTNFT tend to be volatile, and can fluctuate significantly over short periods of time. The demand for, and correspondingly the market price of, these tokens may fluctuate significantly and rapidly in response to, among others, the following factors, which are beyond the control of the TRUSTNFT:

1. analysts/influencers' speculations, recommendations, perceptions, or estimates of the token's market price or TRUSTNFT's financial and business performance;
2. changes in market valuations and token prices of entities with operations similar to that of TRUSTNFT that may be made available for sale and purchase on the same cryptocurrency exchanges as these tokens;
3. fluctuations in market prices and the trading volume of cryptocurrencies on cryptocurrency exchanges;
4. additions or departures of key personnel of the foundation;
5. success or failure of the management of the foundation in implementing technical plans;
6. changes in conditions affecting the blockchain or financial technology industry, the general economic conditions or market sentiments, or other events or factors;
7. unforeseen regulations.



While TRUSTNFT strives hard to achieve the technical goals put forward in this whitepaper by focusing heavily on the development of core technology, please re-read the risk factors detailed above.

THE PURCHASE OF TRUSTNFT TOKENS INVOLVES A HIGH DEGREE OF RISK, AND YOU SHOULD NOT SPEND ANY FUNDS IN THIS CROWDSALE UNLESS YOU CAN AFFORD TO LOSE THE ENTIRE AMOUNT YOU SPEND.