



Minutes of the Officers & Board of Directors Meeting
Thursday, November 06 at the offices of Harry Fox

Brittain Ashford (Administrator)	Present
Katie Baron (Legal Counsel)	Present
Marco Berrocal	Present
Eugene Caprioglio	Present
Carol Cuellar	Present
Steve Culbertson	Present
Daniel Dorff	Present
Kathy Fernandes	Present
David Flachs	Absent
Sean Flahaven	Present
Evan Hause	Present
Lauren Keiser	Absent
Jim Kendrick. (Legal Counsel)	Absent
Sonya Kim	Present
Kathleen Marsh (President)	Present
Zizi Mueller	Present
Erin Rogers	Present
Norman Ryan	Absent
Jeff Schroedl	Present <i>via phone</i>
John Shorney	Absent
Todd Waldman	Present

Call to order (Marsh) – 10:10AM

The meeting started off with an engaging conversation initiated by President Marsh regarding subscription based streaming models and Taylor Swift pulling her music from Spotify. The subscription model is getting mixed reviews, with artists and publishers balancing exposure vs. payments. The emergence of similar models in the print business is something to pay close attention to.

Evan Hause brought up that consumers are now expecting to get sheet music, like audio files, for free. Sean Flahaven stated that labels are more willing to give away things for free in return for PR, but that this isn't really relevant to print. He also stated that the main difference is *delivery*, and once there is an economical tablet that is large enough to display a piano/vocal it will be different. In the mean time, it's difficult to figure out the economics of a subscription model when you can print the music.

Kathy Fernandes reminded the Board that publishers have an engaged audience that uses our products and that there is a deep rooted appreciation for what we are creating; it doesn't need to be totally devalued to meet the approval of the general consumer. Kathleen Marsh agreed, if you reduce the price it doesn't grow the market, the market is not elastic.

Approval of Minutes – Approved as submitted.

Treasurer's Report – Erin presented several options to the Board to split up current accounts and move assets from Chase. After a brief discussion it the Board opted to move liquid assets to TD and CDs to First Republic Bank. The report was approved as submitted.

Old Business

Preliminary Budget Review: Large tickets items, such as funds for the NMPA/MPA DMCA effort and an increase in the legal retainer for Alter & Kendrick, were discussed without too much debate.

Todd Waldman let the Board know that he had spoken with the firm Withum, Smith & Brown, CPA, and had been given an estimate of \$6,500 for audit services; it was suggested that Todd return to Withum with a budget of \$5,000. *

With the amendment to the Finance/Audit figure, the Board approved the budget.

New Business

Board Meeting Attendance: Given time restraints, the topic was tabled until December.

Guest Speaker, Michael Simon, CEO & President of Harry Fox

Mr. Simon gave the Board a, “*complete overview on where performance & mechanical is in the government environment, where HFA is in the operating environment and where the music industry is in the cycles that recur repeatedly.*”

Giving his opinion on this state of affairs, he let the Board know that it is, “one person’s opinion, there are a hundred people and two hundred opinions...” From there he launched in to the current, vigorous debate going on about the scope of authority and operations for Performing Rights Organizations (PROs).

“You’ve read about the PROs *suffering* the fate that HFA has suffered for 30 years. HFA publishers are affiliated on a non-exclusive basis and can withdraw a composition or license directly at any time. The PROs are used to having exclusive relationships with their clients and very limited direct licensing.

“So for public performance there is an ongoing discussion about what it means to be affiliated with a PRO: *may one withdraw partially or completely?* There is a Justice Department review going on right now on the Performance Rights Consent Decrees, which have been in place since just before WWII, which regulate the conduct of ASCAP and BMI, but not SESAC.”

He stated that the discussion is ongoing. Besides the opinions of the PROs, there are organizations in the industry that believe that the PROs should have *more* or *less* control. He reported that the PRO position is, generally, that they would like more freedom to operate.

On the mechanical side he reported that there have been many activities in the legislature, none of which have produced copyright change, “to date we’ve, more or less, seen a series of panels on whether or not the economics make sense.” The copyright office will be issuing a notice that will attempt to enforce data standards for those who participate in the mechanical marketplace, though there is an active debate on whether or not those rate standards are appropriate in the current business environment.

Mr. Simon went in to great detail about the overarching legislative environment that the industry is working in. He surmised that the NMPA *would* say that, even before the election, there probably will not be immediate action in Congress given everything else that Congress is working on. He stated that when Howard Burman was in the house judiciary looking at IP issues in Congress there was more sympathy for industries supporting IP; in the coming terms there may be someone with less sensitivity towards IP, someone geared more towards technology.

“We hear technology people say, ‘We need more transparency and copyright law is too complex.’ *More transparency* means, ‘I want that you have and I don’t want to pay for it’ and *complexity* means ‘I’m paying too much money.’” He went on to say: “it’s complex to explain to civilians, but it’s what we do for 50 hours a week,” and that, “publishers are copyright professionals.”

“We understand that it is complicated, but don’t need to understand it to interface with us. Not every person who touches copyright must understand every facet of it. We engage professionals every day to deal with issues outside the scope of our understanding. People believe that the law should be changed if, at the highest level, that they don’t understand copyright protocols that run Spotify. And if they don’t understand... the law is too complicated...”

“Instead of saying, *‘you are professionals and it is your task to obtain rights and manage the rights you have obtained and to ensure their fair exploitation for reasonable compensation -- and those who are entitled to be paid out of what you collect...’* there is this belief that everyone, all the way down to someone sitting in their bedroom on their laptop, should understand how international piracy works and... SOPA and PIPA... and now, *‘I have to get rock bands to lobby against their own interests and defeat legislation that protects their copyrights.’*”

He stated that this country doesn’t have people going to congress for very many other areas of complexity outside the music industry and that the social networking environment makes these matters more difficult.

He went on to say that HFA is still issuing several hundred thousand physical goods licenses a year with approximately 15 million digital licenses, moving hundreds of millions of dollars a year. They currently have a database of 6.3 million compositions with 19.5 million master recordings reflected in that database, with several hundred thousand of those compositions tied to the master recordings. This way, when the data comes in it can be quickly tie directly to the composition, “without tying compositions to the master recordings the industry will collapse.”

He stressed the importance of tying compositions to the ISRC (International Standard Recording Code), “the world that makes YouTube and Spotify work,” and that in the current environment the ISWC (International Standard Musical Work Code) means, “next to nothing.”

Mr. Simon then spoke to HFA’s relatively new *Slingshot*, a comprehensive management service designed to streamline the licensing and royalty process, accelerate market entry and reduce administration cost for music distributors. He stated that they had seen double digit growth year after year and that the business model is shifting to make the market centered around rights. “We sit in a market that has gone through changes every 20 years... Massive disruption, followed by massive revenue.” He stated that, at least for HFA, that we are coming out of destabilization: “In 2001 we launched a streaming service that didn’t establish rates until 2009... Now we are starting to see money move. The thing that almost killed us in 2001... brought in nearly 20 million in revenue last year.”

Daniel Dorff asked about distinctions between *performance* and *mechanical*, as matters seem to have become somewhat cloudy. Mr. Simon responded that the debate is no longer performance vs. mechanical vs. sync, as there are now 13 rate classes. He went on to say that there are new experiences that don’t necessarily fit in to one category and it’s certainly a challenge in the new environment.

Katie Baron asked who was collecting these mechanicals, Mr. Simon responded that both HFA and the PROs are collecting, based on the rate.

He closed saying that it is a dynamic market and publishers are looking for the most effective administration at the most reasonable price. There is a great challenge to administer all the various rights in the new environment.

Committee Reports

Annual Meeting: No report

Contribution: No report.

Copyright and Licensing: Katie Barron will give a full report at the December meeting.

Curriculum: Kathy Fernandes reported that the National Music Council booth at the Nashville National Association for Music Education conference was very well received. She also let the Board know that the American Eagle Awards will be held in tandem with summer NAMM.

Digital Piracy/Tech: No report.

Educational Contacts & Trade Relations: No report.

Engraving/Production/Revere: Daniel Dorff reported that he will be meeting with Robert Sutherland to discuss the awards and process in the coming weeks.

Finance/Audit: *See notes above in budget discussion.

History: No report

ICMP: Lauren is currently in Brussels attending an ICMP Board meeting. No Report.

Membership: Vanderbilt Music Company was presented to the Board and unanimously approved.

MPA/MLA/MOLA Joint Committee: Daniel Dorff reported that the committee had met the previous week and that prior internal issues seemed to be resolving as members rotated out.

Nominating Committee: No report

Performance Committee: No report.

Press/Publicity: No report.

The meeting was adjourned at 12:04PM.

Respectfully submitted,
Brittain Ashford, MPA Admin, on behalf of
Sonya Kim, Secretary