Artist Partnership Economics

Financial Framework v2

FOR REVIEW

Capitalization context: $4,000,000 working raise

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1. PURPOSE

The Artist Partnership Economics govern Company-Funded Artist Partnerships.

They do not automatically apply to Commercial Artist Partnerships, where an Artist, manager, label, or third party directly pays the Company for services.

This distinction creates two complementary Company revenue engines:

Engine One: Commercial Services

Near-term fee revenue generated through:

production
executive production
mixing and mastering oversight
Artist development
live-show development
musical direction
creative strategy
release strategy
quality control
commercial consulting

Engine Two: Company-Funded Artist Partnerships

Longer-term participation generated through selective Company investment in exceptional Artists.

The Company participates in defined:

recorded music revenue
live revenue
publishing
sync
sponsorship
other directly created commercial opportunities
The Company's larger capitalization allows it to support both engines without compromising Artist ownership or forcing premature commercial decisions.

2. COMPANY CAPITALIZATION CONTEXT

The Company is being designed around a working capitalization target of:

$4,000,000

The purpose of this capitalization is to provide approximately:

30 to 36 months of operating runway

and sufficient financial capacity to:

build the core operating platform
support multiple Artist cohorts
create immediate commercial service revenue
maintain Artist investment reserves
increase investment behind high-performing Artists
build legal and financial infrastructure
develop commercial partnerships
avoid premature follow-on financing

Capital follows evidence.

3. STANDARD INITIAL ARTIST CAPITAL

The standard initial Company-Funded Artist authorization remains:

Up to $50,000

This is an underwriting level rather than a permanent ceiling.

Capital should be released progressively.

Development + Validation: Up to $10,000
Production + Quality Control: Up to $20,000 additional
Commercial + Live Development: Up to $15,000 additional
Opportunity Reserve: Up to $5,000 additional

4. GROWTH CAPITAL

Artists demonstrating significant commercial evidence may receive further Company investment.

Additional capital may include:

$25,000

$50,000

or materially larger amounts where justified

The Company's capitalization should allow it to increase investment behind successful Artists without requiring immediate outside financing.

Additional capital is approved based on:

professional execution
audience development

ticket demand
revenue trajectory
commercial partnerships
catalog performance
live opportunity
credible expected return

> **Additional Artist funding must be separately tracked.**

5. ADDITIONAL CAPITAL AND RECOVERY

Each new capital tranche must be clearly identified.

The Company should not create an opaque moving recoupment balance.

Statements must show:

original capital deployed
additional capital deployed
total cumulative capital
recovery achieved
additional recovery created by new investment
progress toward the applicable return thresholds

Where material new investment is made after an Artist has already reached 1.0X or 2.0X, the economic treatment should be specifically documented rather than automatically returning the Artist to unfavorable legacy economics.

> **New capital can create new participation, but previous success should not be erased.**

6. LIVE REVENUE

Live performance is expected to become one of the principal commercial engines of the funded Artist model.

Company participation is calculated from:

Adjusted Live Revenue

Gross Artist Live Compensation minus legitimate direct performance expenses = Adjusted Live Revenue

Permitted direct expenses may include:

booking-agent commissions
required band or performance personnel

venue-specific production costs
reasonable performance-related travel
reasonable performance-related lodging
show-specific insurance
show-specific equipment rental
other mutually approved direct costs required to perform
Adjusted Live Revenue should not be reduced by:

Company salaries
Founder compensation
Company rent
general corporate overhead
unrelated marketing
executive expenses
unrelated travel
arbitrary administrative charges
undefined miscellaneous costs

Company operating expenses are not Artist recoupment expenses.

This separation is fundamental to financial transparency.

7. PHASE I: CAPITAL RECOVERY

Phase I continues until cumulative Company Receipts equal:

1.0X actual capital deployed

Example:

$50,000 deployed | $50,000 returned to Company | = 1.0X recovery

Adjusted Live Revenue

Company: 60% | Artist: 40%

Net Master Revenue

Company: 60% | Artist: 40%

The Company prioritizes recovery while the Artist earns meaningful income from the beginning.

8. PHASE II: GROWTH + RETURN

Once the Company reaches 1.0X recovery, Artist economics automatically improve.

Phase II continues until cumulative Company Receipts equal:

2.0X actual capital deployed

Example:

$50,000 deployed | $100,000 cumulative Company Receipts | = 2.0X return threshold

Adjusted Live Revenue

Artist: 75% | Company: 25%

Net Master Revenue

Artist: 70% | Company: 30%

9. PHASE III: ARTIST CHOICE

Once the Company reaches its 2.0X threshold, the Artist receives the choice to continue or leave active development.

Continuing Partnership

Adjusted Live Revenue: Artist 90% | Company 10%

Net Master Revenue: Artist 80% | Company 20%

The Artist continues receiving active strategic and commercial support.

Independent Path

For qualifying Company-originated live relationships:

5% participation for 12 months

After that period:

0% continuing live participation

Previously funded masters remain subject to their existing commercial license until expiration or negotiated buyout.

10. MASTER OWNERSHIP

The Artist retains:

100% underlying ownership of funded masters.

The Company receives an exclusive commercial license over recordings it finances for a defined term.

Current working assumption:

Approximately seven years from commercial release.

The Company may:

distribute
administer
market
monetize
collect
license
commercially exploit
the funded recording during the applicable license term.

The underlying master remains Artist-owned.

11. MASTER ECONOMICS

Phase	Company	Artist
Phase I	60%	40%
Phase II	30%	70%
Phase III	20%	80%

These economics apply only to relevant funded masters during the applicable license period.

Commercial Artist clients do not automatically grant these economics merely by purchasing production or development services.

12. UNRECOUPED INVESTMENT + SUNSET

Company investment does not become permanent personal Artist debt.

If the Artist fulfills their professional obligations and the project commercially underperforms:

The Company accepts the investment risk.

The remaining balance can recoup only from contractually defined funded-Artist revenue during the applicable commercial term.

When the commercial term expires:

Remaining unrecovered capital expires unless both parties voluntarily agree otherwise.

The Company writes off the remaining amount.

This structure allows the Company to manage investment risk through:

Artist selection
staged deployment

portfolio diversification
capital discipline

13. PUBLISHING

Artists retain their writer's share.

Actual songwriting contributions remain governed by legitimate authorship.

For funded compositions, the Company may receive:

Minimum 10% participation in applicable publisher-side receipts

subject to final legal structuring.

Publishing administration can also create a separate Company revenue stream.

Commercial Artist engagements do not automatically trigger Company publishing participation unless separately agreed.

14. SPONSORSHIP + BRAND PARTNERSHIPS

Where the Company materially originates and facilitates an opportunity:

Company participation: 15% to 20%

Where the Artist independently creates the opportunity without material Company involvement:

Company participation: 0%

> **Participation follows contribution.**

15. MERCHANDISE

Merchandise is an important Artist revenue category, particularly around live performance.

The Company can provide strategic guidance around:

design
fashion
branding
pricing
vendors
product strategy
live merchandising

No Company participation applies automatically to Artist-funded and Artist-operated merchandise.

Separate participation can be negotiated where the Company materially finances or creates the opportunity.

16. COMMERCIAL SERVICES ECONOMICS

Commercial Artist Partnerships provide immediate fee revenue to the Company.

These engagements should be priced according to:

scope
creative responsibility
production requirements
duration
complexity
Artist profile
commercial value
Company personnel required
Possible structures include:

project fees
day rates
monthly retainers
executive production fees
development packages
live-development engagements
label or management retainers
Commercial fee revenue belongs to the Company and contributes toward operating expenses and profitability.

It does not create an Artist recoupment account unless Company investment capital is separately deployed.

17. COMPANY OPERATING EXPENSES

The Company's $4 million capitalization funds the enterprise itself.

This includes items such as:

leadership compensation
employees
contractors
business development
administration
legal infrastructure
accounting
technology

Company marketing
working capital
commercial relationships
These expenses are separate from Artist investment balances.

Founder and executive compensation must never be disguised as Artist recoupment.

If the Founder genuinely writes, produces, or otherwise earns creator rights on a funded project, those rights are separately disclosed and governed by the appropriate creative agreement.

18. RADICAL FINANCIAL TRANSPARENCY

Company-Funded Artists should receive statements clearly showing:

total revenue
direct expenses
Artist participation
Company participation
capital applied toward recovery
original capital deployed
additional capital deployed
total capital deployed
remaining unrecovered amount
progress toward 1.0X
progress toward 2.0X
current Artist payment
No hidden deductions.
No intentionally confusing accounting.
No unexplained charges.
No undefined reserves.
No hidden related-party payments.
The Artist should understand precisely how the Company makes money from the partnership.

19. FINANCIAL USE CASE A: DEVELOPMENTAL ARTIST

Illustrative capital deployed: $30,000

Illustrative activity:

Adjusted Live Revenue: $18,000

Net Master Revenue: $10,000

Total activity: $28,000

Illustrative result:

Company Receipts: approximately $16,800

Artist Receipts: approximately $11,200

Remaining Company investment: approximately $13,200

The Artist has no personal debt for ordinary commercial underperformance.

The Company protects itself primarily by stopping deployment before the full authorization is consumed.

20. FINANCIAL USE CASE B: SUSTAINABLE WORKING ARTIST

Illustrative initial investment: $50,000

Illustrative three-year activity:

Adjusted Live Revenue: $280,000

Net Master Revenue: $120,000

Company-originated sponsorship revenue: $150,000

Total modeled activity: $550,000

Illustrative Company Receipts: Approximately $137,000

Illustrative Artist Receipts: Approximately $413,000

Estimated 1.0X recovery: Approximately Month 14

Estimated 2.0X threshold: Approximately Month 26

Illustrative Company receipts relative to deployed Artist capital: Approximately 2.7X

21. FINANCIAL USE CASE C: BREAKOUT ARTIST

Illustrative Company investment: $50,000

Illustrative three-year activity:

Adjusted Live Revenue: $1.17 million

Net Master Revenue: $560,000

Sponsorship opportunities: $540,000

Total modeled activity: Approximately $2.27 million

Illustrative 1.0X recovery: Approximately Month 5

Illustrative 2.0X threshold: Approximately Month 13

Assume the Artist elects to leave active development after 2.0X.

Illustrative Company Receipts: Approximately $214,000

Illustrative Artist Receipts: Approximately $2.056 million

Illustrative Company receipts relative to deployed Artist capital: Approximately 4.3X

The Company achieves a strong result without requiring permanent control of the successful Artist.

22. PORTFOLIO ECONOMICS

The Company should not underwrite the business around predicting global stars.

The core portfolio objective is:

Build sustainable working Artists.

A diversified funded Artist portfolio will likely contain:

commercial misses
developing Artists
sustainable working Artists
breakout Artists
occasional exceptional outcomes

The Company manages this through:

selection
staged investment
portfolio diversification
data
commercial services revenue
rapid reinvestment into evidence-backed winners

The $4 million capitalization strengthens this model because the Company can absorb unsuccessful investments while retaining the ability to increase capital behind successful ones.

23. DUAL-ENGINE FINANCIAL FLYWHEEL

Commercial Services

generates immediate revenue

creates relationships

provides operating data

identifies exceptional Artists

reduces investment uncertainty

creates Company-Funded Artist opportunities

funded Artists generate recorded, live, publishing, sync, and commercial participation

Company recovers and earns returns

capital becomes available for additional Artist investment

successful Artists strengthen the Company's reputation

more managers, labels, Artists, and partners seek Company services

Commercial Services expand

The two engines reinforce one another.

24. CORE FINANCIAL PRINCIPLE

The financial structure is intentionally designed so that:

The Company makes money because Artists make money.

For Commercial Artist Partners, the Company is compensated transparently for professional value.

For Company-Funded Artists, the Company assumes capital risk and participates in the resulting commercial value.

The Artist retains meaningful ownership.

The Company receives meaningful participation.

As Company capital is recovered, Artist economics improve.

Once the Company's target return is achieved, continued participation must be justified by continued value.

Additional Company capital is available where evidence supports it.

The Company does not require Artist exploitation to generate enterprise or investor returns.

Its advantage comes from identifying exceptional human talent, creating immediate professional revenue, selectively deploying capital, developing Artists efficiently, participating transparently in resulting revenue, and repeating the process across a disciplined portfolio.