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ANTITRUST SETTLEMENT IN LAWSUIT ALLEGING PRICING CONSPIRACY ON MUSIC CDS.

*Music Distributors and Retailers Agree to Pay \$67.375 Million
in Cash, \$75.7 Million Worth of Free CDs, Change Sales Practices*

Carson City—Frankie Sue Del Papa, Nevada's Attorney General announced today that five of the largest U.S. distributors of prerecorded music CDs and three large retailers agreed to pay \$67,375,000 in cash, provide \$75,700,000 worth of music CDs and not engage in sales practices that allegedly led to artificially high retail prices for music CDs.

In August of 2000, Nevada, along with other states and territories, filed an antitrust lawsuit in U.S. District Court, Maine, Judge D. Brock Hornby presiding. The remaining jurisdictions were represented in the case by class counsel. The lawsuit alleged that the five music distributors (including their affiliated labels) and three large music retailers entered into illegal conspiracies to raise the price of prerecorded music to consumers. The plaintiffs also alleged that price competition among music CD retailers was reduced as a direct result of the conspiracy. The defendants in the lawsuit are music distributors Bertelsmann Music Group, Inc., EMI Music Distribution, Warner-Elektra-Atlantic Corporation, Sony Music Entertainment, Inc., Universal Music Group and national retail chains Transworld Entertainment Corporation, Tower Records, and Music land Stores Corporation.

Today's settlement has three major components:

1. Sales Practice Changes. Defendants have agreed to an injunction preventing them from forcing retailers to increase CD prices and encouraging price competition between them.

2. Consumer Compensation. The \$67,375,000 will be used for consumer compensation, charitable purposes, or some combination of both. Notice of how to file a claim will be provided to the public at a date to be announced.
3. CDs for Charitable Groups. Defendants will provide approximately 5.5 million music CDs (valued at \$75,700,000) for distribution by the state attorneys general to not-for-profit corporations, charitable groups and governmental entities such as schools and libraries for the benefit of consumers in each state.

Said Del Papa, "The lawsuit and settlement demonstrate our commitment to the recognition and termination of corporate misconduct that interferes with the free market economy and harms consumers—harm being, in this case, artificially high prices for goods."

In May 2000, the FTC resolved an investigation involving the defendant music distributors' minimum advertised pricing policies by obtaining injunctive relief, however, no monetary relief was obtained by the FTC in that case.

Jurisdictions participating in the suit are: Florida, new York, Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Mexico, North Carolina, North Dakota, Northern Mariana islands, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, U.S. Virgin islands, Washington, West Virginia, Wisconsin and Wyoming.

It is estimated that Nevada's share of the settlement will be approximately \$529,000.00 and in the order of 38,000 CD's.

For more information on the claims process, visit www.naag.org.

If you would like more information on how the office of the Consumer Advocate assists the people of Nevada, please call (775) 687-6300 or visit the Attorney General's website at www.state.nv.us/ag/.

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