

Muzika

White Paper



Abstract

"Muzika is a revolutionary coin economy that will reshape the global digital music industry."

This whitepaper outlines how Muzika revolutionizes the music industry by establishing a self-sustaining and righteous digital music ecosystem that will (1) eliminate unnecessary intermediaries, (2) empower musicians and consumers, (3) decentralize distribution power, and (4) restore the balance of economic distribution among market players. Muzika holds the promise of a future where compensation for a musical creation becomes proportional to the effort and dedication put into the creative process.

For the past two decades, the music industry has gone through two enormous paradigm shifts: one from 'tangible albums' to 'intangible files', and one from 'download' to 'streaming.' The former made music more accessible and widespread, and the latter elevated the levels of cashflow into the industry.

However, the share of these boosted profits that musicians receive has seen a decline. Distributors and publishers are enjoying excessive and long-lasting returns for a one-time and unsophisticated task. The issue of digital copyright piracy still remains unresolved. Fans hope to see the musicians they love happy, but do not have any role to fill other than consuming digital music that is packaged by the distributors and publishers.

Muzika is gearing up to overturn the depressing reality of today's digital music market. From A to Z, we will transform the digital music industry and re-define the roles of the market players involved, including consumers and musicians. The Muzika Coin (MZK) will serve as the sole medium for all the transactions and exchanges necessary within the new ecosystem, sparking a paradigm shift in the digital music industry.

We invite you to join the revolution.



Market Overview: The Digital Transformation

Here we briefly introduce how the music industry has evolved over the past two decades, and how the issues behind Muzika's inception developed.

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Tangible
albums

From physical to digital
→
Digital transformation



Intangible files

The story of the recorded music industry over the past two decades is one of transformation: from physical to digital; downloads to streaming; ownership to access. The transformation has brought about more variety in terms of services, and increased accessibility to consumers. Today, we can listen to music via streaming services without directly owning or downloading digital music files.

Digital music is currently the key driver of growth in the music industry as a whole, as it accounted for 50% of global revenue and 81% of the US music market in 2016.

Snapshot of global music industry in 2016

5.9%

Global recorded music
market growth

17.7%

Global digital music revenue
growth rate

50%

Digital music share of global
revenue

60.4%

Global streaming music
market growth

112M

Users of paid streaming
subscription

59%

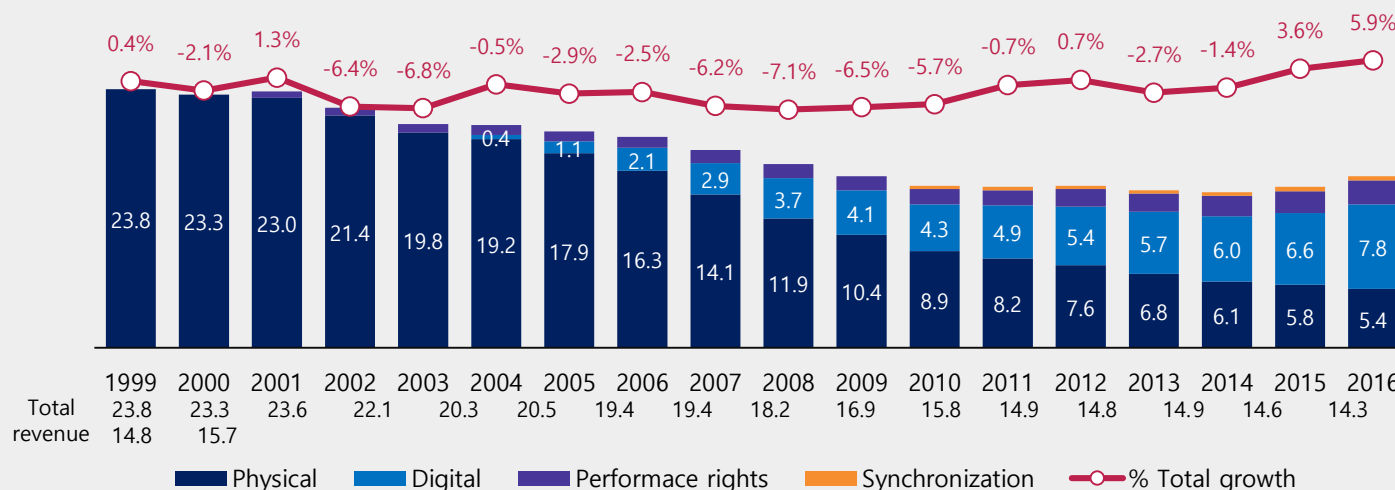
Streaming music share of
global digital music



Revenue Trends in the Music Industry

Global recorded music industry revenues from 1999 to 2016

(Unit: USD bn)



In the past few years, the global recorded music industry has seen a return to modest growth after having experienced more than a decade of significant decline. In 2016, global music revenues totaled USD 15.7 billion and increased by 5.9% YoY, improving on the previous year's 3.6% increase, and marking the largest growth in the industry since IFPI began tracking revenue in 1997. This growth, however, should be viewed in the context of the industry having lost nearly 40% of its revenues in the preceding 15 years, from 1999 to 2014.

Despite more than a decade of market decline, record companies have continued to invest heavily in digital music, building applications and infrastructure for licensed digital music services. Thanks to these efforts, digital music has been a growth engine for the past 12 years, expanding at a CAGR of 28.1% from 2004 to 2016.



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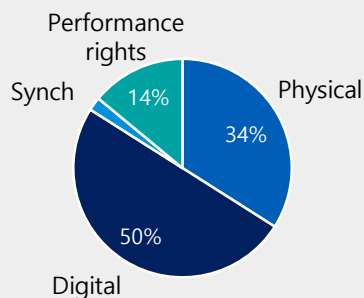
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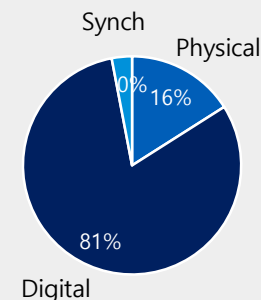
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Vivace Molto: Transforming From Physical to Digital

Global music revenues by segment, 2016



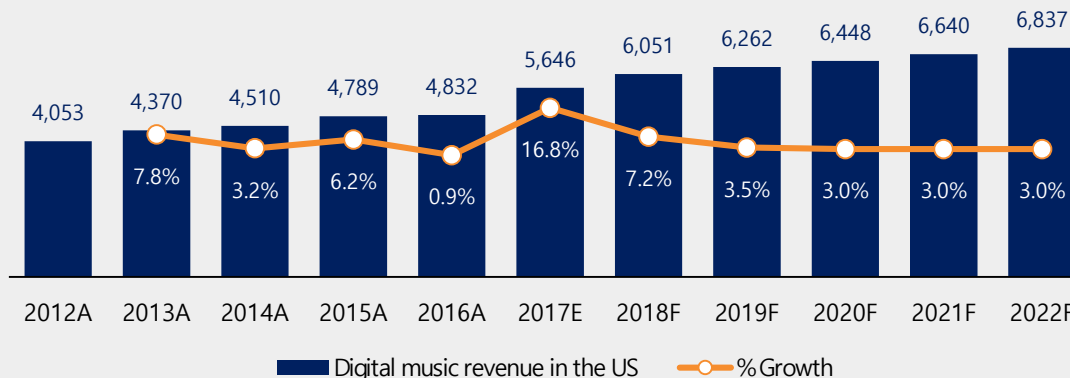
US music revenues by segment, 2016



Digital music accounted for 50% of total global recorded music revenues in 2016. In the US, the world's largest music market, digital music revenue accounted for 81% of the industry total, and is expected to grow at a CAGR of 6.0% from USD 4,832 million in 2016 to USD 6,837 million by 2022.

US digital music revenues

(Unit: USD mn)





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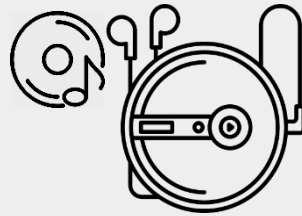
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The Early 2000s: The Inception of P2P Music Sharing

1990s – CD Players



- Playing time: about 80mins
- Number of songs: 15 to 20 songs

Vs.

2000s – MP3 Players



- Playing time: about 109,000mins
- Number of songs: 31,000 songs for 128GB model

Music was first digitized in the form of the MP3, an audio file format typically compressed to only 3 to 4 megabytes per song on average. This innovation rendered all other previous mediums of music, such as CDs and cassettes, obsolete and transformed the industry via the enabling of digital distribution. This had both positive and negative effects for musicians. On one hand, they were now able to release and distribute new music across the world at will. On the other hand, pervasive copyright piracy leading to a consequent decrease in music sales, and distributors' exorbitant commissions, combined to reduce musicians' personal profits.

Napster, a file sharing peer-to-peer (P2P) service engineered by Shawn Fanning and Sean Parker, led this revolutionary transformation. For the first time people could share digital audio files online, and the service quickly gained popularity among American college students. At its peak in 2001 it had around 80 million registered users.



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Napster and Apple: Early Pioneers of Downloadable Music

Although most users had no qualms about sharing their files, most musicians and music executives were livid at the rampant piracy implicitly condoned by Napster. Although Fanning and Parker purported to be strongly opposed to the illegal downloading and sharing of music, there was no doubt that the majority of its users were using the service to obtain free music downloads. Finally, in 2000, the Recording Industry Association of America filed a lawsuit against Napster for breach of copyright law, and Napster was forced to shut down its service in 2001 after a short legal battle.

The demise of Napster, however, could not stop the growing trend towards online music sharing, and P2P music sharing continues to this day to be an extremely popular means of acquiring music files. Apple capitalized on this popularity in 2001 when it launched the first version of its 'iTunes' software, which offered encoded versions of CDs, and allowed users to easily manage their music libraries as well as transfer files to their MP3 players. The iTunes Store was particularly innovative. It was an online music library for an ethical young generation who could legally download music files to be saved and played on Apple's flagship MP3 player, the ¹⁾'iPod'. The iPod and iTunes immediately became the dominant players in the digital music market.

Shift of power in digital music – From Napster to Apple



Steve Jobs introducing Apple's first iPod₁₎



Commercial for the 1st generation iPod₂₎

1) Image source: <https://www.extremetech.com/electronics/196055-the-apple-ipod-antitrust-lawsuit-did-apple-play-fair-with-its-fairplay-drm>

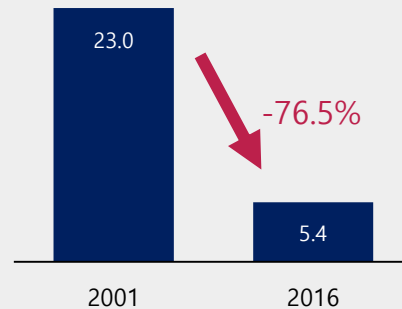
2) Image source <https://www.hardwarezone.com.sg/tech-news-apple-unveiled-ipod-16-years-ago-today-and-it-changed-everything>



Music Downloads Peaked in 2012

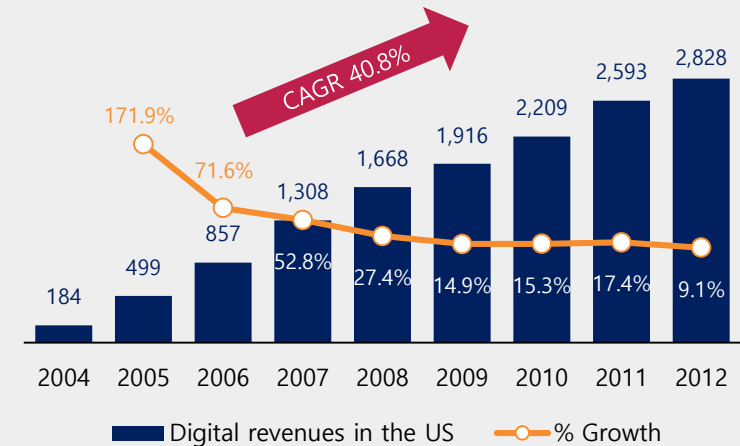
Decline of global physical music revenues

(Unit: USD mn)



Revenue trends of US music downloads

(Unit: USD mn)



Through the iTunes Store, users were able to download music at a reasonable price - USD 0.99 per song - which made iTunes a viable business model. It was both affordable for the consumer and profitable for both Apple and the musicians, whose music was being pirated with much less frequency thanks to this service.

Since the explosion in 2001 of music downloads through P2P sharing software, revenue generated by global physical music sales has decreased precipitously, from USD 23.0 million in 2001 to USD 5.4 million in 2016—a loss of 76.5% of revenue in just 16 years. On the other hand, digital music downloads in the US rallied from 2004 until peaking in 2012, at a CAGR of 40.8%.

The 2000s was the prime era of music downloads, and musicians recouped some of their share of these revenues. However, another series of IT transformations, the inception of music streaming platforms and smartphones, soon faced the digital music industry with a new challenge.

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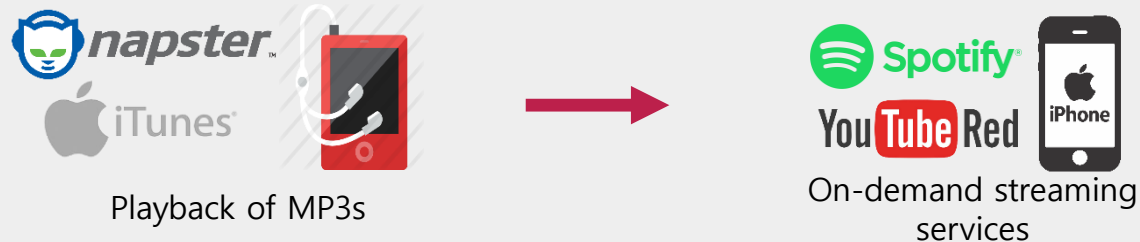
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The Sway of Melody: From Downloads to Streaming

Smartphones – A game changer in digital music



By 2010, Apple's global popularity had begun to be usurped by the introduction of music streaming services. Streaming platforms were able to find a niche market for those who were eager to find new music and artists without having to first purchase a song before listening to it. Streaming platforms, including Last.fm, Pandora, and others have gained massive popularity ever since.

Streaming music made it possible for consumers to listen to songs in real time, instead of downloading and storing a file to a player. In addition, through the use of algorithms, the platforms are able to provide personalized services based on consumers' listening habits. When a user indicates that they prefer a particular song or genre, these algorithms anticipate what else that user may like, and make suggestions automatically.

Just as the release of iTunes and the iPod changed the music industry, the release of the 'iPhone' in 2007 was another industry game-changer.



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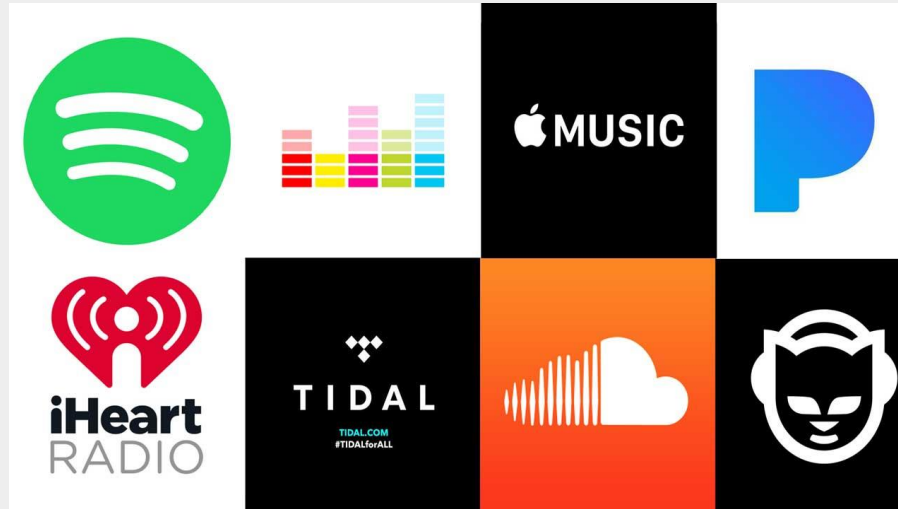
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Streaming Music: A New Engine of Growth

World's top streaming music service providers



From upper left to bottom right, Spotify/Deezer/Apple Music/Pandora/iHeartRadio/Tidal/SoundCloud/Napster¹⁾

With the advent of the smartphone, Spotify had found the perfect vehicle for on-demand music streaming, an app which now outperforms even Pandora, the original music streaming service. Other services have since scrambled to catch up and capitalize on the growing popularity of streaming. Apple Music also began to offer its own radio subscription option in 2015. Shortly afterwards, YouTube unveiled its own music app in 2016.



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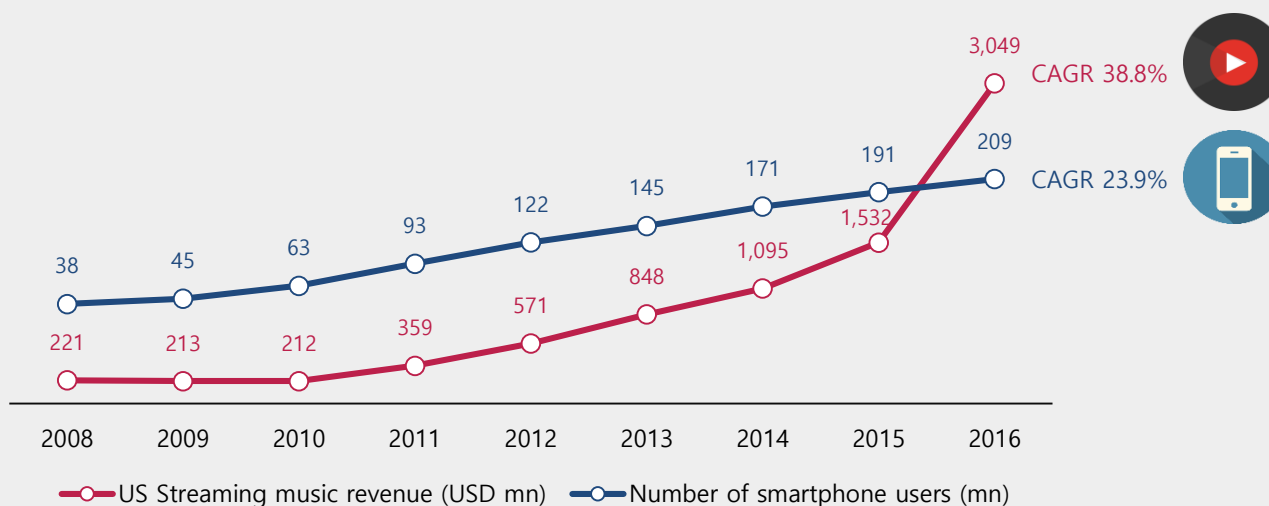
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Dynamic Growth Backed by Technological Blessing

Smartphone adoption by users Vs. streaming music revenue in the US

(Unit: USD mn, million)



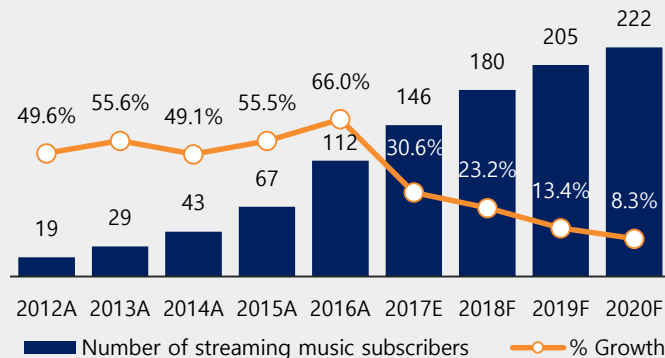
For the past nine years, the number of smartphone users grew from 38 million in 2008 to 209 million in 2016 at a CAGR of 23.9%, while total streaming music revenue increased from USD 221 million in 2008 to USD 3,049 million in 2016, at a CAGR of 38.8%. As smartphone adoption becomes increasingly saturated, it only seems likely that the popularity of streaming services will continue to increase.



Market Forecast: Streaming Domination

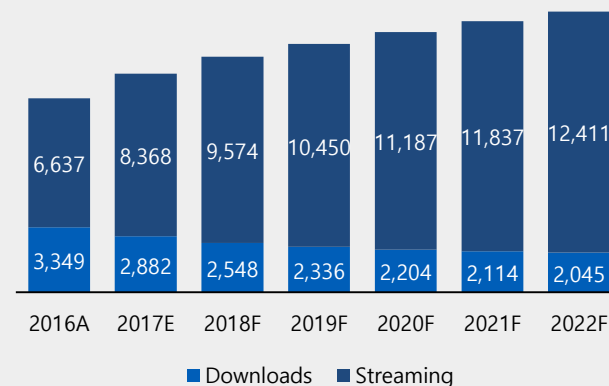
Global number of music stream subscribers

(Unit: mn)



Global downloads and streaming revenues

(Unit: USD mn)



In 2016, global digital revenues grew by 17.7% to USD 7.8 billion, and the proliferation of streaming has been the clear driver of this growth, with revenue surging by 60.4% in 2016. With more than 100 million users of paid subscriptions globally, streaming has passed a crucial milestone. It makes up the majority of digital revenue with 59% share of total digital revenues.

In the US, streaming music revenue exploded in 2016, rising by 76% to overtake digital sales of music for the first time in history, according to Nielson.

The number of global streaming music subscribers, as well as total global streaming revenue, are expected to nearly double between 2016 and 2021.

Issues

A black and white photograph of a musician playing a double bass on a stage. The musician is in the foreground, slightly to the right, wearing a dark shirt and pants. The background is dark with several bright spotlights creating a hazy, atmospheric effect. The musician's hands are visible on the instrument.

"Musicians say there is no money in streaming... The industry is suffering a slow death and it must change."

- Willard Ahdritz, CEO of Kobalt Music Group

The digital transformation of the music industry over the past twenty years has been enormously innovative yet challenging. Today, as fans have easier access to more music than ever before, the overwhelming quantity of available options makes streaming services even more beneficial. It seems logical to assume that musicians themselves would have more fruitful returns as the digital market continues to expand at a rapid rate, and capital continues to flow into the digital music industry.

In reality, however, the imbalance of the profit distribution structure, the existence of multiple middlemen, and outstanding issues of piracy continue to deny artists their fair share. They are receiving a historically low percentage of total revenue, typically from 10% to 20% of consumers' payments.

While platforms, major labels, distributors, and publishers may benefit from the digital transformation, artists are still not justly compensated for their creations. To sustain the growth in the digital music market, this chasm in terms of compensation between artist and middlemen should be filled.



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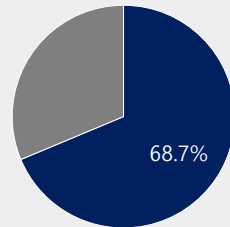
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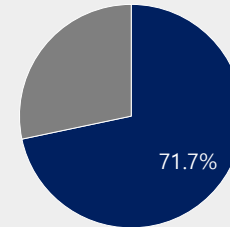
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The Tyranny of Industry Centralization

Global recorded market share by top 3 in 2016



Streaming music market share by top 3 in 2016



Three major record labels currently dominate the global music industry, holding 72% of the total market share. They have used their powerful positions to create an unfair market environment, and enforce contracts that are unfavorable to artists.

The music streaming industry's current revenue distribution model is disadvantageous to musicians, particularly independent and novice musicians. They are often forced to sign revenue sharing contracts with record labels and streaming platforms, and are bled of much of their share of the revenue to the benefit of intermediaries who possess centralized powers.



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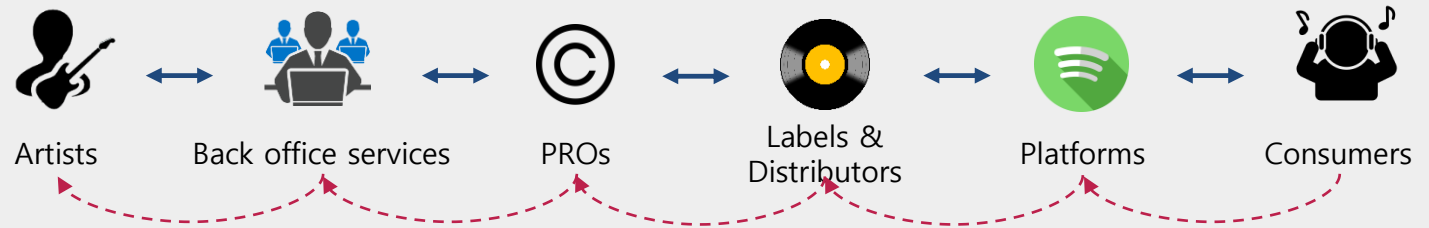
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The Injustice of Disproportionate Profits

Current royalty sharing structure of streaming music



On average, only about 10~20% of the total revenue remains for artists.

Multiple layers of middlemen, including streaming platforms, distributors, and publishers, all contribute to the construction of a revenue sharing structure that is unfavorable to artists. Many artists have raised their voices to point out that they see too little of the money generated by their works. The share of sales traditionally paid to record labels, publishers, managers, and intermediaries can go as high as 90%, leaving little for the artists who actually created the music. Ones not directly involved in the creative process, who often perform one-time and relatively unsophisticated tasks, are receiving even larger shares of profit than artistic creators themselves.

As imbalanced profit sharing has continued, some musicians have tried to seize control of the distribution framework through the exclusive release of albums via music streaming services. For example, musician Frank Ocean established his own label and released songs exclusively through Apple Music, increasing his share from 14% to 70% of total revenues. However, this is not a viable option for all musicians.



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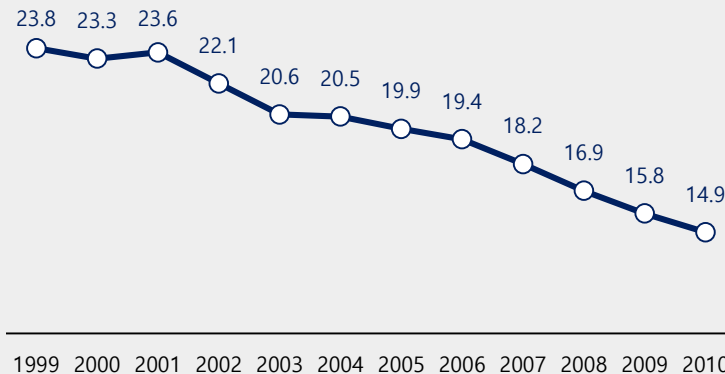
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Stream Ripping: The Music Piracy Landscape Today

"Music piracy is theft. It robs young and promising artists of the fruits of their creative endeavor."
- Shaggy, musician

Decreases in global music revenues due to piracy

(Unit: USD bn)



Global stream ripping

40%



Percent of users accessing unlicensed music in 2016

141.3%



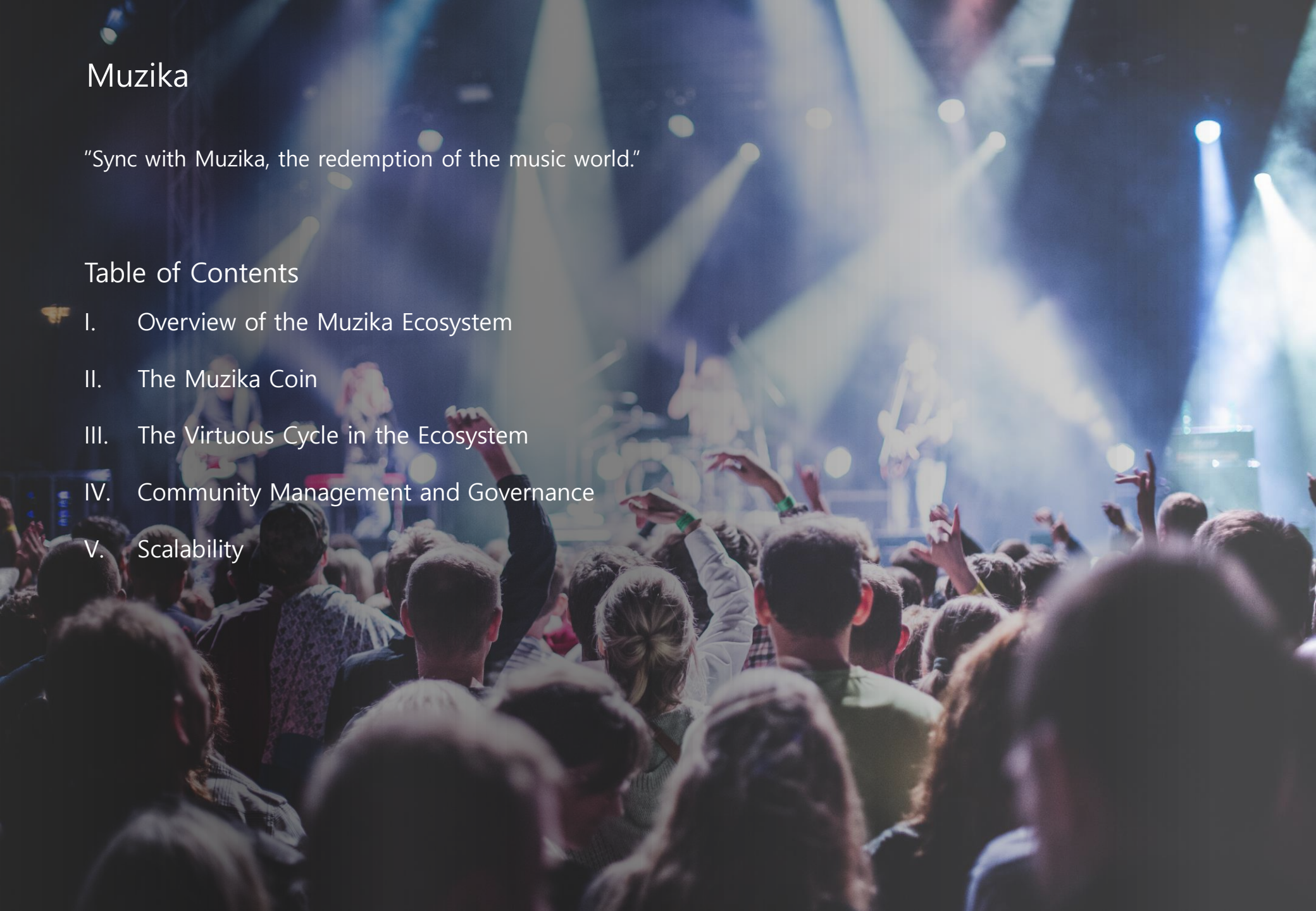
Growth of overall usage of stream-ripping sites from 2014 to 2016

Streaming has overtaken the download market, but forms of music piracy have become more diversified. Even today, music piracy remains one of the most serious threats to the digital music industry. It undermines the profitability of the licensed music business via many forms and channels: unlicensed streaming websites, peer-to-peer (P2P) file-sharing networks, stream ripping, and illicit mobile applications.

Most listeners of unlicensed music were found to have been using stream ripping in order to access pirated content. According to the IFPI, music piracy is still on the rise worldwide, with 40% of users accessing unlicensed music, up from 35% in 2016.

The music industry is still fighting an uphill battle against the continued piracy of music, attempting to tackle it in all of its forms.

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"Sync with Muzika, the redemption of the music world."

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I. Overview of the Muzika Ecosystem: Issues and Solutions

The summary of the issues facing the digital music world

- More money inflows into music while less money is outflowing to artists: More people are paying for music, and the music industry is seeing more cashflow, but a lower percentage is going to musicians as many realize only 10~20% of the sales of their music.
- A minority of players are taking a majority of the returns: Distributors and publishers are enjoying excessive and long-lasting returns for carrying out what is in many cases a one-time, unsophisticated task; they almost always realize more profit than musicians themselves.
- Outstanding issues of piracy: Rampant copyright issues remain unresolved. Digital piracy is a chronic issue in the music industry. Our conscience may not be at stake, but musicians are financially harmed as their miniscule returns from their creations shrink even further as a result of piracy.
- Listeners' very limited roles: The majority of fans and listeners are pigeonholed as 'consumers' as they do not and cannot take any steps forward to get involved in the creative process of a musical product. This is another reason why labels, distributors, and platforms have been able to continue to exploit excessive returns.

Solutions

We firmly believe that the solution lies in the establishment of a self-sustaining, symbiotic music community in order to move the current power structure towards decentralization. We will create a new digital music ecosystem that can autonomously achieve repeated cycles of production and distribution, and allow for the consumption of musical creations, as well as reform the digital music industry's income distribution hierarchy. Fortunately, Muzika is not starting from scratch. This ecosystem is built on the backs of our existing two million active users across 150 nations, who passionately exchange their own musical ideas, share performances, compose beautiful original pieces, compete in good faith, and trade various digital forms of music. Through years of experience, we have learned the precise way in which to build a community run by loyal and incentivized individuals.



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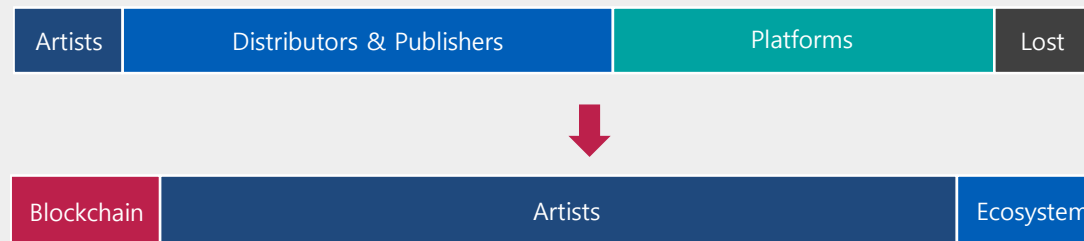
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I. Overview of the Muzika Ecosystem: What Muzika Will Do

Philosophy and mission of Muzika

- To create a self-sustaining, righteous digital music ecosystem that will provide a much needed update to the framework of today's digital music industry by (a) decentralizing distribution of power and (b) eliminating economic inequalities widespread in the industry
- To promise a future where economic compensation for a musical creation is directly proportional to the efforts and interests contributed by those involved in the creative process.
- To provide fans and listeners with opportunities to expand their roles in multiple stages of a musical product's lifecycle.

Reformation of the distribution structure in the Muzika ecosystem



The Muzika ecosystem will perform roles currently undertaken by all existing intermediaries (distributors, publishers, and platforms) and actualize a fair distribution structure where artists can be righteously compensated for their musical creations. Moreover, the Muzika ecosystem will enable fans, as consumers, to expand into all stages of a creation's lifecycle ranging from sponsorship, production, to consumption.



I. Overview of the Muzika Ecosystem: The Symbiotic Community

Snapshot of the Muzika Ecosystem, a self-sustaining and symbiotic music community

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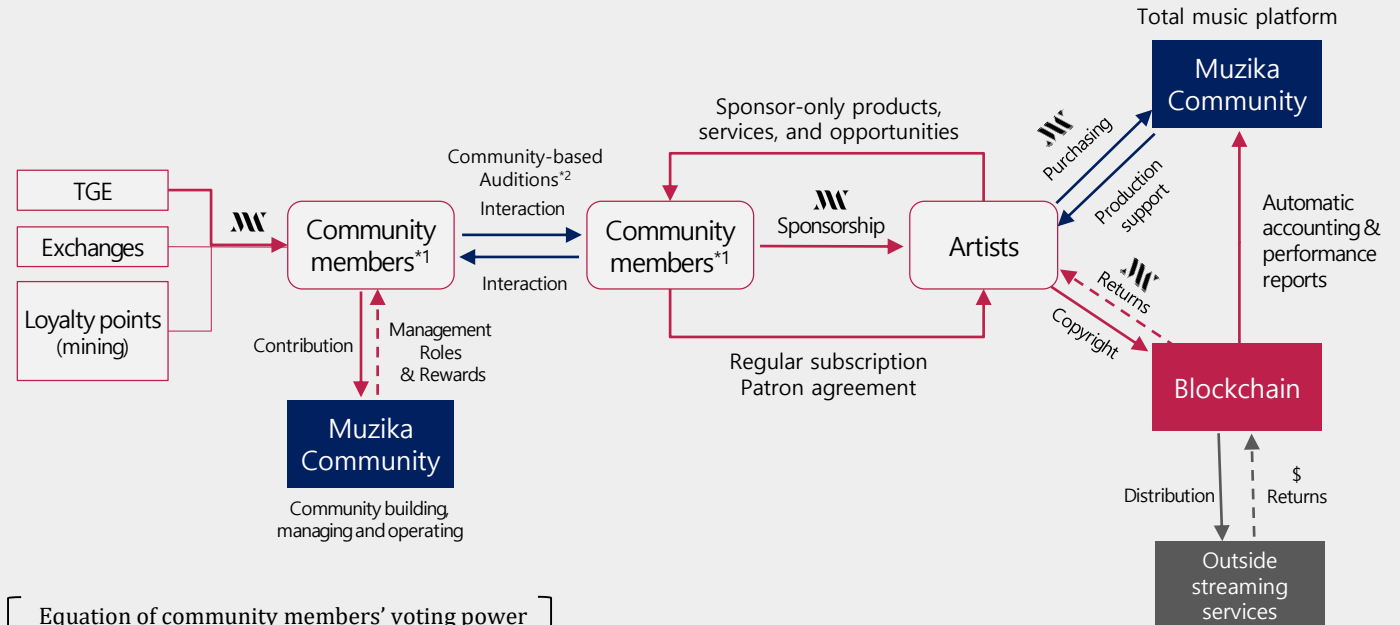
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$$\left[\begin{array}{l} \text{Equation of community members' voting power} \\ V = \sqrt{L * (1 + 0.1N)} * G_i \end{array} \right]$$

V = Voting power

L = Loyalty Level, absolutely scaled from 1 to 6 based on the activities rewarded with loyalty points. Renewed every month.

N = Number sponsorships the member has participated in

G_i = Genre Index.

Note: the amount of MZK holdings does not affect a member's voting power: MZK remains as utility token in all aspects of the community management. Voting power is determined by the contribution level in terms of community activities and participation.

*1) Community members include fans, listeners, and artists. Within the ecosystem they can invest in either artists or the Muzika community through the vehicle of the Muzika coin

*2) A community-based audition is a contest where obscure artists can participate as candidates to become eligible for funding, and listeners can cast votes



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II. The Muzika Coin: What it is

What is the Muzika coin?

The Muzika coin ("MZK") was deliberately designed to help in the achievement of our mission to create a new, sustainable ecosystem in a multitude of ways. Our team drew inspiration from the Steemit community, which has been able to successfully substantialize the mission outlined in their whitepaper. Steemit's community building model, along with our own proven model of building a vibrant music community of 2 million users, are some of the foundations of our ecosystem.

4 major functions of MZK

MZK will be the sole medium of exchange for all economic activity within the Muzika ecosystem, acting as the medium for community building, sponsorship, purchasing commercial items, and community programs aside from a few free services targeted at community novices.



Community building: In order to be truly self-sustaining, the Muzika ecosystem will contain all of the necessary functions and activities. These range from creative brainstorming, exchange of feedback, and more.



Means of transaction for commercial items and services: Streaming services, a sheet music marketplace, musical instruments, recording services and much more will all be available through Muzika.



Sponsorships opportunities: Users may sponsor artists and become their patrons in various ways including regular subscriptions. As patrons, users can enjoy exclusive & sponsor-only products, services, and opportunities to be involved in the creative process of a musical product.



Community programs: Community programs and events such as auditions, contests, live-streaming events, and other such activities driven by member involvement will be a focal point of Muzika.



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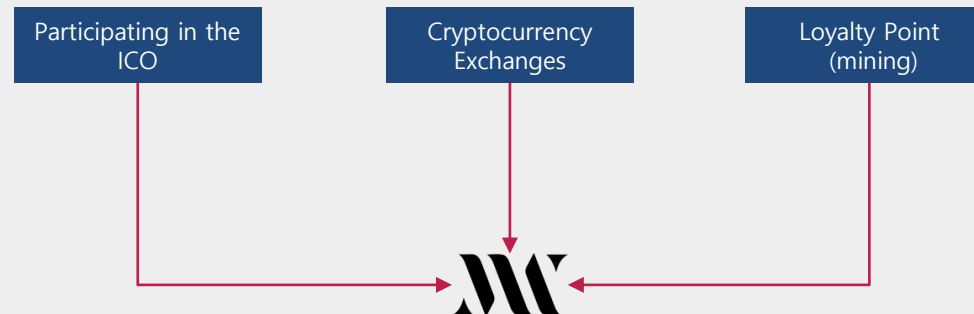
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II. The Muzika Coin: How it is obtained

How MZK is obtained

Participation in an ICO and purchases via cryptocurrency exchanges will be the primary avenues to obtain MZK. However, we acknowledge that many of our community members, especially teenagers, may not have adequate legal authority or be in the appropriate financial position to make use of these primary sources. True decentralization of power in the music industry cannot be achieved without the participation of millions, if not billions, of teenage fans and artists around the world. Thus, we have decided to provide them with opportunities to 'mine' MZK through active, loyal participation in the community.

3 sources to obtain MZK



Sole medium of exchanges for all economic activity within the Muzika ecosystem



II. The Muzika Coin: Loyalty Point

Details of the loyalty point

As suggested before, our pre-existing community of two million active users has successfully implemented a loyalty program over an extended period. A program of a similar nature will be applied within the Muzika community.

Key items	Loyalty points*	Conversion ratio and date
Attendance checks	+10 points	Every month, loyal participants with enough credits will be given a chance to convert their loyalty points into MZK. The conversion ratio will be calculated and announced three days prior to the exchange date (depending on the price of MZK on crypto exchanges).
Uploading digital files (MP3, WAV, sheet music, etc.)	+50 points	
Video upload	+20 points	
Comments (Points vary* ¹)	+1~50 points	
Upvotes (Points vary* ²)	+1~50 points	
Reporting illegal / inappropriate posts	+1~100 points	
Reporting copyright infringement	+1~100 points	
Downloading an open source music file	-100 points	
Streaming an open source music file	-1 points	
N th Violation of the community rules	-n x 50 points	

*Loyalty points: The given points in the table are as an example: in real practice, the points will be a relative value – relative in terms of its exchange rate to MZK, each action's fluctuating influence within the ecosystem, etc. – rather than an absolute number

*1) Points vary from 1 to 50 points for comments, depending on the influence of the commenter

*2) Points vary from 1 to 50 points for upvotes, depending on the influence of the voter



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II. The Muzika Coin: Loyalty Point

Details of the Loyalty Point

Instead of running nodes and creating blocks to be rewarded as in many blockchain protocols, community users can be rewarded by contributing their time, knowledge, and labor to invigorate the Muzika ecosystem.

Loyalty point(LP) is a temporary, non-tradable, and non-monetary account that certifies such contribution to the community. Instead of directly distributing MZKs, we will provide LPs to community members and regularly convert LPs into MZKs.



Two primary reasons behind the Loyalty Point system

First, cumulative loyalty points will enhance a member's voting power within the community. Members' influence and voting power are decided by the amount of time, knowledge, and labor contributed to the community, but **not by the amount of MZKs they have purchased through exchanges**. This enables MZK to strictly remain as a utility token. MZK holdings itself will not affect a member's voting power.



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II. The Muzika Coin: Loyalty Point



Second, each member's relative contribution to the community cannot be measured instantly and at the moment. Every member shall have the right to make contributions within a set period of time, so that their work can be evaluated cumulatively and converted to MZKs. Loyalty Points will be accumulated for three months. Those that are exchanged for MZK will not be deducted from the accumulated score. For example, when a member turns 1,500 LP into MZK, his wallet will carry 0 LPs, but 1,500 LPs will still be the basis for his voting power. Accordingly, voting power will be adjusted every three months.



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II. The Muzika Coin: Details of the Conversion Ratio

How the conversion ratio will be determined

LPs will be measured as a rate to USD. We expect the initial LP : USD ratio to be approximately 300 : 1.

The ratio is subject to change based on a monthly review within the community.



The LP-to-USD ratio will be reviewed and modified monthly. A regular conference will be held each month to determine an adequate conversion ratio, which will be voted on by the entire community. When a majority vote is passed, a new LP to USD ratio will be announced and then applied to the next month.

LP will be exchanged into MZK with regards to the USD to LP ratio. For example, if 300LP is valued 1 USD and MZK is presenting trading at 5 USD in the market, then 1,500LP will be convertible into 1 MZK.

In order to prevent price manipulation, the fifteen (15) day average of the MZK will be used to calculate the MZK to USD ratio for LP to MZK conversion. To prevent community and market disturbance, MZK converted from LP will be distributed three (3) working days after the conversion date.

MZK to USD ratio for conversion may be adjusted depending on the proportion of converted MZKs to total circulating MZKs in the community, excluding those held in treasury in the community deposit for builders. By way of example, with every additional x % of proportion, the conversion rate can be adjusted by 2x percent. In the example in 3 above, if converted MZK accounts for 1% of the total circulating supply of MZK, 1,500 * (101%) LP, which is 1,515 LPs, will be required for conversion.



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II. The Muzika Coin: Purchasing Commercial Items

Commercial items

All transactions of commercial items will be made with MZK. Commercial items include:

- Music streaming service
- Digital music file downloading service
- Producing equipment
- Rental services
- Recording services
- And all other products and services for consumption and production of music

Muzika Player, a built-in streaming service of the Muzika Ecosystem



'Muzika Player', a built-in streaming service similar to Spotify and Pandora, will be operated within the Muzika ecosystem. Songs and albums registered in the Muzika blockchain will be available both for streaming and downloads in the Muzika Player. In other words, community members will no longer need to look for outside platforms to stream their music. This will ensure Muzika's role as a comprehensive platform for seamless production, distribution, and consumption of music.



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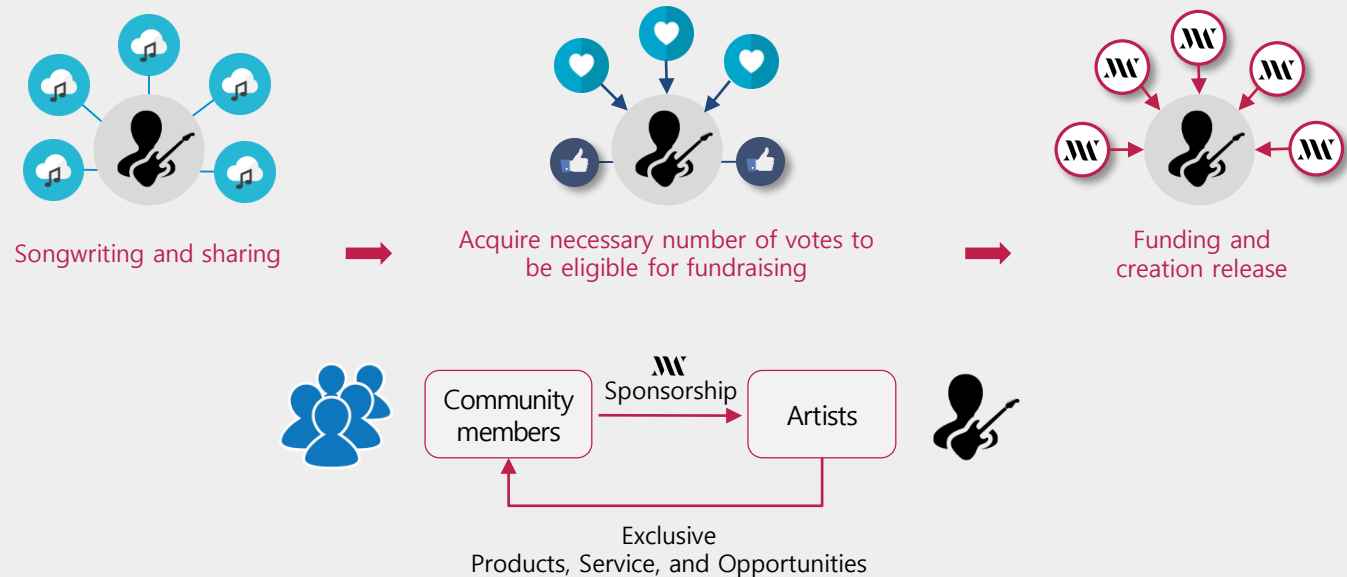
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III. The Virtuous Cycle in the Ecosystem: Sponsorship Opportunities

How artists and fans interact with each other

Within the new ecosystem, musicians are accompanied by fans, listeners, and fellow artists beginning with the initial stage of musical creation. First, artists share their demo tapes and/or video clips, or new compositional ideas with the community members. Next, fundraising gets started when their posts receive enough votes and pass a number of copyright deliberation processes. Community members will sponsor and provide MZK to their chosen artists and become their patrons, backed up by the Muzika blockchain.

Muzika will promote the sponsorship opportunities and production process by serving as a non-profit, commission-free platform among artists and fans.





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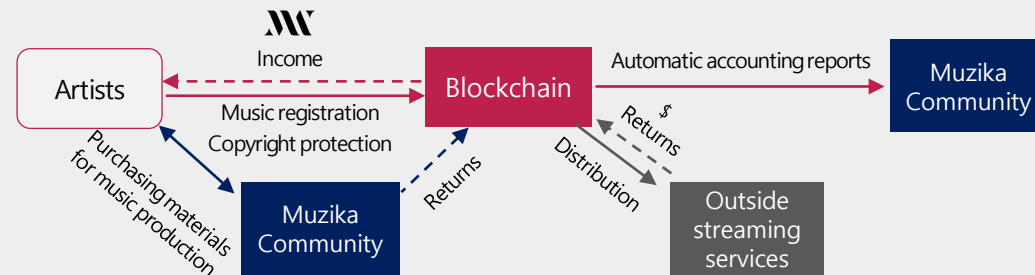
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III. The Virtuous Cycle in the Ecosystem: Blockchain Technology

Functionality of Muzika's blockchain technology in the Muzika Ecosystem

At the end of creation process, the community will enter song and album data into a blockchain account. The account will hold all copyright information including the artist's digital signature, and get attached to the blockchain entry to provide verification of the intellectual property rights. If necessary, we would like to benchmark the intellectual property protection mechanism designed by Copytrack, building upon their copyright protection technologies to better fit music copyright.

Every digital utilization of a given song that generates revenue, including streaming for individual and commercial uses, downloading, and sharing will be automatically recorded in the blockchain-registered account. Every month and quarter, the musician's financial performance will be published in the form of regular accounting reports to the community members.



The community-owned blockchain will also function as a distribution center. Thus, under the umbrella of the Muzika ecosystem, control of distribution is not centralized to a few capital giants with guaranteed economic rents, but instead is decentralized among the participating individuals. Songs, albums, and other byproducts will be distributed to the community and outside streaming platforms. Payments as compensation for downloads or streaming services will be available in MZK.



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III. The Virtuous Cycle in the Ecosystem: Repeating Itself

The virtuous cycle that gives birth to Muzika's symbiotic ecosystem

The virtuous cycle repeats itself. Economic gains will be distributed in a balanced way; proportionally to the level of devotion and contribution put forth by artists and community members. Artists will be fully credited for their creations and performances, except for a small portion that is designated for funding the continuous development of the underlying blockchain technology and self-sustained proliferation of the community. Fans and listeners who became patrons of their favorite artists will be rewarded with sponsor-exclusive products, services, and numerous opportunities to be involved in the creation process of music.



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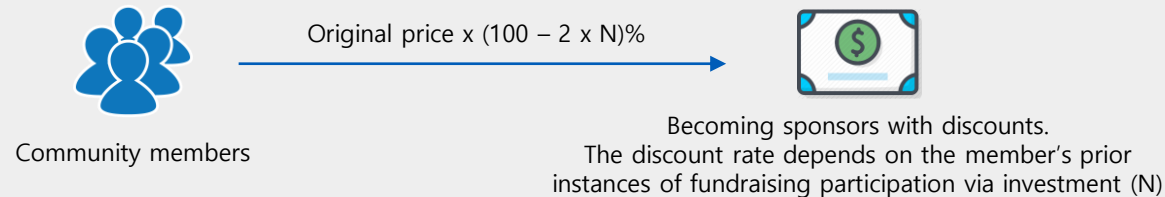
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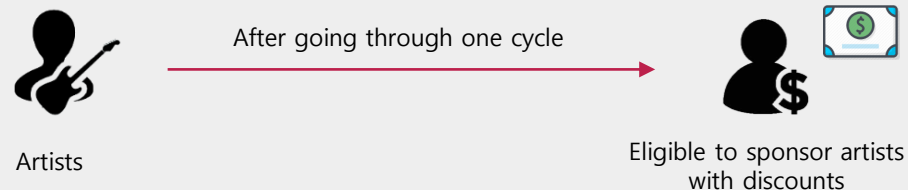
III. The Virtuous Cycle in the Ecosystem: Other Benefits

Community members may decide to provide additional benefits for active sponsors

To enhance community sustainability, community members may devise incentive mechanisms to promote continued sponsorship participation. As an example, members may reach a consensus to provide community-wide discounts on additional patron agreements: *'For N^{th} participation in fundraising, fans will be given the option to become patrons at $(100 - 2 \times N)\%$ of the original amount, $N=5$ being the maximum allowed. The difference in the amount members sponsor and the amount artists receive may be provided by the community subsidy, ensuring that artists continue to receive consistent funding in MZK for the development of their creations.'*



In the same context, community members may decide to incentivize artists to become sponsors themselves: *'Artists who have successfully gone through more than one production cycle will be eligible to be sponsors, or patrons of artists themselves, with opportunities to make sponsorships at discounted prices.'*





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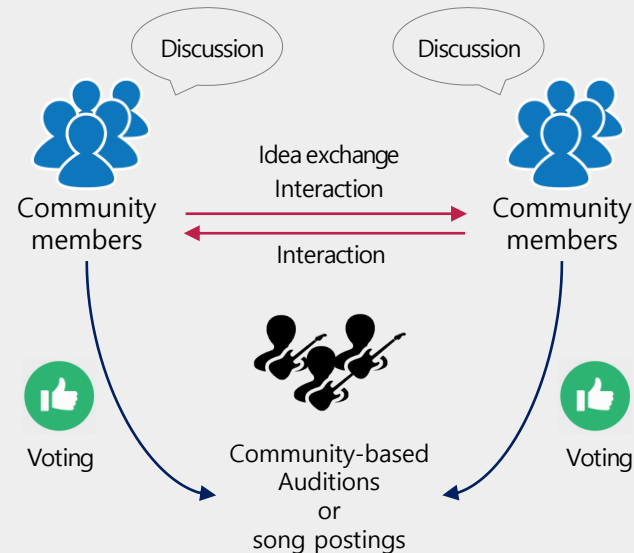
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IV. Community Management and Governance: Interactions

Interactions among community members



Voting power distribution method and management

Decentralization of power does not necessitate that everyone, regardless of their contribution and effort levels, should possess equal influence over community decision-making. We believe that a community member's voice should be directly related to his or her level of devotion. Voting power, which will be used for making recommendations with respect to posts and community-based audition programs, will be calculated by the following equation:

$$V = \text{Voting power} \quad \left[V = \sqrt{L * (1 + 0.1N)} * G_i \right]$$

L = Loyalty Level, absolutely scaled from 1 to 6 based on the activities rewarded with loyalty points. Renewed every month.

N = Number of fundraisings the member has participated in

G_i = Genre Index. Every member can choose up to three top genres. ($G_1=1.3$, $G_2=1.15$, $G_3=1$, and G_i for other genres will be given 0.85.)

The MZK holdings itself will not affect the voting power, as mentioned previously. This enables MZK to strictly remain as a utility token.



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V. Technology Update (2018.07)

Smart Contract

For now, the team has developed smart contract for sheet music and sound source transaction with Muzika Token to take a grasp of how long it will take to implement all the services in the blockchain.

We built a program based on Electron and Angular (both for Windows and Mac) where artists can login with their Ethereum wallets and upload their sheet music/sound sources. The program creates smart contract with information provided by the artists.

We have also built a logic where users can login to Muzika website using Metamask (Ethereal wallet chrome extension) and purchase digital music products from artists by smart contracts. We are working on the UI/UX, but source code for key logics is open to public at Github.

In this process, we noticed that there exists a clear limitation in using Ethereum in terms of gas consumption and tps. We believe that comprehensive smart contract platforms like Ethereum will reach physical limits, because maintaining the network will get harder and harder as blocks continue to stack up – It would be inadequate to put smart contracts for all the industries into one blockchain platform.



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V. Technology Update (2018.07)

Why Smart Contract? Why Blockchain?

We often get a question that any well-established blockchain projects must be ready to answer : "Are Blockchain and Smart Contract must-have for your project?" Here we suggest one example of why the technology is essential for the Muzika ecosystem.

Community members receive Loyalty Points(LPs) as compensation for their activities and contribution to the Muzika platform, and LPs are regularly converted into MZKs.

Thus we need to build a logic to change users' LPs to MZKs. Smart contract is an effective means to ensure a transparent and systematic conversion. For its implementation, we need to handle both LP and MZK in same blockchain network, including records of community activities (contribution) for LP compensation. This will ensure transparency and prevent any possibilities of LP manipulation.

When a transaction occurs in the Muzika platform, we will take a portion of MZKs as service fee for community maintenance including LP to MZK conversion. We will build a logic that can automate periodic distribution of the collected MZKs to users based on their LP holdings.

If we do not use blockchain for this process, we need to utilize the database on AWS cloud server or our MZK token wallet to manage MZKs (those collected as service fee) and LPs. However, this poses the following two problems:



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V. Technology Update (2018.07)

Why Smart Contract? Why Blockchain?

1) LP holdings manipulation: if our database is hacked or abused by an internal developer, information on LP holdings can be manipulated. Such possibility may lead to distrust among community members on overall management of LPs and MZKs.

2) Lack of transparency in the distribution logic : if service fee is collected in the developer's wallet, distribution logic is operated solely by the developer's computer. In this case, even if the logic itself is open to the public, there is no guarantee that the logic actually runs as coded.

We do not have to worry about these problems if we use smart contract. We can store MZKs (collected as service fees) in the smart contract, build a MZK distribution logic, and periodically send out MZKs to users based on their LP quantities.

Public Chain and Private Chain

However, not all the information can be managed on the public chain. For example, when artists upload their music sheet or sound source files on the Muzika platform, those files are encoded and stored on IPFS (Public decentralized storage). When listeners purchase those items, secret keys are given to the buyers by smart contract. In this case, we cannot manage those secret keys on the public blockchain, because it will make 'secret keys' public. Thus our blockchain will be a consortium chain where both private and public blockchains are utilized.

Most of the information will be managed publicly with smart contracts, except for encoded files (uploaded on IPFS) and secret keys (managed on a private blockchain). We may designate a few authorized nodes for operation of the private blockchain.



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VI. Scalability: Music & Beyond

Applicability of the Muzika ecosystem beyond the music industry

Our philosophy and community principles may be applied to all different 'digitalized' forms of creative works. This includes films, videos, images, photographs, works of literature, cartoons, etc.. We can either build additional ecosystems ourselves, or collaborate with other existing ecosystems that recognize the importance of decentralization and the existence of a self-sustaining creative cycle for the various art forms.



Expanding into other industries where excessive numbers of intermediaries and centralization of control generates issues and distorts systems

MZK will be available for exchange with the currencies used in other ecosystems. It will serve as one of the key utility tokens for a number of creative blockchain-based ecosystems, thereby allowing individuals all around the world to become more multidisciplinary, filling chasm that exist between different disciplines.



Together, the coalition of different blockchain-based ecosystems will resolve the imbalances created by excessive centralization of powers, bringing about a paradigm shift in the digital creative industry as a whole.

Team Muzika



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- I. The Team Behind Muzika
- II. A Head Start in the Digital Music Hub
- III. About the Team
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- V. Roadmap



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I. The Team Behind Muzika: MAPIACOMPANY

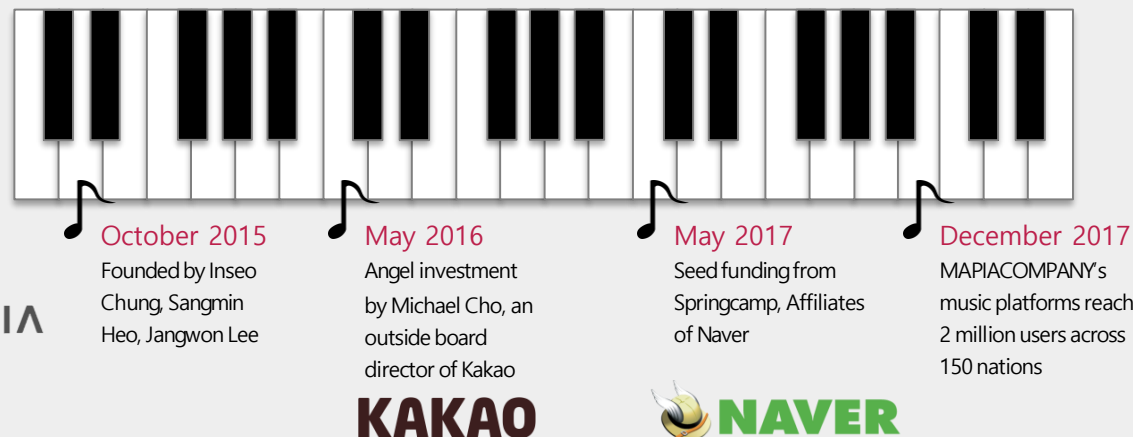
Brief history of MAPIACOMPANY

Founders of MAPIACOMPANY are some of the youngest founders in Korean startup history to attract sizable funding from venture capital with the CEO being 20 and founders' average age 22.3, especially in affiliation with the two tech giants in Korea, Naver and Kakao. After receiving angel funding from Michael Cho, an outside board director of Kakao Corporation in 2016, Mapiacompany has raised seed funding from Naver-affiliated venture capital Springcamp in 2017. Mapiacompany is also the recipient of the TIPS Program (Tech Incubator Program for Startup), a Korean Government Fund supporting startups with technological superiority and specialty.

The founders are CEO Chung, a former pianist and high school dropout who founded his own company, CTO Heo, a prodigy developer, deep-learning expert, and leader of a top-notch tech team, and COO Lee, a professional pianist and business administration major who was the top graduate of both the most prestigious high school and the top-ranked university in the nation and has founded multiple organizations and startups. They are among the youngest in the blockchain industry nationally and internationally with an average age in line with that of Vitalik Buterin, now 24, when he founded Ethereum at the age of 21.



MAPIA





I. The Team Behind Muzika: MAPIACOMPANY's Today and Future

MAPIACOMPANY at a Glance

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A Global Online Music Platform

2 million users over 150 countries

From Muzika's genesis throughout its global evolution, our vision of becoming the game changer in a crooked industry remains eternal. Our next monumental step is to change everything – from how music is invested and produced to how music is shared and consumed – and bring the entire music industry to the next paradigm.

We have a global head-start – 2,000,000 users and musicians from 150 nations and our experienced team of global music/technology prodigies and gurus speak for themselves. Through a fully functioning dynamism and a self-reliant ecosystem that is Muzika, we will shake the fundamentals of every existing agent of the music industry, and usurp the thrones of the billion-dollar moguls.



NAVER

sprincamp



KAKAO





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II. A Head Start in the Digital Music Hub

Percentage of streaming music subscribers by nation

41%



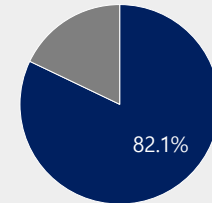
20%



7%



Percentage of digital music listeners



Our tech team is blessed to be based in South Korea, an IT powerhouse equipped with the leading edge in digital technology. The Korean music market is the 10th largest in the world by revenue.

More importantly, the Korean music industry has increasingly embraced paid streaming services as the go-to mode of music content delivery compared to all other nations. According to the IFPI, 41% of internet users in Korea had an active subscription to a paid music streaming service as of the end of 2016, the highest proportion among the 13 countries surveyed, surpassing 20% in the U.S. and 7% in Japan.

According to the Korea Creative Content Agency (KCCA), the country has popular streaming providers such as Melon Music, Naver Music, and Bugs Music, showing a domestic digital-to-physical music listening ratio of 82.1% to 17.9% in 2016.

By starting in Korea, which has great upside potential in the music industry thanks to the popularity of K-Pop and streaming services, we have seized this advantageous position, placing us at the starting point of a massive leap forward for the global music industry.



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III. About the Team: The Founders



Inseo Chung

Chief Executive Officer and Co-Founder

A once aspiring pianist and a 2nd place winner of the National Student Music Competition, Inseo Chung changed his course of life when he found his zeal to be more towards business. After dropping out of high school, he decided against going to college, and instead went on to become an entrepreneur, building an e-commerce startup and a prominent social media marketing agency.

Mapiacompany is his third venture and an epitome of his experience as both a young but seasoned entrepreneur and a once-aspirant musician. He came across the blockchain in 2015 and studied various aspects of its business applications since, while directly taking part in the industry as one of the earlier miners of Ethereum.



Sangmin Heo

Chief Technical Officer and Co-Founder

A prodigy programmer and developer who built his web game and earned a small fortune at the age of 15. A winner of multiple awards including the Korean Olympiad in Informatics(2nd), Korea Intel Science Engineering Fair(1st). A national candidate for Intel Science Fair International Competition Software Division. An academically recognized researcher of the 28th HCLT Esteemed Research Paper for research on Deep Learning and Natural Language Processing. The sole developer and owner of the famous Korean college-based social media 'The Bamboo Network'. A young expert in both deep learning and blockchain, he is the mind and the leader of the top-notch tech team of eight. Alumni of Hanyang University, computer science major.



Jangwon Lee

Chief Operating Officer and Co-Founder

The top graduate of the most prestigious high school and university of the nation, Daewon Foreign Language High School and Seoul National University(business administration major), and a winner of multiple awards spanning diverse areas of academia from language studies to economics and business administration to art management. Besides his illustrious educational background, he is also a fluent speaker of English, Chinese, and Korean, a professional pianist, and an experienced leader in business development. He founded Piano Group The Serendipity, a professional piano group well-known in Korea for piano duets, co-founded YouthGlobe Korea, the Korean division of the international NGO YouthGlobe which aims to enhance educational conditions in Burundi, co-founded Shadal Inc., the largest college-based food delivery mobile application in Korea, and co-founded Mapiacompany – all during his college years.

He has built substantial key network across some of the most brilliant young minds of blockchain, technology and the finance industry. He oversees Mapiacompany's financials, business operation, relations, and global strategy.



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III. About the Team: The Lead



Jihyun Kim

Lead Blockchain Developer

A Graduate of Gyeonggi Science High School for the gifted and majoring in computer science at Seoul National University, Jihyun is a full-stack prodigy developer with expertise in Systemic Programming, FOSS(Free and Open Source Software), Rust Compiler, Parallel Computing, GPGPU Programming, and many more areas in his vast spectrum of Github projects, both blockchain-related and otherwise. He is also a top-tier expert in Dev-Ops and Server Administration, and has experience in handling server environments of 10,000,000 Daily Active Users and 50,000 ConCurrent Users. He is a strong advocate in the blockchain technology for its capacity to transform the world and for its technological 'fun'.



Jungwoo Lee

Lead Blockchain Architect

The top graduate of Korean Minjok Leadership Academy, Jungwoo is an enthusiastic investor and researcher with a strong background in finance and accounting. He is finishing up the last semester of his undergraduate studies at Seoul National University, majoring in business administration and technology management. His expertise ranges from investment, NGOs, to international relations. He served as a youth representative of Republic of Korea at Russia G20 Summit in Saint Petersburg, and co-founded YouthGlobe Korea, the Korean division of the international NGO YouthGlobe. Now he works as the vice president of Seoul National University value investing club (SNUVALUE). He is expanding his knowledge in technologies with a double major in engineering and relevant experiences, including the factory improvement project in Kia Motors Slovakia and a development project for Smart Air Purifier.



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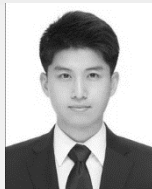
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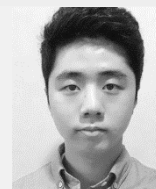
III. About the Team



Yeji Chung
Head of Music
Management



Seongheon Cho
Head of Compliance



Jaechan Ahn
Senior Software
Developer



Seungwon Kang
Senior Software
Developer



Chaehong Jeong
Senior Blockchain
Developer



Minkyung Lee
Brand Designer



Sukyung Na
Head of Global Business



William Wu
Head of Global PR



Hyunju Hwang
Developer



Kyunghee Chang
Developer



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IV. Our Advisors

The advisors span a diverse and relevant areas of expertise: from blockchain industry, legal compliance to copyright laws, business development to finance, and music management. Our advisors have the experience and resources to provide us with the leverage to make an impact not just from outside in but from inside out. They also provide us with the seasoned insight and expertise regarding diverse compliance issues that allow us to work with legal guidance and credibility. The list is growing as we find more relevant experts with the right qualities to help us on our revolutionary journey. Other advisors and partners can be seen on official website: muzika.network.



Minsik Michael Cho
Advisor, Business Development



Joonkee Hong
Advisor, Finance



Yoonwoo Lee
Senior Advisor



Inkyu Choi
Advisor, Finance and Copyright Law



Jinsoo Park
Advisor, Music Management



Myunsik Cho
Advisor, Copyright Law



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IV. Our Advisors: Profiles



Minsik Michael Cho
Advisor, Business Development

- Outside board director, Kakao Corp. (Korea's Telegram)
- (Ex) Senior partner, KPMG Korea
- Certified Public Accountant
- Business Administration, Seoul National University



Joonkee Hong
Advisor, Finance

- Outside board director, KakaoBank
- (Ex) Head, UBS Korea
- (Ex) Asia Head of Global Finance (Capital Markets), Nomura International
- (Ex) Asia Head of Global Finance (Capital Markets), Lehman Brothers
- (Ex) Member of Macro-Economic Supervisory Forum in Financial Supervisory Service
- MS in management, Sloan School of Management, MIT
- BS and MS in chemical engineering, MIT



Inkyu Choi
Advisor, Finance and Copyright Law

- Representative Managing Partner, Springcamp, a Naver Venture Capital
- (Ex) Team Leader, Seoul Techno Holdings
- (Ex) Partner Patent Attorney, MAPS Intellectual Property Law Firm
- (Ex) Software Engineer, Empas Search Engine
- Certified Patent Attorney
- Computer Science, Seoul National University



Jinsoo Park
Advisor, Music Management

- CFO, Huayibrothers Entertainment
- (Ex) Director and CFO, YG Investment
- (Ex) Senior Associate, Samil PricewaterhouseCoopers
- Certified Public Accountant
- Certified Financial Analyst
- Business Administration and Economics, Yonsei University



Myunsik Cho
Advisor, Copyright Law

- Representative Lawyer, Dongnyuk LLC
- Top legal specialist in music, entertainment, film, and copyright law
- (Ex) Legal advisor of Korean Film Producers' Association
- (Ex) Legal representative of JYP Entertainment, Star Empire, Jellyfish Entertainment, Ji Young Baek, among other numerous musicians, actors, and celebrities
- Psychology, Seoul National University



Yoonwoo Lee
Senior Advisor

- (Ex) Chief Executive Officer and Vice Chairman of Samsung Electronics



V. Roadmap

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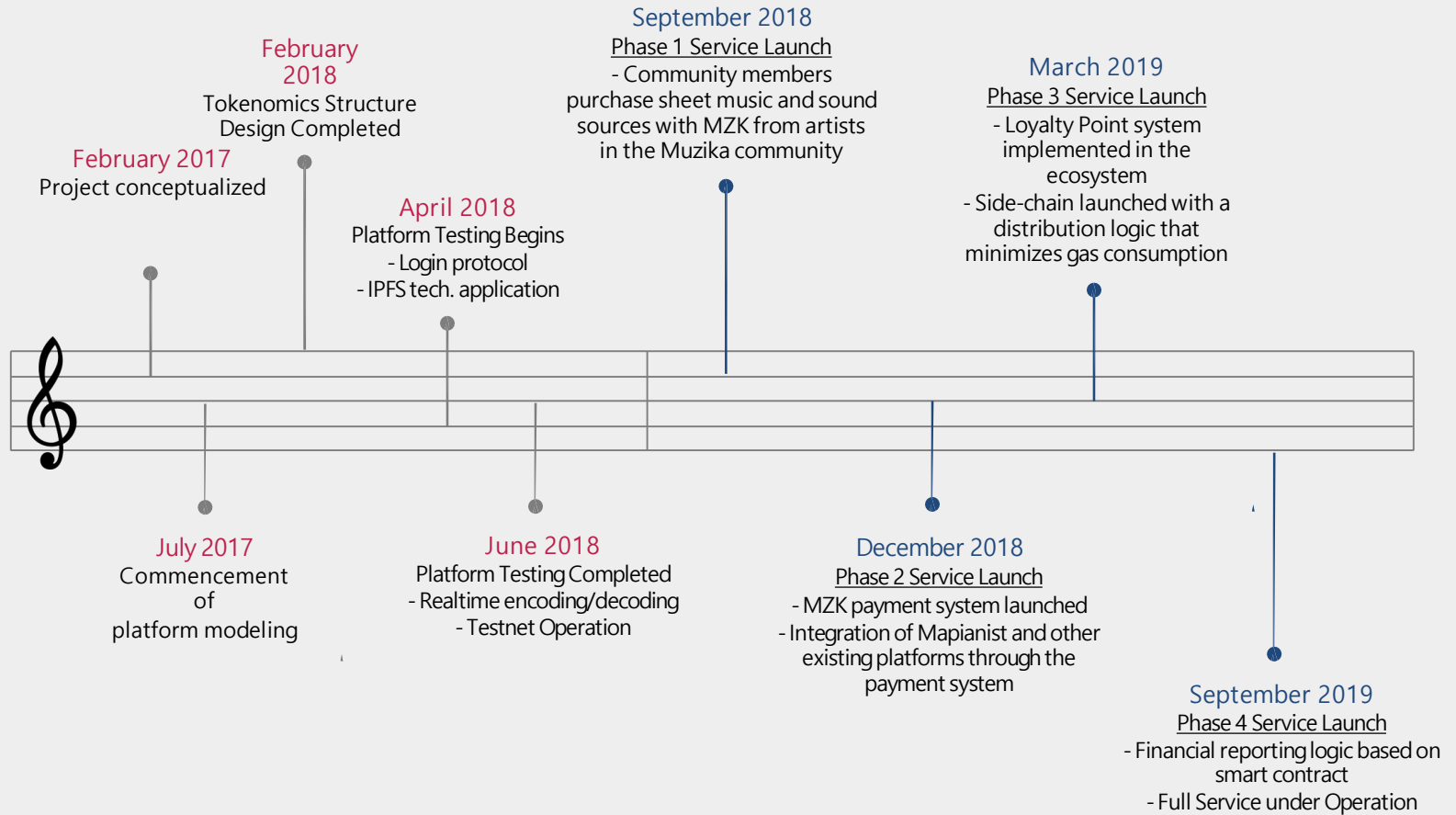
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Due to the regulatory complexity, and policy uncertainty with regards to the United States, residents or permanent residents of the United States are prohibited from donating to Muzika and receive any tokens. If false information is used in order to contribute a donation, the user is thereby violating the terms and conditions of Muzika, and Muzika reserves the right to demand compensation for any damages resulting from such an event. If the region presents the possibility of causing a violation of the terms and conditions, you are not to distribute nor make any copies of any information provided by Muzika, including the information disclosed on the website or in the whitepaper. The information herein has not been examined nor approved by any regulatory authority, and is not indicative of the issuance nor distribution of the whitepaper having complied with appropriate regulations and requests of any regulatory authority.

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