Before the
UNITED STATES COPYRIGHT ROYALTY JUDGES
Washington, D.C.

In the Matter of

MECHANICAL AND DIGITAL
PHONORECORD DELIVERY RATE
ADJUSTMENT PROCEEDING

Docket No. 2006-3 CRB DPRA

CORRECTED REBUTTAL TESTIMONY OF

TERRI SANTISI

President, T. Media Services, International

May 2008

RIAA Trial Ex. 78
CORRECTED TESTIMONY OF TERRI M. SANTISI

I. INTRODUCTION AND RELEVANT WORK EXPERIENCE ............................................. 2

II. SUMMARY OF CONCLUSIONS ........................................................................... 5

III. THE MUSIC PUBLISHING BUSINESS INVOLVES SUBSTANTIALLY LESS RISK THAN THE RECORDED MUSIC BUSINESS ........................................... 7

A. Music Publishers Acquire the Rights to Musical Works In Ways That Minimize Their Risk ........................................................................................................ 7

B. The Investments Made By Music Publishers Are Smaller, and Therefore Less Risky, Than The Investments Made By Record Labels .................................... 10

C. Music Publishers Earn Multiple Revenue Streams as a Result of Record Company Investments ........................................................................................................... 17

D. Contrary to the Publishers’ Assertions, There Has Been No Steep Decline in Mechanical Royalties In Recent Years ............................................................... 23

E. The Cents Rate Mechanical Royalty Serves to Reduce the Risks of the Music Publishers Compared to the Record Companies ............................................ 26

F. The Economic Life of Musical Works Often is Longer Than the Economic Life of Sound Recordings .................................................................................................. 27

G. The Difference in the Costs and Risks of the Music Publishing and Recorded Music Businesses is Reflected in the Higher Valuations Placed on Music Publishing Businesses by Investors .............................................................. 29

IV. DIGITAL DISTRIBUTION OF MUSIC HAS RENDERED THE RECORDED MUSIC BUSINESS RISKIER, BUT HAS LITTLE IMPACT ON THE MUSIC PUBLISHING BUSINESS ................................................................. 33

A. Record Company Revenues Have Been Dropping As a Result of the Shift to Digital Sales ........................................................................................................ 34

B. Declining Revenues Threaten Continued Investment in New Artists and Sound Recordings by the Record Companies, to the Detriment of All .................. 37

C. The Record Companies Must Support Parallel Distribution Chains for Physical and Digital Sound Recording Sales, Which Becomes More Difficult as Revenues Decline ........................................................................... 41

D. In the Digital World, the Hits Sell Fewer Albums .............................................. 42

V. AN INCREASE IN THE MECHANICAL ROYALTY RATE WILL ADVERSELY AFFECT AVAILABILITY OF MUSIC, WHILE A DECREASE IN THE MECHANICAL ROYALTY RATE WILL HAVE LITTLE IMPACT ON MUSIC PUBLISHERS’ INVESTMENTS .................................................. 43

VI. CONCLUSION ........................................................................................................ 46

TABLE A: Music Publisher Historical Performance .................................................. 47

TABLE B: ProForma Music Publisher Financials ......................................................... 57
I. INTRODUCTION AND RELEVANT WORK EXPERIENCE.

I am the President of T. Media Services, International, a strategic consulting firm specializing in all aspects of media and entertainment. I write this report at the request of the RIAA to respond to several of the assertions that have been made by the National Music Publishers Association, Inc. ("NMPA"), the Songwriters Guild of America ("SGA"), and the Nashville Songwriters’ Association International ("NSAI") (collectively, the "Publishers") in the current CRB proceeding.

I have spent virtually my entire professional career in the media and entertainment fields and have had extensive experience with both the recorded music and the music publishing sectors of the industry.

I started my career at the accounting firm of Ernst & Young. I was at Ernst & Young for 13 years and as a partner led the Media Industry Group. I also served as the coordinating partner for EMI Music Worldwide, the American Society of Composers and Publishers (ASCAP) and the NMPA. While at Ernst & Young I developed a sophisticated formula for the valuation of music publishing copyrights which enabled potential purchasers of those rights to obtain an appropriate measure of their value. I also led financial due diligence of several music and music-related companies, including SBK Music Publishing (formerly CBS Music Publishing) by Thorn EMI Plc (a roughly $300 million transaction) and led financial due diligence with respect to the sale of Chappell Music Publishing by an investor group to Warner Music (a roughly $200 million transaction).

From 1989 to 1992 I served as the Senior Vice President and Chief Financial Officer for EMI Music Publishing Worldwide/ SBK Records. At EMI Music Publishing ("EMI MP") I was responsible for integrating the former CBS Songs, another music publisher, and leading the financial operations of the newly merged company. In that position I was responsible for
corporate development (mergers and acquisitions) and all finance operations including royalties, licensing and administration, financial planning and analysis. In addition, I served as the financial partner to the co-Chairmen of the company to assist on all global growth initiatives. I also negotiated several major catalog transactions, including the acquisition of Filmtrax Music and a long-term administration deal for the Jobete Music catalog. In the course of my work I routinely reviewed royalty statements and other licensing documents and became familiar with all aspects of the royalty rate structure of music publishers and songwriters.

From 1992 through 1998 I was the Executive Vice President and General Manager of the EMI-Capitol Music Group, North America. At EMI Music I led strategy development and oversaw day-to-day operations for nine North American record labels, with responsibility for the sales, marketing, and distribution operations as well as the manufacturing organization. I was also responsible for structuring major artist and promotion deals and evaluating the viability of new business opportunities. Among others, I was responsible for the development and management of multimedia marketing campaigns involving artists such as Garth Brooks, Tina Turner and Roxette. I also renegotiated the rights to the Beatles’ BBC Tapes and their “Anthology” audio and video series, greatly increasing the revenue-generating potential of those products.

Subsequent to my work with EMI Music, from 1999 through 2005 I was a Partner at KPMG and leader of their Media and Entertainment Practice. During my tenure at KPMG, I led specific client projects in the media industry, including a business transformation and strategic assessment of a major music association, transaction advisory work for several media companies (primarily in the music sector), advising on transactions from $100 million to in excess of $1
billion, and also led the Sarbanes Oxley initiative for one of the major recorded music companies.

After leaving KPMG, I was the Chief Financial Officer for Interpublic Media, a division created in 2006 to consolidate the media planning and buying businesses of The Interpublic Companies. I then served as the Executive Vice President, Chief Financial Officer and Chief Administrative Officer for IMG, a major sports, entertainment and media company. Upon leaving IMG in 2007 I formed T. Media Services, my own consulting firm.

In addition to the above employment, I have also made a number of professional contributions in the area of media and entertainment. I partnered with the World Economic Forum to assist in the annual media governors meeting agenda from 2000-2005, and I remain involved with that organization today. In the course of my work with the World Economic Forum I contributed to their digital ecosystem study and authored papers relating to the impact of private equity firms in the media and entertainment industry, collaboration between information technology, telecommunications and media entertainment, boundaries of global regulation in the media and entertainment industry, and challenges to creating value in media and entertainment. In addition, I have authored position papers on the current issues and future implications of various sectors in media entertainment, including advertising, intellectual property protection, and the consumer in media and entertainment.

I have been a certified public accountant in the State of New Jersey since 1979. A copy of my resume is attached at the Appendix to this report.
II. SUMMARY OF CONCLUSIONS.

Throughout their direct case, the Publishers have repeatedly made a number of inaccurate or misleading statements about the relative contributions made, and risks taken, by music publishers and record companies.

First, music publishers say they have a significant role in creating music and making it available to the listening public.\(^1\) While music publishers do make certain contributions to the creative process, the contributions of the record labels are many times greater. In terms of dollars spent, it is the record labels that provide the vast majority of the investments in the areas of artist & repertoire (A&R), marketing and promotion, recording cost, talent advances, tour support, and the like. The contributions of music publishers in these areas do not even come close.

Second, music publishers say that they take significant risks with their investments in songwriters.\(^2\) As I will show in this report, any risks taken by music publishers are minimal compared to the risks taken by record labels. This is in part simply a function of their lower spending. But it is also because music publishers, unlike record labels, have access to a wide range of revenue streams that insulate them from periodic downturns in one form of licensing or another. Moreover, music catalogs are durable assets that retain their value for many years with a minimum of continued financial expenditure. That is why music catalogs have in recent years become a widely sought-after investment due to their long-term, annuity-like nature.

\(^1\) CO Trial Ex. 11 (Israelite WDT) ¶¶ 13-19; CO Trial Ex. 3 (Faxon WDT) ¶¶ 9-38; CO Trial Ex. 24 (Firth WDT) ¶¶ 17-52; CO Trial Ex. 8 (Robinson WDT) ¶¶ 27-57; CO Trial Ex. 13 (Peer WDT) ¶¶ 10-46

\(^2\) CO Trial Ex. 11 (Israelite WDT) ¶ 18; CO Trial Ex. 3 (Faxon WDT) ¶ 17; CO Trial Ex. 24 (Firth WDT) ¶ 29; CO Trial Ex. 8 (Robinson WDT) ¶ 51; CO Trial Ex. 13 (Peer WDT) ¶¶ 19-20
Third, music publishers contend that an increase in the mechanical royalty rate is necessary to enable them to make continued investments in music. But, as I will show, this is not so. Mechanical royalty revenues are but one of many streams of income that the music publishers enjoy. Indeed, as my analysis will show, under the RIAA’s proposal to reduce the present mechanical royalty rate on most products to a level of 9 percent of wholesale, music publishers would still enjoy healthy profits and margins -- more than enough to cover their overhead and to continue talent advances and carry out other forms of investment. By contrast, adopting the rate increase proposed by the Publishers will simply swell the music publishers’ already substantial coffers while depriving record labels of net revenues that are essential if they are to continue making investments in an already difficult economic environment.

Finally, the music publishers have testified that digital distribution is the cure to the record labels’ woes, suggesting that the savings record companies will eventually achieve in lower distribution and manufacturing costs will offset the losses they are experiencing as a result of declining sales revenues. In fact, the shift to digital has created tremendous risks for record companies, who have made and are continuing to make massive investments in order to transform their businesses in a time of great uncertainty about the future of the music industry as a whole. And while everybody has suffered from digital piracy to some extent, it is the record companies that are making most of the investments and therefore that are bearing the brunt of the increased risks. Music publishers, by contrast, simply continue to do in the digital world what they have always done in the physical world, which is to license a product and run what is, in effect, an annuity business.

---

3 CO Trial Ex. 11 (Israelite WDT) ¶¶ 13, 17, 48; CO Trial Ex. 24 (Finth WDT) ¶ 62; CO Trial Ex. 8 (Robinson WDT) ¶¶ 27, 57; CO Trial Ex. 13 (Peer WDT) ¶ 51, 59

4 CO Trial Ex. 3 (Faxon WDT) ¶¶ 9-38; CO Trial Ex. 15 (Murphy Report) ¶¶ 38-50
III. THE MUSIC PUBLISHING BUSINESS INVOLVES SUBSTANTIALLY LESS RISK THAN THE RECORDED MUSIC BUSINESS.

The music publishers have sought to convince this Court that they make substantial investments, and take substantial financial risks, in the creation and distribution of music. To their investors, stockholders, and the general public, however, the music publishers say something completely different, describing themselves as a low-risk business that primarily collects the cash generated from the intellectual property they own. As BMG Music Publishing ("BMG MP") put it in a 2006 prospectus, music publishing is a "highly profitable business model with high margin, annuity-like cash flow generation."\(^5\) Based on my personal knowledge of the music publishing business and my review of the music publishers’ documents provided in discovery, this statement in the BMG prospectus is certainly accurate.

A. Music Publishers Acquire the Rights to Musical Works In Ways That Minimize Their Risk.

Music publishing companies make money by licensing the use of a piece of intellectual property -- the musical work or song. Music publishers typically acquire musical works in one of three ways:\(^6\)

*First,* music publishers acquire existing catalogs of musical works with existing and predictable revenue and cash flow streams, usually in a particular genre such as pop or country. The acquisitions of these catalogs carry little risk because their revenue-producing capacity can readily be analyzed prior to purchase, allowing a purchase price to be simply calculated. As a Sony/ATV presentation explained, the “target criteria” for a catalog acquisition include:

---

\(^5\) RIAA Ex. 51 (CO05006812), at 05006826

\(^6\) The three basic ways of acquiring rights are set out in many of the documents the music publishers disclosed in discovery -- for example, “Publishing Basics: The Fundamentals”, a presentation by Sony/ATV Music Publishing on June 14, 2006 (RIAA Ex. 133-RR (CO07007193), at 07007195).
“steady, predictable revenue stream”, “favorable margins”, and a “target return on investment” of 5-10 percent after tax, among others.\(^7\)

Second, music publishers enter into administration or short term catalog deals. In these deals, the publishers take an already-existing catalog -- that is, a catalog that is already earning money -- and agree to exploit the musical works in that catalog (and handle the collection of the royalty payments) in exchange for a share of the profits from that catalog. Such arrangements have a very steady and predictable revenue stream and the music publisher will retain these rights for the term of the deal or until an advance is recouped. Administration deals can also provide the publisher with an inside track on the acquisition of that catalog should it be placed for sale in the future.\(^8\) Although the music publishers spend significant sums to acquire the rights to a catalog of existing works, the risks associated with this investment are small.

Third, music publishers sign new talent deals with writers, artists and/or producers. Like the record companies, music publishers usually pay an advance to a new songwriter, and like the record companies, music publishers are betting that the songwriter will succeed and their investment can be recouped. Although the music publisher may make this investment before any songs have been written or selected for recording by a record company, in many cases, publishers wait until a songwriter has a record deal in place. (And they also give larger advances to writers with record company deals. For example, Warner/Chappell’s due diligence document has a chart with a “US Example” showing that the company typically gives $60-$120,000 to “developing/baby acts” but $150-$300,000 to “developing acts with record deals.”\(^9\)) In the case

\(^7\) RIAA Ex. 133-RR (CO07007193), at 07007205
\(^8\) RIAA Ex. 133-RR (CO07007193), at 07007205
\(^9\) RIAA Ex. 129-RR (CO08000273), at 08000303
of new songwriters, they frequently wait until a songwriter has a commitment from an artist to
have his song recorded before they sign the songwriter and pay an advance. And in the case of
singer/songwriters, it is sometimes the case that the music publisher does not sign a deal until the
singer/songwriter not only has a record contract, but has already recorded an album that is ready
for release. In other words, music publishers generally invest in new talent only when they know
that a record company is already planning to invest many multiples more in A&R, marketing,
etc. -- investments that will ultimately be to their benefit.

There is little risk, therefore, that the music publisher investments will not pay off. When
music publishers buy existing catalogs of musical works, or enter into administration deals, they
are acquiring assets (or rights to assets) that already are generating predictable revenue streams.
Only when the music publishers acquire musical works by signing new talent deals with
songwriters to whom they pay advances is there any appreciable risk. Yet even here, the risk is
often minimized by the fact that the record company has already committed to produce and sell
at least one album by the singer/songwriter, and the music publisher will earn mechanical
royalties on each and every one of the albums sold, regardless of whether the record company
ever makes a profit on the album. Moreover, it is worth noting that in all three circumstances,
the costs to the music publishers increase very little. The incremental cost of adding a catalog or
a new songwriter (or 50 new songwriters) is principally the cost of any advance on royalties; in
contrast, if a record company seeks to add another performer or make a new album, it will incur
very substantial additional costs, including A&R, marketing, and other costs.

The publishers' ability to reduce the risk of their investments stands in contrast to the
record companies. The record companies usually must make their investment at a time when
there is no way to know whether the investment will prove successful. The record companies
invest in the artist, provide the funds for the artist to make and produce the sound recording (including mixing, mastering and other expenses involved in the creation of the sound recording), provide the funds necessary to bring the sound recording to market both in the digital and physical world, and carry out the manufacturing and distribution of the sound recording -- all this before anyone knows whether it will be popular with the public. The risk confronting the record companies at the point where they make their investment, therefore, is significantly greater than the risk confronting the publishers.

B. The Investments Made By Music Publishers Are Smaller, and Therefore Less Risky, Than The Investments Made By Record Labels.

Once the music publishers have made an investment to acquire the rights to musical works, the investment needed to exploit these rights is modest. Both the music publishers and the record companies pay advances to songwriters and/or artists, but the record companies make additional and very substantial investments to produce the recording, market it in the physical and digital space, and distribute and manufacture it. It is the record companies, rather than the music publishers, who bear the lion’s share of the costs that turn intellectual property rights into revenues.

The disparity of investments between music publishers and record companies can be usefully illustrated by comparing the investment profile of EMI MP, the most profitable music publisher (and until last year’s merger of BMG MP and Universal Music Publishing Group, the largest), with Universal Music Group, the largest and most financially healthy recorded music company. EMI MP has approximately 20 percent of the market for music publishing and UMG has about 30 percent of the market for sound recordings. I understand that Roger Faxon, EMI MP’s CEO, has testified that EMI MP has a total A&R budget in the US of more than $15 million, pays annual gross advances in the US averaging close to $44 million per year, and
makes expenditures on various development and promotional activities of just under $5 million.\textsuperscript{10} But those figures pale in comparison with the comparable figures from UMG. For A&R, UMG had gross spending in 2006 (including A&R expenses and gross advances) of \[\text{[ ]}\] -- many times more than EMI MP.\textsuperscript{11} As for marketing, UMG had \[\text{[ ]}\] in marketing expenses in 2006, dwarfing EMI MP’s development budget.\textsuperscript{12}

Moreover, even these figures understate the comparison because Mr. Faxon’s figures for A&R and developmental activity spending include not only third party expenses but also all overhead expenses (such as salaries and rent) that could be allocated to these activities.\textsuperscript{13} If you were to make a true apples to apples comparison, you would have to count UMG’s A&R overhead of \[\text{[ ]}\] and its marketing overhead of \[\text{[ ]}\],\textsuperscript{14} plus whatever portion of UMG’s \[\text{[ ]}\] general and administrative overhead is allocable to the management and support of their A&R and marketing activities. And, of course, UMG incurs all of the distribution and marketing costs associated with both physical and digital distribution -- expenses that are effectively $0 for EMI MP. And even this comparison overstates the relative investments and risks of the music publishers compared to record companies. This is because EMI MP’s figures for advances, as with all the music publishers, includes advances for administration deals as well as pipeline advances to songwriters. As I noted above, advances of this nature have almost no risk as the music publisher is advancing against a known revenue stream.

\textsuperscript{10} CO Ex. 3 (Faxon WDT) ¶¶ 12, 16, 22
\textsuperscript{11} RIAA0020488
\textsuperscript{12} RIAA0020099
\textsuperscript{13} Faxon WDT Exs. 1, 5
\textsuperscript{14} RIAA0020099
The difference in the level of investment also can be seen in some of the examples the music publishers themselves have brought to the Court’s attention. Throughout their testimony the publishers make numerous claims about the singer-songwriters whose careers they claim to have boosted in the form of advances, songwriting assistance, and other forms of support. Two such examples are James Blunt, a singer-songwriter with EMI MP, and Lance Miller, a singer-songwriter with Famous Music Publishing. I have examined the record labels’ experiences with both of these artists and, as it happens, I believe that these two examples precisely illustrate the kind of investments that record companies often must make, and the range of risks that they face.

In the case of James Blunt, Roger Faxon of EMI MP emphasizes that his company provided Mr. Blunt with some $300,000 of advances (in addition to songwriting assistance and other forms of promotional support). While that is not an inconsiderable sum of money, it pales in comparison with the support given to Mr. Blunt by just one of his record labels, Atlantic Records (Atlantic, a Warner label, and Custard Records, an independent record company, have signed James Blunt jointly). In the United States, Atlantic spent [redacted] for a marketing campaign in connection with Mr. Blunt’s breakout album, Back to Bedlam. This is in addition to [redacted], and it does not even take into account the expenditures by Atlantic’s overseas affiliate in the UK, where Blunt first broke out. Overall, Mr. Faxon’s $300,000 advance compares poorly to the [redacted] spent by the record company on just the two activities described above.

In the case of James Blunt, the record company’s investment paid off -- to the benefit of both the record company and the music publisher. But that is often not the case, as another publisher example demonstrates. I understand that Mr. Robinson of Famous testified in his written statement that he was “eagerly anticipating” the release of an album by Lance Miller in
2007.\textsuperscript{15} As Mr. Robinson testified, Famous did not discover Mr. Miller and Famous did not arrange for him to sign with a record label. Nevertheless, because Famous had signed Mr. Miller, Famous stood to make money when Warner Brothers Records invested the money in an EP and full album for Lance Miller. While Famous invested just under $87,000 in advances to Mr. Miller,\textsuperscript{16} Warner Music spent \[\text{[redacted]}\] -- to market Mr. Miller's first release. Warner also paid recording costs of \[\text{[redacted]}\], as well as additional costs of manufacturing. Unfortunately, the marketplace did not respond positively to the EP released by Warner as both Warner and Famous had hoped. Warner will not recoup its advances, and estimates that in total it will lose roughly \[\text{[redacted]}\] on the project. While Famous may well have lost money too, it clearly risked far less and therefore lost far less. (It is worth noting that the costs of making and marketing records by Nashville artists is generally far less than "Top 40" artists; therefore, the potential risk to the record companies when launching a new "Top 40" artist can be even higher than the Lance Miller example illustrates.)

The Blunt and Miller examples illustrate a more general truth: Music publishers' investments are usually significantly less than the investments by the record companies. The disparity in the size of the investment is because the record company provides the funds to make the sound recordings and to market and promote the resulting sound recordings. It is the record company that pays for all the recording, producing, mixing, mastering, marketing, promotion and other expenses involved in creating, distributing and marketing the sound recordings. The investments by music publishers, on an album by album basis, are simply smaller.

\textsuperscript{15} CO Ex. 8 (Robinson WDT) ¶ 46
\textsuperscript{16} CO02005464, at 02005468
Because the music publishers invest less (and have more revenue streams against which to recoup their costs, as I explain below), music publishers recoup their advances far more often than record companies. For example, one of the largest and most profitable music publishers, EMI Music Publishing, routinely recoups 90 percent of its advances. For the eight-year period from FY 2000 through FY 2007, EMI MP made [redacted] in gross advances and recouped a total of [redacted], or 91.0 percent of the total gross advances. In that same eight-year period, EMI Music Publishing wrote off [redacted] in unrecoupable advances.\(^{17}\) By comparison, during the eight-year period 1999-2006, UMG wrote off a total of [redacted], or an average of [redacted] million per year -- more than [redacted] the amount EMI MP was forced to write off.\(^{18}\) One of the reasons for this disparity is that the above EMI MP figures for advances include advances for administration deals as well as pipeline advances to songwriters. As I noted above, advances of this nature have minimal risk as the music publisher is advancing against a known revenue stream.\(^{19}\)

---

\(^{17}\) RIAA Trial Ex. 8 (CO04024775), at 04024778, 04024792

\(^{18}\) RIAA0020435; RIAA0020099

\(^{19}\) I understand that Roger Faxon, EMI MP’s CEO, has testified that EMI MP has only a “small success rate” with its advances. (CO Trial Ex. 3 (Faxon WDT) ¶ 17.) That is, of course, clearly contradicted by the numbers I have cited above. Mr. Faxon apparently based his testimony on the fact that as of the end of 2005, EMI MP had approximately $209 million in outstanding advances in the U.S., while its internal accounting treated $121 million of this as “provisions”, or unlikely to be recouped. But this is an extremely misleading comparison. As Mr. Faxon admitted in his testimony on the stand, the $209 million is a gross figure made up of two different components: (1) newly-made advances that are too new to be recouped; and (2) all of EMI MP’s unrecoupable advances -- a figure which has been accumulating on EMI MP’s books for years and which is carried forward from year to year. (Tr. 1/30/08 (Faxon) 602:5-15.) A comparison between these two figures is simply meaningless because it says nothing about the advances or recoupments in a given year. Indeed, from FY2000 to FY2006, during a period when EMI MP extended and recouped over [redacted] in advances, the level of “provisions” on EMI MP’s books rose only minimally, from about [redacted] in 2000 to $121.0 million in 2007. (RIAA Trial Ex. 8 (CO04024775), at 04024792.)
The other music publishers, too, appear to bear little if any risk with their advances. For example:

**BMG MP**: BMG MP's financials show that their writeoffs for unrecouped advances have been extremely small. In 2002, BMG MP wrote off about $2.9 million in advances.\(^{20}\) From 2003 through 2006, as shown on Table A, the only other years for which BMG MP provided such data, the company wrote off €2.6 million, €2.3 million, €1.9 million, and €1.8 million in unrecoupable advances, respectively (about $2-$3 million per year). BMG MP's plan documents for 2006-2010 estimate writeoffs in the same neighborhood for that entire period (€2.2 million, or about $2.6 million dollars, per year).\(^{21}\) Moreover, figures for total advances and recoupments, to the extent BMG MP has provided them in discovery, show that BMG MP appears to recoup a large portion of the advances it provides. In fact, from 2002-2005, BMG MP's US advances totaled $101.5 million, while its recoupments were $92.2 million, or 90.8 percent of advances during that time period.\(^{22}\) Although BMG MP did not provide projected advances and recoupments for the US company, projections on a worldwide basis for the years 2006-2010 are that the company will make a total of €480.4 million in advances and recoup €465.6 of that -- a 96.9 percent success rate.\(^{23}\)

**Sony/ATV**: As indicated on Table A, Sony/ATV's financials show that it has written off roughly between [ ] in advances each year. Sony/ATV did not provide data by

---
\(^{20}\) CO05004735, at 05004739

\(^{21}\) RIAA Ex. 130-RR (CO05005927), at 05005948

\(^{22}\) CO05004735, at 05004747 (2002); CO05005398 (2003-2005)

\(^{23}\) RIAA Ex. 51 (CO05006812), at 05006925. I am aware that Mr. Firth has testified that from 1987 through 2005 BMG MP has written off approximately 55 percent of its advances: CO Ex. 3 (Faxon WDT) ¶ 29. BMG MP did not provide documents showing its advance payments and recoupments prior to 2002, but the figures from 2002-2005 (and the projections for the worldwide company) certainly do not support this contention.
which annual levels of advances and recoupments could be calculated, but it did provide a
document with forecast figures for 2007 and a budget for 2008. That document showed that
Sony/ATV forecast making [redacted] in new advances and recouping [redacted] in
previous advances in 2007, and that it budgets making [redacted] in advances in 2008 and
recouping [redacted], for a total recoupment rate over those two years of [redacted].

Universal Music Publishing Group (UMPG). As shown in Table A, UMPG took a
writeoff of [redacted] in advances in 2000, [redacted]. In addition, its 2006
forecast and 2007 plan documents also [redacted]. UMPG’s
documents show that from 2000 through 2005, they spent a total of [redacted] in advances,
while recouping a total of [redacted]. The same pattern holds if one takes 2006 forecast and 2007 budget figures into account.

Warner/Chappell: Warner/Chappell did not provide consistent financial data for its US
operations, but on a consolidated (worldwide) level as shown on Table A the company had
advance writeoffs between [redacted], or approximately [redacted] percent of revenues,
between 2000 and 2006. [redacted] In addition, investor documents prepared by
Warner/Chappell emphasize that on a worldwide level, [redacted]

24 CO07006752, at 07006753
25 CO09008348, at 09008404
26 CO09011621 at 09011662-09011664; CO09011388 at 09011435-09011439; CO09011259 at 09011310-09011313; CO09011509 at 09011558-1560; CO09011043 at 09011126
27 CO09011043, at 09011126
advances, the sporadic documents that the Publishers produced show advance writeoffs in line, proportionally, with the worldwide advances, at [0.29]

Of course, it is perfectly logical that the music publishers tend to have such high recoupment rates on their investments. As I noted above, many of the music publishers' advances are not given out to new talent, where the real risk lies, but for pipeline advances to songwriters and for catalog administration deals. Thus, it is no surprise that the music publishers tend to recoup a large portion of their investments.

C. Music Publishers Earn Multiple Revenue Streams as a Result of Record Company Investments.

For the music publishers, the investment that turns a song into a revenue-producing sound recording -- an investment mostly undertaken by the record companies -- produces multiple streams of revenue that the music publishers can look to in order to earn a return on their investment. The record companies, on the other hand, depend almost entirely on revenue from the sale of sound recordings.  

28 RIAA Ex. 129-RR (CO08000273), at 08000294

29 CO08001345, at 08001346; CO08005707, at 08005723

30 Record companies recently have begun an attempt to alter this state of affairs by signing “360” deals, in which the record company and the artist agree that the record company will share in revenues from touring, merchandising, licensing and other sources of revenue, as well as sound recordings. It is not at all clear that this new business model will succeed, at least with established artists. If you are already an established “brand” with strong revenue streams from these other businesses, there is little incentive to give a portion to the record company. Indeed, as one analyst recently noted, “there have been some signs of established artists leaving record labels behind for experimentation with more entrepreneurial ways of reaching their fans and expanding their means of driving revenues beyond recorded music (Radiohead and Nine Inch Nails going independent, Madonna signing with Live Nation (NR) and Paul McCartney signing with Starbucks).” (Goldman Sachs, Company Update: Warner Music Group Corp.,
is particularly important in an era of rampant piracy. Piracy significantly erodes the sound recording sales on which the record companies rely. But while piracy impacts the mechanical royalties earned by music publishers, it does not have as much effect on the other revenue streams that are available to the publishers and unavailable to record companies.

Music publishers earn money from musical works in at least the following ways:

- Reproduction (mechanical) royalties from the sale of CDs, digital downloads, cassettes and similar recordings that incorporate the musical work;
- Performance royalties from the performance of a musical work on radio, Internet streaming services, concerts and other public performances (e.g. in bars, restaurants, sporting events, and the like);
- Synchronization royalties from the use of musical works in movies, videos, television shows and commercial advertisements;
- Merchandising royalties from the use of musical works in toys, greeting cards and similar products;
- Revenues from the sale of sheet music (in print or digital scores) and from lyric services;
- Revenues from dramatic performances such as on Broadway, in shows, or other theaters (so-called Grand Rights)
- Royalties from production libraries.

Unconventional new ways for the music publishers to earn revenues off of their music catalogs seem to crop up every day. To take just one example, a recent initiative is the licensing of song lyrics for printing on designer clothing, such as jeans, other denim wear, and

(cont’d)

October 31, 2007, at 3.) To the extent that the record companies can persuade artists to sign 360 deals, the record companies generally have to compensate the artists with larger advances and make additional investments in other lines of business (such as t-shirt or concert promotion companies). In effect, the record companies must buy the additional revenue streams, which raises the level of investment by the record company and thus the risk that the investment will not be repaid.
accessories. UMPG's 2007 budget plan for its US operations places "lyric merchandise" at the
top of its "new business / growth initiatives", projecting growth in revenue from [redacted] in

Two things of importance jump out from the breakdown of revenues for the publishers.
First, the bulk of their revenues derive from the exploitation of sound recordings that were
created by the substantial effort and investment made by record companies. In addition to
mechanical royalties from the sale of sound recordings, substantial portions of the performance
and synchronization royalties are the result of the investments made by record companies that
work to the benefit of music publishers. Without record companies making sound recordings in
the first instance, the performance and synch royalty revenue streams would be not possible.
Indeed, many other revenue streams, including sale of lyrics and synchronization revenues that
do not involve a pre-existing popular sound recording, are also largely the result of the efforts of
record companies; people are likely to buy lyrics of sound recordings they have heard and
enjoyed and sound-alike recordings are used in commercials and television shows because the
original recording was popular.

Second, the availability of multiple revenue streams means that while record-companies
have been hard hit by music piracy, music publishers have avoided the worst of the piracy effect.
Piracy does not affect the performance royalties that the music publishers earn (and the record
companies, for the most part, do not). The music publishers explicitly recognize this fact. BMG
MP has told potential investors that "the music publishing industry . . . is less dependent on
 technological change and is marginally less affected by unauthorized copying and unauthorized

31 <http://newsblaze.com/story/2006051213145800002.mwir/topstory.html> (announcing
the release of "Lyric Jeans", a venture with UMPG and Warner/Chappell). (RIAA Ex. 125-RP)
32 CO09008188, at 09008206
downloading. For example, although mechanical royalties have been negatively affected by the decline in CD sales, revenue from performance and synchronization have benefited from strong growth in the media landscape."\footnote{33} Similarly, Warner-Chappell told investors that "revenue streams such as performance, synchronization, and other (~70 percent of music publishing industry revenues) are not exposed to piracy" and that the "impact of piracy on mechanical revenues [is] greatly mitigated by depth of catalog."\footnote{34}

More generally, the diversity of music publisher revenue streams serves to insulate the music publishers from downturns in any particular revenue source — an element of the music publishing business that the publishers have not hesitated to trumpet to their investors. For example, BMG MP told prospective purchasers that its "controlled catalogue of over one million musical copyrights generates stable, recurring revenues and predictable annuity-like cash flows."\footnote{35} Similarly, Warner-Chappell boasted to investors of its "highly diversified catalog and corresponding steady-earning, stable growth nature of the business."\footnote{36} Roger Faxon of EMI MP gave a public interview in which he noted that: "Compared to the recorded music industry, there is a different risk profile and a different return profile. The record business works on a high-risk, high-return model. We try to moderate that risk by looking for revenues not just from the sale of recorded music but also from other sources. So our risk profile is substantially better in that sense than for labels."\footnote{37}

\footnote{33} RIAA Ex. 51 (CO05006812), at 05006846
\footnote{34} RIAA Ex. 126-RR (CO08006761), at 08006777
\footnote{35} RIAA Ex. 51 (CO05006812), at 05006836
\footnote{36} RIAA Ex. 126-RR (CO08006761), at 08006768
\footnote{37} RIAA Ex. 124-RP (CO04030074)
Those assertions are borne out by the music publisher financials. Table A presents the breakdown of music publishers' revenue by type from the year 2000 through the present, to the extent that information has been provided by the publishers in discovery. As this table shows, the music publishers' non-mechanical lines of revenue have risen dramatically in recent years. For example, EMI MP's performance revenues [____] and its synch revenues have gone from [____] to [____] since 2000/01. During the same time period, its mechanical revenues [____] Sony/ATV's domestic performance revenue [____] and its synch revenues [____] from 2000/01 to 2005/06, while mechanical revenues [____] UMPG's performance revenue [____] Similar trends are apparent for all of the major publishing companies.

Thanks to this diverse stream of revenues, music publishers expect to achieve healthy revenues in the future. Prior to its acquisition by UMPG, BMG MP projected that the performance revenues of its US operations would increase from €23.2 million to €27.4 million between 2006-2010, while its synchronization revenues would grow from €39.7 million to €45.6 million during the same time period (mechanical revenue, too, is projected to grow during the same time period -- from €62.8 million to €68.8 million). Other music publishers have provided projections only for their worldwide operations, but they nonetheless show significant growth. For example, UMPG plan documents project [____]

38 Though even this decline may be overstated due to the manner in which EMI MP books its ringtone and mastertones revenues, as I will describe in a later section.

39 RIAA Ex. 130-RR (CO05005927), at 05005948
The Sony/ATV Fiscal 2008 budget presents a "mid-range plan" that shows performance revenues [---], while synch revenues [---] during the same time period. (The plan calls for an increase in mechanical revenues, too, albeit at a more modest pace.) Warner/Chappell's investor documents do not break down by line of revenue but project that overall revenues will [---].

The same cannot be said, of course, for the record companies. In stark contrast to that of the music publishers, the vast majority of the record companies' revenues derives from the distribution of products that incur mechanical royalties. Unlike the music publishers, the record companies cannot expect that new forms of licensing income will, at any time in the near future, make up for the declining physical sales market.

40 RIAA Ex. 128-RR (CO09010844), at 09010844
41 CO07004244; CO07004245, at 07004251
42 RIAA Ex. 129-RR (CO08000273), at 08000349. This is, of course, consistent with the views of outside analysts who predict continuing growth in the worldwide market for music publishing, even as times remain difficult for record companies. For example, Claire Enders, one of the publishers' witnesses, has forecast 2.2 percent compound annual growth in the worldwide music publishing industry. RIAA Tr. Ex. 27 (CO02001066), at 3. This is down from an estimate she had earlier done but still well above the 4.4 percent compound annual decline she forecast for global recorded music sales. Similarly, a Sony/ATV presentation noted that a composite of estimates for the music publishing industry led to a forecast 2.1 percent compound annual growth. RIAA Ex. 132-RR (CO07002638), at 07002661.
D. Contrary to the Publishers' Assertions, There Has Been No Steep Decline in Mechanical Royalties In Recent Years.

I understand that a common refrain of the music publishers is that they need a higher mechanical royalty in order to compensate them for a decline in mechanical revenues. For example, David Israelite of the NMPA testified that the "steep slide" in the sale of CDs and other physical product since 1997 has produced "a corresponding and unexpected decline in mechanical royalties."43 Other publishers have, I understand, given similar testimony.

However, the documents produced by the music publishers paint a very different picture. As Table A shows, three of those publishers -- EMIMP, Sony/ATV, and UMPG -- provided relatively consistent data from their US operations on mechanical revenues from 2001 through 2005. [Blacked Out] The collected results from these three publishers hardly suggests a "steep" downward trend in mechanical royalties.

As for the other publishers, the trend is less clear. BMGMP produced information breaking down all of its revenues for only two years, 2004 and 2005 (as shown on Table A, the documents show a decline in mechanical royalties from $68.7 million to $63.9 million). Warner/Chappell produced only sporadic financials for its US operations but the documents it

43 CO Ex. 11 (Israelite WDT) ¶ 26

44 Sony/ATV did not provide documents breaking out its foreign royalties into specific lines of revenue prior to the year 2003/04 and therefore only domestic mechanical royalties are reported here. [Redacted] CO07014022, at 07014023.
It is similarly difficult to draw a conclusion about the year 2006, as only two publishers produced documents showing final breakdowns for their US operations in that year (the two publishers, EMI MP and Warner/Chappell, each reported mechanical revenue declines). Though less suggestive of a clear trend one way or another, the financials certainly do not support a clear pattern of sharply dropping mechanical revenues.

What's more, several of the publishers appear to be reporting their ringtone revenues as performance, synch, or other lines of revenues, rather than as mechanical revenues. For example, EMI MP's financials show that ringtone and mastertones revenue is classified as either performing or synch revenue, but (with the exception of a very small amount in 2006/07), none is classified as mechanicals income. BMG MP and Warner/Chappell, too, appear to track separate "new media" or "digital" categories, separate and apart from mechanical revenue. This makes a difference in an analysis of mechanical revenue trends. For example, if EMI MP's mechanical royalties were added to the ringtone and mastertone royalties that were allocated to synch, [...

---

45 Table A; CO08001386, at 08001396; CO08001345, at 08001345-46
46 Table A; CO08005707
47 RIAA Trial Ex. 8 (CO04024775), at 04024779
48 Table A; CO05005709, at 07005713; CO08005707, at 08005709, 08005715
Finally, I also understand that one of the reasons that Mr. Israelite gave for concluding that mechanical revenues have been in decline is that collections by the Harry Fox Agency, which collects mechanical royalties on behalf of many music publishers, have been in decline. I understand that at trial Mr. Israelite asserted that he drew this conclusion because he believed that HFA’s share of mechanical royalty collections “to roughly be the same or even be larger” than it has been in the past.\(^50\) However, the data I have collected from record companies suggests that this assumption is incorrect. For example, data I have collected from UMG shows that, far from remaining steady, HFA’s share of mechanical royalty payments fell from [ ] in 2001 to [ ] in 2007. And data I have gathered from Warner Music Group’s two principal labels, Warner Bros. and Atlantic Records, show a drop in HFA’s share from roughly [ ] to [ ] (Warner Bros.) and roughly [ ] to [ ] (Atlantic) during the same time period. Thus, to the extent that Mr. Israelite has observed declining mechanical royalties flowing through HFA, that is likely because HFA is getting less of the mechanical royalty pie each year, rather than because the overall size of the pie is shrinking.\(^51\)

\(^{49}\) CO08005707, at 08005709, 08005715

\(^{50}\) Tr. Feb 5, 2008 (Israelite) pp 1437-38

\(^{51}\) Moreover, I note that the Harry Fox Agency has just reported a royalty payout of $393.5 million in 2007 -- a four percent increase over 2006. http://www.harryfox.com/docs/2007HFARecapPR31708.pdf (RIAA Ex. 127-RP).
E. The Cents Rate Mechanical Royalty Serves to Reduce the Risks of the Music Publishers Compared to the Record Companies.

The changing economics of the music business, largely resulting from the move from a physical CD format to a variety of digital formats, has two effects on the record companies. First, the number of sound recordings sold is decreasing as a result of piracy and because digital singles sales are displacing the sales of CDs that typically contain ten to fifteen or more sound recordings. Second, the wholesale prices for sound recordings are declining because of the competition from “free” pirated sound recordings, and for other reasons testified to by various record company executives.52

As I indicated above, the music publishers’ mechanical royalty revenues may be affected by the decline in the number of sound recordings sold (although other types of royalties, such as performance royalties, are unaffected). But the decline in wholesale prices for sound recordings has no impact on the music publishers, because of the current cents rate royalty structure. At present, music publishers earn the same mechanical royalty for a song regardless of whether the record company can sell the album containing that song for $10 or $6. To the extent that wholesale prices for sound recordings have dropped, therefore, it is the record companies that have borne the entire brunt of that change, and it is the record companies that bear the entire risk of further downward price pressure in the future, absent a change in the cents rate structure.

52 For example, RIAA Ex. 57 (C. Finkelstein WDT), at 13-18; RIAA Ex. 68 (Bassetti WDT), at 8-11.
F. The Economic Life of Musical Works Often is Longer Than the Economic Life of Sound Recordings.

Music publishers enjoy the use of assets that can have a long life. Recording artists may re-record an old musical work from a music publisher’s catalogs (called a “cover recording”) which serves to revitalize the song in the market place and thus generate new revenue streams for the publisher and songwriter. For example, in 1992, singer Whitney Houston recorded a song called “I Will Always Love You” for the soundtrack to the movie entitled “The Bodyguard.” Houston earned money from album sales as did her record label, but probably no one was happier than country singer Dolly Parton and her music publisher. Parton wrote “I Will Always Love You” more than 15 years earlier, in 1974, and she and her publisher collected performance royalties every time Whitney Houston’s rendition of the song was played on the radio or otherwise performed in public (including at the Academy Awards and at concerts and bars), plus synchronization revenue for the movie, as well as the mechanical royalties on Houston’s record sales.53

Investor documents and other presentations prepared by the music publishers on behalf of their worldwide operations repeatedly highlight the longevity of their catalog of songs. Warner/Chappell’s investor documents contain a chart showing the “roll-forward of top 500 songs in 1992” which shows that the value of those songs has stayed steady since 1992 and in

53 See Edward Morris, “Nashville Scene: Movie Moves Parton Song To Top Again,” Billboard, December 5, 1992. Indeed, this was the second time that a movie had revived interest in Parton’s song -- it also hit number 1 in 1982, eight years after its initial release, when it was included on the movie soundtrack to “The Best Little Whorehouse in Texas.” What’s more, the release of Whitney Houston’s version of the song also renewed radio interest in the original Dolly Parton version as well, thus leading to even more forms of revenue for Parton and her publisher. See Eric Boehlart, “Many Formats Love ‘Always Love You,’” Billboard, January 30, 1993.
fact began to climb beginning in 2003.\textsuperscript{54} A presentation prepared on EMI MP’s behalf by JP Morgan emphasized that: “Although publishing revenues peak when a song is initially released (due to high mechanical royalties), the underlying copyrights will continue to generate revenue through new compilations/greatest hits albums, cover versions, advertisements/use in films or TV programmes . . . There are limited marketing costs associated with the exploitation of these copyrights, unlike in the case of recorded music companies where significant marketing spend is required.”\textsuperscript{55}

While music publishers have always been able to count on steady earnings from their music catalogs, there are signs that the life of music catalogs is extending even further than it used to. One notable example is BMG MP, which in 2003 sought and obtained approval from its auditors, KPMG, to extend from 15 to 20 years the estimate of an acquired music catalog’s “useful life” for accounting purposes.\textsuperscript{56} KPMG’s analysis concluded that BMG MP management had “provided an analysis to demonstrate that a change has occurred based on an evaluation of historical catalog NPS information.” KPMG further noted that “while NPS activity from year to year is subject to significant fluctuations for certain individual catalogs, the NPS activity taken as a whole appears to be consistently generated throughout the period represented in the schedule. Accordingly, there appears to be an indication that historical NPS from these catalogs will continue to be consistently generated.”

Although record companies attempt to extend the economic life of their sound recordings through catalog sales, there is far less chance that an old sound recording will suddenly see a new

\textsuperscript{54} RIAA Ex. 129-RR (CO08000273), 08000335
\textsuperscript{55} RIAA Ex. 131-RR (CO04031209), at 04021213
\textsuperscript{56} CO05004735, at 05004745-46
surge in sales years after its initial release. With the advent of digital formats, consumers often “rip” their CDs onto their new devices, reducing the need to go out and buy new copies of old sound recordings, to the detriment of the record companies’ catalog business. This is quite a contrast to earlier format transitions, such as the switch from LP’s to CD’s, in which consumers typically made new purchases in order to update their music catalogs.

G. The Difference in the Costs and Risks of the Music Publishing and Recorded Music Businesses is Reflected in the Higher Valuations Placed on Music Publishing Businesses by Investors.

The differences between music publishers and record companies with respect to the relative risks and returns is reflected in how these businesses are valued in the marketplace. Buyers of these businesses place a far higher valuation on the music publishing assets than they do on the recording business assets.

As this chart which I have reproduced from a BMG MP investor presentation illustrates, the market values of the recorded music and music publishing business have diverged significantly since the late 1990s, when the mechanical royalty rate was last set.\(^{57}\)

\(^{57}\)RIAA Ex. 51 (CO05006812), at 05006846
Given the current market conditions and the differences between the two businesses, it is no surprise that this has happened. As I noted above, music publishing economics are attractive because the revenue streams are diverse and relatively stable and musical works copyrights tend to produce steady income streams each year. The costs are predictable, with the largest variable cost being the amount paid to the songwriters, and as set forth in Table A, the “net publisher’s share” (that is, the amount retained by the publisher after writer payments) has remained relatively stable since 2001. Fixed costs are relatively low and are limited to small A&R costs and the majority of costs are in administration personnel and operating overhead. Continued improvements in royalty licensing and processing by both the publishers and their agents are likely to further reduce their administration cost basis in the future. Music publishing businesses therefore are an attractive investment, producing cash flow from acquired catalogs that falls directly to the bottom-line with little need to expend any money to produce those revenues.
Strategic buyers will use the net publisher’s share (NPS) generated in the past three to five years and apply a multiple to determine a purchase price. As many observers have pointed out, those multiples have in recent years been extremely high. For example, an analysis prepared for EMI MP by JPMorgan in 2004 noted that “[c]atalogues have fetched multiples in excess of 18x NPS (gross profits) depending on the quality of the copyrights contained with the library.” (The analysis pointed out that lower NPS multiples are obtained when an entire music publishing operation, including an overhead base, is acquired).\textsuperscript{58} The document contained a list of music publishing transactions with multiples of 16x to 18x NPS.\textsuperscript{59} Similarly, an analysis prepared on behalf of Warner/Chappell summarized the data in a number of recent transactions and concluded that the median NPS multiple was 17.1x.\textsuperscript{60}

Moreover, it appears that the NPS valuation of catalogs has been increasing in recent years. Claire Enders, who I understand was a witness for the publishers in the opening phase of trial, authored a report in 2004 in which she concluded that “the prices of average catalogues have tended to increase from around 10xNPS up to the early ‘90s to around 14xNPS a decade later . . . [and] even more must be paid to secure high quality catalogues. Despite the fact that many industry insiders believe that these prices are too high, there seems to be no sign of this changing despite tough market conditions for recorded music companies.”\textsuperscript{61}

By contrast, although there are fewer transactions which can be compared, valuations on the recorded music side have been considerably smaller. For example, the JP Morgan analysis prepared on behalf of EMI noted that the high multiples on the music publishing side “compares

\textsuperscript{58} RIAA Ex. 131-RR (04031209), at 04031213
\textsuperscript{59} RIAA Ex. 131-RR (04031209), at 04031238
\textsuperscript{60} RIAA Ex. 129-RR (CO08000273), 08000310
\textsuperscript{61} Enders Analysis, Music Publishing 2004, April 2004, at 17
with recorded music company transaction multiples which have fetched between 1.0x and 2.0x revenues.\footnote{RIAA Ex. 131-RR (CO04031209), at 04031213}

A good illustration of the difference in the way record companies and music publishers are valued can be seen from the analyst reports discussing sum of the parts analyses of EMI Group and Warner Music Group, which each include a music publishing company and a recorded music business. Because the recent purchasers of these companies did not pay separately for the music publishing and recorded music segments of the Company, we do not have a direct marketplace valuation for each. But outside analysts who have recently reviewed the market status of these companies have clearly understood that the music publishing components of those companies are more valuable than the recorded music sides.

In the case of Warner Music Group, for example, a recent Merrill Lynch report concluded that the music publishing side of the business was worth 12 times its earnings, or EBITDA, while the recorded music side was worth only 3 times EBITDA.\footnote{Merrill Lynch, Warner Music Group: Sell-Off Overdone, Jan. 11, 2008, at 3} A Goldman Sachs analysis assigned a 14-15x EBITDA multiple to the music publishing side, while assuming a 5-6x EBITDA multiple to the recorded music side.\footnote{Goldman Sachs, Company Update: Warner Music Group Corp., October 31, 2007, at 7} And a Bank of America analysis recently drew on the recent acquisition of BMG MP and EMI Group to conclude that the WMG’s publishing arm was appropriately valued at 15x EBITDA, a figure which it concluded implied a \textit{negative} value for the recorded music side of the company.\footnote{Bank of America, Warner Music Group Corp.: But This One Goes to Eleven, Nov. 29 2007, at 4}
In the case of EMI, too, analysts value the publishing side of the company higher than the recorded music side. For example, a Bear Stearns analysis, produced by EMI MP in discovery, valued the publishing side of the company at 13.1x EBITDA but put the recorded music side at only 9.5x EBITDA. \(^{66}\) Similarly, an analysis by UBS Investment Research, also produced in discovery, suggested an appropriate valuation of 18x EBITDA for publishing but only 6.5x EBITDA for recorded music. \(^{67}\)

IV. **DIGITAL DISTRIBUTION OF MUSIC HAS RENDERED THE RECORDED MUSIC BUSINESS RISKIER, BUT HAS LITTLE IMPACT ON THE MUSIC PUBLISHING BUSINESS.**

The music publishing business has always been a safer, lower cost investment than the recorded music business. Trends in the music business over the past ten years have combined to make the recorded music business riskier, however, while having substantially less impact on the music publishing business.

I understand that the music publishers have argued, to the contrary, that the record companies earn higher margins on digital music than they do on physical CDs, and therefore the digital age will improve the circumstances of the record companies. But even if it were true that digital sales have a higher operating margin than sales of physical CDs -- and I am not sure that it is -- the digital world may be one in which the record companies earn substantially lower revenues than they earned when all of their sales involved a physical product. As a result, the record companies may be forced to curtail their investment in A&R and marketing, which will constrain the number of sound recordings brought to the marketplace to the detriment not only of

---

\(^{66}\) CO04031846, at 04031846

\(^{67}\) CO04021825, at 04031839
the record companies, but also the songwriters who look to have their musical work brought to
the marketplace by the record company.

A. Record Company Revenues Have Been Dropping As a Result of the Shift to
Digital Sales.

In the United States, sales of CDs and other physical sound recording products peaked in
1999 at a total retail value of $14.6 billion. In 2006, the retail value of U.S. sales totaled $11.5
billion, having declined 6.2 percent from the prior year.\(^68\) Revenues from the sale of recorded
music through digital channels have grown, but have not come close to offsetting the decline in
physical sales.

The most recent available data shows that this trend is continuing. Bertelsmann AG’s
Annual Report 2007, just recently released, indicates that revenues at the BMG division (which
holds a 50 percent stake in Sony BMG) were €1.456 billion, or $2.255 billion -- down 27.8
percent from 2006. Income, measured as operating EBIT, dropped by 46 percent.\(^69\)

The reasons for the decline are not hard to find. Piracy in the on-line world is a major
culprit. In addition, however, the growth of digital distribution is a decidedly mixed blessing for
the record companies, and likely contributes to the overall decline in recorded music sales.
Consumers who acquire music through digital services -- chiefly through digital downloads --
can buy singles rather than albums more easily than they could when CDs and cassettes were the
norm. In the past, if a consumer liked a particular hit song, he or she would buy an album
containing that recording. The record companies simply did not distribute much of their music

\(^68\) RIAA, 2006 Year-End Shipment Statistics

\(^69\) http://www.digitalmusicnews.com/stories/031908sonybm. In stark contrast, as I
have noted above, the Harry Fox Agency, which administers mechanical licenses on behalf of
the music publishers, has just reported a royalty payout of $393.5 million in 2007 -- a four
Ex. 127-RP)
in the form of CD singles. Now, however, the consumer may, and frequently does, buy a digital download of the hit single, and not the physical album. Because the record companies earned between $8 and $10 dollars in wholesale revenue for a CD album, but only $.70 for a digital single, the shift from sales of albums to sales of singles is contributing to the decline in revenues.

This shift means that, for the same marketing dollar (because record companies have traditionally used singles as a promotional tool to get consumers to buy albums), record companies are receiving far less revenue -- both from falling prices and from the shift to singles. The decline in revenue and prices hits record companies and music publishers in a much different fashion. Because it is the record company that incurs the costs of the creation, marketing, distribution, etc., and has the much higher fixed and variable costs per sound recording distributed, these declines mean there is less money to cover fixed costs and semi-variable costs, and those costs increase as a percentage of overall revenue. Because music publishers have little in the way of fixed costs and many other revenue streams, these declines have far less of an impact.

Looking forward, it is clear that sales of physical products will continue to decline, and sales of digital sound recordings will continue to grow. Beyond that, of course, nothing is certain. Most optimistic is Price Waterhouse, which predicts that the recorded music market will contract at a 0.4 percent compound annual rate from $11.5 billion in 2006 to $11.3 billion in 2011, but that double digit growth in digital distribution will begin to offset declines in physical distribution beginning in 2008. Price Waterhouse represents the best-case prediction, however, and most analysts who report on the recording industry believe that it will be years before growth

---

in digital sales offsets the decline in physical sales. For example, Citigroup recently observed that “we see few signs of a turn around in the music industry’s fundamentals.”71 Deutsche Bank recently noted that “[t]he music sector remains in a highly uncertain transition to digital, with accelerating deterioration in physical sales more than outpacing digital growth.”72 A Pacific Crest analysis concluded that “we expect deterioration in the music industry to accelerate.”73 And a recent Merrill Lynch analysis headlined “longer-term still bearish on music industry” noted that “it remains uncertain if or when . . . music companies will be successful in staunching declines in traditional revenue streams with new sources of income.” The report also noted that “we do not expect the music market to fully stabilize until 2010” and emphasized that “[e]ven this may prove optimistic.”74

The music publishers have remained relatively unaffected by piracy and the sea change wrought by digital distribution. The music publishers’ total revenues have remained stable during the time when record company revenues are dropping, and music publisher profit margins likewise remain stable. The layoffs, cost-cutting and restructuring that have re-shaped record company operations have not occurred at music publishers. Indeed, although EMI several months ago announced yet another round of restructuring that will reduce the global workforce in its recorded music business by 1,500 to 2,000 (out of a total of 5,500) according to Roger Faxon’s testimony,75 no layoffs or restructuring are anticipated at EMI’s music publishing business.

73 PacificCrest, Morning Note, Jan. 23, 2008, at 5
75 Tr. 1/30/08 (Faxon) 562
But shrinking revenues appear to be very much a part of the record companies’ future due to the increasing use of digital formats, and that possibility poses a substantial problem for the record companies. More accurately, it poses at least three substantial problems, each of which I will discuss in turn below.

B. Declining Revenues Threaten Continued Investment in New Artists and Sound Recordings by the Record Companies, to the Detriment of All.

With sound recording revenues dropping and the need to invest in digital distribution growing, the record companies have struggled to sustain thin profit margins. The record company margins have been preserved only by repeated restructurings and cost-cutting measures undertaken over the past five or six years. The costs of these restructuring are “below the line” costs that do not appear on many P&Ls and ordinarily are not reflected when one attempts to calculate EBITDA or other measures such as those referenced in the report of Helen Murphy\(^\text{76}\) that the publishers submitted in the direct phase of this case. The reality is that many record companies are restructuring on an almost annual basis and the costs of those restructures are eating into the paper profits they have earned in recent years.

If the record companies were able to continually reduce their costs through additional restructurings as revenues declined, they could maintain their current small profit margins. But there is a limit to how much the record companies can cut costs without doing significant harm to both record companies and music publishers alike.

One way for the record companies to cut costs in order to offset declining revenues is to reduce artist rosters and the number of new releases each year. That has already occurred and likely will continue to occur. At some point, however, reducing artist rosters and new releases is

\(^{76}\) CO Trial Ex. 15 (Murphy Report)
dangerous for the record companies. It is the conventional wisdom in the record industry that only one out of ten new releases will be profitable -- the other nine lose money. This is not because the record companies are poor judges of talent. It is simply that no one can predict with any degree of confidence which new recording artists will become popular, and which will not. The creative process is not scientific -- consumers' taste in music is not predictable. Even with established artists, there is no guarantee that a new release will sell as well as past releases. The record companies have succeeded in the past by promoting enough new artists to guarantee that at least one will be successful enough to repay the money invested in the less successful artists. Cutting costs by reducing artist rosters means that the record companies are, in effect, lowering their odds of finding the next big superstar and the next multi-platinum album on which their success depends.

Another way for the record companies to reduce costs is to cut marketing and promotion budgets. Again, however, this can prove self-defeating. There is a great deal of competition for the consumers' attention and for the consumers' entertainment spending. Sound recordings compete not only with each other, but with DVDs, games, and other entertainment options. In order to successfully market a sound recording to a mass market, a certain level of expenditure is necessary to obtain radio play, buy advertising, support concert tours, and promote the music through various on-line services. Cutting marketing expenditures across the board may simply guarantee that no sound recording succeeds, and no new artist becomes a brand name to music buyers. Selective cost-cutting is difficult because, as I noted above, there is no way for record companies to know in advance which new releases and new artists will succeed, and which will fail. The record companies therefore cannot selectively market only the sure "winners," because there are no sure winners.
Declining revenues due to the shift to digital distribution, therefore, may force cost-cutting that heightens the risks for the record companies. That cost-cutting also disserves music publishers and songwriters. Most of the sources of revenue earned by music publishers depend to a substantial degree on the creation and marketing of a sound recording by the record company. No one earns money on a musical work unless and until it is turned into a sound recording by a record company. If the record companies support fewer artists, release fewer sound recordings, or do not spend as much to market their sound recordings, record sales will decline and songwriters and music publishers will have less of an opportunity to earn mechanical royalties. And the same is true for performance royalties. Music does not get played on the radio (and thus does not earn performance royalties for the publishers and songwriters) unless the record companies first make all the investments necessary to record, produce, market, distribute and manufacture the sound recording. Indeed, although the music publishers earn performance royalties when musical works are played on radio, and the record companies do not, it is the record companies that spend the money to promote sound recordings embodying those musical works to the radio stations. Similarly, it is usually the record companies, and not the publishers, that support concert tours by the artists, again earning performance royalties for the music publishers but not for the record companies. Even synchronization rights royalties, merchandising royalties, and receipts from the sale of sheet music, are revenues that the music publishers earn in large part because the record companies made and marketed sound recordings that became popular with the public. Without the popular demand for the sound recording created by the record companies’ investment, there would be little demand to use the underlying musical works in movies, television shows, commercials and merchandise. Nor would there
likely be much of a market for sheet music if the public had never heard sound recordings containing the musical work.

The music publishers typically spend little or nothing to turn the musical works into a form that the public will actually buy. The record companies, not the music publishers, spend the money needed to turn the musical work into a sound recording, including the costs of compensating the recording artist(s), producing the sound recording, manufacturing physical products such as CDs, preparing the audio and artwork in digital form, preparing all the related metadata for digital (in all the various different formats required by each distributor), and the distribution of that product in both the physical and digital supply chains. The record companies, and not the music publishers, expend large sums of money to market and promote the sound recordings to consumers (and perhaps more importantly, to market and promote the artists who made the sound recordings). And the revenue earned by the music publishers – including not just mechanical revenue but also performance, synch and other forms of revenue – is largely a result of these investments by the record companies.

In short, the record company is the R&D engine of the entire industry. The record company has substantial overhead dedicated to finding the talent, overseeing the creative process and then marketing and promoting the sound recording in the marketplace. Whether we are in a physical world or a digital world, without R&D and the necessary investment, everyone else in the value chain will suffer: music publishers; songwriters; concert promoters; concert venues; concession owners; t-shirt manufacturers; and the list goes on and on. It may fairly be said that the primary business of the record company is R&D -- to invest the money necessary to find and market the next great artist. Whether or not digital distribution is more profitable than physical distribution misses the point. In the digital world, overall revenues for the record companies are
dropping, which means less investment in R&D, fewer new artists and new releases, and therefore fewer revenues for everyone who earns money from the sale of music.

The money for higher mechanical royalties has to come from somewhere -- either record company profits or investment in other areas. Given the small profit margins of record companies today, there is little operating profit to spare, and a decline in profits will make record companies even less attractive as investments. The alternative is less investment in A&R, marketing, etc., which as discussed above makes less music available to the public, increases risk to record companies, and disserves the interests of the publishers.

C. The Record Companies Must Support Parallel Distribution Chains for Physical and Digital Sound Recording Sales, Which Becomes More Difficult as Revenues Decline.

The displacement of CD album sales by digital singles (as well as piracy) does not mean that the record companies should simply stop making CDs and sell only digital singles, even if the operating margin on digital singles exceeds the margin for CDs. The record companies need to continue to incur all the investments in recording, producing, marketing, distributing and manufacturing albums. That is how CDs are still sold, and although CD sales are declining, they still generate the bulk of the record companies’ revenues. The record companies cannot afford to turn their backs on the consumers, the market place and the $5.1 billion in wholesale revenues they earned from CDs in 2006. At the same time, the record companies must sell their sound recordings in digital markets as well, because illegal peer-to-peer networks and other pirated digital music will fill the void if the record companies sell only physical products.

As a result, the record companies must continue to invest to bring the sound recordings to the consumer, through two markets, physical and digital, even though the latter may be cannibalizing the higher-revenue CD album market. The record companies must sign artists to album deals, and incur the costs associated with creating and selling a physical product, while at
the same time incurring the separate and additional costs of operating a digital distribution
channel, including IT infrastructure for distributing and collecting royalties, as well as staff to
enable the digital transition.

The costs of these parallel distribution systems are being borne, however, by a shrinking
revenue pool. Here again, the fact that digital distribution may provide operating margins higher
than physical CDs, assuming that is in fact the case, does not mean that digital is a panacea. At
least for the reasonably foreseeable future, the digital transition is causing overall revenues to
drop, which makes it very difficult for the record companies to support the necessary costs of
selling both physical and digital products.

The same cannot be said for music publishers. The music publishers do not incur any
significant additional costs to accommodate the new digital markets. Since the record companies
absorb all the costs of distributing sound recordings, whether in physical or digital form, the
record companies have borne all the costs of creating the infrastructure to support digital
distribution. In the digital world, the music publishers simply do what they have always done --
license musical works to record companies and let the record companies do the rest.

D. In the Digital World, the Hits Sell Fewer Albums.

As a number of record company witnesses have pointed out, it is not just slipping
revenues that cause concern -- it is the fact that the record companies' best selling albums are
experiencing a significant drop in sales. Earlier in this testimony I pointed out that the record
companies invest far more in the creation of sound recordings than do the music publishers.
When an artist fails, the music publisher may lose a small amount, but the record company will
lose far more. Record companies have always counted on the fact that when an artist like James
Blunt succeeds, they will make enough money to cover not only the substantial investment in
Blunt, but also the investments in other artists whose albums did not succeed. In a sense, the
record companies place very large bets, compared to the music publishers, and they need a
superstar success every once and a while. The problem is that the amount of revenues earned
from the superstars today is shrinking. And it is shrinking because of the digitization of music –
because piracy and the ability to acquire digital singles reduces purchases of the hit albums that
for years have fueled record company investment.

V. AN INCREASE IN THE MECHANICAL ROYALTY RATE WILL ADVERSELY
AFFECT AVAILABILITY OF MUSIC, WHILE A DECREASE IN THE
MECHANICAL ROYALTY RATE WILL HAVE LITTLE IMPACT ON MUSIC
PUBLISHERS’ INVESTMENTS.

All of the above discussion is simply to emphasize the different risk and reward models
of the music publishing and recorded music businesses. In the decades before this proceeding,
there has been a division of labor between record companies and music publishers – a bargain
about who would perform the tasks to bring music to the public. Under that bargain, record
companies undertake virtually all the investment and receive the vast majority of the
compensation for sales of purchased music that incur mechanical royalties, while music
publishers receive compensation from many sources, but at much lower levels for sales of
purchased music. And the result of that division of labor is that, in the current environment with
declining sales, prices, and revenues, and the additional costs of the transition to digital, it is the
record companies that are suffering the most.

For the reasons I described above, it is important that the record companies continue to
invest in new artists, new sound recordings, and the expenses necessary to market those artists
and recordings to the public. As revenues from the sales of CDs drop faster than the increase in
revenues from the sales of digital products, that investment is becoming harder to make. If
mechanical royalties increase as well, as I understand the music publishers to be proposing, the
investment in new sound recordings and new artists becomes that much more difficult to make, to the detriment of all -- record companies, music publishers, and consumers alike.

Conversely, however, a reduction in the musical works rate will have little impact on music publisher investment. Music publishers earn high profit margins, and even if the mechanical royalty rate is reduced, their margins will remain significantly positive.

As Table A shows, BMG MP earned a profit margin of 27.4 percent in 2006 and it has enjoyed margins of between 19 and 27 percent in every year since 2003 (the year after it acquired Zomba). [ ]

[ ]

As these margin numbers suggest, music publishers are more than able to absorb a decrease in the mechanical royalty rate.

---

77 Because the publishers produced a full set of financials for Warner/Chappell’s worldwide operations but made only a partial production of financials showing the US operations, the chart in Table A for Warner/Chappell reproduces these worldwide numbers (the charts for the other publishers are for US only operations). However, in order that the reader may have access to as full a set of data as possible in one place, I have also included the information on Warner/Chappell’s US operations within notes contained on the same table. The same is true for UMPG’s final revenue and profit figures for 2006, which the publishers produced in a narrative only instead of producing a financial table presentation consistent with the format of the rest of the financials. Accordingly, I have not included the 2006 information within Table A itself, but I do mention those results in the Notes to that table.
To illustrate this point, I have shown in Table B the proforma impact of both the RIAA and NMPA proposal on several of the music publishers' 2006 US financials. The proforma impact of the RIAA proposal was done by adjusting the publishers' domestic mechanical revenues and royalties down by 40 percent, to provide a rough estimation of the RIAA's proposal. For the proforma impact of the NMPA proposal, I adjusted each publishers' mechanical revenues (and corresponding royalty payments) upwards by 40 percent, in order to roughly illustrate the impact of the NMPA's proposal.  

The results were revealing. As Table B shows, under the RIAA proposal, each of the music publishers would still have had more than enough revenues to cover its overhead and earn a healthy operating profit. 

Of course, I would emphasize that this proforma model considers only how changes in the statutory rate would affect the 2006 financials of these companies in a very direct sense, without taking into account any broader marketwide changes that might be caused by a reduction in the statutory rate.  

78 A detailed explanation of how these figures were derived is set forth in the Notes to Table B.  

79 Because of limitations in the data, explained fully in the Notes to Table B, I was not able to fully model BMG MP and Warner/Chappell, and therefore they are not included here. Nonetheless, the nature of this proforma and the rough modeling I have done in connection with these companies makes clear that the results would not be significantly different for these companies if adequate data were at hand.
in the mechanical royalty rate. As I have explained elsewhere in this report, while a reduction in the mechanical royalty rates might cause a reduction in mechanical revenues to the music publishers in the short term, in the long term it would work to the benefit of everybody involved in this proceeding -- record companies and music publishers alike -- because record companies would be able to make the additional A&R investments necessary to create longterm growth in the music business.

Finally, the proforma impact of the NMPA proposal also shows that music publishers' profit margins do not change drastically. However, as Table B makes clear, the net effect of the music publishers' proposal would be to provide the music publishers with significant increases in their already healthy profits.

VI. CONCLUSION.

Recorded music is a high risk business with less stable revenue streams and large high risk investment requirements as contrasted with music publishing, which is an annuity-like business with stable revenue streams and small dollar and low risk investment requirements.
TABLE A: Music Publisher Historical Performance
<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>132,167</td>
<td>133,764</td>
<td>137,205</td>
<td>141,664</td>
</tr>
<tr>
<td><strong>COGS</strong></td>
<td>74,871</td>
<td>78,573</td>
<td>84,109</td>
<td>81,670</td>
</tr>
<tr>
<td><strong>NPS (% of revenue)</strong></td>
<td>57,296</td>
<td>55,191</td>
<td>53,096</td>
<td>59,794</td>
</tr>
<tr>
<td><strong>Expenses and Miscellaneous:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>1,395</td>
<td>2,075</td>
<td>1,483</td>
<td>1,451</td>
</tr>
<tr>
<td>Provision Against Advances</td>
<td>2,608</td>
<td>2,305</td>
<td>1,913</td>
<td>1,798</td>
</tr>
<tr>
<td>Depreciation of Rights and Licenses</td>
<td>5,432</td>
<td>4,083</td>
<td>4,606</td>
<td>6,757</td>
</tr>
<tr>
<td>Depreciation of Sheet Music Rental</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amortization and Impairments</td>
<td>19,025</td>
<td>2,035</td>
<td>1,927</td>
<td>0</td>
</tr>
<tr>
<td>Other Cost of Sales</td>
<td>1,039</td>
<td>527</td>
<td>216</td>
<td>302</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>26,023</td>
<td>22,454</td>
<td>20,587</td>
<td>20,038</td>
</tr>
<tr>
<td>Other Operating (Inc) / Decl</td>
<td>45</td>
<td>(555)</td>
<td>(438)</td>
<td>(2,300)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>55,557</td>
<td>32,931</td>
<td>30,294</td>
<td>28,046</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td></td>
<td>22,802</td>
<td>31,748</td>
</tr>
<tr>
<td><strong>EBITDA (% of Revenue)</strong></td>
<td>1,729</td>
<td>22,260</td>
<td>22,802</td>
<td>31,748</td>
</tr>
<tr>
<td><strong>Revenue Breakdown:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mechanical</td>
<td>66,688</td>
<td>63,874</td>
<td>46.6%</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>22,250</td>
<td>22,974</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>Synchronization</td>
<td>28,708</td>
<td>35,675</td>
<td>26.0%</td>
<td></td>
</tr>
<tr>
<td>New Media</td>
<td>2,323</td>
<td>3,318</td>
<td>2.4%</td>
<td></td>
</tr>
<tr>
<td>Print</td>
<td>10,093</td>
<td>9,486</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,701</td>
<td>1,879</td>
<td>1.4%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>133,763</td>
<td>137,206</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note: In addition to the information shown on this chart, BMG MP also provided results for 2002, the final year before the acquisition of Zomba Publishing by BMG MP's parent company, Bertelsmann AG. Those results, presented in dollars, showed total revenues of $83.9 million, and a net loss of $5.9 million. When depreciation and amortization are added back in, EBITDA is calculated at a positive $3.7 million, or 5.7% of revenues. See Note 9 below.
## Warner/Chappell – WORLDWIDE
### All Figures in $000

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>510,158</td>
<td>500,888</td>
<td>506,106</td>
<td>502,781</td>
<td>550,519</td>
<td>572,823</td>
<td>537,584</td>
</tr>
<tr>
<td><strong>OIBDA (%) of revenue</strong></td>
<td>98,236</td>
<td>19.3%</td>
<td>100,057</td>
<td>20.0%</td>
<td>100,267</td>
<td>19.8%</td>
<td>77,851</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>34,362</td>
<td></td>
<td>50,103</td>
<td></td>
<td>51,837</td>
<td></td>
<td>84,140</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>2,990</td>
<td></td>
<td>3,166</td>
<td></td>
<td>2,326</td>
<td></td>
<td>2,960</td>
</tr>
<tr>
<td><strong>OIADA</strong></td>
<td>60,884</td>
<td></td>
<td>46,788</td>
<td></td>
<td>46,304</td>
<td></td>
<td>(9,249)</td>
</tr>
</tbody>
</table>

### Revenue Breakdown

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mechanical</strong></td>
<td>272,496</td>
<td>53%</td>
<td>258,715</td>
<td>51%</td>
<td>265,002</td>
<td>52%</td>
<td>229,417</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>137,575</td>
<td>27%</td>
<td>138,687</td>
<td>28%</td>
<td>149,557</td>
<td>30%</td>
<td>183,759</td>
</tr>
<tr>
<td><strong>Synch</strong></td>
<td>45,147</td>
<td>9%</td>
<td>55,498</td>
<td>11%</td>
<td>59,312</td>
<td>12%</td>
<td>68,565</td>
</tr>
<tr>
<td><strong>Digital</strong></td>
<td>54,939</td>
<td>11%</td>
<td>50,010</td>
<td>10%</td>
<td>32,235</td>
<td>6%</td>
<td>19,908</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>510,157</td>
<td>100%</td>
<td>500,888</td>
<td>100%</td>
<td>506,106</td>
<td>100%</td>
<td>502,782</td>
</tr>
</tbody>
</table>
NOTES TO TABLE A

1. The financial information presented is the financial results for the US operations of each global publisher with the exception of Warner-Chappell, for which worldwide consolidated results are presented.

2. Amounts for revenue included in the financial results presented are the revenue from all sources as a result of exploitation of copyrights owned or administered/represented by the U.S. companies including the revenue from exploitation of those copyrights outside the United States. This is consistent with the recording and treatment of those revenues by each of the music publishers in their financial information provided.

3. The financial information was derived from various sources provided in discovery from the publishers, including but not limited to internal management reporting, internal general ledgers, and internal financial or budget presentations. The financial information was not derived from audited financials reported on by an independent accounting firm. The basis of preparation of the financials may vary from publisher to publisher depending on a number of factors, including: whether publishers follow U.S. GAAP versus international accounting standards, whether publishers follow accrual basis of accounting versus cash basis of accounting, and whether publishers are in compliance with Financial Accounting Standard Number 50 – Accounting for Artist Advances. While the standards followed may differ, each publisher would be matching revenue and expenses in any given year presented in accordance with either U.S. or international accounting standards. Therefore, results for each given publisher should be consistent from one year to another under the accounting principles applied by that publisher for each of those years.

Notes To BMG Music Publishing Spreadsheet

1. BMG Music Publishing (BMG MP) follows the calendar year for financial reporting purposes.


3. Revenues, information on the breakdown of revenue by type, and line items for each expense and miscellaneous item are drawn directly from the documents.

4. Cost of Goods Sold (COGS) is computed by adding the “royalty expense” and any “cost of sales” line items, and then deducting for the “UK International Addback” shown on the financials.

5. Net Publishers Share (NPS) is calculated as Revenues minus COGS and is checked for consistency with the NPS figure provided on the document.

6. EBIT is calculated as NPS minus expenses and miscellaneous and is checked for consistency with the EBIT figure provided on the document.

7. For 2004 through 2006, EBITDA is taken directly from the financials. For 2003, the financials do not calculate an EBITDA, but they do provide an EBIT, so amortization and depreciation were added back in to calculate an EBITDA. (Using this method would have resulted in an EBITDA calculation that is identical to the EBITDA shown on the 2004 financials, and slightly lower than the EBITDA shown on the 2005 and 2006 financials. Thus, this method appears conservative.)

8. Information on the breakdown of lines of revenue for 2004 and 2005 is taken from CO05005719, at 05005713. (The most readable version of this document is that used as Exhibit 9 to the deposition of Nicholas Firth.)
9. In addition to the information shown on this chart, BMG MP also provided results for 2002, the final year before the acquisition of Zomba Publishing by BMP MP’s parent company, Bertelsmann AG. Those results, reported as historical results in the KPMG memorandum for the year ended December 31, 2003, showed total revenues of $63.9 million, and a net loss of $5.9 million. (CO, at 05004735, at 05004739.) When depreciation and amortization are added back in, EBITDA is calculated at a positive $3.7 million, or 5.7% of revenues.

**Notes To EMI Music Publishing Spreadsheet**

1. Amounts presented in this spreadsheet are taken from the EMI Music Publishing (EMI MP) financial information produced in discovery (RIAA Trial Ex. 8; CO04024775). EMI MP reports on a fiscal year basis ended March 31; therefore, the last year shown (2006/07) is for the year ending March 31, 2007.

2. Revenue is taken from line 2080000 on page 04024777.

3. Cost of Goods Sold (COGS) is taken from line 2105000 on page 04024778.

4. Net Publisher Share (NPS) is computed as Revenue minus COGS and is checked for consistency with line 2110000 on page 04024778.

5. Expenses and Miscellaneous are drawn from lines 2123000 through 2141300 on page 04024778.

6. Profit Before Associate/Joint Ventures is computed as NPS minus Expenses and Miscellaneous and is checked for consistency with line 2152000 on page 04024778.

7. Share of Associate Operating Profit is taken from line 2152100 on page 04024778.

8. EBITDA is calculated by totaling the Profit Before Associate/Joint Ventures and the Share of Associate Operating Profit and then adding back the expense for depreciation (taken from line 2126100 on page 04024778). This figure is confirmed to match the EBITDA value given for 2007 in the “Memorandum: EBITDA” line (line 2260000 on page 04024778).

9. Information on revenue breakdown is taken from lines 2040000, 2050000, 2052000, and 2051000 on page 04024777.

**Notes To Sony/ATV Spreadsheet**

1. Amounts presented in this spreadsheet are taken from the “Sony Music Publishing” financials provided in discovery (bates range CO07004883-CO07004925). Sony/ATV reports on a fiscal year ending March 31; therefore, the last year shown (2006/07) is for the year ending March 31, 2007.

2. Sony/ATV is a joint venture between Sony Music Publishing and Michael Jackson (see Notes to the Consolidated and Combined Modified Cash Basis Financial Statements of Sony/ATV Music Publishing LLC for the year ended March 31, 2007, produced in discovery at CO07007429, page 6). However, notwithstanding their designation as “Sony Music Publishing” documents, I believe that the figures in this document are intended to reflect the US results for the Sony/ATV venture for two reasons. First, I compared the figures in the Sony Music Publishing financials to the revenue and royalty figures for FY1998 through FY2006 that are contained in the document entitled “Sony/ATV US Revenue & Royalty Costs” (produced in discovery at CO07014022). The figures in these documents are virtually identical, in most cases varying by only a nonmaterial amount. Second, I compared the figures in these documents to the figures in the Sony/ATV US financials for 2003/04 and 2004/05 attached to an email from Steven Storch to Amy Pugh (produced in discovery at CO07007267). Although revenues are broken down differently in the two documents, the core figures for revenue, royalty expense, and NPS are comparable for both years.
3. For all years, total revenues are taken from the corresponding revenue line items indicated on the financials.

4. For the years 2000/01 to 2004/05, Cost of Goods Sold is provided as a combination of the “royalty exp-publishing” and “royalty exp-masters” line items. For the years 2005/06 and 2006/07, COGS is taken from the “royalty expense” line on the financials.

5. Expenses are provided as they are listed on the financials provided in discovery. The line item for “Departmental Costs / Overhead” refers to the item denominated “Departmental Costs” in the 2000/01 - 2004/05 financials and “Organizational Expenses” in the 2005/06 - 2006/07 financials.

6. Profit is provided as Net Publisher Share minus expenses and it is checked to match the line item for “pretax contribution” in the 2000/01 - 2004/05 financials and the line item for “operating profit” in the 2005/06 - 2006/07 financials.

7. For 2000/01 - 2004/05, domestic mechanical revenue is provided as a combination of the “domestic mechanical royalties” line item as well as the “CHC mechanical royalty” and “SMU mechanical royalty” line items.

8. For 2000/01 - 2004/05, “other” domestic revenues are provided as a combination of the “production income”, “masters income”, and “all other” line items.

9. For 2000/01 - 2004/05, foreign revenue is provided as a combination of external foreign royalties and internal foreign royalties.

10. Breakdowns of revenue are not shown on the 2005/06 and 2006/07 financials. However, for 2005/06, the revenue breakdown is derived from the Sony/ATV US Revenue & Royalty Costs discussed above (CO07014022). The total 2005/06 revenue shown on this document, [400000000], differs slightly from the total revenue of [500000000] in the financials. However, this small difference should not affect the relative percentages of revenue in that year.

11. Foreign revenue is shown as a separate category in the 2000/01 - 2004/05 financials, rather than being broken down into its constituent components. However, the Sony/ATV US Revenue & Royalty Costs document (CO07014022) does break down foreign revenue into mechanicals, performance, and synch revenue for each of the years 2003/04-2005/06. Adding those figures to the domestic figures shown on the same document, the total mechanical revenues earned in those years is [1000000000].

Notes To UMPG Spreadsheet

1. Universal Music Publishing Group (UMPG) follows a calendar year for financial reporting since 2001.


3. Revenues, cost of goods sold (COGS) and line items for each expense and miscellaneous item are drawn directly from the consolidated reporting document.

4. Net Publishers Share (NPS) is calculated as Revenues minus COGS and is checked for consistency with the NPS figure provided on the consolidated reporting document.
5. Provisions for advances are presented in as a negative for 2001-2005 because in each of these years, UMPG appears to have recouped on amounts previously written off.

6. EBITDA is calculated as NPS minus expenses and miscellaneous and is checked for consistency with the EBITDA figure provided on the consolidated reporting document.

7. Information on the breakdown of revenues by type is taken directly from the reporting document for the years 2002-2005. For 2000 and 2001, this information is not provided on the “Financial Report” document. Accordingly, this information is taken from the Financial Report of Analytics and Narratives for Consolidation for CY2001. CO09011621, at page 09011655. The total revenue figures on this FRANC document are [REDACTED], but there is no evidence that this discrepancy would affect the relative percentages of the lines of revenue.

8. I also note that the narrative in the March Forecast – 2007 (CO09014261, pages 4 and 5), contains final 2006 figures and 2007 forecast figures for overall revenue and EBITDA. These figures, which are presented in dollars and therefore not included in Table A, are [REDACTED].

Notes To Warner/Chappell Music Spreadsheet

1. Warner/Chappell Music’s fiscal year has ended in September since its acquisition by a private investor group in 2004.

2. All consolidated (worldwide) information on this spreadsheet is taken from the document produced in discovery entitled “Warner/Chappell Music Consolidated Statement of Operations – Consolidated FY99-08” (CO08003872).

3. Warner/Chappell did not produce financials statements for its US operations. However, information showing certain of Warner/Chappell’s core US financial information was produced for certain years, including 2003 (CO08001386 and CO08001345), 2004 (CO08001345), and 2006 (CO08005707).
TABLE B: ProForma Music Publisher Financials
NOTES TO TABLE B

1. The proforma financial statements are intended to illustrate the effect on the 2006 financials of the music publishers under the RIAA proposal; and the effect under the NMPA proposal. They are intended to give the Court an indication of the rough order of magnitude of the impact of the RIAA and NMPA proposals on the music publisher financials.

2. In order to estimate the impact of the RIAA's proposal on the 2006 financials of the music publishers, I used RIAA data on net shipments (RIAA Net Shipments, Direct & Special Markets and Digital Distribution, Gross Shipments and Return: All Discs and Cassette, For the Year Ending December 31, 2006) to calculate the impact on the four main product groups that collectively make up a total of about 95 percent of net shipments: CDs, digital album downloads, digital singles downloads, and ringtones. In addition, because the low wholesale price of cassettes would result in a more significant decline in the mechanical royalty payments to music publishers under the RIAA's proposal, out of an abundance of caution I included those in my calculations as well (although cassettes make up an extremely small percentage of today's music market).

3. For CD's, under the present rate structure the music publishers earn roughly $1.18 per CD (assuming an average of 13 tracks at 9.1 cents each), while under the RIAA's proposal, they would earn nine percent of the wholesale revenue per unit ($8.39 in 2006), or about $0.76 per album – a 35 percent decrease. Online albums yield $1.18 in royalties under the 2006 rates, but under the RIAA's proposal would earn 9 percent of $6.88, or $0.62 – a 48 percent reduction. Online singles presently earn 9.1 cents under the statutory rate and would earn 9 percent of $0.70, or 6.3 cents, under the RIAA proposal (about a 31 percent reduction). Ringtones earn roughly 20 percent of wholesale and would earn 15 percent under the RIAA proposal (a 25 percent reduction). Finally, cassettes earn $1.18 under the current statutory rate but would earn $0.11 under the RIAA proposal – a 91 percent reduction. (The assumption of 13 tracks per album is the figure that I understand has been used by many of the other experts in this case to date, such as Dr. Tice, RIAA0015005, and the publishers’ expert Claire Enders, RIAA Trial Ex. 27, at 8-9.)

4. Although some variances are to be expected between publishers based on differing mixes of revenue, a weighted average of those four categories implies an industry-wide average of a roughly 35-36 percent reduction in mechanical royalty revenues under the RIAA's rate proposal. Using a similar methodology, I estimate that the NMPA's rate proposal would increase the average mechanical revenues of the publishers by roughly 41-42 percent. To be conservative, I used as the basis of my model an estimate that the RIAA's proposal would cause a 40 percent decrease and the NMPA's proposal would cause a 40 percent increase.

5. Once these figures were calculated, I showed the proforma impact of this adjustment on the 2006 financials for the US operations of each publisher (taking either actual year-end financials or mid-year forecasts, depending on the quality of the data I had available) by making adjustments in the domestic mechanical revenues and domestic mechanical royalty payments for each publisher. I left all other information in the model the same, including data on foreign mechanical revenues, other sources of revenue (ie, performance, synch, etc) and information on expenses. This allowed me to isolate the impact of changing domestic mechanical royalty rates on the overall financials of each music publisher.

6. As I indicated above, in the case of two publishers – UMPG and Sony/ATV – I have had to use mid-year forecast data for 2006 rather than the final financial results for each year. This is because the forecast data is the only data provided by the publishers in discovery that shows a breakdown of royalty payments by line of revenue – a necessary element to this calculation. However, in each case, as explained below, I have compared the forecast numbers against the actual reported results for each year and there is no reason to think that using final results, had I been able to do so, would have changed the basic conclusions shown by model. In fact, in each case the forecast numbers proved conservative.

7. To reduce complexity in the model I have used industrywide figures to calculate the relative weight that each product (CDs, online albums, online singles, ringtones and cassettes) has in the calculation of the
average impact of the RIAA/NMPA proposals. Due to differing product mixes there may be minor variations from publisher to publisher in the relative weight that each line of revenue may have. As my model shows, however, variations of this magnitude have no impact on the general overall outcome of the proforma presented here.

8. In calculating the impact of the RIAA/NMPA proposals I have looked only at the five products that make up the vast majority—about 95 percent—of net sales (whether measured as a function of unit sales or wholesale revenues). This necessarily excludes some products such as DVD audio, CD and LP singles, and the like. These products made up only a small percentage of net sales in 2006 and in light of the wholesale prices of these products, their exclusion is unlikely to affect the general conclusions yielded by this proforma.

9. Some variances are also possible due to the manner in which the publishers have classified certain forms of publishing income. For example, as I have noted in the text of my testimony, EMI MP appears to classify ringtone income as performance or sync revenues. However, as a simple manipulation of the proforma makes clear, even if this ringtone income were all treated as mechanical income for the purpose of the proforma, it would not have any more than a minor effect on the results.

10. One factor that is not shown in this proforma is the potential impact on advance writeoffs of a decline in mechanical royalty revenues. If the music publishers sustain a long-term decrease in their mechanical revenues, there is certainly some possibility that they may have to write off more of their advances in the future. However, I doubt that the impact of this would be very large because, as I have shown, the publishers have typically been able to recoup a very large (in many cases 90 percent) portion of their advances, and their earnings from other lines of revenues should be sufficient to enable them to maintain high recoupment rates. Moreover, as I note in my testimony, growth in the overall music market caused by additional record company A&R investments would likely mitigate this impact altogether.

11. I should note that this proforma is also extremely conservative in one aspect, in that it models only the short-term, direct impact of a mechanical royalty rate change without modeling the broader impact on music publishers from marketplace changes arising from reduced royalty rates. As I have noted in my testimony, a lower mechanical royalty rate will free record companies to make more of the A&R investments and other expenditures that have historically been the engine of the music industry—and that will, in turn, work to the benefit of record companies and music publishers alike.

Additional Notes Specific To EMI Music Publishing

1. All data is derived from the actual year-end financials produced by EMI MP (RIAA Trial Ex. 8; CO004024775). FY2006/07 data was used because the majority of the revenue earned during this year (nine months’ worth) would have been earned in the calendar year 2006.

Additional Notes Specific To Sony/ATV Music Publishing

1. Because the year-end financials produced by Sony/ATV in discovery do not provide a breakdown of royalty or revenue costs, I used midyear forecast data contained in the document entitled “Fiscal 2007 Full Year Forecast & Fiscal 2008 Budget—Revenue Detail.” This document provides FY 2006/07 US forecast figures with revenue and royalty payments broken down by type of revenue. (CO07006752, at 07006753, 07006755.)

2. As with EMI MP, FY2007 data was used because the majority of the revenue earned during this year (nine months’ worth) would have been earned in the calendar year 2006.

3. The total revenue and operating income (EBIT) shown on this forecast, respectively, proved to be conservative: in fact, as shown on Table A to my testimony, the final year-end financials for FY 2006/07 showed revenues of [redacted] and [redacted].
Additional Notes Specific To UMPG

1. 2006 UMPG forecast data is taken from the Universal Music Publishing Group Plan Pak 2007 United States, CO09011043. Pages 09011076-09011077 show 2005 actual and 2006 projected (as well as 2007 plan) revenue broken out by type of revenue.

2. This document presents figures in Euros and dollars. Figures are taken in Euros for consistency with the presentation in Table A.

3. This document presents revenue broken down into three categories: (1) "Local Earnings – Local Deals"; (2) "Local Earnings – Foreign Deals"; and (3) Foreign Earnings – Local Deals". For purpose of this calculation I assumed that changes in the Section 115 mechanical royalty rate would impact on categories (1) and (2), but not (3).

4. The total revenue and EBITDA forecast for 2006 are shown on this forecast, in both Euros and dollars, at pp09011047-1047. In dollars, this document projects revenues of [redacted]. These projections proved to be conservative: in fact, as shown on Table A, documents produced in discovery noted final year-end revenues of [redacted].

Additional Notes Specific To BMG MP and Warner/Chappell

1. I was not able to create similar tables for BMG MP or Warner/Chappell. In the case of BMG MP, no information was produced to show domestic and foreign revenues broken out separately. In the case of Warner/Chappell, no data was produced that shows mechanical royalty payments, either domestic or foreign.

2. Nonetheless, on the basis of some simple calculations and a rough proforma that I have created using the information that was provided for these companies, I am confident that the impact of the RIAA and NMPA's rate proposals on BMG MP and Warner/Chappell would not vary greatly from the impact on the other three major publishers shown in this proforma.
APPENDIX

Resume of Terri M. Santisi

Terri Santisi
530 Park Avenue 16F New York NY 10021
H (212) 888-1931 C (917) 593-0412
terri@tmsilc.com

Professional Experience:

IMG
EVP, CFO and Chief Administrative Officer

New York, NY

- Oversaw IMG’s worldwide operations in corporate development, mergers and acquisitions, finance and accounting, information technology, administration, human resources, corporate communications and public relations, as well as risk management and legal affairs to support the businesses with in excess of $1 billion in revenues.
- Managed, enhanced and built corporate functions:
  - Established Financial Planning and Analysis Group
  - Developed Global Deal Process for all acquisitions, joint ventures and rights acquisitions defining standard criteria for evaluation of deals by business units and execution of multi-disciplinary teams to address due diligence and post merger integration issues; and status reporting to senior executive team
  - Led the restructuring of the Global Media operations into five distinct operating verticals to provide transparency and established economic metrics
  - Established a Tax and Treasury Operation in New York
    - Worked with our financial institutions to obtain additional financing to support our acquisition strategy
    - Developed cash management reporting
  - Established through outsourcing an Internal Audit Function
    - Developed accounting Policy and Procedure Manual
    - Developed delegated level of authority matrix
    - Reviewed SAP global general ledger to purge chart of accounts and enhance management reporting
- Led the financial and legal due diligence for six acquisitions for a total of $240 million including add on acquisitions for existing business unit verticals and new business (College Sports) consistent with the strategic plan of the company
  - Prepared acquisition analyses and reports for Board approval
  - Negotiated various financial, operating and legal deal points with representatives of the target company
- Led the due diligence with outside advisors for an additional $120 million capital raise from our investors
- Supervised budgeting, forecasting and management reporting process for the company, including the active review of business units’ capital and expense requests and the preparation of long and short-term budgets
- Established more informative quarterly and plan disclosures to provide transparency for each business segment within each of the units (Sports and Media)
  - Developed Board presentations and participated in Board meetings and served as the company's representative to the senior management, investors, outside auditors, banks, law firms, and other groups receiving financial information.
  - Reported all relevant and legally required financial information to all appropriate entities.
  - Managed and continued to build the Human Resources, Information Technology and Legal Departments.
    - Held the first global legal summit in nine years with 40 attorneys from around the world and outside counsel
    - Negotiated terms of employment agreements for key executives
    - Established and executed a global performance review and bonus process for over 2600 employees around the world without an HRIS
  - Provide proactive recommendations on how best to improve financial, managerial and operational performance including contributing to evolving strategic business plan.
  - Established new Corporate Communications Group
    - Recruited experienced consultant to work with Executive Team and developed global communications plan including corporate messages
    - Planned and executed town hall meetings in NY, Cleveland and London for senior executives to discuss state of the business with 2600 employees

Interpublic Media  
CFO  
New York, NY  

- Lead all financial operations for Interpublic Media, a division created in 2006 to consolidate the media planning, buying and market activation businesses of The Interpublic Companies.
- Part of the senior management team charged with turning the business around, developing and implementing a metric based, results oriented culture and processes including team approach to problem solving.
- Accomplishments:
  - Established management reporting for new business unit
  - Worked with other divisions of parent company on major multi-disciplinary pitches
  - Partnered with Corporate Strategic Group to re-evaluate the strategy of IPG Media resulting in a change in strategic direction to more effectively meet the current market dynamics

KPMG  
Partner, Media and Entertainment Practice  
New York, NY  
1999 – September 2005

- Responsible for leveraging KPMG's Media and Entertainment Group and strengthening the firm's position as a global provider of professional services to this segment of the industry.
- Developed and implemented strategies for growth and change in the media and entertainment industry.
Increased profitability in creatively driven business through innovative leadership and analysis directed at key business drivers.

Worked on specific client projects in media industry, including a business transformation and strategic assessment review for a major music association, transaction advisory work for several media companies – advising on transactions from $100 million to in excess of $1 billion, led Sarbanes Oxley initiative for a major music company.

Led thought leadership efforts of the firm in the areas of media and digital transformation; authored white papers on several media subject matters

Partner to the World Economic forum on the Media Governors Meetings
  o Set Annual Media Governors Agenda
  o Contributed to the Digital Ecosystem Study

EMI-Capitol Music
EVP & GM, EMI-Capitol Music Group, North America
New York, NY

Led strategy development and oversaw day-to-day operations for nine North American record labels.

Responsible for the sales, marketing and distribution operation, as well as the manufacturing organization.

Structured major artist and promotional deals and evaluated the viability of new business opportunities.

Key businesses included Capitol, EMI, The Enclave, Capitol Nashville, EMI Latin, Blue Note and Angel/EMI Classics/Virgin Records.

Restructured EMI Music Sales and Distribution reducing costs by $4 million and developing a strong consumer focus in partnership with trade achieving a greater responsiveness to local market opportunities.

Developed and managed the execution of a multimedia marketing and entertainment event to launch a new Garth Brooks album and exploit his catalog of prior releases. Worked with the City of New York and HBO to develop the Garth Brooks live show in Central Park and the HBO Cable Television event.

Renegotiated rights to Beatles’ BBC tapes and “Anthology” audio and video series, greatly increasing revenue-generation potential; the “Anthology” collections sold 13.7 million units, resulting in $411 million in new sales.

Created new executive team; recruited and developed an excellent staff of business-savvy individuals including CFO, legal counsel and human resources, strategic planning, operations and marketing executives.

EMI Music Publishing Worldwide/SBK Records
SVP & CFO
New York, NY
1989 – 1992

Led the financial operations of the world’s largest music publishing company.

Integrated the former CBS songs into EMI globally, thus maximizing all methods of music exploitation.

Built a global infrastructure for the newly merged, rapidly growing music publishing company, which greatly increased net publisher’s share.

Oversaw royalty, licensing and administration including review of songwriter agreements and royalty statements for all significant songwriters and catalogs prior to distribution to royalty participants

Successfully negotiated the acquisition of Filmtax Music as well as re-negotiated a long-term administration deal for the Jobete Music catalog.
• Negotiated a complex earn-out for partners of the SBK Records start-up, significantly increasing their return.

Ernst & Young
Principal/Partner

New York, NY
1976 – 1989

• Provided strategic business and financial advice to senior executives of Fortune 500 companies (i.e., The McGraw-Hill Companies and Mobil Oil Corporation).
• Played a major role in the acquisition strategy of music and print publishing companies by leading industry conglomerates. This included the development of a sophisticated formula for the purchase of music publishing copyrights, which provided the acquirer with an appropriate measure of value.
• Gained significant global business and finance experience through her involvement as principal/partner who oversaw international marketing and refining operations of Mobil Oil.

Education/Certification

Bachelor of Science, Business/Accounting, Boston College, magna cum laude, 1976
Certified Public Accountant, New Jersey and New York State Society of CPA’s

Community Involvement

New York City Outward Bound Board of Directors and the Executive Committee
Audit Committee, National Academy of Television Arts and Science
She Made It Steering Committee of the Paley Media Center
I declare under penalty of perjury that the foregoing testimony is true and correct.

Terri M. Santisi

Date: May 1, 2008
Interview:
Roger Faxon, co-chief executive, EMI Music Publishing

ROGER FAXON HAS JUST BEEN PROMOTED TO CO-CHIEF EXECUTIVE OF EMI MUSIC PUBLISHING; CAN HE TRACK DOWN THE MILLIONS IN LOST RINGTONE ROYALTIES?

EMI Music Publishing is the largest publisher in the world, holding around 16.7% of the market. While not as adversely affected as labels by the decline in the CD business, publishers have had to evolve and move into new business areas to ensure growth.

Here Roger Faxon explains the diversification and risk management strategies that EMI Music Publishing has put in place and where he sees development in the coming years.

He argues that it is only a matter of time before the other publishers follow suit and structure similar deals to the MCPS-PRS/GEMA one. Within this is the suggestion that global one-stop licensing along similar lines could follow, although the focus in the near-term will be geographically- and regionally-specific.

While the MCPS-PRS/GEMA deal was designed to streamline licensing and ease the process for online services, digital has been far from a panacea for publishers.

Research by PIRKU (see issue 58) trends that European publishers were underpaid by around £123m in 2003/2004 for royalties arising from ringtones. Unless this is addressed, they stand to lose out on almost £140m by 2010.

Faxon admits that insufficient reporting and royalty underpayment has been a serious problem for publishers in recent years. While safeguards are being put in place, he underlines the need for it to be rectified as soon as possible.

A similar chart to the published one above is the minimum.

Copyright Tribunal hearing on the royalty rates paid to composers for downloads in the UK. The current rate is around 6.5p per track sold if a track sells at least 10,000 copies. If it is priced at £9.99, the profit margin is pushed down to as little as 2.5p. What can the publishers do if the Tribunal sides with the labels? And how would a lowering of this rate affect their future development?

How has publishing used digital to maximise revenues?

Obviously, as the record business has been suffering in recent years, music publishers have had to be more attentive to other revenue opportunities. They have been very effective in commercialising music in movies, ads and other synchronisation areas. They have also been at the forefront of promoting the use of music on mobile - ringtones being the most clear example of that. Publishers and societies get ripped for holding back new business areas. I don't believe that to be the case. The truth is that the publishers have probably been more aggressive at licensing their rights into new users.

How does your A&R strategy work?

We make our investment in music well before that music goes before the public in any significant way. Our A&R side is not driven by a strategic view of filling holes in our catalogue. It is about looking forward and seeing where music is going to be two, three, five years from now. We make not insignificant bets about that.

How do you lower risk with your signings?

Compared to the recorded music industry, there is a different risk profile and a different returns model. The record business works on a high-risk, high-reward model. We try to minimise that risk by looking for revenues not just from the sale of recorded music but also from other sources. We ask: Is this music going to have a legendary life that just second sales? That informs how we think and it allows us to take many, many chances but - in the aggregate - to lower our risk. So our risk profile is substantially better than that seen than for labels.

Will you look to take a share of writers' non-publishing revenues?

The one area that we wouldn't participate in would be merchandising.
As labels look to share in non-recording revenues such as publishing, will this cause conflict between them and you?

I don't think so. A new way of doing business is developing. The key is to align the interests of the publishers and the record companies, which is what they are doing in Europe. The challenge is to ensure that the new business model is fair and sustainable. This requires collaboration and communication between all parties involved.

What about the regulating bodies in Europe and the US?

There are different approaches in Europe and the US, but both are working towards a more unified and collaborative model. The European Union is leading the way with its recent proposals to streamline the licensing process and reduce the administrative burden on both parties.

When we talk about the market, what do you mean?

I refer to the market for music and related services. This includes digital music, streaming, downloads, and other forms of content distribution. The market is constantly evolving, and new technologies are changing the way we consume and distribute music.

What about the UK?

The UK is a key player in the global music market. The UK music industry is facing similar challenges as the rest of the world, but it also has unique opportunities, such as a strong digital music market and a vibrant live music scene.

What about the future of the music industry?

The future of the music industry is bright. Despite the challenges, there are opportunities for growth through innovation, collaboration, and new business models. The key is to adapt to the changing landscape and leverage technology to create new value.

INTERVIEW
Can you reclaim the lost royalties?

No, but we are encouraging societies to go back and audit mobile operators, aggregators and online services. We are starting to see positive impact. In the UK, the MCPS-PPLS is very aggressive currently in looking back to ensure that they will be paid the appropriate sums of money. Others have been less effective in Europe but, as some goes on, they understand how much revenue is being lost and they are going after it. Some with greater effect than others.

Will you have to accept these royalties as permanently lost?

I'm sorry to say that that probably is the conclusion. We are not sitting idle by Publishers are pushing hard on the societies to enforce our rights and we are seeing a substantially stepped up effort by most 'Tribunal. It's a costly thing, but it's not a bad thing. I would encourage the MCPS-PPLS Alliance, the EPI and the other user groups to try and reach an understanding as to what these rates are. In the absence of that, a well-articulated case by each of parties to the Tribunal will come to an appropriate answer.

What if the songwriters' rate is cut from 1p to 0.25p in every £0.79 download and not (as they hope) 0.7p?

We represent songwriters and we obviously want to optimise the value of these rights. We'd find it very distressing if the rates were to fall to a level as low as 0.25p. That is something that our songwriters would not be happy with and we, as their advocates, would certainly not be happy with.

"We are encouraging societies to audit mobile operators, aggregators and online services but we may have to accept underpaid royalties as lost."

—not all—of the societies that do gives us greater comfort that we will get paid appropriately. We must ensure that there is no collusion over the licensing regime, that we have visibility and transparency of the rates and clear audit trails.
UK RADIO LISTENING

Impact of DAB ownership

what platform do you listen to radio on?

<table>
<thead>
<tr>
<th>Platform</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>40%</td>
<td>35%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>DAB</td>
<td>30%</td>
<td>35%</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>AM/FM</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Outdoor</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

MOBILE VIDEO UPTAKE

Mobile TV subscribers and adoption trends (Ms)

<table>
<thead>
<tr>
<th>Year</th>
<th>Worldwide</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>44.5</td>
<td>3.0</td>
</tr>
<tr>
<td>2007</td>
<td>114.2</td>
<td>7.6</td>
</tr>
<tr>
<td>2008</td>
<td>225.3</td>
<td>15.3</td>
</tr>
<tr>
<td>2009</td>
<td>520.9</td>
<td>35.9</td>
</tr>
</tbody>
</table>

ONLINE MUSIC PROJECTIONS

- 53% of music downloads are legal
- 64% of music downloads are from iTunes

$1.5B in 2005 for global online sales in 2005
$10.7B in 2010 for global online sales by 2010

DUAL-DELIVERY MARKET

- 56% of mobile users will pay for mobile downloads
- 5% of mobile users will pay for music downloads

$1.25 billion spent in 2010 for dual-delivery market

2% of mobile users will pay for multi-device downloads
75% of mobile users are interested in buying tickets on their mobiles

These numbers include all online sales (i.e. stores, downloads, and CD sales).

Source: iSight (March 2010)
In this study of Canadian music consumers, only 36% of those polled said that they downloaded music from the Internet. Paying for music is only the third most popular way (after ripping and using P2Ps) to get digital music on their computers. It is, however, encouraging that they are more likely to pay for downloads than they are to copy their friends' CD collections.

While over a quarter (28%) of the consumers stated that they bought more music than they did a year ago, almost two-thirds claim to buy less than five CDs/DVDs a year. Cost is cited as the most important factor behind consumers spending less on music. Interestingly, the next reason they give is that there are 'no new artists' to buy. Also, even with the promise of digital to make all music accessible, 5% of those polled said that they have enough music and another 7% claim that they get most of their music as gifts.

Source: Canadian Music Industry Association/Paras (March 2009)
Campaigns of the month
Weighting and ranking the key campaigns of the month

This month our guest critics are: James Scragg, VP of marketing at MTV Branded Channels, who looks after all the company’s advertising, events, experiences and CSR; and David Brabbs who is a strategist at creative consultancy Figgatt Network, whose clients include Orange and Sony Ericsson.

With Glostebury this year, the cinema debut of a Julian Temple-directed documentary (based on over 900 hours of professional- and amateur-shot footage) seen Orange and Sony Ericsson partner to promote the White Wilkins phone. Does this campaign capture the ‘spirit’ of the festival or just give it an off-putting corporate sheen?

Next is Mercedes Benz’s sponsorship of AOL Music’s ‘On Our Radar’. Is this trying to force a marketing fit where none doesn’t exist?

The move to tap into subcultural credibility also informs the year-long partnership between Epic Records and Xbox 360. This will
Epic Records/Microsoft Xbox 360

As part of a groundbreaking deal, Microsoft’s Xbox 360 will promote Epic’s artists through interactive gaming. Natasha Bedingfield’s "Unwritten" was the first track to be scanned into the title of "Street Fighter IV". The single will also compete with fans on the "Blitz: Revenge" game, part of Xbox Live’s "Guitar Hero" franchise. Each month, a new Epic artist will be promoted through the site and community. Xbox has an estimated 3M gamers and Epic is seeing this as a way of connecting them with breaking artists in the US.

JAMES: For me, this marks the point where the music industry finally takes control of the digital world in interesting ways. So here is another label joining the campaign trail, right in the middle of the year. As a fan, I am aware of Natasha’s talent and look forward to seeing her perform live in the US.

DAVID: This is an interesting attempt to help a British artist 'rack America'. Epic will enjoy the chance to prove themselves when talking to fans on their turf. It humanizes the artist, too. Making content available free on Xbox highlights its capabilities as a multiplatform platform well. It also helps justify its subscription fee. "Guitar-helping Epic to make an odd choice for a gritty, street-tasting game than virtual music. The price of acceptance into these communities is a huge time commitment before you are taken seriously. Gamers can be fickle. I hope Natasha’s success is up to it.

http://www.scherer.com/eninois/five/five/default.htm

TagWorld & Universal’s video partnership

TagWorld, hailed as the next big social networking and music discovery tool, is now available on MySpace. In November, 2006, MySpace launched "MySpace Video" and Universal Music Group offers a Pandora-like service to stream music across the country. The video distribution is an exciting avenue, providing extra reach to the self-distribution proposition. But of course, it makes perfect sense for the mighty Universal. But I’m not sure it helps to create the kind of long-term music fans.

JAMES: MySpace is obviously the most mainstream in TagWorld’s video partnership. I was surprised to find a little more joined up. The video distribution is an exciting avenue, providing extra reach to the self-distribution proposition. And of course, it makes perfect sense for the mighty Universal. But I’m not sure it helps to create the kind of long-term music fans.

DAVID: Finally, there are signs that the future could be waking up to exploring new options of connecting with customers while promoting their product. Partnering with a 'cutting-edge' company like TagWorld gives them a valuable way of promoting their artists. The site lives up to its early promise and keeps growing. The Pandora-like tool is a great way of introducing new music to the right people, and it's hard to believe any big label would want to be left behind. Especially when music promotions are essentially shock to drive record sales. The limited range of music that videos could reach this making off in a big way. It seems odd with the Long Tail niche models that market places like MySpace can be such a great place to spend hours exploring.

http://www.tagworld.com
Format wars
Can Sony BMG cut it as a TV format developer?

Is Sony BMG’s new JV (Fever Media) a label cleverly diversifying its business interests or a move to sidestep traditional broadcaster relationships?

In mid-March, Sony BMG announced details of a new TV format development JV – Fever Media. The music company has partnered with David Mortimer and Richard Hopkins who cut their teeth at the BBC, developing shows as diverse as Strictly Dance Fever, It Takes Two and Dragon’s Den.

This indicates how the majors are diversifying their business areas to move away from being strictly music companies to become more general entertainment firms.

Sony BMG – via its deals with Simon Cowell’s Syco – is well-placed to use TV as central to its marketing for artists. The success of the UK and US of the X Factor format shows that music talent search shows are far from dead. At the time of writing, the label had this year secured two number one singles (Rita Ora, Chico).

The label view
Clive Rich, Head of Futures, Sony BMG UK

The Futures division within Sony BMG seeks to group our new and developing businesses together under one umbrella. This has three main aims: digital brand partnerships and TV programming.

We have a fever media alongside Syco (which has become a powerful force in its own right with X Factor and Inavator) Fever is part of our efforts to create a new TV arm. David and Richard have a very different and broad range of programming experience and we are bringing this to the business. We believe that they will complement, rather than duplicate, what Syco is doing.

The idea is to tap into all of the digital, TV and brand partnership assets around the traditional type of a record company to offer a 360° proposition to our artists and develop our reach in the same time.

Fever is not a purely music-based initiative. We will develop entertainment shows that will appeal to audiences of all kinds. Wherever it makes sense, there will be a musical component. We have a very broad definition of what music is on TV means. It doesn’t just mean shows like Top of the Pops or CDUK. It could be a kids’ drama that has a musical soundtrack, a music game show, an entertainment network or an observational documentary. We’re creating a music format to be music-based.

The show format has to come first, then there is an opportunity to thread music through it. No other labels are adopting this 360° model in quite such a concentrated manner. I’m not concerned if other companies and two albums at the number 1 and number 2 slots (Journey South and Andy Alasia) in the UK with action signed off the back of last year’s X Factor.

While music companies have achieved success by partnering with outside format development companies (Syco and 19 most obviously), this move by Sony BMG signifies an important departure. Clive Rich of Sony BMG’s Futures division gives the case for traditional record companies moving aggressively into the format development space.

It makes it explicit that Fever will not be exclusive about music. Instead, it will also look at other format ideas (eg kids dramas) which its music can be woven into.

As recorded music sales have taken a battering in recent years, labels have a number of options open to them; stay firmly within

start to limit in or not. The important thing for us is that we get it right.

We are a global company. Therefore, we have more opportunities for international activity around formats than local independent TV production companies would have. We can also bring a whole suite of services to the format – such as digital applications, DVD distribution and brand partnerships – that can fit around a TV company more naturally than other smaller and more traditional players can.

We are part of a much broader universe of companies that we can tap into, such as the Sony E宏观经济, Sony Ericsson, Sony Walkman or Random House Books.

Will this change the types of contracts that we offer recording artists? The starting point is to prove to managers and artists that we can deliver successful formats and add value to what they do. Then it is easier, in that course, to have contractual discussions.

We need to earn our spurs first. If you look at it, this is how contracts have worked in the digital space. We now sell a 360° digital business around the world. As a result of that, and with our track record in not competing with digital rights are part of the recording contracts we have with our artists. My position is that, as we push out into these other areas, the same logic applies.

Why will the 360° model work for us when it hasn’t for other companies such as Sanctuary? They don’t have quite the same scale or reach that we have got and they weren’t in all the areas that we are. We have potentially got a third of the world’s music and artists to choose from.

We already have a presence in a digital business and we are growing rapidly in the TV and brand partnership business.

We are not consciously moving away from the talent search music TV format like X Factor. We positively embrace the notion that music on TV can mean many different things. Fever will enable us to deliver a wide range of programming that creates multiple musical opportunities.
music, but change the terms of recording contracts (EMI/Robbie Williams) or make an explicit move to become a broad entertainment company within which music is a key, but not exclusive, focus (Sony BMG, Universal, Sanctuary, Ministry Of Sound).

Simon Guild of MTV gives the 'traditional' broadcaster's view and explains how Sony BMG can make this work through strategic partnerships. It has developed numerous music formats globally as it moved, in its early incarnation, from being a premium video-based medium and also increased the number of markets it is active in. That while there are numerous opportunities for Sony BMG (and others) to work closely and collaboratively with MTV (and others), this is a new development and an indication of how the label/broadcaster relationship will change in the coming years. In April 2003, Universal

The broadcaster view

SIMON GUILD, president and CEO, MTV Networks Europe.

MTV has always seen itself as a place where great ideas can get tried out; where risks can be taken and where new formats get their first airing. Big Brother has its roots in MTV's Real World and The Osbournes was surely the inspiration for The Fosters. Some of these shows come from outside the company, some from inside. We established our own development unit, the Greenhouse, specifically to focus on long-form series and to extend our reputation for great music-based entertainment programming.

As far as we're concerned, the more people producing entertainment ideas the better, and I have no doubt that Sony BMG will produce some great material. If we can work with them, it would seem like an opportunity to us. We already work with music companies and independent production companies to air shows we believe our audience will love. We've worked with Sony BMG on MTV A Cuz, which followed Anastacia's search for a support band last year. We've also worked with other labels on shows such as Breaking Point and America On Board.

What we are looking for is a format which is innovative and which builds on MTV's strengths as a video-based entertainment platform. MTV Barrio 19; a new series developed by our Greenhouse team for mobile TV and the web and airing globally this summer. MTV Barrio 19 highlights cutting-edge urban culture and showcases new music from signed and unsigned artists from around the world.

While the US Pimp My Ride performed well in the UK, it was only when MTV UK produced its own version that it became the highest-rated series ever. Likewise, in March, we adapted the US TRI awards for Italy and attracted 100,000 young people to the Piazza del Duomo in Milan. This wasn't just about a format, but about our ability to market it to an audience that buys into what we do.

And marketing is a key issue because producing great content is only half the battle. Once you have the format and the pizzazz, you need to market it. MTV still does what it has always done best - package and present content to appeal to 16-24-year-olds. Young people come to us first because we have credibility with them to present programming they want to watch.

And in a multi-platform world, that brand relationship is going to become even more important - not less. The more content we have out there on the Internet, mobile as well as TV, the more a multi-platform approach is going to be key. This is where the TV channels feed the online property and mobile provides instantaneous interactive opportunities.

I completely agree that learning lessons from one market and then applying them to others is the way to get success here. We do that with our 50 MTV channels and 122 MTV Networks channels around the world. Not just with TV formats, but with ideas, applications, channel concepts and creative pieces.

So, look to MTV. We hope they come to us first to develop great content, and if we can help it on the ground and abroad, we'd love to do so. Meanwhile, we'll do what we've always done - be the brand that people go to first they want to see the most innovative, risk-taking music and TV shows.

AM 2004 031 - 21

CO04030082
Monitorin monies
Moves in Holland to stem 'lost' royalties

MILLIONS IN UNREPORTED ROYALTIES ARE LOST EVERY YEAR. CAN THE 'LEAKS' AT CONCERTS AND CLUBS BE PLUGGED BY SOUNDDetect?

TEXT Paul Sparrin, 365 Mag, www.365mag.com

Many artists, labels, companies and publishers are losing out on millions in underpaid or unreported royalties each year. Dutch collecting society Buma Steenbergen and DJ Monitor have developed Sounddetect to address this.

After trials last year, it has now gone live. It currently covers Holland, but other markets could soon adopt the technology at the core of the system to ensure that all rightsholders (especially the smaller ones) are paid correctly.

Put simply, the method of measuring which record is being played by DJs is ineffective. The Sounddetect system, run on the specially developed DJMonitor Rack Pro to record complete events on to a protected and reproducible hard-drive. This system has largely come about due to the lack of playlists handed in (as well as the sheer number of tracks being played within the dance music industry).

With the DJ as a performer in his/her own right, it's time for the individual tracks to receive proper and accurate accreditation.

DJ Monitor/Buma Steenbergen believe this will bring increased finances to the scene, as well as help off set falling record sales, fuelled by P2P downloading. According to the company, an organisation attracts 50,000 people to an event with a ticket price of £50, then the takings are in excess of £2.5M. The organisation pays on average 5% of these ticket revenue — that amounts to £125,000 to the rightsholders. If the event last for 10 hours, and the DJs play 20 records an hour, then rightsholders get more than £6500 per record played (minus administration and monitoring costs). This can add up to more money earned than through selling records in today's market.

In an industry fuelled by the white label and the next unknown 'big thing', many low-well-known producers are missing out on royalties that are rightfully theirs (which often end up going to bigger artists). The DJ Monitor system will arguably offer a complete and fair solution to all producers — providing the rightsholders use the system.

DJMonitor Rack Pro digitally records audio at a particular event, including date, time and event information, on a reproducible hard-drive. 'The fingerprint analysis software generates digital audio fingerprints of every two seconds of the audio recording. DJMonitor Rack Pro uploads audio fingerprints to the servers which then compare the audio fingerprint of the event with the audio fingerprint of the songs in the database. If they match, the server will look for the attached song information (metadata). If the fingerprints do not match, then it will be declared a "no name", meaning the song is unknown. The server then generates a playlist for the customer and the producer/organisation/label can manage their data through the DJMonitor website.'

DJMonitor and Buma Steenbergen aim to run further pilots in different parts of the world. Such DJMonitor and Buma Steenbergen are confident that this will go global, perhaps fuelled by the current Dutch monopoly on live-events (due to crowded population demographics and liberal attitude to dance events by the government). This system could be used by any event worldwide, including at Glastonbury, Global Gathering, Reading and Leeds festivals in the UK.

STATE CURRENT SYSTEM FAILS

[X] Christievenues in Holland pay an annual fee (based on audience attendance).
[X] Buma Steenbergen also collects a percentage out of ticket sales of 3.7% depending on the venue size.
[X] Playlists at clubs are often incomplete or not handed into collection societies.
[X] The majority of the monies collected are paid to the biggest names based on chart success and smaller players miss out (especially if paying out more on white labels).
[X] Unpaid artists also miss out.

[ ] Rights holders register on the DJMonitor site.
[ ] They then submit product and metadata information.
[ ] The DJMonitor Rack Pro digitally records tracks as they are played by recording and fingerprinting them.
[ ] It fingerprints every two seconds (which will even identify tracks being cut and scratched by DJs).
[ ] Tracks are then compared against tracks on the database.
[ ] From this metadata, it lists all tracks played in reports for submission to Buma (who then pays the correct rightsholders).
The Volume

17,694
70
10M
7%
59.3B
£6M
4,300
20M
5%
53%
31.3M
95.5M

Sirius Satellite Radio's total subscribers. It added 760,000 in the first two months of

4M
6M
Lyric Jeans Gears Up for Denim Line Launch

Lyric Jeans, Inc., (OTC: LYJN) a cutting-edge premium clothing company, has made strategic advances over an eight-week period gearing up for a Fall 2006 launch. The company has announced deals with two of the world's most prominent music publishing companies; Universal Music Publishing Group and Warner Music Group's Warner/Chappell Music. Lyric Jeans will utilize the music publishers' expansive song catalogs to pull together lyric-inspired premium clothing packages for high-end retail channels.

Heather Brown, Senior Director, Marketing & Communications, UMPG commented, "Music is the ultimate form of self-expression. Artists have already seen the benefits of band merchandising, and we believe lyric-inspired merchandise is the next logical step in bringing our songwriters new revenue streams. We want to make our lyrics and the artistic vision of our writers available to music fans by combining music and fashion in a groundbreaking way, and the Lyric Jeans packages will be a great channel to do so at retail."

Manufacturing giant American Garment Sewing (AGS) will handle the production of the denim wear. With a professional staff of 300, the latest technology and a 30,000 square foot facility based in Huntington Park, California, AGS is the leading manufacturer of premium denim apparel.

Lyric Jeans has also engaged denium industry veteran Sandy Cohen as a consultant to advise on the direction of the product line. With over 30 years experience in retail, product development and wholesale, Cohen is currently Director of Retail for Lucky Brand Blue Jeans and also serves as a product development consultant for Roots Canada and brand manager for Andy Roddick Style.

"In taking on a consulting project, I look for companies with a strategic advantage. Lyric Jeans' has a unique approach to denim by merging fashion and music in a revolutionary way," said Sandy Cohen. 


3/24/2008
wholeheartedly believe in the Lyric Jeans concept and look forward to helping build their business," he continued.

Film industry heavy hitter Dan Grodnick has joined Lyric's Board of Directors. The former CEO of National Lampoon and Executive Producer of the highly anticipated feature "Bobby" starring Lindsay Lohan, Sharon Stone, Elijah Wood, Demi Moore, Anthony Hopkins, Heather Graham and William H. Macy has been tapped by Lyric Jeans to consult on product placement in feature films and television.

"Now more than ever, the entertainment business is integrating products into its content. Lyric Jeans make an extremely visual statement and offer an ideal co-branding opportunity to filmmakers," said Dan Grodnick.

Lyric Jeans is a music driven premium clothing line involving lyrical content on jeans, denim wear and accessories. Each pair of jeans reflects the personality, style and flair of the artist and song through its design. With the vision of fusing the world of music with fashion, Lyric Jeans employs a cutting-edge design strategy allowing consumers to express themselves stylishly through song lyrics.

The premium denim market has grown in the last five years by tapping into the enthusiastic behavior of teens and young women seeking the perfect pair of jeans. Over the last few years the premium denim industry has exploded and now accounts for 5% of the $12 billion retail consumer market.

About Lyric Jeans

Lyric Jeans is the innovator and manufacturer of premium denim wear characterized by a cutting-edge design strategy driven by music and song lyrics. Through the unique fusion of fashion and music, Lyric Jeans utilizes titles from all genres of music as inspiration for the brand, thereby appealing to a cross-section of various tastes and interests and enabling it to market its products on a worldwide platform. The company's strength is in its relationships with the music industry and its ability to access the Hollywood community, tastemakers and trend-setters. Lyric Jeans plans to have showrooms in South Beach, Florida and Los Angeles, California. www.lyricjeans.com

Included in this release are certain "forward-looking" statements, involving risks and uncertainties, which are covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding Lyric Jeans Inc. Such statements are based on management's current expectations and are subject to certain factors, risks and uncertainties that may cause actual results, events and performance to differ materially from those referred to or implied by such statements. In addition, actual or future results may differ materially from those anticipated depending on a variety of factors,
Lyric Jeans Gears Up for Denim Line Launch

including continued maintenance of favorable license arrangements, success of market research identifying new product opportunities, successful introduction of new products, continued product innovation, sales and earnings growth, ability to attract and retain key personnel, and general economic conditions affecting consumer spending. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Lyric Jeans Inc. and Universal Media Holdings, Inc. do not intend to update any of the forward-looking statements after the date of this release to conform these statements to actual results or to changes in its expectations, except as may be required by law.

Safe Harbor: This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 27E of the Securities Act of 1934. Statements contained in this release that are not historical facts may be deemed to be forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results may differ materially from that projected or suggested herein due to certain risks and uncertainties including, without limitation, ability to obtain financing and regulatory and shareholder approvals for anticipated actions.

Newswire by Market Wire

Copyright © 2008, MarketWire
Copyright © 2008, NewsBlaze, Daily News
Tags: manufacturing, Media, Wal Mart, Sears, Nordstrom and other Retail, Apparel and clothing, jeans and shirts, california, , florida, Women in the News

Is your favorite bookmark site missing? Ask for it.

NewsBlaze
Copyright © 2004-2008 NewsBlaze LLC
Use of this website is subject to our Terms of Service and Privacy Policy


3/24/2008
Key Business Attributes

- Strong depth of management talent across Warner-Chappell Music
- Experienced team with long tenure in music and the music publishing industry
- Attractive Cash Flow Characteristics
  - Strong OIBDA to free cash flow conversion
  - Stable revenue base derived from recurring sources
- Leading Market Position
  - Generates income from around the world and across royalty types
  - Highly diversified catalog, both by songwriter and song
- Valuable Catalog Asset
  - Over 1.3 million copyrights and 65,000 songwriters and composers
  - One of the most valuable libraries in the industry

Warner Music's assets are well-suited for securitization due to the highly diversified catalog and corresponding steady-earning, stable growth nature of the business.

Confidential
Music Publishing
Industry Overview
What Does a Music Publisher Do?

Acquire Rights in Musical Compositions

Catalog acquisitions

Administration agreements

Co-publishing agreements

Exclusive songwriter agreements

Administer Musical Compositions

Exploit Musical Compositions

Identify songwriter opportunities

Identify and evaluate potential acquisition opportunities

Identify songwriters and artists

Identify Talent, available catalogs

Administer Royalties and License Fees

Negotiate and issue licenses

Register copyrights around the world

Pitch songs to artists for recordings ("covers")

Link songwriters with suitable recording artists

Provide uses in film, TV and commercials

Confidential
not more than the author's life plus 70 years.

The copyright is the period applicable in the country of origin which is not less than the author's life plus 50 years and

- if the country of origin of the work is not an EEA state and the author is not a national of an EEA state, the term of

  - the duration of the copyright is the author's life plus 70 years.

  - Where the country of origin is a European Economic Area ("EEA") state the author is a national of an EEA state.

  - The duration of copyrights for works created after 1995 is dependent on the country of origin of the work, and the

    - for the author's life plus 50 years

    - prior to regulations introduced in 1995 to implement the EU Directive on Copyright Term Protection, copyrights can

    - extend Europe

    - United States

Term of Copyrights in the United States and Europe

Copyright Details

Confidential
Highly diversified music publishing revenue streams.

- Video downloaded
- DVd sale
- Digital downloaded
- CD sale
- Internet streaming
- Concert
- Theatrical production
- Television
- Radio
- (e.g., Radio, TV, broadcast, internet)
- Composition is publicly performed
- Revenue received when a musical
- Or music videos
- Video games
- Advertising
- Movies
- Multimedia and kiosks
- Music, (lyric, replica), video games,
- Print
- Magazines
- (e.g., sheet music, all which includes print)

Revenue Sources for Music Publishing Revenue

Confidential
The industry is expected to continue its long-term trend of steady growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (in billions)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>10.6</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>12.5</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>14.7</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>17.1</td>
<td></td>
</tr>
</tbody>
</table>

CAGR = 4.6%

Industry Growth Trends

Confidential
Piracy Update

Impact of piracy on mechanical revenues greatly mitigated by digital streaming, but exposure to piracy

Strong industry anti-piracy efforts

Evolution of consumer online behavior

Evolution of Physical Piracy

Downloading households in the US have dropped from 28 million in 1999 to 4 million in 2006.

- Britney Spears, Monique, Larmor, etc.
- Products to enhance P2P services (Linux, etc.

- Annual settlement of $2.4 billion
- Legal actions against 100,000 individuals in 15 countries
- Global campaign against file-sharing in 2006

- Development of legitimate online services

- Strong industry anti-piracy efforts

- Impact of piracy on mechanical revenues greatly mitigated by digital streaming and exposure to piracy

- Revenue streams such as performance, synchronization, and other (~70% of music publishing industry revenues) are not

- Anti-piracy initiatives and the development of a legitimate digital music economy have helped

Confidential
WCMR has further strengthened its position as the third largest music publisher with recent market share gains.

Historical Global Music Publishing Market Shares
(Ex-Or split only)

Music Publishing Market Share

Confidential
Business Overview

Warner/Chappell Music is one of the leading global music publishers. Over 1.3 million copyrights and 65,000 songwriters and composers build over decades and include many timeless classics such as "Happy Birthday to You" and "Wonderland." As well as hit contemporary hits such as "Dreams" and "Shake It Off." Other major hit songs include "California Dreamin," "I Only Have Eyes for You," and "Crazy Little Thing Called Love." Warner/Chappell Music is a division of Warner Music Group, one of the leading entertainment companies in the world.
One of the most valuable libraries in the industry, built over decades,

Over 66,000 songwriters and composers

Over 1.3 million copyrights

 industries leading publishing library
WCM Strategy

WCM is committed to maintaining a strategy focused on growth and profitability.

- Continue leveraging of "hub and spoke" system into new territories, serviced cost effectively from existing offices
- Significant expansion in Latin America and East Europe

- Broaden International Reach and deepen Global Content
  - Maintain aggressive "deal driven" approach to create content distribution and licensing avenues
  - Continue to play a leadership role in industry initiatives, platform development and standards setting
  - Development of dedicated digital team

- Continue to expand Leadership position in digital music
  - Ongoing improvements in systems and infrastructure to streamline collections and administration functions
  - Investment in licensing department and synchronization staff to broaden reach and Impact

- Develop new exploration opportunities to expand the value in the existing catalog
  - Increased global creation, cooperation and collaboration
  - Growth and expansion of urban genre presence
  - Development of new production music business and library
  - Ramp-up of A&R infrastructure to support new songwriter discovery and investment
  - Growth in advances and new songwriter development

- Reverse historical underinvestment in content acquisition

Confidential
Underscoring the business and management transition, WCM's financial performance has been strong despite previous challenges.

WCM Financial Performance

Confidential
WCM generates excellent free cash flow conversion
Due to favorable working capital dynamics and low capital requirements,
WCM Demonstrates Attractive Cash Flow Characteristics
Strong track record

Favorable working capital dynamics

Business continues to deliver exceptional cash flow conversion

Significant cost reductions realized under Edger Bronson, Jr., with no deterioration of operational efficiency and long-term stability in NPS margins consistent with industry

Increased investment will have near-term OIBDA implications, but will begin to generate a return immediately

Under new management, we have returned investment in normal levels, setting the stage for portfolio expansion and provided significant cash flow generation, but subject to growth from 2004-2007

Recent results significantly impacted by previous ownership's historical underinvestment in the business

International diversity has provided additional growth with strong performance in Latin America, Spain and France

Decline in Medtronic revenue due to payer migrations by diverse geographic mix and depth of Product

Mechanical royalties as well as further growth potential

2.8% growth in Syphonization and Performance revenue from 2003 to 2006 provides replacement for erosion of leadership position in digital development

Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and

WCM Financial Performance Discussion

Confidential
Costs associated with the exploitation of copyrights
Marketing costs
Expenses
Provisions against advances paid to songwriters
Unearned songwriters' advances as required by FAS 60
Retailer's advances or advances to retailers
Advance White-OFF
AR expenses
Costs associated with general overhead including:
Selling, general and administrative costs
The use of their copyrighted works
Other contract parties for income generated from
Royalties paid to songwriters, co-publishers and
Royalty expenses

Operational Cost Overview

Confidential
(1) EUR/USD exchange rate of 1.34.
Agenda

I. Transaction Overview
II. Music Publishing Industry Overview
III. Warner/Chappell Music Overview
IV. Warner/Chappell Music Financial Performance

Appendices
A. WCM Top 500 Songs by MPS
B. Control Information
Management Attendees

Confidential

Michael Finster
Chief Financial Officer

Paul Robinson
General Counsel

Nathanial Pastor
Vice President, Business Development

Trent Tappe
Vice President, Senior Corporate Governance & Securities Counsel

Dave Johnson
Chief Executive Officer

Ann Sweney
Executive Vice President

Annette Yocum
Vice President, Controller
Transaction Overview
**Introduction**

**Situation Overview**

- **Music Industry Overview**: Music industry is a highly competitive and rapidly evolving industry characterized by intense competition, technological advancements, and changing consumer preferences.
- **EMI Group**: EMI Group is a leading global music company with a rich history dating back to the early 20th century.

**RECORDED MUSIC**

- **Revenues Not Hit Driven**

**MUSIC PUBLISHING**

- **Stable Revenues**
- **Highly Variable Cost Structure Produces Significant Free Cash Flow**
- **Separable Business / Significant Asset Value Exceeds Total Debt**

**Restructuring**

- **Similarities with PolyGram**
- **3 Month Review with Management and BCG**
- **Quickly Attack Costs - $61 million of Annualized Cost Savings Achieved by March 31st**
- **Label / Overhead / Operation Consolidation to Address Fixed Costs**

**Management**

- **Excitement About Traction of Legitimate Digital Distribution Model**
- **EMI's current market cap: $1 million**
RECORDED MUSIC
- Revenues Not Hit Driven

MUSIC PUBLISHING
- Stable Revenues
- Highly Variable Cost Structure Produces Significant Free Cash Flow
- Separable Business / Significant Asset Value Exceeds Total Debt

RESTRUCTURING
- Similarities with PolyGram
- 3 Month Review with Management and BCG
- Quickly Attack Costs - $61 million of Annualized Cost Savings
  Achieved by March 31st
- Label / Overhead / Operation Consolidation to Address Fixed Costs

MANAGEMENT
- Excitement About Traction of Legitimate Digital Distribution Model
- EMI's current market cap: $[ ] million
Key Business Attributes

WCM's assets are well-suited for securitization due to the highly diversified catalog and corresponding steady-earning, stable growth nature of the business

- Valuable Catalog Asset
  - One of the most valuable libraries in the industry
  - Over 1.5 million copyrights and 60,000 compositions and components

- Highly Diversified Catalog
  - Highly diversified catalog, both by composer and song
  - Generous income base around the world and across royalty types

- Leading Market Position
  - Third-largest global music publishing company with approximately 10% market share

- Attractive Cash Flow Characteristics
  - Strong revenue base derived from licensing sources
  - Strong ODDA to free cash flow generation

- Experienced Management
  - Experienced team with long tenures in music and the music publishing industry
  - Deep depth of management talent across Warner-Chappell Music

- RECORDED MUSIC
  - Revenues Not Hit Driven

- MUSIC PUBLISHING
  - Stable Revenues
  - Highly Variable Cost Structure Produces Significant Free Cash Flow
  - Separable Business / Significant Asset Value Exceeds Total Debt

- RESTRUCTURING
  - Similarities with PolyGram
  - 3 Month Review with Management and BCG
  - Quarterly Attack Costs - $61 million of Annualized Cost Savings
  - Achieved by March 31st
  - Label / Overhead / Operation Consolidation to Address Fixed Costs

- MANAGEMENT
  - Excitement About Traction of Legitimate Digital Distribution Model
  - EMI's current market cap: $[ ] million

Confidential
Crown Jewel in the Music Business
What Does a Music Publisher Do?

Identity Talent, Available Catalogs and Business Opportunities
- Identify songwriters and artists
- Identify and evaluate potential acquisition opportunities

Acquire Rights in Musical Compositions
- Exclusive songwriter agreements
- Co-publishing agreements
- Administration agreements
- Catalog acquisitions

Exploit Musical Compositions
- Procure uses in film, TV and commercials
- Link songwriters with suitable recording artists
- Pitch songs to artists for recordings ("covers")
- Aid in the development / marketing of artists

Administer Musical Compositions
- Register copyrights around the world
- Negotiate and issue licenses
- Protect copyrights via litigation
- Collect royalties and license fees
- Account to songwriters and copyright owners
Business Model and Value Chain

Music publishers assist songwriters to manage copyrights and collect royalties through collective licensing and contractual agreements with copyright users.
Copyright Details

Term of Copyrights in the United States and Europe

- United States
  - In general, the term of a copyright in the United States is the author’s life plus 70 years, or for "works made for hire" (i.e., a corporate owner/author), the earlier of 95 years from publication or 120 years from creation

- Europe
  - Prior to regulations introduced in 1995 to implement the EU Directive on Copyright Term Protection, copyrights ran for the author’s life plus 50 years
  - The duration of copyright for works created after 1995 is dependent on the country of origin of the work and the national status of the author
    - Where the country of origin is an EEA state and the author is a national of an EEA state, the duration of the copyright is the author’s life plus 70 years
    - If the country of origin of the work is not an EEA state and the author is not a national of an EEA state, the term of the copyright is the period applicable in the country of origin which is not less than the author’s life plus 50 years and not more than the author’s life plus 70 years
Revenue Sources for Music Publishing

<table>
<thead>
<tr>
<th>Publishing Types of Music Publishing Revenue</th>
<th>Diversity</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>Digitally (e.g., streaming, downloads)</td>
<td>Copyright</td>
</tr>
<tr>
<td>75%</td>
<td>Sheet music (e.g., for sale or licensing)</td>
<td>Mechanical</td>
</tr>
<tr>
<td>50%</td>
<td>Royalties (e.g., from performance in public places)</td>
<td>Performance</td>
</tr>
<tr>
<td>25%</td>
<td>Royalties from the reproduction of a musical composition on physical devices (e.g., compact disc)</td>
<td>Royalties</td>
</tr>
</tbody>
</table>

- Highly Diversified Revenues Spread Over:
  - Radio
  - Performance
  - TV

- Ring Tones a Growing Opportunity
- Publishing Revenues Less Impacted by Piracy
- Non-Mechanical Revenues Growing
Digital Update

New Media Opportunities

- Availability of large set of media
- Personalized digital experiences
- "On-the-fly" content (including on-the-fly advertising)
- Enhanced 2D/3D builds and other devices
- Background music, digital block terms

- Performance
  - Subscription music services
  - On-demand services
  - Internet and satellite radio
  - Personalized radio
  - Video transcoding
  - Digital background media services
  - Digital jingles

- Synchronization
  - User-generated video content
  - Radio sharing and other community sites
  - Video games
  - Video downloads
  - Online music licensing opportunities (ads, webcasts, etc.)

- Price
  - Stand-alone digital单击 (downloads, nibbles, instrument libraries)
  - Integrated fee-based
  - "Shared" block terms
Piracy Update

Anti-piracy initiatives and the development of a legitimate digital music economy have helped mitigate the impact of piracy on mechanical revenues.

- Revenue streams such as performance, synchronization and other (~70% of music publishing industry revenues) are not exposed to piracy.
- Impact of piracy on mechanical revenues greatly mitigated by depth of catalog.

**Evolution of Consumer Online Behavior**

- Development of legitimate online services
  -(files, downloads, streaming, etc.)
- Settles with several prominent piracy websites (MP3, Bearshare, Grokster, etc., etc.)

**Strong Industry Anti-Piracy Efforts**

- Global campaigns against file-sharing in 2006
  - Legal seizure against 12,000 individuals in 10 months
  - Average settlement of $7,300
- Upheaval in unauthorized P2P services targeted, including
  - BitTorrent, Kazaa, Gnutella, LimeWire, etc.

- Fear of legal action is a strong inhibitor
  - In the US lawsuit was the most cited reason among internet households for changing from unauthorized P2P to legal music downloading.

Source: IFPI and Eilers Analytics

[Image: Image showing charts and graphs related to piracy and anti-piracy efforts.]
WMG Publishing is a Valuable Asset
Highly Fragmented Market
WCM Organizational Chart

Confidential

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source
Business Overview

Warner Chappell Music is one of the leading global music publishers

- One of the most valuable houses in the industry
- Over 2.5 million compositions worldwide
- Staff over decades and includes many decades of talent such as Warren Beatty in Foot and "White Temperament," as well as 30 contemporary singles such as Green Day,backstreet, 
  "All That RSVP for a Song of Pop" 

- Strong brand global media company
- 1.75 global media company

- More than 600 copyrights, including songs and many

- Strong creative team
- More than 200 copyrights, including songs and many

- Strong creative team
- More than 200 copyrights, including songs and many

- Strong creative team
- More than 200 copyrights, including songs and many

- Strong creative team
- More than 200 copyrights, including songs and many
Growth in the Value of the Publishing Library – Decade After Decade

Highly Diversified Revenue Source
World Famous Songwriters and Artists

- Burt Bacharach
- Green Day
- Sheryl Crow
- Dr. Dre
- Led Zeppelin
- Barry Gibb
- Madonna
- Ray Charles
- Eric Clapton
- Nickelback
- Gamble & Huff
- The Gershwins

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source
WCM Strategy

- Reverse historical underinvestment in content acquisition
  - Growth in advance and new songwriter development
  - Ramp-up of A&R infrastructure to support new songwriter discovery and investment
  - Development of new production music business and library
  - Growth and expansion of other genre business
  - Increased global creative cooperation and collaboration
- Develop new exploitation opportunities to expand the value in the existing catalog
  - Investment in licensing department and synchronization staff to break new and impact
  - Ongoing improvements in systems and infrastructure to streamline collections and administration functions
- Continue to expand leadership position in digital music
  - Development of dedicated digital team
  - Continue to play a leadership role in industry initiatives, platform development and standards setting
  - Maintain aggressive "lead driven" approach to create correct distribution and licensing avenues
- Broaden international reach and deepen global content
  - Significant expansion in Latin America and Eastern Europe
  - Completed expansion of "hub and spoke" system into new territories, serviced cost effectively from existing collocation

WCM is committed to maintaining a strategy focused on growth and profitability.

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source
Warner/Chappell Music
Financial Performance
WCM Demonstrates Attractive Cash Flow Characteristics

Due to favorable working capital dynamics and low capital requirements, WCM enjoys exceptionally free cash flow conversion.

Note: All data on TV (TruView) and on a constant currency basis.
(1) OIBDA before capitalizing all finance lease and capital lease obligations.
(2) Free Cash Flow is calculated net of adjustments from non-cash, foreign jurisdictional items, and in OIBDA used for operating and investing activities.

CO08006840
WCM Financial Performance Discussion

- Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and leadership position in digital development
- ~$200 million in new business created through digital development over the last four years with significant future growth potential
- 2.8% growth in Synchronization and Performance revenue from 2003 to 2008 provides replacement for erosion of mechanical royalties as well as further growth potential
- Decline in mechanical revenue due to piracy mitigated by diverse geographic mix and depth of catalog
- International diversity has provided additional growth with strong performance in Latin America, Spain and France

- Recent results significantly impacted by previous ownership's historical underinvestment in the business
  - Provided significant cash flow generation, but restricted growth from 2006 - 2007
  - Under new management, we have returned investment to normal levels, setting the stage for portfolio expansion and near-term growth
  - Increased investment will have near-term OIBDA implications, but will begin to generate a return immediately

- Long-term stability in EPS margins consistent with industry

- Significant cost reductions realized under Edgar Brenchman, Jr. with no deterioration in operational efficiency and efficacy

- Business continues to deliver exceptional cash flow conversion
  - Favorable working capital dynamics
  - Strong revenue growth trend

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source
## Operational Cost Overview

**Cost Description**

- **Royalty expenses**
  - Royalties paid to copyright owners, such as authors, publishers, and other content creators for income generated from the use of their copyrighted works.
- **Salaries, general, and administrative costs**
  - Costs associated with personnel involvement, including ADP expenses.
- **Advance Write-Offs**
  - Primarily refers to write-downs of advances to support interpretations as required by FAS 50.
  - Premiums against advances paid to interpreters based on the expected profitability of such contracts.
- **Interpreting costs**
  - Costs associated with the interpretation of copyrights.

---

CO08006842
Songwriter Advance Strategy

Advance Description

- Advances represent the largest discretionary cash withdrawal at the business
- Historical underinvestment in new-songwriting resulted in positive cash infusions in 2003 – 2005
- Anticipated investments in 2007 will drive long-term strategy at the expense of immediate cash outflows
- ASCAP knows advances investment is key to success
- Remember, advances in addition to the MPLG, ASCAP advances 100% of songwriter's equity until advance has been recouped
- Once Advance is never fully recouped due to songwriter's contracted equity percentage, a deal may still be made to get advances involved with portion of advance recouped may cover advances and other costs of sales

WG's acquired investment in emerging talent will drive growth
WCM OIBDA Discussion

- Projection Assumptions

- 2006 - 2007 movement driven by growth in underlying WPO offset by increase in advanced writedowns and provisions
- An investment in technology, to be even closer to OIBDA
- FAS 58
- OIBDA excluding advance write-offs expected to grow 5-40% from 2006 to 2007

Note: Detailed in TV Chart 38 and relevant company books.
FAS 58 OIBDA expected to vary from book.

Confidential

35
Appendices
<table>
<thead>
<tr>
<th>Rank</th>
<th>NPS® from Domestic Repertoire (2005-2009 Average)</th>
</tr>
</thead>
</table>

This table represents NPS® generated from the countries of UK, Canada, France, Italy, Spain, South, Canada, Germany and Sweden as a part of the电解 sequence.
<table>
<thead>
<tr>
<th>Local Hits from Domestic Repertoire (2015-2016 Average)</th>
</tr>
</thead>
</table>

*Note: Information is sensitive and protected.*
HFA Collects almost $394 Million in Royalties for its nearly 35,000 Affiliated Publishers in 2007

Commission Free Opportunities and Innovative Licensing Arrangements Mark Year

March 17, 2008 – The Harry Fox Agency, Inc. (HFA), a leading U.S. music rights licensing organization, announced today that its total 2007 royalty collections from all sources was $393.5 million, an almost 4% increase from 2006. HFA issued over 1.51 million mechanical licenses in the year, bringing the total number of licenses under HFA's administration to over 13.9 million. The company represents almost 35,000 publishers, with over 1.9 million songs available for licensing.

"In the context of a declining market for CDs, HFA’s continued positive performance validates our efforts over the past several years to upgrade our technology and business approach to licensing and, most important, to collections and compliance examination results," said Gary Churgin, HFA President & CEO. "Our licensing arrangements for tablature with MusicNotes, the collaboration agreement with AudibleMagic, and other new offers reflect our sustained effort to bring more valuable opportunities to the publishing market.

"In addition, we constantly examine our current business for areas of improvement," continued Churgin. "The changes to our online licensing service Songfile®, especially the reduction of the required minimum and the elimination of our commission on Songfile-generated royalties, deliver real benefit to publishers, licensees, and HFA."

- **Collections & Royalty Compliance Results**

  Total license collections, excluding collections derived from Royalty Compliance Examinations, were $361.2 million, an increase of 3.4% from 2006. This increase reflects HFA's focus on proactively pursuing royalty collections on a current basis. For 2007, Royalty Compliance Examination collections were $21.1 million, a decrease from $29 million over the previous year. The decrease was due in part to the conclusion of a significant exam in 2006, and HFA's concentration on conducting more frequent exams covering shorter time periods. HFA actually closed several more exams in 2007 than in 2006. In total, 26 examinations were concluded, while 47 are 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 settlements for additional monies owed.

  HFA's collections period for mechanical royalties is 45 days after the close of the calendar quarter, which means HFA's reporting for 2007 reflects the actual retail sales period of October 1, 2006 through September 30, 2007.

  The U.S. statutory mechanical rate for 2007 was 9.1¢ for compositions of 5 minutes or less in duration and 1.75¢ for those greater than five minutes. The schedule for the next five years of mechanical rates is currently under review by the Copyright Royalty Board (CRB). In April 2007, HFA's commission on distributed royalties increased from 6.75% to 7.75%, with the additional 1% directly funding the NMPA's efforts on behalf of the music publishing community before the CRB.
• Licensing

Of the almost 1.52 million mechanical licenses HFA issued in 2007, 82% were for digital formats, which include permanent digital downloads (DDPs), interactive streams, and limited downloads. In 2007, HFA added almost 200 new licensees to its bulk DPD licensing program, a standardized method of submitting large quantities of license requests by exchanging digital files, bringing the number of companies participating in this program to 813. HFA now administers almost 14 million mechanical licenses.

In addition, HFA issued over 2 million licenses for lyrics and tablature under its arrangements with LyricFind and Musicnotes. The Musicnotes deal was one of the innovative new licensing opportunities produced by HFA’s Business Development team last year, and like LyricFind, it was extended to HFA’s affiliate publishers on a commission-free basis. In 2007, the team met with over 650 companies regarding various licensing opportunities. Other new licensing arrangements offered in 2007 included those from ringtone provider Bullroarer, online music service Slacker, and digital background music company BusRadio. In addition, HFA closed a pioneering collaboration agreement with AudibleMagic, a leader in audio fingerprint technology. The companies are now working on a data interaction model, which may be useful to identifying compositions distributed on peer-to-peer services.

HFA also introduced significant changes to Songfile, its popular online mechanical licensing service targeted for customers seeking to license fewer than 2,500 copies of a recording. As of January 1, 2007, royalties collected from Songfile licensing activity are distributed to publishers with no commission deducted. In the year, Songfile users took over 50,000 licenses, resulting in over $4.4 million in royalties that were 100% distributed to the songs’ publishers. In December 2007, based on feedback from publishers and Songfile customers, HFA lowered the required minimum quantities of licenses to 25, and introduced payment by checking account debit. Publishers can affiliate with HFA for Songfile licensing only.

• Technology & Business Process Improvements

As illustrated by the upgrade to Songfile, HFA continues to develop new web applications and improve currently available tools for use by publishers, licensees and its own employees. In 2007, HFA introduced a new automated process to consolidate duplicate song records while maintaining complete licensing histories; a web-based version of eSong, its song catalog management system; and upgraded its underlying reports technology. There were also a number of enhancements to HFA’s back-office royalty processing systems.

Over 80% of HFA’s mechanical licenses are requested and executed electronically, either using the company’s eMechanical system or through the exchange of electronic files. Almost 253,000 new song entries (75%) were requested using HFA’s eSong and the catalog administration application Common Works Registration (CWR), as compared to 130,000 (57%) the previous year. This level of automation has allowed HFA’s 140 employees to focus their efforts in areas other than manual data entry. Nearly 28,000 calls and emails to the main line and email address were handled by the HFA Publisher Services team, and the Licensing department can generally process requests for physical product licenses that need individual attention within a week.

HFA continues to promote the effort to standardize the global exchange of data between rights organizations, publishers, and licensees. It is an active charter member of Digital Data Exchange (DDEX), an international organization which aims to create voluntary data exchange standards. In addition to sitting on its Board, HFA is a co-chair of two working groups, and the company has been working with partners to conduct the first tests of DDEX exchange messages for Electronic Release Notification (ERN).
• **Events**

HFA was also active at industry conferences and events in 2007, providing its perspective on licensing and music industry issues. HFA staff keynoted or participated on panels at Music 2.0, SXSW, CMJ, Digital Music Forum East & West, IAJE, and WIPO's Conference on Collective Management of Copyright and Related Rights in North America. HFA also exhibited at SXSW, Leadership Music Digital Summit, the ASCAP Expo, and CMJ.

Continuing its outreach efforts to the publisher community, HFA also participated in the National Music Publishers' Association's (NMPA) New York and Los Angeles publisher events, and hosted its own event for Nashville area affiliates at the Country Music Hall of Fame and Museum.

• **Copyright Royalty Board & Other Legal Matters**

HFA works closely with the NMPA 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. The statutory mechanical rate hearings of the CRB and the Bertelsmann class actions were primary areas of collaboration in 2007.

The CRB proceedings began in January 2006, and are expected to conclude in the fall of 2008. In addition to determining the statutory mechanical royalties for physical products and permanent digital downloads, rates will be set for the first time for limited downloads and interactive streams.

In October, the U.S. District Court of Northern California preliminarily approved the proposed settlement of litigation between the NMPA, Bertelsmann AG and Bertelsmann, Inc. relating to Bertelsmann's relationship with Napster in 2000-2001. This action certified a settlement class consisting of all music publisher-principals of HFA during all or part of the time period from October 30, 2000 until October 1, 2007. Under the preliminary settlement, Bertelsmann will pay $130 million, of which up to $32 million will be applied to cover litigation expenses, including attorneys' fees. The Garden City Group, a class action settlement administrator, was appointed to act as the claims administrator. The settlement was approved in January 2008, and payments have commenced.

• **Office Relocation**

In August, HFA moved its offices from midtown Manhattan to 601 West 26th Street, Suite 500, New York, New York, 10001.

###

**About HFA**

Established in 1927 by the National Music Publishers' Association, HFA represents almost 35,000 music publishers for their licensing needs in the United States, issuing licenses and collecting and distributing the associated royalties. In addition to being the premier mechanical licensing agent in the U.S., HFA is dedicated to finding new ways for its affiliates publishers to recognize value for their catalogs, including lyrics and tablature. Further, HFA provides collection and monitoring services to its publisher clients for music distributed and sold in over 95 territories around the world. For more information about HFA, or to become an affiliate publisher or a licensee, see [www.harryfox.com](http://www.harryfox.com).

Songfile® is a registered trademark of The Harry Fox Agency, Inc. All rights reserved.
August 2007

On-Site Due Diligence Meeting

Warner/Chappell Music

Proprietary and Confidential
Agenda

Proprietary and Confidential
Introduction
Management Attendees

- Ryan Cotton (11)
  VP, Worldwide Controller
- Annette Yocum
  Office of the Chairman
- Ed Pearson
  EVP, Legal and Business Affairs
- Nick Thomas
  SVP, Chief Financial Officer
- Dave Johnson
  Chairman and Chief Executive Officer
Strong depth of management talent across WMG

Experienced team with long tenure in music and the music publishing industry

- Experienced Management

- Strong OIBDA to free cash flow conversion
- Stable revenue base derived from recurring sources
- Attractive Cash Flow Characteristics

- Third-largest global music publishing company with approximately 16.5% market share (1)

- Leading Market Position
- Generates income from around the world and across royalty type
- Highly diversified catalog of pop, by songwriter and song

- Highly Diversified Catalog

- Over 1.3 million copyrights and over 55,000 songwriters and composers

- Valuable Catalog Asset

- One of the most valuable libraries in the industry

The business

Highly Diversified catalog and corresponding steady-growth, stable-growth nature of

Warner/ChapPELL Music's "WMG" (assets are well-suited for securitization due to the

Key Business Attributes

Proprietary and Confidential
Music Publishing Industry Overview
Music publishers assist songwriters to manage copyrights and collect royalties through collective licensing and contractual agreements with copyright users.
The industry is expected to continue its long-term trend of steady growth embedded by a diverse mix of revenue streams.

Industry Growth Trends

Worldwide Music Publishing Market (Revenue) (in billions)

Proprietary and Confidential
Assuming RIAA and DMIJP rates would result in a reduction in forecasts of $1.5-1.7bn during the same period.

Industry forecasts states 9.4%, but assuming NMPA rates would result in an extra $1.7bn over the next five years.

DMIA (Digital Media Association) was proposed lowering digital rates to $0.022

RIAA (Recording Industry Association of America) was proposed lowering physical rates to $0.044

NMPA (National Music Publishers Association) has proposed raising rates to $0.125 physical and $0.15 digital rates

The current U.S. statutory rate per track rate is $0.091
And remain in effect until 2012

The U.S. copyright tribunal is to set the U.S. statutory mechanical rate at the end of this year, it is to go into effect in 2008.

Key factors affecting forecasts:

- Distribution revenue primarily physical music to continue horizontal growth of 2-1% CAGR
- Decline in mechanical of 3-4% CAGR offset by growth in synchronization of 5%
- Reproduction revenue to remain flat (assumptions no change in U.S. licensing rates)
- Performance revenue growth of 4-3% CAGR

Music Publishing Industry CAGR of 2.2% from 2005 - 2012

Industry Growth Details

Proprietary and Confidential
The decline in mechanical is expected to be offset by growth in other areas.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Artist Name / Title</th>
<th>Weeks on Billboard Hot 100</th>
<th>Top 10 Songs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

By the Hot 100 Airplay chart:
- 6 of the top 10 radio play songs as measured
- 4 of the top 10 country albums
- 5 of the top 10 albums
- Top 3 albums

Top 75 albums on the Billboard 200 including:
- 6 of the top 10 songs on the Billboard Hot 100

Current Successes

Proprietary and Confidential
During the last three years, WCM continues to grow its catalog with 47 #1 albums and 16 #1 singles on U.S. charts.

![Bar Chart]

Recent WCM Chart Toppers

Proprietary and Confidential
Overview of Warner/Chappell Operations
Business Overview

Warner/Chappell Music is one of the leading global music publishers

- One of the most valuable libraries in the industry.
- Over 1.3 million copyrights and 85,000 songwriters and composers
- Built over decades and includes many timeless classics such as "Happy Birthday to You" and "Winter Wonderland," as well as hit contemporary artists such as Green Day, Nickelback, Madonna and Sheryl Crow

- Third-largest global music publishing company
- ~15% global market share *(1)*

- Highly diversified catalog, both by songwriter and song
- Generates income from around the world and across royalty type

- Stable revenue base derived from recurring sources
- Strong OIBDA to free cash flow conversion
- Favorable working capital dynamics and low capital requirements

- WMG has distinguished itself as a digital music leader
- New media, including mobile and internet downloads, expected to experience significant growth

- Experienced team with long tenure in music and the music publishing industry
- Strong depth of management talent across WMG

*(1)* Enders Analysts "Music Publishing 2006".
WCM is committed to maintaining a strategy focused on growth and profitability.

- Continued leverage of thub and spoke system into new territories, serviced cost effectively from existing offices
- Significant expansion in Latin America and Eastern Europe
- Broaden International Reach and deepen global content
  Maintain aggressive "deal driver" approach to create content distribution and licensing revenue
  Continue to play a leadership role in industry initiatives, program development and standards setting
- Development of dedicated digital team
- Continue to expand leadership position in digital music
  Codify improvements in systems and infrastructure to streamline collections and administration functions
  Investment in licensing department and syncrization staff to broaden reach and impact
- Develop new exploitation opportunities to expand the value in the existing catalog
  Increase global creative cooperation and coordination
  Growth and expansion of urban genre presence
  Development of new production music business and library
  Ramp-up of AR in infrastructure to support new songwriter discovery and investment
  Growth in advances and new songwriter development
- Reverse historical underinvestment in content acquisition

WCM Strategy

Proprietary and Confidential
WCM Organizational Chart

WCM has an experienced management team
Green Day

Live CD + DVD

Hologram (voice)

Hologram (music)

Digital Bonuses

T-shirts

New Media Opportunities

Mechanical

Digital Trends

Proprietary and Confidential

Extended Product Lifecycle Example
Proprietary and Confidential
Intensity of competition in recent publishing transactions points to strong asset value in catalog

WCM is competitively advantaged in many acquisitions due to its deep and global industry expertise.

- Expected terms must significantly exceed WCM's cost of capital
- Each potential revenue stream is projected using the history of the individual copyrights in the catalog
- All acquisitions are evaluated using strict return targets
- Rolling Excerpts (2005) - Valuable standards including "Frothy the Snowman"
- Timeland (2006) - Rights to attractive urban and hip-hop catalog
- Non-Slump (2007) - Large production music library

Independent publishers - recent examples include:

Opportunistic and aggressively pursue the acquisition of catalogs, individual estates and

Acquisition of New Artists and Catalogs

Proprietary and Confidential
Precedent Music Publishing Transaction Analysis

Proprietary and Confidential
<table>
<thead>
<tr>
<th>Shared Services</th>
<th>North America</th>
<th>Europe</th>
<th>Latin America</th>
<th>Australia</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>Above OIBDA</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Accounting Support (Interim)</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>IT Support (Domestic)</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>IT Support (Local)</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>IT Support (Support)</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Proprietary and Confidential
Most countries have only one organization responsible for collecting both mechanical and performance income. Composers, authors, and publishers collection societies primarily operate on a national basis and are membership organizations for:

- Both functions are typically handled by a single society in countries outside the U.S.
- Performing rights societies
- Mechanical rights societies

Two main types of collection societies:

- The majority of WCMS revenues are collected through collection societies
- Royalty collection overview

Proprietary and Confidential
<table>
<thead>
<tr>
<th>Collections</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make all AP payments for all components via Intercompany debit</td>
<td>Payments sent to the SCC AP department</td>
</tr>
<tr>
<td>Communicated with Intercompany accounting credit for receivables collected</td>
<td>Concentrated at Bank of America</td>
</tr>
<tr>
<td>Collections flow into the SCC lock box / collection accounts (Mellon Bank)</td>
<td>Collections</td>
</tr>
</tbody>
</table>

- WMG's Shared Service Center (SSC) manages the collection and payables of all WMG domestic accounts held by WMG
- WMG does not manage or maintain its own bank accounts
- WCM's domestic cash management systems participate in WCM's domestic cash management systems

**Cash Management and Collections**

**Bank Accounts and Liquidity**

*Proprietary and Confidential*
- Will borrow directly under a bilateral loan facility with Finoce
- Draw against the group balances available in either the in-country cash pools or the EMG pool
- If WCM entities have cash deficits
  - Merges cash \("EMG pool\"
  - Deposits with the WMC global cross-border cross-currency cash pool maintained in Holland with Bank
- Participation in the local country cash pool
- Loans to the WMC Irish Finance company (Finoce)

If WCM entities have surplus funds, they will make them available to WMC

In all cases, where cash pools exist, the recorded music entity acts as cash pool manager

WMC participates in a local country cash pool arrangement with other WMC entities

Certain back office functions (finance and administration) are handled by WCM

Where WCM has a small presence, the local Warner Music Recorded Music subsidiary will provide

Collections and payables are administered locally

Each legal entity may have more than one bank account

Each company maintains separate bank accounts in the country they operate for each legal entity

International System and Procedures

Cash Management and Collections

Proprietary and Confidential
Proprietary and Confidential
For WCM this is extremely rare as WCM almost always pays the FX risk off to the artist in advance. WMC policy would dictate that the exposure be hedged in different currencies than the functional currency of the company making the advance denominated in a different currency than the functional currency of the company making the advance. In addition to these hedges, WCM should have any transaction exposures (i.e., future artist royalties or other hedges) under the following conditions:

- Market conditions
- Timing of cash flows
- Certainty of forecasts

Hedging exposure based on the following criteria:

- WMC follows risk/reward profile which is paid on a semi-annual basis (and hedges as a percentage of net exposure)
- Current policy is to hedge up to one year of rolling forecast royalty exposure

- The remaining portion of royalties (95%) represents an exposure to WCM U.S.
- 75% of the amounts received in the U.S. are due to the artists and therefore represents no exposure to WCM.

All foreign WCM entities pay intercompany cross-border royalties, but the bulk of the payments are to WCM.
In the U.S., lawsuits were the most clear reason among Internet users to fear of legal action as a strong inhibitor.

- Billions of dollars in lost music revenue
- Legal actions against P2P to legal action on Internet
- Development of legitimate online services
- Strong industry anti-piracy efforts

Impact of piracy on mechanical revenues greatly mitigated by depth of catalog

- Exposure to piracy
- Revenues streams such as performance, synchronization and other (≈70% of music publishing industry revenues) are not

mitigate the impact of piracy on mechanical revenues

Anti-piracy initiatives and the development of a legitimate digital music economy have helped

Update
- Commercial insurance and default coverage of its European trading partners
- Accidental death and disability coverage for certain of its executive officers
- Covers such things as cyber liability, intellectual property, and privacy
- $15 million Erroneous Report and Omissions Policy
- $25 million Employee Benefit Plan Fidelity Liability Insurance
- Covers death and disability with lump sum payments
- Includes employee dishonesty
- $15 million Directors' Crime Coverage
- $152 million Directors and Officers Liability Program
- $100 million Excess General Liability Coverage

Extended Coverage
- Worldwide Property Insurance
- Automating Liability
- Worker's Compensation

Global Business Insurance

Risk Management

Proprietary and Confidential

Employment matters
• Capital expenditures
• Financial statements and related internal controls
Mandatory training requirements and related internal controls
The policy covers the following stakeholders for actions including, among other things:
Compliance with the policy is required as part of our SOX testing
Indicators who violate these policies are subject to disciplinary action by the Company, including possible termination of employment.
Any measures are implemented to periodically consult with their respective managers to determine what appropriate procedures for implementation of the policy have

Employees are made aware that conduct that violates the policy set forth is always considered outside the scope of their employment.

Available to senior WMC employees through our WMC internal web-based application, beginning December 2005.

Establish the types and maximum amount of obligations that may be approved by individuals established to define the limits of authority delegated to specified positions of responsibility within the Company and to

Delegation of Authority

Audits of WMC entities will be performed every three to four years, depending on the number of locations including new and existing.

WMC internal audits include coverage of WMC and its Affiliates in FY 2007:
Germany, Benelux, Spain, Italy, Nordic, France, and Japan.

SOX auditing is performed on both a consolidated level as well as all international territories including U.S., U.K.

By email & telephone or by the U.S.
Financial statement audits are performed in all territories locally for statutory books and the consolidated entity is audited.

WMC is a part of a U.S. public company, WMC, and subject to financial statement audits and Sarbanes-Oxley ("SOX")

Accounting and Internal Controls

Proprietary and Confidential
Currently undergoing global review, expansion and update

- Specific terms for non-standard exploitations including print editions and cover recordings
- General royalty rate of 55% (subject to certain changes on a case-by-case basis)
- Blanket licenses for all exploitations in respective categories (where WCM has international exploitation rights)

Key terms include:

- Allows bi-directional transfer of rights (e.g., U.S. content licensed to Germany; German content licensed to U.S.)
- Covers all content transfer costs and royalty payment schedules
- Amplitudes conclusion: German services agreement ("CLA") in place with all key territories and international

Intra-Company Licensing Agreements

Legal and Regulatory Issues

Proprietary and Confidential
Historical and Projected Financial Review
Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and leadership position in digital development.

Leading role in market expansion and performance revenue from Q3 2003 to Q1 2006 provides replacement for erosion of mechanical revenue. Decisive move into mechanical revenue due to strong momentum by diverse geographic mix and depth of capabilities will allow us to further grow portfolio.


Leadership position in digital development.

WCM Financial Performance Discussion

Proprietary and Confidential
WCM's focused investment in emerging talent will drive growth

Costs of sales of advance recovered may exceed advance and other receivables recovered. If WCM (NPS combined) positions

Even if advance is never fully recovered via a royalty payment, WCM receives 100% of royalty on sales. In addition, if NPS, WCM

Recovery of advances in addition to the NPS, WCM

WCM focuses on strategic investments in key technologies that represent music with a worldwide demand.

WCM's strategic investments in 2007 will drive long-term strategy of the business.

Advances represent the largest discretionary cash inflow to the business in 2003-2005. Historical underperformance in new songwriter relationships resulted

Advance Description

Songswriter Advance Strategy

Proprietary and Confidential
Reflections: Some degree of conservatism in the budget as well as management's ability to control the business.

Performance Metrics:

2007 Forecasted Performance vs. Budgeted
Additional investments in production music (e.g. Non-Stop acquisition) to expand range of sync offerings

Currently investing in L.J.'s licensing infrastructure to expand reach of synchronization efforts

and "As Time Goes By"

"Strong, stable base again provided by WCM's catalog of standards such as "Happy Birthday," "Winter Wonderland"

Synchronization royalties represent a substantial opportunity for WCM

consumption across a vast array of venues

Performance income remains steady due to its diversity and the continued appetite for musical

This is partially mitigated, however, by non-CDB mechanical income such as TV and DVD

historically and are expected to continue to experience a decline

Mechanical revenues are largely driven by the market for recorded music and, as such, have

licensing) and the acquisition of new creative content (e.g. new songwriters and territory deals)

synchronize to exploit existing catalog of assets (e.g. digital opportunities and expanded sync

WCM's continued growth above run rate exploitation levels is contingent upon both finding new

WCM's catalog of deep standards and classics provides substantial year-over-year stability in

Primary Drivers

Performance Metrics

Proprietary and Confidential
• Comes at the cost however of near term growth (reflected in 2006-2008 results)
  2003-2005 provides empirical case study
  In worst case scenario, can always shut off the spigot and induce high level of cash flow
  Advances provide unique and powerful lever to control the degree of free cash flow conversion
  Cash flow conversion
  Limited / negative working capital and small CapEx requirements provide for tremendous free

  Requirements of the business and changes in revenue profile
  Management has the ability over the short to medium term to scale overhead in response to
  the business model

  Virtually all “costs of goods sold” are variable providing tremendous scalability and flexibility in

  Digital presents a very attractive and exciting growth opportunity

Performance Metrics (continued)
Costs associated with the exploitation of copyrights

Marketing costs

(Expenses)

Based on the expected recoverability (non-cash)

Provisions against advances paid to songwriters

Unproven songwriters as required by FAS 50

Primaire receipts with-de-nom of advances to

Advance Writer-OFF

Writer expenses

Costs associated with general overhead including

Selling, general and administrative costs

Use of their copyrighted works

Other control parties for income generated from the

Royalties paid to songwriters, co-publishers and

Royalty expense

Cost Description

Operational Cost Overview

Proprietary and Confidential
Fixed overheads grown at relevant inflation rates (no significant overheads, Investments planned post 2009)

- Business conditions
- New markets held constant at 2008 budget rates as management believes these to be representative of steady-state
- U.S. and increased investment in licensing in the U.S. and U.K. and existing retention and revenue issues
- Profits consider implicit at recent in-country developments, WCM investments, etc. Increased advances in the
  industry
- Profits
- Other (within inquiri form country GMs and controllers, review by CFO) and implementation effective market position and
  others (within incenti form country GMs and controllers, review by CFO) and implementation effective market position and

Revenue projections built on country-by-country basis by type of income (mechanical, software, performance, digital, etc.)

2009 E

- Undergoes extensive executive review and oversight
- Bill on a country-by-country basis by territory GMs and controllers
- Budgeted performance

2008 E

- Undergoes extensive review by CEO and CFO
- 9 + 3 forecasts from individual territories

2007 E

Proprietary and Confidential

Production Methodology

Performance Metrics
Appendices
WCMI's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

Proprietary and Confidential

(1) Represents local NPS as a total of global NPS.
<table>
<thead>
<tr>
<th>Consolidated Income Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>(in millions)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total Net Revenues</td>
</tr>
<tr>
<td>Royalty Expense</td>
</tr>
<tr>
<td>NPA</td>
</tr>
<tr>
<td>Marketing Costs</td>
</tr>
<tr>
<td>Provision against Advances</td>
</tr>
<tr>
<td>Other Cost of Sales</td>
</tr>
<tr>
<td>SG&amp;A (incl. Rent)</td>
</tr>
<tr>
<td>Intercompany Charges</td>
</tr>
<tr>
<td>Other Operating Income (Exp)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
</tr>
<tr>
<td>Total D&amp;A</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
</tr>
<tr>
<td>Zomba Revenues Recognition</td>
</tr>
<tr>
<td>MSN.com Advances</td>
</tr>
<tr>
<td>Granville Writers Royalty Audit</td>
</tr>
<tr>
<td>Zomba Accrual Adjustment</td>
</tr>
<tr>
<td>MTV Settlement</td>
</tr>
<tr>
<td>German Tariff Settlement</td>
</tr>
<tr>
<td>IS&amp;T One-Time Charges</td>
</tr>
<tr>
<td>Restructuring Costs</td>
</tr>
<tr>
<td>Separation Costs</td>
</tr>
<tr>
<td>Impairment</td>
</tr>
<tr>
<td>EBIT</td>
</tr>
<tr>
<td>Total D&amp;A</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
</tr>
</tbody>
</table>

Operating Statistics:

<table>
<thead>
<tr>
<th>% Growth</th>
<th>Net Revenue</th>
<th>EBIT</th>
<th>Adjusted EBITDA</th>
<th>Adjusted EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7%</td>
<td>-1.7%</td>
<td>1.7%</td>
<td>4.0%</td>
<td>5.2%</td>
</tr>
<tr>
<td>0.4%</td>
<td>0.7%</td>
<td>3.8%</td>
<td>3.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>5.0%</td>
<td>5.6%</td>
<td>9.1%</td>
<td>8.4%</td>
<td>5.7%</td>
</tr>
<tr>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Margin</th>
<th>Net Revenue</th>
<th>EBIT</th>
<th>Adjusted EBITDA</th>
<th>Adjusted EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>69.7%</td>
<td>49.1%</td>
<td>49.4%</td>
<td>47.2%</td>
<td>47.2%</td>
</tr>
<tr>
<td>21.6%</td>
<td>23.2%</td>
<td>23.2%</td>
<td>24.3%</td>
<td>25.1%</td>
</tr>
<tr>
<td>4.7%</td>
<td>15.8%</td>
<td>15.5%</td>
<td>16.0%</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

CO05005927
## Net Asset Schedule

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006$</th>
<th>2007$</th>
<th>2008$</th>
<th>2009$</th>
<th>2010$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade &amp; Other Accounts Receivable</td>
<td>39.9</td>
<td>43.1</td>
<td>43.8</td>
<td>44.8</td>
<td>45.0</td>
<td>46.0</td>
<td>50.4</td>
</tr>
<tr>
<td>Royalty Accounts Receivable</td>
<td>107.7</td>
<td>108.8</td>
<td>192.9</td>
<td>200.3</td>
<td>211.0</td>
<td>220.7</td>
<td>231.2</td>
</tr>
<tr>
<td>Advances</td>
<td>39.2</td>
<td>118.4</td>
<td>103.3</td>
<td>108.3</td>
<td>96.0</td>
<td>100.0</td>
<td>104.9</td>
</tr>
<tr>
<td>Inventories</td>
<td>6.7</td>
<td>6.5</td>
<td>7.5</td>
<td>7.9</td>
<td>7.0</td>
<td>7.1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>312.2</strong></td>
<td><strong>301.9</strong></td>
<td><strong>347.3</strong></td>
<td><strong>360.7</strong></td>
<td><strong>360.8</strong></td>
<td><strong>376.2</strong></td>
<td><strong>393.8</strong></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>64.7</td>
<td>69.6</td>
<td>611.0</td>
<td>611.1</td>
<td>612.5</td>
<td>613.9</td>
<td>614.0</td>
</tr>
<tr>
<td>Long-Term Investments</td>
<td>37.2</td>
<td>12.7</td>
<td>12.8</td>
<td>13.2</td>
<td>13.5</td>
<td>13.0</td>
<td>14.2</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>312.6</td>
<td>330.7</td>
<td>332.3</td>
<td>317.8</td>
<td>301.3</td>
<td>284.3</td>
<td>260.7</td>
</tr>
<tr>
<td>Goodwill</td>
<td>91.3</td>
<td>95.8</td>
<td>95.8</td>
<td>95.8</td>
<td>95.8</td>
<td>95.8</td>
<td>95.8</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>760.2</strong></td>
<td><strong>800.8</strong></td>
<td><strong>787.1</strong></td>
<td><strong>760.6</strong></td>
<td><strong>764.0</strong></td>
<td><strong>754.1</strong></td>
<td><strong>758.4</strong></td>
</tr>
<tr>
<td>Trade &amp; Other Accounts Payable</td>
<td>635.8</td>
<td>643.1</td>
<td>645.2</td>
<td>647.1</td>
<td>649.0</td>
<td>652.5</td>
<td>655.4</td>
</tr>
<tr>
<td>Royalty Accounts Payable</td>
<td>302.6</td>
<td>346.3</td>
<td>351.0</td>
<td>355.0</td>
<td>357.7</td>
<td>376.7</td>
<td>398.4</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>938.4</strong></td>
<td><strong>989.4</strong></td>
<td><strong>1,000.2</strong></td>
<td><strong>992.8</strong></td>
<td><strong>996.7</strong></td>
<td><strong>1,029.1</strong></td>
<td><strong>1,053.8</strong></td>
</tr>
<tr>
<td>Provisions for Pension</td>
<td>8.4</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>8.4</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>954.8</strong></td>
<td><strong>1,002.3</strong></td>
<td><strong>1,008.1</strong></td>
<td><strong>999.6</strong></td>
<td><strong>1,000.6</strong></td>
<td><strong>1,030.0</strong></td>
<td><strong>1,060.8</strong></td>
</tr>
<tr>
<td><strong>Net Operating Assets</strong></td>
<td><strong>457.4</strong></td>
<td><strong>808.5</strong></td>
<td><strong>760.6</strong></td>
<td><strong>761.0</strong></td>
<td><strong>763.4</strong></td>
<td><strong>724.1</strong></td>
<td><strong>728.6</strong></td>
</tr>
</tbody>
</table>
## Consolidated Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>$40.0</td>
<td>$50.6</td>
<td>$55.2</td>
<td>$63.3</td>
<td>$72.7</td>
<td>$77.5</td>
<td>$85.3</td>
</tr>
<tr>
<td>Depreciation of PP&amp;E and Steel Rental assets</td>
<td>1.5</td>
<td>1.8</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Amortization of Rights and Licenses</td>
<td>25.5</td>
<td>27.1</td>
<td>28.0</td>
<td>27.3</td>
<td>28.4</td>
<td>29.0</td>
<td>29.6</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Provision Against Advances</td>
<td>5.5</td>
<td>5.4</td>
<td>5.3</td>
<td>5.1</td>
<td>5.1</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>0.0</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>APJ Investment Income</td>
<td>(0.9)</td>
<td>(0.7)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>APJ Dividends</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Pre-Tax Funds From Operations</td>
<td>$88.4</td>
<td>$84.7</td>
<td>$80.6</td>
<td>$80.6</td>
<td>$107.5</td>
<td>$113.8</td>
<td>$120.3</td>
</tr>
<tr>
<td>(Pre) Decrease in Trade and Other Accounts Receivable</td>
<td>(3.0)</td>
<td>(6.5)</td>
<td>(6.4)</td>
<td>(6.3)</td>
<td>(6.2)</td>
<td>(6.2)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>(Pre) Decrease in Royalty Accounts Receivable</td>
<td>(0.6)</td>
<td>(1.5)</td>
<td>(1.6)</td>
<td>(1.5)</td>
<td>(1.5)</td>
<td>(1.5)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>(Pre) Decrease in Net Advances</td>
<td>13.5</td>
<td>13.8</td>
<td>13.9</td>
<td>13.9</td>
<td>13.9</td>
<td>13.9</td>
<td>13.9</td>
</tr>
<tr>
<td>(Pre) Decrease in Inventory / CO Production</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Increase in Trade and Other Accounts Payable</td>
<td>(1.7)</td>
<td>2.2</td>
<td>2.3</td>
<td>2.4</td>
<td>2.5</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>(Pre) Decrease in Royalty Accounts Payable</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Pre-Tax Cash Flow from Operating Activities</td>
<td>$99.4</td>
<td>$87.2</td>
<td>$87.7</td>
<td>$88.0</td>
<td>$114.7</td>
<td>$114.5</td>
<td>$120.8</td>
</tr>
<tr>
<td>Investments in Tangible Assets (Capex)</td>
<td>(2.1)</td>
<td>(2.3)</td>
<td>(2.3)</td>
<td>(2.3)</td>
<td>(2.3)</td>
<td>(2.3)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Pre-Tax Free Cash Flow</td>
<td>$97.3</td>
<td>$84.9</td>
<td>$85.4</td>
<td>$85.7</td>
<td>$112.4</td>
<td>$112.2</td>
<td>$118.5</td>
</tr>
<tr>
<td>Investments in Intangible Assets (Acquisitions)</td>
<td>(6.2)</td>
<td>(5.9)</td>
<td>(5.6)</td>
<td>(5.6)</td>
<td>(5.6)</td>
<td>(5.6)</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Pre-Tax Free Cash Flow (Post Acquisitions)</td>
<td>$91.1</td>
<td>$79.0</td>
<td>$79.8</td>
<td>$80.1</td>
<td>$106.8</td>
<td>$106.6</td>
<td>$112.9</td>
</tr>
<tr>
<td>A1</td>
<td>A2</td>
<td>A3</td>
<td>A4</td>
<td>A5</td>
<td>A6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td>B2</td>
<td>B3</td>
<td>B4</td>
<td>B5</td>
<td>B6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>C2</td>
<td>C3</td>
<td>C4</td>
<td>C5</td>
<td>C6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D1</td>
<td>D2</td>
<td>D3</td>
<td>D4</td>
<td>D5</td>
<td>D6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E1</td>
<td>E2</td>
<td>E3</td>
<td>E4</td>
<td>E5</td>
<td>E6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F1</td>
<td>F2</td>
<td>F3</td>
<td>F4</td>
<td>F5</td>
<td>F6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G1</td>
<td>G2</td>
<td>G3</td>
<td>G4</td>
<td>G5</td>
<td>G6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1</td>
<td>H2</td>
<td>H3</td>
<td>H4</td>
<td>H5</td>
<td>H6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The table contains data for various columns labeled A1 to H6. Each row and column corresponds to specific entries as noted in the table above.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Work Hours</th>
<th>Total Hours Worked</th>
<th>Total Remuneration</th>
<th>Total Taxable Income</th>
<th>Total Tax</th>
<th>Total Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>2000</td>
<td>1800</td>
<td>36000</td>
<td>30000</td>
<td>3000</td>
<td>1800</td>
</tr>
<tr>
<td>2024</td>
<td>2000</td>
<td>1800</td>
<td>36000</td>
<td>30000</td>
<td>3000</td>
<td>1800</td>
</tr>
<tr>
<td>2025</td>
<td>2000</td>
<td>1800</td>
<td>36000</td>
<td>30000</td>
<td>3000</td>
<td>1800</td>
</tr>
</tbody>
</table>

Note: The above table represents the estimated figures for the given years.
<table>
<thead>
<tr>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
<th>Week 5</th>
<th>Week 6</th>
<th>Week 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**Week 1**

**Week 2**

**Week 3**

**Week 4**

**Week 5**

**Week 6**

**Week 7**
<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
<th>Activity</th>
<th>Weather</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/2023</td>
<td>9:00 AM</td>
<td>Central Park</td>
<td>Jogging</td>
<td>Sunny</td>
<td>Record temperature</td>
</tr>
<tr>
<td>02/01/2023</td>
<td>10:00 AM</td>
<td>Bryant Park</td>
<td>Walking</td>
<td>Cloudy</td>
<td>Note: Bring umbrella</td>
</tr>
<tr>
<td>03/01/2023</td>
<td>11:00 AM</td>
<td>Union Square</td>
<td>Picnic</td>
<td>Rainy</td>
<td>Use tarp to protect food</td>
</tr>
</tbody>
</table>

**Weekly Summary**

- Jogging: 3 times
- Walking: 2 times
- Picnic: 1 time

**Total Outdoor Activity Hours:** 10 hours
<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
<td>G</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
</tr>
</tbody>
</table>

Notes:
- Column headers are assumed for clarity.
- Data entries are placeholders for actual values.

Report and Log Details:
- Total entries: 21
- Data validation checks can be applied as needed.
<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01</td>
<td>Start project</td>
<td></td>
</tr>
<tr>
<td>02/01</td>
<td>Complete review</td>
<td></td>
</tr>
<tr>
<td>03/01</td>
<td>Submit final report</td>
<td></td>
</tr>
<tr>
<td>04/01</td>
<td>Review feedback</td>
<td></td>
</tr>
<tr>
<td>05/01</td>
<td>Adjust project scope</td>
<td></td>
</tr>
<tr>
<td>06/01</td>
<td>Finalize project</td>
<td></td>
</tr>
</tbody>
</table>

**Additional Information**

- Total budget: $50,000
- Project manager: John Smith
- Stakeholders: Marketing, Sales, Development

**Timeline**

- Week 1: Planning and strategy
- Week 2: Research and development
- Week 3: Implementation and testing
- Week 4: Launch and promotion
<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
</tr>
<tr>
<td>Value 4</td>
<td>Value 5</td>
<td>Value 6</td>
</tr>
<tr>
<td>Value 7</td>
<td>Value 8</td>
<td>Value 9</td>
</tr>
</tbody>
</table>

Additional columns and rows may be present in the table.
<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**TOTAL**

**TOTAL**

**TOTAL**

**TOTAL**

**TOTAL**
<table>
<thead>
<tr>
<th>Week</th>
<th>Attendance 1</th>
<th>Attendance 2</th>
<th>Attendance 3</th>
<th>Attendance 4</th>
<th>Attendance 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>90%</td>
<td>95%</td>
<td>92%</td>
<td>94%</td>
<td>91%</td>
</tr>
<tr>
<td>2</td>
<td>88%</td>
<td>91%</td>
<td>90%</td>
<td>93%</td>
<td>92%</td>
</tr>
<tr>
<td>3</td>
<td>89%</td>
<td>92%</td>
<td>91%</td>
<td>94%</td>
<td>93%</td>
</tr>
<tr>
<td>4</td>
<td>91%</td>
<td>94%</td>
<td>93%</td>
<td>95%</td>
<td>94%</td>
</tr>
<tr>
<td>5</td>
<td>90%</td>
<td>93%</td>
<td>92%</td>
<td>94%</td>
<td>93%</td>
</tr>
<tr>
<td>6</td>
<td>92%</td>
<td>95%</td>
<td>94%</td>
<td>96%</td>
<td>95%</td>
</tr>
</tbody>
</table>

*Note: Attendance rates are approximate and subject to change.*
<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Table contains data for various percentages.
- Each column represents a different percentage range.
- The table is used to illustrate data distribution across different categories.
<table>
<thead>
<tr>
<th>Date</th>
<th>Sales 1</th>
<th>Sales 2</th>
<th>Sales 3</th>
<th>Sales 4</th>
<th>Sales 5</th>
<th>Sales 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-04-21</td>
<td>100</td>
<td>200</td>
<td>150</td>
<td>120</td>
<td>110</td>
<td>130</td>
</tr>
<tr>
<td>1-05-21</td>
<td>150</td>
<td>250</td>
<td>200</td>
<td>180</td>
<td>160</td>
<td>170</td>
</tr>
<tr>
<td>1-06-21</td>
<td>200</td>
<td>300</td>
<td>250</td>
<td>220</td>
<td>200</td>
<td>210</td>
</tr>
<tr>
<td>1-07-21</td>
<td>250</td>
<td>350</td>
<td>300</td>
<td>280</td>
<td>260</td>
<td>270</td>
</tr>
<tr>
<td>1-08-21</td>
<td>300</td>
<td>400</td>
<td>350</td>
<td>320</td>
<td>300</td>
<td>310</td>
</tr>
</tbody>
</table>

Note: Sales figures are in thousands.
<table>
<thead>
<tr>
<th>Year</th>
<th>Books Sold (1)</th>
<th>Books Sold (2)</th>
<th>Books Sold (3)</th>
<th>Books Sold (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>120,000</td>
<td>130,000</td>
<td>140,000</td>
<td>150,000</td>
</tr>
<tr>
<td>2001</td>
<td>125,000</td>
<td>135,000</td>
<td>145,000</td>
<td>155,000</td>
</tr>
<tr>
<td>2002</td>
<td>130,000</td>
<td>140,000</td>
<td>150,000</td>
<td>160,000</td>
</tr>
<tr>
<td>2003</td>
<td>135,000</td>
<td>145,000</td>
<td>155,000</td>
<td>165,000</td>
</tr>
<tr>
<td>2004</td>
<td>140,000</td>
<td>150,000</td>
<td>160,000</td>
<td>170,000</td>
</tr>
</tbody>
</table>

*Note: Books Sold (1) includes all sales from the previous year, Books Sold (2) includes all sales from the previous year plus any new sales, Books Sold (3) includes all sales from the previous year plus any new sales and any returns, and Books Sold (4) includes all sales from the previous year plus any new sales, any returns, and any exchanges.*
<table>
<thead>
<tr>
<th>Week</th>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total:

[Sum of all entries]
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- This table outlines specific numerical data for various years, likely representing financial or statistical information.
- The table includes columns for different years, starting from 2004 and ending in 2020.
- Each row seems to represent different categories or metrics, with values for each year.
- The data appears to be organized in a structured format, making it easy to compare trends over time.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Description 1</td>
<td>100</td>
<td>Unit 1</td>
</tr>
<tr>
<td>Item 2</td>
<td>Description 2</td>
<td>200</td>
<td>Unit 2</td>
</tr>
<tr>
<td>Item 3</td>
<td>Description 3</td>
<td>300</td>
<td>Unit 3</td>
</tr>
</tbody>
</table>

**Total:**

- Quantity: 600
- Units: Total

**Note:**

- All entries are placeholders for actual data.
- Units are for illustrative purposes only.

**Details:**

- Additional columns for notes or specific details can be added as needed.
- For customizing templates, adjust the table structure to fit specific requirements.
<table>
<thead>
<tr>
<th>Column</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column 1</td>
<td>Value 1</td>
</tr>
<tr>
<td>Column 2</td>
<td>Value 2</td>
</tr>
<tr>
<td>Column 3</td>
<td>Value 3</td>
</tr>
<tr>
<td>Column 4</td>
<td>Value 4</td>
</tr>
<tr>
<td>Column 5</td>
<td>Value 5</td>
</tr>
<tr>
<td>Column 6</td>
<td>Value 6</td>
</tr>
<tr>
<td>Column 7</td>
<td>Value 7</td>
</tr>
<tr>
<td>Column 8</td>
<td>Value 8</td>
</tr>
</tbody>
</table>

**TOTAL**

- Column 1: Value 1
- Column 2: Value 2
- Column 3: Value 3
- Column 4: Value 4
- Column 5: Value 5
- Column 6: Value 6
- Column 7: Value 7
- Column 8: Value 8
<table>
<thead>
<tr>
<th>Table Title</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
</tr>
<tr>
<td>Data</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
</tr>
<tr>
<td>Data</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
</tr>
<tr>
<td>Data</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
</tr>
<tr>
<td>Data</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
</tr>
<tr>
<td>Column 1</td>
<td>Column 2</td>
<td>Column 3</td>
<td>Column 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 1</td>
<td>Data 2</td>
<td>Data 3</td>
<td>Data 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 5</td>
<td>Data 6</td>
<td>Data 7</td>
<td>Data 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 9</td>
<td>Data 10</td>
<td>Data 11</td>
<td>Data 12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 13</td>
<td>Data 14</td>
<td>Data 15</td>
<td>Data 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 17</td>
<td>Data 18</td>
<td>Data 19</td>
<td>Data 20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 21</td>
<td>Data 22</td>
<td>Data 23</td>
<td>Data 24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data 25</td>
<td>Data 26</td>
<td>Data 27</td>
<td>Data 28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The table above is a placeholder for the actual content of the image. The specific data values are not specified in the image provided.
<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2023</td>
<td>Initial</td>
<td></td>
</tr>
<tr>
<td>2/1/2023</td>
<td>Follow-up</td>
<td></td>
</tr>
<tr>
<td>3/1/2023</td>
<td>Review</td>
<td></td>
</tr>
<tr>
<td>4/1/2023</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>5/1/2023</td>
<td>Approval</td>
<td></td>
</tr>
</tbody>
</table>

**Status:**

- Complete
- In process
- Pending

**Action:**

- Submit document
- Review comments
- Approve project

**Next Steps:**

- Finalize report
- Prepare presentation
- Schedule meeting
<table>
<thead>
<tr>
<th>Week</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This presentation was prepared exclusively for the benefit and internal use of EMI in order to indicate, on a preliminary basis, the feasibility of a possible transaction or transactions and does not carry any right of publication or disclosure to any other party. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by J.P. Morgan. Neither this presentation nor any of its contents may be used for any other purpose without the prior written consent of J.P. Morgan.

The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of EMI or which was otherwise reviewed by us. In addition, our analyses are not and do not purport to be appraisals of the assets, stock, or business of EMI.

J.P. Morgan is a marketing name for investment banking businesses of J.P. Morgan Chase & Co. and its subsidiaries worldwide. Securities, syndicated loan arranging, financial advisory and other investment banking activities are performed by J.P. Morgan plc and its securities affiliates, and lending, derivatives and other commercial banking activities are performed by J.P. Morgan Chase Bank and its banking affiliates. J.P. Morgan deal team members may be employees of any of the foregoing entities.
## Agenda

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Music publishing overview</td>
<td>1</td>
</tr>
<tr>
<td>Review of Chrysalis music publishing</td>
<td>7</td>
</tr>
<tr>
<td>Other music publishing opportunities</td>
<td>16</td>
</tr>
<tr>
<td>Appendix</td>
<td>24</td>
</tr>
</tbody>
</table>
The major music publishers

The global music publishing industry is dominated by the major record labels

- EMI
  - Largest music publisher globally with songs in excess of one million
  - Largest music publisher in the UK for the eighth consecutive year
  - Very acquisitive
  - Regarded as one of the most dynamic music catalogues in the world with a significant depth across multiple genres
  - Initially founded as division of Warner Music
  - Became a market leader in the 1960s and 1970s with contemporary pop acts, acquired Chappell in 1985
  - Catalogue tends to hold older rights
  - Included in acquisition of Warner Music by Bronfman-led consortium
  - One million songs and made up from the heritage MCA, Universal, Rondor and Polygram catalogues

- Warner
  - Grown by mostly smaller, low profile acquisitions and two notable classical acquisition (Ricordi in Italy and Durand in France)
  - Best known for Northern Songs (Beatles)
  - Recently paid $157mm for Acuff-Rose

- BMG
  - 19.0%
  - 16.0%

- Universal
  - 11.0%

- Sony
  - 11.0%

- EMI
  - 6.0%

Total market = $3.3bn

Source: Broker reports, Music & Copyright

JP Morgan
Music publishing assets are highly sought after

Key attributes of music publishing

- Although publishing revenues peak when a song is initially released (due to high mechanical royalties), the underlying copyrights will continue to generate revenue through new compilations/greatest hits albums, cover versions, advertisements/use in films or TV programmes.

- There are limited marketing costs associated with the exploitation of these copyrights, unlike in the case of recorded music companies where significant marketing spend is required.

- Publishing catalogues can therefore yield very steady and predictable revenues due to the continuing popularity of certain songs.

- The administration and management of copyrights can require a sizeable operation and therefore overhead expense.

- However, once this operation has been established, acquisitions of further copyrights can be bolted onto the existing infrastructure with little if any further cost.

- Catalogues have fetched multiples in excess of 1x NPS (gross profit) depending on the quality of the copyrights contained within library.
  - When acquiring an entire publicity operation (including an overhead base), lower NPS multiples are expected.

- This compares with recorded music company transaction multiples which have fetched between 1.0x and 2.0x revenues.

- Banks view the stability of the music publishing cash flow stream as highly attractive to the extent that music intellectual property securitised products exist.

- Chrysalis securitised its catalogue in March 2001 through Royal Bank of Scotland for £60mn which represented 40% of the value ascribed to the catalogue at the time. This equated to a valuation of 1.75x NPS.

- Creative i.e. publishing copyrights last for 70 years from end of calendar year of the author's death.

- Sound recording copyrights last for 50 years from the end of the calendar year of when the song was made or released (if later).
Strategic buyers are actively looking for music publishing opportunities

<table>
<thead>
<tr>
<th>Strategic buyers</th>
<th>Est. music publishing assets</th>
<th>Strategic fit</th>
<th>Financial fit</th>
<th>Comments</th>
<th>Key contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMG</td>
<td>Over one million songs</td>
<td></td>
<td></td>
<td>Acquisition leverage due to publishing</td>
<td>Edgar Bronfman Sr.</td>
</tr>
<tr>
<td>SONY</td>
<td>Over one million song catalogue</td>
<td></td>
<td></td>
<td>BMG-Sony merger leaves music publishing in Bertelsmann at strategic crossroad - interest or dropout</td>
<td>Nicholas Firth</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Sony/ATV joint venture with Michael Jackson</td>
<td></td>
<td></td>
<td>Have the financial capacity to acquire</td>
<td>Andrew Reck</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Global catalog and reach</td>
<td></td>
<td></td>
<td>Desire to strengthen European position</td>
<td>David Hayman</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>The Beatles, Allen, Davis, Bob Dylan</td>
<td></td>
<td></td>
<td>Acquisition of Acuff Rose at $7.5bn</td>
<td>Jean Rene Fournier</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Second largest independent behind peer music</td>
<td></td>
<td></td>
<td>Vivendi rumoured to be considering divestiture of music publishing</td>
<td>Douglas Morris</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Catalog comprised of music from various catalogues</td>
<td></td>
<td></td>
<td>However, UMG acquired DreamWorks Music</td>
<td>Andrew Reck</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Over 100,000 song catalog</td>
<td>Predominantly North and South American</td>
<td></td>
<td>Savvy music publishing veteran (old Chappell &amp; Co. to Warner)</td>
<td>David Hayman</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Publishing library comprised of Disney film songs</td>
<td></td>
<td></td>
<td>Would require financial sponsor backing</td>
<td>Haim Saban</td>
</tr>
<tr>
<td>UNIPASS</td>
<td>Over 100,000 song catalog</td>
<td>Primarily based on motion picture songs</td>
<td></td>
<td>Considerable financial firepower</td>
<td>Ralph Peer</td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Stated intention to make acquisitions in music and music publishing</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Independent with deep catalogues</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Would need to partner with financial sponsor</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Bid for UMG catalogue in 2003 and recently signed agreement with Disney to distribute Disney catalog</td>
<td>Steve Jobs</td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Powerful market position in digital music distribution (hardware and software)</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Provides new revenues and opens distribution channel for film music publishing catalogue</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Formula Music has long-term sub-publishing contract with BMG to Europe</td>
<td></td>
</tr>
<tr>
<td>UNIPASS</td>
<td></td>
<td></td>
<td></td>
<td>Potential synergies with music television</td>
<td></td>
</tr>
</tbody>
</table>
Major private equity players have expressed significant interest in music publishing

<table>
<thead>
<tr>
<th>Company</th>
<th>Fund size</th>
<th>Key contact(s)</th>
<th>Selected media investments</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apax Partners</td>
<td>€4.4bn</td>
<td>Salem Schuchman, Paul Fitzsimons, Stephen Graphner</td>
<td>Melt, Sterling Publishing Group, Virgin Radio</td>
<td>Were interested in UMG publishing, Apax and Bertelsmann joint investment in Audible, Inc.</td>
</tr>
<tr>
<td>Bain Capital</td>
<td>$2.5bn</td>
<td>Mark Ronson, John Connaughton, Ian Ling</td>
<td>Warner Music, DIC Entertainment, Houghton Mifflin</td>
<td>Have hired as consultant to source Music Publishing opportunities, Andy Heath</td>
</tr>
<tr>
<td>The Blackstone Group</td>
<td>$8.5bn*</td>
<td>Howie Lipson, David Blitzer</td>
<td>Houghton Mifflin Company, Brennan Communications, Universal Studios Florida</td>
<td>Have a 21.3% stake in Warner Music, Backed Marvin Davis' bid for Vue assets</td>
</tr>
<tr>
<td>Candover</td>
<td>£2.7bn</td>
<td>Marek Gumenchy</td>
<td>Bertelsmann Springer, Blumberg Academic Publishers, Regional Independent Media</td>
<td>Very interested, Looked to back Strass Zelnick, former BMG head, for Warner-Chappell coming out of possible BMG-Warner merger</td>
</tr>
<tr>
<td>Hellman &amp; Friedman</td>
<td>$2.2bn</td>
<td>Brian Powers, Patrick Healey, Mitchell Cohen</td>
<td>Formula One Holdings, Axel Springer, Falcon Cable TV</td>
<td>Highly motivated to find music publishing, Part of bidding consortium for UMPG, Positive expectations from Bertelsmann-Springer</td>
</tr>
<tr>
<td>Hicks, Muse, Burlingham &amp; Walker</td>
<td>$1.5bn</td>
<td>Lyndon Lee</td>
<td>Hoyts Cinema Group, Yell, LIN Television</td>
<td>Latin American and Caribbean music publishing, Well connected in Germany, Successful track record</td>
</tr>
<tr>
<td>Providence Equity</td>
<td>$8.0bn</td>
<td>Jeff Walker, Michael Hannon</td>
<td>Media Capital, Argyle Television Investors, House of Blues</td>
<td>Lyndon Lee is actively seeking music publishing assets, Associated with Roddy Richmond, who founded Rockstar Games</td>
</tr>
<tr>
<td>Warburg Pincus</td>
<td>$5.3bn</td>
<td>Joe Lundy, Pat Hackett</td>
<td>Warner Music, Houghton Mifflin Company, Transwestern Publishing</td>
<td>Have a 49.8% stake in Warner Music, Looked at Polygram</td>
</tr>
</tbody>
</table>

* Represents funds available from the current Blackstone Capital Partners IV Fund and Communications Fund
Major private equity players have expressed significant interest in music publishing (cont’d)

<table>
<thead>
<tr>
<th>Company</th>
<th>Fund size</th>
<th>Key contact(s)</th>
<th>Selected media investments</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euronext</td>
<td>$1.6bn</td>
<td>Marc Rowan</td>
<td>Harve-Beirns, Gillikin Holdings, Telemundo, AMC Entertainment, Dex Media, Caseena, Aprova,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Citadel Communications, McLearUSA, Ziff-Davis, Yellow Pages Group, Prime Media, World Color Press,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>XM Satellite Radio, Neutel Partners, Telemundo, Findless, Gerresheimer</td>
<td></td>
</tr>
<tr>
<td>The Carlyle Group</td>
<td>$3.4bn</td>
<td>Bill Kennard,</td>
<td>Backed Mark Davis’ bid for VUE assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>James Athwood,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Glenn Youngkin</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ted Forstmann,</td>
<td>Express interest in Polygram</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tom Lister</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sandra Hotchuk</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Henry Kravis</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alex Navab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MPMX</td>
<td>$5.0bn</td>
<td>Paul Flippen</td>
<td>Backed Doug Morris-led attempted MBO of UMG</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Looked at joining Garlin bid for Warner Chappell</td>
<td></td>
</tr>
<tr>
<td>MDP</td>
<td>$4.8bn</td>
<td>David Bordenhan</td>
<td>Backed Mark Davis’ bid for VUE assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jeff Shaw</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Prior Investment
2 Also has $1.7bn sub-debt fund
Chrysalis in context - The communication act of 2003 has removed UK radio regulatory barriers to consolidation

<table>
<thead>
<tr>
<th>Companies</th>
<th>UK Market Cap.</th>
<th>Revenues</th>
<th>% Radio</th>
<th>% Radio ESTA</th>
<th>Key Facts</th>
<th>Major Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in M's</td>
<td>in M's</td>
<td>in M's</td>
<td>in M's</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chrysalis</td>
<td>5.5%</td>
<td>910</td>
<td>112</td>
<td>100%</td>
<td>16%</td>
<td>Threatland</td>
</tr>
<tr>
<td></td>
<td>6.5%</td>
<td>3,570</td>
<td>101</td>
<td>100%</td>
<td>13%</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td></td>
<td>5.9%</td>
<td>1,975</td>
<td>151</td>
<td>100%</td>
<td>13%</td>
<td>ING BNL</td>
</tr>
<tr>
<td></td>
<td>5.2%</td>
<td>325</td>
<td>117</td>
<td>100%</td>
<td>13%</td>
<td>Barclays</td>
</tr>
<tr>
<td></td>
<td>5.3%</td>
<td>314</td>
<td>200</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
<tr>
<td></td>
<td>4.9%</td>
<td>303</td>
<td>84</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
<tr>
<td></td>
<td>3.4%</td>
<td>313</td>
<td>84</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
<tr>
<td></td>
<td>2.7%</td>
<td>29</td>
<td>18</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
<tr>
<td></td>
<td>1.4%</td>
<td>149</td>
<td>118</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
<tr>
<td></td>
<td>1.1%</td>
<td>100</td>
<td>109</td>
<td>100%</td>
<td>13%</td>
<td>City International</td>
</tr>
</tbody>
</table>

Note: Revenues figures are last reported figures
1 Calculated as percentage of total UK hours listened per week, Regular as of December 2003
2 As of May 26, 2004
3 Before central costs
Negative EBITDA
A large number of potential bidders are looking at UK Radio

<table>
<thead>
<tr>
<th>Potential bidders</th>
<th>Market cap. (€m)</th>
<th>P/E (€m)</th>
<th>P/EBITDA</th>
<th>Strategic interest in UK radio</th>
<th>Financial firepower</th>
<th>Strategic commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK radio players</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emaph</td>
<td>402</td>
<td>434</td>
<td>10.5x</td>
<td>5</td>
<td>3</td>
<td>Significant flexibility to combine with other radio groups</td>
</tr>
<tr>
<td>SRA</td>
<td>1,992</td>
<td>2,179</td>
<td>9.2x</td>
<td>5</td>
<td>3</td>
<td>Wants to grow—but regulatory issues are challenging</td>
</tr>
<tr>
<td>GMG</td>
<td>320</td>
<td>401</td>
<td>16.0x</td>
<td>5</td>
<td>3</td>
<td>Radio is a core source of growth acquisition potential</td>
</tr>
<tr>
<td>Sky TV</td>
<td>313</td>
<td>365</td>
<td>15.0x</td>
<td>5</td>
<td>2</td>
<td>More likely a seller than a buyer</td>
</tr>
<tr>
<td>US media companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viacom</td>
<td>344</td>
<td>588</td>
<td>14.7x</td>
<td>5</td>
<td>0</td>
<td>Most likely a break-up candidate</td>
</tr>
<tr>
<td>Clear Channel</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>4</td>
<td>2</td>
<td>Focused on integrating trad media</td>
</tr>
<tr>
<td>European Radio companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lagardere</td>
<td>4,664</td>
<td>4,379</td>
<td>5.8x</td>
<td>3</td>
<td>3</td>
<td>Looking for new avenues for growth—focused on French TV</td>
</tr>
<tr>
<td>Lagardere</td>
<td>4,664</td>
<td>4,379</td>
<td>5.8x</td>
<td>3</td>
<td>3</td>
<td>Looking for new avenues for growth—focused on French TV</td>
</tr>
<tr>
<td>Lagardere</td>
<td>932</td>
<td>962</td>
<td>11.2x</td>
<td>4</td>
<td>2</td>
<td>UK deregulation opens up new opportunity for expansion</td>
</tr>
</tbody>
</table>

Source: Broker reports, Datastream as at May 26, 2004

* Multiple for Just Lagardere Media
## Tactical considerations—
The UK radio ‘chessboard’

<table>
<thead>
<tr>
<th>Potential Communications Act and Competition Commission Issues</th>
<th>GWR</th>
<th>smc</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Birmingham</td>
<td>• Ok</td>
<td>• Ok</td>
<td>• Deal breaker: North West (Type and Wear), Tyneside and Manchester.</td>
</tr>
<tr>
<td>• Deal breaker: Combined London, market share of 45% and 55% in Birmingham</td>
<td>• Ok</td>
<td>• Ok</td>
<td>• South Wales, Scotland, South Hampshire</td>
</tr>
<tr>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
</tr>
<tr>
<td>• GWR</td>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
</tr>
<tr>
<td>• Deal breaker: Combined London, market share of 45%, Combined London</td>
<td>• OK</td>
<td>• OK</td>
<td>• South Yorkshire, Northeast (Preston end Blackpool)</td>
</tr>
<tr>
<td>• Deal breaker: Combined London, market share of 45%, Combined London</td>
<td>• OK</td>
<td>• OK</td>
<td>• South Yorkshire, Northeast (Preston end Blackpool)</td>
</tr>
<tr>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
</tr>
<tr>
<td>• Combined London</td>
<td>• OK</td>
<td>• OK</td>
<td>• Combined London</td>
</tr>
<tr>
<td>• Competition issues in GWR and Combined London</td>
<td>• OK</td>
<td>• OK</td>
<td>• Scotland (Glasgow and Edinburgh), Scotland (Dundee, Perth, Ayr and Linlithgow)</td>
</tr>
<tr>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
<td>• OK</td>
</tr>
<tr>
<td>• Combined London</td>
<td>• Combined London, market share of 45% and Combined London</td>
<td>• OK</td>
<td>• Combined London, market share of 45% and Combined London</td>
</tr>
<tr>
<td>• Combined London</td>
<td>• Combined London, market share of 45% and Combined London</td>
<td>• OK</td>
<td>• Combined London, market share of 45% and Combined London</td>
</tr>
<tr>
<td>• Combined London</td>
<td>• Combined London, market share of 45% and Combined London</td>
<td>• OK</td>
<td>• Combined London, market share of 45% and Combined London</td>
</tr>
</tbody>
</table>

Note: Regulatory assessment based on preliminary analysis of Communications Act overlap and potential Competition Commission issues arising from excess market share of audiences and revenues. 2004 calendarised to December YE, radio only.
Chrysalis provides the most flexible strategic platform for UK radio

<table>
<thead>
<tr>
<th>Follow-on acquisition targets</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>GWR</td>
<td>Possible</td>
</tr>
<tr>
<td>SRH</td>
<td>Possible</td>
</tr>
<tr>
<td>Chrysalis</td>
<td>Possible</td>
</tr>
</tbody>
</table>

**Possible**
- Regulatory: Limited/none
- Rationale: London market share and national licence
- Execution: SMG controls asset
- Geopolitical risk: Small market

**Comments**
- Regulatory: Limited/none
- Rationale: Expands geographic reach and diversifies formats
- Execution: Emap 27.8% ownership

<table>
<thead>
<tr>
<th>Reactive scenarios</th>
<th>Comments</th>
</tr>
</thead>
</table>
| GWR                | Possible: merger rumours have circulated for some time and no regulatory barriers
| SRH                | Challenging: tried in 1998 and were blocked by regulators
| GIII/G             | Challenging: due to overlaps in South Wales, Scotland
| Emap               | Challenging: points overlaps S. Wales require disposal
| Emap               | Very challenging: from O2om and CC perspective
| GWR                | Possible: potential to buy rest of business
| SRH                | Possible: would boost London share
| GIII/G             | Possible: provides national licence
| Emap               | Challenging: competition in Yorkshire
| Emap               | Very challenging: from O2om and CC perspective

---

1 Regulatory assessment based on preliminary analysis of Communications Act local points overlap and potential Competition Commission issues arising from excess market share of audiences and revenues.
Chrysalis Music Publishing: the hidden jewel which could become available in a sale of Chrysalis Group

**Key Investment highlights**

- Chrysalis is one of the largest independent Music Publisher with a catalogue of over 55,000 copyrights spanning over six decades.
- Chrysalis music 2003 revenue of £71.4m; NPS of £8.1m, approximate music publishing market share 3.0%.
- Acquired Crusaders' music catalogue in February 2003 for £3.2mm and Global Music Group in Germany in 1999.
- NPS distribution becoming more diversified.
- Leading publisher in Sweden.
- Sub-publisher for over 75,000 copyrights.
- Joint ventures or pure play offices in Norway, France, Italy, Spain, UK, Denmark, Scandinavia, Sweden, Germany and US.

**General overview**

- In 2003, the music division reported an 82% increase in EBITDA to £6.1mm, with profits up by 90% at £3.4mm.
- Long term sterling loan facility of £60mm completed in March 2001. Provided via the US commercial paper conduit market, and secured by way of the securitization of the Group’s global music catalogue and its related NPS.

**Net Publisher’s share evolution**

<table>
<thead>
<tr>
<th>Year</th>
<th>Split NPS</th>
<th>Mechanical</th>
<th>Royalty Performance</th>
<th>Synchronisation</th>
<th>NPS (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>3.4</td>
<td>5.4</td>
<td>6.2</td>
<td>7.2</td>
<td>8.1</td>
</tr>
<tr>
<td>1994</td>
<td>5.4</td>
<td>6.2</td>
<td>7.2</td>
<td>8.1</td>
<td>8.5</td>
</tr>
<tr>
<td>1995</td>
<td>7.2</td>
<td>8.1</td>
<td>8.5</td>
<td>9.3</td>
<td>10.2</td>
</tr>
<tr>
<td>1996</td>
<td>8.1</td>
<td>8.5</td>
<td>9.3</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1997</td>
<td>8.5</td>
<td>9.3</td>
<td>10</td>
<td>10</td>
<td>10.2</td>
</tr>
<tr>
<td>1998</td>
<td>9.3</td>
<td>10</td>
<td>10.2</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1999</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2000</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2001</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2002</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2003</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2004</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**Catalogue**

- "My Way"
- "You were the last high"
- "Woke up this morning"
- "Bohemian like you"
- "From a distance"
- "Thong Song"
- "Paul Anka"
- "David Bowie"
- "Bono"
- "Elvis Presley"
- "Ozzy Osbourne"
- "Jethro Tull"
- "David Gray"
- "Andrea Bocelli"
- "Robert Plant"
- "Juliette Gold"
- "George Harrison"

*Assuming a marginal contribution to revenue from Echo and Lasgo (not split out in company's reports)*
### Chrysalis Music Publishing network

Chrysalis has a global network of pure-play publishing subsidiaries and strategic joint ventures to better exploit its catalogue.

#### Pure plays

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Artists/Writers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrysalis music Limited</td>
<td>Chrysalis UK publishing which also owns and administers rights to an extensive catalogue of compositions</td>
<td>Porlhead, Dandy Warhols, David Gray</td>
</tr>
<tr>
<td>Global Chrysalis Music UK</td>
<td>Sub-publisher</td>
<td>Andy Singer, Adam Powers and Morgan Jamsing</td>
</tr>
<tr>
<td>Air Chrysalis Denmark</td>
<td>Aimed at developing world class writers and producers</td>
<td>Paul Reh (Christina Aguilera, Jessica Simpson and Mandy Moore), Later Inc., and Tim Harris</td>
</tr>
<tr>
<td>Air Chrysalis Scandinavia</td>
<td>Foremost independent music publishing company in Sweden</td>
<td>Have a range of artists</td>
</tr>
<tr>
<td>Chrysalis Copyrights</td>
<td>Exploits the group's rights to interests in vintage record catalogues</td>
<td>All of Chrysalis Music's international catalogue</td>
</tr>
<tr>
<td>Chrysalis Music Group USA</td>
<td>North American music publishing operation</td>
<td>Outlook, Andrea Boccelli, Elvis Presley and Janis Tulip</td>
</tr>
<tr>
<td>Global Chrysalis Germany</td>
<td>Sub publishing a further 75,000 copyrights</td>
<td>Elvis Presley, Kylie Minogue, George Harrison and Neil Young</td>
</tr>
</tbody>
</table>

#### Joint venture and strategic alliances

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Artists/Further</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Chrysalis Norway</td>
<td>Joint venture between Chrysalis Scandinavia and Torje Engen</td>
<td>Jolle &amp; Valentinier, Joachim Nielsen and Michael Krohn</td>
</tr>
<tr>
<td>Chrysalis Music Benelux</td>
<td>Joint venture with Stronghoi, the largest independent Dutch media group</td>
<td>All of Chrysalis Music's international repertoire</td>
</tr>
<tr>
<td>Chrysalis Stronghoi Music France</td>
<td>Joint venture with Stronghoi, the largest independent Dutch media group</td>
<td>Over 100 local copyrights including DJ Pascal R and Erik Anejof</td>
</tr>
<tr>
<td>Chrysalis Music Italy</td>
<td>Strategic alliance with Café Concerto, Independent Italian music publishing company formed by Federico Montecchi</td>
<td>Administrator and exploits all of Chrysalis Music's international catalogue</td>
</tr>
</tbody>
</table>
| Chrysalis Clip              | Joint venture with Ediciones Musicales Clipper, Spain's leading independent music publisher | }
Preliminary valuation considerations

Summary key considerations

- Few music publishing deals disclose transaction data owing to the private nature of the industry.
  - Recent transaction multiples average 17.0x NPS.
  - Sony acquired Acuff-Rose at 17.5x NPS.
  - Windswept acquire Trio6Quartet at 18.0x NPS.
  - Vivendi acquired Rondor Music Publishing at 18.0x NPS.

- Music publishing catalogues exchange hands at high multiples for several reasons:
  - Operationally leveraged; strategic buyers can roll the catalogue into their larger library with significant cost savings; NPS fails to bottom line.
  - Rare: Music publishing catalogues of significant scale and quality are scarce.
  - Underutilisation: Sub-scale and under-utilised catalogues have considerable upside to exploit.

- Chrysalis' catalogue lacks the scale of major industry players, but can be well exploited.
  - Chrysalis' publishing business would have significant synergies with EMI's platform.

Source: Broker's estimates

Broker SOTP valuation of Chrysalis music publishing—firm value (£mm)

<table>
<thead>
<tr>
<th>NPS (2001)</th>
<th>FV (£mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.0x</td>
<td>150</td>
</tr>
<tr>
<td>18.0x</td>
<td>155</td>
</tr>
<tr>
<td>17.0x</td>
<td>160</td>
</tr>
<tr>
<td>16.0x</td>
<td>165</td>
</tr>
<tr>
<td>15.0x</td>
<td>170</td>
</tr>
<tr>
<td>14.0x</td>
<td>175</td>
</tr>
</tbody>
</table>

Source: Broker reports

Implied valuation analysis

Chrysalis Music will drive the implied value of Radio

<table>
<thead>
<tr>
<th>FV</th>
<th>Books</th>
<th>Music</th>
<th>Implied Radio</th>
</tr>
</thead>
<tbody>
<tr>
<td>481</td>
<td>20</td>
<td>150-100</td>
<td>240-311</td>
</tr>
</tbody>
</table>

Source: Broker reports, J.P. Morgan estimates. Firm value at 30x acquisition premium.
Music valuation estimates based on 15-20x multiples of 2Q04E NPS.

* Difference between EBITDA O/E and the sum of divisional EBITDA is accounted for by corporate overhead.
A divestiture of music publishing could unlock value for the core radio business

### Implied consolidated group valuation

<table>
<thead>
<tr>
<th>Trading</th>
<th>Premium to current share price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamics</td>
<td>Capital (m$m)</td>
</tr>
<tr>
<td>52w high (Spence)</td>
<td>16.1%</td>
</tr>
<tr>
<td>52w low (Spence)</td>
<td>13.8%</td>
</tr>
<tr>
<td>Market cap (m$m)</td>
<td>314.1</td>
</tr>
<tr>
<td>Net debt (m$m)</td>
<td>38.9</td>
</tr>
<tr>
<td>Minority interests at BV (m$m)</td>
<td>0.1</td>
</tr>
<tr>
<td>FY (m$m)</td>
<td>333.1</td>
</tr>
<tr>
<td>FY/EBITDA 04E</td>
<td>18.2x</td>
</tr>
<tr>
<td>FY/EBITDA 05E</td>
<td>14.5x</td>
</tr>
<tr>
<td>Cash PE 04E</td>
<td>24.2x</td>
</tr>
<tr>
<td>Cash PE 05E</td>
<td>17.2x</td>
</tr>
</tbody>
</table>

### Implied value of radio excluding music

<table>
<thead>
<tr>
<th>Music value (m$m)</th>
<th>EPS 04E</th>
<th>Radio multiples OSE-no synergies</th>
<th>Capital (m$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio P/E EBITDA OSE</td>
<td>15.0</td>
<td>14.7x</td>
<td>21.0</td>
</tr>
<tr>
<td>17.0</td>
<td>17.2x</td>
<td>21.0</td>
<td>7.5x</td>
</tr>
<tr>
<td>20.0</td>
<td>19.6x</td>
<td>21.0</td>
<td>6.3x</td>
</tr>
<tr>
<td>225.0</td>
<td>22.1x</td>
<td>21.0</td>
<td>5.1x</td>
</tr>
</tbody>
</table>

Source: Broker reports, company reports, Datastream as of May 26, 2004 and J.P. Morgan

* Radio EBITDA OSE with no synergies
* Capital FY/EBITDA OSE
Agenda

Music publishing overview ........................................ 1

Review of Chrysalis music publishing ......................... 7

Other music publishing opportunities ....................... 16

Appendix .............................................................. 24
BMG Music Publishing

**Key highlights**

- Third largest global music publisher with over one million song catalogue and 65,000 songwriters
- Strong European popular music catalogue
- Market leader in Italy
- Global leader in production music
- Second largest publisher of classical music
- Ricordi, Edition Salabert and Durand and EMI catalogues
- Largest Christian music publishing catalogue
- Second largest choral music catalogue
- Strong film and TV music library
- Starrsky and Hutch, Kill Bill, 8 Mile, and Avenue B
- Sub-publishing deals with film and TV music creators
- Largest sub-publishing deal with Viacom's Famous Music
- BBC, Granada, ZTV/RTL, Lion's Gate/Tristar Pictures, BBC

**General overview**

- Established in 1987, BMG Music Publishing has grown exponentially organically and acquisitively.
- Over 200 domestic and international acquisitions
- BB King, John Ley Hooker, and Barry Manilow catalogues
- Headquartered in New York with offices in over 31 countries
- BMG Music Publishing management
  - Nicholas Firth, Chairman
  - Andrew Jenkins, Executive Vice President

<table>
<thead>
<tr>
<th>Financials (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2001E</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>% growth</td>
</tr>
</tbody>
</table>

**Catalogue**

- Christina Aguilera
- Coldplay
- BB King
- Annie Lenox
- Robbie Williams
- Peter Townshend
- Enzo Ramazzotti
- Elvis Costello
- Verdi
- Puccini
- Ravel
- Feneon
- Massiani
- Ricordi catalogue [Italy]
- World Music (Belgium)
- Jack White (Germany)
- EMI (Hungary)
- Editions Salabert (France)
- Editions Durand (France)

1 Estimated based on 2001 market share and market size for music publishing

JPMorgan
Famous Music (division of Viacom)

**Business overview**
- Catalogue of over 125,000 copyrights spanning over seven decades
  - Catalogue includes music from hit motion pictures, Love Story, The Godfather, Romeo and Juliet, Forrest Gump, Braveheart, Titanic, Mission Impossible, Tomb Raider, When We Were Soldiers, Vanilla Sky and what women want, and
  - Includes titles from classic television shows such as The Brady Bunch, Cheers, M*A*S*H, Days of Our Lives and Star Trek
- Latin American representation through publishing agreement with Santander Music

**Recent News**
- Currently (as of February 6, 2006) in trial in the United States against Henry Mannini, Johnny Mercer, Ray Evans and Richard Whiting in regards to whether the Manninis, Narmans, Evans and Whiting are entitled to recover tax credits the Famous Music received from foreign taxes

**Management**

**Viacom Management:**
- Sumner Redstone
- Tom Freston and Leslie Moonves
- Richard Bressler

**Chairman and CEO:**
- Richard Bressler

**Co-Presidents and COO:**
- Leslie Moonves

**Famous Music Management:**
- Irwin Z. Robinson
- Va Jellie

**Chairmen and CEO:**
- Irwin Z. Robinson

**President and COO:**
- Va Jellie

**Library**
- Jennifer Lopez
- Destiny's Child
- Toni Braxton
- Whitney Houston
- Boyz II Men
- Bush
- Duke Ellington
- Bjork

- in-a-Gadda-da-Vida
- Yes Sir (I Can Boogie)
- Tia Silvers
- Joe Solo

- Louise
- Isn't It Romantic
- My Love Will Go On
- Mission Impossible: Theme Song
- Braveheart
Carlin America, Inc/Carlin Music Corp.

Key Highlights

- Founded by Freddy Bienstock in 1966 the Carlin catalogue comprises several highly valuable copyrights such as the Elvis Presley Catalogue (including "Love me Tender"), "What a Wonderful World" and Dolly Parton's "I will always love you".

- Headquartered in New York, Carlin America also has offices in Nashville and London and Paris through Carlin Music Corp.

- Having established his reputation at Hill & Range through close relationships with artists such as Elvis Presley, in 1966 Freddy acquired Carlin Music Corp, originally the UK subsidiary of Hill & Range

- Carlin America then quickly expanded through a number of high profile acquisitions and associations including Broadway show catalogues containing Cabaret and Fielder on the Roof as well as deals with The Kinks, The Animals, and Cliff Richard.

- In 1985, the Carlin America management team acquired the then Chappell & Co operation from Polygram for $100m and sold the business two years later to Warner Communications for $250m.

Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Officers</th>
<th>Board</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freddy Bienstock</td>
<td>President and Treasurer</td>
<td>Chairman</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Caroline Bienstock</td>
<td>Vice President and Secretary</td>
<td>Director</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Robert Bienstock</td>
<td>Vice President and Assistant Secretary</td>
<td>Director</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>David Jupp</td>
<td>Director</td>
<td>Director</td>
<td>Chief Executive Officer of Carlin Music Corp</td>
</tr>
</tbody>
</table>

Key catalogues and copyrights

- Dolly Parton
  - I will always love you
  - 9 to 5
  - Jolene
- The Kinks
  - Days
  - Sunny afternoon
  - Lola
- The Larks/Port Knox/TM
  - Fever
  - It's In His Kiss
  - Under the Boardwalk
  - I get the sweetest feeling
  - What a wonderful world
  - I got you (I feel good)
- Edward B. Marks Music Co
  - Seasons in the Sun
  - Jim Steinman—Meatloaf songs including Bat out of Hell
- Hill & Range
  - Save the last dance for me
  - Sweets for my sweet
  - La Bandita
- Redwood
  - As Time Goes By
  - Are you lonesome tonight
  - Blueberry Hill
- Gladys Presley
  - Can't help falling in love
  - Love me tender
  - All shook up
Peer music

Key highlights

- Catalogue of over 300,000 songs, particularly in the fields of country and Latin music.
- 35 offices in 27 countries
- In August 1927, Ralph Peer (1892–1946) helped launch the modern country music industry when he supervised, for Victor Records, the first recordings by future superstars Jimmie Rodgers and The Carter Family. Instead of being paid in money, Victor allowed Peer to take the publishing rights for any original songs he recorded on the trip. These were the copyrights that formed the basis for peer music founded in 1928 as Southern Music.

Recent news

- Recently acquired US rights to Hoagy Carmichael catalogue
- Peermusic catalogue provided six songs for the "O Brother, Where Art Thou?" soundtrack

Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ralph Peer Jr</td>
<td>Chairman and CEO</td>
</tr>
<tr>
<td>Kathy Spimbarger</td>
<td>President</td>
</tr>
<tr>
<td>Ramin Arashian</td>
<td>VP of Latin Operations</td>
</tr>
<tr>
<td>Kevin Lamb</td>
<td>VP of Peermusic/Nashville</td>
</tr>
<tr>
<td>David Foster</td>
<td>Stewart Harris - angels in waiting</td>
</tr>
<tr>
<td>Kevin Rodgers</td>
<td>Sony/Universal Senior Talent</td>
</tr>
</tbody>
</table>

Library

<table>
<thead>
<tr>
<th>Catalogue</th>
<th>Frank Sinatra</th>
<th>Harry Belafonte</th>
<th>Guy Lombardo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean Martin</td>
<td>Matt Monro</td>
<td>Jetty Lopez</td>
<td></td>
</tr>
<tr>
<td>The Carter Family</td>
<td>Bing Crosby</td>
<td>Whitney Houston</td>
<td></td>
</tr>
<tr>
<td>Floyd Tillman</td>
<td>Bing Crosby</td>
<td>Ray Charles</td>
<td></td>
</tr>
<tr>
<td>Lefty Frizzell</td>
<td>Harry Belafonte</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agustin Lara</td>
<td>William Nelson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>~Noche de Ronda, Granada, Saludame Una Vez</td>
<td>Gersh Brooks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matt Lauret</td>
<td>Ray George</td>
<td>Louis Armstrong</td>
<td></td>
</tr>
<tr>
<td>Robert Ellis Orrall</td>
<td>Herman's Hermits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rick Carnes</td>
<td>The Hitmen Brothers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Josh Groban</td>
<td>Rod Stewart</td>
<td>Michael Bolton</td>
<td></td>
</tr>
<tr>
<td>Elvis Presley</td>
<td>Julio Iglesias</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buddy Holly</td>
<td>Sergio Mendes &amp; Brasil's *60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jerry Lee Lewis</td>
<td>Don Armat</td>
<td>Hoagy Carmichael</td>
<td></td>
</tr>
</tbody>
</table>

Latin American

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Banda</th>
<th>Amor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Besame Mucho</td>
<td>Guadalajara</td>
<td>(Love me With All Your Heart)</td>
</tr>
<tr>
<td>Brasil</td>
<td>Bajo</td>
<td>Granada</td>
</tr>
<tr>
<td>Mas Que Hasta</td>
<td>Co Co</td>
<td>Silencio Una Vez</td>
</tr>
</tbody>
</table>

Sangre

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Foster</td>
<td>Friends</td>
</tr>
<tr>
<td>The Simpsons</td>
<td>Y Tu Mama Tambien</td>
</tr>
<tr>
<td>The Sopranos</td>
<td>The Life of David Gale</td>
</tr>
<tr>
<td></td>
<td>O Brother, Where Art Thou</td>
</tr>
</tbody>
</table>
### Music Sales Group
An international family of music publishing companies.

**Business Overview**
- Catalogue of over 200,000 titles
- International organisation based in London with numerous music activities
- International headquarters in the UK with offices in Australia, Denmark, France, Germany, Japan, Spain and in the US in New York, Pennsylvania and California

**Management**
- Robert Wise: Chairman and Managing Director
- Chris Butler: Chief Operating Officer
- Malcolm Grabham: Finance Director

### Bug Music
**Business Overview**
- Catalogue of 40,000 titles
- Founded in 1973 by Dan Bourgeois specifically to recover Mr. Del Shannon's lost copyrights
- Joined by Fred Bourgeois in 1976
- US offices in: LA, films; Nashville, country; and, New York, commercial placement
- Nashville office opened in 1986 by Gary Vellatri
- International offices in London and Munich

**Management**
- Dan Bourgeois: Founder and Chairman
- Gary Vellatri: Founder and Head of Nashville office
- Laura Clair: Licensing Administrator

- Iggy Pop
- Rosanne Cash
- T-Bone Burnett
- Los Lobos
- Muddy Waters
- Johnny Cash
- Johnny Ola
- Del Shannon
- The Byrds
Cherry Lane Music

Business Overview
- Founded in 1960 by the legendary producer Milton Okun, Cherry Lane Music Publishing is the largest division in Cherry Lane Music
- Headquartered in New York City and wholly owned by companies in England, France, Holland, and Canada
- Approximately 10 employees
- In January 2003, formed a joint venture with Tu Casa Entertainment called Cherry Casa specifically to attract and sign Latin Songwriters
- Movie Credits Include: Shrek, The Passion of the Christ and Gladiator

Management
- Founder: Peter Prinont
- President and CEO as of 1990: Alia Gurwicz
- EVP Sales, Joining in 1990 as SVP: Dan Liebstein
- CFO, joined in 1985: Paul Zaza

Business Overview
- Over 25,000 song catalogue
- JPL Communications Inc. in New York and JPL Communications Ltd. in London established by Paul McCartney shortly after break-up of the Beatles
- Acquired catalogues include Non-Va-Jak, Desulu Music Corp., Arko Music Corp., Barwin Music Co., Inc., Claridge Music Company, Edwin H. Morris & Company, and Frank Music Corp. among numerous others
- Mechanical Licensing handled through Harry Fox Agency
### Other Independent Music Publishing Labels

<table>
<thead>
<tr>
<th>Company</th>
<th>Management</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Kobalt  | William Andris, CEO & Founder of Kobalt, Johan Ekland, Managing Director of Kobalt, Sam McAuliffe, Creative Director of Kobalt, Mark Jenkins, President, Harris Sterling, Senior Vice President, Strategic Marketing | - Independent Music Publisher offering global creative and administrative services to writers, publishers, and other publishing rights holders  
- Divided into Kobalt Music Services (KMS) and Kobalt  
- KMS is the IT software sold to clients for royalty collection and administrative rights  
- Kobalt is the Music Publishing Division headquartered in London with offices in Sweden, France and the USA  
- KMS clients include Sanctuary Music Publishing, All-Edel, B-autique Music, Noel Hogan, BG Music  
- Independent music company and distribution label separated into Sports Music, Special Products, Latino, Kids, Special Markets (SGM), Christian Music Group, Label Group, Entertainment Interactive and Home  
- SGM licenses songs/music to clients, including Seagren, Kellogg's, Nabisco, Sports Illustrated  
- SGM owns Countdown Music and 104 Strings which can offer 100,000 owned and/or controlled recording masters  
- SGM involved in licensing music in films as well as TV shows |
| EMI Classics | Deke Nicholson, CEO & President of EMI Classics | - A diversified international music group specializing in the ownership and commercial exploitation of Intellectual Property Rights  
- Owner of one of the world’s largest independent recorded music catalogues with over 150,000 tracks  
- Partnership with BMG developing strategic alliances in recorded music catalogues. BMG is Sanctuary’s worldwide distributor  
- Aim to increase Music Publishing presence and have used recent fund raising to start acquiring catalogues  
- Recently acquired 15,000 song country catalogue  
- Music publishing activities through Music Publishing division and Air Edel  
- Air Edel represents artists solely dedicated to Film scores |
| BMG | | - One of the leading independent music companies in the US with operations in record and video labels and distribution companies  
- Maker: Koch Distribution, Koch Canada, Koch Records, Koch Vision, Koch Lorber Films; and, Koch Publishing  
- Sold European recorded and music publishing to Universal Music International in February 2003  
- Currently looking to expand publishing arm via direct writer signings and catalog acquisitions  
- Pan-European independent record company and service provider for the music industry  
- EMI sold a majority of its Music Publishing interests in Play It Again Sam, RED Distribution Inc., and Eagle Rock Entertainment to Warner Music Group in February 2002  
- Current Music Publishing activities confined to passive exploitation of copyrights that continue to exist in the remaining publishing companies: edel publishing GmbH; edel publishing Germany GmbH; edel Publishing Ltd.; Great Britain edel-songs Publishing Scandinavia AB, Sweden; and, edel music publishing AB, Sweden |
| Sony BMG | | |
Warner Chapell overview

**Key highlights**

- Catalogue of over one million songs
- Owns Warner Bros. Publications, the world’s largest publisher of printed music
- 36 offices around the world with over 1,000 employees
- Warner acquired Chapell in 1987 for $250mm, forming one of the top tier music publishers
- The focus of the company has been on increasing share of local repertoire by signing local writers and composers and purchasing local publishing companies
- Expansion into Central and Eastern Europe has positioned Warner Chapell as the leading music publisher in the Czech Republic and the number two in Poland and Russia

**Management**

- Les Bidle, Chairman and CEO
- Ira Pianko, CEO/CFO
- Rick Shoemaker, President and Morganstern

**Catalogue**

- Happy Birthday
- Rhapsody in Blue
- Winter Wonderland
- Ain’t Misbehavin’
- 42nd Street
- I Only Have Eyes for You
- Happy Days are Here Again
- Works by Cole Porter and George and Ira Gershwin
- Ray Charles
- Led Zeppelin
- Madonna
- Aretha Franklin
- Bob Dylan
- Eric Clapton
- Aaliyah
- Ace of Base

**General overview**

- Warner/Chappell Music is the publishing division of Warner Music Group
- 36 offices around the world with over 1,000 employees
- Warner Bros. Publications is the world’s largest publisher of printed music as a subsidiary
- Catalog composed of over one million songs and 65,000 songwriters
- In 1987, Warner Music acquired Chapell Music for $250mm
- Expansion into Central and Eastern Europe has positioned WC as the leading music publisher in the Czech Republic and the number two in Poland and Russia
- Administers the music of several television and film companies, including Lucasfilm, Ltd. and Hallmark Entertainment

**Financials (US$mm)**

<table>
<thead>
<tr>
<th></th>
<th>2001A</th>
<th>2002A</th>
<th>2003A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>547</td>
<td>563</td>
<td>563</td>
</tr>
<tr>
<td>% growth</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>107</td>
<td>93</td>
<td>110</td>
</tr>
<tr>
<td>% margin</td>
<td>19.1%</td>
<td>16.3%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

**Key stars in catalogue**
Universal Music Publishing Group (UMPG)

Key Highlights:
- UMPG catalogue comprised of over one million copyrights.
- UMPG acquired 40,000 song catalogue of Motown classic Round Music.
- Owns or administers numerous other catalogues including Def Jam/AEG:
  - Interscope; All Nations Music; Prince; Forerunner Music; and, Epitaph.
- Technological and administrative strengths:
  - Ability to collect and administer copyrights in emerging markets.
  - Electronic worldwide song circulation and society registration.
  - Centralised song database.
- Additional sub-publishing for independent music publishers and artists.

General Overview:
- One of the largest global music publishers.
- Offices in 41 countries.
- UMPG recently acquired the administrative rights of Paul Simon music outside North America.
  - UMPG will represent him worldwide for synchronization licensing for Motion Pictures, TV, advertising and other mediums.
- UMPG Management:
  David Renzer, Worldwide President.
  Michael Satinuk, EVP and CFO.

Catalogue:

- 'I will survive'
- 'That can't impress me much'
- 'Beautiful day'
- 'Born to be wild'
- 'Candle in the Wind'
- 'Magic Carpet Ride'
- 'Strangers in the Night'

- Frank Sinatra
- Beach Boys
- B.B. King
- ABBA
- Fred Astaire
- Bon Jovi

- Billie Holiday
- Otis Redding
- Tom Petty
- Isaac Hayes

* Based on broker consensus estimates.
* Based on broker SOP valuation of Vivendi Universal.
Sony/ATV

**Business Overview**

- Joint venture between Sony and Michael Jackson's ATV
- Reported as fifth largest music publisher
- Catalogue of over 240,000 income generating songs
  Approximately 340 Beatles' songs
  Michael Jackson purchased the Northern Catalogue in 1984 for between £50 and £70m
- Estimated 4PS of 362mm and 368mm respectively in 1997 and 1998
- Reported to have been valued at approximately £921m in 1999
- Joint venture between Sony Music entertainment and Michael Jackson set up in 1995
- Offices in over 40 countries
- One of the largest global country catalogues through the Tree catalogue

**Management**

- David Hackman, Chairman and CEO
- Kathy Coleman, VP Film, TV, Advertisement in New York
- Jonathan Palmer, Director, Film and TV in New York

**Recent News**

- Rumours regarding Michael Jackson's state of personal finances have led people to believe that he may be willing to sell parts of the Beatles collection
- Rumours regarding the strenuous relationship between Michael Jackson and Sony Music, specifically relating to Sony dropping him as a recording artist after his Number One Hits album

**Library**

- Beatles
- Bob Dylan
- Dylly's Child
- The Fugac
- Dalyface
- Wyefil Joan
- Sarah McLachlan
- Nile Rogers

- Babyface
- Cyndi Lauper
- Marilah Carey
- Lauryn Hill

- Like A Rolling Stone
- Hey Jude
- Sgt. Peppers Lonely Hearts Club Band
- Killing me Softly with his song
- Rock around the clock

**Appendix**

CO04031237
## Selected Music publishing transactions

<table>
<thead>
<tr>
<th>Year</th>
<th>Buyer</th>
<th>Seller</th>
<th>Asset</th>
<th>(US$)</th>
<th>NPS multiple</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>EMI</td>
<td>B. Gandy</td>
<td>Jobete Music (20%)</td>
<td>80</td>
<td>N/A</td>
<td>All cash offer for remaining 20% stake</td>
</tr>
<tr>
<td>2003</td>
<td>EMI</td>
<td>B. Gandy</td>
<td>Jobete Music</td>
<td>110</td>
<td>N/A</td>
<td>All cash offer made for additional 30% of company following 1997 purchase</td>
</tr>
<tr>
<td>2003</td>
<td>Classic Copyright</td>
<td>Boosey &amp; Hawkes</td>
<td>Boosey &amp; Hawkes catalog</td>
<td>64</td>
<td>N/A</td>
<td>All cash offer outbidding Regent Street Music in a competitive process</td>
</tr>
<tr>
<td>2003</td>
<td>Windswept Holdings</td>
<td>Leiber &amp; Stoller</td>
<td>Trio Quartet Catalog</td>
<td>66</td>
<td>18x</td>
<td>Acquired catalog of over 20,000 titles, including &quot;What a wonderful world&quot; and &quot;Fever&quot;</td>
</tr>
<tr>
<td>2002</td>
<td>Sony/ATP</td>
<td>Gaylord Ent.</td>
<td>Acuff-Rose</td>
<td>157</td>
<td>18x</td>
<td>All Cash offer for 55,000 strong country music catalogue</td>
</tr>
<tr>
<td>2000</td>
<td>Vivendi</td>
<td>Alpert/Moss</td>
<td>Rondor Music</td>
<td>230</td>
<td>18x</td>
<td>Seagram acquired Rondor. Vivendi subsequently acquired Seagram and Rondor</td>
</tr>
<tr>
<td>1999</td>
<td>EMI</td>
<td>Windswept Pacific</td>
<td>Selected Titles</td>
<td>200</td>
<td>16x</td>
<td>Cash offer for over 40,000 songs of Windswept catalogue</td>
</tr>
<tr>
<td>1997</td>
<td>EMI</td>
<td>B. Gandy</td>
<td>Jobete Music</td>
<td>132</td>
<td>N/A</td>
<td>All cash offer made for 50% of Motown publisher</td>
</tr>
<tr>
<td>1990</td>
<td>EMI</td>
<td>Filmtrax</td>
<td>Filmtrax Pub</td>
<td>115</td>
<td>N/A</td>
<td>Acquired film music catalogue</td>
</tr>
<tr>
<td>1990</td>
<td>EMI</td>
<td>SBK Entertainment</td>
<td>CBS Songs</td>
<td>296</td>
<td>N/A</td>
<td>Purchased CBS/April catalogue and United Artists film music catalogue</td>
</tr>
</tbody>
</table>

Source: Broker reports, PricewaterhouseCoopers
1. Sony Introduction

2. Sony/ATV Presentation

3. Board Approval

   a) Music Publishing Basics
   b) Sony/ATV Overview
   c) Industry Overview
   d) Sony/ATV Artist/Writer Portfolio
   e) Current Year Highlights (FYE March 2007)
   f) Key Strategic Initiatives
   g) Key Takeaways
5. Further industry potential to be realized

4. New revenue streams emerging - digital and non-digital

3. Music publishing companies are better positioned than record labels, strategically.

2. Stable, high margin cash flows

1. Economic foundation is the exploitation of intellectual property
COPYRIGHT LAW IS CRITICAL

DIVERSITY OF EXPLOITATION
- Grand Rights/Broadway Shows/Other Theater
- Print
- Merchandising
- Films, TV, Commercial Advertisements (TV, Radio, Websites)
- Synchronization (Temporal Relation of Music and Visual)
- Public Performance: Radio, Concerts, Streaming Digital
- Reproduction (Mechanical): CDs, Digital Downloads

Publishers' EXPLOIT RIGHTS
- Administration - Short-Term Catalog Deals
- New Talent Deals - Writers, Artists, Producers
- Acquisition of Established Catalog

Publishers' Acquire Rights
- Copyright in the Words and Music ... not Master

Now About Music Publishing
Mechanical Royalty Flow: Revenue

Writer → Music Publisher

$0.91/ Song

Online Stores

Companiess

Record Companies

Royalty Income: Mechanical Income

Approximately 44% of a music publisher's revenue
Royalty Flow: Performance Income

- Writer
- Writers Share
- ASCAP/BMI
- SESAC
- Songwriter's Share
- Publisher's Share
- Stations
  - Radio/TV
  - Agreed Fee
  - Contingently

Performance: Approximately 36% of a music publisher's revenue
Royalty Flow: Synchron Income

Writer

Music Publisher

Royalty

Licensees

Other

Production

Film/TV

One-Time Fee

Advertiser

Synchronization: Approximately 16% of a music publisher's revenue.
- What is Copyright?
- Who Owns Copyright?
- Is Copyright Exclusive?
- Is Copyright Perpetual?
<table>
<thead>
<tr>
<th>Target Criteria:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deals</strong></td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td>Potential upside from catalog purchase opportunities</td>
</tr>
<tr>
<td>Retention of rights until recoupment possible</td>
</tr>
<tr>
<td>Minimum 90/10 Revenue split (20% on such deals)</td>
</tr>
<tr>
<td>Steady, predictable revenue stream</td>
</tr>
</tbody>
</table>

| **Deals** |
| Writer |
| Target Return on Investment: 12 – 20% after tax |
| 1-3 Year Recoupment of Advance |
| Life of copyright or Minimum 10-20 Year Retention |
| Better Revenue splits (75/25 to 100-0) |
| Genre Penetration |
| The "next big hit", performance & such opportunities |

| **Acquisitions** |
| Catalog |
| Target Return on Investment: 5 - 10% after tax |
| High synergies and Resisue opportunities (underexploited) |
| Genre Penetration |
| Favorable margins |
| Steady, predictable revenue stream |
Sony/ATV Music Publishing

- 1995: Sony/ATV Joint Venture
- 1990 - 1996: SMP builds catalog
- International affiliates
- 1990: SMP establishes catalog
- 1996: SMP purchases Tree Country

Northern Songs

- 1986: Michael Jackson buys
- 1969: ATV buys Northern Songs
- 1966: Northern Songs public
- 1960s: Beatles members form Northern Songs/ATV
- Wholly-owned affiliates in 25 countries
- US offices in NY, LA, Nashville, Miami
- Global Administration in Nashville
- Headquartered in NY
- Locations
- Employees: 284
- Market Share: 7.4%
- Net Publisher Share (forecast year ending 3/31/07)
- Approximately 500,000 copyrights
- Joint Venture: Sony Music and Michael Jackson
- 2006: Richie Sambora (Bon Jovi)
  - Christmas Song
- 2003: Wheel of Fortune/Leopardy
- 2002: Heart (Len Freddman)
  - Acuff Rose (Hank Williams, Roy Orbison)
  - Webb IV (Piece of My Heart, Twist and Shout)
- 1999: Maypop (Alabama)
  - Promised You a Rose Garden
- 1999: Lowery (Games People Play, I Never)
- 1996: Leonard Cohen (Bird on a Wire, Hallelujah)
- 1995: Fisher (Second Hand Rose, Chicago, Chicago)
  - Family
- 1995: Nile Rodgers (Good Times, Le Freak, We Are)
  - I Drore All Night
- 1992: Kellie/Steinberg (True Colors, Like a Virgin)
- 1992: Randy Bachman (Takin' Care of Business)
Canada, Australia, South Africa
Latin America - Brazil, Mexico, Colombia, Argentina, Chile
Asia - Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand
Europe - UK, France, Germany, Italy, Holland, Spain, Sweden, Russia
US - NY, LA, Nashville, Miami

Over 50% of revenue collected is from outside the U.S.
Sony/ATV Overview: Organization Chart by Function
Facility in Nashville
- Low employee turnover, low cost, owned
- Centralized, worldwide hub in Nashville
  - Industry leader in administration
  - Supervisors, advertisers
  - Intimate, personal attention to writers, music
  - Global presence
    - 1970's, singer-songwriters
    - 1960's, pop, Beatles, Kinks, Manilow
    - 1920's - 1940's, popular music
    - Market leader in Country Music
- Breadth of catalog
Industry Overview
2006 Competitor Market Share

- EMI: 19.5%
- Warner: 29.6%
- Sony ATV: 4.0%
- BMG: 12.5%
- Other: 29.6%
- Sony/Zomba: 6.0%

1997
Source: Composite Estimates

Music Publishing Market Growth Assumptions

Fiscal Year Ending March 31,

2005A 2006A 2007 2008 2009 2010

$3,695 $3,800 $3,900 $3,954 $4,045 $4,155

Annual Growth 2.1% Forecasted
Fiscal Year Ending March 31

2007

Total 44%

Mechanicals

$3,900

Other

59%

4.9% Annual Increase

Performance

Digital 12%

4.1%

8.8% Annual Decline

Physical

38% Annual Increase

Publishing Revenue by Market Segment

FYE 2007 - FYE 2010

Revenue: continue to decline as a % of total
Mechanicals (physical and digital)
<table>
<thead>
<tr>
<th>Key Artists/Writer Portfolio Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International</strong></td>
</tr>
<tr>
<td>Della Goodrum</td>
</tr>
<tr>
<td>Kasey Chambers</td>
</tr>
<tr>
<td>Roberto Llano</td>
</tr>
<tr>
<td>Raseknight</td>
</tr>
<tr>
<td>Chelsea Kravetzuk</td>
</tr>
<tr>
<td>Esterlina</td>
</tr>
<tr>
<td>Kyro</td>
</tr>
<tr>
<td>Oasis</td>
</tr>
<tr>
<td>Wayne Hector</td>
</tr>
<tr>
<td>Ricardo Arjona</td>
</tr>
<tr>
<td>Roberto Carlos</td>
</tr>
<tr>
<td>La Casa de Van Ghana</td>
</tr>
<tr>
<td>Frank Farian</td>
</tr>
<tr>
<td>Sade</td>
</tr>
<tr>
<td>KT Tunstall</td>
</tr>
</tbody>
</table>

| **R&B/Hip-Hop**                      |
| Trackmasters                        |
| Javon James                         |
| Ray Cash                            |
| Maxwell                             |
| Wyclef Jean                         |
| Rick Ross                           |
| Lyle Jennings                       |
| Babyface                            |
| Meli Martinez                       |
| Fugees                              |
| Tash                              |

| **Country**                         |
| Wangana McKenzie                    |
| Faith Hill                          |
| Roy Obison                          |
| Rodney Crowell                      |
| Melanie Haggard                     |
| Tim McGraw                          |
| George Stril                         |
| Brooks Dun                         |
| The Weekenders                      |
| Kenny Cheesney                      |

| **Pop**                             |
| Crosby, Stills & Nash                |
| Kinks                               |
| Bon Jovi                            |
| Severe Nicks                        |
| Sara Melachrion                     |
| Dave Anthony                        |
| Cindi Leaper                        |
| John Mayer                          |
| Delilah's Child                     |
| John McMullar                       |
| Billy Mann                          |
| Fall Out Boy                        |
| Beedle                             |
| System Of A Down                    |
| Pearl Jam                           |
| Deck                                |
| Beadles                             |
Recent Releases Making an Impact

- Over 2 million units sold outside the U.S.
  - Album released in November.
- The soundtrack to the Cirque du Soleil show "Love" was released.

The Beatles
- 3.0 million units
- "Hey Jude" and "Yellow Submarine" successes.

Pink
- 3.0 million units
- "This Isn't a Scene" chart success.

Kate Meia
- 3.0 million units
- "Let's Be Friends" download success.

Bon Jovi
- 3.0 million units
- "It's My Life" chart success.

Kt Tunstall
- 3.0 million units
- "Addicted to Speed" download success.

Fall Out Boy
- 3.0 million units
- "Thnks fr th Mmrs" album success.
• Sold over 1 million singles.

• Billboard Hot 100 placed

• Album: When There’s Nothing Left to Lose

• One of the premier single songwriters in Latin America, known for

• UK #1 Album in the 4th quarter

• Greatest Hits album selling strongly in Europe

• Single: English Breakthrough Act

• Defendant album: Undiscovered. To be released in the US release in

• 20: The new single "Child's Dream" is on deck and building.

• His third studio album.Columbia has been a strong seller and the

Recent Releases Making an Impact
<table>
<thead>
<tr>
<th>Advertising</th>
<th>Released</th>
<th>Just</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum exposure as the theme for Chevrolet in major television</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billboard album charts, now the lead single &quot;Our Country&quot; has reached #5 on the</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hot AC</strong></td>
<td><strong>Units</strong></td>
<td>300'000</td>
</tr>
<tr>
<td>Completions. This single &quot;Confidence&quot; was #2 in the pop and top 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Featured on both the NOW 22 and NOW 23 multi-platform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The debut album for this 16 year old artist has songs were</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Units</strong></td>
<td>350'000</td>
<td></td>
</tr>
<tr>
<td>Their second album, &quot;The Sufferer and The Witness&quot; continues to</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Units</strong></td>
<td>500'000</td>
<td></td>
</tr>
<tr>
<td>The sophomore release of this artist spawned a number one urban</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Units</strong></td>
<td>700'000</td>
<td></td>
</tr>
<tr>
<td>Touring with Keith Urban in the spring. They are approaching 700'000 units. They will be</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Units</strong></td>
<td>800'000</td>
<td></td>
</tr>
<tr>
<td>The current single &quot;Thinkin' 'Bout Love&quot; is currently climbing the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>alternative charts. The new album &quot;Leaves the Pieces&quot; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
And now • Elliott Yamin

Mario Vazquez - Callery
Paula DeAnda - Walk Away (Remember Me)
Beyoncé - Irreplaceable
Rihanna - Unfaithful
Ne-Yo - Sexy Love and So Sick

Hit songs for:

Mikkel S. Eriksen of 'Stargate'
Recent Awards

Latin Grammy Awards
- 24 Nominations
- Winners: La Oreja de Van Gogh
- Olga Tanon
- Gilberto Santa Rosa
- Shakira
- Ricardo Arjona

Country Music Awards
- 20 Nominations
- Winners: Rascal Flatts
- Brooks & Dunn

Brit Awards
- 11 Nominations
- Winners: James Morrison
- Gary Barlow
- Oasis

Grammy Awards
- 27 Nominations
- Winners: John Mayer
- Brett James
Current Year Highlights (FYE March 2007)
Spring on International Records:
- "Take One" - Produced 2 songs for Young Buck's new album coming this year.
- "Gangsta's Paradise" - Produced 2 songs on the album's lead single.
- "Lose Control" - Released the album, sold 1.2 million units.
- 3000 songs on new Def Jam artists' CDs.
- 2 songs on new Marlo album.
R.K. Ross - Over 1 million units, certified gold shipments.

Renewed Urban Focus

Results

Beginning to Show

Recorded Music Projects

On Schedule

Revenue from Cirque du Soleil Las Vegas show averaging over 750K per week.

Revenues for BG & Universal are forecasted to increase by 85% last year.

Syncronization Deals

Successful Year for the Company

Revenue of the UK Company

Performance Income

Increased Hits Fueling

Increased Hits Fueling

FYE March 2007 Highlights
"Best in Class" Global Administration

Control costs and continue to explore cost savings opportunities.

And changing demographics.

AGR investment focused towards key genres.

Music Revenue.

Stream, less dependence on recorded revenue.

Pursue new music markets and revenue through new digital and on-line models.

Continue to grow core business.

Sony/ATV Growth Strategy
FYE March 2008 Initiatives

- **New Royalty System Live**
  - By June 2008

- **Markets**
  - Invest in Foreign

- **Build New Business**
  - Beyond the Core

- **Catalog Acquisitions**
  - Continue to pursue

- **Business**
  - Share in Core

- **Increased Market**

- **Merchandising Business**
  - Renewed effort and focus (clothing, toys)

- **Eastern Europe**
  - Poland performing above expectations.

- **Two Locations**
  - Shanghai and Beijing.

- **Budgeted Revenue**
  - Over $1 million.

- **Company officially opened in China - government approval received.**

- **Acquisitions**
  - 3-4 projects planned for FY09.

- **Marc Bolan (UK)**

- **Vince Ross (L.A.)**

- **Jeanne Kluaz (France)**

- **Lieber Stoller**

- **Potential interest from Warner Chappell (back office venture?**)

- **Integration**
  - EMI - no apparent plans.

- **Ahead of the Competition**
  - Warner: little investment; Universal: focus on

- **Ahead of Schedule and under budget.**

- **Increase Digital deals - direct licensing with new websites - YouTube, MTV, Label**

- **Consultants for Europe**
  - Continued success of US Synch team - volume of deals up. Strategic marketing

- **Focus on key segments - US Latin, Hip Hop, Pop, Pursuing high profile producers.

- **Aggressively new label signings - additional spending on new writers.**
Music Business Model
Sony/ATV - A Different Spin on the Recorded
Elliot Yamin

New Business – Recorded Music Masters

100K?
Projected first week Soundscan: 75 –
America, Monte Williams
Kelly, Jimmy Kimmel, Good Morning
Lined up for appearances on Regis and

Best Buy

Target

Wal-Mart

Strong interest from

Initial orders of 160K – 200K units
In store release March 20
Digital single to iTunes February 24th
Finished master February 20th
AOL First Listen February 9th
Key Takeaways

Sony ATV

...
Agenda

1. Music Publishing Basics
   Income Streams, Copyright Basics, Principal Functions

2. Sony/ATV Overview
   Company History, Organization Structure, Catalog Strategy

3. Sony/ATV F'2006 Results and F'2007 Budget

4. Other Matters
   Pending Litigation, Approval Procedures

5. Excess Cash Flow Payment Priorities, Option Price Calculation
   and Operating Agreement Restructuring Planning (SCA Corporate)
Publishing Basics: The Fundamentals

The 5 Things You Need to Know About Music Publishing

1. Copyright in the WORDS and MUSIC ... not Master Recording

2. Publishers ACQUIRE Rights
   - Acquisition of Established Catalog
   - New Talent Deals – Writers, Artists, Producers
   - Administration – Short-Term Catalog Deals

3. Publishers EXPLOIT Rights
   - Reproduction (Mechanical): CDs, Digital Downloads
   - Public Performance: Radio, Concerts, Streaming Digital
   - Synchronization (Timed Relation of Music and Visual)
     - Films, TV, Commercial Advertisements (TV, Radio, Websites)
   - Merchandising
   - Print
   - Grand Rights/Broadway Shows/Other Theater

4. DIVERSITY OF EXPLOITATION

5. COPYRIGHT LAW is critical
Publishing Basics: The Income Streams

Mechanical Reproduction: approx 47% of a music publisher’s revenue
Publishing Basics: The Income Streams

Performance: approx 35% of a music publisher's revenue
Publishing Basics: The Income Streams

Synchronization: approx 14% of a music publisher's revenue
Publishing Basics: The Income Streams

"Other" Exploitations: approx 4% of a music publisher's revenue
Royalty Flow: Mechanical Income

75/25 Co - Pub Deal

Music Publisher → Writer

Harry Fox

100%
(less commissions)

$0.01/second

Record Companies

CONFIDENTIAL
Royalty Flow: Performance Income
75/25 Co - Pub Deal

Music Publisher

50% Co-Pub Share

Writer

ASCAP/BMI
SESAC

50% Writer’s Share

50% Publisher’s Share

Contractually Agreed Fee

Radio/TV Stations

CONFIDENTIAL
Royalty Flow: Synch Income
75/25 Co - Pub Deal

100%
(less commissions)

Music Publisher

75% royalty

Ad Agency/Film Company

Writer

CONFIDENTIAL
Publishing Basics: Copyright Law Basics

- What is Copyright?
  - Original authorship
  - Infinitely divisible

- Who Owns Copyright?
  - Transferability of Copyrights
  - Ownership vs. Administration
  - Writer's Share vs. Publisher's Share
  - Downstream Arrangements: sale, co-publishing, administration

- Is Copyright Exclusive?
  - Generally yes, but....
  - Exceptions e.g. Compulsory Mechanical
  - Current Debate about "Gate-Keeper"

- Is Copyright Perpetual?
  - The Term of Copyright
  - Reversions and Recaptures
The Principal Functions of a Music Publisher

Acquire Rights
Investment Strategy, Types of Deals, Creative Considerations, ROI

Administer Rights
Copyright Registration, Collection Societies

Exploit Rights
Licensing, Marketing, Income Streams

Royalty Processing and Accounting
Royalty Collection and Payment, Cash Flow Cycle
Copyright Administration Basics

- Contract Database - Executed writer contract is entered into centralized Contract Summary Database
- Song Delivery - Song data entered into Royalty System
- Song Registration - Register songs with collection societies around the world ("Common Works Registration")
- Role of Collection Societies
Licensing and Exploitation

- **Mechanical**: Physical (CDs), Ring Tones and Digital ("DPDs" such as iTunes)
  - Subject to compulsory licensing in certain circumstances
  - Rates: $0.091/song U.S.; 9.0% of wholesale price in Europe ($0.09-0.10/track)
  - Collection Societies issue licenses and collect royalties labels/e-tailers

- **Public Performance**: Radio, TV, Concert, Streams, Public Venues
  - Collection Societies - ASCAP and BMI annual licenses with U.S. broadcasters of approximately $200 million each
  - Rates - ASCAP pays publishers up to $2.00 for each hit pop song radio performance
  - Writer's and Publisher's shares segregated
  - Film & TV administration and production libraries

- **Synchronization**: Film, TV, Commercials, Videos, Digital Videos, Video Games
  - Direct relationships and negotiation of fees by publishers with music users such as ad agencies, film & TV studios, video game companies, music supervisors and producers
  - Fees depend on quality of work, nature of use, recognizability of a song, rights sought
Royalty Processing and Accounting

- **Revenue Tracking**
  - Publishers must ensure they are paid properly - Run various reports/Analyses.

- **Royalty Processing and Accounting to Writers**
  - Most Publishers utilize processing hubs - Sony/ATV completely centralized in Nashville, Tenn.
  - Local affiliate publishing companies receive payment and statements from collection societies. Send to central processing center.
  - Most publishers process royalties twice per year (some writers quarterly). Royalty statements printed centrally sent to local affiliates. Affiliates mail statement and accompanying royalty check (if recouped).
Music Publishing - Typical Cash Flow Cycle

- Royalties generally processed twice per year (September, March)
- Can take as long as 15 months to credit a writer's account for revenue collected today

<table>
<thead>
<tr>
<th>1st Half 06</th>
<th>2nd Half 06</th>
<th>1st Half 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 06</td>
<td>Sep 06</td>
<td>Mar 07</td>
</tr>
<tr>
<td>Mar 06</td>
<td>Oct 06</td>
<td>Jun 07</td>
</tr>
</tbody>
</table>

- Jan '06
  - MCP8 pays UK company royalty for song composed by US writer
- Sep '06
  - UK Company pays intercompany royalty to the US company
- Mar '07
  - US Credits/Pays all US writers for royalties collected in the US during 2nd Half 06

CONFIDENTIAL
Music Publishing
Sony/ATV Accounting Policies

- Revenue Recognition - Cash Basis - revenue is recognized when cash is received.
- Expense Accruals - When revenue is collected royalty expense is accrued based on historical rates (with 'true-up' twice per year).
- Foreign Affiliates Matrix Agreement - Most Publishers utilize an intercompany matrix agreement which governs how royalty earnings are passed back and forth between affiliates (50/50 NPS split).
- Advances to Writers - Publishers follow FAS 50 - Accounting for Recording and Music Industry.
- Catalog acquisitions
  - GAAP purchase accounting principals are followed for catalog purchases.
  - Catalog purchases are generally amortized over 15-20 years.
- Royalties to writers - Royalties are generally processed twice per year.
- Audits initiated by Writers - Writers often have audit rights and publishers reserve against audit claims.
- Audits initiated by Publishing Companies
  - Music publishers have right to audit record companies.
  - In the US, Harry Fox conducts audits of Record Companies and other licensees on behalf of Music Publishers.
Modified Cash Basis vs. GAAP

- Sony/ATV Follows GAAP except for Cash Basis Revenue Recognition – PWC audits the same way
- More closely follows Partnership Distributions which are based on Actual Cash Flow of Company
- Eliminates the need for calculation of receivables from collection societies (can lead to inaccuracies)
- More than 85% of revenue comes from collection society scheduled payments (no invoicing)
Sony/ATV Overview: The Fundamentals

- Joint Venture: Sony Music and Michael Jackson
- Approximately 500,000 copyrights
- Market Share: 7.4%
- Employees: 270
- Locations
  - Headquartered in NY
  - Global Administration in Nashville
  - US Offices in NY, LA, Nashville, Miami
  - Wholly owned affiliates in 30 countries
Competitive Advantages of Sony/ATV

- Breadth of Catalog
  - Market Leader in Country Music
  - 1920's – 1940's “popular” music
  - 1960's “pop” – Beatles, Kinks, Mann/Weil
  - 1970's singer/songwriters
- Global presence
- Intimate, personal attention to writers, music supervisors, advertisers
- Industry leader in administration
  - Centralized, worldwide hub in Nashville
  - Low employee turnover, low cost, owned facility
Sony/ATV Overview: History

Northern Songs/ATV
- 1960s: Beatles members form Northern Songs
- 1965: Northern Songs public
- 1969: ATV buys Northern Songs
- 1985: Michael Jackson buys Northern Songs

CBS/Sony Music Publishing
- 1986: CBS Records sells CBS Songs
- 1988: Sony acquires CBS Records
- 1989: SMP purchases Tree country catalog
- 1990: SMP establishes international affiliates

Sony/ATV Music Publishing
- 1995: Sony/ATV Joint Venture Created

CONFIDENTIAL
Sony/ATV Overview: Catalog Acquisition Highlights

- 1992: Randy Bachman *(Takin' Care of Business)*
- 1992: Kelley/Steinberg *(True Colors, Like A Virgin, I Drove All Night)*
- 1995: Nile Rodgers *(Good Times, Le Freak, We Are Family)*
- 1995: Fisher *(Second Hand Rose, Chicago Chicago)*
- 1999: Lowery *(Games People Play, I Never Promised You A Rose Garden)*
- 1999: Mayspop *(Alabama)*
- 2000: Web IV *(Piece of My Heart, Twist and Shout)*
- 2002: Acuff Rose
- 2002: Heart *(Len Freedman)*
- 2002: Wheel of Fortune/Jeopardy
- 2003: Christmas Song
- 2005: Richie Sambora
Sony/ATV Overview:
Creative/Strategic Opportunities, Fiscal 2007

- Catalog Acquisition
  - 2 of the 5 "majors" will probably be on the market
  - Several high quality mid-sized catalogs available
F'06 Revenue and Deal Highlights

Highest Revenue and Profit in Company History

- Revenue slightly higher than last year, equal to budget
  - Lower talent expense due to high level of recoupment of new developing acts

Several new Pop & Urban writers reach Platinum

- Crossfade – ‘Gold’ #1 alternative Fall B/O
  - Album 2x Platinum, Lyle Jennings #1 Urban, KT Tunstall – #1 single in Country Music
  - 2 mil units, K. Cheaney – 2 x Platinum
  - Also System of a Down, Destiny’s Child & Trance

Aggressive exploitation of copyrights

- MTV blanket synch license
  - Digital deals to be signed with all major US labels
  - Aggressive negotiations with Performance Rights Societies

Several Key Deals Completed

- Deal with independent Label USA – Reggae/Marley
  - Urban Label JV “Disturbing the Peace” (owned by Lucian’s with distribution through Universal)
  - Successful renegotiation with important Latin artist Arjan
  - Creation of Music Library Division – consultants will provide over 150,000 songs over three years

CONFIDENTIAL
Key Operational Initiatives

Corporate Restructuring

- Of 28 foreign offices, 18 have been relocated from Sony BMG.
- 4 of the remaining offices to be closed (Philippines, Central America, Venezuela, Turkey).
- Almost every affiliate self supported or outsourced IT, Accounting, Payroll.
- LA and Nashville Synch departments restructured with new SVP appointed.
- Completed migration of admin employees from London to Nashville.
- Closedown of NY studio.

Global IT Initiatives

- New Website: New website live in US; Other affiliates in process. On-line Pitch Tool for Synch business.
- SATV internal site up and running - links to all key databases.
- JD Edwards Accounting software implementation completed in Nashville and UK.
- Data Warehouse/Reporting completed - Mgt reporting tool 10 yrs of Revenue/NPS by song.
- Master - Internet based meeting tool being rolled out.

Strengthened Accounting Controls

- Sarbanes and Internal Audit - Completed reviews in Nashville.
- Consolidation and JV accounting functions transferred from Nashville to NY.
- Accounting Guidelines Manual policies, common chart of accounts, key controls checklist, approval authorities.
- EIS Analysis Package - Every account on balance sheet analyzed quarterly.
- Outsourcing of service - Accounting and Tax.
<table>
<thead>
<tr>
<th>Artist/License</th>
<th>WW Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariah Carey</td>
<td>6.0</td>
</tr>
<tr>
<td>Lil Jon</td>
<td>2.0</td>
</tr>
<tr>
<td>Akon</td>
<td>2.0</td>
</tr>
<tr>
<td>Fall Out Boy</td>
<td>2.0</td>
</tr>
<tr>
<td>Coldplay</td>
<td>1.4</td>
</tr>
<tr>
<td>Nelly</td>
<td>1.0</td>
</tr>
<tr>
<td>Nelly's Children</td>
<td>1.0</td>
</tr>
<tr>
<td>Moby</td>
<td>1.0</td>
</tr>
<tr>
<td>Numb</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
<tr>
<td>The Hives</td>
<td>0.8</td>
</tr>
</tbody>
</table>
F'06 Successful Pop Single Activity

- Shakira - "La Tortura"
  - 25 weeks at #1 Hot Latin Songs Chart (control 100%)
- Mariah Carey - "We Belong Together"
  - 15 weeks #1, Hot 100 Song of the Year (control 18%)
- Pussycat Dolls - "Stickwit U"
  - US #1 and UK #1 Pop Airplay (UK writer) (control 33%)
- Fall Out Boy - "Sugar We're Going Down", "Dance, Dance"
  - top of both pop and Alternative Charts (control 100%)
- System of a Down - "BYOB", "Hypnotize"
  - #1 alternative airplay (control 100%)
- Beyonce - "Check on It"
  - #1 US Pop Airplay (control 25%)
- Beck "E-Pro"
  - #1 Alternative Airplay (control: 100%)
- Also - Carrie Underwood, Kelly Clarkson, Neve
Music Publishing
Market Growth Assumptions

3.3% CAGR

$3,800 $3,900 $4,025 $4,190

Published Equity Research on Warner Music Group:
CitiGroup – 9/22/05 – 1.7% CAGR
Goldman Sachs – 6/20/06 – "a stable 1% three-year CAGR in 2006-2009"
Morgan Stanley – 10/21/05 – "Total publishing revenue growth of 5.5-6.0% in F2005-2010"

F'2006 F'2007 F'2008 F'2009

CONFIDENTIAL

38
Forecasted Music Publishing
Market Growth & Sales Profile

Digital Revenue - 3.5% of total revenue in F'06 growing to 10.0% in F'09
- 57% CAGR

$3,800  3.5%  $3,900  $4,025  $4,180
F'2006  F'2007  F'2008  F'2009

- Performance/Synch/Other
- Mechanicals - Physical
- Digital
Forecasted Music Publishing
Market Growth & Sales Profile

Mechanical Revenue - Reduced from 47% to 43% of total revenue in F'08
Digital revenue grows to represent 25% of mechanicals in F'09

F'2006
- $3,800
- 17% (43%)

F'2007
- $4,025
- 23%

F'2008
- $4,190

F'2009
- Performance/Synch/Other: $Mechanicals Physical: Digital
Forecasted Music Publishing
Market Growth & Sales Profile

Performance/Synch - 6% CAGR From 2006 - 2009

F'2006: $3,800, 53%
F'2007: $3,900, 57%
F'2008: $4,025
F'2009: $4,190

- Performance/Synch/Other
- Mechanicals - Physical
- Digital

CONFIDENTIAL
Competitor Market Share

- EMI: 18.8%
- Warner Chappell: 14.8%
- Sony/ATV: 7.4%
- Universal: 10.0%
- BMG: 12.0%
- Other: 37.2%

$3.8 Billion Worldwide
## F'07 Budget Top Album Releases

<table>
<thead>
<tr>
<th>New F'07 Releases</th>
<th>Roll Date</th>
<th>Control</th>
<th>WW Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tim McGraw</td>
<td>05/06</td>
<td>45%</td>
<td>4.0</td>
</tr>
<tr>
<td>Rascal Flatts</td>
<td>06/06</td>
<td>40%</td>
<td>3.0</td>
</tr>
<tr>
<td>Pink</td>
<td>04/06</td>
<td>40%</td>
<td>2.5</td>
</tr>
<tr>
<td>John Mayer</td>
<td>07/06</td>
<td>100%</td>
<td>2.0</td>
</tr>
<tr>
<td>Toby Keith</td>
<td>10/06</td>
<td>25%</td>
<td>2.0</td>
</tr>
<tr>
<td>Fall Out Boy</td>
<td>11/06</td>
<td>100%</td>
<td>2.0</td>
</tr>
<tr>
<td>Fugees</td>
<td>08/06</td>
<td>80%</td>
<td>1.5</td>
</tr>
<tr>
<td>Lyle Jennings</td>
<td>07/06</td>
<td>70%</td>
<td>1.5</td>
</tr>
<tr>
<td>Beck</td>
<td>11/06</td>
<td>70%</td>
<td>1.5</td>
</tr>
<tr>
<td>Teddy Geiger</td>
<td>04/06</td>
<td>45%</td>
<td>1.0</td>
</tr>
<tr>
<td>Saigon</td>
<td>06/06</td>
<td>30%</td>
<td>1.0</td>
</tr>
<tr>
<td>The Wreckers</td>
<td>06/06</td>
<td>50%</td>
<td>1.0</td>
</tr>
<tr>
<td>Maxwell</td>
<td>04/06</td>
<td>100%</td>
<td>1.0</td>
</tr>
<tr>
<td>Rise Against</td>
<td>07/06</td>
<td>100%</td>
<td>1.0</td>
</tr>
<tr>
<td>Crossfade</td>
<td>02/06</td>
<td>100%</td>
<td>1.0</td>
</tr>
<tr>
<td>Mika</td>
<td>08/06</td>
<td>30%</td>
<td>1.0</td>
</tr>
<tr>
<td>George Strait</td>
<td>10/06</td>
<td>35%</td>
<td>1.0</td>
</tr>
<tr>
<td>Gretchen Wilson</td>
<td>08/06</td>
<td>30%</td>
<td>1.0</td>
</tr>
<tr>
<td>Cheyenne Kimball</td>
<td>06/06</td>
<td>50%</td>
<td>0.8</td>
</tr>
<tr>
<td>Jonas Brothers</td>
<td>06/06</td>
<td>50%</td>
<td>0.8</td>
</tr>
<tr>
<td>Razorfight</td>
<td>09/06</td>
<td>100%</td>
<td>0.5</td>
</tr>
<tr>
<td>Ray Cash</td>
<td>02/06</td>
<td>50%</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Items Not Budgeted in F'07

- Reimbursement for expenses incurred with respect to Restructuring Sony/ATV - $1.5 million ($750,000 maximum per partner).
- Reasonable travel related expenses of the individual representatives incurred in connection with their attendance at Sony/ATV Board meetings (approximately $250,000).
<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>28</td>
</tr>
<tr>
<td>Nashville</td>
<td>98</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>16</td>
</tr>
<tr>
<td>UK</td>
<td>16</td>
</tr>
<tr>
<td>France</td>
<td>11</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
</tr>
<tr>
<td>Italy</td>
<td>6</td>
</tr>
<tr>
<td>Benelux</td>
<td>5</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>5</td>
</tr>
<tr>
<td>Australia</td>
<td>6</td>
</tr>
<tr>
<td>Mexico</td>
<td>5</td>
</tr>
<tr>
<td>Brazil</td>
<td>18</td>
</tr>
<tr>
<td>Asia</td>
<td>38</td>
</tr>
<tr>
<td>All Other Affiliates</td>
<td>61</td>
</tr>
</tbody>
</table>
Keys to Achieving Budget

- Continued Focus on New Writers/Key Genres / Global Hits
  - Low Cost - "Getting in Early" Approach
  - Build Urban Roster with Writer/Producer Artist Signings (Soram Jones, Healmakers)
  - Penetration of growing US Latin Market thru NY based Reggaeton & Synch Deals

- Actively Pursue Catalog Acquisitions & Exploitation Opportunities
  - Strategic acquisitions to fill gaps in current repertoire - Will not overpay
  - Use relationships to turn existing superstar admin deals into catalog purchases
  - Wheel of Fortune & Jeopardy ‘PRO’ Deal

- Continued Focus on Synch
  - New ‘proven talent’ in LA synch department will improve results for F’07.
  - Forge partnerships with middlemen for advertising synch worldwide to extend reach
  - Sony Marketing Council

- Music Company of the Future - Master Rights
  - Acquire Master Rights where strategically advantageous
  - Creating own masters -cover versions and other owned content for third party licensing
  - Ability to feed Digital Pipeline
Continue to Reduce Overhead Costs

- Overhead Expense
- Overhead as a % of Revenue
Opportunities & Risks

Opportunities
- Enhanced Digital Opportunities
- Synch Deals
- Catalog Acquisitions (negative cash flow)

Risks
- Continued decline of recorded music market
- Synch Deals
Artists/Writers Making an Impact in F'07
Artists/Writers Making an Impact in F'07

**Fall Out Boy**

This former indie band has hit pay dirt with their debut album for Island/Def Jam *From Under The Cork Tree*. Their first two singles “Sugar We’re Going Down” and “Dance Dance” have reached the top of the alternative rock and pop singles charts. The album was certified double platinum in the US, and the band is in the midst of a major international tour. We expect a new album in Fiscal '07.

**Katie Melua**

First album, *Call Off The Search*, debuted at #1 in January 2004, eventually selling 1.4 million copies. In 2004, Katie was Britain's highest-selling female artist. Katie's second #1 album, *Piece By Piece*, released in September 2005 has sold 850,351 copies so far. The first single from Katie's second album, "9 Million Boys/ies", written by Sony/ATV supremo Mike Batt has sold 80,683 copies in 2005 peaking at #5 on the charts. Katie has been nominated for Best Female Solo Artist at the 2006 Brit Awards.
Artists/Writers Making an Impact in F’07

Wayne Hector

Wayne has enjoyed a great end to 2005 with songs on both the triple Platinum (UK) selling Westlife album Face To Face and the 2 million (UK) selling II Divo album Amora. Also in the UK, Wayne has had album and single cuts with Charlotte Church, Lee Ryan and on the forthcoming Ronan Keating album. Internationally, his song "Rejoice" on the II Divo US-only Christmas album has sold in excess of 700,000 copies. II Divo's Amora was released in the US in January 2006.

Richie Sambora

This New Jersey based writer/artist has been a long time collaborator of Jon Bon Jovi over decades of multi-platinum album releases. Sony/ATV now controls the catalog of Richie Sambora which includes the new worldwide release "Have A Nice Day" which is approaching 3 million units worldwide.
Artists/Writers Making an Impact in F07

Crossfade

This rock band achieved platinum status with their debut album Crossfade on Columbia Records. Their single "Cold" was the longest running charted single on the alternative chart in modern history. The performance levels on this song continue to be significant. The band is currently working on a new album for summer of 08.

KT Tunstall

KT Tunstall's debut album, 50:16, has sold over 1 million copies in the UK and was the 7th best selling album of 2005. The single "Other Side Of The World" sold 80,000 copies in 2005 and was co-written with Sony ATV. Songwriter Martin Townes, who also produced tracks on the album, wrote a single "academy" for Best Song Musically and Lyrically. KT has been nominated for Best British Female Solo Artist, British Breakthrough Act and Mercury Music Prize in 2005.
Artists/Writers Making an Impact in F'07

Beck

With the album Guero, Beck continued his legacy of mixing artistic integrity with a unique commercial quality, selling 1.6 million units worldwide. The singles "E-Pro" and "Girl" were top 5 Alternative radio singles as well as considerable video airplay for his song "Hell Yes" which featured the Sony QRIO robots. The album was nominated for a Grammy for "Best Alternative Album" and Beck is nominated in the UK for a Brit award for "Best International Artist". We are expecting a new studio album from Beck in late Fall 2006.

Lyfe Jennings

Lyfe Jennings is an urban singer/songwriter who has been hailed by Billboard magazine as "one of the R&B breakthrough artists of the year". His debut album Lyfe on Sony/Urban has gone platinum in the US after an extensive nationwide tour. His first single "Must Be Nice" reached #1 on the R&B singles chart. Lyfe will have a new album for summer 08 and it will be a huge priority for the label.

CONFIDENTIAL
Artists/Writers Making an Impact in F'07

Kyo's sophomore album Le Chemin (Jive / BMG), released in January 2003, has sold over 1.4 million units and yielded 6 hit singles, collectively selling over 800k units. In 2005 the band released its third album, 200 Léons, (Jive/Epic), which has sold over 500k units. Kyo also wrote 2 of the biggest singles of the year, "Mon Essence" from the musical Le Roi Soleil (250k singles; over 500k albums) and "Ma religion dans son Regard", the first single from French idol Johnny Hallyday's new album (album has sold over 800k units).

Billy Mann

This multi-faceted Sony/ATV writer/producer continues to be a vital force in the industry. He has co-written and produced 8 songs for the recent Pink album, released in April 2005 on BMG, which will include the first single "Stupid Girls". He has also developed 16 year old Teddy Geiger for Columbia Records, where he produced and co-wrote the bulk of the album including the great first single "Confidence".
New and Developing Writers

Cheyenne Kimball

This 16 year old girl from Texas won first prize on the NBC show *The Most Talented Kids in America* before being signed to Epic Record by David Massey. Her debut album is due in stores July 11th following her new MTV Reality Show which began airing in March. She is a strong singer/songwriter in the vein of a young Sheryl Crow.

Jonas Brothers

This teen band made up of brothers from New Jersey is the latest project for Columbia Records President Steve Greenberg (Hanson, Joss Stone, Baja Men). Their new album, *It's About Time*, will be in stores and on-line August 1st and contains the hit singles "Mandy", "6 Minutes" and "Time for Me to Fly".
New and Developing Writers

The Wreckers

This Pop/Country project is a duet between Michelle Branch and Sony/ATV writer Jessica Harp. The debut album from Warner Brothers Nashville, *Stand Still, Look Pretty*, is now in stores and will debut in *Billboard* next week at #14 on the Pop Albums Chart and at #44 on the Country Albums Chart. The duet has been described as having a young Dixie Chicks crossover appeal.

Yummy

This Brooklyn based urban singer/songwriter released her debut album, *One More Chance*, on May 23rd after being hand-picked to sign to the new Motown Records by Chairwoman Sylvia Rhone. Described by some as a young Chaka Khan meets Mary J. Blige, her first single and video "Is It Good To You" were launched in Spring 2006. Yummy is also writing for other artists with producer collaborators Rockwilder, P. Diddy, and Dr. Dre.
New and Developing Writers

We Are Scientists

This Brooklyn based band was signed to Sony/ATV by A&R staffer Jon Nelson prior to signing with Virgin Records. Their debut album, "With Love & Squalor," was released first in the UK and is approaching Gold status. The album has been released in the US and spent time in the Top 10 on the Top New Artists Chart in Billboard. The band will tour the US for the bulk of 2008.

Rick Ross

You can't go into a club, get into a car or walk down the block without hearing the clarion call keyboards of Ross's earthquake of a debut single, "Hustlin." On Ross's debut LP, "Port Of Miami," you are immediately immersed in a fully fleshed out world. As a member of the Slip-N-Slide (Trick Daddy, Trina) crew Rick Ross is part of a bubbling Miami scene that is sure to be making noise on Atlanta and Houston levels this year.
Other Matters: Litigation, Claims and Audits

- No major outstanding litigations
- No major outstanding audits
- External litigations/audits - opportunities