

INVESTMENT OPPORTUNITY

SOUNZONE
SYNC SIMPLIFIED

Sounzone LLC

CONVERTIBLE NOTE
\$3,500,000

INVESTMENT OVERVIEW

SOUNZONE LLC

A New Concept Music Licensing Company

THE OPPORTUNITY

Company Name	SOUNZONE CORPORATION
Sector / Industry	Music Licensing / Music
Stage	Development Stage
Year Founded	2020
Headquartered	Italy
Size	Up to \$3,500,000 in Convertible Notes

ISSUER: SPECIAL PURPOSE VEHICLE

Issuer	Sounzone LLC ("SZ LLC")
Offering	Up to \$3,500,000 in Convertible Notes (the "Offering")
Minimum Purchase	\$25,000
Manager (Fee)	US Capital Global Investment Management, LLC (2%, per annum paid quarterly by Company in advance from capital raised at first funding event)
Placement Agent (Fee)	US Capital Global Securities, LLC (8% cash, 5% equity of the Company). There will be a subsequent Placement Agent Agreement mirroring the commission terms outlined in this agreement.

COMPANY OVERVIEW

SOUNZONE CORPORATION is the newly formed parent corporation of Sounzone SRL ("Sounzone"). Sounzone is a European-based music licensing company that offers music and video synchronization services using inspiring music selections from independent artists and music producers available exclusively on the Sounzone platform. Sounzone, with more than 200 artists onboarding, is now collaborating closely with independent and unsigned musicians and currently seeking seed round capital for international expansion.

CONVERTIBLE NOTE TERMS

Interest Rate	5%	Amortization	Accrued interest
Term	36 months	Conversion Discount	20%
		Collateral	Senior lien on all the Company's assets including account receivable inventory, machinery and equipment, real estate, with Share Pledge from the majority shareholders

US Capital Global Securities, LLC ("USCGS") is offering a fractionalized convertible note of up to \$3,500,000 issued by Sounzone LLC, a Special Purpose Vehicle (the "SPV" or "Issuer"), on a "best efforts" basis. The SPV will be managed by US Capital Global Investment Management, LLC ("USCGIM" or the "Manager"), investing in convertible note issued by Sounzone LLC ("SZ LLC" or the "Company") on terms as outlined above. Company will use the net proceeds primarily for business development and marketing, technical development, management and music department, legal, accounting, patents, and other general costs.



THE PLATFORM

Sounzone's platform offers a fresh and unique music library with innovative tools for producers and creatives. The platform features the following:

- **High-Quality Music:** A weekly updated library drawn from high-level independent artists and producers, whose music is only available on www.sounzone.com.
- **TAG Search System:** A music search system redesigned with an adaptive word criterion to be even more precise and intuitive. The TAG Search System provides an accurate search of the right music using keywords in natural language, rather than by categories organized in a navigation tree. This simplifies the process and user experience.
- **The Sync Tool:** The online sync tool to match videos and music instantly (desktop exclusive). The Sync Tool allows the customer to upload a video and seamlessly test-sync it directly while the video is playing with the tracks that have been picked in the playlist from Sounzone's library. When the customer uploads a video, Sounzone does not operate any saving or retention of it, thus safeguarding the confidentiality of the artwork.
- **Pricing System:** Single license purchase system for both personal and commercial uses.
- **Revamped License Calculator:** A real-time estimates for advertising campaigns of any size in a few clicks. This will provide an accurate and real-time quotation, with no more time wasted on e-mail requests and consequent waiting time.
- **The Lab:** Dedicated to Pro Subscribers, the Lab includes direct help from Sounzone in finding the right music as well the possibility to request ad hoc productions.

REVENUE MODEL

Sounzone's revenue is primary driven by Advertising Licenses (60%), Subscriptions/Non-Adverting Uses (30%) and Publishing and Master Rights (10%).

- Sounzone shares a 50/50 revenue of the Publishing rights, Master Rights, and Exclusive Single License for Advertising Uses. Sounzone acquires the publishing rights and the exclusive license of the master rights (for synchronization use only) for all the music in its catalogue. This means that every time content with Sounzone's music is played, streamed, or broadcasted, Sounzone earns 50% of all revenues.
- Sounzone share 80/20 revenue of Subscription and Single License for Non-Commercial Uses with 80% revenue will be allocated to the company and 20% is distributed to all the musicians present on the platform in proportion to the number of tracks uploaded.

As rapidly growing and scaling, starting from year 2, Sounzone plans to sell more Non-Ad Subscriptions as it's easier to scale selling low price Subscriptions on the internet by investing in digital marketing, rather than selling big contracts to businesses. Selling Advertising Licenses requires fixed costs, such as hiring people and renting offices, while selling Non-Ad Subscriptions online only requires digital marketing to bring people to the website.

MARKET & COMPETITION

TREND 1: INTERNET USERS PRODUCE MASSIVE AMOUNT OF VIDEOS

300 Hours of video are uploaded to YouTube every 60 seconds (not including other platform such as Facebook, Instagram, and Twitter).¹ There are ~37M YouTube channels with more than 10 subscribers (17M with less than 100 subscribers) and 25M paying subscribers to main video editing tools (Final Cut Pro, Adobe Creative Cloud, and Avid).²

TREND 2: THE RISE OF STREAMING AND THE CONSTANT GROWTH OF ENTERTAINMENT

Broadcasting and Streaming Trends

The video production industry has doubled its revenue over the last 5 years. In 2018, Netflix produced a staggering 2,500 hours of original content (against HBO's 500 hours),³ with a growth of almost 100% year on year.⁴ The number of video production companies has doubled in the last 5 years. Disney+ was born on November 12th 2019, and had already reached 10M users by the next day.

Film Industry Trends

The number of movies released yearly has doubled in the last 15 years. There are more than 4,000 Film schools and full time Film courses worldwide.⁵

TREND 3: BRANDS (AND CREATIVE AGENCIES) ARE ALL ABOUT VIDEO MARKETING

Approximately \$300 billion is being spent yearly by companies (such as Nike, Ford, Coca-Cola, and Ferrero) on the production of video content that needs music. Based on the ⁶research, 60% of companies make videos internally, 24% of brands produce videos daily, and 64% of businesses allocate more than 1/4 of their marketing budget to video production.

TREND 4: THE GAMING INDUSTRY AND EVENTS ARE BIGGER THAN EVER

The gaming industry is valued at \$159 billion in 2020 and continues to grow with 50% spending on the content, and 5% - 15% spending on music and licenses.⁷ According to PSMA, world's largest business events network, music licensing in the US costs roughly \$700 per event.

With the massive and evolving music licensing market (\$10 billion estimated market value at present with growth rate of ~8%), Sounzone's competitors include Epidemic Sound, Artlist, and Soundtripe

PRODUCTS & SERVICES

Sounzone products and services can be divided into 2 categories which include Single Licenses and Subscriptions.

SINGLE LICENSES

Standard	Commercial
Starting from €9.90	Starting from €49.90
For all users without ad spend	For digital and offline ad uses
<ul style="list-style-type: none"> • Single download • Sync Tool • Limited to personal channels 	<ul style="list-style-type: none"> • Single download • Sync Tool • Real-time quotations with License Calculator

SUBSCRIPTIONS

Standard	Standard	Commercial
€21.50/Month	€180.00/Year	€390.00/Year
For all uses without ad spend	For all uses without ad spend	Includes unlimited ad spend for digital and offline ad users
<ul style="list-style-type: none"> • 20 downloads per month • Sync Tool • Allows for custom playlists • Limited to personal channels 	<ul style="list-style-type: none"> • Unlimited downloads • Sync Tool • Allows for custom playlists • Limited to personal channels 	<ul style="list-style-type: none"> • Covers all Standard uses • Covers sponsored and boosted digital content up to €500 • Covers feature films, streaming and VOD • Gives access to the Lab features for music advisory and custom compositions

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MANAGEMENT TEAM

Tiziano Lamberti, CEO & Director General

- A multitasking and famous Italian artist and a successful entrepreneur with 25 years of experience in music industry.
- Founder of Groove And Art Records ("GAAR"), a music production company
- Actor and co-author of well-known mainstream television shows (Le Iene, Bugs Television, Scherzi a Parte)
- Composer of several original film soundtracks and multiple soundtracks for global communication and advertising campaigns (Fiat, Volkswagen, Illy, Abarth)
- Creator of online music live-session format Off The Corner

RISK FACTORS⁸

FINANCIAL RISKS

Sounzone's business model became visible, well-advertised, and increasingly known in the industry. The financial resources to support the growth plan are crucial to keep and strengthen the competitive advantage. Sounzone aims to scale up the campaign globally to be known to our target clusters and increase sales internationally, rather than just locally. In addition, without the financial resources to move the campaign on an international level, to invest in further technological development, and to hire sales & PR staff, Sounzone will be an inspiration for the competition.

NEW COMPETITORS

Risks in terms of competition are not only coming from the big players which have different business-revenue models, but from the new rising companies who could try to replicate Sounzone's competitive advantages or try to license music for free which could negatively impact Sounzone's operating income and investors.

MAJOR CHANGES IN COPYRIGHT LEGISLATION

A change in copyright legislation may occur in the future. Artists may not need to work through collecting companies to deliver copyrights. It is not predictable, as of today, how any reforms in copyright legislation may impact on the activity. Due to the unknown change, it is possible Sounzone will have to revise business and revenues model and pivot on copyright exploitation. A revision of the business model following regulatory modification may lead to changes with regards to ROE and ROI.

MARKET CHANGES

Major players (Sony, Universal, and Warner) might decide to make agreements with social network to give up direct profits and licensing music for personal use for free. Sounzone may lose our non-professional target cluster of customers.

DISCLAIMER

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1. <https://www.tubics.com/blog/number-of-youtube-channels/>
 2. <https://www.apple.com/ca/newsroom/2018/04/final-cut-pro-x-update-introduces-prores-raw-and-advanced-closed-captioning/>
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 https://prodesigntools.com/number-of-creative-cloud-subscribers/
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 4. <https://www.ft.com/content/4f7f4326-c2bf-11e9-a8e9-296ca66511c9>

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 5. <https://www.filmaking.net/film-schools/>
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