

# Digital Music Centre

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## What is the Digital Music Centre?

The Digital Music Centre (**DMC**) is a repository and distribution point for downloadable digital Australian country music.

## How does music get into the DMC?

Albums are provided to the **DMC** by **partner owners** ie. the owners of the recorded product (master); and the **DMC** digitally copies the tracks into high quality mp3 files.

## How do consumers buy the music?

A consumer can only get to the **DMC** via the web site of a **partner retailer**. Although the sales are physically made within the **DMC**, they are then credited back to the referring **partner retailer**. The **DMC** does not make any sales to consumers on it's own behalf.

## Who decides the retail price of the music?

The **partner retailer** decides at what price tracks will be sold to consumers. The **partner owners** will provide a Suggested Selling Price for the tracks on each album, then the **partner retailer** may set their selling price as a percentage above or below the SSP, or at a specific quoted price.

## Who decides the wholesale price of the music?

The **partner owner** decides at what price tracks will be sold to **partner retailers**. If a **partner retailer** is happy with the resultant margin between the wholesale and retail price of the tracks on an album, then it may be "stocked" by the **partner retailer**. If the resultant margin is below the requirement of the **partner retailer**, then an album's tracks will not be "stocked" by the **partner retailer**.

## Who promotes the music to the consumers?

The **partner retailers** promote the digital music to the consumers. As sales of **DMC** distributed music can only be made by **partner retailers**, then the more aggressively any **partner retailer** promotes the music the more they will sell.

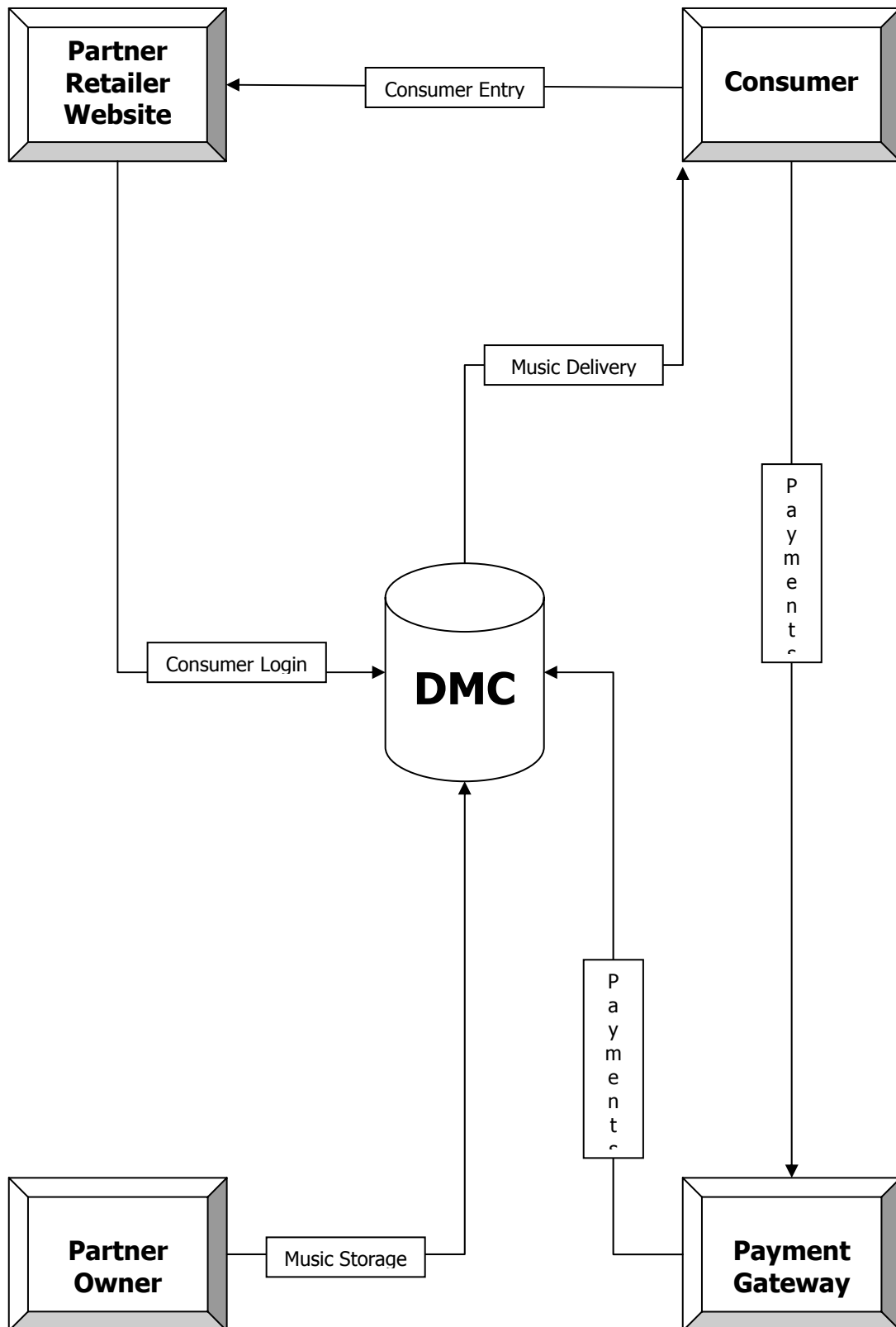
## How do consumers pay for their purchases?

Consumers pay for their digital music purchases by credit card via a secure payment gateway provided by the **DMC**. All received funds go into a holding account at the **DMC** which is cleared at the end of each month by distributing all funds to the various **partners**, and to statutory authorities.

## How are statutory royalties paid?

The required Apra and Amcos royalties will be withheld from the proceeds of sales by the **DMC** and will be submitted to Apra/Amcos, under authorisation, on behalf of the **partner owners**. Performance royalties payable to artists is flexible and may be subject to agreement between the performers and the owners of the recorded product; and as such the payment of these royalties will remain the responsibility of the **partner owners**, and the **DMC** will play no part in these payments.

# Process Flowchart



# Operational Overview

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The owner of a recorded product (CD) may register with the **DMC** as a **partner owner**. As part of this process the new **partner owner** will specify "standard" or "default" details for selected criteria such as which **partner retailers** they wish their product to be available to, and what price they wish to sell their tracks for to **partner retailers**. These details may also be specified on an album by album basis if desired, but the "default" information will be used in the absence of specific details being supplied for any album.

A **partner owner** provides one or more CDs to the **DMC**. With each album the **partner owner** may optionally specify details such as which **partner retailers** they wish their product to be available to, and what price they wish to sell the tracks on the album for to **partner retailers**. Specifying details per album enables the **partner owner** to do promotions, special deals, exclusive deals, semi exclusive deals etc with different **partner retailers** as they desire. In the event that specific details are not supplied with an album, then the "default" details as specified by the **partner owner** will be applied to the tracks on an album. The tracks on the CDs will then be digitally copied and stored within the **DMC** as high quality mp3 files that will be purchasable by the consumers. At the same time the **DMC** will create preview samples, of 30 seconds duration, of each of the tracks; which will be stored in a lesser quality format for free downloading by the consumers.

A retailer of country music CDs, who has an active web site, may register with the **DMC** as a **partner retailer**. As part of this process the new **partner retailer** will specify "standard" or "default" details for selected criteria such as which **partner owners** product they wish to sell, and the maximum price they are prepared to pay for tracks from **partner owners**, and the price that they wish to sell tracks to the consumers at. These details may also be specified for the product of specific **partner owners** and for specific albums, but in the absence of any specific details the default values will be applicable.

**Note:** The selected criteria specified by **partner owners** and **partner retailers** cannot be seen by each other, but a list of all **partner owners** and their contact details are available to **partner retailers**, and a list of all **partner retailers** and their contact details are available to **partner owners**.

A **partner retailer** may promote the available downloadable music (and the **DMC**) as strongly as they like through any means at their disposal, including their web site, and provide a link from their web site into the **DMC**. Consumer entry into the **DMC** will only be allowed when the domain of the referrer page is recognised as that of a **partner retailer**. Every transaction that occurs in a session will then be credited to the account of the referring **partner retailer**.

A consumer arriving in the **DMC** for the first time (from a referring **partner retailer's** recognised site) will be required to provide an email address and a password for the purpose of establishing their "account" in the **DMC**. All future logins to the **DMC** (via a **partner retailer's** domain) will require the consumer to log in with their email address and specified password. A consumer is not locked in to any one **partner retailer**, and they may arrive at the **DMC** from any registered **partner retailer**.

A consumer's "account" in the **DMC** is not monetary related, as all purchases are settled by credit card payment; but the account holds details of their preferences and the music tracks that they have purchased. A consumer's account will remain active in the **DMC** for a period of 3 calendar months after the last time that they logged in, and they may download any track that they have purchased whenever they desire, for as long as their account is active. As well as overcoming the potential problem of what happens if a download fails when a consumer buys a track, it may also be viewed by many consumers as providing a backup means for their music purchased through the **DMC**. If this is the case that will then guarantee a return visit to the **partner retailer's** site at least every three months.

# Summary of Costs

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## Partner Retailer Registration

There is a one off registration fee for each **partner retailer** of \$110AUD. This process includes the registration of the retailers account, preferences, ABN (mandatory) and bank details for the distribution of proceeds from sales.

## Partner Owner Registration

There is a one off registration fee for each **partner owner** of \$110AUD. This process includes the registration of the owner's account, preferences, ABN (mandatory) and bank details for the distribution of proceeds from sales.

## Product Registration

There is a one off registration fee for each album (CD) of \$110AUD. This process includes the registration of the details of the album, owner preferences specific to the album, digital extraction of tracks on the album and creation of the mp3 and wma track files for sale, and creation of the track preview samples for free download. There is no difference in the cost of registration for any CD, irrespective of whether it is a 5 track EP or a 20 track album.

## Goods And Services Tax (GST)

GST is applicable on all sales through the **DMC** and such amount will be withheld from the sale proceeds and forwarded to the Australian Tax Office by the **DMC**, in accordance with the legal requirement.

## Mechanical and Communication Royalties

In order to legally sell downloaded music you are required to take out an AMCOS and APRA licence. The AMCOS licence is for the mechanical component of any published musical work, while the APRA licence is for the 'communication to the public' right - the process of getting any music download from point A to point B. Apra/Amcos propose that the cost of this license will ultimately be 12% of the selling price, and this rate is subject to confirmation. For the purpose of clarity, AMCOS' licence will cover all reproductions made in the course of providing the digital download service, including the provision of previews up to 30 seconds in duration, on the basis that such reproductions have no separate commercial or business purpose. The Apra/Amcos license is an ongoing expense applicable to each sale, and such costs will be withheld from the sale proceeds and forwarded to Apra/Amcos by the **DMC**.

## Credit Card Charges

All payments will be forwarded through a secure external payment gateway. The **DMC** will incur a charge for each transaction through its credit card merchant account and through the gateway. The rates applicable will vary depending upon the type of card that is used, and over time depending upon the volume processed and the deal that can be struck by the **DMC** with its merchant account provider. Both of these costs will be withheld by the **DMC** from the sale proceeds.

## DMC Transaction Fee

The **DMC** charges 19 cents per track for each track sold, and this fee will be paid to the **DMC** out of sale proceeds, before distribution of the balance of proceeds to the various partners.