

Digital Distribution Negotiations
January 24, 2004
American Federation of Musicians Proposal

D R A F T

(1) Payments.

(a) Rate of payments.

For the purpose of providing distributions to musicians, each Company shall make payments of 2.5% of all receipts it collects as a result of the digital distribution of recordings in the U.S. and abroad, other than the receipts that are derived from transmissions and/or distributions that are subject to the payment obligation set forth in the 1994 Digital Performance Rights Agreement. This obligation shall cover all catalog, shall be made without regard to the calendar year of first release of the recording and shall not expire.

(b) There shall be no MPTF contribution on digital downloads.

(c) Form and timing of payments.

Payments shall be made within forty-five (45) days after the end of each calendar half-year (that is within forty-five (45) days after December 31 and June 30th in each year). Each payment shall be accompanied by a statement, certified by the Treasurer, Controller, or other authorized officer or representative, containing such information as may be reasonably required to ascertain the correctness of the payment made and the musicians to whom distribution shall be made. Payments not made when due shall bear interest at the rate of 6% per annum from the date such payment was due.

(d) Audit.

The Companies shall keep full and accurate records, and be subject to audit in a manner to be discussed.

(e) Transfer of title.

This obligation to make payments shall continue notwithstanding the sale, assignment, lease or license of, or transfer of title to or permission to use the sound recordings.