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6 *Interim Lead Counsel for Plaintiffs
 and the [Proposed] Class*

7
 8 **UNITED STATES DISTRICT COURT**
 9 **CENTRAL DISTRICT OF CALIFORNIA -**
 10 **WESTERN DIVISION**

11 GOOD MORNING TO YOU
 PRODUCTIONS CORP., *et al.*,

12 Plaintiffs,

13 v.

14 WARNER/CHAPPELL MUSIC,
 15 INC., *et al.*,

16 Defendants.

Lead Case No. CV 13-04460-GHK (MRWx)

**DECLARATION OF DANIEL R.
 ROCHE, CPA/ABV, ASA IN SUPPORT
 OF APPROVAL OF PROPOSED CLASS
 ACTION SETTLEMENT**

Date: March 14, 2016
 Time: 9:30 a.m.
 Room: 650
 Judge: Hon. George H. King,
 Chief Judge

21 Daniel R. Roche hereby declares and states as follows:

22 1. I am a Director in the National Advisory/Business Valuation Group of
 23 Marcum LLP. I submit this Declaration in support of preliminary and final approval
 24 of the proposed Settlement of this Action. I have personal knowledge of the facts
 25 stated herein and, if called as a witness, I could and would testify competently
 26 thereto.

27 2. For more than 10 years, I have appraised business interests and provided
 28 litigation support for a diverse clientele, including in particular appraising intangible

1 assets such as intellectual property for a variety of purposes.

2 3. I am a Certified Public Accountant licensed in New Jersey and I hold the
3 Accredited in Business Valuation (“ABV”) credential from the American Institute of
4 Certified Public Accountants. I am also an Accredited Senior Appraiser (“ASA”) as
5 designated by the American Society of Appraisers.

6 4. I am a frequent presenter on business valuation topics at continuing
7 professional education seminars in the accounting and legal professions.

8 5. I have extensive experience involving intangible asset valuation,
9 including, in particular, valuing intellectual property. I have significant experience
10 valuing copyrights, having performed valuations for many high profile literary and
11 entertainment clientele.

12 6. In connection with the proposed Settlement, I was provided with
13 documents and information regarding the historical earnings received by Defendants
14 Warner/Chappell Music, Inc. and Summy-Birchard Inc. from *Happy Birthday to You*
15 (the “Song”). I have been asked to determine the present value of the expected
16 earnings from now through December 31, 2030, when the copyright under which
17 Defendants have demanded payment for use of the Song expires under the current
18 version of the Copyright Act.

19 7. This project required me to perform three basic calculations. First, I
20 estimated the expected annual earnings from the Song for each year from 2016
21 through 2030. Next, I discounted the future expected annual earnings to its present
22 value to take account of the time value of money and other risks associated with
23 achieving the projected earnings. And finally, I computed the total of the discounted
24 stream of earnings by aggregating the discounted future expected annual earnings
25 each year from 2016 through 2030.

26 8. I estimated the projected annual earnings for the years 2016 through
27 2030, based on the provided annual earnings for 1999 through 2015, by business line:
28 mechanical royalties, performance rights fees, synchronization fees, and “other”

1 (which included digital rights and miscellaneous sub-license fees). I estimated the
2 projected annual earnings from 2016 through 2030 based upon these reported
3 historical annual earnings.

4 9. Because Plaintiffs do not know whether the American Society of
5 Composers, Artists and Performers (“ASCAP”) will or will not continue to charge
6 and collect for the Song, I estimated the projected future earnings with and without
7 ASCAP earnings.

8 10. After I estimated the annual earnings from the Song for 2016 through
9 2030, I determined the appropriate discount rate to apply to account for (a) the
10 inherent risk that the projected earnings might not be realized and (b) the time value
11 of money.

12 11. To determine the discount rate, I began by using the bond rate on
13 Moody’s Baa-rated corporate bonds. I did this because the earnings collected from
14 the Song are, in some ways, like the interest paid on a corporate bond. Based on my
15 review of the fluctuations in earnings from the Song over the period from 1999
16 through 2015, I believe that the interest paid on these Baa-rated bonds is an
17 appropriate proxy for the risk that the projected earnings might not be realized. The
18 current rate of interest on Baa-rated bonds is approximately 5.5%.

19 12. I then adjusted this amount upward by 3.0% to reflect additional risks in
20 achieving the projected earnings, which resulted in a base discount rate of
21 approximately 9.0%.

22 13. For purposes of this analysis, I conservatively increased and decreased
23 the base discount rate by an additional 1.0%, yielding a range of discount rates from
24 8.0% to 10.0%, which I used for my analysis.

25 14. I calculated the annual present value factor in each year utilizing these
26 discount rates. The present value factor is calculated as $(1/(1+\text{discount rate}))$ raised to
27 the power of number of years until receipt, utilizing a mid-period convention, which
28 assumes the earnings are received evenly throughout the year. For example, 2017 is

1 one year away, so I raised the present value factor to the period 0.5 years. 2019 is
2 three years away, so the discount rate was raised to the power 2.5 (2 full years plus
3 average cash flows in the 3rd year). I performed this same calculation for each of the
4 years from 2016 through 2030.

5 15. Finally, I aggregated the discounted estimated annual earnings from the
6 Song. This analysis resulted in a range in the present value of the earnings of
7 approximately \$14,000,000 to \$16,500,000

8 I declare under penalty of perjury under the laws of the United States of
9 America that the above is true and correct and was executed in New York, New York
10 on this 5th day of February 2016.

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13 Daniel R. Roche, CPA/ ABV, ASA
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