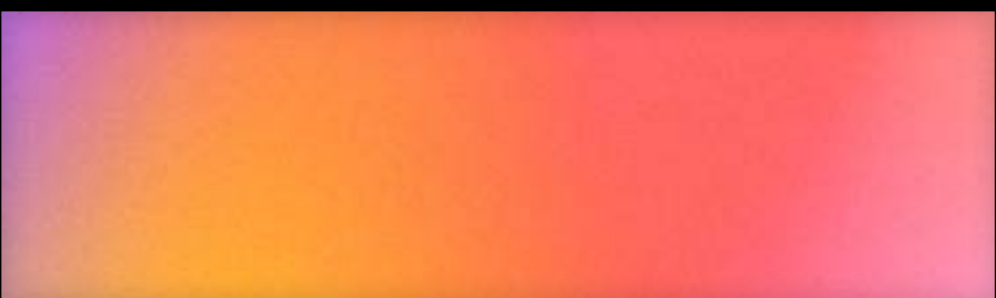
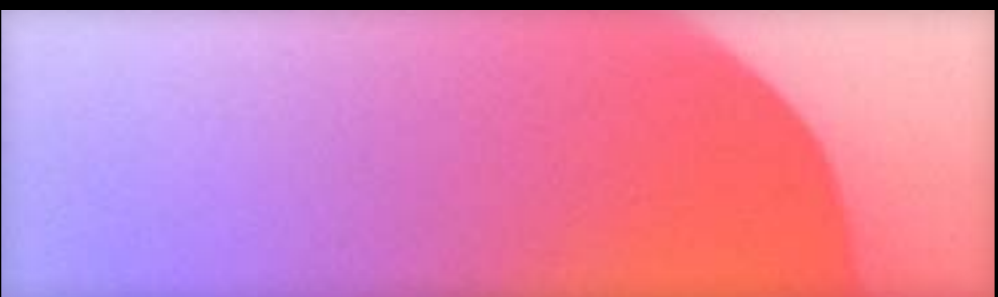


Litepaper



What is this Litepaper?

This Litepaper explores **the transformative potential of tokenization within the realm of music**, revolutionizing how music is created, distributed, and consumed.

Tokenization in music involves translating ownership rights, royalty streams, and creative licenses into digital tokens on the OG platform.

This paper delves into how tokenization serves as a bridge, forging new avenues for artists, fans, and investors.

From enhancing artist–fan relationships to redefining music financing, this paper sheds light on how **tokenization reshapes the music industry’s landscape** while considering the regulatory and technological considerations at play.

Tokenization
serves as a bridge,
forging new avenues
for artists, fans,
and investors.



Introduction to our world. **Welcome to OG!**

Tokenization as a bridge to build new markets	p. 5
Why “OG”	p. 8
What does “OG” do	p. 9
What are music Royalties	p. 12
Breakdown of how publishing music royalties are distributed	p. 15
Breakdown of how streaming royalties are distributed	p. 16
Listen & Earn	p. 17
Valuation	p. 19

Make Music Yours!



Become an **OG**.



Tokenization as a bridge to build new markets

Tokenization refers to the process of converting real-world assets, such as physical assets, financial instruments, or even intellectual property, into digital tokens. These tokens can represent ownership, access rights, or any other attributes of the underlying asset. This concept has the potential to serve as a bridge for building **new markets by introducing efficiency, accessibility, and liquidity**. Here's how tokenization can be a **bridge to build new markets**:



Liquidity and Accessibility

Tokenization can break down traditionally illiquid assets into smaller, tradable units. This fractional ownership enables a **wider range of investors** to participate in markets that were previously limited to high-net-worth individuals or institutions. As a result, new markets can emerge **where assets are more accessible** and can be traded 24/7, potentially attracting a global investor base.



Efficiency and Automation

Tokenized assets can be traded and settled in near real-time, reducing the need for intermediaries and paperwork. This can lead to **greater efficiency** and **reduced operational costs** in the trading process.

Through the use of tokens, investment opportunities in music become democratic, allowing people with different levels of capital to invest in assets they would not otherwise have access to.



Fractional Ownership

Tokenization enables fractional ownership of high-value assets, such as real estate, fine art, or rare collectibles.

This fractional ownership model can **democratize investment opportunities**, allowing people with varying levels of capital to invest in assets they might not have been able to access otherwise.



Innovation and New Asset Classes

Tokenization can enable the creation of entirely new types of assets.

These new asset classes can **spark innovation and the emergence of markets that were previously non-existent**.



Secondary Markets

Tokenized assets can create secondary markets where investors can buy and sell their ownership stakes more easily.

This secondary market liquidity can **attract more investors and enhance the overall vibrancy of the market**.

By converting ownership rights and royalties into digital tokens fans can engage with music in new and meaningful ways.

Tokenization enables fans to establish direct connections with various artists. Through the use of tokens, investment opportunities in music become accessible to fans, who can become **active contributors to artists' careers and potential financial success.**

Token holders reap the rewards of an artist's success. By holding tokens, fans are entitled to a share of the earnings generated from various music revenue streams, including streaming and publishing.

This gives the opportunity to artists to not only monetize on their music, but also create a more engaged fanbase, who is directly exposed to their success.



Tokenization can function as bridge for the music industry, bringing artists, music enthusiasts and listeners together.

Why “OG”

“OG Music” wants to reward those fans who from the beginning have decided to actively participate in an emerging artist’s career.

The OGs are not the ones who limit themselves to listening, but decide to take a step further, and invest in an emerging artist’s career and help him grow in the industry.

“OG” is a term that stands for “Original Gangster,” and it originated in hip-hop culture. It was initially used to refer to someone who is an original or a founding member of a group or movement, often in the context of street culture and rap music. Over time, the term has evolved to refer to **something that is original, authentic, or of high quality** in various contexts beyond just the realm of hip-hop.

OGs discover
artists before
the big crowds.

What does “OG” do

OG is a platform that connects music artists and institutions, such as musicians, songwriters and labels with investors who are interested in buying a share of the future royalty income generated by those music intellectual properties.

The platform’s focus is on music royalties, allowing artists to monetize their music upfront by selling a portion of their future earnings.

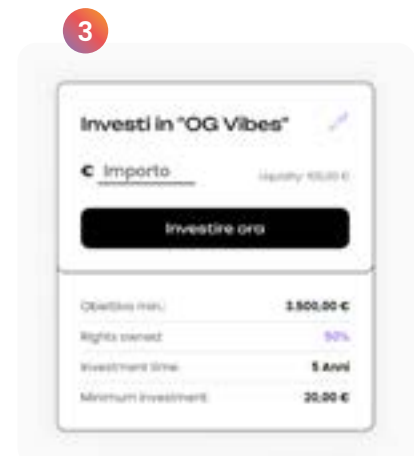
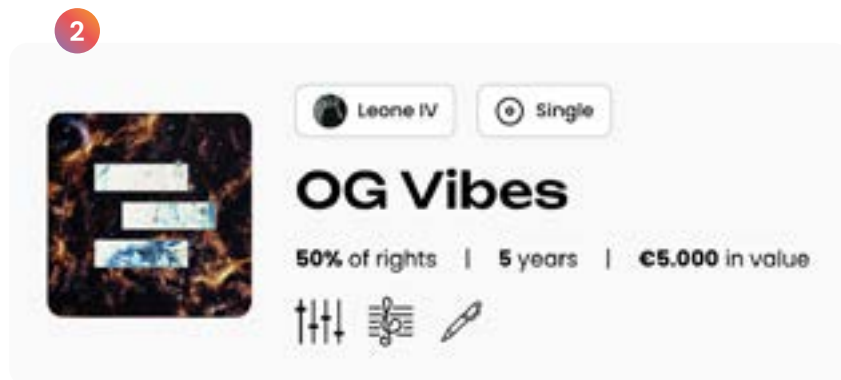
Here’s how OG generally works:

Step 1

Music rights are listed on the OG platform:

Musicians, songwriters and rightsholders can list their music royalties on the platform for investors to browse. These rights can include and incorporate: songwriting, performance, ...

1. Artist “Leone IV” is working on his new single “OG Vibes” and decides to collaborate with OG.
2. He decides to sell 50% of his master and publishing rights for a time-period of 5 years, and a valuation of 5000\$ is agreed upon, based on an estimation of future earnings.
3. The project is listed on the OG platform, and shortly after the investment window is opened.



Step 2

Fans and the OG community invest in the listed rights:

People interested in purchasing a share of these rights place bids on the listed assets. If, at the end of the investment window, **the minimum quorum of the project is achieved** (we will generally set quorum at 70%), **the investment is considered a success and the contract takes place.** The artist at this point receives the invested money, while the percentage ownership of the rights is transferred from the artist to the users who purchase it. The users will then be the sole recipient of the subsequent revenue generated from this percentage of royalties for the established period.

To give an example:

1.

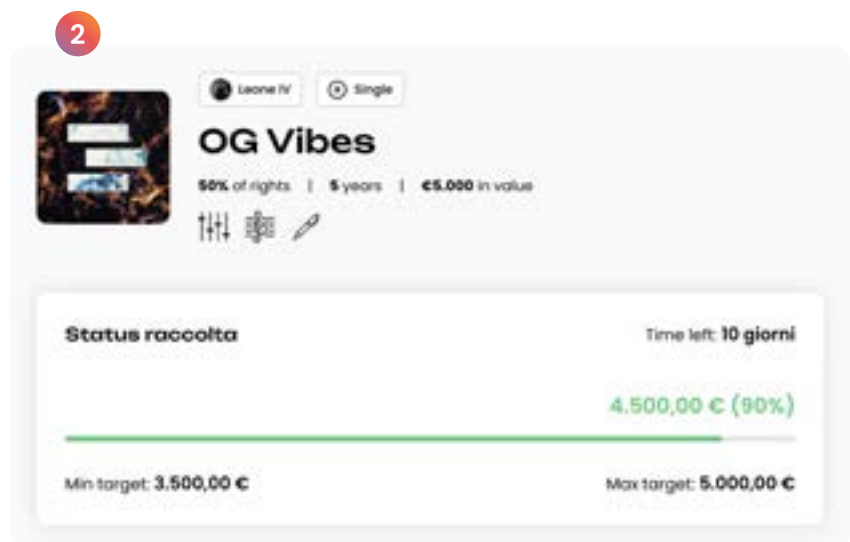
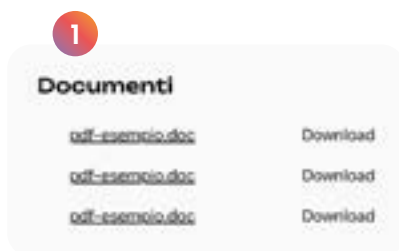
Users see Leone IV's project "OG Vibes" listed on the platform and evaluate the investment possibility. There will be documents and information to properly evaluate the investment.

2.

Once at least 70% of the shares are acquired the investment is considered a success. In the subsequent period the remaining percentage is still acquirable on the platform.

3.

Leone IV now receives the invested amount and to the investors will be transferred the percentage ownership of the rights they acquired.



Step 3

Royalty Collection

OG will assist in collecting the royalty payments and distributing them to the investors according to their ownership percentage, directly on the platform.

OG will receive royalties generated by digital platforms and collecting societies, and distribute earnings to investors based on the percentages invested.

To give an example:

1.

The first 6 months the song has generated 600\$ in master and publishing rights. Therefore, the investors should receive 300\$, 50% of the revenue generated. Therefore, OG receives the money royalty revenue from the distributors, and delivers the revenues pro-rata to the investors.



**Support Artists, become an OG.
Invest in rights, become a co-owner
of your favorite pieces.**

*This litepaper is provided for informational purposes only and does not constitute a solicitation or an offer to sell, advice or recommendation to buy or hold any security or other financial instrument. Prospective investors should make their own independent evaluations and consult their professional advisors before making any investment decisions. Investing in music involves risks, including, but not limited to, the risk of loss of principal invested, variability of returns, potential illiquidity of investments, and legal or regulatory uncertainty that could affect the value of music assets. Past performance is not indicative of future performance. The information contained in this document may not be complete and may be changed without notice. We assume no responsibility for direct or indirect loss resulting from the use of this information.

What are Music Royalty?

Music rights

Music rights refer to the legal and economic entitlements granted to creators, performers, and rights holders in relation to the creation, use, and distribution of music.

These rights ensure that individuals and entities involved in the music industry are compensated for their creative contributions and that their works are used appropriately.

The main types of rights publishing and master and they are distinct components within the music industry, each encompassing different aspects of a song's creation and utilization.

Music royalties

Music royalties are payments that music creators and rights holders receive when their music is used or exploited in various ways.

These payments are a form of compensation for granting permission to use their music in different contexts.

There are different types of music rights, and different types of royalties that derive from the different uses of music.

Here is a more detailed analysis of the main publishing and master rights and the royalties which derive from their utilization.

Publishing rights

Publishing rights are centered around the **ownership and management of the musical composition itself** and are typically held by the songwriter(s) and their publishers,

granting them the authority to control how the composition is reproduced, distributed, performed, and adapted.

Revenue streams from publishing rights include performance royalties from public presentations, as well as mechanical royalties from sales and downloads, all of which are collected and administered by performance rights organizations, which in Italy are SIAE and Soundreef.

1. Performance Royalties:

These royalties **are earned when a song is publicly performed**. This includes instances like when a song is played on the radio, performed in a live concert, broadcast on television, played in public places like restaurants or retail stores, or even streamed online. Performance royalties are collected by performing rights organizations (PROs) and are then distributed to the songwriters, composers, publishers, and other stakeholders of the music. In Italy, performing rights for music are managed by the Società Italiana degli Autori ed Editori (SIAE) and Soundreef.

2. Mechanical Royalties:

Mechanical royalties **are generated when a music composition is reproduced or mechanically copied**. This includes situations where music is sold in physical formats (CDs, vinyl records, cassette tapes) or digitally downloaded and streamed through platforms like Spotify, Apple Music, or Amazon Music, which is the most common use case nowadays. Mechanical royalties are paid to the songwriters and publishers of the music and are often collected and distributed by music distribution companies or aggregators.

3. Synchronization (Sync) Royalties:

Synchronization (Sync) Royalties come into play **when music is synchronized with visual media, such as movies, TV shows, commercials, video games, and more**.

The music enhances the visual experience, and the creators of the music are compensated for allowing their compositions to be used in this manner. These royalties are given, with different allocations, to both publishing and master rights holders.

I diritti Master

On the other hand, master rights concern **the ownership and jurisdiction over the actual recorded rendition of a song**, often known as the master recording.

These rights are owned by the recording artist, the record label, or relevant parties involved in the recording process.

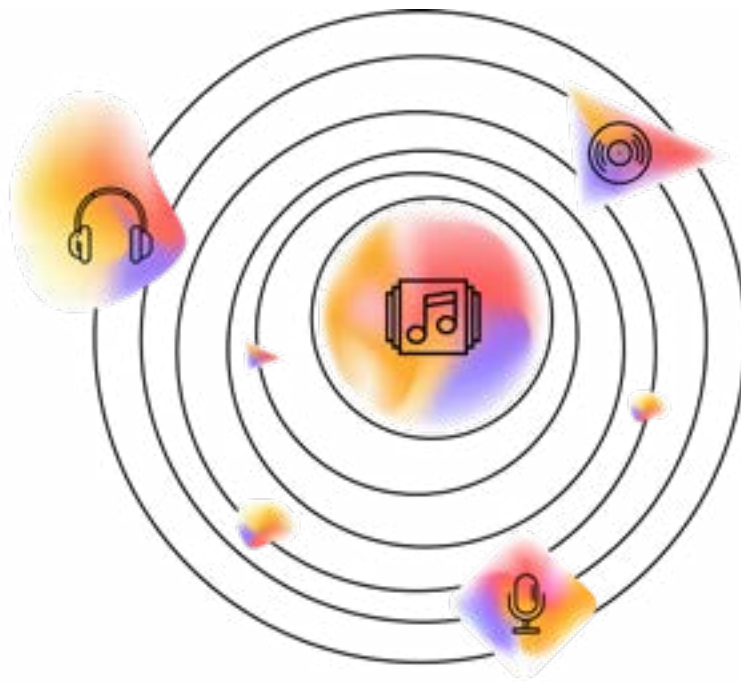
The scope of master rights covers the audio recording itself, including vocal performances and production elements. **Holders of master rights have the authority to reproduce, distribute, perform, and license the master recording.** These royalties are collected directly from licenses and distributions.

Master royalties:

Master royalties are **the compensation paid to the entity that owns the master recording**, which can be the record label or the recording artist if they have retained ownership.

These royalties stem from **the utilization of the recorded version of a song and encompass a wide array of applications** such as radio broadcasting, streaming on digital platforms, and synchronization in various media contexts like TV shows and commercials.

These royalties are collected through both performance rights organizations (PROs) and directly from licensing agreements, ensuring that the rightful parties receive compensation for the use of their recorded music.



Breakdown of how publishing music royalties are distributed

Here's a breakdown of how performance music royalties are typically distributed in Italy:



1. Usage Tracking

Usage of music is tracked through various means, such as monitoring radio airplay, live performances, digital streams, and other public uses.



2. Collecting Royalties

SIAE or Soundreef collect royalties from a range of sources, including radio and TV stations, concert organizers, public places (restaurants, cafes, etc.), digital platforms, and more. They negotiate licensing agreements to ensure fair compensation for music usage.



3. Data Management

These collecting societies maintain a database of registered songs and compositions along with ownership information.

This database is used to match the usage data with the appropriate rights holders.



4. Calculating Royalties

Based on the usage data and the terms of licensing agreements, they calculate the royalties owed to each rights holder.

The calculations can take into account factors like the popularity of the song and the type of use.



5. Distribution to Rights Holders

Once the royalties are calculated, SIAE distributes the funds to the relevant rights holders. This can include songwriters, composers, lyricists, publishers, and other parties involved in the creation of the music.



6. Reporting

Collecting agencies provide detailed reports to rights holders, outlining the usage of their music and the amount of royalties earned. These reports provide transparency and allow rights holders to track their income.

Breakdown of how streaming royalties are distributed

The distribution of streaming music royalties, which mostly involves mechanical rights involves several steps to ensure that the appropriate rights holders receive their fair share of compensation.

Here's a breakdown of how streaming music royalties are typically distributed:

Streaming Platforms

Streaming platforms like Spotify, Apple Music, Amazon Music, and others provide users access to a vast library of music in exchange for subscription fees or ad revenue.

Calculation of Royalties

Royalties are calculated based on a pro-rata model. The total revenue generated by the streaming service is divided among all the streams in a specific period (usually a month). This results in a per-stream rate, which is used to calculate the earnings for each song and rights holders.

Streaming Data Collection

Streaming platforms collect data on the songs users are playing, how long they listen, and other relevant information. This data is then used to calculate the royalties owed to rights holders.

Aggregator/Distributor Role

In the case of independent artists, aggregators or distributors (such as Believe, Artist First, TuneCore, DistroKid, etc.) play a role. They help artists get their music onto streaming platforms. They may collect the royalties from these platforms and then distribute the earnings to the artists according to the agreed-upon terms.

User Interaction

When a user listens to a song on a streaming platform, it's tracked as a "stream." Each interaction with a song, whether complete or partial, contributes to the calculation of royalties, and therefore generates income for the stakeholders of the song.

Payment

Streaming platforms usually pay royalties to the rights holders on a regular basis, often monthly. These payments are made directly to the rights holders' accounts.

Transparency and Reporting

Streaming platforms provide detailed reports to rights holders, showing the usage and earnings for their music. This transparency allows rights holders to understand how their music is performing and how much they are earning.

Listen & Earn

On Spotify and other digital platforms artists and rights holders earn money based on the number of streams their music receives.

The more a song is listened to, the more revenue it generates. So, there is a direct correlation between the number of streams a song receives and the potential earnings it generates for the rights holders.

The concept of the “**listen and earn**” revolves around the idea that the more individuals who have a direct financial interest in the success of a song, the greater the potential for collective engagement in promoting that song.

When fans invest in a particular artist or song, they tend to actively contribute to boosting its visibility. This contribution often takes the form of various **micro-marketing strategies**, including word-of-mouth recommendations, social media advertising, and content sharing. This active engagement manifests in various ways.

Fans who invest in an artist’s work become advocates for that music, spreading the word within their social circles and online communities. They become integral to the artist’s journey, participating in campaigns, attending live events, and engaging in discussions about the music.

The prospect of financial gain adds an **extra layer of motivation**, as fans realize that their promotional efforts can directly impact streaming numbers and their own potential earnings.

This creates a supportive community of like-minded individuals who share a common interest and financial goal.

In summary, the “listen and earn” concept intertwines financial incentives, emotional attachment, and community engagement to amplify the song’s visibility.

This collective effort benefits artists, investors, and fans alike in today’s digital music landscape, where visibility is a key driver of success and profitability.

Listen & Earn: OG model



Listen & Earn: the more individuals who have a direct financial interest in the success of a song, the greater the potential for collective engagement in promoting that song.

Valuation

There are many ways of looking at an OG Music drop. Although some may see it to donate money to emerging artists to help pave their career, we believe **most people will be interested in having the possibility to share some of the artist's success if they do make it big.**

This is called "**Passion Investing**", the practice of investing in assets or collectibles that are personally appealing to the investor due to their passion, hobbies, or personal interests.

Music has evolved into an investable asset class. While many may lack a comprehensive understanding of the inner workings of the music industry, we believe that most of your questions have been addressed in the preceding chapters. With that in mind, we are now prepared to provide you with insights on how to assess an investment in music. To do so, let's establish some foundational principles.

If you invest in a musical project, especially if from an emerging artist, the main variable to be considered is the musical and artistic element: **can the project be successful? Can the artist?**

In simpler words, **the success of an investment in an emerging artist depends on whether your intuition about the given artist and song was correct** and less on what were the financial metrics of the investment.

If we were to apply this model to traditional financial markets, this is comparable to an early-stage investment in a start-up. In the early days of new companies, it is less about "numbers" and more about the team, the idea, and the execution.

On the other hand, if you invest in a diversified catalog, the main variable to consider is how much revenue the song can generate and how much you are paying to receive a fraction of those royalties.

If we were to apply this model to traditional financial markets, it would resemble an investment in a publicly traded company. In such cases, the investment tends to carry lower risk and, consequently, offers less potential for extraordinary returns. These companies are widely recognized, and investors have access to extensive documentation and a track record that helps the investment evaluation which is often made based on financial information and metrics.

OG will generally list projects from emerging individual artists or groups.

Therefore, **the financial understanding needed to evaluate these opportunities is minimal** and it consists in understanding how a musical project is valued and what needs to happen for it to be profitable.

In this section we will concentrate on forecasting royalties from master rights, therefore linked to physical and digital sales.

Royalties from physical sales are very straightforward, for every vinyl or CD sold, a certain fee is recognized to the rights owners.

Digital sales theoretically revolve around the same concept: **for every time a song is streamed, rights owners get a royalty payout.** However, royalty payouts may vary depending on the platform where the song is streamed and on the listener's subscription depending on whether it is free or premium. There is therefore one additional variable: **on average how much does a user pay to stream a song digitally?**

Average payouts in the Freemium era:

Every song's payout per stream is different since it is a combination of many elements, as for example: the platform your listeners use to stream your music, the type of subscription they have (free or premium) or where in the world they are listening from. Now think about trying to forecast this information for each stream, it would be a nightmare. Luckily, thanks to previous digital sales reports, **we are able to forecast to a good degree of accuracy what the average payout per stream for a certain artist is.** This number may slightly vary throughout an artist's catalog, but remains an accurate estimate to forecast future royalties.

The result is that in the majority of cases an **average payout per stream** can vary **between €0.002 and €0.004.**

This means that, on average, a thousand streams will pay between €2 and €4, a million streams will pay €2000 and €4000, and so on.

After determining the average payout per stream, the remaining piece of the puzzle is estimating the potential number of streams the song could generate in the coming years. Will it be 10,000, 1 million, or even 10 million streams?

We set a number of target streams that we think the song or album can reach if it is liked by the public that makes it so that **when those streams are reached users can expect to** recoup their initial investment with royalties, or in simpler terms, **to break even.** This means that if you invest 50€ in a song that is valued at 1 million streams, if and when the song eventually reaches that number, you will most probably have gained 50€ in royalties.

To simplify the visualization of this concept, we created the **"investment simulator"**: an interactive tool within our platform where you can move a cursor to project a song's number of streams and receive in real time the amount of royalties you would receive if the song or album were to be streamed that many times.



The investment simulator range and break-even price shouldn't be seen as our own personal recommendation, but rather an analysis based on what market players such as labels and publishers would pay for such rights. Since it is an investment with a high level of risk but potential for substantial rewards, it is good practice to try and diversify your portfolio by considering investments in a diverse array of songs and artists. **The practice of diversification is essential in minimizing the potential for losses and is often what makes market players successful.**



ogmusic.io

 **OG Music**