

Gustoboard White Paper

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Terms

Blockchain: An intelligent PPN (peer-to-peer network) that identifies, spreads and records information via distributed database, also called the Internet of value.

Ethereum: An open-source public blockchain platform featuring smart contracts, dealing with P2P contacts via the decentralized Ethereum Virtual Machine of Ether – a cryptocurrency especially for Ethereum.

Music industry: Commercial activities and enterprises related to copyright trading, such as record companies, copyright management companies, talent agencies and streaming media.

Gustoboard: A copyright trading platform based on blockchain technology

GEM: Asset packs of music copyrights identified by Gustoboard, usually consisting of copyrights or rights to yields on the lyrics, melodies and master tapes of one or multiple music works.

Gusto Share Token (GST): A token issued by Gustoboard.

Proof of Music Entropy (PoME): Proof of Work (POW) applicable to the music industry, allowing users to play, share, comment and complete designated tasks to get GSTs issued automatically by the system.

GustoChain (GC): An ecological chain of the global music union organized by Gustoboard.

Hybrid Rating System (HRS): An automated system that combines the big data and Artificial Intelligence (AI) technology to rate copyrights or rights to yields assets.

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Foreword

Originated from ancient celebrations and religious activities, music is one of the most time-honored art of human civilization. With the development of science and technology as well as civilization, music has now become an integral part of our daily life. As the essence of human civilization and wisdom, music now impacts our thoughts and behaviors in an extensive and profound way. Therefore, GustoBoard endeavors to reform this ancient art via cutting-edge technologies like blockchain, to empower those who produce and advertise music contents, to help consumers define what music should be and share the value of the music industry, hence establishing a more efficient and energetic market.

“Sensory pleasure” and the “desire to possess” are human instincts and also the theoretical foundation of the music industry. With the advancing science and technology, methods and media of music production have been changed greatly. To be more specific, the fan economy driven by the desire to possess is reforming the eco-environment of the music industry. Meanwhile, the traditional market of music copyrights has been suffering from outcomes of lacking revolutionary innovation for decades – poor liquidity of copyright assets, insufficient return for music producers, inefficient marketing and excessive market concentration. These outcomes distorted the pricing mechanism, made plenty of high-quality original music contents underestimated and marginalized, and consequently damaged the rights and interests of both producers and consumers.

Blockchain technology is a new solution to these problems. GustoBoard is committed to building a distributed digital assets platform for trading and post-trade ecosystem services. By that, we aim to link both music copyright market and consumer market, preserve the value of copyright assets and digital assets, and enable their free circulation and exchange via Gusto tokens. As a result, GustoBoard hopes to enhance the liquidity of copyright assets by combining the use value and investment value to improve financing capacity of the music industry once and for all.

GustoBoard would assist to seamlessly map the copyright assets in the real world to the blockchain and bestow value on secondary tokens on GustoBoard, to create an unprecedentedly open digital asset trading market. Optimized PoME, smart contracts and HRS give music copyrights both investment and consumption value, and the huge fan community shall yield a

great impact driven by the blockchain technology. GustoBoard allows users to define the value of music contents and integrates the copyright market and consumer market into a more efficient ecosystem where users play the roles of both consumers and investors. Such reform accelerates the digitalization of the industry, which will probably trigger a new innovation wave – capitalization. In other words, GustoBoard reshapes the consumer-producer relationship under a decentralized network structure, redefines the value of copyright assets, promotes the upgrade of business model, and eventually witnesses the evolution and accretion of music, art and even human civilization.

1. Blockchain Breaks through the Boundary of Music

1.1 History of the music industry

1.1.1 Changes of technologies promote traditional copyright trading market

Competitions and progress of the music industry are chiefly driven by advertising efficiency and reproduction cost. Now, the industry has evolved into a global trading market for copyrights propelled by advertising technologies. The early music industry was originated during the Renaissance in the 15th century, and the copyright segment sprouted because the cost was reduced and the sheet music reproduction was more efficient thanks to the printing machines. Therefore, publishers of sheet music dominated the copyright market. However, in the beginning of the 20th century, radio and recording technology overthrew the entire copyright industry and changed the way people enjoy music. There came the prime of recording segment in the whole 20th century when recording companies took the crown from publishers of sheet music in the progress of merger and acquisition. Six global music titans – EMI, CBS, BMG, PolyGram, WEA and MCA took the dominant position in the 1980s. A large global trading market for music copyrights was consequently established in that recording companies had to accumulate copyright assets into categories to get more market shares.

After years of progress, the market structure of the music industry is becoming more hierarchical. The upstream is controlled by publishers, record companies, copyright management companies and talent agencies, and is evolving into a steady market for copyright trading. Meanwhile, the downstream is dominated by both online and offline distribution channels for music contents. However, such excessive integration makes benefit distribution rigid and the music industry short less vigorous and innovative. There come then negative effects: recording companies value immediate interests only and give little space for producers to tap their potential, indirectly distort the relationship between producers and consumers, thereby undermining the voice of the downstream in the music industry.

1.1.2 Digital music changes consumer behaviors

Digital music radically changed users' consumption and payment behaviors towards music. In 2003, Apple iTunes Store initiated the rapid growth of online music publishing, and then legal digital download prevailed. After 2010, streaming platforms like Deezer, Pandora, Spotify and iTunes Radio started to provide online service of "pay-as-you-go". In 2012, finally, sales volume of digital music surpassed that of physical music products for the first time. Now, users could subscribe to get access to music or other media via streaming service.

Streaming service has greatly influenced the music industry in advertising and consumer behaviors.

The advertising of music was also completely changed jointly by social and streaming media. Traditionally, music publishing and advertising had high entry barrier, so that only a few professional music producers could get their works published. Nevertheless, online social media and streaming platforms represented by Facebook and YouTube made it much easier for amateurs to advertise their music online with little cost. At the same time, professionals could also make full use of such streaming platforms. According to Don Tapscott and Anthony D. Williams in *Wikinomics*: the traditionally passive buyers take active, participatory roles as both content producers and consumers in value creation.

Consumer behavior and psychology have been reformed by massive music contents. Chris Anderson points out in *The Long Tail: Why the Future of Business Is Selling Less of More*: traditional supply-demand relationship is based on scarcity, while Internet retailing on diversity. In

consequence, people change the way they enjoy music due to the prevailing mobile Internet: consumers have instant access to massive music contents via streaming media that bear the cost of storing digital data, so that consumers are not limited by storage problems. In addition, personalized demands are easier to be satisfied, consumers are divided into more sections, and music preferences are tied up more closely with social identity.

1.1.3 Scale effect to structure effect

So far, the music industry has gone through three waves of progress triggered by destructive innovation. First, advertising scope of copyrights was greatly enlarged by printing technology. Second, a mature capital market of copyrights was established by “record and play” technology. Third, the enormous fan economy was bred by streaming media and social network.

Every technical innovation brings the market of music copyright – essentially an intangible asset – two reshaping effects: scale effect and structure effect. The former pushes the marginal revenue curve towards the demand curve, while the latter readjusts the structure of asset allocation. According to the trend in the last decade, the scale effect in the music industry has reached its limit, while the structure effect is still in the dividend period of rapid growth.

Structure effect, on a macro level, refers to the shift of voice in music industry from upstream to downstream, while on a micro level, means to gradually give back users their right to define the value of music. Streaming media titans offer a great momentum to such process which is in nature merely a shift from one centralization to another. The expansion of users’ rights is just a wonderful instant in chaos and the entire industry still needs a new driving force. There emerges blockchain, a technology of unlimited potential.

1.2 Integration of blockchain and music industry

1.2.1 “Sensory pleasure” and “desire to possess”

According to research in neuroscience and behavioral economics, music could stimulate the auditory cortex of human brain to influence moods, risk preferences and decision-making. To be more specific, when someone is listening to music, his/her cortical neurons are changing

constantly, and his/her emotional release would be more intense as the tension brought by music lasts (Leonard Meyer, 1956)¹. It is proved that such feature of neurons greatly influences people's risk preferences (Lo & Repin, 2002; I Lo, Repin and Steenbarger, 2005; Pownall, 2014)².

Influence of music on consumers' cerebral cortex is demonstrated in two aspects: sensory pleasure and desire to possess. Sensory pleasure comes from the emotional pleasure caused by tension release – instinct of neurons – from music rhythm. In other words, when someone gets sensory pleasure frequently from a certain music genre or music produced by a certain artist, neurons would memorize such sensory stimulation. After several times, human brain would build a steady mapping between the music and personalities. Consequently, consumers start to feel sense of belonging and so-called “desire to possess”.

In neuroscience and behavioral economics, the music industry is driven chiefly by sensory pleasure and desire to possess. The former stands for the human primitive impulse for the extensive yet volatile music consumption, while the latter has evolved into the large-scale fan economy and produced distinctive music genres. Such diversity and continuity generated make the global music industry more vigorous and innovative. In this regard, the music industry and the blockchain technology share something in common: “Music Blocks” created by music fans across the globe. They volunteer to maintain the Music Blocks via anonymous voting every year, so that vigorous blocks shall last to form up an ever-growing value chain of fan economy.

1.2.2 Asset attributes of music copyright

Nowadays, the music industry has entered the digital era where streaming media are the major distribution channel. And the typical product or service in this era is that users pay for membership subscription or watch ads to get access to music contents online (without paying for

¹ Leonard Meyer (1956) 'The suspenseful tension of music (arising out of our unfulfilled expectations) is the source of music's feeling'.

² Lo & Repin (2002), link between emotion and trading behaviour Skin conductance, breathing rate, heart rate, bloom volume pulse, and body temp: Negative correlation between successful trading behavior and emotional reactivity.

Lo, Repin and Steenbarger (2005), emotional or 'affective' state and personality traits. Traders too emotionally affected by their daily profits or losses are, on average, less successful. Women tend to trade less than men.

Emotional Assets with Emotional Dividends: Positive emotions associated with higher prices or less subjective risk (Pownall, 2014)

songs or albums). In 2016, the global record music revenues totaled \$16.7 billion – 5.9% higher than the last year, the biggest growth since 1988 – in which the revenue of digital music reached \$7.8 billion, 17.7% higher than the last year. That was the first time that online streaming music dominated the digital music segment. Morgan Stanley estimated that by 2020, another 600 million people will become online music users.

The rapid growth of digital music also pushed ahead the copyright management market. In 2016, global market of copyright management totaled \$4.42 billion (Music&Copyright, May 2015) of revenues thanks to two reasons below:

a. The global record market has passed the stage of physical records to streaming with 5.9% of year-on-year growth in revenue (a record high in nearly two decades) in 2016. Copyright management, a rather fixed part with shares in the music industry, would benefit from a steadily growing music market.

b. Paid copyrights owned by online platforms are under stricter regulation, and the emerging music markets are increasingly copyrighted (e.g. China, India, Mexico and Brazil). So that copyright management sector will enjoy substantial revenues. According to Goldman Sachs, the global record industry would get a 10% growth of revenue from every 1% growth of paid copyrights in the emerging market economies.

Copyrights of music libraries are a long-term and steady asset for copyright management companies because of their stable price and market share. Royalty income comes from the right of mechanical reproduction on records, right to publicly perform, and right to use music as BGM (Background Music) in films and television programs. Moreover, developed economies like America and Europe have specific provisions on royalties to make sure that royalty prices are in a steady and appropriate order. Copyrights of music libraries, at the same time, are transforming into robust and high-quality digital assets because both music contents and copyright assets can bring steady revenues in their long life-cycle. Although above quality assets are usually controlled by specialized institutions where ordinary users have no access, GustoBoard can provide individuals with opportunities to gain such resources.

1.2.3 Superposition of consumption and investment values

Gustoboard was inspired by the famous Bowie Bonds – the milestone of securitizing music copyrights and also the starting point where the securitization of the entire IPR (Intellectual Property ³Rights) took off. In 1997, David Bowie, the world-renown singer, issued the future cash flow related to his 25 albums (287 songs) as bonds, raising \$5.5 million with 7.9% annual rate of return and ten years of average life-cycle. Though degraded from A3 to junk bonds by Moody due to the stagnancy of the industry, Bowie Bonds, expiring in 2007, managed to prevent any breach of contract. Inspired by Bowie Bonds, musicians like James Brown, Ashford & Simpson and Isley Brothers issued bonds of their own to drive the progress of celebrity bonds.

The success of celebrity bonds endorsed the great potential of music copyright assets. The further step that Bowie Bonds could have taken was to transform digital music into the digital assets on blockchain, giving more consumers chances to share high-quality music. However, the design of Bowie Bonds remains targeted at fixed income, which couldn't completely reflect the risks and revenues of copyright assets, limiting the large-scale promotion of such products. At the same time, blockchain could combine sensory pleasure and desire to possess, and put consumption value and investment value together. What blockchain does is in nature an unprecedented innovation of digital copyright assets – integrating the consumer market with the investment market.

1.2.4 Two-way empowerment

Transformation between investment and consumption can never take place without proper media, while it could still be catalyzed by the Token system. Token system was originally the reward points widely used by the music community. However, Gustoboard doesn't want to focus on how to issue Token but on how to define the value of Token in this very industry. Reviewing human understanding on music and relevant human behaviors, Gustoboard concludes that the core values of music are – sensory pleasure and desire to possess – and holds that the latter is extremely underestimated in the current business model. Accordingly, Gustoboard adds the “desire

³Emotional Assets with Emotional Dividends: Positive emotions associated with higher prices or less subjective risk (Pownall, 2014)

to possess” to the intrinsic value of Token as an extra value of digital assets compared with original assets and makes Token a new momentum to facilitate the music industry.

However, the issuance of Token must comply with the practical market demands. Abuse of power should be avoided to motivate the blockchain via the minimum assignment. In this respect, Gustoboard has come up with a theoretical model based on Occam's Razor and Fisher Equation and built mechanisms of internal constraint according to features of both the music industry and the blockchain technology. As for objective, Gustoboard strives for operation efficiency and robustness. More precisely, Gustoboard has to establish a copyright publishing system that ensures the authenticity of assets in order to maintain its long-term credit. Given that, dynamic management system on Token based on minimum assignment helps set the macro-targets and methods of the publishing system, while innovative PoME attracts more users, and HRS lays a sound technical foundation for users to participate.

Gustoboard, consequently, could integrate the blockchain technology with the music industry and then break the original boundaries. Gustoboard, therefore, is the future.

2.Values and Mission

2.1 Values

The word Gusto means “enthusiasm” literally, referring to the passion and devotion of the Gusto board team towards music and the art industry at large. Gusto board believes that digitalization is but a starting point towards substantial progress, while the destructive innovation brought by blockchain would trigger a capitalization reform to the music industry. Gusto board, on the other hand, could accelerate such reform by pursuing the following objectives:

(1) Based on the technical advantages of blockchain, Gusto board reshapes the relationship between consumers and producers, redefines the value of copyright and digital assets, and upgrades the business model for the music industry by getting copyright and digital assets on-chain.

(2) Gusto board will facilitate the connection and mutual development of blockchain and the music industry via distributed trading model;

(3) Grounded on Decentralized Autonomous Organization (DAO), Gusto board will build the largest open eco-service platform to optimize the eco-environment of the traditional music industry (publishing, advertising, consumption and investment). So that Gusto board could lead a cross-over industrial revolution by applying the blockchain technology to the consumption scenarios.

2.2 Solve the pain points in music industry

The current digital music market is chiefly driven by quantity of users and scale of copyright libraries. During 2010-17, the number of paid members of the global music market had a compound growth of 52.3% to 147 million with an expected growth of over 15% in the future. Additionally, contents included in the music libraries of major streaming media reached tens of millions³. However, music libraries and users didn't bring equal and efficient distribution. Music published accounts for only 30% of the music produced, which means that plenty of contents

are not open to the public due to reasons like unreasonable advertising expense. Worse still, the “fat head” attracts the majority of the data traffic, while a large number of potential high-quality music contents are dormant and may become the “long tail” or even “sleeping assets”. In this regard, blockchain featuring decentralization has a natural advantage to reform the “long tail”. In detail, “long tail” users and copyrights match each other via the Token system into a distributed network structure, thereby activating the valuable “sleeping assets”.

◆ Improve financing capacity

Whereas, digitalization driven by Internet technologies didn't solve the problem of excessive centralization in the copyright market. Music producers, investors and consumers are at disadvantage in rather monopolized and shaded copyright trading, so that the titans represented by Sony, Universal Music Group and Warner Music Group hold over 60% of the market shares along with sound revenues and much of the pricing power. While in mature markets like America, upstream record companies and copyright management enterprises have nearly 50% of the market value (they take the shares by means of royalty), downstream streaming platforms 30%, and producers 20%.

Music production and publishing suffer from higher cost and fewer channels to attract data traffic, and plenty of copyright companies have to put most resources in a few producers or their songs because they lack financing opportunities. Nevertheless, GustoBoard provides companies with an eco-platform where they could convert their high-quality assets into standardized digital assets to get more financing opportunities while keeping risks under control. At the same time, such eco-platform brings a large number of consumers and gives small and medium-sized copyright companies space for product innovation, which is also valuable for improving of the industrial structure.

◆ Reduce cost of copyright trading

The traceability of blockchain could tackle the over-complication in the structure of copyrights and reduce trading cost to improve liquidity. As the global copyright market is getting larger, the original management system based on centralization cannot make ends meet any more. Though laws and regulations related to copyright protection have been amended, confirmation and registration on copyright assets still suffer from deficiencies due to the inefficient regulatory

system administrated by governments or relevant organizations. Hence the problems of overlaying copyright libraries and high cost of administration and law. In detail, nearly one thirds of the music libraries of publishers might be overlaid because many contents are jointly created by multiple producers. Generally, they will not make it to the court, but this uncertainty in copyrights leads to higher trading cost, reducing the liquidity and preventing copyright owners from safeguarding their rights and interests. Hence over \$2.5 billion loss in the music copyright market each year.

The over-complicated ownership of copyright assets has brought too many beneficiaries, leaving the problem of high cost for advertising unattended, a phenomenon called “tragedy of the commons”. Nevertheless, copyright assets could be segmented and registered more precisely, and confirmation of rights could be conducted in a more feasible and transparent way thanks to the traceability of blockchain and efficiency of smart contracts. Flawed assets, disqualified for trading in the real world, could be transferred as on-chain “right to yields” to get financing opportunities.

◆ Optimize Industry Operation

There is still space to improve the efficiency of the music eco-environment. In the⁴ age of digital music, Internet Water Army (a group of Internet ghostwriters paid to post online comments with particular content) stands for both the unspoken rule and one of the critical factors to music publishing. But the high advertising cost of hiring Internet Water Army also drags down the efficiency of the music eco-environment. Furthermore, when it comes to defining the value of music, consumers do not have a greater voting right just because user quantity is getting larger. 77% paid users of streaming media are born after 1980, so their music preferences are diverse and unpredictable. Therefore, it is best to give them the voting right to satisfy themselves. Such dilemma, however, hasn’t been solved by digitalization in that the distribution model based on centralization is meant to sacrifice consumer benefits in exchange for efficiency.

Beneficiaries to the current copyright management system featuring centralization are a few titans only. Ordinary consumers cannot make their own decisions in an equal setting because their behavior data are in the hands of these titans. To be more specific, user data are abused and the

⁴For example, Deezer has 40 million songs, Amazon Music Unlimited 40 million, Google Play Music 35 million (58 countries), Spotify 30 million (58 countries), Apple Music 30 million, and Tidal 25 million (31 countries)

“right to yields” generated taken, so that small and medium-sized service providers cannot analyze user needs or recommend targeted services to users. Whereas, a decentralized platform for digital trading with optimized PoME could make the ecosystem of copyright management much more efficient: two-way motivation between celebrities and fans reduces advertising cost and opens up new channels for fans to participate; such platform gives back the pricing power to users so as to activate the value of digital assets while safeguarding data security; and accurate behavior data greatly improves the identification of fans’ characteristics and makes asset circulation more efficient.

2.3 Reshape production relations and productivity

After a decade of digitalization, productivity has been boosted dramatically, while production relations remain the same – determined still by two antagonistic forces: large fan community and the titans who control copyrights and publishing channels.

The massive user data generated by digitalization are not only valuable wealth, but also a burden and trap. Music fans have various needs, and they are stubborn yet volatile, hard to be understood or predicted by the big data. Cost, efficiency and consumer welfare are becoming the “impossible triangle” that hinders the progress of the music industry. In other words, these three factors cannot be optimized at the same time because companies have to sacrifice consumer welfare to reduce cost or increase publishing efficiency. Hence, reshaping the production relations among producers, copyright management companies and consumers, and activating the “sleeping assets” and the economic value of the fan community are not only practical demands of the music industry, but also perfect scenarios where blockchain is enabled:

(1) Fan community and consumers shall enter the upstream of production relations. Blockchain maps the practical needs that cannot be met due to centralization to the digital world. Therefore, fan community and consumers are no longer the downstream users but participants that play the role of critical social capitals in the production relations. Consumers shall enjoy sensory pleasure, meanwhile loyal consumers or fan community shall have stronger desire to possess that is treated as irrational fever due to lack of proper expressions in the current business model. But in blockchain, loyal consumers or fan community are treated as independent individuals who may be both rational and irrational and in need of both consumption and investment.

(2) Others like copyright owners, agencies and investors shall benefit too. The “sleeping assets” are redundant productivity, and their intrinsic value can be activated on-chain. Additionally, the value of music should be defined by consumers with the precondition that consumers have free access to music assets. Now, decentralization and traceability of blockchain bring these assets back to life so that consumers shall have a voice and make their own decisions on an equal basis. Overlaying of use value and investment value makes underestimated copyright assets go through re-pricing process in blockchain. And it is, obviously, a great motivation to not only producers and interested parties, but also the improvement of productivity in the music industry.

To sum up, GustoBoard will reshape the eco-environment of the music industry via the technical advantages of blockchain:

(1) Optimize the value distribution of the value chain. GustoBoard plans to give downstream consumers and advertisers opportunity to invest in upstream copyrights and share the values. In addition, we would optimize the relations of the entire value chain to create an eco-environment that attracts joint efforts;

(2) Improve the liquidity and cashability of copyright assets. We need to build a platform to publish and manage copyright assets via decentralization and build an intelligent system for copyright trading to improve liquidity and cashability.

(3) Empower the industrial ecology. We need to optimize the PoME, upgrade the traditional one-way “celebrity-fan” advertising model to two-way motivation, thereby reducing the advertising cost of music works to empower the entire ecosystem.

In general, GustoBoard gives full play to blockchain, redefines the role of fans and activates the sleeping copyright assets. According to the features of the industry, GustoBoard also establishes efficient and transparent connections between optimized Token and PoME. All this is aimed at upgrading the digitalization to trigger a fourth wave – capitalization of the music industry. In other words, capitalizing the music industry is to reshape the relationship between consumers and producers and then redefine the value of copyright assets within a decentralized network structure, thereby upgrading the business models.

3. Way of Implementation

3.1 Basic logic

Eventually, Gustoboard plans to build a distributed digital assets platform for trading and post-trade ecosystem services. By that, Gustoboard aims to link both music copyright market and the consumer market, preserve the value of copyright assets and digital assets, and enable their free circulation and exchange via Gusto tokens. In detail, copyright assets are the foundation that represents how the industry works, and digital assets – a derivative from copyright assets – represent user value. Meanwhile, Token is the “seed assets” that the eco-environment depends on for progress. Therefore, Gustoboard integrates all three assets via upgrading smart contracts and sound Token management, to form up a distributed trading system that includes copyright companies, users/fans and media platforms.

To achieve it, Gustoboard, evaluates the pros and cons as well as the future trend of blockchain while abiding by the law of development. Then Gustoboard plans to build a feasible business model based on the consideration that copyright assets, digital assets and behavior scenarios should be on-chain successively.

Copyright assets on-chain: Ensure that the copyright assets on-chain or off-chain are authentic, unique and consistent. Information asymmetry may cause the problem of overlaying libraries. But copyright assets – as intangible assets – features “disclosure is confirmation”. Accordingly, blockchain could solve the problem in copyright assets confirmation, registration and transfer.

Digital assets on-chain: Design a user system featuring consumption and investment based on “sensory pleasure” and “desire to possess”, so that users could switch between roles of consumers and investors. Such system is grounded on fan economy and aimed at redefining the role of users. Furthermore, according to the entertainment data accumulated by this user system, Gustoboard plans to build a decentralized trading platform for digital assets and improves the relations among copyright owners, consumers, investors and advertisers, thereby laying a foundation for the eco-environment of copyrights.

Behavior scenarios on-chain: Guide user behaviors via emotions and scenarios and then apply to other industries to overthrow the music market. In the end, Gustoboard will build a comprehensive eco-service platform involving on-chain and off-chain scenarios, as well as tangible and intangible assets.

3.2 Objectives

3.2.1 Stage 1: a leading trading platform for digital assets

Music copyrights get revenues from over a dozen of sources like right to perform, and rights of mechanical, physical and digital reproduction. Despite of various revenue sources, the whole market is growing steadily. High-quality copyrights could also bring steady and sound returns within their life-cycle for risk hedging. Moreover, smart contracts will serve as a publishing and trading platform featuring free circulation for copyright assets, supporting the packing and splitting of the future rights to yields of digital copyrights. In detail, digital copyright owners (producers/copyright companies) could split or pack the future rights to yields of copyrights as GEM for publishing to activate the business value of copyrights.

(1) Establish a publishing system for digital assets, containing on-chain and off-chain scenarios. Make sure that digital and real assets are consistent via the blockchain technology featuring traceability. Implement a series of mature regulations and techniques for transfer of digital copyrights. In addition, Gustoboard plans to encourage copyright management companies to publish GEM based on the risks and returns of the digital copyrights.

(2) Develop HRS suitable for music copyrights and supportive for customizing asset packs of digital copyrights. Smart contracts will support intelligent publishing of digital assets, handle asset packs automatically via HRS to form up a more comprehensive eco-environment for copyright assets trading.

(3) Establish rules on automatic transfer of copyright revenue. Gustoboard will permit producers to register initiative copyrights, add time labels to ensure the sole ownership of copyrights, and let producers set up some trading rules. Once deals are made, Gustoboard will automatically allocate revenues for copyright owners and protect their rights and interests via

smart contracts. At the same time, copyright management companies could buy contents and rights they need (ripping, commercial performance and adaptation) in the copyright libraries via smart contracts so that they could reduce cost of inquiry and negotiation as well as ensure that the purchased copyrights are legitimate.

3.2.2 Stage 2: self-driven ecosystem of marketing and promoting

In Stage 2, GustoBoard shall, based on its influence and previous experience, work hand in hand with major copyright management companies and music platforms to initiate Gusto Chain and set up a self-driven ecosystem of marketing and promoting.

The major task in this stage is to implement the celebrity-fan task promotion mode via optimized PoME, and make copyright owners, consumers, investors and advertisers share a new consensus of interests. So that GustoBoard can steer user behavior to promote and advertise for high-quality products to form up an autonomous task platform based on shared interest. In addition, GustoBoard shall elevate HRS into Hybrid Consensus System (HCS) that functions as a self-driven system that facilitates the evolution of the ecosystem of marketing and promoting in the music industry via comprehensive application of multiple methods like machine learning algorithm and fans voting.

Aided by HCS and PoME algorithm, marketing and promoting are more precise and efficient. Producers and talent agencies can analyze user behaviors to reward them with tokens for completing tasks such as advertising for music/producers, voting for chart hits, and surveys. So that die-hard fans could be motivated without being slowed down by useless traffic / zombie fans, thereby reducing cost and tracking the results in quantization to improve advertising efficiency. At the same time, we can initiate broader tasks instead of simplex promotion tasks, to form up a Decentralized Autonomous Organization (DAO) that brings about more extensive modes of realization and empowers the entire entertainment industry in a brand-new way.

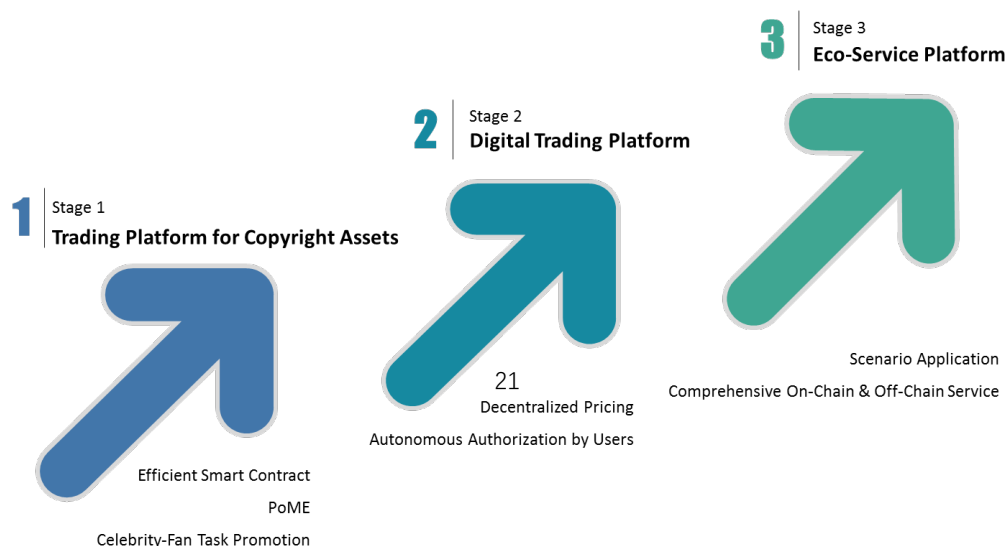
3.2.3 Stage 3: a comprehensive and user-centered platform for entertainment data trading

Stage 3 is to upgrade the platform into a comprehensive and user-centered one for entertainment data trading which would also be a decentralized one that allows users to have full control on right to use and right to yields on data by linking with various music and entertainment platforms.

As for the design of smart contracts, GustoBoardushers in the rules of digital assets trading to allow users to transfer their behavior data as assets; GustoBoard also introduces specific Data Wallet to make such data asserts unique. Users play a critical role to determine the value of copyright assets; their consumption decisions share an inner consistency with investment decisions. Therefore, rules of digital assets trading and Data Wallets are a new protection mechanism for the security of user data, which will also give shape to a brand-new entertainment data asset.

GustoBoard, on the other hand, shall comprehensively structure user behavior data via advanced technologies such as AI algorithm to get scenarios of user behaviors on-chain. That is to say, user behaviors shall be induced by tapping into positive emotions and scenarios, so that the platform scenario can be applied to the entire entertainment industry, constituting a revolutionary move.

Smart contracts will support scenario data trading. Smart contracts serve as not only just codes for scheduled trading, but also an android that understands user behaviors. Furthermore, smart contracts analyze user data and then apply to proper scenarios to match with relevant



services.

Figure1. Path Planning by Gustoboard

4. Technical Implementation

4.1 Design methods

Gustoboard aims to establish a true decentralized exchange dependent on the public chain technology. Furthermore, Gusto will continue to track and evaluate the progress of public chain technologies (e.g. credibility, smart contracts, clear planning routes and reliable transactions), update the infrastructure in due course to get closer to the ultimate goal of decentralization.

Gustoboard adopts the following logics while selecting the underlying blockchain networks:

(1) Sound credibility: Bitcoin and Ethereum are two dominant candidates. They both have tens of thousands of nodes, active 24/7 with enormous POW computing power after years of progress. They are the most credible blockchain networks.

(2) Support for complex smart contracts: The Bitcoin network only supports basic scripts. It doesn't support complex rules for copyright transfer. But Ethereum, HyperLedger, EOS, ADA, ICX, NEO, and other next-generation blockchain networks all support smart contracts and are able to provide programming languages of Turing completeness or quasi Turing completeness, and Ethereum is the most developed DAPP platform.

(3) Security and reliability: The blockchain technology, centering on decentralization, is extremely resilient against outside attacks, and failure of some nodes will not affect the whole network. Their robustness has been proved because both Bitcoin and Ethereum have gone through many attacks and challenges without any fatal damage to their network systems. Though other blockchain technologies not in scale operation have promised a better security mechanism and high availability, they still need to be tested and verified.

(4) Planetary scale and low trading cost: The blockchain technology suffers from the famous "impossible triangle". That is to say, among planetary scale, full decentralization and consistency, only two of them can be achieved at the same time. The POW consensus network represented by Bitcoin and Ethereum chooses the latter two. In order to provide higher throughput, Ethereum plans to introduce Casper+Sharding, and BitShares uses DPOS and EOS to introduce super nodes, achieving planetary scale at the expense of decentralization and consistency.

(5) Good future planning and active development community: Well-known projects such as Bitcoin, Ethereum, HyperLedger, EOS, ADA, ICX, and NEO all have active development

communities and clear future planning. They are quite consistent with the operation philosophy of the Gustoboard Music Community.

Currently, Ethereum is applied by Gustoboard as the underlying blockchain network because of its sound credibility and full-featured smart contracts. As for defects like low throughput and high trading cost, Gustoboard makes them up with sidechain technologies such as auxiliary centralization and Raiden Network for now. At the same time, Gustoboard pays close attention to the progress of the Casper protocol at Ethereum and other blockchain projects. Once public chains much superior to Ethereum emerge, Gustoboard will adopt the new-generation and fully decentralized blockchain technologies.

In implementation, Gustoboard gradually gets copyright assets, data assets and scenario assets on-chain. By introducing a series of advantages of the blockchain technology, Gustoboard builds a new music ecosystem for seamless connection of the music industry on-chain and off-chain.

See Figure 2 for the overall structure of the Gustoboard system.

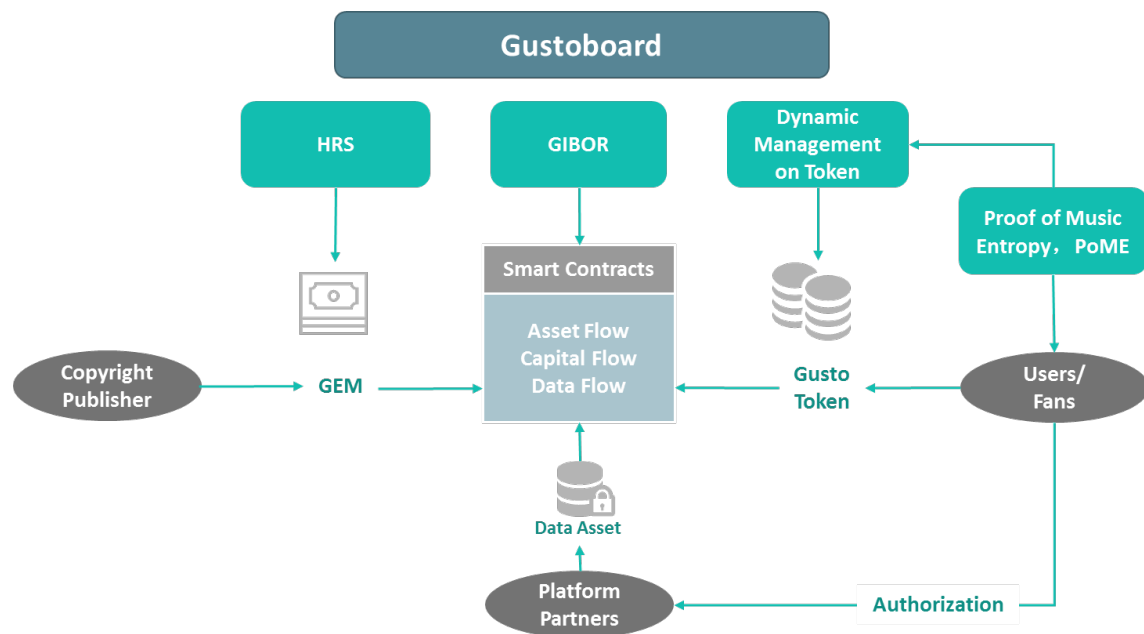


Figure 2. Overall Structure of Gustoboard System

Gustoboard adopts the following innovative concepts and methodologies for design:

(1) Focus on the risk management in the on-chain process

The traceability of blockchain technology has been widely praised in all walks of life. However, Gustoboard saw a potential major risk in the design process: the original assets may be

beyond control while getting on-chain. If mapping the original assets to a digital counterpart promises huge profits, we have to consider the risk of false assets on-chain. Given that, Gustoboard has established infrastructure (suitable for monitoring) that effectively ensures that assets are authentic based on the principle of “disclosure is confirmation”. Such method is more suitable for the copyright market because it integrates the traceability of the blockchain technology, so as to systematically reduce risksof getting assets on-chain by the means of risk analysis model based on big data.

(2) Rationally define the value of Token to promote asset liquidity

Token's intrinsic value is the comprehensive reflection of sensory pleasure and desire to possess, which means that there are both stable patterns and significant uncertainties in the intrinsic value of Token. Gustoboard defines the value of Token by introducing the minimal assignment function. Gustoboard also introduces the self-adaptive stability mechanism to restrict such uncertainties in the mechanism design and designs the PoME to optimize the publishing of Tokens. As a result, the Token system is in nature consistent with the music industry operation mode, avoiding the risk that the Token system may deviate from the value of digital assets. Eventually, the Token could serve as a sound medium to promote the flow and capitalization of copyright assets.

(3) Flexible linkage between digital assets and original assets

Gustoboard believes that digital assets must depend on and interconnect with original assets. A complete design should always be able to find such relationship for further optimization, but there is no available benchmark in the current blockchain system. To this end, Gustoboard designs GIBOR – an interest rate benchmark for digital assets based on the interest rates in bond market and yield of digital currencies – as the benchmark for the music market. Therefore, this benchmark sets up a flexible linkage between digital assets and original assets in case that the price of digital assets may deviate from that of actual assets. After all, such linkage will help Gustoboard safeguard users' rights and interests and build long-term market expectations.

(4) Let users define the value of music

In the design process, Gustoboard adheres to the principle that we should give the value of music back to users. HRS is also based on this principle, i.e., adding influence factors related to user behaviors to asset rating (e.g., user behavior data and fans voting), so as to show music's respect for humanity. Besides, in order to avoid possible data deviations, we ought to consider the value of music experts as well. We should also allow users to customize rules on asset allocation ofGEM, so that users and music producers can have a much closer relationship and the ecosystem

will be more efficient.

4.2 Key technologies

4.2.1 Publishing system for copyright assets

The blockchain technology can perfectly track on-chain assets. But the authenticity of assets before getting on-chain cannot be fully verified by blockchain. As an intangible asset, music copyrights are generally stored as data of copyright management companies according to legal contracts. If relevant information is not fully disclosed, the public cannot confirm whether their copyrights are authentic or whether they have sole ownership. So, in order to solve this problem, GustoBoard has designed a four-tiered review system for publishing:

Tier 1. Board Review Council. Before generating the GEM, the Initiator needs to submit necessary application materials. Board Review Council will conduct background evaluation and investigation on the Initiator to reduce potential risks.

Tier 2. Third-party review system. Each original asset pack and its initiator will be reviewed respectively by a third-party agency.

Tier 3. Copyright coding system. Establish a copyright registry based on the principle of "disclosure is confirmation". This registry is a coding system that records the information on the features of each original copyright in unique code.

Tier 4. Encrypted digital digest. Make an encrypted digital digest for music contents via Hash algorithm so that the original contents cannot be altered and forged.

We plan to establish the review system above to ensure that each GEM is authentic and unique, as well as consistent with actual assets. This system combines the advantages of blockchain to form up a traceability system that covers both on-chain and off-chain copyright assets, so as to ensure the credibility of GustoBoard.

4.2.2 Dynamic management system on Token

GustoBoard is generally designed to map physical copyright assets to the blockchain to reform the entire ecosystem of the music industry. In addition to transforming copyright assets into traceable digital assets, GustoBoard plans to establish a Token loop system – key to the

efficient operation of the new ecosystem.

Token is actually a quantifiable incentive mechanism. Critics often argue that Token lacks practical use value mainly because the designer does not establish a clear mapping relationship between the Token and actual user needs. Therefore, Gusto Token system is designed according to the following assumptions: 1. Token is a necessary condition for the music industry to be on-chain for optimal operation, so, there is a minimum assignment function. 2. The intrinsic value of Token comprehensively reflects sensory pleasure and desire to possess. Token is the inevitable result rather than the initial goal in designing the Gustoboard system. Based on the minimum assignment model, Gustoboard establishes a dynamic management system on Token to achieve the optimal operation with the minimum assignment.

Gusto Token will be issued in line with the Ethereum ERC-20 standards⁴. Holders can put Gusto Tokens in any digital wallet that supports ERC-20 tokens or transfer them to infrastructure such as trading platform for copyright assets, management platform for digital copyrights, and third-party exchange for circulation. See Figure 3 for all four scenarios of getting and applying Gusto Token⁵.



Figure 3. Methods of Getting and Applying Gusto Tokens

⁵Reference: <https://github.com/ethereum/EIPs/blob/master/EIPS/eip-20.md>

4.2.3 Smart contracts

Smart contracts are a contracting method that applies algorithms instead of traditional ways. Smart contracts will be automatically executed once pre-set conditions are fulfilled, thereby avoiding any manual interventions (e.g. fraud) and uncertainties (e.g. breach of contract, disputes) to get clearer and more predictable contract results. Smart contracts of Gustoboard support the following scenarios:

(1) Gusto Token is a token responsible for ERC-20 standards. Issuance ratio, lock-in period and incentive payment of GST will be realized as codes in contracts.

(2) Assets transfer on the trading platforms for copyright assets (using GST as the unit of exchange) is implemented as smart contracts. During subscription, the subscription limit, subscription deadline, payment deadline, and automatic Dutch auction of each GEM will be implemented as smart contracts to avoid any fraud. In the process of payment of interest and liquidation, each GEM shall be accompanied by a smart contract after getting online. Interest will be paid and liquidated automatically at maturity with full transparency.

(3) Trading on management platforms for digital copyrights is conducted via smart contracts. Holders can enable different smart contracts according to authorization types. Meanwhile, buyers can choose whether to proceed with a certain type of smart contract. Once deals are made, revenues will be automatically allocated according to the contract terms.

(4) Decentralized data assets trading. Based on the model of “user authorization on data – intelligent data trading – data purchase by demand side – accurate use of data – revenues for users”, the rules of data assets trading will be written in smart contracts.

4.2.4 Proof of Music Entropy (PoME)

The classic POW increases the cost of network attacks but also causes high operation load. If not optimized, POW may lead to unnecessary efficiency reduction and even distort the current operation logic while being applied directly to the music industry. Therefore, features of the music industry should be carefully evaluated in the POW design. To this end, Gustoboard proposes PoME to connect the data on the Gustoboard eco-platform to a limited extent with the reward point system in the music communities, so as to discover common interests. For example:

(1) The music entropy will be calculated once users play, share, comment and complete

task on Gustoboard, and GST will be automatically issued to incentivise these forms of participation.

(2) According to the swap agreement, limited GST is authorized and issued to partners of Gustoboard platform via methods like bidding. Partners are allowed to issue or use these GST again according to how their own credit systems work.

Above optimization designs build a weak tie between the POW of blockchain and the reward point mechanism in the music industry, accelerating the establishment of an interest consensus mechanism and promoting the self-optimization capability of the Gustoboard ecosystem. User wallet is also redesigned accordingly, and a set of digital music tools for blockchain are developed to bring more convenience to users. The PoME will continue to upgrade as the music communities march ahead. Each version of the PoME will be verified and included in smart contracts, subject to the regulation and inspection of music communities to ensure that everything is just and fair.

4.2.5 Hybrid Rating System (HRS)

Should the value of music be determined by a few experts or by ordinary users and fans? This eternal philosophical question is assigned by Gustoboard to the HRS. HRS consists of two parts: a rating model created by financial and music experts; an automated system that dynamically adjusts the rating model.

Each GEM is subject to prior and follow-up assessments once it is packed, so as to see its credit rating. Initially, expert opinions are decisive. But over time, when Gustoboard collects more user data, the data value will also be strengthened. Hence, HRS will continue to adjust the proportion of experts and user analysis to run automated rating on GEM.

Rating results will bring a totally different mechanism that allows users to customize GEM (User Defined GEM, UDG). It is a virtuous circle that steers the creation of digital copyright assets away from manual intervention to intelligent production.

4.2.6 Benchmark interest rate of digital assets

If assets are authentic, the digital assets must bear some quantitative association with corresponding original assets. In reality, bond assets and yields are treated as risk benchmark, while there is no such anchor tag generated in digital assets. Given that music copyright assets are long in life-cycle and stable in returns, just like bond assets, Gustoboard will create GIBOR

(Gusto Inter Board Offered Rate) – an index that connects on-chain and off-chain scenarios to comprehensively reflect the risks of both markets of digital assets and music copyright assets.

The equation of GIBOR is:

$$\text{GIBOR} = r_{\text{bond}} * (1 - \gamma) + r_{\text{token}} * \gamma$$

r_{bond} chooses representative bond market interest rate for average weighting. r_{token} chooses the daily trading yields of top N digital asset markets with the largest trading volume for weighting. The weight coefficient γ ($0 < \gamma < 1$) determines the overall risk level of the Gustoboard system and can initially be set at 50%: 50%. Afterwards, γ will be adjusted each year to gradually increase its value. GIBOR will first serve as the benchmark for interest rate of the Gustoboard Recycling Mechanism and may be one of the critical risk benchmarks for the digital assets market in the future.

4.3 Implementation plan

See Figure 4 for the recent implementation plan of Gustoboard.

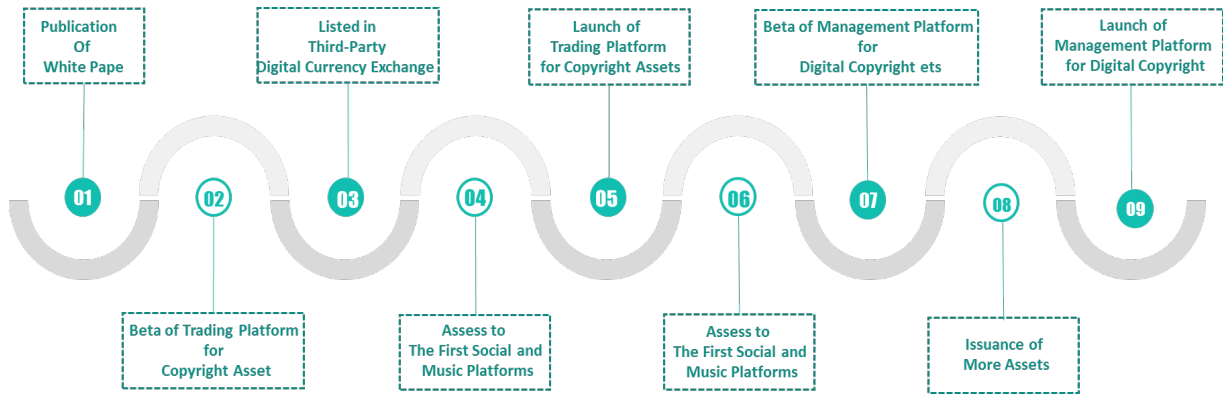


Figure 4. Implementation roadmap of Gustoboard

5. Marketing Strategy

5.1 Initiate GustoChain (GC)

Based on Gustoboard's sound reputation and experience, GustoChain, a music union eco-chain, will be launched globally. GustoChain will focus on the following tasks:

(1) Establish the blockchain standards for the music industry, including rules for the registration, management, issuance and transfer of copyright assets, as well as asset rating and information disclosure.

(2) Find more sources of digital assets and build an asset pool of high-quality copyrights. Select high-quality copyright assets across the globe to fulfill the asset pool and form up a mature management system.

5.2 Set foot in markets in seven major language areas

Gustoboard will first establish regional ecosystems in the seven major language areas (English, Chinese, French, Spanish, Japanese, Korean and Arabic) where there are huge fan bases and active copyright markets. Then, we plan to gradually expand to other regions based on their population size, payment capacity and copyright market, to set up regional ecosystems and diverse sources of digital assets. We will use Token to fully connect our ecosystems into a global one in the music industry.

5.3 Celebrity-Fan Task Promotion Mode

Given the high cost and the declining efficiency of the current Internet Water Army model, Gustoboard sets up rules to support an optimized Celebrity-Fan Task Promotion model. In this model, celebrities encourage fans to promote tasks by issuing tokens. At the same time, Gustoboard platform also has additional incentives for fans, so that the promotion of copyrights could be more efficient, and celebrities and fans could interact in a more positive way.

5.4 KOL endorsement and advertising for producers

Based on massive analysis, excellent producers are encouraged to determine how they would publish their own digital copyright assets. Gustoboard platform provides them with resources and support for KOL promotion. Meanwhile, producers can use user-defined model unique in Gustoboard to pack original copyrights as GEM for publishing and advertising in the Gustoboardecosystem.

6. Launch Plan

6.1 Introduction of Token

The primary digital cryptographically-secured utility token of Gustoboard (**GST**) is a major component of the ecosystem on Gustoboard, and is designed to be used solely as the primary token on the platform. GST will initially be issued by the Distributor as ERC-20 standard compliant digital tokens on the Ethereum blockchain. GST will be used as the platform currency for all economic functions within Gustoboard, and may be further exchanged for copyright assets through secondary smart contracts.

GST is a non-refundable functional utility token which will be used as the unit of exchange between participants on Gustoboard. The goal of introducing GST is to provide a convenient and secure mode of payment and settlement between participants who interact within the ecosystem on Gustoboard. GST does not in any way represent any shareholding, participation, right, title, or interest in the Foundation, the Distributor its affiliates, or any other company, enterprise or undertaking, nor will GST entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in Singapore or any relevant jurisdiction. GST may only be utilised on Gustoboard, and ownership of GST carries no rights, express or implied, other than the right to use GST as a means to enable usage of and interaction within Gustoboard. As described herein, GST would have the following uses:

- (a) GST would primarily function as the sole platform currency and medium of exchange for the copyright mapping process on Gustoboard. Copyright Assets Issuers would be able to issue bundles of Authorised Copyrights (represented by secondary tokens) through Gustoboard, and these may be sold/traded in exchange for GST. Through smart contracts, Copyright Assets Issuers would be able to structure their own individual incentive or payment scheme (these may possible include payments of GST).
- (b) GST would be awarded to encourage users to submit Copyright Registration with Gustoboard.
- (c) GST would be consumed through promotion and advertising activities offered by Gustoboard. Advertisers who wish to promote Copyright Assets would be required to spend GST to reward advertisement consumers.

GST would also function as the economic incentive which will be consumed to encourage participants to contribute and maintain the ecosystem on Gustoboard. Users of Gustoboard and/or holders of GST which did not actively participate will not receive any GST incentives.

The Distributor which issues and sells GST shall be an affiliate of the Foundation. The Distributor shall issue a total number of GST 10,000,000,000 units (10 billion units) of GST.

6.2 Allocation plan

GSTs shall be allocated according to the following proportions: 15% for the team, 25% for the private placement sales, 35% for PoME incentives, 15% for community management, 10% for partners in ecosystem. The contributions in the token sale will be held by the Distributor (or its affiliate) after the token sale, and contributors will have no economic or legal right over or beneficial interest in these contributions or the assets of that entity after the token sale. To the extent a secondary market or exchange for trading GST does develop, it would be run and operated wholly independently of the Foundation, the Distributor, the sale of GST and Gustoboard. Neither the Foundation nor the Distributor will create such secondary markets nor will either entity act as an exchange for GST.

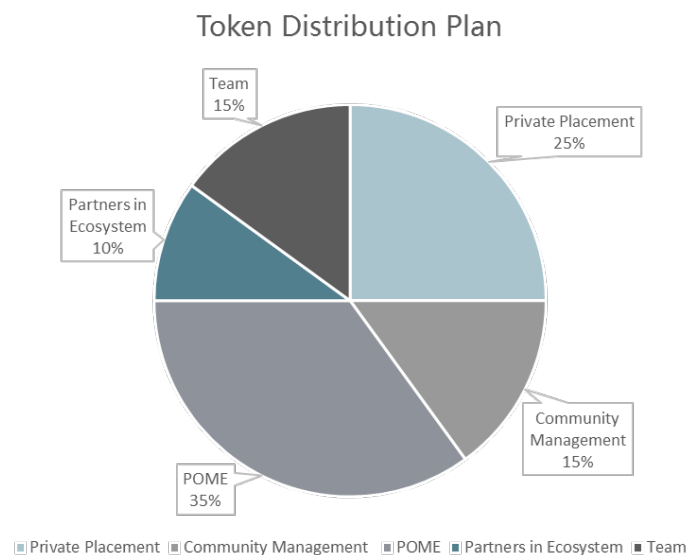


Figure 5. Allocation Plan

In particular, it is highlighted that GST:

- (a) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other

virtual currency) or any payment obligation by the Foundation, the Distributor or any affiliate;

- (b) does not represent or confer on the token holder any right of any form with respect to the Foundation, the Distributor (or any of its affiliates), or its revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to Gustoboard, the Foundation, the Distributor and/or their service providers;
- (c) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
- (d) is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument or any other kind of financial instrument or investment;
- (e) is not a loan to the Foundation, the Distributor or any of its affiliates, is not intended to represent a debt owed by the Foundation, the Distributor or any of its affiliates, and there is no expectation of profit; and
- (f) does not provide the token holder with any ownership or other interest in the Foundation, the Distributor or any of its affiliates.

7. Governance Model

7.1 Gustoboard Foundation

The GustoboardFoundation is a foundation built in Singapore. It is registered with the ACRA and is governed by the laws of Singapore. The Foundation is tasked with overseeing the development, operation and maintenance of infrastructure for Gustoboard. The Board of Directors consists of reputable professionals who are responsible for formulating rules and regulations to facilitate the blockchain ecosystem.

See Figure 6 for the organizational structure of Gustoboard Foundation.

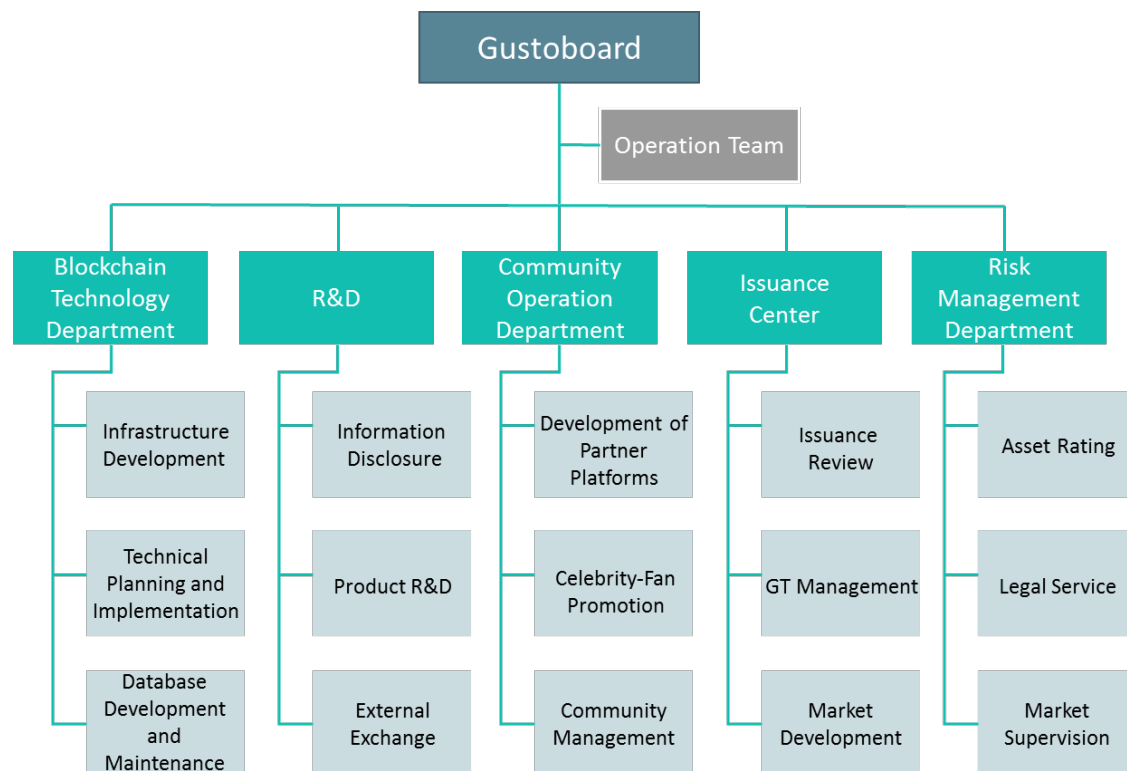


Figure 6. Organizational Structure of Gustoboard

7.2 Community Committee



Xiaosong Gao

Chairman, Alibaba Entertainment Strategic Committee

- Famous Music Producer & Songwriter;
- Talk Show Host , Novelist & Author: Total book sales exceeded 2 million;
- Founder of Taihe Rye Music Co., Ltd. in 1996, which was renamed as Taihe Music Group, and now is the biggest music label company in China;
- Director of business development in Sohu, Inc. in 2000;
- Music director of Evergrande Music since 2012.



Zach Katz

President, Repertoire and Marketing, BMG US

- In charge of BMG US rosters including chart-topping recording artists such as Jason Aldean, Lil Dicky, A Perfect Circle, Blink-182, Janet Jackson, Derez Deshaun, Alabama, Iron Maiden, Avril Lavigne, Scarface and many others;
- Music publishers of A-list song writers, such as Bruno Mars, Bebe Rexha, Poo Bear, DJ Khaled, will.i.am, DJ Snake, John Legend, Pitbull, Frank Ocean and Quincy Jones.



Joel A. Katz

Founding Shareholder of Greenberg Traurig

- Founding Chairman of the firm's Global Entertainment and Media Practice and the Founding Shareholder of Atlanta Office;

- Ranked as number-one entertainment attorney by Billboard magazine's "Power 100" list of most powerful executives in music business.



Ike Qin - CEO

Founder of a unicorn

- Bachelor's and master's degree at Peking University;
- Founder of two successful internet companies: a leading social media advertising company and an unicorn in the field of logistic;
- Senior engineer in Microsoft, working on search engine advertising.



Hex Zhang - CTO

Serial Entrepreneur

- Bachelor in Computer Science, Peking University;
- Tech Manager at Sogou and Tech Leader at Microsoft Asia Technology Center, founder of two startup companies of online and cloud computing;
- Experienced in cloud computing/ video streaming/online advertising/blockchain technologies.



Will Wang

Partner, New Margin Capital

- Master in Risk Management, University of San Francisco;
- Partner of New Margin Capital, responsible for private equity investment and portfolio management;
- Sufficient experiences in equity investment in culture and entertainment sector.

8. Risks

You acknowledge and agree that there are numerous risks associated with purchasing GST, holding GST, and using GST for participation in Gustoboard. In the worst scenario, this could lead to the loss of all or part of the GST which had been purchased. **IF YOU DECIDE TO PURCHASE GST, YOU EXPRESSLY ACKNOWLEDGE, ACCEPT AND ASSUME THE FOLLOWING RISKS:**

Changes in global regulations and policies. Blockchain technology and tokens may vary significantly in different countries and regions because there is no clear definition under the current legal framework. In this regard, token transfer might be incorporated into different regulatory frameworks, causing potential legal risks such as uncertain requirements on information disclosure and restrictions on the circulation scope of tokens. To this end, Gustoboard foundation may stop the operation in some regions due to the high cost for complying with regulatory requirements. After consulting with a wide range of legal advisors and continuous analysis of the development and legal structure of virtual currencies, a cautious approach will be applied towards the sale of GST. Therefore, for the token sale, the sale strategy may be constantly adjusted in order to avoid relevant legal risks as much as possible.

Competition risk. The blockchain technology is still upgrading rapidly. There may emerge disruptive technologies that threaten the technology applied in this project. Or, market competitors may use similar technologies to duplicate this project, which will have adverse effects.

Market risk. Token prices may fluctuate in a short period of time, so that users may face certain loss risks.

Talent risk. This project needs continuous brain gain of experienced blockchain talents and copyright experts, but brain drain and talent flow may have an adverse effect on this project.

Fail to implement on schedule. There is the risk that the development of Gustoboard will not be executed or implemented as planned, for a variety of reasons, including without limitation the event of a decline in the prices of any digital asset, virtual currency or GST, technical problems or force majeure.

Inadequate disclosure of information. As at the date hereof, Gustoboard is still under development and its design concepts, consensus mechanisms, algorithms, codes, and other

technical details and parameters may be constantly and frequently updated and changed. Although this white paper contains the most current information relating to Gustoboard, it is not absolutely complete and may still be adjusted and updated by the Gustoboard team from time to time. The Gustoboard team has no ability and obligation to keep holders of GST informed of every detail (including development progress and expected milestones) regarding the project to develop Gustoboard, hence insufficient information disclosure is inevitable and reasonable.

System security risk. The system may encounter hacker attacks, including exhaustive attack, collision attack, length extension attacks and backdoor attacks, damaging the infrastructure such as user wallet and trading platform.

Other risks. In addition, the potential risks briefly mentioned above are not exhaustive and there are other risks (as more particularly set out in the Terms and Conditions) associated with your purchase, holding and use of GST, including those that the Foundation or the Distributor cannot anticipate. Such risks may further materialise as unanticipated variations or combinations of the aforementioned risks. You should conduct full due diligence on the Foundation, the Distributor, its affiliates and the Gustoboard team, as well as understand the overall framework, mission and vision for Gustoboard prior to purchasing GST.

Disclaimer

This white paper is only a reference for the Gustoboard project. Gustoboard foundation makes no statement or warranty (explicit or implicit) and does not assume any responsibility incurred by the information in this white paper.