Before the
COPYRIGHT ROYALTY JUDGES
LIBRARY OF CONGRESS
Washington, D.C.

CO Trial
Ex. 394

In the Matter of

Mechanical and Digital Phonorecord Delivery Rate Adjustment Proceeding

Docket No. 2006-3 CRB DPRA

REBUTTAL WITNESS STATEMENT OF ALFRED C. PEDECINE ON BEHALF OF NATIONAL MUSIC PUBLISHERS' ASSOCIATION, INC., THE SONGWRITERS GUILD OF AMERICA AND THE NASHVILLE SONGWRITERS ASSOCIATION INTERNATIONAL

1. My name is Alfred C. Pedecine and I am the Senior Vice President and Chief Financial Officer ("CFO") of The Harry Fox Agency, Inc. ("HFA"), which is a wholly-owned subsidiary of National Music Publishers' Association, Inc. ("NMPA"). HFA was established in 1927 and represents approximately 35,000 music publishers today. Its primary functions on behalf of publishers include issuing mechanical licenses and collecting and distributing mechanical royalties. HFA also provides auditing and monitoring services to publishers to ensure that record companies pay the mechanical royalties they owe for reproductions of songwriters' works.

2. In this proceeding, the Recording Industry Association of America ("RIAA") and the Digital Media Association ("DiMA") have declined to propose late fees as part of their requested terms, and have taken the apparent position that the late fees and more stringent recordkeeping requirements proposed by NMPA, the Songwriters Guild of America and the Nashville Songwriters Association International (collectively, the "Copyright Owners") are not necessary. Specifically, the Copyright Owners have proposed a 1.5% late fee per month for overdue royalty payments and a 3% fee for so-

called "pass-through" arrangements between record companies and online music service providers. The Copyright Owners also seek a recordkeeping requirement that licenses are to be taken by specific configuration (*e.g.*, CD, cassette, permanent download, limited download, interactive stream). In addition, the Copyright Owners have proposed terms that require additional levels of detail in royalty reports, including the specific configuration by which a licensed music product is delivered, the number of units distributed of a particular configuration, the applicable rate and royalties due for that configuration, and, in the case of pass-through licensing, the retail outlet through which the distribution was made to the end user.

3. In contrast, neither the RIAA nor DiMA has proposed late fees or more stringent recordkeeping requirements. Moreover, the RIAA has actually sought to water down current regulations promulgated by the Register of Copyrights that pertain to: (1) the signing of statements of account under oath by a corporate officer of the licensee, and (2) annual certifications of statements of account by a certified public accountant. *See* 37 C.F.R. § 201.19(e) and (f). It is my understanding that these regulations are intended to encourage compulsory licensees to account truthfully and accurately for their distribution of musical works under the compulsory licensing honor system established in Section 115 of the Copyright Act.

4. The Copyright Owners' proposed terms are needed because licensees, including record labels, consistently fail to make payments when due under mechanical licenses, and often pay significantly less than they actually owe – problems that are often only uncovered through audits. I am familiar with these problems because HFA regularly conducts Royalty Compliance Examinations ("RCEs") of licensees in

order to evaluate their compliance with the terms and conditions of mechanical licenses issued by HFA and monitors royalty payments in the ordinary course of business by using SoundScan and other methods to assess whether licensees are paying in full.[1]

5. Below, I provide detailed information about how the RCE process works, why it is necessary and why it will likely become even more critical over the next statutory rate period. I also explain the anticipated increases in expense and complexity associated with auditing royalty payments that are made on a percentage of revenue rather than a per-unit (or penny rate) basis. Further, I include information regarding the expenditures HFA has made with respect to its Licensing department, IT ("Information Technology") department and IT development projects and other IT expenses since 2000, which information is referenced in the Written Rebuttal Statement of Maurice Russell, HFA's Vice President of Licensing and Business Affairs.

6. A significant portion of licensees' mechanical royalty payments are received after these payments are due to HFA. The amounts recovered through the RCE process are staggering – over $430 million since 1990. The terms proposed by the Copyright Owners should discourage the conduct that has forced them to bear the burden and expense of RCEs in order to collect long overdue payments.

Background

7. I received a Bachelor's Degree from Lehigh University in 1974 and was licensed as a Certified Public Accountant in 1977. I am a member of the

[1] SoundScan is a service that tracks sales of music and music video products on a weekly basis throughout the United States and Canada. SoundScan data is widely relied on in the music industry and is the sales source for the Billboard music charts.

American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

8. I have over 25 years of experience in the music industry. In 1974, I began my career at Price Waterhouse, where I worked on recurring audits of clients in the music and other industries. After that, I gained extensive experience in the music industry, serving in a variety of positions, including Vice President and Controller at Arista Records from 1976-1984; Vice President, Controller at PolyGram Records from 1987-1990; Vice President Finance and Administration at PolyGram Group Distribution from 1990-1992; Senior Vice President and CFO of the EMI Records Group from 1993-1994; and, just prior to joining HFA, Vice President Finance and Administration at the Def Jam Music Group from 1997-1999.

9. In 1999, I joined HFA as Senior Vice President, Distribution and Collections. In 2001, I was promoted to my current role as CFO, reporting directly to HFA President and CEO Gary Churgin. As CFO, I am responsible for the overall financial functions of the company, including financial reporting, planning and cash management, as well as the royalty compliance and collections areas. I supervise 25 staff, including five in the Royalty Compliance department and nine in the Collections department.

The Need for HFA's Collection Efforts and RCE Process

10. Late payment of mechanical royalties by record labels constitutes a significant and entrenched problem in our industry. In preparing this written statement, I reviewed an analysis of an extract from HFA's operating systems, maintained in the ordinary course of business, of cash receipt data for mechanical royalties received by

HFA from January 1, 2000 to September 5, 2007. The data revealed that during this period, over 41,000 receipts totaling more than $2.1 billion were received late. Applying an interest rate of 1.5% per month (the same amount as the late fee proposed by the Copyright Owners) to these specific receipts would have resulted in approximately $16.3 million in publisher income – not an inconsequential sum. The receipts in question were, on average, 80 days late and represent over 70% of the mechanical royalties received by HFA during the relevant period. (Payments are late if they are not received in compliance with the terms contained in HFA's standard mechanical and import licenses, which provide that royalties must be paid by the licensee to HFA no later than the 45th day following the end of the calendar quarter for which the royalties are being paid.)

11. One way HFA addresses this entrenched problem is through its Collections department. The Collections department has a staff of nine employees and incurred yearly operational expenses ranging from $379,157 in 2001 to $826,339 in 2007. I expect the annual expenses of the Collections department to increase in the coming years. As an initial matter, to encourage prompt payment, the Collections department calls or sends emails to licensees before royalty payments are due to remind them of their upcoming obligations. When a licensee fails to make payments when due, as happens frequently, the Collections department initially contacts the licensee by phone or email regarding its failure to submit royalty payments and reports. If the default continues, the Collections department sends reminder letters that escalate into warnings that continued refusals to make overdue payments may result in the termination of all licenses issued to the licensee by HFA on behalf of its publisher-principals.

12. The Collections department, in addition to dunning licensees, reviews a portion of licensees' payments every quarter, using SoundScan sales data as a guide, to ensure that such payments reasonably reflect licensees' use and distribution of recordings. We refer to this practice as the "proactive tracking process." In situations where the Collections department identifies a material variance between the royalties actually received for a particular release and the royalties that should have been remitted based on SoundScan and HFA license data, HFA will contact the label in question to discuss the variance and request supplemental royalty payments as appropriate. Notwithstanding these efforts, and as demonstrated by the late payment analysis discussed above, licensees consistently fail to pay royalties in a complete and timely fashion.

13. In addition to the problem of untimely payments, through the RCE process, HFA's auditors frequently uncover royalties worth millions of dollars that have never been paid. As mentioned above, from 1990 through 2007, HFA collected, in total, over $430 million through audits of licensees. *See* Exhibit A. This amount represents approximately 6.2% of HFA's total receipts from licensees for that period.

14. The following table summarizes HFA's RCE collections from 2001 through 2007 as reflected in HFA's records:

TABLE 1:
HFA RCE Royalties
2001-2007

Year	RCE Royalties
2001	$20.1 mil.
2002	$25.1 mil.
2003	$38.1 mil.
2004	$53.6 mil.
2005	$6.3 mil.
2006	$29.1 mil.
2007	$21.1 mil.

Source: Exhibit A and HFA records

15. As a result, auditing licensees is one of HFA's central functions. Even today, in the era of digital recordkeeping and accounting systems, licensees continue to fail to pay mechanical royalties in a timely and complete fashion. Thus, the RCE process is central to HFA's mission and a critical service performed by HFA on behalf of its publisher-principals.

16. The RCEs are not only a method for collecting overdue royalties – they also serve as a deterrent to unauthorized uses of the Copyright Owners' works by record companies and other licensees. Such unauthorized uses can be difficult to detect, and absent the audit process, HFA's publisher-affiliates and their songwriters would be forced to conduct their own painstaking monitoring of the use of their works. For smaller publishers, the costs could be prohibitive. HFA's RCE process is well known within the industry. As such, licensees are aware of the possibility that their unauthorized uses of the Copyright Owners' works and noncompliance with licensing agreements will be identified. Below, I describe how the process works.

How the RCE Process Works

17. HFA's RCEs proceed on two tracks. Large licensees, which include the major record labels and the largest independent labels, are scheduled for periodic audits. HFA endeavors to conduct RCEs of large licensees on a three to four year cycle.

18. For smaller and medium sized licensees (which are typically record companies as well), audits are not automatic, but rather are triggered by factors that suggest an RCE is necessary. For example, certain licensees are subject to RCEs because they have histories of noncompliance with license terms. In other circumstances, a licensee may be audited because HFA identifies apparent discrepancies between the number of licenses issued to the licensee and its reported royalties. Similarly, an audit may be prompted because HFA identifies apparent discrepancies between a licensee's reported royalties and SoundScan sales data.

19. Most RCEs are conducted by outside auditing firms retained by HFA, with HFA's in-house Royalty Compliance department conducting the remainder.

20. HFA's in-house or outside auditors commence the RCE by sending a formal notice to the licensee. The auditors then examine the licensee's royalty payments and royalty statements, and compare the royalty payments and statements to the licenses issued by HFA to the licensee. Next, the auditors and the licensee conduct an informal meeting to coordinate the timing and scope of the audit. After the meeting has been held, the auditors begin their "field work," which includes one or more visits to the licensee to review, among other things, the licensee's sales records, manufacturing and inventory data, and label copy. In general, due to the volume of information for a given

examination period, the auditors use sampling methods to test the validity of the licensee's reporting. Such sampling involves testing a portion of the total available data for deficiencies and then using the error rate derived from the sample testing to extrapolate claims on the untested portion of the data.

21. The auditors typically identify a number of deficiencies in licensees' royalty reporting and payment, including deficiencies in accounting, inventory and recordkeeping processes and procedures. In some circumstances, the deficiencies appear to be the result of carelessness, but in other situations, the licensees appear to have willfully neglected to live up to the requirements imposed by the mechanical licenses that they have obtained from HFA or their obligations under the Copyright Act. For example, record companies sometimes simply use the Copyright Owners' works without obtaining licenses through HFA or directly from the relevant publisher. In other instances, they obtain licenses, but underreport their use of the licensed compositions. In other situations, record companies distribute significant numbers of "promotional" copies of recordings for which they do not pay royalties, even though these units are not exempt from royalty payments under either the relevant mechanical license or the Copyright Act.[2] Another common occurrence is for record companies to maintain excessive reserves in violation of the regulations found in 37 C.F.R. § 201.19. In addition, some licensees have unaccounted for inventory production.

22. After the auditors have completed their field work, requested additional documentation, and reviewed other relevant materials, they issue a preliminary

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2 There are circumstances where promotional units are authorized under the terms of an artist's contract.

report that lists all of the deficiencies, or claims, they have identified in the licensee's royalty reporting and payments made to HFA. Attached to this preliminary report are spreadsheets that detail the basis for each claim. We refer to these spreadsheets as "claim schedules." The report also sets forth the dollar amounts associated with each claim category, a total dollar figure for payment of all claims, and an additional interest claim to compensate publishers and songwriters for income lost because of the licensee's failure to make timely and accurate royalty payments.

23. After receiving preliminary reports, licensees generally begin to confirm or dispute particular claims, often by producing documents they failed to produce during the field work. Through this process, the claims in the preliminary report are adjusted as appropriate based upon any additional information provided by the licensee.

24. When licensees fail to resolve the adjusted claims, HFA's options are limited to: (1) terminating the licenses; (2) sponsoring a lawsuit for copyright infringement on behalf of its publisher-principals; and/or (3) pursuing a settlement with the licensee. Termination and litigation are generally not attractive options because they can damage a long-term business relationship between a publisher and a record label. In addition, the cost of litigation is often prohibitive. The first two options, therefore, are used sparingly – only for the most egregious defaults and in instances where a collectible judgment appears likely. In my experience, the RCE process generally results in a negotiated settlement for an amount less than the documented claims that are identified through this process.

25. The RCE process is not inexpensive, as Table 2 below, which identifies our auditing expenses as taken from HFA records, illustrates.

TABLE 2:
HFA Examination Cost Information
2001-2007

Year	Outside Examiners' Cost (1)	In-House Examiners' Dept.Cost (2)	Total Expense (1)+(2)
2001	$3,397,628	$447,200	$3,844,828
2002	2,656,489	419,027	3,075,516
2003	2,446,860	322,320	2,769,180
2004	1,552,547	311,122	1,863,669
2005	2,167,154	311,849	2,479,003
2006	2,217,841	328,783	2,546,624
2007	1,730,334	459,197	2,189,531
	$16,168,853	$2,599,498	$18,768,351

Source: Extract from HFA General Ledger

From 2001 through 2007, the RCE process cost HFA, and thus music publishers and songwriters, a total of $18.8 million, or an average of $2.7 million per year, excluding legal costs associated with settlements and enforcement lawsuits. HFA has budgeted $3 million for outside examiner costs in 2008, which represents a year-over-year increase of 73%. This increase is due to an increased level of activity, as well as the increased complexity associated with auditing digital use licenses, which is described below. Further, I expect that HFA's audit costs will continue to increase over the coming years given that (1) digital distribution of music will likely increase significantly in the future; and (2) following this proceeding, there will likely be a statutory rate for subscription services resulting in additional audits of this new group of licensees.

26. As I have detailed above, the RCE process is a painstaking and burdensome one that causes the Copyright Owners to incur great expense to remedy consistently delinquent conduct by record company licensees. The late fee terms proposed by the Copyright Owners will provide record companies with added incentive to avoid late payments and underpayments by establishing the amounts required to cure defaults under the compulsory license pursuant to Section 115(c)(6). (Such late fees, and any additional terms established during this proceeding, would become part of the HFA standard mechanical license because that license generally incorporates the terms of Section 115.) Late fees will also help counter the financially baseless argument, regularly made by licensees, that they should not be required to pay interest on the late payments and underpayments identified during RCEs. In addition, interest payments would fairly compensate for the lost time value of money incurred by the Copyright Owners when a licensee fails to report and pay on time.

The Shift to Digital Music has Increased the Expense and Complexity of the RCE Process

27. The shift to digital distribution of music has made the audit process more complex and costly. In addition, the prevalence of so-called "pass-through" arrangements for the licensing of digital downloads impairs the ability of HFA and the Copyright Owners to perform complete and thorough audits because it precludes access to source transactions.

28. Conducting an RCE related to digital distribution requires the use of a number of the traditional methods described above for physical product. In addition, HFA must also test the integrity of the licensee's computer systems to evaluate whether they are accurately tracking and, therefore, reporting usage of musical compositions. It is

imperative that HFA confirm that the licensee is counting each digital distribution of a musical work made by a computer system. Therefore, HFA will have to retain a computer engineer or other appropriate specialist to evaluate computer logs and security with respect to data tracking, storage and reporting of music usage or distribution. In addition, a digital RCE will require HFA to assess the reasonableness of usage information provided by a service, in relation to the service's revenues.

29. In the case of pass-through licenses, the direct licensee (usually a record label) does not have the source information that the pass-through licensee used to report and pay royalties to the record label. In addition, HFA cannot test the integrity of the pass-through licensee's computer systems as described above. Auditing digital payments made pursuant to pass-through licenses, therefore, amounts to reviewing royalty and usage reports received by the direct licensee from a third party rather than truly testing the accuracy and adequacy of the reporting in the first instance. Such an approach can never be as straightforward or reliable as a direct audit.

30. Finally, HFA has learned through some recent RCEs that record labels commonly report digital royalties due for the last month of every reporting quarter late. That is, under HFA licenses requiring payment within 45 days after the close of the quarter, the practice of the labels is to pay digital royalties due for the third month of such quarter at least 90 days late. (I assume they might also pay late under the monthly payment schedule required by a compulsory license, but have no direct experience in this regard.) As a result, the Copyright Owners have proposed a 3% pass-through licensing assessment to encourage timely reporting and compensate for the lost time value of money in the event late reporting continues to be the norm.

A Percentage of Revenue Structure Would Further Increase the Expense and Complexity of the RCE Process

31. Audits of payments made under percentage of revenue arrangements are substantially more complex than audits of payments based on a penny rate (which are already complicated). As a preliminary matter, there are generally two different forms a percentage based arrangement can take. The first is based on unit sales, where a percentage rate is applied to revenue as determined by units sold and unit sale price. Under this system, the audit must look at three main factors: the percentage rate, the units sold and the sale price per unit. In the second, a percentage rate is applied to a revenue base that is not dependent on unit sales, but rather on some other income stream such as subscription fees or ad revenue. This is typified by digital subscription services, where revenue is not based on units sold, but rather on the gross or net revenue generated by the service. In this context, audits must look at the percentage rate and the appropriate revenue base against which that rate should be applied. This is in addition to assessing the accuracy and completeness of actual usage reporting, which is still required for HFA to distribute the royalties to the appropriate publishers.

32. Audits of percentage of revenue based royalty payments are thus more complex than audits of penny rate based payments for several reasons. First, audits of the former require auditors to consider revenue and not just quantity of units distributed. This means that in addition to reviewing data concerning the number of units manufactured and distributed, auditors must analyze additional sources of information, such as a licensee's general ledger(s) and other financial records, to conduct a thorough review of the licensee's sales and other accounts. Second, audits of percentage of revenue licensing arrangements require a determination about the appropriate revenue

base to which the royalty rate should be applied. That revenue base could be difficult to assess given the potential complexity of revenue definitions. At the very least, identifying the proper revenue base requires an understanding of the licensee's various revenue sources and revenue recognition policies. Given the potential complexity inherent in interpreting and applying what is likely to be a complex revenue definition, percentage of revenue audits are likely to be more difficult to conduct and resolve than unit based audits. In sum, moving toward a percentage of revenue system would introduce additional expense, inefficiency and uncertainty into the current audit process.

33. As I mention above, licensing is among HFA's primary functions. To support HFA's licensing and other functions, HFA has developed and maintains extensive IT systems. My colleague, Maurice Russell, Vice President of Licensing and Business Affairs, describes some of these systems in more detail in his rebuttal witness statement. I have attached as Exhibit B a chart showing expenses from 2000 to 2007 for the operation of HFA's Licensing and IT departments. In addition, the chart presents IT development projects and other IT expenses (shown as "Information Technology") and Capital Expenditures, which are largely IT-related.

Conclusion

34. As I discuss above, licensees regularly fail to pay the Copyright Owners the mechanical royalties to which they are entitled at the time they are due. The record companies pay less in royalties than they owe, or they pay late, or both. Without HFA's RCEs and collection efforts, music publishers and songwriters might never recover millions of dollars in mechanical royalties due to them.

35. The late fee terms proposed by the Copyright Owners are intended to strongly encourage record companies to pay publishers in full and in a more timely

fashion. These terms will also more fairly compensate the Copyright Owners if licensees' historical behavior continues. In contrast, if no late fees are imposed as a result of this proceeding, record companies are likely to continue their current practices of making tardy and incomplete payments.

36. Finally, the Copyright Owners' proposed recordkeeping terms, which will require licensees to provide additional information about various digital configurations and retail outlets, will contribute to greater transparency in the licensing and reporting process. In the event different configurations are assigned different mechanical royalty rates as a result of this proceeding, the recordkeeping terms proposed by the Copyright Owners would be required in order to identify and distribute royalties received from licensees for these different configurations to HFA's publisher-principals.

Declaration

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: April 9, 2008

Alfred C. Pedecine
Senior Vice President & Chief Financial Officer
The Harry Fox Agency, Inc.

<u>Errata to the Written Rebuttal Testimony of Alfred C. Pedecine</u>

The third sentence of paragraph 25 on page 11 reads: "HFA has budgeted $3 million for outside examiner costs in 2008, which represents a year-over-year increase of 73%." That sentence should instead read: "HFA has budgeted $2.5 million for outside examiner costs in 2008, which represents a year-over-year increase of 44.5%."

A

Exhibit A: Harry Fox Agency, Inc.
Schedule of Annual Receipts

	Year	Amount	% increase over prior year	Mech Regular	Mech RCE	TV	Synch	Import	Import RCE	ET	Intl
**	1990	202,829,611		180,994,604	11,623,862	6,522,809	1,793,787	1,599,598		294,953	
**	1991	226,457,641	11.649%	201,019,336	12,315,624	7,963,228	2,825,449	1,975,967		358,036	
**	1992	258,724,894	14.249%	221,291,565	22,531,252	9,392,536	2,385,151	2,136,394		987,996	
**	1993	305,055,620	17.907%	276,536,925	12,488,621	8,965,774	3,237,483	3,340,702		486,116	
**	1994	356,741,757	16.943%	321,684,615	20,044,310	8,198,306	3,395,256	2,951,579		467,691	
**	1995	390,645,745	9.504%	365,630,027	5,285,246	11,282,035	3,089,400	4,937,184		421,852	
**	1996	414,287,796	6.052%	379,679,918	14,719,100	10,546,192	3,619,648	5,348,351		374,587	
**	1997	410,937,076	-0.809%	380,871,506	14,575,284	8,837,747	2,953,694	3,276,607		422,238	
**	1998	437,496,682	6.463%	402,147,966	21,861,134	7,890,463	3,252,269	1,546,757		694,439	103,654
*	1999	476,295,603	8.868%	438,072,616	22,644,235	9,018,512	3,739,685	2,085,551		559,572	175,432
*	2000	572,714,852	20.244%	476,290,986	79,052,974	7,026,362	2,501,538	7,139,325		508,174	195,493
*	2001	454,291,370	-20.678%	421,668,749	20,123,923	5,371,433	1,581,490	4,839,424		492,288	214,063
*	2002	453,325,361	-0.213%	417,921,871	25,081,655	2,499,706	583,768	4,931,763		965,065	1,341,533
*	2003	397,045,731	-12.415%	349,359,003	38,065,487	629,662	13,901	4,597,270		735,153	3,645,255
*	2004	421,484,758	6.155%	356,626,609	51,197,254	552,726	10	6,267,581	2,443,786	781,654	3,615,138
*	2005	371,509,559	-11.857%	355,568,067	6,346,951	567,298		5,179,111		634,151	3,213,981
*	2006	379,453,614	2.138%	341,740,608	26,878,548	327,071		4,422,224	2,200,000	793,608	3,091,555
U	2007	393,543,288	3.713%	365,172,845	19,335,717	515,523		3,091,293	1,800,000	774,646	2,853,264
		6,922,840,957		6,252,277,815	424,171,178	106,107,384	34,972,528	69,666,680	6,443,786	10,752,218	18,449,368

* Source: General Ledger used for financial statement audit.

** Source: historic schedule maintained in finance dept.

U Source: General Ledger, subject to year-end financial statement audit

B

Exhibit B: Harry Fox Agency, Inc. Licensing & Information Technology Costs
For the Years 2000 Through 2007

Description	2000	2001	2002	2003	2004	2005	2006	2007	Total
Licensing Department	$2,366,097	$2,057,353	$1,857,303	$1,576,784	$1,146,853	$1,341,668	$1,252,714	$1,523,804	$13,122,576
IT Department	1,688,662	2,174,701	2,626,505	3,284,605	3,363,867	4,062,218	4,105,738	4,252,342	25,558,638
Information Technology	4,026,818	6,769,584	2,965,976	878,118	2,572,780	4,367,236	2,742,965	3,085,903	27,409,381
Total Expenses	$8,081,577	$11,001,638	$7,449,784	$5,739,507	$7,083,500	$9,771,122	$8,101,417	$8,862,049	$66,090,594
Capital Expenditures - Net of Refunds & Disposals	$792,464	$1,891,380	$5,212,410	$523,788	($2,130,871)	$1,210,925	$167,784	$461,704	$8,129,583
Grand Total of Expenses & Capital Expenditures	$8,874,041	$12,893,019	$12,662,194	$6,263,294	$4,952,629	$10,982,047	$8,269,201	$9,323,753	$74,220,178

Note: 2004 Capital Expenditures includes a $3,250,000 settlement in connection with services provided from a third party contractor.