



Music Protocol

Music Protocol Whitepaper V1.2

14 October 2024



Table of Contents

Introduction	4
The Music industry Financial Market	5
Music IP and capital flow	5
Capital inefficiency	6
Development Approach	7
Phase 1: Financial System	8
Phase 2: Liquid Record	8
Phase 3: Transparency of Financial Flows	8
Phase 4: New Blockchain for Dynamic Music IP	8
Addressing capital inefficiencies in the current music financial market	9
Music Protocol framework	10
Royalty-linked notes	10
Investment pool	11
Investment pool dynamics	13
Capital Management and NFT Repayment Tracking	14
Risk Sharing Pool	14
Underwriters	14
Issuers	15
Investors	15
\$RECORD	16
Governance	16
Liquid \$RECORD: addressing diversification and illiquidity	17
Introduction	17
Overview of the market dynamics	18
Liquidity	19
Reserve	19
Staking, Yield, and Redeem	19
Overcollateralization	20
Collateralization logic, stability and arbitrage	21
Arbitrage	21
Market exposure	22
The Future of Music Protocol: Dynamic Music IP	22
Leveraging the financial flow to build transparency and expand the offer	22
The Problem: Analogue Music Licensing	23
The Alternatives: Generalist IP Tokenization Platforms	23
What Music Protocol Will Become	23
How Music Protocol Will Transform Music IP Flow	24



Relevance for Web3 Adoption	24
Future Music Protocol Technology Architecture	25
The Modular Architecture	25
IP Core Asset Library	25
IP Licensing Core Engine	26
IP Inter-Chain Distribution Gateway	27
IP Settlement Gateway	27
Conclusions	27
Disclaimer	28
W3M as a Technology Provider	28
Phased Development	28
Risks Related to Development Phases	29
Development of Liquid \$RECORD (\$nRECORD)	29
Regulatory Status of \$RECORD Token	29
Authorization by W3M	29
Changes to the Project	30
Legal status of \$RECORD Token and Project is untested	30
No assets, property, governance or security right underlying \$RECORD Token	30
Possible migration of the \$RECORD Token	30
Reliance on the Internet	30
Reliance on Blockchain Platform	31
No liabilities	31
Market and industry information	31
General comment on risks	31



Introduction

The music industry has long been an exclusive arena, creating formidable barriers for external financial players and making music investment both intricate and restrictive. However, despite these challenges, an active internal market thrives, facilitating hundreds of millions in annual music-related advancing and lending activities. Yet, substantial entry barriers persist, similar to those present in alternative asset classes. Investors often perceive a heightened level of risk, as evaluating opportunities requires specialized knowledge. Furthermore, the inherent illiquidity of these investments further limits broader participation in this market.

The music industry lacks a technological infrastructure that facilitates effective allocation of capital, leading to an inefficient risk-return profile compared to other financial markets. This inefficiency represents an opportunity for investors to potentially achieve higher returns with a similar level of risk.

Music Protocol uses blockchain technology to solve challenges in music investment. It creates an ecosystem that is easy to use and productive. The platform uses a tokenization model similar to other financial protocols, allowing investors to diversify their portfolios and exit investments early. This liquidity mechanism is like the bond market, where the value of investments is influenced by yield rates and the risk profile of the portfolio.

In comparison to conventional financial models, running finance on-chain provides notable cost advantages and efficiency gains, particularly in the context of Real World Assets (RWA) such as tokenized bonds. By leveraging blockchain technology, processes that traditionally involve multiple intermediaries, manual steps, and high regulatory costs are streamlined through automation and smart contracts. For instance, tokenized bonds issued on platforms like Six Digital Exchange achieve cost savings of approximately 70-90%. This makes on-chain finance not only more cost-effective but also faster, more transparent, and accessible, positioning it as a superior alternative for modern financial markets.

In the ensuing sections, this white paper will embark on an in-depth examination of music as an asset class, elucidating the potential opportunities and challenges it presents. Subsequently, we will delve into the intricate financial models that underpin Music Protocol's tokenization framework, which aims to rectify inefficiencies and enhance the accessibility of music as an asset class. Lastly, we will unveil the platform's roadmap, emphasizing the development of a groundbreaking Layer 1 solution for representing music IP. This revolutionary technology has the potential to reshape the landscape of music rights management and trading.



The Music industry Financial Market

Music IP and capital flow

At the pinnacle of the music industry's hierarchical structure lie Right Owners, the esteemed holders of intellectual property rights. This diverse group includes not only creative talents like artists and labels but also entities that acquire IP, such as music investment funds.

Right Owners monetize their intellectual property (IP) through licensing agreements, enabling the production and entry of musical products into the market. Nevertheless, the complexities of licensing and content distribution vary significantly based on the chosen distribution channel.

In this document, we will focus on monetization channels rather than distribution channels. Several distribution channels exist for monetizing intellectual property (IP), such as streaming, digital downloading, physical distribution, merchandising, sync licensing, and live events. Each monetization channel has unique characteristics that can be categorized into two primary factors:

- **Concentration:** This refers to the degree of revenue reliance on specific events, leading to their concentration over time around such events. For instance, revenue generated from album sales tends to be highly concentrated around the release date or the release of various editions.
- **Dependence:** This variable underscores how revenue is influenced by the actions of the rights owner. Moral hazard arises from the risk that the rights owner's actions may adversely affect revenue potential. As an example, revenue from sync licensing hinges on the rights owner's efforts in securing deals, with moral hazard coming into play if their actions negatively impact these opportunities.

Applying this logic, streaming emerges as the most compelling monetisation channel due to its ability to generate more stable returns over time. Its reliance on mass behaviours, such as music listening, renders it less susceptible to the discretionary actions of the rights owner.

Consequently, financial products built on streaming exhibit lower moral hazard risks compared to other monetisation channels that are more heavily dependent on active management or promotion. In these latter channels, factors such as poor decision-making, inadequate promotion, or detrimental personal behaviour on the part of the rights owner can significantly impact returns



Capital inefficiency

Outside of direct investments that labels make to support artists, there are currently two main ways to invest in the music industry:

- 1. IP Right Purchase:** Acquiring active and/or passive intellectual property (IP) rights.
- 2. Cash Flow Advancement:** Providing capital in exchange for a share of future royalty cash flows over a defined period.

The first method, **IP Right Purchase**, is primarily accessible to specialised investors who can commit large sums of capital. While new marketplaces have emerged to allow direct investment in music catalogues, these platforms remain limited in adoption, and the range of available opportunities is often small and low in visibility. These types of investments require significant expertise to assess the quality of the assets, strong industry connections to access the most valuable catalogues, and substantial financial capacity to build a diversified portfolio.

The second method, **Cash Flow Advancement**, is more widely practised by music distributors who offer labels and artists upfront payments in exchange for a portion of future royalties. This structure is effectively a credit transaction, where distributors purchase future cash flows, allowing them to recoup their investment over time. While this method offers some level of risk management through contractual terms, these transactions are still largely illiquid and inaccessible to broader markets, limiting participation to industry insiders.

Both of these methods come with distinct risk profiles, but a key factor driving capital inefficiency in the music market is the **lack of market infrastructure**. This absence, combined with the **closed nature of the industry**, creates significant barriers to entry for external investors. Unlike other asset classes with established platforms and mechanisms for capital flow, the music industry lacks a transparent and accessible system for investing, making it difficult to discover opportunities and assess risk accurately. Moreover, the niche expertise required to evaluate music IP and the difficulty in accessing deals further limits participation, leading to **capital inefficiencies** that result in a **misalignment between risk and return** compared to other markets.

These inefficiencies present an opportunity for higher returns for investors who can overcome these barriers. In the current market, **cash flow advancement deals typically offer annualised returns ranging from 10% to 15%**, depending on the quality of the catalogue and deal terms. In comparison, traditional corporate bonds rated:

- **AA** tend to offer around **2% to 3%** annually,
- **A** rated bonds typically yield **3% to 4%**,



- **BBB** offers around **4% to 5%**, and
- **BB and B** rated bonds, which are higher risk, yield between **5% to 7%**.

This shows that the returns in the music sector, even with similar risk profiles, far exceed what can be found in traditional long-term corporate bonds, making it an attractive option for yield-seeking investors. The gap widens even further in periods of **low interest rates**, where traditional bond yields can dip below **3%**, while music investments continue to offer higher returns, often **2 to 3 times** greater than traditional financial products.

In times of uncertainty, investors seek alternative assets, and music returns offer an attractive option. Unlike conventional assets, music returns are not directly correlated with the broader economic cycle. This stability is driven by consistent behaviors such as streaming, making music returns less susceptible to economic downturns. As a result, music returns provide additional value and diversification during periods of market volatility.

Development Approach

Music Protocol's development will follow a phased approach, structured around key milestones that will ensure the platform evolves to meet both immediate needs and long-term goals for the music industry. The roadmap is designed to create a comprehensive, decentralised ecosystem for music IP and financial flows.

It is important to clarify that Music Protocol provides only the technological infrastructure to support the music industry, facilitating IP management and royalty flow through blockchain technology. The platform does not offer investment services or investment notes directly. Instead, we enable an ecosystem that empowers regulated entities to manage music-related financial activities through decentralised technology, while remaining distinct from the financial services sector.

The functionalities described in this document are part of the ongoing development roadmap and will become operational pending the necessary regulatory approvals. This phased approach ensures that our long-term vision is realised in compliance with all applicable regulations.

Any new utilities or use cases for the \$RECORD token will also be subject to approval by relevant regulatory bodies. As such, all utilities mentioned in this document should be seen as a work in progress, contingent on compliance and formal approval.

As a provider of technological infrastructure, Music Protocol is committed to adhering to the regulatory frameworks that govern technology providers in the financial sector. This includes compliance with standards on cybersecurity, risk management, and other necessary obligations, ensuring the platform is secure, reliable, and trusted by all



stakeholders.

Phase 1: Financial System

The first phase focuses on building the core financial infrastructure of Music Protocol. This includes the establishment of Royalty-Linked Notes, Investment Pools, and the Risk Sharing Pool. The focus will be on allowing rights holders, such as artists and labels, to raise capital by offering royalty-linked cash flows while investors gain access to a transparent, tokenized marketplace. During this phase, Music Protocol will prioritise liquidity through tokenized assets and the trading of music-related financial rights.

Phase 2: Liquid Record

Phase 2 introduces the Liquid RECORD system, which will enhance liquidity and diversification for music investments. By introducing the \$nRECORD token, investors will have the flexibility to trade their capital share in music assets without waiting for the natural maturity of an investment. This phase is essential to solving the illiquidity challenges often associated with music IP investments by allowing greater ease of exit and market-driven pricing.

Phase 3: Transparency of Financial Flows

In Phase 3, Music Protocol will expand its technology stack to ensure full transparency and traceability of financial flows. This phase will focus on directly linking intellectual property to cash flows, ensuring that royalties are distributed accurately and in real-time through smart contracts. With automated compliance checks, this phase will offer rights holders and investors deeper trust and visibility into the royalty system, addressing long-standing inefficiencies in IP management.

Phase 4: New Blockchain for Dynamic Music IP

The final phase involves building a new blockchain specifically for Dynamic Music IP management. This will enable the real-time registration and tracking of music assets using a decentralised ledger, creating a public, tamper-proof registry of rights. By incorporating multi-chain execution layers, Music Protocol will expand into areas such as NFT-based rights management, AI licensing, and the metaverse. This blockchain infrastructure will position Music Protocol as a leader in digital music IP, enabling innovative new business models and transforming how music rights are managed and traded.



Addressing capital inefficiencies in the current music financial market

Music Protocol uses blockchain to provide access to music investments through tokenized assets and liquid investment pools, offering higher risk-adjusted returns than traditional markets.

The traditional music financial market, while sizable and active, faces significant inefficiencies due to its fragmented infrastructure and closed nature. Most deals, particularly those involving royalty cash flows or IP rights, are privately structured and limited to a small number of participants. This restricted access leads to capital inefficiencies, as external investors are largely excluded from this asset class due to the lack of technological infrastructure that would facilitate deal discovery, assessment, and execution.

Music Protocol resolves inefficiencies in the music industry by establishing a decentralized platform that democratizes access to financial products related to music. By leveraging blockchain technology, the protocol optimizes the flow of capital into the music industry, offering a scalable infrastructure that expands investment opportunities to a wider range of participants, encompassing both retail and institutional investors.

Music Protocol empowers investors to engage in financial products centred around cash flow advance and structured deals, which were previously exclusive to insiders, through the innovative approach of real-world asset tokenization. This model presents investors with carefully selected investment opportunities, enabling them to diversify their portfolios and allocate capital more strategically, thereby enhancing their overall investment strategy.

Within specially created investment pools, Issuers like artists, labels, and rights holders can issue Royalty-Linked Notes. These notes are directly linked to the cash flows generated by the distribution of music catalogs. Investors assess the investment pools by considering risk and return, while underwriters conduct due diligence and set pricing. Furthermore, holders of \$RECORD tokens have the opportunity to participate in a Risk Sharing Pool, where they can contribute additional risk capital in the event of underperformance in exchange for a reward.

A core feature of Music Protocol is its Liquid \$RECORD mechanism, which allows investors to trade their positions on a secondary market, providing liquidity and reducing the typical illiquidity associated with music investments.

Music Protocol aims to create a more transparent and accessible financial market for music rights, enabling both retail and institutional investors to participate in high-yield investments with low correlation to traditional asset classes. By addressing the capital inefficiencies of the current system, Music Protocol offers enhanced risk-adjusted returns, making it an attractive investment option for those seeking higher yields.



Music Protocol framework

To gain a deeper understanding of how Music Protocol operates, here are the essential components that serve as the foundation of its investment framework:

- **Royalty-Linked Notes:** Financial instruments tied to future cash flows from music catalogues, primarily from streaming and digital distribution channels. Issuers raise capital by offering investors a share of these future royalties.
- **Investment Pool:** A smart contract that encodes the financing terms for an Issuer. It allows the Issuer to borrow capital and repay investors according to the specified terms, such as yield, repayment schedule, and risk factors.
- **Risk Sharing Pool:** is designed to protect investors from losses if an Investment Pool underperforms. Underperformance occurs when the cash flows from royalties are lower than expected, leading to reduced returns or even potential losses for investors. Participants in the Risk Sharing Pool stake \$RECORD tokens as collateral, which can be used to cover these losses. The governance protocol determines the yield on staked tokens, and stakers receive rewards for assuming this additional risk. This mechanism reduces investor exposure to volatility in music catalogue performance, providing an extra layer of security.
- **Underwriters:** in Music Protocol are specialised entities responsible for evaluating the music catalogues underlying Royalty-Linked Notes. They perform due diligence by analysing historical performance, projected income, and potential risks associated with each catalogue. Underwriters are chosen based on their expertise in the music industry and financial markets. Their assessments ensure that the terms of the Royalty-Linked Notes accurately reflect the associated risks. By validating these deals, underwriters reduce the risk for investors and ensure transparency. They are compensated through origination fees tied to the capital raised or the interest generated from the deals they help structure.
- **Investors:** Participants who provide capital to Investment Pools in exchange for returns from the Royalty-Linked Notes. Investors can be individual participants or entities managing third-party capital, either on-chain or off-chain.
- **Issuers:** Entities (e.g., artists, labels, rights holders) that raise capital from the protocol by issuing Royalty-Linked Notes, which are tied to future music catalogue cash flows. Issuers repay capital with proceeds from those royalties over time.
- **\$RECORD:** The native governance token of Music Protocol, used for governance votes, Underwriter staking, Risk Sharing Pool participation, and rewarding early investors and protocol participants.
- **Governance:** A decentralised governance mechanism controlled by the community through a DAO. Governance allows participants to propose and vote on updates to the protocol, such as contract upgrades, reward distribution, and risk management parameters.



Royalty-linked notes

Royalty-Linked Notes are financial instruments tied to the future cash flows generated by music catalogues, primarily from streaming platforms and other digital distribution channels. These notes offer investors the opportunity to receive a portion of the royalties earned by the music catalogue over a predetermined period.

In this structure, the Issuer—typically an artist, label, or rights holder—raises capital by selling future cash flows linked to their music catalogue. In exchange, the Investor provides upfront capital, which the Issuer uses for their financing needs. Over the life of the deal, the royalties generated by the music catalogue are paid to the Investor, who receives a return based on the agreed terms.

The risk profile of Royalty-Linked Notes depends heavily on the underlying music catalogue's performance. However, this risk is mitigated by the nature of music royalties, which are generally driven by mass consumer behaviour making them more predictable than other income sources. Unlike traditional loans or credit-based financing, the repayment in a Royalty-Linked Note is not controlled by the Issuer but by the distribution platforms (e.g., Spotify, Apple Music), which directly collect and distribute the royalties. This setup reduces counterparty risk since the revenue is automatically generated and routed to Investors based on the contract.

Before the issuance of Royalty-Linked Notes, Underwriters conduct their own due diligence and provide pricing and risk assessments for each music catalogue. To further mitigate risks and ensure transparency, the Investment Pools are also accompanied by independent external due diligence reports from third-party firms. These external assessments validate the data and projections provided by the Issuer, adding an extra layer of security and reliability for Investors.

This combination of internal and external evaluations ensures that each Investment Pool is properly priced and structured, providing Investors with confidence in the risk-return profile of the notes. Investors then assess the terms and decide whether the potential returns align with their investment strategy.

In summary, Royalty-Linked Notes offer a unique investment opportunity within the music industry, providing access to predictable cash flows with the added security of both internal and independent external due diligence.

Investment pool

Music Protocol revolves around its core mechanism of Investment Pools, which connect Issuers, Investors, and Underwriters.

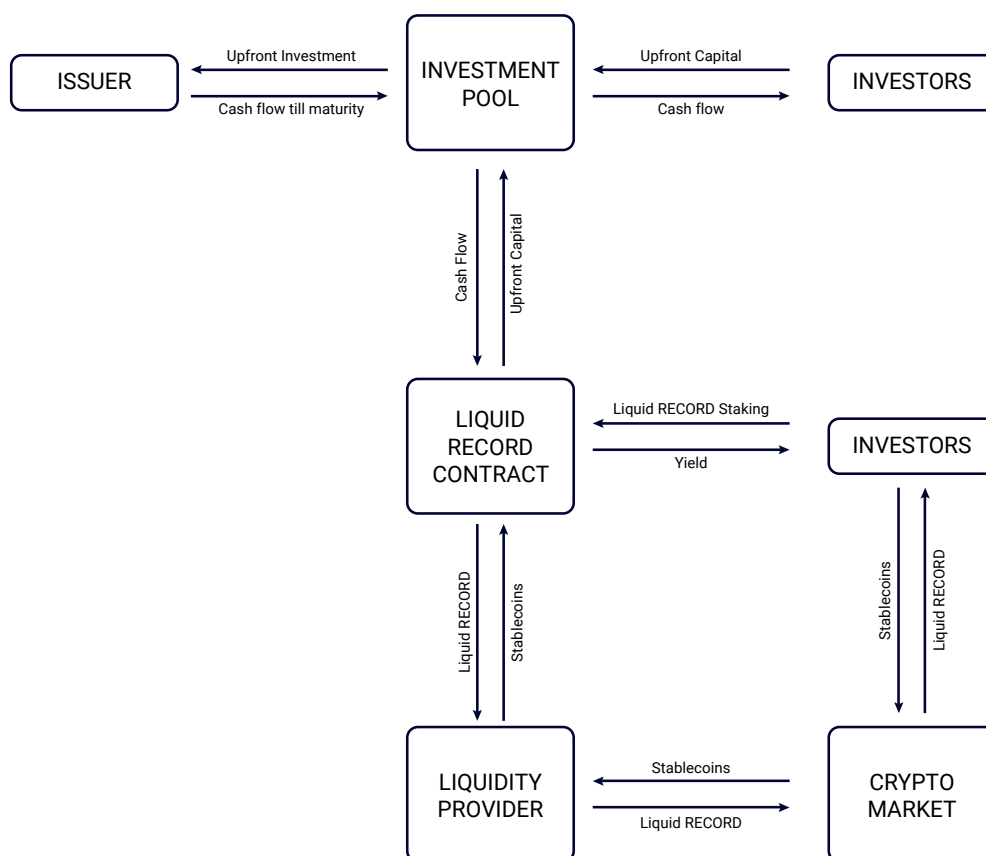
Issuers – artists, labels, or rights holders – seek financing by issuing Royalty-Linked Notes, which are tied to future cash flows from music catalogues. These Issuers define the terms



of each pool, including the underlying asset (music catalogue), the expected yield, the payment period, and capital requirements. Investors evaluate these terms and decide where to allocate capital based on their risk and return preferences.

Each pool is carefully reviewed by Underwriters, who assess the risks, perform due diligence, and provide pricing for the pools. Underwriters ensure that the Royalty-Linked Notes accurately reflect the underlying asset's risk profile. This process mitigates risk for investors, who rely on Underwriters to validate the potential of each deal.

Once Investors supply capital, Issuers can access the funding and repay it over time according to the pool's predefined terms. Investors earn returns through the royalty-linked cash flows during the life of the pool, and early exits are facilitated by a secondary market, allowing liquidity for investors who need it.



In addition, \$RECORD token holders can stake their tokens in a Risk Sharing Pool. This pool serves as extra risk capital, providing protection for investors in case of underperformance of a given investment pool. In return, \$RECORD stakers receive rewards for assuming this additional risk.



Investment pool dynamics

An Investment Pool is the primary mechanism through which Issuers, such as artists, labels, or rights holders, raise capital on Music Protocol. By issuing Royalty-Linked Notes tied to future cash flows from their music catalogues, Issuers can access financing from Investors.

To create an Investment Pool, Issuers propose key terms, including:

- **Underlying Asset Identification:** The music catalogue's cash flow and distribution deals that will generate the royalties assigned to the Investors.
- **Expected Yield:** The estimated return based on projected royalty income.
- **Payment Period:** The maturity of the deal and the frequency of royalty payments.
- **Underperformance Terms:** Optional clauses specifying measures in case of underperformance, such as extending the maturity period.
- **Capital Requirements:** The minimum and maximum amount the Issuer seeks to raise from Investors.
- **Underwriter Due Diligence Report:** A comprehensive assessment prepared by the Underwriters, evaluating the catalogue's historical performance, projected income, and overall risk profile.
- **Third-Party Due Diligence Report:** An independent external review provided by a third-party firm, which validates the financial assumptions, projections, and overall quality of the catalogue and investment terms.
- **Risk return profile:** this parameter is defined by the Underwriter according to all the due diligences attached.

When an Investment Pool is ready, Investors can review the terms, assess the accompanying due diligence documents, and decide whether to allocate capital based on their risk preferences.

Issuers are required to stake \$RECORD tokens when creating an Investment Pool. This stake acts as a commitment signal and helps cover the Underwriter's review cost. The remaining stake is redeemable once the Issuer repays the borrowed capital in full.

This dual-layer due diligence process—combining internal review by Underwriters with independent third-party assessments—ensures that each Investment Pool is thoroughly vetted, transparent, and offers investors the documentation needed to make informed decisions.



Capital Management and NFT Repayment Tracking

Investors assess the opportunities within the Investment Pools and provide capital with the goal of earning returns. Each investor is responsible for managing their decisions and ensuring appropriate diversification. However, the system allows investors to act similarly to fund managers, enabling them to manage third-party capital. Music Protocol will also offer a fund that operates under a tailored model to ensure both diversification and liquidity, the Liquid \$RECORD model (see the section on \$nRECORD).

To track the contributions made by different participants, investors are issued an NFT upon supplying capital. This NFT records the amount contributed and monitors the proportion that has been redeemed. At any point, investors or participants in Investment Pools can use their NFTs to redeem their specific portion of available repayments from the pool.

Risk Sharing Pool

Risk Sharing Pools are designed to protect investors' capital in the event that an Investment Pool underperforms. Underperformance occurs when the cash flows from royalties are lower than expected, leading to a return on investment below the anticipated rate or, in extreme cases, a loss of the invested capital. In such cases, the Risk Sharing Pool mechanism steps in to mitigate or prevent investor losses.

The Risk Sharing Pool is a smart contract where participants can stake \$RECORD tokens, earning a yield determined by the protocol's governance (e.g., an APR of 100%). The \$RECORD tokens staked serve as risk capital for all active Investment Pools on the protocol, meaning they can be used to compensate investors in the event of capital loss.

Underwriters

An Underwriter in the Music Protocol plays a crucial role in selecting and evaluating music catalogues. Their primary responsibility is to assess the Royalty-Linked Notes issued by the protocol's Issuers. The Underwriter provides thorough due diligence, evaluating the music catalogues' historical performance, risk factors, and future potential, ensuring that the pricing and terms of the notes are accurately set.

To compensate Underwriters for their expertise and effort, Investment Pools apply an origination fee that is paid to the originator of the pool. This fee can be structured in one of two ways:



- **Percentage of the capital raised:** In this case, the fee is paid immediately to the originator's wallet upon closing the capital raise.
- **Percentage of the interest:** Here, the fee is distributed to the originator according to the payment schedule of the deal.

This fee structure ensures that Underwriters are appropriately compensated for their role in mitigating risks for Investors while promoting high-quality investment opportunities within the protocol.

Issuers

Issuers are the owners of music intellectual property (IP) rights, including artists, producers, record labels, or even music catalogue managers. These participants seek to raise capital by offering a portion of their future royalty earnings in exchange for immediate funding. By tokenizing these royalty-linked cash flows, Issuers can access new streams of liquidity without giving up ownership of their music or signing away long-term control. This mechanism is particularly advantageous for those looking to finance new projects, scale their operations, or manage their cash flows more efficiently. Issuers may offer the rights tied to digital streaming, licensing deals, or other revenue streams generated by the commercial use of their music. This allows them to leverage the future earnings potential of their IP while receiving the capital needed to grow their brand and portfolio today.

Investors

Investors, on the other hand, are the capital providers who contribute funds to the investment pools in exchange for a share of these future royalty-linked revenues. Investors can range from institutional participants, such as hedge funds, asset managers, and private equity firms, to crypto-native participants who are familiar with decentralised finance (DeFi) models. Institutional investors may be attracted to the stable, non-correlated returns that music royalties can provide, as these earnings are typically tied to long-term contracts and broad consumption across streaming platforms. Crypto-native participants, who are well-versed in decentralised markets and tokenized assets, are equally key to this ecosystem. They bring liquidity and innovation, driven by their desire to earn yields through novel, blockchain-based financial models. These participants may choose to invest due to the attractiveness of the yields offered or the relatively stable and predictable nature of royalty revenues over the set contractual period.



\$RECORD

The Record Token (\$RECORD) plays a critical role within the Music Protocol framework, serving multiple functions that drive the platform's operations and community engagement. As the native governance token, \$RECORD allows holders to participate in the decentralised decision-making process, enabling them to propose and vote on protocol updates, contract upgrades, reward distributions, and risk management parameters. This ensures that the protocol's future is shaped by its community. Additionally, \$RECORD is integral to the Risk Sharing Pool, where participants stake their tokens to provide collateral that protects investors from potential losses when Investment Pools underperform. Stakers are rewarded with yields, as determined by the protocol's governance, for assuming this additional risk. The token is also used by Underwriters, who stake \$RECORD to guarantee their due diligence on music catalogues, ensuring that they have a vested interest in the accurate evaluation of risks tied to Royalty-Linked Notes. For Issuers, \$RECORD tokens are staked as a commitment when creating an Investment Pool, covering the cost of Underwriter reviews and signalling their seriousness in seeking financing. Upon repayment of borrowed capital, Issuers can redeem their staked tokens. Furthermore, \$RECORD serves as a means of rewarding early investors and participants in the ecosystem, incentivizing engagement and growth. Overall, \$RECORD is a versatile token that supports governance, risk mitigation, staking, and rewards, making it a foundational element of the Music Protocol's operations.

Governance

The Music Protocol employs a decentralized autonomous organization (DAO) for its governance, ensuring transparency and inclusivity in decision-making. This DAO empowers stakeholders to propose and vote on key decisions, oversee maintenance, manage contract upgrades, adjust protocol parameters, and participate in non-technical matters. The voting process is facilitated by governance tokens, with mechanisms in place to prevent manipulation. This decentralized governance model promotes active community involvement, accountability, and trust, enabling the Music Protocol to adapt to changing conditions and remain competitive.



Liquid \$nRECORD: addressing diversification and illiquidity

Introduction

The investment pool model revolves around two key participants: Issuers, who raise capital by offering royalty-linked cash flows, and Investors, who provide capital in exchange for these cash flows for a set contractual period. Before being opened to investors, each Investment Pool undergoes a thorough analysis and is promoted by Underwriters, with pricing supported by external due diligence from independent third parties.

However, despite these precautionary measures, there remains inherent risk for investors, especially those without deep expertise in evaluating music deals. Non-specialized investors, whether retail or institutional, often require a more managed approach that provides diversification and professional deal selection.

In traditional finance, asset managers play this role, managing investments on behalf of their clients and offering sector-specific expertise. For illiquid assets such as Royalty-Linked Notes, closed-end investment funds are typically used. These funds generally do not offer investors the option to exit early, forcing them to wait until the natural maturity of the investment. The only option for early exit is often through secondary markets for fund shares.

Additionally, because the fungible token represents only the capital share of the fund and not the returns (which are distributed separately to token holders), the token enjoys a much higher level of liquidity. This structure enables greater flexibility for investors, allowing them to participate in a tokenized music investment fund while still having access to liquidity through the \$nRECORD token.

One of the key innovations of Music Protocol is the design of a decentralised model that replicates the structure of a closed-end investment fund, but with a major advantage: the global capital share is represented by a fungible token, \$nRECORD, which can be freely traded on the market. This fungible token model provides simplified exit options for investors, giving them the ability to trade their position on the market rather than waiting for the fund's maturity.

Additionally, because the fungible token represents only the capital share of the fund and not the returns (which are distributed separately to token holders), the token enjoys a much higher level of liquidity. This structure enables greater flexibility for investors, allowing them to participate in a tokenized music investment fund while still having access to liquidity through the \$nRECORD token.



The fund operates on the protocol like any other investor, while all distribution logic is implemented via a separate smart contract.

Overview of the market dynamics

The **Liquid RECORD** system enables liquidity to flow into the **Investment Pools** within the **Music Protocol ecosystem**, allowing \$nRECORD holders to participate as investors in a diversified portfolio of music-related assets and benefit from returns generated by the royalty-linked cash flows in the pools. In terms of returns, investing directly in a pool typically offers higher yields compared to investments mediated through the \$nRECORD system. This is because \$nRECORD provides the added advantage of greater liquidity compared to direct pool investments, as well as a tendency toward overcollateralization, achieved by applying a small fee on every yield distributed.

In summary, \$nRECORD offers a different risk profile, providing enhanced diversification and liquidity, but with slightly lower returns compared to direct investments in the pools.

From the technological point of view, the system is made by a smart contract that manage the following financial flows:

- **Liquidity Inflow:** Liquidity is introduced into the system when stablecoins are sent to the **Liquid RECORD** Smart Contract, resulting in the minting of \$nRECORD tokens. Only accredited Liquidity Providers can mint \$nRECORD, ensuring a controlled and compliant liquidity process.
- **Liquidity Management:** When \$nRECORD holders wish to redeem their tokens, \$nRECORD is burned in exchange for the equivalent amount of stablecoins held in the Reserve. Redemptions are processed based on the available liquidity in the system and the returns generated by the protocol's investments in the Investment Pools.
- **Liquidity Outflow and Redemption:** When \$nRECORD holders wish to redeem their tokens, \$nRECORD is burned in exchange for the equivalent amount of stablecoins held in the Reserve. Redemptions are processed based on the available liquidity in the system and the returns generated by the protocol's investments in the Investment Pools.
- **Yield Distribution:** Yields generated by the Investment Pools are distributed proportionally to staked \$nRECORD holders based on their share of the pool. These returns come from the royalty-linked cash flows of the music catalogues, providing a predictable income stream.



- **Reserve Management:** The protocol maintains a Reserve of liquidity to ensure that redemptions can be processed efficiently. When the Reserve is high relative to the total \$nRECORD in circulation, liquidity outflows are easily managed. Conversely, when the Reserve is low, new \$nRECORD minting may be restricted until more returns are generated from the protocol's investments.
- **Overcollateralization:** A defined percentage of all incoming cash flows from the Investment Pools is retained in the \$nRECORD smart contract to build an overcollateralization reserve. This reserve acts as internal risk capital, used to cover potential defaults or capital losses arising from any underperformance of the investments made in the Investment Pools.

This streamlined system allows \$nRECORD holders to gain exposure to music investment opportunities while maintaining flexibility through liquidity management and an accessible redemption process. The \$nRECORD token thus serves as a fungible, liquid asset backed by a diverse portfolio of music-related investment pools.

Liquidity

Liquidity is introduced into the system by sending stablecoins to the **Liquid RECORD** Minting Smart Contract and receiving an equivalent number of \$nRECORD. Only accredited (whitelisted) Liquidity Providers can access this mechanism. The liquidity provider will sell those \$nRECORD in the secondary market so that everyone will be able to buy them to access the investment flow.

Reserve

Within the protocol, the accumulated liquidity acts as a capital reserve awaiting investment. Investment opportunities arise when an Investment Pool opens for participation. Liquidity Pools are invested in on a first-come, first-served basis, with priority given to pools offering the most favorable risk-reward ratio. The Underwriter defines the risk profile, while the Internal Rate of Return (IRR) serves as the reward. The Investment Pools acquire the cash flows, which are then directed to the Liquid RECORD Yield Smart Contract for distribution as yields.

Staking, Yield, and Redeem

Holders of \$nRECORD tokens are entitled to participate in the returns on invested capital. To do so, they must stake their \$nRECORD, and by doing this, they have the opportunity



to open three different types of positions, which result in the distribution of returns or the redemption of capital. Specifically, they can choose one of the following modes:

- **Yield only:** The position will generate yield indefinitely as long as it remains active. The user can close the staking position at any time.
- **Yield and redeem:** The position will generate yield for two years. Simultaneously, the capital component of the cash flows entering the **Liquid RECORD** Yield Smart Contract is used to repay the staked USDC, burning the corresponding \$nRECORD,. At the end of the two years, all \$nRECORD in the position will have been burned.
- **Redeem Only:** This option is available only to accredited Liquidity Providers and allows immediate burning of all \$nRECORD, in exchange for an equivalent amount of USDC. It is possible only if there is sufficient Reserve.

Overcollateralization

When the contract receives the cash flow from the Investment Poos, it is divided into the following components:

- **Distribution Yield:** The distribution yield is a certain percentage of the total cash flow calculated at the protocol level as an “alpha” percentage of the implicit yield in the established RBs. “Alpha is a protocol-level parameter inversely related to the \$nRECORD collateralisation rate. The smaller the alpha, the faster the \$nRECORD transitions from being collateralised by future receivables in RBs to being collateralized by USDC.

$$d = f(IRR_s) \cdot \alpha$$

Where:

- d : distribution yield
- $f(IRR_s)$: a specific function of the IRRs of the royalty-linked notes that generate the cash flows
- α : overcollateralization factor
- **Underwriter fee:** the fee that remunerates the Underwriter who manages the flow.



- **Liquidity provider fee:** a protocol fee that remunerates the liquidity providers.
- **Accrued Value Flow:** the liquidity flow that feeds the Value Accrued Fund and, if not redeemed, is reinvested in other Investment Pools.

Collateralization logic, stability and arbitrage

Liquidity in the system is either invested or awaiting investment. Assuming all Investment Pools perform well, the total invested capital and uninvested liquidity will match the \$nRECORD in circulation. \$nRECORD can be redeemed 1:1 in two ways:

1. **Yield and Redeem:** Users stake \$nRECORD and receive yield and capital over time, burning tokens as they redeem.
2. **Liquidity Providers:** They can redeem \$nRECORD at any time.

Regular users must sell \$nRECORD on the market for immediate exit. If supply and demand are balanced, the price stays at \$1. If demand drops and price falls below parity, liquidity providers can buy below \$1 and redeem for a profit. If demand exceeds supply, they can introduce USDC to mint new \$nRECORD, sell above parity, and earn the difference.

This mechanism maintains \$nRECORD price near \$1, with two key exceptions:

1. If the price falls below \$1 and there's no liquidity, the provider can't redeem to restore parity, likely because system yields are lower than market rates.
2. If the price rises above \$1 and the liquidity provider has no liquidity to arbitrage, though this is mostly theoretical and unlikely.

Arbitrage

Let's assume that the system is paying an annual yield of 20% to \$nRECORD stakers. If more retail investors want to participate in this yield, they will need to buy \$nRECORD tokens on the market and stake them. This buying pressure will cause an increase in the price of \$nRECORD above 1 USD. At that point, the Authorised Liquidity Provider will be able to inject new liquidity into the system to mint new \$nRECORD at a 1:1 ratio and immediately sell those \$nRECORD on the market at the market price, earning an arbitrage profit.

Conversely, if the yield offered by the system is too low, prompting retail users to redeem



their \$nRECORD, the selling pressure will cause a decrease in the \$nRECORD price. In this scenario, the Authorised Liquidity Providers will have the incentive to buy \$nRECORD tokens on the market and redeem them for USDC at a 1:1 ratio, again earning an arbitrage profit.

This mechanism will ensure that the \$nRECORD price remains around 1 USD. However, it is important to note that parity with USD is not guaranteed, nor is it a goal of the system. The price will be allowed to vary within a tolerance band that does not impede the system's functionality. For example, if a retail user buys \$nRECORD at 1.05 USDC, they are effectively forgoing a portion of the yield from the staking contract. However, this could still be economically acceptable for the user if the staking yield is sufficiently high.

Market exposure

The \$nRECORD tokens circulate on all regulated blockchain platforms, allowing retail liquidity from the crypto world as well as from the traditional world to gain exposure to the music asset class by simply purchasing the token and deciding on the Liquid RECORD Platform which macro categories of musical assets to invest in. The liquidity from the cryptocurrency market, now connected to traditional markets, can have a significant impact, especially during market phases where investors exit traditional crypto asset classes and seek to allocate their profits to less risky income sources tied to real activities.

The Future of Music Protocol: Dynamic Music IP

Leveraging the financial flow to build transparency and expand the offer

The Music Protocol's current financial system, driven by royalty-linked notes, investment pools, and decentralised governance, lays a solid foundation for digital IP management. By leveraging blockchain technology, Music Protocol is focussing on streamlining how rights holders, investors, and underwriters interact, making music rights more accessible and tradable. This creates the basis for expanding into a comprehensive system for dynamic Music IP management.

To further enhance transparency in the financial ecosystem, Music Protocol will expand its technology stack to directly identify intellectual property and link it to relevant cash flows. This will not only ensure accurate and traceable royalty distributions but also build trust among investors, artists, and rights holders by providing real-time data on IP ownership and earnings.



By linking IP to cash flows, the platform opens the door to addressing deeper issues like IP licensing and royalty settlements. The current analogue systems in the music industry are plagued by delays and inefficiencies. With blockchain-based automation, Music Protocol can streamline these processes, reduce frictions, and ensure faster and more transparent royalty payments. Smart contracts and decentralised validation will allow automatic, accurate, and real-time royalty disbursement.

As Music Protocol evolves, it is poised to revolutionise how IP, licensing, and royalties are managed in the music industry. The platform's transparency and efficiency will foster a more seamless and equitable ecosystem, addressing long-standing issues while unlocking new business models for the digital age.

The Problem: Analogue Music Licensing

Intellectual property is the backbone of many Web2 and Web3 business models, but as these models evolve, managing IP relationships becomes more complex, shifting from one-to-one to one-to-many, particularly with the rise of distributed content creation and Generative AI. While the music industry has embraced digital production and distribution, its outdated analogue approach to IP management now hinders growth. The increasing interest in alternative assets and digital environments, such as gaming and the metaverse, underscores the need for more modern, efficient IP management systems. Analogue methods simply won't meet the demands of a digital, dynamic music ecosystem.

The Alternatives: Generalist IP Tokenization Platforms

Several platforms that focus on tokenizing IP across industries aim to address these challenges, but their one-size-fits-all approach often fails to accommodate the specific complexities of the music industry. Tokenizing music IP requires a deep understanding of copyright laws, distribution rights, and the various stakeholders involved. The music industry's intricate value chain demands a specialised system that can handle royalties, licensing agreements, and performance rights. For any blockchain solution to succeed in this space, it must integrate seamlessly with existing rights management systems and include key industry players, such as labels and artists, in its governance structure.

What Music Protocol Will Become

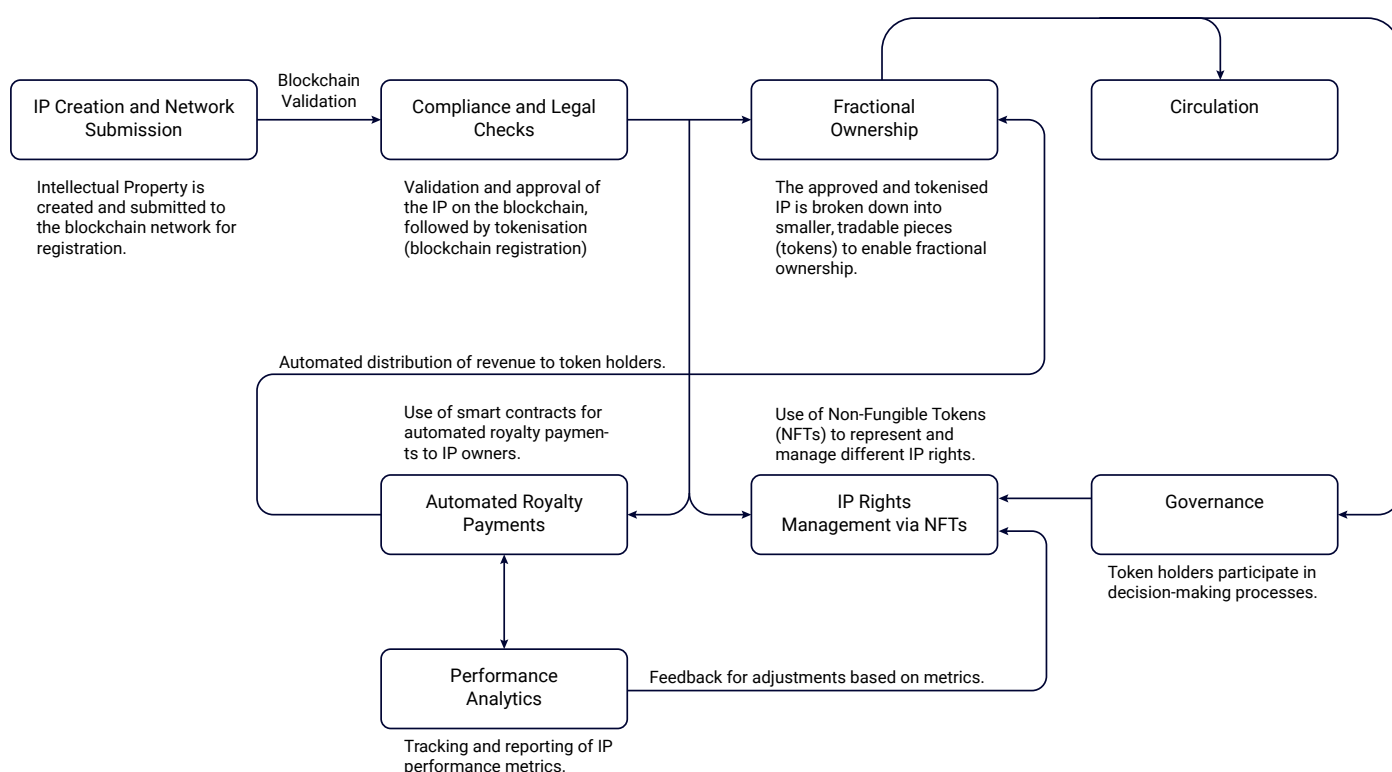
The future of music IP management lies in fully digital systems supported by decentralised infrastructures. Music Protocol is set to lead this shift, evolving into a comprehensive blockchain-based ecosystem for managing music IP. By transitioning traditional licensing processes into the digital realm, Music Protocol will also open new opportunities in emerging areas such as the metaverse, gaming, and AI-driven content. Its architecture



will be built on a sovereign blockchain with a proof-of-stake validation system, ensuring security and integrity. Multi-chain execution layers will further streamline the process, making IP registration, identification, and verification more efficient.

How Music Protocol Will Transform Music IP Flow

Music Protocol's blockchain-based system will begin with the digital registration of music assets, automating compliance checks and streamlining approval processes. Tokenized music IP will introduce new features, such as fractional ownership and NFT-based rights management, enabling transparent trading and automated royalty distribution through smart contracts. This transformation will make the music IP process faster, more transparent, and accessible to all stakeholders.



Relevance for Web3 Adoption

As one of the most universally consumed goods, music is poised to drive significant Web3 adoption. With blockchain-based infrastructure managing music IP, Music Protocol has the potential to connect billions of consumers to decentralised technology, reshaping the future of music IP management and unlocking new opportunities in both traditional and digital spaces.



Future Music Protocol Technology Architecture

Music Protocol will revolutionise IP management and licensing by building a transparent, efficient, and adaptable system for handling music rights. Its modular architecture will seamlessly handle digital and analogue rights, while its decentralised structure will support new licensing models. Integration with real-world applications will promote collaboration, ensuring the protocol stays relevant in an evolving industry.

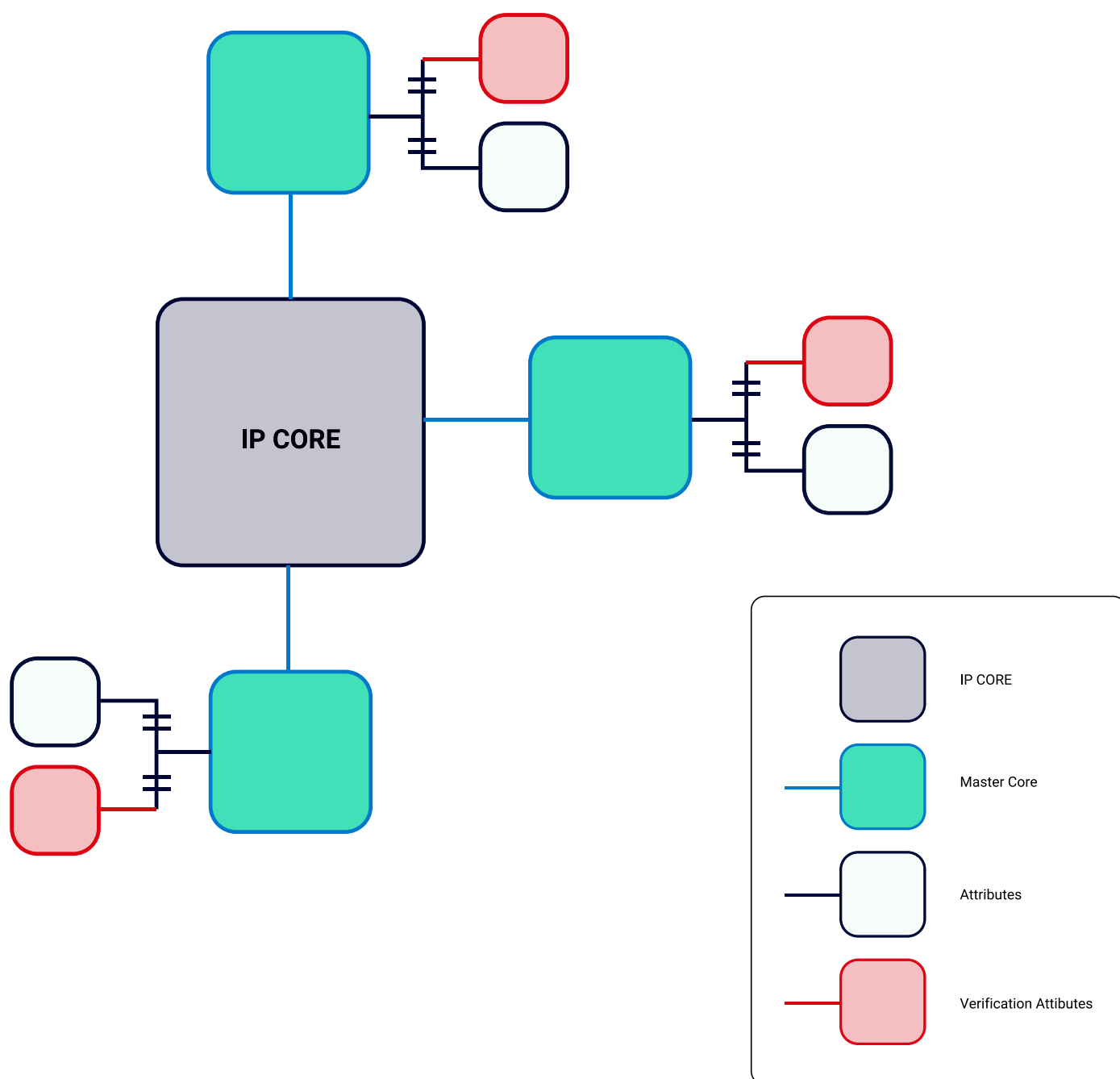
The Modular Architecture

Music Protocol's future architecture will feature a functional multi-chain modular system, integrating blockchain applications that handle different roles within the music value chain. Its sovereign chain will act as the decentralised hub for IP management, ensuring accurate cataloguing, identification of involved parties, and reliable economic and legal relations. The chain will operate on a Proof-of-Stake (PoS) system, powered by the \$RECORD token and supported by validators from the music and financial sectors. Additional execution layers will manage music distribution licences and tokenize financial rights, modernising IP management processes.

IP Core Asset Library

A key element of Music Protocol will be the IP Core Asset Library, serving as the decentralised system for managing music IP. It will function as the central directory, ensuring compliance with legal mandates while enhancing transparency, security, and efficiency in IP management. The library will consist of IP Objects, comprising IP Core, Master Core, and Attributes, which will handle music asset identification, rights registration, and on-chain legal frameworks.

- **IP Core:** Registers the music work's intellectual property on the blockchain, combining fixed details like title and authors with variable data for verification.
- **Master Core:** Registers intellectual property of recorded masters, linking multiple recordings to a single IP Core.
- **Attributes:** Provides on-chain representation of legal rights, including licensing, distribution, and usage rights tied to the Master Core.



IP Licensing Core Engine

This engine will manage interactions beyond the sovereign chain, including IP registration and asset verification. It will facilitate the tokenization of financial rights and streamline the issuance of music licences through NFTs, enabling innovative monetization models for streaming access, live events, and immersive experiences. The engine will also support digital licensing for AI-generated music, connecting with Generative AI platforms to streamline IP and rights management.



IP Inter-Chain Distribution Gateway

The IP Inter-Chain Distribution Gateway will ensure seamless integration between Music Protocol and Web3 ecosystems, allowing verifiable music IP rights to move between blockchain networks while maintaining a permanent link to the protocol. This technology will provide secure, cross-platform compatibility, enabling artists to maximise reach and revenue across digital platforms.

IP Settlement Gateway

The IP Settlement Gateway will handle interactions between Music Protocol and traditional market infrastructures, ensuring accurate financial flows and revenue distribution among rights holders, distributors, and collection societies. It will automate payments, reduce errors, and foster transparency, playing a crucial role in maintaining the economic framework of the music industry.

Conclusions

Music Protocol represents a bold new direction for the music industry, bringing together the worlds of decentralised finance, blockchain technology, and intellectual property management. By leveraging blockchain technology, Music Protocol addresses the historical inefficiencies and opacity that have long plagued music investments and IP management. With its phased approach, the platform will provide rights holders and investors with innovative tools to raise capital, manage royalties, and ensure transparent financial flows.

The development of Music Protocol will not only revolutionise the way music IP is managed and monetized but will also open up new business models across emerging digital landscapes such as the metaverse and AI-generated content. As the protocol evolves, it will bring much-needed transparency, efficiency, and liquidity to the music industry, ensuring that creators, investors, and all participants benefit from a more equitable, transparent, and dynamic ecosystem.

Music Protocol is set to unlock the full potential of the music industry's intellectual property, fostering innovation, improving returns, and paving the way for the next generation of music rights management. The future of music IP is decentralised, transparent, and powered by blockchain—and Music Protocol is leading the way.



Disclaimer

PLEASE READ THE ENTIRETY OF THIS “LEGAL DISCLAIMER” SECTION CAREFULLY. NOTHING HEREIN CONSTITUTES LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE AND YOU SHOULD CONSULT YOUR OWN LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISOR(S) BEFORE ENGAGING IN ANY ACTIVITY IN CONNECTION HEREWITH.

This Documentation contains forward-looking statements that relate to Web3 Music Association (“W3M”) current expectations and views of future events. These statements may prove to be incorrect and may be influenced by inaccurate assumptions, unknown risks, uncertainties, and other factors beyond W3M’s control. It is expected that some of these assumptions may not materialise or may significantly differ from actual results.

The Documentation is provided for informational purposes only and does not constitute a prospectus, advice, offer document, offer of securities, solicitation for investment, or any offer to sell any product, item, or asset in any jurisdiction. W3M and its officers, directors, advisors, agents, partners, representatives, consultants, and employees make no express or implied representation or warranty regarding the adequacy, accuracy, or completeness of the information in the Documentation or the described project.

The Documentation has not been reviewed or approved by any competent authority in any Member State of the European Economic Area or in any other jurisdictions and does not constitute a prospectus within the meaning of the capital market regulations. Prospective purchasers should make their own independent evaluation of all risk factors and should read the detailed information set out elsewhere in the Documentation. Other risks and uncertainties unknown to W3M or considered insignificant at this time could equally have a material adverse effect on the business, operations, financial conditions or prospects of W3M.

W3M as a Technology Provider

W3M’s role is strictly limited to providing technological infrastructure to support the management and processing of music-related assets. As a technology provider, W3M delivers blockchain-based tools and solutions that facilitate these processes but does not offer financial services, investment products, securities, or any form of investment advice. W3M does not engage in issuing, managing, or selling financial instruments.

The platform is designed to be used by regulated entities that choose to integrate W3M’s technological functionalities into their operations. It is important to note that W3M remains distinct from financial service providers and does not function as an investment or financial services company.

Phased Development

The project is in its early stages, with most of the functionalities outlined in this document planned for future development. Many features are still under development and do not yet



exist. The implementation will proceed in multiple phases, each contingent on regulatory approval and technical feasibility.

The phases are subject to change based on regulatory requirements, technical progress, and other factors. There is no guarantee that all functions described will be realised or will be implemented in the exact form stated. Each phase will proceed only after obtaining any necessary regulatory approvals. Accordingly, you should be aware that some project features may never be realised, and the implementation of various functions may differ significantly from what is described due to regulatory changes, technical challenges, or market conditions.

Risks Related to Development Phases

The implementation of the platform's functionalities is subject to various risks, including:

- **Delays and Technical Issues:** Any delays, technical problems, or failures during the development of different phases may impact the overall project timeline and the usability of the platform's functionalities.
- **Resource Constraints:** There may be unforeseen financial, resourcing, or technical challenges during development. These challenges could compromise the project's progress, potentially leading to failure, termination, or indefinite delays.
- **Regulatory Challenges:** Each phase may require obtaining specific regulatory approvals. Regulatory authorities may impose additional requirements or restrictions, which could delay or prevent the implementation of certain features.
- **Market and Operational Risks:** Market conditions, user adoption rates, or operational challenges could affect the feasibility of deploying new functionalities as planned.

Development of Liquid \$RECORD (\$nRECORD)

The Liquid \$RECORD (\$nRECORD) does not currently exist. It is part of the planned future development and will be subject to regulatory approval before any potential issuance. The information presented is intended for informational purposes only and should not be considered an offer to sell or a solicitation to buy any securities or financial instruments. The launch and availability of Liquid \$RECORD (\$nRECORD) will depend on successful regulatory approval. Please note that the details, features, and terms of the product may change as the design and regulatory review process continues. Potential purchasers should stay informed through official channels for updates on the status of the Liquid \$RECORD (\$nRECORD).

Regulatory Status of \$RECORD Token

The \$RECORD Token is considered a utility token under the current Swiss regulatory framework and not a security or payment token, as per FINMA's interpretation provided to W3M. Consequently, the issuance of the \$RECORD Token by W3M is not subject to the Anti-Money Laundering Act and does not require a prospectus under the Financial Services Act. Furthermore, FINMA confirmed that no other financial market laws in Switzerland, including the Financial Market Infrastructure Act are applicable to the \$RECORD Token.

Authorization by W3M

No person is authorised to provide any information or to make any representation not



included in the Documentation, and any information or representation not contained herein must not be relied upon as having been authorised by W3M.

Changes to the Project

The project may be updated and modified without prior notice. W3M is not obligated to update any forward-looking statements, even if they become incorrect or misleading due to new information, future events, or other circumstances. Additionally, W3M may face challenges during product development, including financial, resourcing, and technical difficulties. These difficulties are unpredictable and may be unsolvable, potentially compromising the overall project development. The project may fail, terminate, or experience delays at any time for any reason. Certain project features may never be realised, which could significantly reduce or completely eliminate the utility of \$RECORD Tokens.

Legal status of \$RECORD Token and Project is untested

Certain jurisdictions might apply already existing laws and regulations to blockchain technology-based projects or introduce new laws or regulations for this purpose. In particular, \$RECORD Tokens may at any time be deemed to be a security, investment, asset or money by governmental authorities or regulators. This could lead to substantial modifications, termination, and/or loss of \$RECORD Tokens. W3M may receive formal or informal queries, notices, requests, or warnings from governmental authorities and regulators. Regulatory action may be taken against W3M or the project.

No assets, property, governance or security right underlying \$RECORD Token

In particular, \$RECORD Token does not represent or constitute any intellectual property rights, ownership rights or stake, shares or security, membership right or equivalent rights nor any right to receive future revenues, shares or any other form of participation or governance rights in or relating to W3M. Due to the no security right, W3M is not to be construed, interpreted, classified or treated as debentures, stocks or shares issued by any person or entity, rights, options or derivatives in respect of such debentures, stocks or shares, 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, units in a collective investment scheme, structured products, units in a business trust, derivatives of units in a business trust.

Possible migration of the \$RECORD Token

W3M may migrate the \$RECORD Token to another protocol and generate replacement tokens on the new protocol if deemed necessary or useful. In such a case, support for pre-existing tokens or any other operational matters may cease, except during the migration process.

Reliance on the Internet

\$RECORD Tokens and the project heavily rely on the internet. However, the public nature of the internet means that it may be unreliable or unavailable at any given time. Data transmission via the internet may be subject to interruption, delay, corruption, loss of confidentiality, or other issues.



Reliance on Blockchain Platform

The \$RECORD Token holders need to have sufficient understanding of the functionality, usage, storage, transmission mechanisms and other material properties of cryptographic assets, wallets and other token/asset storage mechanisms, public and private key administration, blockchain technology, and blockchain-based software systems. The \$RECORD Tokenholders understand, recognize and acknowledge that such understanding allows the \$RECORD Tokenholders to appreciate the implications and risks of purchasing \$RECORD Token. The \$RECORD Token Tokenholders understand and accept the risk that the smart contract system concept, the underlying software application, the software platform and ecosystem architecture are at an early developmental stage and yet to be proven. There are no warranties or guarantees that the process for creating \$RECORD Token will be uninterrupted or error-free and there is an inherent risk that the software could hold weaknesses, vulnerabilities or bugs causing, inter alia, the complete loss of the contributed value and/or \$RECORD Token.

The blockchain technology is experimental, and risks associated with reliance on it include technical flaws, malicious targeting, changes in consensus protocols or algorithms, decreased community or miner support, existence of competing networks or platforms, existence of forked versions, flaws in scripting languages, disputes, and regulatory actions.

No liabilities

W3M, its officers, directors, advisors, agents, partners, representatives, consultants or employees will not be liable for any direct, indirect or consequential loss, or damage suffered by any person relying on any representation or omission made in the Documentation and, to the fullest extent permitted by law, all conditions, warranties and other terms which may be implied by law and any such liability are expressly excluded.

Market and industry information

The Documentation may contain market and industry information obtained from a variety of sources, including internal surveys, reports, studies, market research, and industry publications. While reasonable efforts have been made to ensure the accuracy and completeness of this information, there is no guarantee of its reliability.

General comment on risks

Purchasing \$RECORD Tokens carries inherent risks, including but not limited to blockchain-related risks, project abandonment or lack of success, regulatory risks, and jurisdiction-related risks. These risks, and additional risks arising either now or in the future, could result in the failure of the \$RECORD Tokens transfers, the destruction of the \$RECORD Tokens or the utility of the \$RECORD Tokens, and/or the termination of the development of W3M.

There is a possibility that the purchase amount may be unrecoverable and/or that the \$RECORD Tokens may cease to have inherent intrinsic value. Many factors, most of which are beyond the W3M's control, will influence the value of the \$RECORD Tokens and the price, if any, at which market participants may be willing to purchase or sell \$RECORD Tokens in



the secondary market. The purchase of \$RECORD Tokens involves the risk that subsequent changes in relative market performance may adversely affect the value of \$RECORD Tokens.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX, OR OTHER PROFESSIONAL ADVISOR(S).

THE DOCUMENTATION IS FOR INFORMATION PURPOSES ONLY AND MAY BE SUBJECT TO CHANGE.



Music
Protocol

