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The success we are reporting for FY 2013 has been achieved in a very transitional period for BMI and the music and entertainment business. We are alert to the challenges that the restructuring of the industry presents, but we also see unprecedented opportunity. BMI’s dynamic and constantly evolving repertoire is able to reach the public across a myriad of platforms in which music is the core offering, or an essential part of the creative product. As this year’s results demonstrate, we have continued to capture the value that music contributes, and deliver it to our writers, composers, publishers and licensees alike.

Over the past fiscal year, more BMI musical works were performed across an expanded spectrum of media outlets than at any other time in the Company’s history. Clearly, this demonstrates the value of the diverse BMI musical repertoire and the ease of access that our blanket licenses bring to new entertainment outlets. Successfully engaging these evolving markets, the Company generated record revenues of $944 million, an increase of more than $45 million over the prior fiscal year. The Company’s dual focus on increasing revenues and containing costs resulted in a historic high of $814 million in royalty distributions to our affiliated songwriters, composers and music publishers, a $64 million increase compared to the previous year.

AN UNPARALLELED ROSTER

The undisputed driver of the growth in revenues is the exceptional appeal of the BMI repertoire at home and around the globe. BMI music is created by the world’s most diverse and commercially successful talent. Our roster includes international superstars, up-and-coming hitmakers and a myriad of musical legends who have created the industry’s most renowned and coveted repertoire across all genres.

This year BMI songwriters garnered more than 250 nominations for the 2013 Grammy Awards. BMI winners included fun., Gotye, Adele, Rihanna, the Black Keys, Kanye West, Chick Corea and Carrie Underwood, among others. BMI songwriters also were honored with 96% of the prestigious Country Music Association (CMA) Awards and commanding percentages of other leading industry awards across all genres of music, from rock to blues, Latin and jazz, to theater and cinema.

BMI’s extraordinary roster of talent is unmatched. This year’s chart-toppers included BMI powerhouses Adam Levine, Pink, Miranda Lambert, Toby Keith, Shakira, Taylor Swift and Lil Wayne, along with sensational BMI acts Macklemore & Ryan Lewis, Foo Fighters and...
Florida Georgia Line. Each year, our Writer/Publisher team shows its ability to recognize and develop the most promising talent across all genres of music, reflected in this year’s top new breakout songwriter/artists, including Kacey Musgraves, Imagine Dragons, ASAP Rocky and Hunter Hayes. Music from BMI icons such as Paul Simon, Dolly Parton, Michael Jackson, film composer John Williams, television composer Mike Post and jazz legend Herbie Hancock continued to delight audiences around the world and provide the cornerstone of the sustained appeal of the BMI repertoire. I encourage you to review the Roster & Repertoire section included in this report for more details on all the excitement in BMI’s creative sector.

TECHNOLOGICAL INNOVATION

During this exciting time of evolution, BMI is advancing its technological infrastructure and operations processes to position the Company for the future. We are building new business intelligence capabilities and core infrastructure to serve the needs of both music creators and users. This year’s significant strides were acknowledged for the second consecutive year, as BMI placed in the top 100 companies recognized in InformationWeek’s top 500 list of innovative companies. Acknowledged for our industry thought leadership, BMI was also invited to participate in several prestigious global business technology events, including delivering the keynote address at IBM’s flagship IBM Impact conference.

Working with key partners such as IBM, BMI is growing its cloud-based services and deploying new technology to develop state-of-the-art business service tools that address today’s needs of our affiliates and licensees, allowing them to interact with BMI via their mobile devices and tablets. This year the Company launched new versions of BMI Mobile for iPhone, iPad and Android users, providing faster access to self-service options and information dedicated to serve BMI’s songwriters and publishers. Also this year, we focused on selecting new software solutions for our customer service management, streamlining the platforms used to maintain efficient delivery of the many licenses BMI supports. Greater detail on our vital new operational initiatives is contained within the Technology & Operations section of this report.

CREATING VALUE

At BMI it all boils down to valuing music. We value music through the services we offer our affiliates, the license fees we generate through our agreements and the royalties we pay out to our composers, writers and publishers. BMI remains committed to being a leader in the dialogue surrounding the value of music at every level, from the marketplace to the legislative environment we work in at home and around the world. This year, we were involved in a number of legislative initiatives in support of policy and copyright reform in Washington, D.C. Top BMI songwriters including Luke Laird and Claude Kelly joined the BMI management team on Capitol Hill for an intimate discussion with policy makers. BMI hosted Congressman Goodlatte (Chairman of the House Judiciary Committee) for his Nashville roundtable discussion with creators and leaders from the copyright industry. We also secured the Congressman and Registrar of Copyrights Maria Pallante as speakers for the CISAC World Creators Summit this past summer in Washington, D.C.

Our dedication to meeting the evolving needs of the copyright marketplace was reflected in January with the launch of a new corporate positioning campaign that conveys our rich heritage
and evolution as the premier performing rights organization. BMI remains committed to innovation, valuing music and managing the rights associated with it. The creative elements of the campaign reflect this enduring promise to music publishers and creators since BMI’s inception. All three slogans, Write On, Powered By, and Valuing Music Since 1939, underscore the Company’s values and contributions to the industry. Since Broadcast Music, Inc.’s founding, serving creativity and valuing music has remained at the center of everything we do.

As you know, in the spring I announced my intention to retire from BMI in June 2014. I began my career with BMI and have enjoyed more than 40 years working for the company I love, and with our songwriters, publishers and licensees. After an extensive executive search, it is my great pleasure to announce that Michael O’Neill was appointed as the Company’s Chief Executive Officer on September 16, 2013. With nearly 20 years of dedicated service to BMI, Mike brings a wealth of experience, leadership and innovation to his new role, and I will be working closely with him as BMI’s President until my retirement. Mike, along with the rest of our senior management team, is well poised to steer the Company toward a bright, lucrative future for the benefit of all songwriters, composers, publishers and licensees.

As BMI approaches the 75th anniversary of its founding, it does so with a sense of optimism about the future. The Company’s dedication to the value of music and the greater entertainment industry economy has never been stronger.

I invite you to read the report that follows. It presents a detailed narrative of our business operations during the past fiscal year, and reflects our strategic vision for the future, one in which we are positioned to continue our industry-leading performance as we embark upon new paths to support the creative ecosystem between art and commerce.

Sincerely,

Del R. Bryant
This year’s musical landscape was one of the most diverse and electrifying in recent history, due in large part to the work of BMI’s unparalleled roster of songwriters and composers. The powerful appeal of the BMI repertoire is the result of its diversity in genre and representation of some of the most creative and commercially successful talent in the world. BMI powerhouses Adam Levine, Toby Keith, Herbie Hancock, John Williams, Hunter Hayes, Jason Aldean, Carrie Underwood, Ammar Malik, RedOne, Benny Blanco, Jeff Bhasker and Claude Kelly wrote some of the most-performed songs of the year, while other BMI chart-toppers included Rihanna, Taylor Swift and Pitbull. New faces this year among BMI songwriter/artists included Kacey Musgraves, A$AP Rocky, Capital Cities and La Santa Cecilia, while award-winning acts such as Florida Georgia Line, Macklemore & Ryan Lewis, and fun. emerged as distinct new leaders in the industry.

**INDUSTRY TRENDS & OUTREACH**

As traditional mechanical royalties from the sale of recordings decline, the trend toward streaming media has exploded, and with it, the value of the public performing right has increased substantially. As the demand for streaming grows so has the demand for our repertoire, and BMI has been licensing it actively across all digital platforms. In addition to providing an income stream, digital and social media provide a virtual place where music creators can collaborate and tap into resources to support their work. New sensation Macklemore & Ryan Lewis epitomized the industry’s “do it yourself” trend with their hit single, “Thrift Shop,” which exploded virally after debuting on YouTube. The song has been downloaded more than 5 million times to date.

Social media also played an important role in highlighting one of BMI’s most inspirational songwriters whose story touched the world. After being introduced to BMI by a member of its Board, BMI signed songwriter Zach Sobiech, who was at the time suffering from osteosarcoma, an incurable form of bone cancer. Zach had written the song “Clouds” that went viral, moving and inspiring audiences globally. BMI executives brought the Lumineers, Phillip Phillips, Paul McDonald, Lifehouse and others to the making of a documentary about Zach’s final days, which contributed to building awareness of Zach’s song and his cause on social media. BMI’s proactive public relations and social media efforts contributed to global press coverage garnering visibility for the Zach Sobiech Osteosarcoma Foundation, a top 30 Billboard single, and YouTube views in excess of 22 million.

Social media has also become an increasingly important medium used to communicate with BMI’s songwriters, composers and music publishers. BMI has expanded its reach on key platforms, increasing Twitter followers by 54%.
and increasing its fans on Facebook by 29% over last year. BMI also launched on Instagram, Tumblr and LinkedIn and nearly doubled its presence on YouTube.

BMI continued its longstanding tradition of mentoring writers and bringing the creative and business community together. This year we introduced new talent to fans and the industry through panels and on stages at premier festivals such as Lollapalooza, the Sundance Film Festival, SXSW, Bonnaroo, Austin City Limits Music Festival, CMJ, CMA Music Festival and The New Music Seminar. BMI also orchestrated workshops to educate and inspire the next generation of songwriters. One such annual event, BMI’s iconic “How I Wrote That Song,” which is held during GRAMMY week in Los Angeles, this year featured an eclectic lineup, including Snoop Dogg, B.o.B., Busta Rhymes, Evan Bogart and Luke Laird. During the presentation, songwriting talent shared their songs and the stories behind them. BMI also presented “How I Wrote That Song” during the Billboard Latin Music Conference in Miami, offering a stellar lineup including Kike Santander, Arthur Hanlon, Rio Roma, Wise The Gold Pen and Luis Carlos Monroy.

**FORMAT LEADERS & NEW VOICES**

International superstar and frontman of the GRAMMY Award-winning Maroon 5, Adam Levine grew more popular than ever over the past year, driving hits such as “Payphone” and “Moves Like Jagger,” which climbed to the #1 spot on the Top 40 and Hot AC charts, as well as claiming the #1 spot on the Billboard Hot 100. Levine was the recipient of the BMI President’s Award at this year’s BMI Pop Awards.

Other prominent BMI pop writers included Jason Derulo, Busbee, Giorgio Tuinfort, David Hodges, Evan Bogart, Rocstar, Tim Pagnotta, Bonnie McKee and Andre Lindal. Among the crop of emerging BMI songwriter/artists this year were Mikky Ekko, the Neighbourhood, Imagine Dragons, Azealia Banks, Rozzi Crane, Allen Stone and Youngblood Hawke.
In the U.S. marketplace, BMI represents the most successful international hitmakers from around the world, including legends Elton John, Sting, the Rolling Stones, John Lennon and Eric Clapton. Adele experienced continued success this year, taking home an Oscar and GRAMMY gold for her song “Skyfall” in the eponymous film, while French electronic act Daft Punk had a powerful comeback. BMI also fosters emerging international talent such as Ed Sheeran and Emeli Sandé.

Over the past year, the market has shown a surge in electronic dance music (EDM) with BMI songwriter-DJ-producers such as Baauer, whose “Harlem Shake” went viral on YouTube, Kaskade, Eric Prydz, Avicii, Deadmau5, Porter Robinson, Afrojack and Clockwork, many of whom helped take the EDM sound to the Billboard Hot 100 charts and made the music accessible and vital in the pop music arena.

ROCK, R&B/HIP-HOP & LATIN

BMI experienced unprecedented worldwide success with top-charting Indie BMI songwriter/artists Macklemore & Ryan Lewis, the Lumineers, Aloe Blacc, Family of the Year, Twenty One Pilots and the Postal Service. Other BMI artists who continued their track records of success were Jack White, Neon Trees, Foo Fighters, Daughtry, Linkin Park, Passion Pit, Queens of the Stone Age, Phillip Phillips and the Black Keys.

As the appetite for R&B/Hip-Hop music continued to explode this year, BMI kept pace with key signings such as A$AP Rocky, ASAP Ferg, Metro Boomin, Austin Mahone, Dijon ‘DJ Mustard’ McFarlane, Sean Kingston and Trinidad James.

At the 12th annual BMI Urban Awards, GRAMMY Award-winner Mariah Carey was honored as the BMI Icon. At that award ceremony, BMI also launched the Social Star Award, sponsored by Spotify, which proved to be the most viral social media campaign for @BMI to date. With a reach of more than 7 million accounts and more than 18 million impressions, this award recognized emerging songwriters who have successfully harnessed the power of social media to launch their careers and amass thousands of fans, all without the aid of traditional terrestrial radio airplay. Fans were given the ability to choose their Social Star, and Mac Miller took the coveted prize. Since winning the award, Mac Miller’s career has surged, as his second album debuted at #3 on the Billboard Hot 100, he starred on an MTV2 series and was tapped to tour with rap superstar Lil Wayne this fall.

Latin continues to be one of music’s most popular and diverse genres. The pop/rock of Juanes, Café Tacvba and Mana; Prince Royce’s urban bachata; Don Omar’s signature reggaeton; Gocho’s pop/reggaeton; Frankie J’s Latin R&B; Carlos Vives’ tropical rhythms and Pitbull’s top-selling brand of hip-hop all contributed to a vibrant year for the BMI repertoire. BMI artists swept the Billboard Latin Music Awards with 77% of the winners. Latin legends including Ricky Martin, Gloria Estefan, Wisin & Yandel, Chino y Nacho, Calle 13, Juan Luis Guerra, Lila Downs, Pepe Aguilar, Cristian Castro, Thalia and others continue to top the charts, alongside fresh new voices such as J Alvarez, La Santa Cecilia and Luis Coronel.

A number of BMI affiliates, including, among others, Jennifer Lopez, Shakira and Hector “El Father” remained distinctly Latin while crossing over into mainstream media, forging a path for other writers
to create chart-topping songs that became inescapable cross-cultural anthems in 2013.

Regional Mexican music continues to attract new audiences, thanks to songs crafted and recorded by Espinoza Paz, Horacio Palencia, Gerardo Ortiz, Los Tigres del Norte, Mario Quintero (Los Tucanes de Tijuana), Larry Hernandez, La Arrolladora Banda El Limón and Banda el Recodo, which was recognized with the distinction of BMI Icon at the BMI Latin Awards ceremony in March. As a result of BMI’s vast list of Latin affiliates, the Company remains the genre’s undisputed leader in the industry.

**COUNTRY**

Country music is a proud pillar of BMI’s catalog, and this year proved to be no exception. The Country Music Association and Academy of Country Music recognized BMI’s unmatched success in the format, as BMI affiliates took home 96% and 89% of the awards presented in those ceremonies, respectively. Winners and nominees included Taylor Swift, Keith Urban, whose already massive appeal further exploded after he joined the judge’s table on Fox’s *American Idol* this year, Jason Aldean, Blake Shelton, who also appears in NBC’s *The Voice*, Miranda Lambert, Eric Church, Carrie Underwood, Luke Bryan, Hunter Hayes, the Band Perry, Zac Brown Band, Jake Owen and Kenny Chesney.

BMI welcomed some of the best and brightest new country talent, with key signings including Kacey Musgraves, Chris Young, Tyler Farr, Charlie Worsham, Ashley Monroe, Cole Swindell, Colt Ford, Maggie Rose, Joel Crouse, Thomas Rhett and duo Florida Georgia Line, one of the hottest acts in music. Their first single, “Cruise,” topped the Billboard Country Singles chart for a record 24 weeks and cracked the top 5 of the pop charts following the song’s remix.

**BROADWAY, CLASSICAL & JAZZ**

BMI’s leadership in musical theatre was once again highlighted this year. Cyndi Lauper, an acclaimed songwriter/artist in her own right, won the Tony Award for Best Score for *Kinky Boots*. Three out of the four nominees for Best Score were represented by BMI, and the fourth was a songwriter who was a graduate of the Tony Award-winning BMI Lehman Engel Workshop. Over the past year, the three biggest musical hits on Broadway were all created by BMI writers: *Kinky Boots*, *Matilda*, with music by Tim Minchin (APRA) and *The Book of Mormon*, featuring music by Robert Lopez.

Over the past year, BMI’s classical composers also received numerous accolades. Stephen Hartke took the GRAMMY award for best contemporary classical composition, while composers Donald Crockett, David Fulmer, Tonia Ko, Patrick Harlin and Kate Soper received recognition and fellowships from the esteemed American Academy of Arts and Letters. In the orchestral world, Pulitzer prize-winning composer Christopher Rouse completed his first year as composer-in-residence with the New York Philharmonic, which performed several of his works throughout the season.
Jazz music, a defining part of the rich fabric of American music, has a long, storied tradition with BMI. BMI represents the world’s most respected jazz composers, as reflected by this year’s jazz GRAMMY Awards, in which all of the nominees for Best Jazz Instrumental Album were affiliated with BMI, as were all of the nominees for Best Improvised Jazz Solo. Multi-reedist/composer Anthony Braxton and pianist/composer Keith Jarrett, contemporary giants in the world of jazz, were named National Endowment for the Arts Jazz Masters, a fitting continuation of BMI’s legacy in this genre.

FILM & TELEVISION

BMI represents the premier roster of film and television composers. Music created by BMI composers was featured in nearly every major film released during fiscal year 2013, including Iron Man 3, The Expendables 2 and Now You See Me, with music by Brian Tyler; Identity Thief, with music by Christopher Lennertz; Lincoln, featuring music by John Williams; Hotel Transylvania, with music by Mark Mothersbaugh and The Heat, with music by Michael Andrews. These films had box office receipts of more than $3 billion during this period.

Composer Cliff Martinez received this year’s Richard Kirk Award, BMI’s highest accolade for film and television composers, at the annual BMI Film & Television Awards. Mychael Danna experienced a career high, winning the Academy Award and the Golden Globe for Life of Pi. Adele (PRS) won the Oscar as well as a GRAMMY for her song, “Skyfall,” from the film of the same name.

Other BMI composers for film who achieved incredible success this year include Danny Elfman, creator of music for Oz the Great and Powerful, Silver Linings Playbook and Epic; Alan Silvestri, who scored Flight and The Croods; Alexandre Desplat (SACEM), whose music was featured in Argo, Zero Dark Thirty and Rise of the Guardians; Theodore Shapiro, with music in The Campaign and Hope Springs and Thomas Newman, for his music in Skyfall.

This year, BMI composers were responsible for theme and/or background music in more than 73% of primetime television shows on ABC, CBS, The CW, Fox, and NBC. Most notable shows included Brian Kirk’s music for NCIS, John Frizzell’s work in The Following, Blake Neely’s music in The Mentalist and Arrow, David Buckley’s work in The Good Wife, Chris Lennertz’s score in Revolution and Supernatural and Mark Isham’s music for Once Upon A Time.

BMI composers also created the music for some of the most talked about shows of the year on cable and on-demand, streaming media services. Nathan Barr’s music in The Americans and Hemlock Grove, David Schwartz’s work in Arrested Development and Mychael Danna’s music for World Without End all received Emmy nominations for their outstanding contributions. Other BMI talent, like Michael Penn, who created music for HBO’s smash Girls, John Shannon and Ben Wright with music on Louie, and Thomas Newman, who scored the theme for The Newsroom, all garnered critical acclaim.

INTERNATIONAL

BMI’s outstanding combination of current stars and legendary talents contribute to the international appeal of the BMI repertoire, generating massive performances around the world. The top performing songs overseas were Pink’s “Try,” along with “Just Give Me a Reason,” featuring Nate Ruess; the Lumineers’ “Ho Hey”; “Thrift Shop” by Macklemore & Ryan Lewis; Linkin Park’s “Burn it Down” and “This is Love” by will.i.am, featuring Eva Simons. Other top international earners included John Williams, Maroon 5, Lady Gaga and Shakira. Our classic catalog was as strong as ever, as timeless hits by John Fogerty, Paul Simon, Paul Anka and Antonio Carlos Jobim remained favorites on international playlists.

On the feature film front, fans flocked to movie theaters around the globe to enjoy blockbuster films with music scored by a myriad of BMI composers, including Danny Elfman’s Oz the Great and Powerful, Mychael Danna’s Life of Pi, Alan Silvestri’s The Croods, Thomas Newman’s Skyfall and Brian Tyler’s Iron Man 3 and The Expendables 2. Television also remained a chief export, as series NCIS, Numb3rs, Phineas and Ferb, SportsCenter and The Mentalist, all featuring music by BMI composers, earned top ratings.

BMI’s diverse roster of incredible music-making talent across all genres and around the globe enjoyed another successful year for BMI music over the air, on the big screen and across digital platforms.
TECHNOLOGY & OPERATIONS

INFORMATION TECHNOLOGY LEADERSHIP

BMI’s global leadership role in rights administration centers on the Company’s ability to envision, build and manage market-leading technological capabilities that strengthen our service to our affiliates, licensees and international societies. To meet the challenges of a rapidly transforming industry, during fiscal year 2013 BMI continued to advance the Company’s technological infrastructure and operations processes. Our strategy includes key partnerships, team training and development and deployment of world-class information technology to identify and deliver integrated value-driven solutions for our constituents.

This year, BMI made significant strides with regards to capabilities, delivery and innovation. These achievements were acknowledged for the second consecutive year, as BMI placed in the top 100 of InformationWeek’s Top 500 list of most innovative companies, receiving a prestigious “moving up the charts” recognition.

TECHNOLOGY HIGHLIGHTS

Over the past year, the BMI Technology team processed more information than ever before from a growing number of diverse and complex sources. The BMI Enterprise Applications team developed software that will be deployed across many applications and products,
such as BMI Live and BMI Mobile. Our new technology will power all applications and distribution services, delivering more information faster and in ways our users require, such as mobile delivery, new business intelligence reports, quicker service turn-around and efficient license and contract processing, setting an exciting course for our future business.

BMI’s operations and administration services platform is being developed to react to the changing music business environment so that we can deploy capabilities faster, with more accuracy and with the transparency necessary in a global marketplace.

NEW AFFILIATE SERVICES

BMI continuously provides core management services to songwriters, composers, publishers and our licensees. This year we launched or enhanced four services – BMI Mobile version 2.0, BMI Mobile for iPad, BMI Legacy version 1.0 and BMI Live version 2.0 – using the latest mobile, user interface and data integration capabilities.

For our songwriters, composers and publishers, the new BMI Mobile affords quick access to self-service options and enhanced GPS capabilities to speed BMI Live performance submissions, as well as direct deposit management, paperless statement selection and a full display of works catalog information. Since the launch of BMI Mobile version 2.0 in March at the South by Southwest (SXSW) Conference, member usage has grown significantly, quadrupling the number of downloads each month on both iPhone and Android platforms. The free download of BMI Mobile is available for BMI affiliates in the Apple iTunes and Google Play stores, where it has received consistently high ratings.

BMI Mobile for iPad version 2.1.2 was launched in May and has provided an additional mobile platform for our members. BMI Legacy version 1.0 was launched in the spring and delivers a capability for our internal teams and our members managing estates to properly track and deliver distribution information to the estate representatives electronically.

BMI Live version 2.0 was launched in January and has dramatically increased usage and service to our members. BMI Live provides a 1.2 million-venue database for users to choose and report on the venues where performances take place.

OPERATIONS HIGHLIGHTS

During the past year, BMI established critical cross-departmental teams to address the growing complexity in music industry information processing needs and the growing scale of activity across so many participants in our processes. The Company is well equipped to meet the continual growth that the music industry is forecast to experience, as we innovate to provide the services at the core of BMI’s operations. This year BMI processed more than 40 billion tracks reported by licensees playing music across multiple platforms, and added a record number of new works to the BMI repertoire via affiliate registrations, many of which were submitted electronically, as is the growing pattern. BMI also processed billions of complex global transactions this year, resulting in a dramatic 100% increase over the number of reports processed last year. We are prepared to manage this expansive growth by improving upon what we have built to meet the challenges and opportunities of the future.

DISTRIBUTION & ADMINISTRATION SERVICES

During fiscal year 2013, BMI affiliated more than 45,000 new writers and publishers, increasing the number of affiliated songwriters, composers and music publishers to more than 600,000. Building on a multi-year trend, this year we welcomed 95% of our new affiliates through the virtual “open door” of online affiliation.

Much like last year, the increased availability of data from our enterprise-wide Business Intelligence tools has enabled BMI to mine data and format it for use in multiple configurations. Our revolutionary BMI Live program was upgraded this year, as noted above, based on the feedback of our affiliates, illustrating our commitment to enhancing our business tools to meet today’s needs of our constituents.

INTERNATIONAL TECHNOLOGICAL ADVANCES & OPERATIONS

BMI continued to be a technology leader in the international arena this year, spearheading key projects for the FastTrack and broader CISAC community. As usage reporting volumes are increasing exponentially worldwide, such tools are crucial in providing societies with innovative solutions for increasing and sustaining identification rates of audio visual content and feature music played, while also keeping per-transaction processing time, human intervention, and resulting costs at the lowest levels possible.

During FY 2013, BMI’s International department embarked on a project to redesign the incoming and outgoing processes of foreign royalties. Cross-departmental efforts are underway to update and streamline these processes to ensure that BMI will maximize efficiency in delivering foreign royalties to their rightful recipients. We continue our endeavors to ensure that international standards are applied and adhered to across all key business areas of BMI, as we look toward the global future.

BMI is driving toward a more consolidated and coordinated supply chain of business operation processes. Our Information Services Group, Distribution and Administration Services and International Operations and Technology Group are working together to operate the base engine for BMI and deliver increasing value to all of our constituents.
While BMI’s mission – to ensure that writers, composers and publishers are compensated appropriately for their creative works and to offer music users a cost-effective mechanism to license their public performance of music – remains constant, the landscape in which we pursue this goal has changed dramatically. The digital rights withdrawal by some of BMI’s publishers presented a challenge which BMI addressed by providing innovative solutions that add value to the marketplace and solidify our role as the trusted broker of copyright. In keeping with our objective, BMI continued to educate music users about the need to license their performances as well as the benefits a BMI license brings to their businesses. We were also involved with several legislative initiatives, working closely with members of Congress as they oversee copyright law and draft legislation that will affect our affiliates. In response to the evolving market, BMI played a vital part in the public policy conversation on the development of intellectual property rights in the digital age. We also continued to participate in international forums to collectively redefine the future of music rights management.

LEGAL ACTIONS

RATE COURT ACTIONS

In early 2013, BMI resolved in principle the rate court proceeding with the local television stations represented by the Television Music License Committee (“TMLC”) for new final blanket and per-program license agreements for the 13-year term of January 1, 2005 through December 31, 2017. Interim fees assessed for license periods from 2005 through 2012 will now be considered final. This settlement also includes the principal economic terms of a new form of “adjustable fee blanket license” (“AFBL”) sought by the TMLC. Like the per-program license, the AFBL license permits credits for direct or source licensed performances, but it does so on a performance-by-performance, not program-by-program, basis.

In June 2013, BMI commenced a rate court proceeding against Internet radio service Pandora after license negotiations between the parties failed. In the proceeding, BMI seeks the determination of reasonable license fees and terms to cover all BMI-affiliated works performed by Pandora through Pandora’s website and all third-party platforms with which Pandora has a contractual economic relationship. The action seeks a license covering the period of January 1, 2013 through December 31, 2014. BMI is seeking an increased rate commensurate with new marketplace benchmarks showing a higher value for performing rights for new digital music services. Pandora is attempting to reduce its most recent BMI rate, while also expanding the scope of its license.

In February 2012, a group of approximately 30 adult entertainment establishments commenced a rate court proceeding against BMI seeking a new license agreement for the public performance of music in their establishments at dramatically lower rates. In December 2012, BMI and the applicants reached an agreement. In January 2013, a stipulation and order of dismissal without prejudice was entered in the BMI rate court.

LEGISLATIVE ISSUES

THE FUTURE OF COPYRIGHT

In late 2012, Representative Jason Chaffetz (R. Utah) introduced a bill that came to be known as the “Pandora bill” – a bill designed to reduce the fair market value rate-setting standard for performance rights in sound recordings that is currently applicable to Internet webcasting sites such as Pandora. Currently, the rates are set using a “willing buyer/willing seller” market-based standard, but the Pandora bill would have instead applied a subsidy standard likely to result in dramatically reduced rates.

In November 2012, a hearing was held before the House Judiciary Subcommittee on Intellectual Property, Competition and the Internet which was intended to focus on the Pandora bill. During the hearing, the Subcommittee made its intentions clear that this was just the first of a number of hearings that would focus on the rights licensing landscape as a whole. In March 2013, Registrar of Copyrights Maria Pallante testified before the House subcommittee, calling on Congress to enact the “next great copyright act.” Ms. Pallante highlighted many issues that have come before Congress in one form or another, such as legislation covering the use of “orphan works” (copyrighted works whose creators cannot be located); the state of music rights licensing (termed “broken” by Ms. Pallante); and the absence of a terrestrial
performing right in sound recording for radio stations (a situation which Ms. Pallante characterized as “indefensible”).

Representative Bob Goodlatte, Chairman of the House Judiciary Committee, announced in April 2013 that the Committee would conduct a comprehensive review of U.S. copyright law over the coming months. BMI’s goal is to make sure, in reviewing the entire rights landscape, that Congress considers BMI’s concerns and addresses any appropriate legislative remedies. We expect that one or more of these hearings will provide an opportunity for BMI, with the support of other organizations, to seek a modification in the current copyright law which prevents the BMI rate court from even considering as benchmarks those license deals entered into between music users and SoundExchange (covering the separate digital performance right in sound recording). BMI seeks to clarify that the rate court may consider such proposed benchmarks, which we believe would facilitate a fair and equitable relationship between the rates paid for these rights.

COMMUNICATING THE VALUE OF SONGWRITING

In April 2013, in Washington, D.C., BMI hosted an event in the Rayburn building – home of the House of Representatives and many notable offices – highlighting the important role played by songwriters. The event was attended by a number of legislators on the House Judiciary intellectual property subcommittee, staffers from many additional lawmakers’ offices and representatives from many other music industry interest groups.

BMI President and CEO Del Bryant and Senior Vice President Richard Conlon spoke to the standing-room-only crowd about the challenges facing modern songwriters and the need to ensure that writers are compensated fairly for the use of their works, particularly in the fast-growing online world.

In collaboration with BMI’s Writer/Publisher team, Company executives were joined by two of BMI’s hottest songwriters: Luke Laird and Claude Kelly. Each spoke about their personal histories as songwriters as well as the need to recognize the value of the contributions of all writers to American culture and to the U.S. economy. A highlight of the event was the performance by our guest writers of some of their biggest hits: Mr. Laird performed “So Small” (Carrie Underwood) and “Pontoon” (Little Big Town), and Mr. Kelly performed “Grenade” (Bruno Mars) and “My Life Would Suck Without You” (Kelly Clarkson). This event is planned to be the first of many such events, where our executives and writers will tell our story directly to Congress.

In our ongoing efforts to ensure copyright protection for our affiliates, we were also involved with several legislative initiatives in Washington, D.C. during which BMI songwriters Linda Perry, Lee Thomas Miller, Kara DioGuardi and B.C. Jean visited Capitol Hill in a showing of support for the value of music. Given the House’s expected review of copyright law, these events are timely and essential. In addition, given the new Chairman of the House Judiciary Committee, large numbers of newly-elected members of Congress and fresh staff members, BMI’s educational role takes on even greater importance.

GLOBAL COPYRIGHT MANAGEMENT

BMI was an executive member of the international organizing committee of the World Creators Summit held in Washington, D.C., under the auspices of CISAC, the International Confederation of Societies of Authors and Composers. This event brought delegates from all around the world to debate current issues affecting the value of copyrights. They included piracy, the failure of the Digital Millennium Copyright Act to provide effective remedies, the impact of digital rights withdrawal and the development of the Global Repertoire Database as a means to provide copyright owners and licensees with better access to data. BMI’s involvement in the global initiatives of CISAC, along with other international forums, underscores our commitment to protecting the interests and valuing the music of the songwriters, composers and publishers we represent.

LOOKING AHEAD

As BMI enters our 75th year of operation, our commitment to our core mission is unwavering: We exist to serve music, the individuals who write music and the businesses that use it. As the dynamic forces of creativity, commerce, technology and public policy evolve more rapidly than ever, our resolve to honor the value of music today and tomorrow endures. We look to the future with great anticipation.