

October 15, 2014

To: Local Television Stations
From: Television Music License Committee

Re: Settlement in the SESAC Antitrust Suit

We are pleased to announce that a settlement has been reached in the antitrust lawsuit brought on behalf of all local television stations against SESAC. The settlement agreement is being filed in U.S. District Court in New York today. All local stations will receive formal notice and full details of the class-action settlement, which is subject to court approval. This letter presents you with the highlights of this very significant and positive development.

As we have briefed you in prior mailings, this case was filed in 2009 by three station groups, Meredith, Scripps and Hoak (now part of Gray Television), as a class action on behalf of all local television stations. Legal fees and expenses for the suit have been paid by the TMLC, through contributions from the industry. The suit asserts that since 2008, when the last industrywide agreement with SESAC expired, SESAC violated federal antitrust laws, resulting in overcharges to stations who were forced to accept SESAC's terms or risk being sued for copyright infringement. SESAC has fought the case very vigorously, and twice tried to have the case dismissed. Both efforts failed, and the case was scheduled for trial in March 2015. The settlement avoids further expense and the uncertain outcome of a trial and possible appeals.

These are the key terms of the settlement, if it is approved by the court, as we hope and expect:

- ♪ SESAC has agreed to pay \$58.5 million as a settlement fund. After the TMLC's attorney's fees and legal expenses are reimbursed, the rest of the fund, \$42.5 million, will be distributed to local stations, in proportion to their 2008-14 SESAC license fees. We expect that payments will be made in 2015.
- ♪ The Television Music License Committee will resume its role in negotiating industrywide agreements with SESAC. This has not been the case since SESAC broke off negotiations with the TMLC in late 2007 and chose to negotiate individually with broadcasters.
- ♪ Stations' SESAC license fees will remain at current levels for the remainder of 2014 and 2015. Starting next year, the TMLC will negotiate with SESAC for a new industrywide agreement to take effect in 2016. That agreement will include a per program license to be modeled after the SESAC per program license available until 2007.

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- ♪ If the negotiations do not result in an agreement, SESAC and the TMLC have agreed to have the terms of the new license settled by binding arbitration. SESAC, unlike ASCAP and BMI, is not subject to a “rate court” process.
- ♪ SESAC and the TMLC have agreed to use this procedure – negotiation with an arbitration backstop if the parties cannot reach agreement – from 2016 through 2035, a 20-year period in which there will be 5 four-year agreements. The settlement, thus, provides long-term protection against SESAC’s ability to set prices unilaterally.
- ♪ The SESAC licenses will cover the same music uses as current agreements with ASCAP and BMI – multicasts, websites and other digital platforms stations may use.
- ♪ SESAC has agreed not to prevent its affiliated music composers and publishers from negotiating music license agreements directly with broadcasters.

This is a summary of the key terms of the settlement. We believe it is fair and a good result, providing long-term protection. Once initial court approval is obtained, stations will receive a full packet of materials describing the settlement as it is being presented to the court. Details also will be posted on the TMLC website, *tvmlc.com*. Stations will have the opportunity to object to the settlement terms or “opt out” of the settlement if they would prefer to waive the benefits of the settlement. The court then will hold a hearing to decide whether to approve the settlement.

We knew when this suit was filed that this would be a difficult, expensive and hard-fought battle. The courageous broadcasters at Meredith, Scripps and Hoak believed it was the only way to stop SESAC from pricing its music without regard to its value or the laws against restraint of trade. The Committee agreed, and we now view the settlement as achieving the major goals we set when the suit was filed. We are grateful for the strong support from broadcasters nationwide who contributed to the TMLC to help us pay the bills, even as we were negotiating and in court with ASCAP and BMI. Thank you. We hope you will agree that your confidence in the Committee has been rewarded.

Please call Will Hoyt (917-414-5893) or Alixandra Steier (301-961-1970) with any questions you may have about the settlement.