

INTRODUCING



SoundByte will bring you dynamic and diverse content including SoundExchange news, artist interviews, industry experts' insights, and tips for performers, record labels and service providers. We hope you enjoy our first edition.



INTRODUCING **SOUNDBYTE**

It has been a while since we last published an edition of our former SoundExchange newsletter, NewsExchange. However, our readers can rest assured that we have not hit ‘pause’ on the myriad of initiatives we’ve undertaken this past year. In fact, with so many activities underway, we thought it appropriate to re-launch the SoundExchange newsletter — with a new name, a fresh look and different approach on sharing our many organizational enhancements.

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SOUNDEXCHANGE REPORT



SoundExchange not only appointed former general counsel, Michael Huppe, as the new president, but has also made several significant additions to “staff up” across the organization. This includes a new executive team, data management, claims and communication departments. As a whole, the staff is committed to advancing initiatives that ensure digital performance royalties make their way into the hands of the creative community. These efforts include the establishment of new departments dedicated to managing metadata and resolving rights owner disputes; the rollout of simplified payee statements; and continued advocacy for royalty structures that recognize the vital role that the creators of music play for digital services.

Among SoundExchange’s top 2012 priorities are its efforts to overhaul its royalty distribution platform, and the technology and processes from which its core business operates. In addition, SoundExchange is improving data quality reported by services and gathering repertoire data from record labels and recording artists; the result will be a single, authoritative repertoire database that will benefit the entire music industry. SoundExchange has already made headway in our continued artist and label outreach efforts. Together with partner organizations, more than 15,000 new artists and copyright holders were registered in 2011 — totaling 30,000 in the past three years alone!

Considering all these new benchmarks, there is one constant reoccurring theme: The music industry is undergoing a major digital shift, and one that has given artists and record labels new hope for the future of music. And SoundExchange is at the center of this exciting transition.

SoundExchange continues to provide a fast-expanding stream of revenue to the digital music industry. Digital music listening is expanding at a steady clip, with consumers having more free and subscription digital listening options – including consumer devices like phones, computers and even cars. And while according to International Federation of the Phonographic Industry (IFPI) digital revenues increased by eight percent to \$5.2 billion worldwide, SoundExchange’s royalty payments to artists and labels have grown 17 percent to an estimated \$292 million in 2011. That’s nearly triple from 2008. Overall SoundExchange distributions from inception to date now exceed \$900 million.

“SoundExchange is now the number two digital revenue source behind iTunes for many record labels in the U.S. Since our first substantial distribution in 2005 of \$20 million, the number of people listening to the type of music services we collect on continues to explode,” said Michael Huppe, president, SoundExchange. The organization’s work is responsible for creating new revenue streams and enabling new business models for the music community. “What excites me most is where we’ll be in the next five years, and the countless ways we can serve the music community. We’re optimistic about the industry’s future, and about the tremendous value SoundExchange promises to deliver in the years to come.”

“ SoundExchange’s royalty payments to artists and labels have grown 17 percent to an estimated \$292 million in 2011. ”

REGISTER FOR NEW MUSIC SEMINAR

Join us at the New Music Seminar
for the **SoundExchange Digital Broadcasting Summit**
New York City, **June 17–19**

New Music Seminar will bring together music visionaries, artists, songwriters, executives, producers and other music business leaders to participate in three days of intensive sessions. These high-level sessions — featuring businesses like iHeartRadio, Pandora and LastFM — are designed so that digital service providers, recording artists, and record labels hear first-hand the perspectives and insights of those who are leading a new era in music.

Register and learn more now at www.newmusicseminar.com

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BOARD MEMBER PROFILE: Q&A: DICK HUEY

SoundByte recently connected with SoundExchange board member and Toolshed CEO Dick Huey. Dick started Toolshed in 2001 and grew the business into one of the oldest and most respected digital marketing agencies in the U.S. Throughout the years, he's consulted with such influential independent record labels as the Beggars Group, Merge Records, and Kill Rock Stars, along with some of the industry's most prominent digital music services. In his promotional work, Dick has been associated with musical luminaries Ani DiFranco, Arcade Fire, Sufjan Stevens, and hundreds of others. Needless to say, we were thrilled to get Dick on the record about SoundExchange, the future of the music industry and his secret formula for a successful and meaningful career in the business.



Where are you from originally?

I'm from Leland, MI, a very small town in Northern Michigan. Leland has a regular population of about 400, and the high school I went to only had 24 people in my graduating class. The kind of town where you know everyone.

What factors most influenced the type of music you grew up listening to?

With only two or three radio stations in Northern Michigan, we really didn't have much in the way of new music or independent music to listen to. The only music I knew was "top 40" music. Then I went to the University of Michigan for my

undergraduate work and was exposed to something different, musically, for the first time. Being located between Chicago and Detroit, Ann Arbor had a thriving music scene, so I soaked up a lot of different influences. From there, music just became a constant presence in my head — one that would never really go away. That eventually turned into me doing performance. I started playing the guitar at age 23 and played at local clubs with other musicians in Charlotte, NC where I was living at the time. And for a while, I was quite convinced that it was all I ever wanted to do.

How did you decide to pursue a career in the music industry?

Performing was actually the catalyst for what moved me into the music industry. At one of those gigs in North Carolina, I was walking out of a bar after an open mic night and I heard a girl singing. I turned around and walked back in. I couldn't believe what I was hearing! There was this little blond girl from the Pacific Northwest who was living in Charlotte. Her name was Cheralee Dillon. Several months later, she wound up being my first management client and it started the whole thing off. I was able to sign her to an independent label called Glitterhouse Records in Germany, at the time the Sub Pop distributor for the German market. And that's what got me interested in both the business side of music and in independent record labels. Shortly after that, my socks were knocked off again by the band June, and another band, Stella, both of whom I signed to Beggars Group — which is how I originally made the connection to that label, and with that connection, my entrée into new media.

Where did you begin your work in the music industry?

I ran new media at the Beggars Group for five years, from 1996 through 2001. At the end of that time, I discussed starting my own business with 4AD Music Publishing. My concept was a business where I'd provide the same services I was offering to the Beggars Group, but to other independent record labels as well. This was well before iTunes and well before digital music had almost any revenue attached to it whatsoever. It was a bold business to move into because there was no income really attached to it either, and so my results were judged not on generating sales but rather on generating ideas. But the head of Beggars Group agreed it was a good idea, and so I started Toolshed.

How did you first come across SoundExchange? When did you first join and what drove you to become a board member?

In 2003, former SoundExchange president John Simson reached out to me because he was looking for information about Matador Records (part of the Beggars Group), where I was still consulting. I asked him a few questions about SoundExchange to familiarize myself with what they were doing and I thought it sounded like the kind of thing labels hire me to look into for them. At the time, I had already been in new media for almost seven years — which was considered “an era,” at that point. John knew this and he suggested that I might be interested in coming onboard and working on behalf of Matador, to fill the small independent label seat on the board.

How has SoundExchange evolved since you first became involved in the organization?

SoundExchange has changed a lot since I first became involved. When I started at SoundExchange, the organization was much smaller, first of all, and it used to be comprised of much more disparate parts. You had the majors operating in one corner, the independent labels operating in another corner, and the artists operating in another corner. But what's probably the most pronounced change I've seen over the years is how substantially it's grown in terms of income distributed to artists and labels — it's quite remarkable. And while artists were not typically the owners of copyrights, they've now emerged as more equal partners, in the sense of being much more involved in determining rates and use conditions attached to their own recordings. In 2012, many artists choose to make their own distribution deals, to self-distribute their music or to manage their own publishing. As a result of that, you have an organization that's now more aligned, with all its members having an aligned interest in protecting copyright and in establishing reasonable rates for the use of music. And that's a positive development.

With the increase in digital music listenership and the drop in CD sales, it seems the music industry is at a crossroads. Do you think it will eventually adapt to the widespread switch to digital music? What are your thoughts on the future?

I'm extremely bullish about the prospects for music, and musicians. I think the music industry will undergo a lot of changes — many are already happening. But music itself has an extraordinarily bright future — as bright as it's ever been, if not more

so. There were a lot of really interesting statistics that came out at the end of 2011, which essentially showed that digital music revenues have been growing for two subsequent years in a row, the first time that's happened since the advent of digital music. I believe there was five percent growth in 2010 and eight percent growth in 2011. There's also really huge growth in subscribers to digital services. Americans are starting to wrap their heads around the idea of subscription music. And with digital music services and digital radio services coming into their own and becoming integrated into mobile devices and cars, the long-term prospects are bright for music.

I do think there's a lot of well-placed concern about the decline of physical sales. But that said, at least there's hope that things are leveling out. Looking at Billboard statistics, last year's physical sales shrunk by only five percent, compared to almost 19.5 percent the year before. Most importantly, all of the different components of digital revenues are up. It's getting to a point where the artists and labels of 2012 have started looking at lots of different revenue streams - digital, touring, merchandise, and international collections / neighboring rights – rather than looking at only one. And because they're able to do that, they're monetizing their business the way a normal business does, not just based on one revenue stream. They're now in a position to experiment in a way that they've never been able to before. And they're finding that they can not only exist, but exist comfortably.

Where do you see SoundExchange fitting into the future of the music industry? What are your hopes for the organization?

I see non-interactive webcasting royalties as a growing and crucial component of income for record labels and artists. SoundExchange distributed \$292 million

in 2011, which was up 17 percent from last year. It's been on a climb for a long time in terms of revenues collected and distributed, and I think it'll continue to climb. SoundExchange also has new management since last year. And the new management is very focused on enhancing the overall experience that artists or labels receive when they contact us. The board is also very focused on this – the whole organization is really. And I'm extremely pleased to see it happen. SoundExchange has the personnel in place to drive ahead as a premier collecting agency for growing revenue streams that will be even more vital for artists and labels going forward.

**Speaking directly to artists and labels that are registered/
members of SoundExchange, why should they be excited
about where the organization is headed in the next year?
Five years? Ten years?**

First of all, they should be excited about where SoundExchange is headed because of the growing revenue stream we were just talking about. And I think they should also be excited to be associated with SoundExchange as an organization, because it has the interests of copyright owners at heart and constantly negotiates to ensure fair rates. I'm confident SoundExchange will continue to work to find a balance between setting rates that work for all parties involved, and bringing payees more closely into the fold. The board has gone to great lengths internally to make sure that individual webcaster groups are able to exist and grow. I'm very pleased to see the relationship with webcasters—who provide a means for people to access music — develop into more of a partnership.

What music are you currently listening to? What's on your Internet radio playlist or your favorite digital/satellite radio channels?

I'm actually a pretty big Pandora fan. And if you looked at my LastFM playlist, or if you looked at my CD collection or my digital music collection, you would see that I'm very much a fan of independent music. One of the artists that I'm particularly excited about right now is Sharon Van Etten. She's somebody who Toolshed has worked with and done digital promotion for in the earlier days of her career. Another artist who I feel very strongly about is MNDR, for whom we're doing some social media outreach work. I'm also a big fan of the new Grimes album, I think it's sensational. And my list goes on and on...

Do you have a favorite memory or anecdote from all your years in the music industry? Something that you are particularly proud of? Advice for people starting out?

I think everyone involved in music has a story...for me, it was probably sitting with Ani DiFranco early in her career listening to a demo of what became a song on "Not a Pretty Girl," or perhaps being invited along to Ace Frehley's birthday party and not being able to figure out which guy at the party was Ace.

But I think what I love most about being in the music industry is the number of shows and artists I get to see, and the fact that I still love to go out 2-3 nights a week to see live music. I've recently returned from the South by Southwest, and it is always very exciting to attend. I've had very good fortune in my business. My career in music was very much "educated luck." I felt that I conceptually knew

how to move myself to where I thought I needed to be, and so I planted myself firmly in the space that would allow me to move to the next stage. I have more humility than to say that I knew exactly what I was doing, but I believe I do have a knack for changing things up when I run into a wall and taking a new direction. A skill I learned climbing mountains when I was young.

I did make the decision early on that I was only going to work with artists that I like and that I believe in musically. And after 11 years of running my own business, I can honestly count on one hand the number of Toolshed projects that I haven't been personally interested in. A lot of it has to do with working with great people and great music at Beggars Group and Matador Records. That inspired my all-encompassing mantra for music, which is: You have to give in order to get. In my case, my whole career has been built not only on trying to give out in a fair way, but also building a peer group around me that I like and that I respect. And you can't ask for much more than that.

FROM THE ARTISTS



“ I saw all this money in my account and thought it was just like a carrot on a string... they (the bank) printed out the receipt and it said direct deposit from SoundExchange! ”

Justin Levinson shared that he was surprised by his royalty payments last Christmas: “I saw all this money in my account and thought it was just like a carrot on a string...they (the bank) printed out the receipt and it said direct deposit from SoundExchange!” View his video testimonial, [SoundExchange Saved My Christmas.](#)

We recently checked-in with Justin, who is currently touring the East Coast to promote his latest album “This Side of Me, This Side of You”. Luckily, Justin’s tour stopped in Washington, D.C., where SoundExchange is located. We love any excuse to support our artist friends’ good music so we stopped by to meet up once again. And what a high-energy show.

Find out if Justin will be in your area at www.justinlevinson.com
Do you have a SoundExchange testimonial? Share it with us at testimonial@soundexchange.com

SUBMIT YOUR IDEAS

Have an idea for a digital music story? Something you want our experts to chime in on? Something you liked or disliked in this issue? Send your comments and suggestions to communications@soundexchange.com.

