Standalone Portable Subscriptions, Mixed Use =
Subscription services accessible through portable devices such as mobile phones

1. **Calculate the All-In Royalty Pool**

   - **All-In Royalty Pool** = \( \frac{10.5\% \text{ of the Music Service Revenue}}{\text{The Greater Of}} \)
   - **The Greater Of** = \( \frac{80\text{¢ for each subscriber per month}}{\text{The Lesser Of}} \)
   - **The Lesser Of** = \( \frac{21\% \text{ of service payment to Record Companies for Sound Recordings}}{or} \frac{17.36\% \text{ of service payment to Record Companies for Sound Recordings}}{\text{If licenses are not Pass-Through}} \)

2. **Calculate the Payable Royalty Pool**

   - Separate the Mechanical Royalties from the Performance Royalties in the "All-In Royalty Pool"
   - **Mechanical Royalties** = \( \frac{\text{The Greater Of}}{\text{Performance Royalties}} \)
   - **Performance Royalties** = \( \frac{50\text{¢ for each qualified subscriber per month}}{\text{The Greater Of}} \)

3. **Allocate Payable Royalty Pool**

   - **Payable Royalty Pool** = \( \frac{\text{TOTAL NUMBER OF "PLAYS"}}{\text{ROiALTY PER "PLAY"}} \)

© The Harry Fox Agency, Inc. 2014
Standalone Non-portable Subscriptions, Streaming Only =
Subscription services accessible on desktop computers that only play music when a live internet connection exists

1. CALCULATE THE ALL-IN ROYALTY POOL

   \[ \text{ALL-IN ROYALTY POOL} = \frac{10.5\% \text{ of Music Service Revenue}}{\begin{cases} \text{the greater of} & B \text{ \ if } \text{mechanical royalties} \\ \text{the lesser of} & 1 \text{ \ if } \text{mechanical royalties} \end{cases}} + \begin{cases} 50\cent \text{ for each subscriber per month} \\ 22\% \text{ of service payment to Record Companies for Sound Recordings} \\ 18\% \text{ of service payment to Record Companies for Sound Recordings} \end{cases} \]

   A

   B

2. CALCULATE THE PAYABLE ROYALTY POOL

   separate the Mechanical Royalties from the Performance Royalties in the "ALL-IN ROYALTY POOL"

   MECHANICAL ROYALTIES

   PERFORMANCE ROYALTIES

   \[ \text{PEARABLE ROYALTY POOL} = \frac{15\cent \text{ for each qualified subscriber per month}}{\text{the greater of}} \]

   A

   B

3. ALLOCATE PAYABLE ROYALTY POOL

   \[ \text{ROYALTY PER "PLAY"} = \frac{\text{PAYABLE ROYALTY POOL}}{\text{TOTAL NUMBER OF "PLAYS"}} \]
Standalone Non-portable Subscriptions, Mixed Use =
Subscription services accessible on desktop computers that play music whether the computer is online or offline

1. **CALCULATE THE ALL-IN ROYALTY POOL**

   - **ALL-IN ROYALTY POOL**
     - **THE GREATER OF**
       - **10.5% of the Music Service Revenue**
     - **THE LESSER OF**
       - 21% of service payment to Record Companies for Sound Recordings
       - 17.36% of service payment to Record Companies for Sound Recordings (if licenses are not Pass-Through)

   - **50¢ for each subscriber per month**

2. **CALCULATE THE PAYABLE ROYALTY POOL**

   - **MECHANICAL ROYALTIES**
     - 30¢ for each qualified subscriber per month

3. **ALLOCATE PAYABLE ROYALTY POOL**

   - **PAYABLE ROYALTY POOL**
     - **TOTAL NUMBER OF “PLAYS”**

© The Harry Fox Agency, Inc. 2014
Paid Locker Service =
Service that provides continuous access to internet connected devices to recordings previously purchased by the end user

1. CALCULATE THE RAW ROYALTY POOL

\[
\text{RAW ROYALTY POOL} = \frac{12\% \text{ of Music Service Revenue}}{\text{or}} \frac{20.65\% \text{ of service payment to Record Companies for Sound Recordings}}{\text{or}} \frac{17.11\% \text{ of service payment to Record Companies for Sound Recordings (if licenses are Pass-Through)}}
\]

2. CALCULATE THE PAYABLE ROYALTY POOL

\[
\text{THE GREATER OF} = \frac{17\text{¢} \text{ for each qualified subscriber per month}}{\text{ALL-IN ROYALTY POOL}}
\]

3. ALLOCATE PAYABLE ROYALTY POOL

\[
\text{PAYABLE ROYALTY POOL} = \frac{\text{TOTAL NUMBER OF "PLAYS"}}{\text{(ALLOCATION IS BASED ON THE NUMBER OF "PLAYS")}}
\]

© The Harry Fox Agency, Inc. 2014
Purchased Content Locker =
Services offered for free to purchasers of Permanent Downloads or CDs

1. **CALCULATE THE ALL-IN ROYALTY POOL**

   
   \[
   \text{ALL-IN ROYALTY POOL} = \text{THE GREATER OF} \]

   \[
   A \quad 12\% \text{ of Incremental Service Revenue (e.g. advertising on relevant pages)}
   \]

   \[
   B \quad 22\% \text{ of service incremental payment to Record Companies for Sound Recordings (above the otherwise applicable payments for PDDs)}
   \]

   \[
   \quad \text{or} \quad 18\% \text{ of service payment to Record Companies for Sound Recordings (if licenses are Pass-Through)}
   \]

2. **CALCULATE THE PAYABLE ROYALTY POOL**

   
   
   \[
   \text{ALL-IN ROYALTY POOL} \rightarrow \text{MECHANICAL ROYALTIES} \rightarrow \text{PAYABLE ROYALTY POOL}
   \]

3. **ALLOCATE PAYABLE ROYALTY POOL**

   
   
   \[
   \text{PAYABLE ROYALTY POOL} \rightarrow \text{ROYALTY PER "PLAY"}
   \]

   \[
   (\text{ALLOCATION IS BASED ON THE NUMBER OF "PLAYS"})
   \]

© The Harry Fox Agency, Inc. 2014
**Mixed Service Bundle =**
Sale of a music service together with a non-music product (such as Internet services) for one price

---

**1 CALCULATE THE ALL-IN ROYALTY POOL**

\[
\text{ALL-IN ROYALTY POOL} = \text{THE GREATER OF} \begin{cases} 
11.35\% \text{ of the Music Service Revenue} \\
21\% \text{ of service payment to Record Companies for Sound Recordings} \quad \text{or} \quad 17.36\% \text{ of service payment to Record Companies for Sound Recordings} 
\end{cases}
\]

---

**2 CALCULATE THE PAYABLE ROYALTY POOL**

Separate the Mechanical Royalties from the Performance Royalties in the "ALL-IN ROYALTY POOL"

\[
\text{ALL-IN ROYALTY POOL} \rightarrow \text{MECHANICAL ROYALTIES} + \text{PERFORMANCE ROYALTIES} \rightarrow \text{MECHANICAL ROYALTIES} = \text{PAYABLE ROYALTY POOL}
\]

---

**3 ALLOCATE PAYABLE ROYALTY POOL**

(Royalty per "Play")

\[
\text{PAYABLE ROYALTY POOL} = \text{TOTAL NUMBER OF "PLAYS"}
\]

© The Harry Fox Agency, Inc. 2014
Music Bundles =
Sale of two or more of Physical Records (e.g. CDs, LPs), Permanent Digital Downloads or Ringtones for one price

1. CALCULATE THE ALL-IN ROYALTY POOL

\[ \text{ALL-IN ROYALTY POOL} = \text{THE GREATER OF} \]

A. 11.35% of the Music Service Revenue

B. 21% of service payment to Record Company for Sound Recordings (if licenses are not Pass-Through) or 17.36% of service payment to Record Company for Sound Recordings (if licenses are Pass-Through)

2. CALCULATE THE PAYABLE ROYALTY POOL

Separate the Mechanical Royalties from the Performance Royalties in the "ALL-IN ROYALTY POOL"

3. ALLOCATE PAYABLE ROYALTY POOL

Allocate Payable Royalty Pool

(Allocate based on ratio of standalone prices and number of tracks in each configuration)

© The Harry Fox Agency, Inc. 2014
Limited Offering =
Subscription services that offers a very limited catalog of music or services that stream preprogrammed playlists.

1. **CALCULATE THE RAW ROYALTY POOL**

\[ \text{RAW ROYALTY POOL} = A \times (10.5\% 	ext{ of the Music Service Revenue}) + B \times (21\% \text{ of service payment to Record Companies for Sound Recordings (if licenses are not Pass-Through) or } 17.36\% \text{ of service payment to Record Companies for Sound Recordings (if licenses are Pass-Through)}) \]

2. **CALCULATE THE PAYABLE ROYALTY POOL**

\[ \text{THE GREATER OF} \begin{align*}
\text{RAW ROYALTY POOL} & \quad A \quad \text{separate the Mechanical Royalties from the Performance Royalties in the "ALL-IN ROYALTY POOL"} \\
18\$ & \quad \text{for each qualified subscriber per month}
\end{align*} \]

\[ \text{ALL-IN ROYALTY POOL} = \text{MECHANICAL ROYALTIES} + \text{PERFORMANCE ROYALTIES} \]

\[ \text{PAYABLE ROYALTY POOL} = \text{PAYABLE ROYALTY POOL} \times \frac{\text{TOTAL NUMBER OF "PLAYS"}}{\text{ROYALTY PER "PLAY"}} \]

3. **ALLOCATE PAYABLE ROYALTY POOL**

© The Harry Fox Agency, Inc. 2014
Free Non-Subscription / Ad-Supported Services =
Services that offer streaming music to end users for free

1. **CALCULATE THE ALL-IN ROYALTY POOL**

   - **ALL-IN ROYALTY POOL**
   - **THE GREATER OF**
     - **A** 10.5% of the Music Service Revenue
     - **B** 22% of service payment to Record Companies for Sound Recordings (if licenses are not Pass-Through) or 18% of service payment to Record Companies for Sound Recordings (if licenses are Pass-Through)

2. **CALCULATE THE PAYABLE ROYALTY POOL**

   - separate the Mechanical Royalties from the Performance Royalties in the "ALL-IN ROYALTY POOL"
   - **ALL-IN ROYALTY POOL**
     - **MECHANICAL ROYALTIES**
     - **PERFORMANCE ROYALTIES**

3. **ALLOCATE PAYABLE ROYALTY POOL**

   - **PAYABLE ROYALTY POOL**
     - **TOTAL NUMBER OF "PLAYS"**
     - ROYALTY PER "PLAY"

© The Harry Fox Agency, Inc. 2014
Bundled Subscription Services =
Subscription services sold together with another product (such as a mobile phone)

1. **CALCULATE THE ALL-IN ROYALTY POOL**

   - **ALL-IN ROYALTY POOL**
     - **THE GREATER OF**
       - **A** 10.5% of the Music Service Revenue
       - **B**
         - 21% of service payment to Record Companies for Sound Recordings (if licenses are not Pass-Through)
         - 17.36% of service payment to Record Companies for Sound Recordings (if licenses are Pass-Through)

2. **CALCULATE THE PAYABLE ROYALTY POOL**

   - **ALL-IN ROYALTY POOL**
     - **MECHANICAL ROYALTIES**
     - **PERFORMANCE ROYALTIES**
     - **THE GREATER OF**
       - **A** MECHANICAL ROYALTIES
       - **B** 25¢ for each qualified subscriber per month

3. **ALLOCATE PAYABLE ROYALTY POOL**

   - **PAYABLE ROYALTY POOL**
     - **TOTAL NUMBER OF “PLAYS”**
     - **ROYALTY PER “PLAY”**

© The Harry Fox Agency, Inc. 2014