SoundExchange is an independent nonprofit digital music rights organization with a mission to support, protect, and propel the music industry forward. After a decade of serving the music industry, SoundExchange has had a tremendous impact. In 2013, total year-end digital radio royalty payments to recording artists and record labels reached an all-time high of approximately $590 million (up 28 percent from 2012).

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President & CEO Message

10 Years in Play

2013 marks 10 years since we became an independent organization, and ever since then we have been helping to ensure that digital radio listening is converted into a reliable revenue stream for music creators. A decade ago, digital radio, like SoundExchange, was just beginning to take shape. Digital radio listenership continues to grow and has increased six fold,¹ in the past decade, proving that customized streaming and targeted programming is the future of music.

SoundExchange’s success is based on our dedication to follow our mission - to advance creative growth, be a trusted resource, and deliver exceptional service.

As of year-end 2013, SoundExchange paid more than $1.5 billion cumulatively in digital performance royalties to the creators of music. We proudly pay recording artists directly – and have built long-standing relationships with the creative community. With more than 90 million active listeners tuning into digital radio services over the course of a week,² it is evident that more and more music fans are using digital radio to listen to their favorite artists. SoundExchange is proud to facilitate royalty payments from satellite radio, Internet radio and cable TV music channels, to the artists and labels we represent.

SoundExchange believes in the long-term value of music. We see promise and potential in the future of digital music for fans, creators, and music services alike. We’re passionate about music and have the privilege of serving the creative community. It’s our job to ensure creators of sound recordings, who perform the music we all have grown to love, as well as the record labels who invest in them, are fairly compensated for their creative contributions.

I’m pleased with how far we’ve come in these few short years. It is a privilege to serve the music industry and we look forward to an even brighter future for music lovers and creators alike.

Michael Huppe

President and CEO

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“THE REASON” BY HOOBASTANK IS THE TOP TRACK OF THE YEAR ACCORDING TO DATA REPORTED TO SOUNDEXCHANGE

SOUNDEXCHANGE ANNOUNCES IT PAID $6 MILLION TO RECORDING ARTISTS AND RECORD LABELS

¹. Edison, The Infinite Dial 2013
². Arbiton, Radio Today 2013: How America Listens to Radio
Early Digital Radio Milestones

September 2001

XM Satellite radio began broadcasting

July 2002

Sirius Satellite Radio launched

Payments to Artists and Labels

$590

Million Paid to Artists

In 2003 SoundExchange’s first payment was $3 million to recording artists and record labels; in 2013 we paid out $590 million. These payments represent 41 percent of the total U.S. music streaming revenues, and 8 percent of the total $7 billion in U.S. recorded music industry revenues for 2013.³

3,000%

Artist Accounts Increase

SoundExchange’s membership grew from 1,320 artist accounts and 1,870 rights holder accounts in 2003 to 100,000 accounts in 2013.

Growth in Digital Radio Streaming

2,400+

Digital Music Radio Platforms

As of December 31, 2013, 2,400+ digital music radio platforms in the U.S. used the statutory license SoundExchange administered for access to sound recording rights.

32

International Agreements

In 2003, we were solely U.S. focused — but in 2013, we possessed 32 international agreements that allowed us to collect foreign royalties on behalf of our members.

3. RIAA, 2013 Industry Shipments Database
Total Annual SoundExchange Payments

2005 | $20
2006 | $33
2007 | $36
2008 | $100
2009 | $156
2010 | $251
2011 | $293
2012 | $462
2013 | $590

Payments in Millions

Thank you for making the world a better place for my ears.

- KIRK DOUGLAS, THE ROOTS
10 Years of SoundExchange & Digital Radio

On September 22, 2003
We Opened our Doors

SoundExchange, with a little help from our friends, hosted an unforgettable anniversary party to celebrate a decade in the music business. To honor our 10 year anniversary, SoundExchange prepared a chart entitled “10 Years in Play.” From rappers and rockers to pop stars and country singers, the data reveals that music fans of all genres are taking advantage of the streaming capabilities available to them today.

According to data reported to SoundExchange by 2,400+ digital streaming services, a decade in music streaming looks like this:

1. Elvis Presley
2. Bruce Springsteen
3. Pearl Jam
4. Rihanna
5. Drake
6. Usher
7. Lil Wayne
8. The Beatles
9. Taylor Swift
10. Grateful Dead

*All services includes: Satellite radio, Internet radio, cable TV, music channels and other services that stream sound recordings.*
SOUNDEXCHANGE ANNOUNCES $33 MILLION PAID TO RECORDING ARTISTS AND RECORD LABELS

Happy tenth anniversary SoundExchange, and thank you for everything you do on behalf of the musician.

- PATTI SMITH
Artists wishing SoundExchange a Happy Anniversary

“Congratulations and thanks for the excellent service. Best wishes to all members of your team. Let’s keep the positive vibrations going strong with SoundExchange.”

- JUNIOR MARVIN

“Wanted to wish SoundExchange a happy 10th anniversary. Thanks so much for everything you’re doing – getting us paid!”

- ADAM GARDNER (GUSTER)

“We appreciate you so much, for watching our back and keeping a little jingle coming this way.”

- LEE ROY PARNELL

SLACKER RADIO LAUNCHES 2007
The Last Decade: Looking Back

During our last 10 years, digital radio has grown into a substantial revenue source for artists and record labels alike. In 2007 there were 855 digital radio services; in 2013, there were more than 2,400.

SoundExchange payments of digital performance royalties – which come from both subscription and ad-supported streaming services – represent revenue which is paid directly to the creators of music.

“...I want to personally thank SoundExchange for watching our backs. Have a very happy 10th anniversary. Rock on!”

- GEORGE THOROGOOD

SOUNDEXCHANGE ANNOUNCES IT PAID $36 MILLION TO RECORDING ARTISTS AND RECORD LABELS
1) Advancing Creative Growth

Since 2003, SoundExchange delivered more than $1.5 billion in royalties to the creators of music and those who support them. As our annual payments to recording artists and record labels continues to grow, so does the reach of our work.

The International Stage

As an organization that represents both artists and record labels, SoundExchange is in a unique position to serve the music industry at large. International royalty collections increased in 2013 by 12 percent compared to 2012. In addition to collecting U.S. royalties, we have foreign reciprocal agreements with our counterparts in other countries. In 2013, we signed several new agreements – with countries including Finland, Greece, Germany, Italy, and Ukraine – for the exchange of royalties.

In 2013, we increased our number of international agreements to 32. SoundExchange also established a new policy to maximize royalties paid out to its members.

As we look ahead to 2014, there will be more growth on the international stage as we strive to secure even more agreements with performance rights organizations throughout the world. In addition, we are working with our international partners to develop an improved, shared infrastructure.
The New Site

In August 2013, we launched our new website (www.soundexchange.com) to make it easier to navigate and access information and forms for artists, copyright holders and service providers. The features include full mobile compatibility, improved search functionality to explore every facet of the website, a dedicated news & media page for up-to-date news and events, and quicker connections to our social media platforms (Facebook, Twitter, YouTube, Tumblr).

“Going Full-Throttle”

We’re rebuilding our technology platform. SoundExchange processes tens of millions of lines of data each month, and growing. With infrastructure upgrades, increased use of cloud computing, and enhanced IT security, among other improvements, we have the foundation for future full-throttle growth.
2) Being a Trusted Resource

In 2013, SoundExchange created the Global Public Policy department to focus on legislative issues affecting artists and record labels, and will continue to strengthen our advocacy efforts on Capitol Hill.

Protecting and Promoting Rates

As an advocate for the music community, we joined forces with industry partners to help defeat the Internet Radio Fairness Act (IRFA). This bill would have dramatically lowered the royalties that webcasters pay artists and labels for the use of their content. The battle carried over from the end of 2012, when President and CEO Michael Huppe testified before Congress against the bill stating, “We will always fight to get fair compensation for recording artists and record labels, and keep fighting until everyone plays by the same rules. It is SoundExchange’s hope to create a level playing field, and for all radio platforms to pay fairly for the use of sound recordings.” We maintained a steady drumbeat against the severe royalty cuts, and in November 2013, the primary advocates of IRFA announced that they were abandoning the legislative effort altogether.

SoundExchange also supports legislative efforts to extend AM/FM radio performance royalties to all music creators, including recording artists. Reversing this long-standing and glaring injustice continues to be a priority for us. Currently performers in the U.S. are paid only when their sound recordings are performed via digital radio – they do not enjoy full performance right. Fair treatment from AM/FM radio could result in significant income for U.S. music creators.

Receiving Rave Reviews

SoundExchange received rave reviews from the Gospel Music Association (GMA) in 2013, winning their prestigious “Impact Award” for contributions to the Christian and gospel music community. We also received two silver Stevies from the American Business Awards, including one for “Company of the Year - Nonprofit.”

“HEY, SOUL SISTER” BY TRAIN IS TOP TRACK OF THE YEAR ACCORDING TO DATA REPORTED TO SOUNDEXCHANGE
3) Delivering Exceptional Service

Handling Logistics

SoundExchange developed an internal user system to process licensee payments and data and to provide real-time feedback to registrants. What were the results? Faster, more efficient handling of payments, statements, and playlist logs. In addition, the new system allows for SoundExchange to catch and correct licensee reporting errors never visible before, and also enables real-time visibility into the royalty “pipeline.”

Managing the Crowds

Our team now manages digital crowds with a new Customer Relationship Management (CRM) system. SoundExchange automatically synchronizes customer data in our database, and maintains a repository for all customer data, including info on artists, rights holders, and performance rights organizations. The new system helps us see the data about our registrants in a consolidated way.

Working with major and independent labels, SoundExchange continued developing a repertoire database. In 2013, we ingested hundreds of rights holders-provided metadata into our system to create the first, comprehensive and error-free database containing ownership information for sound recordings.

High-quality repertoire metadata provides the foundation for the music industry's infrastructure in the digital age. Accurate metadata is important because it helps deliver more relevant search results, and more importantly, makes sure artists and labels get paid.

“If [the data’s] no good, people don’t get paid,” said Jonathan Bender, chief operating officer of SoundExchange, Billboard magazine, May 2013.

Grammy Nominated Carolyn Malachi helps celebrate “10 Years in Play”

Latin band Ocho de Bastos helps celebrate “10 Years in Play”

SoundExchange board members Darius Van Arman and Andrea Finkelstein with SoundExchange CEO and President, Michael Huppe, on the red carpet celebrating “10 Years in Play.”
New Music Seminar Featuring ‘The SoundExchange Summit’

SoundExchange participated in New Music Seminar (NMS), an annual, three-day conference in New York that brings together artists, labels, and executives throughout the music industry. SoundExchange President & CEO Michael Huppe helped kick off the 2013 seminar with a keynote speech detailing the changing landscape of the music business. Huppe asked the crowd to dramatically alter their thinking when we talk about “radio.” His presentation focused on three key themes:

1. First, “radio is not just your father’s AM/FM anymore.” Radio today is about the ubiquity of music. It’s a term that now applies to hundreds of thousands of platforms, including digital, Internet and satellite radio. “Just a short time ago, radio was essentially a mass broadcast from ‘sticks in the open field.’ Today, radio exists everywhere: on a tower, but also online, through a satellite, on your cable TV, over 4G networks, on Wi-Fi at Starbucks. Which platform you’re on is irrelevant. Radio is radio is radio.”

2. Second, he emphasized that today consuming music is all about the experience, “the listen.” Huppe stated “we need to focus our attention on the value of the real product – the simple joy of listening to music. And we need to make sure that listening value transfers through to the people responsible for the art.”

3. Third, things aren’t as simple as they used to be. Today, for artists and labels looking to break into the industry, the entry points are limitless. But with more opportunity, comes increased complexity – particularly when you consider the economic side of things. He also shared details on SoundExchange’s expanding role in helping recording artists and record labels of all sizes meet increasing challenges that come with more complex business models.

Finally, Huppe emphasized the overall value of music and the need for everyone to help preserve this “critical component of our lives” that helps frame some of our most memorable moments. Yet, despite music being more accessible, we should “never lose the fundamental idea that music itself has real value.” In fact, because music is so accessible, music should actually mean more now to people than it ever did.

Radio in the Digital Age

- “Radio” no longer applies only to AM/FM.
- We must focus on “the value of the listen.”
- The flow of royalties is complex, and SoundExchange helps solve that problem.

2011

SoundExchange Announces an Annual Payment of $293 Million to Recording Artists and Record Labels
SoundExchange Growth at a Glance

<table>
<thead>
<tr>
<th>$ in '000's</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Administrative Rate</td>
<td>5.3%</td>
<td>4.9%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total Royalties Collected ($ millions)</td>
<td>$378</td>
<td>$507</td>
<td>$656</td>
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<tr>
<td>Gross Royalties Distributed ($ millions)</td>
<td>$293</td>
<td>$462</td>
<td>$590</td>
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<tr>
<td>Total Operating Administrative Expenses ($ millions)</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
</tr>
</tbody>
</table>

Digital Radio Service Growth

More than 2,400 services use the statutory license for their content.

“ROLLING IN THE DEEP” BY ADELE IS TOP TRACK OF THE YEAR ACCORDING TO DATA REPORTED TO SOUNDEXCHANGE
Our People

The Team

The SoundExchange team continued to grow throughout 2013 as we built out key departments at SoundExchange. This year, our External Affairs department was re-formed into the Industry Relations department in order to better serve and build stronger ties to the creative community. In addition, the newly created Global Public Policy department will focus on legislative issues that affect recording artists and record labels as we continue to strengthen our advocacy efforts on Capitol Hill.

Throughout 2013, we continued to focus on giving back to our team by investing in our employees. Many team members took advantage of trainings and seminars throughout the D.C. area to further their skills and sharpen their talents. We designed these opportunities to ensure each employee at SoundExchange feels a strong connection to the work they do, and knows how they contribute to the organization as a whole.
Giving Back to the Community

This year, SoundExchange kicked off a Corporate Social Responsibility (CSR) program to uphold two of our core values, Stewardship and Integrity. As one of our first programs, we were given the opportunity to take part in volunteer days at DC Central Kitchen - an organization, which fights poverty, hunger, and poor health.

SoundExchange also held a “Toys for Tots” drive during the winter holidays. Toys for Tots is a program run by the U.S. Marine Corps to collect new, unwrapped toys in the months leading up to the winter holidays so that less fortunate children can celebrate as well.

SoundExchange also supported a number of other charitable activities for organizations in music education, hunger and homelessness, and health awareness throughout the year.
2013 Executive Team

Michael Huppe  
President and CEO

Jonathan Bender  
Chief Operating Officer

Scott Day  
Chief Technology Officer

Colin Rushing  
Senior Vice President and General Counsel

Anjula Singh  
Chief Financial Officer

Marie Knowles  
Vice President Communications

Julia Massimino  
Vice President Global Public Policy

Barry LeVine  
Vice President Industry Relations

SoundExchange maintains more than 100,000 recording artists and record label accounts
2013 Board Members

Jay L. Cooper, Greenberg Traurig
Duncan Crabtree-Ireland, SAG-AFTRA
Andrea Finkelstein, SONY Music Entertainment, Inc.
Ray Hair, American Federation of Musicians
Jeff Harleston, Universal Music Group
Michael Hausman, Michael Hausman Artist Management
Jim Mahoney, American Association of Independent Music (A2IM)
Steve Marks, Recording Industry Association of America (RIAA)
Walter F. McDonough, Artist Attorney
Alasdair McMullan, Universal Music Group
Kendall Minter, Minter & Associates, LP
Patrick Rains, Patrick Rains & Associates
Martha Reeves, Recording Artist
Perry Resnick, Music Managers Forum
Paul Robinson, Warner Music Group
Cary Sherman, Recording Industry Association of America (RIAA)
Tom Silverman, Tommy Boy Records
Darius Van Arman, Dead Oceans, Jagjaguwar, Secretly Canadian