



Soundcheck

Issue 11

April 2004

Knowledge is Power

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

Looking through this issue, I noticed that there seemed to be a running theme on education – the Copyright Society of the U.S.A.’s declaring April as Copyright Awareness Month, the HFA Collections and Royalty Compliance 101, and even the review of the new book, *Making Music Make Money*.

It’s no secret that mechanical licensing is one of the more arcane areas of the music business. I hope that the series of “101’s” on HFA that we’ve been doing in Soundcheck have helped to clarify some of the ambiguity that seems to surround this business of mechanical royalties.

We’ve also started a section for HFA affiliate publisher news, “Word on the Street.” If your company has news you’d like to share with your fellow publishers, please feel free to send it to Soundcheck@harryfox.com.

Happy Spring,

A handwritten signature in dark ink, appearing to be 'G. Churgin', written in a cursive style.

Ringtone Opt-In Letter Due

The following Ringtone License Opt-In form is due to our Legal Department in April – don’t miss your opportunity to be included in these deals.

Opt-In
Opera Telecom

If you have any questions about these offers, please contact J.C. Lindstrom in our Business Development department at jilindstrom@harryfox.com or 212-922-3234.

April is Copyright Awareness Month!

For the past two years, the Copyright Society of the U.S.A. has sponsored Copyright Awareness Week. This year, the organization is launching Copyright Awareness Month as an annual event. Its purpose is to foster a greater awareness and understanding of copyright by educating the public, especially young people, about the significance and purpose of protecting creative works.

The Copyright Society of the U.S.A. encourages everyone to participate in their educational efforts. To learn more or to get involved, see the Copyright Awareness Month website at www.csusa.org/html/events/CAW2004.html, or call 212-354-6401.

HFA Collections & Royalty Compliance 101

Collections and Royalty Compliance are the processes by which HFA recovers its affiliate publishers' mechanical royalties. Collections is the regular process for how we obtain royalties from licenses on a regular basis, and the Royalty Compliance department conducts the periodic exams to review a licensee's accountings.

Collections is the next step after a license is issued by the HFA Licensing department. Most of the major record companies report royalties four times a year, during a 45-day window after the end of a calendar quarter. HFA proactively tracks collections on licensed releases using tools such as the Billboard charts and Soundscan, and compares this data to the labels' royalty payments. In a similar process, Collections tracks reporting for digital usage based on the publisher's estimated market share. We expect this proactive process to become more thorough when we implement the new technology systems.

Collections also works closely with Client

Relations to resolve the large volume of individual publisher inquiries HFA receives about possible outstanding royalty payments.

Royalty Compliance is the process by which HFA examines the books of licensees to ensure that they have been reporting royalties to us correctly, and enters into a settlement for monies owed if they have not. Typically, we have 20-30 compliance exams in progress at any given time. The whole process takes an average of about two years, and includes planning, fieldwork, issuance of examination report, and settlement.

HFA uses both in-house staff and several outside accounting firms to conduct the compliance exam work. One of the most common questions we are asked is how we determine which companies we will examine. We conduct exams on all of the major labels on a regular basis every few years. For others, we take our cue from Collections data, such as if the company shows a wide variance in their payments, or is consistently late, and the total payments against the number of licenses which have been issued to the label.

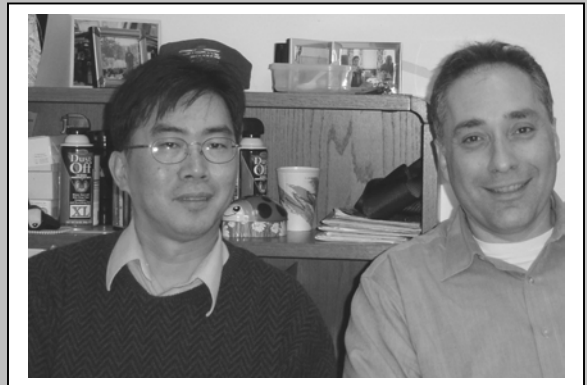
HFA Employee Profiles

Steve Choy

Steve (left) is the Director of Royalty Compliance for HFA. He joined the company in 1989, after working in the audit department at the Bowery Savings Bank for many years. Steve says the biggest satisfaction from his job is, "recovering the best settlement sum rightfully due our publishers from the record company. My job is never boring – I get to deal with all kinds of different situations."

Sean Parlakian

Sean (right) is the Senior Director of Collections for HFA. He has over 20 years of credit and collections experience, with positions at Westinghouse Credit Corp. and Yves Saint Laurent Parfums Corp. before coming to HFA in 1998. Sean is a man of many talents – he is the "voice of HFA" on our voicemail system, was a professional chef, and for fun, just completed law school and is waiting on the results from the New York State Bar exam. His next challenge will be to renew his recreational pilot's license. Sean says he is looking forward to the improved tracking processes in HFA's new technology systems – "this way, we will know what tracks are in the marketplace, without having the publishers do as much work on their end."



Digital uses have become a factor for both Collections and Royalty Compliance. We are beginning to see digital phonorecord deliveries (“DPD’s”) co-mingled with physical uses in label royalty statements, which adds another layer in Collections’ tracking efforts. Royalty Compliance is also beginning to plan exams for digital licensees.

As was noted in Licensing 101 in Soundcheck #9, we can’t license without the song registration; likewise it is difficult to collect or do a royalty exam without a license in place. If a publisher is claiming royalties for a recording that is not licensed, they first must submit a

Publisher-Initiated License Request to the HFA Licensing department to begin the process.

It’s important to note that most of the labels are unable to do out-of-cycle payments. This means that if a publisher has a track on a hit record in first quarter that has not been licensed, and notifies us after March 1, the soonest the publisher may expect to see royalties is August 15 (45 days after the close of second quarter, June 1).

After Collections and Royalty Compliance have done their jobs, Distribution takes over to (as you might guess) distribute the royalties. Expect more to learn more about this department’s role in a future issue of HFA Soundcheck.

Technology News

New Digital Download Services

In March, both WalMart and Microsoft announced that they would be entering the digital download arena. WalMart debuted its Liquid Digital Media-based online service after a three month test period, offering tracks at 88¢. Microsoft gave music executives a preview of their service at the annual SXSW music festival in Austin, TX. It is reported that Microsoft expects to offer the service through MSN starting in the fall. And excitement for Apple’s iTunes continues, with their announcement regarding the download of 50 million single songs.

CWR Meeting

In early April, HFA hosted the semi-annual meeting on the Common Works Registration standard, or CWR. Over 40 publishers and rights organizations from around the world participated in these meetings to create a common unified standard. As described in prior issues of Soundcheck, CWR is a standard format for the registration of works, which was adopted as a standard by the International Confederation of Societies of Authors and Composers in 2001. HFA will be implementing CWR capabilities into its new technology platform in the coming year.

Hold the date! NMPA 2004 Annual Meeting June 14

The annual meeting of the National Music Publishers’ Association (the parent company of HFA) will take place on June 14 at the New York Helmsley hotel, 212 East 42nd Street.

If you are an NMPA member, please keep an eye out for your invitation to this event. For more information on NMPA membership, visit their website at www.nmpa.org.



Spring is here. . .

Affiliate Profile:

Arc Music Latin

The Arc Music Group is one of the leading independent music publishers in the U.S., focusing on “American Roots” music, ranging from blues and R&B to rock & roll, jazz and beyond. Their catalog includes works from such legendary songwriters as Chuck Berry, Bo Diddley, Howlin’ Wolf, John Lee Hooker, Lionel Hampton and Benny Goodman among many others.

Four years ago, the company made a big move into the growing Latin music market when it announced an agreement with Edimúsica USA to administer their publishing in the U.S. and Canada, forming the nucleus of Arc Latino.



The deal was significant: Edimúsica USA is the North American division of Edimúsica Ltd., one of the leading publishers of Latin music and controlling over 20,000 music titles representing a wide variety of Latin genres. What made it unusual was that it also included the administration of master rights from the company’s associated labels, Disco Fuentes and Miami Records. This combination of both publishing and master administration is the cornerstone to Arc Music Group’s concept of “one-stop shopping” for music licensing of both synch and masters.

The Edimúsica deal was something of a dream come true for Juan Carlos Barguil, Vice President of Finance and Latin American Operations for Arc Music Group. Barguil grew up down the street from Disco Fuentes’

studios in Columbia. He recalls that there were two things to do on a Sunday after church, “go to the movies, or go to the Fuentes Radio Station studios for their weekly live



radio broadcasts.” In an early prototype of “Latin American Idol”, unsigned artists would perform live in the studio in front of an audience, and listeners would call-in to determine whether the artist would be signed. This approach is one of the reasons the company boasts such a popular and diverse repertoire that reflects the wide variety of Latin American rhythmic traditions.

In the early 1990’s, Barguil connected with the Fuentes family, who continue to run the labels and Edimúsica Ltd., the companies reached the administration agreement a few years later. Arc has taken the catalog and expanded it, and has also been aggressive about claiming income from covers of material that had not been properly licensed. This is a process that has taken years to resolve and is still happening. Barguil notes that Arc’s efforts, “really showed Edimúsica that publishing was a completely different business than the record industry, and that there was a huge benefit to having a knowledgeable, proactive staff like Arc as your partner.”

With its ability to perform both licensing roles, Arc Latino is well positioned to take advantage of the growing demand for Latin music in new territories, such as Europe and the Pacific Rim. “It’s more than a Latin American audience,” says Jim Leavitt, Director of Catalog Exploitation and Licensing for Arc Music Group. “There are so many genres of Latin music beyond salsa and pop, such as cumbia, vallenato, reggaeton, bachata and Rock En

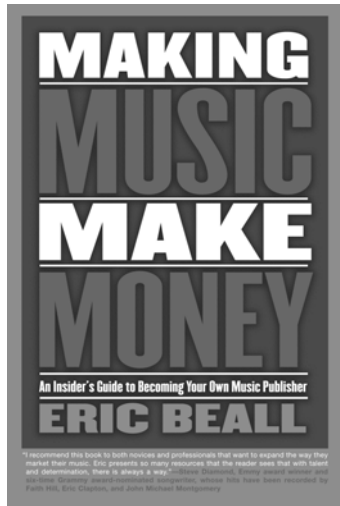
Español, that people outside of Latin America are just beginning to discover.”

Together, Barguil and Leavitt have aggressively marketed the catalog, and point to some notable placements, including several episodes of *Six Feet Under*, used for a character’s Latin dance classes, the Martin Lawrence film *National Security*, and the Michael, Kirk, and Cameron Douglas movie, *It Runs in the Family*. Popular Latin artists Juanes, Victor Manuelle, Sonora Carruseles, Monchy & Alexandra, Joe Arroyo, Andy Andy, La Sonora Dinamita and Don Omar have Edimúsica tracks on their current albums. The company’s catalog has earned a number of Latin Grammy’s Nominations, and has consistently had songs on the Billboard Latin charts.

Arc Latino’s success in administering both publishing and master licensing set the stage for Arc Music Group’s collaboration with the Cuban music company Orun Music, Hans Kusters Music from Belgium, Halit Music from France and most recently worldwide deals with the Sacramento, CA-based rock band Groovie Ghoulies and Kenya’s Jabali Afrika.

No matter what the ethnic derivation, if it’s music that speaks to the root of a culture – American blues, classic Latin forms, or other traditional music – the Arc Music Group will be there, bringing global attention to these great songs. For further information visit the Arc Music Latin web sites www.sunflower-ent.com, or www.discosfuentes.com.

***Making Music Make Money:* An Insider’s Guide to Becoming Your Own Music Publisher**



Making Music Make Money, published by the Berklee Press, provides an insider’s view of the music publishing business, and aims to empower writers to take responsibility for their songs’ publishing. The book educates songwriters, as well as aspiring music business entrepreneurs, in the basics of becoming an effective independent music publisher.

Topics include a discussion of the various roles a publisher plays in the music business: collection, administration, protection, exploitation and evaluation. A major emphasis is placed on the exploitation process, and the importance of creating a sound business model for a new publishing venture.

The book also covers more hands-on details, from setting up the business to making the first pitch to marketing plans.

The author certainly knows his subject, as both a former songwriter and a current publishing executive. Beall is Vice President, A&R, at Sonv/ATV

Music Publishing, where he works with Sarah McLachlan, Babyface, Cyndi Lauper and John Mayer. In his previous position at Zomba, Beall signed and developed top writers including Steve Diamond, KNS Productions, and Riprock & Alex G. He coordinated and directed Zomba writers in the development of material for Jive Records pop superstars Backstreet Boys, *NSYNC, Britney Spears and Aaron Carter. Before joining Zomba, he wrote and produced the Top Ten hit “Nothin’ My Love Can’t Fix” for Joey Lawrence, as well as songs for Martha Wash, Diana Ross, The Jacksons, and many others.

Informative and entertaining, *Making Music Make Money* is a great read for novices and professionals that want to make sure they are maximizing their music’s potential.

**Word on the Street . . .
HFA Affiliate Publisher News**

Donelian Music principal Armen Donelian shared news that he received a 2004 FULBRIGHT Senior Specialist Award (his third Fulbright Award in as many years) to teach Jazz for three weeks in May and June of 2004 at the Finnish Music Campus in Jyväskylä, Finland. He is currently touring to support his latest CD, *Quartet Language* (Playscape Recordings), and recently Advance Music published his second book, *Training the Ear Vol. 2*, which includes four instructional CDs.

Bertelsmann sister companies **BMG Music Publishing** and FremantleMedia have signed a long-term agreement that will have BMG handle all music administration for the international television production company. FremantleMedia, the production arm of Bertelsmann, is responsible for over 260 programs in more than 40 territories, including some of the world's most popular drama and entertainment programs. Its division FremantleMedia Licensing Worldwide (FLW) is responsible for the company's music publishing activities.

Under the agreement, BMG Music Publishing will administer the music publishing rights worldwide to those television programmes created by FremantleMedia. By getting involved in FremantleMedia's productions at an early stage, FLW has been able to acquire music publishing rights. Examples of the successful collaboration between FLW and FremantleMedia's production companies include Star Search - Das Duell der Stars von morgen - the talent-based show that aired last year on Sat 1 in Germany. One of the category winners - Martin Kesici (Best Music Act, 16 years and over) - went on to score a gold record in Germany with his debut album, launched off the back of the series. A second series is set to air this spring.

Just in time for Spring 2004, **MPL Music Publishing, Inc.** presents *GROUNDBREAKERS Songwriter Series 01*, their newest promotional CD sampler showcasing "Groundbreaking" new music by a talented team of songwriters/artists including **Leslie Mills, Russ DeSalvo, Martin Briley** and **Bernie Williams**.

In March, DIC Entertainment and **BMG Music Publishing International Ltd.** announced today an extension of their international sub-publishing agreement through 2008. BMG will continue to exploit and administer worldwide DIC's extensive music catalog created after July 1, 1998, excluding the U.S. and Canada, which DIC will retain through its in-house music division, spearheaded by Deb Clark, Executive Director, Royalty and Music Publishing Administration, DIC Entertainment.

Spirit Music Group has signed rock legend Lou Reed. The company now represents all of Reed's 30+ years of output from his breakthrough work with the Velvet Underground to a long list of solo works – including his timeless cut "Walk on the Wildside." As one of the most influential songwriters of all time, Reed's works has been covered by artists ranging from David Bowie, Cheap Trick and U2 to Pearl Jam, Tori Amos and Yo La Tengo.

Correction: Windswept wanted to clarify that Beyonce's share of "Crazy In Love" is published by Beyonce Publishing and Hitco South, administered by Music of Windswept, not by EMI, as may have been inferred from last month's Grammy item.

"Word on the Street" is taken from affiliate publisher press releases.

Reminder:

As of April 1, 2004, the HFA commission rate is 6.75%.

Royalty Reporting Schedules for International Societies

HFA has reciprocal agreements with over 30 mechanical rights societies representing more than 95 territories around the world. Below is a list of royalty reporting schedules for these societies; please note that this is not a firm calendar, and there are times they will report with more or less frequency. If you have chosen HFA as your agent for any of these societies, and you believe that one of your compositions is being used on a recording manufactured in that territory, please make sure you have submitted a Notification of Foreign Activity Form, which can be found on the HFA website at <http://www.harryfox.com/notification1.html>, so we can begin the collection process.

<i>Rights Society</i>	<i>Territory(ies)</i>	<i>Distributions</i>
ACUM	Israel	1Q & 3Q
AEPI	Greece	Quarterly
AMCOS	Australia, Fiji, New Zealand, Pacific Island Territories, Papua New Guinea	1Q & 3Q
ARTISJUS	Hungary	2Q & 4Q
AUSTRO MECHANA	Austria	No regular schedule.
CASH	Hong Kong, Macau	1Q & 3Q
COMPASS	Rep. of Singapore	Yearly
COSCAP	Barbados	Quarterly
COTT	Trinidad and Tobago	Quarterly
FILSCAP	Rep. of the Philippines	Quarterly
GEMA	Bulgaria, Germany, Poland	1Q & 3Q
HDS	Croatia	Quarterly
ICS	Rep. of Liberia	No regular schedule.
JACAP	Jamaica	Quarterly
JASRAC	Japan	Quarterly
KCI	Rep. of Indonesia	Yearly
KOMCA	Rep. of Korea	Quarterly
MACP	Malaysia	No regular schedule.
MCPS	Bahamas, Bermuda, British Virgin Islands, India, Ireland (Eire), Kenya, Nigeria, Uganda, United Kingdom, Northern Ireland, Zimbabwe	Quarterly
MCSC	People's Rep. of China	No regular schedule.
MESAM	Turkey	Yearly
NCB	Denmark, Estonia, Finland, Iceland, Lithuania, Latvia, Norway, Sweden	1Q & 3Q
OSA	Czech Rep.	1Q & 3Q
SABAM	Belgium	Quarterly
SADAIC	Argentina	Quarterly
SARRAL	South Africa, Botswana, Lesotho, Swaziland	2Q & 4Q
SDRM/SACEM	Algeria, Andorra, Benin, Brazzaville, Burkina Faso, Cameroon, Central African Rep., Chad, Congo, Cote d'Ivoire, Dahomey, Djibouti, Egypt, Rep. of France, Gabon, Gambia, Guinea, Lebanon, Luxembourg, Madagascar, Mali, Mauritania, Monaco, Morocco, Niger, Senegal, Togo, Tunisia, Votaique Rep., Zaire	Quarterly
SGAE	Spain	Quarterly
SIAE	Italy, San Marino, Vatican City	Quarterly
SOZA	Slovak Rep.	No regular schedule.
SPA	Azores, Madeira, Portugal	1Q & 3Q
STEMRA	Aruba, Dutch Antilles, Irian Barat, Netherlands, Surinam	1Q & 3Q
SUISA	Liechtenstein, Switzerland	Quarterly

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. Sorry, at this time we can only offer EFT for U.S.-based accounts.

“Return to Sender, Address Unknown”

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.

If you have any comments regarding HFA’s Soundcheck, please contact Laurie Jakobsen, Senior Director, Communications, at 212-834-0133 or ljakobsen@harryfox.com.

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