APPENDIX

These examples are available at http://www.copyright.gov/docs/cable/phantom-signals/notice-appendix.pdf

SET 1 – MERGER OF SA-2 AND SA-3 CABLE SYSTEMS

Scenario 1: Two separate systems before a merger under current Copyright Office regulations. System 1 is a Form SA3 and System 2 is a Form SA1-2.

System 1	***System 2***
$550,000.00 gross receipts Top 50 Major Market 2 permitted distant independent signals (A and B) 1 non-permitted distant independent signal (C) Minimum fee =$5,571.50 or Base rate = $9,245.50+ 3.75% fee= $20,625.00 ***Royalty fee= $29,870.50***	$325,000.00 gross receipts ***Royalty fee= $1,931.00***

Table 1a: Two separate systems *before* a merger using current CO regulations.

Scenario 2: One system after a merger under current Copyright Office regulations. All subscribers are receiving the same set of signals.

$875,000.00 gross receipts 2 permitted signals (A and B) 1 non-permitted signal (C) Minimum fee = $8,863.75 or Base rate fee = $14,708.75+ 3.75% fee = $32,812.50 ***Royalty fee = $47,521.25***	

Table 1b: One system *after* a merger using current CO regulations (all subscribers are receiving the same signals).

Scenario 3: One system after a merger reflecting differing sets of signals received by subscribers applying current Copyright Office regulations. Former SA1-2 system in scenario 1 above (System 2) carried a different independent signal and network signal (D and E below) which are carried in only a portion of this new merged SA-3 system.

$875,000.00 gross receipts 2 permitted independent distant signals (A and B) 1 permitted distant network signal (E) 2 non-permitted distant independent signals (C and D) Minimum fee = $8,863.75 or Base rate fee = $16,170.00+ 3.75% fee = $65,625.00 ***Royalty Fee = $81,795.00***	

Table 1c: One system *after* a merger reflecting differing sets of signals to subscribers using current Copyright Office regulations.

Scenario 4: One system after a merger under the NCTA's proposal and reflecting the former two separate systems in scenario 1 – All subscribers are treated as receiving the same set of signals as before the merger. Both former systems would use the rates of a Form SA-3 system. Former System 2 below (the former SA1-2 system) would likely pay the "minimum fee" rate with the presumption that no DSEs would apply to the former SA1-2 system's gross receipts.

Former System 1	***Former System 2***
Same as System 1 under scenario 1	Minimum fee = $3,292.25 ($325,000 x 1.013%)
Royalty fee= $29,870.50	***Royalty Fee= $3,292.25***
Combined Royalty Fee $33,162.75	

Table 1d: One system *after* a merger under the NCTA's proposal to use subscriber groups to reflect the former two separate systems.

Scenario 5: One system after a merger under the NCTA's subscriber group proposal– signals being carried in only portions of the merged system. All subscribers are not receiving the same set of signals. This scenario presumes that DSEs would apply to the gross receipts of the former SA1-2 system.

Former System 1	Former System 2
$550,000.00 gross receipts Top 50 Major Market 2 permitted distant independent signals (A/B) 1 non-permitted distant independent signal (C)	$325,000.00 gross receipts Top 50 Major Market 1 permitted distant network signal (E) 1 permitted distant indep. signal (D)
Minimum fee = $5,571.50 or Base rate = $9,245.50+ 3.75% fee = $20,625.00	Minimum fee = $3,292.25 Base rate = $3,835.00
Royalty fee = $29,870.50	***Royalty fee =$3,835.00***
Combined Royalty fee = $33,705.50	

Table 1e: One system *after* a merger under the NCTA's subscriber group proposal.

As illustrated above, the cable system's total royalty fee obligation would be considerably less under the NCTA subscriber group proposal (Table 1e) when compared with the Copyright Office's existing methodology (Table 1c) which does not currently permit calculations based on subscriber groups and partial carriage.

The following examples concern situations where a cable system straddles two television markets. Like the examples illustrated above, there is a difference in royalty fee amounts if the NCTA's subscriber group proposal were in effect.

SET 2 – MERGER OF TWO SA-3 SYSTEMS

Scenario 1*:* Two separate SA-3 systems before a merger under current Copyright Office regulations. Each system is retransmitting different distant signals.

System 1	*System 2*
Top 50 major market; $550,000.00 gross receipts	Second 50 major market; $550,000.00 gross receipts
3 distant independent signals (A, B, & C) 2 permitted signals (A & B) 1 non-permitted signal (C)	3 distant independent signals (D, E, & F) 2 permitted signals (D & E) 1 non-permitted signal (F)
Minimum fee= $5,571.50	Minimum fee= $5,571.50
Base rate fee= $9,245.50 3.75 % fee= $20,625.00	Base rate fee= $9,245.50 3.75 % fee= $20,625.00
Royalty fee= $29,870.50	***Royalty fee = $29,870.50***

Table 2a: Two separate SA-3 systems *before* a merger under current Copyright Office regulations.

Scenario 2: One system after a merger under current Copyright Office regulations.

Top 50 major market & second 50 major market	
$1,100,000.00 gross receipts	
3 wholly permitted independent signals (A, B, & D) 3 non-permitted independent signals (C, E, & F)	
Minimum fee= $11,143.00	
Base rate fee= $25,839.00 3.75% fee = $123,750.00	
Royalty Fee = $149,589.00	

Table 2b: One system *after* a merger under Copyright Office regulations.

Scenario 3*:* One system after a merger under NCTA's subscriber group proposal. All signals carried in the former separate SA-3 systems in scenario 1 above are not carried throughout the new merged cable system. This merged scenario reflects two (or more) subscriber groups patterned after the differing pre-merger signal carriage line-ups (see scenario 1, above).

Royalty fee same as combined amount in Scenario 1 above $59,741.00 Hence, if two subscriber groups are used, calculation of the royalty fee results in the same royalty fee as above in scenario 1 when they were still separate systems (all else being equal). Other offshoot	scenarios arising from the merger include permutations of the number and makeup of subgroups to reflect partial carriage of certain stations to some subscribers. Notwithstanding such, the royalty fee would still be less than the CO calculated fee in scenario 2 above.

Table 2c: One system *after* a merger using NCTA's approach of subscriber groups for phantom signals.

SET 3 –SA-3 SYSTEM MERGER AND PARTIALLY-DISTANT SIGNALS

Scenario 1*:* Two separate SA-3 systems before a merger with one partially distant signal that is carried in only one system under current Copyright Office regulations.

System 1: 1 partially distant independent permitted signal (A).

Group I	*Group II*
Top 50 major market Gross receipts= $550,000.00 No distant signals	Top 50 major market Gross receipts= $550,000.00 1 permitted distant independent signal (A) Base rate fee = $5,571.50

Minimum fee = $11,143.00

Royalty fee = $11,143.00

System 2:

Group I

Top 50 major market
Gross receipts=$1,800,000.00
2 distant independent permitted signals (B and C)

Minimum fee= $18,234.00 or
Base rate fee =$30,258.00

Royalty fee = $30,258.00

Table 3a: Two separate SA-3 systems *before* a merger with one partially-distant signal.

Scenario 2: One system after a merger under current Copyright Office regulations with one partially distant signal**.** Former system 1 above now pays for two additional permitted signals (B and C) in the merged system that it did not previously carry. Former system 2 above now pays for an additional permitted signal (A) in the merged system that it did not previously carry.

System gross receipts= $2,900,000.00	
Minimum fee = $29,377.00	
For purposes of calculating the base rate fee, the merged system has two subgroups because of the partially distant signal (A) which is local in Group I.	
Group I	*Group II*
Gross receipts= $550,000.00	Gross receipts = $2,350,000.00
2 distant independent permitted signals (B and C)	3 distant independent permitted signals (A, B,C)
Base rate fee = $9,245.50	Base rate = $55,201.50
Total Royalty Fee = $64,447.00	

Table 3b: One system *after* a merger under current Copyright Office regulations with a partially-distant signal.

Scenario 3: One system after a merger under NCTA's subscriber group proposal to reflect the carriage of a partially distant signal (A). There would apparently be three subscriber groups rather than two subgroups based on the partially-distant scenario involved above in scenario 2. Signal A is local in Group I, distant in Group II, and not carried in Group III. Signals B and C are not carried in Groups I and II.

System Gross Receipts = $2,900,000.00		
Minimum Fee = $29,377.00		
Group I	Group II	Group III
$550,000.00 gross receipts	$550,000.00 gross receipts	$1,800,000.00 gross rec.
	1 distant indep. permitted signal(A)	2 distant indep. permitted signals (B and C)
	Base Rate = $5,571.50	Base Rate = $30,258.00
Royalty fee = $35,829.50		

Table 3c: One system *after* a merger under NCTA's subscriber group proposal to reflect the carriage of a partially-distant signal.

Similar to the scenarios illustrated in Sets 1 and 2, the above royalty fee under the NCTA's subscriber group proposal in Table 3c is less than under the Copyright Office's current methodology.