



THE SOUNDEXCHANGE GUIDE TO **FEATURED ARTIST** **LETTERS OF DIRECTION**

1. WHAT IS A SOUNDEXCHANGE FEATURED ARTIST LETTER OF DIRECTION?

A SoundExchange Featured Artist Letter of Direction (LOD) is a document (found on our Registration and Membership page [here](#)) by which a Featured Artist directs SoundExchange to pay a portion of the Featured Artist's sound recording performance royalties to a participant involved in the creative process – for example, producers, engineers, mixers, re-mixers, etc. (hereafter referred to as "Creative Participants").

The term "Featured Artist" generally refers to the individual(s) or group(s) most prominently featured on a track or album. Non-featured artists, such as session musicians or backup singers, do not receive royalties directly from SoundExchange.

2. WHO CAN RECEIVE FEATURED ARTIST ROYALTIES PURSUANT TO AN LOD?

SoundExchange will honor an LOD for Creative Participants (as defined above) who are not the featured artist on the sound recording or studio musicians or background singers.

If there is any question whether an individual is eligible to receive Featured Artist royalties via an LOD, SoundExchange will reach out to the party who submitted the LOD to clarify the role of the Creative Participant listed on the LOD.

LODs are not used in order for one Featured Artist to pay another Featured Artist for a sound recording on which they collaborated (e.g., if a sound recording is released as "Artist A featuring Artist B," Artist A would not execute an LOD to pay Artist B). Rather, SoundExchange would treat such a sound recording as a collaboration and allocate the Featured Artist royalties 50/50 between Artist A and Artist B (unless Artist A and Artist B inform SoundExchange of an alternative allocation).

3. CAN I USE AN LOD TO DIRECT PAYMENTS TO OTHER THIRD PARTIES BESIDES CREATIVE PARTICIPANTS?

No. An LOD can only be used by Featured Artists to direct payments to Creative Participants. LODs cannot be used to direct payments to other third parties, including record labels, lenders, royalty advance companies, or any person or entity not directly involved in the creative process.

4. IF THERE ARE MULTIPLE FEATURED ARTISTS ON A SOUND RECORDING, WHO NEEDS TO COMPLETE AN LOD?

It depends, but please be aware that SoundExchange **does not** pay Creative Participants “off the top,” i.e., prior to allocating royalties to the Featured Artist(s). Therefore, if a Creative Participant is seeking payment for a sound recording with multiple Featured Artists, the Creative Participant must secure an LOD from each Featured Artist on that sound recording. For example: Sound Recording X is performed by “Artist A featuring Artist B.” SoundExchange would treat Sound Recording X as a collaboration and allocate the Featured Artist royalties 50/50 between Artist A and Artist B (unless Artist A and Artist B inform SoundExchange of an alternative allocation). If the Creative Participant is seeking to receive payment on all royalties allocated to Artist A and Artist B for Sound Recording X, the Creative Participant would need to obtain LODs from **both Artist A and Artist B**. If, on the other hand, the Creative Participant is only seeking payment from Artist A but not Artist B, then the Creative Participant would only need to procure an LOD from Artist A. However, the specified percentage on the LOD payable to the Creative Participant would only apply to Artist A’s allocation of the royalties and not to Artist B’s allocation of the royalties.

5. WHAT ROYALTIES WILL AN LOD BE APPLIED TO?

An LOD will be applied to royalties payable to the Featured Artist for each sound recording listed on the Repertoire Chart (you can download the repertoire chart [here](#)) which accompanies the LOD.

6. CAN A FEATURED ARTIST EXECUTE A LETTER OF DIRECTION RETROACTIVELY?

Yes. When completing an LOD, you should indicate an effective date. The effective date tells SoundExchange the date from which the Featured Artist would like to begin directing royalties to the Creative Participant. The effective date can be any date the Featured Artist would like, including a date in the future or a date in the past. SoundExchange’s LOD form also provides a checkbox for the Featured Artist to indicate if the LOD is to be applied to all royalties received for a recording, regardless of effective date.

If no effective date is provided and the Featured Artist does not indicate that the LOD applies to all royalties received for a recording, SoundExchange will reach out to the Featured Artist’s authorized contact and the person who submitted the LOD for the effective date. This will delay the implementation of the LOD, as the LOD cannot be implemented without an effective date.

7. WHAT PAPERWORK NEEDS TO BE COMPLETED TO IMPLEMENT AN LOD?

SoundExchange requires two completed documents, as follows:

1) A completed and signed SoundExchange Letter of Direction Form (available [here](#)), which includes:

- Name of the Solo Artist or Group on the recording(s) ("Featured Artist")
- Performer(s) legal name(s)
- Effective Date for the LOD (use Repertoire Chart if multiple effective dates)
- Performer(s) Signature(s) and Signature Date(s), or Authorized Signatory*
- Performer(s) Printed Name
- Name of the LOD Recipient ("Payee") (i.e., the Creative Participant's Name or Company name)
- Payee Address, Telephone Number and E-Mail

** The Authorized Signatory is the authorized contact for the Featured Artist performer(s) on file with SoundExchange.*

2) A completed Letter of Direction Repertoire Chart (available [here](#)) of recordings covered, which includes:

- Solo Artist or Group Name, Sound Recording Track Name, Effective Date and [ISRC](#) (if available) for each sound recording to be covered. You can look up ISRC's [here](#).
- Payment Percentage ("Percentage") for each sound recording, expressed as a percentage (1%-100%) of the Featured Artists share. Do not enter as points or fractions of percentages.

Both of these documents are **required** for an LOD to become active. If either of these forms is missing or incomplete, SoundExchange will contact the person who submitted the LOD or the Featured Artist's authorized contact to complete the information. This will delay activation of the LOD.

8. HOW DO I SUBMIT AN LOD TO SOUNDEXCHANGE?

The Letter of Direction form and Repertoire Chart can be downloaded from the SoundExchange website at www.soundexchange.com/artist-copyright-owner/registration-membership/ or through your SoundExchange Direct account at <https://sxdirect.soundexchange.com>.

Completed and fully executed LODs and the Repertoire Chart should be submitted to SoundExchange via email at accounts@soundexchange.com or through your SoundExchange Direct account at <https://sxdirect.soundexchange.com>. You may also submit hardcopy forms via fax or postal mail to SoundExchange, but this may delay processing. SoundExchange's address and fax number can be found at the bottom of this document.

9. CAN I FILE ONE LOD TO COVER MULTIPLE SOUND RECORDINGS?

Yes. An LOD directs SoundExchange to pay a portion of a specific Featured Artist's royalties for one or more sound recordings to a specific Creative Participant. An LOD can include multiple sound recordings (or multiple albums) by the same Featured Artist but cannot include multiple sound recordings by multiple Featured Artists. Please note that the LOD will apply to a given sound recording regardless of the album it appears on. In other words, if a specific sound recording appears on multiple releases, the LOD will be applied to all instances of the specific sound recording on all releases.

10. HOW WILL I KNOW THAT MY LOD IS SET UP?

You will receive a notification when SoundExchange first receives your LOD application to confirm receipt. The authorized contacts of the Featured Artist, the Creative Participant, and the person who submitted the LOD will receive further notification when the LOD is processed and becomes active.

*Note: **An LOD takes a minimum of two weeks to process**, assuming the application is complete and valid. A SoundExchange representative will contact you if any required elements are missing or incomplete.*

11. WHEN WILL LOD RECIPIENTS BE PAID?

LOD recipients will begin receiving payments from SoundExchange the next pay period in which the Featured Artist receives payment (either the following month or the following quarter depending upon the structure of the Featured Artist's account) after the valid LOD becomes active with a couple caveats listed below.

1. The LOD recipient's royalty balance, must meet SoundExchange's payment threshold of \$10.00 to be paid. Monthly payments will be sent to LOD Recipients with direct deposit accounts, otherwise payments will be made quarterly by check.
2. As stated above, payments for LOD recipients will only be sent when the Featured Artist receives a payment. Thus, if the Featured Artist does not receive payment for any reason, the LOD recipient will not receive payment for any LOD related to that Featured Artist. For example, if a retroactive LOD application results in the Featured Artist having an overall negative balance on his/her account, the LOD recipient will not be paid until the Featured Artist's account has a positive balance and the Featured Artist resumes receiving payment. The LOD recipient will still accrue royalties during the period in which the Featured Artist is not paid, but the LOD recipient will not receive those royalties until the Featured Artist is paid.

12. HOW WILL THE PAYMENTS I RECEIVE FROM SOUNDEXCHANGE PURSUANT TO AN LOD BE REPORTED TO THE INTERNAL REVENUE SERVICE (IRS) AND OTHER TAX AUTHORITIES?

Featured Artists will receive a Form 1099 from SoundExchange, which will include all earnings to your artist account including:

- amounts paid to you; and
- the amount of any payment made to Creative Participants per your Letters of Direction

SoundExchange is required to follow IRS regulations, which require us to report income at the featured artist level as the beneficial owner of the royalties and therefore apply the relevant tax treatment to all payments rendered to a featured artist account (including payments that ultimately passed on to Creative Participants via Letters of Direction).

It is the Featured Artist's responsibility to provide each Creative Participant with any applicable tax paperwork. We suggest that you consult with your own tax advisor regarding your reporting obligations and any adjustments that may occur as a result. **SoundExchange does not provide any tax advice and no information contained herein, should be construed as tax advice.**

Contact Us

If you have additional questions about how to submit a Letter of Direction, please contact our Customer Service team by phone at 1-800 961-2091 or email at accounts@soundexchange.com.

LOD forms can be found on our Registration and Membership page [here](#).

Our address:

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1-800 961-2091

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