

PRIVATE RISK
PARTNERS, LLC

**Transform AI Risks
& Other Modern
Threats Now to
Protect & Maximize
Catalogue & NIL Value**

Private Risk 2024
Sports & Entertainment Risk Survey

In a landscape marked by relentless innovation, sports and entertainment managers confront a new era of disruption. Generative AI poses significant risks, undermining clients' Name, Image, and Likeness (NIL) rights and catalogue values, while heightening the threat of deep fakes. Complex and varied state NIL laws compound these challenges, demanding strategic agility.

We stand at a critical juncture where the pace of technological progress outstrips the development of protective measures, leaving managers and their roster of clients both unprepared, and under a cloud of tax erosion.

In response, business managers are navigating this unpredictability, proactively adapting to safeguard their clients. Crafting defensive strategies is no longer optional but a cornerstone of their roles. As they guide their clients through this tumult, the goal remains clear: to not only withstand but prosper amidst these adversities.



What is Risk Transformation?

Risk transformation mandates that managers critically assess new exposures while innovating solutions for their clients to adapt, create value, and stay competitive. Skillful balancing of defensive tactics with strategic management of catalogue and NIL interests simplifies the process. But this only the case if a manager understands how to harness evolving opportunities in new ways to significantly enhance revenue streams across diverse verticals.

The core components of doing so are:

1

Defensive transformation: The ability to identify and quantify both modern and historical threats, maintaining critical management functions, capital and cash-flow when disruption occurs.

2

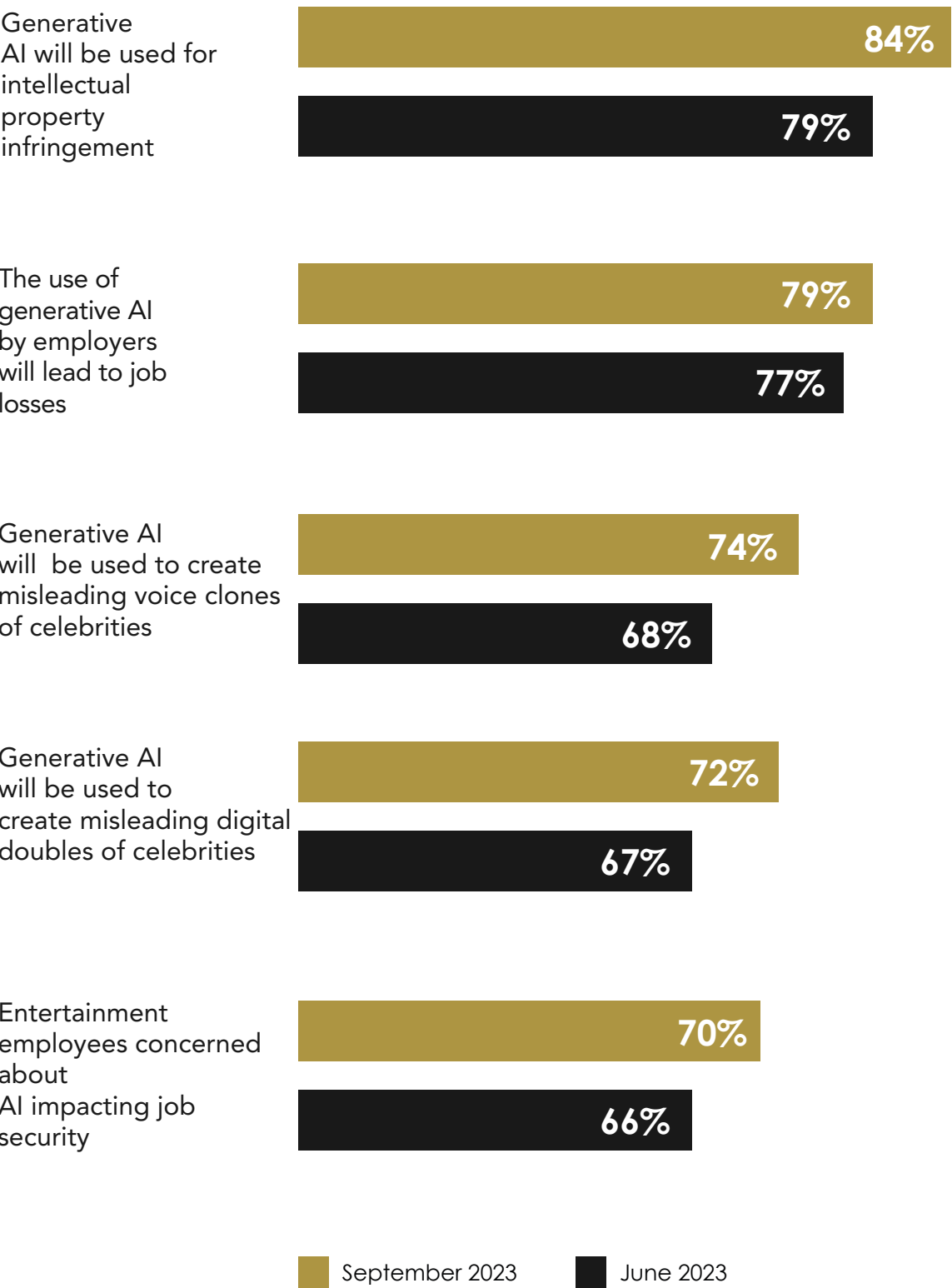
Offensive transformation: The capability to deploy modern solutions to help clients enhance the value of their NIL rights and catalogue interests.

3

Client transformation: Empowering clients to apply solutions, safeguarding their economic interests prior to a sale, long before taxation and other threats materialize.

Entertainment Industry Fears Over Generative AI⁽¹⁾

Percentage of entertainment professionals concerned over generative AI



(1) <https://variety.com/vip/understanding-generative-ai-risks-for-hollywood-is-the-first-step-beneficial-adoption-1235745465/>

AI technologies pose substantial risks for entertainers, athletes, and their managers, notably through the creation of deep fakes. These sophisticated simulations can seriously compromise a client's reputation and dilute the authenticity of their brand.

The risk extends to music catalogues, where AI-generated compositions that mimic an artist's style can easily infringe on original works, devaluing both the artistic integrity and market value of these assets.

Experts believe that AI's trajectory cannot be controlled. But a business manager's inability to completely eliminate deep fakes and other forms of cyber theft does not mean that he or she should abdicate their responsibility to mitigate risks.

Now more than ever, it is crucial for business managers to adopt preemptive strategies, leveraging both legal expertise, novel insurance protection, and technological solutions to protect their client's interests in the rapidly evolving digital landscape.

26% Growth Surge

The generative AI market in media and entertainment is surging at an unprecedented compound annual growth rate (CAGR) of 26.3%, reshaping content creation and distribution landscapes⁽¹⁾.

\$5.5 Billion Music Market

By 2032, the generative market will balloon, raising concerns over originality and copyright infringement ⁽²⁾.

1000% Increase AI – Driven Content Creation Creation

By 2032, the generative market will balloon, raising concerns over originality and copyright infringement ⁽³⁾.

Billions in Damages

In just one example, the NY Times has filed a lawsuit seeking unspecified billions in damages. How will artists afford to mount legal challenges against unknown content thieves?

Risks to client IP is escalating at unprecedented rates

(1), (2), (3) <https://marketresearch.biz/report/generative-ai-in-media-and-entertainment-market/>

3

Takeaways



If building risk transformation is a strategic imperative for your clients, what can you do to help make it happen? And what are the key components of effective risk transformation?

The survey data revealed three essential deliverables:

1

Identifying Modern Risks

A formalized and routinized system to uncover modern threats is essential—if you aren't developing a strategy to do so, you are leaving your clients unprotected.

2

Deploying Curated Solutions

Modern threats require novel solutions driven by leadership from entertainment & sports managers.

3

Integrating of Risk and Wealth Management Solutions

Combining offensive and defensive wealth strategies enables greater impact and resiliency.



Time is NOT Your Clients' Friend

Putting a Strategy Into Place to
Identify and Protect Against Modern
Threats—While There Still is Time

In the high-stakes arenas of sports and entertainment, where careers can be as brief as the span of a high school education, the imperative for strategic planning against the dual threats of AI and excessive taxation cannot be overstated.

The window for peak earnings is narrow—often a mere four to six years—making it crucial to shield every dollar from the dual vulnerabilities of digital risks and tax erosion. This urgency is compounded by the youth of many athletes and performers, whose early success must be meticulously safeguarded to ensure long-term financial health beyond their time in the spotlight.

Managers bear the responsibility to not only steer these young talents through the fleeting zenith of their careers but also to secure their financial legacy against the relentless advance of technology and the complexities of fiscal policy.

To effectively navigate the complex landscape of modern threats it's crucial to assemble a team with comprehensive knowledge in all of the applicable areas.

The team should be adept at analyzing contemporary and novel threats, while reviewing the client's current insurance coverage in collaboration with their manager, property and casualty insurance agent, or other advisors.

Critically, the team's responsibilities must extend beyond mere evaluation; they must also have the capability to craft bespoke solutions to effectively protect clients by strategically tailoring policy features, coverage, and limits with existing coverage, and by developing novel strategies that are adaptive as new threats emerge.

Navigating New Risks: Tailored Insurance for Emerging Threats

Innovative insurance policies have evolved to address the complexities of new and emerging risks. Discover the latest in bespoke coverage.

Deep Fakes Exposure: Including digital double voice and image integrity.

Cyber Fraud: Protection from threats, including phishing and cyber attack.

Reputational Damage: Protection from lost revenue from contract cancellation, increased operating capital or regulatory costs; loss of business value for entertainment, gaming, and off-field economic interests. Can include protection for college athletes.

Employment Security: Mitigating risks to job security.

Music Publishing & Licensing Risks: Can include AI generated threats.

Privacy Assurance: Loss from personal and sensitive information misuse in AI interactions.

Reputation Management: Strategies to help your clients maintain their public image amidst the emergence of deep fakes and false claims.

Catalogue Debt Repayment Risks: Protection from various threats to the repayment of catalog loans, including AI and reputational related exposures.

Novel Film & Studio Production Risks: Protection from interruption, or litigation stop product sales or distribution of film and music business interests.

Customized Comprehensive Risk Coverage: From kidnap and ransom scenarios to IP infringement.

Legal Defense: For business managers and their clients when embroiled in litigation.



What Does Our Research Tell Us About Client Concerns?

60% of clients would rather get a root canal than deal with taxes.⁽¹⁾

Taxes are a Leading Concern for Business Managers.

1

Exposure to tax from the sale of catalogues and other client owned economic interests.

2

Exposure to tax on K1 income, including NIL income, merchandise sales, gaming and off-field income.

3

Exposure to tax on earnings needed to repay catalogue loans, and taxes levied on income from "catalogue funding".

(1) <https://www.fool.com/the-ascent/taxes/articles/80-of-small-business-owners-feel-stressed-during-tax-season-heres-how-to-get-through-it/>

Essential: An Integrated Approach to All Threat Types

Traditionally, business managers have tackled risk mitigation and wealth management separately, often without advisor coordination. While segregating risk and wealth management can be functional, it does not represent the zenith of strategic planning.

We live in an era where entertainers and athletes can establish their own private risk management entities, complete with custom coverage, and supported by bespoke tax-efficient private placement insurance. In today's complex environment, integrated management is paramount for peak efficacy.

Addressing today's intricate, interconnected risks necessitates an integrated approach. Managers must align with skilled professionals across crucial domains: crisis management, generative AI threats, cyber resilience, and tax-efficient wealth enhancement.

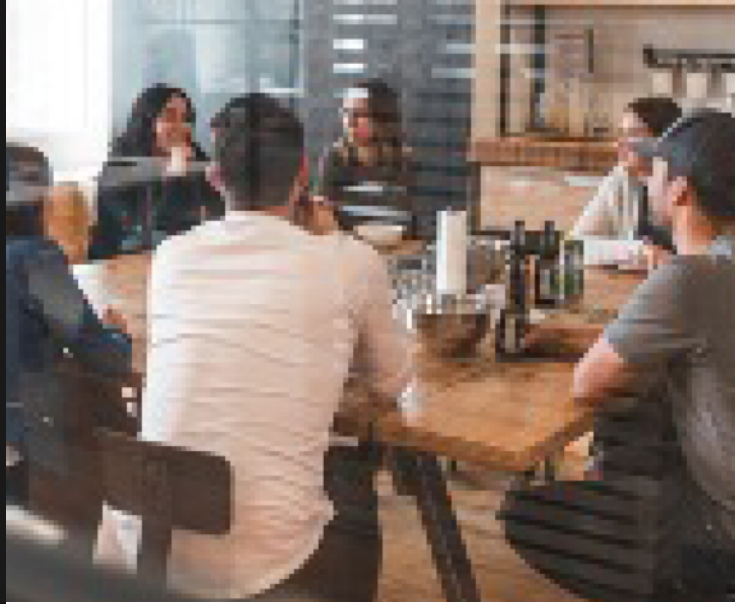
Initially, managers should engage with experts well-versed in these critical areas to evaluate, compare, and implement comprehensive strategic solutions that span their clients' entire business spectrum.

Outcome: Optimized Business Management

By integrating transformative strategies, business management practices empower clients to adeptly navigate risks and amplify profits.

Client Advantages:

- Enhanced risk management
- Increased business value
- Superior financial outcomes
- Reputation protection
- Competitive edge



2023 Private Risk Clients:

100%

Increased protection from risks, including modern threats.

95%

Increased their wealth through integrated planning.

50%+

Increased protection from risks, including modern threats.



Strategic Foresight & Thoughtful Solutions Mitigate Tax

Escalating tax demands on the income of top earners and the sale of artists rights **presents a critical challenge for athletes, entertainers and their management teams.**

Ignoring tax strategy can lead to substantial financial repercussions, depleting income and diminishing the net value of economic interests, such as NIL licensing rights, off field income contracts, music catalogues, merchandise sales, and even forthcoming content to be released by artists.

Emerging exposures to unmitigated tax, unaddressed AI threats, and other modern risks represent a direct hit to the sustainability of long-term wealth and the strategic framework of estate planning.



Proactive tax planning is an essential component to counteract the detrimental effects of these increases, ensuring their sustained profitability and the preservation of artists’ and athletes income in an era of modern threats accelerated by technological change.

By engaging with expert counsel and other advisors, business managers can evaluate the financial consequences of inaction contrasted with strategic alternatives, and implement robust strategies to protect and maximize wealth against avoidable taxation and other pressures.





The Transformative View

A Case Study Examining
Two Hypothetical Musicians*

*This case study is purely fictional and
any similarity to actual persons, living
or dead, is entirely coincidental

Case Study: A Cautionary Tale of Two Artists*

Navigating Uncertainty: The Critical Role of Transformative Strategy in Asset and Wealth Protection

Generative AI Risks

Musician A

Jayden, a chart-topping musician, encountered a digital crisis when his likeness was illicitly cloned in an international ad by a generative AI, promoting a product he never backed.

Compounding the issue, a similar AI mimicked his voice in a controversial YouTube video. The fallout was immediate: fan disillusionment, a tarnished reputation, and a decline in his music's streaming and value. Negotiations for publishing deals, once buoyed by his pristine reputation, faced reduced offers. Despite his team's efforts to mitigate the impact, the incident underscored the perils of digital exposure.

Musician B

Consider his counterpart, Lila, a dynamic pop sensation, turned a potential digital disaster into a triumph through preparedness. Her management's foresight in acquiring AI-specific insurance proved invaluable when a deep fake surfaced, falsely showing Lila endorsing a contentious product. They responded swiftly with clear communication and strategic press engagement, transforming the ordeal into a dialogue on digital rights.

The insurance alleviated legal costs and compensated for revenue losses. Far from damaging her image, the incident bolstered Lila's reputation, spiking her music sales, solidifying her status as a resilient, savvy artist and earning her the moniker "The Comeback Kid."

Financial Triumph & Its Challenges

Musician A

Jayden, faced with rebuilding his brand, diversified his income through tours and merchandise sales, and unexpectedly, through gaming. His efforts paid off, partially restoring his profits.

Yet, the resurgence came with a steep tax price—nearly half of his earnings were swept away by income tax, hindering reinvestment in his ventures and curtailing his retirement savings. This relentless tax burden forecasted a multimillion-dollar annual tax-bleed, stunting the growth of his financial reserves.

Musician B

Lila's financial narrative was one of triumph, thanks to meticulous planning. Under her business manager's guidance, and with the expertise of renowned tax lawyers, her team devised a comprehensive strategy that complemented her generative AI protection measures. This proactive approach laid a solid foundation for her financial triumph.

As her profits soared, her pre-laid plans activated, channeling a portion of earnings pre-tax into a bespoke structure vetted by her counsel. This foresight afforded Lila the luxury of drawing on these funds tax-free during retirement, optimizing her income and fortifying her assets against potential risks. Her proactive strategy not only safeguarded her wealth but also ensured a secure and prosperous retirement.

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Catalog Sale

Company A

Jayden managed to recover the value of his music catalogue and found a buyer. Yet, as a resident of tax-heavy California, a third of his profit was quickly depleted by capital gains tax. Choosing to take equity instead of cash from the record label further complicated matters, consuming most of his cash proceeds to cover the tax bill. This decision left Jayden with limited immediate funds and a precarious financial future, as the true worth of his equity – and thus his retirement security – wouldn't be clear for years.

Company B

Lila, with savvy planning, sidestepped a large tax hit when she sold her catalogue. Her transformative strategy allowed her to shield nearly half the gains from taxes, maximizing her pre-tax profits for future tax-friendly investments. Additionally, her business manager's deft structuring meant she received rollover equity without immediate tax consequences, preserving her cash and ensuring her financial stability. Lila emerged from the sale not just unscathed, but financially fortified and reassured about her fiscal future.

Comprehensive & Transformative Risk Management

Company A

Neither Jayden nor his business manager stress tested his asset protection plan, and there was a lack of awareness of risk, so gaps that could have been previously identified and closed remained as open exposures and ultimately, as pain points.

Following the sale of his music catalogue, he faced a potential lawsuit claiming royalty interests, which threatened his financial security. With most of his retirement depending on uncertain rollover equity and diminished cash reserves from tax payments, Jayden and his wife endured years of anxiety over possible financial ruin.

Company B

In contrast, Lila's asset protection was robust and regularly updated, thanks to her business manager's vigilance. By the time a legal challenge appeared, her assets were already well-protected by statute, and any potential vulnerabilities had been addressed. This foresight allowed Lila and her husband to remain undisturbed by the threat of litigation, enjoying peace of mind.

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Private Risk 2024 Q1 Sports and Entertainment Risk Survey



In the aftermath of a career-shaking event, it's common for entertainment and sports managers to quickly prioritize fortifying their client's defenses. This urgency isn't surprising; even minor setbacks can ignite a push for improvement and inspire proactive measures to prevent future pitfalls.

Yet, the managers who treat resilience as a key element of their strategic vision, pursuing it with more vigor than anxiety or industry norms dictate, are the ones who steer their artists through storms to emerge on top, with careers not just intact but thriving.

Essential Advice for Sports and Entertainment Managers:

Prioritize preemptive tax planning and strengthen your client's career defenses—before a threat emerges, a catalogue goes to market, an album or mixtape is dropped, or another year of NIL payments are made.



Become Transformational Architects of Resilience

Business management involves guiding with both vision & prudence.

1

Integrate Tech-Savvy Safeguards: Advance your expertise in the digital realm to shield your clients from generative AI threats. Knowledge is power in the architecture of cyber resilience.

2

Prioritize Strategic Financial Defense: Instigate a culture of financial foresight, where advanced tax planning is as routine as training for game day. Your proactive fiscal strategies safeguard client assets against tomorrow's uncertainties.

3

Champion Adaptive Innovation: Encourage a mindset that views each technological advance as an opportunity for growth, and emerging AI threats as a chance to innovate, ensuring your clients defensive strategies evolve with the landscape.

4

Promote Progressive Fiscal Adaptability: Foster an environment where the latest in tax strategy is seamlessly integrated, approached as an evolution in financial stewardship rather than a reaction to change, ensuring your methods are as current and effective as they are conscientious.

5

Cultivate a Coalition for Compliance and Creativity: Build alliances with legal and risk management experts to fortify your clients' defensive playbook. Collaborative expertise turns risk management and advanced tax planning into a competitive edge.

6

Lead with Integrity in the Digital Age: Maintain an unwavering commitment to ethical practices amidst the flux of technology and finance. Ethical leadership not only navigates through potential pitfalls but also builds lasting trust.

Designing resilience into the very fabric of your clients' careers is essential for thriving amidst escalating AI risks and for cultivating wealth with tax-efficient strategies in industries where longevity is the exception.

The timing for strategic transformation is vital, given that every performance on stage, music track streamed, or goal scored could potentially mark the finale of your client's professional journey.

Transformational resilience is power.

Why Private Risk Partners, LLC

Maximizing Profit
& Protection in the
New Digital Era

**Solutions For The Challenges Have Yet
To Be Resolved:**

***The Holy Grail Of Private Equity,
Risk, Wealth And Tax Management™***

In the dynamic landscape encompassing sports and entertainment, the potential for both risk and profit is ever-expanding. **Our expertise lies in curating bespoke risk management solutions and harnessing evolving opportunities in new ways to both assiduously protect and significantly enhance revenue streams.**

Our team is at the forefront of developing innovative strategies that provide robust defense and insurance against technologically based threats and other wealth eroding exposures. We are dedicated to preserving your clients' creative rights, financial wellbeing, and the enduring strength of their personal brands.

Working together with our expertise, your clients can continue to excel with the assurance that their legacy and livelihood are safeguarded.

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