

# 2007-2010 AFTRA NATIONAL CODE OF FAIR PRACTICE FOR SOUND RECORDINGS

## Memorandum of Agreement

The following terms and conditions of employment have been agreed to by and among Warner Brothers Records, Atlantic Recording Corporation, SonyBMG Music Entertainment, Universal Music Group, Capitol Records, Inc. and Hollywood Records, Inc. (each hereinafter the "Company") and the American Federation of Television and Radio Artists, AFL-CIO ("AFTRA"), subject to ratification by the AFTRA covered members and approval of the health and retirement provisions by the Board of Trustees of the AFTRA Health and Retirement Fund (the "Fund").

All terms of the 2002-2006 AFTRA National Code of Fair Practice for Sound Recordings, as extended through June 30, 2007, not modified herein shall remain in full force and effect.

**1. Term (Preface, Page 2):**

July 1, 2007 through June 30, 2010.

**2. Minimum Rates (Par. 6, Pages 5-6, Par. 9, Page 12):**

Increase all rates in Paragraph 6 and contractors' rates in Paragraph 9, as follows:

Effective upon ratification:

All rates (except Group rates)	2.5%
Group rates:	3%

Effective July 1, 2008:

All rates:	2.5%
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Effective July 1, 2009:

All rates:	3%
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**3. AFTRA Health and Retirement (Par. 34, Section 2, Page 19; Side Letter #5 and Supplement thereto, Pages 30-33):**

- A. Effective July 1, 2007, increase non-Royalty Artists' contribution rate to 11.5% of gross compensation.
- B. Effective January 1, 2009, increase Royalty Artists' contribution rate to 10.5% of Royalty Earnings.
- C. Effective January 1, 2010, increase Royalty Artists' contribution rate to 11% of Royalty Earnings.
- D. Effective January 1, 2009, (i) increase the Fund cap on Royalty Artists to \$140,000 and (ii) establish a Fund cap of \$160,000 for groups of three (3) or more

AFTRA-covered artists. (Groups of two (2) AFTRA-covered artists shall continue to be subject to the applicable individual cap).

- E. The following is subject to the parties meeting and determining administrative details with respect to when and how roster artist special payments shall be made to the Fund recognizing that in no event shall any Company have an obligation to make more than one special payment for any roster artist for the same period or to make any special payment on behalf of a roster artist who has not enrolled with the Fund and paid his/her required premium payments to the Fund in a manner sufficient to make them eligible for coverage.

Effective June 30, 2008, amend Letter of Agreement #5 (and its Supplement) to provide that each Company shall make a Special Payment on behalf of roster artists whose earnings in the prior year were less than \$10,000 (subject to index by the Fund but not to exceed \$15,000) in an amount equal to 90% of the modified COBRA rate, i.e. net of the 2% premium (less the required participant premium) for coverage, provided that such payment shall only be owed on behalf of roster artists who have actually enrolled in the Fund and have made their required premium payments to the Fund in a manner sufficient to make them eligible for coverage. In no event shall the amount of the Special Payment exceed \$5,000 per enrolled roster artist. In the event that, during the term of the Agreement, the Fund implements a material plan design change or significantly alters the level of coverage available for the Special Payment, either party may, upon 60 days written notice, re-open negotiations to explore alternative terms and conditions of health insurance for the affected artists. For a detailed explanation of the processes and procedures of the new Special Payment program, see the Outline of AFTRA H&R Fund Special Payment Procedures which is attached hereto and incorporated herein by reference.

**4. Digital Downloads (Appendix A, Paragraph F, Page 25)**

- A. The parties agreed to specific terms regarding the digital exploitation of Covered Sound Recordings and Music Videos produced under the AFTRA Sound Code through Downloads, Non-Permanent Downloads and Video Streams (as such terms are defined in Attachment A), in each case occurring on or after January 1, 2008. The specific terms of these agreements are set forth in Attachment A, and shall be incorporated into the appropriate sections of the AFTRA Sound Code.
- B. Delete Paragraph F of Appendix A in its entirety.

**5. Music Videos (Paragraph 6.K, Page 9)**

- A. The parties agreed to clarify that Paragraph 6.K. of the AFTRA Sound Code applies to physical product only. The parties further agreed to a full and complete release of all claims that may have been made or that could arguably be made under Paragraph 6.K. for (i) any and all physical product music videos that may have been subject to such obligations first released for sale before July 1, 2007, and (ii) any and all digital product music videos first released for sale before

January 1, 2008. The release is attached and incorporated herein as Attachment B. It will be executed simultaneously with the execution of this Memorandum of Agreement.

- B. The parties agreed to defer discussions concerning the production of music videos until 60 days following the ratification of this Memorandum of Agreement.

**6. Transfer of Rights in Sound Recordings (Add New Article to AFTRA Sound Code)**

- A. If the Company sells, assigns, leases, licenses or otherwise transfers title to or permission to use any sound recording produced under any AFTRA agreement for any purpose, the Company may obtain from such party an assumption agreement in the form set forth in D below.
- B. In the event the Company intends to obtain an assumption agreement from a third party in respect of a sound recording, then, within sixty (60) days of the sale, assignment, lease, license or other transfer of title of such sound recording produced under an AFTRA agreement, the Company shall provide AFTRA and the AFTRA Health and Retirement Fund with the identity of the sound recordings involved, the intended use of the product, the date of transfer, and the name, address, telephone number and fax number of each such purchaser, assignee, lessee, licensee, or other transferee, and with an executed copy of each assumption agreement entered into by the Company. An inadvertent failure on the part of the Company to comply with any of the provisions of this Article shall in no event constitute a default by the Company hereunder or a breach of this Agreement, provided that such failure is cured properly after notice thereof from AFTRA or the AFTRA Health & Retirement Fund.
- C. Upon delivery of such assumption agreement, the Company (or any subsequent party obtaining an assumption agreement) shall not be further liable to AFTRA or to the AFTRA Health & Retirement Fund for compliance with the terms of this Agreement with respect to the obligations assumed by the other party to the assumption agreement. In the event that no assumption agreement is delivered, the Company (or the party last obtaining an assumption agreement) shall continue to be liable for compliance with the terms of this Agreement with respect to the applicable sound recordings, unless the purchaser, assignee, lessee, licensee, or other transferee is a signatory to an AFTRA Sound Code which is applicable to the use for which the transferred sound recording is intended, in which case the Company shall not have such liability.
- D. The assumption agreement under this article shall be in the following form (additional provisions may be included so long as they do not alter the terms set forth below):

**AMERICAN FEDERATION OF TELEVISION AND RADIO ARTISTS**  
**Sound Recording Code Transfer of Rights- Assumption Agreement**

TRANSFEROR:

TRANSFeree:

\_\_\_\_\_  
(Company Name)

\_\_\_\_\_  
(Company Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip)

\_\_\_\_\_  
(City, State, Zip)

This agreement is effective \_\_\_\_\_.

Transferee hereby agrees with Transferor that the recording(s) covered by this agreement (listed below\*) are master recordings subject to the 2007-2010 AFTRA National Code of Fair Practice for Sound Recordings (hereafter called "Code"), under which the recordings were produced ("Recording").

With respect to the use of one or more Recording(s) for any purpose set forth in the Code, Transferee hereby agrees expressly for the benefit of AFTRA and its members affected thereby to comply with all of the payment, reporting and audit requirements of the applicable Code and AFTRA Health and Retirement Funds Trust Agreements, as well as the arbitration provisions contained therein. Upon the execution of this Assumption Agreement, the Transferor (or any subsequent party obtaining an Assumption Agreement) shall not be further liable to AFTRA, to the AFTRA Health and Retirement Funds or to any performer subject to the Code for compliance with the terms of this Agreement with respect to the obligations assumed by the other party to this Agreement.

It is expressly understood and agreed that the rights of Transferee to utilize such recordings shall be subject to and conditioned upon the prompt payment to the performers involved of all compensation as provided in said Code and AFTRA, on behalf of the performers involved, shall be entitled to injunctive relief in the event such payments are not made.

In the event of a subsequent transfer, assignment, sale or other disposition by Transferee of any recording(s) covered by this agreement, Transferee agrees to give written notice, by mail, to AFTRA of each such subsequent transfer, etc. within 60 days after the consummation thereof, and such notice shall specify the name and address of the transferee, assignee or purchaser. Transferee shall also deliver to AFTRA a copy of the agreement with the transferee, assignee or purchaser, which agreement shall be in substantially the same form as this agreement.

The Transferee's obligations with respect to the Recording(s) are limited to those obligations set forth in the second paragraph above, and in no event shall the Transferee be deemed, solely as a result of having executed this assumption agreement, to have any other obligation under any AFTRA agreement or to be signatory to any AFTRA agreement. In addition, the Transferee's obligations with respect to the Recording(s) are limited to those rights actually acquired by the Transferee and only for the period it holds such rights (except to the extent that it transfers those rights to another party, in which case it shall retain liability unless it obtains an assumption agreement in substantially the same form as this assumption agreement).

**RECORDING(S) COVERED BY THIS AGREEMENT:**

Title and/or I.D. Number

\_\_\_\_\_

\_\_\_\_\_  
(List all other recording(s) on reverse side of this form)

\_\_\_\_\_  
(Company Name of Transferor)

\_\_\_\_\_  
(Company Name of Transferee)

By: \_\_\_\_\_  
(Signature of Officer)

By: \_\_\_\_\_  
(Signature of Officer)

\_\_\_\_\_  
(Type Officers Name & Title)

\_\_\_\_\_  
(Type Officers Name & Title)

DATE: \_\_\_\_\_

DATE \_\_\_\_\_

AFTRA Receipt Acknowledged By:  
\_\_\_\_\_

DATE: \_\_\_\_\_

**7. Contingent Scale Reports**

Upon advance written notice from AFTRA, each Company shall modify the Contingent Scale Reports in order to provide that all required payments and reports are made to a single department within AFTRA.

**8. Artists' Contracts**

Upon written request from AFTRA, each Company will meet and confer with AFTRA concerning artists' contracts.

**9. AFTRA Recommendation**

AFTRA agrees to recommend and support approval of this Memorandum of Agreement in its entirety to the AFTRA National Board, the AFTRA membership, and the Board of Trustees of the AFTRA H&R Funds.

**10. Press Release**

The parties will create and release a joint statement to be released to the press concerning the outcome of negotiations.

**For WARNER BROTHERS RECORDS, ATLANTIC RECORDING CORPORATION,  
SONYBMG MUSIC ENTERTAINMENT, UNIVERSAL MUSIC GROUP, CAPITOL  
RECORDS, INC. and HOLLYWOOD RECORDS, INC.**

By: \_\_\_\_\_

Norman Samnick

By: \_\_\_\_\_

Michael Curley

**For AMERICAN FEDERATION OF TELEVISION AND RADIO ARTISTS**

By: \_\_\_\_\_

Kim Roberts Hedgcock

# Attachment A

## Digital Exploitations of Covered Product

### 1. Definitions and Scope

The following sets forth the specific terms agreed to by the parties regarding the digital exploitation of (A) Covered Sound Recordings (as defined herein) through Permanent Downloads or Non-Permanent Downloads and (B) Music Videos (as defined herein) through Permanent Downloads, Non-Permanent Downloads or Video Streams (each of the foregoing, a "Covered Exploitation"). For the avoidance of doubt, nothing herein shall be construed as covering (C) the commercial digital exploitation of Audio Streams, (D) the promotional digital exploitation of Covered Sound Recordings or Music Videos or (E) transmissions that are subject to the compulsory statutory license established by 17 U.S.C. Section 114.

- a. For purposes of this Attachment A, which shall be incorporated into the AFTRA Sound Code, a "Covered Sound Recording" shall include a digital file containing one (1) or more tracks or songs containing performances of non-Royalty background singers recorded on or after December 15, 1974 produced by a signatory record company pursuant to the AFTRA Sound Code. In incorporating the terms embodied herein into the AFTRA Sound Code the parties shall determine whether the definition of "Covered Sound Recording" should be altered, and if so, how it should be altered, in order accurately to integrate the terms and understandings set forth herein into those documents.
- b. The term "Music Video" shall be defined as an audio visual product that includes an audio element produced from a Covered Sound Recording, and a visual element of the type or genre traditionally aired on television for promotional purposes, e.g. MTV, VH1, BET, CMT, etc.
- c. The term "Permanent Audio Download" shall be defined as a Covered Sound Recording which is sold via digital transmission in the United States only in a manner which provides a permanent copy. The term "Permanent Video Download" shall be defined as a Music Video which is sold via digital transmission in the United States only in a manner which provides a permanent copy. "Permanent Audio Downloads" and "Permanent Video Downloads" are collectively referred to as "Downloads." For clarification, "Downloads" shall include master ringtones.
- d. The term "Non-Permanent Download" shall be defined as a Covered Sound Recording or a Music Video which is sold via digital transmission in the United States only on a temporary, tethered, conditional or "timed out" basis.
- e. The term "Audio Stream" shall be defined as a Covered Sound Recording which is sold via digital transmission in the United States only using streaming technology and leaving no residual copy on the receiving device.

- f. The term "Video Stream" shall be defined as a Music Video which is sold via digital transmission in the United States using streaming technology and leaving no residual copy on the receiving device.
- g. The term "Wholesale Price" shall be defined as the per unit wholesale price (without deductions) actually received by the Company from a digital service provider in connection with a Covered Exploitation sold within the United States only. In circumstances where there is no per unit wholesale price, "Wholesale Price" shall be defined as the monies actually received by the Company from a digital service provider that are attributable to a Covered Exploitation sold within the United States only. By way of illustration, the parties acknowledge that percentage of gross service revenue payments, percentage of advertising revenue payments, per-subscriber payments and per-use payments attributable to United States sales will generally be within the type of revenues that would be included within the calculation of "Wholesale Price." The parties further acknowledge that content origination fees, digitization fees and advances not offset by actual digital transmissions are not generally within the types of revenues that would be included within the calculation of "Wholesale Price."
- h. The terms set forth herein shall only apply to Downloads, Non-Permanent Downloads and Video Streams and shall not cover terms for Audio Streams. Audio Streams that are subject to the compulsory license created by 17 U.S.C. Section 114 will be governed by the provisions of Section 114. Audio Streams that are made pursuant to interactive or other non-statutory licenses granted by the Company pursuant to Section 114, are covered by the parties 1994 Memorandum of Agreement or a successor agreement thereto.

## 2. Payment Terms-Permanent Audio Downloads

- a. Rate: Effective for Permanent Audio Downloads occurring on or after January 1, 2008, pay .275% of the Wholesale Price, after applying applicable exclusions. Upon the sale of 1,000,000 Permanent Audio Downloads, pay .4% of the Wholesale Price.
- b. Exclusions: There shall be a 280,000 unit exclusion for Permanent Audio Downloads sold on or after January 1, 2008 (whether sold individually or in a digital album configuration).
- c. Duration: Payments for Permanent Audio Downloads shall commence with the calendar year during which the Covered Sound Recording is first released for sale in any form and terminating at the end of the tenth (10<sup>th</sup>) calendar year thereafter (the year of release shall be counted as the first of ten (10) years), provided, however, that all Covered Sound Recordings produced prior to January 1, 2008 shall be subject to the exclusions and payment terms hereunder for a new ten (10) years from 2008.
- d. Duration Extension: All Covered Sound Recordings which sell over 1,000,000 Permanent Audio Downloads on or after January 1, 2008 and within the initial ten



(10) year period shall earn a new ten (10) year payment term at the end of the initial term.

- e. All of the payments required to be made hereunder shall be made to the AFM/AFTRA Intellectual Property Rights Distribution Fund (the "AFM/AFTRA Fund").
- f. Payments made from the AFM/AFTRA Fund to non-Royalty Artists on Permanent Audio Downloads shall be subject to AFTRA H&R Fund contributions at the rate of 11.5% of gross compensation.

### 3. Payment Terms – Non-Permanent Audio Downloads

- a. Rate: Effective for Non-Permanent Audio Downloads occurring on or after January 1, 2008, pay .5% of the Wholesale Price.
- b. Exclusions: None.
- c. Duration: The limitation, if any, on the period during which payments shall be owed on Non-Permanent Audio Downloads shall be subject to negotiations between the parties in the context of the negotiations for a successor agreement to the 1994 MOA. For the avoidance of doubt, the parties acknowledge and agree that (i) the duration period, if any, that is negotiated between the parties hereunder may be different than the duration period that is negotiated or otherwise resolved in connection with Audio Streams and (ii) those negotiations may yield different terms as between the AFM and AFTRA.
- d. All of the payments required to be made hereunder shall be made to the AFM/AFTRA Fund.
- e. Effective January 1, 2008, each Company shall discontinue payments for Non-Permanent Audio Downloads made on the terms of the 1994 MOA.

### 4. Payment Terms – Music Video Exploitations

- a. Rate: Effective for Permanent Video Downloads, Non-Permanent Downloads of Music Videos and Video Streams occurring on or after January 1, 2008, pay .55% of the Wholesale Price for the first ten (10) years from release; pay .3% of the Wholesale Price for the next five (5) years.
- b. Exclusion: None.
- c. Duration: Payments for Permanent Video Downloads, Non-Permanent Downloads of Music Videos and Video Streams shall commence with the calendar year during which the Music Video is first released for sale in any form and terminating at the end of the fifteenth (15<sup>th</sup>) calendar year thereafter. The year of such release shall be counted as the first year of the fifteen (15) years. For purposes of calculating the 15 year period for exploitations of Music Videos produced prior to January 1, 2008, the first year shall be 2008.

d. All of the payments required to be made hereunder shall be made to the AFM/AFTRA Fund.

Effective 6/1/08      Effective 7/1/08      Effective 7/1/09

**Soloists and Duos**

Solo/Duo	\$198.75	\$203.75	\$209.75
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**Group Singers**

Group 3-8	\$90.50	\$92.75	\$95.50
Group 9-16	\$69.25	\$71.00	\$73.25
Groups 17-24	\$60.50	\$62.00	\$63.75
Groups 25-36 (non-classical)	\$51.25	\$52.50	\$54.00
Groups 36+ (non-classical)	\$44.00	\$45.00	\$46.25

**Classical Recordings**

Groups 25+ (with Orchestra)	\$114.00	\$116.75	\$120.25
Overtime	\$38.25	\$39.25	\$40.50
Groups 25+ (A Capella)	\$38.25	\$39.25	\$40.50
Coach Rehearsal	\$15.50	\$16.00	\$16.50

**"Stepping Out"**

Groups 9+	\$90.50	\$92.75	\$95.50
Solo/Duo Step Out			

Groups 3-8

1 Singer Steps Out	\$90.50	\$92.75	\$95.50
2 Singers Step Out	\$60.75	\$62.25	\$64.00
3 or more singers Step Out	\$45.00	\$46.25	\$47.75

**Actors, Comedians,**

**Narrators and Announcers**

Narrators/Announcers	\$171.75	\$176.00	\$181.25
Actors - 1 Role	\$151.50	\$155.25	\$160.00
Actors - 2 Roles	\$302.75	\$310.25	\$319.50
Actors - 3 Roles	\$455.75	\$467.25	\$481.25

**Original Cast Show Albums**

Broadway Show	\$598.25	\$613.25	\$631.75
Other	\$401.00	\$411.00	\$423.25

**Sound Effects Artists**

First Hour	\$143.50	\$147.00	\$151.50
Each add'l half-hour	\$54.25	\$55.50	\$57.25

**Contractors**

Groups 3-8	\$43.75	\$44.75	\$46.00
Groups 9-16	\$51.25	\$52.50	\$54.00
Groups 17-24	\$62.25	\$63.75	\$65.75
Groups 25-35	\$75.25	\$77.25	\$79.50
Groups 36+	\$89.75	\$92.00	\$94.75