



MUSIC IS VIRAL



HOW TO INVEST IN MUSIC ROYALTIES

IF YOU ARE A FAMILY OFFICE, PENSION FUND OR TRUST, HEDGE FUND, OR ACCREDITED INVESTOR, REACH OUT TO US TO LEARN MORE ABOUT OUR \$1M+ REVENUE STREAM PACKAGES AND BUNDLED CATALOGS. PLEASE COMPLETE THE FORM TO CONFIRM YOUR ACCREDITATION AND ONE OF OUR PRINCIPALS WILL REACH OUT TO YOU.

Music Royalties:

The Hidden Investment:

The holy grail of investing revolves around the two near mythical concepts – diversification and non-correlation. Diversification is nearly mythical because we live in a global economy. You try to buy aerospace stocks and utility stocks only to quickly have the talking heads impact ALL stocks discussing the weakness of the U.S. dollar, which is now being impacted because of an oil crisis. You then hope to invest in gold to “non-correlate” to activity in the stock market, to only see the price of gold being suppressed by interest rate activity. Neither diversification or non-correlation can be found in traditional investments of stocks, bonds, or commodities. You have to look elsewhere. That elsewhere is “music royalties”.

Why invest in music royalties?

Everywhere you turn; the internet, television, satellite and terrestrial radio, streaming services, movies, bars, dentist office, commercials, along with a million other places – music in some form or fashion is being played. Every time a song is played, someone, somewhere, is receiving a check and it might as well be you. No talent or musical genius required. With access, understanding, and a long term view towards investing; music royalties have the ability to provide anyone with quarterly dividends that show up in the mailbox producing yields for as little as 2-3% to as high as 20% or more. All over the course of 35+ years.

Very few investments have the ability to provide a long term yield like this, and music royalties take it one step further - if the music is repurposed, rediscovered, repackaged in ANY way there is an opportunity to increase the overall returns on an asset you already own.

What makes “NOW” a special time to investing in music royalties?

For years large record companies and major publishers have held a vice on music royalties. Every now and then a major performing artist like David Bowie or Michael Jackson would get into the news for the multi-million dollar deals they executed involving their music or music they were purchasing. Then the internet happened. It made it difficult for both labels, music publishers, and artists to figure out where and how they were going to get their next big advance or big record sales. This has left the music publishing open for savvy, sophisticated, and shrewd investors to participate in a world that has long been shut off from the rest of the business and investment world.

How does music make money?

The music industry relies on royalties generated by the licensing of copyrighted songs and recording as a primary form of payment for musicians.

There are essentially two types of musicians:

songwriters and performing artists. Each one holds a distinct copyright. Songwriters hold the rights to the lyrics and melody of a song. Performing artists hold the rights to the recording of that song, which is called a master recording. Both songwriters and recording artists typically assign their rights to a third party for management. Song copyrights are typically assigned to music publishers and master recording copyrights are held by record labels.

What are the different royalty incomes?

Performance Royalties:

These are the fees when music is performed publicly. Whether it's the radio, restaurant, bar, or digital streaming service like Spotify or Apple Music, they are all considered public performances.

Mechanical Royalties:

These are royalties paid to songwriters and artists when music is licensed (CD's, 8-Tracks, Cassettes, etc.) but also when music is streamed (streaming mechanicals) “on-demand” (like Spotify). Songwriting mechanical royalties are set by the government through what's called a compulsory license which is now set to about 9.1 cents per copy.

Recording Copyrights:

With a master recording copyright record labels are able to collect royalties from the use of a specific version of a song. Master royalties are paid to a label when the label's version of the recording is used in an advertisement, film, television show, streaming service, or other medium. Master royalties are paid in addition to any other royalties that are distributed.

What are the pitfalls to music royalty investing?

There are three key drawbacks to music royalty investing:

1) Music Relevance

Music relevance is unpredictable. When the Beatles came out they were considered a fad of their time. Years later Michael Jackson bought their catalog for \$47 million dollars only to have Sony buy out ½ of his Beatles catalog (along with other songs accumulated over the years) for a little less than \$1 Billion dollars. On the other hand a group like MilllliVanilli's that was platinum award winning and chart topping plunged to relevance when it was discovered they were lip synching their music. Who knows if Taylor Swift or Beyonce will have the same thirty year relevance that Madonna has had.

2) Illiquidity

While the stock market or bond market do not correlate to music royalties, they do have a big advantage – there is a market place.

There is no one readily available to purchase your royalties if you need to sell them fast. The silver lining though is the fact that royalties are considered a fungible asset and can be used as collateral for loans. You need to speak with your accountant or tax attorney to find out if that makes sense for you.

3)Access to more music royalties

The music business is fractured, clannish, cloistered, and secretive and that's before we throw in ego and fame. If you are lucky enough to obtain access to a music catalog for sale the likelihood of both the deal closing and you finding another deal are slim.

Why "Music Is Viral, Ltd." was established?

For 16 years Music Is Viral, Ltd. 's sister company Viral Music Media has run a music branding and music magazine business. Constantly gaining access to music producers, songwriters, artists, labels and music publishers. All of whom that have looked for a trustworthy partner to help them sell their catalogs or setup song deals for them; a group that was in the industry but not "of" the old music establishment.

Viral Music Media instigated many significant deals and relationships and realized quickly that it was important to add on partners that understood how to stream line the process and thus "Music Is Viral" was born.

What does "Music Is Viral, Ltd." do differently?

Music Is Viral, Ltd. keeps it very simple. We have a subscription service for outside investors to learn about the music royalty investment opportunities that we actively seek out. If you like a deal we can help facilitate the transfer. Subscription fees allow us to find the deal, pull the relevant numbers to prove the income, and to discover the various owners. For full disclosure not every deal we share with the public, we purchase ourselves or do joint ventures with accredited investors, if you register as an accredit investor, and pass our due diligence, we will give you access to those specialized opportunities that are larger or more sensitive deals with major celebrities. Sign up for a subscription immediately and attend one of our invitation only seminars coming to you an area near you, check the calendar on our website for dates and times.

CASE STUDIES

CASE STUDY 1:

In 1982, Michael Jackson was introduced to the world of music publishing while staying with Paul and Linda McCartney. After dinner one night, Paul shared a thick leather book from a shelf with Michael. Paul explained that the book contained every song right that he had purchased over the years, he then went on to explain that he had made over \$40 million by owning these song rights.

CASE STUDY 2:

In 1984 Australian business tycoon Robert Holmes à Court announced that he was putting The Beatles music catalogue up for sale. At the time Robert Holmes à Court was selling his company ATV Music Publishing. ATV Music Publishing owned roughly 4,000 songs, including a company called Northern Songs, which was the music publishing arm of The Beatles. Because of a terrible contract that John Lennon and Paul McCartney signed at the beginning of their career, Northern Songs owned the publishing rights to more than 250 Beatles songs.

At that same time, a 25-year-old Michael Jackson, was in the midst of a two year publishing rights shopping spree. His phenomenal success with Thriller along with his enlightenment to the publishing business by Paul McCartney, lead Michael to find a second form of

success in the music business, through music publishing. Michael had already purchased the entire catalogue of Sly and the Family Stone along with classic singles; "Great Balls of Fire," "Shake Rattle Rattle and Roll," "When a Man Loves a Woman" and "Runaround Sue." Jackson's lawyer learned that ATV was for sale in 1984 and he encouraged Michael to make an offer. The highest bid on the catalogue was \$40 million at the time. Jackson made an offer of \$47.5 million to scare everyone off. Michael Jackson officially owned the entire Beatles music catalogue. Michael now controlled the publishing rights to every Beatles songs. That meant he was free to license songs like "Yesterday," "All You Need is Love" and "Revolution" to any brand he chose. In fact Michael licensed the song "Revolution" to Nike for \$500,000.

CASE STUDY 3:

In 1995, Michael was approached by Sony with \$95 million to merge ATV Music with their catalogue company and form a new 50/50 joint-owned publishing powerhouse. Michael instantly earned back nearly twice his initial investment plus he now owned 50% of a much larger music publishing company. Michael also still controlled 100% of his own songs through his separate company, Mijac Music. Sony/ATV Music Publishing grew from owning over 200,000 songs

to own over two million songs by 2013. The catalog including dozens of valuable catalogues and individual songs by artists like Eminem, Lady Gaga, Akon, Shakira, Beck, Neil Diamond and Bob Dylan. In 2012, Sony/ATV earned an estimated \$1.25 billion per year from licensing and royalties and had a net income of \$500 million. After his death Sony/ATV bought out Michael Jackson's Estates 50% stake in the company for \$750 million dollars and the forgiveness of a \$200 million dollar loan. Not a bad return on a \$47.5 million investment.

CASE STUDY 4:

In the mid-1990s, David Bowie and his team came up with a way scheme to generate cash from Bowie's back catalogue. They ended up selling asset-backed securities, called "Bowie bonds". These bonds awarded investors a share in his future royalties for 10 years. The Bowie bonds were bought by US insurance giant Prudential Financial for \$55m (£38m). The bonds committed David to repay his new creditors out of future income at a fixed annual return of 7.9%. A total of 25 albums, released between 1969 and 1990, were wrapped into the deal. He sold around 150 million albums worldwide in his career, according to BPI stats.

CASE STUDIES

CASE STUDY 5:

Jeopardy!'s theme song "Think!" started as a baby lullaby. Show creator Merv Griffin was trying to put his son Tony to sleep and came up with a tune that took him less than 60 seconds. Merv did a New York Times interview in 2005 and shared that the tune had made him between \$70-\$80 million dollars.

CASE STUDY 6:

The song "Happy Birthday to You" earns Warner/Chappell Music over \$2 million in royalties a year. The simple use of the song in a film costs \$10,000.

CASE STUDY 7:

Elton John's song "Candle in the Wind" can't be held back. Originally written for the 1973 album Goodbye Yellow Brick Road by John and lyricist Bernie Taupin, it reached #11 on the UK charts when it was released as a single in 1974. In 1986 John released a live single of the song with the Melbourne Symphony Orchestra. That version reached #5 on the UK charts and peaked at #6 in the U.S. John and Taupin went to the well one more time with "Candle in the Wind" in 1997 after the death of Diana, Princess of Wales. Essentially changing the song from a Marilyn Monroe Tribute to a Princess Di tribute. It was re-recorded as "Candle in the Wind 1997" and the single earned over \$33 million for the Diana, Princess of Wales Memorial Fund.

CASE STUDY 8:

Viacom licensed the Beatles music for the video game Beatles Rock Band in 2015 to the tune of \$10 million in initial fees.

Wired estimates that if the game sells as planned, the royalties for the Beatles' rights holders would be over \$40 million.

CASE STUDY 9:

Scottish singer songwriter Gerry Rafferty pulls in over \$100,000 a year in royalties from his 1978 single "Baker Street." This is for a song that never hit #1 in the U.S. or the U.K.

10 RICHEST SONGS IN THE WORLD

Mel Torme — "Christmas Song" (1944). Estimated earnings: \$19 million. Considered the most performed Christmas song of all time. It has been covered by a litany of artists, which include Nat King Cole, Clay Aiken, and Bob Dylan.

Roy Orbison & Bill Dees — "Oh Pretty Woman" (1964). Estimated earnings: \$19.75 million. Roy Orbison won a Grammy for the song almost thirty year after its release (for a new live recording).

Sting — "Every Breath You Take" (1983). Estimated earnings: \$20.5 million. It's believed that this one song accounts for one-third of all of the Police's royalty income. song accounts for one-third of all of the Police's royalty income.

Haven Gillespie & Fred J Coots —

"Santa Claus is Coming to Town" (1934). Estimated earnings: \$25 million. Bruce Springsteen covered this song on his Born in the U.S.A. album which gives a decent contribution back to the royalty machine.

Ben E King, Jerry Leiber & Mike Stoller — "Stand By Me" (1961). Estimated earnings: \$27 million. More than 400 artists have recorded covers of this song.

Alex North & Hy Zaret — "Unchained Melody" (1955). Estimated earnings: \$27.5 million. Simon Cowell once said that this was his favorite song, so in addition to all the covers, royalties rack up every time someone on a singing competition show uses it to impress him.

John Lennon and Paul McCartney — "Yesterday" (1965). Estimated earnings: \$30 million. There are more than 2,200 covers of this song.

Barry Mann, Cynthia Weil and Phil Specter — "You've Lost That Lovin' Feelin'" (1964). Estimated earnings: \$32 million. BMI claims this song was the most played song in America during the entire 20th century.

Irving Berlin — "White Christmas" (1940). Estimated earnings: \$36 million. With the most popular version of this song being from Bing Crosby.

Hill Sisters — "Happy Birthday" (1893). Estimated earnings: \$50 million. The copyright status of this song has been one of the most heavily litigated because it is actually