



Soundcheck

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HFA Collects \$379 Million in Royalties for Our over 31,000 Affiliated Publishers in 2006

A few words from Gary Churgin, HFA President & CEO

This month, we announced our 2006 results, and I want to share with you the highlights of that press release. Our total 2006 royalty collections from all sources on behalf of its affiliated publishers was \$379.4 million, a 2% increase from 2005, with 1.49 million mechanical licenses issued in the year. 182 music publishers affiliated with HFA in 2006, bringing the company's total representation to over 31,000, with over 1.6 million songs available for licensing.

Overall collections were up just over 2% from 2005, due primarily to an increase in Royalty Compliance Examination collections. Total mechanical collections, excluding collections derived from Royalty Compliance Examinations, was over \$ 349.2 million, a decrease of 4% from 2005, reflecting the expected continued decline of the market for physical albums, which was down more than 7% for 2006.

For 2006, Royalty Compliance Examination collections were \$29 million, a dramatic increase of 358% from the previous year. The increase in collections from HFA's Royalty Compliance Exams was due in part to the conclusion early in the year of a significant exam that was in progress in 2005, as well as several additional examination closures. In total, 23 examinations were concluded, with 63 in progress. Royalty Compliance is the process by which HFA examines the books and records of licensees to evaluate the accuracy of royalty statements submitted and payments remitted by licensees, and enters into a settlement for additional monies owed if applicable.

HFA's collections period for mechanical royalties is 45 days after the close of the calendar quarter, which means its financials for 2006 most closely reflect the actual retail sales period of October 2005 through September 2006.

The U.S. statutory mechanical rate for 2005 was 8.5 ¢ for songs under five minutes and 1.65¢ per minute for songs over five minutes. It increased on January 1, 2006 to 9.1¢ and 1.75¢, respectively. HFA's commission on distributed royalties in 2006 remained at 6.75%.

In early spring 2006, HFA completed its major technology transformation initiative, which brought online a suite of catalog management services for publishers and licensing tools for licensees of all sizes. 2006 was the first full year of utilization of these tools and results have been promising:

- The number of pre-paid, limited quantity licenses issued by HFA has increased 25% while collections increased 13.4% over 2005 when the new HFA Songfile was launched. Since these licenses are pre-paid at the current statutory rate, this translates into

- immediate royalties for HFA publishers. This service has been so successful that as of January 1, 2007, HFA eliminated the commission on HFA Songfile transactions and in response to the requests of publishers and Songfile users, the minimum number of units for physical products was reduced from 500 to 250 copies.
- 75% of licenses were signed online using eSignature, reducing the turnaround time and postage and handling costs to execute a license.
 - Publishers' use of CWR and eSong to enter songs into the HFA database strongly contributed to a 180% increase in the number of songs added, from 96,000 for 2005 to almost 173,000 for 2006.

Collectively, these technology improvements have removed much of the manual labor from HFA's processes. This has allowed HFA to redeploy its Licensing and Publisher Services teams to focus more of their efforts on reducing unprocessed and unclosed requests, which have reached an all-time low for the company. In addition, HFA's Collections team now has more tools to track proactively key release sales against royalty payments, ensuring that publishers are receiving their royalties on a more timely basis, rather than in connection with a later Royalty Compliance Examination. In 2006, they tracked over \$35 million in royalties using this new system.

HFA continued to release additional enhancements to several of its technology applications during the year. As a part of this effort, it developed a new Income Tracking Reports (ITR) application, which began a wider rollout to publishers in January 2007. ITR gives publishers the ability to access detailed information about their HFA royalty history, and to create customized searches for specific information regarding a song, licensee or sub-publisher over a period of time.

HFA has championed the standardization of data exchanged between rights organizations, publishers, and licensees. As part of that effort, it is an active charter member of Digital Data Exchange (DDEX), which launched in May to explore, develop and maintain a robust framework of voluntary data exchange standards for information relating to digital media content including licensing and royalty reporting.

HFA issued 1.49 million licenses in 2006, bringing the total number of licenses HFA administers to 11.95 million. All license requests were processed in less than 60 days, with an average of 90% processed in less than half that time. HFA added over 50 new licensees to its bulk licensing program for permanent digital downloads (DPDs) in 2006, bringing the number of companies participating in this program to 615.

HFA's Business Development team continued to deliver new opportunities for affiliated publishers in 2006. Most notable was the landmark LyricFind licensing agreement, which not only expanded HFA's business from mechanicals to lyrics licensing, but it was also offered to publishers on a commission-free basis. HFA also offered publishers the option to participate in licensing arrangements with four ringtone companies, the Orchard, Quios, SingleTouch, and TouchM, and three previous ringtone agreements with Zingy, EMI Music, & Zaptrio were renewed. For digital background music, HFA offered a new arrangement with PLR and a renewal of the arrangement with Trusonic. HFA also offered a licensing arrangement with NIDEC Sankyo Shoji Corp., a musical movement manufacturer, for the use of musical compositions in their products that are imported and distributed in the U.S.

As the National Music Publishers' Association (NMPA) operating subsidiary, HFA works closely with that organization on lobbying and legal actions to protect and promote copyright for the benefit of music publishers and songwriters and provides the bulk of its funding.

Two of the important issues the organizations worked on in 2006 were the statutory mechanical rate hearings of the Copyright Royalty Board (CRB), and the Section 115 Reform Act, or SIRA. The CRB proceeding and licensing reform will continue to be priorities.

The current schedule of mechanical rates is set to expire at the end of 2007, and the Copyright Royalty Board proceedings began in January 2006 to determine the next schedule of rates. In addition to determining the statutory mechanical royalties for physical products and permanent digital downloads, for the first time rates will be set for limited downloads and interactive streams. HFA has issued over 3.1 million licenses for these two formats since 2001, and collecting and distributing the royalties for these uses will be a major activity for late 2007 and beyond.

As part of this rate proceeding, the Register of Copyrights issued an administrative ruling in October stating that ringtones and mastertones may also be licensed as a compulsory mechanical under certain circumstances. This ruling would limit publishers' ability to negotiate terms for ringtone licensing in the free market, as they have been doing for the past several years. This decision has no effect on HFA's existing ringtone licensing policy. At the appropriate time in the process, the NMPA will pursue appellate review of this decision.

The Section 115 Reform Act (SIRA) sought to amend Section 115 of the U.S. Copyright Act to create a better system for the licensing of digital music services. Among its proposals, SIRA would create a blanket license for digital uses and certain hybrid products. A General Designated Agent would be created to handle these blanket licenses, with provisions for the creation of additional Alternate Designated Agents. Designated Agent candidates would have to meet certain market share thresholds; based on its level of representation, HFA would have been a leading candidate for the General Designated Agent.

This legislation was passed by the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property but was not considered by the full House Judiciary Committee or the Senate before the 109th Congress ended. Congress is expected to consider music licensing in the new 110th Congressional session.

Receive a 35% Discount on the 2007 Edition of Musician's Atlas

Music Resource Group, creators of the Musician's Atlas, is offering a 35% discount on the 2007 Musician's Atlas print edition to HFA Affiliates. The Musician's Atlas provides the resources to book gigs, plan tours, get airplay, and develop media, marketing & promotional campaigns. Listings are updated regularly, and entries include details such as styles of music, submission policies, stage size, broadcast coverage, audience demographics & other line item information specific to the music business category. Based on reader and industry surveys, editors have expanded important business categories for the 2007 edition including Clubs, US & Canadian College Radio & Booking, Conferences & Festivals, National & Regional Press, Commercial & Public Radio, Song Contests, Compilations & Tours, and Film, TV & Gaming.

Musician's Atlas is also offering a free two-week trial of Atlas Online with a 25% discount on the first month activation fee and discounted rates for advertising in their publications. The interactive AtlasOnline features 40% more listings than the print edition with new listings & updates added weekly. Subscribers can perform advanced searches, create customized mailing labels, letters, email blasts, hyperlink to emails and websites, and more.

The discount offer is available at: <http://musiciansatlas.com/harryfox.asp>. For advertising discounts, contact Martin Folkman at (973) 509-9898 and mention **The Harry Fox Agency Discount Program**. Additional information about Music Resource Group and the Musicians Atlas visit: www.musiciansatlas.com.

For a full list of discounts HFA offers, visit the affiliate benefits section of your HFA Online account.

HFA Publisher Profile:

Nettwerk One Music Ltd

By Kevin Brown, HFA Publisher Services Agent

Take one part grassroots record label, one part music publishing company, and one part worldwide management company and throw them in a blender. Add some of the world's most talented artists and business minds, pour them throughout Vancouver, New York, Los Angeles, London, Boston, Nashville and Hamburg, Germany and what do you get? The Nettwerk Music Group.



NETTWERK ONE
MUSIC LTD

Craig Horton, Director of Publishing and Licensing for Nettwerk Music Publishing, states the company's mantra in simple terms: "At Nettwerk, the glass is always half full and we're all part of the same family." This family consists of the record label, Nettwerk Productions; three publishing entities, Nettwerk Music Publishing, Nettwerk Songs Publishing, and Nettwerk One Music; and a management company, Nettwerk Management.

The first piece of the puzzle of the Nettwerk Music Group is Nettwerk Productions. The label started in 1984 in Terry McBride's bedroom as a way of releasing a record from the band Moev, in which Mark Jowett played guitar. With Jowett unplugging the guitar and picking up the reins with McBride and co-owner Ric Arboit, Nettwerk Productions took off. Specializing in alternative music acts, particularly industrial, electronica and folk-rock, they released albums by both Canadian and international artists including Skinny Puppy, Sarah McLachlan, Sixpence None the Richer, The Grapes of Wrath, Guster, Josh Rouse, and Boxcar.

The second puzzle piece is Nettwerk Management, noted by Horton as their "fastest-growing entity." Nettwerk manages a number of artists including Barenaked Ladies, Avril Lavigne, Dido, Gogol Bordello, Jars of Clay, Martha Wainwright, and SUM 41. Nettwerk Management also represents several producers including Bob Clearmountain (Bruce Springsteen, The Rolling Stones), Cliff Magness (Avril Lavigne, Kelly Clarkson), and Chris Lord Alge (Green Day, Black Eyed Peas.)

The final piece is Nettwerk's publishing catalogs. Nettwerk Music Publishing is divided into three companies: Nettwerk Music Publishing, which represents the first works ever controlled by Nettwerk; Nettwerk Songs Publishing, which was founded in 2000; and Nettwerk One Music, their newest publishing company, spearheaded in the UK by former Director of Columbia Records UK and Sony Music Publishing UK Blair McDonald.

Nettwerk initially established a publishing company to manage the copyrights of many of the artists signed to Nettwerk Productions. One of the primary incentives in publishing their own artists was to sub-publish their works internationally with strong, predominately independent sub-publishers. In doing this, Nettwerk gained partners

around the world not only with the foreign labels releasing their titles, but with the publishers as well.

Horton stressed that Nettwerk has a true “family environment.” In particular, he highlighted two songwriters in the Nettwerk catalog: Bill Leeb and Greig Nori. Leeb, a key member of the band Delerium, also participates in the side projects Frontline Assembly and Noise Unit, and is a co-writer with Nettwerk staple Skinny Puppy. Leeb co-wrote the song “Silence” with label clients Rhys Fulber (Conjure One) and Sarah McLachlan, which has appeared on over 100 compilations throughout the world. Horton says that Nori, who co-wrote and produced for SUM 41, is encouraged by Nettwerk to “spread his wings” and to explore co-writing opportunities with other artists in the Nettwerk umbrella.

Perhaps one of the most notable members of the Nettwerk family is their management and Canadian publishing/administration client, Barenaked Ladies. Terry McBride spoke of the BNL relationship as a strong example of Nettwerk’s goal to be a “one stop shop” for its artists: manager, label affiliate, and publisher. Within six years, Nettwerk hopes all of its management clients will have their own labels, a move that will retain their artists’ intellectual property rights and, in turn, allow for publishing creativity as all copyrights are under one roof.

On the international front, Nettwerk has signed the production/publishing company Your Favorite Music from Norway, and they subpublish the Belgium-based ARS/BMC catalogue in North America, which has top 10 songs in Europe and South Africa on the “Idol” television programs.

An interesting example of Nettwerk Music Publishing’s global wingspan is the title “Wildflower,” written by Doug Edwards and Dave Richardson. Originally administered by Valley Hennell, the song has since become part of the Nettwerk umbrella when Hennell asked Nettwerk to take it over. “Wildflower” has since been sampled on Jamie Foxx’s Grammy nominated record and song “Unpredictable.”(J Records). The title was also sampled on T.I.’s song “Drive Slow” from his record *King*, and by Kanye West on his 2006 Grammy-nominated record *Late Registration*.

All together, Nettwerk has their hands in every genre of music from folk to hip-hop and in every country from Canada to Norway. With its management, publishing and record label entities, Nettwerk is a triple threat, but Horton notes it’s the family feeling that counts, saying, “I have difficulty imagining a better group of people to work with or a better working environment.”

For more information on Nettwerk, visit their website at www.nettwerk.com.

**Attention NMPA Members:
Annex I and WVA Due March 15**

Annex I and WVA materials were due to the NMPA by March 15. If you have any questions, please contact Jamie Rozecki at (202) 742-4375 at jrozecki@nmpa.org

The 2006 Harry Award

Each year, HFA recognizes outstanding employee performance with the Harry Award. The recipient of this prestigious award for 2006 was **Warren Adler**, Manager, Publisher Services Administration. Please join us in congratulating Warren for his excellent work.



L toR: Ed Hunt, Warren Adler, and Gary Churgin

In Memoriam: Susan Ulyette



On February 15, we at HFA lost our close friend and colleague Susan Ulyette, who had been courageously battling cancer for the previous 18 months. Susan had been a Licensing Agent at HFA for almost 17 years.

Susan was a delightful person with a cheery disposition who enjoyed talking with and meeting new people. She was also a gifted singer, who not only shared her beautiful voice with the Union Church of Bay Ridge as a member of the church choir, but also with her fellow employees at HFA's annual summer showcase.

HFA extends its condolences to Susan's family at this difficult time. We were fortunate to have such a kind and caring colleague like Susan, and will miss her immensely. Donations can be made in her memory to the Union Church of Bay Ridge - Music fund, the American Cancer Society, and the ASPCA.

Word on the Street . . . HFA Affiliate Publisher News

BMG Songs Nashville has signed singer/songwriter **Jason Michael Carroll** to its country roster. Carroll's debut album, *Waiting In The Country*, sold nearly 58,000 copies in its first week. In addition to the leading single, "Alyssa Lies," the album also includes "No Good in Goodbye," a song Carroll co-wrote with singer/songwriter Jewel.

Elvis Enterprises, LLC and the estate of Julian Aberbach have chosen **Cherry Lane Music Publishing** to administer their 75% of the **Elvis Presley** catalogue. The catalogue contains over 1,000 songs recorded by Elvis as well as other legendary singers including Peggy Lee, Nat King Cole, and Ella Fitzgerald. Previously, Cherry Lane had administered 25% of the catalogue on behalf of the estate of Jean Aberbach. This is the first time since 2000 that one publisher will handle the administration of the catalog.

peermusic has signed a worldwide exclusive administration agreement with songwriter, producer and artist **Malcolm McLaren**. The deal will include all new works written by McLaren along with most of his back-catalogue, which includes hit singles by McLaren as an artist as well as hits by new wave band Bow Wow Wow. Titles that peermusic will oversee include McLaren hits such as "Buffalo Gals," "Double Dutch," and "Soweto" as well as the Bow Wow Wow tracks "C30, C60, C90, Go!," "W.O.R.K.," "Deep in Vogue," "Aria On Air," and "Go Wild in the Country." In addition to Bow Wow Wow, McLaren has also worked with Adam Ant and Boy George, and was the founder, manager, and art director of the legendary punk band The Sex Pistols.

Universal Music Publishing Group has signed artist, songwriter and producer **Eminem** to an exclusive, worldwide administration agreement.

The deal covers new songs written by Eminem, tracks on his multi-platinum greatest hits collection, *Curtain Call*, songs co-written on 50 Cent's album, *The Massacre*, and the hit "Smack That," produced by Akon. The deal also includes a joint venture with Eminem's publishing company, Shady Music Publishing, allowing Eminem and manager Paul Rosenberg to sign other writers and artists. UMPG has also signed a new, long-term, exclusive agreement to administer the songs of influential British band **Joy Division**. The deal covers such Joy Division songs as "Love Will Tear Us Apart," "Atmosphere," and "She's Lost Control." This agreement coincides with the 30th anniversary of Joy Division's formation in Manchester and anticipates the September 2007 release of *Control*, a biographical film about Joy Division's late frontman, Ian Curtis.

Tony, Grammy, and Emmy Award winning composer **Charles Strouse** has brought his music publishing catalog to **Williamson Music**. Strouse has composed such popular musicals as *Annie*, *By Bye Birdie*, *Applause*, and *Golden Boy*. Strouse's 80th birthday, which takes place next year, will be celebrated with special productions of his concert and dance works, recordings, and songbook folios.

Correction: An item in the February 2007 issue of HFA Soundcheck incorrectly stated that Gramophone Music Co. acquired the rights to the catalog of Cuban songwriter Rosendo Ruiz. **Hall of Fame Music Co.**, not Gramophone Music Co., signed a life-of-the-copyright agreement with Rosendo Ruiz. Ruiz is the author of well-known *chachachas* such as "Rico Vacilon" and "Los Marcianos." Hall of Fame Music Co. represents the entire catalog of Cuban publisher Musicabana.

"Word on the Street" is taken from press release material.

***“Return to Sender, Address Unknown”
Publishers MIA: Can You Help Us Find Them?***

If you are a music publisher (or the assign, successor in interest, heir or beneficiary of a music publisher) that has been affiliated with HFA, and you're not sure whether HFA has your current contact information, it is possible that HFA is holding royalties due to the lack of a valid mailing address.

To find out if HFA is looking for you and to provide current information so we can pay you any royalties we may be holding, visit “Help Us Find Publishers” at www.harryfox.com, or call HFA Publisher Services at 212-834-0100.

If you've moved, please remember to update your contact information with HFA. You can obtain change of address information from the website or by contacting HFA Publisher Services.

If you have any comments regarding HFA Soundcheck, please contact Laurie Jakobsen at 212-834-0133 or Shaliza Thomas at 212-922-3290, or email soundcheck@harryfox.com.

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