



**SAG·AFTRA®**

**2015 SOUND RECORDINGS CODE**  
Referendum Booklet

# Sound Recordings Code Informational Meetings

## LOS ANGELES

**August 31 / 6 - 8 p.m. PT,**

SAG-AFTRA James Cagney Boardroom,  
5757 Wilshire Blvd., Lobby Level, Los Angeles, CA 90036  
*(Parking will be validated.)*



## NEW YORK

**September 1 / 1 - 3 p.m. ET,**

SAG-AFTRA N.Y. Boardroom, 5th Floor,  
1900 Broadway, New York, NY 10023



## NASHVILLE

**September 2 / 1 - 3 p.m. CT,**

SAG-AFTRA Nashville Board Room,  
1108 17th Ave. S., Nashville, TN 37212

For any contract-related questions, please email  
**[soundrecordings@sagaftra.org](mailto:soundrecordings@sagaftra.org)** or call (323) 634-8150.



August 26, 2015

Dear Members:

On behalf of the SAG-AFTRA National Board and the Sound Recordings Code Negotiating Committee, we are very pleased to present for your consideration the 2015 SAG-AFTRA National Code of Fair Practice for Sound Recordings. **This three-year deal is truly groundbreaking: It brings unprecedented gains during the term of the contract and, more importantly, it lays the foundation for us to build even greater gains for our recording artist members over the coming years and beyond.**

Our negotiating committee members knew that some tough decisions would need to be made during this negotiating process and they stayed laser-focused on the future of the industry and the ability of our members to make a living in our world of rapid technological change.

Accordingly, one of our top priorities was to expand our members' compensation for interactive streaming of sound recordings, the most substantial area of revenue growth in the industry. Another major priority was to end the decades-long refusal of the labels to compensate our members for use of their work outside the United States. We're proud to tell you we achieved both of these goals, with the first-ever contract provisions to pay members for streaming based on the worldwide revenue of the labels. And in addition to that, our negotiators achieved — for the first time ever — Health & Retirement Fund contributions on those streaming payments, both domestic and foreign.

#### GAINS:

- Increases to minimums of 2% each year of the contract
- H&R rate increase of .25% to 12.75% in the final year of the contract
- Payments based on worldwide revenue of signatory labels for:
  - Streaming
  - Non-permanent downloads
  - Licensing
- H&R contributions on streaming for the first time — based on worldwide revenue
- Streamlined licensing payments for low-budget licensing (below \$7,500) with contractual earnings protection for members making a living on licensing now
- No change to licensing payments for high-budget licenses (\$7,500+)
- A \$20,000 (12.5%) increase in the H&R earnings cap for groups, from \$160,000 to \$180,000
- A \$3,000 (50%) increase in the cap for the special H&R payment for roster royalty artists from \$6,000 to \$9,000 per year

The agreement also calls for significant changes to how members get paid for low-budget licensing of recordings for use in traditional media. This change makes the label — not the third party user — responsible for collecting

and paying the payment for the performers, and simplifies that payment so that it is a percentage of the license fee. Although this will in many cases reduce the fee payable on a per-track, per-performer basis, **on an aggregate basis this change is projected to bring in several million additional dollars to members over the term of the contract.** And, importantly, our committee insisted upon — and our negotiators achieved — a commitment in the Code itself that ensures that **those funds are allocated so that performers who have been making their living from licensing payments will make no less on an average basis than they did in the years immediately preceding this contract and, in all probability, quite a bit more.** Continuing our focus on the future, as part of this agreement, the labels are withdrawing their longstanding claim that our members have no right to be paid for foreign licensing of their tracks and will now be collecting and remitting payments for foreign licenses to our members.


The music industry is complex and so is our Sound Recordings Code. In the following pages of this package you'll find a more detailed explanation of all the terms of this agreement. In addition, we will be holding informational meetings about the contract in Los Angeles, New York and Nashville. The details are in this package, and we hope you will be able to attend one of these meetings to discuss the contract in greater detail.

This proposed agreement comes to you with the unanimous recommendation of your Negotiating Committee and your National Board. This contract builds on our strengths and helps position us for the future in this dynamic and changing industry. We strongly encourage you to approve it.

In solidarity,



Ken Howard  
President



David P. White  
National Executive Director

# Summary of the Proposed 2015 SAG-AFTRA National Code of Fair Practice for Sound Recordings

**I. TERM OF THE AGREEMENT:** Three (3) years commencing on January 1, 2015, and terminating on December 31, 2017.

**II. MINIMUM WAGES:** All minimum wages increase by 2% effective July 1, 2015, by an additional 2% effective January 1, 2016, and by an additional 2% effective January 1, 2017.

## **III. HEALTH AND RETIREMENT**

**A.** The contribution rate to the AFTRA Health and Retirement Funds increases by .25% on all earnings effective January 1, 2017, bringing the contribution rate to 12.75%.

**B.** The annual earnings cap for royalty groups of three (3) or more increases by \$20,000 effective July 1, 2015, bringing the cap to \$180,000.

**C.** The maximum Special Payment for health coverage for enrolled roster artists and newly signed artists increases by \$2,500 effective July 1, 2015, bringing the maximum Special Payment to \$9,000.

**IV. MODIFICATIONS TO THE DIGITAL EXPLOITATION PROVISIONS:** Currently, for Non-Royalty Artists, the Company pays to the SAG-AFTRA and Industry Sound Recordings Distribution Fund ("SRDF") 0.5% of Receipts for Audio Streams (interactive/non-statutory streams and non-permanent downloads) of recordings exploited within the United States only. AFTRA Health and Retirement contributions are not payable on these earnings. These provisions are modified as follows:

**A.** Company shall make payment to the SRDF for Receipts for Audio Streams of recordings exploited throughout the world, with the rate for such payment adjusted to a rate of 0.36%, which achieves an equal dollar value payment to the sums currently payable based on US exploitation only.

**B.** In no event can this payment be less than the payment that would have been paid under the current agreement (0.5% of US Receipts) nor will it increase more than 10% beyond the payment that would have been payable under the current formula, applied to US Receipts in each future year (i.e. 0.55% of US Receipts).

**C.** Fifteen percent (15%) of the above referenced payments made by Company to the SRDF for Non-Royalty Artists with respect to Audio Streaming shall be subject to AFTRA Health and Retirement contributions.

**V. MODIFICATIONS TO TERMS FOR REUSE OF RECORDINGS:** Currently, when a covered recording is reused in a new medium, the Company is required to obtain a warranty from the licensee obligating the licensee to pay all Artists the equivalent of the rate due in the new medium, with some limited exceptions. These provisions shall be modified as follows:

**A.** In the event a covered recording is made available for use in another medium as provided in the Preamble beginning on page 1 of the Code, in addition to the notification and warranty provisions provided in the Preamble, the following provisions apply.

**1. LOW FEE TRADITIONAL USES (effective January 1, 2016)**

- a)** A “Low Fee Traditional Use” is defined as use in the United States in a television program, cable exhibition, or motion picture at a license fee of \$7,500 or less.
- b)** The total conversion fee for such use shall be the greater of 7% of the Company’s revenue received pursuant to such license, or \$165, plus applicable contributions to the AFTRA Health and Retirement Funds.
- c)** The Company shall invoice and collect all conversion fees and AFTRA Health and Retirement contributions from its licensees and remit such payments to the SAG-AFTRA and Industry Sound Recordings Distribution Fund (“SRDF”) on a semi-annual basis.
- d)** The SRDF shall remit the AFTRA H&R contributions and associated reporting of data to the AFTRA H&R Funds. The remaining money received by the SRDF shall be distributed as determined by the trustees, but shall be distributed during the term of this contract in such a way that artists who make a living from conversion fees and whose recordings continue to be licensed will receive no less on an aggregate or per-recording basis than they did on average during the two year period prior to expiration of the current contract. \*

**2. MOBILE APPLICATIONS**

- a)** A “Mobile Application” shall be defined as mobile applications of any kind (other than music players or other applications designed for the primary purpose of playing covered recordings) on the IOS, Android, and other agreed mobile operating systems.
- b)** The conversion fee payable for such uses shall be 3% of Company’s Receipts from such licenses, payable through the SRDF.
- c)** This provision sunsets on December 30, 2017.

\* The detailed mechanics of this provision are: Performers who, between January 1, 2013 through December 31, 2014, (“two year period”), received conversion fees for the use of a covered recording in a television broadcast, cable exhibition or in a motion picture, collectively, “Priority Licenses” shall, to the extent practicable, receive substantially the same distribution on a per-license basis as the average conversion fee received for such Licenses during the two year period, provided that Priority Distributions received by a performer in any year shall not exceed that performer’s average annual earnings from conversion fees for Licenses during the two year period.

### 3. LOW FEE LIFECYCLE USES

- a) A “Low Fee Lifecycle Use” shall be defined as use exclusively (i) in audio/visual productions of life cycle or other similar personal or non-commercials videos (e.g., weddings, bar/bat mitzvahs, quinceañeras, yearbooks, photo montages, etc.) or (ii) in or at business conferences or presentations, where such licenses do not permit such uses to be made publicly available in any form, at a license fee of \$2,500 or less.
- b) The conversion fee payable shall be 3% of Receipts from such licenses, payable to the SRDF.
- c) The SRDF shall use such funds to offset the general administrative expenses of the SRDF unless and until the SRDF trustees determine, in their reasonable discretion, that the amount of such funds received is sufficient to justify the administrative cost of distributing individual payments, at which time AFTRA H&R contributions will also be made by the Company.

### 4. FOREIGN USES (effective January 1, 2016)

- a) A “Foreign Traditional Use” shall be defined as use in programs for television broadcast or cable exhibition, motion pictures, commercials and video games that are created and exploited exclusively outside the United States and its territories.
  - (1) The conversion fee payable for Commercials shall be 4% of the Receipts from such licenses, subject to a minimum of \$150 and a maximum of \$3,500, payable through the SRDF.
  - (2) The conversion fee payable for all other Traditional Foreign Uses shall be 3% of the Receipts from such licenses, subject to a minimum of \$100 and a maximum of \$3,500, payable through the SRDF.
  - (3) AFTRA H&R contributions shall be payable on these earnings effective as of December 31, 2017.
- b) A “Foreign Non-Traditional Use” shall be defined as use in a digital chip in a consumer product, mobile application, or supplemental content for video games, but created and exploited exclusively outside the United States and its territories.
  - (1) Conversion fees shall be under the same terms and conditions as for Non-Traditional Uses in the United States, however, the maximum conversion fee for any such use shall be \$3,500, payable through the SRDF.

**B.** Re-use in all Commercials, Video Games, and High Fee Traditional Licenses (over \$7,500) in traditional media (television programs, cable exhibitions, and motion pictures) shall remain under the current structure for conversion payments.

- 1. Companies have agreed to language clarifying the licensee’s obligations to make conversion payments.
- 2. Companies have agreed to assist SAG-AFTRA in collecting conversion payments from third party licensees when necessary.