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HFA Offers New Licensing Options for Limited Downloads, Interactive Streams, and Ringtones

March 5, 2009 – With the new statutory rates now in effect, HFA offers new mechanical licensing options for limited downloads, interactive streams, and ringtones.

Limited downloads and interactive streams can be licensed through HFA's bulk licensing program. The bulk program allows licensees that request a high volume of licenses to convert information contained in their back office systems into thousands of HFA license requests at a time. Ringtones can also be licensed through the bulk process, or through HFA's online licensing system, eMechanical®, which is designed for individual entry of each separate license request. To open an HFA licensing account, potential licensees need to submit an application, which can be found on our website, www.harryfox.com.

The royalty rates for these formats are established by law. Ringtones are now 24¢ per copy for non-derivative works (in essence, short, unedited clips from the song). Those that wish to offer mastertones should note that the HFA license is for the publisher's mechanical right only, and licensees must obtain the master rights to use the relevant recording from the owner, which is usually the record label.

Rates for limited downloads and interactive streams are based on a percentage of the online music service's revenue. To be in compliance with the compulsory licensing provisions, a licensee for these formats must be able to provide information such as the service's total revenue, subscriber information, content costs, and applicable performance royalty expenses as part of their royalty reporting. A summary of the rate calculation criteria for limited download and interactive streaming licenses issued by HFA after March 1, 2009 is included on the following page.

HFA continues to offer statutory rate mechanical licensing for permanent digital downloads. Permanent digital download licenses can also be obtained using eMechanical or our bulk process. If you would like to license less than 2,500 permanent digital downloads, you can do so online using HFA's Songfile® licensing service.

The rate for permanent digital download mechanical royalties is the same as for the use of a song on a physical format such as a CD: 9.1¢ for songs which are five minutes or less in length, or 1.75¢ per minute, rounded up, for songs that are longer than five minutes.

HFA is leading the way as the distribution of music evolves with technology. We also license other formats such as lyrics, tablature and background music services. If you are interested in licensing music for these and other formats, please contact newmedia@harryfox.com.

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Royalty Rates for the Use of Musical Works in Services Providing Interactive Streaming and Limited Downloads

Calculation Steps:	Offering Type				
	Standalone Non-Portable Subscriptions, Streaming Only	Standalone Non-Portable Subscriptions, Mixed Use	Standalone Portable Subscriptions, Mixed Use.	Bundled Subscription Services	Free Non-Subscription / Ad-Supported Services
1. Calculate All-In Royalty For Service as greater of:					
(a) applicable % of Service's Revenue, and	(a) 10.5%	(a) 10.5%	(a) 10.5%	(a) 10.5%	(a) 10.5%
(b) applicable Service Type Minimum	(b) Lesser of \$.50 per subscriber per month, and if pass through license, 18% of service royalty expense for label, if not pass through, 22% of service royalty expense for label	(b) Lesser of \$.50 per subscriber per month, and if pass through license, 17.36% of service royalty expense for label, if not pass through, 21% of service royalty expense for label	(b) Lesser of \$.80 per subscriber per month, and if pass through license, 17.36% of service royalty expense for label, if not pass through, 21% of service royalty expense for label	If pass through license, 17.36% of service royalty expense for label, if not pass through, 21% of service royalty expense for label	If pass through license, 18% of service royalty expense for label, if not pass through, 22% of service royalty expense for label
2. Subtract from All - In Royalty for Offering	PRO royalties re. licensed activities	PRO royalties re. licensed activities	PRO royalties re. licensed activities	PRO royalties re. licensed activities	PRO royalties re. licensed activities
3. Payable Royalty Pool (\$ payable for all musical works used in the period) =	<u>Greater of:</u> 1. Step 2 Result, or 2. \$.15 per Subscriber Month *	<u>Greater of:</u> 1. Step 2 Result, or 2. \$.30 per Subscriber Month *	<u>Greater of:</u> 1. Step 2 Result, or 2. \$.50 per Subscriber Month *	<u>Greater of:</u> 1. Step 2 Result, or 2. \$.25 per Subscriber Month *	Step 2 Result
4. Per Work Royalty Allocation for Each Relevant Work, applicable to all offering types:					
(a) Payable Royalty Pool for an offering divided by the total number of plays of all musical works through the offering (other than promotional rate plays) to yield a per-play allocation.					
(b) Multiply per-play allocation times the number of plays each musical work (other than promo rate plays). After 10/01/10 the number of plays for musical works with a playing time of over 5 minutes shall be counted so that each actual play is counted as 1 plus 0.2 for each minute or portion thereof in excess of 5 minutes.					



* - Subscriber Month for all offerings except bundled subscription services shall be calculated for the accounting period, taking into account all end users who were subscribers for complete calendar months, prorating in the case of end users who were subscribers for only part of a calendar month, and deducting on a prorated basis for end users covered by a free trial period subject to the promo royalty rate. For bundled subscription services, determined with respect to active subscribers (i.e., each end user who made at least one play of a licensed work during such month).

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Established in 1927 by the National Music Publishers' Association, HFA represents almost 36,000 music publishers for their licensing needs in the United States, issuing licenses and collecting and distributing the associated royalties. In addition to being the premier mechanical licensing agent in the U.S., which includes CDs, ringtones, digital downloads, interactive streams, limited downloads and more, HFA is dedicated to finding new ways for its affiliated publishers to recognize value for their catalogs, including lyrics and tablature. Further, HFA provides collection and monitoring services to its publisher clients for music distributed and sold in over 95 territories around the world. For more information about HFA, or to become an affiliate publisher or a licensee, see www.harryfox.com.

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