



# 2018 – 2019 ANNUAL REVIEW



**BMI**  
MUSIC MOVES  
OUR WORLD





MUSIC MOVES OUR WORLD



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## PRESIDENT & CEO REPORT



I am thrilled to share this report which provides the details of BMI's record-setting performance for the fiscal year ended June 30, 2019. BMI generated unprecedented revenues of \$1.283 billion, a 7% increase over the prior year, and distributed and administered a landmark \$1.196 billion to its songwriters, composers and publishers, \$78 million more than last year, also a 7% increase. These results represent the highest reported public performance revenues and royalty distributions of any music rights organization in the world, underscoring the ever-growing value the Company is delivering to its creators, copyright owners and licensees.

The \$1.196 billion total in distributions includes domestic and international royalties, as well as distributions from direct deals that BMI administers on behalf of its publishers. Those deals, which account for \$62 million, represent an increase of \$9 million over last year and approximately 5% of BMI's total distribution.

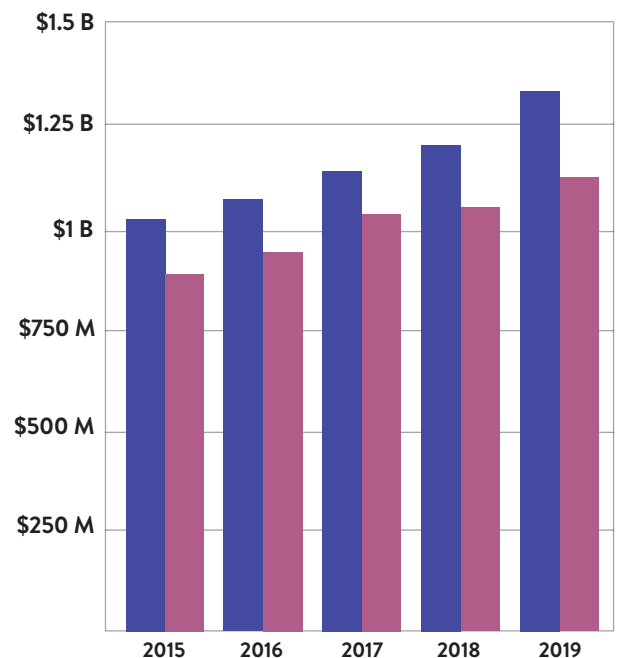
The Company achieved these milestones while maintaining its record-low overhead rate. When factoring in the impact of direct deal administration, BMI continues to distribute nearly 90 cents of every dollar back to our songwriters, composers and publishers.

BMI's ongoing strategic efforts to diversify its revenue portfolio resulted in multiple accomplishments this year across categories. Revenue from digital sources continued to drive robust growth, coming in at \$262 million, an increase of \$47 million, or 22%, over last year, representing 28% of BMI's total domestic revenue. Cable and satellite-delivered entertainment was once again the largest source of domestic revenue, at 30%. General Licensing, along with other income, achieved an all-time high of \$169 million, representing 18% of BMI's domestic total. On the global front, BMI's international revenue hit a record high of \$340 million, an increase of \$21 million, or 7%, over the prior year. These figures are even more impressive given a negative foreign exchange impact of \$23 million caused by the strengthening dollar overseas.

BMI's achievements are a direct result of the unrivaled creativity of the songwriters and composers BMI represents and the unparalleled worldwide popularity of the BMI repertoire. Across the genre spectrum, it was a stellar year for our affiliates. Notably, Lady Gaga, Mark Ronson and Andrew Wyatt won Academy Awards, Golden Globes and GRAMMYS for their song "Shallow" from *A Star is Born*; Lil Nas X made chart history with his smash hit "Old Town Road"; and multiple affiliates garnered CMAs, Emmys, Americana Awards, Premio Lo Nuestro Awards, and beyond.

BMI's exceptional composers also received the industry's highest accolades. At the Academy Awards, BMI affiliates swept both musical categories; in addition to the success of "Shallow," Ludwig Göransson won Best Original Score for his music in the blockbuster film *Black Panther*. Other top-grossing films featuring BMI music included

### TOTAL REVENUE & ROYALTY DISTRIBUTION



■ TOTAL REVENUE  
■ TOTAL DISTRIBUTION



**SENIOR MANAGEMENT**



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



**LIZ FISCHER**  
SENIOR VICE PRESIDENT  
CORPORATE COMMUNICATIONS  
& MARKETING



**ALEX FLORES**  
SENIOR VICE PRESIDENT  
CREATIVE



**EDDIE GULLEY**  
SENIOR VICE PRESIDENT &  
CHIEF INFORMATION OFFICER



**DAVID LEVIN**  
SENIOR VICE PRESIDENT  
LICENSING



**STUART ROSEN**  
SENIOR VICE PRESIDENT &  
GENERAL COUNSEL



**ALISON SMITH**  
EXECUTIVE VICE PRESIDENT  
DISTRIBUTION, PUBLISHER  
RELATIONS & ADMINISTRATION  
SERVICES



**MICHAEL G.  
STEINBERG**  
EXECUTIVE VICE PRESIDENT  
CREATIVE & LICENSING



**ANN SWEENEY**  
SENIOR VICE PRESIDENT  
INTERNATIONAL & GLOBAL  
POLICY

*Avengers: Endgame, Crazy Rich Asians and Aladdin.* Moreover, over 68% of this season's primetime network TV shows and cable series featured themes and/or scores written by BMI composers, such as *Bull* and *Game of Thrones*, among others.

To spotlight our affiliates and their phenomenal music, BMI launched a new brand campaign last fall that reaffirms our promise to our creative community: to celebrate their talent, value their music and champion their rights. Many prominent BMI affiliates were excited to participate, and metrics indicate the campaign successfully enhanced both the perception and awareness of BMI and our creators.

The popularity of audio and audiovisual streamed content continued to surge this year, resulting in vastly increased usage activity. BMI processed 2.19 trillion performances, a 29% increase over last year. Of that total, 98% were digital performances, which underscores the unwavering direction of the industry and the imperative need for fair compensation for creators in the digital age. BMI's membership also exploded to reach more than one million creators and copyright owners, and we are invigorated and excited to continue to operate with their best interests in mind to ensure an ongoing flow of new music to the public.

In Washington, the U.S. Department of Justice (DOJ) initiated its formal review of the BMI and ASCAP consent decrees. In response, BMI proactively issued a proposal for decree reform, along with ASCAP, that would gradually and thoughtfully lead us to a free market while protecting businesses and music creators alike. While we believe this is the best way for songwriters and composers to be fairly compensated for their hard work and intellectual property, we also understand that a compromise solution among the industry could be the necessary path forward to achieving a more level playing field for all parties. Throughout the year, we continued to engage with the DOJ regarding this matter.

On the legislative front, music history was made last October with the passage of the Orrin G. Hatch-Bob Goodlatte Music Modernization Act (MMA), the most significant stride in music licensing reform in decades. Thanks to the support of our industry partners, the powerful voices of the creative community and unprecedented bipartisan momentum in Congress, songwriters and the industry at large stand to benefit from this monumental victory. Importantly, creators and licensees found common ground and solutions that supported the greater good of music, marking a watershed moment that we hope serves as a template for further consensus in addressing other industry issues. Additional information on BMI's DOJ efforts and the success of the MMA is available in the "Protecting the Future of Music" section of this report.

Due to the shift in consumer behavior from music ownership to music streaming, songwriters and composers are increasingly dependent on

## PRESIDENT & CEO REPORT

the performing royalty income stream for their livelihood. Consequently, BMI continued to seek full and fair value for the use of our affiliates' creative work on all platforms. To that end, BMI remains in federal rate court with the Radio Music Licensing Committee (RMLC). (Since the end of BMI's 2019 fiscal year, BMI and the RMLC reached an agreement in principle to settle their rate dispute.) Moreover, BMI filed a petition against the North American Concert Promoters Association (NACPA) to determine rates that more fairly reflect the value our affiliates' music brings to the U.S. live concert industry and are more in line with global standards. This petition also takes into account the expanded revenue streams promoters receive that result from performances of BMI music. We believe we have a compelling case and look forward to presenting our position before the Court. Greater detail about BMI's rate court actions can be found in our "Protecting the Future of Music" section as well.

Guided by the pillars of transparency and efficiency, BMI and ASCAP made significant progress this year on the first-of-its-kind joint database of musical works, featuring comprehensive copyright information from the repertoires of both PROs. We carried out multiple rounds of extensive testing and product optimization, and we are excited to deliver this solution to market in the near future. In addition, we continue to have conversations with other PROs about joining this project in the future. Further information about this endeavor is available in the "Distribution & Administration" and "Technology" sections of this report.

I would like to take this opportunity to welcome BMI's new Vice President of Government Relations, Michael Collins, who joined the Company last November. A longtime political strategist, Michael brings a wealth of pertinent experience, having held multiple roles on the Hill and in premier D.C. lobbying firms. Heading up our new D.C. office, he will work closely with others on the Senior Management team to enhance BMI's ability to champion the rights of creators and protect the value of their copyrights, while also overseeing BMI's political action committee (PAC). We are excited for Michael's leadership in ensuring that the art of songwriting remains a viable profession for years to come.

Building on our rich history of supporting the Texas music community, we were very pleased to open a Creative office in Austin this past March, marking the first Company expansion in over 20 years. This new home for BMI allows us to work directly with the talented songwriters, composers, publishers and emerging songwriter/artists on the growing Austin music scene and help enhance their ability to earn a living through their craft. The office activity is off to a strong start and we look forward to continuing to increase opportunities for our Texas affiliates.

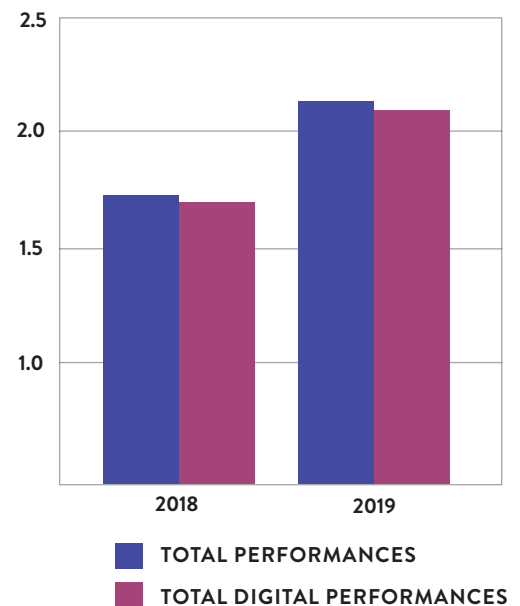
I would like to thank the BMI Board of Directors and the Senior Management team for their outstanding work this year. BMI's strength and success are buoyed by the world's most influential songwriters and composers, the most recognized and loved songs, and the contributions of our dedicated team members who are deeply knowledgeable and passionate about music and creators' rights. We are proud that BMI's record-setting performance this year highlights the value of our service to our business and creative communities, and we anticipate continued great reward ahead.

I invite you to read the report that follows. It provides an overview of BMI's business operations during the past fiscal year, as well as a vision for a vibrant new music licensing landscape, in which licensees and creators thrive alike.

Sincerely,



### TOTAL & DIGITAL PERFORMANCES PROCESSED (IN TRILLIONS)





The year in music was defined by the innovative talent and groundbreaking creativity of BMI's incomparable roster of songwriters and composers, who not only topped the charts, dominated streams and enhanced the most popular audiovisual content, but also broke records and made history. BMI's diverse and captivating repertoire was in-demand across all platforms on a global scale and BMI strengthened its reputation as the source for the world's best music. Throughout the year, BMI continued its focus on being the market leader in valuing music while identifying and developing exciting new talent who will become tomorrow's hitmakers. To that end, BMI's market share increased across genres, as BMI affiliates continued their unstoppable global momentum.

Among the many highlights of the year, Ludwig Göransson made GRAMMY history as co-writer of the galvanizing single, "This is America," the first rap song to win both Song of the Year and Record of the Year. Göransson took GRAMMY gold in both categories, marking a unique feat for a film composer. Notably, he garnered yet another GRAMMY for Best Score for his music in the blockbuster film *Black Panther*, which also earned him the Academy Award. "Shallow" from the acclaimed film *A Star is Born* scored Lady Gaga her first Academy Award for Best Original Song, as well as a GRAMMY and a Golden Globe, with all three trophies also going to her BMI co-writers, Mark Ronson and Andrew Wyatt, on the ubiquitous track. On the dance scene, Marshmello's infectious hit "Happier" set the record for the longest #1 on the Hot Dance/Electronic Songs Chart with 39 weeks in the top position. Carrie Underwood became the female country artist with the most #1 albums, hitting four with her latest project, *Cry Pretty*. Taylor Swift set a Vevo record with her video premiere of "ME!", scoring the most views for a video in 24 hours with over 65 million, while Luis Fonsi made YouTube history, as "Despacito" became the first video to hit an astounding six billion views. Lil Nas X's breakout single, "Old Town Road," became the longest Hot 100 #1 in history, with 19 consecutive weeks in the peak position. On the concert scene, Ed Sheeran set a record for 2018 with the highest grossing tour at \$432 million, and this year he broke the record for the highest-grossing concert tour of all time with \$737 million.



LUDWIG GÖRANSSON AT THE 2019 GRAMMY AWARDS.



ANDREW WYATT, LADY GAGA & MARK RONSON AT THE 2019 OSCARS.

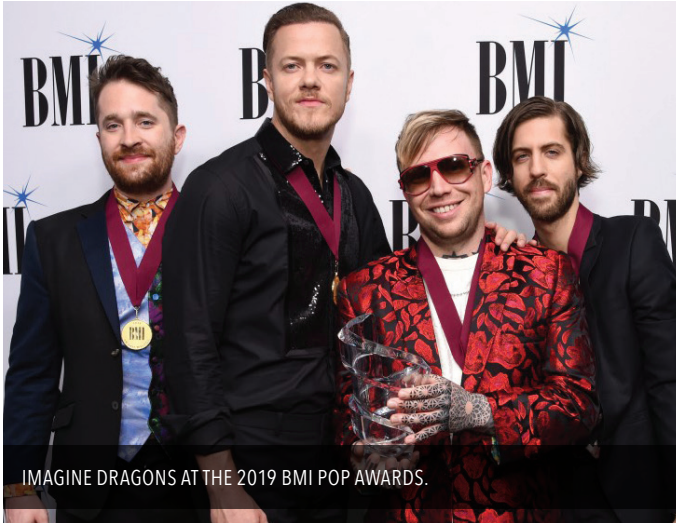
In addition, some of the most-performed songs of the year were written by Rhett Akins, J Balvin, Camila Cabello, Brett Eldredge, Florida Georgia Line, Halsey, DJ Khaled, John Legend, Adam Levine, Post Malone, Metro Boomin, Maren Morris, Horacio Palencia, Charlie Puth, Bebe Rexha, Rihanna, Shakira, Ali Tamposi and Watt. BMI composers scored many of the year's most successful films, television and cable series, including Tyler Bates, Danny Elfman, James Newton Howard, Mark Mothersbaugh, Alan Silvestri and Brian Tyler. Songwriters who emerged as exciting new voices to watch include Rauw Alejandro, Ingrid Andress, Lee Brian, Lucky Daye, Conan Gray, Nicole Haley, Michael Hardy, Saint Jhn, Julian Lamadrid, Lizzo, Jack Newsome, Nina Young, as well as several pioneering women composers, such as Hildur Guðnadóttir, Tamar-Kali and Ronit Kirchman.

Throughout the year, BMI welcomed many prominent new affiliates, notably multiple GRAMMY and Pulitzer Prize winner Kendrick Lamar, multiple GRAMMY-winning Americana songwriter/producer Brandi Carlile and hitmaker phenomenon Lil Nas X, among others. Affiliates who extended their relationships with BMI included J Balvin, Eric Church, Eminem, Halsey, Hozier, Imagine Dragons, John Legend, Horacio Palencia, P!nk, Residente, Rihanna, Shakira, Ed Sheeran, and many more.



KEITH URBAN AND KACEY MUSGRAVES TOOK HOME TROPHIES AT THE 2018 CMA CEREMONY.

## ROSTER & REPERTOIRE



IMAGINE DRAGONS AT THE 2019 BMI POP AWARDS.



JANET JACKSON AT THE 2018 BMI R&B/HIP-HOP AWARDS.



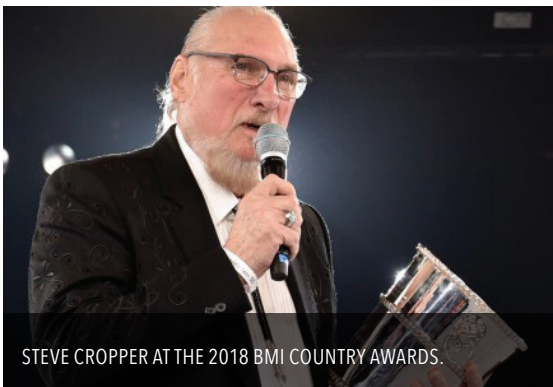
MARIO QUINTERO LARA AT THE 2019 BMI LATIN AWARDS.



TERENCE BLANCHARD & WILLIAM ROSS AT THE 2019 BMI FILM, TV & VISUAL MEDIA AWARDS.



STING PERFORMS AT THE 2019 BMI POP AWARDS.



STEVE CROPPER AT THE 2018 BMI COUNTRY AWARDS.

### INDUSTRY AWARDS

In addition to the aforementioned accomplishments, multiple BMI affiliates were recognized with top-tier industry accolades. Several BMI songwriters were CMA Triple Play Winners, indicating that they penned three #1 songs in a year, including Jesse Frasure, Thomas Rhett, Luke Combs and Nicolle Galyon. Carlos Rafael Rivera (*Godless*), Ramin Djawadi (*Game of Thrones*) and Eli Brueggemann (“Come Back Barack” from *Saturday Night Live*) all received Emmys for their outstanding creative work. Reggaeton star Ozuna swept the Premio Lo Nuestro, while J Balvin was crowned Artist of the Year at the same ceremony. Moreover, the Songwriters Hall of Fame inducted the legendary Dallas Austin, Tom T. Hall and John Prine, with Halsey taking the coveted Hal David Starlight Award for her impactful original songwriting.

### BMI AWARDS

BMI was honored to celebrate many musical luminaries at our annual award shows. Janet Jackson, Harry Gregson-Williams, Steve Cropper and Terence Blanchard were named BMI Icons for their remarkable musical contributions. Martin Bandier also received the BMI Icon Award, marking the first time a music publishing executive was recognized with this accolade. Bandier was acknowledged for his many contributions to the industry, particularly his advocacy work for creators’ rights. Imagine Dragons received the BMI Champion Award for their incredible creative and humanitarian efforts. Sting was honored with a special tribute for his timeless hit “Every Breath You Take,” which is now BMI’s most performed song in our repertoire with nearly 15 million radio plays. Composer/arranger William Ross was presented with the Classic Contribution Award and Americana legend John Prine was honored with our Troubadour Award. Moreover, BMI was proud to salute world-renowned singer/songwriter Paul Anka during our BMI Board of Directors dinner at the 71<sup>st</sup> annual NAB convention.



## FILM, TV & VISUAL MEDIA HIGHLIGHTS

BMI's extraordinary composers scored films accounting for over \$5.4 billion in domestic box office grosses in the past year. These included *Avengers: Endgame* (Alan Silvestri), *The Grinch* (Danny Elfman), *Aladdin* (Alan Menken), *Crazy Rich Asians* (Brian Tyler) and *Fantastic Beasts: The Crimes of Grindelwald* (James Newton Howard). As noted above, BMI affiliates impressively swept both musical categories at the Academy Awards, with winning-composer Göransson also scoring *Venom* and *Creed II*. In addition, BMI composer Kris Bowers both wrote the score and performed in *Greenbook*, which earned the Oscar for Best Picture.

Over 68% of this season's primetime network TV shows featured themes and/or scores written by BMI composers. Hits included *NCIS* (Brian Kirk), *New Amsterdam* (Craig Wedren), *Bull* (Sean Callery) and *FBI* (Atli Örvarsson). Breakout series in cable and streaming media included *Animal Kingdom* (Samuel Jones, Alexis Marsh), *The Last O.G.* (Joseph Stephens), *Big Mouth* (Mark Rivers) and *The Punisher* (Tyler Bates).

BMI's composer icons include Lalo Schifrin, whose legendary career was recognized this year by the Academy of Motion Picture Arts and Sciences with an honorary Governors Award, marking only the third time in history a composer has received this distinction.

## INDUSTRY TRENDS

The dominance of streaming has changed the traditional concept of genres and has opened up the landscape for creative and artistic freedom. More than ever before, this year saw the increasing popularity of songs that blurred genre lines, resulting in new sounds and styles that attracted global audiences. Lil Nas X's smash hit, "Old Town Road," was initially a sensation on TikTok and streaming services before continuing its dominance on radio. The single has been remixed four times, featuring Billy Ray Cyrus, Diplo, Young Thug and Mason Ramsey. Other examples of listeners' broadening tastes included pop-country hybrids like Kane Brown and Camila Cabello's "Never be the Same" and Bebe Rexha and Florida Georgia Line's "Meant to Be."

In other industry news, this past June, *Billboard* introduced new weekly Top Songwriters and Top Producers charts, based on weekly activity on the Hot 100 and other "Hot" genre song charts that blend streaming, airplay and sales data. These new chart offerings speak to the essential role of creators to music's biggest hits. Furthermore, *Rolling Stone* announced that it is launching Rolling Stone Charts, which will feature detail on the biggest songs, albums and artists in music. This project dovetails with the magazine's increased coverage of the music business.



MIKE O'NEILL AND MARTIN BANDIER AT THE 2019 BMI POP AWARDS.

Music and social media are linked through an incredible synergy that continued to grow this year. BMI kept pace by increasing production of original content for our social channels and enhancing engagement with our affiliates. As a result, we saw growth across platforms, with Instagram in the lead, garnering 63% more followers than last year. We conducted 242% more Instagram Live Interviews and 113% more InstaStories Takeovers than the year prior to support our affiliates' music releases, projects and live performances. Notably, BMI also surpassed a key milestone of 100,000 followers on both Facebook and Instagram, adding to our nearly 125,000 followers on Twitter and demonstrating that BMI's ongoing social support of our songwriters and composers continues to gain traction.



HAILEY KNOX PERFORMS AT THE BMI SNOWBALL DURING THE 2019 SUNDANCE FILM FESTIVAL.



LARKIN POE PERFORMS AT THE 2018 BMI LOLLAPALOOZA STAGE.

## ROSTER & REPERTOIRE

### CAREER SUPPORT & OPPORTUNITIES

BMI's commitment to providing unique and meaningful opportunities for our affiliates sets us apart and has solidified our reputation as the premier hub for launching and building music careers. This year was no exception, with BMI's Creative team showcasing their dedication and passion for our affiliates' success through a number of dynamic programs.

Productive song camps with Ultra and Warner Chappell Music offered writers intimate settings for creative collaboration and networking. Building on BMI's Speed Dating for Songwriters events in Nashville, New York and Los Angeles, BMI's London office hosted its inaugural edition, bringing together promising songwriters, producers, and artists to write and showcase new songs. On the education front, BMI was proud to celebrate the 20th anniversary of BMI Day at Berklee College of Music, with award-winning composer Trevor Morris leading a scoring session for the next generation of film composers. BMI also hosted our annual How I Wrote That Song event, Film Conducting Workshop, Jazz Composers Workshop and the BMI Lehman Engel Musical Theatre Workshop, all tentpole events across genres that encourage our affiliates to develop their craft. BMI also created hundreds of performance opportunities, putting our talented singer/songwriters on stages at festivals across the nation. Kicking off 2019 with a spectacular all-female lineup, the Sundance Snowball showcase featured some of today's most buzzworthy performers and was a notable success. From there, SXSW, Lollapalooza, the Key West Songwriters Festival, Austin City Limits and our Maui Songwriters Festival, plus many local showcases, broadened affiliate exposure to industry decision-makers.

To enhance our service to BMI's Texas affiliates, in March BMI opened its newest Creative office in Austin, marking the first Company expansion in over twenty years. The new office, announced together with Texas Governor Greg Abbott, is allowing BMI to work directly with songwriters, composers, and other music professionals in the Austin music community to increase their ability to earn a living through their craft. This endeavor builds on BMI's long history in the development of artists and writers from the Lone Star state who have gone on to great career heights. Since opening our Austin doors, we have met with many songwriters and industry leaders, furthering BMI's track record of music industry community building, with much more planned.



HARRY GREGSON-WILLIAMS AT THE 2018 BMI LONDON AWARDS.

### INTERNATIONAL

The BMI repertoire once again demonstrated its worldwide strength and appeal, generating massive performances around the globe. Some of the most-performed songs internationally were written by dynamic creators such as Mark Ronson, Lady Gaga, Imagine Dragons, Maroon 5, Halsey and Marshmello. Overseas, movie fans flocked to theaters to enjoy films with music created by BMI composers such as Alan Silvestri, Ludwig Göransson, Alan Menken, James Newton Howard, Harry Gregson-Williams and Danny Elfman in blockbusters like *Avengers: Endgame*, *Venom*, *Aladdin*, *Fantastic Beasts: The Crimes of Grindelwald*, *The Meg* and *Dumbo*. On the small screen, hit television exports such as *Navy NCIS*, *Law & Order: SVU*, *Hawaii Five-O*, *The Mentalist* and *Medical Detectives* remained global favorites.

BMI's unrivaled family of affiliates, from legends to perennial hitmakers to today's brightest new talent, once again captured the world's attention and underscored the fact that the music industry is built on the bedrock of songwriting and composing.



**D**uring the fiscal year ended June 30, 2019, BMI generated unprecedented revenues of \$1.283 billion, an increase of 7% over the prior year. This record-breaking figure represents the most public performance revenue reported by any music rights organization in the world. In addition, these landmark results reflect the incomparable strength and worldwide appeal of BMI's unparalleled repertoire, as well as the growing value of the BMI music license in today's dynamic marketplace.

BMI's ongoing strategic efforts to diversify revenue streams once again led to success across all sectors and increased royalty payments to our affiliates for the ever-expanding use of their creative work. To that end, total domestic revenues came in at \$943 million, an increase of \$63 million, or 7%, over last year. BMI's Licensing team raised the bar and set records in multiple categories. Digital revenue totaled \$262 million, an increase of \$47 million, or 22%, over last year, representing 28% of the Company's total domestic revenue portfolio. General Licensing, along with other income, posted record results of \$169 million. Revenue from cable and satellite sources contributed the largest portion of BMI's domestic revenue with 30%, while traditional radio and television accounted for 24% of the overall domestic total. BMI's international revenue reached an all-time high of \$340 million, an increase of \$21 million, or 7%, over the prior year.

## DIGITAL

BMI's Digital Licensing team had a record-setting year of \$262 million, representing 28% of BMI's domestic total. This category continues to show explosive growth and BMI is ahead of the curve, identifying and securing opportunities with both new and established business sources. New deals in the growing video-on-demand streaming market, including Twitch and Amazon Channels, as well as new licenses in the e-fitness market, such as Flywheel, helped drive the year's success.

## GENERAL LICENSING

BMI's General Licensing team hit several new milestones and achieved landmark revenues across categories, including bars, restaurants, hotels, and many other retail and business establishments. The team posted a record total of \$169 million, including other income, which represents 18% of BMI's domestic total. In addition, the Company added approximately 16,500 new businesses to its growing portfolio in this sector.

## INTERNATIONAL PERFORMANCE

BMI music dominated the global marketplace this year, resulting in banner results for international revenues, which totaled \$340 million, an increase of \$21 million, or 7%, over the prior year. The strength of BMI's repertoire of film and television music and popular songs helped

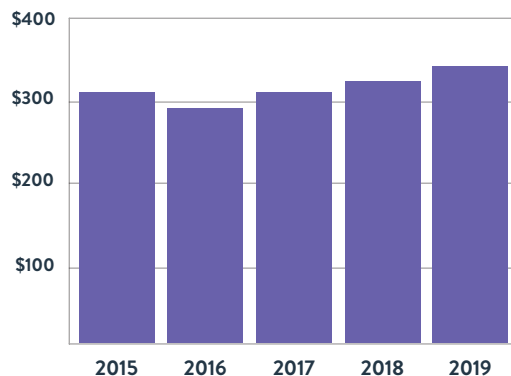
**DIGITAL REVENUE HIT A RECORD HIGH**  
**OF \$262 MILLION, REPRESENTING**  
**28% OF BMI'S DOMESTIC TOTAL.**



the Company achieve these record results, in spite of a negative foreign exchange hit of \$23 million caused by the strengthening dollar overseas. Audiovisual royalties remained the strongest international earnings category, with digital revenue continuing to increase significantly from various music services.

As BMI's dynamic and evolving repertoire continued its upward trajectory around the world, the Company strengthened its ability to capture the value music contributes and deliver it back to our songwriters, composers and publishers.

**TOTAL INTERNATIONAL REVENUE**  
(MILLIONS)



## PROTECTING THE FUTURE OF MUSIC

The issue of copyright reform was a primary focus for the music industry and the center of many policy decisions in Washington, D.C. Unprecedented momentum resulted in the historic passage of the Orrin G. Hatch-Bob Goodlatte Music Modernization Act (MMA), as BMI strengthened its role in fostering dialogue and building industry consensus towards a modernized music licensing landscape. This year also saw the U.S. Department of Justice (DOJ) initiate its review of the BMI and ASCAP consent decrees. In response, BMI, along with ASCAP, issued a proposal for decree reform that would gradually lead to a free market and protect businesses and music creators alike. BMI also intensified its efforts in federal rate court to seek rates that more fairly reflect the value delivered by our affiliates' creative work.

### DEPARTMENT OF JUSTICE UPDATE

Throughout the year, the industry eagerly awaited the DOJ's next steps in its evaluation of the future of the BMI and ASCAP consent decrees, as modifying or terminating the decrees would significantly impact the entire music business. In June, the DOJ formally announced its long-anticipated review of the PRO decrees and set an August 9 deadline for the submission of comments from stakeholders and the public on this issue. BMI welcomed the DOJ's attention to this matter since the possibility of sunseting the decrees represents an opportunity to accomplish what BMI has been trying to achieve for years – the modernization of music licensing to better reflect the transformative changes in our industry.

Prior to the DOJ's announcement, in February, BMI proactively issued an open letter to the industry, along with ASCAP, outlining a solution for decree reform that would protect all parties. BMI strongly believes that less government regulation of the industry would benefit all stakeholders. Enacting our proposal would gradually lead us to a free market, which BMI believes would be the best way for music creators to be rewarded for their hard work and intellectual property, while also encouraging competition. Some would benefit while others might not, but a free market would ultimately create a more productive, efficient and level playing field for everyone involved.

BMI also recognized, however, that any sudden change to the current system would cause chaos in the marketplace, which is why we recommended a gradual and orderly transition. We proposed that the DOJ replace the current BMI and ASCAP consent decrees with newly-formed decrees that would protect all parties. Like all modern consent decrees, they would each include a sunset provision.

Those new decrees would contain four key provisions:

- First, continue to allow all music users to gain automatic access to the BMI and ASCAP repertoires with the immediate right to public performance. However, this right should be contingent upon a fairer, more efficient, less costly and automatic mechanism for the payment of interim fees.
- Second, retain the rate court process for resolution of rate disputes, as recently reformed by the Orrin G. Hatch-Bob Goodlatte Music Modernization Act (MMA).
- Third, continue the receipt by BMI and ASCAP of non-exclusive U.S. rights from its writers and publishers, which allow licensees, songwriters, composers and publishers to enter into direct licenses if they so choose.
- Fourth, preserve the licenses that the industry has grown accustomed to beyond the traditional blanket license, such as the per-program license and adjustable fee blanket license.

These provisions don't necessarily benefit BMI and ASCAP, but they will benefit the industry as a whole and allow it to function more efficiently and effectively. Our proposal, which we submitted as a public comment to the DOJ, is designed to facilitate a thoughtful transition to a free market.



BMI's public comment also noted a concern about a potential push in Congress by certain business sectors to create a compulsory licensing model. Compulsory licensing would take us backwards, not forward, creating a system in which the government – not the market – would determine the value of songwriters' work. It could also have dire consequences for other creative industries. Ultimately, BMI sees no scenario in which greater government regulation of the music industry would benefit any constituency.

We also highlighted that antitrust laws would continue to exist in a post-decree world, governing current parties as well as any future market entrants. Interestingly, while technology has radically changed consumer behavior in terms of music access via streaming, it has also made it easier for competitors to be created in the PRO space, such as GMR, and for foreign PROs to license well beyond their territories. In effect, technology has changed the market, which is the key driver in the critical need for consent decree reform.

In a grassroots effort, BMI launched an online campaign to urge our creative community to add their names to BMI's letter to the DOJ in support of our proposal for decree reform. Nearly 20,000 affiliates signed on. We are optimistic that the industry can find common ground on this issue to support the greater good of music, and we look forward to working with all parties to find a solution that benefits everyone involved.

#### **RATE COURT ACTIONS**

Currently, BMI remains in federal rate court defending an action brought by the Radio Music License Committee (RMLC). The RMLC is seeking to lower BMI's fees, while BMI is seeking a new rate that more fairly and accurately reflects the scope and quality of the music we represent and the value our affiliates' creative work delivers to that market.\*

In September of 2018, BMI filed a rate court petition against the North American Concert Promoters Association (NACPA) to determine a new rate for concerts and live events that fairly values our affiliates' essential contributions. This necessary step followed nearly five years of negotiations that did not result in meaningful progress. Currently, NACPA concert promoters pay a small fraction of 1% of their revenue in licensing fees; BMI is seeking to raise the rate to roughly 1% of revenue. In addition, historically, BMI's license fees have been based solely on ticket sales, which today represent only one source of the revenues that promoters generate from concerts. Promoters now receive income from multiple consumer-driven streams that

**BMI SEES NO  
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BENEFIT ANY  
CONSTITUENCY.**

songwriters are cut out of, such as ticketing service fees, special VIP packages, and more, none of which would be possible without the songs. We are encouraged by recent successes achieved outside of the U.S. by other PROs that have secured higher rates for their songwriters when their works are performed in concert and which recognize the expanded revenue base.

It is important to note that both of these rate court actions began before the MMA was signed into law (more detail about this historic legislation is available below). As a result of the MMA, all future rate court cases involving BMI will be assigned to a judge from a rotating "wheel" of judges, which is the manner in which most court cases are assigned. Under another MMA reform, the randomly-assigned judge will then have access to a broader range of evidence to consider when setting a rate for digital services.

**\* SINCE THE END OF BMI'S 2019 FISCAL YEAR, BMI AND THE RMLC REACHED AN AGREEMENT IN PRINCIPLE TO SETTLE THEIR RATE DISPUTE. THE PARTIES ENTERED INTO A NEW MULTI-YEAR DEAL COVERING THE 2017-2021 PERIOD, WHICH IS SUBJECT TO THE COURT'S FULL APPROVAL.**

## PROTECTING THE FUTURE OF MUSIC

### COPYRIGHT ROYALTY BOARD UPDATE

In a significant win for songwriters and music publishers, in January 2019 the Copyright Royalty Judges (CRJs) adopted new increased mechanical compulsory license rates for streams, downloads and other uses from 2018 to 2022. The CRJs recognized an increase in the value of musical works to digital streaming services and published their final determination in February. Several digital music services have appealed the ruling to the U.S. Court of Appeals for the D.C. Circuit. If the Court upholds the CRJs' decision on appeal, this rate increase may positively influence the level of public performing rights fees that PROs charge for streaming services in the future.

### LEGISLATIVE UPDATES

Music history was made on October 11, 2018, when the Orrin G. Hatch-Bob Goodlatte Music Modernization Act (MMA) was signed into law. This vital legislation, by creating a blanket license for mechanical rights, updates U.S. copyright law for the digital age and aims to help songwriters and composers receive improved royalty payments for their work when it is streamed. Representing the most meaningful music licensing reform in decades, in addition to benefitting creators, the MMA will streamline the licensing process for businesses, such as radio and television broadcasters, as well as digital music services. This positive outcome was the result of unprecedented music stakeholder consensus, bipartisan legislator support and the powerful backing of the creative community. BMI played an integral part in the success of this legislation, tirelessly advocating for reform and collaborating with key industry partners, such as the National Association of Broadcasters (NAB), to find a way forward together.

BMI also partnered with the Recording Industry Association of America (RIAA) and other music organizations on a new interactive website called *50 States of Music*. Created to illustrate

the profound economic and cultural impact the music industry has on the nation, *50 States of Music* collects crucial data from all facets of the industry for the first time into a single dynamic resource for policymakers and the public that highlights all that goes into the industry's success. Notably, BMI contributed state-by-state songwriter and publisher data to help power this new site.

### BMI PAC

This year, the Company updated the name of its political action committee from the BMI Legislative Fund to the BMI PAC. Its goals remain the same: to raise funds to support political candidates who fight for the music industry and promote strong copyright laws in Congress. This year BMI invested more PAC funds than we have in the past, helping to elect candidates who support pro-copyright positions on issues that are important to our business.





**B**MI's singular songwriters, composers and publishers once again delivered the most-performed music in the world across platforms, which resulted in BMI's unmatched distribution success. This year, the Company distributed and administered a record-breaking \$1.196 billion to its affiliates, \$78 million more than last year, representing the highest public performance royalty distributions of any music rights organization in the world.

The \$1.196 billion in total distributions includes domestic and international royalties, as well as royalties from direct deals that BMI administers on behalf of its publishers. Distribution from direct deals grew \$9 million this fiscal year for a total of \$62 million, holding steady at 5% of BMI's total distributions.

During the year, BMI processed 2.19 trillion performances due to vastly increased usage activity reported by the major audio and audiovisual digital service providers. This figure represents a 29% increase over last year. Of the 2.19 trillion total, 98% were digital performances, underscoring the vigorous growth of content distribution via streaming.

BMI processed over 90,000 applications and agreements for new songwriters, composers and publishers this year, bringing our total number of affiliates to more than one million. BMI's new total number of licensed musical works is now over 15 million.

**1**  
**MILLION +**  
**TOTAL NUMBER**  
**OF AFFILIATES**

**15 MILLION**  
**TOTAL NUMBER**  
**OF LICENSED**  
**MUSICAL WORKS**

This year, BMI implemented a new quarterly bonus program for the most-played songs on SiriusXM® Satellite Radio. Writers, composers and publishers of the most-performed works across all SiriusXM® channels will be eligible for this bonus based on a number of factors, including performance counts and the number of channels on which a song is performed. This new value system builds on BMI's bonuses for digital and traditional radio performances and is another way for us to recognize our affiliates' success.

Tremendous progress was made this year towards completion of our phase one goal for the joint database of musical works, featuring the BMI and ASCAP repertoires. After conducting multiple interviews with licensees, the PROs developed a joint set of rules for the project. Next, we set out to build a system to reconcile nearly 20 million musical works in our repertoires. With 185 years of experience between BMI and ASCAP, operating on our own individual technological platforms, this endeavor is taking significant resources, time and effort. Lastly, we are extensively testing the new system to ensure accuracy and are pleased with the results. We are excited to launch what we believe will be a game changer in music licensing transparency in the near future.

Moving forward, BMI will continue to review our distribution methodologies to better serve our affiliates and licensees and ensure our offerings are relevant to their evolving needs.

**B**MI continued its commitment to technological innovation, driving value for affiliates and licensees by advancing our infrastructure and operations processes, while delivering new services and market solutions. This year, BMI reinforced our core ability to manage vast volumes of data from multiple complex sources and solidified BMI's role as the market leader in processing and analyzing actionable information at an exceptional pace.

As mentioned in the "Distribution & Administration" section, BMI continued to pave the way for increased ownership transparency in music licensing. A primary focus for the Technology team was the ongoing development with ASCAP on the first-of-its kind joint database of musical works ownership. Building the new system to reconcile millions of compositions and carrying out a critical testing phase significantly moved the needle, and we anticipate a path to delivery in the near future.

#### INTERNATIONAL OPERATIONS & TECHNOLOGY HIGHLIGHTS

Throughout the year, BMI's International Operations & Technology Group (IOTG) was actively involved in an international steering group responsible for modernizing the global information system of ISWC (International Standards Works Code). The ISWC plays an important role in identifying each unique musical composition and is becoming an essential element in the successful functioning of the global digital music market.

**BMI'S  
COMMITMENT  
TO INNOVATION  
DROVE VALUE FOR  
AFFILIATES AND  
LICENSEES.**

**GREAT PROGRESS WAS  
MADE ON THE BMI &  
ASCAP JOINT DATABASE OF  
MUSICAL WORKS.**

Furthermore, IOTG continued to leverage its international business and technical knowledge and relationships to support internal BMI departments to define solutions to new business challenges created by the growth in online music usage and the internationalization of music content. IOTG also strengthened BMI's international position abroad by taking active roles in major initiatives with CISAC and FastTrack, as well as with various governance committees and sister societies.

Looking ahead, BMI is confident that we will continue our industry-leading performance, knowing that the Company's dedication to safeguarding and growing the value of music has never been stronger.



# MUSIC MOVES OUR WORLD





