Investment Memorandum – Lil Tjay "Sex Sounds" Catalog Royalties

1. Asset Definition

This offering is a music royalty asset providing ownership of the royalty income stream from two hit songs, most notably "Sex Sounds" (2019) performed by rapper Lil Tjay, along with a secondary track "Top of My Game." The investment is for the Life of Rights, meaning the buyer will collect royalties for the full remaining copyright term (several decades). The catalog is in the hip-hop/R&B genre and was released in late 2019, making the songs ~6 years old. Lil Tjay (real name Tione Merritt) is the primary artist associated with both tracks. These songs come from Lil Tjay's breakthrough debut album *True 2 Myself* (2019), which debuted at #5 on the Billboard 200 and is certified double Platinum in the US. "Sex Sounds" is a slow R&B-influenced rap track that became a fan favorite; it has been certified Platinum by the RIAA in the US (and Platinum in the UK) despite not being a radio single. The track's popularity is driven by streaming – it has amassed over 524 million streams on Spotify alone – indicating strong worldwide listener demand. "Top of My Game," also from the same album, is a smaller song by comparison, with an estimated ~36 million Spotify streams (still a solid number, but much less than "Sex Sounds").

In summary, this asset comprises the royalty income from two Lil Tjay songs (2019 releases) that are commercially successful streaming-era hip-hop tracks. The buyer is investing in the royalty earnings these songs generate. Notably, Lil Tjay remains an active and popular artist in the hip-hop scene, which can help sustain the catalog's relevance.

2. Included Rights

This offering specifically includes royalty rights related to songwriter performance income from the two songs. Below is a breakdown of each royalty type and whether it is included in this deal:

- Performance Royalties – Included: The asset includes public performance royalties, which are royalties earned when the songs are played on radio, streamed online, performed live, or broadcast on TV/film. These are collected by Performance Rights Organizations (PROs) such as ASCAP/BMI. The provided data confirms that 100% of the reported income is from performance royalties. This covers performances across all formats (e.g. streaming counts as a performance for songwriters, as does radio play,

concerts, etc.). The buyer will receive the songwriter/publisher share (as specified by the listing) of performance income for the life of copyright.

- Digital/Streaming Royalties – Included (via Performance): Streaming royalties from services like Spotify, Apple Music, YouTube, etc., are included as part of the performance royalty stream. In the publishing world, streaming generates both performance and mechanical components; here the performance portion of streaming is included. Streaming is the dominant source of these songs' earnings (covered in detail below), and the investor will receive those streaming-driven performance royalties (collected by the PRO).

In summary, the investor will acquire the performance royalty income stream (covering streaming, radio, live, etc.) for the two songs. Mechanical and sync rights are excluded, meaning no income from song sales or new licensing fees will accrue to the buyer. This distinction is important for understanding the scope of earnings one can expect – it is a passive income stream from performance royalties only.

3. Artists and Songs Overview

Primary Artist – Lil Tjay: The songs in this catalog are performed by Lil Tjay, a prominent American rapper/singer who emerged in the late 2010s. Still in his early twenties, Lil Tjay has quickly built an impressive track record in the industry. Some career highlights include: a debut studio album *True 2 Myself* (2019) that peaked at #5 on the Billboard 200 and eventually went 2× Platinum in the US, and several multi-Platinum singles (e.g., "F.N", "Calling My Phone" with 6LACK, "Pop Out" with Polo G). He is known for blending melodic singing with rap, a style that has strong youth appeal and streaming success. Lil Tjay has been certified Platinum numerous times and has amassed billions of streams across his catalog. He has also garnered industry recognition (for instance, he was listed in XXL's Freshman Class in 2020, marking him as one of the up-and-coming rappers). While he has not yet won major awards like Grammys, his commercial performance – especially on streaming platforms – underscores his impact in modern hip-hop.

Key Song – "Sex Sounds": This is the flagship song in the offering and the primary driver of its earnings. "Sex Sounds" is a slow jam off *True 2 Myself* released in October 2019. Popularity & Performance: The track became extremely popular on streaming services, though it was not a radio single. It has garnered over 520 million Spotify streams, putting it among the most-streamed hip-hop tracks of its release year. This streaming success translated into Platinum sales certifications – the song is certified Platinum in the United States (over 1 million units equivalent) and also Platinum in the UK. Culturally, "Sex Sounds" resonated with fans for its sultry R&B vibe, and it became a fan-favorite track, often mentioned as a standout from the album. It did not chart on the Billboard Hot 100 (likely because it wasn't pushed as a single),

but its massive streaming numbers actually surpass many charting hits. Historical impact: The song's strong performance helped solidify Lil Tjay's album and career – *True 2 Myself* was the first album by a NYC rapper to reach #1 on Apple Music, and songs like "Sex Sounds" contributed to sustained album streaming. Notable placements: There have been virtually no notable sync placements for "Sex Sounds" (no major movie/TV usage yet), which is reflected in the negligible TV/film royalties for the catalog. The song's exposure has been primarily via streaming platforms and social media. It's worth noting that Lil Tjay often includes "Sex Sounds" in his live setlists; as a result, the song has generated some performance royalties from concerts in recent years (discussed later under Live royalties).

Secondary Song – "Top of My Game": The second song in the catalog, "Top of My Game," is also from *True 2 Myself* (2019). Popularity & Performance: This is a more minor track in Lil Tjay's repertoire. It has over 36 million streams on Spotify (for context, about one-fifteenth the streams of "Sex Sounds"). It was not released as a single and did not chart. There are no known certifications for this song (not RIAA certified Gold or Platinum as of this writing). Role in the catalog: "Top of My Game" accounts for roughly 9–10% of the catalog's historical earnings (with "Sex Sounds" contributing ~90% as detailed below). The song is still part of the album's streaming package and generates income, but at a much lower scale. Cultural note: It's a deep cut that showcases Lil Tjay's confident lyrics about his status ("on top of my game"). It appeals to album listeners but is not widely known beyond dedicated fans. Placements and highlights: There are no notable placements for this track, and given its lower profile, it hasn't had distinct moments of cultural impact outside of being part of a successful album.

Combined Catalog Significance: Together, these two songs represent a slice of Lil Tjay's early work at the start of his rise. They benefit from the overall success of *True 2 Myself*, which was a significant debut (Platinum status, and included multiple songs that went viral or Platinum). The catalog's commercial appeal is strongly tied to "Sex Sounds," which can be considered one of Lil Tjay's signature deep-cut tracks (often mentioned alongside his hits in streaming playlists). Owning the royalties to "Sex Sounds" means the investor is effectively banking on the continued popularity of a proven streaming giant. The track's streaming longevity (still earning well 5+ years post-release) suggests it has staying power with listeners. Meanwhile, "Top of My Game" provides a modest additional income stream, though relatively small, adding a bit of diversification within the catalog. Neither song relies on one-off sync opportunities or niche usage; their income is driven by widespread consumer streaming and music consumption, indicating a broad and durable appeal among listeners in the U.S. and internationally. In fact, the royalties come from global sources – e.g., significant earnings from the US and UK, and smaller contributions from many other countries, reflecting global streaming reach.

Notable Achievements Summary: To reinforce the commercial strength: Lil Tjay's album *True 2 Myself* (which includes these songs) is RIAA Double Platinum and helped launch him as a mainstream artist. "Sex Sounds" individually is RIAA Platinum. The huge streaming count (500M+ on Spotify) places "Sex Sounds" in the elite tier of most-streamed songs on the

platform. These facts underscore that this is a commercially successful, mainstream music catalog, not a collection of esoteric tracks. The songs have generated substantial revenue already and are likely to continue generating passive income given their established popularity.

4. Earnings Analysis

The provided royalty statements (2019–2025) allow a detailed analysis of the catalog's earnings. We examine the trends by period, by song, by income type, and by source to evaluate stability, growth/decline, and diversification of the revenue.

- By Period (Time Trend): The royalty income exhibits a rising trend from 2019 through 2022, followed by a recent plateau/decline. In late 2019 (Q4 only), the catalog earned ~$8.2K (since the songs were released in October 2019, only one quarter of earnings is seen for 2019). Full-year 2020 brought $32.3K in royalties, as the songs gained streaming momentum. 2021 grew further to $37.5K (+16% YoY), and 2022 peaked at $41.6K (+11% YoY). This early growth phase is typical as the songs were still relatively fresh and climbing in streaming popularity. In 2023, earnings declined to $35.8K (a drop of about –14% from the peak). Notably, 2024 was essentially flat with $35.6K for the year, indicating that after the 2023 drop, the income leveled off. The latest trailing twelve months (LTM) available (Q2 2024 – Q1 2025) sum to roughly $33.2K, suggesting a slight further dip of ~6% vs. the prior year. Overall, the trend shows an initial growth period (2020–2022) followed by a moderating decline/plateau (2023–2024). This is consistent with the lifecycle of hit songs – rapid rise and then a gradual tapering off to a steadier long-tail run rate. In sum, annual royalties are currently in the mid–$30K range, down from a low-$40K peak, and have shown stability in the most recent year – an indicator that the songs may be entering a more mature phase of their royalty life with slower changes.

- By Song (Contribution of Each Track): The catalog's earnings are highly concentrated in one song, "Sex Sounds." Out of the total lifetime royalties (~$197.6K), "Sex Sounds" has generated about $178.7K (≈90.4%) while "Top of My Game" produced roughly $18.9K (≈9.6%). "Sex Sounds" is undeniably the powerhouse, earning roughly ten times more than the second track. Looking at each year, "Sex Sounds" has consistently contributed the lion's share of income. For example, in 2022, "Sex Sounds" earned ~$38.4K vs. ~$3.1K from "Top of My Game" (92%/8% split); in 2023, ~$33.7K vs. ~$2.2K (94%/6%); and in 2024, ~$34.3K vs. ~$1.3K (an even more skewed 96%/4% split, as the smaller track's revenue declined faster). This indicates that "Top of My Game" is diminishing in significance, contributing less each year, whereas "Sex Sounds" has shown more resilience (even increasing slightly from 2023 to 2024). The implication for an investor is that performance of the overall catalog is almost entirely tied to the fortunes of "Sex Sounds." While it's beneficial that the primary song is very strong, the

flip side is lack of diversification across songs – a risk factor noted later. It's worth noting that "Sex Sounds"' dominance suggests it might have a longer tail of streaming (as it remains popular on playlists), whereas the secondary track may have been largely forgotten by listeners after the initial album cycle.

- By Income Type: All the royalty income is categorized as public performance royalties – which includes performances via streaming, radio, live venues, etc. Within performance, we can analyze sub-categories (as the PRO data breaks down performance by medium, see "By Source" next). But from a rights perspective, 100% of earnings are from the performance rights included in this sale. Importantly, all earnings being performance royalties means they are collected by a PRO and paid out regularly (typically quarterly). Performance royalties can sometimes have a lag (e.g., international performance royalties often arrive 6-12 months later), which might explain some fluctuations year to year. But aside from the breakdown by medium, there are no multiple income types to juggle – it's a single stream of PRO payments to the rights owner.

- By Source (Medium and Platform): The performance royalties can be further broken down by where and how the performances occurred. The data shows that the vast majority comes from streaming services, with small portions from other uses:

    - Streaming: Across the entire period, about 92% of total royalties came from streaming platforms (on-demand audio/video streaming). In dollar terms, streaming generated ~$182.2K of the $197.6K total. This includes services like Spotify, Apple Music, YouTube, Amazon, etc. Year by year, streaming has been dominant – for instance, in 2023, streaming contributed $34.06K of the $35.85K (95%) and in 2024, $33.22K of $35.64K (93%). The reliance on streaming is a positive in that streaming revenues have proven more stable and growing industry-wide, but it also means the catalog's fortunes are tied to consumer streaming behavior rather than diverse sources.

    - Other Digital (Social/UGC): A small portion of income is categorized as "Other." This likely includes social media and UGC platforms (e.g., Facebook/Instagram, TikTok, Snap) and perhaps miscellaneous digital sources. Notably, there were spikes in the "Other" category in certain years – e.g., ~$7.1K in 2021. This spike may correspond to a large TikTok or Facebook payment. In fact, the data "By Music User" shows TikTok contributed some royalties (there was a significant payment in 2021 labeled TikTok ~$667, and another TikTok distribution in 2022). These suggest the songs had viral moments or usage on TikTok around 2021 (which aligns with the timeframe Lil Tjay's music was trending on TikTok). Overall, "Other" digital sources total ~$11.7K (about 6% of total). While smaller than streaming, it's encouraging to see the songs earning from social media

platforms, as that can prolong their cultural life.

- Live Performance: The "Live" category (performance royalties from live concerts) is another source. In total about ~$2.97K came from live performances. Interestingly, this category grew in recent years: in 2023, ~$421 and in 2024, a much larger ~$2,157 was earned from live. This likely reflects Lil Tjay's touring activity – as live music resumed post-pandemic, Lil Tjay performed these songs at concerts and reported setlists to BMI (BMI Live program), resulting in royalties to the songwriter. The big jump in 2024 suggests increased touring or more diligent setlist reporting, which is a positive sign that the artist is actively performing the song (keeping it relevant for audiences and generating royalty). Live performance royalties are still a small slice of the pie, but the growth from nearly nothing to a couple thousand dollars in 2024 adds a bit of incremental upside and indicates the song "Sex Sounds" in particular remains part of the artist's live repertoire.

- Radio and Television: Terrestrial radio play was minimal – only a few dollars total (e.g., literally $3.71 over the entire period). This isn't surprising since "Sex Sounds" was not pushed to radio (due to its explicit content and because Lil Tjay's core success was via streaming). Satellite radio (e.g., SiriusXM) contributed a one-time lump of ~$637 in 2021 – possibly the song was played on a satellite radio station for a while that year. TV/Film broadcast performance royalties are negligible (~$19 total), consistent with no significant placements of the songs in media. Retail music services (in-store background music) and other minor categories sum up to only a few tens of dollars.

- In summary, the earnings are overwhelmingly from on-demand streaming, which is a common profile for a modern music catalog. This means the revenue is directly tied to how often listeners play these songs on platforms like Spotify, Apple Music, etc. The songs have shown strong streaming performance historically, and the slight diversification into TikTok/social media and live performance adds a bit of cushion. However, lack of radio or traditional media exposure means there isn't a secondary older audience – the income is all driven by the young streaming demographic. Going forward, streaming usage will be the key determinant of royalty levels.

Overall Earnings Stability: The analysis above indicates that after a peak in 2021–2022, the royalties have settled into a stable range in the mid-$30Ks annually. Streaming (which drives ~90%+) has seen a slight decline but largely plateaued in 2023–24. The decline of the secondary song has been largely offset by small gains in live performance and other digital sources for the primary song. We see a balance forming: as initial hype fades, the song finds a baseline of continual streaming (perhaps being added to long-term playlists and algorithmic

rotations). This bodes well for a steady tail. The income is not widely diversified (one artist, one major song, one royalty type), so one must monitor Lil Tjay's continued relevance. But given the song's already classic status among his fanbase, it could keep generating consistent streams for years. Next, we'll project how these earnings might play out in the future under different scenarios.

5. Scenario Analysis and Cash Flow Projections

We have modeled three scenarios (Conservative, Normal, Optimistic) for the catalog's future royalties over a 10-year holding period, to assess potential cash flows and investment returns. These scenarios are based on different assumptions about the yearly change in royalty revenue, informed by the historical trend. All scenarios assume this is a Life of Rights asset with decades of royalties remaining; for modeling purposes, we use a 10-year horizon and assume the investor sells the asset at the end of Year 10 (capturing residual value). We calculate the Internal Rate of Return (IRR) and Net Present Value (NPV) for each scenario, assuming a discount rate of 8% (target hurdle rate). We also include a 10-year cash flow table for each scenario, including a terminal exit value in year 10 (assumed at 10× the year 10 cash flow – roughly in line with current market multiples for a decade-old catalog). All cash flows are pre-tax and in nominal dollars, not discounted in the table.

Conservative Scenario – 5% Annual Decline: This scenario assumes the royalties will decline at roughly 5% per year going forward. This is on the pessimistic side, reflecting a case where the songs steadily lose streaming popularity over time (a reasonable worst-case given many songs do slowly decay in streams). The 5% decline rate is a bit steeper than the recent trend (2023–2024 was nearly flat, but 2022–2023 saw a 14% drop; 5% is a moderate long-term decay assumption). Under this scenario, Year 1 cash flow is about 5% lower than the last-twelve-months (LTM) baseline (~$33.2K LTM, so Year 1 ~$31.6K), and each subsequent year drops further by 5%. The table below summarizes the projected cash flows:

Conservative 5% Decline Scenario – Projected Royalty Cash Flows (10 Years)

Entry	$(250,486.00)
2025	$31,559.95
2026	$29,981.95
2027	$28,482.85
2028	$27,058.71
2029	$25,705.78
2030	$24,420.49

2031	$23,199.46
2032	$22,039.49
2033	$20,937.52
2034	$218,797.04*
TIRR	9.14%

*Assumes an exit at an 10x multiple in Year 10

In this conservative case, the annual cash flow dwindles to about $19.9K by year 10. The terminal value (assuming the asset is sold at 10× multiple of that final year's $19.9K) would be about $198.9K. Total undiscounted cash received over 10 years plus sale would sum around $31.6k (year 1) down to $19.9k (year 10) = ~$253k, plus $198.9k from exit, totaling ~$452k. We then evaluate this scenario financially:

- NPV (@8% discount): Approximately $0.268 million (i.e. $268K). This means that if an investor requires an 8% annual return, paying around $268K for this royalty stream would be justified under the conservative outcome.

- IRR: If the asset were bought for a price around this NPV, the IRR would be ~8%. However, if the investor paid less (say the marketplace median price for example), the IRR would be higher. At a hypothetical $250K purchase price, the IRR under this scenario would be ~9.1%.

- Valuation Implication: Under conservative expectations, the fair value of the catalog is surprisingly not too far off from the marketplace median price – in the high-$200Ks range at an 8% discount rate. An investor who believes this downside case (continuous 5% erosion) is likely would insist on a price in this vicinity or lower to compensate for risk.

This scenario highlights the downside risk: If the songs' popularity fades faster than anticipated (each year ~5% less than the prior), the investor's returns could suffer. It's essentially a "depreciating asset" view – akin to how an older catalog from a fading artist might behave.

Normal Scenario – ~2% Annual Decline (Stable Case): The "normal" scenario assumes a much milder decline, around 2% per year, which is closer to a flat/steady performance with a slight decay. This is arguably in line with what we observed from 2022 to 2024 on average (small net decline), and is a common assumption for well-established hits that have found a stable long-term audience. Here, Year 1 starts just slightly below the current LTM (a 2% drop to ~$32.56K), and then each year slips by 2%. Essentially, we're modeling that the songs hold their value very well, with only minor attrition due to aging. The projected cash flows:

Normal – 2% Decline Scenario – Projected Cash Flows

Entry	$(250,486.00)
2025	$32,556.58
2026	$31,905.45
2027	$31,267.34
2028	$30,641.99
2029	$30,029.15
2030	$29,428.57
2031	$28,840.00
2032	$28,263.20
2033	$27,697.93
2034	$298,583.73*
TIRR	12.58%

*Assumes an exit at an 10x multiple in Year 10

In this mid-case, by year 10 the annual royalties are ~$27.1K (only modestly below today's ~$33K). The cumulative nominal cash over 10 years would be about $300K, plus an exit value of ~$271K, summing to ~$569K (undiscounted). Key financial metrics:

- NPV (@8%): Approximately $0.328 million (around $328K). This indicates that if an investor expects this steady scenario, paying ~$328K for the asset would yield an 8% return.

- IRR: If the purchase price equals that NPV ($328K), IRR is 8%. At the median market price of $250K, the IRR in this scenario would be quite attractive- about ~12.6%.

- Valuation/Multiple: The $328K NPV corresponds to roughly a 9.7× multiple of the current annual royalties (~$33K). It's worth noting the marketplace might use a multiple in this ballpark if they believe the catalog's decline will be minimal. The implied valuation under "business as usual" is mid-$300K.

This scenario essentially treats the catalog as a stable, income-generating asset with a very slow decline – a bit like a bond-like cash flow with slight depreciation. It shows that if the recent stability continues, the investor can achieve a reasonable return even if they pay a mid-six-figure price. The relatively low decline rate could be justified by the facts that streaming

overall may still be growing (new listeners could replace lapsed ones) and that Lil Tjay remains active (which can keep older songs alive through discovery by new fans- especially catalog favorites like Sex Sounds). It's a realistic base case given the data so far.

Optimistic Scenario – 1% Annual Growth: The optimistic case envisions that the catalog might surprise to the upside and actually grow modestly, at about +1% per year. This could happen if the songs get a renaissance in popularity – for example, a viral trend boosts "Sex Sounds" again, or Lil Tjay's future success drives new fans to stream his back catalog more. Notably, some songs do experience second winds (particularly through TikTok or being added to major playlists). Under this scenario, we start Year 1 slightly above the current run rate (~$33.22K LTM becomes $33.55K at +1%), and each year edges up by 1%. The result is that by Year 10 the annual royalty is higher than today (~$36.7K in year 10). The projections:

Optimistic – 1% Growth Scenario – Projected Cash Flows

Entry	$(250,486.00)
2025	$33,553.21
2026	$33,888.74
2027	$34,227.63
2028	$34,569.91
2029	$34,915.60
2030	$35,264.76
2031	$35,617.41
2032	$35,973.58
2033	$36,333.32
2034	$403,663.17*
TIRR	16.03%

*Assumes an exit at an 10x multiple in Year 10

Here, the total cash over 10 years sums to ~$351K, and the exit at ~$366.97K gives a total of ~$718K in nominal dollars received. Financial outcomes:

- NPV (@8%): Approximately $0.403 million ($403K). So if one were fairly bullish and expects slight growth, one could justify paying up to ~$400K for the asset to still hit an 8% return.

- IRR: At a $400K purchase price, the IRR in this optimistic scenario would be about ~8.15% (right on target). At a $300K price, IRR would shoot up to ~12.8% in this scenario, and at the marketplace median $250K price, IRR would be an impressive ~16%. So the investment's upside potential (if bought at a reasonable price) could yield double-digit returns if things go better than expected. However, paying, say, $500K+ would require a very bullish outlook to make sense.

- Multiple: The $403K NPV corresponds to about a 12× multiple of current royalties, reflecting the expectation of slight growth.

In context, the optimistic scenario still isn't assuming anything extreme – +1% growth is quite conservative as an "upside" (we're not counting on a huge viral explosion or a major sync, which of course are wild cards that could occur). It basically assumes the songs become streaming "evergreens" that actually grow with the platform (as Spotify's user base and streaming volume grows each year, some songs do see absolute increases in streams). If that happens, the royalty flow would actually increase over time, and the asset value in year 10 could be higher.

Summary of Scenario Outcomes: To synthesize the scenarios, here are the year 10 outcomes in each case:

- *Conservative:* Year 10 CF ~$19.9K, with an exit value ~$198.9K. NPV(8%) ~$267K. IRR meets 8% if purchase price ~$268K; at higher prices IRR falls significantly.

- *Normal:* Year 10 CF ~$27.1K, exit ~$271K. NPV(8%) ~$328K. Purchase in low-$300Ks yields ~8% IRR, median marketplace value yields ~12% IRR.

- *Optimistic:* Year 10 CF ~$36.7K, exit ~$367K. NPV(8%) ~$403K. Could pay up to ~$400K and still target ~8% return; lower price yields upside IRR, up to around ~16% at current marketplace median.

For illustration, if we consider a possible market price around $350K, under the conservative scenario the IRR would be quite low (~4% or below), under the normal scenario IRR ~6-7%, and under optimistic IRR ~10-11%. This shows how the actual returns would heavily depend on whether the royalty trend holds steady or decays.

We also note that all scenarios factor in a Year 10 sale. Because this is a life-of-rights asset, an investor is not forced to sell at year 10 – one could continue holding and collecting royalties beyond. We included an exit mainly to capture the notion of remaining value; economically, that terminal value represents the fact that even after 10 years, the songs should still generate income for many years, which a new buyer would pay for. In each scenario we assumed a

terminal multiple of 10×, but if the songs are older and perhaps more stable by then, the multiple could differ (for example, in the optimistic case, maybe a buyer might pay 12× for a growing asset; in the conservative, perhaps only ~8× for a declining asset). Our simplified approach keeps it at 10× across the board for consistency. The IRRs and NPVs would shift with different exit assumptions, but the relative scenario conclusions hold.

Key Takeaway: The investment's valuation range is roughly $0.27M to $0.40M under reasonable scenarios (at an 8% discount rate). If one were extremely cautious, valuing it at <$300K might be appropriate; if one is confident in stability or growth, one might go towards $400K. Importantly, these projections do *not* count on any blockbuster new revenue (like a huge sync placement or a second viral spike beyond 1% growth). Those could provide upside beyond the optimistic case, whereas the downside could be steeper declines if the song falls off faster or if unforeseen events (e.g., artist controversy, shifts in listener taste) reduce streaming.

By presenting these scenarios, we can see the risk/reward balance: The asset can produce steady cash flows, but given its size, the absolute returns are moderate. The investor's return will be sensitive to relatively small changes in annual decay or growth rates. Thus, having a point of view on the song's longevity (flat vs. slowly declining) is critical in deciding what price to pay and what return to expect.

6. Investment Criteria Analysis

We will evaluate how this catalog aligns with eight key investment criteria often used for music royalty assets. These criteria are designed to ensure quality, stability, and attractiveness of the investment. We discuss each in turn:

(i) Size: *Target: Annual royalties of $100k+ and a catalog valuation of $1 million+.* – The catalog does not meet the size criterion. Current annual royalties are in the mid-$30K range (approximately $35.6K in 2024, and ~$33K in the latest LTM), well below the $100K threshold. Consequently, even at high multiples, the valuation would likely be well under $1 million. Based on our scenario analysis, a reasonable valuation is in the few-hundred-thousand dollars (perhaps in the $300K range under normal/optimistic cases). Thus, the asset falls short of the preferred scale. This smaller size means the investment might not generate six-figure annual cash flows, and it could be considered a bit below the ideal institutional threshold. However, some investors may still pursue it if other criteria (like growth or stability) are strong, or if they specifically want exposure to this artist. But strictly speaking, the size criterion is not met. An investor should be aware that lower-dollar portfolios can carry proportionally higher risk (one big shock can have a larger percentage impact on a $35K/year asset than on a $100K/year diversified catalog).

(ii) Growth: *Target: Flat or positive historical revenue trend (no steep declines).* – The catalog shows a mixed trend: initial growth followed by a recent decline then stabilization. From 2020 to 2022, revenue grew strongly (which is positive), but 2023 saw a drop of ~14%, and 2024 was flat. So, the compound annual growth rate (CAGR) from 2020–2024 is roughly +2% (32.3K → 35.6K), which is essentially flat growth overall. The question is whether we interpret the recent plateau as "flat" (acceptable) or the drop from the peak as a negative sign. Given the ideal is "flat or better," one could argue that the most recent year being flat is a decent outcome – it suggests the decline has leveled off, which bodes well. But the fact that a peak and decline occurred indicates the catalog may have passed its high-water mark. We would assess this criterion as partially met: the long-term trend isn't unequivocally growing, but it's not in free-fall either. The revenue has been roughly stable around mid-30s for two years. Investors generally prefer catalogs that are not on a consistent downward trajectory. In this case, while there was a dip from 2022 to 2023, the stabilization in 2024 is encouraging. If projecting forward, one might assume a small decline or flat performance (our base/normal scenario of ~2% decline fits this narrative). So, while not a clear growth story, the catalog has shown resilience and does not exhibit severe decay at this point – which is reasonably aligned with the growth criterion's intention.

(iii) Dollar Age: *Target: Average dollar age of 7+ years.* – "Dollar age" is a measure of how long the songs have been generating royalties (older is usually more attractive because it implies stability and that the initial decay period is over). In this case, the songs were released in late 2019, so they have about 5–6 years of earnings history. This is slightly below the 7-year target. The average dollar age might be a bit less because a large chunk of earnings came in years 2–4 (2020–2022). By 2025, the catalog is only ~6 years old, meaning it's relatively youthful. Typically, songs see the steepest revenue drop-off in the first 3–5 years, then plateau. Here we have seen that pattern: a rise and slight drop by year 5, and now possibly plateauing by year 6. While not yet 7+ years old, it's approaching that threshold. The intent of the criterion is to avoid very new catalogs (which have unpredictable declines ahead). At ~5–6 years old, "Sex Sounds" is no longer brand-new; it has already proven it can sustain multi-year popularity. One might give this a cautious pass – the catalog's dollar age is still just under the preferred level. By 2026–2027 it will cross the 7-year mark, at which point if revenues are still ~flat, one could fully consider it a mature asset. In short, the dollar age criterion is *almost* met, but not fully. There is a bit more risk here than a decades-old evergreen, since the song hasn't yet survived a very long time horizon. Investors should be mindful that it's still a relatively recent hit (from the late 2010s) riding the streaming era wave; we have about half a decade of data indicating its longevity, which is a good sign, but not the 10+ years you'd ideally see in a very stable legacy hit.

(iv) Streaming Revenue (Digital sources): *Target: At least 50% of earnings from streaming.* – This criterion is definitely met – in fact, far exceeded. Approximately 92% of the catalog's earnings are from streaming platforms. If we include other digital sources like TikTok/Facebook under a broad definition, the digital share is even higher (virtually all income is digital-driven).

Streaming is the core driver for this asset, which aligns well with the criterion because it indicates the catalog is benefiting from the growth and stability of streaming consumption. Streaming income is generally considered more predictable and scalable (billions of global users can continue to play the song). The reliance on streaming also means the earnings are less likely to suddenly stop – as long as people keep listening on services, the royalties flow. This is contrasted with, say, a catalog heavily weighted to sync (which can be sporadic) or terrestrial radio (which can fade as formats change). In summary, the catalog easily clears the 50% streaming hurdle, making it attractive in terms of being forward-looking (streaming will likely dominate music consumption for the foreseeable future). The heavy streaming share also indicates the songs resonate strongly with on-demand listeners, which tends to correlate with longevity in playlists, etc. (One caveat: because streaming is so dominant, the asset's fate is tied to streaming trends, but given streaming's continued growth globally, that is more an opportunity than a risk).

(v) Diversification: *Target: Earnings well-distributed across multiple songs (no single song overly dominant).* – Here the asset fails the diversification criterion. The earnings are highly concentrated in one song, "Sex Sounds," which is ~90% of the revenue. "Top of My Game" is the only other song and contributes under 10%, and that share has been shrinking (only ~4% in the latest year). This means the investor's fortunes are essentially tied to the performance of a single composition. Lack of diversification increases risk: if anything adversely affects "Sex Sounds" (for example, a change in its popularity, or in a far-fetched scenario, a copyright issue or an artist boycott), there aren't other songs in the catalog to compensate. Ideally, an investment catalog would have multiple strong songs so that if one declines, others might hold up. In this case, all eggs are in one basket. That said, the one basket ("Sex Sounds") is a very strong one – it's a huge streaming hit. Sometimes investors will accept concentration if the asset is a proven blockbuster (many catalogs on the market are one hit song plus filler). The key is to underwrite the risk on that hit song's longevity. Nonetheless, by the formal criterion definition, this catalog is not diversified by song count or revenue distribution. Mitigants to consider: the song does earn from a variety of sources (streaming, social, live), but those are all tied to the same underlying asset. In conclusion, the investor should recognize this concentration risk. One could choose to mitigate it by viewing this as part of a larger portfolio – i.e., if this acquisition is one of many in an investor's broader portfolio, then the *overall* portfolio could be diversified even if this individual asset isn't.

(vi) Duration: *Target: 20+ years remaining on rights (before any reversions or expirations).* – As a Life of Rights offering for compositions released in 2019, this catalog has the full remaining copyright duration. In the US (and many countries), copyright on compositions lasts 70 years after the death of the last surviving author. Lil Tjay and his co-writer(s) are young, presumably in their 20s; barring something unforeseen, one could expect the rights to last well into the 21st century – easily 50, 60, or more years from now. There are no known reversion clauses mentioned (sometimes writers have reversion rights after e.g. 30-35 years for US publishing if certain conditions, but that typically applies to transfers to publishers, not to performance

royalties already being collected by PROs). Given that the seller is offering life-of-copyright, the buyer will own these royalty rights for decades. So the 20+ year criterion is fully satisfied. This long duration is a strength: it means there is plenty of time for the asset to keep generating income and for the investor to potentially resell at a later date. There is no ticking clock like there would be in a limited term deal. It's worth highlighting that these songs are relatively new, so they will not enter the public domain until around year 2095 or later (depending on songwriter lifespans). Therefore, the investor can treat this as a long-term annuity with no expiration in the near or mid future. This also means the terminal value in our analysis is justified – there will indeed be value remaining after 10 years and well beyond.

(vii) Distribution Partner: *Target: Royalties collected and paid by reputable, reliable partners.* – This criterion appears to be met. The royalties are being paid through major, trustworthy channels:

Performing Rights Organization (PRO): The performance royalties are collected by BMI (Broadcast Music, Inc.) – evidenced by entries like "BMILIVE" in the source data. BMI is one of the two largest PROs in the US, with a long-standing track record (est. 1939) of efficiently collecting and distributing royalties. They pay quarterly and are a stable organization. Having BMI as the payer gives confidence in accurate accounting and timely payments. If the songwriter was affiliated with ASCAP or another PRO, it would be similar – the key is it's a major PRO, not a small unknown entity.

Thus, the distribution partner criterion is satisfied – the royalties are collected by a reputable organization in BMI, and the investor can rely on industry-standard processes for payment.

(viii) Commercial Appeal: *Target: Catalog has mainstream commercial viability (not dominated by production music or niche content).* – This catalog squarely meets the commercial appeal criterion. The songs are major label, mainstream releases by a popular artist, not production library music or niche background tracks. "Sex Sounds" in particular has demonstrable commercial success – Platinum certifications, hundreds of millions of streams, inclusion on major streaming playlists, and continued presence in listeners' rotation. Lil Tjay is a well-known artist in the commercial music industry with a significant fanbase. There's nothing esoteric about this catalog: it's not, for example, a collection of jingles or obscure instrumental cues; it's part of a hit album from a Billboard-charting artist on Columbia Records. The songs have had revenue from consumer platforms (Spotify, etc.), which shows real people choosing to listen to them – a hallmark of commercial appeal. In contrast to catalogs dominated by, say, reality TV background music or highly genre-specific cues, this catalog's content has broad youth and crossover appeal in the global hip-hop/R&B market. Furthermore, the metrics reflect commercial resonance: Platinum records and high stream counts are strong evidence that the music is resonating widely. Additionally, the songs continue to be played live by the artist, meaning they are part of his commercially successful concert repertoire (artists typically perform songs that audiences know and love).

There is also upside potential due to commercial appeal – for instance, a well-known song like "Sex Sounds" could be licensed in the future for a film/TV scene that wants a sultry R&B vibe, or could be used in viral social media trends; its explicit nature may limit some advertising sync uses, but in terms of streaming, it's already proven gold. Nothing about this catalog raises concerns of being "fringe" or dependent on unsustainable sources. It is firmly grounded in popular music consumption patterns. Therefore, the commercial appeal criterion is fully met. An investor can be comfortable that they are buying into a piece of modern music pop culture, not a random catalog of anonymous tracks.

Risks & Opportunities Recap: In light of the above criteria and analysis:

- The key risks include: concentration risk (revenue hinges on one song), relatively short track record (only ~5-6 years of data; the song hasn't weathered a decade yet), and recent decline from peak (need to be confident it stabilizes and doesn't continue falling). Also, being a smaller asset, there's possibly less buffer if things go south (a larger catalog might have other songs to pick up slack).

- The key opportunities/value drivers include: a highly popular streaming hit that could continue to generate substantial income for a long time if it remains a staple for listeners, an active artist whose ongoing career can keep drawing attention to his early hits, and the long life-of-rights term which gives ample time for the investor to realize value (including potential resale down the line). Additionally, the royalty stream is from the growing streaming sector and collected by reliable entities, which bodes well for consistency and even growth if streaming usage rises globally or if new markets/platforms (e.g. emerging markets, new media) contribute more in the future.

In conclusion, this Lil Tjay royalty offering is a focused bet on one modern hit song's enduring popularity. It largely meets the desired criteria except for size and diversification. For an investor willing to accept a smaller asset with concentration, it offers a slice of a Platinum hit with steady streaming cash flows. The catalog's strong streaming track record and mainstream appeal provide confidence, while the investor should price in the risks of possible continued decline. At the right price, this could be an attractive addition to a music royalty portfolio, delivering passive income and exposure to one of the notable rap/R&B tracks of the late 2010s. The decision will hinge on one's view of "Sex Sounds"' longevity – the data so far suggests it has stabilized and could be a long-term earner, making the opportunity compelling if acquired at a reasonable capitalization rate.