Soundeon.
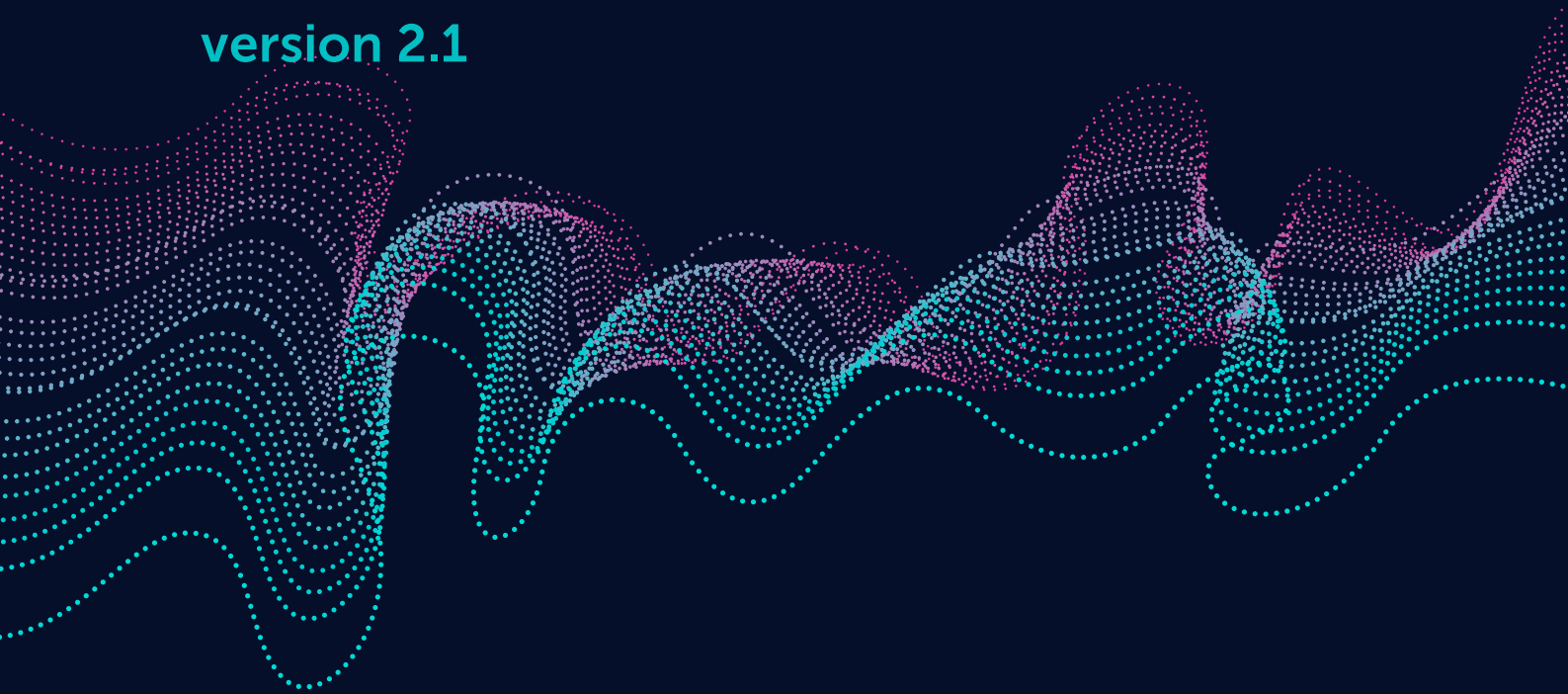## Decentralized and Vertically Integrated Blockchain Music Platform

version 2.1

Legal expertise provided by:

hedman
partners

Table of Contents

Abstract

In 2016, growth in streaming revenue achieved a staggering 60.4%, now making up 50% of the total recorded music revenue worldwide.[1] Whilst the likes of iTunes and Spotify explode in streaming volumes, this success often surpasses the actual artist, profiting cliques of powerbrokers through clandestine backroom deals. As an ever-growing share of artist's income derives from touring and events, intermediaries have caught up and plagued the simple process of ticketing into an extortion scheme victimizing artists and fans. Soundeon presents a step-by-step solution to not only invigorate the music business with fairness, transparency, trust and independence but unleash the value potential of merging recorded music and ticketing into a transcending fan-centric experience.

This paper describes the world's first vertically integrated blockchain solution that transcends digital multimedia distribution and live event ticketing. Based on the proprietary Ethereum-based protocol, Soundeon utilizes its registered Creative Smart Contract™ to create a trustless and transparent music rights management and ticketing environment that addresses the long-standing problems plaguing performing artists and fans alike.

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[1] http://www.ifpi.org/downloads/GMR2017.pdf

Mission Statement

To discover new talent and empower creators to take control of their works by developing a blockchain-based digital media rights management and live ticketing environment that is uncensored, immutable, fair, transparent and fosters an ever-closer relationship between the artist and fan.

Vision

We envision a modern music industry that is revived with transparency and fair treatment that bridges the gap between the artist and fan. Where talent's success relies on merit and creators can solely focus on creating.

Artists' Manifesto

In line with this conviction, Soundeon prescribes to the principle of equal opportunity for all, independent of race, religion or family background. It is our shared responsibility to promote the arts across disadvantaged communities by contributing 10% of Soundeon's income to philanthropic endeavors.

The Music Industry Problems

Introduction

The music industry is traditionally split between recorded and live music ticketing, each with their unique and inefficient practices nullified with the advent of the internet. Soundeon's novel approach to resolving the hurdles faced by artists and fans on and offline requires the blockchain platform to natively address these market frictions layer-by-layer. Hence below, we set forth to discuss the most pressing problems in recorded rights management and distribution, followed by, live event ticketing (otherwise known as touring). This section concludes with an explanation of the massive disconnect that exists between recorded and live music and the enormous value potential from using blockchain to integrate these traditionally segregated aspects of music industry.
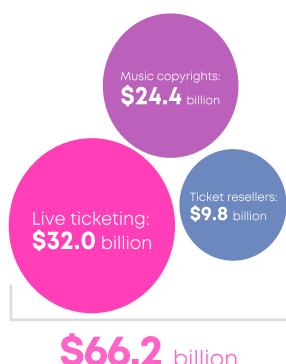
Recorded Music

Recorded music dates back to the early 20th century with the advent of disruptive sound recording technologies. The industry as we know it today was formed in the 1960s as breakthrough communication technologies developed in World War II came to mass market. As music became big business, artist's record and publishing contracts grew more convoluted. To this day in the United States, royalty contracts fall into two categories: income/profit sharing model is used in publishing agreements governing authorship rights and the per-unit royalty model adopted by record companies. After a decade in decline the $15.7 billion music market is undergoing a resurgence.[2] However, much of this success has foregone the actual artists, as the Research Institute of the Finnish Economy put it: "royalty payments have moved from pennies-per-purchase to micro-pennies-per-stream."[3]
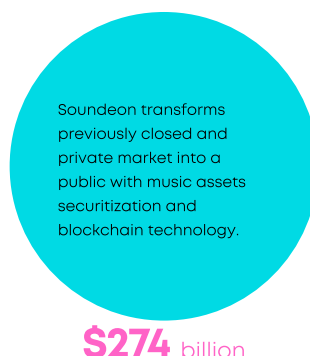
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[2] http://www.ifpi.org/downloads/GMR2017.pdf

[3] https://www.etla.fi/wp-content/uploads/ETLA-Working-Papers-48.pdf

Present Market

Music copyrights:
$24.4 billion

Ticket resellers:
$9.8 billion

Live ticketing:
$32.0 billion

$66.2 billion

Soundeon integrates previously fragmented markets into a single environment.

Potential Market

Soundeon transforms previously closed and private market into a public with music assets securitization and blockchain technology.

$274 billion

Music Publishing Agreements

Contemporary music publishing agreements contribute 65 to 85 percent of the aggregated net publishing income to the songwriter. Seemingly straight forward at first glance, and an improvement since the burdensome 50/50 profit split agreements that were common pre-1980. However, to this day the "cost deduction" clauses remain the favorite trade trick of publishing royalty sharks. Such clauses are infested with inflated or purely arbitrary terms which govern advances, administrative costs, and restrictions.

Publishinh is further complicated by jurisdiction. For instance, in the U.S., the world's largest music industry market, the 1909 Copyright Act of Congress formed what is known in the music trade as "compulsory licenses" for mechanical rights[4] that are set by the Copyright Royalty Board for song reproduction. As of 2017, this license fee was set at 9.1 cents[5] (or 1.75 cents per minute for songs exceeding 5 minutes) for each reproduction.[6] Yet in practice, compulsory licenses are only used as pricing benchmarks for mechanical rights. Due to burdensome administrative provisions publishers find it easier (and often cheaper) to license their copyrights directly.

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[4] Section 115 of the U.S. Copyright Act

[5] 26 January, 2018, Copyright Royalty Board has issued increases for mechanical and performance royalties to publishers and songwriters. Historically PROS (responsible for performance royalty collections received circa 50% of royalty pool, remainder going to publishers and song writers. CRB set the 2018 rate 15.1 percent of royalties, however the publisher/PRO split has not yet been announced.

[6] https://secure.harryfox.com/public/StatutoryReports.jsp

Labels often try to reduce publishing royalty obligations with various techniques, such as paying for mechanical licenses only on product sold rather than shipped (often with generous spoilage rates) or avoiding paying mechanical licenses altogether by for music sold through record clubs.[7] Such techniques not only reduce the optimally intended paychecks to songwriters but also stall payments for many months.

Mechanicals: Collecting Internationally

Having shown in this brief overview how clustered with loopholes complicated publishing contracts are, this complication is compounded as we expand to other jurisdictions. For instance, United Kingdom has no compulsory licensing and only the first mechanical license is required (rightfully obtained with copyright owner's permission). In the U.K., mechanical rights rates are a percentage of a records price (unlike in the U.S.) and are negotiated by the Mechanical Copyright Protection Society. MCPS collects 8.5% of the highest price paid by retailer for the record or 6.5% of retail excluding VAT. MCPS also categorizes licenses as AP1 or AP2 based on the creditworthiness of the licensee and this is where things get even more convoluted.

Across Europe, the Bureau International de l'Edition Mecanique (BIEM) negotiates rates on behalf of 55 societies across 59 countries (including EU members), charging 9.009% of published price to dealer (PPD) [rather than the sticker price] for mechanical rights.[8] These jurisdictional variations are the bread and butter of mechanical rights collectors whose administrative fees vary from 5% to 20% of collections. Once the publisher collects their approximate 50% stake in mechanical royalties, and administrative fee is paid, the songwriter is left with peanuts.

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[7] https://www.bmi.com/news/entry/Understanding_Mechanical_Royalties

[8] Compulsory mechanical licenses 20/20

Massive Unclaimed Mechanical Royalty Market

Delays in rightful payments by public rights organizations (PROs) to songwriters is a longstanding fact. Payments may be made regularly, however, these disbursements may reflect uses years previously. Unclaimed royalties are placed in escrow, pooled and ultimately divided arbitrarily by those who claim their royalties.[9] Within the music business this appropriation and distribution is simply called the "black box."

Beyond registering with every mechanical rights organization in the world or going through an intermediary administrator who often charges up to 20% in collection fees, the rights owner needs to undergo through a separate and burdensome process to collect royalties from interactive players.

Interactive players constitute those which play songs on-demand, the likes of Spotify and Deezer (excludes Pandora and radio) which pay royalties based on the geographic location of the stream occurring. In the U.S., this figure stands at $0.0008 per stream.[10]   However, the artist will not receive this additional income stream unless he or she registers directly with the interactive streaming platform since no complete publishing rights platform exists in the world – as Spotify found out in 2017.

In 2017, Spotify reached a $43.45 million class-action settlement in *Ferrick v. Spotify USA Inc.* to compensate songwriters and publishers for streaming unlicensed compositions. In 2016, a similar situation occurred when Spotify agreed to a private settlement with The National Music Publishers' Association for $30 million. This situation exemplifies the broken system of mechanical rights management in the U.S. Whereas performing rights are managed by the PROs (BMI, ASCAP, SECAC and GMR) – mechanical rights are governed by the statutory licenses. The lack of a single comprehensive database of rightful mechanical rights owners means that the streaming platform need to identify each owner manually. An incomprehensible feat for a purveyor of 30 million tracks.

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[9]   https://www.etla.fi/wp-content/uploads/ETLA-Working-Papers-48.pdf

[10]   https://www.tunecore.com/blog/2012/11/how-were-getting-your-mechanicals-from-streams.html

Having been sued over the years for $1.6 billion dollars,[11] Spotify is turning to blockchain for the solution. In 2017, the streaming service acquired Mediachain, a Brooklyn-based startup developing a decentralized rights management system[12]. So far Spotify has been under fire as the posterchild representing the booming streaming industry. According to IFPI, digital streaming revenues in 2016 alone surged by 60.4%, the trailblazer behind a 5.9% global recorded music market growth,[13] – the highest rate in history. The National Music Publishers' Association estimates that as much as 25% of U.S. streams are unlicensed.[14] Unpaid publishing rights remains a broken system and as physical sales fall and online streaming takes center stage, songwriters and publishers are shortchanged.

In late January 2018, the Copyright Royalty Board has increased the mandatory publishing payment for interactive streamers to 15.1% (from 10.5%) of revenue.[15] An achieving for the songwriter. However, that makes proper and swift mechanical royalty administration ever more important.

There are hundreds of copyright collection societies and companies worldwide that focus on publishing rights, not to mention hundreds more that cover public performances and neighboring rights (our next discussion). Industry pioneers are turning to blockchain for the solutions to problems barring industry's growth, namely rights administration. In this low trust environment, a decentralized immutable ledger presents a real use case in this environment deprived of trust.

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[11] https://www.theguardian.com/technology/2018/jan/03/spotify-sued-for-16bn-in-unpaid-royalties

[12] https://techcrunch.com/2017/04/26/spotify-acquires-blockchain-startup-mediachain-to-solve-musics- attribution-problem/

[13] http://www.ifpi.org/facts-and-stats.php

[14] https://techcrunch.com/2017/04/26/spotify-acquires-blockchain-startup-mediachain-to-solve-musics-attribution-problem/

[15] https://www.reuters.com/article/us-copyright-streaming/u-s-to-make-streaming-services-pay-more-for-music-idUSKBN1FH01E

Record Company Contracts

Over the past two decades, the mass adoption of the internet has transformed both, the way media is recorded and distributed. Not all media industries have embraced new opportunities arising from novel technologies to their fullest potential. Case in point, the $15.7 billion recorded music industry stumbles to shred their archaic, inefficient and convoluted practices and evolve into modernity.

Over a decade in market decline, consolidation and monopolization has aggravated the music industry's competitiveness. Today the so called "major labels" or "Big Three" (Universal, Sony, Warner Brothers) control 68.7%[16] of the industry. In turn, each of the "big three" own their distributor jointly known as "major distributors." As with record labels, consolidation left only three "major distributors" one for each "major label." This points to the extremely immense degree of supply chain control these incumbents can and do exhort. Major distributors distribute on behalf of their in-house labels, as well as major-distributed independent labels. Even independent distributors are owned by major labels (RED by Sony, ADA by Warner, etc.). Marketing strategies intended to portray uniqueness and appeal to specific music genre fans coat the degree of to which the recorded music industry, by in large, constitutes a mass market factory line, controlled by an oligopoly.

In part, this oligopoly was formed due to the high administrative and legal costs associated with running a label or distributor with global ambitions. More accurately these high costs are the consequence of market frictions within recorded music industry as a whole. The lack of transparency, trust and accountable data (as we've previously shown with publishing rights) within recorded music rights management not only allows but promotes for this extraordinary concentration of power in the hands of few.

Universal, Sony, Warner Brothers not only control nearly 70 percent of the label market, their oligopoly permeates the entire recorded music market. Let's look at how harmful the status quo is.

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[16] Music Business Worldwide "Global Market Shares 2016": https://goo.gl/dxmCVT

Oligopolistic behavior – archaic market frictions exacerbated by industry's inability to keep up in the digital age has led to a de facto oligopoly where true independent artist face difficulties in staying independent. Singing to a major label, often on disadvantageous terms, remains the right of passage for up and coming and discovered artists. Those that were able to remain independent are faced with the challenge of outmaneuvering majors, their distributors and other related entities on a daily basis. Case in point, placing their albums on storefronts, both digital and offline. This is because the most discoverable shelves are presold to major distributors.

Another favorite trick of the "Big Three" is the concept of "breakage", dubbed the "black box" (there is more than one in the music business). Namely, the labels sign contracts with streaming and digital storefronts (including Spotify, Google Play) that oblige up-front payment to the label. At the end of the contract there is a difference between the advance and actual use. Labels tend to pocket this difference as they renegotiate new agreements.

Aside from demanding huge-prepayments and ultimately pocketing the unearned revenues, the sheer scale of "Big Three" publishing houses gives Universal, Sony, and Warner Brothers, according to Forbes, $300 million[17] in revenue from "un-attributable" publishing royalties (though the arbitrary process previously described).

Simply put, it is nearly impossible for an artist to reach their fan and generate sales, on a global scale, without entering the labyrinth of middlemen paying dividends to the "Big Three."

Aggressive merger & acquisition strategies – Albeit that the recorded music business generates a steady flow of entrepreneurially minded startups striving to create a fairer, and more transparent music business, their potential is often curtailed by incumbents' aggressive acquisition strategies.

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[17] https://www.forbes.com/sites/zackomalleygreenburg/2015/04/15/revenge-of-the-record-labels-how-the-majors-renewed-their-grip-on-music/2/#200ea18d306c

Such behavior is manifested in both, demanding equity for use of services as well as buying startups at inflated (hence usually undisclosed) valuations. Whatever the strategy is, the startup's threat of disrupting the industry is prematurely neutralized; whether done so intentionally or due to misaligned incentives.

Policing our culture – controlling 68.7% of a socially important market that is the music business means that the "Big Three" are systemic institutions in our culture. By default, this volume of control dictates the world's contemporary cultural agenda, our access/comprehension of past culture, and future trendsetting. Fully independent artists, publishers and labels are marginal in scale and lack the cohesion required to serve as counterweights to the establishment within the music business. This subject deserves an in-depth anthropological study of its own right and falls outside the scope of this study.

Concentration risk – even with the best intentions, allocating 68.7% of a global industry in the hands of 3 companies may immediately lead to systemic industry failure (i.e. in cases of bankruptcy).

Live Event Ticketing

Scalping

Ticketing industry can be divided into two main segments: primary market and secondary market. The primary market is straight forward, event organizer sets a ticket price based on previous experience or an optimization algorithm. To ensure a full house and to make culture more accessible to the masses (often a policy motive of non-profits), face value of tickets is usually set lower than the market is willing to pay. This dynamic generates an economic incentive for "bad actors" within the $8 billion[18] secondary event ticketing economy, a third of the primary market. Namely, scalpers or ticket touts (as they are known in U.K.) see a mismatch

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[18] The war on ticket bots is unlikely to be won, The Economist https://www.economist.com/news/united-states/21713869-2016-bots-tried-buy-5bn-tickets-or- 10000-minute-ticketmasters-website

between the selling price of tickets and the audience's willingness to pay a higher price. Alternatively, ticket scalpers employ bots to synthetically eradicate the supply of tickets, hence taking on a monopolistic grasp on an event and inflating prices.

Legislation

The parasitic behavior of scalpers has long been under scrutiny of local and in some jurisdictions, national lawmakers. The exacerbation of the ticketing black market has forced renewed efforts to tackle the problem, without success to date. For instance, in the U.K. it is illegal to resell tickets without the football club's permission.[19] In the U.S., city councils attempt to tackle scalping by prescribing scalping-free zones within a venue's perimeter. So far, these efforts led to simple and more effective circumvention measures, such as utilizing secondary ticketing portals such as Stubhub, Razorgator, or Ticket Liquidator.

Makeshift Efforts

This industry-wide problem and the failure of Ticketmaster amongst other industry leaders to resolve it is leaving leading artists to come up makeshift solutions. Adel, the British singer, took it into her own hands to fight scalpers by creating her own IT infrastructure to fight computer robots and fake identities for online purchases; however, this approach becomes useless for in-person sales. Identifying the purchaser and making the sale easy for genuine concertgoers is not only difficult but also costly.

Flawed Solutions

This ticket scalping plagues the most sought after events across the world, from the Bolshoi Theater ballet to U2 concerts. [20]

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[19] Section 166 of the Criminal Justice and Public Order Act 1994, United Kingdom

[20] https://elpais.com/elpais/2018/02/14/inenglish/1518606708_792088.html

In various performance venues, this issue is dealt with differently. The commonality between existing ticketing solutions is their lack of practicality. A popular measure employed to battle ticket resells requires ticket holders to show their identification document, which must match with the printed name on the ticket. This process is extremely time consuming, creates huge queues and limits the rights of eventgoers. The issue of transferability is key for genuinely fair ticketing. For instance, if the ticket purchaser falls sick and unable to attend a performance, he or she should have the right to gift the ticket to their friend with ease.

Fraud

With the transition from hologram box office tickets to print-at-home PDFs ticket fraud has become ever so easy. Resellers are able, with ease sell different people the same ticket, or altogether produce a counterfeit. Albeit the market size of fraudulent event tickets remains a guess, the police efforts in metropolises suggest that it is a serious public concern. Existing solutions on resell portals such as Stubhub attempt to mitigate the lack of trust in authenticity of resold tickets by guaranteeing tickets through their FanProtect Guarantee™, but this comes at a cost – 10% of the ticket from the buyer and 15% from the seller.[21] A whopping 25% on ticket resale value (not face value) is a hefty transaction cost.

Recorded Music and Ticketing Disconnect

Music sold at record shops and streamed online has always for various purposes been an industry in its own right, separate from touring or live event ticketing. As the recorded music industry moves from cents earned from physical record sales to pay-per stream micro-pennies, touring income is becoming an ever-important income stream for the artist. According to PWC media outlook report, music business is undergoing a systemic shift where "user experience takes center stage."[22]

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[21] www.stubhub.com

[22] https://www.pwc.com/gx/en/entertainment-media/pdf/outlook-2017-curtain-up.pdf

An industry players which traditionally focused on content and distribution now focuses on user experience as the key value-chain component.

Fan-centric businesses, enabled by new technologies allow for listener engagement, growth and monetization an established market. However, despite leaps in fan identification and unique experience engagement, the recorded music and live ticketing industries remain by in large separated. This disconnect constitutes a significant foregone value-chain gap for the fan-centric music business model.

A single vertically integrated music platform, that is both on, and offline carries the following benefits:

- More accurate and insightful fan marketing. Empowering artists to distinguish between core fans and casual users, understand fan preferences and, ultimately strengthening and growing more than one fan base.

- Improved user experience and improved ability to elevate casual listeners to concertgoers at a fraction of traditional cost. Offer existing avid concertgoers tailored experiences.

- Built in reward mechanisms that uphold long-term relationships with fans over short-term profits. A committed fan should not compete with ticket scalping robots or physical resellers, but should be rewarded for their loyalty by the artists rather than the venue or credit card points.
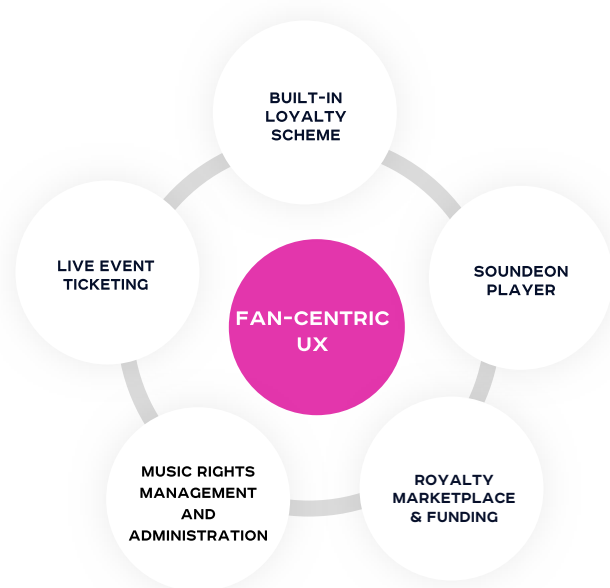
The Soundeon Solution

Soundeon is a decentralized blockchain-based musical and multimedia platform built on the Soundeon ecosystem – a protocol for the modern media. The Soundeon venture constitutes a consortium of blockchain experts, artists, software developers, intellectual property practitioners, and media executives that are already shacking up business as usual within the media industry.

Soundeon tackles foremost problems plaguing the performing arts industry with radical transparency, equitable ownership rights management, enhanced artists funding mechanisms and fair event ticketing.

We help artists regain control of their creations, monetize their talent and offer fans an ever-closer connection with their artists. As the music industry struggles to resolve the problems in digitally recorded music rights management and live event ticketing, Soundeon presents a layer-by-layer use-case approach.

At its core, novel technologies within blockchain computing such as self- executing smart contracts and immutable ledger technology enable Soundeon to create a functioning, stable, secure, and adaptive environment to solve practical problems in digital media and ticketing. The platform covers all aspects of the music industry. From the creation and copyright of a work to contractual resale of both existing and future music assets, to concert organization and ticket sales.

Soundeon utilizes a multipronged approach to eliminating inefficient and archaic market practices adversely affecting both, the artists and their fans alike, on- and offline.
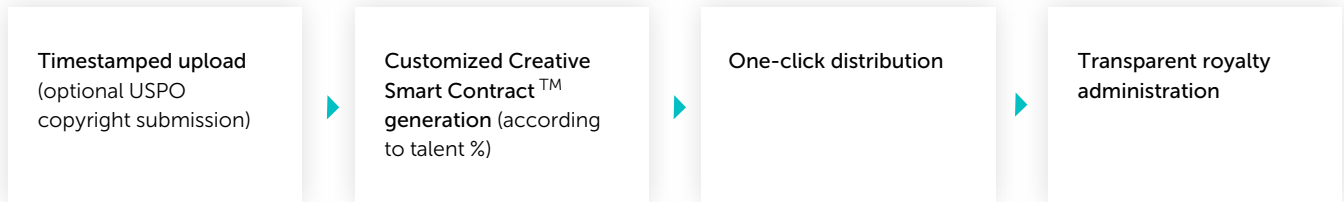
Through the native adoption of proprietary technology – the CSC (Creative Smart Contract™) Soundeon Protocol resolves earlier presented problems by developing the following initial application layers:

- **Music Token Sale** – An opportunity for artists to launch Token Sales and finance personal projects through the support of the Soundeon community.

- **Soundeon Exchange** – A tokenization tool and a decentralized exchange of intellectual property where everyone can buy or sell their royalty income with an opportunity to create diversified personal music royalty portfolio.

- **Soundeon Tix** – fan-centric blockchain-based smart ticketing platform is natively embedded on the Soundeon environment. Dynamic QR codes and Creative Smart Contracts™ eliminate ticket scalping, fraud and empower organizers to take full control of ticket resells both on primary and secondary markets.

- **Soundeon Monitor** – Royalty data aggregation from Soundeon and third-party providers, with integrated data analytics that covers all aspects of the artist's creative output (including: copyright, royalty collection, ticket sales).

- **Soundeon Player** – A music player that utilizes blockchain technology for transparent royalty distribution.

  The elegant architecture of the platform and our API allows for 3rd parties to further grow the environment.

Soundeon Monitor

Timestamped upload (optional USPO copyright submission)	▶	Customized Creative Smart Contract ™ generation (according to talent %)	▶	One-click distribution	▶	Transparent royalty administration

Soundeon Monitor provides an opportunity to register copyright for their work and have access to all royalties that have been generated through Soundeon, as well as other third-party providers. Furthermore, our deep data analytics mechanism combines all aspects of the musician's creative output and puts it into a clear and easy-to-read format (copyright, royalties, and ticket sales).

Music fans can track and analyze the performance of their music portfolios (royalty accumulation) and receive the most accurate information that will allow them to make informed decisions regarding the purchase of other music assets. Our specially designed data analysis mechanism will allow to evaluate concert attendance and help to discover future monetization channels.

Submission and New CSC Generation

Based on the Creative Smart Contract™, each new artist work is time stamped and given the optionality to submit to the copyright registration authorities (e.g. U.S. Copyright Office) for additional third-party re-assurance. Further, at the its creation, the CSC can be split according to percentages agreed amongst creators.
This addresses the common problem surrounding legal disputes and supporting artists within a work not receiving their fair share of income. The click and drop publishing rights contract creation allows the independent artist to avoid paying hefty attorney fees or spending days on makeshift efforts that are legally inadequate.

Distribution and Royalty Collection

Online music distribution is not novel by any means – Soundeon's approach is. Artists are faced with lots of options, from "Big Three" distributors to progressive independents such as TuneCore, AWAL, or CDBaby that for a fee upload your creations to Spotify, Google Play, Deezer and many others. At Soundeon we are tackling the problem of lack of transparency and royalty payment delays by building a scalable royalty rights administration layer that is easy for third parties (including PROs and streaming platforms) to adopt. By providing an API for third-parties, we are demonstrating our understanding that to be an effective blockchain environment, we must ensure a level of compatibility with legacy systems widely used today. Having full integration with our own proprietary – Soundeon Player and Soundeon Tix from day one, we are able to signal to the wider market of the possibilities that arise from a transparent royalty rights administration and deeper fan-centric analytics.

Music Token Sale

Soundeon takes a leap forward from outdated royalty rights management techniques by adding not only transparency and trust into the equation, but also artist-oriented flexibility in funding their works. Traditionally, artists were limited to private music brokers, generalist crowdfunding platforms and auction platforms. However, no viable solution exists within this $8.8 billion market.[23]
Private music brokers lack the transparency and market liquidity to offer songwriters and performers a fair, low transactional cost model for rights sales. While general crowdfunding platforms such as Kickstarter, Crowdcube or Indiegogo introduce fan engagement, these solutions lack the operational focus and execution mechanisms to cope with complex music rights management administration. Royalty Exchange, on another hand, has the expertise in music rights sales. However, this pioneer's business model only allows for a single music lot winner, requiring a single payment of tens of thousands of dollars.[24] Hence alienating much of the avid listeners eager to collectively chip in smaller amounts.

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[23] https://www.billboard.com/articles/business/6465777/cisac-2015-global-collections-report-royalties-remain-stable-at-88-billion

[24] https://www.royaltyexchange.com/faq

On the platform, artists can gain financing and realize their creative visions (record a new album or track, shoot a music video, etc.) by organizing their own Music Token Sale.

Music fans can try themselves out as music producers by vesting into talented musicians and becoming co-owners of the copyright, ultimately receiving returns on future royalties and other revenue streams (music streaming services, concerts, other public performances and etc.). Soundeon's Music Token Sale is a feature based on the platform's marketplace layer – the Soundeon Exchange.

Soundeon Exchange

Delivering a transparent, equitable, immutable place of settlement of royalty rights constitutes a perfect use case where advantages of blockchain technology are exploited to their fullest potential. Artists, songwriters and other rights owners who register their creations on the Soundeon Monitor are able to sell fractions or entire future earnings of their works. Exchange occurs in-kind, in fiat, the Soundeon Token, or other leading cryptocurrencies.

Utilizing modern fintech techniques, including micropayments and securitization, hardly previously introduced into the music business, Soundeon Exchange evens out the playing field for truly independent artists to compete with big labels. At the same time, it is an excellent opportunity for fans to create diversified personal music royalty portfolios that are uncorrelated to traditional asset classes and provide diversification from market volatility.

Soundeon Exchange takes at twofold approach to value-creation within rights management:

1. Connecting with fans on a deeper level with built-in reward mechanism.

2. Converting fans into stakeholders and participants of the artists' success story.

3. Providing funding flexibility for artists by monetizing on their existing and establishing advances for future works – completely on the artists' terms.

Soundeon Tix

Transcending the barrier between recorded music rights and distribution, and live event ticketing constitutes a bold move within traditionally segregated industries. In order to gain a competitive advantage in today's crowded, attention deficient music & entertainment environment, artists must excel not only in their performance talent but also in orchestrating unique, personable, fan-centric user experiences.

A novel approach: *what if the concert organizer was able to control not only the primary market but also the secondary?*

The versatility and practicality of Soundeon's Creative Smart Contract contributes to its intrinsic value. Natively, the CSC may take form of a ticketing smart contract that is transparent, and easily verifiable. The self-executing feature of the CSC allows for fan loyalty incentives when used on compatible platforms such as the Soundeon Player or third-party API integrated providers. This feature allows musicians to identify and reward their most avid online listeners to experience a live event.

Tractability of the CSC and its dynamic in-app QR code eradicates unauthorized reprints and forged tickets amongst other commonly used fraud methods. Transactional transparency allows performing artists to not only oversee the primary ticket sales, but also govern its secondary market.

The recently developed improvements in blockchain technology now allow for a holistic approach to ticket sales. Now, not only are venues empowered to set limits and rules for primary ticket sales, but also for resells. The immutable general ledger technology validates each transaction across a decentralized network governed by the rules which the event organizer prescribes. Game theory is at the core of this computational logic. As an added benefit, the ticketing website becomes much more difficult to hack than commonly used centralized systems.

Beyond streamlined sales, natively-integrated loyalty scheme and a secure environment for reselling authenticated tickets, Soundeon Tix unleashes an entirely new and highly profitable revenue stream.

Soundeon Player

Previously mentioned, the platform will have a native player that is currently under development. We believe that it is imperative for a genuinely vertically integrated music environment to support the artists from sheet music to his or her fan's headphones. This approach not only extends from ideals but from practicalities. To date, there is not a single player that can provide us with the deep level data that we require to build a truly fan-centric loyalty environment. Artists participating on the Soundeon Monitor may elect to distribute their works via the Soundeon Player, Blockchain music player that collects data on how many plays a particular track has. The data is then entered into a validated and immutable decentralized registry. This facilitates a fair royalty distribution for all Soundeon members and provides highly accurate listener analytics. Listeners on the other hand will be able to circulate their Soundeon Tokens enjoy high-quality daily-curated playlists.

The Soundeon Token

The Soundeon protocol token – the Soundeon Token is a vital utility tool used to align economic incentives amongst platform participants.

Soundeon Token's technical and economic characteristics provides a highly liquid and low transactional cost form of payment on the platform. The key use- cases for Soundeon Token existence include:

- The Soundeon Token constitutes a utility payment mechanism for services rendered within the platform (Music Token Sale, Soundeon Exchange, Soundeon Player, Soundeon Tix) as well as through partner channels that are integrated with the Soundeon environment.

- Soundeon Token ensures the frictionless nature of tokenization.

- The Token allows for micropayment with low transaction cost for more accurate splits, greater value for the listener and a liquidity facilitation mechanism for artists (who then may use token across other layers and platform partners).

  In addition to the Soundeon Token, alternative forms of payment will be permitted on the Soundeon environment; namely, major cryptocurrencies and fiat currency.

Soundeon System Architecture

Main incentive for Soundeon to develop a distributed application is to ensure trust and fair play. Hence, all value transfers are performed on the blockchain, and blockchain smart contracts are used wherever possible.

Soundeon is heavily focused on users' privacy, keeping all sensitive data outside of publicly available storages and introducing industry leading standards in governance and cyber security.

Soundeon Layers Stack

APPLICATIONS	SOUNDEON PLAYER	SOUNDEON EXCHANGE AND MUSIC TOKEN SALE	SOUNDEON TIX	SOUNDEON MONITOR

INTEGRATION LAYER	SUBSCRIPTION SERVICE	SOUNDEON API

DISTRIBUTED LEDGER AND OFF-CHAIN SERVICES LAYER

- PAYMENT PROTOCOL
- SOUNDEON TIX PROTOCOL
- OWNERSHIP PROTOCOL
- IDENTITY PROTOCOL
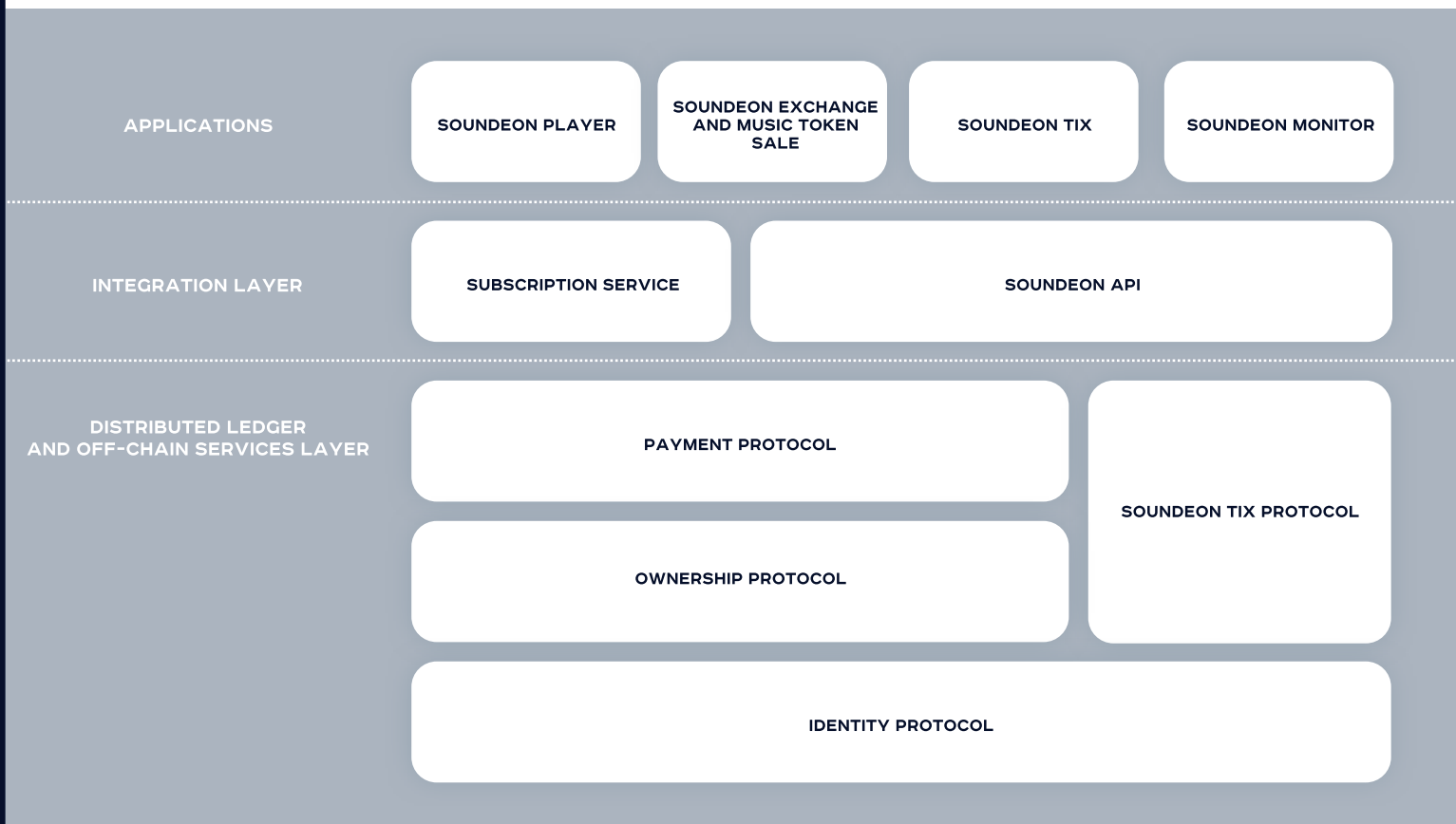
On the technical level, Soundeon layers could be represented as a stack of protocols, based on a core functions of the Platform, such as maintaining identity and rights governance.

Protocols are designed to cover selected areas of business and build from bottom up. Upper layers benefits from bottom, which provides basic functionality.

Soundeon Identity Protocol

Identity Protocol implements the way Soundeon Monitor perform governance of user accounts. Protocol allows to register new accounts and verify it via KYC service providers. It's also possible to link external accounts

Verified accounts called Identities. Identities are the cornerstone for the entire system and directly or indirectly participate in all activities. Soundeon works with identities in mixed manner: on-chain all actions are performed with anonymous data and private information not disclosed. Off-chain Soundeon also maintains processing anonymous when possible.

Soundeon Rights Protocol

Rights protocol is a complex procedure regulating registration of intellectual property and ownership verification. Soundeon performs due diligence as a part of rights registration.

Once registered in the system, property can be tokenized. Rights cloud be sold partially or in a whole because of dividable nature of tokens.

Rights Protocol is implemented on the blockchain level by Rights Register smart contracts. This set of smart contracts responsible for tracking rights for all intellectual property registered on the platform. Rights Protocol benefits from disintermediation and automated governance, which guarantee fairness.

Soundeon Exchange

Soundeon introduces Exchange service powered by blockchain and protected by Soundeon Rights Protocol. Exchange servers multiple purpose:

- Allows licensee to tokenize existing music rights;
- Serves as a platform to conduct Music Token Sales;
- Provides a marketplace for tickets issued on Soundeon Monitor;
- Serves as a secondary peer-to-peer market for all tokens issued on the platform.

  Soundeon Exchange is fully integrated with the platform.
  Different types of trades may enforce vesting period on traded tokens.
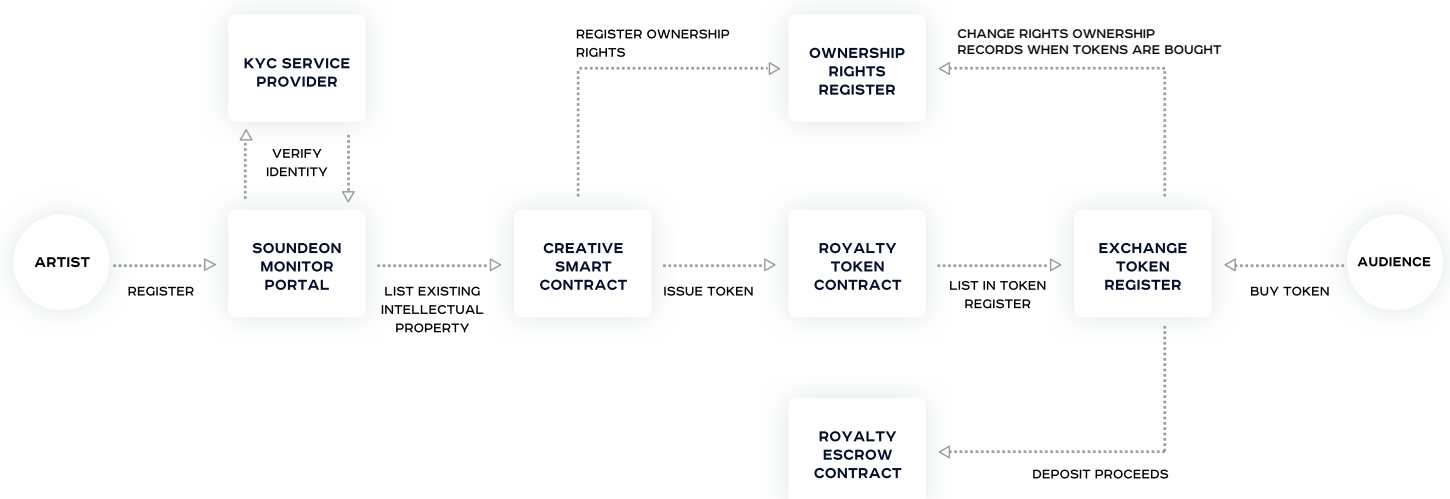
Soundeon Music Token Sale

Music Token Sale available for registered artists, which are passed KYC, and want to fund their work, inviting fans and general audience to become a part of creative process.

Artist uses Soundeon Platform to create Music Token Sale Roadmap based on one of existing templates and standard blocks. Visual constructor allows to set timings, goals and funding for each production phase, as well as conditions to unlock next tranche. Entire roadmap is published as a set of smart contracts. At this moment, MTS Tokens become available for sale and audience can start funding special MTS wallet. If DAO model chosen to unlock tranches, backers will be invited to vote for unlocking new tranche if artist declares milestone goal reached.

CHANGE RIGHTS OWNERSHIP
RECORDS WHEN TOKENS ARE BOUGHT

KYC SERVICE PROVIDER

OWNERSHIP RIGHTS REGISTER

VERIFY IDENTITY

REGISTER OWNERSHIP RIGHTS

ARTIST

SOUNDEON MONITOR PORTAL

CREATIVE SMART CONTRACT

EXCHANGE TOKEN REGISTER

AUDIENCE

REGISTER

REGISTER NEW MTS AND ISSUE TOKENS

BUY TOKEN

ISSUE TOKEN

LIST IN TOKEN REGISTER

ROYALTY TOKEN CONTRACT

LOCKS TOKENS FROM SALE TO FUND MILESTONES

TOKEN HOLDERS CAN VOTE TO APPROVE MILESTONE AND UNLOCK NEXT TRANCHE

MTS ROADMAP

With MTS Tokens backers receives a right to collect royalty that will generate use of the intellectual property created by artist. Rights Register start tracking this information for future use.

By using Soundeon Monitor artists can create tailored license for their needs, choosing from available categories. Each category implemented by its own set of smart contracts.

License categories:

- Regional license
- Restricting types
- More categories can be added to the system later.

It's also possible to combine different non-contradicting categories.

Soundeon Tix

Soundeon Tix allows artist to issue tickets and control distribution process with the smart contracts.

Visual constructor helping to create program, specifying compositions that will be played. Soundeon Monitor ensures that royalties will be split correctly afterwards. Smart contracts step in to determine limitations and to hold box office on protected escrow wallets. Smart contracts could be configured in a way that will take in account different expenses and reserve proper amount of funds to cover all costs.

Separate Expenses Wallet available for concert organizer to pay for necessary equipment etc.

Soundeon lowers ticket scalping risks and ensures that artists or right owners will receive max revenues allowing audience to sell and buy tickets on the Soundeon Exchange.
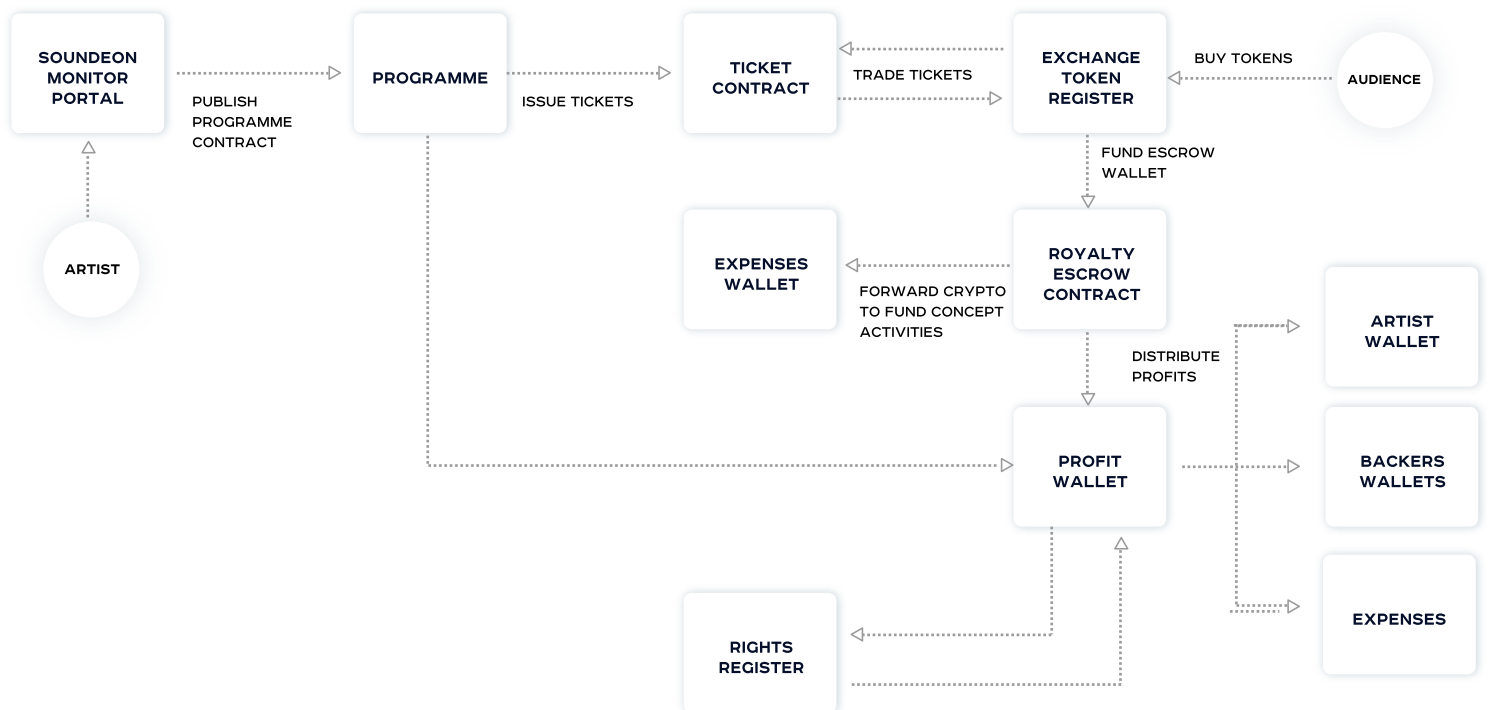
Soundeon Subscription Protocol

Soundeon Subscription Protocol is defined by Creative Smart Contracts™ and defines rules how artists could choose to distribute their works by using Soundeon Media Player. This protocol takes full advantage of Soundeon Payment Protocol and Soundeon Content Subscription Channels™, allowing to monetize each action.

Soundeon Subscription Protocol could be extended with different subscription models in the future.

Soundeon Payment Protocol

Soundeon Payment Protocol is based on the Ethereum blockchain and ensures that all value transfers are performed in a secure and trustless way, there are no hidden charges, and profits are distributed in accordance with owned rights.

At the current stage blockchain networks could not fulfill all demands of complex decentralized applications like Soundeon CSC™, so Soundeon chose another approach, moving complex computations off-chain. This approach requires two other techniques: verification procedure and so-called payment channels.

Verification procedure performed by a set of scripts that will be available for public to download from our repository. Those scripts will be distributed as open source software, therefore signaling its trustworthiness.

Verification scripts run against anonymous usage data Soundeon publishes to IPFS. This data contains verifiable proofs-of-usage for every artist and composition that was played. In combination with the data stored on the blockchain inside CSC™ and Rights Registers it will provide enough intelligence on how profits should be distributed among artists.

Soundeon Content Subscription Channels

Soundeon uses state-of-art technology of Payment channels in a form of fully functional Content Subscription Channels™. Such Channels are unilateral gateways that require confirmation only from one counterparty to close. This technique is based upon original concept known as Poon-Dryja payment channels. Soundeon Subscription Service™ performs all of the routines required to open and close these channels with the subscriber when needed, requiring only a confirmation from the user's side. Content Subscription Channels™ also allow Soundeon to provably record user content requests.

Soundeon opens Content Subscription Channels™ with the user at the time when monthly fee is paid. At the start, monthly fee is placed in Channel's escrow contract. This contract guaranties that payments will be distributed among artists in trustful way in accordance with Soundeon policies and rules defined by the Content Subscription Channel.™

After the Channel is open, user is free to access any content covered by the subscription. Each content request is signed by user's personal key and placed inside Content Subscription Channel™. Channel accumulates usage data without the need to pollute the blockchain with microtransactions.
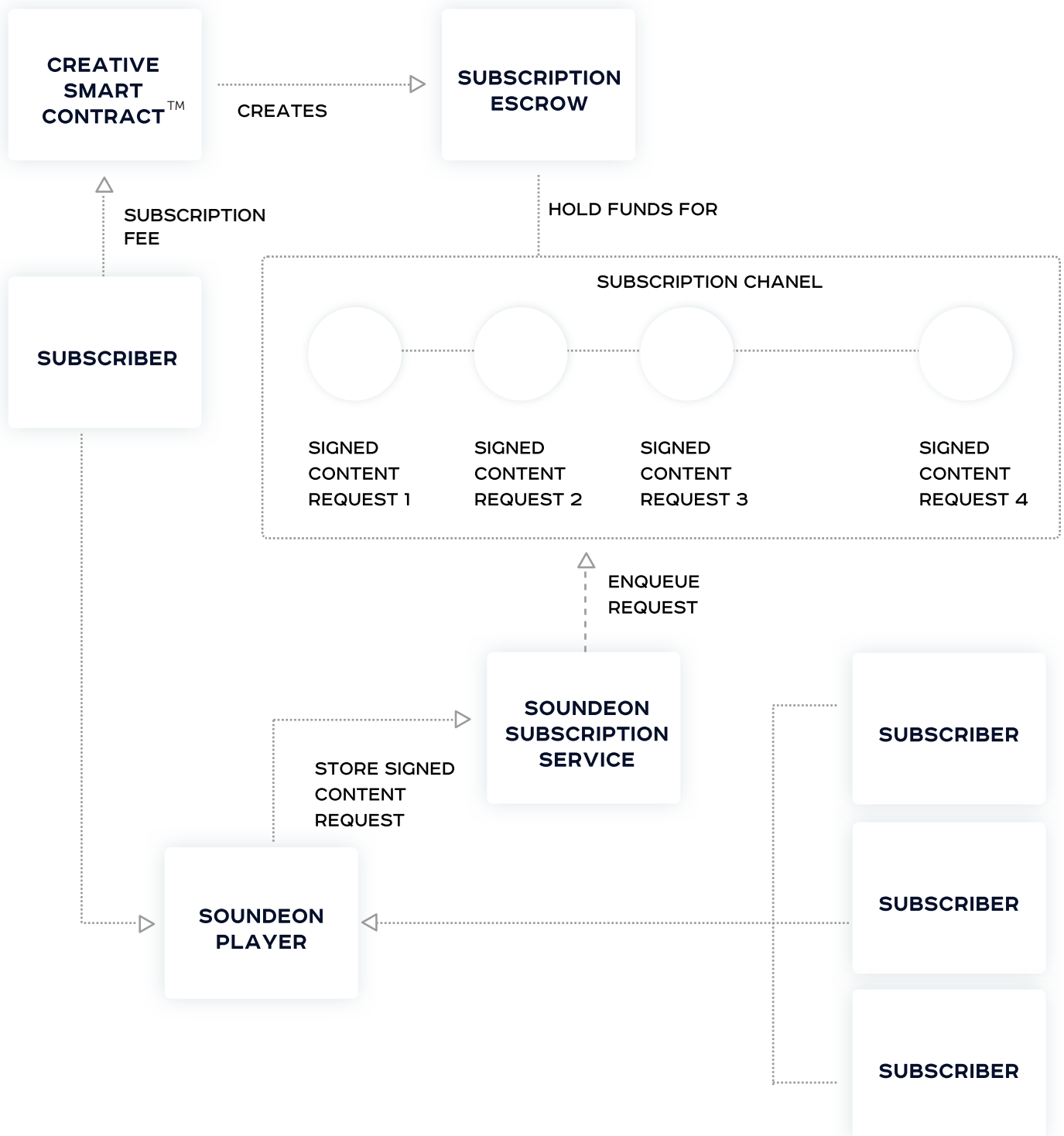
When Content Subscription Channel™ is closed manually or it's time to pay the royalties, Soundeon Subscription Service synchronize the Channel with the blockchain. Synchronization performed in 4 steps:

1. All content requests are written in a trusted publicly available storage (IPFS). Information written in a public storage contains only anonymous data.

2. Content requests are processed by using applicable rules defined by the Subscription Contract and total usage written to a public blockchain with corresponding identifier for raw data stored at step 1. This approach allows us to keep blockchain usage at required minimum, and at the same time providing necessary transparency and support imposed by Soundeon Payment Protocol requirements.

3. Soundeon Subscription Service requests settlement process to start. Settlement process covers several activities, including contacting Rights Register to obtain applicable list of accounts which should be rewarded.

4. Funds are distributed among accounts in accordance with rights distribution mechanism.

Content Subscription Channels™ allow Soundeon to minimize on-chain traffic and keep transactional fees low, providing better experience for end users and artists.
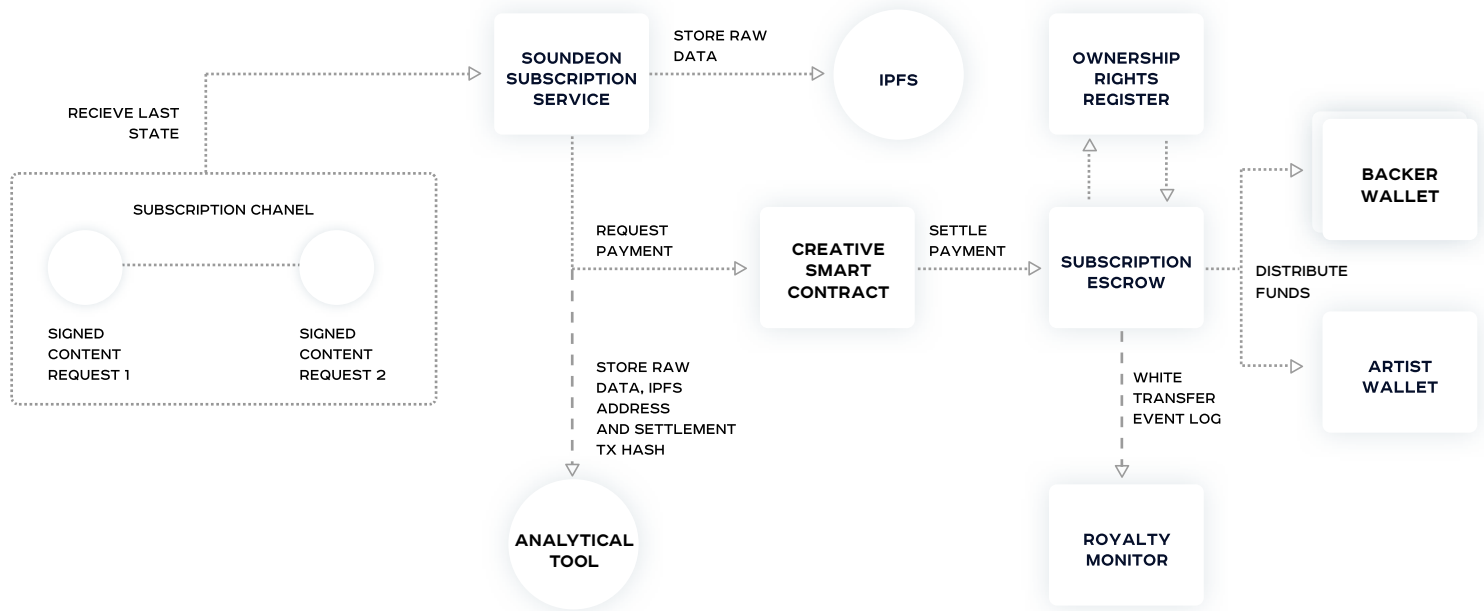
Soundeon Token: Description

The Soundeon protocol token – the Soundeon Token is a vital utility tool used to align economic incentives amongst platform participants. Simply put, the Soundeon Token is payment mechanism for services to be rendered on the Soundeon platform. Operational services provided by Soundeon will incur some transactional fees playable in Soundeon Tokens. Fees may be incurred by content providers (i.e. intellectual property owners or service providers) and well as the content consumers (i.e. listeners, ticket buyers), depending on the platform layer.

Soundeon Token: Key Characteristics

Ethereum-based
ERC20
Tokens issued on-demand at purchase

Total Token Supply
1.0 billion
no new tokens will ever be created

Exchange Rate
1 Soundeon Token = 0.056923 USD

Soft cap: 3 million USD
Hard cap: 37 million USD

KYC / Whitelist: Yes
KYC/AML Provider: Sum & Substance

Token Type: Utility
Legal Opinion Provider: Hedman Partners

Soundeon Token Sale (Round A)

Soft cap: 3 million USD
Hard cap: 16 million USD

Token Utility

- Bootstrap network effects
- Trade artists' coins

- Fair-play guarantee
- Payment for platform services

Soundeon Token Use Case:

The introduction of Soundeon Tokens on the Soundeon platform is justified by the need for reduced transactional cost to enable micropayments economically viable as well as streamline and simplify on-chain transactions. Micropayments, in turn,

are essential for the strategic goals of the Soundeon platform to bring accessible royalty ownership to large number of fans at once. Soundeon Token may be used to engage early adopters that add value to the platform through network effects.

Soundeon Token Characteristics:

The number of Soundeon Tokens issued at the tokensale is capped at 1 billion tokens. Initial tokens will be issued at the exchange rate of 1 Soundeon Token = 0.056923 USD. Only tokens purchased at the Token Sale are issued on-demand. This means that the supply is capped at initial issue and no need to "burn" excess tokens.

Layer by Layer Description of Token use:

Music Token Sale: On the music token sale layer, fans are able to purchase artists "Music Token Sale" campaign tokens with their Soundeon Tokens. "Music Token Sale" campaign tokens represent a percentage of ownership of a given future asset – namely the royalty rights to an underlying asset described in the "Music Token Sale" campaign. Once purchased, "Music Token Sale" campaign token holders are eligible to receive their appropriate share of royalties from the underlying asset in fiat currency.

Soundeon Exchange: Much like the "Music Token Sale" layer, Soundeon Exchange works in a similar manner except that the underlying asset is an existing asset rather than one being created in the future.

Soundeon Monitor: is a layer that performs the royalty rights administration and data analytics services on the Soundeon platform. The Soundeon Token is used to pay for these services rendered by Soundeon. Royalty proceeds collected in fiat remain in fiat, and distributed in fiat to the right holders. Royalties collected on the Soundeon platform (i.e. Soundeon Player), are distributed in Soundeon Tokens. Hence in each case, the transactional cost is curtailed or limited as much as possible.

Soundeon Player: Soundeon's music player constitutes a paid subscription service with a flat fee and unlimited plays subject to Soundeon's fair use policy. The subscription is paid in Soundeon Tokens. The artist (or the rights-holder) receives Soundeon Tokens for the content provided. In turn these Soundeon Tokens may be used on the Soundeon platform for related services.

Soundeon Tix: Soundeon's live event ticketing platform that allow organizers to sell primary market tickets as well as administer the secondary market. On the ticketing layer, organizers may pay for tickets in Soundeon Tokens. Platform purchases, sales, and resale fees are collected in Soundeon Tokens at a prescribed rate.

Token Sale Details

A special smart contract will be developed to streamline the initial Token Sale process.

- **Soft Cap:**
  Should the soft cap of the offering not be reached, Soundeon will not have the ability to access these funds. Furthermore, a full refund will be made to the contributors.

- **Hard Cap:** Soundeon strongly believes in efficient use of resources, hence we are against uncapped token sales. Only the amount required to reach roadmap goals should be raised. From existing case studies, we observe a harmful dynamic of uncapped projects driven by greed and facilitated by the hype.

Soundeon takes on a holistic approach to improving both existing practical deficiencies within the music and ticketing businesses as well as creating a blue ocean of music tokenization. In order to achieve this ambitious feat, Soundeon undertakes a disciplined and layered approach to its crowdsale, with uniform alignment to its realizable project development cycle. Hence, depending on the amount raised in the crowdsale, we intend to approach specific layers as outlined here:

Crowdsale amount raised (in million USD)	3 to 8	8 to 16	16 to 27	27 to 32	32 to 37
Music Token Sale	+	+	+	+	+
Soundeon Exchange		+	+	+	+
Soundeon Monitor	+	+	+	+	+
Soundeon Tix			+	+	+
Soundeon Player				+	+
Soundeon Protocol for External Services					+

At Soundeon we know that a great idea is just an idea without execution. This is why we are heavily product and technical development focused. Our commitment to product development led us to establish a more restrictive 11-phase budget allocation cap model.

Budget allocation model:

Budget allocation	>3 mln	>5 mln	>8 mln	>12 mln	>16 mln	>20 mln	>22 mln	>25 mln	>29 mln	>32 mln	>35 mln
Software and infrastructure development	55%	50%	48%	45%	42%	38%	35%	33%	31%	29%	27%
Marketing	20%	23%	25%	25%	25%	27%	28%	28%	29%	28%	28%
Business development and partnerships	10%	10%	10%	12%	15%	15%	17%	19%	21%	23%	24%
Legal and administrative	10%	10%	10%	10%	10%	10%	10%	10%	9%	9%	8%
Community engagement	5%	7%	8%	8%	8%	10%	10%	10%	10%	11%	13%

Should the minimum cap of $3 million not be reached, the funds will be refunded to the contributors. In the case that the marketing phase is not reached, the roadmap will adjust accordingly to ensure platform longevity and tokenomic sustainability.

Vesting periods:
Founders: 18 months with 12-month cliff
Early Backers: 12 months
Advisors and Ambassadors: 6 months
Artists' Manifesto: 6 month with monthly cliffs
Private Sale/Presale/Crowdsale: no vesting or hold period

Token Distribution:

🟡 Reserve fund	**2%**	
🟠 Artists' manifesto	**6%**	
🔴 Bounty pool	**3%**	
🔴 Founding team	**14%**	
🟢 Early backers	**4%**	
🟣 Advisors and ambassadors	**6%**	
🔵 Crowdsale	**65%**	
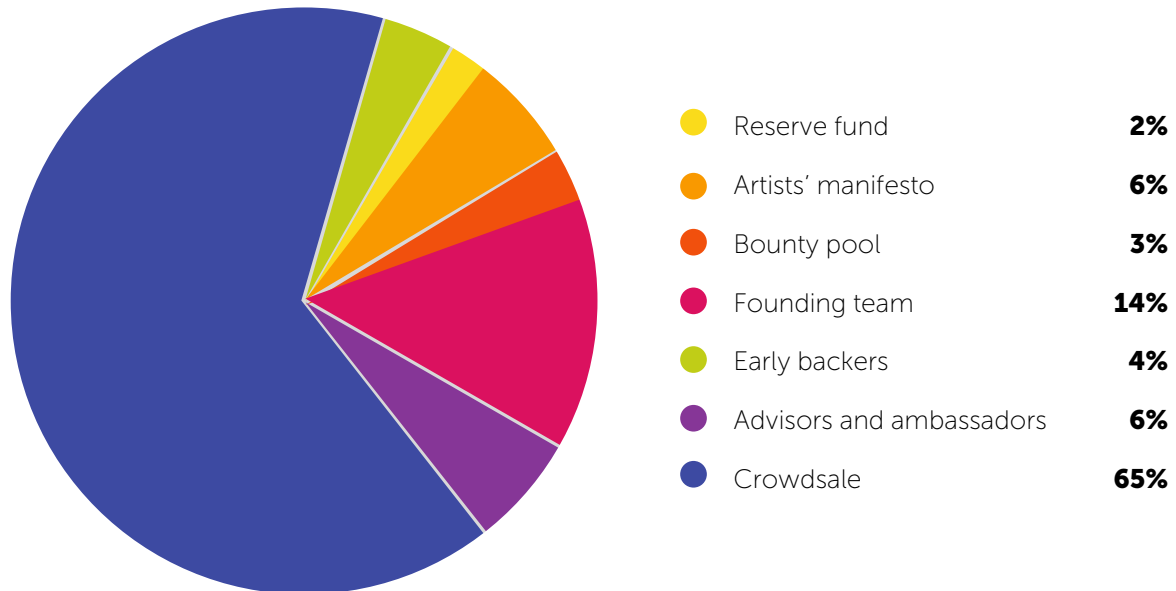
Legal Disclaimer

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The information given above may be not exhaustive. The content of the White Paper is not binding for Soundeon. Soundeon reserves the right to add, or remove any portions and parts of this White Paper and change or modify any content for any reason at any time before, during and after the sale of Soundeon tokens by announcing the amended version of White Paper on the website.

The information in this White Paper contains known and unknown risks and may not provide all necessary for decision-making process risk factors. Any financial information provided is an estimated and may cause events or results that differ from the estimated.

This White Paper is not an investment, legal, tax, regulatory, financial, accounting or other advice and not intended to provide an advice or any basis for evaluation of a transaction on acquiring of the Soundeon tokens. Any tokens purchaser should consult his or her own legal, financial, tax or other professional adviser to determine the potential benefits, burdens, and other consequences of purchasing tokens of Soundeon.

The Soundeon tokens are not any kind of financial instrument (digital currency, security, commodity, or any different) and has not been registered under the securities laws of any jurisdiction.

Soundeon does not make or claim to make any representations or warranties in any form and to any entity or person. It includes warranties or undertakings in relation to the accuracy, completeness, truth of the information set out in this White Paper.

Frequently Asked Questions

What is Soundeon?

A pioneering, patent-pending, blockchain-based decentralized and vertically integrated music platform that covers all aspects of the music business, from rights registration and funding, to distribution and live ticket sales. Soundeon is the first ever, vertically integrated and decentralized music environment.

How is Soundeon different from other blockchain music projects?

Being a vertically integrated and decentralized means our platform covers the entire creative life cycle of between artist and fan. Existing and upcoming competitor projects all tend to focus on fragmented solutions to a systemic problem. At Soundeon we believe in the power of holistic ecosystems and structured, layered approach to eradicate malpractices plaguing the music industry. From song funding, registration and distribution, to an existing IP marketplace with price discovery, to a ticketing platform that not only controls the primary market, but utilizes the latest smart contract code to manage the ticket resales. Moreover, Soundeon is the first platform to unleash the potential for deep analytics by integrating the historically segregated recorded rights management and live event ticketing industries. Lastly, the use-case for our proprietary, patent-pending Creative Smart Contract™ extends to all types of intellectual property.

Who operates Soundeon?

Soundeon is operated by Soundeon OÜ, an Estonian company ideally located in one of the most exciting emerging digital hubs with a vital digital ecosystem.

How blockchain technology benefits Soundeon?

Built on the proprietary Ethereum-based protocol, Soundeon utilizes its patent-pending Creative Smart Contract™ to create a is uncensored, immutable, fair, transparent music rights management and ticketing environment that addresses the long-standing problems plaguing performing artists and fans alike.

Blockchain technology empowers Soundeon to tackle foremost problems plaguing the performing arts industry with radical transparency, automation, equitable ownership rights management, enhanced artists funding mechanisms and fair event ticketing. Soundeon Protocol ensures that all transactions are performed in an immutable, secure and trustless manner using self-executing smart contracts.

Why have you filed to patent your technology?

On April 27, 2018, Soundeon Platform inventors have filed a non-provisional utility patent with the United States Patent and Trademark Office. Patent-pending status provides Soundeon and its users with intellectual property protection for its leading-edge approach to resolving media rights management. Users can now be assured that the Creative Smart Contract™ technology will remain accessible to everyone and that no other company on the market can interfere with this original intention.

What is the Creative Smart Contract™?

The patent-pending Creative Smart Contract™ provides novel systems and methods for intellectual property ownership rights management, funding and ticketing on the blockchain and peer-to-peer. Artists have full control of their creative output from the very inception to the copyright, distribution, royalty collection and distribution of the intellectual property works as well as event ticketing.
This is accomplished through the utilization of decentralized stores and a series of smart, self-executing contracts; collectively integrating a number of systems and methods into a single environment intended to vertically integrate the media rights management and ticketing industries. The use-case of this technology extends to all types of intellectual property.

What is the Reserve Fund used for?

The Reserve Fund is intended to provide for Token relay. Hence, ensuring a smooth and optimal user experience of purchasing and selling Soundeon Tokens as needed for platform usage. For instance, part of the Reserve Fund will be utilized to list the Soundeon Token on Bancor as per our Agreement with them. To ensure that token holders can buy and sell our tokens from day one, the Reserve Fund can be used

for its purpose once the Token Sale takes place. Soundeon's relay on Bancor will be available on the first days after the Token Sale concludes. Only a select few blockchain projects can boast of such established, signed partnerships before the Token Sale even begins.

What is the Artists' Manifesto used for?

The Artist's Manifesto constitutes a reflection of our team's values and those values also shared within the wider blockchain community. The Artist's Manifesto has been well-received by our blockchain technology partners, as well as by artists and media managers. For instance, our advisors, were very drawn to this ethos.

Our motto of "doing well while doing good" is already giving us much traction for community-building and business development. For instance, on 30 May, 2018, Soundeon signed the Open Music Initiative created by the famous Berklee College of Music in Boston and MIT Media Lab. Today, Soundeon adopted the Community's principles and now has access to the ecosystem that includes members like Consensys, Distrokid, Mediachain Labs, Napster, New York University, Pledgemusic, Resonate, Revelator, Tokenly, and Ujo.

Funds held for the Artists' Manifesto will have a 6-month vesting period with monthly cliffs to avoid shocks. Be assured, we are not liquidating the 6% instantly, and will maintain a token balance, partially withdrawing only when we identified a cause, in line with our manifesto (that you can find on our homepage). An independent board will be announced (separate from Soundeon's board of advisors) that will solely focus on distributing funds as donations as well as impact equity contributions into non-for-profit driven projects across the world. You can think of Artists' Manifesto as a trust whose goal it is to advance music in underprivileged communities. The benefits disproportionately outweigh the costs with running the Manifesto.

These types of philanthropic arms are common in the United States and United Kingdom in both, for profit as well as non-for-profit institutions and do not in any way adversely impact a startup raising funds or the cash-flow of a startup. In contrary, building a brand positioned on helping others while making a profit, will not only grow our community in the future and open new doors in terms of business development but it is already doing so now.

What are the specifications of the Soundeon Token?

- Smart contract platform: Ethereum

- Contract Type: ERC20

- Token Ticker: SOUNDEON

- Token Name: Soundeon Token

- Total Issuance: Finite and capped at the amount reached after the Token Main Sale

- Maximum number of tokens issued: 1 billion

- Unsold and Unallocated tokens: Will never be issued. Our smart contract mechanism is designed to issue tokens on-demand basis. No further SOUNDEON tokens will ever be generated after the Token Sale ends.

Will there be a vesting period?

Not for Token Sale purchasers. Only for the following categories:

Founders: 18 months with 12-month clif

Early Backers: 12 months

Advisors and Ambassadors: 6 months

Artists' Manifesto: 6 month with monthly clifs

Private Sale/Presale/Crowdsale: No vesting or hold period

If the hard cap is not reached, all categories with vesting will proportionally be reduced.

What is the Soft Cap and Hard Cap?

Soft cap for the Round A is equivalent to US$3,000,000 and hard cap equivalent to US$16,000,000.

Why is your gap between Soft Cap and Hard Cap so large?

At Soundeon we are conservative and pragmatic, hence we wanted to ensure the most efficient use of resources to develop our Platform. Depending on the amount raised in the Token Sale, we will develop specific layers of the platform. For the initial phase of the development, $3,000,000 is the minimum required amount. For a fully-fledged five layer platform, more funds are needed to finish the development process. Each of the five layers constitutes an economically self-sustainable vertical. The more layers are developed, the bigger Soundeon's ecosystem becomes, and network effects take over.

The wide gap between the soft and hard caps purposefully and realistically reflects the reality of Soundeon's multilayer approach to creating a sustainable music industry ecosystem. Depending on the amount raised, we will develop certain elements of the platform.

The Music Token Sale and Soundeon monitor layers require the least amount of financing. Firstly, because vast majority of backend engineering for the Music Token Sale layer capabilities have already been developed for our MVP - Soundeon Alpha Version. This is why the Music Token Sale Beta will be released shortly after the crowdsale, our programmers are working tirelessly today and throughout our crowdsale to make this happen.

Soundeon encompasses at least five layers that require tremendous development and marketing, bridging the traditionally segregated markets. The more Soundeon receives in contribution, an incrementally larger portion of the funds will go into community and business development. Business development and community engagement, as you may know, is costly, even if deployment is paced.

If you take a look at our financial model, a conservative market penetration (reaching circa 0.8%) schedule with a risk adjusted (8.5%) WACC yields an NPV or enterprise value of **$552.7 million**[1], given an original sum of $37 million. Revolutionizing the media rights administration, song fan-funding, an intellectual property marketplace, a deep data analytics platform that tracks worldwide royalties, a ticketing platform and resold tickets store require tremendous funds to be executed holistically and our hard-cap figure is conservative by all means. The key to the platform's success will be the community engagement and partnerships which we have established and will continue to make in the future. Developing the platform layer by layer will keep the team focused and provide token holders with a stable approach in cash flow generating enterprise rather than waiting for several years, as is often the case with our peers.

Are you having a Private Presale?

Yes, we are conducting a private token sale. To learn more, please email us at ir@soundeon.com

When will Soundeon Tokens be listed on an exchange?

Soundeon has already signed a memorandum with Bancor to ensure that Soundeon tokens are easily purchased and sold via Bancor's relay mechanism. This was done to ensure Soundeon Token's convertibility from day one. Soundeon's strategy is to list on leading exchanges on favorable terms once our token sale concludes.

Are Token Pre-Sale and Sale dates set in stone?

We reserve the right to modify token sales dates in order to achieve optimal market conditions for the long-term benefit of our Platform.

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[1]   Per Soundeon's internal financial model

I want to buy Soundeon Tokens, what is required?

In order to participate in our Token Pre-Sale and Token Sale, you will need to register on Soundeon's Token Sale page, have a digital wallet and provide some personal information required by our KYC provider:

- Name, citizenship, place of residence
- Passport or official government ID

When will the distribution of tokens take place?

The token distribution takes place after the Crowdsdale has ended.

Are certain citizens or residents not allowed to participate in the Token Sale?

Permanent residents and citizens of the United States, Singapore and other countries or territories where transactions with digital tokens are prohibited or restricted in any manner by laws and regulations.

Is there a KYC?

Certainly, in line with industry best practice we are conducting a KYC (know-your-customer) procedure with an industry leading independent-third party provider – SUM&SUBSTANCE.

Is there an Escrow?

Yes, a third-party escrow will be used.

Marketing Details and Business Development Strategy Brief

According to the International Federation of the Phonographic Industry, PriceWaterhouseCoopers, Nielsen, and Music Business Worldwide, the aggregate market size of live recorded music, live ticketing and live ticketing resell markets equates to $66,200,000,000 USD per annum. The number is expected to grow at an annual rate of 11.4 percent per 2016 Goldman Sachs report.[2] Reaching an estimated $101.952 billion market by 2022. Despite individual segment dynamics, the music business is experiencing growth, with live event ticketing and related fan services (including merchandize) driving growth. The growing market leaves its stakeholders stuck in mid-20th century, as the modern music business was formed with the advent of new communication technologies post-World War II.

Soundeon is targeted towards music consumers seeking greater engagement and user-centric experience with artists as well as artists and other music content owners seeking novel means in connecting with fans, funding and monetizing their talents or content efficiently.

Soundeon's multi-vertical approach governed by a decentralized store, is aimed at differentiating itself from alternative blockchain and non-blockchain music platforms by providing a common protocol for music rights management and live event ticketing on a verifiable, trustless distributed ledger. Hence Soundeon's key differentiation is the all-encompassing distributed ledger ecosystem for music rights management and a new approach to unleash meaningful deep data by linking live event ticketing and recorded music rights management.

Soundeon's marketing mix constitutes an aggregate of each individual layer's marketing mix; as set forth below.

Soundeon's business plan execution is contingent on the amounts raised per table provided in Token Sale Details section of the Whitepaper. Upon completion of the token sale, a detailed Greenpaper specific to the funds raised will also be available to the public.

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[2] https://www.billboard.com/articles/business/7949040/music-industry-will-hit-41-billion-by-2030-according-to-new-goldman-sachs

Business Development and Marketing by Layer

A layered execution strategy reflects a realistic approach to not only develop the technology underlying the respective layer but also resourses to develop partnerships with musicians, content users, and other industry players (such as performing rights organizations, concert venues, etc.).

Music Token Sale

Music Token Sale is the inaugural layer developed by Soundeon initially as the MPV/ alpha version of the platform and the first beta planned to be released in August 2018 at the conclusion of the token sale. It is anticipated to be cash flow positive in just two years. The Talent Unleashed Contest was specifically developed with the Music Token Sale marketing in mind, with the large prize pool building brand awareness and musician participation onto the Soundeon platform. Moreover, the Music Token Sale presents a versatile blockchain-based, and hence, auditable, rules-based, method of funding intellectual property rights. Approximately $4.27 million equivalent is required to further develop the Music Token Sale from beta to a self-sustainable and profitable layer. The majority of the funds will go to software and infrastructure development (51.5%), and marketing (19%). Infrastructure development for the Music Token Sale Layer includes technology partnership development. Marketing, primarily focused on independent artists and fully independent grassroots labels seeking novel funding alternatives for their talents. Whilst the beta will be free to use, the fully-fledged Music Token Sale release will break-even in April 2019. The expected Music Token Sale commission constitutes a success fee of 5%. and a flat fee listing charge of (<$20 equivalent) for KYC and ownership validation. Whilst the marketing budget will remain paced until at least November 2020. This conservative and yet low breakeven figure understates the significant profit brought on to the platform via the Music Token Sale. This is a B2C and B2B play requiring industry marketing via artists, independent gigs, festival sponsorship, industry media and retail customer marketing via social media, concerts, and popular blogs and websites.

Soundeon Monitor

Soundeon Monitor requires a projected 2.5 years to bring product to cash flow positive and it is the second layer to be developed by Soundeon. The Monitor presents a deep analytics interface allowing for musicians and backers to better understand and ensure optimization of royalty administration and ticket sales. The depth of the analytical approach on the Soundeon Monitor is reflected in data visibility in a bottom-up approach. In layman terms, this means that musicians or music rights owners are able observe not just the demographics, but also the psychographic behavior of their music listeners (hence not only geographic but by the listeners' preferences). This allows for an extrapolation of interests and provide feedback on optimal methods of reaching existing and new listeners. More simply put, artists are able to more clearly and better understand their audience and their preferences. Hence, artists know which cities to focus on marketing and where and when to hold concerts, where to connect with fans by other means (i.e. small gigs, merchandising, and advertising). The Monitor requires extensive integration, both legal and technological within Soundeon but moreover with third-party legacy systems used in the music business. The Soundeon Monitor will be released at phases along each layer beginning at Music Token Sale layer and progressing to the September 2019 full-release that will be integrated across all layers of the platform. The Soundeon Monitor constitutes the final link in the vertical integration of the Soundeon environment. Software and infrastructure development will comprise 50 to 55% of the proceeds raised to deliver Soundeon Monitor to market. Software development includes building an artificial intelligence analytics system utilizing IPFS, ensuring a seamless user experience with optimal music business decision dashboard ("the personal music manager") and third-party integration allowing for the most visible royalty flow dashboard both on-chain and off-chain that the music business has ever seen. Soundeon Monitor will also be the first software portal that integrates recorded music rights management (royalty administration), funding (Music Token Sale), and live event ticketing (Soundeon Tix) in one place, taking up to September 2019 to go live. The first to market strategy and its significant value added to royalty owners (both musician and backers) will ensure that the Soundeon Monitor will become both a B2B (musician to provider) and B2C (backer to musician) play. Soundeon Monitor will initially deploy in Europe with the UK, Germany and France, followed by the rest of EMEA and East Asia. Crucial unique

selling point of the layer is the ability to track on chain and off chain distribution channels as well as live event ticketing integration. Soundeon Monitor is a subscription based service utilizing a SaaS freemium monetization model with a cash-flow positive projection launch in September 2019.

Types of music audio listened to at least once a week in selected countries worldwide in 2017
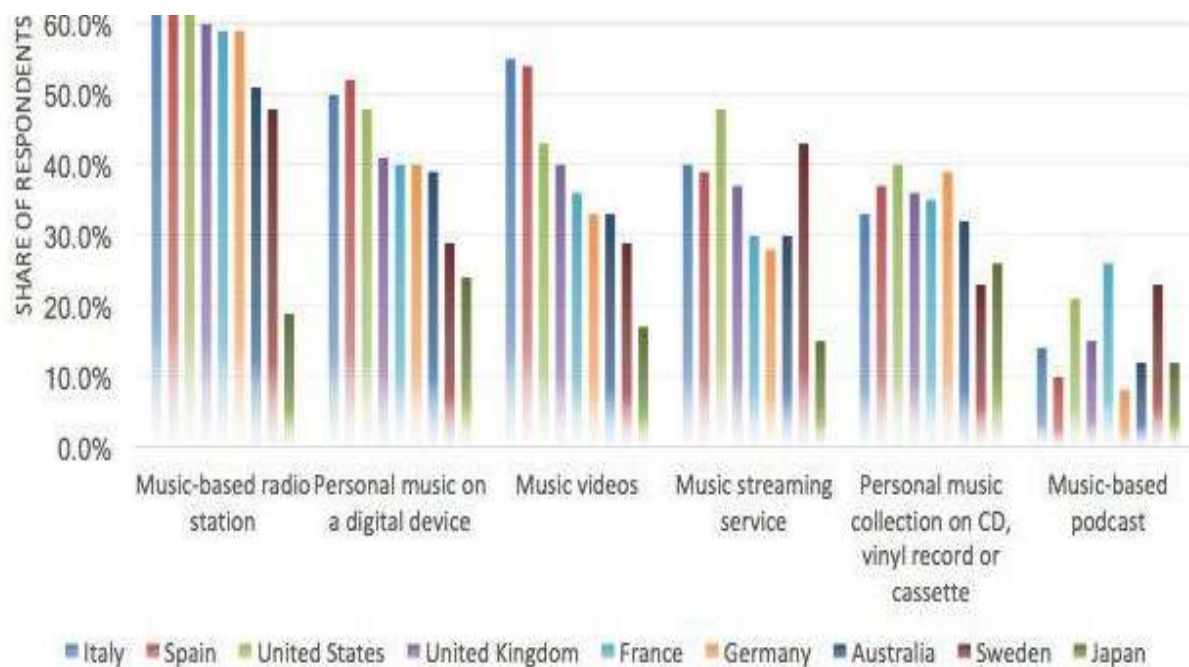
Source: Ofcom, International Communications Market Report 2017, page 127

Ranking of European countries by total recorded music revenues
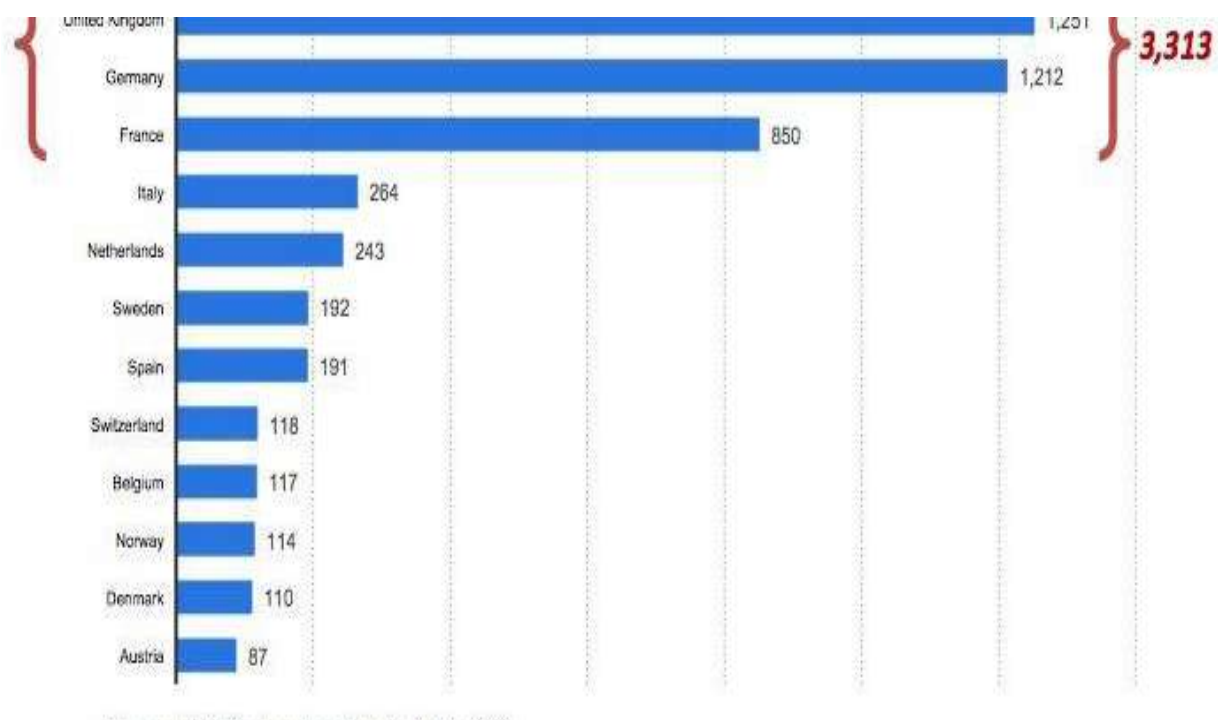
Soundeon Exchange

The natural extension of the Music Token Sale, the Soundeon Exchange is a secondary marketplace for existing intellectual property rights focusing on music royalties. This layer provides secondary market liquidity for Music Token Sale participants as well as Soundeon Exchange-only users. Of the $7.5-8 million required (contingent of regulators' treatment) for the Soundeon Exchange, 50% of the proceeds are appropriated to IT infrastructure development and legal compliance (in addition to the 10% for platform-wide legal contribution. Soundeon Exchange utilizes an operating model similar to a U.S.-based platform that does not require a crowdfunding license. The business model cash flow projections are conservative and are meant to ensure that the single token sale provides liquidity coverage and the token sell investors are not diluted in any way in the future. The European and Asian release of the Soundeon Exchange will take place in February 2019. Cash flow break-even point will take place in January 2020. Soundeon

Exchange anticipated monetization strategy is comprised as a successful sale commission of 5% with a small flat fee (<$20) payment for KYC/IP ownership validation. Soundeon Exchange is a B2B and B2C play, requiring marketing to the most active fans on Soundeon, high networth individuals with interests in music, institutional investors with appetite for alternative investments with no general market correlation. On the supply side, account managers will remain relationships with both self-produced artists and owners of portfolio of rights.

Distribution of recorded music industry revenue in Europe from 2009 to 2014, by sector
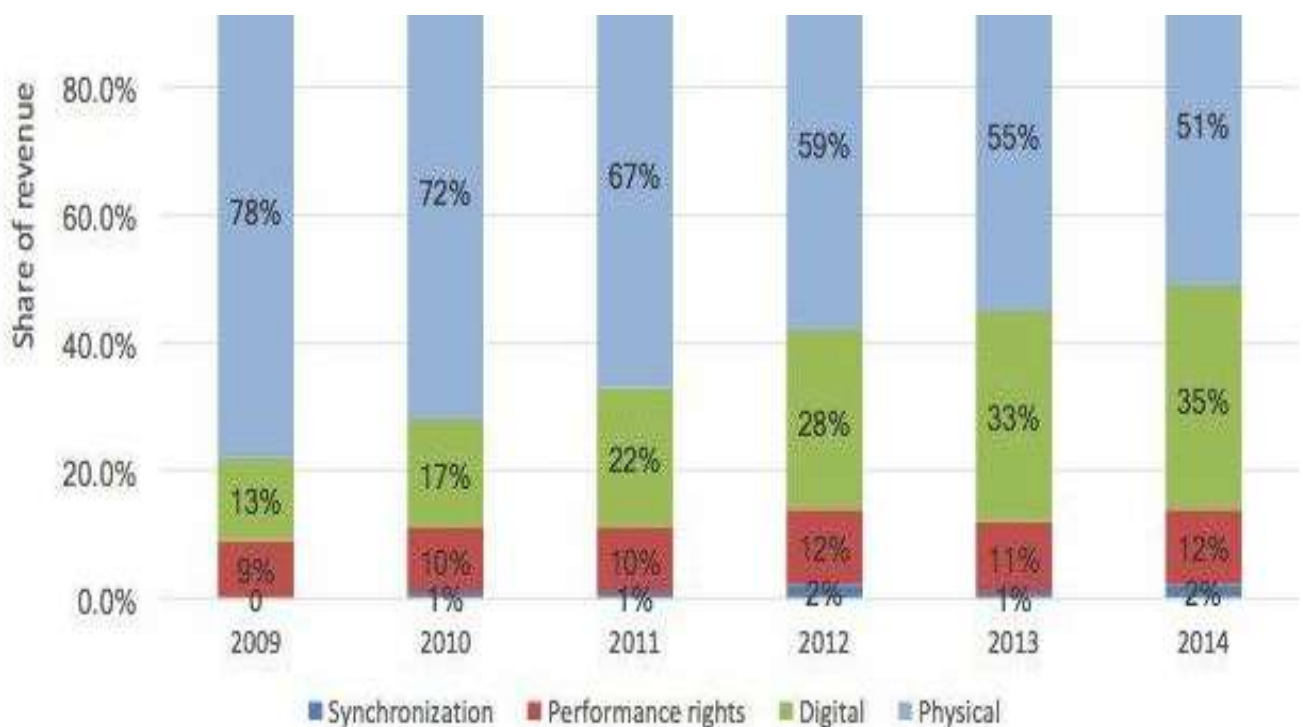
Source: IFPI

Soundeon Tix

Soundeon Tix is the incarnation of a live event ticketing platform on the Soundeon environment. A genuinely innovative use-case for both the blockchain community and the most profitable segment within the music business, Soundeon Tix allows for event funding, ticket sales, and rules-based secondary ticketing market. Incumbents on international markets such as StubHub charges cumulatively nearly 30%, 10% from seller and another 20% from the purchaser. Soundeon proposes a paradigm shift within event ticketing. A 0-5% seller's commission and 5-10% on resells subject to secondary resell constraints (price, transferability). Soundeon Tix's first customer will be announced shortly before the ticket platform release. At the moment, we have received interest from the Bolshoi Theater in Moscow, the platform in the form of SaaS will be available worldwide. Payments for tickets will be accepted in local currency as well as Soundeon Tokens. Platform fees are payable from the organizer (client) to Soundeon in our tokens. Beyond Moscow, London will be the second market we will focus on in June-December 2019. Our Board has identified it to be the next crucial city to develop with a B2B sales approach. Beyond Moscow and London, Soundeon Tix will deploy across the Asia, East Europe and South America in 2020 and U.S. market in 2021. The high growth environment and market expansion for entertainment and live events ticketing provides Soundeon with agile deployment in a more rapid manner than large established players dominating Western Europe and North America. Important to mention this concerns business development focus that requires investment out of the marketing budget for Soundeon Tix, the platform will have multilingual language capabilities, payment processing (in cryptocurrency and fiat) and available for use worldwide at deployment in 2019. Beyond cross-marketing on the Soundeon environment, regional ambassadors will undertake bringing awareness of Soundeon Tix. Moreover, it is anticipated that a swift execution in our initial reputable venue client (Bolshoi Theater, a legendary arts center recently plagued by ticket scalpers and ticket fraud will serve as a case study/white paper for future reputable venues). This is more of a B2B play requiring marketing focus primarily towards venues, event producers, and self-produced gigs. In turn, the event organizers will advertise the event via their channels rather than Soundeon spending large resources to publicize each gig. Partnerships with music festivals is of paramount importance (as shown in the data below as being a growing market and one with large ticket face value), and iconic venues will help

establish the company in the B2B angle, and generate public B2C awareness and trust. Soundeon is to deploy not only at iconic venues but at the most sought after music festivals such as Primavera Sound, Sonar, Sweden Rock Festival as well as festivals identified in the chart below.

Live music industry revenue in the United States from 2012 to 2021, by source (in billion U.S. dollars)
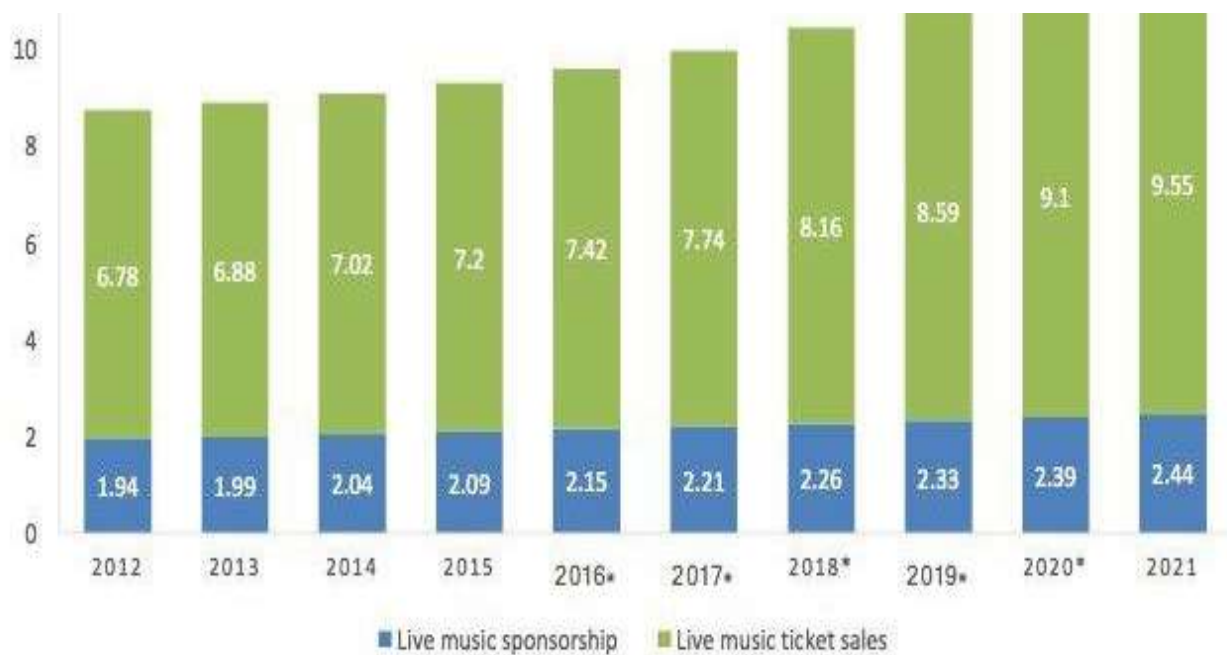
Source: PwC

Are you currently using streaming services for music and/or video content?
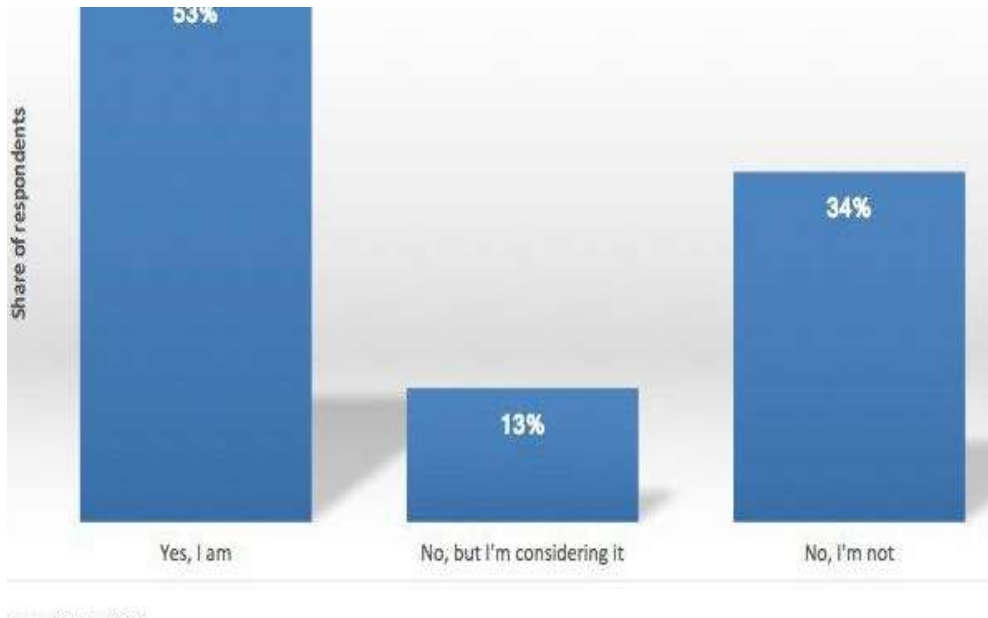
Leading music festivals worldwide in 2015, by number of visitors per day
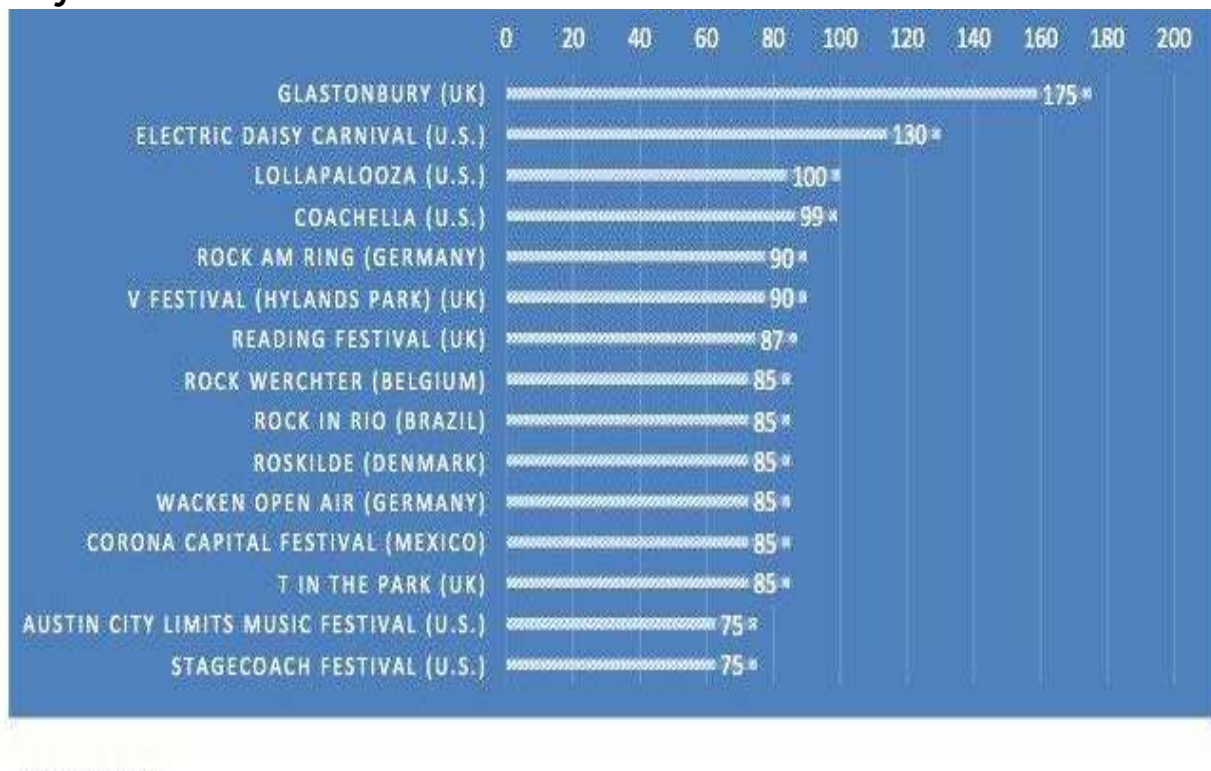
Soundeon will not only focus on large live music concerts and festivals but also with partnerships with organizers of small live music sessions and clubs.

Weekly time spent with online radio in the United States
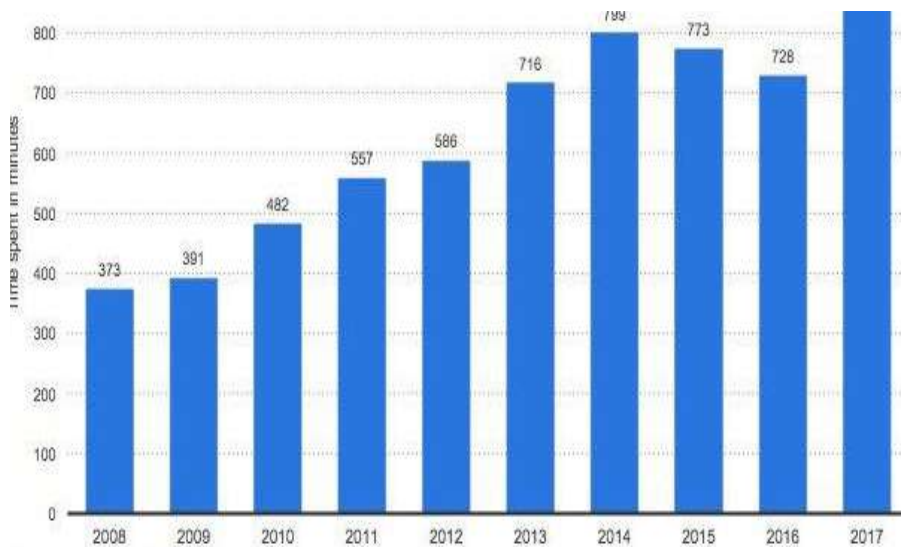
Source: Edison Research; Triton Digital

Average price of music festival tickets in Europe in 2014 and 2016 (in euros)

Source: IQ Magazine

Number of people attending the leading music festivals in Spain in 2016 (in 1,000s)

Festival	Attendance
Rototom Sunsplash	250
Primavera Sound	207.5
Viña Rock	200
FIB	170
AlRumbo Festival	150
Sónar	115.5
Mad Cool Festival	102.5
Bilbao BBK Live	102
Resurrection Fest	80.5
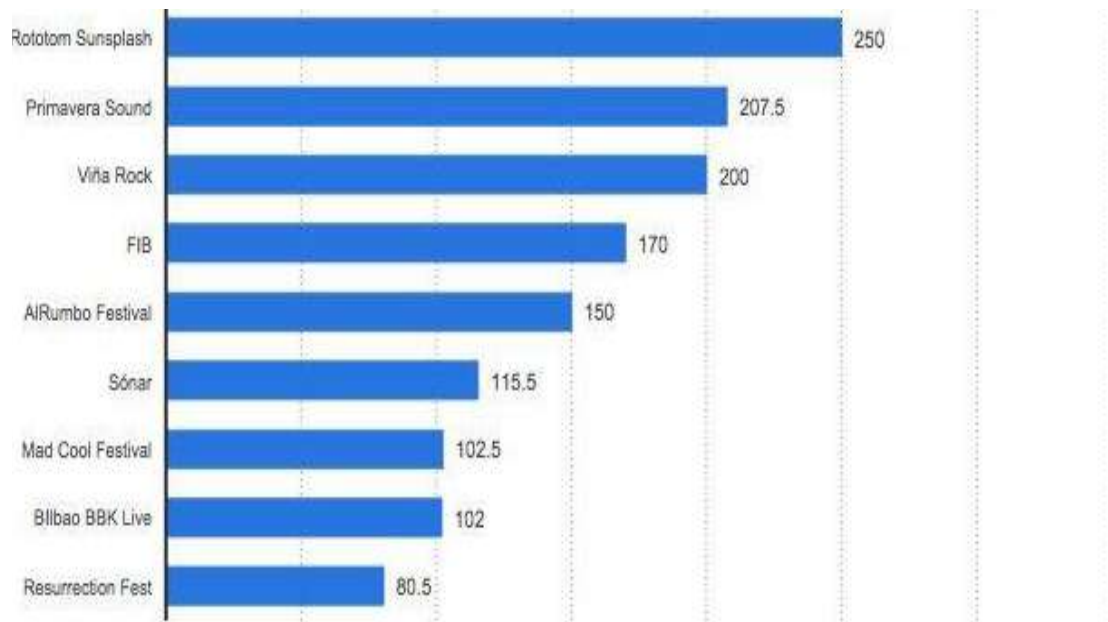
Source: Asociación de Promotores Musicales; 2016 data

Ranking of most reputable festivals in Sweden in 2016

Festival	%
Bråvalla	7%
Peace and love	6%
Summerburst	6%
Storsjöyran	5%
Emmabodafestivalen	2%
Stockholm music and arts	2%
Visfestivalen	2%
Getaway rock	1%
Putte i parken	1%
Urkult	1%
A walk in the park	0%
Popaganda	0%
Another festival	1%
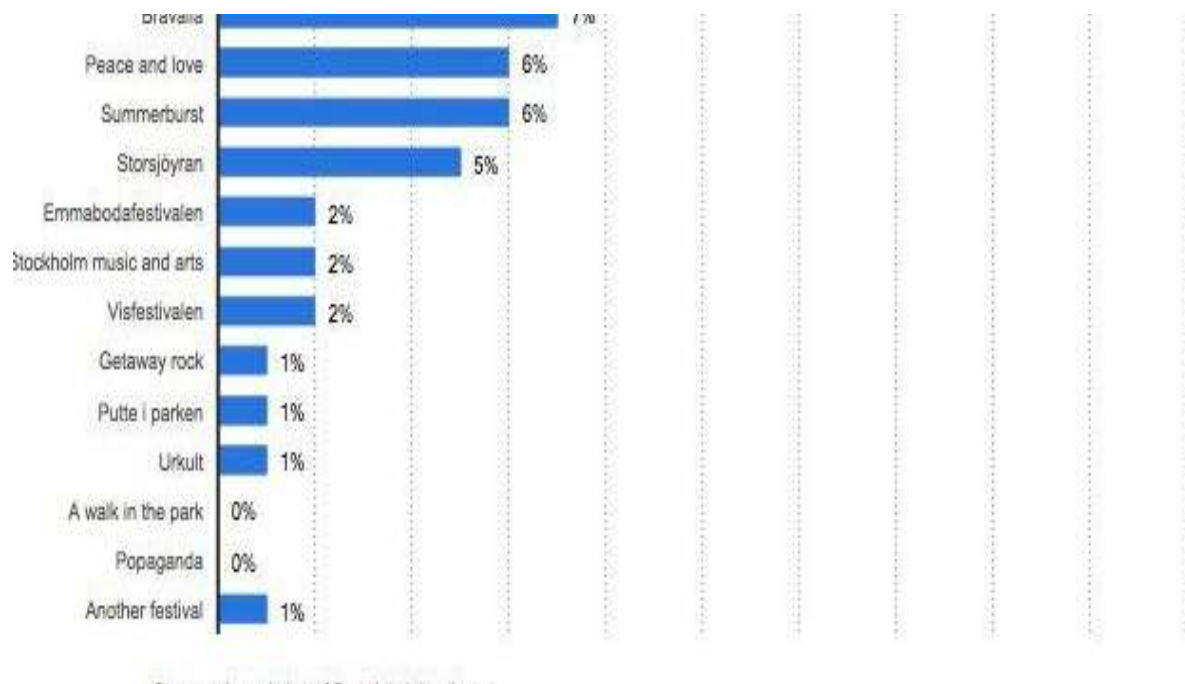
Soundeon Player

Soundeon player marketing positioning focuses on user traffic engagement on the Soundeon player and a mechanism for discovering new artists, largely with a focus on playlisting. Moreover, we plan to deploy a leading third party artificial intelligence A&R system on the Soundeon Player that can help provide independent rating guidance for the Music Token Sale and Soundeon Exchange layers. This unique feature will allow for curated recommendations and cross-selling (if the option is selected) of the approximate value a musician may generate from selling parts of his/her royalties. Soundeon Player will monetize through a paid subscription model utilizing Soundeon's payment channels to ensure that the music contributor gets paid fairly, transparently, per stream and without transactional friction. The full deep analytics integration and will take up most of the budgeted $5 million for software and with Soundeon player is an auxiliary feature and comes as an added benefit to platform users and allows for full on-chain capability demo of our product.

What type of service do you use most often to access music online?
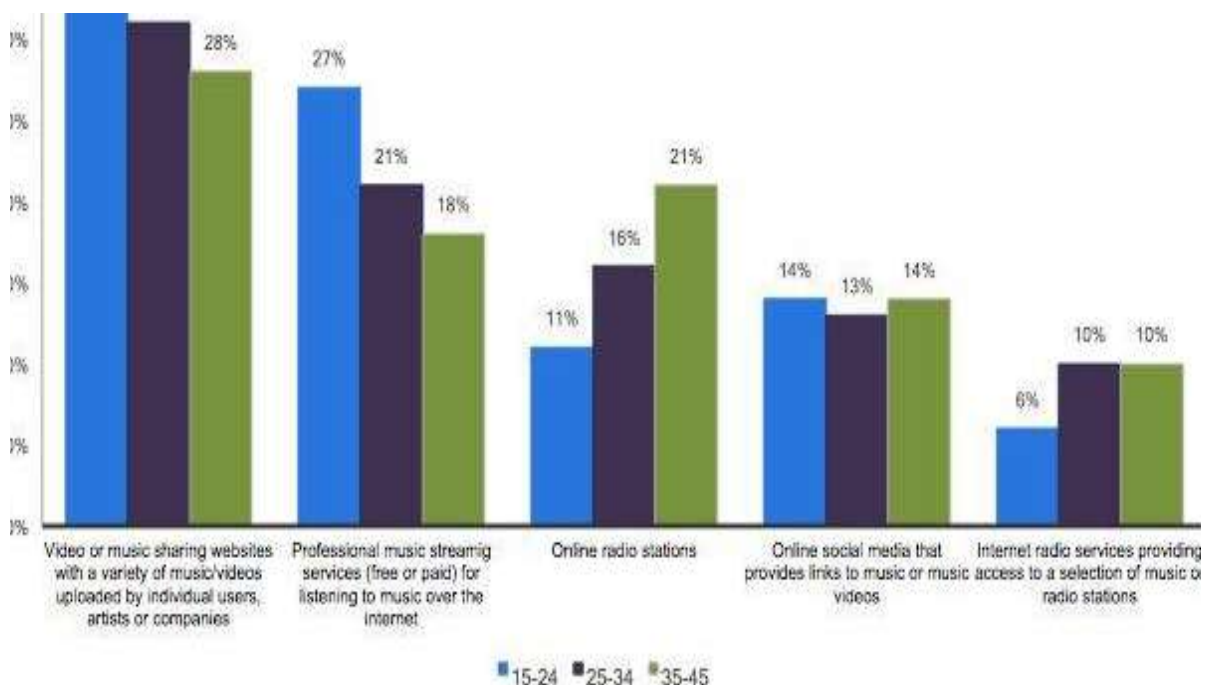
Number of active subscribers of selected online music services worldwide as of June 2017 (in millions)
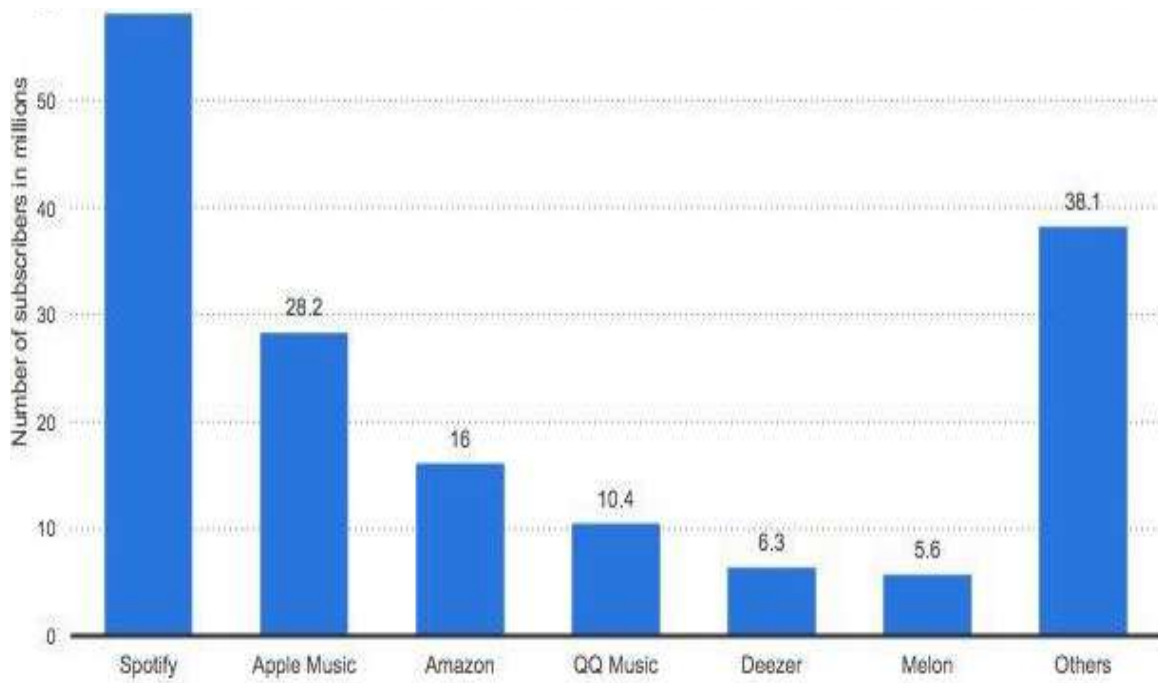
Within it's B2C marketing mix, Soundeon plans to address listeners not only of popular genres but also the underserved music community such as Jazz or Americana. The blended approach will allow the platform to build a niche following, such that established by Resident Advisor, but also scale with more contemporary popular genres such as Rock, Pop and R&B.

Distribution of streamed music consumption in the United States in 2017, by genre

Genre	Share
R&B/hip-hop	29.1%
Rock	15.1%
Pop	12.9%
Latin	8%
Country	5.5%
Dance/electronic (EDM)	4.2%

Share of streams
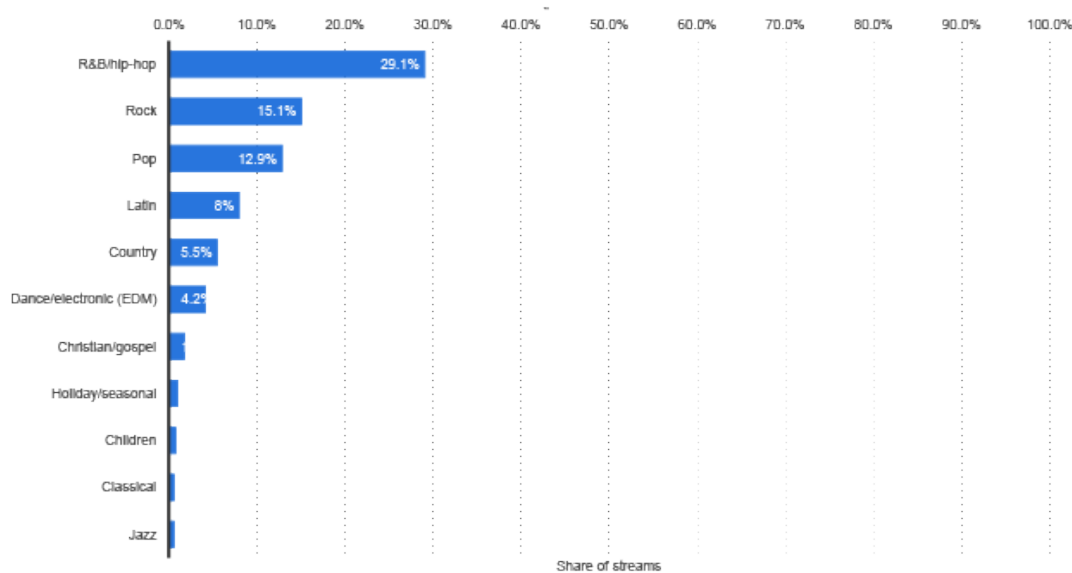
IOS and Android player will release concurrently or promptly after the in-browser Soundeon Player.

Digital radio consumption in the United States in 2015, by device
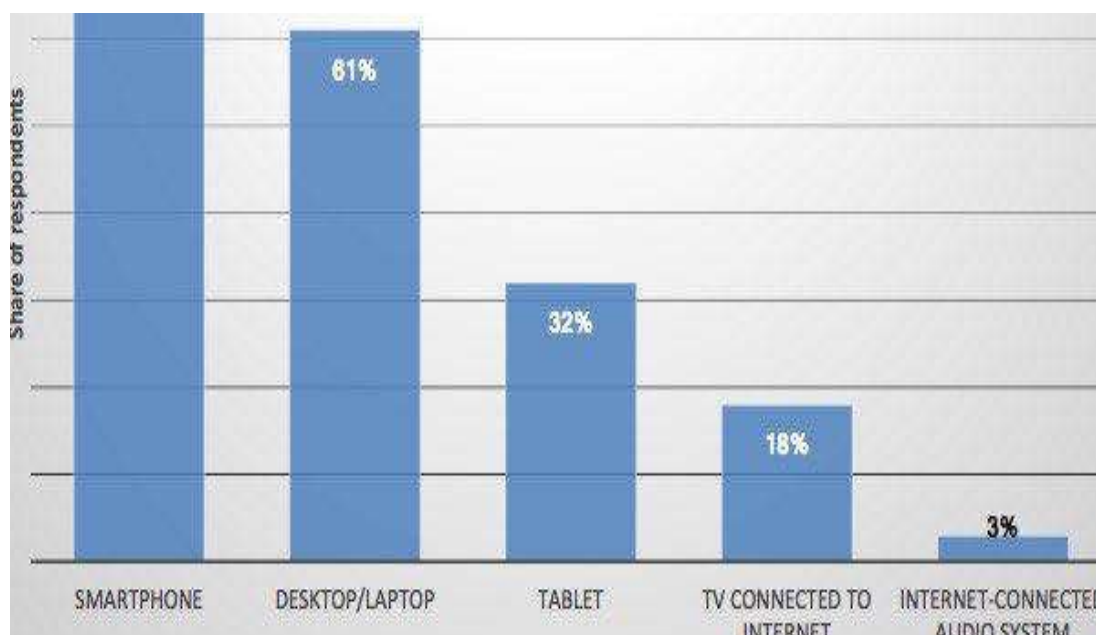
Device	Share of respondents
SMARTPHONE	
DESKTOP/LAPTOP	61%
TABLET	32%
TV CONNECTED TO INTERNET	18%
INTERNET-CONNECTED AUDIO SYSTEM	3%

Competitive Analysis

Soundeon is uniquely positioned to compete on five verticals as it integrates recorded music rights management and live event ticketing. The Platform's multipronged approach creates an ecosystem with multichannel monetization strategy. Whilst there is no single direct competitor to Soundeon encompassing all of the aforementioned capabilities, we see fit to narrow the peer group to blockchain-powered music industry solutions providers. This competitor analysis looks at peers competing with Soundeon on one or more lines of business:

Characteristics	Soundeon	Potentiam	Choon	Viberate	DenchMusic	Aventus	SingularDTV	Opus	VOISE
Artist Fan-funding	✓	✓	✓	✓	✓	✗	✗	✗	✗
Rights Management	✓	✓	✗	✗	✗	✗	✓	✗	✗
Digital Distribution	✓	✓	✓	✗	✗	✗	✓	✓	✓
Royalty Marketplace	✓	✗	✗	✗	✓	✗	✗	✗	✗
Primary ticketing	✓	✗	✗	✓	✗	✓	✗	✗	✗
Secondary ticketing	✓	✗	✗	✗	✗	✗	✗	✗	✗
MIT Open Music Initiative	✓	✗	✗	✗	✗	✗	✗	✗	✗
Ethereum-based	✓	✓	✓	✓	✓	✓	✓	✓	✓
MVP Released	✓	✗	✓	✓	✗	✓	✗	✓	✗

Ratings	Soundeon	Potentiam	Choon	Viberate	DenchMusic	Aventus	SingularDTV	Opus	VOISE
ICOBench	4.3	2.9	3.5	4.3	3.9	3.1	3.0	3.6	2.3
FoxICO	8.0	7.0	NR	7.0	6.5	8.0	6.0	9.0	7.0
TrackICO	5.0	5.0	3.5	4.8	4.6	4.3	3.5	4.3	3.0

A platform covering fan-funding, royalty rights management, distribution, intellectual property marketplace, primary and secondary ticketing constitutes not only a novel technical approach with a single protocol, namely the patent-pending Creative Smart Contract™, but also economic benefits.

The economics of scope enjoyed by Soundeon allow it to use its resources in a much more efficient manner. Music platforms incur high research and development costs, having a single protocol or language that interconnects across layers saves money from costly integration or use of archaic legacy systems used by most music rights management providers. Moreover, being a member of Massachusetts Institute of Technology and Berklee College of Music's Open Music Initiative gives Soundeon a competitive jump start ahead of peers. This membership is important because having industry recognition from large and small music industry players alike is crucial for the industry's acceptance of Soundeon's technology and the sustainability of its commercial success. No other peer group member has made such as striving effort to not only nurture its blockchain community, but also the music community as both are vital.

A multilayered monetization strategy not only provides for a more holistic and vertically integrated product and economics of scope, but also for a well-diversified revenue model. A multiple revenue stream ecosystem is able to innovate and adapt to current and future market conditions with greater agility than a business with one or two income streams. It does not only reduce risks but also allows for more business management and ability to maintain cash flow positive status throughout industry cycles. Appendix 2 covers Soundeon's extensive and diversified monetization strategy in greater detail.

Having a minimum viable product (MVP) constitutes best practice for a company bound for a token sale. However, of Soundeon's four peers with MVPs, only two competitors had an MVP prior to their successful token sales. Soundeon believes in early, fast-to-market monetization which in turn allows for resources to be used to develop future layers. Soundeon's MVP is also its alpha version of the Music Token Sale and Soundeon Player layers. The MTS layer will be the initial monetizing layer on the Soundeon environment and its MVP has been strategically developed to speed product-to-market delivery. This snowball approach is self-reinforcing, reducing development costs, reducing the payback period on platform's investment, and rapidly growing the company's community and influence.

Soundeon's strategic vision, experienced team in financial management and the music business, coupled with a well-executed product demonstrates the Platform's dedication to delivering a profitable product that the market has long desired. The crypto community has already acknowledged this feat by awarding Soundeon the highest cumulative rating of all its eight peers.

This very high industry-wide evaluation of Soundeon is a reflection of the many efforts of not only our team, advisors but also our engaged community and crypto community in general with who we are always having an engaging conversation. Thank you.

APPENDIX 4
Financial Model

Addressable market and adoption rate

Category	Units	2018	2019	2020	2021	2022
Total addressable demand	millions, USD	66,200.00	74,144.00	83,041.28	93,006.23	104,166.98
CAGR of overall demand	%	12	12	12	12	12
Percent of market suitable for Soundeon	%	0.8	0.9	0.9	0.9	0.9
Market adoption*	millions, USD	5.296	31.5112	37.368576	66.96448819	84.37525512

*conservative adoption rate is taken into account

Development and implementation schedule

Layer	2018_q1	2018_q2	2018_q3	2018_q4	2019_q1	2019_q2	2019_q3	2019_q4	2020_q1	2020_q2	2020_q3	2020_q4
Beta Version	-	-										
Token Sale layer	-	-	-									
Exchange layer	-	-	-	-								
Ticketing layer	-	-	-	-	-							
Monitor layer	-	-	-	-	-	-						
Fully operating platform	-	-	-	-	-	-	-					
Protocol for external services	-	-	-	-	-	-	-	-				

Legend:
Assumption
Breakeven point

Operations

Ticketing layer

Operations

Monitor layer

Cash Flow Projections for years 1 – 4

Operations

Music Token Sale layer

Operations

Soundeon Exchange layer

WACC	9%
Assumed Perpetual Growth	3%
Enterprise Value (USD)	552,755,372
Tokenomics Scenario	Token (No Bonus)
Token Price [no bonus]	0.0569
Token supply	1,000,000,000
Book Value (USD)	37,000,000
Fair Price per Token	0.55
Token (No Bonus) discount to NPV	971%