<u>Responses from Michael Rapino to Written Questions from Hearing Entitled "The Ticketmaster/Live Nation Merger: What Does It Mean for Consumers and the Future The Concert Business?"</u>

Reponses to Questions Posed By Senator Kohl

1. It is my understanding that, prior to this merger, Live Nation had a ten year contract with Ticketmaster for Ticketmaster to provide ticketing services for Live Nation venues. This contract expired at the end of 2008. At the beginning of this year, rather than renew the contract, Live Nation announced the launch of its own ticketing business, an effort that was widely viewed as a needed competition to Ticketmaster. Obviously, this competition will be lost should this merger go forward.

(a) Prior to the merger, were you planning to offer Live Nation's ticketing service to concert venues not owned or managed by Live Nation to compete with Ticketmaster? If your answer is in the affirmative, **shouldn't** we be concerned by this loss of competition in the ticketing business between Ticketmaster and Live Nation's new ticketing business? If you were not planning to compete with Ticketmaster, why did Live Nation invest millions of dollars in developing a ticketing product?

It is true that Live Nation very recently developed its own ticketing capability designed to serve Live Nation venues. To date, however, Live Nation has not been extensively bidding for the business of third party contracts because of its focus on self-ticketing. And in any event, we certainly do not believe that the proposed deal will harm competition in the ticketing industry.

Keep in mind that in today's environment, Ticketmaster must constantly compete for the privilege of serving venues, and every venue has a broad selection of competitive ticketing options — more so than ever before, as ticketing has moved overwhelmingly online. The availability of many web-based and e-commerce technologies that can be deployed in ticketing has made entry into the ticketing business far easier in recent years, as evidenced by the proliferation of Internet-based ticketing solutions. And Ticketmaster clients are increasingly moving to self-ticketing platforms rather than using Ticketmaster or another third party ticketing service. For example, Major League Baseball acquired Tickets.com, and many franchises have moved to that platform, which lets teams that have made that switch more directly control the relationship with their fans. In fact, as Peter Luukko of Comcast-Spectacor aptly observed in his testimony before the House Subcommittee on Courts and Competition Policy, this is "where the industry trend is clearly moving — in large part because content providers want to have more direct control of the connection to their fans." I could not agree more.

Live Nation's ticket service solution is but another example of the prevalence of self-ticketing options. It underscores the vibrancy of competition and entry in ticketing. When Live Nation set out to evaluate its own ticketing options, it identified more than <u>ten</u> vendors, of which three made it into final evaluation rounds. There was no shortage of credible alternatives 18 months ago, and that observation remains true today. The merger represents no loss in competition because the type of ticketing technology that Live Nation has employed is readily available from a number of sources to anyone interested in either self-ticketing or in entering the business as a third party ticket service provider.

(b) Isn't the fact that a company as large and successful as yours couldn't compete with Ticketmaster in the ticketing business evidence of the difficulty of entering the ticketing marketplace?

Companies large and small can and do compete vigorously with Ticketmaster. Indeed, if any inferences are to be drawn from Live Nation's development of a self-ticketing capability, they are (i) that any content business or venue with some capital, determination, hustle and a good software engine can readily enter the ticketing marketplace, and (ii) that Ticketmaster has to remain competitive and relevant to its customers if it is going to retain them, or customers will do what Live Nation did, i.e., consider options to move the business away. In fact, a number of other venue operators have moved into self-ticketing, and a number of other ticketing service providers have entered the marketplace with ticketing solutions that are competing against Ticketmaster today.

2. At the hearing you stated that independent concert promoters had a valid concern regarding the possibility that, after the merger, ticketing information collected by ticketing business of Live Nation (the former Ticketmaster) -- information like the demographics of the audience attending concerts, ticket sales, pricing, e-mail addresses and the like -- could be shared with the concert promotion business of Live Nation. You further stated it would desirable that this information not be shared in this manner. So would you agree to some sort of "firewall" to protect the information Ticketmaster gains about concerts from being shared outside of the ticketing part of the combined Live Nation/Ticketmaster company? Would you agree to this "firewall" as part of a consent decree with the Justice Department as a condition of the merger being approved?

As I stated at the hearing, I am extremely sensitive to the confidentiality concerns of independent promoters, so let me reiterate: Live Nation (i) has a proven track record of respecting and protecting the confidentiality of third party information and (ii) will continue to do so after the merger.

3. Chicago Tribune music critic Greg Kot recently wrote that the price of a ticket for the top 100 tours last year averaged $ 67. That's more than double the average of a decade ago and far outstrips the rate of inflation. This merger would combine the companies "most responsible" for that increase in price, he wrote. With this history in mind, how can we be sure that the combined Live Nation/Ticketmaster will pass on any cost savings it realizes as a result of the merger on to consumers?

With respect Senator, Live Nation did not exist a decade ago and I respectfully disagree with Mr. Kot's opinion regarding what or who is "most responsible" for the upward pressure on ticket prices. I cannot speak to Mr. Kot's numbers, but what I do agree with is that our industry is broken. There are too many inefficiencies, too few novel solutions and little transparency in the way concerts and other live shows are brought to market. We can be sure the combined Live Nation/Ticketmaster will pass on cost savings because the entire premise of this transaction is to repair the artist-to-fan pipeline — by reducing costs, driving demand, filling more seats, and producing more events and shows. Getting fans to shows is the engine that drives this industry, and it is what will drive our combined company's business model.

4. Prior to this deal being announced, Ticketmaster bought Front Line Management, a strong artist management company, with a stable of major acts. And, Live Nation was getting into the ticketing business. So we were on the verge of two large vertically integrated competitors in the concert business, both with innovative ideas for reforming the concert business. Now we will lose that competition – in fact, just a few days ago, the Wall Street Journal wrote about this deal that "Mr. Azoff's merger will concentrate power in the music industry like never before."

I respectfully disagree with the premise that there will be such a concentration of power in the music industry. I also worry that there is a fundamental misunderstanding of the parties and the industry encapsulated in this statement, so it may make sense to clear that up first.

Ticketmaster is not vertically integrated and only a relatively small part of Live Nation can be said to be vertically integrated. With respect to Ticketmaster, Front Line Management is an artist management company. It sells artist management services to artists. Artists are its customers in that business. Artists are by no means controlled by their managers, and they can and do switch at will. At the other end of the "pipe," Ticketmaster's ticketing business sells ticketing services to venues. Venues are its customers.

The most significant part of Live Nation's business is concert promotion. It sells promotion services to artists in the first instance, and somewhat indirectly, also to venues. Live Nation also has a venue management business to which, as a promoter, it often, but not nearly always, supplies concerts it is promoting.

(a) How can this be good for consumers? Should we be worried about one company having this much control over the concert business – from owning concert venues, to concert promotion, to managing artists, to selling tickets?

This transaction will be good for consumers because together, Live Nation and Ticketmaster will be able to bring together complementary products and expertise, and realize efficiencies that will reduce costs, improve quality, increase demand, and expand output.

Streamlining and improving the artist-to-fan pipeline, in my view, will make finding and purchasing concert tickets fun and compelling, as it should be. Concerts and other live events are entertainment — everything about them should be fun for the consumer. What we have now is something akin to a clogged artery, with too many inefficiencies and costs (including information costs) taxing the system, causing pain, and obstructing the flow of live entertainment to fans. Generally, it is inefficient and frustrating. We aim to fix that experience and bring innovative promotion and ticketing solutions that will drive demand, improve quality and increase output. We won't be alone in that. We expect these innovations to spur even more competition, and we relish that effect. There is, and there will remain, vigorous competition at every level of this marketplace. No one controls the live entertainment business.

(b) Would you agree to divest some your arenas and concert halls if the Justice Department requested it as a condition of approving the merger?

As I mentioned, it is premature to discuss specific competition concerns or remedies, but we are cooperating fully with the Department of Justice and will work hard to address any concerns, if any, that are raised.

5. At the hearing, Mr. Azoff of Ticketmaster stated that he would not have acquired secondary market ticket seller, Ticketsnow.com, if he had been running Ticketmaster when it entered into that deal. Many questions, of course, have been raised about Ticketsnow.com and whether Ticketmaster has been diverting tickets to Ticketsnow.com to be sold to consumers at inflated prices, especially in light of the incident with the sale of Bruce Springsteen concerts in New York and New Jersey last month.

(a) What is your view of the Ticketsnow.com being owned by your company should this merger be completed? Do consumers have reason to be concerned that tickets could be diverted to Ticketsnow.com after the merger?

I don't have insight or knowledge into all of the reasons why Ticketmaster acquired TicketsNow, so it would thus be premature to comment on specific future operations of the combined company. When TicketsNow.com is an asset of the combined company, we will figure out how to deploy or dispose of that asset in the context of our overall vision of creating a full-service connection between artist and fan, which in part will involve remedying the current industry inefficiencies. As we pursue that vision, consumers do not need to fear diversion to any secondary ticketing site, because part of the reconfiguration of the industry we are talking about entails fundamentally altering, improving and promoting the integrity of primary ticketing.

(b) Would you agree to divest the ownership of Ticketsnow.com by the combined Live Nation/Ticketmaster if the Justice Department requested as a condition of approving the merger?

As I mentioned, it is premature to discuss specific competition concerns or remedies, but we are cooperating fully with the Department of Justice and will work hard to address any concerns, if any, that are raised.

6. Last year Ticketmaster announced that it would move toward implementing a paperless ticketing system. Under such a system, consumers would not get paper tickets but would have to show a credit card or driver's license to get admitted to an arena for a concert. Last year, a senior Ticketmaster executive was quoted as saying that "Paperless Ticket is a key next step for Ticketmaster along its innovation path."

Such a system would eliminate the ability of consumers to resell their tickets if they were unable to attend a concert at the last minute. And, without paper tickets, there would be no ability for those seeking to purchase tickets at the last minute on the secondary market.

(a) At our hearing, Mr. Azoff stated that he intended to continue implementing a paperless ticketing system in the future. As the CEO of the combined Live Nation/Ticketmaster, do you agree with Mr. Azoff? Do you intend continue to implement paperless ticketing after the merger is completed?

Again, at this point we feel it would be premature to comment on any specific future operations of the combined company. However, Live Nation Entertainment intends to develop ticketing solutions that will make it easier to get tickets into the hands of fans who purchase them, and that will make ticket use more efficient. Paperless ticketing is a convenience that we are confident that many fans who attend concerts want. We are going to provide it to them if we *can. So this is something we will study very carefully once the transaction is completed. We would not be doing our jobs if we did not meet the demands of consumers.*

(b) And, if you do intend to implement this system, what will this mean for consumers who wish to resell their tickets, buy tickets at the last minute, or the secondary ticketing market as a whole? Without paper tickets, how could consumers resell their tickets if they are unable to attend a concert? Without paper tickets, how could consumers buy tickets on the secondary market at the last minute?

We will study paperless ticketing closely with the objective of providing fans what they want. Naturally, we will not pursue offerings that consumers do not regard as valuable; instead, we will work hard to develop ticketing approaches that address the actual needs of consumers who want to resell tickets they cannot use or who want to buy tickets at the last minute. We will explore all technological solutions to these issues. As a ticket provider, our goal will be to serve both our existing clients' needs and those of live entertainment consumers — i.e., fans — as efficiently and effectively as possible.

7. You have argued that it is essential for you to merge with Ticketmaster in order to give the company the financial resources to continue to grow and develop your business. Yet your own statements in earnings calls to stock analysts demonstrate the financial strength of Live Nation. You stated "the concert industry continues to grow during the third quarter in spite of the economic downturn. . . . Our balance sheet is healthy . . . Our business model is producing tangible returns and our margins are improving. In addition, our pipeline is full, our share of artists is growing and we're on track to launch our ticketing business in January." Indeed, you reported operating income of \$ 75.6 million on revenues of over \$ 1.588 billion for the third quarter of 2008, an increase of 9.2% from the same period a year earlier. Live Nation reported similar strong financial performance for the first two quarters of 2008 and reported that 73% of its total North American music shows were completed by the end of September.

Doesn't this excellent financial performance, and your own statements during this earnings call, contradict the claim that Live Nation's merger with Ticketmaster is necessary to give you the financial strength to grow and improve your business?

I see no contradiction here. To be sure, I am deeply proud of what we have achieved at Live Nation. We are generating revenue the old-fashioned way. We have reduced costs and increased efficiency and service; we haven't paid out outrageous bonuses; and we have carefully managed our balance sheet. Our business is capital-intensive, seasonal and operates on a thin margin (~4%). We also have had to re-grow the business from scratch in the past few years. The result is that we carry substantial debt loads, publicly reported at \$925.7 million as of December 31, 2008, including our outstanding redeemable preferred stock. None of us can ignore the historic economic turmoil our country and our world are experiencing today – and it is impossible for that turmoil not to affect our company.

As I have testified, our stock has declined by nearly 90 percent over the last year and a half; the value of our real estate holdings has dissipated substantially; and our existing debt levels mean that we have scant access to capital. As a result, we cannot invest to move forward the way we should – the way our artist customers want us to progress, the way fans want us to progress once they know what the live entertainment business should produce for them, or the *way our employees and shareholders want us to progress. In short, our hard work is not producing the rewards that it should.*

Given these facts, I am not content merely to sit back and react – this merger in the most fundamental sense is about using the most creative means we can to protect and create jobs and to grow our company into something even more profoundly special than it is today.

Responses to Questions Posed By Senator Schumer

1. Your testimony refers to "the death of the American music industry," and characterizes the industry as "bleeding."

    - Is it true that Live Nation was so recently bullish on the industry that it entered the primary ticketing business?

    As noted above in response to the first question posed by Senator Kohl, we have recently developed a self-ticketing capability that is primarily designed to serve our own venues.

    - Is it true that ticket sales for live events have gone up, rather than down, in recent years – even in spite of the deep recession facing the country?

    Yes.

    - Is it true that Live Nation posted operating profit gains in the third quarter of last year?

    Yes.

    - Isn't it true, however, that that most media companies are losing money in the current economy?

    I would agree with that assessment insofar as the current downturn has taken a heavy toll on all sectors of our economy, including media companies, and most recently — our own company. The media companies hardest hit are the ones who stand still and assume they can continue to do business as they have always done it. That's not us. This transaction is about pushing forward with a new, modernized way to deliver value to artists and to fans.

    - Given the conditions facing other media companies, and Live Nation's relative success, how is it fair to speak of the "death" of the industry, and the fact that the industry is "bleeding?"

    To be precise, I have never spoken of the "death" of media companies generally. What I have stated — and continue to believe — is that the present music industry *model has fundamentally changed. It is now irreparably broken and the problems it faces are compounded by severe macroeconomic forces. As your question itself suggests, the fact that Live Nation has realized some relative success framed against a backdrop of media companies losing money in the current financial climate in no way undercuts the characterization of that sector of our economy as "bleeding."*

- Can Live Nation guarantee or pledge that service charges or fees imposed by the merged company will not be increased from Ticketmaster's current levels if the merger is approved?

Mr. Azoff and I each believe that ticket prices will decline if we can successfully merge our respective companies and jumpstart the creation of a new ecosystem that will empower artists and better connect them to fans via innovations like paperless ticketing, all-inclusive ticket prices, bundled live performance options and interactive seating.

2. Your testimony suggests that the merger will create the combination of a "team of rivals." Moreover, the testimony states that through the merger, the companies hope to "build a holistic support structure" that combines discrete aspects of the music industry under one roof.

   - Can you point to three instances in which two dominant players with market shares rivaling Ticketmaster's and Live Nation's were allowed to merge in a vertical agreement like the proposed one, and consumer prices of the relevant products went down?

I have not studied other markets or mergers, but I do know that mergers — particularly vertical mergers like this one — are routinely recognized as pro-competitive and pro-consumer when they bring together complementary products and services — which is what our merger does.

3. How many primary tickets did Live Nation sell in 2007? 2008?

Live Nation sold about 3.1 million tickets for the venues it manages for shows it promoted in both 2007 and 2008. [Live Nation did not sell any primary tickets for non-Live Nation venues or shows in those years.]

4. Has Live Nation prepared projections of how much of Ticketmaster's primary ticket sale business Live Nation might have threatened if it had remained a competitor of Ticketmaster? If so, please provide the substance of any such projection.

Live Nation has estimated that the primary impact on Ticketmaster would be the loss of its largest customer (Live Nation), representing around 10% of its ticketing revenue. Beyond that, Live Nation estimated incremental growth in its own third party ticketing business, without regard to where those sales come from (i.e., whether Ticketmaster or other accounts, or growth in the total number of tickets sold). Those growth estimates were about 400,000 tickets for third *parties in 2009, 1.9 million third party tickets in 2010, and 4.4 million third party tickets for 2011.*

5. What was Ticketmaster's market share of primary ticket sales for major arenas and stadiums in 2007? In 2008? (Please answer this question both for concerts, and for other events.)

Live Nation does not have access to Ticketmaster's share of ticket sales for major arenas and stadiums for concerts or for live entertainment generally in either 2007 or 2008.

6. What was Live Nation's market share of primary ticket sales for major arenas and stadiums in 2007? In 2008? (Please answer this question both for concerts, and for other events.)

Live Nation does not have a basis upon which to estimate is share of ticket sales for major arenas and stadiums in 2007 and 2008 (whether for concerts or other events).

7. If the merger is successful, to what extent would Ticketmaster eliminate direct competition from Live Nation's own recently-launched ticketing service?

As set forth in response to Senator Kohl's first question above, Live Nation's ticket service solution is emblematic of the trend towards vertically integrated self-ticketing solutions, and underscores the vibrancy of competition and entry in ticketing. The type of ticketing technology Live Nation has employed is readily available from a number of sources to anyone interested in either self-ticketing or becoming a third party ticket service provider.

8. What were Live Nation's projections for challenging Ticketmaster's market share over the 5 years? The next 10 years?

I am aware of no such projections.