

2013-2014 ANNUAL REVIEW



COVER PHOTO: JAKE OWEN KEEPS THE CROWD ROWDY DURING HIS BEACH PARTY HELD IN BMI NASHVILLE'S BACK LOT. (PHOTO BY ERIKA GOLDRING)

BMI



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A male performer with short brown hair and glasses, wearing a black and white patterned short-sleeved shirt and black pants, is singing into a microphone on a stage. He is standing on a wooden platform with large black speakers in front of him. A large, diverse crowd of fans is gathered behind a metal barrier, many with their hands raised in the air. The background is filled with lush green trees under bright sunlight, creating a vibrant outdoor festival atmosphere.

BMI
continues its
commitment
to nurturing
& developing
the next
generation of
songwriting
talent

WALLPAPER PERFORMS ON THE BMI STAGE AT LOLLAPALOOZA IN CHICAGO. (PHOTO BY ERIKA GOLDRING)



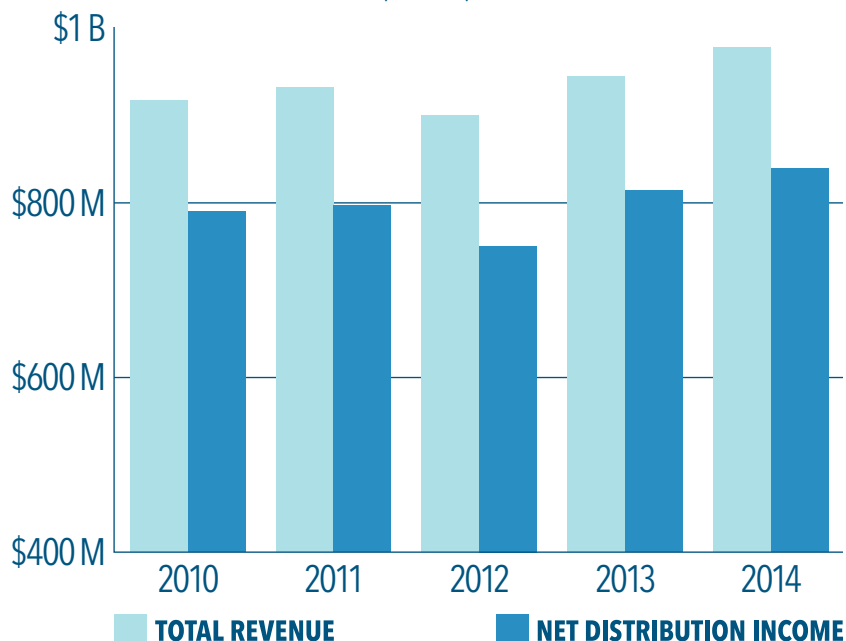
MICHAEL O'NEILL
CHIEF EXECUTIVE OFFICER

BMI was founded by a group of visionary broadcasters in the late summer of 1939, 75 years ago, and received its charter on October 14 of that year. It was a time of transformation in the broadcast landscape, as the radio industry blossomed into a major information and entertainment medium for millions of Americans. BMI was an essential part of that transformation, and of the music and entertainment industry that would follow.

Today we are moving through another massive transformation in the media and music landscape, this one brought on by digital distribution of music and visual entertainment. As BMI develops strategies for the new digital environment, it finds itself challenged with a set of business regulations established during the Company's early years, long before the advent of entertainment services delivered by cable television, satellite or the Internet. An important focus for the BMI management team over the past year has been on finding a path through the legal, regulatory and operational challenges of this transformative moment in our business while meeting the expectations of our songwriters, composers and publishers.

I am pleased to report that BMI has not only found a path to stability, but has achieved the highest revenues and royalty distributions in the Company's 75-year history in the recently concluded fiscal year, ended June 30. BMI generated record revenues of \$977 million, an increase of \$33 million over the prior year, and distributed and administered more than \$840 million to the songwriters, composers and music publishers that BMI represents.

TOTAL REVENUE & NET DISTRIBUTION INCOME (MILLIONS)



SENIOR MANAGEMENT



BRUCE A. ESWORTHY
SENIOR VICE PRESIDENT
FINANCE & ADMINISTRATION,
CHIEF FINANCIAL OFFICER



PHILLIP R. GRAHAM
SENIOR VICE PRESIDENT
WRITER/PUBLISHER RELATIONS



JAMES KING
SENIOR VICE PRESIDENT
BUSINESS OPERATIONS &
TECHNOLOGY



STUART ROSEN
SENIOR VICE PRESIDENT &
GENERAL COUNSEL



ALISON SMITH
SENIOR VICE PRESIDENT
DISTRIBUTION &
ADMINISTRATION SERVICES



RON SOLLEVELD
SENIOR VICE PRESIDENT
INTERNATIONAL



MICHAEL G. STEINBERG
SENIOR VICE PRESIDENT
LICENSING

Our continuous drive to diversify BMI's revenue sources led to some new benchmarks this year. Cable and satellite became the single largest domestic source of revenue. General Licensing, digital entertainment providers and international sources all posted significant gains. Traditional broadcast radio and television continued to diminish as a percentage of BMI's total revenue, falling from 50% of the total five years ago to 36% in the just-concluded fiscal year, as other sources continue to increase their contribution.

The achievement of these results is especially remarkable against the backdrop of the disruption in our business caused by some publishers' desire to withdraw certain digital rights from BMI, followed by a rate court decision in mid-December which essentially forced certain publishers to withdraw all rights from BMI if they wished to license any portion of the marketplace independently. For several months in the new year there was a great deal of uncertainty in the marketplace as licensees questioned whether they had performance agreements covering all works in the BMI repertoire; songwriters grew concerned about royalty payments from the performing right organizations and their own publishers; and international societies questioned the impact of these developments on their reciprocal agreements with BMI. BMI and the publishers came to an agreement that brought their rights back to BMI and reestablished our ability to offer our traditional blanket license to all music users.

BMI's robust enterprise computing infrastructure, combined with our industry-leading skill set in copyright administration, has enabled BMI to successfully launch our Administration Services offering to major publishers, including Sony ATV/EMI, Universal Music Publishing Group,

Warner Music Group and BMG Rights Management. During the past year, BMI has collected, processed and distributed nearly \$3 million in digital revenues for publisher clients. The development of this capability was a true cross-departmental effort.

The creativity and worldwide appeal of BMI songwriters and composers are the foundations of the Company's consistently strong performance. BMI superstars continued to dominate the charts across all genres, as such songwriter/artists as Taylor Swift, Adam Levine, Shakira, Miranda Lambert and Nicki Minaj contributed some of the most performed songs of the year. They were joined by multiple Grammy winners Macklemore & Ryan Lewis, Daft Punk and Nile Rodgers, Kacey Musgraves and Imagine Dragons, just to name a few. BMI country songwriters took home 90% of the prestigious Country Music Association awards. Around the globe, powerhouse P!nk thrilled audiences with the largest grossing concert tour of the year, while Robert and Kristen Anderson-Lopez's original song "Let It Go" from the Disney hit *Frozen* won the Academy award and topped the charts in more than 30 countries.

In film and television music, BMI composers contributed theme or background music for more than 77% of all prime time network television programs as well as a majority of cable and video on-demand services. BMI composers' music delighted movie audiences in several of the year's blockbusters, including *The Lego Movie*, new sequels to the *Transformers* and *X-Men* series, and the top grossing film of 2013, *The Hunger Games: Catching Fire*.

The value of BMI's service to songwriters has never been more apparent, or critical, than it is today in capturing and managing data on performances of works on digital distribution platforms. BMI processed more than 500 billion copyright transactions in the past year. Digital media's extreme exploitation of the BMI repertoire has yet to transform into significant royalties for our affiliates due to below-market rates, and this has led to dissatisfaction among our publishers. For example, one of BMI's award-winning songs garnered hundreds of millions of performances on digital streaming services, which accounted for 98% of its performances, but these performances accounted for less than 1% of the total payments to the songwriters; commercial radio accounted for 92% of the royalties.

PROFILE OF A BMI AWARD-WINNING SONG

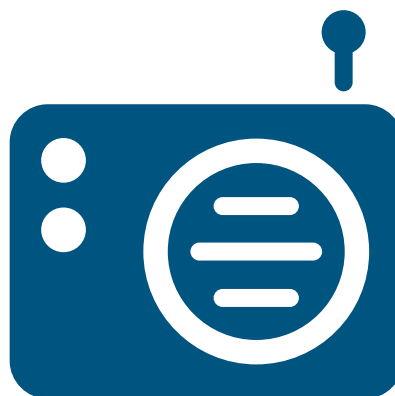
PERFORMANCE SOURCES



98%
INTERNET

2%
COMMERCIAL RADIO

EARNING SOURCES



92%
COMMERCIAL RADIO

1% INTERNET
2% DIGITAL CABLE
1% NETWORK TV
2% CABLE
2% ALL OTHER SOURCES

The transformation of the music industry brought on by the transition to the digital distribution of music and entertainment has presented one of the most active and challenging public policy agendas in the Company's history. BMI has been deeply engaged in initiatives urging copyright and regulatory reform by Congress, at the U.S. Copyright Office and with the Department of Justice. We remain optimistic that the coming year will answer many of the questions raised by these endeavors, and that important steps will be taken to modernize the way in which BMI is permitted to do business. I urge you to review in detail the section of this report entitled "Protecting Copyright," which contains important additional information on all of these efforts.

I would like to take this opportunity to express our thanks and deep appreciation to an outstanding individual who made tremendous contributions to BMI's success: recently retired President Del Bryant. I am grateful for Del's wise counsel over the past year as I have transitioned into my new role as BMI President and CEO at a particularly challenging time. (See our salute to Del Bryant, right.)



As we mark BMI's 75th anniversary, we are extremely optimistic about the Company's future. Our founders' vision of establishing a trusted broker, the bridge between the creative community and businesses using music, is both BMI's heritage and its greatest strength as we go forward. Over these many years BMI has also emerged as a trusted advisor for the creative community, and we have provided leadership in developing an ever-evolving marketplace for the use of music, capturing new streams of revenue wherever they exist, and maximizing royalties for the creative community.

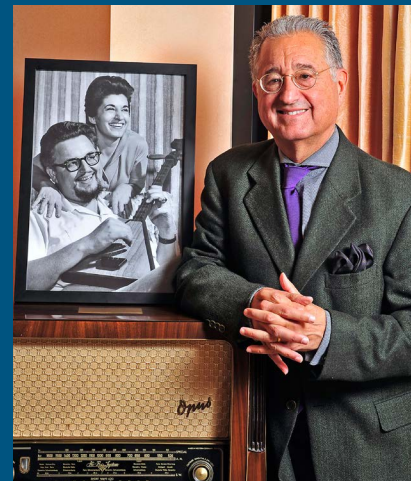
I invite you to read the report that follows. It provides a comprehensive overview of BMI's business operations during the past fiscal year, and it offers a view of the Company's vision for a future in a transformed but vibrant music licensing landscape.

Sincerely,

A handwritten signature in black ink, reading "Michael O'Neill".

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A SALUTE TO DEL BRYANT



Del Bryant retired from BMI in June, after 42 years of dedicated service to the Company, and ten years as President and Chief Executive Officer. He started with BMI in its Nashville office in 1972 and made contributions to the Company at every stage in his career. The son of legendary songwriters Boudleaux and Felice Bryant, Del is one of those rare executives who combines a true understanding of both the business and the art of music. He has consistently been able to predict musical trends and position BMI to capture new business in R&B/hip-hop, Latin music, pop and rock, and revitalized BMI's international repertoire. His many significant business contributions have included driving the engineering and modernizing of BMI's royalty distribution system and significantly growing BMI's membership. During his ten years as CEO, BMI doubled the number of songwriters, composers and publishers from 300,000 to 600,000, while the Company's revenue over that same period surged from \$729 million to \$944 million.

On behalf of the Board and BMI management, we salute Del for his fearless and passionate leadership.

06

ROSTER & REPERTOIRE

With technology revolutionizing the music industry, one vital component this year remained stable: the exceptional talent and commercial success of BMI's roster of songwriters and composers, who generated the most productive year to date of BMI music over the air, on the big screen, and across cable, satellite and digital platforms all over the world. With its diversity in genre, and representation of global superstars, rising hitmakers and legendary icons, the BMI repertoire is more in demand today than ever before.

BMI powerhouses such as P!nk, Taylor Swift, Adam Levine, Shakira, Rihanna, Miranda Lambert, Nicki Minaj and Benny Blanco wrote some of the most performed songs of the year, while additional BMI chart-toppers included Jason Derulo, the Lumineers, Macklemore & Ryan Lewis and Imagine Dragons. BMI composers who created the music in the year's top films and television series included James Newton Howard, Alan Silvestri and Brian Tyler. Exciting new signings among BMI songwriter/artists included Nico and Vinz, Sam Smith, Passenger and 5 Seconds of Summer. Other promising voices to watch in the BMI family include Muddy Magnolias, Seth Alley, Sofia Reyes, Adam Craig, BeBe Rexha, Cash Cash, Shay Mooney, Jhene Aiko, August Alsina, and composers Trevor Morris, Atli Orvarsson, Ramin Djawadi, and Junkie XL, each of whom creates distinctive musical themes and scores which resonate throughout the world.

INDUSTRY AWARDS

This year, BMI songwriters and composers once again swept the majority of the industry's most prestigious awards. Impressive Grammy wins included multiple trophies for Macklemore & Ryan Lewis; Daft Punk and Nile Rodgers; and



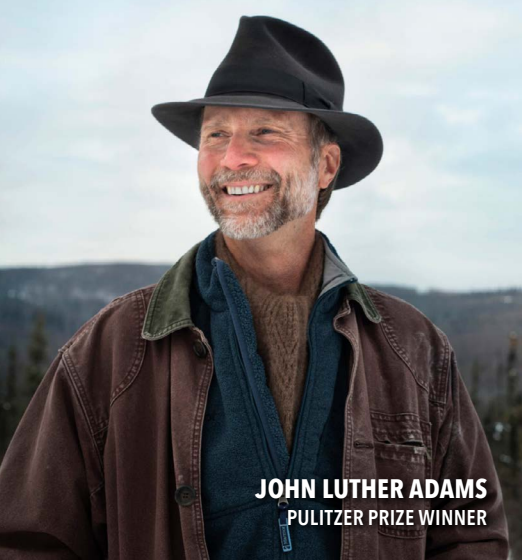
**MACKLEMORE
& RYAN LEWIS**
BEST NEW ARTIST
BEST RAP ALBUM
BEST RAP SONG
BEST RAP PERFORMANCE

KACEY MUSGRAVES
BEST COUNTRY ALBUM
BEST COUNTRY SONG

DAFT PUNK & NILE RODGERS
ALBUM OF THE YEAR
RANDOM ACCESS MEMORIES



KRISTEN ANDERSON-LOPEZ & ROBERT LOPEZ
ACADEMY AWARD WINNERS BEST ORIGINAL SONG



JOHN LUTHER ADAMS
PULITZER PRIZE WINNER

Kacey Musgraves. Imagine Dragons, Cyndi Lauper, Adele and Rihanna were among other BMI affiliates who took home Grammy gold. BMI songwriters were also honored with more than 90% of the Country Music Association (CMA) Awards, while songwriters Robert Lopez and Kristen Anderson-Lopez received the Academy Award for Best Original Song for “Let It Go” and Alaskan composer John Luther Adams was awarded the esteemed Pulitzer Prize for Music for “Become Ocean.” Additionally, nearly all the honorees inducted into the

Songwriters Hall of Fame this year were BMI affiliates.

FILM AND TELEVISION HIGHLIGHTS

This year cable and satellite-delivered entertainment emerged as the single largest contributor to BMI’s domestic revenue. Building on this track record of success, BMI welcomed four talented composers formerly affiliated with ASCAP to the BMI family: James Newton Howard, who scored the number one grossing box office film of the past year, *The Hunger Games: Catching Fire*; Atli Orvarsson (*Chicago Fire*, *Hansel and Gretel: Witch Hunters*); Trevor Morris (*Olympus Has Fallen*, *Dracula*, *The Borgias*); and Ramin Djawadi (*Pacific Rim*, *Clash of the Titans* and the HBO runaway series *Game of Thrones*). These prolific composers serve to strengthen the Company’s market share of audio-visual revenue streams.

The top 20 films of the year include worldwide blockbusters such as *Maleficent* (James Newton Howard), *Transformers: Age of Extinction* (Steve Jablonsky) and *X-Men: Days of Future Past* (John Ottman), as well as domestic hits *The LEGO Movie* (Mark Mothersbaugh) and *Godzilla* (Alexandre Desplat). Those featuring music by BMI composers have grossed nearly \$2.5 billion in the U.S.

BMI composers also wrote the theme and/or background music in more than 77% of prime time network television series. Hits include *NCIS* (Brian Kirk), *Under the Dome* and *Nashville* (Snuffy Walden), *Resurrection* (Blake Neely), *Hawaii Five-O* (Brian Tyler), *Law and Order SVU* (Mike Post) and *Blue Bloods* (Rob Simonsen). Internationally, American television series programming, *NCIS* (Brian Kirk; Gregory Burns; Jeffery Burns), *America’s Funniest Home Videos* (Dan Slider), *The Mentalist* (Blake Neely), *Desperate Housewives* (Steve Jablonsky) and *SportsCenter* (John Colby), all featuring music by BMI composers, continued to be in demand.



2014 BMI FILM/TV AWARDS

07

ROSTER & REPERTOIRE

INDUSTRY TRENDS

Cross-genre collaborations found a home at the top of the charts this year, blending sounds and styles that broadened their reach to an ever-wider audience. Hits such as “This Is How We Roll,” by Florida Georgia Line featuring Jason Derulo, “Latch,” by Disclosure featuring Sam Smith, and “Dirt Road Anthem,” by Jason Aldean featuring Ludacris are prime examples of how BMI’s diverse repertoire was ideally positioned to benefit from this musical direction.



WINNERS OF SONG OF THE YEAR
“STRONGER (WHAT DOESN’T KILL YOU)”
ROBIN GODFREY-CASS, ALI TAMPOSI,
JØRGEN ELOFSSEN & MARTIN INGESTROM



2013 BMI LONDON AWARDS

ICON
JOHN LYDON



WINNERS OF DANCE AWARD “TITANIUM”
GIORGIO TUINFORT & TONY BERK

8

ROSTER & REPERTOIRE

New trends also emerged in the creative process as BMI songwriters and composers found inspiration writing in multiple music centers, with hubs including London, Nashville and Los Angeles. A prime example of this is Grammy award-winning rocker Dave Grohl, frontman of the Foo Fighters, recording the band's latest album in historic music studios across the country, including Austin, Chicago, Los Angeles, New Orleans, Nashville, New York, Seattle, and Washington D.C. Creating music in cities coast to coast and around the world encourages songs that combine influences of all of today's (and yesterday's) most popular genres, and is evident in the multifaceted BMI catalog.

Social media continued to surge in popularity and value as a means for BMI songwriters to expand their reach and gain career-defining success. Winners of the 2013 "YouTube Breakthrough" Award, Macklemore & Ryan Lewis have garnered more than 500 million YouTube views to date with their hit "Thrift Shop"; the track rocketed to number one on the Billboard Hot 100 chart in 2013, the first time since 1994 that a song held that spot without the support of a major record label. Another example is R&B singer-songwriter August Alsina, who first introduced his talent to the public via YouTube where he generated millions of views on his homemade cover videos; from there, he has earned multiple industry awards and remains a fan favorite.

BMI continued to recognize social media as a strategic tool to communicate with actively engaged songwriters, composers and publishers. We have developed a robust presence on social networking channels, experiencing dramatic increases in engagement and followers compared to the prior year: 63% increase on Twitter, 54% increase

SOCIAL MEDIA
GROWTH

TWITTER



↑63%

INSTAGRAM



↑360%

YOUTUBE



↑47%

FACEBOOK



↑54%

on Facebook and a staggering 360% increase on Instagram. Following a boost in exclusive BMI TV video content, BMI's YouTube views increased by 47% compared to last year. Many more BMI songwriters are slated to participate in BMI video projects in fiscal year 2015.

SPOTLIGHT ON SUCCESS

BMI songwriters and composers across all genres experienced record achievements this year. Perhaps the story most compelling was that of husband-and-wife team, Robert Lopez and Kristen Anderson-Lopez, whose soundtrack to the charming Disney musical *Frozen* experienced overwhelming global success. The couple, who met at the BMI Lehman Engel Musical Theatre Workshop in 1998, earned the 2014 Academy Award for Best Original Song for "Let It Go," which went on to become an international pop hit—a noteworthy and rare feat in the music industry. Performed by BMI affiliate Idina Menzel, the single ruled the airwaves both at home and abroad, and was the longest running number one on the charts this year to date. With this latest accomplishment, Robert Lopez earned a coveted page in the "EGOT" history book for being only the twelfth person to have won all four major annual entertainment awards: Emmy (*The Wonder Pets*), Grammy (*The Book of Mormon*), Oscar (*Frozen*) and Tony (*Avenue Q*).

Also this year, renowned BMI singer-songwriter Carole King seized the limelight with the sold-out Broadway musical *Beautiful*, which relates the true story of King's rise to stardom, featuring her legendary songs and those of other BMI giants, Barry Mann, Cynthia Weil and Phil Spector. Another notable highlight this year was the Clint Eastwood-directed film *Jersey Boys*, based on the eponymous

Tony award-winning musical, that explores the journey of the Four Seasons, featuring the music of Frankie Valli. This film underscores the strength and versatility of BMI music, showcasing its wide-ranging appeal, from the realms of pop to Broadway to cinema—and was a critically acclaimed success in each of these arenas.

2014 BMI POP AWARDS



SONGWRITERS OF THE YEAR
**ADAM LEVINE, JEFF BHASKER,
RYAN LEWIS & MACKLEMORE**

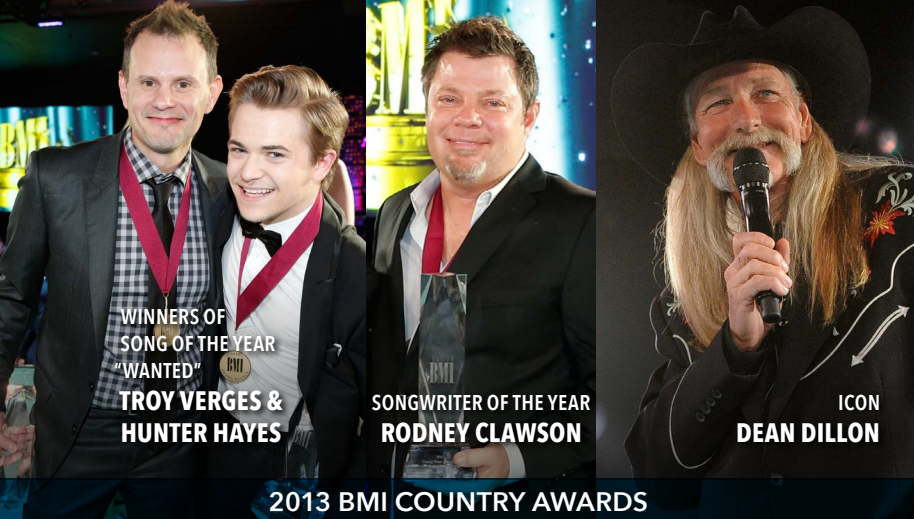


WINNERS OF
SONG OF THE YEAR "HO HEY"
JEREMY FRAITES & WESLEY SCHULTZ



ICON
**STEVIE
NICKS**

ROSTER & REPERTOIRE



CAREER SUPPORT & EDUCATION

BMI continued to introduce promising new talent to music fans and industry decision-makers through stages at premier festivals including South by Southwest, the Sundance Film Festival, Lollapalooza, Bonnaroo, Austin City Limits and CMA Music Festival, among many others. BMI carried on its tradition of educational outreach in various music centers, including among others a Master Class with composer Blake Neely in conjunction with the Conservatory of Music of Puerto Rico; in its eighth year, the BMI/Belmont University Catalog Cast in Nashville, connecting students with music executives; and a Songwriters Hall of Fame Master Session with Benny Blanco at USC Thornton School of Music in Los Angeles. A long-time supporter of the Sundance Institute's Film Music Program, BMI continued its support this year as the Institute launched a new lab in collaboration with Skywalker Sound that focuses on both film composing and sound design.

INTERNATIONAL

BMI music continued to be an in-demand export overseas, with today's talent and music icons fueling another landmark year in international revenue. Prolific BMI songwriters RedOne, Benny Blanco, Esther Dean, Pitbull, Claude Kelly and Jeffrey Bhasker contributed some of the world's most popular hits by Lady Gaga, Jennifer Lopez, Nicki Minaj, Rihanna, Maroon 5, Kesha and many other top-tier artists. The most-performed songs overseas included: John Legend's "All of Me," Idina Menzel's "Let It Go," "Shoot Me Down" by David Guetta featuring Skylar Grey, and "Demons" by Imagine Dragons. BMI juggernaut P!nk, with her electrifying live performances, landed as the year's highest-grossing touring artist globally.

Other musical works in BMI's classic catalog, from Michael Jackson to Roy Orbison, Herbie Hancock, the Eagles and Paul Simon, endured on international playlists, delighting audiences who continued to have boundless appreciation for the gems of the BMI repertoire.

In the rapidly changing digital music space, BMI is well prepared to continue its commitment to serve the songwriters, composers and music publishers who deliver the most artistic and recognizable repertoire in the world.



10

PROTECTING COPYRIGHT



BMI SONGWRITER AND NSAI PRESIDENT LEE THOMAS MILLER TESTIFIES ABOUT HIS LIVELIHOOD AS A SONGWRITER AT THE JUNE 10 CONGRESSIONAL HEARING ON MUSIC LICENSING.



BMI CEO MIKE O'NEILL PROPOSES CHANGES INTENDED TO MODERNIZE BMI'S CONSENT DECREE AT THE JUNE 10 CONGRESSIONAL HEARING ON MUSIC LICENSING.



BMI SENIOR VICE PRESIDENTS STUART ROSEN AND MICHAEL STEINBERG PARTICIPATE AT A PANEL ON COPYRIGHT REFORM SPONSORED BY THE U. S. COPYRIGHT OFFICE IN NEW YORK CITY.

The transformation of the music industry brought on by the transition to digital distribution of music and entertainment made BMI's public policy agenda over the past year one of the most active and challenging in its history. A spectrum of initiatives was launched in Washington, including:

- an initiative at the Department of Justice to review BMI's consent decree,
- a comprehensive review of the current copyright law by a subcommittee of the Judiciary Committee of the United States House of Representatives under the auspices of Chairman Bob Goodlatte,
- a wide-ranging series of roundtable panels on copyright reform conducted by the U.S. Copyright Office,
- several important pieces of legislation were proposed to update portions of the copyright legal and regulatory structure, including the Songwriter Equity Act.

BMI has been deeply engaged in each of these efforts, urging in each forum that (a) the BMI consent decree — most of which harkens back to 1966 — be modernized to address the current marketplace's needs; and (b) the creators of music and copyright owners receive the fair market value for the use of their works. BMI CEO Michael O'Neill has led BMI's effort with the Department of Justice, and personally met with members of Congress and testified before the House Judiciary subcommittee on the vital need for consent decree and music licensing reform. Additionally, BMI Senior Vice Presidents Stuart Rosen and Michael Steinberg have participated in the Copyright Office panels, along with other BMI executives who have worked diligently with the Department of Justice in its initiative to review the BMI consent decree.

PUBLISHING RIGHTS WITHDRAWAL

An important common element in all of these public policy challenges is the impact of the digital revolution on the way music performances are heard by the public, and the change in the way information about musical performances is collected, processed and valued. The rise of Internet streaming as a principal way the public hears performances of music, and the relatively low rates of remuneration to songwriters and music publishers for streamed works, has spurred publishers to seek ways to receive a fair market value for the use of their works. For example, recording artists are paid seven times what songwriters and publishers are paid for the mechanical right in the transmission of sound recordings, and artists and record companies are paid for the digital performance right in sound recording 12 to 14 times that received for the traditional public performance right, which BMI collects on behalf of songwriters and music publishers.

During 2013 several music publishers began direct negotiations with Pandora, the largest and most successful of the streaming music service providers. Pandora's demand for what BMI considered a less-than-fair-market-value rate led to BMI commencing a rate court action against Pandora in 2013. On December 18, 2013, as part of that action, in response to a motion by Pandora, BMI's rate court judge ruled that, under BMI's consent decree, works partially withdrawn for certain uses by publishers could not be licensed by BMI for any other uses. In essence, the court held, publishers' works must be either "all in or all out" of the BMI repertoire. Several major publishers have expressed the position that the BMI consent decree must be changed to permit partial rights withdrawal, or they will have to consider their options, including complete

termination of their affiliations with BMI. Ultimately, certain publishers who were considering such a drastic action agreed to return to, or remain in, BMI for the short term. The concerns regarding the disruptions that would impact the music rights marketplace if publishers were forced into an “all out” choice became a focus of our ongoing discussions with the Department of Justice regarding the need for consent decree reform to address this and other related concerns.

CONSENT DECREE REVIEW

To that end, during the summer of 2014, at the urging of BMI and ASCAP, the Department of Justice undertook an industry-wide examination of the consent decrees, seeking public comment on the question of whether the decrees are fulfilling their pro-competitive purposes. BMI applauds that initiative, which facilitates an open dialogue needed for critical reforms of the consent decree.

In BMI’s filing with the Department of Justice in early August 2014, BMI proposed three immediate and important updates to its consent decree:

- **DIGITAL RIGHTS WITHDRAWAL:** Allow publishers to give BMI the right to license works for certain uses, while permitting publishers to retain the exclusive right to license works for other specifically defined digital uses. This will enable BMI to offer easy, efficient access to our wide-ranging repertoire for many traditional music uses, while allowing publishers and music users the opportunity to negotiate their own free-market digital deals.
- **BUNDLING RIGHTS:** Clarify the decree to allow BMI to license not just the public performing right, but any rights relating to the musical work that a music user needs to bring its product or service to the public. This will create a “one-stop” licensing source to meet the needs and match the pace of the digital marketplace.
- **ARBITRATION:** Move the rate-setting forum from federal court to a binding arbitration model. Music users will be assured of a rate-setting mechanism to resolve disputes, but one that is quicker and less expensive for all parties.

BMI has urged the Department of Justice to move forward as quickly as possible to modernize the consent decree, and remove uncertainty from the marketplace. BMI believes that as publishers undertake direct deals in greater frequency, and as additional entities compete in the rights marketplace, the underlying basis for regulating BMI will be eliminated, and therefore BMI seeks the eventual “sunsetting” of its decree. While BMI will pursue this and other long-term reforms with the DOJ, BMI’s August 6 filing stresses the need for the DOJ to address more immediately the need for digital rights withdrawal, bundling of rights, and a shift to arbitration.

SONGWRITER EQUITY ACT

On the legislative front, the most significant initiative is the Songwriter Equity Act (SEA), which, if enacted, would be an important step in leveling the playing field for songwriters, composers and music publishers. The SEA was introduced in February 2014 and has already

attracted several dozen sponsors in both houses of Congress. The bill seeks to modify two outdated portions of the Copyright Act which prevent songwriters from receiving royalty rates that reflect the fair market value for the use of their work:

- Section 114(i) forbids BMI’s rate court from considering royalty rates paid for the transmission of sound recordings as a benchmark when setting the performing right rates for songwriters, composers and publishers. As noted above, songwriters, composers and publishers receive 12 to 14 times less for the performance of their creative work than record labels and artists receive for performances or streams of a recording of the same song. In his testimony before Congress, BMI CEO Michael O’Neill asked the members of the House Judiciary subcommittee, through passage of the SEA, to allow BMI’s rate court to consider all relevant evidence — including payments to artists and record labels — when establishing digital performance rates for songwriters, composers and music publishers.
- Section 115 regulates the rate paid to publishers under a compulsory license for reproduction of recorded music. That rate is currently 9.1 cents per song, and does not reflect the fair market value which could be obtained under free market conditions. BMI supports the SEA, which would shift the rate standard to a “willing buyer/willing seller” fair market standard.

BMI also supports music community goals in other pending legislation. The RESPECT Act seeks to bring pre-1972 recordings under federal copyright protection, closing a loophole that permits streaming music services to use these works without paying compensation. The Free Market Royalty Act would grant to artists and record companies the right to compensation by analog broadcasters for their use of their copyrighted sound recordings—the same right afforded creators in virtually every other territory around the world. Passage of this legislation would also unlock a significant stream of revenue for artists and record companies from overseas, which is only available to nations with reciprocal copyright protections for the performance in a sound recording.

We remain optimistic that the coming year will address many of the issues opened on Capitol Hill, at the Department of Justice and in the federal courts, and that important steps will be taken to modernize the copyright regime within which BMI operates and, most critically, the decades-old consent decree that regulates our business.

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REVENUE & DISTRIBUTION

BMI generated record revenues of \$977 million for the fiscal year ended June 30, an increase of \$33 million, or 3.5% over the prior year, and distributed and administered more than \$840 million to the songwriters, composers and music publishers that BMI represents, an all-time high.

MULTI-SECTOR LICENSING

During the year, BMI signed numerous agreements with broadcast and cable licensees that encompass their satellite and digital offerings as well, greatly streamlining the management of copyright obligations across multiple sectors for these companies.

During the year, we also launched our first Internet audio-visual royalty distribution covering music on Netflix and Hulu, among others, resulting in royalty payments to more than 20,000 BMI writers, composers and publishers.

BMI's General Licensing team achieved several milestones this year while posting historic high revenues. The team made almost 3 million outbound sales calls during the year, following them up with more than 1 million pieces of sales correspondence.

BMI's Digital Licensing team achieved a series of multiyear settlements with major players in the industry, including CBS Radio, Vevo and Last FM. In audio-visual licensing BMI maintained its market leader focus, establishing a precedent-setting agreement with YouTube.

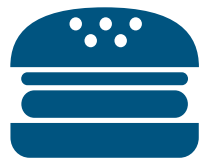
BMI has also successfully launched a new admin service for music publishers who have directly licensed with music users, through its Royalty Administration Services team. BMI has collected, processed, and distributed digital license fees on behalf of BMI publishers and their BMI-affiliated writers of nearly \$3 million in our first year of this new line of business.

GLOBAL PERFORMANCE

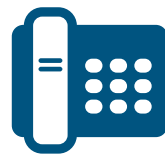
BMI's repertoire continues to perform exceptionally well around the world, bolstering our foreign incoming royalties. Among the most successful BMI affiliates on the global scene are film composers Thomas Newman, John Williams, Alan Silvestri, Danny Elfman and Steve Jablonski and songwriters Lady Gaga, P!nk, RedOne, will.i.am, Paul Simon, Adam Levine and Taylor Swift.

BMI BY THE NUMBERS

BMI PARTNERED WITH

58
STATE RESTAURANT
ASSOCIATIONS50
STATE BROADCASTER
ASSOCIATIONS

BMI'S GENERAL LICENSING TEAM

MADE ALMOST
3 M OUTBOUND
SALES CALLS
DURING FY 14

AND FOLLOWED THEM UP WITH MORE THAN

1 M PIECES OF
SALES CORRESPONDENCE

We are observing the same trends internationally that we see in our domestic patterns of use of the BMI repertoire: a shift from physical to digital distribution, and a shift from traditional to mobile consumption of music. Another growing trend: almost 50% of our foreign revenue now derives from audio-visual performances. We have devoted special attention to the growing value of payments for cable retransmission, performing audits to ensure their accuracy and timely payment, and of live performances, with special emphasis on educating international concert promoters about the legal framework and collection of royalties. We have also recorded significant increases in royalties from developing economies in Africa and Asia.

The ability to accurately process huge data sets from digital users is a challenge that copyright management organizations around the globe are facing. BMI is taking a leadership role in several international projects to build a robust infrastructure to assure that our creators and copyright holders are accurately compensated, whenever their works are performed, anywhere in the world. BMI was a founding member of the newly-launched North American service center called MusicMark which will provide a single point of entry for works registration and, eventually, shared processing for all North American musical works (see the "Technology" section for additional information).

BMI's global expertise in copyright management, coupled with the industry's most sophisticated technical infrastructure, give BMI a huge advantage in serving songwriters and publishers alike. Our ability to cost-effectively license more than 650,000 American businesses and process more than 500 billion copyright transactions on behalf of our 650,000 songwriters, composers and music publishers establishes BMI as an industry leader with a scope, accuracy and efficiency unmatched by any other organization in the world.

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TECHNOLOGY

BMI's continued leadership in music rights administration is centered on the Company's ability to develop and implement technological solutions that meet the needs of both music creators and businesses that use music in the digital age. As the industry transforms, BMI's Technology, Operations and Administration teams are responding robustly. Over the last five years, BMI has processed a cumulative total of more than one trillion digital performances. During fiscal year 2014 alone, continued process improvements enabled accurate and efficient management of more than 500 billion transactions.



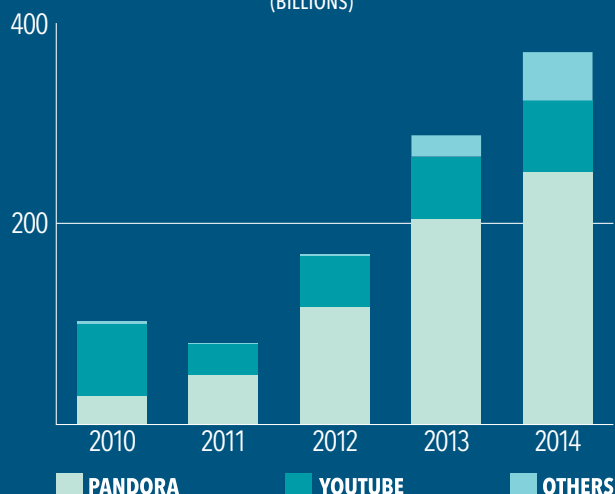
MusicMark

To meet the needs of today's rapidly evolving marketplace, this year BMI collaborated with ASCAP and SOCAN

to form MusicMark, an initiative designed to increase efficiency for publishers registering works and to provide a synchronized picture of the music that each performing rights organization represents. This service will give songwriters and composers more accurate data and will give businesses more precise information about music they want to license.

DIGITAL STREAMING SERVICES PERFORMANCE BY SERVICE

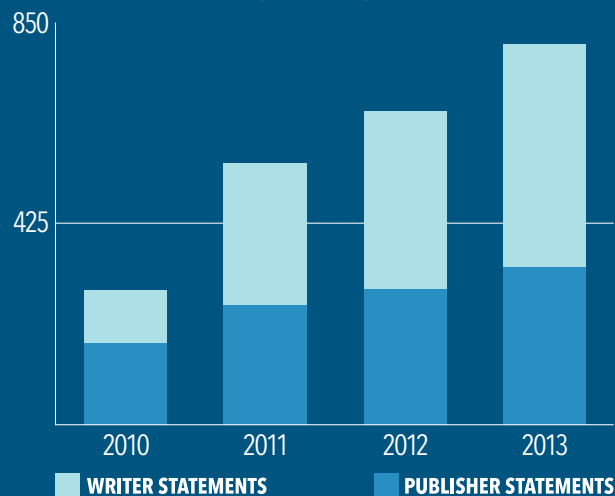
(BILLIONS)



BMI'S PROCESSING OF STREAMED MUSIC HAS MORE THAN TRIPLED OVER THE PAST 5 YEARS, FROM 103 BILLION TO ALMOST 400 BILLION PERFORMANCES

PAPERLESS STATEMENT GROWTH WRITERS & PUBLISHERS "GO GREEN"

(THOUSANDS)



PAPERLESS STATEMENTS TO AFFILIATES HAVE INCREASED FROM 11% TO 42%

Support for new music is deeply ingrained in BMI's history, and continues to be a top priority today. BMI compensates thousands of songwriters who perform at small venues through a program called "BMI Live," enabled through the BMI mobile app, which permits writers to upload performance data to BMI for royalty calculations. BMI Live is just one of a suite of industry-leading applications for mobile phones and tablets which gives affiliates access to information about their catalogs and their royalties. Overall, the BMI mobile app continued to gain momentum among affiliates, with nearly 30,000 new users downloading the app this year, and a multiple return visit rate of more than 91%.

DISTRIBUTION & ADMINISTRATION HIGHLIGHTS

BMI's Administration team reached an impressive milestone this year, processing more than 50,000 new songwriter, composer and publisher applications, bringing fiscal year 2014's total number of affiliates to 650,000.

Affiliates continue to demonstrate their preference for conducting business electronically. BMI recorded more than 200,000 visits to its online transactional services during the final quarter of fiscal year 2014. Tens of thousands of BMI writers and publishers now receive their royalty statements electronically, with almost a third of affiliates viewing their royalty statements through the BMI app on a mobile device. The Company has also seen dramatic growth in electronic funds transfer (EFT), or direct deposit, to 66% of all distributions and paperless statements to affiliates have increased to 42% of all distribution reports. These metrics reinforce BMI's "green" transition to 100% paperless statements, slated for September 2014, which will result in savings in staff hours, printing and mailing costs, along with an environmentally friendly business process.