

October 26, 2016

To: Local Television Stations  
From: Television Music License Committee

**Re: TVMLC & SESAC Sign Memorandum of Agreement**

We are pleased to announce that the Television Music License Committee (TVMLC) and SESAC have signed a Memorandum of Agreement (MOA). The MOA outlines the key terms to be included in final, local television station blanket and per program license agreements (Licenses) for performance rights to music in the SESAC repertory for the period from January 1, 2016 through December 31, 2019.

As we have briefed you in prior mailings, a class action was brought in 2009 against SESAC asserting that since 2006, SESAC had violated federal antitrust laws, resulting in overcharges to local television stations who were forced to accept SESAC's terms or risk being sued for copyright infringement. That case was settled in March of 2015, and SESAC agreed to pay \$58.5 million in damages and attorneys' fees to a settlement class that included all commercial full-power local television stations other than those owned by the Univision and UniMas networks. The damages for overcharges were paid out to stations in early 2015.

As part of the settlement, the TVMLC resumed its role in negotiating industrywide agreements with SESAC. The settlement also provided for negotiation or arbitration to determine license terms for four-year cycles over the next 20 years. The just-concluded negotiations cover the first four-year period, successfully avoiding putting a decision in the hands of arbitrators. The following is a summary of the MOA:

- ♪ Licenses will cover the period January 1, 2016 through December 31, 2019.
- ♪ SESAC industrywide blanket fees are \$125 million for the four-year period.
- ♪ The distribution of the industrywide blanket fees over the period will be: 2016 -\$25 million; 2017 - \$30 million; 2018 - \$34 million; and 2019 - \$36 million. SESAC has attracted a number of important composer and publisher affiliates to its ranks, and, based on our analysis, SESAC's share of stations' music use will increase substantially over the license period, which accounts for the fee increases. We will seek reduced fees from the performing rights organizations that are losing market share to SESAC.
- ♪ The scope of the Licenses includes, on a through-to-the-audience basis, public performances of all musical works copyrighted, composed, written or published by affiliates of SESAC on all primary and multicast channels, on station websites, and, for all programming supplied by your station, on all mobile, wireless or digital platforms. This is the same as the scope of the current

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ASCAP and BMI licenses. As a result of this “all-in” license, stations will no longer be responsible for paying separate multicast and website license fees to SESAC.

- ♪ The 2016 blanket license interim fee of \$27.3 million – the fees stations have been billed this year based on the SESAC class action settlement – is higher than the negotiated 2016 final fee of \$25 million. The difference between the 2016 interim and negotiated blanket fees will be credited against 2017 fees to individual stations in proportion to their interim fees. As a result, the 2017 blanket fees billed to stations will total \$27.7 million. The methodology used to allocate the 2016 interim fees, which is the same methodology used to allocate ASCAP and BMI fees, will be applied for the rest of the four-year SESAC license cycle.
- ♪ The SESAC per program license will have a lower per program multiplier than prior SESAC per program licenses (including the interim per program license). The multiplier will be 4.8 (480%) in 2016 and decrease to 3.2 (320%) in 2017 and 2.9 (290%) in 2018 and 2019.
- ♪ The “incidental/ambient use fee” for the per program license will be 15% of a station’s monthly blanket license fee. The remaining 85% of the monthly blanket license fee will be subject to adjustment under the terms of the per program license, based on the music content of the station’s programming.
- ♪ The per program license will also reflect an administrative fee component. Unlike per program administrative fees paid to ASCAP and BMI, however, these fees will not be included as part of the per program multiplier. The industrywide per program reporting administrative fee will be \$400,000 in 2016 and \$500,000 in each of the following three years. As part of the agreement, the TVMLC with input from all Committee members will develop a formula to allocate these fees among per program stations on a fair and reasonable basis.
- ♪ If a per program station fails to submit both its monthly payment and its monthly music use report within one month of the due date, SESAC may bill the station 140% of the licensee’s monthly blanket license fee for that reporting period. Although we expect that stations will submit payments and music reports in a timely manner, this default payment is a significant decrease from prior SESAC per program licenses.
- ♪ TVMLC and SESAC are in the process of negotiating the long-form license agreements, which we expect will be available next month.

We are pleased that SESAC and the Committee have been able to negotiate terms for industrywide blanket and per program licenses for the first time in a decade. By negotiating license terms, both parties have avoided the costs and uncertainties of an arbitration. This agreement affords local stations protection and certainty with respect to SESAC music performance license fees for 2016 and the next three years.

Please call Janet McHugh at (917)750-3166 or Alixandra Steier at (301)961-1970 with any questions you may have about this agreement with SESAC. Details also will be posted on our website – [www.tvmlc.com](http://www.tvmlc.com).