

2021

RESEARCH PAPER

**Opuluous**  
By  
**House of Chimera**



**@HouseofChimera**

# DISCLAIMER

Disclaimer

Introduction

Company  
Overview

Market fit  
Overview

Market  
Opportunity

Competition

Risks

Appendix

## Financial Disclaimer

The content is for informational purposes only, and you should not construe any such information or other material as legal, tax, investment, financial, or other advice. Nothing contained in the research paper constitutes a solicitation, recommendation, endorsement, or offer by House of Chimera or any third party service provider to buy or sell any securities or other financial instruments in this or any other jurisdiction in which such solicitation or offer would be unlawful under the securities laws of such jurisdiction.

All content of the research paper is information of a general nature and does not address the circumstances of any particular individual or entity. Nothing in the research paper constitutes professional and/or financial advice, nor does any information on the research paper constitute a comprehensive or complete statement of the matters discussed or the law relating thereto. House of Chimera is not a fiduciary by any person's use of or access to the research paper. You alone assume the sole responsibility of evaluating the merits and risks associated with the use of any information or other content of the research paper before making any decisions based on such information. In exchange for using the research paper, you agree not to hold House of Chimera, its affiliates, or any third-party service provider liable for any possible claim for damages arising from any decision you make based on information or other content made available to you through the research paper.

## Compensation disclaimer

House of Chimera is an independent blockchain research and advisory firm. We value our integrity and transparency as one of our core values. Therefore, we are fully transparent about our holdings and personal interests within XCAD Network. House of Chimera is not holding a financial position within the Opulous ecosystem but has been compensated for our services. The integrity of House of Chimera has not been compromised through the research process, as the Opulous team did not influence the research outcome at any stage.

# INTRODUCTION

# Introduction to Opolous

Opolous is an innovative platform that utilizes various decentralized finance (DeFi) integrations to revolutionize the accessibility of funding for upcoming and established music artists. The music industry is notorious for its unfair compensation structures for artists, with cases where artists only receive 10% of the total royalties and lose all ownership in exchange for funding (Savage, 2021). Opolous allows musicians to obtain financing without any traditional finance intermediary.

One of the most innovative and ambitious DeFi integrations on the Opolous ecosystem is the DeFi loan mechanism. The ecosystem allows musicians to obtain loans with predictable future royalties as collateral. They are essentially allowing any musician to get a loan based on their future cash flows. The Opolous DeFi loans mitigate a part of the credit risk by backing these loans with future royalties. The implications of these loans will be highlighted in the upcoming chapter “DeFi integrations”.

The Opolous non-fungible token (NFT) launchpad allows musicians to mint and sell copyright NFTs for funding. The launchpad incentivizes anyone to invest in their favorite musicians while earning a share of the royalty revenue. The implications of these Copyright NFTs will be highlighted in the chapter “NFT launchpad”.

The native token of the Opolous ecosystem is OPUL. The token will be utilized for trading and staking. Furthermore, the token gives stakers special access to special NFT launches. The implications of the OPUL token will be highlighted in the chapter “OPUL token”.

The Opolous team is well experienced within the music industry and has a broad network of influential music artists. The team’s experience and overall expertise will be discussed in the “Company overview” chapter.

## DeFi integrations

Opolous is the first platform to launch music copyright-backed NFTs accessible for holders of the Opolous native token OPUL. The ecosystem allows musicians to get funding via a DeFi loan by using their royalties as collateral. Furthermore, musicians can obtain financing through non-copyright NFTs. The ecosystem utilizes three DeFi integrations to power their ecosystem:

- NFT Launchpad
- NFT Exchange
- DeFi Loan mechanism

The DeFi components of the Opolous ecosystem utilize the Algorand tech. The favorable characteristics of the Algorand network (i.e., inexpensive and highly scalable) allow Opolous users to use the platform without any financial constraint. The Algorand ecosystem is also interoperable with the Ethereum ecosystem, making it reasonable that the Opolous ecosystem utilizes a more scalable network. The Ethereum network is vulnerable to congestion, leading to incredibly high transaction fees.

CERTIK audits the DeFi smart contracts of Opolous, which is a reputable auditor of blockchain projects. The Opolous project will be utilizing another auditor in the future for a second audit. However, the demand for these auditors is so overwhelming that there are waiting lists to be audited.

## Ecosystem Overview

### General Overview

Project Name:	Opolous
Ticker:	\$OPUL
Circulating supply:	24,975,000
Total supply:	500,000,00
Supply ratio:	4,995%

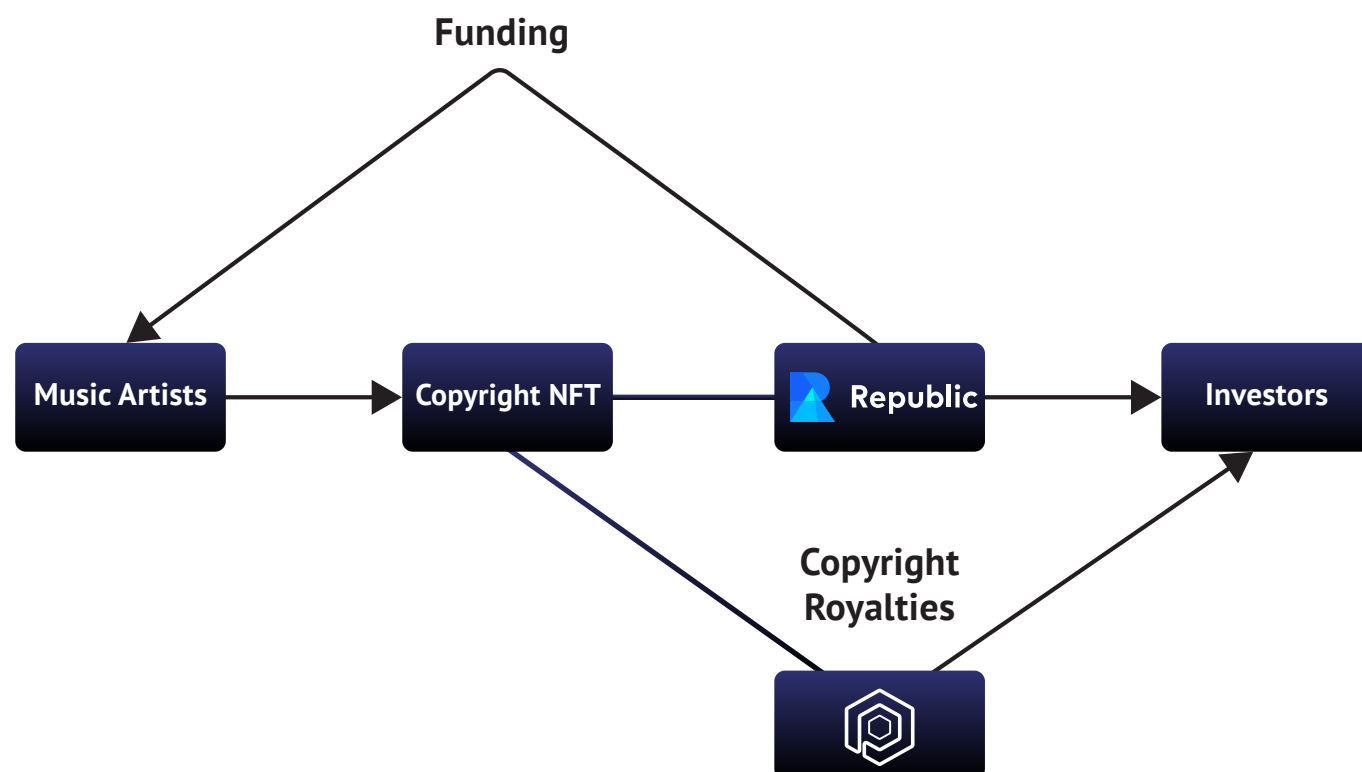
### Financial Statistics

Current price:	\$1.12
IDO price:	\$0.05
ROI (In USD):	2240%
Market Cap:	\$26,769,351
Fully diluted Market cap:	\$558,720,137

## NFT Launchpad

Funding is relatively hard to obtain for small- and medium-sized artists as their reach and future cash flow are insufficient for major labels. Therefore these artists have limited funding options available, which negatively impacts the righteousness of the funding deals. Opulous allows artists to sell their future royalties (i.e., future cash flows) initially through Republic, shown in figure 1. The implications of the partnership with Republic, will be highlighted in the “Strategic partner” section. Artists that do not get funded by major labels or banks have an alternative source of financing. The main benefit of receiving funding through non-traditional institutions is that the artist still has access to additional funds from traditional financial institutions. At the same time, a bank will limit users to get more funding unless they refinance their current loan, essentially limiting potential growth.

**Figure 1 Copyright backed NFT model**



The artist has the flexibility to determine the total percentage that it would like to sell for liquidity. This ensures the artist can retain full- or partial ownership of their work. The Opulous team, together with the artist, will fractionalize the total percentage of royalties into copyright NFTs. The investors will receive copyright royalties based on their percentage share. The royalty payments to investors will go through the Opulous platform, shown in figure 1.

The launchpad will initially serve established artists, and the Opulous team will negotiate these deals. However, the platform will be allowed to be utilized by any artist in the second stage of the project, through which the ecosystem implements its decentralization. This will be further highlighted in the “Growth Strategy” section.

The launchpad supports non-copyright-backed NFTs, therefore essentially creating a new revenue stream for artists. Due to the range of supported NFTs, from fan experiences to artwork, the artist can earn revenue from the Opulous NFT launchpad. The need for new revenue streams for small and medium-sized artists is high, thanks to the loss of income by COVID19 lockdowns. This will be further highlighted in the “Market opportunity” chapter.

## NFT Exchange

The Opulous NFT exchange will be one of the spearpoints of the ecosystem. The marketplace allows OPUL holders to invest and trade copyright- and non-copyright NFTs. The exchange enables these NFTs to be liquid which allows music fans to engage with their favorite artists. By utilizing the NFT exchange as an NFT off-ramp to cryptocurrencies, the NFTs are liquid and have value.

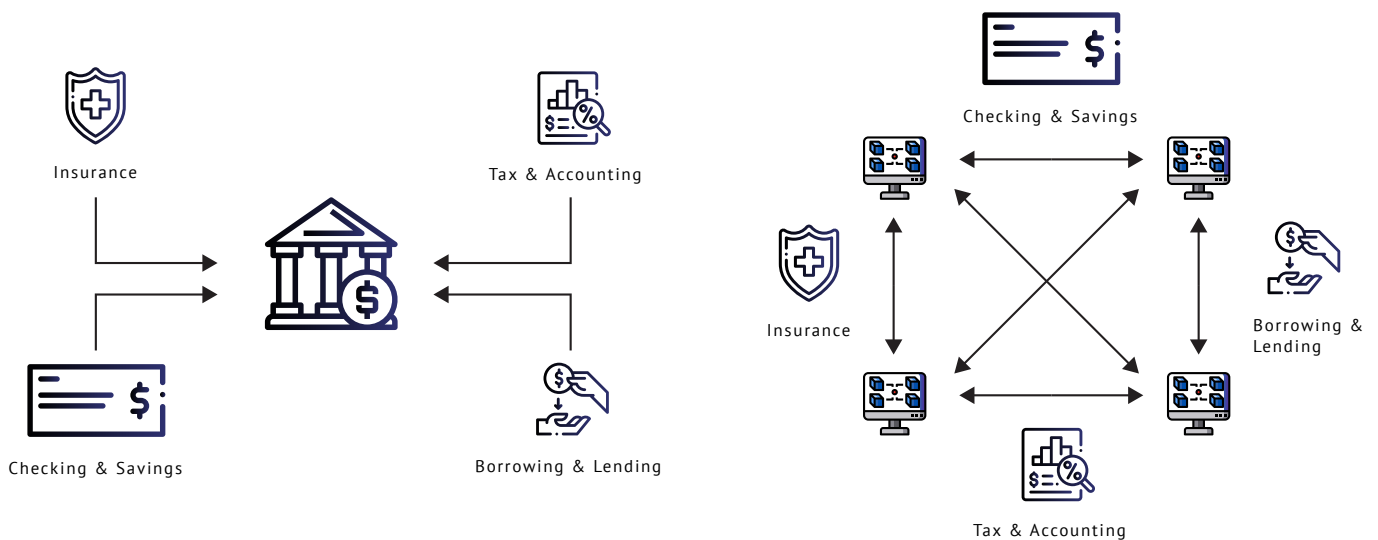
## Decentralized Finance loan mechanism

The complexity of DeFi products and projects is presently an issue for the adoption of DeFi as an industry. Therefore, a simplified explanation of how DeFi loans are utilized should clarify the financial product further.

### Decentralized Finance Loan

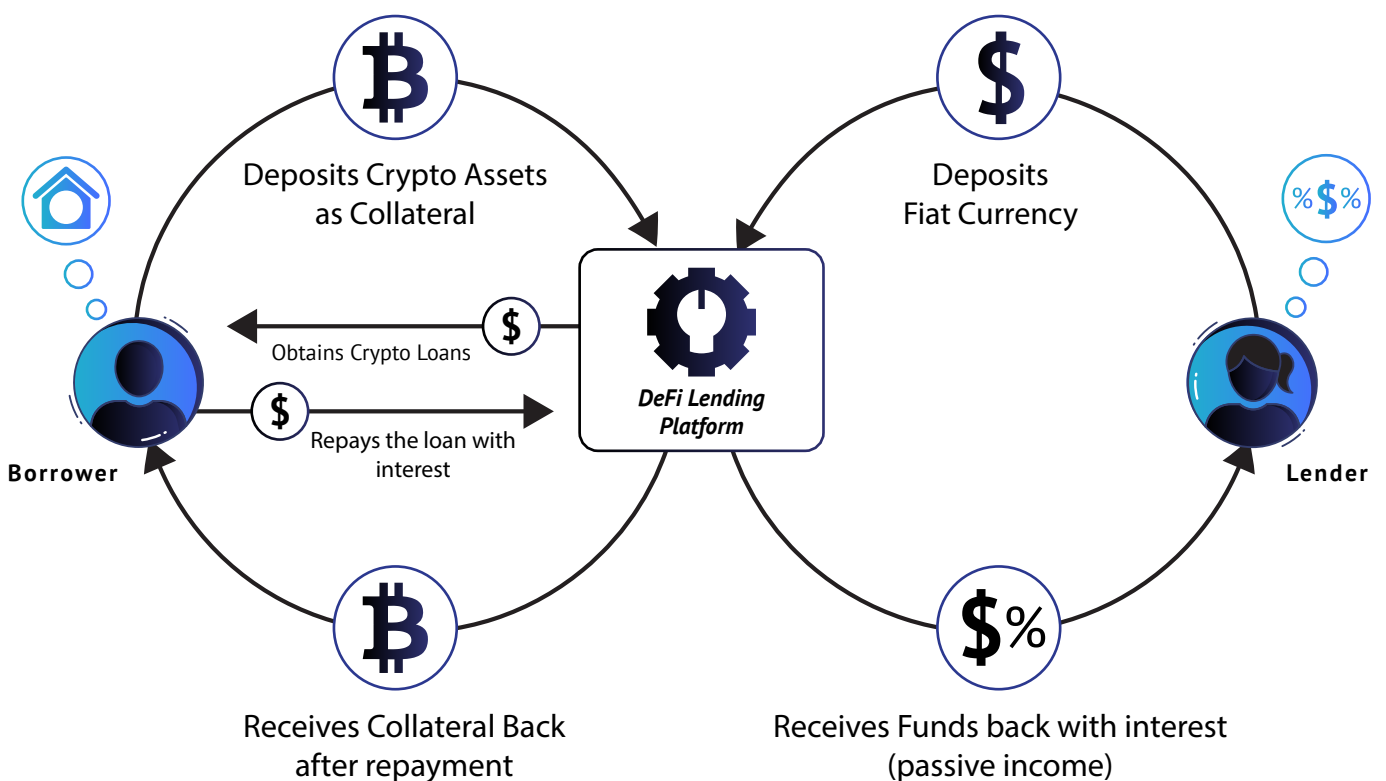
The Decentralized Finance (DeFi) industry is one of the backbones of the cryptocurrency industry. By decentralizing financial services, highlighted in figure 2, the overall number of intermediaries goes down, and so do the costs of financial services drop. The decentralization process utilizes blockchain protocols and cryptocurrencies. The current upswing in decentralized lending has been one of the major cornerstones of the DeFi industry.

**Figure 2 Decentralization process of financial services**



The innovative part of DeFi loans is that it completely removes the need for a financial institution by smart contracts. By utilizing lending pools, the lender deposits fiat or cryptocurrency into the lending pool. The lender receives interest based on the annual percentage rate, depending on the borrowers' supply and demand. Figure 3 shows that Borrowers will utilize the DeFi pool to get secured DeFi loans. Therefore the borrowers have to use collateralization to secure the loan. In general, the collateralization rate is 150% or higher to take the volatility of cryptocurrency into account. The borrower will put cryptocurrency up as collateral that equals 150% of the value of the total DeFi loan. Whenever that collateral drops below 150%, the borrower needs to add collateral to maintain the collateralization rate. An oracle will generally be used to obtain accurate decentralized information about the value of the cryptocurrency used as collateral.

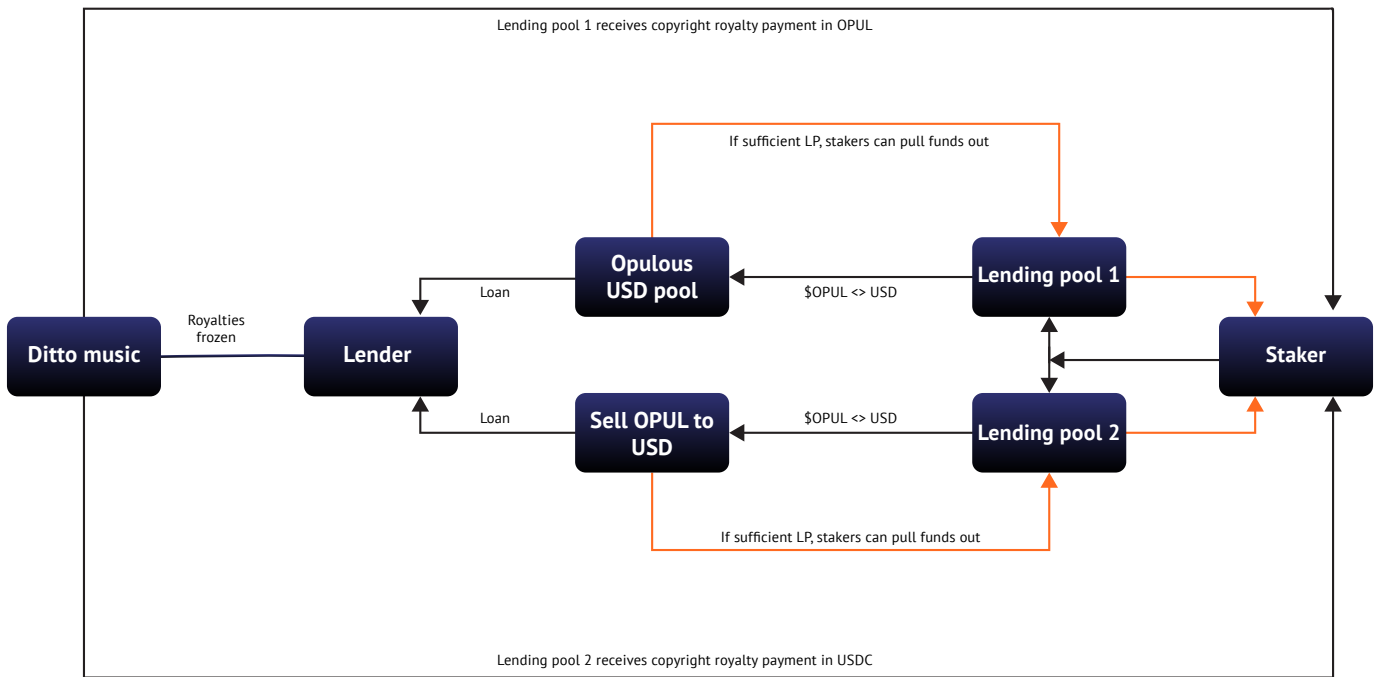
**Figure 3 Visualization of DeFi loans**



## Opulous DeFi Loan

Opulous allows artists to use their future copyright royalties (i.e., cashflows) as collateral for a DeFi loan, as shown in figure 4. As highlighted before in this research, traditional banks and major labels are either turning small- and mid-sized artists away or pushing them into a relatively one-sided deal despite an artist’s potentially stable royalty income. Cash flows as collateral are used in the traditional finance industry and are known as ‘Cash flow financing.’

**Figure 4 Visualization of Opulous DeFi loans**



The main difference between an asset-backed loan and a cash flow loan is the collateral. Most companies that hold a good amount of fixed assets will utilize asset-back loans, while companies that do not have many assets use cash flow financing. A similar comparison can be made for collateralized DeFi loans, where the collateral depends on the number of accessible assets when the loan is initiated. The collateral could be cryptocurrency assets or future cash flow (e.g., interest payments.).

The main difference between the characteristics of cash flow and fixed assets as collateral is liquidity. The liquidity of a fixed asset (i.e., house, car, boat) is relatively high compared to a future cash flow. The valuation process of a future cash flow can be rather challenging if there is no market to trade. However, utilizing lending pools gives stakers flexibility to retrieve their funds as long there is enough liquidity. This will be further highlighted in the upcoming section.

## Funding

The Opulous DeFi loans utilize lending pools to fund the DeFi loans, as shown in figure 4. Initially, the lending pools support OPUL and USDC, but this will be expanded with other tokens shortly. Copyright royalties of the artist reward the liquidity providers for the lending pools. Ditto Music freezes these copyright royalties so only artists connected to Ditto Music can take DeFi loans. In the future, the platform will be more decentralized by adding partners and actively exploring ways to verify and enforce copyright royalty payments. There are risks involved in providing liquidity to lending pools, and therefore, the concept of risk will be analyzed.

## Risk

The definition of risk is the probability that an outcome or an investment’s actual gains or value will differ from the expected outcome or return. To clarify, a part of the risk of the DeFi loans depends on the accuracy of the value estimation of the cash flow collateral. The difference between the estimated and actual values should be as close to 0 or a negative value. If the estimated value is higher than the actual value, these two differences can be considered a risk.

$$R_i = E(\text{Valuation CF}) - \text{actual value CF}$$

The Opulous ecosystem will utilize Ditto Music’s expertise to estimate the value of the cash flows. The expertise of Ditto music in the music industry will be highlighted in the chapter “Team overview”.

Furthermore, there is asymmetric information risk. The “Risk” chapter will highlight the implications of asymmetric information, and its involved risk will be further highlighted in the “Risk” chapter.

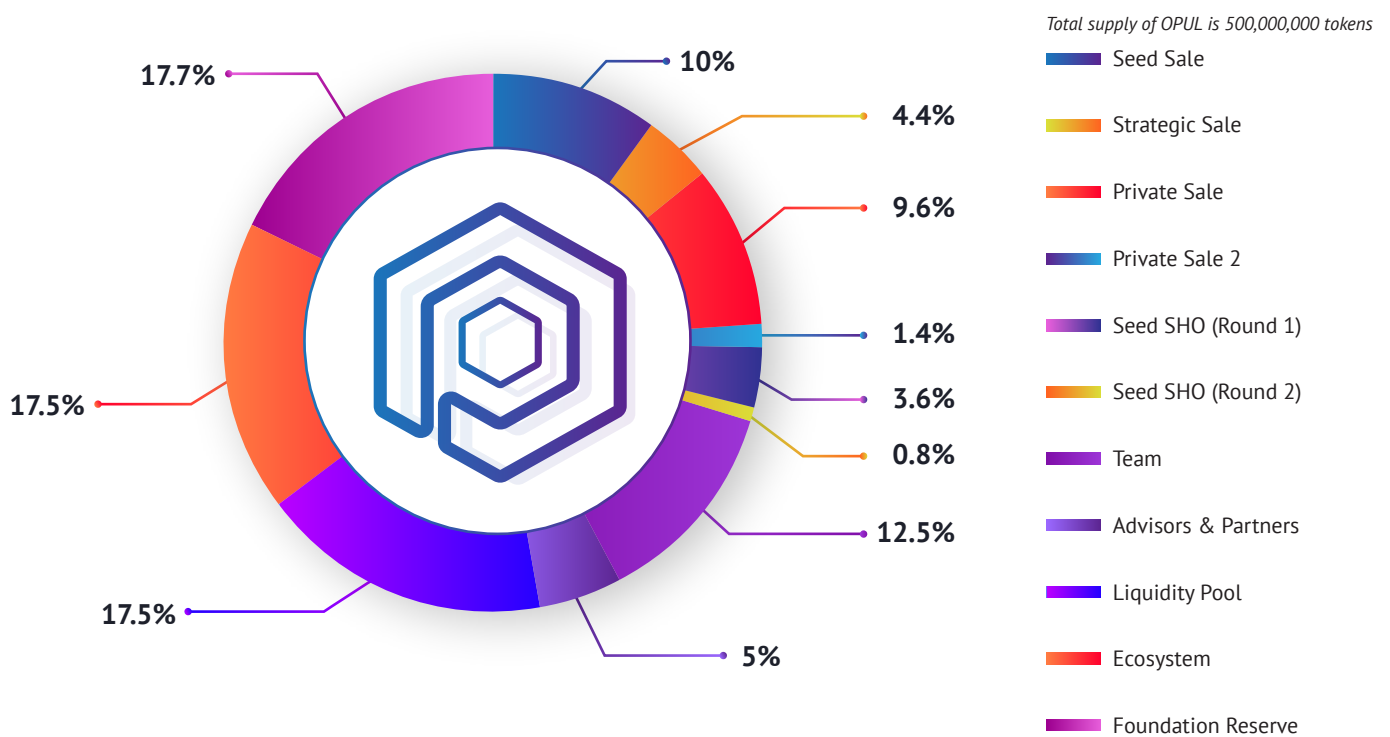


## OPUL token

The OPUL token is the native token of Opolous and will be utilized for staking trading for copyright NFTs, shown in figure 6. The total supply of OPUL is 500,000,000 tokens, with an initial supply of 24,975,000 tokens which equals an initial market capitalization of 1,248,750 USD, shown in figure 5. The OPUL token has received funding through several sales that differ in token distribution, as shown in figure 1 in the appendix. The token will utilize an initial decentralized offering launchpad (IDO pad), DAOMAKER, to obtain funding through a public investment round. The total raised capital is 6,450,000 USD, which will allow Opolous to grow its product further with its partners.

The OPUL token will be interoperable by launching on Ethereum and Algorand. As highlighted before, Algorand will be used for the DeFi components of the Opolous ecosystem to benefit from the unique characteristics of the Algorand ecosystem.

**Figure 5 Tokenomics of Opolous**



## Staking

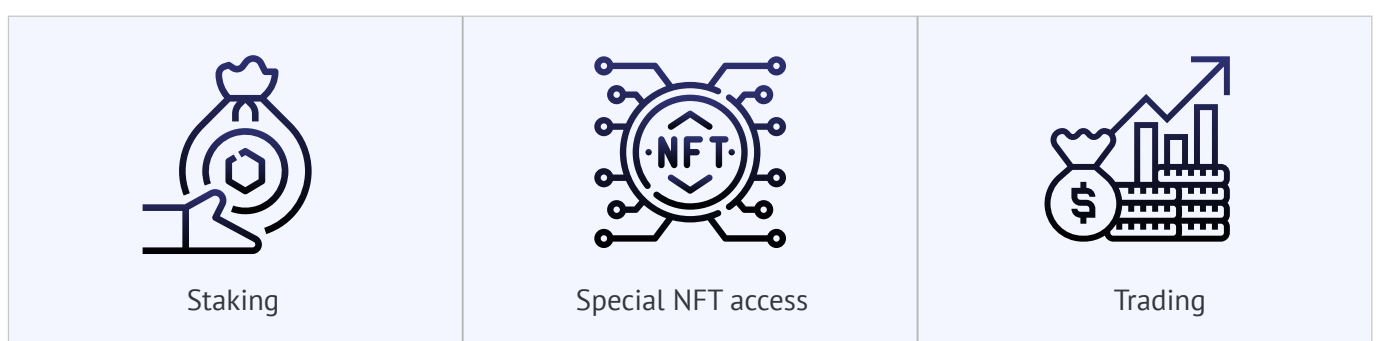
The Opolous holder can stake OPUL in a lending pool. The funds of the OPUL lending pool will be utilized to allow artists to obtain DeFi loans with copyright royalties as collateral. The staker will receive a monthly share of the royalties to compensate for the risk and pull their funds out as long as there is enough liquidity.

The Opolous stakers will have access to unique non-copyright NFTs offerings that will be solely available to them. These offerings might include meet and greets, fan experiences, artwork and more. Furthermore, the supply of these NFTs are limited and therefore scarce.

## Trading

The native token of Opolous, OPUL, will be used to trade copyright NFTs and buy NFTs on the NFT launchpad. The organic demand of OPUL comes from investors that are willing to invest in copyright-backed NFTs.

**Figure 6 Utility of OPUL**



# COMPANY OVERVIEW

## Team Overview

The Opulous team consists of outstanding and well-known figures in the music industry while being advised by highly influential figures such as Nick Gatfield, previous CEO of Sony Music. The team has broad connections within the music industry as the CEO of Opulous is the founder of Ditto music, shown in figure 7. The Opulous team has partnered with AppliedBlockchain, an Algorand development firm, to develop the NFT and DeFi systems.

**Figure 7 Opulous team and advisors**

### Opulous Team



**Lee Parsons, CEO**

- Founder of Ditto Music
- 10+ Years of experience in the music industry



**Miles Carroll, COO**

- Former managing director at Kosmos Capital and Carte block
- 5+ years of experience in leading organizations



**Fernando Cruz, CMO**

- Former business developer at Ditto Music
- 10+ years of experience in marketing

### Advisors



**Taylor Bennett**

*Manager of Chance the rapper  
Prominent US rapper (50 million streams on Spotify)*



**Nick Gatfield**

*Former CEO and Chairman of Sony Music Entertainment UK*



**Clarence Liu**

*Chief of Technology - Tacen*



**Sebastien Lintz**

*Co-founder of Revealed Music, with platinum-selling DJ Hardwell*

### Ditto Music

Ditto Music is an online music distribution and record label company. It distributes music to over 160 digital stores, including Spotify, Amazon, Apple Music, Shazam, and more. The company has 22 offices across 19 countries, with approximately 150 employees. Ditto Music has worked with major artists such as Stormzy, AJ Tracey, Dave, and Chance the rapper. The company has been a launchpad for multiple artists, such as Ed Sheeran and Sam Smith. Ditto Music has paid out more than a billion USD in royalties, and the platform is housing more than 500.000 artists.

Ditto Management is Ditto music's stand-alone artist management company, where multiple prominent artists have been signed, as shown in figure 8. The company's incredible growth did not go unnoticed and was named by the Sunday Times in the Fast Track 100 list of Britain's fastest-growing companies in 2017.

**Figure 8 Ditto Management Artist Visualization**



**Big Zuu**

250.000 monthly Spotify listeners  
Top 100 hit in the UK



**Nathan Dawe**

4.5 million monthly Spotify listeners  
Multiple top 100 UK hits

# MARKET FIT OVERVIEW

## Growth strategy

The Opulous platform will leverage their expertise and overall connections within the music industry to create sustainable growth. As highlighted in the previous chapter, the Opulous team has deep relationships with several influential music artists. Therefore, the platform's first few copyright NFTs will be artists with close ties to Opulous. The ecosystem will use well-known musicians to attract attention to the platform and create value for the ecosystem and eventually for the native token OPUL. It will also allow Opulous to set a standard of quality and fairness by allowing fair deals to OPUL holders. The music industry might not be that common for most investors and therefore, developing a quality standard and ensuring fair deals is necessary for the first few NFTs. The second stage will invite all artists worldwide to use the Opulous DeFi loan and NFT launchpad mechanisms.

The team of Opulous is focusing on the accessibility of the platform. The platform will explain the unique selling points, benefits, and the processes necessary to engage with Opulous to smoothen the user experience. The accessibility strategy is understandable, as according to a recent study, the user experience of most cryptocurrency applications is below average and is potentially preventing further user adoption (Froehlich et al., 2021).

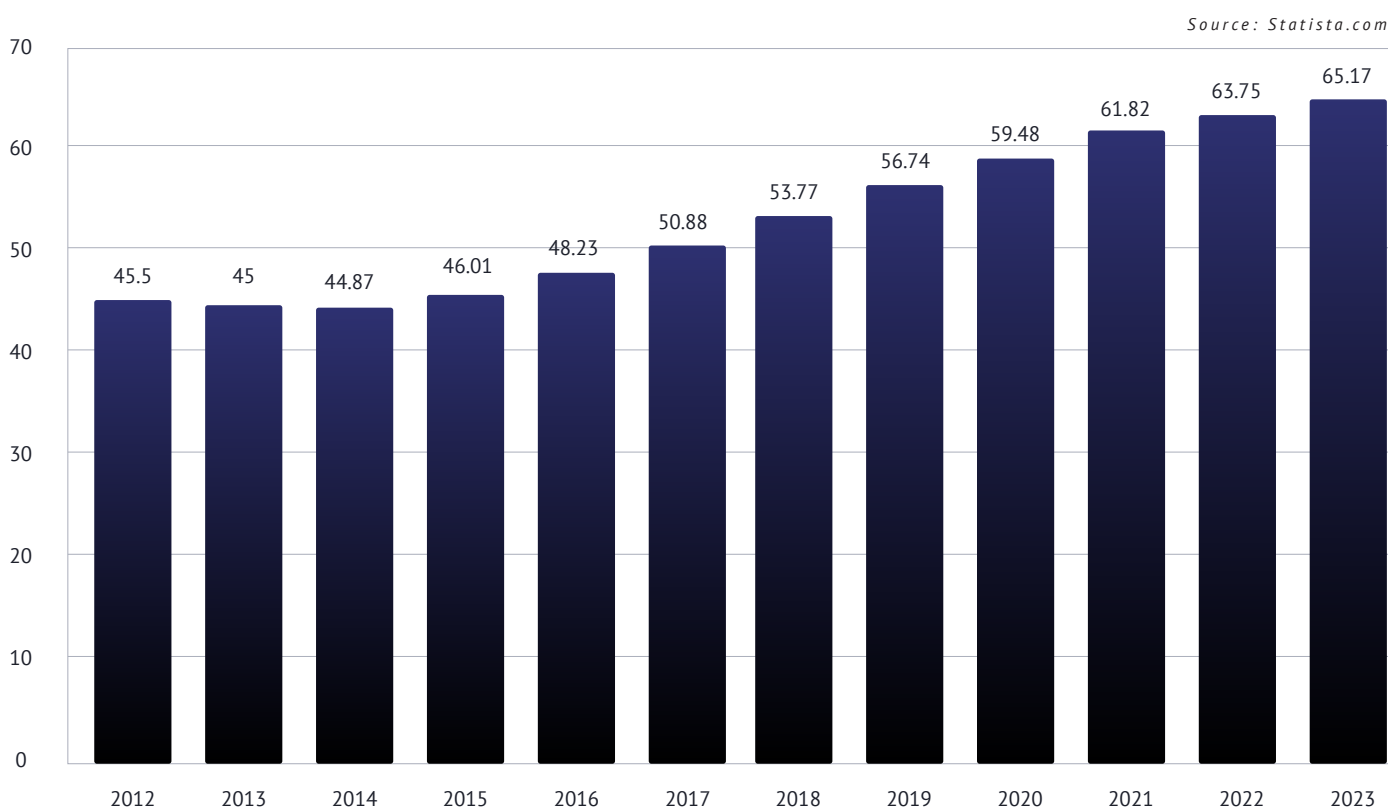
## Industry Analysis

The industry analysis chapter will be separated into two sections. The Opulous platform is actively engaging within the music industry by revolutionizing the funding process with NFTs. Therefore, the platform has substantial exposure to the NFT industry. By analyzing both industries, a less biased observation can be made about the potential of the Opulous ecosystem.

### Music Industry

The overall valuation of the music industry is 61.82 billion USD and is expected to surpass 65 billion in 2023, shown in figure 9. The music industry is one of the biggest global entertainment industries and is currently seeing stable growth due to streaming services. The music industry was traditionally a brick-and-mortar industry, where consumers were buying physical copies. Spotify, Amazon, Apple Music, and a few other emerging digital music distributors play a significant role within the current music industry landscape.

**Figure 9 Overall valuation of the music industry (2012 to 2023)**



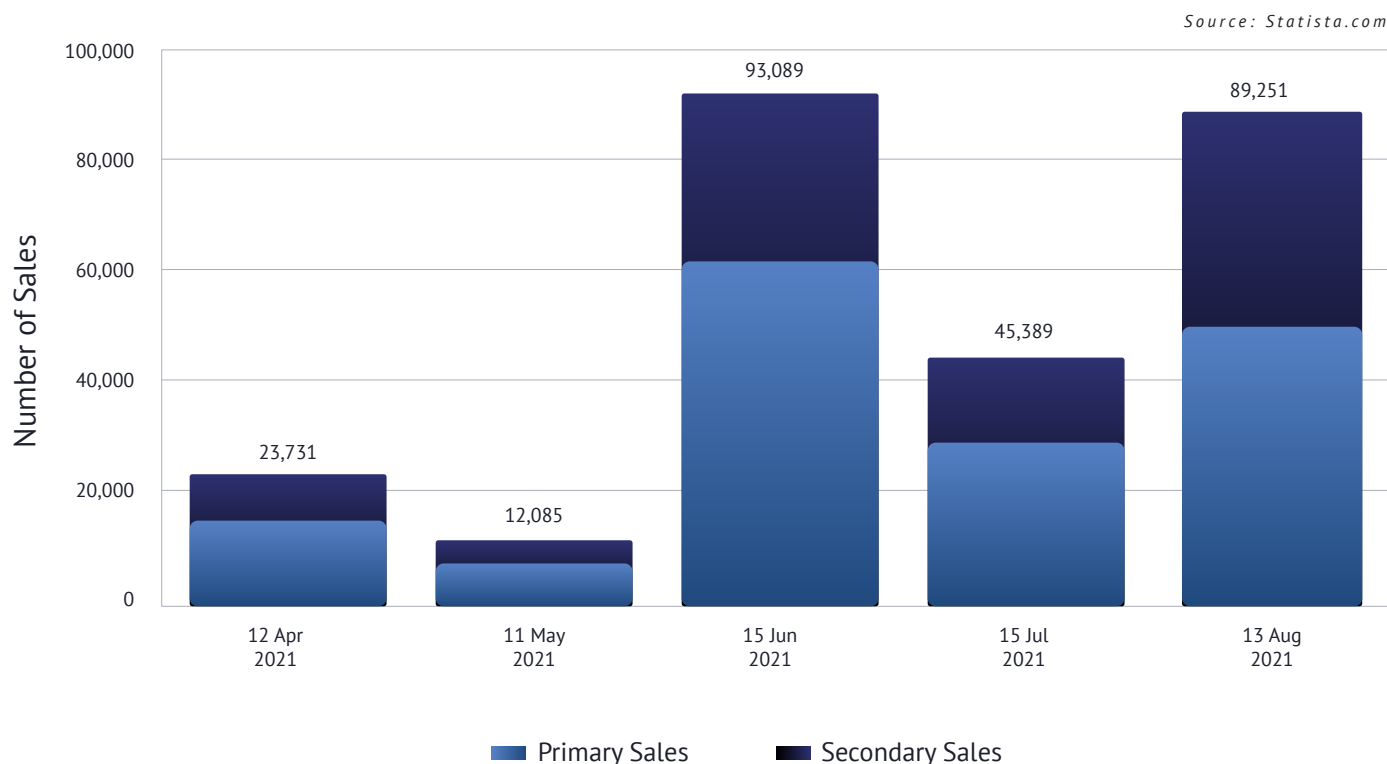
Initially, the digitalization of the industry gave small- and medium-sized artists a platform to distribute their music without the need for considerable amounts of capital. However, this led to a saturation of the market. The total number of Spotify artists is widely believed to exceed 5 million, with 1.2 million artists having more than 1,000 listeners (Carman, 2021). The competition within the music industry for small artists has drastically increased by the accessibility these digital music distributors provide.

A significant benefit is the expertise of the Opulous team combined with their broad network of music artists. Because of these benefits, the Opulous ecosystem can support small- and medium-sized music artists with their products by leveraging knowledge and expertise.

## NFT Industry

The NFT industry is one of the most progressive industries within the cryptocurrency industry. Due to the traditional collectible sector being disrupted by NFTs, the investor’s perspective is changed on fine arts, sports, and even fashion. The growth of the NFT industry is notable, with the total numbers of sales involving art NFTs exploding, shown in figure 10. A similar growth trend is observable with NFT marketplaces. OpenSea reached 1 billion USD in trading volume in August 2021.

**Figure 10** The total sales of OpenSea (April to August)



Traditional companies are entering the NFT space in various categories, from music to fashion. Visa has bought their first NFT art (i.e., CryptoPunk) (Browne, 2021). QQ Music, a music streaming company of Alibaba, has jumped the NFT bandwagon with their first NFTs featuring the famous Mandopop singer Tiger Hu. Music Artists are actively adapting NFTs into their business; Deadmau5 is selling VIP experience NFTs. Mick Jagger and Dave Grohl released an NFT that sold for 50,000 USD, and there are dozens of other examples. One of the most common complaints that artists have about the NFT industry is complex and demotivating.

The Opolous platform is actively focusing on the accessibility part of the ecosystem by intuitive ecosystem design and easy-to-use interfaces. The result is that the Opolous platform can cooperate with music artists worldwide by actively removing the complexity barrier.

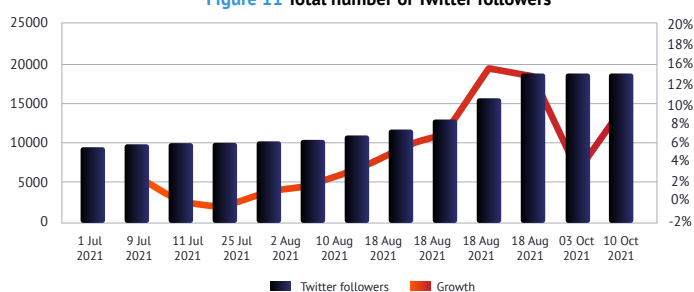
## Digital Presence Analysis

The digital presence of Opolous has dramatically improved in the last weeks in terms of follower growth on Telegram and Twitter. The current total Twitter followers of Opolous is 21224, and on Telegram, over 39000 members. The reason for the explosive growth of the digital presence, shown in figures 11 and 12, is relatively easy to pinpoint. Opolous has launched its token on the 23rd of September and performed various strategic marketing campaigns before the launch. Therefore, the ecosystem’s digital presence drastically increased that week, with a growth of 74% in weekly telegram followers. Telegram bots might inflate the growth in telegram followers, considering the abnormal growth and afterward a significant loss in followers. Unfortunately, Telegram is relatively prone to bots considering the accessibility of the application.

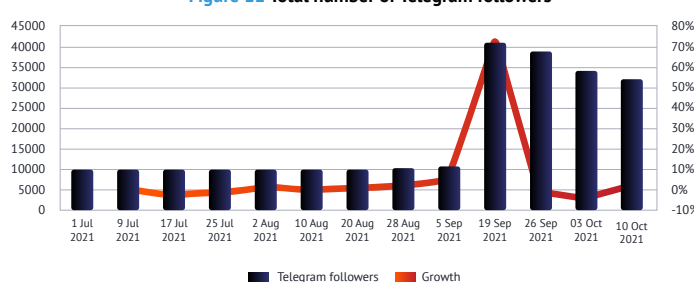
The total following of Opolous on Twitter has been increasing significantly in September and October. Due to the release of the first music artists that are planning to utilize the Opolous ecosystem. Additionally, the ecosystem has attracted a few global stars such as Lil Pump and KSHMR. The exposure of these stars will drastically increase the digital presence of Opolous.

The ecosystem is currently having its first major marketing campaign, October. It is expected that the digital presence of Opolous will increase even further. The ecosystem can leverage the broad network of artists of Ditto music to accelerate growth and increase exposure. Furthermore, Opolous will release significant development updates in Q4, highlighted in the upcoming chapter.

**Figure 11** Total number of Twitter followers



**Figure 12** Total number of Telegram followers

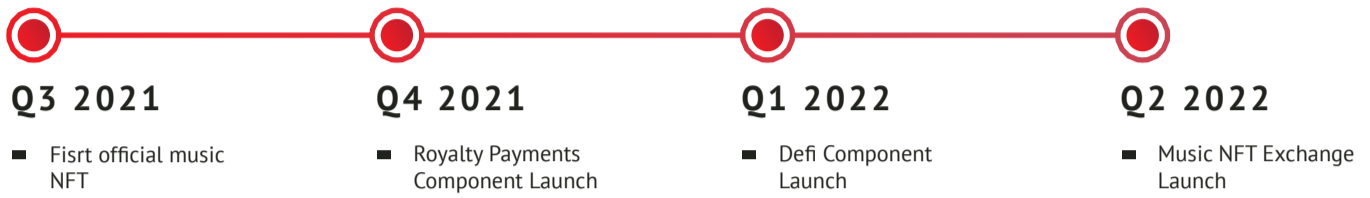


## Roadmap Analysis

The current roadmap of Opulous is reasonable, highlighted in figure 13, with a few significant developments and integrations. A cryptocurrency team that is not overpromising is generally perceived as desirable. Therefore, a modest roadmap that is realistic is beneficial for the team and its community. Not making release dates can be catastrophic for the investor trust and eventually for the value of the native token.

The Opulous roadmap has significantly changed lately in the last few weeks due to the focus on the legal perspective of Opulous products, which led to a partnership with Republic. However, the legal framework of Republic, regulated by the SEC, will allow Opulous to grow without any legal constraints.

**Figure 13 Roadmap of Opulous (Q1 2021 to Q1 2022)**



## Strategic partners

The Opulous ecosystem has several influential strategic partners, shown in figure 13, that create value through expertise and funding. The project is being backed by multiple reputable venture capitals such as R3/CORDA, the financial blockchain venture of HSBC, and Borderless capital. The project also gets funding from influential blockchain figures such as Steve Kokinos, CEO of Algorand, and Elliotrades. Besides the other backers, Republic, Ferrum, and Binance are also supporting the project.

Republic is a crowdfunding investment platform that connects individuals and institutional investors to investment opportunities. The platform supports various categories of investment opportunities, from start-ups to real estate to NFTs and AI. The Republic platform has been active within the cryptocurrency industry for over four years and has a legal framework. Therefore, the platform will handle the initial copyright NFT sales due to the possibility of these NFTs being labeled as security and Republic having a legal framework to issue securities.

Ferrum is a cross-chain Blockchain Service DeFi company specializing in adding innovative utility components to tokens and advisory services to projects across the crypto space. One of their services is 'Anti-Bot Tech', a program that stops bots from manipulating prices on the listing of projects. According to Ferrum, these bots manipulate the value of a token by buying tokens at the lowest price possible and proceed to dump these on other investors.

Binance is one of the most prominent global cryptocurrency exchanges, with a spot daily volume of 24 billion USD. The cryptocurrency exchange is one of the most influential companies within the cryptocurrency industry. Furthermore, Binance NFT, an NFT marketplace, will launch exclusive NFT drops with major artists on their platform. Therefore, Binance can create value for Opulous that eventually could lead to an increase in the value of OPUL.

**Figure 14 Strategic partners of Opulous**



# MARKET OPPORTUNITY



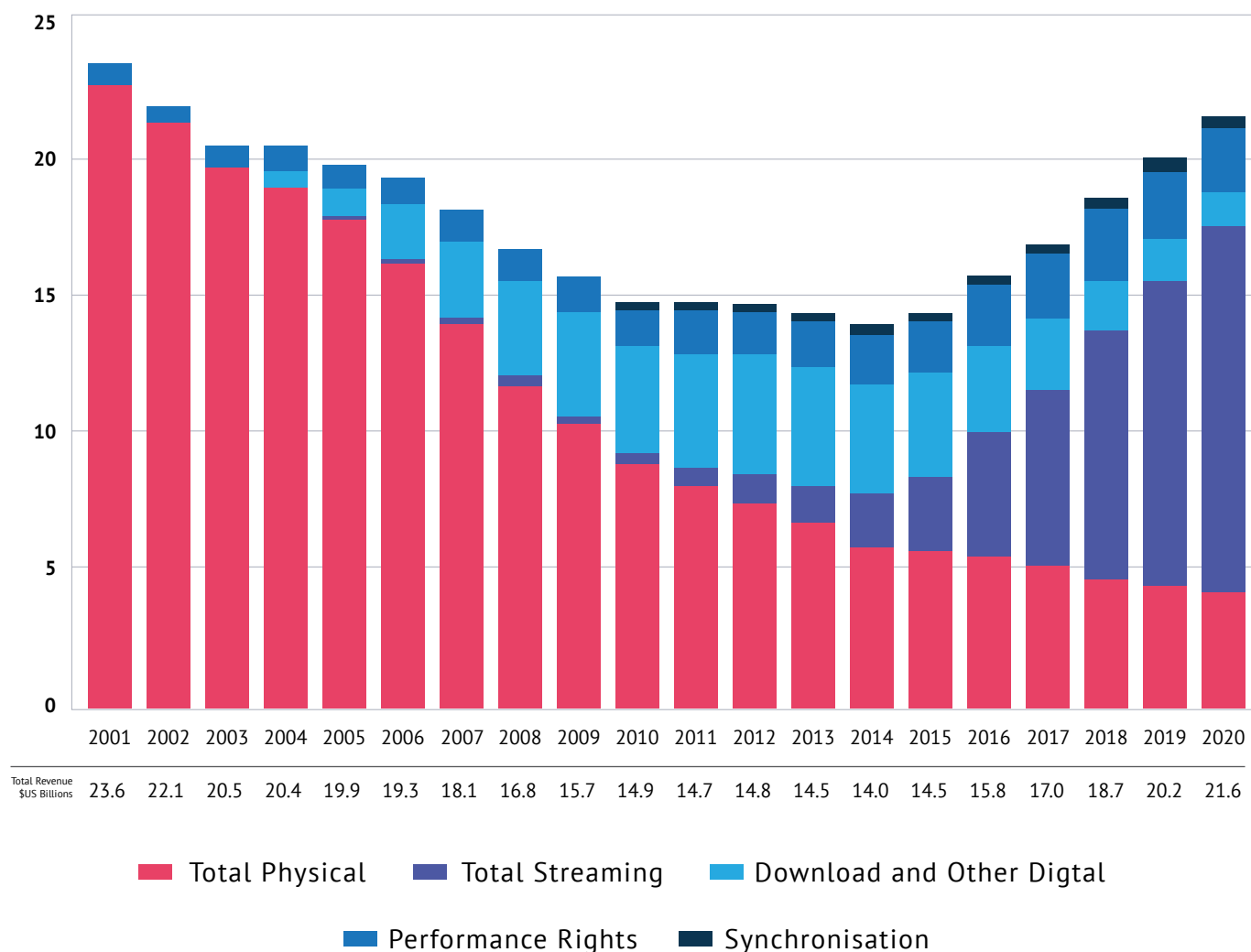
## State of the music industry

The global recording industry is back in growth territory after nearly two decades of piracy-driven declines. According to the International Federation of the Phonographic Industry (IFPI) global music report of 2020, the global recorded music industry grew by 7.4% (International Federation of the Phonographic Industry, 2021). The industry is currently on its sixth consecutive year of growth, clearly signaling that it is booming.

## The new era of music distribution

Digital music distribution is arguably the most disruptive product within the music industry of the last 20 years. The total revenue of the recorded music industry in 2020 was 21.6 billion USD. The digital distribution of music via streaming has been one of the main drivers of the industry's current growth, shown in figure 15. According to the IPFI global music report of 2020, the overall streaming revenue grew to 19.6%, paid streaming subscriptions were the main driver of this, with a growth of 18,5%. Downloads and other digital ownership decreased by 15,7% while the physical distribution revenue has been declining for years, 4,5% in 2020, 5,3% in 2019, and 10,1% in 2018 (International Federation of the Phonographic Industry, 2019). Therefore, it is safe to assume that COVID19 had no significant influence on the decreased revenue of physically distributed music. Furthermore, the decrease in downloads and physical distribution revenue highlights that consumers are significantly less interested in music ownership and are more focused on consuming.

**Figure 15 Global music recording industry revenue**



The trend of consumption without ownership is observable with the growth of streaming platforms. Spotify has had an average year-to-year growth of 41% in the last seven years, shown in figure 3 in the appendix. The total paid users of streaming services grew to 487 million, growing with nearly 100 million new paid users in 2020 (Mulligan, 2021). The music industry has evolved to a highly competitive industry with various considerable providers, such as Apple Music, as shown in figure 17.

## Indie music industry

The major labels in the US produce two-thirds of all music consumed in the United States. Therefore, they have the power to pitch into massive media conglomerates and streaming platforms that control how music is consumed. To put this into perspective, major label artists released more than 90% of all top 10 songs over the last decade (Carter, 2019). However, major record labels did see a collective market share decrease from 66.5% in 2019 to 65.5% in 2020 (Mulligan, 2021a). This is a significant shift in the long-term market dynamics as the unstoppable rise of independent artists is undeniable and is rapidly changing the market. The independent artist industry has massively outperformed the market and grew by 34.1%, ending the year with a revenue of 1.2 billion USD in 2020. The current market share of independent artists is 5.1%, but it is expected that this will rapidly increase over a few years.

The reasons for the shift from major labels to independence are diverse for music artists. One of the more common reasons is the unfairness of the major record deals. Major artists such as Chance the Rapper, Macklemore, Tech N9ne, Tinashe, and Frank Ocean are all independent artists for various reasons. As highlighted before, there are cases in which music artist only receives 10% of total royalties and labels tend to retain full ownership of the artist's work. The locked-in costs of artists within a major record label are considerable and essentially lock them in their toxic ecosystem.

## Effects of COVID 19

The Indie industry is relatively dependent on concerts and tours, as it is the primary revenue stream for small- and medium-sized independent artists. Due to COVID19, the existence and careers of music artists are being threatened, and independent artists are even more likely to be hurt by lockdowns. The wall-street-backed giant labels will not flinch over a lockdown, considering their solvability and overall liquidity.

The indie industry is craving funding; as highlighted before, receiving the needed financing is harder for small- and medium-sized artists. Most banks are cautious with giving loans without proper collateral, preferably fixed assets, and only a handful of banks are willing to accept future royalties as collateral. Major labels have the power to negotiate and push artists into unfair deals and making it tough to get out of their ecosystem. Crowdfunding can be a realistic option; however, only 38.92% of the music Kickstarter campaigns succeed and get funded (Statista, 2021). So only music artists with a sizable fanbase can reliably utilize this option. Artists can sell catalogs to publishing groups; unfortunately, these types of deals are complex and require good knowledge of the value of the music. As these deals are mostly backroom, it is hard to quantify if a deal is good without the proper knowledge.

The main issue with these types of funding is that the artist is at a severe disadvantage, except for crowdfunding. The funder wants to hedge their risk as much as possible. If the overall risk gets lower for the funder, the artist's risk gets higher. Considering the funder has a much better position than the artist, they can leverage their position to get a good but unfair deal.

## Market-fit Opulous

The Opulous ecosystem has a unique design, where the artist and funder do not have a clear advantage over one another. The ecosystem utilizes a non-zero-sum game mechanism where both parties can benefit from agreements. The team has incredible expertise within the music industry and is working with a few of the most prominent global music artists. Therefore, they can flawlessly understand the demands and requirements of artists. Due to the relatively closed nature of the music industry, it is essential to have a broad network of influential artists and managers to push a product further.

The market-fit of the product of Opulous is exceptional. As highlighted before, small- and medium-sized indie artists are craving funding after several dreadful COVID19 lockdowns. The current funding options of independent artists are relatively slim, considering COVID19 harmed every industry. Banks are more careful when giving out loans and tightening standards to exclusively borrowers with pristine credit histories (Cox, 2020). According to a recent study by J. Wang (Wang et al., 2021), the crowdfunding landscape has drastically changed because of COVID-19. The study explores if COVID 19 has changed the success rate of specific crowdfunding categories with sentimental and data analysis. The study shows significant results that dozens of categories, such as travel & adventure and sports, are getting less funding while other types, such as medical-related crowdfunding projects, are getting more funding. The category "Creative Arts, Music & Film" is significantly less probable to receive financing on GoFundMe. Therefore it is harder for artists to obtain funding through crowdfunding.

The alternative that Opulous offers could set a quality standard for the music industry by utilizing blockchain technology to embrace transparency that improves the equal playfield for both parties. Furthermore, the flexibility of Opulous their DeFi loans and NFT backed copyrights allows the artists to get funding while partly retaining ownership of their music. The Opulous ecosystem enables music artists to mint non-copyright NFTs and creates a new revenue stream. The Opulous products are creating a non-zero-sum game where multiple parties benefit instead of just one. Altogether, Opulous offers innovative products to disrupt the music industry and set a quality standard for music funding.

# COMPETITION

Disclaimer

Introduction

Company  
OverviewMarket fit  
OverviewMarket  
Opportunity

Competition

Risks

Appendix

## MusicFi

The competition of Opulous is relatively slim as there are currently no other cryptocurrency projects offering DeFi loans with royalties as collateral. Due to the challenging nature of comparing Opulous with blockchain projects, Opulous will be benchmarked against traditional companies providing a similar product. Furthermore, the target audience of Opulous, music artists, are relatively uninvolved within the cryptocurrency industry and do not necessarily care about the blockchain aspect.

## The Music Fund

The Music fund is venture capital for small artists that are interested in buying copyright royalties. The company allows artists to receive funding in exchange for 1% to 91% of the copyright. The company uses valuating algorithms to determine the valuation of the offered tracks. The artist is not liable if the valuation algorithm is incorrect, and therefore The Music Fund cannot recoup their investment.

The main difference between Opulous and the Music fund is that TMF is not utilizing blockchain technology. Where Opulous is using a launchpad to get funding for artists, TMF is a venture capital. The blockchain aspect of Opulous is significant enough to keep the ecosystem transparent and to enable trustless transactions.

## Royal

The first blockchain competitor of Opulous is Royal. The Upcoming blockchain music investment platform is very similar to Opulous. The platform raised 16 million USD in a seed funding round led by Paradigm and Peter Thiel's Founders Fund. The platform democratizes access to music ownership by allowing investors to invest in copyrights in their favorite songs and albums. DJ 3LAU founded the company, and a full launch is anticipated in 9 – 12 months.

The details of the product that the blockchain venture is offering are still unknown. However, it is expected that Royal will be the first blockchain competitor to Opulous.

# RISKS

## Asymmetric information

Three economists mainly develop asymmetric information theory: George Akerlof, Micheal Spence, and Joseph Stiglitz. The Nobel prize of 2001 was given to these economists for their contributions on this matter. The asymmetric information theory suggests that one party possesses more information than the counterparty. Therefore the party with more information can leverage its position by not disclosing specific common negative information. Asymmetric information can occur in any situation involving a borrower and a lender, where the borrower fails to disclose negative information about their financial state. Collateral is used to secure the loan, essentially minimalizing the risk of asymmetric information. However, in the case of Opulous, the collateral is future royalties (i.e., future cash flows), and the cash flow of music artists depends on various factors such as effort.

The overall effort of an artist is directly correlated to their probability of success. Coincidentally, the amount of success of an artist is connected with the amount of earned revenue. Now, if an artist sells a considerable percentage of their cash-flows, the financial incentive to increase their efforts to be a successful artist could be lowered. When the efforts drop, the overall cash flow decreases, and OPUL holders receive fewer royalties. However, an argument can be made that the financial incentive is less important than the overall ambition to be a successful artist. In general, this might be true for most artists as they are usually not in it for the money. However, it would take only a few artists to create adverse selection. Adverse selection occurs whenever asymmetric information is being exploited.

To put this into perspective, an example is needed to simplify the concept further. An artist who knows that they want to cash in on their current success without disclosing it to the counterparty is leveraging its position of asymmetric information. Another example is that artists use their new capital for risky business tactics that might hurt future cash flow expectations. This problem is widely known as Moral Hazard. The issue could arise that OPUL investors are less willing to invest in copyright-backed NFTs because of economic imbalances. These economic weaknesses can lead to market failure and eventually a decrease in the value of the native token.

## Solution

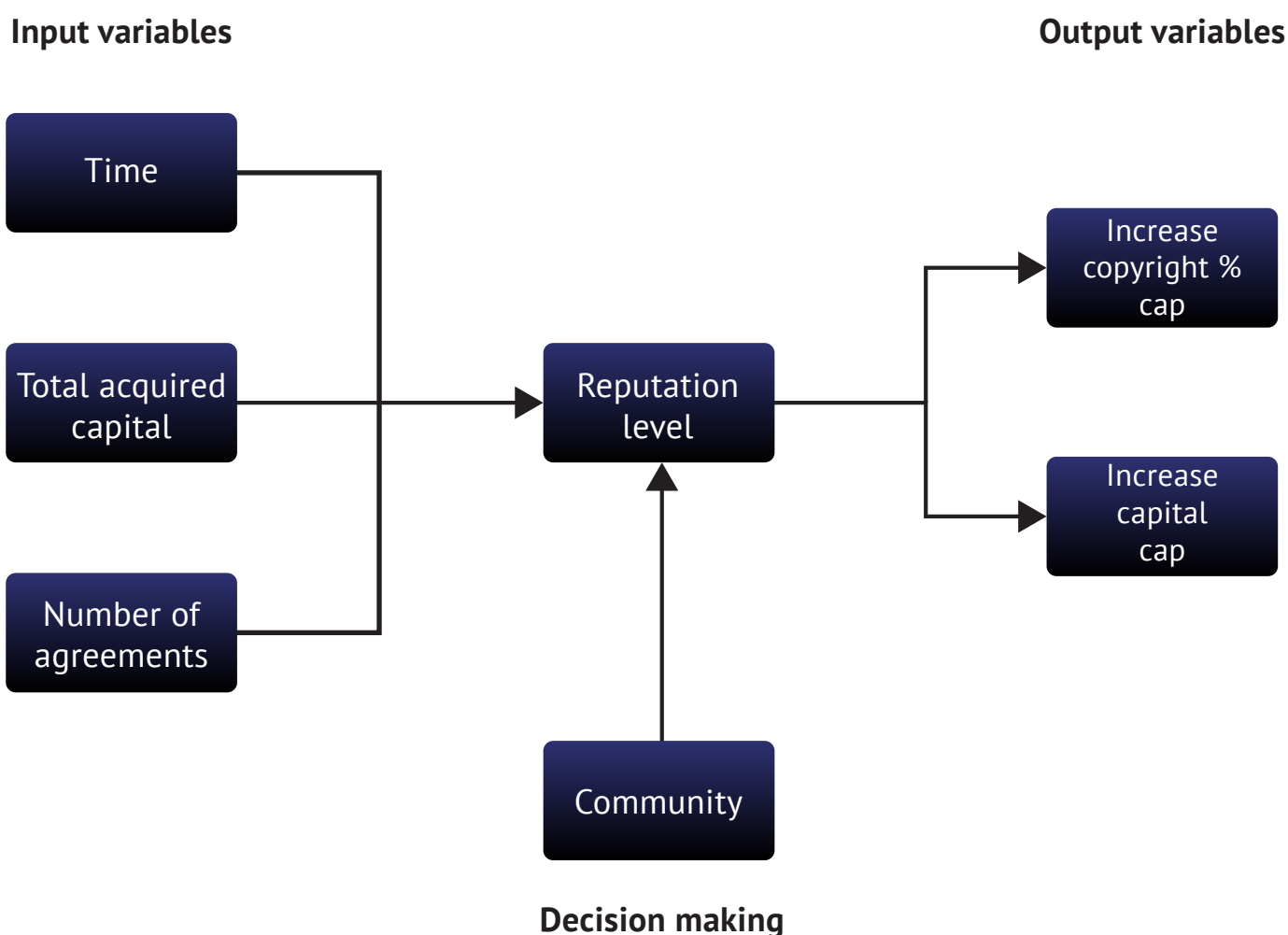
The traditional financial industry utilizes a rating score to quantify the risk using statistics to determine interest rates and loan amounts. A similar system can be implemented on the Opulous ecosystem, shown in figure 16, especially considering that the music industry is unknown for most investors. The creation of such a system will drastically improve the risk perception for investors by decreasing asymmetric information.

The ecosystem could implement levels of restrictions. These will lower based on a few variables:

- Time
- Total acquired capital
- Number of agreements

When an artist actively participates within the Opulous ecosystem, taking DeFi loans and selling copyright-backed NFTs should not be a significant level of restriction. Nevertheless, suppose the artist has no reputation within the Opulous ecosystem. In that case, there should be levels of conditions to prevent potential fraud and, overall, the usage of asymmetric information to push investors into unfair deals. The levels of restriction should be lowered based on governance proposals of the artists, where the community can vote on these proposals. This will help with the decentralization of the ecosystem and make the ecosystem fairer. Furthermore, the ecosystem should utilize a system where the number of votes does not scale linearly with voting power, essentially making it harder for whales to manipulate the voting process.

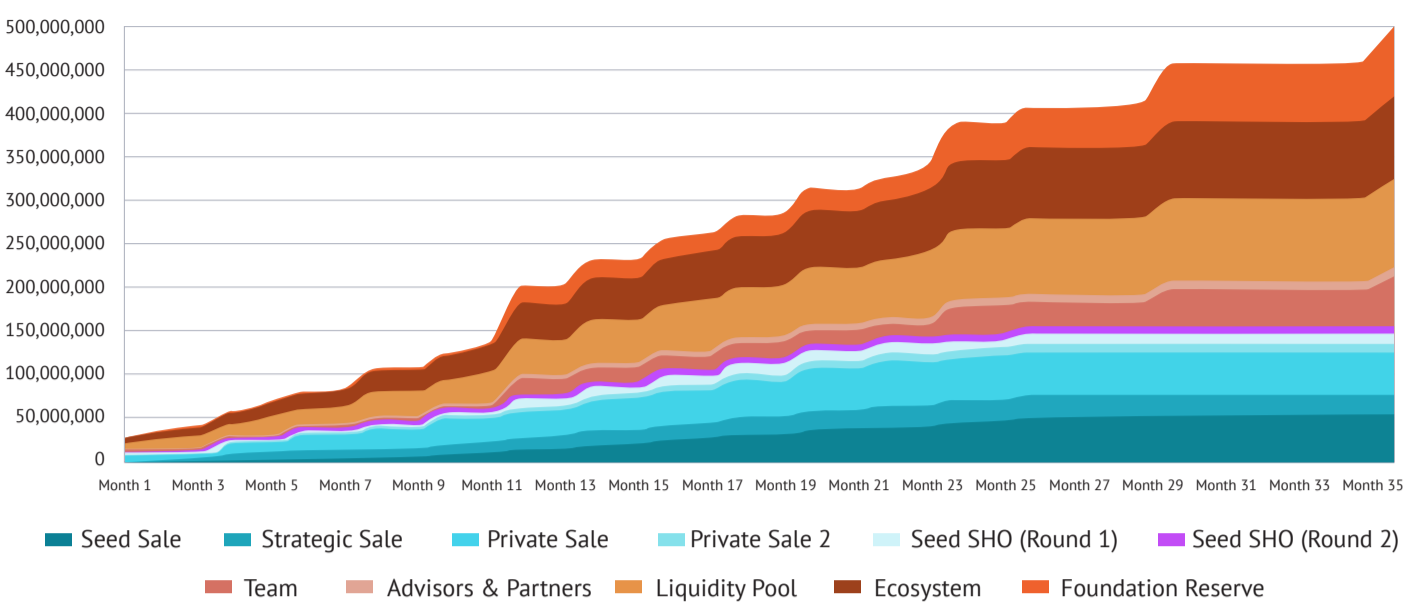
**Figure 16** Visualization of House of Chimera reputation system



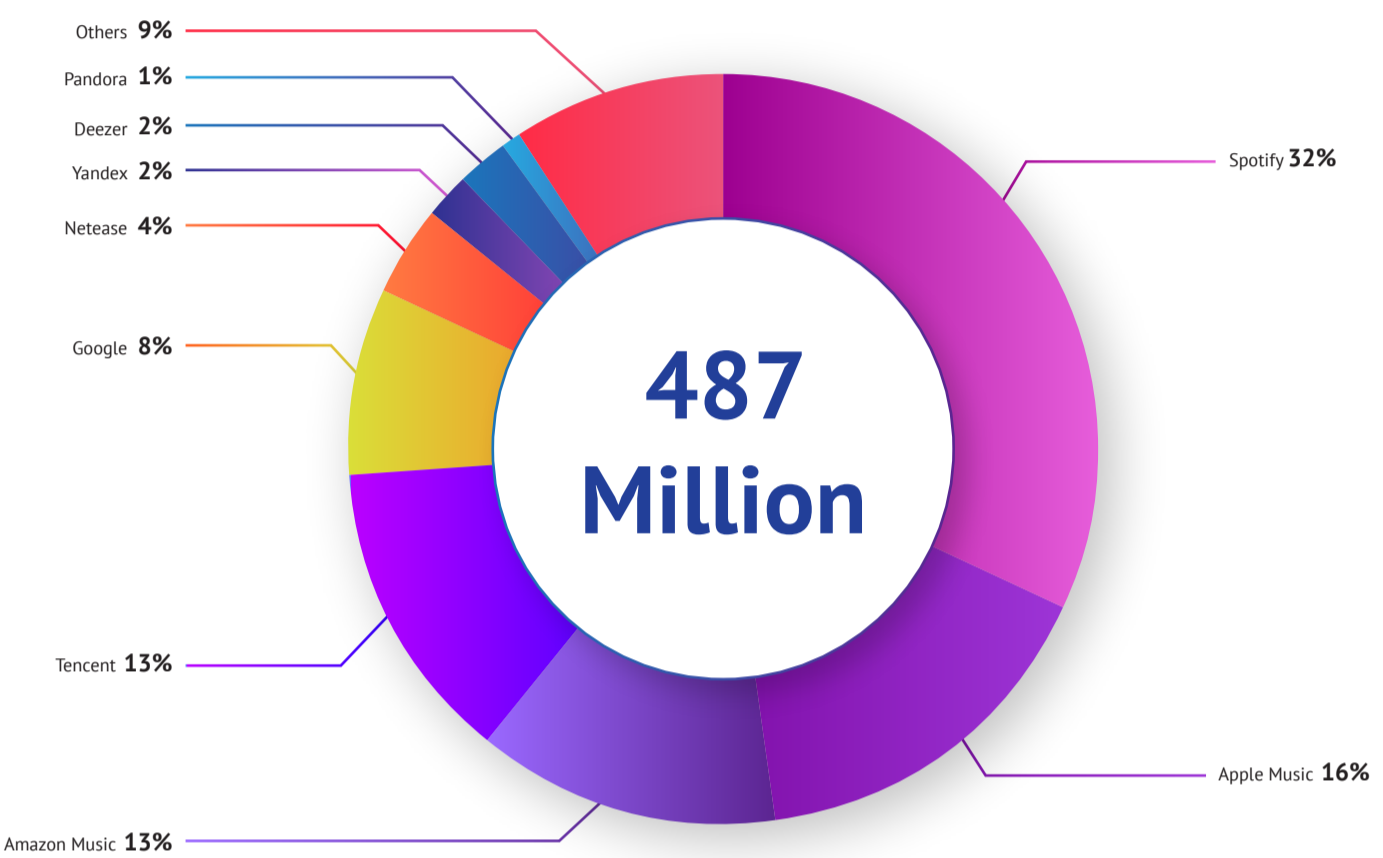
# **APPENDIX**

## Appendix

**Figure 1 Visualization of unlock distribution of \$OPUL**

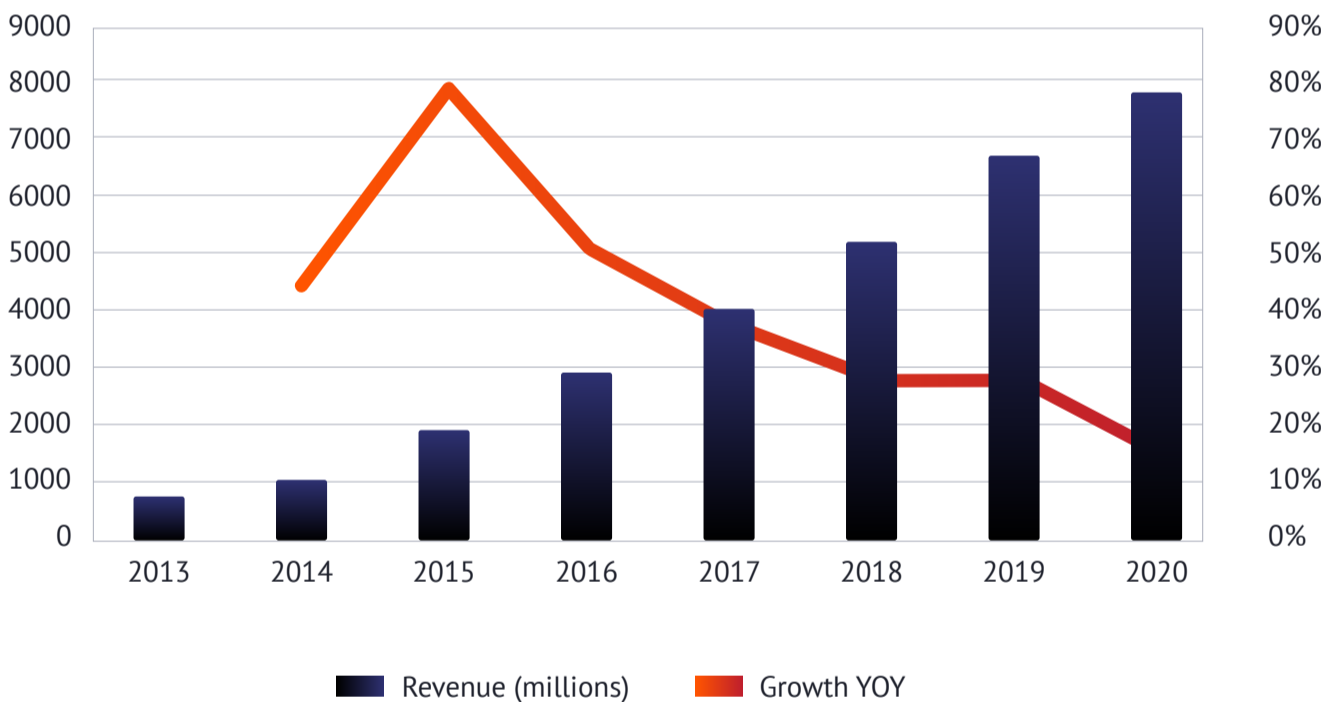


**Figure 2 Market share diagram of streaming services**



Source: Midia

**Figure 3 Total revenue of Spotify (Year-over-year)**



## References:

- Browne, R. (2021, August 24). Visa jumps into the NFT craze, buying a "CryptoPunk" for \$150,000. CNBC. <https://www.cnn.com/2021/08/23/visa-buys-cryptopunk-nft-for-150000.html>
- Carman, A. (2021, March 18). Spotify says over 13,000 artists' catalogs earned at least \$50K in royalties last year. The Verge. <https://www.theverge.com/2021/3/18/22336087/spotify-loud-clear-website-launch-pay-artists-streaming-royalties#:~:text=It%20also%20notes%20that%20there,royalties%20of%20at%20least%20%241%2C000>
- Carter, B. (2019, June 19). It's Easier Than Ever To Be Independent, but Major Labels Still Dominate The Charts. Complex. <https://www.complex.com/pigeons-and-planes/2019/06/major-labels-vs-independent>
- Cox, J. (2020, August 3). Banks say they are tightening lending standards even as demand for money falls. CNBC. <https://www.cnn.com/2020/08/03/banks-say-they-are-tightening-lending-standards-even-as-demand-for-money-falls.html>
- Froehlich, M., Wagenhaus, M. R., Schmidt, A., & Alt, F. (2021). Don't Stop Me Now! Exploring Challenges Of First-Time Cryptocurrency Users. Designing Interactive Systems Conference 2021. Published. <https://doi.org/10.1145/3461778.3462071>
- International Federation of the Phonographic Industry. (2019, April). Global Music Report 2019. <https://www.ifpi.org/ifpi-global-music-report-2019/>
- International Federation of the Phonographic Industry. (2021, March). Global Music Report 2021. <https://www.ifpi.org/ifpi-issues-annual-global-music-report-2021/>
- Mulligan, M. (2021a, March 15). Recorded music revenues hit \$23.1 billion in 2020, with artists direct the winners à again. <https://Midiaresearch.Com>. <https://midiaresearch.com/blog/recorded-music-revenues-hit-231-billion-in-2020-with-artists-direct-the-winners-again>
- Mulligan, M. (2021b, July 9). Global music subscriber market shares Q1 2021. <https://www.Midiaresearch.Com>. <https://www.midiaresearch.com/blog/global-music-subscriber-market-shares-q1-2021>
- Savage, B. M. (2021, July 15). MPs call for complete reset of music streaming to ensure fair pay for artists. BBC News. <https://www.bbc.com/news/entertainment-arts-57838473>
- Statista. (2021, July 6). Kickstarter project funding success rate July 2021 [Kickstarted project funding success rate]. Statista. <https://www.statista.com/statistics/235405/kickstarter-project-funding-success-rate/>
- Wang, J., Zhang, X., & Luo, J. (2021). How COVID-19 Has Changed Crowdfunding: Evidence From GoFundMe. Cornell University. Published. <https://arxiv.org/abs/2106.09981>