

SOUND RECORDING LABOR AGREEMENT
February 1, 2006 – January 12, 2015

¹SOUND RECORDING LABOR AGREEMENT

February 1, 2006 – January 12, 2015²

Dated: New York, NY

PREAMBLE

In consideration of the mutual covenants herein contained, of the promise of the undersigned company (herein called the “Company”) fully and faithfully to perform each and every term, condition, and covenant on its part to be performed pursuant to the ¹Sound Recording Trust Agreement (February 2006) and to the Sound Recording Special Payments Fund Agreement (February 2006) and of other good and valuable considerations, the American Federation of Musicians of the United States and Canada (herein called the “Federation”) has entered into this agreement with the Company setting forth the terms and conditions, including those set forth in all exhibits and sideletters hereto attached, pursuant to which persons covered by this agreement may be employed by the Company in the recording of phonograph records.

1. Scope

For the purposes of this Agreement, the terms “phonograph record and “record” shall mean any phonograph record, digital audio file, compact disc, tape recording or any other device reproducing sound, whether now in existence or which may come into existence. For the purposes of this Agreement, the term “master record” shall include any matrix, “mother”, stamper, or other device from which another such master record or phonograph record is produced, reproduced, pressed or otherwise processed.

2. Covered Individuals

This agreement shall cover and relate to members of the Federation wherever they shall perform, as employees, services for the Company as instrumental musicians or as leaders, contractors, copyists, orchestrators and arrangers of instrumental music

1 The Sound Recording Labor Agreement, Sound Recording Special Payments Fund Agreement and Sound Recording Trust Agreement were previously known as the Phonograph Record Labor Agreement, Phonograph Record Manufacturers' Special Payments Fund Agreement and Phonograph Record Trust Agreement, respectively. All references in this Agreement to the Sound Recording Labor Agreement, Sound Recording Special Payments Fund Agreement and Recording Trust Agreement will be deemed to include references to the Phonograph Record Labor Agreement, the Phonograph Record Manufacturers' Special Payments Fund Agreement and the Phonograph Record Trust Agreement, respectively, where appropriate.

2 The February 1, 2002 – January 31, 2005 Sound Recording Labor Agreement, Sound Recording Special Payment Fund Agreement and Sound Recording Trust Agreement were (1) extended for a one year period from February 1, 2005 – January 31, 2006, with a 2% increase in all Sound Recording Labor Agreement wage scales; (2) modified as set forth herein and extended to January 31, 2009 by the December 2006 Memorandum of Understanding; (3) further modified as set forth herein and extended to January 31, 2010 by the Memorandum of Understanding dated January 14, 2009; and (4) further modified as set forth herein and extended to January 12, 2015 by the Memorandum of Agreement dated October 27, 2011.

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(all of whom are collectively referred to as “musicians”³) in the recording of phonograph records or Covered Concert DVDs (as defined in Exhibit A(I)(J)), and side musicians engaged in “on-camera sideline” work in Traditional Music Videos (as defined in Exhibit B), and to any other person employed as a Musician in the recording of phonograph records, Covered Concert DVDs within the United States or Canada or a present territory or possession of either (herein called “Domestic Area”). This agreement shall also cover and relate to any resident of the Domestic Area engaged within the Domestic Area to perform such services outside the Domestic Area. It is further agreed that if a resident of the Domestic Area is engaged outside the Domestic Area to perform such services for the Company outside the Domestic Area, he shall, as a condition of employment, be and remain a member in good standing of the Federation. The Federation shall exercise full authority in order that its locals and members engaged in such activities shall do nothing in derogation of the terms and intent of this agreement.

3. Waivers Prohibited

The Company shall not require, request, induce, or in any manner attempt to require a waiver or otherwise influence any person covered by this agreement to play, or perform for recordings, or render services pertaining thereto, except as permitted by this Agreement.

4. Company’s Obligations

For the services rendered by the persons covered by this Agreement in the making of recordings, the Company shall pay at least Federation scale as provided in Exhibit A or Exhibit D, as applicable. The Company shall fully and faithfully perform the terms and conditions, of its individual agreements with such persons. In addition, the persons covered by this Agreement in the making of recordings shall be entitled to payments from the Sound Recording Special Payments Fund as described in this Agreement and in the Sound Recording Special Payments Fund Agreement.

3 Anyone who causes a computer or sequencing device, synthesizer or other musical instrument to play or produce music or sound (hereinafter referred to as a “Performance”) for a phonograph recording, including formats yet to be developed, is an instrumental musician within the meaning of this Agreement, whether the performance is caused or created by any input device such as a “qwerty” KBD, mouse, standard piano keyboard or any alternate controller (drum, wind synthesizer, etc.) or outside midi data (an orchestrator/arranger or composer’s computer or controller).

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23. Sound Recording Special Payments Fund and Sound Recording Trust Agreements

The Company agrees to be bound by the Sound Recording Special Payments Fund Agreement (February 1, 2006 – January 12, 2015) and the Sound Recording Trust Agreement (February 1, 2006 – January 12, 2015) which are incorporated by reference into this Agreement.

24. Transfers of Rights in a Phonograph Record, Covered Concert DVD or Traditional Music Video

- (a) If the Company sells, assigns, leases, licenses or otherwise transfers title to or permission to use any phonograph record, Covered Concert DVD or Traditional Music Video produced under any Sound Recording Labor

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Agreement since January 1954 for any purpose, the Company may obtain from such party an assumption agreement in the form set forth in (e) below.

- (b) Within sixty (60) days of each sale, assignment, lease, license or other transfer of title of any phonograph record, Covered Concert DVD or Traditional Music Video produced under any Sound Recording Labor Agreement since January 1954, the Company shall provide the Federation's Sound Recording Labor Agreement Contracts Administrator, the Sound Recording Special Payments Fund and, in the case of a phonograph record, the Music Performance Trust Fund (collectively, the "Funds") with the identity of the recording(s) involved, the intended use of the product, the date of transfer, and the name, address, telephone number and fax number of each such purchaser, assignee, lessee, licensee, or other transferee in the form set forth in Exhibit D to this Agreement (or a redacted licensing agreement to the extent that it includes the information set forth in Exhibit D), and with an executed copy of each assumption agreement entered into by the Company. An inadvertent failure on the part of the Company to comply with any of the provisions of this Article 24 shall in no event constitute a default by the Company hereunder or a breach of this Agreement, provided that such failure is cured promptly after notice thereof from the Federation or either Fund.
- (c) This Article 24 does not apply in the case of a transfer of a phonograph record, Covered Concert DVD or Traditional Music Video for the sole purpose of use in another phonograph record, Covered Concert DVD or Traditional Music Video where no payment is due to either Fund because the phonograph record was recorded before 1964 or the applicable payment period has expired.
- (d) Upon delivery of such assumption agreement, the Company (or any subsequent party obtaining an assumption agreement) shall not be further liable to the Federation or to either Fund for compliance with the terms of this Agreement with respect to the obligations assumed by the other party to the assumption agreement. In the event that no assumption agreement is delivered, the Company (or the party last obtaining an assumption agreement) shall continue to be liable for compliance with the terms of this Agreement with respect to the applicable phonograph record, Covered Concert DVD or Traditional Music Video unless the purchaser, assignee, lessee, licensee, or other transferee is a signatory to the Federation agreement applicable to the use for which the transferred Sound Recording is intended, in which case the Company shall not have such liability.
- (e) The assumption agreement under this Article 24 shall be in the following form (additional provisions may be included so long as they do not alter the terms set forth below):

**Assumption Agreement Covering the Transfer of Rights of Product
Covered by the Sound Recording Labor Agreement**

1. *General.* The undersigned, [insert name and address of buyer, assignee, lessee, licensee, or other transferee], herein for convenience referred to as the "Licensee", hereby agrees with [insert name of Company], herein for convenience referred to as the "Company", that

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[identify title, length and identification number of each phonograph record, Covered Concert DVD or Traditional Music Video and album number, if applicable, covered by agreement] (“Covered Product”) are produced from master records containing music performed or conducted by musicians covered under one or more Sound Recording Labor Agreements.

2. *Obligations of the Licensee Under this Agreement.* The Licensee hereby assumes all of the Company’s obligations under the Sound Recording Labor Agreement with respect to the Covered Product, as follows:
 - (a) With respect to the use of Covered Product for any purpose set forth in the Sound Recording Labor Agreement, the Licensee will comply with all of the payment, reporting, and audit requirements of the applicable Sound Recording Labor Agreement, the Sound Recording Special Payments Fund Agreement and Sound Recording Trust Agreement.
 - (b) With respect to the use of Covered Product for a purpose not covered under the Sound Recording Labor Agreement (also known as a “new use”), the Licensee will pay to all musicians who rendered services in the recording of the Covered Product an amount equal to all payments (including, without limitation, pension contributions, but excluding health and welfare contributions) that would be required under the AFM agreement that would then apply if the recording were originally made for the purpose set forth under that agreement.

The rights of the Licensee to use such Covered Product shall be subject to and conditioned upon compliance with the terms and conditions of this paragraph 2, and the Federation (acting on behalf of any affected musician) and the Funds shall be entitled to seek injunctive relief and damages against the Licensee in the event the Licensee does not comply with the terms of this paragraph 2.

3. *Limitation of Licensee’s Liability.* The Licensee’s obligations with respect to the Covered Product set forth in paragraph 1 are limited to those obligations set forth in paragraph 2, and in no event shall the Licensee be deemed, solely as a result of having executed this assumption agreement, to have any other obligation under any Federation agreement or to be a signatory to any Federation agreement. In addition, the Licensee’s obligations with respect to the Covered Product are limited to those rights actually acquired by the Licensee and only for the period it holds such rights (except to the extent that it transfers those rights to another party, in which case it shall retain liability unless it obtains an assumption agreement in substantially the same form as this assumption agreement).

EXHIBIT A: MINIMUM WAGES AND OTHER WORKING CONDITIONS

I. Instrumentalists, Leaders, Contractors

A. Phonograph records other than those recorded by symphonic orchestras

(9) *Sampling*

Definitions:

- (a) For the purposes of this agreement:
- (1) “Covered Musician” shall mean any musician represented by the Federation (i) who is covered by, or required to be paid pursuant to, any Sound Recording Labor Agreement, and (ii) whose performed services are contained on or were rendered in connection with any sample of any phonograph record, master record, audio track of a Covered Concert DVD, or audio track of a Traditional Music Video that is produced or licensed by the Company for use in any phonograph record Covered Concert DVD or Traditional Music Video that is commercially released and that contains said sample. Provided, however, that Covered Musician shall not include a royalty artist, a self-contained royalty group or any musician when recording as a symphonic musician;⁵
 - (2) “Covered Use” shall mean the authorized use in any commercially released phonograph record, Covered Concert DVD or Traditional Music Video of any phonograph record or master record, Covered Concert DVD or Traditional Music Video—or any portion thereof that is sampled; provided that the sample(s) so used (i) contains the performance of a Covered Musician or the services of a Covered Musician rendered in connection therewith, and (ii) is produced or licensed by the Company for said use;
 - (3) “Gross Revenues” shall mean the total fees received by the Company from the licensing of the sample(s) for use in any commercially released phonograph record, Covered Concert DVD or Traditional Music Video—that contains said sample;
 - (4) Sample shall mean the encoding of a portion of a phonograph record, audio track of a Covered Concert DVD, or audio track of a Traditional Music Video containing the performance of a Covered Musician(s) into a digital sampler, computer, digital hard drive storage unit or any other device for subsequent play-back on a digital synthesizer or other play-back device for use in

⁵ It is the intention of the parties to negotiate hereafter a separate side letter sampling agreement for symphonic musicians.

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another song; however, a re-mix or re-edit of the new song shall not be considered a sample for purposes hereunder.

Provided, however, that the term sample shall not apply in any circumstance in which the material “sampled” constitutes (i) the identical content, in its entirety or substantial entirety, of a master record or phonograph record, audio track of a Covered Concert DVD, or audio track of a Traditional Music Video-and/or (ii) any sample used in a master record, which master record is later re-edited, re-dubbed, and/or re-mixed but which still embodied the sample in whole or in part, i.e., “mixer’s edits,” “re-mix edits” or “edits.”

- (b) In the event the Company licenses to another entity or a division or department thereof a master record or phonograph record, audio track of a Covered Concert DVD, or audio track of a Traditional Music Video which includes the services rendered by any Covered Musician(s) for any Covered Use(s), the Company shall pay to the Sound Recording Special Payments Fund on behalf of and for distribution to or among the Covered Musicians an amount equal to:
 - (i) a one-time, lump sum payment of four hundred dollars (\$400) for the first sample of a master record or phonograph record, , audio track of a Covered Concert DVD, or audio track of a Traditional Music Video regardless of how many times that particular sample is used in the new master record or phonograph record plus, where applicable, a one-time, lump sum payment of two hundred fifty dollars (\$250) for the second and any subsequent sample of the same master record or phonograph record, audio track of a Covered Concert DVD, or audio track of a Traditional Music Video regardless of how many times those particular second and subsequent samples are used in the new master record or phonograph record; and
 - (ii) two percent (2%) of the gross revenue received by the Company for the Covered use if such revenue exceeds twenty-five thousand dollars (\$25,000), less the amount to be paid under (i) above.
- (c) The Company shall make the applicable lump sum payment to the Sound Recording Special Payments Fund within thirty (30) days of the authorized commercial release of the phonograph record, Covered Concert DVD, or Traditional Music Video containing the sample(s) accompanied by a report identifying each sample and the Covered Musician(s), if known. In connection with the formula set forth in paragraph (b) above, when a Company exacts an up-front licensing fee in-excess of \$25,000, the Company shall remit the appropriate payment to the Sound Recording Special Payments Fund within fifteen (15) days of receipt of its licensing fee. In the event that the Company does not receive an up-front payment and the gross revenue received by the Company ultimately exceeds \$25,000, the Company promptly shall notify the Sound Recording Special Payments Fund and, on a

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semiannual basis, submit to the Sound Recording Special Payments Fund the appropriate payment (in addition to the original lump sum payment) along with accompanying reports documenting the Company's gross revenues for each phonograph record or master record, Covered Concert DVD, or Traditional Music Video containing sampled material.

- (d) In connection with each of the foregoing payment obligations, the Company shall permit the Sound Recording Special Payments Fund to conduct audits of the relevant records.
- (e) In the event that the Company itself produces any master record which includes the services rendered by any Covered Musician(s) for any Covered Use(s), the Company shall be responsible for making the applicable payments to the Sound Recording Special Payments Fund and the other provisions of this paragraph (par.9) shall apply.
- (f) Any payments made to the Sound Recording Special Payments Fund in compliance with the foregoing payment provisions shall constitute full settlement and discharge of all obligations of the Company to make payment for any sample to Covered Musician(s) and/or the Sound Recording Special Payments Fund-including without limitation, the obligations concerning scale payments, new use fees, residuals payments, pension and welfare payments, payments to the Sound Recording Trust Fund, and the Sound Recording Special Payments Fund.
- (g) The Sound Recording Special Payments Fund shall allocate each payment made under this paragraph 9 equally among the identifiable Covered Musicians whose services are contained on or were rendered in connection with the sample with respect to which payment was made, and shall distribute the allocated payments (less all expenses reasonably incurred in the administration of this paragraph 9 and amounts reasonably reserved for contingencies) on an annual basis. The Sound Recording Special Payments Fund shall thereafter indemnify, release and hold harmless the Company in connection with any claim payment that may be made by any musician(s).
- (h) In cases where a musician's distribution payment by the Sound Recording Special Payments Fund under this provision is calculated at an amount that is less than twenty-five (\$25.00), it shall be regarded as "de minimis" and shall be placed in a reserve fund, to be paid to the musician only if, when added to the musician's distribution amount in either or both of the two following years, the cumulative amount is twenty-five dollars (\$25.00) or greater. Any such cumulative amounts that are under twenty-five (\$25.00) and remain undistributed by the end of the Sound Recording Special Payments Fund's third fiscal year shall be re-deposited into the Sound Recording Special Payments Fund sampling account for distribution to all eligible musicians as part of the next annual distribution.

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J. Concert DVDs

- (1) Concert DVDs produced by the Company on or after February 1, 2007, whether distributed physically or digitally, are within the scope of this Agreement. For the purpose of this provision only, the term “produced” shall include arrangements whereby the Company retains or obtains copyright ownership of, and distribution rights to, the concert DVD (a “Covered Concert DVD”).
- (2) Scale payments shall be made pursuant to SRLA Location Recording provisions (Ex. A.I.I.) for recording or releasing soundtrack used in a Covered Concert DVD (whether released with or without video component in physical or digital format). In the event a Covered Concert DVD is released, a payment of \$50 (\$51 effective February 9, 2009, \$52.02 effective January 16, 2012, \$52.80 effective January 13, 2013 and \$53.33 effective January 13, 2014) will be made to all musicians (excluding Royalty Artists) whose musical services are embodied on the sound track for each 15 minutes of music (or portion

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thereof) released with video component to a maximum of five 15 minute segments per musician, plus pension and one Health & Welfare payment as provided for in this Agreement. The payments for the release of the Covered Concert DVD shall be subject to a 15% discount per musician if there are more than 30 musicians receiving such payments.

(3) Exploitation payments of the following amounts for the following periods shall be made to the Sound Recording Special Payments Fund for distribution to the musicians performing on the sound track(s) of the Covered Concert DVD.

- Physical Product –

- .55% of Wholesale Price for 10 years commencing upon the release of a Covered Concert DVD, after combined sales of physical product and digital downloads of entire Concert DVDs exceed 25,000 units.

- The term “Wholesale Price” shall be defined as the per unit wholesale price (without deductions) actually received by the Company in connection with a Covered Concert DVD. In circumstances where there is no per unit wholesale price, “Wholesale Price” shall be defined as the monies actually received by the Company in connection with the sale of the Covered Concert DVD.

- Digital Product (downloads of any kind and streams) –

- .55% of Wholesale Price for 10 years commencing upon the release of a Covered Concert DVD, i) on all streams of the entire Concert DVD and/or individual “tracks;” and ii) on all downloads of the entire Covered Concert DVD (if the Covered Concert DVD is not released as a physical product) and/or individual “tracks” in excess of 10,000 units.

- The term “Wholesale Price” shall be defined as the per unit wholesale price (without deductions) actually received by the Company from a digital service provider in connection with a Covered Concert DVD. In circumstances where there is no per unit wholesale price, “Wholesale Price” shall be defined as the monies actually received by the Company from a digital service provider that are attributable to such Covered Concert DVD. By way of illustration, the parties acknowledge that percentage of gross service revenue payments, percentage of advertising revenue payments, per-subscriber payments and per-use payments will generally be within the types of revenues that would be included within the calculation of “wholesale price.” The parties further acknowledge that content origination fees, digitization fees and advances not offset by actual digital transmissions are not generally within the types of revenues that would be included within the calculation of “wholesale price”.

(4) All payments required to be made to the Sound Recordings Special Payments Fund under subparagraph (J)(3) shall be distributed, net of all administrative costs, to the Musicians whose performances are embodied in the sound track of the Covered Concert DVD, provided that in cases where a musician's distribution payment by the Sound Recording Special Payments Fund under

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this provision is calculated at an amount that is less than twenty-five (\$25.00), it shall be regarded as “de minimis” and shall be placed in a reserve fund, to be paid to the musician only if, when added to the musician’s distribution amount in either or both of the two following years, the cumulative amount is twenty-five dollars (\$25.00) or greater. Any such cumulative amounts that are under twenty-five (\$25.00) and remain undistributed by the end of the Sound Recording Special Payments Fund’s third fiscal year shall be re-deposited into the Sound Recording Special Payments Fund Concert DVD account for distribution to all eligible musicians as part of the next annual distribution.

- (5) The provisions of paragraph 1(c), 1(d), 1(e), 1(f), 1(g), 2(d), 2(f), 2(g), 2(i), 2(j), 2(k), 3, 4 and 5 of the Sound Recording Special Payments Fund Agreement shall apply to the payments required to be made under this subparagraph (J) in the same manner as they apply to the payments required to be made on phonograph records under Addendum A.

EXHIBIT B: TRADITIONAL MUSIC VIDEOS

The production, physical product sales, and digital exploitation of Traditional Music Videos shall be governed by the terms and conditions set forth below.

For purposes of this Exhibit, the term “Traditional Music Video” shall be defined as an audio-visual product that includes an audio element produced from a master record, and a visual element of the type or genre traditionally aired on television for promotional purposes, e.g., MTV, VH1, BET, CMT, etc.

For purposes of this Exhibit, Traditional Music Video physical product sales are sales of Traditional Music Video singles and compilations embodied in a physical format.

For purposes of this Exhibit, the term “Permanent Video Download” shall be defined as a Traditional Music Video which is sold via digital transmission in the U.S. and abroad in a manner which provides a permanent copy.

For purposes of this Exhibit, the term “Non-Permanent Video Download” shall be defined as a Traditional Music Video which is sold via digital transmission in the U.S. and abroad on a temporary, tethered, conditional or “timed out” basis.

For purposes of this Exhibit, the term “Video Stream” shall be defined as a Traditional Music Video which is sold via digital transmission in the U.S. and abroad using streaming technology and leaving no residual copy on the receiving device.

For clarification, “digital transmissions” shall include digital transmissions via the internet, digital cable or similar networks, e.g., the delivery of ringtones or traditional music videos to mobile phones. The parties have agreed upon a side letter, set forth on page 70 in the Sound Recording Labor Agreement, with respect to issues arising under satellite radio and other new technologies (if any).

1. Production

- A. Effective for all product produced on or after January 1, 2007, the Company will pay to each side musician, i.e. other than a “royalty artist,” (as that term is defined in the AFM Sound Recording Labor Agreement) who performs as a musician “on-camera” (including “sideline musicians” as that term is commonly understood) in a Traditional Music Video the sum of \$325 per 10 hour day. Effective February 1, 2008, that scale rate shall increase to \$334.75 (\$341.45 effective February 9, 2009, \$348.28 effective January 16, 2012, \$353.50 effective January 13, 2013 and \$357.04 effective January 13, 2014) for a 10 hour day. Pension and health and welfare payments at the rates and conditions set forth in the AFM Sound Recording Labor Agreement shall be made. For work performed in excess of 10 hours in a day, the musicians shall be compensated at 1½ times the pro rata 10 hour payment at ½ hour intervals.
- B. A Meal Period shall be provided with the time of the meal period to be determined at the producer’s discretion subject to applicable state law.

2. Physical Product Sales

- A. Rate: Effective February 1, 2006, for the first ten (10) years of the period described in Section 2.C. below, the Company shall pay to the Sound Recording Special Payments Fund 1% of the Wholesale Price generated from Traditional Music Video physical product sales. For the following five (5) years of the period defined in

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Section 2.C. below, the Company shall pay .5% of the Wholesale Price generated from Traditional Music Video physical product sales.

The term “Wholesale Price” shall be defined as the per unit wholesale price (without deductions) actually received by the Company in connection with a Traditional Music Video physical product sale. In circumstances where there is no per unit wholesale price, “Wholesale Price” shall be defined as the monies actually received by the Company in connection with the sale of Traditional Music Video physical product.

- B. Exclusion: There shall be a 1,000 unit exclusion for Traditional Music Video physical product.
- C. Fifteen Year Limitation: The payments provided for under this Section 2 shall be made with respect to Traditional Music Video physical product sales which take place during the period commencing with the calendar year during which the record in which the Traditional Music Video physical product is first released for exploitation in any form and terminating at the end of the fifteenth calendar year thereafter. The year of such release shall be counted as the first year of the fifteen (15) years. For purposes of calculating the fifteen (15) year period for Traditional Music Videos produced prior to February 1, 2006, the first year shall be 2006.
- D. All payments required to be made under this Section 2 to the Sound Recording Special Payments Fund shall be distributed, net of all administrative costs, to the Musicians whose performances are embodied in the audio element contained in the Traditional Music Video, provided that in cases where a musician's distribution payment by the Sound Recording Special Payments Fund under this provision is calculated at an amount that is less than twenty-five (\$25.00), it shall be regarded as “de minimis” and shall be placed in a reserve fund, to be paid to the musician only if, when added to the musician’s distribution amount in either or both of the two following years, the cumulative amount is twenty-five dollars (\$25.00) or greater. Any such cumulative amounts that are under twenty-five (\$25.00) and remain undistributed by the end of the Sound Recording Special Payments Fund’s third fiscal year shall be re-deposited into the Sound Recording Special Payments Fund general account for distribution to all eligible musicians as part of the next annual distribution.
- E. There shall be no Music Performance Fund contributions on Traditional Music Video physical product sales.

3. Digital Exploitation

- A. Rate: Effective February 1, 2006, for the first ten (10) years of the period described in Section 3.C. below, the Company shall pay to the Sound Recording Special Payments Fund .55% of the Wholesale Price on Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams (subject to applicable exclusions for Permanent Video Downloads). For the following five (5) years of the period described in Section 3.C below, the Company shall pay .3% of the Wholesale Price on Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams (subject to applicable exclusions for Permanent Video Downloads).

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The term “Wholesale Price” shall be defined as the per unit wholesale price (without deductions) actually received by the Company from a digital service provider in connection with Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams. In circumstances where there is no per unit wholesale price, “Wholesale Price” shall be defined as the monies actually received by the Company from a digital service provider that are attributable to such Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams. By way of illustration, the parties acknowledge that percentage of gross service revenue payments, percentage of advertising revenue payments, per-subscriber payments and per-use payments will generally be within the types of revenues that would be included within the calculation of “wholesale price.” The parties further acknowledge that content origination fees, digitization fees and advances not offset by actual digital transmissions are not generally within the types of revenues that would be included within the calculation of “wholesale price”.

- B. Exclusions: There shall be a 10,000 unit exclusion on Permanent Video Downloads. There shall be no exclusions on Non-Permanent Downloads of Traditional Music Videos or Video Streams.
- C. Fifteen Year Limitation: The payments provided for under this Section 3 shall be made with respect to Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos and Video Streams which take place during the period commencing with the calendar year during which the record in which the Traditional Music Video is first released for exploitation in any form and terminating at the end of the fifteenth calendar year thereafter. The year of such release shall be counted as the first year of the fifteen (15) years. For purposes of calculating the 15 year period for exploitations of Traditional Music Videos produced prior to February 1, 2006, the first year shall be 2006.
- D. All payments required to be made under this Section 3 to the Sound Recording Special Payments Fund shall be distributed, net of all administrative costs, to the Musicians whose performances are embodied in the audio element contained in the Traditional Music Video, provided that in cases where a musician's distribution payment by the Sound Recording Special Payments Fund under this provision is calculated at an amount that is less than twenty-five (\$25.00), it shall be regarded as “de minimis” and shall be placed in a reserve fund, to be paid to the musician only if, when added to the musician’s distribution amount in either or both of the two following years, the cumulative amount is twenty-five dollars (\$25.00) or greater. Any such cumulative amounts that are under twenty-five (\$25.00) and remain undistributed by the end of the Sound Recording Special Payments Fund’s third fiscal year shall be re-deposited into the Sound Recording Special Payments Fund Traditional Music Video account for distribution to all eligible musicians as part of the next annual distribution.
- E. There shall be no Music Performance Fund contributions on the digital exploitation of Traditional Music Videos.

4. SPF Administration

The provisions of paragraph 1(c), 1(d), 1(e), 1(f), 1(g) 2(d), 2(f), 2(g), 2(i), 2(j), 2(k), 3, 4 and 5 of the Sound Recording Special Payments Fund Agreement shall apply to the

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payments required to be made under this Exhibit B in the same manner as they apply to the payments required to be made on phonograph records under Addendum A.

5. Miscellaneous

- A. In the event that any Company maintains a separate subsidiary, division, or other department to license or otherwise exploit the Company's rights in a Traditional Music Video produced by a different subsidiary, division or department of the Company, "Wholesale Price" shall be deemed to mean the Wholesale Price received by the subsidiary, division or other department of the Company which serves as the production branch from the subsidiary, division or other department of the Company which serves as the "exploiting" branch. Where no separate subsidiary, division or other department serves as the production branch, the Company may make a reasonable allocation of the Wholesale Price of the Company from licenses attributable solely to fees or other payments which would be made to a production subsidiary, division, or other department of the Company, if one existed, or would be made to an outside producer and Company's revenues would be deemed to be the amount so allocated. The reasonableness of such allocation or the amount of the fee or other payment received by the producer, subsidiary, division or other department where the production and exploitation functions are separately maintained, shall be determined by the licensing fees paid to outside producers for comparable product, or in the absence of any such practice, by general prevailing trade practices with respect to video promos.
- B. It is understood and agreed that nothing contained herein is intended to diminish the rights of any musician, including royalty artists, to individually negotiate better terms and conditions in connection with services on Traditional Music Videos.
- C. The parties hereto agree that the payments required to be made by the Company, pursuant to paragraphs 1, 2, and 3, above, are intended to constitute the sole payments arising out of the production and/or exploitation of Traditional Music Videos under this Agreement by any party, to either the Federation or the Sound Recording Special Payments Fund, on behalf of, or to any individuals covered hereunder, unless such individuals negotiate for better terms and conditions pursuant to paragraph 4.B., above.
- D. Following the execution of this agreement, the Company shall promptly furnish to the Federation or the Sound Recording Special Payments Fund, upon request, a list of any covered Traditional Music Videos currently available for exploitation, and thereafter, from time to time, upon request, Company shall furnish a schedule listing amendments and additions thereto.
- E. The provisions of paragraphs 11, 12, 14, 22, 25, and 26, of the Sound Recording Labor Agreement (February, 2006) shall herein be deemed incorporated by reference.
- F. All present provisions of the Federation's Bylaws are made part of this agreement to the extent to which their inclusion and enforcement are not prohibited by any applicable law. No changes therein made during the term of this agreement shall be effective to contravene any of the provisions hereof.
- G. The Company agrees that the Sound Recording Special Payments Fund shall have the right, from time to time and at reasonable times during business hours, to have

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its duly authorized agent examine and audit the Company records and accounts concerning revenues derived from the sale or licensing of Traditional Music Videos covered hereunder; such examination and audit to be made for the purpose of the Federation's verifying any statements made by the Company pursuant to this agreement, during a period not exceeding four (4) years preceding such examination, and of determining the amount of payments due it thereunder. It is agreed that the four (4) year period provided herein shall not affect the operation of the applicable statute of limitations. The Company agrees to afford all necessary facilities to such authorized agent to make such examination and audit and to make abstracts and excerpts from said records and accounts as may be necessary or proper according to approved recognized accounting practices. Such examinations and audits shall be coordinated, to the extent practical, with examinations and audits made under the Sound Recording Special Payments Fund Labor Agreement so that inconvenience to the Company may be minimized.

- H. If during the term hereof, the Federation shall enter into any agreement with any Company engaged in the production of Traditional Music Videos of the type covered hereunder, which agreement contemplates the exploitation of such Traditional Music Videos, and which agreement contains terms more favorable than or different from those contained in this agreement, the Company shall have the right, at its option, to cause this agreement to be conformed therewith, provided, however, that no such right shall come into being by reason of any claim against any such Company by reason of the insolvency, bankruptcy, or other financial difficulty of such Company.