

### SECTION III – ITEM A

#### History

Every good company has a mission statement which precedes its vision. Commitments to quality and leadership abound in the corporate world. Very rarely, however, does one find a mission statement that is a Gospel vision, a vision with the sole goal being to balance a life of faith and impeccable business.

“The core of our vision is to impact culture and resource the Church with quality and culturally relevant music and products consistent with a Biblical worldview,” states Bill Hearn, the CEO of EMI Christian Music Group. The vision of the world’s largest Christian music company is implicit of its history, a story of dreams and risk, and choices based solely on the belief that the Gospel and music are inextricable.

The story of EMI Christian Music Group begins over fifty years ago, when a young man named Billy Ray Hearn graduated from Baylor University in 1954, earning its first ever degree in Church Music. A passionate musician, Billy Ray began his career as a music minister in various churches, before ending up at the First Baptist Church in Thomasville, GA. There, he caught the attention of the Baptist Sunday School Board, who enlisted his help with the denomination’s first youth musical, *Good News*. The musical proved to be a huge success, selling nearly 500,000 copies, and was performed all over the world.

From the *Good News* experience, Billy Ray could not deny the power of music in spreading the Gospel. “Youth choirs grew from 15 to 50 doing this musical,” he remembers. Formerly reluctant ministers, who typically leaned toward all-things-traditional, were beginning to realize that there was substance to this new, contemporary Christian music.

It didn’t take long for Billy Ray to be offered a job by Word Records in Waco, TX. He struggled over leaving church ministry, but ultimately realized he could enable thousands of churches by teaming up with such a large company. Though he began his career at Word in 1968, by collaborating with Kurt Kaiser and Ralph Carmichael as they wrote the follow-up to *Good News*, the groundbreaking *Tell It Like It Is*—which sold over 1,000,000 copies and spawned the legendary youth group song, “Pass It On”—he quickly saw that the cultural climate was shifting. It was the Vietnam era, after all, and the songs of the day were all about change and revolution. But the songs weren’t permeating the Church. Not until Billy Ray Hearn took the songs of the street into the pews.

Billy Ray convinced Word’s leadership to let him start a contemporary label to accommodate the new sounds he was hearing: the guitar driven music of the Jesus Movement. In 1972, Myrrh Records was born. With grassroots artists such as Randy Mathews, Barry McGuire, Honeytree and Petra, he was on his way. Though he was met with resistance from traditionalists, he was inspired to keep moving forward by the passion of the Jesus Movement.

His vision grew exponentially on a fateful night at a Hollywood coffeehouse, where he first heard the music of a group called 2<sup>nd</sup> Chapter of Acts. “That [experience] changed my whole idea of what contemporary music was,” Billy Ray remembers. He signed 2<sup>nd</sup> Chapter of Acts to Myrrh, and soon Myrrh accounted for a large portion of Word’s record sales. Soon after, Billy Ray longed for the freedom to start over on his own, to be at the helm of his own label. His chance to do just that came in 1975, when he received an offer from a book publisher in Los Angeles: *We want to start a Christian record label; will you do it?*

In February 1976, Billy Ray Hearn founded Sparrow Records in Canoga Park, CA, signing such culturally pivotal artists as Keith Green, John Michael Talbot, and Matthew Ward and Annie Herring from 2<sup>nd</sup> Chapter of Acts. By this time, members of the Jesus Movement were growing up. Consequently, “Jesus music” began to catch on with record-buying suburban teens and college kids. Billy Ray knew that there were all kinds of people out there who loved all kinds of music. He wanted to make it all available, but he still had much to learn in the way of business.

Though Sparrows’ first years were financially strapping and its staff incredibly small, Billy Ray leaned on the constant community of his wife, Joan, and all the “longhaired” artists he had signed and come to know as family. By its third year, Sparrow was 100% family-owned.

In the years to come, Sparrow and its newly formed Birdwing label, established to create and promote traditional church and children’s music, began to thrive. *Music Machine*, Birdwing’s first full priced children’s album, sold more than one million copies. In this formative time, a legacy was born: “In the early days,” says Billy Ray, “the emphasis was in growing the music, and in getting the right artists, having the right foundations in the artists and the philosophy of the company, and the product.”

In 1984, the signing of Steve Green and Steve Taylor sent a signal from the company that “style of music” was not the driving force of the label but “quality of the artist” was.

As sales began to dramatically increase, logistical decisions needed to be made. For one, what to do about shipping when your warehouse is attached to your office, just minutes from the westernmost edge of North America? Distribution was slow; as a result, stores were constantly out of Sparrow’s product. So, in 1989, Sparrow moved its warehouse operations to Jacksonville, IL, and in short order, Sparrow Distribution became renowned for its speed and efficiency.

In 1991, Billy Ray realized that it was time to be closer to Christian Music’s hub. So, Sparrow moved its offices to Nashville, TN, and continued to lead the industry with the success of new artists such as BeBe and CeCe Winans, Margaret Becker, and Steven Curtis Chapman.

Continued potential for growth prompted yet another risk to take, as EMI Music – the third largest music company in the world – expressed interest in acquiring Sparrow.

Facing possible perceptions of selling-out, and after much prayer and pastoral and business counsel, Billy Ray decided that such a move was best. “The main reason I did it was to take our artists to the next level,” he remembers. Bill Hearn agrees: “They provided us the necessary resources to support our artists and gave us the needed distribution to get our product out to more people,” he says.

In 1995, after emergency heart surgery, Billy Ray Hearn decided to semi-retire. In his place came his son, Bill. Bill Hearn had grown up in the family business, taking on the responsibilities of the shipping department, customer service, and telephone sales, before stepping into his niche roles of marketing and sales VP and eventually President of the Sparrow label.

An heir to a legacy, Bill Hearn took on his new role as CEO with a prepared heart. He took his father’s dreams and furthered them beyond all expectations. One of his first orders of business was to take corporate philosophy with him to the Christian and gospel industry at large. He worked hard to see that Christian and gospel music got its proper recognition through SoundScan, a sales tracking system that, up until 1995, did not record music sales from Christian retail stores.

Soon after his transition, Bill Hearn oversaw the creation of EMI Christian Music Group itself. Through a series of partial and full label and publishing catalog acquisitions, a new, much larger family was born out of Billy Ray Hearn’s dream for Sparrow. Today, its labels include Sparrow, Forefront, and EMI Gospel, in addition to joint ventures with Gotee Records, Tooth & Nail/BEC Recording and sixstepsrecords. Together with EMI CMG Publishing and EMI CMG Distribution, EMI Christian Music Group is the most streamlined and efficient system in the Christian music industry.

In addition to its owned and joint venture labels, EMI CMG Distribution distributes third party music and video product and has been the market leader since 1995.

EMI CMG Publishing represents more than 300 writers and 35,000 songs. Its artist/writers and producer/writers are signed to ForeFront, Sparrow, Tooth & Nail/BEC, sixsteps and EMI Gospel and include Chris Tomlin, Switchfoot, Smokie Norful, Steven Curtis Chapman, Newsboys and Jeremy Camp among others. EMI CMG Publishing also administers catalogs for top-selling artists Third Day and Casting Crowns and for labels Gotee Records, Midas and InPop Records. EMI CMG Publishing also owns a 50 percent interest in Thank You Music, the United Kingdom's most prolific worship music publishing company. Its mission is to impact modern culture with the timeless relevance of Christ through songs ranging from Friends and Thy Word to The Great Adventure, How Great Is Our God, Dare You to Move and Here I Am to Worship.

Today, in times of music piracy and global sales decline, EMI CMG continues to thrive under the vision of Billy Ray Hearn and the leadership of Bill Hearn. Artists such as Amy Grant, Switchfoot, Chris Tomlin, Smokie Norful, Steven Curtis Chapman, TobyMac, Chris Tomlin, Jeremy Camp, Underoath, Relient K, The Almost and The Clark Sisters reside at the top of the charts, both Christian and mainstream.

Bill accredits much of the company's continued success to the philosophy of artist development and good business: "When you look back, it looks very strategic, very smart, but I think we just responded to relationships." This relationship-focused vision echoes Billy Ray's own perspective on his early success: "I was not a great producer. I was not a good businessman...and I wasn't a great musician...but I just had the heart for the music that I thought should be out there. And the artists from the Jesus Movement trusted me. I was the right guy in the right place at the right time."

The founder/ Chairman and the CEO of EMI Christian Music Group are bearers of a lofty vision. Their commitment and faithfulness to it are the foundation for catapulting a family-dreamed company into further generations of innovative music: culturally relevant, proclaiming the message of the Gospel.