

diffusetap
Virtual Event Series

Music as an Asset Class



Guest Speaker:

Jimmy Chamberlin

Founding Member of
The Smashing Pumpkins
and CEO of Blue J Strategies

Hosts:



Kenny Estes
CEO and Founder
Diffuse



Ayla Kremb
Chief of Staff
Diffuse



DiffuseTap: Music as an Asset Class

Last time on DiffuseTap, **Jimmy Chamberlin, CEO of Blue J Strategies**, also most known as a **founding member and drummer of The Smashing Pumpkins**, talked about the potentially exponential gains in purchasing music catalogs in the digital age, crowdfunding platforms built on the foundation of strong artist fanbases, and where the music industry is headed in light of the new normal.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) ... straight from your armchair like a boss.

Meet the Speaker



JIMMY CHAMBERLIN is an experienced investor in the tech space, with deep roots in the music industry. Leveraging his network as a founding member of rock group The Smashing Pumpkins, Jimmy as CEO of LiveOne Inc. led the digital media company to a 300% YOY growth, engaging with global brands like Sony Music, Coca-Cola, NBC Sports, and Yahoo. Now co-founder and CEO of Blue J Strategies, he helps media and tech companies build brand identity and presence. LinkedIn: [@jimmy-chamberlin-59363242](https://www.linkedin.com/in/@jimmy-chamberlin-59363242)

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KENNY ESTES: Our speaker today is Jimmy Chamberlin. So, Jimmy, do you want to do a brief intro on yourself and your rather unique background?

JIMMY CHAMBERLIN: My name is Jimmy Chamberlin, best known as the drummer for the Smashing Pumpkins, but I also do a bit of tech investing, with a little participation as well. I left the band in 2009 for the simple reason to be at home with my kids for a little more time. I got interested in the tech space through some friends like [Kevin Willers](#), and started to dig deeper. I got convinced that I could be a participant so I started going to investor pitches, and the next thing I know, I was CEO of a company called [LiveOne](#) for three years, doing capital raises with 24 employees, and eventually went bankrupt. So, I've run the whole gamut. But I love the space.

I will say though that the company was flourishing. Our core product was called [CrowdSurfing](#), which was a bolt-on chat solution for content providers that provided, in addition to chat boxes, e-commerce capabilities, data scraping on the back-end, and associate advertising in the widget. The biggest problem with the company though, was that we had a robust technology that was built for HTML, and we missed the boat going into mobile. And my decision, rather than to keep raising money and trying to chase that, we decided to shutter the company. Two of the co-founders eventually did go on to create a mobile solution along the same lines. It's called [StreamLayer](#). But at that point, I was getting back in the band, so it made sense to just move on.

I do have a consultancy called [Blue J Strategies](#) that continues to consult and create connectivity for companies along those lines. I've invested in a couple of companies, and I like to take a pretty hands-on approach. Now that I'm back in the band full-time, I don't do a lot of tech investing. I do, however, get a lot of interesting companies across my desk, that Kenny and I talk about quite a bit. It's good to be here, and I'm excited to talk and answer some questions to the best of my ability.

KENNY: That's great stuff. And I heard rumors that there might be a new Pumpkins album coming out in the not-too-distant future?

JIMMY: Yes. I just got back from Nashville where I recorded 33 new songs for a three-CD rock opera that we've written due to COVID. We've tried to maximize as much of our time as we can while we're not touring, and we figured we're maybe never going to have 12 months of clean runway to really try to work on something as ambitious as this. So, we rolled up our sleeves and started working and ended up with 33 songs, and a narrative story that accompanies it. We just finished the drums, and we've got about six more months of work to do before it's done.



KENNY: That's great. And for the fireside chat, my partner, and basically superior in every way, is Ayla Kremb. We'll kind of tag-team a few questions your way. And guys, don't forget that you can chuck questions in the chat and we'll pick them up. Ayla, do you want to take it away?

AYLA KREMB: Absolutely. The first question is something that we're all trying to put a finger on. What is music as an asset class? How do we define it? How do you define it?

JIMMY: So, as digital music came online, the opportunities to monetize music started to be a lot more varied. As we're seeing music move into more of these bundled types of ecosystems, where publishing catalogs are being bought by investment groups. Those are getting valued in ways that are predicated on market opportunities that weren't there 10 years ago. So, as you see, the value of music is increasing exponentially, as it's mostly predicated on the various opportunities to monetize that music that are coming through digital.

And with that, you're seeing a whole other subset of companies coming around that are monetizing or attempting to monetize the peripheral of those said catalogs. We're seeing companies like FanVestor, which allows people to invest in celebrities, or simple works of art. If we were a part of FanVestor, people could invest in our next album, and potentially receive perks for touring or actual dividend revenue.

I think you're seeing a real market for people's bodies of work. Companies like Hipgnosis, Columbia, and UMG are dipping their toe in the water and rolling up these catalogs because they know the lifetime of these catalogs are going to be huge as more monetization opportunities come online.

KENNY: Is that good or bad for the industry overall, where you start seeing these people that are very much coming in and buying catalogs for profit? Because these are very clearly investment funds, is there a loss of soul for the music catalog? What are your thoughts there?

JIMMY: Companies like, again, Hipgnosis and some of these peripheral non-record company institutions are buying these catalogs. They're looking at the market very differently from how a record company would look at it. They're looking at it purely from a business standpoint and looking at the opportunities purely from a numbers standpoint. Whereas a label like Columbia or CBS or Sony or UMG have got to be hyper aware of the intrinsic in and around the sale of a set artwork. Because they have a reputation that's built on this kind of quasi-integrity. But many companies like Hipgnosis, they're just trying to maximize dollars.

And as they look at the market as it becomes more plug-and-play with digital marketing, peripheral companies that can come on and assist in narrow lanes to provide value see the long tail of the value of these publishing catalogs in a way that record companies don't have a view on because of the anachronistic nature of their businesses.



AYLA: One of the questions that is coming up in the chat is around something we've spoken about before, and that is NFTs. Is that a good way for musicians these days to approach selling a stake in the IP that they own? What is your thinking around the NFT hype or surge or...

KENNY: Bubble.

AYLA: Bubble. It's a bit frothy right now.

JIMMY: Yeah. I think it's hard to say because it's still the early days with NFTs. And certainly, with pieces of art selling for 30 million plus, it's hard to argue that there is a value and there is a market there. How that market sustains itself and how those prices sustain themselves remains to be seen.

However, I do see people taking it seriously. There's this company, Autograph.io, that's just launching with Tom Brady and a bunch of other celebs, and some pretty high-powered industry people that are taking a serious look, a serious swing at the NFT market.

It's a lot like crypto, right? When crypto stabilizes, you start to see the Goldmans and the Morgans coming into a stable market. I think you'll see the same thing with NFTs, as the market stabilizes and becomes real, and legitimizes itself through staying power and the stabilization of price offering. I think it'll get frothy. I think right now, it's still extremely speculative. For me, as an artist, I've got a basement potentially worth 60, 70 million dollars now. So, for me, it's exciting. I mean, as a band, we've got handwritten lyrics to every song we've ever recorded, a copy of every ticket we've ever sold, laminates, those types of things. And we have tons and tons of NFT type assets that we could market. We're just waiting for the right opportunity, and waiting for it to further legitimize before we jump in. But yeah, I think it's exciting.

I think it seems like the whole market is moving away from the kind of quasi-gold standard of value, and really getting into this agreed-upon value that's really more applicable to a free market, where the price is agreed upon to be the price. So, I think that's an exciting time, especially with what's going on with decentralization, DeFi, those types of things.

I think NFTs are the natural event that happens when you have legitimate decentralization. You get opportunities like NFTs that present themselves. And whether decentralization stays here, and NFT stays legitimate, is really up to a ton of different factors. Regulation and those types of things, how it's taxed, what it's classified as, security and asset, etc. I think there's a lot of hanging chads that need to be reconciled before this market becomes, at least from my viewpoint, somewhat legitimate.



KENNY: That's interesting. I picked up another one here from the chat from Michael (Wallach), he's asking about Pumpkins touring. But a related thing, and this is the 800-pound gorilla in the room, is COVID, and how it's affected your recording, how you're creating, how you're touring.

You kind of gave us some color on how this album that you're working on now is recorded, and how that's different from how you've done it in the past, so maybe we can talk a little bit about that process. And then also, we can talk about touring, what that looks like now, and what you expect to change in the near future.

JIMMY: Yeah, sure. Again, this is representative of where the market has gone as a whole. I mean, it's our Zoom call, the way we meet now, it's not too dissimilar from the way we've been recording. We've got two guitar players that live in LA. I live in River Woods, Billy lives in Highland Park, so him and I are able to collaborate in person quite a bit. But for this record, for instance, he and I got together. He wrote the body of the songs. I came in and we arranged them. We created templates, which I was able to take home to my studio to work on drum parts, work on arrangements for 33 songs. And then, I'd send him clips and he could send me back clips. It was largely done digitally, until we met in Nashville and recorded the drums analog, as a team.

And now that the drums are recorded, he's taken them back to his studio. He's putting on his instrumentation. We sent the tracks out to LA, where James and Jeff are putting on their instrumentation. When it's all done, and we all agree that it's done, we'll start to sing. We'll start to put lyrics on.

It's a very modular process. It's not like the old days. In 1995, when we were doing Mellon Collie, we had a space on Elsdon. And for many years, that was our studio, Pumpkin Land. And we would get in a room and play for 12, 13 hours a day, working on the songs, until we got to the point where the performances were as good as they were going to get. And then, we would roll tape and record the band with the hope that the drums would be a good take. And then, we would go and add the instrumentation later. But it would all be done in person, where you're looking at faces.

That's changed drastically, whether for better or worse. It's better in some ways, in that from a creative standpoint, you're really allowed the freedom to create on your own without having to look at somebody's face for a reaction when you play something, which can be a double-edged sword. And also, from a time standpoint, you can work on something with other people at different times. For instance, I like to play in the morning, so I'm generally working in my studio from 8am till about 2pm or 3pm. Whereas when I had to have the band to record, some of these guys don't even get out of bed till 10 o'clock, so we wouldn't start playing till noon, and we wouldn't be done till midnight. At least now, I'm able to keep my techie-slash-banker's hours alongside the process, which is great for me because I'm very much an early riser and like to get to bed relatively early.

Again, Pro Tools, and the other technologies that we use create this ultra-tweakable landscape, which is, again, a double-edged sword. Back in the old days, when we record, we record to tape, and you'd have to be okay with the performance. That would be the performance you would live with. So when you hear



Tonight Tonight, or Bullet with Butterfly Wings, or Cherub Rock, or any of those songs recorded in the 90s, you're hearing that four-to-five minute moment in time.

Whereas, if you were hearing anything recorded post 2015, you're hearing parts of a moment in time, where maybe something is moved around, or tweaked, or rearranged or chopped off. And in that, there's opportunities to contaminate the performance, which for me, as a musician, gets into this territory of is it real or is it not real? Or, what's the emotional congruence of something like that? I could go on and on, obviously.

AYLA: No, we love getting a peek into your schedule. Now people are going to try to reach out to you based on your banker schedule, so that's great. Last question before we hop into breakout rooms. Somebody asked about debt capital, non-dilutive financing as an alternative for musicians. How do musicians usually get financed in the early days? And how does that look now? Do they take equity, do they take debt on, or do they just use credit cards? What's the strategy these days?

JIMMY: Are you asking what's the difference in how you raise capital for a recording project?

AYLA: Yeah, exactly. Especially for musicians these days, and how that contrasts to how things were done previously.

JIMMY: In the old days, recording costs were very high. When we went to do a project like Mellon Collie in 1995, our budget was \$1 million for the whole thing, and we ran over budget by 50%. So, we ended up spending \$1.5 million that came from the record company. The recoupment of that is predicated on record sales, which means the rate of return is predicated on your deal.

So based on the success of the band, you have the ability to go in and renegotiate your deal. But the standard deal back then used to be about 18 cents on the dollar is what you would make. So, if you borrowed a million dollars from the record company, you would pay that back with 18 cents for every dollar that was sold. So, if a CD was \$10, you're paying back \$1.80 for every CD sold, until you pay the million dollars back, and then you start to get into your own royalties.

These days, with Pro Tools and the fact that things have become more affordable, we generally just provide our own way. In our case, we've been a band for 33 years, so we're very flush with cash. It's easy for us to just pay and then go sell the finished product to a distribution company or a record company with some deal that's far and above that \$1.80 for every \$10 that we used to get. And since the recording costs have already been covered, we recoup very fast.

In the old days, if anybody is old enough to remember AM radio, if you put the AM radio on, there were only 15 to 20 artists that would play because it was so prohibitively expensive to record back then. Only very few people could really afford professional recording capabilities. Whereas today, artists like Lorde,



who came out of nowhere, recorded these great records in their bedrooms because of the technology that's available. I mean, the cost for recording has gone down probably 90 to 95%.

However, that's another double-edged sword. You could argue that the mechanism for getting signed to a record label and having somebody fund and believe in you to that extent, was a kind of gatekeeper method to assure that there was high quality. Although, a lot of the stuff on the radio would argue against that.

But yeah, the costs have come down significantly. It's allowed a lot of creatives to get involved. For a lot of artists, if they lived in the norm of the past environment, they would never have seen the light of day. Now you're seeing people who are existing purely on their talent, and purely on the fact that they're either really good songwriters, or really good marketers.



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Dennis Chookaszian
Corporate Director, CME Group

DiffuseTap: Institutional Grade Governance

Sharing his decades-long expertise on corporate governance, Dennis discussed how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer
CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse 2022

Susan talked about the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.
VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for Coinbase and Binance from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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