

**Before the  
UNITED STATES COPYRIGHT ROYALTY JUDGES  
THE LIBRARY OF CONGRESS  
Washington, D.C.**

---

|   |   |                                  |
|---|---|----------------------------------|
| <b>In the Matter of</b>                 | ) |                                  |
|   | ) |                                  |
|   | ) |                                  |
| <b>DETERMINATION OF ROYALTY RATES</b>   | ) | <b>Docket No. 14-CRB-0001-WR</b> |
| <b>FOR DIGITAL PERFORMANCE IN SOUND</b> | ) | <b>(2016-2020)</b>               |
| <b>RECORDINGS AND EPHEMERAL</b>         | ) |                                  |
| <b>RECORDINGS (WEB IV)</b>              | ) |                                  |
|   | ) |                                  |

---

**TESTIMONY OF STEVEN CUTLER,  
EXECUTIVE VICE PRESIDENT, BUSINESS DEVELOPMENT AND  
CORPORATE STRATEGY, iHEARTMEDIA, INC.**

1. I am the Executive Vice President for Business Development and Corporate Strategy at iHeartMedia, Inc. (“iHeartMedia”). I submit this statement in support of iHeartMedia’s direct case in the above-captioned proceeding.

**BACKGROUND AND QUALIFICATIONS**

2. I have served as iHeartMedia’s Executive Vice President for Business Development and Corporate Strategy since December 2011. I also have been a member at Pilot Group, a privately held venture capital firm founded by iHeartMedia CEO Robert Pittman, since May 2006.

3. In my current role at iHeartMedia, I am responsible for helping develop and steer the company’s corporate strategy, which includes identifying new sources of business revenue, evaluating potential large-scale business transactions, and developing methods for controlling iHeartMedia’s business costs. My responsibilities include overseeing iHeartMedia’s efforts to lower the costs of music licensing, including by negotiating direct licenses with our partners at the music labels.

## THE HIGH COSTS OF MUSIC LICENSING

4. In early 2012, iHeartMedia began an effort to reduce its music licensing costs for its Internet radio services, known collectively as “iHeartRadio.” Although listener demand for iHeartRadio had more than doubled in the past year, iHeartMedia recognized that the cost of licensing music for the services was so high relative to the revenues these services could generate that it constrained the company’s ability and incentive to grow the services.

[REDACTED]

[REDACTED]

5. To address this problem, iHeartMedia developed a multi-pronged approach to reducing its music licensing costs. It began a campaign to negotiate performance licenses directly with individual record labels. These licenses were designed to promote the growth of iHeartRadio and increase overall digital promotion of the participating labels’ music. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## iHEARTMEDIA’S DIRECT LICENSES

6. iHeartMedia’s primary strategy for reducing the cost of music licensing was to pursue direct licenses with individual record labels that set rates substantially below the rates iHeartMedia would otherwise be required to pay. iHeartMedia achieved extraordinary success with this effort, eventually negotiating direct licenses with 28 labels – including one of the three

“majors,” Warner Music Group – that together accounted for [REDACTED] of iHeartMedia’s pre-deal music programming.

7. iHeartMedia signed its first direct license with Big Machine Records, LLC (“Big Machine”), a label that represents Taylor Swift, Tim McGraw, and Reba McEntire, among many others, in June 2012. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] In a press release, Scott Borchetta, President and CEO of Big Machine, praised the agreement on the ground that it would “help[] to grow digital radio.” *See* Ex. B, *Big Machine Label Group and Clear Channel Announce Groundbreaking Agreement to Enable Record Company and Its Artists to Participate in All Radio Revenue Streams and Accelerate Growth of Digital Radio*, ClearChannel.com, <http://www.clearchannel.com/Pages/Big-Machine-Label-Group-and-Clear-Channel-Announce-Groundbreaking-Agreement-to-Enable-Record-Company-and-Its-Artists-to-Par.aspx>. A copy of iHeartMedia’s direct license with Big Machine is attached as Exhibit C.

8. iHeartMedia went on to sign similar agreements with an additional 26 “independent” labels. *See* Ex. D (Oct. 1, 2012 agreement with Glassnote Records); Ex. E (Nov. 1, 2012 agreement with Naxos of America, Inc.); Ex. F (Dec. 1, 2012 agreement with DashGo); Ex. G (Dec. 1, 2012 agreement with RPM Entertainment LLC); Ex. H (Jan. 1, 2013 agreement with Robbins Entertainment LLC); Ex. I (Jan. 1, 2013 agreement with Next Plateau

Entertainment, Inc.); Ex. J (Mar. 1, 2013 agreement with Wind Up Records, LLC); Ex. K (Mar. 1, 2013 agreement with Entertainment One U.S. LP); Ex. L (Mar. 1, 2013 agreement with Dualtone Music Group, Inc.); Ex. M (Apr. 1, 2013 agreement with Zojak World Wide, LLC); Ex. N (Apr. 1, 2013 agreement with Three Quarter, LLC); Ex. O (Apr. 1, 2013 agreement with Fearless Records, LLC); Ex. P (June 1, 2013 agreement with Suburban Noize Records); Ex. Q (June 1, 2013 agreement with Innovative Leisure, Inc.); Ex. R (July 1, 2013 agreement with 23 Muzic Group); Ex. S (Aug. 1, 2013 agreement with Black River Entertainment); Ex. T (Aug. 1, 2013 agreement with Funzalo Records LLC); Ex. U (Oct. 1, 2013 agreement with Concord Music Group, Inc.); Ex. V (Oct. 1, 2013 agreement with Another Venture, Ltd.); Ex. W (Oct. 1, 2013 agreement with Stardome Artist Development Group, LLC); Ex. X (Nov. 1, 2013 agreement with Signature K Records LLC); Ex. Y (Jan. 1, 2014 agreement with Broken Bow Records); Ex. Z (Mar. 1, 2014 agreement with The Bicycle Music Company, Inc.); Ex. AA (May 1, 2014 agreement with S-Curve Records, LLC); Ex. BB (Jun. 1, 2014 agreement with Average Joes Entertainment, LLC). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9. In October 2013, iHeartMedia signed a similar direct licensing agreement with Warner Music Inc. (“Warner”), one of the three “major” record labels. The agreement, which is attached as Exhibit CC, was structured in a manner slightly different from the other agreements, but reflected similar motivations and expectations: [REDACTED]

[REDACTED]

[REDACTED] Prior to the deal being signed, my staff and I prepared a set of projections for iHeartMedia’s Board of Directors that demonstrated what iHeartMedia would pay Warner for the use of its sound recordings absent a deal, as well as what it would pay – and the additional performances it would receive – if the deal were signed. *See* Ex. DD. The Board approved the deal based on those projections. In public statements, Steve Cooper, Warner’s CEO, praised the exchange [REDACTED]

[REDACTED] saying it would “generate greater overall revenue for [Warner’s] artists” while supporting “sustainable digital innovation.” Ex. EE, *Warner Music Group and Clear Channel Announce Landmark Music Partnership*, ClearChannel.com (Sept. 12, 2013),

<http://www.clearchannel.com/Pages/Warner-Music-Group-and-Clear-Channel-Announce-Landmark-Music-Partnership.aspx>.

**iHEARTMEDIA’S EFFORTS TO USE LOWER-ROYALTY MUSIC**

10. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11. [REDACTED]

[REDACTED]

12. [REDACTED]

[REDACTED]

13. [REDACTED]

[REDACTED]

[REDACTED]

14. [REDACTED]

[REDACTED]

I declare under penalty of perjury that the foregoing is true and correct.

  
\_\_\_\_\_  
Steven Cutler

10/07/2014  
Date