

STATE OF MINNESOTA
COUNTY OF CARVER

DISTRICT COURT
FIRST JUDICIAL DISTRICT
PROBATE DIVISION

In the Matter of:

Court File No. 10-PR-16-46
Judge Kevin W. Eide

Estate of Prince Rogers Nelson,

Decedent.

**DECLARATION OF
TROY CARTER**

I, Troy Carter, declare and state as follows:

1. I serve as the entertainment advisor for the Estate of Prince Rogers Nelson (“Estate”). A true and correct copy of my CV is attached as Exhibit A and true and correct copies of Harvard Business School case studies analyzing my role managing Lady Gaga are attached as Exhibits B-C.

2. The duties I fulfill for the Estate include reviewing and analyzing synchronization license request, managing the Estate’s relationships with record labels, UMPG, Bravado, and other entertainment partners, managing public relations for the Estate, assisting with developing and implementing an intellectual property strategy, assisting with litigation and settlement discussions, specific project-based work (i.e., [REDACTED]), [REDACTED]), vetting, evaluating, and negotiating entertainment opportunities, leading weekly status calls interspersed with daily emails with Comerica, and developing and implementing the overall entertainment strategy for the Estate. I devote daily attention to managing the entertainment assets of the Estate.

3. After I was retained by the Estate, I implemented a three-prong “stabilize, organize, and monetize” strategy to protect and monetize the Estate’s entertainment assets. To

stabilize the Estate's entertainment assets, I immediately reached-out to the Estate's entertainment partners to assure them that they had an engaged partner, and to quell concerns based on pending threats by UMG to rescind one of the Estate's largest deals. Specifically, when I was retained, UMG was poised to start a lawsuit against the Estate, Bremer Trust and its entertainment advisors for fraudulent inducement. Based on my longstanding relationship with key executives at UMG, I was able to avoid litigation and assist with the negotiation of an orderly rescission agreement. I also focused on implementing public relations, branding, and crises management strategies, as well as supporting the Estate's litigation team in connection with [REDACTED]

4. For organization, and among other tasks, I prioritized the process for storing, archiving, and the restoration of the Estate's audio and visual assets, including assisting Comerica to vet and retain Iron Mountain. [REDACTED]

[REDACTED] For monetization, I have negotiated agreements with [REDACTED]

[REDACTED]

[REDACTED]

8. Based on how rarely Prince authorized the use of his intellectual property for commercial purposes during his lifetime, there is a significant demand for the materials in the marketplace. We have the ability to be selective and strategic in the opportunities we decide to pursue and those we do not. We are carefully but deliberately exercising the Estate's approval rights under its publishing agreement with UMPG to maximize value for the Estate, while not diluting the Prince brand.

9. While negotiating business agreements is certainly an important component of the services an entertainment advisor provides to his or her clients, in many instances and certainly in the context of this Estate, the vast majority of the work associated with the entertainment transactions entered into by Bremer Trust (particularly the UMPG and Bravado transactions) relates not to negotiating the deals, but administering them after they are negotiated.

I declare under penalty of perjury that everything I have stated in this document is true and correct.

Signed this 10th day of November, 2017, in Los Angeles County, California.

s/ Troy Carter

Troy Carter

EXHIBIT A
TO THE DECLARATION OF
TROY CARTER

Troy Carter

Currently serves as **Global Head of Creator Services for Spotify**, the world's largest music streaming company. Responsibilities include content procurement. Troy Carter serves as the primary relationship management between the global music community and Spotify.

Founder/CEO of Atom Factory, the entertainment company responsible for launching and managing careers of global superstars including Lady Gaga, Meghan Trainor, John Legend, and Charlie Puth.

Artist-Related Experience:

- Negotiation of recording agreements with major labels including UMG, WBR, and Sony Music Group.
- Negotiation of music publishing agreements with UMPG, SONY/ATV, Warner Chappell, and other major publishers.
- Negotiation of merchandise deals with Bravado, Signature, and other merchandise companies.
- Negotiation of global tours with Live Nation, AEG, C3, and other major promoters.
- Responsible for producing some of the most successful live touring events in history, including the record-breaking Monster Ball Tour.
- Managing relationships and negotiation of deals with Coca-Cola, Pepsi, L'Oréal, Buick, H&M, Barney's, Beats Electronics, Apple, Samsung, Google, Amazon, Virgin Mobile, Staples, Harmon, Facebook, MTV, Viacom, Conde Naste, and dozens of other Fortune 100 corporations.
- Primary member of litigation team alongside artists' legal team
- Extensive experience in music copyright and intellectual property.

Television Experience:

- Produced over 100 episodes of television on both broadcast and cable television.
- Nominated for Emmy Award for Lady Gaga's HBO Special
- Produced critically acclaimed documentary Southern Rites for HBO.

Provides Investor/Advisory Services for:

- Spotify (streaming service)
- Songza (Google streaming service)
- Genius (lyric aggregator)

Entertainment Industry Awards and Recognition:

- Billboard Power 100 (multiple years including 2017)
- FastCompany Magazine Most Creative People
- The Hollywood Reporter- Silicon Beach Power Player
- The Root Power 100
- TriBeCa Innovator & Disruptor Award

Thought Leadership Experience:

- Drexel University, Visiting Professor
- Harvard University, Guest Lecturer
- Harvard Business School, subject of two case studies
- USC, Guest Lecturer
- UCLA, Guest Lecturer
- NYU School of Music
- UC Santa Barbara
- Kellogg School of Management

Notable Speaking Engagements:

- Los Angeles County Bar Association, *Future of the Music Business* featuring Troy Carter, Jeffrey Harleston (UMG General Counsel), and Don Passman (Attorney and Author of *This Business of Music*)
- Music Matters, Keynote Speaker
- Music Business Association, Keynote Speaker
- Wall Street Journal Conference
- Recode Conference

Press Recognition:

- Featured protagonist in NY Times Best Seller *Blockbusters* by Anita Elberese
- Featured professional in NY Times, Wall Street Journal, The Economist, LinkedIn Influencers, Billboard, FastCompany, Wired Magazine

Membership of Board of Trustees:

- Grammy Foundation
- Library of Congress Madison Council
- Aspen Institute
- United Nations Global Entrepreneur Council
- Los Angeles Mayor's Office board of Entrepreneurship

EXHIBIT B
TO THE DECLARATION OF
TROY CARTER



ANITA ELBERSE

MICHAEL CHRISTENSEN

Lady Gaga (A)

"Let's get everyone in a room to discuss what to do," said Troy Carter, manager of up-and-coming pop star Lady Gaga, to his assistant as he walked into his Santa Monica office. It was September 2009, a week after the MTV Video Music Awards (VMAs) ceremony that had seen Gaga win a coveted Best New Artist award and that had featured a spectacular performance of her hit song *Paparazzi*—ending with the singer-songwriter, covered in fake blood, dangling from the ceiling—but that had also led to the unraveling of Gaga's carefully crafted touring plans.

At the VMAs, hip-hop artist Kanye West—with whom Gaga had planned to co-headline a high-profile arena tour—had crashed the stage just as the first award of the night, for Best Female Video, was presented to Taylor Swift. West had cut the teen singer off, grabbing the microphone from her and protesting in support of singer Beyoncé, thereby stunning many music industry insiders and causing dismay among television audiences around the world. Coming on the heels of several other controversial actions by the rapper, the ensuing media storm prompted West to take a break from the music industry—and withdraw from the tour that had taken months to plan.

Seated with Gaga at the award ceremony, one row behind Beyoncé, Carter had quickly realized that revisiting the touring plans might be necessary—and that it would be quite a challenge. Gaga had much going for herself: her first and only album, *The Fame*, had already yielded three hit songs; she was signed to famed producer Vincent Herbert's Streamline Records, a subsidiary of leading record company Universal Music Group; and she had captured the imagination of fans—"little monsters," as she liked to call them—in person and through online social networks. However, Gaga was relatively inexperienced: she had only emerged on the scene in October 2008, as a supporting act for New Kids On The Block—a former boy band beyond their glory years—and had only headlined a tour of small clubs with a capacity of a few thousand people at most, a far cry from the 20,000-seat arenas planned for the tour with West.

Carter knew that continuing the tour but doing so solo would be a huge risk: developing artists typically did not take on arenas, and a failure to draw fans could seriously hurt Gaga's brand. However, scaling back the tour or even canceling the idea altogether would have disadvantages as well—among other drawbacks, recouping the \$4 million that Gaga and her team had already invested would be difficult with a smaller-scale tour, revising the tour could jeopardize the promotion of her upcoming second album *The Fame Monster*, and the team likely had only a few short weeks to rework their stage production. Making matters even more complicated, Carter would also have to consider the implications for Gaga's partners in the venture, including the concert promoter Live Nation and the William Morris Endeavor agency. What was the best course of action?

Professor Anita Elberse and Michael Christensen (HBS MBA 2011) prepared this case. Kimball Thomas (also HBS MBA 2011) provided valuable assistance. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Lady Gaga (A)

The Music Business

In 2009, the music industry primarily relied on income from two activities: first, selling recorded music in the form of individual songs or albums and, second, selling live music in the form of tickets to concerts.

Recorded Music

By some estimates, the recorded-music business was an \$8.5 billion industry in the U.S. (see **Exhibit 1** for general trends in recorded-music revenues, and **Exhibit 2a** for the bestselling artists in recorded music in 2008). Physical sales had fallen markedly since the early 2000s, while digital sales had grown to be a \$1.6 billion share.¹ Further declines of physical recorded-music sales were widely expected, as several brick-and-mortar music retailers were struggling and mass merchants dedicated less shelf space to music. Digital outlets such as Apple's iTunes store and Amazon had seen strong growth: tellingly, iTunes—accounting for roughly three quarters of all digital music sales—had overtaken Walmart to become the largest seller of recorded music.

Artists and labels Popular artists tended to have an exclusive contract with a record company (or "record label"). Under the terms of such a record contract, artists usually committed to creating four to six albums' worth of music, while the label agreed to manufacture, distribute, and promote that music. Beginning artists could expect an advance—intended to cover living and other expenses—in the range of \$200,000 to \$300,000; superstars sometimes received up-front fees of \$1 million or more. Once their advances and other costs incurred by the label had been fully repaid, artists also received royalties, which typically ranged from around 15% of sales for new artists to 20% of sales for superstars. A label could deduct a wide range of costs from artist royalties, including those related to recording albums, producing videos, covering tours, and radio promotion. As a result, even if an album sold hundreds of thousands of copies, artists could owe their label thousands of dollars in unrecouped royalties—in fact, given the low success rates in the industry, most artists never recouped their advances.

In return for their efforts, record labels received a share of sales. A typical album contained 10 to 12 songs, was usually priced between \$10 and \$15, and provided a record company with roughly \$8 in revenue. After paying artist and publishing royalties as well as manufacturing, promotional, and marketing costs, the label was usually left with \$3 to \$4 in profit on an album. Individual tracks typically sold for \$0.99 or \$1.29 each, yielding a similar profit share for the label.

Labels' activities Four large (so-called "major") record companies dominated the global recorded-music industry: Universal Music Group, Sony Music Entertainment, Warner Music Group, and EMI Group. Each had many different labels: Universal, for instance, covered the flagship label Interscope Geffen A&M as well as The Island Def Jam Music Group and Universal Motown Republic Group, among others. Led by famed music producer Jimmy Iovine, Interscope's roster included some of the biggest names in music, such as Eminem, Mary J. Blige, the Pussycat Dolls, The Black Eyed Peas, Timbaland, and U2. Collectively, the four major record companies accounted for more than 90% of the U.S. recorded-music market; smaller, independent ("indie") labels generated the remainder.

Major labels could offer their artists a full range of services: artist and repertoire ("A&R"), sales, promotion (which primarily involved arranging for music to be played on the radio), marketing (increasingly through digital outlets such as Facebook, Twitter, and YouTube), publicity, production (including manufacturing, printing, assembling, and shipping of physical recordings), finance, and business affairs.² The major record companies had large portfolios—as many as 300 to 400 artists—and often staged elaborate marketing campaigns before and around the launch of their artists' albums. They were often quick to abandon artists who failed to gain traction in the marketplace: major labels could terminate dozens of underperforming artists in a given year.

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Because her label Streamline Records was a subsidiary of Universal, Gaga could benefit from the company's resources. "In any given week, any one of our departments, from A&R to business affairs, will spend some time on Gaga. We have a couple hundred employees, but our head of pop-music marketing can spend the better part of her day on Gaga," said Steve Berman, Interscope's president of sales and marketing.

In recent years, driven by the declining market for recorded music and seeking to better capitalize on their artist-brand-building activities, record labels increasingly pursued relationships with their artists that went beyond participating in recorded-music sales only. Almost all new artists were signed to expanded partnerships—so-called "360 deals"—that enabled labels to share in all of an artist's revenue streams, including recorded-music sales, concert-ticket sales, merchandising, commercial licensing, and sponsorships and endorsements. Gaga was signed to Streamline Records on such a deal. "Our idea with these deals is that we invest so much time and energy into creating the artists' brands that we should participate in the different income streams that we help develop," said Berman.

Live Music

By 2009, annual revenues from touring exceeded \$4 billion in the U.S. (see **Exhibit 1** for trends in live-music revenues, and **Exhibit 2b** for the top-grossing touring artists that year).

Promoters Promoters played an important role in facilitating concerts: in exchange for a fee, they booked a concert venue, paid to advertise the concert, and supervised the overall running of the concert. Promoters could operate locally, nationally, or internationally. Live Nation and AEG were two of the most prominent international promoters: they had the scale and resources to take on entire tours, meaning a series of engagements in various cities or even countries.³

"The traditional way in which promoters and artists work together is for a promoter to pay the artist to play in one or more venues, and for the artist to enlist a team that produces the tour—the artist effectively hires the trucks and the busses, the crew, the supporting musicians, and the dancers, and pays for the hotels and the travel. That is the norm," said Arthur Fogel, chief executive officer of global touring at Live Nation, the world's largest concert promoter and owner or operator of dozens of venues worldwide. Live Nation had introduced a new model by signing superstar acts, including Jay-Z, Madonna, and U2, to long-term "360-like" deals that gave Live Nation a significant share of concert ticket sales and other revenue streams (such as merchandising and sponsorship) in exchange for eight-figure payments.⁴ More recently, Live Nation had championed the idea of "net deals" in which artists earned a percentage of net income and promoters were responsible for all costs.

Touring deals Touring arrangements largely depended on the caliber of the artist:⁵

- New and niche artists usually had the choice to play either as a headliner in a club—a venue with a capacity of anywhere from 100 to 1,500 people—or as the opening act on an established artist's tour. In return for their performance, most artists received a fixed fee ranging from as little as \$250 to as much as \$5,000 per night, or a share of admission revenues. However, the costs of such tours often exceeded the revenues they generated: the minimum cost of putting an artist and some supporting band members on the road, playing a maximum of five shows per week, could easily amount to around \$10,000 a week.
- Mid-level artists had the power to headline small venues seating upwards of 1,500 people to amphitheaters seating as many as 6,000 to 8,000 people. Artists playing the small venues could make around \$5,000 a night in fixed fees; those playing amphitheaters as much as \$50,000 per night, depending on the pricing of tickets. In some cases, mid-level artists could receive a share of revenues or profits, possibly accompanied by guarantees against those shares ranging anywhere between \$10,000 and \$25,000 per show.

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- High-profile artists, instead of being paid flat fees, tended to receive guarantees against a percentage of the net profits of a show. Major artists in arenas—venues with a capacity of 12,000 to 20,000 people—could receive guarantees in the range of \$100,000 to \$500,000 per night, sometimes as high as \$1,000,000. The artist typically received 85% of the net profits, with the promoter pocketing the remaining 15%.⁵

In these deals, gross sales were defined as ticket sales minus selling costs, taxes, and facilities charges. From the gross, the promoter deducted his expenses, including rent of the facility, advertising, personnel (such as cashiers, doormen, ushers, cleaners, and stage crew), equipment rental, transportation, and insurance. Those expenses could quickly add up, often making the final take for artists much smaller than the overall revenues might suggest. Major artists frequently sold multiple nights in the same venue, leading to substantial cost savings, for instance in terms of equipment moves, set-up times, and venue rental fees. “Artists and promoters mitigate risks by taking on more dates in one venue,” said Carter.

Agents Less central to a myriad of activities than their counterparts in the film industry, agents in the music industry were involved almost exclusively in booking concerts and other live personal appearances, and perhaps commercials, tour sponsorships, and television appearances. They did not participate in records, songwriting, or merchandising. Agents usually received a 10% commission for their efforts; their take on concerts was sometime as low as 5%.⁶

Initially represented by Paradigm, Gaga had signed with William Morris Endeavor (WME), one of the leading talent agencies, in April 2009. In return for their services, WME received a percentage of Gaga’s gross profits. “We are a part of Troy’s cabinet of advisers,” remarked agent Marc Geiger, a senior vice president at WME, about his role in “team Gaga.” He added: “Troy sees her as a multi-platform artist. He is trying to launch a global superstar with a career that spans decades.”

The Role of a Manager

Managers were tasked with successfully directing the career of an artist: their responsibility covered both overseeing an artist’s day-to-day business affairs and setting a long-term strategy for the artist’s professional activities, including recording music and touring. The role of managers could encompass a large variety of duties, some similar to the kinds of tasks that agents, promoters, accountants, and public-relations people might undertake. The role also differed depending upon an artist’s career stage: a manager’s responsibilities often grew as an artist’s career took off.⁷

“I am the hub for all activities. I think of myself as the air traffic control center—just without the terminals,” said Carter about his job. “The reality of being a talent manager is that I risk my job every week,” he added. “Lady Gaga trusts my decisions. We are about breaking boundaries, which means we do something different when we have a chance—we don’t just do what worked last time, or what was successful for someone else. But if something doesn’t work out, it is my responsibility.”

In return for their services, managers could be compensated in a large variety of ways. They usually collected 15% of an artist’s gross earnings (that is, before any expenses were deducted), with the commission sometimes being capped at a certain percentage of an artist’s net income. In some settings, managers could work for a fixed salary—perhaps a multi-million dollar salary, in the case of superstar artists. Terms historically were anywhere between three and five years.⁸

⁵ For instance, if a show had gross ticket sales of \$350,000 and the promoter’s expenses were \$150,000, 85% of the net profits of \$200,000 (= \$170,000) went to the artist; if the artist had already received a \$100,000 guarantee, the artist would get an additional \$70,000.

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Lady Gaga: How It Started

The Early Years

Lady Gaga was born as Stefani Joanne Angelina Germanotta in New York City in 1986, and spent her childhood in Manhattan's Upper West Side. She began playing the piano at age four. Her skills progressed rapidly enough that she composed her first piano ballad when she was 13, played open mike nights at venues around New York one year later and, as a student at Covenant of the Sacred Heart, an all-girls Catholic school in Manhattan, excelled in lead roles in several school musicals. From a young age, she was exposed to various musical influences: she learned classical piano, trained with a famous pop singer's vocal coach, and studied her father's classic rock albums.⁹

In 2003, Germanotta was one of 20 students given early admission to New York University (NYU)'s prestigious Tisch School of the Arts, which allowed her to further develop her singing, playing, and songwriting. After a year and a half, Germanotta withdrew from NYU to focus on her music full-time—but not before striking a deal with her father to re-enroll if her music career turned out to be unsuccessful.¹⁰

Around this time, Germanotta became obsessed with glam rock artists like Queen and Elton John. After adopting the stage name "Lady Gaga" (reportedly a play on rock band Queen's song *Radio Ga Ga*), she worked the downtown cabaret clubs as a singer-pianist, danced in "neo-burlesque" shows, and further tapped into her flair for theatrics by performing with New York scenester Lady Starlight.¹¹ Her singer-songwriter material earned the then 19-year-old Gaga a recording contract with Def Jam Recordings. However, the deal quickly fell apart. She explained:¹²

It was this whole romantic story: L.A. Reid heard me singing down the hallway from his office, and he said that I was a star and signed me right then and there. . . . But after he signed me, he never met with me. I used to wait outside his office for hours, hoping he would take meetings with me about my songs, but it never happened. He eventually dropped me after three months. I was pretty devastated.

Vincent Herbert and Streamline Records

Superstar producer Vincent Herbert would give Gaga a second chance. Herbert was a driving force behind hits for top acts such as Destiny's Child (with singer Beyoncé Knowles), Puff Daddy (Sean Combs), Whitney Houston, Michael Jackson, and Stevie Wonder. Described by Interscope's Berman as "one of the most hands-on creative executives I have ever dealt with," Herbert was known for being open to new talent. "You never know when and where you are going to find a diamond," Herbert said. That perspective led him to Gaga in late 2007, he explained:

A friend of mine called me and said 'you've got to check this singer out.' So I went on MySpace and played a song of hers, *Beautiful, Dirty, Rich*. I played it twice, and called him back. She was on the phone with him, screaming 'Thank you, I can't wait to meet, I have heard so much about you.' I flew her out to L.A. the next day. It was the first time she had flown business class—she was excited about the hot towel they gave her. I still remember her coming into my office, with black hair, and only fishnet stockings, panties, a bra, and a blazer on. She sat at the piano, and she played her butt off. She said she wanted to be the biggest pop star in the world, and that she would be the most loyal and hardworking person I had ever worked with. And I said 'I just wanted to be sure it was your voice coming through on what I heard yesterday,' and I signed her on the spot. I knew she was a star. It was that simple.

Gaga was the first artist signed to Herbert's new label, Streamline Records, for which he in turn signed an imprint deal with Universal. "The idea was to work together with Interscope and Universal

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on the marketing, the promotion, and those kinds of activities, but for all the creative decisions to be made by Gaga and Streamline. Just the two of us—no one else. We only bring the rest of the building in once the music is completed,” remarked Herbert.

Troy Carter and Coalition Media Group

A few weeks after signing Gaga, Herbert introduced her to Carter. “I wanted someone who shared my vision for Lady Gaga, and Troy understands it. We have been close friends for fifteen years, and I knew he would appreciate this chance,” said Herbert, who described Carter as “a little kid from Philly with a big heart and a dream to prove himself.”

Philadelphia native Carter got his start in the music business in his late teens by “carrying crates of records,” as he put it, for Jeffrey Allen Townes and Will Smith, then better known as rap duo DJ Jazzy Jeff & The Fresh Prince, which evolved into various other tasks—doing “the grunt work,” according to Carter—for Will Smith’s Overbrook Entertainment. He next became a concert promoter in the emerging rap and hip-hop scene, which put him in touch with several big-name artists in that world, including Notorious B.I.G. and Puff Daddy. “You [had] to be tough to make it in that space,” Carter said.¹³ In 1995, he landed a job in marketing with Combs’ Bad Boy Entertainment.¹⁴

Carter embarked on a string of entrepreneurial ventures from 1999 onwards, launching a number of artist-management companies that represented hip-hop acts such as Eve, Floetry, and Nelly. One of those companies, Boy Wonder, eventually was acquired by a larger artist-management firm, Sanctuary Group. Carter’s tenure as executive vice president with Sanctuary was short, however; he was let go within a year.¹⁵ When Herbert brought Gaga to Carter, the time was right. “It was the perfect storm. Lady Gaga had just been dropped by Def Jam, and having a record deal in place is everything for a new artist. Vincent had a new company but no artists. And I had just been fired as Eve’s manager. We had everything to prove,” said Carter.

Carter recalled his first encounter with the flamboyant Gaga: “She walked through the door looking like a superstar. My exact words were, “Who [in the world] is this?” She played her music, and everything was there.”¹⁶ Describing her as “a throwback to the days when artists were artists” and someone who “has being a performer running through her veins,” Carter compared Gaga to popular acts in the 1980s like Madonna, Prince, and Boy George: “it’s not like she ever takes a day off and puts on khakis and a T-shirt. She’s in showbiz, and fans have been missing people like that.”¹⁷

Carter decided to run his activities for Gaga out of another talent agency, Coalition Media, and a subsidiary called Atom Factory Inc, both of which he had recently launched. Performing a range of roles including publicist, booking agent, and business manager, he developed the company into a one-stop-shop for all functions except for the creative work performed by Herbert’s Streamline. “Every day she wakes up pushing the envelope when it comes to her music. My job is to block and tackle for her,” said Carter. Interscope’s president Berman agreed: “Carter is very forceful at protecting Gaga and her vision—if he were playing football, he would be the best offensive lineman in the game.” Herbert and Carter worked closely together: “We talk every morning at 6 AM about the upcoming day,” said Herbert, “and don’t make a decision without the other one knowing about it.”

Launching Lady Gaga

First Singles: Just Dance and Poker Face

Gaga and Herbert soon commenced writing and recording a set of glam-influenced pop songs in the dance genre, helped by producer RedOne whom Herbert had invited to be a part of the team. A first single, a song called *Just Dance* which was co-written by Gaga, RedOne, and R&B artist Akon, and which featured up-and-coming artist Colby O’Donis, was released on April 8, 2008. Gaining

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traction proved difficult: “We could not get it played on pop radio,” said Carter. “Mainstream radio stations told us it was too much of a dance song for them.” “Dance music simply was not on the air in Top 40 Radio. Radio stations were saying no to such music,” added Bobby Campbell, Atom Factory’s vice president of marketing. “We only had around ten people working on Lady Gaga. With a new artist, it is sometimes hard to get the label to pay attention to a new artist, which makes getting on the radio even harder,” he remarked.

To overcome the problem, Gaga began touring small venues relentlessly. “We didn’t follow the typical pop-music launch path with Gaga,” Carter explained. Instead, Carter followed a rap-music release plan, which aimed to build a fan base through grassroots efforts centered on booking seven to eight shows per week—sometimes two to three performances per night—in different clubs, for months on end. “This is not what pop artists usually do,” said Carter, “but we wanted to build her fan base from the ground up. The gay community seemed to stick to her, and that resonated with her personally. So gay clubs were a natural fit to start the work. We gave them full access to her. Once the audience feels they own something, they are going to run with it, and do the work for you,” remarked Campbell. “It was about finding different groups: the gay community, the dance community, the club-going community, the fashion community, the art community, and developing those into a larger pool of Gaga fans,” he added. “So when Interscope made some headway with radio later on, we had this really strong core of fans who had been following her for months, and who felt they were part of the reason why she was successful.”

Carter and his team also sought to take advantage of new forms of social media. “Where other people see digital distribution as a source of cannibalization, we see it as an opportunity. The Beatles, Michael Jackson, and Madonna didn’t have Facebook or Twitter. We wanted to use those new tools.” Gaga began using Twitter and Facebook in March 2008, just before *Just Dance* was released. Carter and his team also worked hard to make sure that Gaga’s presence was felt online through as many outlets as possible, arranging for 50 popular music bloggers to interview Gaga the six months after the *Just Dance* launch. The interviews reached over 10 million impressions in that timeframe.¹⁸

A less common tactic, Gaga’s team also initiated a series of short two-minute videos on Lady Gaga’s official YouTube channel called “Transmission: Gaga-Vision” in August of 2008. “There were fans that discovered her as early as April, and others that came on board months later. Because she is such a visual artist, we felt we had to keep the visual fresh even if we did not release another single. So we put out a series of “webisodes” that follow her around and give a peak behind the scenes. It wasn’t overly produced, and in fact mostly shot on a flip-cam—the idea was to create intimate moments that make you feel like you were there with her.”

The efforts paid off in the long run: *Just Dance* charted on the *Billboard Hot Dance Airplay* and *Club Play* charts two months after its release, and entered the *Billboard Hot 100* another two months later. The single spent the next five months working its way to the number one spot, which it reached in January 2009. *Just Dance*’s nine-month-long journey up the charts was the second-longest climb to the top spot in *Billboard*’s history.¹⁹ By that time, a second single, *Poker Face*, was also moving up the charts. Released on September 23, 2009, it had been marketed in much the same way as *Just Dance*, using a combination of live performances, online tactics (see **Figure A** for banner advertisements used), and more traditional music-marketing techniques.

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Figure A Online Advertisements for Lady Gaga's Music



Source: Adapted from RIAA, Pollstar.

First Album: *The Fame*

Gaga's first album, *The Fame* (see Exhibit 3), saw the light in the summer of 2008 as well. First launched in Canada on August 19, 2008, and then Australia a couple weeks later, the album was released in the U.S. on October 28, 2008. "Jimmy Iovine often looks for 'sparks' to capitalize on, and he thought the conditions were most favorable in Canada and Australia, which is why we rolled out the album there first," said Carter. Again, social-media tactics played an important role. "Lady Gaga kept providing content to keep the fans satisfied and engaged. For instance, in August 2008, she released a YouTube mini-movie, a compilation of five songs on the album all tied into one story that she wrote and styled herself," said Campbell.

Helped by the success of its first two singles—*Poker Face* also reached the top spot on the *Billboard Hot 100*—the album debuted in 17th place and eventually reached number six on the *Billboard Top 200 Albums* chart and number one on *Billboard's Dance/Electronic Albums* chart. It was subsequently rolled out in all major music markets in South America, Europe, and Asia. By September 2009, *The Fame* had sold nearly 1.4 million copies and its songs, led by *Just Dance* with 4.5 million copies, a combined 11 million units in the U.S. alone (see Exhibit 3).

The Fame was a critical success as well. Reviewing the album, *The Boston Globe's* Sarah Rodman wrote that at "first blush, Lady Gaga's frothy disco confections could easily be mistaken for the mindless booty bait dangled by, say, the Pussycat Dolls. . . . But listen a little closer to the sly, snarky lyrics and glam grooves on this feisty debut and you'll hear that this former downtown New York spice girl has at least a few things on her dirty mind."²⁰

The Fame Ball Tour

By late 2008, when Gaga had only performed at clubs and as a supporting act for New Kids On The Block (see Exhibit 4 for Gaga's touring history), Carter began to plan a more comprehensive tour aimed at expanding her visibility among more mainstream audiences. It was announced in January 2009 on Gaga's MySpace page, while she was on the road in Europe opening for the Pussycat Dolls.

The *Fame Ball* tour revolved around smaller-sized venues. "It is better to sell out three Radio City's in five minutes than it is to sell out one Madison Square Garden over three weeks," said Carter. "Selling out quickly is a great story and we are in the story-telling business." "There is nothing like

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having 2,000 fans see her show but 20,000 swear they were there," agreed Berman. The tour was initially slated to run for 22 dates in North America, launching on March 12, 2009 at the House of Blues in San Diego and finishing in Atlanta on April 9—a blistering schedule that gave Gaga only seven days off from performing. In subsequent months, the tour was extended to include dates in the U.S., Canada, and even Europe, Asia, and Australia, finally concluding late in the summer.

Although the *Fame Ball* tour was successful in terms of ticket sales and Gaga spared no effort creatively—stating that she wanted “so much to make every depression dollar that everyone spends on my show [to be] worth it,”²¹ she for instance insisted on using three different sets—it ultimately was not profitable for Gaga and her team. “I didn’t have the heart to look her in the face at the end of the day, when she was working so hard, to tell her we were losing money,” said Carter. Gaga herself was open about their financial challenges, telling one U.K. newspaper, “I’ve gone bankrupt about four times now. My manager wants to shoot me. Every dollar I earn goes to the show.”²²

Lady Gaga in Late 2009

The efforts did not fall on deaf ears. By late 2009, Lady Gaga had become one of the most recognizable names in pop music, and was coming off of a spectacular performance at the VMAs where she had tied Beyoncé for the greatest number of nominations—nine, including video of the year and best new artist—and collected three such awards.

A Growing Fan Base – Connected via Social Media

Lady Gaga’s music, live performances, and social-media efforts (see Exhibit 5 for selected Facebook and Twitter messages) had helped create an avid fan base. Fan websites and blogs had popped up all over the Internet, chronicling her every move. Often referring to herself as “mama monster” and her fans as “little monsters” because she “felt like a freak growing up,” Gaga had forged a strong relationship with her fans. “They feel a sense of ownership. They rally around her,” said Carter. He added: “The real super fans don’t scream—they walk up to her like they know her.”

Gaga’s knack for managing her fan base and her commitment to doing so was clear to those around her. “She is obviously very talented—she can sing, play, and write. But she is also highly driven, disciplined, and productive. And she is very good at self-marketing, particularly digital self-marketing,” commented Geiger. “Gaga is terrific at creating a relationship with her fans. There is a genuine connection. And she does that particularly well through live performances,” remarked Berman, adding that “she could be a chief marketing officer for a big corporation, because she understands the brand, and how important it is to stand by that brand.”

To support and build upon his activities for Gaga, Carter had developed the Coalition Media Group into an umbrella company with 20 employees, and encompassing several activities bundled in a venture that Carter labeled Atom Factory Inc.—the management arm Atom Factory (which dealt with recorded-music activities, tour management, and general branding activities), Atom Factory Music Licensing (which focused on monetizing music), and digital marketing arm Atom Digital. “We have a staff of four employees at Atom Digital who carry out the digital strategy. We also have a team at Interscope with people that represent certain accounts, with representatives for Facebook, Twitter, Google, and YouTube,” said Campbell.

While many artists delegated the brunt of their social-media activities to their staff members, Gaga maintained close control over her social-media accounts, especially Twitter (see Exhibit 6 for the top 10 Twitter accounts). “Lady Gaga writes her own tweets. No one else has her password,” said Carter. “The digital team is tasked with syndicating that content as widely as possible—from her tweets to her music videos. They need to point everyone to it, and make sure it is covered by other media.” More generally, Gaga embraced possibilities for direct contact with her fans: “At our planning

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meetings, I deal with issues that involve the entertainment community, whether it is Live Nation or a record label executive. Gaga deals with issues that involve speaking to fans, whether it is tweeting them or showcasing them a new song. She comes up with a lot of our social-media ideas," Carter noted (see Exhibits 7 and 8 for key metrics and trends in Gaga's social media usage).

A Growing Role as a Fashion Icon – Supported by the Haus of Gaga

From the start of her performing career, one of Gaga's most distinguishing traits was her appearance. She developed a unique sense of style during her early days performing in New York's Lower East Side clubs.²³ Gaga quickly became known for her flamboyant fashion sensibilities. Albeit not always well-received – for instance, describing one of several outfits Gaga flaunted at the VMAs, a reporter for MTV.com wrote that her "red lace dress and matching mask . . . made her look like Bart Simpson with red hair"²⁴ – her choices were always eagerly anticipated and hotly discussed by fans and the media alike, making Gaga a fashion icon.

To help establish and refresh her distinctive style, Gaga enlisted the help of a personal creative team, which the singer referred to as the "Haus of Gaga" and which was inspired by Andy Warhol's infamous Factory of the late 1970s and early 1980s. The team (which consisted of around seven people but often changed in its composition) created most of the clothing, make-up styles, props, and sets for Gaga's live performances and appearances. A key team member was Nicola Formichetti, the Haus of Gaga's fashion director since earlier in 2009. Gaga herself was actively involved in the creative process as well. "For some pop artists, their team essentially determines what their style should be – they will decide what the music should sound like and what the visual should look like – and the artist is only one of the decision makers," said Campbell, adding: "But with Gaga, she writes the music, she writes the treatments for her videos, she works hand in hand with her stylist to determine her look, she picks the photographer that shoots her cover photos and selects the photos that are going to be used – all those things. She is in control."

The Fame Kills Tour

In the summer of 2009, West and Gaga announced they would co-headline an arena tour, *The Fame Kills Tour*, promoted by Live Nation. WME agent Geiger, who helped put together the tour (both West and Gaga were WME clients), commented: "We saw this as the start to the next phase of her career – touring with Kanye West could give a huge boost to her growing popularity."

Kanye West

Rapper and producer West was one of the biggest names in music in 2009. He started out as a producer for Roc-a-Fella Records, working with superstar artists such as Jay-Z, Janet Jackson, and Eminem.²⁵ West released his first own album, *College Dropout*, in early 2004. It was a huge success, selling enough copies to receive double-platinum certification, and earning two Grammy awards.²⁶ Kanye's subsequent albums, *Late Registration*, *Graduation*, and *808 & Heartbreak* were equally successful, spawning worldwide hits such as *Gold Digger*, *Stronger*, and *Good Life*. West was also an accomplished and experienced live performer: months earlier he had completed his critically acclaimed five-continent *Glow in the Dark* tour. In addition, like Gaga, West was a force to be reckoned with in fashion: he was a frequent front-row guest at runway shows, single-handedly revived "shutter shades" as a fashion trend, and even designed a limited-edition line of "Louis Vuitton Don" sneakers for famous French luxury label Louis Vuitton.²⁷

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The Plan

West and Gaga planned for their tour to last around three months and cover cities across North America (see **Exhibit 9**). In an interview with San Diego radio station Star 94, Gaga said: "We want to do something that no one has ever seen. We want our fans to feel like we were doing something special. . . . He's going to play every Kanye West hit, which is a lot, one after the other. I'm going to play all my hit records which, knock on wood, I had a lot this year."²⁸

While a co-headlining tour marked a dramatic shift for West—his previous tour featured him, and only him, on the stage for his entire set (see **Exhibit 4** for West's touring history)—both artists had expressed a great deal of admiration for each other. West had incorporated Gaga's *Poker Face* into a song, *Make Her Say*, that he produced for hip-hop artist Kid Cudi. "She's talented and so incredible that she's not an opening act," West had said. "We're doing it together." Gaga publicly expressed a similar confidence: "I love Kanye. Kanye is my very dear friend and we are creative kindreds. . . . It's going to be one of the most groundbreaking moments in touring history."²⁹

The staging plans were extremely ambitious: the design called for the stage to extend the entire length of the arena.³⁰ Production was in full swing. The agreement stated that West would bear the production costs, and Gaga would be responsible for specific set elements—such as her piano—that were used only in her performance. Carter described the joint tour as "a really big step for us." "Here was this superstar artist that wanted to take Lady Gaga under his wing. We knew the collaboration would have been a great success," Carter remarked.

Kanye West Withdraws

However, plans for the *Fame Kills* tour quickly unraveled in September 2009. Already known for igniting public controversy—West famously declared at a televised relief concert for Hurricane Katrina victims that "[U.S. President] George Bush doesn't care about black people"³¹ and stormed the stage at the 2006 MTV Europe Music Awards after failing to win the Best Video award, arguing that his video should have won because it "cost a million dollars," "Pamela Anderson was in it," and "I was jumping across canyons"³²—West experienced a very public breakdown during the VMAs on September 13, 2009. During 17-year-old singer-songwriter Taylor Swift's acceptance speech for Best Female Video, West jumped up on stage, interrupted her acceptance speech, took the microphone from her, and began to protest in support of one of the other nominated videos, Beyoncé's *Single Ladies (Put a Ring on It)* stating that it was "one of the best videos of all time,"³³ and implying that Beyoncé should have won the award instead.³⁴ His actions left the crowd in attendance and millions of television viewers stunned.

"The VMAs were the tipping point," said Carter. "You could see Beyoncé's reaction, and Lady Gaga and I were sitting right behind her. I was going 'wow.' Everything shifted—amongst his peers, amongst the music community, and we could only imagine what people at home were thinking." Summing up the prevailing sentiment among music fans, one *MTV News* commenter asked: "What rational person would do such a thing?"³⁵

Although he publicly apologized for the incident shortly after, the storm around West did not die down. And now, roughly a week after the event, West had made a public announcement that he was taking a break from the music industry, citing a number of personal reasons, and officially withdrawing from the tour.³⁶ Because the schedule for the *Fame Kills* tour had been released two days after the VMAs and tickets had gone on sale, the process of refunding ticket-holders would have to be set in motion. Gaga's next steps, however, still had to be decided on.

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What To Do Next?

Pacing around in his office, Carter glimpsed at a framed photo of himself sitting in between Puff Daddy and the late Notorious B.I.G. that reminded him of his early days in the music business. He shared the news about West's withdrawal with Gaga and the key members of her team—including Herbert, Geiger, Campbell, and Berman, who had either joined him in his office or were listening in via phone. Carter outlined three possible next steps:

Option 1: Continue with the arena tour—but go it alone Even though the VMAs had been a disastrous night for West, it was a big night for Gaga herself, with a much-talked-about dramatic performance of her single *Paparazzi*, and three major award wins: Best New Artist, Best Special Effects, and Best Art Direction. "Her performance catapulted her to the next level," according to Campbell. The team could choose to bet on that buzz to be a sign of bigger things to come, and opt for a solo arena tour. Specifically, they could put together a 25-concert tour of arenas with an average capacity of 16,000 to 20,000 seats and average ticket prices between \$100 and \$150. Pursuing the idea would be a major financial gamble: taking into account that the team could build on the work that West's team had already done but would have to reimburse him for most of their start-up expenditures, Carter estimated that an arena tour could easily cost Gaga and Atom Factory a total of \$12 million in start-up production costs alone (see **Exhibit 10** for cost estimates). "There is a lot involved in touring—production, set design, rehearsals—and the costs are sky-high," he said. "But we know the music is right," countered Herbert. "People have heard the songs, but they need to see her on stage—to see her perform those songs in front of an audience." He added: "This is where the boys are separated from the men."

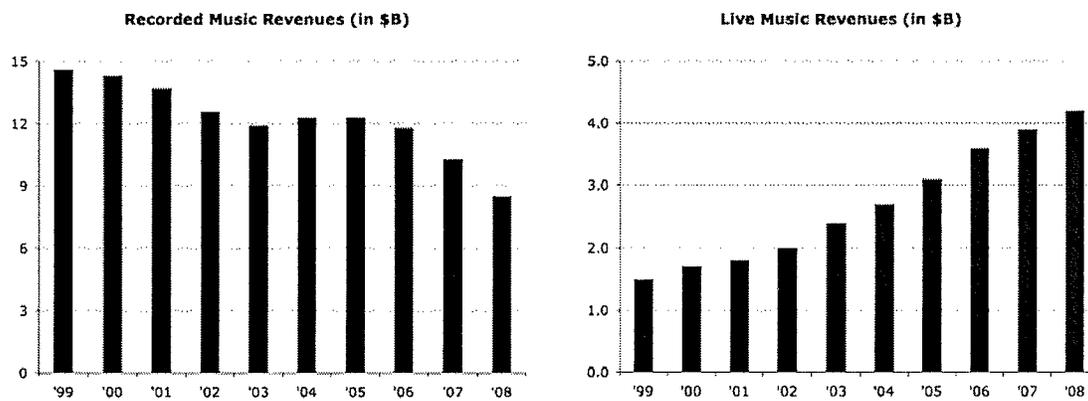
Option 2: Develop a smaller, theater tour—and adjust the economics accordingly A second option was to continue touring but opt for smaller venues with an average capacity of 6,000 to 8,000 seats. "Gaga is exploding," said Geiger, "but we have to lay the foundation if we want lasting success." While pursuing smaller venues entailed a substantially lower initial financial risk—Carter estimated the costs to rework their plans would total around \$2 million, which would come on top of the \$4 million they had already spent developing the *Fame Kills* tour, and which again would come out of Gaga's pockets—the team would have to readjust their economic model across the board. "Booking new venues is not the hard part. The really tough part is adjusting the economics of the show—decreasing the number of available tickets and the ticket prices," remarked Geiger. Average ticket prices for a 25-concert theater tour would likely vary between \$60 and \$100 under this option, with Gaga receiving 85% of the net profits and a guarantee. And in order to be ready in time to support Gaga's upcoming releases, the team would have to pull off a complete production overhaul in a matter of weeks. "The rush will negatively impact the costs," said Geiger (see **Exhibit 10**).

Option 3: Cancel any tour plans The simplest solution would be to cancel any further touring for the time being. This would prevent the team from incurring further losses beyond the roughly \$4 million Gaga had already spent—a welcome thought, as Gaga had also lost money on the *Fame Ball* tour, and the music industry was notoriously fickle. Pulling out of a tour would allow Carter and his team to focus instead on launching another few singles from Gaga's debut album as well as future recordings—although no public announcements had been made, Gaga had spent the past few months working on and recording a new album, *The Fame Monster*, which would likely be ready for release in the next two to three months. The market performance of those recordings would give team Gaga a clearer picture of what kind of tour they should pursue for Gaga in the future.

Carter knew that he had only a few days to make the biggest decision of Gaga's nascent career. What was the best option?

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Exhibit 1 Trends in Recorded-Music and Live-Music Revenues^a

Source: Adapted from RIAA, Pollstar.

^a Recorded music revenues are expressed in terms of the retail value (based on recommended or estimated list prices) of shipments, as measured by the RIAA. The estimates cover both albums and singles, and both physical and digital formats. Live music revenues are estimated by Pollstar.

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Exhibit 2a Top-Selling Recording Artists in 2008

Format: Albums			Format: Songs		
Rank	Artist	Units Sold	Rank	Artist	Downloads
1	Taylor Swift	4,000,000	1	Rihanna	9,941,000
2	AC/DC	3,400,000	2	Taylor Swift	8,793,000
3	Lil Wayne	3,300,000	3	Kanye West	6,876,000
4	Coldplay	2,700,000	4	Chris Brown	6,811,000
5	Metallica	2,500,000	5	Britney Spears	6,284,000
6	Kid Rock	2,400,000	6	Jonas Brothers	6,058,000
7	Jonas Brothers	2,300,000	7	Coldplay	5,933,000
8	Sugarland	2,000,000	8	Katy Perry	5,840,000
9	Nickelback	1,900,000	9	Leona Lewis	5,027,000
10	Jack Johnson	1,800,000	10	Jordin Sparks	4,918,000

Source: Adapted from Forbes, Nielsen, CNET.³⁷

Exhibit 2b Top-Grossing Touring Artists in 2008

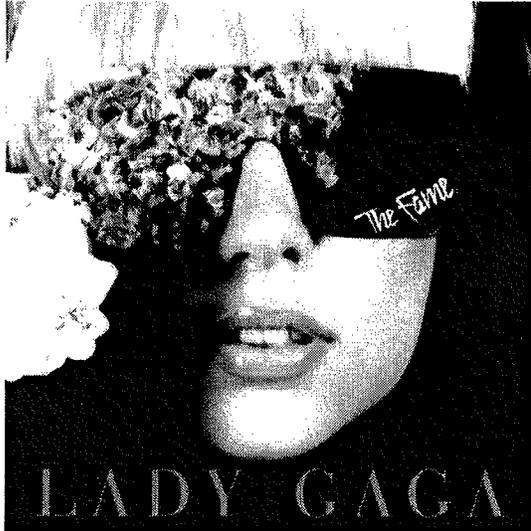
Rank	Artist	Total Gross	Total Attendance	Total Capacity	Number of Shows	Number of Sellouts	Average Ticket Price
1	Bon Jovi	\$210,651,000	2,158,000	2,158,000	99	99	\$98
2	Bruce Springsteen	\$204,514,000	2,095,000	2,182,000	82	46	\$98
3	Madonna	\$185,696,000	1,358,000	1,369,000	39	38	\$137
4	The Police	\$149,624,000	1,469,000	1,493,000	78	71	\$102
5	Celine Dion	\$91,006,000	739,000	756,000	44	36	\$123
6	Kenny Chesney	\$86,307,000	1,188,000	1,252,000	46	25	\$73
7	Neil Diamond	\$81,206,000	835,000	835,000	61	61	\$97
8	Spice Girls	\$70,123,000	581,000	595,000	45	34	\$121
9	The Eagles	\$56,625,000	427,000	436,000	34	27	\$133
10	Rascal Flatts	\$55,863,000	942,000	968,000	65	58	\$59

Source: Adapted from Billboard, CNBC.³⁸

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Exhibit 3a Lady Gaga's Albums



The Fame
(2008)



The Fame Monster
(Release scheduled for November 2009)

Source: Company documents.

Exhibit 3b Unit Sales for Lady Gaga's *The Fame* in the U.S. (as of September 2009)

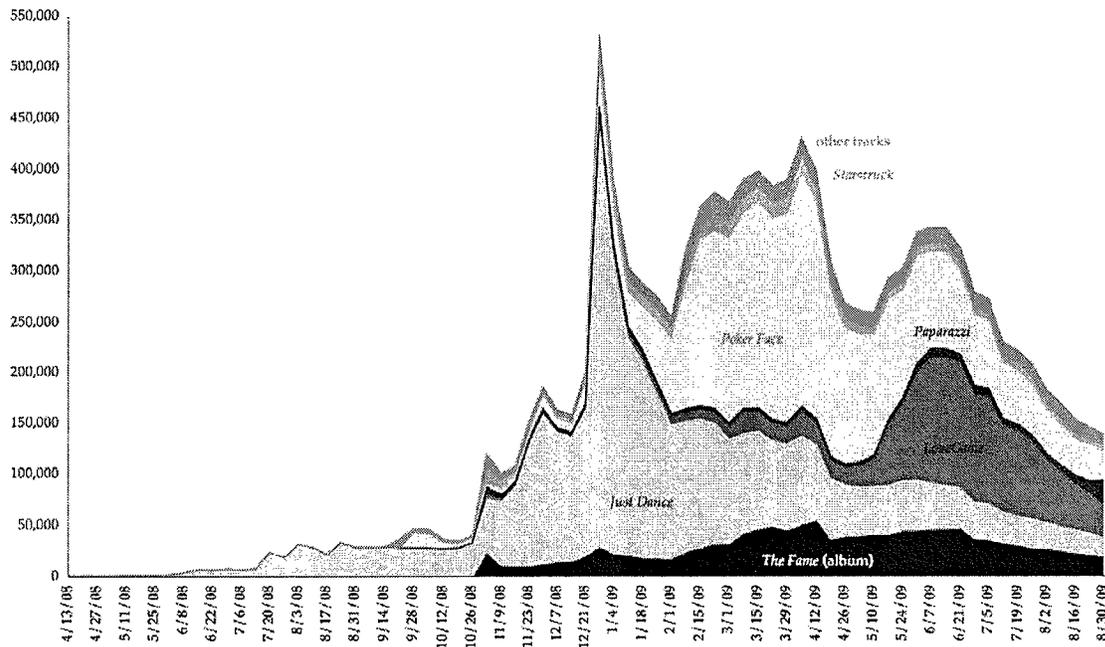
Album / Song	Album Sales	Track Sales
<i>The Fame</i>	1,370,000	
1. <i>Just Dance</i> (featuring Colby O'Donis)		4,502,000
2. <i>LoveGame</i>		1,616,000
3. <i>Paparazzi</i>		198,000
4. <i>Poker Face</i>		3,949,000
5. <i>Eh, Eh (Nothing Else I Can Say)</i>		106,000
6. <i>Beautiful, Dirty, Rich</i>		153,000
7. <i>The Fame</i>		79,000
8. <i>Money Honey</i>		37,000
9. <i>Starstruck</i>		396,000
10. <i>Boys Boys Boys</i>		97,000
11. <i>Paper Gangsta</i>		55,000
12. <i>Brown Eyes</i>		15,000
13. <i>I Like It Rough</i>		33,000
14. <i>Summerboy</i>		27,000
Total	1,370,000	11,262,000

Source: Adapted from Nielsen SoundScan.

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Lady Gaga (A)

Exhibit 3c Weekly Unit Sales for Lady Gaga's *The Fame* in the U.S. (as of September 2009)



Source: Adapted from Nielsen SoundScan.

Exhibit 3d Album Unit Sales For Other Female Pop Artists in the U.S. (as of September 2009)

Artist	Album	Release Date	Unit Sales
Beyonce	<i>B'Day</i>	August 2006	3,240,000
	<i>I am... Sasha Fierce</i>	November 2008	2,381,000
Britney Spears	<i>Blackout</i>	October 2007	970,000
	<i>Circus</i>	December 2009	1,598,000
Madonna	<i>Confessions on a Dance Floor</i>	November 2005	1,695,000
	<i>Hard Candy</i>	April 2008	726,000
Pink	<i>I'm Not Dead</i>	April 2006	1,408,000
	<i>Funhouse</i>	October 2008	1,250,000
Rihanna	<i>A Girl Like Me</i>	April 2006	1,321,000
	<i>Good Girl Gone Bad</i>	June 2007	2,513,000

Source: Adapted from Nielsen SoundScan.

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Exhibit 4a Lady Gaga's Touring History: Summary Statistics (January 2007 – September 2009)

Statistic	As Headline Act	As Supporting Act
Number of events	19	41
Average capacity	2,100	11,000
Median capacity	1,600	11,300
Average % of tickets sold	99%	82%
Median % of tickets sold	100%	88%
Average gross (in \$US)	\$67,000	\$621,000
Median gross (in \$US)	\$38,000	\$522,000

Source: Adapted from Pollstar.

Exhibit 4b Kanye West's Touring History: Summary Statistics (January 2007 – September 2009)

Statistic	As Headline Act	As Supporting Act
Number of events	69	--
Average capacity	11,900	--
Median capacity	11,400	--
Average % of tickets sold	84%	--
Median % of tickets sold	92%	--
Average gross (in \$US)	\$651,000	--
Median gross (in \$US)	\$582,000	--

Source: Adapted from Pollstar.

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Lady Gaga (A)

Exhibit 4c Lady Gaga's Touring History: Selected Events (January 2007 – September 2009)

Date	Headline Act	Supporting Acts	Venue, City	Capacity	% Sold	Gross
10/08/08	New Kids On The Block	Natasha Beddingfield, Lady Gaga	Staples Center, Los Angeles, CA	13,700	100%	\$922,000
10/09/08	New Kids On The Block	Lady Gaga	ARCO Arena, Sacramento, CA	12,900	44%	\$312,000
10/10/08	New Kids On The Block	Natasha Beddingfield, Lady Gaga	HP Pavilion, San Jose, CA	13,900	96%	\$832,000
10/11/08	New Kids On The Block	Natasha Beddingfield, Lady Gaga	Mandalay Bay, Las Vegas, NV	8,300	89%	\$611,000
10/27/08	New Kids On The Block	Natasha Beddingfield, Lady Gaga	Madison Sq. Garden, New York City, NY	14,000	100%	\$886,000
...						
01/27/09	The Pussycat Dolls	Ne-Yo, Lady Gaga	The O2, London, UK	17,500	91%	\$1,556,000
01/28/09				(2 shows)		
01/29/09	The Pussycat Dolls	Ne-Yo, Lady Gaga	Evening News Arena, Manchester, UK	15,000	98%	\$718,000
02/01/09	The Pussycat Dolls	Lady Gaga	The O2, Dublin, Ireland	12,400	100%	\$751,000
02/03/09	The Pussycat Dolls	Lady Gaga	King's Hall, Belfast, UK	7,300	100%	\$384,000
02/09/09	The Pussycat Dolls	Lady Gaga	Heineken Music Hall, Amsterdam, NL	5,500	100%	\$262,000
...						
03/12/09	Lady Gaga	The White Tie Affair, Chester French, ...	House of Blues, San Diego, CA	1,000	100%	\$19,000
03/13/09	Lady Gaga	The White Tie Affair, Chester French, ...	The Wiltern, Los Angeles, CA	2,700	100%	\$53,000
03/14/09	Lady Gaga	The White Tie Affair, Chester French, ...	Mezzanine, San Francisco, CA	1,000	100%	\$42,000
03/16/09	Lady Gaga	The White Tie Affair, Chester French, ...	Showbox, Seattle, WA	1,100	100%	\$23,000
...						
04/08/09	Lady Gaga	The White Tie Affair, Chester French, ...	Revolution, Fort Lauderdale, FL	1,300	100%	\$25,000
04/09/09	Lady Gaga	The White Tie Affair, Chester French, ...	Center Stage, Atlanta, GA	1,100	100%	\$22,000
05/01/09	Lady Gaga	The White Tie Affair, Chester French, ...	Electric Factory, Philadelphia, PA	2,300	100%	\$45,000
05/02/09	Lady Gaga	The White Tie Affair, Chester French, ...	Terminal 5, New York, NY	2,900	100%	\$118,000
...						
05/26/09	The Pussycat Dolls	Lady Gaga	Rod Laver Arena, Melbourne, AUS	13,300	88%	\$1,837,000
05/27/09				(2 shows)		
05/28/09	The Pussycat Dolls	Lady Gaga	Adelaide Ent. Ctr., Hindmarsh, AUS	9,900	80%	\$663,000
05/30/09	The Pussycat Dolls	Lady Gaga	Burswood Dome, Perth, Australia	16,900	76%	\$989,000

Source: Adapted from Pollstar.

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Exhibit 4d Kanye West's Touring History: Selected Events (January 2007 – September 2009)

Date	Headline Act	Supporting Acts	Venue, City	Capacity	% Sold	Gross
11/22/07	Kanye West	--	The O2, London, UK	18,200	100%	\$1,126,000
12/01/07	Kanye West	--	Odyssey Arena, Belfast UK	10,100	100%	\$673,000
12/02/07	Kanye West	Common, Estelle	Evening News Arena, Manchester, UK	16,000	99%	\$980,000
04/16/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	KeyArena, Seattle, WA	11,500	86%	\$645,000
04/18/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Power Balance Pav., Sacramento, CA	11,300	100%	\$691,000
...						
05/10/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Jiffy Lube Live, Bristow, VA	22,500	99%	\$1,036,000
05/11/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Farm Bureau Live, Virginia Beach, VA	20,100	42%	\$398,000
05/13/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Madison Sq. Garden, New York, NY	12,700	100%	\$1,449,000
05/15/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Comcast Center, Mansfield, MA	19,900	87%	\$846,000
05/16/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Comcast Theatre, Hartford, CT	24,100	55%	\$602,000
05/17/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Susquehanna Bank, Camden, NJ	25,400	100%	\$1,017,000
...						
06/07/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Staples Center, Los Angeles, CA	13,300	100%	\$1,110,000
06/08/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Jobing.com Arena, Glendale, AZ	9,800	100%	\$571,000
06/09/08	Kanye West	Lupe Fiasco, Rihanna, N*E*R*D	Maverik Center, Salt Lake City, UT	7,900	53%	\$256,000
06/11/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	Target Center, Minneapolis, MN	9,600	92%	\$609,000
06/12/08	Kanye West	Rihanna, N*E*R*D, Lupe Fiasco	i wireless Center, Moine, IL	9,900	52%	\$284,000
08/05/08	Kanye West	Lupe Fiasco	Madison Sq. Garden, New York, NY	12,800	91%	\$2,501,000
08/06/08				(2 shows)		
...						
11/01/08	Kanye West	--	Beijing Workers Gym, Beijing, China	5,000	78%	\$173,000
11/03/08	Kanye West	--	Peoples Grand Stage, Shanghai, China	7,000	81%	\$160,000
11/08/08	Kanye West	Santigold, Mr Hudson	Odyssey Arena, Belfast, UK	9,400	100%	\$502,000
11/09/08	Kanye West	Santigold, Mr Hudson	Simmons Court Pav., Dublin, Ireland	7,600	100%	\$582,000
11/11/08	Kanye West	--	The O2, London, UK	14,600	97%	\$1,602,000
11/12/08				(2 shows)		

Source: Adapted from Pollstar.

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Lady Gaga (A)

Exhibit 5a Selected Postings from Lady Gaga's Facebook, September 2009



Lady Gaga
KANYE WEST AND LADY GAGA UNITE FOR NORTH AMERICAN TOUR "FAME KILLS: STARRING KANYE WEST & LADY GAGA"

Lady Gaga : News : KANYE WEST AND LADY GAGA UNITE FOR NORTH AMERICAN TOUR "FAME KILLS: STARRING KANYE WEST & LADY GAGA"
www.ladygaga.com

The Official Web Site for Lady Gaga. Get the latest News, Photos, Video, Tour Dates and more.

September 18, 2009 at 1:08pm · Share

5,457 people like this.

View all 2,866 comments



Lady Gaga
Marc Jacobs/vmagazine performance inspired by my favorite new artist this year: check out his version of 'just dance': ladies+gents: gary-go

September 13, 2009 at 3:03pm

4,641 people like this.

View all 773 comments



Lady Gaga
What was your favorite outfit of Lady Gaga's at the VMAs? Check out MTV.com's slideshow of all Gaga fashion from the show!



Lady Gaga's 2009 VMA Looks | MTV Photo...
www.mtv.com

Lady Gaga hits the red carpet at the 2009 MTV Video Music Awards at Radio City Music Hall.

September 14, 2009 at 10:54pm · Share

8,382 people like this.

View all 2,192 comments



Lady Gaga
Congrats to Lady Gaga on her three wins at the 2009 VMAs, including Best New Artist! In case you missed it, check out her epic performance of "Paparazzi" at the show below!



Paparazzi (Live) | Lady Gaga | Music Video | MTV
www.mtv.com

Watch the full length Paparazzi (Live) music video from Lady Gaga for free on MTV.com.

September 14, 2009 at 6:07pm · Share

14,873 people like this.

View all 4,169 comments

Source: Adapted from Facebook, Atom Factory company documents.

Lady Gaga (A)

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Exhibit 5a Selected Postings from Lady Gaga's Facebook, September 2009 (Continued)

 Lady Gaga
Je vous adore paris! A bientot!! A newyork pour MTV music award militant rehearsal. Can't wait to see the haus, its gonnabe a killer weeked
September 10, 2009 at 8:54pm
👍 4,967 people like this.
💬 View all 1,043 comments

 Lady Gaga
VMA Best New Artist voting is still open, cast your Gaga vote daily until the show airs on Sunday!
 2009 MTV Video Music Awards } Best New Artist |
MTV.com
www.mtv.com
The 2009 MTV Video Music Awards is live Sunday, Sept. 13 at 9PM ET. Share your thoughts about the nominees, performers and guests before, during and after the show exclusively at MTV.com.
📅 September 9, 2009 at 9:07pm · Share
👍 3,994 people like this.
💬 View all 505 comments

 Lady Gaga
Thank u a million time to my beautiful fans for incredible time in London yesterday, those of u who camped..SUPERFANS in my heart till death
September 9, 2009 at 11:45am
👍 4,897 people like this.
💬 View all 927 comments

 Lady Gaga
"Paparazzi - The Remixes" available today, featuring remlxes of the hit single from the Demolition Crew, Moto Blanco, Stuart Price & Filthy Dukes. Click below to preview/purchase now!
iTunes Store
click.linksynergy.com
iTunes Store
📅 September 9, 2009 at 12:00am · Share
👍 3,576 people like this.
💬 View all 397 comments

 Lady Gaga
Check out Gaga's performance of "LoveGame" on The Ellen DeGeneres Show today!
Lady Gaga Live On Ellen September 8 2009 (LoveGame)
www.youtube.com
Subscribe
📅 September 8, 2009 at 11:18pm · Share
👍 5,679 people like this.
💬 View all 991 comments

Source: Adapted from Facebook, Atom Factory company documents.

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Lady Gaga (A)

Exhibit 5b Snapshot of Lady Gaga's Twitter Feed, August/September 2009

-  **ladygaga** Lady Gaga
God Bless New York and everyone whose life was stolen on 9/11.
Back home today, doing charity for the mercy center, then rehearsal. Xiloverny
11 Sep 09
-  **ladygaga** Lady Gaga
Je vous adore paris! A bientot!! A newyork pour MTV music award militant rehearsal. Can't wait to see the haus, its gonnabe a killer weeked
10 Sep 09
-  **ladygaga** Lady Gaga
Thank u a million time to my beautiful fans for incredible time in London yesterday, those of u who camped..SUPERFANS in my heart till death
10 Sep 09
-  **ladygaga** Lady Gaga
Three countries in one day today, wish i could kidnap a fan from each and bring them to the vma's
6 Sep 09
-  **ladygaga** Lady Gaga
Aaliyah marathon doing makeup, she's an angel
7 Sep 09
-  **ladygaga** Lady Gaga
Back to eastern europe for more inspiration miss my little monsters
6 Sep 09
-  **ladygaga** Lady Gaga
Day 8 of training for tour, miss my little monsters
1 Sep 09
-  **ladygaga** Lady Gaga
Co-headlining with kanye this fall, akon opening is a rumor
10 Aug 09
-  **ladygaga** Lady Gaga
Haus at work, planning for vma's, listening to depeche mode.
Good luck to all my future stars at laurie's audition, you're the future,loveux
20 Aug 09

Source: Adapted from Twitter, Atom Factory company documents.

Exhibit 6 Top 10 Twitter Accounts (By Followers), September 2009

Rank	Name	Twitter Handle	Following	Followers
1.	Ashton Kutcher	"aplusk"	201	3,319,000
2.	Ellen Degeneres	"TheEllenShow"	26	2,990,000
3.	Britney Spears	"britneyspears"	412,595	2,955,000
4.	CNN Breaking News	"cnnbrk"	18	2,677,000
5.	Twitter	"twitter"	56	2,149,000
6.	Oprah Winfrey	"oprah"	15	2,077,000
7.	Ryan Seacrest	"RyanSeacrest"	125	2,065,000
8.	Kim Kardashian	"KimKardashian"	70	2,042,000
9.	Shaquille O'Neal	"THE_REAL_SHAQ"	562	2,037,000
10.	Barack Obama	"BarackObama"	761,286	2,037,000

Source: Adapted from SimplyZesty.³⁹

Lady Gaga (A)

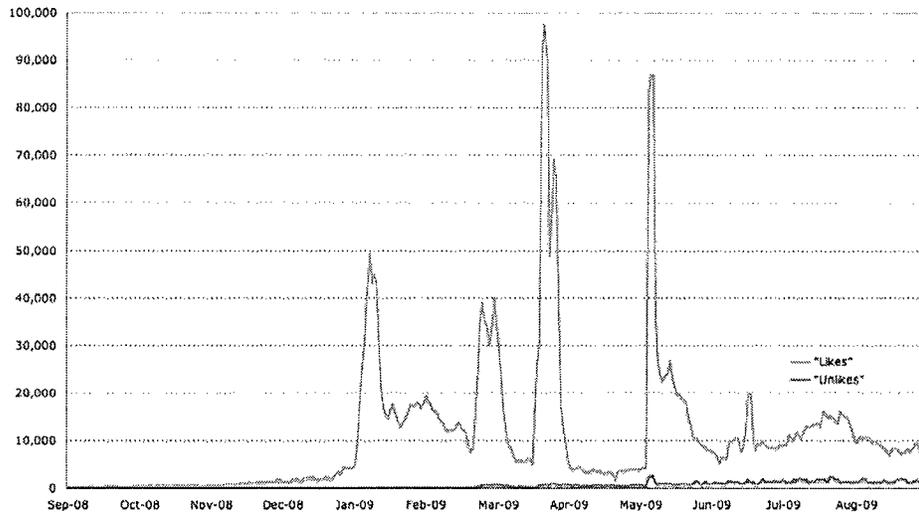
512-016

Exhibit 7 Lady Gaga on Facebook, Twitter and YouTube: Some Key Statistics

Platform	Metrics	Value as of September 2009
Facebook	Month of First Post	March 2008
	Total Posts	~500
	Total "Likes" of the Page	3,965,000
	Average Daily Page Views	13,200
	Average Daily "Likes" of the Posts	6,400
	Average Daily Comments on the Posts	1,000
Twitter	Month of First Tweet	March 2008
	Total Tweets	~300
	Total Followers	650,000
YouTube	Month of First Video Uploaded to Official Channel	May 2008
	Total Videos Uploaded to Official Channel	36

Source: Atom Factory company documents, Facebook, Twitter, and YouTube.

Exhibit 8a Lady Gaga on Facebook: Daily "Likes" and "Unlikes" of Lady Gaga's Page

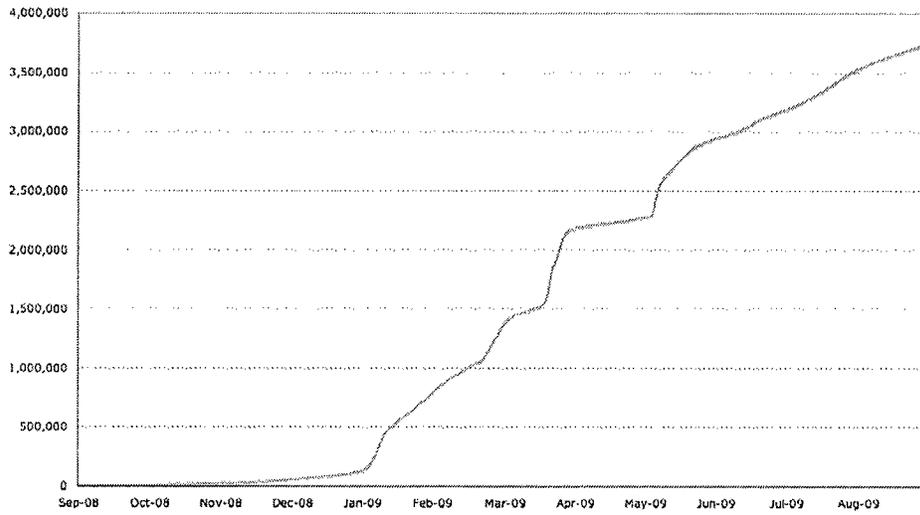


Source: Atom Factory company documents.

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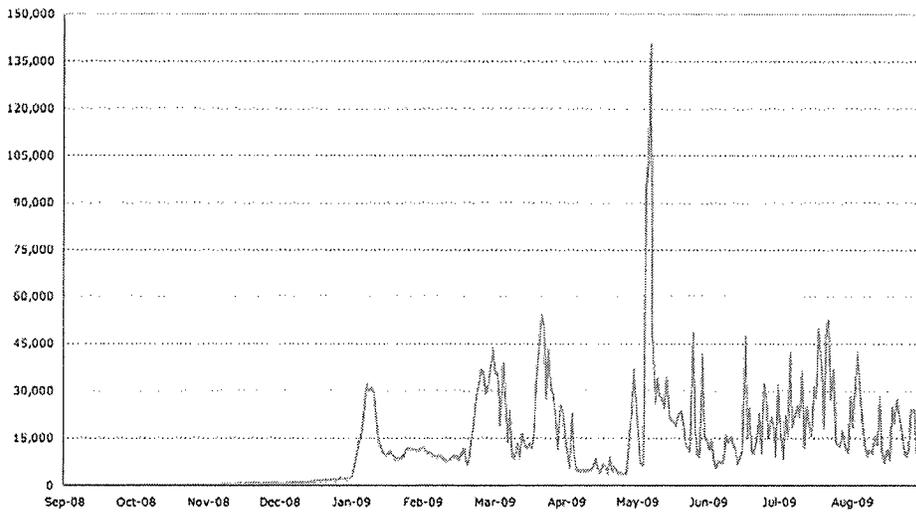
Lady Gaga (A)

Exhibit 8b Lady Gaga on Facebook: Cumulative "Likes" of Lady Gaga's Page



Source: Atom Factory company documents.

Exhibit 8c Lady Gaga on Facebook: Daily Page Views (by Unique Users) of Lady Gaga's Page



Source: Atom Factory company documents.

Lady Gaga (A)

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Exhibit 9 Kanye West and Lady Gaga's Planned *Fame Kills* Tour Dates

Date	Venue	City	Capacity
11/10/09	US Airways Center	Phoenix, AZ	19,000
11/11/09	Viejas Arena	San Diego, CA	12,200
11/13/09	Mandalay Bay Events Center	Las Vegas, NV	12,000
11/15/09	Honda Center	Anaheim, CA	19,400
11/16/09	Staples Center	Los Angeles, CA	20,000
11/18/09	ARCO Arena	Sacramento, CA	17,000
11/19/09	HP Pavilion	San Jose, CA	20,000
11/24/09	General Motors Place	Vancouver, BC	20,750
11/26/09	Pengrowth Saddledome	Calgary, AB	17,100
11/28/09	Rexall Place	Edmonton, AB	18,100
11/29/09	Credit Union Centre	Saskatoon, SK	17,250
12/02/09	Pepsi Center	Denver, CO	18,650
12/04/09	Scottrade Center	St. Louis, MO	21,000
12/09/09	American Airlines Arena	Miami, FL	20,000
12/11/09	Philips Arena	Atlanta, GA	20,000
12/12/09	Greensboro Coliseum	Greensboro, NC	23,500
12/13/09	Norfolk Scope Arena	Norfolk, VA	13,000
12/16/09	DCU Center	Worcester, MA	14,800
12/18/09	The Wachovia Center	Philadelphia, PA	21,000
12/19/09	1st Mariner Arena	Baltimore, MD	14,400
12/20/09	HSBC Arena	Buffalo, NY	19,250
12/22/09	Izod Center	East Rutherford, NJ	20,000
12/26/09	XL Center	Hartford, CT	16,500
12/30/09	Verizon Center	Washington, DC	20,500
01/03/10	Nassau Veterans Memorial Coliseum	Uniondale, NY	17,000
01/06/10	Air Canada Centre	Toronto, ON	19,800
01/08/10	Scotiabank Place	Ottawa, ON	19,150
01/11/10	Bell Centre	Montreal, QC	21,500
01/14/10	The Palace	Auburn Hills, MI	22,000
01/16/10	United Center	Chicago, IL	23,000
01/19/10	New Orleans Arena	New Orleans, LA	18,000
01/21/10	AT&T Center	San Antonio, TX	18,000
01/22/10	Toyota Center	Houston, TX	18,000
01/24/10	American Airlines Center	Dallas, TX	20,000

Source: Adapted from Atom Factory company documents, Pollstar.

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Lady Gaga (A)

Exhibit 10 The Cost of Touring: Arenas versus Theaters

Item	Arena Tour	Theater Tour
Start-up costs	\$12,000,000	\$6,000,000
Costs per concert^a		
Rent of the facility	\$150,000	\$50,000
Advertising	\$100,000	\$50,000
Personnel (musicians, staff, and crew), equipment rental, transportation, accommodation, security, catering, and insurance	\$450,000	\$270,000
Other costs and contingencies	<u>\$50,000</u>	<u>\$30,000</u>
	\$750,000	\$400,000

Source: Adapted from "The Business of Concert Promotion and Touring," by Ray D. Waddell, Rich Barnett, and Jake Berry, 2007, Billboard Books, New York, and case writers' estimates.

^a Based on a 25-concert tour, with an average capacity of 18,000 seats for arenas and 7,000 seats for theaters.

Lady Gaga (A)

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Lady Gaga (A)

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EXHIBIT C
TO THE DECLARATION OF
TROY CARTER



ANITA ELBERSE
MICHAEL CHRISTENSEN

Lady Gaga (B)

"The commercial success has been mind blowing. I am the girl that... Initially everyone said 'I don't get it' and shook their head."

—Lady Gaga¹

After emerging on the music scene in early 2008, Lady Gaga hit it big in the fall of 2009, with her second album, *The Fame Monster*, and her first solo tour, the *Monster Ball*. Gaga's star continued to rise throughout 2010, and by early 2011 she was one of the biggest names in entertainment. *Forbes* magazine ranked Gaga fourth in its 2010 "Celebrity 100" list, ahead of artists such as Britney Spears, Jay-Z, and Madonna.² "When Interscope celebrated its 20th anniversary last year, Gaga was featured as one of its top acts in the past two decades, alongside Eminem, The Black Eyed Peas, and U2—some of the biggest acts on the planet," said her manager Troy Carter, "It is amazing how far we have come in such a short time."

It was March 2011, and Carter was backstage at a sold-out Gaga concert in Boston's TD Garden. He reflected on the events one and a half years ago, when it had become clear that a co-headlining arena tour with Kanye West could not go ahead as planned. "The decision we made then, to pursue a solo tour but opt for smaller venues, became a defining moment in Lady Gaga's career. It allowed her to build a strong foundation for success, by connecting with live audiences, and it helped to promote her new album," he said. But Carter also knew he could not rest on his laurels—in fact, he now faced another set of critical decisions regarding the launch of Gaga's new album, *Born This Way*. Was a huge, expensive launch akin to that of a "tent-pole" movie the right way to capitalize on Gaga's popularity, or was a more moderate approach again the best way to proceed?

The *Monster Ball* Tour

Part One

Responding swiftly after the collapse of the *Fame Kills* tour with West, Gaga's team had announced a 22-concert tour on October 15, 2009, with a kick-off date in Toronto six weeks later in Montreal, Canada (see Exhibit 1).³ Addressing her fans, Gaga had said, "A message to all my little monsters: *The Fame Monster* will come out four days before the first live show. You have exactly 96 hours to learn all of the lyrics so you can sing along. Dress accordingly."⁴ The Haus of Gaga created an evolution-themed show that Gaga described as "the most beautiful, expensive-looking, delicious show" and "a pop-electro opera."⁵ The tour covered mid-size venues like Boston's Wang Center and New York's Radio City Music Hall—larger than clubs, but at least half the size of arenas.

Professor Anita Elberse and Michael Christensen (HBS MBA 2011) prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Lady Gaga (B)

"Opting for an arena tour would have been the equivalent of skipping high school," said Geiger, explaining: "Most artists who have a few songs on the radio never built up their fan base, performing-wise. They are huge all of sudden, they show up, and then their career lasts five minutes. We wanted to prevent that from happening." Carter agreed: "Doing the tour in smaller venues allowed us to avoid saturating demand immediately." Reflecting on the option of not touring at all, he said: "With her songs exploding on the air, we felt we had to be out there. If she would not do certain territories back then, she might not be able to come back for another year. And we had most of the resources for the tour—the people, part of the sets, and other elements of the infrastructure—already lined up and paid for. We would have lost the opportunity."

Most of the shows sold out (see Table A), but the tour was not a financial success for Gaga herself. "I actually went bankrupt after the first [part] of the *Monster Ball*," she commented, adding: "And it was funny because I didn't know! And I remember I called everybody and said, 'Why is everyone saying I have no money? This is ridiculous, I have five number one singles—and they said, 'Well, you're \$3 million in debt.'"⁶

Table A Lady Gaga's *Monster Ball* Tour (Until March 8, 2011)

	First Part (November 27, 2009 - January 26, 2010)	Second Part ^a (February 18, 2010 – March 8, 2011)
Number of events	22	110
Average capacity	7,100	14,300
Median capacity	6,500	14,300
Average % of tickets sold	96%	97%
Median % of tickets sold	100%	100%
Average gross (in \$US)	\$616,000	\$1,784,000
Median gross (in \$US)	\$462,000	\$1,610,000
Total gross (in \$US)	\$13,500,000	\$195,000,000

Source: Adapted from Pollstar, case writers' estimates.

^a The second part of the tour was scheduled to run until May 6, 2011 and cover 30 more dates.

Part Two

Keen to further build her career in touring, Carter stepped in: "I asked myself: 'Who is the best in the business?' I need to know how to launch a global tour, and how to protect Gaga financially." In January 2010, Carter turned to Live Nation's Arthur Fogel, who specialized in producing global tours for superstar acts, for help in expanding on the 22-show tour. Together, team Gaga and Live Nation planned a second *Monster Ball* tour, covering 140 shows in arenas around the globe, that upped the ante in terms of its production value. Around 120 people would be on the road with Gaga at all times, including four Live Nation employees. "We were only three months into the tour, but her new album was catching on in a major way, and after performing so well as a headliner in theaters, it was clear she was ready for larger venues," said Carter.

"We made a deal for Live Nation to come in and take over the promotion and producing of the global tour," remarked Fogel. WME agent Marc Geiger explained: "A global arena tour is costly and complex. Gaga did not want to compromise on the art, and Troy did not want the nightmare of having to manage costs—of having to pay vendors, and waiting for checks to clear. So we structured it as a net deal." Pointing out that such deals enable artists to "tour as efficiently as possible," Fogel

Lady Gaga (B)

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said: “Net deals are based on net earnings, as opposed to gross earnings, meaning it is no longer the artist’s responsibility to pay the production costs. And whereas in the past acts might have had to deal with dozens of promoters, this allows one promoter to carry the tour.”

Only three weeks after concluding the *Monster Ball*’s first part, Gaga starred in a revamped tour in Manchester, England, then going on to other arenas in the U.K., to Australia and Japan, back to Europe, and ending in the U.S., Canada, and Mexico (see **Exhibit 1**). In March 2011, with two months of touring still to go, total box-office grosses—close to \$200 million—already rivaled those of Madonna’s *Sticky and Sweet* and U2’s *360* tours (see **Table A**).

The Fame Monster Album

On November 23, 2009, two months after her breakthrough night at the 2009 MTV VMAs and while she was on the road, Lady Gaga released her second album, the eight-track *The Fame Monster*, to great commercial and critical success. Originally conceived as part of a re-release of *The Fame*, Gaga, Carter, and Interscope label executives eventually decided to release *The Fame Monster* as a stand-alone album. “It is a complete conceptual and musical body of work that can stand on its own two feet. It doesn’t need *The Fame*,” Gaga said.⁷

The album debuted at number five in the *Billboard* album chart and reached platinum status just three months after its release.⁸ The album’s first single, *Bad Romance*, was an instant hit, debuting at number nine in the *Billboard Hot 100* and eventually peaking at the number two spot.⁹ The lead single’s eye-catching video helped garner huge amounts of attention. The album’s follow-up singles *Telephone* (featuring Beyoncé) and *Alejandro* were also highly successful (see **Exhibit 2**).

Critical appreciation soon followed. Gaga collected a record-breaking 13 award nominations for the 2010 VMAs, eventually leading to eight wins. Later, she received five nominations for the even more prestigious Grammy Awards, ultimately winning two for Best Electronic/Dance Album (for *The Fame*) and Best Dance Recording (for *Poker Face*). Gaga received many more awards and accolades around the world.

A Popular-Culture Icon

By March 2011, Gaga had solidified her status as a fashion icon, led the way in social media, and was sought after as a partner for consumer-brand marketers.

Fashion

As Gaga’s musical star rose, so did her status in the fashion world. While the Haus of Gaga continued to produce much of her clothing for public appearances and touring, Gaga also developed relationships with leading fashion designers. One of her most notable early collaborators was British designer Alexander McQueen: Gaga wore McQueen’s clothes in her *Bad Romance* video (including his famous “lobster claw” heels), unveiled her single at McQueen’s fashion show, and dressed in an item from his collection at the 2010 VMA red carpet.¹⁰ Gaga partnered with Italian designer Giorgio Armani for the 2010 Grammy Awards as well as for *The Fame Monster*’s third music video, *Alejandro*.¹¹ And Gaga made a splash at the Paris winter fashion shows, modeling clothes for Haus of Gaga’s Nicola Formichetti in his new role as creative director of the fashion house MUGLER.

Her most memorable fashion moment was her final appearance at the 2010 VMAs, where she appeared in a dress made entirely out of raw meat to accept her Best Video award.¹² The “meat dress”, as it came to be known, caused a media sensation.¹³ Gaga upped the ante at the 2011 Grammy Awards, being carried into the ceremony inside a large egg-shaped vessel, held up high by latex-clad

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dancers. Gaga further was the subject of acclaimed fashion magazine *Vogue's* cover story in February 2011. The article noted that Gaga "demonstrates a commitment to outrageous self-presentation that makes every crazy costume worn by Elton or Cher or Madonna look like child's play."¹⁴ The Council of Fashion Designers of America had announced Gaga would receive its 2011 Fashion Icon Award.¹⁵

Social Media

Gaga and her team continued to exploit social media as a way to help her connect with her fans. In early July 2010 she became the most popular living person on Facebook with almost 11 million fans.¹⁶ Two months later, Gaga also became the most followed person on Twitter, amassing nearly 6 million followers and beating out former title-holder Britney Spears.¹⁷ Upon receiving the distinction, she posted a live video, thanking her fans for the honor:

"Hello world, this is Lady Gaga, queen of Twitter. I wanted to thank all of my beautiful little monsters for following me. Thank you for beginning my reign as Twitter queen. May you always have soft cuticles while tweeting. May you never have carpal tunnel."¹⁸

By March 2011, Gaga had around 8.5 million Twitter followers and 29 million Facebook fans (see **Exhibit 3**).¹⁹

Brand Partnerships

An indicator of her influence on popular culture, brands increasingly sought an association with Gaga. In 2009 and 2010, Gaga had embarked on a set of partnerships with several leading consumer-goods companies (also see **Exhibit 4**):

- **Beats by Dr. Dre:** Itself a partnership between Interscope chairman Iovine and legendary hip-hop producer Dr. Dre, Beats by Dr. Dre was a line of specialty high-end music headphones introduced in 2008.²⁰ In the fall of 2009, the brand revealed an extension, Heart Beats, that was co-designed by Gaga.²¹ An influential technology website described the \$100 in-ear headphones as "undeniably unique" and likely to "attract fashionistas far and wide."²²
- **Virgin Mobile:** The same day that *The Fame Monster* hit the shelves, mobile telephone network operator Virgin Mobile announced its sponsorship of the U.S. tour dates of the *Monster Ball* tour. The partnership was an extension of Virgin's Free I.P. program that rewarded fans with free tickets if they offered their time to help homeless-youth organizations.²³ Virgin Mobile USA re-upped the deal when the tour returned from Europe in the spring of 2010, extending its Free I.P. program, offering pre-sale tickets to Virgin customers, and working with Gaga to encourage fans to donate money— via text messages— to homeless-youth organizations at each of her live shows.²⁴
- **Polaroid:** In January 2010, Polaroid announced at the Consumer Electronics Show that Gaga had been appointed as creative director for a special line of products that would be released in the coming years. Gaga and her creative team planned to take an active part in the relationship, she said: "Lifestyle, music, art, fashion! I am so excited to extend myself behind the scenes as a designer and to—as my father puts it—finally have a real job."²⁵
- **MAC Cosmetics:** In February 2010, Gaga joined 1980s pop legend Cyndi Lauper as the latest celebrities to feature in MAC Cosmetics' Viva Glam advertising campaign. Established in 1994 to support the MAC AIDS fund, Viva Glam had enlisted the support of several big-name singers, including Christina Aguilera, Eve, and Mary J. Blige as part of the campaign. MAC also released products bearing Gaga's name.²⁶ "They have sold more lipstick through Gaga than they had ever done before," said Atom Factory's Bobby Campbell.

Lady Gaga (B)

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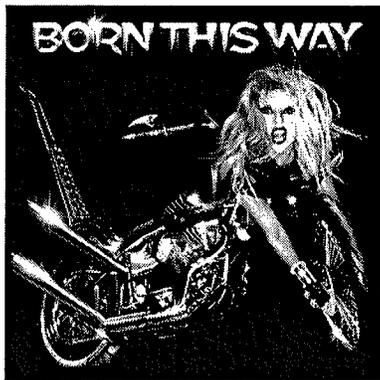
"Brand relationships are very important to Gaga, but she has never done a true endorsement, in the sense of her holding up a certain product, telling people 'Hey, I'm Lady Gaga, go buy this.' These products are right in line with who she is," observed Campbell, pointing out that it was up to her marketing team to figure out how to leverage the partnerships: "For instance, Polaroid has a great relationship with electronics retailer Radioshack—is there is something we can do with that?"

Next Up: Launching *Born This Way*

Gaga recorded a new album, titled *Born This Way*, while on the *Monster Ball* tour. "We worked on the record for about a year and a half," said Vincent Herbert, who served as the executive producer, and again was joined by producer Red One. Herbert recalled: "I've never made a record like this. The only way in which we could possibly do this was to be there where the tour was. So we used a studio bus that stopped in each of the cities she visited. She would come off of playing for 20,000 people, and then go into this little bus and make the record." He was delighted with the result: "The songs are huge because of the adrenalin and rush from the crowd. It just turned out to be phenomenal. I can't wait for the world to hear it." Carter agreed: "She has overachieved on this new album."

While Herbert and Gaga put the finishing touches on the album (see **Figure A** for the cover art), Carter, Campbell, and Steve Berman, now vice chairman at Interscope Geffen A&M, focused on

Figure A Lady Gaga's *Born This Way*



Source: Company documents.

week of release, the song had already sold 1.25 million copies (450,000 in week one, 500,000 in week two, and 300,000 in week three), catapulting it to three consecutive number one spots on the *Billboard Hot 100*.

What Is The Best Launch Strategy for the Album?

With the first single release behind them, Carter and his team's attention shifted to the album release, less than two and a half months away. "We've laid the groundwork, but it will all come down to these last few months," said Carter. The team was debating two strategic approaches.

One option was to pursue as wide a rollout as possible, with an intensive marketing effort to support it—"much like opening this as a movie blockbuster in the summer months," clarified Berman. "We can do that because of who she is—she is a part of culture now, and has an enormous

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platform," commented Herbert. However, the team knew the strategy would be a significant drain on resources: "With an artist of Gaga's caliber, reaching full potential means doing things on an enormous scale," Carter said, "And a launch of such scale can't be done with just a record label—they don't have the resources. In order for the album to be everywhere, we would need non-traditional retail relationships." "A big movie launch costs tens of millions of dollars in advertising alone—we don't have those kinds of budgets," added Berman, "And if we want to go beyond the record stores and other traditional music retailers like Walmart and Best Buy, we have to pursue marketing alliances and work with super fans, bloggers, and the press—and do so around the world."

Another option, however, was to **opt for a more moderate, less wide-reaching and therefore less costly, approach, and rely on positive word-of-mouth to propel the album**—much like the approach that had been so successful on the touring side. "Once you saturate demand, you don't have hysteria," Geiger said about the philosophy underlying such a strategy: "Underserving the market can be the best course of action—it certainly worked for *The Monster Ball* tour." Under this option, team Gaga would work only with conventional music retailers on a fairly typical album release—but count on Gaga's popularity and the avidity of her fans to carry the album. Such an approach would eliminate the need to work and coordinate with brand partners on the launch, which was far from easy. "In the music industry, everything is done within months. The corporate world is playing on a different time scale. They often set marketing strategies two years in advance," commented Carter.

How difficult working with partners could be had become evident the day Carter was backstage in Boston's TD Garden: a deal with retailing giant Target that would have guaranteed a large distribution footprint for Gaga's album had collapsed. The deal intended to give Target exclusive retail rights to a special version of the album. However, the partnership broke down over Target's support for political candidates who opposed gay rights. While Target maintained it was committed to the gay community, the retailer had drawn considerable criticism from gay groups.²⁷ Describing Gaga as an "activist" and disclosing that he had spent the better part of his day on the issue, Carter said: "We simply had to pull the plug on the deal." "It was a great opportunity, to be affiliated with Target. They were going to give us an incredible amount of 'real estate' in the store, were going to spend millions of dollars advertising the Gaga brand upon the album release, and would help us sell licensed merchandise and apparel. It was a partnership to drive big business," commented Berman, "but when you step back, you are still dealing with an artist, and you can never forget that. We have to stay credible and authentic."

As Carter made his way through TD Garden's hallways to the stadium floor—"the best place to experience the concert," as he put it—he reflected on the day's events. With the release date less than two months away, how should he proceed with the launch strategy? What would be the best way to ensure success for *Born This Way*, and for Gaga's future endeavors?

Lady Gaga (B)

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Exhibit 1 Lady Gaga's *Monster Ball* Tour: Selected Events (November 2009—March 2011)

Date	Headline Act	Supporting Acts	Venue, City	Capacity	% Sold	Gross
11/27/09	Lady Gaga	Kid Cudi	Bell Centre, Montreal, Canada	12,800	94%	\$548,000
11/29/09	Lady Gaga	Kid Cudi, Semi Precious Weapons	Scotiabank Place, Ottawa, Canada	8,100	93%	\$368,000
12/01/09	Lady Gaga	Kid Cudi	Wang Theatre, Boston, MA	3,500	100%	\$386,000
12/02/09				(2 shows)		
12/03/09	Lady Gaga	Kid Cudi	Susquehanna Bank, Camden, NJ	7,100	100%	\$291,000
...						
01/08/10	Lady Gaga	Jason Derulo, Semi Precious Weapons	Rosemont Theatre, Rosemont, IL	4,300	98%	\$610,000
01/10/10				(3 shows)		
01/12/10	Lady Gaga	Jason Derulo, Semi Precious Weapons	Joe Louis Arena, Detroit, MI	8,200	99%	\$750,000
01/13/10				(2 shows)		
01/20/10	Lady Gaga	Jason Derulo, Semi Precious Weapons	Radio City Music Hall, New York, NY	5,900	100%	\$1,361,000
01/24/10				(4 shows)		
01/26/10	Lady Gaga	Jason Derulo, Semi Precious Weapons	Elliott Hall of Music, West Lafayette, IN	5,800	100%	\$199,000
...						
02/18/10	Lady Gaga	Alphabeat, Semi Precious Weapons	Evening News Arena, Manchester, UK	16,900	99%	\$771,000
02/20/10	Lady Gaga	Alphabeat, Semi Precious Weapons	The O2, Dublin, Ireland	12,600	100%	\$1,256,000
02/21/10				(2 shows)		
02/22/10	Lady Gaga	Alphabeat, Semi Precious Weapons	Odyssey Arena, Belfast, UK	10,000	100%	\$441,000
02/26/10	Lady Gaga	--	The O2, London, UK	16,800	100%	\$1,636,000
02/27/10				(2 shows)		
...						
03/03/11	Lady Gaga	Scissor Sisters, Semi Precious Weapons	Air Canada Centre, Toronto, Canada	16,500	100%	\$1,879,000
03/04/11	Lady Gaga	Scissor Sisters	HSBC Arena, Buffalo, NY	15,500	100%	\$1,581,000
03/06/11	Lady Gaga	Scissor Sisters	Scotiabank Place, Ottawa, Canada	14,300	100%	\$1,510,000
03/08/11	Lady Gaga	Scissor Sisters, Semi Precious Weapons	TD Garden, Boston, MA	14,400	100%	\$1,526,000

Source: Adapted from Pollstar.

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Exhibit 2 Unit Sales for *The Fame* and *The Fame Monster* in the U.S. (as of March 2011)

Album / Song	Album Sales	Track Sales
<i>The Fame</i>	4,084,000	
1. <i>Just Dance</i> (featuring Colby O'Donis)		6,051,000
2. <i>LoveGame</i>		2,351,000
3. <i>Paparazzi</i>		2,947,000
4. <i>Poker Face</i>		6,016,000
5. <i>Eh, Eh (Nothing Else I Can Say)</i>		286,000
6. <i>Beautiful, Dirty, Rich</i>		301,000
7. <i>The Fame</i>		185,000
8. <i>Money Honey</i>		88,000
9. <i>Starstruck</i>		685,000
10. <i>Boys Boys Boys</i>		268,000
11. <i>Paper Gangsta</i>		163,000
12. <i>Brown Eyes</i>		46,000
13. <i>I Like It Rough</i>		80,000
14. <i>Summerboy</i>		72,000
<i>The Fame Monster</i>	1,432,000	
1. <i>Bad Romance</i>		4,622,000
2. <i>Alejandro</i>		2,128,000
3. <i>Monster</i>		247,000
4. <i>Speechless</i>		234,000
5. <i>Dance in the Dark</i>		152,000
6. <i>Telephone</i>		2,841,000
7. <i>So Happy I Could Die</i>		135,000
8. <i>Teeth</i>		105,000
Total	5,516,000	30,042,000

Source: Adapted from Nielsen SoundScan.

Lady Gaga (B)

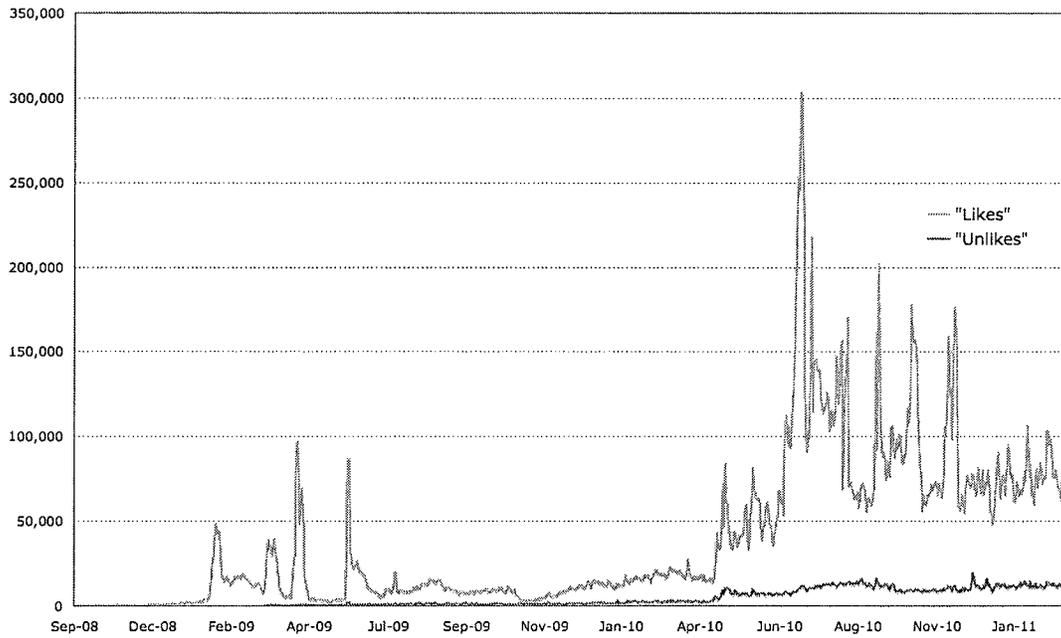
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Exhibit 3a Lady Gaga on Facebook, Twitter and YouTube: Some Key Statistics

Platform	Metrics	Value as of March 2011
Facebook	Total Posts	~1,200
	Total "Likes" of the Page	34,860,000
	Average Daily Page Views	51,000
	Average Daily "Likes" of the Posts	22,000
	Average Daily Comments on the Posts	3,500
Twitter	Total Tweets	~600
	Total Followers	8,500,000

Source: Atom Factory company documents, Facebook, Twitter, and YouTube.

Exhibit 3b Lady Gaga on Facebook: Daily "Likes" and "Unlikes" of Lady Gaga's Page

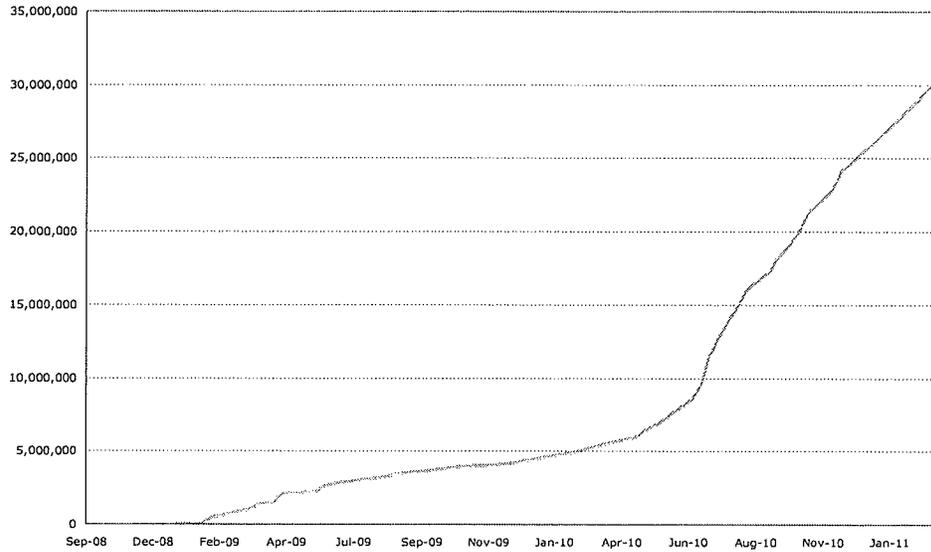


Source: Atom Factory company documents.

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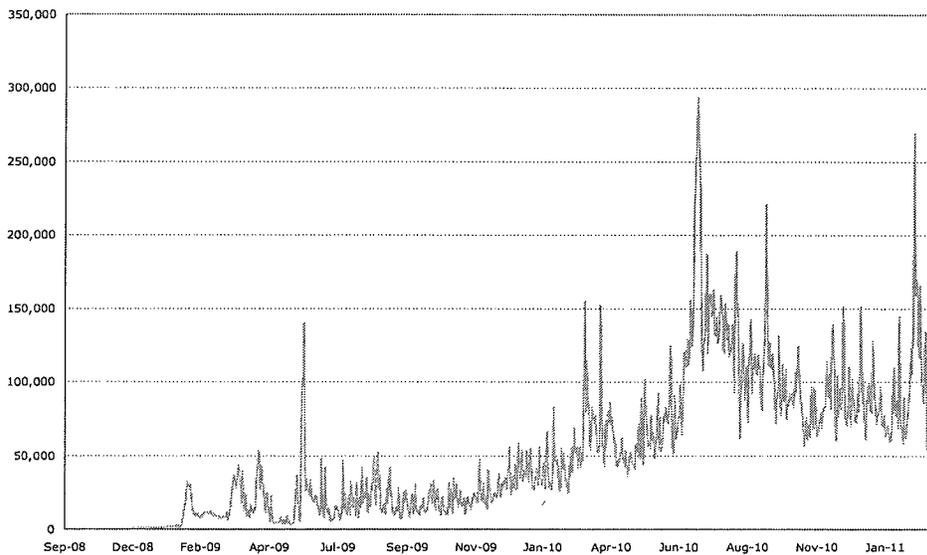
Lady Gaga (B)

Exhibit 3c Lady Gaga on Facebook: Cumulative "Likes" of Lady Gaga's Page



Source: Atom Factory company documents.

Exhibit 3d Lady Gaga on Facebook: Daily Page Views (by Unique Users) of Lady Gaga's Page



Source: Atom Factory company documents.

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Exhibit 4a Virgin Mobile's Sponsorship of *The Monster Ball Tour*

Virgin mobile

PRESENTS THE
MONSTER BALL
TOUR

STARRING
LADY GAGA

Virgin Mobile is excited to present The Monster Ball Starring Lady Gaga. Lady Gaga is the first artist in the history of modern radio to have four #1 hits from a debut album.

Through The RE'Generation's Free.I.R. program, you can earn free tickets to see Lady Gaga by volunteering at homeless youth organizations near you. To learn how, and for more info on the tour, [click here](#).

> Get Gaga Ringtones

Tour Dates

12/1 - Boston	1/3 - Orlando
12/2 - Boston	1/7 - St. Louis
12/3 - Camden	1/8 - Chicago
12/13 - San Francisco	1/9 - Chicago
12/14 - San Francisco	1/10 - Chicago
12/17 - Las Vegas	1/12 - Detroit
12/18 - Las Vegas	1/13 - Detroit
12/19 - San Diego	1/14 - West Lafayette, IN
12/21 - Los Angeles	1/16 - Atlantic City
12/22 - Los Angeles	1/17 - Wallingford, CT
12/23 - Los Angeles	1/18 - Uncasville, CT
12/28 - Atlanta	1/20 - New York City
12/29 - Atlanta	1/21 - New York City
12/31 - Miami	1/23 - New York City
1/2 - Miami	1/24 - New York City

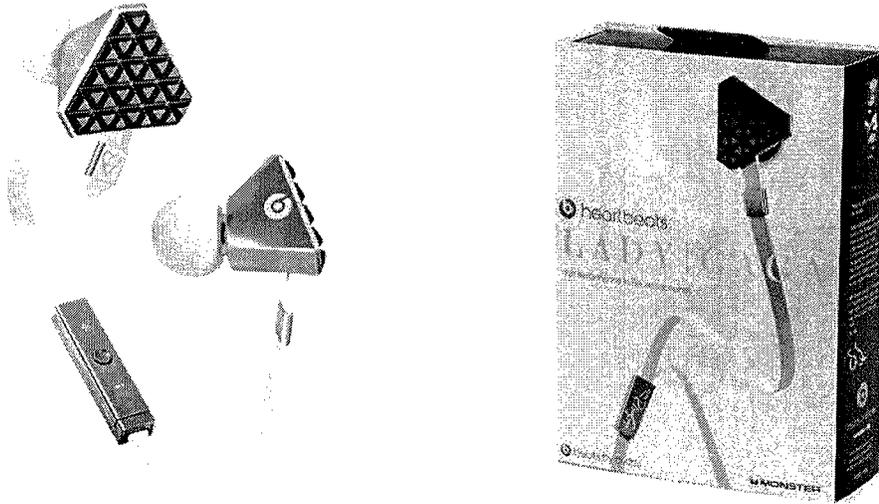
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Source: Atom Factory company documents.

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Lady Gaga (B)

Exhibit 4b Gaga's Beats by Dr. Dre "Heartbeats" Headphones



Source: Atom Factory company documents.

Exhibit 4c Mac Cosmetics' Viva Glam Gaga Lipstick and Lipglass



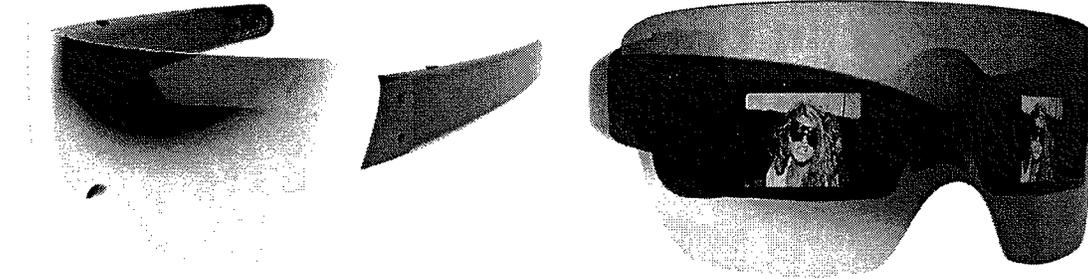
Source: Atom Factory company documents.

Lady Gaga (B)

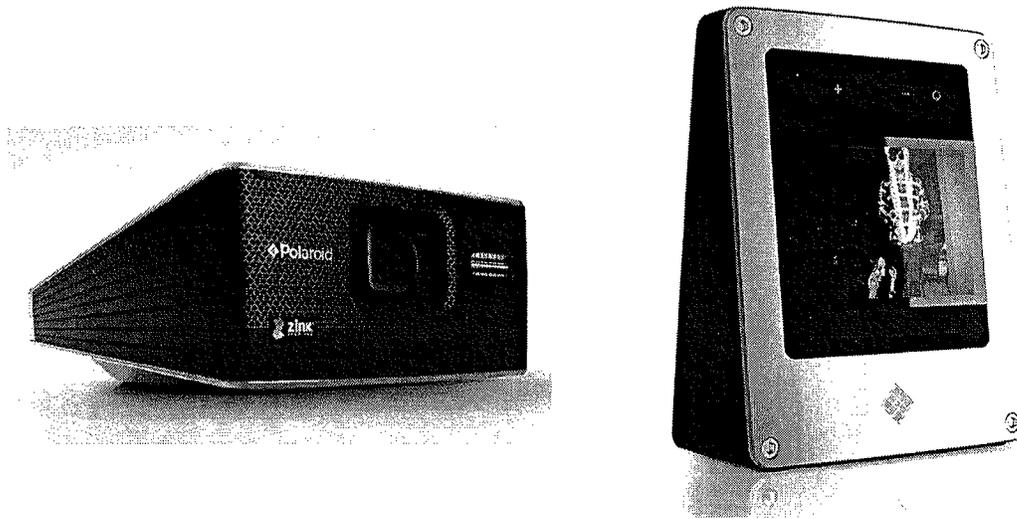
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Exhibit 4d Polaroid Products Designed by Gaga

Camera Glasses



Instant Digital Camera



Source: Atom Factory company documents.

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