



# Soundcheck

Issue 9

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## Evolution, not Revolution

*A few words from Gary Churgin,  
HFA President & CEO*

A new year and a time for new beginnings. We have taken this to heart here at HFA, especially in the area of our technology systems. When I came to HFA, the concept of a wholesale “transformation” of our technology systems seemed to be the way to go. Over time, it became clear that this approach would not be effective – the marketplace can change its priorities quickly, and the specifications that were provided three years ago were no longer relevant to our publishers’ and licensees’ needs.

So we have decided to adopt a new methodology, one that is more evolutionary and occurs in stages. This new strategy seeks to leverage our existing systems and the useful elements of the initial effort developing ILS and CDO, while incorporating new standards such as Common Works Registration (CWR) and the Music Industry Integrated Identifier Project (Mi3P).

We are also collaborating with the people who use our systems every day: publishers and licensees. This includes representatives from a diverse group of publishers, including Bourne Music, Bug Music, Carlin America, Cherry Lane, Curb Music, Demi Music, EMI Music

Publishing, Famous/Paramount, Helene Blue Musique, Music Sales Corporation, peermusic, The Richmond Organization, Sony/ATV Music Publishing, Universal Music Publishing, Warner Chappell Music Publishing, Williamson Music, and Windswept. We are also working with our top licensees, and we expect to broaden that group when we are further along in the process.

We plan on three iterations, or points of delivery: 0-6 months, which will tackle your more urgent needs; 6-12 months, to begin to address core functionality; and 12-18 months, to complete and refine the new systems.

Through HFA Soundcheck and other communications, we will continue to keep you all apprised of our progress, and inform you in advance of changes that will affect how you interact with HFA systems.

A handwritten signature in dark ink, appearing to be the initials 'GC' for Gary Churgin, is written in a cursive style.

## HFA in 2003 – Year in Review

HFA's 2003 results reflected the overall industry trend. Sales of recorded music have dropped steadily since 1999, though it appears we may have seen the bottom in the last quarter of the year. HFA mechanical royalty collections for 2003 were more than 13% below 2002. While Soundscan was down by only 3.6% for the year, this includes strong Q4 and current repertoire sales. HFA will not see effects of the Q4 2003 sales until mid-Q1 2004 reporting, and we are stronger in the catalog categories, not current releases which make up the bulk of Soundscan. RIAA figures for the first six months of 2003 were off 15.8% vs. 2002, due in large part to the closing of over 1,000 retail outlets. Year-end data is yet to be made available. Again, returns affect HFA, but would not be reflected in Soundscan.

As a result, HFA was forced to adopt several new strategies, including the reduction of our workforce, and made the decisions to increase the commission rate and institute an annual affiliation fee in 2004. We will continue to look for ways to cut our costs and have an impact on these changes. We think these changes will ultimately have a positive effect on the company. HFA still has one of the lowest commission rates of any rights organization in the world. We continue to cross-train our staff to make each person more able to handle client issues, and we will now be able to emphasize the handling of affiliated clients versus those with no interest in using HFA's services. Through these efforts we believe we can deliver the same if not better level of customer service to our publishers and licensees.

Settlements and pro-active collections (tracking HFA catalog against Soundscan at a track level) were a bright spot for HFA in 2003. It was one of the biggest years ever for settlements from HFA Royalty Compliance Exams, and we are already off to a good start in 2004 with a number of settlements concluded in January.

HFA also hit a major milestone in 2003 – we have processed and are administering over five million individual licenses in the marketplace.

HFA offered several innovative new licensing opportunities to its affiliated publishers last year, including the first ringtone arrangements with Zingy, Mitsui-Comtek and 9Squared; the Napster pre-load to consumer electronics devices; and the renewal of Emusic.com's licensing agreement. In 2004, we have already sent you two more ringtone offers, with Sharp Robot and Improvista, and a digital background music deal with truSONIC.

Hopefully, you have noticed that we have taken steps to improve our communications throughout the organization, such as the expanded information and increased frequency of [HFA Soundcheck](#). We also continue to upgrade and improve information on our website.

In sum, 2003 was a difficult year for the music industry as a whole, and HFA took a proactive stance to minimize the impact and keep moving our business forward. While 2004 already promises to bring its own challenges, with several major mergers on the horizon, we feel that by continuing to make HFA more client-focused in every area of its operations we will be able to deliver positive results in this tough business environment.

**Publishers MIA:  
Can You Help Us Find Them?**

HFA represents over 27,000 publishers. Over time, some of them change their addresses and forget to provide us with forwarding information. While we do our best to track them down, there are some that we have been unable to reach. We need your help! Please take a moment of your time to go to <http://www.harryfox.com/publisher/infoUpdate.html> and let us know if you can provide any information that would help us locate any of the entities on the site. We will then be able to follow up with them about outstanding HFA business.

And if you're moving your company, remember to send us your new information, including contact name, street address (not a P.O. box), phone, fax and email with an authorized signature on your company letterhead, to Index Department, The Harry Fox Agency, 711 Third Ave, 8<sup>th</sup> Floor, New York NY 10017; or fax to 212-834-0163.

**Reminder: Ringtone Opt-In & truSONIC Opt-Out Due Dates**

The following opt-in and opt-out forms have been sent to you for your response. Remember that by working through HFA, we can handle all the licensing, collection and royalty compliance work related to these new digital licensing offers.

**Opt-In\***

**Sharp Robot – Feb. 20**

**Improvista – Feb. 20**

**Opt-Out\***

**truSONIC – Mar. 5**

**\*If you want to be included in the opt-in deals, you need to return the form to us, but you need take no action if you wish to be included in the truSONIC arrangement.**

**If you have any questions about these offers, please contact J.C. Lindstrom in our Business Development department at [jlindstrom@harryfox.com](mailto:jlindstrom@harryfox.com) or 212-922-3234.**

***Did you sign up your publishing company for EFT yet?***

*Direct Deposit, or Electronic Funds Transfer (EFT) forms, are available online at [www.harryfox.com/eft/html](http://www.harryfox.com/eft/html)*

## **Affiliate Profile:**

### **Richard Stumpf of Cherry Lane Music on MIDEM 2004: Beneath it all lies the song**

Midem is one of the oldest and largest international music markets & conferences. Going strong for 38 years, it takes place each January in Cannes, France. The summer resort emerges briefly from its winter slumber to host the 9,000 attendees from all areas of the music industry, and for music publishers, it's a key event to build and maintain relationships with their contacts across the globe. There is a huge trade show in the Palais des Festivals, where hundreds of stands promote recordings, products and catalogues, and there are also panels, showcases and conferences.

Richard Stumpf, Vice President of Marketing and Licensing at Cherry Lane Music, has been making the trek to Midem for seven years. He was kind enough to share some stories from this year's event, which took place January 25-28.

#### Richard's Midem Diary

While boarding the 6:55 PM Delta flight from JFK to Nice on a cold Saturday in January, I notice how nervous some of the few non-Midem passengers look as they observe some of the music business' more colorful characters taking their seats. Most of the Midem-bound have headphones – the iPod seems the weapon of choice this year.

As varied as the bunch may be, we all clearly share a love for the art of music and recognize the importance of keeping a pulse on the international music community, which is what Midem is all about. While we may have different specific agendas, the main purpose is consistent – keeping up relations with our overseas partners, learning about the next wave of technology, and figuring out the best way to get “our” music out to “them” and deciding what music

“they” might have that would work for “us.” It also provides that oh-so-important opportunity to chat it up in person with those contacts who reside time zones away. I feel very lucky to be among this group of passionate individuals. I worked very hard to be a member of this industry, and I never take for granted my good fortune to be able to do what I love for a living and help forward an art form that I consider to be the most powerful in the world.



I know many of the Midem attendees on the plane, including Barry Ehrmann from Enliven Entertainment, Michael Koch from Koch Entertainment, Larry Stessel from Trillium, and Rachel Sage, the NYC artist. The deal-making actually begins upon hitting our cruising altitude. After all, Midem is known to be a marathon of deal-making and it is good to get an early start!

The eight-hour flight ends and we embark on our adventure in France. The forty-minute (\$100!) car ride from Nice to Cannes provides me with ample time to review my schedule. In total, I'm looking at forty-eight meetings with a few hours carved out for hitting the trade floor to learn about the new ways my compositions can be earning money around the world.

I am primarily planning to pitch master rights, which may seem unusual, since Cherry Lane is a music publisher -- but Cherry Lane is not your typical publisher. We think out-of-the-box for ways to promote and monetize our clients' songs, and in some cases, that means we actually produce and license records. Of course, the more traditional publishing duties will be tended to as well. This year Aida Gurwicz, our president, is attending, and she will be focused on meeting with the heads of our sub-publishing companies. I plan to tag

along to as many sub-publishing dinners as possible -- especially our annual dinner with Julio and Carlos from Clippers (Spain). Those guys know how to pick a restaurant and order good wine!

Part one of my plan requires talking with label managers from the International, A&R, or Executive divisions. I bring my iPod to play samples of the music I am shopping. This year I have brought Children's music (Pokemon, Yu-Gi-Oh!, and Ninja Turtles), New Age ("Conception to Birth" – the soundtrack), Classic R&B (Ralph MacDonald), and our newest artist Jean Rodriguez, who is signed to our Latin joint venture "Cherry Casa." My meetings are held both at the convention center (when the label has a booth) and at the variety of hotels along the main strip (the Majestic, Martinez, and Carlton being the most popular). My label targets range from Universal to ZYX, and while size can play a role in the decision process, I'm looking for that passionate partner who will make my release a priority. Most of my nights end with business dinners which go close to midnight, followed by a Midem-organized party – the Brits seemed to dominate this year with a number of very good after-hours.

During my time on the trade floor I focus on new media companies. I attend an Electronic Arts-sponsored panel that drives home the point that video games are a very important outlet to pitch. Cherry Lane has already placed many songs with EA. Steve Schnur, who heads EA's music division, is an innovative thinker and recognizes that games have become the "new MTV."

I also visit a number of wireless network booths and I am amazed at how far things have come. I watch as the Ericsson representative downloads Beyonce's latest video on her phone. She plays it back and the quality is perfect. The features of this phone and services she shows me compared to what I've seen in the U.S. are much like



comparing Apple's G5 with the abacus! Without a doubt, I will be placing many songs with overseas wireless networks. Not to be outdone by their wireless counterparts, iTunes, Napster and OD2, the digital distributors with the largest Midem presence, demonstrate to me their web distribution platforms, deal economics, and digital rights management. This too is an area where Cherry Lane will continue to grow its presence.

During one of my last nights, I decide that in lieu of a large-scale Midem party, I'd prefer a more secluded, non-convention spot to enjoy. I chose Morrison's (the only good Irish bar I've found in Cannes). I relaxed with a Guinness and listened to a young singer-songwriter play his guitar and serenade the half-empty bar. As I listened to the passion in his voice and the depth of his lyrics, I remembered why I got into this business in the first place. No matter how big the record company, how large the guarantee, how tweaked the production, or how advanced the technology, beneath it all lies the song. We should never forget that.

- Want to get news about your company in HFA Soundcheck? Contact Laurie Jakobsen, Senior Director, Communications, at 212-834-0133 or [ljakobsen@harryfox.com](mailto:ljakobsen@harryfox.com).

## HFA Licensing 101

It comes as no surprise that HFA processes a huge volume of license requests for our publishers' material: over 200,000 per year. What most people don't realize is how many of those licenses require human intervention at various stages of the process.

First, of course, there's handling the volume of calls we get every day. We have to be able to speak the language of each licensee, from major record labels, which may have systems and approaches that vary greatly from each other, to the churches, schools, and independent musicians that submit limited quantity license requests (less than 2,500 copies) on paper. Our Client Relations and Licensing Specialists handle hundreds of questions every day, from the most basic, such as, "Do I need a license if I'm giving away the CDs?" (the answer is yes), to complicated transactions of contested splits of publishing shares.

"In today's environment, almost no licensing transaction is simple. As much as we can employ new technology systems to speed processing, it still requires educated staff to handle the large numbers of exceptions," says Maurice Russell, HFA's Vice President of Licensing and Label Relations. "It's not a given that everyone is willing or able to use a new technology solution – for example, many people still submit limited quantity licenses on paper, rather than using Songfile.com, even though they can obtain their licenses much more quickly through the website."

It's not only smaller releases that require intervention. In fact, many top releases require significant manual processing, as HFA needs to communicate between the licensee and all the publishers that have a share in tracks on an album. There are special provisions in artist agreements, such as controlled composition clauses, that are non-standard and have to be handled on an individual basis. Every publisher and licensee also has different methods and prefers different types of communication. The album itself may have various pressings, such as explicit, clean, and special retailer versions, and we need to go through the same process to clear every track for every version.

This is all part of a day's work for an HFA Licensing Agent. Our Licensing Agents receive cross training on Index functions so they can add new songs themselves to expedite the licensing process. They also work closely with the Royalty Examination and Collection Departments to facilitate the entire transaction, from license request to payment.

While new technology systems will make many licensing transactions easier, it's still crucial for HFA to have a knowledgeable team making sure the processes are running smoothly and accurately to ensure that our publishers' valuable catalogs are being licensed correctly.

## **HFA Employee Profiles**

**Two more HFA REACH (Recognition of Extraordinary Activities, Capabilities, and Happenings) Award winners:**

### **Tammy Hernandez**

**Tammy joined HFA in March 2001 as the receptionist. She was promoted from Inquiry Agent to Senior Inquiry Agent in March 2003, and has been lauded for her leadership in reducing response times to client calls and suggesting changes to HFA processes to benefit our clients. Growing up in a family that appreciated music, her position at HFA has fulfilled Tammy's dream of working in the music industry, and she enjoys being an intermediary between the record labels and the music publishers. She has also held positions at News Corp. and in the fashion and beauty industries, in addition to her favorite roles as wife and mom to her two daughters.**



### **Arthur Wang**

**Arthur came to HFA in January 1991 as the only programmer of the AS400, the computer system that is the backbone of all HFA programs. He recalls that there were only a few computer terminals for the entire company back then – a far cry from the ubiquitous desktops of today. Arthur created most of the interactive systems that we now use, and his expertise continues to be invaluable as we shape our future technology support while at the same time continue “business as usual” on our legacy systems. Arthur received his undergraduate degree at XiangTang University in China, and a Masters of Science in Information Technology from Baruch College in New York. Not surprisingly for a technical mind, in his spare time Arthur enjoys playing Bridge using the Internet.**

If you have any comments regarding HFA's Soundcheck, please contact Laurie Jakobsen, Senior Director, Communications, at 212-834-0133 or [ljakobsen@harryfox.com](mailto:ljakobsen@harryfox.com).

Established in 1927 by the National Music Publishers Association, the Harry Fox Agency represents over 27,000 U.S. music publishers for their mechanical and digital licensing needs, and the collection and distribution of royalties. HFA also provides collection and monitoring services to its U.S. publisher clients for music distributed and sold in over 75 territories around the world. For more information about HFA, or to become an affiliate publisher or a licensee, see [www.harryfox.com](http://www.harryfox.com).