

Sound Royalties Founder Alex Heiche Shares His Strategy For Financing The Music Community (Interview)



Sound Royalties

Alex Heiche created Sound Royalties in 2014 with the goal of helping music industry professionals make a financial decision without selling their copyrights and ultimately their soul. The rise of Chance The Rapper who has become a new icon for independent artists along with Frank Ocean's abrupt break with Def Jam is a reflection of how many artists are becoming proactive with the financial aspect of their careers. Songwriter Priscilla Renea, who has written songs for Miranda Lambert, Carrie Underwood and Pitbull has partnered with Sound Royalties. Dancehall/R&B singer Kevin Lyttle has also partnered with Sound Royalties to open a dedicated recording studio for his Tarakon Records in Miami.

Record labels will not immediately become extinct but artists

new and old want more control over their finances. Heiche's company seeks to make the music industry financing more of a deal among equals instead of painful bloodletting for the artist. If a songwriter, producer or performer is earning royalties they can leverage that money for the future to receive financing today without selling their copyrights. Heiche is a financial professional with over a decade of experience and has been providing funding to the entertainment community since 2003. In this interview, he explains the company's mission and why Sound Royalties is no replacement for the traditional record label.

“I feel strongly you should never sell your copyrights”

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What is Sound Royalties?

We're a specialty finance firm that provides funding to songwriters, artists, producers, the whole music community to enable them to fund their projects which tends to be more of the trend now because of more people going indie and personal things they may need to fund as well.

What inspired you to want to make a company like Sound Royalties?

I come from a specialty finance background but I've always had passion for music and a love of music and always stayed connected to the industry in one way or another. Through that connection I was able to see that there's a huge void in funding and financing for songwriters, artists and producers. In essence there was two camps, there were traditional banks which offer excellent product and services but they're strictly regulated and can't give advances and funding to the music community if an individual may have poor credit. Income streams in the music industry go up down up down more

like a rollercoaster and most artists are bound to have some challenges and this closes the doors for the traditional bank. And the rest of the marketplace is mostly comprised of those who are trying to buy or purchase the copyrights and I feel strongly you should never sell your copyrights, artists and songwriters that's a piece of themselves you know they created that there was nobody offering traditional funding just using the copyrights as collateral. That's where my focus was and I was eventually able to create Sound Royalties in 2014.

How does the artist go about getting money from Sound Royalties?

Say you're an artist collecting royalties from Sound Exchange or from ASCAP. We'll look at your historical earnings the last three years and from that find out future earnings. We will use the prediction of those future earnings as collateral to provide some funding today. The key is that when you take an advance from the music industry it's usually what's called a 100 percent recoupment so you never see another penny until you recoup. So if someone's getting 10 dollars a pay period, we may work with six, seven or eight. There's still an opportunity for income to overflow to the artist. So what we do is look at the historical to provide future funding with repayment and recoupment options. The other scenario is you're a brand new artist or songwriter and you have a hit song that's charting right now. You may not have historical royalties for us to analyze in that scenario what we do is we'll be able to project if the song is already charting what that income is because the income can take up to a year to come through so we can see what's coming down the pipe.

Have you worked with many music industry professionals since starting the company? Is there anyone that can be named?

Yes, there's been a lot but the challenge has been that everything we do is strictly confidential so what we will do is ask every so often someone who has a great story would you mind if we shared this story and we get permission every once in a while.

Do the record companies have disdain for your company?

We've gotten that question a lot and I've sat down with publishers and talked with them and told them we are not competition to you or a label. The only difference is you don't have to necessarily provide the advance we can but we're not going to do the marketing, the collections, we don't do any of that so we don't compete with them. We enable them to free up their advance money for other things but still retain their customers because there is still a need for a record label the need for the publisher. We just make it easier on everybody because not everybody is fighting for the same small pool of advance money.

It sounds like the independent artist who is already successful would do well with Sound Royalties because they wouldn't have the bigger obligations to a major label. Have you worked with anyone like that?

Â Absolutely, it's a popular thing, they're somewhat successful and they want to build upon that success but doesn't want to take an advance from someone who wants a piece of what they are doing they'd rather fund it themselves. We can provide that advance and we don't want to own their copyrights we only use them as collateral.

Do you feel like because of the way the industry is changing, this was the best time to create this company?

It really was with everything in flux. We've seen these strange transitions and where money is transitioning. Â There were a lot of people slowing down their advances because things were in flux and so we came in and started offering

advances and filled that need. It was the perfect opportunity because people were scaling back on their advances whether it was publishers, labels, and we were opening our doors and increasing the money that was flowing

How does Sound Royalties sustain itself financially?

Since 2003 I've been providing funding the entertainment community so I had the connections and the wherewithal to fund these deals and create a business around them and we are a sustainable business. Just like a bank there's traditional fees that we charge using the collateral.

What is Sound Royalties' ultimate goal in the industry?

The ultimate goal would be for the entertainment community to know that they don't have to sell their copyrights and if they need funding and financing there's alternatives. More often or not we get the call from the attorney from the manager, we heard about you guys do you think you can help. And we can, to give an example, recently without giving names there's a big big named-artist getting about three million dollars a year from Sound Exchange that's a huge income stream but for a lot of people. Sound Exchange may be a side income and this individual is looking to raise money and was considering selling their copyrights for about fifteen million dollars. We told this individual just look at the next 20 years not the next 35 years what do you think is going to happen to that income stream? Based on that in the next 20 years you're going to get sixty million dollars or you can take fifteen today, that's a huge hit. An alternative with us is that we could give them up to seven million dollars immediately and over the next 20 years the individual is going to get fifty-seven million almost the entire sixty million and to come to us again and again and again. So why would you sell them? There's the group looking for 100-500 hundred thousand and then there's the seven-figure deal but we'll do anything from twenty-five grand up to ten million.

Is there anything else you would like to add about Sound Royalties?

A few months ago we started analyzing a lot of royalty streams and found a lot of undistributed royalties. So one of the things we do for our customers is we often find uncollected royalties. It's not our core business but it's something we do for our customers. It's always nice to call someone and say hey "We found money of yours."

For more about information about Sound Royalties check out the company's [site](#).