

**If You Receive Royalties from Warner Music Group for Digital Downloads and Mastertones,  
You Could Benefit from a Class Action Settlement**

*A Federal Court authorized this Notice. This is not a solicitation from a lawyer.*

- A Settlement of at least \$11.5 million has been reached in a class action lawsuit over how Warner Music Group Corp. (“WMG”) calculated royalties for digital downloads and mastertones of recordings.
- You are included in this Settlement if you have the right to receive royalties from a contract dated before January 1, 2002 with a WMG U.S. Label that pays on a Royalty Rate Basis or a Penny Rate Basis (*see* Questions 5, 7 and 8 for a list of included labels and contracts).
- This Settlement provides 1) cash payments based on past royalties paid and 2) an increase in digital download and ringtone royalties for artists going forward (*see* Question 11).
- Please read this Notice carefully. Your legal rights may be affected, whether you act or don’t act.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
FILE A CLAIM	This is the only way to get benefits from this Settlement.
EXCLUDE YOURSELF	Get no benefits from this Settlement. This is the only option that allows you to keep any rights you currently have to negotiate with or sue WMG about the claims in this case.
OBJECT TO THIS SETTLEMENT	Write to the Court explaining why you don’t like this Settlement.
GO TO THE HEARING	Ask to speak in Court about your opinion of this Settlement.
DO NOTHING	Get no payment. Give up your rights to sue WMG about the claims in this case.

- These rights and options—**and the deadlines to exercise them**—are explained in this notice.
- The Court in charge of this case still has to decide whether to approve this Settlement. Payments will only be made if the Court approves this Settlement and after any appeals are resolved. Please be patient.

## BASIC INFORMATION

### 1. What is this Notice about?

A Court authorized this Notice because you have a right to know about a proposed Settlement of this class action lawsuit, and about all of your options, before the Court decides whether to give final approval to this Settlement. This Notice explains the lawsuit, this Settlement, and your legal rights.

Judge Richard G. Seeborg, of the U.S. District Court for the Northern District of California, is overseeing this case. The case is known as *In Re: Warner Music Group Corp. Digital Downloads Litigation*, Case No. 12-CV-0559-RS. The people who sued are called the “Plaintiffs.” The “Defendant” is Warner Music Group.

### 2. What is this lawsuit about?

This lawsuit claims that WMG failed to properly credit royalty payments to Class Members from the exploitation of digital downloads and mastertones of recordings under certain contracts. The Plaintiffs claimed that exploitation of digital downloads and mastertones should be counted as a “license” (and most WMG contracts provide a higher royalty rate for licenses) rather than as a “sale” of a record. WMG denies these claims.

### 3. Why is this lawsuit a class action?

In a class action, one or more people called “Class Representatives” (in this case, Kathy Sledge Lightfoot, Ronee Blakley, and Gary Wright) filed a lawsuit on behalf of a group, or a “Class,” of people who have similar claims. In a settlement of a class action, one court resolves the claims for all Class Members, except for those who exclude themselves from the Class.

### 4. Why is there a Settlement?

The Court has not determined who is right. Rather, both sides have agreed to settle the lawsuit to avoid the uncertainties and expenses of continuing the lawsuit. By agreeing to settle, both sides avoid the cost and risk of a trial, and the people affected will get a chance to receive benefits. The Class Representatives and their attorneys think this Settlement is best for all Class Members. This Settlement does not mean that WMG did anything wrong.

## WHO’S INCLUDED IN THIS SETTLEMENT?

If you received this Notice along with your royalty statement, then you should review your contract(s) and any amendments to determine whether you are included in this Settlement.

### 5. What WMG U.S. Label entities are included in this Settlement?

For the purposes of this Settlement, “WMG U.S. Label” means:

- A wholly owned U.S. recorded music subsidiary of WMG; or
- A partially owned U.S. recorded music subsidiary of WMG for which WMG has the unilateral right to enter into litigation settlements; or
- Any of either of their predecessors in interest.

WMG U.S. Labels include Atlantic Recording Corporation, Bad Boy Records LLC, Elektra Entertainment Group Inc., Fueled By Ramen LLC, Nonesuch Records Inc., Rhino Entertainment Company, Warner Bros. Records, Inc. and Word Entertainment LLC.

## 6. How do I know if I am part of this Settlement?

To see if you are part of this Settlement, ask yourself this series of questions:

Question	Yes	No
Do you have a contract with a WMG U.S. Label ( <i>see</i> Question 5) dated before January 1, 2002 or are you the heir, successor or assign of someone who does?	Continue.	You are not a Class Member.
Are royalties in the contract currently paid or credited by a WMG U.S. Label?	Continue.	You are not a Class Member.
Does your contract pay royalties for the exploitation of recordings on a Royalty Rate Basis or a Penny Rate Basis?	Continue.	You are not a Class Member.
Did you already release WMG for claims relating to payment of royalties on downloads or mastertones through December 31, 2012 from a past audit or litigation?	You are not a Class Member.	Continue.
Did your answers to all of these questions tell you to “continue?”	You may be a Class Member.	You are <u>not</u> a Class Member.

**Note:** Record producers, mixers, remixers, engineers or other royalty recipients that have royalty rate or penny rate contracts with a WMG U.S. Label dated before January 1, 2002, or their successors in interest, assigns and heirs are included in the Class. However, royalty recipients that do not have agreements with a WMG U.S. Label and/or that receive royalties from a WMG U.S. Label only through so-called “letters of direction” or other agreements with artists are not included in the Class.

## 7. What is a Royalty Rate Basis?

“Royalty Rate Basis” means a calculation based on a percentage or percentages of the actual or adjusted suggested retail list price, published price to dealer, or wholesale price.

## 8. What is a Penny Rate Basis?

“Penny Rate Basis” means a calculation based on a specific cent rate per unit.

## 9. Who is not included in the Class?

You are not included in the Class if your WMG U.S. Label contract 1) is dated after December 31, 2001 (unless you also have agreements before this date) or 2) provides compensation from a WMG U.S. Label for U.S. exploitation of downloads or mastertones in any way other than on a Royalty Rate Basis or a Penny Rate Basis, including:

- “Pressing and distribution” (or “P&D”) arrangements,
- Contractual “profit split” or “joint venture” arrangements,
- Actual joint venture arrangements, or
- Any arrangements where compensation is calculated as a percentage of net receipts, net profits or available cash, or other similar basis.

Also excluded from the Settlement Class are sample licensors and persons or entities which have already settled and released claims related to downloads and mastertones with a WMG U.S. Label as of December 27, 2013.

## 10. What if I am not sure whether I am included in this Settlement?

If you are not sure whether you are included in this Settlement, you may call (877) 690-7098 with questions or visit [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com). You may also write with questions to WMG Download Class Settlement, PO Box 8094, Faribault, MN 55021-9494.

## SETTLEMENT BENEFITS

### 11. What does this Settlement provide?

This Settlement provides payments to eligible Class Members for past exploitations of downloads and mastertones from January 1, 2009 through December 31, 2012. It also provides for an increase in the royalty rate for Class Members for future exploitations after January 1, 2013, as explained below.

#### **For Past Royalties (exploitations through December 31, 2012):**

This Settlement will create an \$11.5 million Settlement Fund to pay eligible Class Members who file valid claims for past exploitations of downloads and mastertones from January 1, 2009 through December 31, 2012. The cost to administer this Settlement as well as attorneys' fees and the payments to the Class Representatives will come out of this fund (*see* Question 14).

Any payment you are eligible to receive will be based on your total revenue from U.S. exploitations of downloads and mastertones for the period January 1, 2009 through December 31, 2012 compared to the total Class revenue for U.S. exploitations of downloads and mastertones for the same time period.

If you are eligible for past royalties and have an agreement with a third party in regard to your royalties, you are responsible for determining whether any part of the past royalties are owed to third parties.

#### **For Future Royalties (exploitations after December 31, 2012):**

##### U.S. Exploitations

Class Members who submit a valid Claim Form will also receive a 5 percentage point increase in their "Basic U.S. Rate" for royalties for downloads and mastertones. The Basic U.S. Rate is the current royalty rate applied to the full-priced sale of albums through normal retail channels in the U.S. The Basic U.S. Rate will be increased for all Class Members who submit a valid Claim Form so as to not fall below a minimum of 10% (the "Royalty Floor"). In addition, Class Members subject to the 5 percentage point increase will be capped at a maximum of 14% (the "Royalty Cap."). These increases will be for the remaining life of these contracts and for as long as royalties continue to be paid.

##### Foreign (Ex-U.S.) Exploitations

Settlement Class members who submit a valid Claim Form will also receive an increase in their "Basic Foreign Rates" for royalties for downloads and mastertones. Basic Foreign Rates are royalty rates applied to the full-priced sale of records through normal retail channels outside the U.S. These are sometimes expressed on a territory-by-territory or region-by-region basis with different Basic Foreign Rates for each territory or region. For the purposes of calculating the new Basic Foreign Rates the currently applied Basic U.S. Rate will be increased by 2.5 percentage points, subject to the Royalty Cap, and multiplied by the ratio of the currently applied Basic Foreign Rate to the currently applied Basic U.S. Rate for the calculation of the new Basic Foreign Rates.

Record producers, mixers, remixers, engineers or other royalty recipients who are Class Members and submit a valid Claim Form will receive a prorated increase in their royalty rates for both U.S. and foreign exploitations and will not be subject to the Royalty Floor. These prorated increases will be based upon the percentage increase that would be due the applicable recording artist.

- For example, if the artist's Basic U.S. Rate is 10% and the producer's Basic U.S. Rate is 3%, the artist would be entitled to an increase in that Royalty Rate to 14% and the producer's 3% will be increased by the same ratio as the artist's rate. This means the producer's royalty rate would be increased by 140% to 4.2%.

### 12. What can I get from this Settlement?

Any payment you are eligible to receive will be based on your total revenue from U.S. exploitations of downloads and mastertones for the period January 1, 2009 through December 31, 2012 compared to the total Class revenue for U.S. exploitations of downloads and mastertones for the same period. It is not possible to know at this point how much any Class Member's payment from this Settlement will be.

The actual amount available for each eligible Class Member will not be determined until after all Claims Forms have been received and the Settlement is final, which will not occur until after the Fairness Hearing currently scheduled for October 2, 2014.

**13. Do I have a lawyer in this case?**

Yes. The Court appointed the following as “Class Counsel”: Pearson, Simon & Warshaw, LLP, Hausfeld LLP, Kiesel Law LLP, Lief Cabraser Heimann & Bernstein, LLP, and Phillips, Erlewine & Given, LLP. You will not be charged for these lawyers. If you want to be represented by someone other than Class Counsel, you may hire a lawyer at your own expense. The contact information for Class Counsel is:

<p><b>PEARSON, SIMON &amp; WARSHAW, LLP</b> 15165 Ventura Boulevard Suite 400 Sherman Oaks, CA 91403 Telephone: (818) 788-8300</p>	<p><b>HAUSFELD LLP</b> 1700 K Street, NW, Suite 650 Washington, DC 20006 United States of America Telephone: (202) 540-7200</p>	<p><b>KIESEL LAW LLP</b> 8648 Wilshire Boulevard Beverly Hills, CA 90211 Telephone: (310) 854-4444</p>
<p><b>LIEFF, CABRASER, HEIMANN &amp; BERNSTEIN, LLP</b> Embarcadero Center West 275 Battery Street 30th Floor San Francisco, CA 94111 Telephone: (415) 956-1000</p>	<p><b>PHILLIPS, ERLEWINE &amp; GIVEN LLP</b> 50 California Street 32nd Floor San Francisco, CA 94111 Telephone: (415) 398-0900</p>	

**14. How will the lawyers be paid?**

Class Counsel will ask the Court for attorneys’ fees, costs, and expenses of up to \$3,025,000 to be paid by WMG. Class Counsel are also asking the Court to award special service payments of \$10,000 to the Class Representatives and former class representatives for their service as representatives on behalf of the whole Class. The amounts awarded by the Court will be payable solely from the \$11.5 million Settlement Fund available to Class Members. The Court will decide the amount of fees and expenses to award. The fees and expenses awarded by the Court will be paid out of the \$11.5 million Settlement Fund. Class Counsel will file their request for final approval of this Settlement and their application for fees and expenses by August 28, 2014. This request will also be posted on the Settlement website [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com).

**15. Should I get my own lawyer?**

You do not need to hire your own lawyer, but if you hire a lawyer to speak for you or appear in Court, your lawyer must file a Notice of Appearance (*see* Question 16). If you hire your own lawyer, you will have to pay for that lawyer at your own expense.

**HOW TO GET BENEFITS**

**16. How do I get benefits?**

If you want to receive payment of the past royalties and be eligible for future royalties, you must mail your completed Claim Form postmarked on or before **May 31, 2014** to:

WMG Download Class Settlement  
PO Box 8094  
Faribault, MN 55021-9494

A Claim Form is enclosed with this Notice. Claim Forms are also available at [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com). Claim Forms are only valid if received on behalf of all of the Class Members subject to the applicable Class Contract. If some but not all of the Class Members subject to the applicable Class Contract file a Claim Form, they will be treated as if they had all filed a request for exclusion (*See* Question 20).

**17. How will I receive my benefits?**

Class Members who are entitled to a payment for past royalties (and future royalties for exploitations after December 31, 2012) will automatically receive their payment as part of their royalty statements.

If you are a Class Member and do not submit a valid Claim Form, then you will not share in any of the past royalties or future royalties, but you will be bound to the terms of this Settlement and the Court's decisions.

**REMAINING IN THIS SETTLEMENT**

**18. What happens if I do nothing at all?**

If you do nothing, you won't get any money or other benefits from this Settlement. But, unless you exclude yourself, you won't be able to start a lawsuit or be part of any other lawsuit against WMG for the claims being resolved by this Settlement.

**19. What am I giving up if I stay in the Class?**

If this Settlement receives final approval from the Court, this Settlement will be legally binding on all Class Members, including Class Members who object. This means you will not be able to individually sue WMG for the claims being released in this Settlement. This Notice is only a summary. The specific claims about leasing or licensing downloads or mastertones of recordings that you are giving up against WMG are described in detail in the Settlement Agreement. You will be "releasing" WMG and all related entities (the "Released Parties") as described in the Settlement Agreement. The Settlement Agreement is available at [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com).

If you, or someone acting on your behalf, are currently litigating claims against WMG or the other Released Parties, you will be barred from pursuing the claims released by this Settlement unless you validly "opt out" as described in Question 21 below. You are also entitled to make a claim if you would like to do so but doing so will end your litigation as to the claims released. If you are currently litigating claims against WMG or the other Released Parties, speak to your lawyer in that matter immediately.

The Settlement Agreement describes the released claims with specific descriptions, so read it carefully. If you have any questions, you can talk to Class Counsel listed in Question 13 for free or you can, of course, talk to your own lawyer if you have questions about what this means.

**EXCLUDING YOURSELF FROM THIS SETTLEMENT**

**20. What if I don't want to be in this Settlement?**

If you decide to exclude yourself from the Class and you want to be free to sue WMG on your own for the claims being resolved by this Settlement, then you must take steps to get out of this Settlement. This is called excluding yourself—or it is sometimes referred to as "opting out" of the Class. However, if you do, you will not receive benefits from this Settlement, and Class Counsel will no longer represent you. If you want to receive benefits from this Settlement, do not exclude yourself. Requests for exclusion will be valid only if they are submitted on behalf of all Class Members who are parties to a particular Class Contract. If some but not all of the Class Members subject to the applicable Class Contract file either a request for exclusion or a Claim Form, they will be treated as if they had all filed a request for exclusion.

**21. How do I get out of this Settlement?**

To exclude yourself, you must mail a letter that includes:

- Your full name, address, and telephone number;
- The name of the artist (individual or band), producer or company requesting exclusion (if any different from your name);
- The date(s) of the Class Contract(s) or any of its amendments and the royalty account number(s) from your royalty statement(s);
- A statement that you are a Class Member and that you "request to be excluded from the class settlement in the WMG Action."

You must personally sign your written “opt-out” request and mail it postmarked by **May 31, 2014** to:

WMG Download Class Settlement  
PO Box 8094  
Faribault, MN 55021-9494

**OBJECTING TO THIS SETTLEMENT**

**22. How do I object to this Settlement?**

If you are a Class Member, you may object to this Settlement if you don’t like some part of it. To do so, you must first submit a letter that includes the following:

- Your name, address, and telephone number;
- The date(s) of the Class Contract(s) or any of its amendments and the royalty account number(s) from your royalty statement(s);
- A statement (under penalty of perjury) that you believe you are a Class Member and you object to the Settlement in *In Re: Warner Music Group Corp. Digital Downloads Litigation, 12-CV-0559-RS*;
- The basis of your objection, along with copies of any supporting materials you plan to offer into evidence at the Fairness Hearing; and
- The identity of any witnesses you plan to call to testify at the Fairness Hearing.

To be considered, you must mail your objection to each of the following three addresses postmarked no later than May 31, 2014:

<b>Court</b>	<b>Class Counsel</b>	<b>Defense Counsel</b>
Clerk of the Court United States District Court Northern District of California 450 Golden Gate Avenue San Francisco, CA 94102-3489	Daniel L. Warshaw, Esq. PEARSON, SIMON & WARSHAW, LLP 15165 Ventura Boulevard, Suite 400 Sherman Oaks, CA 91403	Tamerlin J. Godley, Esq. MUNGER, TOLLES & OLSON LLP 355 South Grand Avenue 35th Floor Los Angeles, CA 90071

You have the right to consult with your own attorney, at your own expense, before deciding how best to proceed. If you are represented by your own attorney, your attorney must file a Notice of Appearance with the Court. Either WMG or Class Counsel may seek discovery from any objector, subject to the Court’s approval.

**23. What’s the difference between objecting and excluding myself from this Settlement?**

Objecting is simply telling the Court that you don’t like something about this Settlement. You can object only if you don’t exclude yourself from the Class. Excluding yourself is telling the Court that you don’t want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

**THE COURT’S FAIRNESS HEARING**

**24. When and where will the Court decide whether to approve this Settlement?**

The Court will hold the Fairness Hearing on October 2, 2014 at 1:30 p.m. in Courtroom 3 of the United States District Court, Northern District of California, 450 Golden Gate Avenue, San Francisco, California 94102, to hear any objections and to consider whether to give final approval to this Settlement. At this hearing the Court will consider whether this Settlement is fair, reasonable, and adequate. If there are objections or comments about this Settlement, the Court will consider them. The Court will also consider how much to pay Class Counsel and Class Counsel’s request for the Class Representative service awards. After the hearing, the Court will decide whether to approve this Settlement. The Court may reschedule the Fairness Hearing without further written notice, so you should check [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com) or call (877) 690-7098 if you want to find out if the Fairness Hearing has been rescheduled.

**25. Do I have to attend the Fairness Hearing?**

No. Class Counsel will answer any questions that the Court may have regarding the terms of this Settlement. But, you or your own lawyer are welcome to attend at your expense. If you send an objection, you do not have to come to court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You and/or your own lawyer may attend at your own expense, but it is not necessary or required.

**26. May I speak at the Fairness Hearing?**

Yes. You may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter saying that it is your "Notice of Intent to Appear in *In Re: Warner Music Group Corp. Digital Downloads Litigation, 12-CV-0559-RS*." It must include your name, address, telephone number, and signature as well as the name and address of your lawyer, if one is appearing for you. Your Notice of Intent to Appear must be postmarked no later than **May 31, 2014**, and be sent to the addresses listed in Question 22 or be served electronically by Electronic Case Filing.

**GETTING MORE INFORMATION**

**27. Where do I get more information?**

This Notice summarizes the proposed Settlement. If you have questions regarding this Settlement, or would like to review a copy of the Stipulation, please visit [www.wmgdownloadsettlement.com](http://www.wmgdownloadsettlement.com), contact Class Counsel, or write to: WMG Download Class Settlement, PO Box 8094, Faribault, MN 55021-9494, or call the Settlement Administrator at (877) 690-7098.

You may also review the Court's file during regular court hours at: U.S. District Court, Northern District of California

450 Golden Gate Avenue  
San Francisco, CA 94102

**PLEASE DO NOT TELEPHONE THE COURT, THE JUDGE, THE CLERK OF THE COURT OR WMG.**

By Order of the United States District Court, Northern District of California