

# ASCAP



# 2001 ANNUAL REPORT

World Radio History

# A Message from the President

**"We are a membership organization with a Board of Directors that is elected by members and answers only to its members. We believe firmly in a transparent distribution system, one that is open and accessible."**

ASCAP continued to strengthen its global leadership in 2001 as the foremost performing rights organization in revenue collections, royalty distributions to members, advocacy on behalf of music creators and technological innovation. There were historic developments at ASCAP related to the governance of the Society that will yield positive results for our members going forward.

The new consent decree agreed upon by ASCAP and the Department of Justice after over five years of negotiation, was approved and is now in effect. The Second Amended Final Judgement, or AFJ2, is a positive thing for ASCAP members and for those who use our music. For members, AFJ2 eliminates most of the requirements that were imposed on ASCAP by the 1960 Order, but not on other performing rights organizations. AFJ2 creates a level playing field and that is good for everyone.

For those who use our music, AFJ2 defines many previously undefined terms, such as those referring to particular types of licenses. This should reduce needless litigation. Also, rate proceedings, which in the past have dragged on for years in the courts, will be streamlined. This will save considerable effort and money for both ASCAP members and music users. New types of music uses, such as the Internet, are also taken into account in the new licensing provisions.

ASCAP's basic principles, of course, will not change. We are a membership organization with a Board of Directors that is elected by members and answers only to its members. We believe firmly in a transparent distribution system, one that is open and accessible, and uniform application of distribution

rules. We also believe in the freedom of writers and publishers, if they so choose, to resign from membership without constraint. Membership in ASCAP offers a clear advantage to music creators. The other U.S. performing rights organizations do not make it easy to resign, which I think speaks to one of our strengths as a membership association. We have an exceptional track record of long-standing members, and I think the reason is that ASCAP members know this is truly their organization. No other U.S. performing rights organization can make that claim.

As a result of AFJ2, in the latter part of 2001, the ASCAP Board of Directors undertook a full review of ASCAP's Articles of Association to recommend necessary revisions and to find ways to make ASCAP even more effective and efficient in meeting the needs of our membership. After careful study and deliberation, the Governance Committee of the ASCAP Board ultimately recommended 35 amendments to the Articles of Association, which were recently overwhelmingly approved by a vote of the membership. This process, from beginning to end, again demonstrated the positive democratic principles that govern ASCAP, America's only member-run performing rights organization, where members truly have a voice.

We have learned that we must use this voice to get our message across. In 2001, ASCAP remained at the forefront of efforts to shape public policy on matters that affect our livelihoods as creators and copyright owners.

As part of the Airline Security Bill signed into law after September 11th, members of Congress were considering barring musical instruments from the main cabin of commercial aircraft. Many ASCAP members play delicate or expensive musical instruments. The



**Pictured from the top (l-r):** ASCAP Founders Award honoree Tom Waits with ASCAP President and Chairman Marilyn Bergman at the 2001 Pop Awards; Bergman with ASCAP Founders Award recipient Arturo Sandoval and Carmen Sandoval at the 2001 Latin Music Awards; Lyle Lovett with Congressman Howard Coble (R-NC), Chairman of the House Judiciary Committee's Courts, the Internet and Intellectual Property Subcommittee.

**Pictured on the cover (from the top, l-r):** ASCAP 2001 Country Songwriters of the Year Keith Follese and Phil Vassar; 2001 Latin Music Publisher of the Year Universal's VP of Universal Music Publishing Group/Latin Ivan Alvarez, ASCAP President and Chairman Marilyn Bergman and ASCAP Board member and VP of Universal Music Publishing Group David Renzer; Rhythm and Soul Songwriters of the Year Jermaine Dupri and Timbaland; 2001 Film and Television Music Award honoree Diane Warren; 2001 ASCAP Founders Award recipient Elmer Bernstein; Latin Songwriter of the Year Omar Alfanno; 2001 Pop Songwriters of the Year Max Martin and Andreas Carlsson; 2001 Pop, Rhythm and Soul and Country Publisher of the Year EMI's Big Jon Platt, ASCAP CEO John LoFrumento, EMI Music Publishing CEO Martin Bandier, EMI's Jody Gerson, Bob Flax and Brian Jackson.

## ASCAP Legislative Leadership

risk of damage or loss is too great to check them in the cargo hold. All of us in the music community worked together and were successful in ensuring that the ban did not become part of the bill. Musicians will continue to be allowed to carry musical instruments onboard with them.

Many of you may remember the so-called "Fairness in Music Licensing Act," signed into law in 1998, which exempted bars, restaurants and retail stores under a certain size from paying music licensing fees for radio-over-speaker and TV set music. In an interesting, but not altogether unexpected development, the World Trade Organization found that by passing this law, the United States failed in its obligation under international treaties to protect the copyrights of songwriters, composers and music publishers from other countries. As a result, the United States has been asked to pay a fine of over \$3 million to compensate foreign writers and publishers for passage of this ill-conceived law.

ASCAP also faced some very clear challenges to our copyrights in 2001. Among these challenges were efforts by music users to create or expand exemptions for the use of copyrighted music on the Internet, along with efforts to enact compulsory licenses. The argument is that copyright "reform," which is another word for copyright "erosion," is necessary to stimulate the online music marketplace. No matter what you call it, it chips away at our rights.

A bill introduced last August, H.R. 2724, the Music Online Competition Act, or "MOCA" bill, is one such effort. It was introduced by Congressmen Chris Cannon of Utah and Rick Boucher of Virginia. Both men serve on the House Judiciary Committee. ASCAP has been



Senator Patrick Leahy (D-VT), Marilyn Bergman and Senator Orrin Hatch (R-UT)

vigorously working to head off the passage of the bill as it now reads by meeting with Congressmen Cannon and Boucher as well as other members of Congress to help them understand and appreciate the creator's perspective. We have also brought our message to the digital music and media communities directly through public advocacy at important conferences and public policy forums.

The advocates for this legislation are not rights holders, but technology companies represented by the Digital Media Association. They claim to want to "clarify" rights issues and "simplify" licensing so that digital media companies can deliver to consumers the music they want to hear, that is, the music we write.

The efforts to "clarify" rights – another euphemism here – really amount to efforts to eliminate certain rights by creating expanded and new exemptions from paying copyright holders for online music use. The efforts to "simplify" licensing really amount to compulsory licensing.

They are trying to do what every new type of music user has done in the past: find a way to get our music as cheaply as they can so that they can build their business models for their own maximum profit.

History has shown us that in most cases the compulsory license fee is determined at a value far less than the fair value we would negotiate with those who want to use our music. The essential unfairness of this request is shown by the fact that online music providers would never agree to be told how much they can charge the consumer for the service or product they sell, which depends on

our music for its value. That would be considered – horror of horrors – price controls. But they have no compunctions about seeking what are essentially price controls on the use of our music.

They are trying to frame compulsory licensing as a positive thing for music creators, claiming it will increase licensing compliance by digital media companies. ASCAP has already licensed over 2,500 web sites and continues to license more. The many license agreements now in effect prove that legislation is not needed to force compliance. The only thing needed is willingness on the part of technology companies to do the right thing, agree to pay for the property – our property – property they use, and to negotiate rates in good faith.

The marketplace for online music continues to evolve, and we believe it will adapt to new business models as they emerge. In fact, the last few years have shown us that without legislation, the marketplace is adapting for the benefit of all parties.

We believe it should continue to work, without legislative intervention. ASCAP will continue to defend our members' rights to be paid fairly for their work. To this end, having an active Political Action Committee (PAC) is essential to insuring that we continue to have the ability to support our interests. I urge you to make a personal contribution to the ASCAP Legislative Fund for the Arts.

The events of September 11th and the past year have reminded us of how vital a role music plays in our lives, lifting spirits, bringing people together and contributing in no small way to healing the pain. Moving forward, we are determined as ever to protect the rights of our members – America's greatest songwriters and composers – to earn a living from their creative work, so that the ASCAP repertory continues to be one of our nation's most valuable resources.

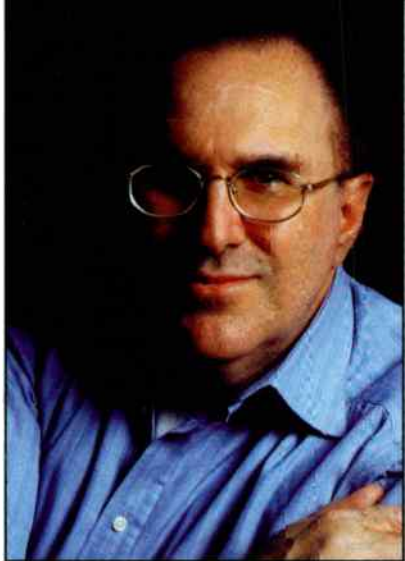
Marilyn Bergman  
President and Chairman of the Board



Senator Hillary Clinton (D-NY), Marilyn Bergman and Senator Barbara Boxer (D-CA).

# The CEO's Report

"Our ultimate measure of success is more money in our members' pockets. To continue on our path of increasing distributions, ASCAP is leading the way to ensure the future of music by licensing new media and aggressively protecting your copyrights in the digital world."



Early in 2001, I announced that one of our goals was for ASCAP to become the first performing rights organization in the world to distribute over one-half billion dollars to our members. I am very proud to report that we have achieved that goal.

Our distributions in 2001 reached an all-time high of \$509 million. Of that amount, \$122 million was for foreign performances of your works. Our credit value in 2001 was \$5.67, which was up seven percent over the prior year's credit value. That is the ultimate measure of our financial success – more money in our members' pockets.

We achieve this important milestone of distributing over one-half billion dollars to our members through a combination of increased revenues and aggressive expense control.

We collected \$646 million in revenues in 2001, up 12% over the prior year. We have also become a more efficient operation. This year, our operating ratio was the lowest ever, 14.7%, marking the third consecutive year that our expenses have been under 16%. ASCAP members enjoy one of the lowest expense ratios in the world, and certainly the lowest in the United States.

Our revenue growth was led by cable, largely as the result of settlements with cable operators for locally originated programming and with two major cable services: Turner Broadcasting and Viacom.

For more than a decade, we have been involved in two separate rate court proceedings to determine license fees with the cable industry. One proceeding involved the cable operators, such as

Cablevision, regarding license fees for locally originated programming. We reached an agreement with the cable operators in the year 2000, which generated over \$30 million in special distributions in the years 2000 and 2001.

The other rate court proceeding involved the cable services, led by the Turner Broadcasting System. We were successful in negotiating an agreement with Turner in September 2000, which resulted in a special distribution of \$11.6 million in 2001.

As a result of our 2001 agreement with the Viacom cable networks, ASCAP made another special distribution of \$62 million early in 2002.

ASCAP has distributed over \$103 million above our normal distributions in retroactive fees for the years 1990 through 1999. *No other U.S. performing rights organization has paid out this level of money to their songwriters, composers and publishers.*

We're hopeful that our current negotiations with the remaining cable services will lead to settlements in the near future.

We also received significant payments from radio in 2001. Our radio receipts were at an all time high of \$181 million. Radio stations pay ASCAP monthly based on their prior year's annual report of ad revenues. However, since radio ad revenues have recently declined, our radio receipts for 2002 will not reach the levels attained in 2001.

Our general licensing revenues continued to grow in 2001 with record high collections totaling over \$80 million. The growth in receipts from hotels, bars and grills was especially notable. Among our accomplishments in general licensing was negotiating a new type of



**Pictured from the top:** ASCAP CEO John LoFrumento with 2001 Rhythm and Soul Publisher of the Year Warner/Chappell's Chairman and CEO Les Bider and Executive VP/General Manager Rick Shoemaker; with Jolyon Skinner, co-writer of the hit song "I Want to Know" from *The Wood* and co-publisher and SVP of Zomba Enterprises Neil Portnow at the 2001 ASCAP Film and TV Awards; and with Rudy Perez, a multiple winner at El Premio ASCAP Latin Music Awards, and Rudy's wife, Betsy Perez.

# ASCAP Licensing Plus Technology Equals Leadership

# 2001

license with local governments for municipalities' use of music.

Our financial picture for 2002 is bright, even with a projected downturn in radio. Cable will continue to be an area of revenue growth for ASCAP members as will the Internet and general licensing. We will continue to pursue new revenues sources, and, we will continue to be fiscally responsible to you by running an efficient organization.

Some areas of operation will need investment, such as the legal and legislative areas, to meet the many challenges we face at this critical time. At the same time, we will keep our operating expenses under control by taking advantage of technology to achieve efficiencies in other areas and to improve service.

Our ultimate measure of success is more money in our members' pockets. To continue on our path of increasing distributions, ASCAP is leading the way to ensure the future of music by licensing new media, devel-

oping new technologies and aggressively protecting your copyrights in this challenging digital world.

In 2001, ASCAP began licensing two new categories of music use – cellular phone ringtones and digital satellite radio. We have already included royalties from cellular ringtones in our most recent distribution.

Technological innovation is fueling many opportunities, not just in licensing. ASCAP's business development arm, ASCAP Enterprises, is working with a number of technology companies to research the potential for a comprehensive music tracking system, using watermarking and fingerprinting technology.

We are also using technology to make your professional lives a little easier in other ways. We have introduced several new online tools this past year. You can now register your titles online at the ASCAP website, [ascap.com](http://ascap.com). This makes registering your titles quick and easy, streamlines the process, and improves accuracy.

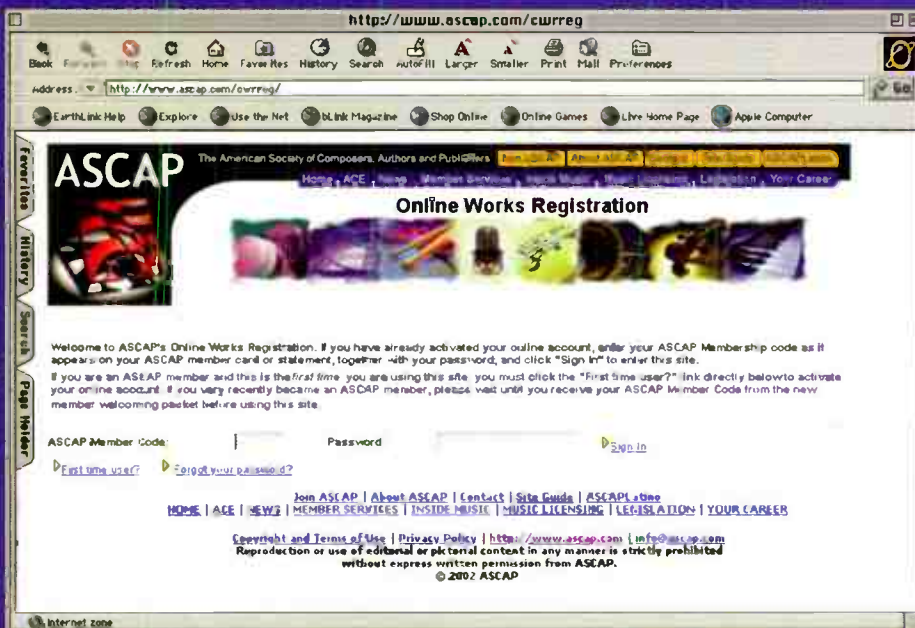
This has become the preferred method of registering titles.

ASCAP also utilizes the most advanced digital tracking technologies to assist in our surveys of performances of radio and television. That technology combined with data provided by our licensees and the efforts of ASCAP's staff of music experts has helped expand ASCAP's survey of radio to over 600,000 hours and our survey of local television to more than 7.5 million performances. ASCAP's survey of cable television includes 45 census channels and the most extensive sample survey in use today.

The ASCAP membership has grown to well-over 130,000. We welcomed over 18,000 new members in 2001 alone. The number of songwriters and composers choosing to join ASCAP has been increasing exponentially year-by-year.

I feel very fortunate to have the very best senior management team in place to lead the hard-working and dedicated staff of ASCAP. It is our clear mission to give ASCAP members the highest payments and the very best service.

Change is happening at a very rapid pace. To be effective on behalf of our members, ASCAP has to be on the cutting edge of change from a business perspective. But no matter how much changes, there is one thing that remains constant: The ASCAP repertory, the music that you, our members, write and publish, remains the most popular music in the world.



ASCAP's new Online Works Registration feature at [www.ascap.com](http://www.ascap.com) makes registering your titles quick and easy.

*John A. LoFrumento*

John A. LoFrumento  
Chief Executive Officer

# THE ASCAP DIFFERENCE

**ASCAP is the only U.S. performing rights organization owned by writers and music publishers. Creators have a voice in setting the course of the organization.**

ASCAP is the only performing rights organization in the United States owned by composers, lyricists and music publishers. The ASCAP Board of Directors is made up entirely of writers and publishers elected from and by the membership every two years. Writer members elect 12 writers to sit on the Board, and publisher members elect 12 publishers.

*The ASCAP Board knows the needs of the members first-hand and they represent no other outside interest group, i.e. broadcasters or other profit driven third parties. Who better to speak for music creators than music creators themselves. The Board has a clear agenda – to provide the fairest and highest level of payments, the best service and the best copyright protection for the membership. They do this by meeting regularly to set policy and by serving on various Board committees which provide oversight and direction to a professional management team in all areas of ASCAP's operation.*

Members of the Board are appointed to serve on these committees by ASCAP's President and Chairman. The committees report their deliberations and recommendations to the entire Board where final decisions are made. Key committees include Awards, Executive, Finance, Foreign Relations, Legislative, Marketing, Membership,

New Technologies, Survey & Distribution and Symphonic & Concert.

Having a very active and talented Board of ASCAP members has resulted in a long list of ASCAP advantages:

- ★ ASCAP pays significantly more money
- ★ ASCAP pays more often
- ★ ASCAP's distribution system is based on fairness and openness
- ★ ASCAP leads in securing rights
- ★ ASCAP members have a voice
- ★ ASCAP fights harder for your rights
- ★ ASCAP provides more career development help

## Among the Owners of ASCAP...

From the top (l-r)  
Alanis Morissette,  
Alf Clausen, Jakob  
Dylan, Erykah Badu,  
José Feliciano,  
John Corigliano,  
Stephen Sondheim,  
Sean Combs and  
Emmylou Harris



## ASCAP MEMBERS HAVE A VOICE

Each year, ASCAP holds membership meetings in Los Angeles, New York and Nashville during which members have the opportunity to learn about the operation from the president and staff and to ask questions and voice concerns. Pictured are members at the New York meeting during the Q&A session. Pictured at the podium are (l-r) CEO John LoFrumento, Executive Vice President Todd Brabec and President and Chairman Marilyn Bergman.



# Board of Directors

## WRITER MEMBERS



Marilyn Bergman  
President and Chairman  
*Lyricist*



John Bettis  
*Lyricist*



Cy Coleman  
*Composer*



Hal David  
*Lyricist*



Mark Isham  
*Composer*



Jimmy Jam  
*Songwriter*



Johnny Mandel  
*Composer*



Stephen Paulus  
*Composer*



David Raksin  
*Composer*



Jimmy Webb  
*Songwriter*



Paul Williams  
*Songwriter*



Doug Wood  
*Composer*

## PUBLISHER MEMBERS



Freddy Bienstock  
*Carlin America*



Joanne Boris  
*EMI Music*



Arnold Broide  
*Theodore Presser*



John Eastman  
*MPL Communications*



Nicholas Firth  
*BMG Music*



Donna Hilley  
*Sony/ATV Music*



Dean Kay  
*Lichelle Music*



Leeds Levy  
*Chrysalis Music*



Jay Morgenstern  
*Warner Chappell Music*



David Renzer  
*Universal Music*



Irwin Z. Robinson  
*Famous Music*



Kathy Spanberger  
*Peermusic*

In 2001, ASCAP held its biennial election for the Board of Directors. The twelve writer and twelve publisher members (pictured) were selected to serve for a two-year term commencing on April 1, 2001.

# ASCAP MUSIC

Overall, 71 percent of the Top Ten songs on the Billboard year end charts were ASCAP, including:

- 9 of the Top 10 Hot R&B Airplay, Rap Singles, Hot Latin Tracks, and Latin Tropical/Salsa Tracks
- 8 of the Top Ten Hot 100 Singles, Hot 100 Airplay, Hot R&B Singles, Top 40 Tracks, and Adult Contemporary
- 7 of the Top Ten Mainstream Rock Tracks and Hot Country Songwriters.

★ **The 2002 Grammy Awards**, honoring the best music of 2001, took place in Los Angeles on February 27th. Congratulations go to all ASCAP members who dominated the awards, especially **U2**, **Alicia Keys** and **Outkast**, who received multiple awards.

★ **ASCAP film composers** enjoyed a spectacular year, with scores in 14 of the top 25 box office films that earned a staggering 2.1 billion dollars. Several composers had multiple hits in 2001: **John Debney** alone scored seven films including *Cats and Dogs*, *The Princess Diaries* and *Spy Kids*; Board member **Mark Isham's** five scores included *Save the Last Dance*, *Life as a House* and *The Majestic*. Other top ten hits included *Shrek*, scored by **John Powell**; *The Mummy Returns* by **Alan Silvestri**; and the huge holiday hit, *The Lord of the Rings*, scored by **Howard Shore**.

## TOP MUSIC MAKERS

No Doubt's Gwen Stefani and multi-Grammy Award winner and new ASCAP member Alicia Keys; Mary J. Blige; Alan Jackson; 2001 ASCAP Pop Award honoree Enrique Iglesias; Dave Matthews; Academy Award winner Randy Newman; 2001 Academy Award winner and ASCAP Concert Music honoree Tan Dun; multi-Grammy Award winners Outkast; 2001 Jazz Wall of Fame inductee Billy Taylor; ASCAP 2001 Christian Publisher of the Year BMG Songs' Michael Puryear and ASCAP Christian Songwriter of the Year Michelle Tumes; Roberta Flack with ASCAP Founders Award recipient Peabo Bryson; the Goo Goo Dolls' John Rzeznik.



# ASCAP Members are the Dominant Creative Force in Music



Data based on 2001 *Billboard* year end charts

★ The top Academy Awards for music in films released in 2001 were presented to ASCAP members. The Oscar for Best Original Song went to **Randy Newman** for "If I Didn't Have You" from *Monsters, Inc.* The Oscar for Best Original Score went to **Howard Shore** for *Lord of the Rings: The Fellowship of the Ring*.

★ The 2001 ASCAP Film Scoring Workshop, which included young composers from the U.S., Russia, Israel, Japan, Italy, Australia and Canada, was featured on CNN's *Worldbeat* series, and shown in more than 200 countries.

★ In the world of television, ASCAP-scored series lead the pack with ASCAP composers winning 4 out of 5 categories at the 2001 Emmy awards: Congratulations go out to **Jay Chattaway** for "Star Trek: Voyager – End Game"; **Arturo Sandoval** for "For Love or Country: the Arturo Sandoval Story"; **Marvin Hamlisch** for "Barbara Streisand: Timeless"; and **James Newton Howard** for "Gideon's Crossing".

★ Four of the five top Nielsen rated network TV series, all of which have now run for several years, are "E.R." (**James Newton Howard**), "Friends" (**Michael Skloff**), "Survivor" (**Russ Landau**) and "Everybody Loves Raymond" (**Rick Marotta**) – all written by ASCAP composers. Other ASCAP hit TV shows include "The Practice" (**Marco Beltrami** and **Jon Hassell**), "The Simpsons" (**Alf Clausen**), "Enterprise" (**Paul Baillargeon** – SOCAN,

**David Bell, Jay Chattaway, Dennis McCarthy and Diane Warren**) and, of course, "Who Wants to be a Millionaire (**Keith and Matthew Strachan** – PRS)."

★ ASCAP also celebrated the achievements of our members through our own annual award ceremonies in Film and Television, Pop, Rhythm & Soul, Latin and Country Music. In recognition of pioneering contributions to music, ASCAP honored: Composer and trumpet virtuoso **Arturo Sandoval**; Film composer **Elmer Bernstein**; Storyteller extraordinaire **Tom Waits** and R&B icon **Peabo Bryson**.

★ 2001 ASCAP Songwriter of the Year awards went to **Jermaine Dupri** and **Timbaland** for Rhythm & Soul; Sweden's **Andreas Carlsson** and **Max Martin** for Pop; **Omar Alfanno** for Latin; and **Keith Follese** and **Phil Vassar** for Country. ASCAP Concert Music honorees included composers **Leonard Slatkin, Chen Yi, John Corigliano** and **Tan Dun**.

★ In the fall, ASCAP inducted ten great jazz musicians onto our *Jazz Wall of Fame*. Posthumous inductees included: **Charlie Christian, Harry "Sweets" Edison, Bill Evans, Earl "Fatha" Hines, Johnny Hodges, Jo Jones, Red Norvo, John "Zoot" Sims, Ben Webster, and Joe Williams**. The highlight of the event was a performance by inductee and living legend **Dr. Billy Taylor**.

# ASCAP

In 2001, ASCAP welcomed 18,000 new members.

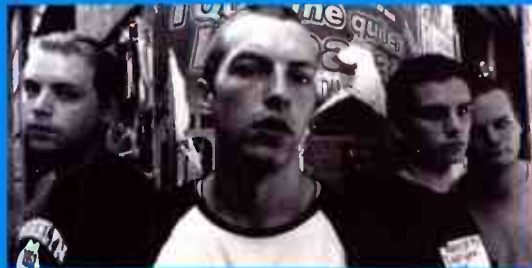
# MEMBERSHIP

Among the many new members ASCAP welcomed are some top names in their fields. Pictured from the top left are:

- Coldplay
- Tupac Shakur
- Alejandra Guzman
- Alicia Keys
- Cyndi Thomson
- Joyce Carol Oates
- St. Lunatics
- Rascal Flatts

Other new ASCAP members include Atroman, Los Tiranos Del Norte, Train, Chris Brubeck, Patrick Cassidy, Roger Cook, Craig Armstrong, Sara Watkins of Nickel Creek and India Arie.

All of these new members add value to ASCAP's repertory, which in turn strengthens ASCAP's position as it negotiates new license agreements with radio, television and other music users.



## ASCAP OFFERS A FULL RANGE OF BENEFITS AND SERVICES TO MEMBERS AT ALL STAGES OF THEIR CAREERS

ASCAP has a very extensive career development program that includes showcases, grants, educational seminars and workshops in many genres from film scoring and concert composing to pop, R&B, hip-hop, Latin, and country. These support programs are designed to encourage members at different stages of their careers.



★ This past year ASCAP was very successful with its regional showcase programs, one of which, the Ampt music series sponsored by Heineken, featured local bands from Portland, Atlanta, Minneapolis, Nashville, and New Orleans.

★ Synergy Lounge is another one of ASCAP's newer programs that is a major success. The program provides an effective forum in which songwriters can play their music, find collaborators, and share advice and ideas.



★ The Society's ASCAPlu\$ Awards Program distributed \$2.2 million to writer members for the 2001-2002 year. ASCAPlu\$ is the Society's unique program that provides cash and recognition to many active writers in the early stages of their careers, as well as to established writers whose main activity is outside of broadcast media.



In the past year, the staff at ASCAP has worked hard to research and implement meaningful new member benefits and services that will add value to your membership card.

★ One new member benefit is Sibelius Musical Notation Software. Sibelius offers exclusive and very generous discounts to ASCAP members, and provides extra training and service to members as well. In 2001, Sibelius also sponsored the ASCAP showcase "Thru the Walls" which featured composer/performers from the concert music field whose music defies boundaries.

★ Another new benefit partner is Fender.com. ASCAP members receive a 25% discount on any item purchased at the Fender.com online store.

Pictured at right (from the top, l-r): new members Craig Armstrong, Iridia Arie, Train, and The Stokes

★ ASCAP also enhanced its long-standing program with Guitar Center to include an across-the-board 5% discount on all merchandise, special invitations to "professional only" events, private consultations and gear demonstrations.



★ MusicPro, which remains one of our most popular benefits, provides convenient, lower cost insurance for instruments and equipment, studio and tour liability, travel/accident, long term care and medical.



★ As a member of ASCAP, songwriters, composers and music publishers are privileged to be able to join the US Alliance Federal Credit Union, offering tremendous financial benefits. In fact, in performing rights, only ASCAP members can take advantage of a credit union.



# ASCAP

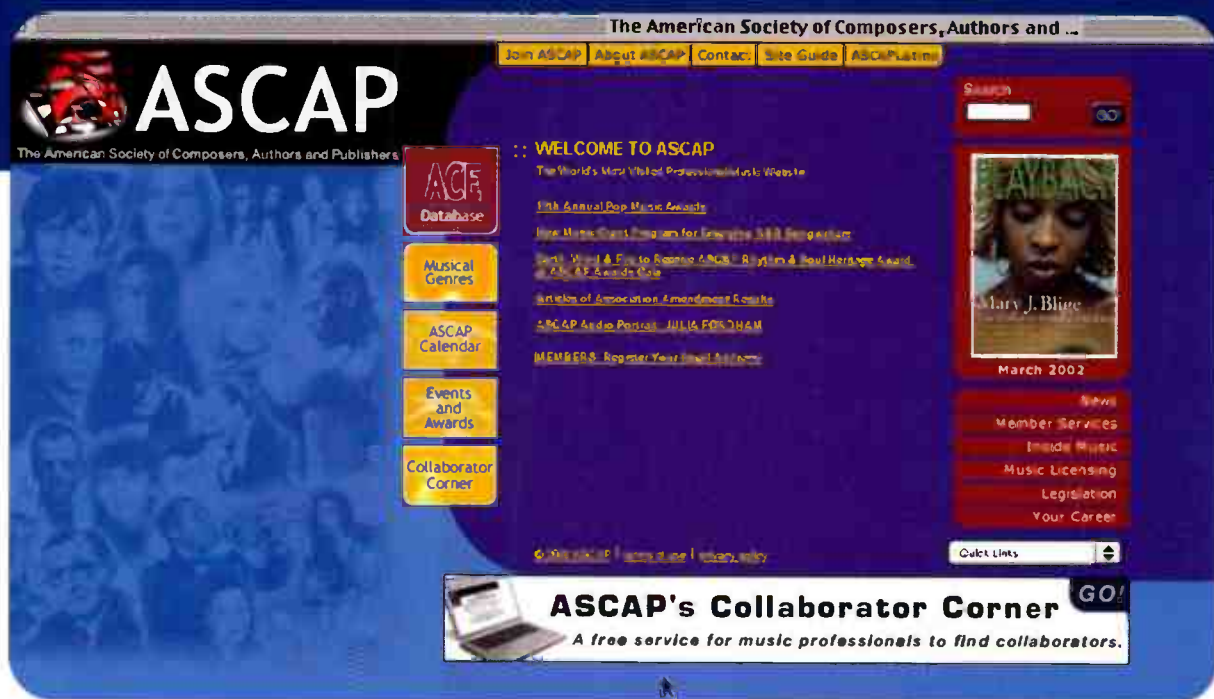
Technological innovation is fueling many opportunities for ASCAP members and putting more money in their pockets.

# TECHNOLOGY LEADERSHIP

★ In 2001, ASCAP utilized technology to make members' professional lives easier in many ways. With **Online Title Registration** members can now register their titles online at ASCAP's website, [ascap.com](http://ascap.com). This makes registering titles quick and easy, streamlines the process, and improves accuracy. The new procedure has been so successful, it has become the preferred method of registering titles.

★ One of the popular new online features we introduced in 2001 is **Collaborator Corner**. This is a feature on ASCAP's website where members and other music professionals can find creative collaborators from across the music spectrum. Collaborator Corner allows music professionals to post projects for which they are seeking collaborators, or to browse through and respond to projects. There are over

800 postings and over 3,000 registered users. The constantly expanding database of projects covers a diverse range of musical styles, from rap, dance and hip-hop to country, musical theater, pop, folk, Latin, and concert music. Featured in the *Wall Street Journal*, there is no charge to use Collaborator Corner. It is something ASCAP offers as a free service to music creators.



ASCAP's award-winning website, [ascap.com](http://ascap.com)

★ ASCAP utilizes a **State-of-the-Art Email Communication System** and with it came the debut of "ASCAP Inside Music," a monthly email newsletter with important information about legislative issues, ASCAP events, career opportunities, music industry information, useful advice, member benefits updates and more. In order to take advantage of this new communications tool, members must register their email addresses on the [ascap.com](http://ascap.com) website.

★ To ensure that ASCAP members are fairly compensated for the use of their music in the new digital world, ASCAP sees the need for a secure music tracking system. To that end, ASCAP's business development arm, ASCAP Enterprises is working diligently with a number of technology companies to research the potential for a comprehensive system utilizing **watermarking and fingerprinting**. ASCAP expects to make a decision based on this research in the next year.

★ ASCAP Enterprises is also actively researching and evaluating a wide range of technologies and Internet products to determine those that would benefit members or provide synergy for ASCAP's day-to-day operations.

★ The ASCAP Performing Rights Group technical leadership has set the standard in the world of rights management by providing innovation such as:

- ♦ **ACE (ASCAP Clearance Express)**, the easy-to-use database of millions of ASCAP members' musical works.
- ♦ **The Works Information Database (WID)**, developed by ASCAP, has become a valuable CISAC tool that provides easy access to authoritative up-to-date documentation on millions of works submitted by many societies.
- ♦ **Common Works Registration (CWR)**, which provides publishers and societies worldwide with a standard format for the registration of works. The latest version of the format (v2.0) provides enhanced agreements reporting and meets the registration needs of CISAC societies.
- ♦ **Songcode L.L.C.**, an agency managed by ASCAP that assigns an International Standard Work Code (ISWC) to original works by ASCAP writers and works by other North American writers. The ISWC allows simple and unambiguous identification by music users and rights organizations of copyrighted musical works.



ASCAP Senior VP of New Media Chris Amenita speaks to members about ASCAP's increasing Internet revenue.



### **The Creator's Role in the Future of Digital Entertainment**

In October 2001, ASCAP produced and sponsored a special public forum at the Webnoize conference in Los Angeles. The panel session, entitled "Creators at a Crossroad: Get Up, Stand Up" featured distinguished composers and songwriters from a variety of music genres discussing the opportunities and their evolving roles as creators within a fast-changing entertainment industry. Pictured (l-r) are songwriter/producer/artist Eric Bazilian, composer Jeff Rona, ASCAP Board member, songwriter, publisher and moderator Dean Kay, songwriter/producer Bob Thiele Jr. and composer John Debney.

# ASCAP

ASCAP continues to create original ways to nurture new generations of music creators and provide greater service to songwriters, composers and music publishers.

# INNOVATION



## ASCAP J.A.M. Songwriters

Four Kansas high school students, all of them participants in the ASCAP J.A.M. (Junior ASCAP Members) Program, wrote and recorded a song "WTC (Will Tomorrow Come)" that reflected on the tragic events of September 11. Through their membership in the J.A.M. program, the young writers (all students at Seaman High School in Topeka), were selected to visit the John Lennon Songwriting Contest Bus (ASCAP's J.A.M. Program sponsored four school visits for the bus) as it stopped off at Sandstone Amphitheater in Bonner Springs, Kansas on September 16 for a matchbox twenty concert. A local radio station picked up the song and Topeka listeners responded with numerous requests for the song to be played. Pictured (l-r) are writers Tim Patterson, Ryan Collins, Lindsey Laird, teacher Marilyn Foree and Greg Myer.



ASCAP J.A.M. Honorary Chairman and composer James Newton Howard with students from the Hawthorne School in Los Angeles.



## ASCAP J.A.M.

ASCAP believes that the best way to ensure the future protection of copyrights is to educate people, especially young adults, about the concept of intellectual property. To properly inform teenagers about the true value of music and to nurture, inspire and assist those who want to make music their career, ASCAP started the ASCAP J.A.M. (Junior ASCAP Members) Program. Available exclusively to members of Tri-M, the national music honor society, the program provides a place for them to learn about different aspects of the music industry

J.A.M. gives teens the opportunity to get involved in a real music business organization, while keeping up with their favorite music creators, and hopefully learning a thing or two from them. As a member, they are eligible to receive select discounts on such things as TSR Wireless and admission to the Museum of Television and Radio in New York and Los Angeles, and other special benefits. The ASCAP J.A.M. website features helpful and informative articles that give an inside look at the inner workings of the music industry, interviews with professional songwriters such as U2's Bono, Aimee Mann, Johnny Lang and Tamara Savage and composers such as Elmer Bernstein, and articles on the craft of songwriting.

## Partnerships and Sponsorships

ASCAP has one of the lowest operating expense ratios in the world. But the Society also continues to expand and enhance its service to members. One way ASCAP has done this is by teaming up with other companies in providing benefits and sponsoring events. ASCAP's member card benefits program now offers significant discounts from a long list of companies, such as Guitar Center, Musician's Friend, Fender.com, Sibelius Music Notation Software, XM Satellite Radio, DupeCoop, J&R Music World/Computer World, Valle Music Reproduction, North American Van Lines, Hertz and Avis car rentals, hotels such as Comfort, Quality, Clarion Sleep,

Rodeway, Econo Lodge and Mainstay properties worldwide, the ASCAP MasterCard Credit Card program, USAlliance Federal Credit Union and much more.

To better promote ASCAP members' music, the Society also has formed co-sponsorships with companies who also see value in ASCAP's programs and events. One of the more recent successful liaisons was ASCAP and Heineken's Ampt Music Series which showcased promising ASCAP bands and artists in cities all across the country. In addition to the live shows, a compilation CD was produced featuring songs from participating members which was sent out to influential music executives in the industry.

### MusicPro Insurance

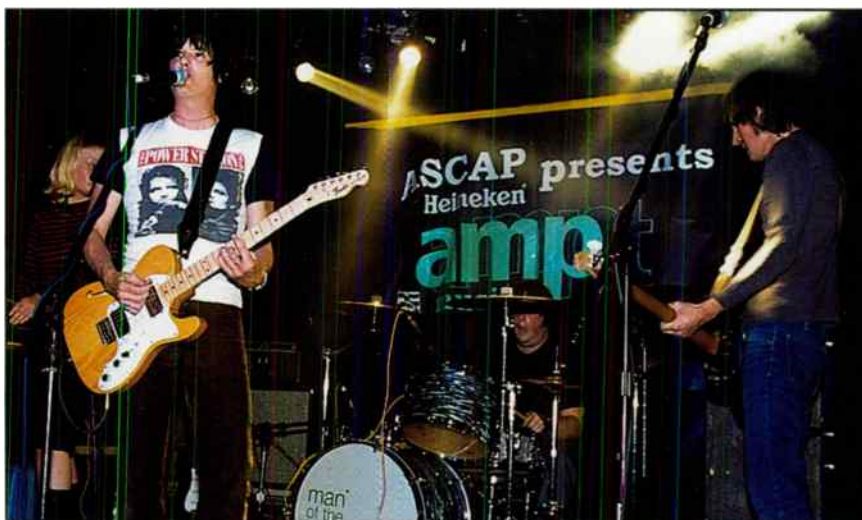
ASCAP looked high and low to find a way to provide members with high quality low cost insurance. For most ASCAP members who are either out on the road performing or in their home studios writing and recording, the cost of good equipment, studio or tour insurance was just too high. The kind of insurance and service that music professionals needed and deserved was just not available. That is why ASCAP developed MusicPro, an insurance agency that provides convenient, low-cost insurance for working music professionals. Conceived, created and co-owned by ASCAP, MusicPro provides more coverage, greater flexibility, better service and lower costs than any other insurance. It has become one of the most popular benefits that ASCAP provides to its members. MusicPro is now supported or endorsed by virtually every major music organization today including, besides ASCAP, AFM Local 802, AFTRA, Garageband, Gigamerica, MENC, Musician's Friend, NARAS (The Recording Academy) and Jazz Alliance International.



MusicPro – conceived, created and co-owned by ASCAP



Cover your neck without losing your shirt

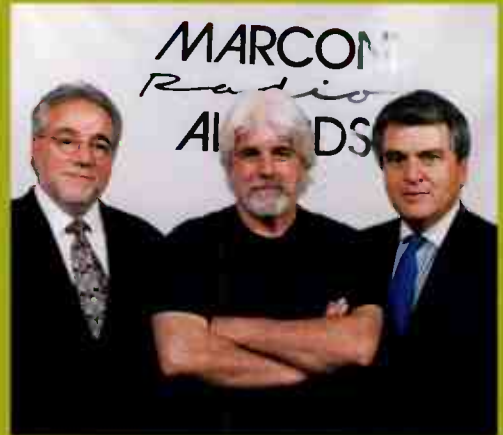


**The ASCAP Presents Heineken Ampt Music Series:** Man of the Year performs at the ASCAP Presents Heineken Ampt Music Series showcase in Portland, Oregon.

# ASCAP

ASCAP has redefined music licensing. Our unique approach is resulting in agreements that are breaking new ground and avoiding lengthy court actions.

# CUSTOMER PARTNERSHIPS



## Satisfied Customers

Pictured from the top (l-r): ASCAP's Mike Doyle with ASCAP Ampt Award recipient and manager of Nashville's 12th and Porter Music Venue John Bruton and Sales and Merchandising Specialist for Heineken USA at the ASCAP Presents Heineken Ampt Music Series showcase in Nashville; ASCAP Senior VP of Licensing Vincent Candilora with Michael McDonald, who performed at the National Association of Broadcasters' Marconi Radio Awards, with NAB Executive Vice President of Radio John David; Country Radio Seminar's Paul Allen, Capitol Records' Mike Dungan. Garth Brooks, ASCAP Senior Vice President Connie Bradley and Westwood One's Ed Salamon at ASCAP's CRS 2001 Luncheon, where Brooks was ASCAP's special guest performer; and pictured far right are Partners in Music Award recipients President of the Grand Ole Opry Group Steve Buchanan and General Manager of the Ryman Auditorium Paul Couch.



During 2001, ASCAP effectively rolled out a new approach to the challenging task of music licensing in the digital age. Based on building partnerships, the approach, using fair and open discussions, has resulted in the following significant licensing leadership agreements:

- ★ The decade-long cable deadlock has been broken through agreements with cable services Turner Broadcasting and Viacom that generated over \$103 million in special distributions to members throughout 2001 and into 2002. These agreements compensate ASCAP member performances retroactively for the years 1990 through 2000. And significantly, new, fairer rates are now in effect with these organizations going forward.

- ★ Partnerships with mobile phone companies such as Sonora zed, Zingy, Sprint, Yourmobile.com, MODtones and the Wired Mob have allowed ASCAP to lead the way in licensing mobile ringtones, months ahead of our competitors.

- ★ Satellite radio services XM and Sirius were licensed first by ASCAP. And because of a developing partnership with XM, they became a major sponsor of ASCAP events and provided members with significant discounts on their services.

- ★ An enhanced partnership built in 2001 with the hotel and motel industries has led to a notable increase in this category of general licensing.

- ★ ASCAP again led the way with the development of a new type of license with local governments for municipalities' use of music. It's an ASCAP exclusive that benefits both the municipality and ASCAP members.

- ★ ASCAP's New Media Licensing Group has built relationships with virtually all Internet sites performing ASCAP music. In 2001, Internet revenues increased 80% over 2000. And 2000 saw a 60% increase over the prior year.

At the very heart of ASCAP's licensing leadership success is the attitude that ASCAP licensees are ASCAP customers. Customers who value the greatest music in the world, written and published by ASCAP members. As part of our appreciation, ASCAP customers are provided with an ASCAP Customer Card, which offers a selection of benefits reserved exclusively for ASCAP customers. The card provides additional advantages beyond ASCAP's great repertory of music. In 2001, new benefits were offered to customers which included discounts on Dell Computers, Airborne Express, Sprint PCS, Penny Wise Office Products and other products and services.



ASCAP CEO John LoFrumento presents the Partners in Music Award to the Univision Television Network's Ana Vazquez-Aldana.

### Outstanding Broadcast Awards

At ASCAP's 34th annual ASCAP Deems Taylor Awards for outstanding print, broadcast and new media coverage of music, the Society presented the Radio Broadcast Award to *Pipedreams* host and producer Michael Barone and the Minnesota Public Radio. ASCAP also honored ABC, CBS, Fox and NBC for *America: A Tribute to Heroes*, the all-star benefit program presented in the wake of the September 11 tragedies in a joint and commercial-free production.



CBS Senior VP of Marketing Ann O'Grady, left, and Fox VP of Publicity and Communications Sonya McNair with their Deems Taylor Awards



In 2001, ASCAP expanded its Customer Card benefits program to include discounts on Dell Computers, Sprint PCS and many other products and services.

# ASCAP

ASCAP collects more money from foreign societies than any other performing rights organization in the world.

# INTERNATIONAL LEADERSHIP

In 2001, ASCAP's foreign collections for member performances grew to \$130 million.

## INTERNATIONAL ADVANTAGES

Around the world, ASCAP is recognized as a leader among performing rights organizations, resulting in numerous international advantages:

- ★ ASCAP administers more foreign repertory in the US than any competitor.
- ★ ASCAP has reciprocal representation agreements with over 60 affiliated societies in every continent.
- ★ ASCAP has led the world in developing the tools and procedures that ensure prompt, efficient and accurate administration of its members' performing rights in the Digital Age.
- ★ ASCAP is the only U.S. society with multi-lingual senior executives based in Europe and Asia, dedicated exclusively to fostering bilateral relations and maximizing foreign revenue.
- ★ ASCAP has conducted technical visits to more countries than any other society; and, in doing so, has acquired an unrivaled knowledge of their policies and operations.

## STRATEGIC FOCUS

ASCAP thinks globally and so it systematically assesses the potential impact on its revenue of political, legislative, economic and commercial developments wherever in the world its repertory is performed. ASCAP is committed to identifying and claiming its rightful share of every current and potential source of license and



## ASCAP/PRS SONGWRITER OF THE YEAR

At the 2001 ASCAP/PRS Awards in London are ASCAP Senior Vice President/International **Roger Greenaway**, Songwriter of the Year honoree **Paul Barry** and ASCAP CEO **John LoFrumento**.

non-license revenue for its members.

ASCAP readily offers legal assistance and technical expertise to new and/or restructured affiliated societies in Central and Eastern Europe, Southern Africa and the Pacific Rim. In addition, ASCAP closely monitors the national and international consequences of all changes in the membership, documentation, distribution and financial practices of its affiliated societies.



Pictured at the Partner in Music Award presentation to APRA in Sydney, Australia in 2001 are (l-r): APRA Director of International Relations **Scot Morris**, ASCAP Executive Vice President **Todd Brabec**, APRA Chief Executive **Brett Cottle**, ASCAP Director Asia-Pacific Region **Willie Yeung**, ASCAP CEO **John LoFrumento**, ASCAP Senior Vice President **Nancy Knutsen**, APRA Director of Administration **Nick Hampton**, ASCAP Senior Vice President **Roger Greenaway**, and APRA Director of Membership **Sally Howland**.

## GLOBAL ACTIVITIES

ASCAP plays an active role in international organizations, including CISAC (the International Confederation of Societies of Authors and Composers); ASCAP President and Chairman of the Board Marilyn Bergman served two terms as President of CISAC; ASCAP Chief Executive Officer John LoFrumento is a member of CISAC's Executive Bureau and Chairman of its Canada-U.S. Committee; and ASCAP's Chief Information Officer Tina Barber serves on CISAC's CIS Supervisory Board (CSB).

ASCAP is responsible for developing programs that have been adapted throughout the world, including: WWL (World Works List) used by societies around the world and WID (Works Information Database) which ASCAP has developed as a centerpiece of the Common Information System crucial to administration in the Digital Age.

## INTERNATIONAL TOOLS AND PROJECTS

ASCAP has played a leading role in developing (and having its affiliated societies implement) many sophisticated programs to monitor its repertory, including:

★ The AVIndex, an unique directo-



**U2** (PRS), who license their music through ASCAP in the United States, won eight Grammy Awards in 2001.

ry of audio-visual works which permits the distributing society to match works to performances and obtain the authoritative cue sheet required for distribution.

★ The ITMU (International TV Monitoring Unit), where experts in TV and Film repertory scan foreign TV listings and compare results to distributions received from foreign societies. This function ensures that foreign titles are matched to the original title (and avoids the work becoming "unidentified") and proactively supplies the cue sheet required for distribution (unless the

society is using the AVIndex).

★ The ASCAP Concert Tracking Program ensures that live performances abroad are documented with set-lists so that royalties do not go astray; while the International Administration Department forwards performance details for other media where detailed information is likely to prove useful.

# ASCAP

In 2001, members gave ASCAP Member Services a 99% approval rating. Help is just a phone call away at 1-800-95ASCAP.

# MANAGEMENT

In 2001, ASCAP strengthened its business structure to transform the Society into a performing rights organization for the 21st Century. In order to face the challenges and opportunities of a new era in the entertainment industry, ASCAP operates in four distinct business groups: The Performing Rights Group, The Membership Group, The Enterprises Group and The Headquarters Group. Working together, but also as distinct units from each other, the groups have created a scale of synergies that continue to benefit ASCAP members by building further upon our core businesses and entrepreneurial activities. Here are descriptions of ASCAP's Business Units and how their unique responsibilities provide improved service to members:

## The Performing Rights Group

Provides an enhanced focus on ASCAP's core business of licensing, performance tracking, distribution, finance and the systems that support these activities. Additionally, the Performing Rights Group handles International Services.

As the head of this group, Executive Vice President Al Wallace, oversees all of its activities as well as leading a Performance Rights Management Committee of senior staffers whose mandate is to further increase the Society's financial distributions to its members from both domestic and foreign sources.

## The Membership Group

Focuses on the needs of ASCAP members by expanding services in the areas of payments, career development, benefits, education, communication and recognition.

In addition to leading this group, Executive Vice President Todd Brabec oversees a Membership Management Committee which builds upon the Society's unprecedented growth in membership, repertory and market share.

## The Headquarters Group

Seeks to maximize the operational efficiencies of all of ASCAP's resources by providing centralized and cost effective services to the other three groups.

ASCAP CFO John LoFrumento directly leads this group in providing company-wide support and operating efficiency in the areas of marketing, legal, human resources and legislative affairs. A Headquarters Management Committee seeks to further lower the Society's operating expense ratio.

## The Enterprises Group

Serves as the entrepreneurial center of ASCAP, focusing on the Society's Internet activities, as well as its investing and partnering in developing technologies and ventures.

As head of this group, Senior Vice President Chris Amenita, oversees an Enterprises Management Committee which seeks to create additional revenue streams for members.

### ASCAP EMPLOYEES-FOR-RELIEF FUND

ASCAP employee Jane Simpkin (shown at right) lost her life aboard United Airlines Flight 175 that crashed into the World Trade Center on September 11. In honor of Jane and to assist the victims of the tragedy, ASCAP employees created the ASCAP Employees-for-Relief Fund. Their efforts raised more than \$50,000. ASCAP employees also participated in a musical talent show in New York City and donated the proceeds to the fund.



# ASCAP SENIOR MANAGEMENT



JOHN A. LOFRUMENTO  
CEO

## PERFORMING RIGHTS GROUP



Al Wallace  
EVP, Chief Operating Officer

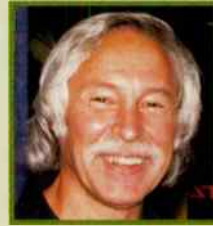


Vincent Candilora  
SVP, Licensing

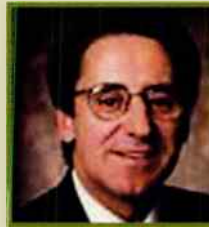


Peter Boyle  
SVP, Chief Economist

## MEMBERSHIP GROUP



Todd Brabec  
EVP, Membership



John Alexander  
SVP, Creative Affairs



Connie Bradley  
SVP, Nashville

## ENTERPRISES GROUP



Chris Amenita  
SVP, New Media



Nancy Knutsen  
SVP, Film/TV

## HEADQUARTERS GROUP



Phil Crosland  
SVP, Marketing



Karen Sherry  
SVP, Industry Affairs  
VP/Executive Director of  
The ASCAP Foundation



Roger Greenaway  
SVP, International

# Financial Overview

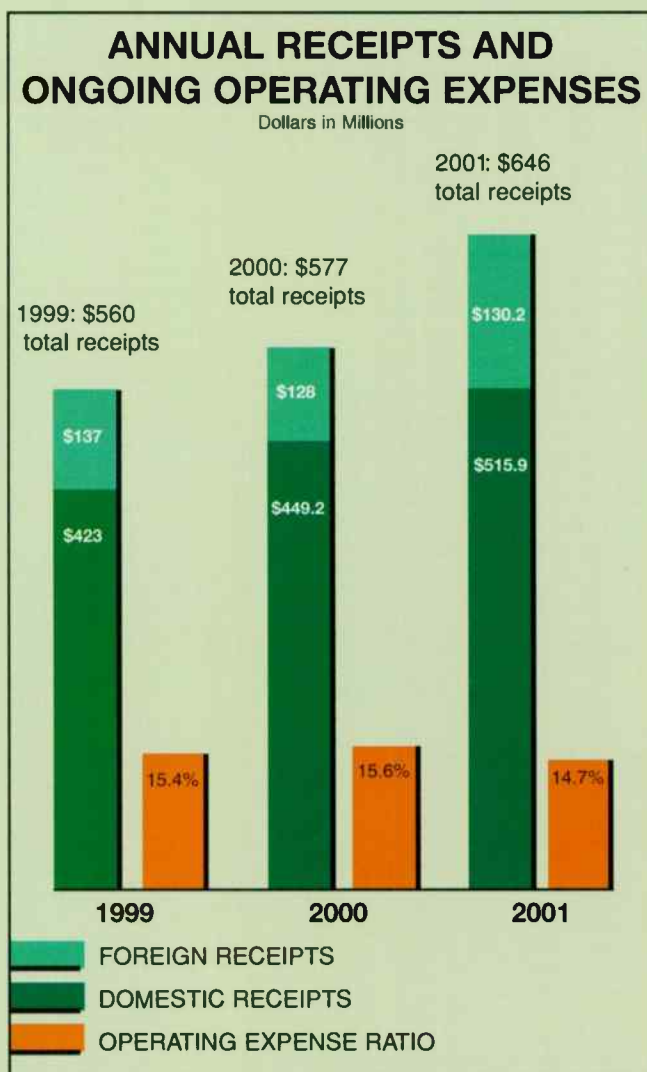
ASCAP's financial results were discussed at the general membership meetings in Los Angeles, Nashville and New York. In addition, our independent public accountants, Arthur Andersen LLP, presented our audited financial statements for the years ended December 31, 2001 and 2000 at the April Board meeting. Pages 23 to 27 include selected portions of the audited financial statements.

ASCAP's total distributions were \$509.3 million in 2001, an increase of \$29.0 million or 6.0%. Distributions to members and foreign societies for domestic performances were \$386.9 million, an increase of \$38.6 million or 11.1%. Included in the domestic and foreign outgoing distributions were Special Distributions of \$17.2 million and \$2.7 million, respectively. Distributions for foreign performances were \$122.4 million, down \$9.6 million or 7.3%. The Total Distributions chart at right highlights the trend of distributions over the past three years.

Total receipts were \$646.1 million in 2001, an increase of \$69.0 million or 12.0%. Domestic receipts from License Fees and other sources were \$515.9 million, an increase of \$66.8 million or 14.9%. Domestic License Fees were \$507.8 million, up \$68.3 million or 15.5%. TV fees, including cable, had a net increase of \$52.5 million, primarily due to cable settlements received from certain major cable services that were a part of the "Turner Broadcasting" proceeding, which is discussed further on page 27. Radio fees were up \$13.9 million due to higher fees associated with industry growth. Fees from General Licensees increased \$2.2 million or 2.9%. Royalties from foreign societies were \$130.2 million, up \$2.2 million or 1.7%.

Operating expenses were \$95.3 million, an increase of \$5.2 million, which results in a 2001 operating expense ratio of 14.7%, our lowest operating ratio to date. The Annual Receipts and Ongoing Operating Expenses chart shown at right provides a three-year trend of related information. The increase in expenses is primarily due to a one-time write-off of costs for the IMJV, which is further discussed on page 25. The increase in expenses prior to the IMJV write-off is \$825,000 or less than 1%. This modest increase in expenses before the one-time write-off reflects our continued commitment to control overhead expenses while strengthening operations to enhance service to our members and our licensees.

Arthur Andersen completed the 2001 audit. Commencing in 2002, the ASCAP Board has selected Ernst & Young as ASCAP's auditor.



# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the American Society of Composers, Authors and Publishers and Subsidiaries:

We have audited the accompanying consolidated statements of receipts, expenses, and change in net assets of the American Society of Composers, Authors and Publishers and Subsidiaries for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, expenses, and change in net assets of the American Society of Composers, Authors and Publishers and Subsidiaries for the years ended December 31, 2001 and 2000 on the modified cash basis of accounting described in Note 2.

*Arthur Andersen LLP*

New York, New York  
March 15, 2002

**AMERICAN SOCIETY OF COMPOSERS, AUTHORS  
AND PUBLISHERS AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF RECEIPTS, EXPENSES  
AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000**  
(000's omitted)

<b>DOMESTIC RECEIPTS:</b>	<u>2001</u>	<u>2000</u>
License fees-		
Television (Note 6)	\$245,486	\$192,899
Radio	181,561	167,696
General	76,374	74,205
Symphonic and concert	4,421	4,786
Interest and other income	6,323	8,003
Membership dues	1,759	1,562
Total domestic receipts	515,924	449,151
<b>ROYALTIES FROM FOREIGN SOCIETIES (Note 5)</b>	<u>130,215</u>	<u>128,006</u>
Total receipts	646,139	577,157
<b>EXPENSES:</b>		
Licensing, collection and legal	25,927	27,000
Distribution	23,816	23,258
Publicity and membership	21,665	20,551
Administrative and other	<u>23,862</u>	<u>19,293</u>
Total expenses	<u>95,270</u>	<u>90,102</u>
Excess of receipts over expenses	<u>550,869</u>	<u>487,055</u>
<b>DISTRIBUTIONS (Note 5):</b>		
Members-		
Domestic distributions	340,555	310,397
Foreign distributions	122,387	131,953
Foreign societies	46,368	37,954
Total distributions	<u>509,310</u>	<u>480,304</u>
<b>CURRENT DISTRIBUTION TO FOREIGN SOCIETIES (LESS THAN) IN EXCESS OF CURRENT RECEIPTS</b>	<u>(269)</u>	<u>4,633</u>
Net increase in net assets	41,290	11,384
<b>NET ASSETS, beginning of year (Note 3)</b>	<u>157,670</u>	<u>146,286</u>
<b>NET ASSETS, end of year (Note 3)</b>	<u>\$198,960</u>	<u>\$157,670</u>

The accompanying notes are an integral part of these statements.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

## 1. ORGANIZATION AND NATURE OF BUSINESS

The American Society of Composers, Authors and Publishers (the "Society" or "ASCAP") is an unincorporated membership association of composers, lyricists and music publishers. Founded in New York in 1914, ASCAP is the oldest performing rights licensing organization in the United States.

### ASCAP Joint Venture LLC.

On October 8, 1999, ASCAP Joint Venture LLC, a New York limited liability company (the "Company") was formed whose sole member is ASCAP. The Company, together with the British Music Alliance ("MCPS-PRS") and the Dutch Societies ("BUMA-STEMRA"), entered into an agreement to form International Music Joint Venture ("IMJV"). The purpose of IMJV is to create a shared service center to handle music rights with the objective of eliminating duplication of common databases, reducing costs, improving efficiency and providing infrastructure to process music in new media, such as the Internet.

ASCAP Joint Venture, LLC, British Music Alliance, and the Dutch Societies each contributed \$1 million for their 33 1/3% ownership in the IMJV. On June 14, 2000, IMJV obtained a EUR 20-million credit facility. In March 2001, the Canadian Society ("SOCAN") joined IMJV as the fourth founding limited partner effectively adjusting ASCAP's and each of the other limited partners' ownership to 25% each. The credit facility was increased to EUR 24-million.

In December 2001, the partners decided to discontinue the shared service center initiative. ASCAP has expensed approximately \$4.3 million of its investment which includes its share of expected liquidating liabilities and loan guarantees net of \$3.3 million of costs relating to software developed by the IMJV which will be distributed to ASCAP upon liquidation of the IMJV.

In March 2002, the loan of EUR 11.1 million was repaid by the partners in proportion to their ownership interest.

### ASCAP Enterprises LLC.

On November 8, 1999, ASCAP Enterprises LLC (the "Enterprises"), a New York limited liability company, was formed whose sole member is ASCAP. The purpose of Enterprises is to serve ASCAP as an entrepreneurial center focusing on developing the Society's Internet activities by investing and partnering with others in the development of new technologies and other services related to the music community.

On December 22, 1999, Enterprises and Sterling and Sterling, Inc. (a privately held insurance broker) formed a joint venture, MusicPro Insurance Agency LLC ("MusicPro"), a New York limited liability company, for the purpose of offering insurance products related to music professionals. Enterprises has committed to contribute up to \$25,000 to MusicPro for a 50% interest in the joint venture. As of December 31, 2001, the Company has contributed approximately \$12,500.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation

The consolidated financial statements contain the financial information of the American Society of Composers, Authors and Publishers, ASCAP Joint Venture LLC and ASCAP Enterprises LLC (collectively, "ASCAP").

### Basis of Accounting

The Society maintains its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and is detailed as follows:

Fixed assets, including leasehold improvements, are capitalized. Depreciation of fixed assets is provided using the straight-line method based on estimated useful lives as follows: furniture, ten years; equipment, three to five years; and automobiles, three years and four months. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Costs incurred for the development of software have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." All costs incurred in the application development stage are being capitalized accordingly. The project is not yet complete and as such, the software costs are not being amortized.

Investments in the International Music Joint Venture and MusicPro Insurance Agency LLC, which under generally accepted accounting principles would be accounted for using the equity method, are being carried at cost. Under the cost method, the Company records income as it receives dividends and does not recognize income or losses as incurred by the joint venture.

Revenue, consisting of royalties collected and interest income, is recorded at the time that the cash is collected. Revenues due, but not received, such as amounts due from licensees and foreign societies, royalty distributions and other payables related to such revenues, which are significant, are not accrued.

### Use of Estimates

The preparation of these financial statements requires the use of certain estimates by management in determining the Society's assets, liabilities, receipts and expenses, as well as for disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates

## 3.

**STATEMENTS OF RECEIPTS, EXPENSES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000  
(000's omitted)**

	2001			2000		
	Total	General Fund	Foreign Incoming Fund	Total	General Fund	Foreign Incoming Fund
License fees	\$638,057	\$507,842	\$130,215	\$567,592	\$439,586	\$128,006
Interest and other income	6,323	2,055	4,268	8,003	2,761	5,242
Membership dues	1,759	1,759	-	1,562	1,562	-
Expenses	(95,270)	(90,284)	(4,986)	(90,102)	(85,137)	(4,965)
Excess of receipts over expenses	550,869	421,372	129,497	487,055	358,772	128,283
Transfers between funds	-	(394)	394	-	1,918	(1,918)
Distributions	(509,310)	(386,923)	(122,387)	(480,304)	(348,351)	(131,953)
Current distribution to foreign societies (less than) in excess of current receipts	(269)	(269)	-	4,633	4,633	-
Net increase (decrease) in net assets	41,290	33,786	7,504	11,384	16,972	(5,588)
Net assets, beginning of year	157,670	70,030	87,640	146,286	53,058	93,228
Net assets, end of year	<u>\$198,960</u>	<u>\$103,816</u>	<u>\$95,144</u>	<u>\$157,670</u>	<u>\$70,030</u>	<u>\$87,640</u>

## 4. BENEFIT PLANS

The Society has both a defined benefit pension plan (the "Pension Plan") and a defined contribution savings plan (the "Savings Plan"), which cover all employees.

Under the Society's Pension Plan, benefits are based on years of service and an employee's compensation during the last three years of employment. The Society's policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements specified by the Employee Retirement Income Security Act ("ERISA"). The Society's contribution to the Pension Plan was approximately \$1 million and \$1.4 million during 2001 and 2000, respectively.

The weighted average discount rate in determining the actuarial present value of the projected benefit obligation was 7.5% and 7.75% in 2001 and 2000, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 6.15% in 2001 and 2000. The expected long-term rate of return on assets was 8.25% in 2001 and 2000.

Under the Society's Savings Plan, all employees may elect to contribute from 2% through 20% of their salaries as limited by the Internal Revenue Service. The Society's matching contribution is equal to 100% of the first 2% and 25% of each additional percent up to 6% contributed by the employee, resulting in a maximum contribution by the Society of 3% of the employee's allowable salary. Employees' contributions are immediately vested, and the Society's matching contributions are vested after the

first year of service. During 2001, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to \$10,500, limiting ASCAP's matching contribution to \$5,250 per employee. The amounts contributed by ASCAP to the Savings Plan for 2001 and 2000 were \$890,451 and \$850,167, respectively.

ASCAP has a nonqualified deferred compensation plan wherein eligible employees may elect to defer a portion of their compensation each year. Compensation expense, equal to amounts deferred by employees, which is not material, is recorded currently. ASCAP also has a nonqualified retirement equalization benefit plan ("SERP"). Both plans are funded on an annual basis.

The following table sets forth the Pension Plan's funded status at January 1, 2001 and 2000:

	January 1	
	2001	2002
	(000's omitted)	
Actuarial present value of:		
Vested benefit obligation	\$19,214	\$16,915
Nonvested benefit obligation	<u>1,727</u>	<u>1,654</u>
Accumulated benefit obligation	\$20,941	\$18,569
Actuarial present value of projected benefit obligation	\$29,312	\$25,972
Plan assets at fair value	<u>\$21,212</u>	<u>\$21,554</u>

## 5. DISTRIBUTIONS TO MEMBERS

Receipts of the Society, less expenses of operations and amounts payable to foreign societies, are distributed to members under applicable distribution formulas.

Effective with the December 31, 1996 financial statements, the Society began including taxes withheld by affiliated foreign societies as receipts. These taxes withheld, which amounted to approximately \$3.7 million and \$4.0 million for the years ended December 31, 2001 and 2000, respectively, are reflected in royalties from foreign societies in the accompanying consolidated statements of receipts, expenses and change in net assets.

Also, in 1996, the Society began including foreign taxes withheld in the summary of distribution reported to members at year-end, thereby enabling members to report them appropriately on their tax returns. These taxes, which amounted to approximately \$3.7 million and \$4.0 million for the years ended December 31, 2001 and 2000, respectively, are reflected in foreign distributions in the accompanying consolidated statements of receipts, expenses and change in net assets.

## 6. COMMITMENTS AND CONTINGENCIES

### Litigation

The Society is continually involved in court proceedings with its licensees to determine reasonable fees, and is currently engaged in negotiations with the radio industry, the local television station industry, and the background/foreground music industry. The principal court proceeding involving fees for many cable television program services (referred to as the "Turner Broadcasting" proceeding), is now expected to be tried sometime in 2002. Beginning in 2000, negotiations with the operators of several major cable services – Turner, Viacom and NBC – have produced agreements resulting in settlement of claims involving their cable services. As a result, these cable services are no longer participants in the Turner Broadcasting proceeding. In 2001, ASCAP received a substantial payment from Viacom for the years 1989 to 2000.

There is also pending a proceeding to determine reasonable fees for one of the leading Internet music services, MP3.com, which is now scheduled to be tried in May of 2002. In all such proceedings to determine reasonable fees, fees are being paid on an interim basis, subject to retroactive adjustment when final fees are arrived at by agreement or court determination.

In addition, the Society is subject to litigation in the normal course of business. In the opinion of counsel and management, such proceedings will not result in any material change in the Society's total receipts or the amounts available for distribution in 2002.

### Lease commitments

Equipment rental and office lease expense, including escalations and utilities, aggregated approximately \$7.2 million and \$7.0 million for the years ended December 31, 2001 and 2000, respectively. The minimum rental commitments under existing noncancelable office leases and equipment leases are as follows (000's omitted):

2002	\$4,666
2003	4,657
2004	4,674
2005	4,623
2006	1,644
2007 and thereafter	2,013
	<u>\$22,277</u>



**ASCAP OFFICES**

[www.ascap.com](http://www.ascap.com)

**NEW YORK**

**ASCAP Headquarters**

One Lincoln Plaza  
New York, NY 10023  
(212) 621-6000  
Fax: (212) 724-9064

**LOS ANGELES**

7920 West Sunset Blvd.,  
3rd Floor  
Los Angeles, CA 90046  
(323) 883-1000  
Fax: (323) 883-1049

**NASHVILLE**

Two Music Square West  
Nashville, TN 37203  
(615) 742-5000  
Fax: (615) 742-5020

**ATLANTA**

**Membership**

PMB-400  
541 10th Street NW  
Atlanta, GA 30318-5713  
(404) 351-1224  
Fax/DSL: (404) 351-1252

**ATLANTA**

**General Licensing**

2690 Cumberland Parkway  
Suite 490  
Atlanta, GA 30339  
(770) 805-3470  
Fax: (770) 805-3410

**CHICAGO**

1608 N. Milwaukee  
Ste. 1007  
Chicago, IL 60647  
(773) 394-4286  
Fax: (773) 394-5639

**LONDON**

8 Cork Street  
London W1S3LJ  
England  
011-44-207-439-0909  
Fax: 011-44-207-434-0073

**MIAMI**

420 Lincoln Rd, Suite 385  
Miami Beach, FL 33139  
(305) 673-3446  
Fax: (305) 673-2446

**PUERTO RICO**

Calle Boris 1542  
Local A  
Urb. Belisa  
Rio Piedras, PR 00927  
(787) 281-0782  
Fax: (787) 767-2805