



January 14, 2005

The Friday Sheet

www.musicrow.com

Face The Music—Cashing The Co-Pub

David M. Ross

"You know how it is when you're sitting with a couple of friends and you all decide you have a good idea," smiles

Copyrightexchange.com CEO **Gary Smith**. "Then you plot for a while and go out with it. We've been overwhelmed by the response from industry people we really respect and that's a great feeling."



Gary Smith

The innovative new company describes itself as, *making the complex business of selling catalogs of creative works easy to understand. It is the first company to concentrate actively on the market for this increasingly common transaction and the first dedicated to bringing new groups of non-traditional copyright buyers to these attractive and dynamic investment opportunities.* Current catalogs being offered on the site are from **Tim Nichols, Tom Shapiro** and **Jim Collins**.

The new company has two goals: To broker the sales of copyrights for songwriters and publishers, plus offer an online listing service to help standardize the marketplace. "We've been selling catalogs for years," says Smith. "The copyright sales and real estate businesses are a lot alike. Copyrightexchange.com will be like the multi listing service (MLS) that all realtors subscribe to and offers a standard way to present property. It becomes a vehicle to make the marketplace more efficient—in different cities and around the world. Listings to buy/sell catalogs can work the same way. Organizing the marketplace will benefit all parties."

In addition to its newly-launched Internet home, the company stays in close contact with a list of over 5,000 potential buyers, acquired through years in the business. According to Smith, other brokers using the system as a listing guide would pay a fee of 10-30% of their commission.

Smith and **Dwight Wiles**, (Copyrightexchange President) are partners in Smith, Wiles & Company, a firm that offers business management for artists, executives, songwriters and producers. The firm has been handling copyright transactions for many years. Other Copyrightexchange executives include Executive VP and General Counsel **Craig Benson** plus GM/VP Business Affairs **Chip Petree**.

"Basically, we felt that we were working with enough copyright transactions to justify spinning it off into a separate business," says Smith. "The market is definitely getting stronger because there are compelling financial and tax reasons for a songwriter to sell. Of course if the new Songwriter Simplification tax act finally gets passed the flood gates will open.

"Most successful writers and artists own real estate and copyrights," explains Smith, "but lack diversification, therefore subjecting themselves to unnecessary risk. We think it is conservative to take some money off the table while they are on top and can get top dollar. We do not advocate selling the writer's share, only the co-publishing copyright (selling one third, keeping two thirds). I'm very passionate about this. It may fly in the face of some conventional wisdom here in town, but it's the conservative thing to do."

According to Smith, "a top songwriter, self-employed, would pay the maximum 35% income tax plus a maximum 15% in self-employment tax. Selling eliminates the self-employment tax plus the writer gets the ability to take the proceeds and invest in things that can reduce the rate further such as dividends and capital gains which have a 15% maximum rate. There is also the possibility of tax-free investments. So why should songwriters continue holding these catalogs? They are being insulted by the tax code and not getting such a great rate of return. Of course I'm talking generalities which apply to the vast majority of writers and each writer needs to carefully consult a professional regarding his/her specific situation. But generally, writers should sell at the high point of their career and not years later when the earnings have dwindled. If they bale out at the top they maximize return—it's smart thing to do."