30-MONTH OPERATING MODEL

+ COMMERCIAL SERVICES REVENUE PLAN

Clean-Start Base Case | $4M Capitalization | v1

CORE UNDERWRITING RULE

The $4 million capitalization must be sufficient even if Artist Partnership returns take longer than expected. Commercial Services should extend runway, reduce net burn, and create profit. They should not be required to rescue the Company.

1. OPERATING MODEL

The Company is designed to operate with a deliberately lean internal team and a flexible network of specialist external partners. Fixed overhead should remain controlled while Artist-facing capability expands only as workload, revenue, and portfolio evidence justify it.

The current capital plan allocates $1.2 million to Core Team + Operations across the initial 30-month operating period.

Core Team / Operating Cost	30-Month Budget
Founder compensation	$450,000
Operations / Artist Partnerships	$220,000
A&R / Talent Pipeline	$140,000
Production / Project Coordination	$150,000
Finance / Artist Accounting support	$90,000
Payroll burden / benefits / people costs	$100,000
Software, insurance, general operations	$50,000
TOTAL	**$1,200,000**

This equates to an average Core Team + Operations budget of approximately $40,000 per month across the 30-month period. The Company should not, however, build immediately to that average run rate.

2. PHASED OPERATING BURN

Months 0-6: Establish

Founder-led and deliberately lean. Early staffing should prioritize operations, fractional finance, contract A&R, and project-specific production resources.

Target fixed operating burn: approximately $25,000-$30,000 per month.

Months 7-18: Validate

Artist Partnerships and Operations become more substantial. A&R activity increases. Project coordination becomes more dedicated. Artist accounting and reporting become more robust.

Target fixed operating burn: approximately $35,000-$45,000 per month.

Months 19-30: Repeat and Scale

The Company adds capacity only where Artist volume, Commercial Services revenue, and portfolio activity justify it.

Target fixed operating burn: approximately $45,000-$55,000 per month.

OPERATING PRINCIPLE

Headcount should follow workload and revenue. It should not precede them.

3. FOUNDER COMPENSATION

Founder base compensation begins upon financing at $180,000 annually, equal to $15,000 per month. Over 30 months, this represents approximately $450,000.

Founder compensation is a Company-level operating expense. It is not an Artist development expense and may not be allocated to Artist recoupment. Long-term Founder upside should primarily come from Company equity, enterprise value, appropriately approved Company performance compensation, and legitimate creator rights where actually earned.

4. COMMERCIAL SERVICES POSITIONING

The Company will launch as a clean-start business. It will not assume transferred clients, inherited contracts, or existing revenue from the Founder's current businesses. Any future relationships introduced from those networks will be treated as new Company business at the time they are formally engaged.

Commercial Services should be positioned as premium Artist-development infrastructure, not a low-cost studio-services menu. The target customer includes established independent Artists, signed Artists, managers, labels, Artist teams, and touring Artists with real budgets and meaningful development needs.

5. CORE COMMERCIAL SERVICES OFFERS

Executive Production + Artist Development

$8,000-$15,000 per month

Typically 3-6 months. Creative oversight, development strategy, quality control, and coordinated execution.

Production Completion

$15,000-$35,000+ per project

For demos, partially developed recordings, EPs, or albums requiring professional completion, mixing, mastering, and delivery.

Live Show Development

$15,000-$30,000 per project

Set architecture, musical direction, transitions, arrangements, playback strategy, performance dynamics, rehearsal direction, and festival readiness.

Artist Development Intensive

$7,500-$15,000

Catalog, identity, production direction, live viability, commercial plan, and release direction. Can function as a paid qualification mechanism.

Label / Management Development Partner

$12,500-$25,000 per month

Recurring B2B relationship supporting multiple Artists and creating a consistent pipeline of professional engagements and potential future investment candidates.

6. CLEAN-START COMMERCIAL REVENUE RAMP

The base case assumes the Company begins with no transferred client revenue. Commercial Services are built organically under the new brand and structure.

Period	Commercial Services Revenue
Months 1-3	$0-$20,000
Months 4-6	$40,000-$60,000
Months 7-12	$175,000-$225,000
YEAR 1 TARGET	**Approximately $250,000**
Months 13-18	Approximately $300,000
Months 19-24	Approximately $400,000
YEAR 2 TARGET	**Approximately $700,000**
Months 25-30	$450,000-$550,000
30-MONTH BASE CASE	**Approximately $1.4M-$1.5M**

The ramp intentionally places more growth later, after the Company has created relationships, case studies, Artist activity, commercial proof, and market credibility.

7. COMMERCIAL SERVICES MARGIN

Commercial Services revenue should not be treated as pure profit. Some engagements require outside engineers, mixers, studios, specialist producers, travel, and technical services.

Base planning assumption: approximately 60% contribution margin on Commercial Services.

30-MONTH BASE CASE

Approximately $1.5 million in Commercial Services revenue less approximately $600,000 in direct fulfillment costs produces approximately $900,000 of operating contribution before Company-funded Artist Partnership receipts.

8. COMMERCIAL SERVICES PLANNING CASES

30-Month Case	Services Revenue	Contribution	Approx. Margin
Conservative	$750,000	$375,000	50%
Base	**$1,500,000**	**$900,000**	**60%**
Strong	$2,250,000	$1,462,500	65%

The Company does not need the Strong case to survive. Even the Conservative case contributes meaningful operating capital back into the system.

9. EFFECT ON THE $4 MILLION CAPITALIZATION

The original capitalization remains the financial foundation. Earned revenue increases effective economic capacity rather than replacing the need for sufficient starting capital.

ILLUSTRATIVE CAPITAL CAPACITY

$4.0M initial capitalization + approximately $900K base-case Commercial Services contribution + Company-funded Artist Partnership receipts = materially more than $4M of economic capacity without requiring another equity raise.

Commercial Services contribution can reduce burn, extend runway, preserve contingency reserves, fund additional Artists, or increase the Artist Acceleration Reserve.

10. OPERATING BREAKEVEN OBJECTIVE

The Company should not manufacture an aggressive claim of immediate breakeven. The more credible objective is that by approximately Months 24-30, Commercial Services should be capable of covering a substantial portion, and potentially all, of baseline Company payroll and operating overhead.

As this occurs, revenue from Company-Funded Artist Partnerships can increasingly serve as capital recovery, profit, reinvestment capital, and portfolio expansion rather than being needed merely to support payroll.

11. COMMERCIAL SERVICES AS A PAID A&R FUNNEL

Commercial Services create more than fee revenue. They can materially improve the Company's Artist underwriting process.

A manager, label, or Artist may initially engage the Company for a paid project. During that engagement, the Company gains first-hand evidence regarding talent, professionalism, audience response, live capability, execution speed, management quality, and commercial potential.

If that evidence is compelling, the Company may subsequently offer to invest in a future project under the Company-Funded Artist Partnership model.

THE FUNNEL

Commercial Artist -> Paid Relationship -> Operating Data -> Proven Talent -> Investment Candidate -> Company-Funded Artist Partnership

This creates a rare advantage: in some cases, the Company can be paid while performing the diligence that informs a future investment decision.

12. FOUNDER CAPACITY + SCALING

The Founder is expected to maintain approximately 5-8 meaningful active Artist relationships at one time, provided an Operations / Artist Partnerships lead protects Founder time and manages executional detail.

Initial production capacity should be supported by a curated external network operating under Company creative standards. As the Company scales, additional producers may be selectively brought inside the organization to expand capacity without compromising quality or Artist trust.

The Founder should progressively function less as the bottleneck producer on every project and more as the central strategic, creative, and Artist-development authority responsible for taste, trust, quality, relationships, and capital allocation.

13. BRAND STRUCTURE

The Company operates under one brand with two distinct Artist pathways rather than splitting the business into separate consumer-facing brands.

Pathway One: Commercial Artist Partnership. The Artist, manager, or label pays for premium Company services.

Pathway Two: Company-Funded Artist Partnership. The Company selects the Artist, deploys its own capital, and participates in the commercial value it helps create.

An Artist may move from Pathway One into Pathway Two when evidence supports investment. Both pathways operate under the same Company Constitution, human-first standards, Artist ownership philosophy, professional safety expectations, and radical financial transparency.

14. 30-MONTH OPERATING OBJECTIVES

- Launch the Company as a clean-start, independently accountable enterprise.
- Build Commercial Services organically rather than relying on transferred revenue.
- Create approximately $250,000 of Year 1 Commercial Services revenue in the base case.
- Build toward approximately $700,000 of Year 2 Commercial Services revenue.
- Reach approximately $1.4M-$1.5M of Commercial Services revenue across the first 30 months in the base case.
- Maintain an approximately 60% base contribution margin on Commercial Services.
- Keep fixed internal overhead controlled through phased hiring.
- Maintain Founder involvement with approximately 5-8 meaningful active Artist relationships at a time.
- Use a curated external production network initially, then selectively internalize production talent as scale warrants.
- Use Commercial Services as both a revenue engine and a source of evidence-backed Artist investment opportunities.
- Progress toward Commercial Services covering a substantial portion, and potentially all, of baseline operating overhead by Months 24-30.
- Preserve Company-Funded Artist Partnership receipts primarily for capital recovery, reinvestment, profit, and portfolio growth as the operating platform matures.

15. FINANCIAL PRINCIPLE

The Company should not require early Artist investment returns to survive. It should not require transferred revenue to validate its launch. It should not build unnecessary fixed overhead because capital is available.

The $4 million capitalization provides time and flexibility to establish the platform correctly. Commercial Services progressively reduce the cost of that runway. Company-Funded Artist Partnerships create longer-term participation and portfolio value.

DUAL-ENGINE MODEL

Commercial Services generate near-term cash flow and operating evidence. Company-Funded Artist Partnerships create longer-term participation and enterprise value. Each engine strengthens the other.

16. WORKING INVESTOR CONCLUSION

The 30-month operating plan is designed to prove that the Company can establish a premium Commercial Services business from a clean start while simultaneously building a disciplined portfolio of Company-Funded Artist Partnerships.

The base case does not require heroic early revenue, transferred clients, immediate Artist recoupment, or premature institutional scale. It relies instead on controlled fixed costs, premium professional services, staged hiring, evidence-based Artist investment, and increasing commercial contribution over time.

The objective is that by the end of the initial operating period, the Company has not simply spent investor capital. It has built a revenue-generating operating platform capable of selecting, developing, and commercializing Artists repeatedly, with a growing portion of baseline operations supported by earned revenue.