

MILLS MUSIC TRUST  
Form 10-Q  
August 10, 2010

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file Number 2-22997  
MILLS MUSIC TRUST

(Exact name of registrant as specified in its charter)

New York

13-6183792

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

C/O HSBC Bank USA, N/A Corporate Trust Issuer  
Services,  
452 Fifth Avenue, New York, New York

10018-2706

(Address of principal executive offices)

(ZIP Code)

(Registrant's telephone number, including area code) (212) 525-1349

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated  
filer ☐

Accelerated  
filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller reporting  
company)

Smaller reporting  
company ☒

Indicate by check mark whether the registrant is a shell company (As defined in rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The number of the Registrant's Trust Units outstanding as of June 30, 2010 was 277,712.



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## Item 1. Financial Information

**MILLS MUSIC TRUST**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**  
**THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
**(UNAUDITED)**

	Three Months Ended June 30		Six Months Ended June 30	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Receipts:				
From EMI	\$ 167,500	\$ 230,643	\$ 379,281	\$ 514,807
Undistributed cash at beginning of the period	67	81	4,457	88
Disbursements administrative expenses	(39,336)	(39,654)	(76,716)	(51,807)
Balance available for distribution	128,231	191,070	307,022	463,088
Cash distribution to unit holders	128,164	190,982	306,955	463,000
Undistributed cash at end of the period	\$ 67	\$ 88	\$ 67	\$ 88
Cash distribution per unit (Based on 277,712 units outstanding)	\$ .46	\$ .69	\$ 1.11	\$ 1.68

See accompanying notes to statements of Cash Receipts and Disbursements.

\* In December 2009, \$4,375 of Trustee and transfer agent fees, scheduled to be paid, went unpaid. These disbursements were made in January 2010.

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MILLS MUSIC TRUST  
NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
THREE MONTHS AND SIX MONTH ENDED JUNE 30, 2010 AND 2009  
(UNAUDITED)

**NOTE 1. ACCOUNTING POLICIES AND GENERAL INFORMATION**

Mills Music Trust ( the Trust ) was created in 1964 for the purpose of acquiring the rights to receive payment of a deferred contingent purchase price contract obligation, relating to certain copyright materials. The amounts are currently payable by EMI (the current owner and administrative entity for the copyrighted materials.) The contingent payments are determined quarterly and are based on a formula which takes into account gross royalty income paid to composers, authors and others, and less amounts deducted by EMI in accordance with contract terms. Through December 31, 2009, the contingent payment was calculated as the gross royalty income from existing copyrights for the applicable period, less royalty expenses and 25% to 35% of gross royalty income, and was guaranteed to be at least a minimum of \$167,500 per quarter. Commencing with the first quarter of 2010, which was reported on a cash basis for the three months ended June 30, 2010, the contingent portion for each quarterly period is calculated as 75% of the gross royalty income, less related royalty expenses with no guaranteed minimum.

The payment of the contingent portion received for the first quarter 2010 in the amount of \$167,500 was an estimate that will be subject to adjustment after EMI and the Trust review the method of calculation that took effect in this quarter.

Payments from EMI to the Trust are made in March, June, September, and December, and include net royalty income received during the preceding calendar quarter. The payments received are accounted for on a cash basis, as are expenses. The Declaration of Trust requires the distribution of all funds received by the Trust to the Unit holders after payment of expenses.

The statements of cash receipts and disbursements reflect only cash transactions and do not include transactions that would be recorded in financial statements presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**NOTE 2. FEDERAL INCOME TAXES**

No provision for income taxes has been made since the liability therefore is that of the unit holders and not the Trust.

**NOTE 3. RELATED PARTY TRANSACTIONS**

The Declaration of Trust provides that each trustee shall receive annual compensation of \$2,500 per year for services as trustee, provided that such aggregate compensation to the trustees as a group may not exceed 3% of the monies received by the Trust in any year, and reimbursement for expenses reasonably incurred in the performance of their duties. The Declaration of Trust further provides for reimbursement to the corporate trustee for its clerical and administrative services to the Trust. Accordingly, HSBC Bank USA, the corporate trustee, also receives reimbursement for

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MILLS MUSIC TRUST  
NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009  
(CONTINUED)  
(UNAUDITED)

**NOTE 3. RELATED PARTY TRANSACTIONS (Continued)**

such services (including services performed as Registrar and Transfer Agent of the Certificates representing Units).

The Declaration of Trust also provides, that if in the future any trustee performs unusual or extraordinary services, reasonable compensation for such services shall be paid, subject to certain limitations and to prior confirmation by a majority in interest of Trust Certificate holders.

Disbursements to related parties were made as follows for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
HSBC Bank USA:				
Trustee Fees	\$ 625	\$ 625	\$ 1,875	\$1,250
Transfer agent and registrar	\$3,750	\$3,750	\$11,250	\$7,500

In December 2009, \$4,375 of Trustee and transfer agent fees, scheduled to be paid, went unpaid. These disbursements were made in January 2010.

**NOTE 4. ROYALTIES**

A listing received in 2010 from EMI (the current owner and administrative entity for the copyright materials) of the top 50 money earning songs for the year 2009, of the subject copyrighted songs, with the original copyright dates shown, indicates that the copyright dates range from 1917 to 1965. The listing indicates that copyrights for four songs have expired and are in the public domain. The gross royalties EMI received for these four songs aggregated approximately 2% of the gross income of the top 50 earning songs. EMI continues to administer these songs for the copyright owners.

No copyrights of the balance of the top 50 songs will reach the 95-year expiration within the next five years.

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MILLS MUSIC TRUST  
NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009  
(CONTINUED)  
(UNAUDITED)

NOTE 4. ROYALTIES (Continued)

Ten of the top 50 songs account for approximately 67% of the earnings attributable to the 50 songs. The earliest expiration date of the copyrights for these ten songs in 2023.

The Trust cannot determine EMI's ability to secure renewals of the copyrighted material; however, under the trust agreement, EMI must use its best efforts to do so.

EMI and the Trust agreed to continue efforts to settle disputes of a net \$259,500 arising from deductions taken by EMI in connection with royalty payments to the Trust in prior years, without any litigation.

In furtherance of those efforts, on October 4, 2007, EMI and the Trust executed a Tolling Agreement, pursuant to which the parties agreed to suspend recognition of the passage of time for purposes of any relevant statute of limitations defenses either party could claim under the agreement governing the payment of royalties and not to commence litigation while the Tolling Agreement is in force. The Tolling Agreement, which was scheduled to initially expire on April 1, 2008, has been extended by mutual written consent through December 15, 2010.

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**PART I FINANCIAL STATEMENTS****Item 2. Management's Discussion and Analysis of Results of Operations**

The Trust's receipts are derived principally from copyrights established prior to 1964 and such receipts fluctuate based upon public interest in the nostalgia appeal of older copyrighted songs.

The Trust's contingent fee income over the last three years has averaged approximately \$1,061,352 per year. In addition to the above, there are a number of factors which create uncertainties with respect to the ability of the Trust to continue to generate that level of income on a continuing, long-term basis. Those factors include the effect that foreign and domestic copyright laws and any changes therein have or will have on both licensing fees and renewal rights ultimately, copyright expirations under such laws, the effect of electronic copying of materials without permission and a change in the calculation of the contingent portion payable to the Trust from EMI beginning for the first quarter of 2010 that was received beginning in the second quarter of 2010. Prior to the calculation change taking effect, the contingent portion of the payment was guaranteed at a minimum of \$167,500 per quarter. Starting with the first quarter of 2010, there no longer is a guarantee. The payment received for the first quarter 2010 of \$167,500 was an estimate, that will be subject to adjustment after EMI and the Trust review the method of calculation that took effect in that quarter. During the past five years, the quarterly calculation of the contingent portion of the payment has infrequently been below the guaranteed minimum amount. However, there can be no assurance that future quarterly contingent portion payments will not be below the previously guaranteed minimum amount.

In 1976, the copyright law was changed for works that were within renewal terms between December 31, 1976 and December 31, 1978 to add an extension of 19 years to the 28-year renewal term. The original copyright term is 28 years. That amendment made the copyright term 75 years. The Copyright Act of 1976 provided for a single term of life plus 70 years after author's death (with some variations in different circumstances) for works created after January 1, 1978. The 1976 act provided that the writer and his heirs could terminate a transfer or license of the renewal copyright that was executed before 1978, so long as the termination was effected in a five-year period following the end of the initial 56-year period.

The copyright laws were modified by the Sonny Bono 1998 Copyright Term Extension Act (the Act), which generally provided an additional 20 years of copyright protection. For works created by identified natural persons the term now lasts from creation until 70 years after the author's death. For anonymous works, pseudonymous works, and works made for hire, the term is 95 years from publication or 120 years from creation whichever expires first. For works published before 1978 with existing copyrights as of the effective date of the Act, the Act extends the term to 95 years from publication. In January 2003, the U.S. Supreme Court upheld the constitutionality of the Act in the Eldred v. Ashcroft decision, which affirmed a 2001 decision of the U.S. Court of Appeals for the District of Columbia Circuit.

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The copyright laws provide that renewals vest in any person who is entitled under the rules of statutory succession to the renewal and extension of the copyright at the time the application to renew is made. If no renewal is made, renewals vest in any person entitled under the rules of statutory extension as of the last day of the original term of copyright to the renewal and extension of copyright. The writer (and not the publisher to whom the copyright was originally assigned) owns the renewal right. The laws name specified classes of persons (the writer's wife, his children, etc.) who will succeed to the renewal right if the writer dies before the end of the original term. The Act does not distinguish between composers and lyricists. However, if the composer and lyricist are not the same, each owns a portion of the renewal rights. The composer and the lyricist may, assign their respective interests in the renewal rights to a publisher at the time of the assignment of the original copyright term. Such an assignment of the renewal term is effective, however, only if the assignor survives the original term. If he does not, his heirs will succeed to his share of the renewal rights; and, in such event, these heirs are not obligated by the assignment of the rights to the publisher to whom the original assignment was made unless they joined in the assignment. In addition, the 1998 Copyright Extension Act allows writers (or their heirs) to elect, after either a 35 or 40-year period as specified in the statute, to terminate a transfer of license or renewal within five years of the expiration.

A listing received in 2010 from EMI (the current owner and administrative entity for the copyright materials) of the top 50 money earning songs for the year 2009, of the subject copyrighted songs, with the original copyright dates shown, indicates that the copyright dates range from 1917 to 1965. The listing indicates that the copyrights for four songs have expired and are in public domain. The gross royalties EMI received for these four songs aggregated approximately 2% of the gross income of the top 50 earning songs. EMI continues to administer this song for the copyright owner.

No copyrights of the balance of the top 50 songs will reach the 95-year expiration within the next five years.

Ten of the top 50 songs account for approximately 67% of the earnings attributable to the 50 songs. The earliest expiration date of the copyrights for these ten songs is 2023.

The Trust cannot determine EMI's ability to secure renewals of the copyrighted material; however, under the trust agreement, EMI must use its best efforts to do so.

EMI and the Trust agreed to continue efforts to settle disputes of a net \$259,500 arising from deductions taken by EMI in connection with royalty payments to the Trust in prior years, without any litigation.

In furtherance of those efforts, on October 4, 2007, EMI and the Trust executed a Tolling Agreement pursuant to which the parties agreed to suspend recognition of the passage of time for purposes of any relevant statute of limitations defenses to either party could claim under the agreement governing the payment of royalties and not to commence litigation while the Tolling Agreement is in force. The Tolling Agreement, which was scheduled to initially expire on April 1, 2008, has been extended by mutual written consent through December 15, 2010.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4T Controls and Procedures

As of the end of the period covered by this Quarterly Report, the Trust carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) of the Securities and Exchange Act of 1934, as amended) under the supervision and with the participation of the Trust's management, including the chief financial individual providing accounting services and the trust officer of the corporate trustee. Based on that evaluation, the chief financial individual providing accounting services and the trust officer of the corporate trustee concluded that the Trust's disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Trust's reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Trust's reports filed under the Exchange Act is accumulated and communicated to Trust's management, including the chief financial individual providing accounting services and the trust officer of the corporate trustee, to allow timely decisions regarding required disclosure.

There were no changes in the Trust's internal control over financial reporting (as such term is defined in R 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the fiscal period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, the Trust's control over financial reporting.

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**PART II OTHER INFORMATION**

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

None

Item 3. Default Upon Senior Securities

None

Item 5. Other Information.

None

Item 6. Exhibits

(a) Documents Filed As Part of This Report

**Exhibit No.**

**Description**

31.1 Certification of the chief financial individual providing accounting services (filed herewith)

31.2 Certification of the trust officer of the corporate trustee (filed herewith)

32.1 Certification of chief financial individual providing accounting services pursuant to 18 U.S.C. § 1350 (furnished herewith)\*

32.2 Certification of trust officer for the corporate trustee pursuant to 18 U.S.C. §1350 (furnished herewith)\*

\* The information furnished in Exhibits 32.1 and 32.2 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by

reference in any  
filing under the  
Securities Act  
of 1933, as  
amended, or the  
Exchange Act,  
regardless of  
any general  
incorporation  
language in  
such filing.  
(b) Reports on Form 8-K  
None

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

MILLS MUSIC TRUST  
(Registrant)

Date: August 10, 2010

By: /s/ Frank Godino  
HSBC Bank USA, NA  
Corporate Trustee