

Musicplace Whitepaper

Abstract

Musicplace is a revolutionary crypto-driven platform that will reshape the global music industry. This whitepaper outlines how Musicplace applies blockchain technology to solve the ongoing issue in which artists are not properly rewarded based on the revenue they generate. Musicplace will revolutionize the music industry by establishing a self-sustaining music ecosystem that (1) eliminates intermediaries and (2) empowers and rewards musicians and fans. Musicplace will ensure that artists financial compensation for a musical creation is proportional to the effort and dedication they put into the creative process.

Exploring the underlying issue further, the share of profits that musicians receive from institutions is unfair. Record labels enjoy excessive and long-lasting returns far more than the artists do in most record label agreements. In addition, we believe that fans would be interested in sharing royalty payments with their favorite artists, and thus, would replace the role of record labels in funding artist's future projects. Yet at today's point in time, they hardly have any role to fill other than consuming an artist's music. Musicplace will overturn this gloomy reality in which fans can only consume music by allowing them to invest money in the music they want to be created. We will transform the music industry and re-define the roles of the stakeholders involved, including musicians and their fans.

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Introduction

Although there are many talented artists in the music industry, record labels usually grant a limited number of record deals and advances. As a result, this has led to the rise of independent artists all over the world. Globally, there is a large number of upcoming artists attending auditions desperate to secure a recording contract. This creates a market gap in which there is not enough money provided by record labels to fund the growing amount of new talented artists. In addition, a number of signed artists are not getting appropriate financial compensation for the effort they put into their music. Musicplace offers artists an opportunity to receive significant funding for their future projects without sacrificing a large amount of future revenue or artistic control. We help artists (both upcoming and established) to get up-front money to create the music through leveraging security tokens, a blockchain based technology.

We are addressing the issue of artist financing in the music industry. When an artist decides to create music, there are many costs associated with this particular process. To create a professional body of work, the artist needs to pay for studio time, producers, mixing and mastering, and promotion (among many other things that the artist will define). These costs add up to a large sum of money and are difficult for many artists to pay off. An artist can work another job to support their body of work, but this ultimately takes time away from the creation process, leaving the artist with little time to support their musical career. An artist can also raise money from friends and family, but artists rarely have access to a financially supportive inner circle. If these people do exist in the artist's life, these friends or family members don't always have enough capital to give the artist in order for them to pay off every expense needed to get the artist through this creation process. If an artist is large enough to garner interest from record labels, they can sign with a recording agency that can cover the amount of money artists need to create a body of work. However, many recording deals that artists sign are unfavorable for the artist for a number of reasons. When the record label offers up money to cover the expenses listed above, this upfront capital is known as an advance. When the label gives an artist an advance, the artist is required to pay back their advance through the royalties their music generates when it is released to the public. If the artist fails to pay back the advance given to them, the record label will withhold the artist's royalties from their next album, in addition to the second advance that is given to the artist to finance their next album. If the artists fail to cover the cost of the advance throughout their discography, then they are stuck paying debts to the record label, which makes it very hard for the

artist to leave their recording contract. In addition, record labels take a cut from all of the revenue streams an artist can receive money from. In industry terms, this part of the label/artist contract is known as the 360 deal. The record label will claim that their help got the artist to where they are today by assisting them in marketing, promotion, touring, and other areas and will take a percentage from every income stream the artist is exposed to. We believe that the artist can better handle these aspects of their career than record labels since they know their music better than anyone else does. Bigger artists have more leverage when negotiating contracts, and they may have the ability to argue for 270 deals, but this still leaves record labels with a significant portion of an artist's future value. Within our mobile application, artists can leverage their fanbase for financial support, and in exchange, the fan can hold a percentage of an artist's future streaming earnings (from Spotify, Apple Music, and YouTube) through the use of security tokens. Fans will ultimately have the option to trade their tokens on a secondary exchange with other fans. The use of security tokens will benefit artists and will change the industry's landscape.

Musicplace reforms the entire global music industry by building the next generation of digital infrastructure to connect both artists and fans. Through innovative and data-safe technology, we provide music fans and artists with a transparent, open-source ecosystem for trading where anyone can make investments. Being a part of the Musicplace platform is starting a career that allows for both creative and financial independence.

Market Overview

Over the years, the music industry has experienced transformation from physical to digital, as well as from downloads to streaming, and ownership to access. The transformation has brought about more variety in terms of services and increased accessibility to consumers. It is now possible to listen to music through any streaming service without having to directly own or download a digital music file. Digital music has been the key driver of growth in the entire music industry, as it accounted for more than 80% of global revenue.

The first step towards the digitalization of music was an MP3, an audio file format characteristically compressed to around 3MB-4MB per song on average. This digital innovation of music made all other previous mediums, such as cassettes and CDs, to become antiquated. The industry was ultimately transformed through digital distribution. The impact of this transformation has been both negative and positive for the industry as a whole. While artists are now able to release and distribute new music across the world at will, the issue of copyright piracy arose. With this, there was a decrease in music sales, allowing distributors to charge exorbitant commissions and consume a great deal of a musicians' profits. Napster, a file-sharing P2P service by Sean Parker and Shawn Fanning, paved a way for this transition. For the first time ever, people could share digital audio files online. This new feature quickly gained popularity among American college students. At its peak in 2001, there were about 80 million registered users.

In 2010, a number of music streaming services were arising. Streaming platforms were able to find a market for those who were eager to discover new music 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. Through the use of personalized algorithms, these platforms can provide tailored services based on a consumers' listening habits. When users indicate that they prefer a particular song or genre, these algorithms anticipate what else that user may like and will make suggestions automatically.

With the smartphone's advent, Spotify had found the perfect vehicle for on-demand music streaming, an app that now outperforms even Pandora, the original music streaming service. Other services have since developed themselves to explore the mounting popularity of music streaming. Also, in 2015, Apple Music started offering its radio subscription option. The following year, YouTube made public its plans to release their own music service.

With over 100 million users opting for paid subscriptions across the world, streaming has passed a momentous milestone. Streaming makes up the majority of digital music revenue with a 59% market share. The amount of worldwide streaming music subscribers, as well as overall worldwide streaming revenue, is estimated to double from 2016 to 2021.

The revenue distribution system of the music streaming industry is highly unfavorable to musicians, particularly independent and upcoming artists. Often, they are compelled to sign revenue-sharing contracts with record labels and streaming platforms, which, in turn, bleed them of much of their share of the revenue.

Market Problem

Over the years, the revolutionary transformation of the music market has been immensely innovative yet challenging as this digital avenue grows larger. Fans have easier access to more music than ever before in the history of the music industry. Streaming has led to a vast quantity of accessible options when it comes to choosing a song to listen to without having to download. With the increase in revenue that comes with streaming, it would have been beneficial if musicians also have more fruitful returns. However, there are issues, such as the imbalances of the profit distribution, multiple intermediaries, and piracy, which continue to hamper artists from having their fair share of profit and revenue increase in the industry. Many artists receive a low percentage of the entire revenue, which ranges from 10% to 20%. While distributors, major labels, publishers and other intermediary platforms or stakeholders may benefit from the digital revolution, artists are not well compensated from their music. To sustain the growth in the music market, this gap in the proper compensation of artist needs to be filled. Below are some key market issues that we plan to resolve:

- A minority of stakeholders take most of the returns: Distributors, publishers, record labels and a host of other intermediary stakeholders enjoy the long-lasting returns. In fact, they tend to get more profits than the musicians.
- While more money flows into the music market, less money goes to the artists: more people pay for music regularly, creating more cash flowing into the music industry. However, a lower percentage goes to musicians as many of them get only 10% to 20% of the sales of their music.
- Fans' minimal roles: Many fans are pigeonholed as 'consumers' as they are unable to take any steps to get involved in a musical product's creative process. This is another reason why labels, distributors, platforms and other key stakeholders have continued to exploit the growing returns, cheating out the artists.

Competition

The Music Fund

This business finances artist's upcoming projects in exchange for ownership in their future projects. The artist cannot capitalize on the hype of their fan base through the use of Dutch Auctions, and there are no investors outside of The Music Fund. Fans are not being engaged as they are not able to buy and sell royalties in their favorite artists.

Veze

Fans can invest in an artist's back catalog in exchange for a percentage of the artists' earnings. There is almost no relevant data available for investors to see if they are making the right investment, and fans cannot trade shares on a secondary market.

Amplify-X

Fans can invest in an artist's future releases in exchange for a percentage of an artist's earnings. Fans cannot trade their shares on a secondary market, and there is no Dutch Auction that allows artists to capitalize on the hype of their fan base. The company also adheres to strict crowdfunding regulations, which significantly suffocate trading activity, sets a hard limit on maximum funds raised, and requires the purchase process to be incredibly complex for investors.

Valyou-X

Still in its concept phase, the company is based out of Australia and hopes to create a platform that allows fans to invest in musicians and, in exchange, receive a small percentage of the musicians' assets. Fans can only receive a maximum payout of \$5 and are incentivized to stream the songs by the musician on their ad-free platform. The company has no data-driven underwriting process, which disincentivizes investment from smart investors.

Competitive Edge

We at Musicplace believe in a decentralized platform that gives a fair portion of revenue to the artists. In addition, we have realized that in order to have a successful platform, we have to make it easy and seamless for everyone involved in the process. This justifies our plan to design

an easy-to-use interface that rewards both artist and their fans. On the Musicplace platform, artists can build and leverage their fan base. Our target is not restricted to the average crypto user, but to everyone who enjoys music and wants to be compensated for doing so.

Our platform builds a community for blockchain enthusiasts and the average music lover. By making it accessible to the ordinary person, we will likely increase the number of potential users and potential artists on our platform. If artists use our platform to raise financing interact with their fans, their fans will likely migrate to support them in their creative journey.

About Musicplace

We are building a decentralized platform using blockchain technology that allows artists to create a personalized token and coordinate their STOs. At its current state, the platform will enable fans to invest in artists as like stocks. The central idea is to reward both artists and their fans through a free market approach to music financing.

In order to create interest in our venture, we are developing a free-to-play version of Musicplace. This website will give fans a fixed amount of money to invest in upcoming albums offered by an artist. Investors in upcoming albums will have the ability to trade their shares on a secondary market with other investors. Through the implementation of a leaderboard, we can incentivize fans to compete against other fans to showcase the returns they have generated.

When raising money in a seed round, we can show investors (in our business) that there is interest in a platform that addresses artist financing and that there is a user base willing to invest in upcoming albums. We also want to build hype from fans that want to invest in music royalties so that when the mobile application is created, we have a customer base that is awaiting the release of the full version of our product. Once Musicplace can raise sufficient capital from investors, we will be able to deploy these funds on application development, SEC compliance, marketing, artist relations, technological costs, and other expenses required to launch our product.

Key Platform Features

Artist-Fan Portal

Artists have the option to interact with their fans on a deeper level through our platform. Artists can create exclusive listening sessions with their investors to gauge how their audience will react to their new music. Artists can also get feedback from fans on other components of their music like covert art and marketing campaigns. In return, fans will now have a portal in which they can ask an artist about their upcoming music. In general, we are building a strong community for artists to interact with their fans, who will invest in them.

STO Engine

On the platform, artists can launch STO campaigns to fund albums. Through this, fans can buy stocks from the future profits of an artist's album. This functionality revises the existing equity-based music economy as artists can easily source for funds for their songs. This feature helps artists to maintain sustainable growth for their music career, and enable their fans to directly contribute to that growth.

Decentralized Blockchain Exchange

Through using blockchain technology, we have created an exchange where artists and fans can ensure that the money they receive or invest is going exactly where it is intended to go. Furthermore, our exchange is decentralized which ensures that the money you invest in an artist goes directly to that artist, and not through an intermediary. Fans can also ensure that the tokens they hold are owned and held by themselves, not an intermediary.

Reward System

In addition to rewarding artists for their music, Musicplace's reward system is designed to incentivize fans for their investing performance. Through the implementation of a leaderboard, we can incentivize fans to compete against other fans to showcase the returns they could generate. This is designed to encourage more fans to the platform as well as ensure they are making smart

investments in artists. Fans will also be able to post their streaming and social profiles on the leaderboard which will in turn give them increased popularity.

Simplified Legal Process

Leveraging the security and immutability of Musicplace's decentralized system, we will ensure a multi-layered protocol that allows artists to easily create funding opportunities and receive funding from fans without having to go through an extensive legal process. Investors also benefit from this system through automatically receiving their portion of revenue based on the tokens they own. Through working with independent third-party distributors, we can ensure that fans and artists alike are receiving their appropriate portions of the total revenue generated by an album.

How It Works

The goal of Musicplace is to initiate a standardized coin infrastructure that represents a % of the future streaming revenue generated from an artist's upcoming album. This standardized coin infrastructure will be classified as a security token. Artists will create a sub-company for each future album and offer up equity to fans via a security token offering (STO). The sub-company will receive all streaming revenue generated (on platforms Spotify, Apple Music, and YouTube) from an artist's future album. The complete amount of revenue generated by the sub-company will be paid out each quarter to token holders in the form of dividends.

A unique STO will occur each time an artist decides to offer up a percentage of the future streaming revenue generated from an artist's upcoming album to their fans. During this STO, there will always be 100,000 tokens released immediately for purchase. These 100,000 tokens represent the complete Percentage Equity Offered to fans. The value of a singular token is equivalent to Percentage Equity Offered divided by 100,000 tokens. For each STO, a new token built on the standardized token infrastructure will be released. A token can be distinguished from other tokens with the same standardized token infrastructure by a unique token identifier that consists of an eight-character string. No two tokens built with the same standardized token infrastructure can have the same token identifier. Percentage Equity Offered would be considered a variable token input since this value can change across different tokens built on this standardized infrastructure. The following token inputs represent all of the variable token inputs:

- Percentage Equity Offered (%) = The percent of future streaming revenues an artist offers up to fans
- Days Until Release (DUR) = Days until the upcoming album has to be released. If the album is not released within the stated DUR, artists are contractually obligated to buy back each token from the token holder for the predetermined Buyback Price (see Buyback Price definition below)
- Buyback Price (B\$) = The price at which the issuer (the artist) agrees to repurchase each token if they fail to release an album by the Days Until Release Deadline
- Unique Token Identifier (UTI) = Four-character string that represents the unique identity of the token amongst other tokens built on the same standardized token structure

Since the value of each unique token is based on a different future value, the underlying valuation process for each token relies on the analysis of four components: an artist's historic streaming performance and its variance, the music industry's historic and current streaming performance and its variance, an artist's historic and current fan sentiment measure and its variance, and the historic and current popularity of an artist and its variance. Through a proprietary algorithm, we can generate an accurate range in which we expect the percentage of future streaming revenue of an upcoming album to fall in. Along with having variable inputs, each unique token will also have fixed inputs. The values of these fixed inputs will be the same across all unique tokens. The fixed inputs and their associated values are as follows:

- Total Tokens Offered = The total tokens offered for purchase will always be 100,000.
- Duration = The period in which token holders are entitled to a percentage of future streaming revenue from an artist's upcoming album will always be 1 year. After a year, the tokens will be repurchased from token holders by the issuer (the artist) for free.

In order to understand how these tokens play a role on the Musicplace platform, we must create a financial framework for the ongoing operations that occur within the Musicplace platform. In order to identify the entire framework, we must first identify each financial function that will occur within Musicplace. Furthermore, in order to define each function, we must first define important components of each function. Some components exist within the scope of a singular function whereas other components exist within the scope of many functions.

Terms of Importance

Wallet

A "Wallet" represents a digital storing system located on a User's local device that contains a User's digital assets. A singular "Wallet" will be generated for each User on our platform at the inception of a User's account.

MusicCoin

"MusicCoin" is a cryptocurrency unique to the Musicplace platform. "MusicCoin" serves as a shared form of cash which Users can use to purchase "Musictokens".

Musictoken

A "Musictoken" is a security token built on a standardized token infrastructure. A "Musictoken" represents a % of future streaming revenue an album generates for a specified duration. For each album on the Musicplace platform, a unique "Musictoken" will be created to represent ownership in an individual album.

Sub-Company

A "Sub-Company" is created each time an Artist wants to offer up a % of future revenue to fans in exchange for up-front capital. A "Sub-Company" will be an affiliate of an Artist's existing company that receives the streaming revenue (only from Spotify, Youtube, and Apple Music) for the Artist's upcoming album. "Musictokens" represent ownership of the company which pays its full revenue to tokenholders in the form of dividend payments annually.

Function 1) User Deposits Money

1. User chooses specific amount to deposit into Musicplace account as well as deposit method.
2. Transaction request is processed by “Money Service” with the User as the sender of funds and Musicplace as the receiver of funds.
3. Upon arrival of funds, Musicplace receives funds, mints new “MusicCoin” balance equal to the amount of received funds, and sends the “MusicCoin” balance to the User’s “Wallet”.

Function 2) Artist Offers % of Future Revenue for Up-Front Capital

1. Musicplace talks with the Artist to understand how much capital an Artist needs at the current moment as well as how much % of future streaming revenue an Artist is willing to give up.
2. Musicplace facilitates the creation of a “Sub-Company”, a “Musictoken” which represents an agreed upon % of ownership in the “Sub-Company”, and files for a “reg a+” offering of the “Musictoken” to the general public.
3. On approval of the “reg a+” offering, “Musicplace” generates the “Musictokens” and sends the total token pool to the Artist’s “Wallet”.

Function 3) User Purchases “Musictokens” from Artist at Initial “Musictoken” Offering

1. User submits bid request for __ amount of “Musictokens” at __ amount of “MusicCoins”.
2. If a bid request is accepted and able to be processed, “MusicCoins” are sent from the User’s “Wallet” to the Artist’s “Wallet” and “Musictokens” are sent from an Artist’s “Wallet” to a User’s “Wallet”.

Function 4) User Purchases / Sells “Musictokens” from / to Other User on Secondary Market

1. User submits buy / sell request for __ amount of “Musictokens” at __ amount of “Musiccoins”.

2. If a buy / sell request is matched with other appropriate sell / buy requests and able to be processed, “MusicCoins” are sent from the First User’s “Wallet” to the Second User’s “Wallet” and “Musictokens” are sent from a Second User’s “Wallet” to the First User’s “Wallet”.

Function 5) User Receives “Musictoken” Dividend

1. “Sub-Company” receives streaming revenue payment from third-party music distributor.
2. Musicplace figures out the appropriate payment amount per token holder based on the agreed upon % of Future Streaming Revenue and the total amount of tokens of the specific “Musictoken”.
3. The total funds which represent the sum of all token holder payments are sent from the “Sub-Company” to Musicplace, and in turn, Musicplace exchanges the funds received for “MusicCoins” and sends the appropriate amount of “MusicCoins” to each token holders “Wallet”.

Function 6) User Withdraws Funds

1. User requests how much they want withdrawn from their account as well as the location where the funds should be sent.
2. User sends “MusicCoin” balance from their “Wallet” to Musicplace’s “Wallet” and Musicplace sends equivalent balance of funds to the User’s chosen location.

Benefits

Benefits for Artists

- Artists can choose the percentage of streaming revenues they will offer up for investment.
- Artists can keep 100% of their rights from other sources of revenue.
- Artists regain the rights to their streaming revenues after one year.
- Artists can leverage the hype surrounding their fanbase through a Dutch Auction.

Benefits for Fans

- Fans can become more engaged with their favorite artist via token ownership.
- Fans can gain popularity by the success of their investing performance on our platform.
- Fans are given access to proprietary algorithms and data which can help them understand how to value this new form of investment.
- Fans are given access to a secondary market which provides liquidity for their investments.

The Musicplace Team

The Musicplace team consists of three founding members: Worthy Rae, Mason Olmsted, and Max Mandia.

- ❖ Worthy Rae is a senior at Babson College with a concentration in quantitative methods.
- ❖ Max Mandia is a senior at Babson College with a concentration in entrepreneurship.
- ❖ Mason Olmsted is a senior at Middlebury College with a major in finance and a minor in philosophy.

Roadmap

2021 Q1

- Expand free-to-play website to 100,000+ users
- Market free-to-play website amongst music communities
- Analyze initial market and secondary market data and trading activity
- Continue reaching out to artists about their changing needs
- Fundraise for the upcoming two years

2021 Q2

- Develop a mobile application, security token protocol, and cold token storage method
- Public events and meet-ups, getting people to notice our platform in real life
- Partnership with other blockchain projects to gain mutual exposure
- Work with legal team to ensure SEC compliance
- Continue fundraising for upcoming two years

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Conclusion

We are committed to our vision of becoming the leading artist financing platform in the music industry. Through our platform, we are changing everything, especially how music reward is distributed. We are bringing the entire music industry to the next paradigm of the future. We will continue to improve our platform to address the core needs of artists and their fans. At all times, we are open to any suggestions on how to enhance the platform. As the number of users, content, and transactions increases, and more feedback comes in, we expect the technical aspect and any other relevant aspect of the platform to become better. Thank you for reading this whitepaper. We hope that you would join us to transform the music industry.

Disclaimer

This whitepaper only presents information rather than advice for trading Musicplace tokens and securities. Any related suggestion or price reference shall be made available in line with reliable provisions and appropriate securities laws or other related laws. This whitepaper doesn't involve any form of investment suggestion on securities, investment intentions, or abetment. It neither features nor understands any practices of trading or trading invitations. It is neither a contract nor any promise of any form.

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Musicplace is not obliged to recoup any direct or indirect losses caused by the users’ participation in the Musicplace platform, such as

1. Any mistakes, errors, or inaccurate information, or any behaviors thereof.
2. Any losses suffered by personal trading of blockchain assets or any behaviors thereof.

Musicplace is not an investment. We can’t guarantee that the tokens on Musicplace are bound to appreciate in value. Under certain circumstances, there exist possibilities of token depreciation. Those who fail to use the Musicplace appropriately will forfeit the right to use the currency or even lose their currencies.

Owing a token is neither an ownership nor control right. Possession of a token doesn't equal ownership of Musicplace or Musicplace application. Owning a token doesn't entitle anyone to participate in, control, or decide issues regarding Musicplace and its application.

This whitepaper may be translated into any language aside from English. In the event of any ambiguity or conflict between the English language copy and any translated copy of this whitepaper, the English language copy shall over-rule. You accept that you have carefully read and understood the English language copy of this whitepaper.

Risks

You fully understand that blockchain and cryptocurrencies/tokens, including Ethereum, Bitcoin, and any token on the Musicplace platform, are new and unverified technologies beyond the control of Musicplace or the issuer (as the case may be). The Musicplace platform is subject to the following risks, which you expressly accept:

Risk regarding delivery

Owing to the nature of blockchain, which is diffusely adopted for cryptocurrencies, including the smart contract system, the purchaser may not get the tokens on the same day, which the purchaser completes the payment process of tokens. By offering to purchase the tokens from the Musicplace platform, the purchaser agrees that it is his/her responsibility to implement reasonable measurements for securing the receiving wallet, vault, or other storage mechanisms you use to receive and possess the tokens.

Risks regarding the Ethereum Protocol

Any destruction, failure, dysfunction of the Ethereum protocol will be beyond the control of the Musicplace team and may have an adverse effect on the token, which has been established upon Ethereum protocol.

Risks regarding security failure

Musicplace platform and/or tokens created through the platform may be susceptible to certain cyber-attacks. The internal security of the Musicplace protocol's core infrastructure might also be debilitated under security failure.

Risks of various competitions

Our team recognizes the presence of rising competition in cryptocurrency industry. Various teams are planning or developing key blockchain applications. While the competition will likely be fierce, we strongly believe that any good company should be ready and able to face the risk of competition. For us, they will be our driving force to upgrade our system and offer the best service to our users.

Risks regarding regulatory impacts

The regulatory status of a token seems to be unclear or undefined in a number of jurisdictions. If any administrative or legislative agency establishes or amends its laws and regulations, there might be a negative impact on the tokens.

Other unpredictable risks

Asides from the risks mentioned thereto, there still exist other unpredicted or undefined risks. Besides, other risks may arise suddenly, and many risks mentioned above may occur in a combined way. As a user or potential purchaser of tokens on the Musicplace platform, you accept all risks.