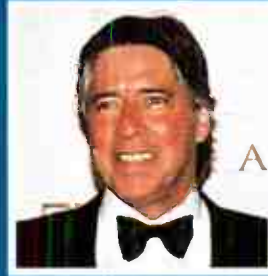
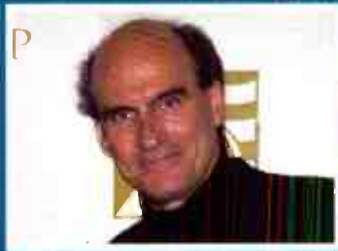


# ASCAP

American Society of Composers, Authors & Publishers



## 2002 Annual Report





# A Message From the

## “We have embraced every new technological breakthrough and made it available to the public to enjoy our musical creations”

Last year, ASCAP members solidly approved all 35 amendments to the ASCAP Articles of Association, which the Board of Directors had proposed. The outcome of the vote both enhances our rights as members and reduces unnecessary expenses. The process, from beginning to end, demonstrated one of ASCAP's greatest strengths as a performing rights organization – that it is governed by democratic principles. The necessary revisions of the articles were first very carefully studied and deliberated by the Board. The proposed revisions were then presented to the membership for a vote. Members could vote for or against amendments individually. Each was overwhelmingly approved.

I can assure you that at the heart of every recommendation the Board makes is the best interest of the membership as a whole. *That's the advantage of belonging to a performing rights organization that is member-owned and run by people who create music.* Each of us truly has a voice.

### A Recent Triumph

I am pleased to report on a recent triumph for creators and copyright owners. In 2002, the U.S. Supreme Court took up the *Eldred vs. Ashcroft* case, a challenge to the constitutionality of the Sonny Bono Copyright Term Extension Act, which extended the term of copyrights to life plus 70 years, and for which ASCAP had labored long and hard to

make a reality in 1998. After hearing both sides of the case, the court announced in January of this year their decision to uphold the Sonny Bono Copyright Term Extension Act. The Supreme Court's decision is a tremendous victory for America's composers and lyricists. Our copyright system must assure that our creative efforts receive proper reward, protection that we can pass on at least to our children and grandchildren. It must assure that we, and those who invest in our works, will receive at least a chance of economic success, here and abroad. Congress recognized these needs by enacting the Sonny Bono Copyright Term Extension Act, and the Supreme Court did likewise by upholding it.

### We Still Face Challenges

Despite this victory we still face copyright challenges in Washington. The debate continues to center around the challenges posed by the Internet, the legal efforts to stamp out piracy and the legislative efforts by many in the high-tech community who wish to devalue our musical works or make it free on the Internet. The bottom line is that we cannot accept anything that undermines our ability to control our property.

### Successful Licensing

In the last Congress, we went about vigorously making our case that, far from fearing technological innovations, we welcome them. We have embraced every new technological breakthrough



#### **Pictured from the top:**

ASCAP President and Chairman Marilyn Bergman with ASCAP Golden Note Award winner Garth Brooks at a reception she hosted on Capitol Hill for members of Congress; with Arturo Sandoval (left) and Congressman John Conyers, Jr. (D-MI) at a press luncheon in DC announcing the ASCAP Foundation's Young Jazz Composer Awards program; and with Stevie Wonder at the 2002 Rhythm and Soul Awards, where Bergman and Wonder presented the Heritage Award to Earth, Wind & Fire.

**Pictured on the cover (l-r from the top):** ASCAP Pop Songwriter of the Year Beyoncé Knowles; ASCAP Country Songwriter/Artist of the Year and Golden Note Award winner Alan Jackson; Latin Songwriters of the Year Joan Sebastian and Omar Alfanno; ASCAP's Henry Mancini Award winner Alan Silvestri; ASCAP's 2002 Rhythm and Soul and Country Music Publisher of the Year EMI Music Publishing CEO Martin Bandier; ASCAP Foundation Award winner James Taylor; ASCAP member Shawn Colvin who paid tribute to Taylor at the 2002 Pop Awards; Pop and Latin Music Publisher of the Year Warner/Chappell's Les Bider; Pied Piper Award winner Tony Bennett; Country Songwriter of the Year Darrell Scott; Rhythm and Soul Songwriter of the Year Dr. Dre; Latin Heritage Award winner Gilberto Santa Rosa and Rhythm and Soul Heritage Award honorees Earth, Wind & Fire.



# President

through that has allowed greater numbers of the

that has allowed greater numbers of the public to enjoy our musical creations, but with one condition – that we are paid and paid fairly for the commercial exploitation of our music. In that sense, the Internet is no different from any other innovation that facilitates the public performance of our music. We want it to work. But we insist that we are compensated for the use of music.

It was our task in the last Congress to point out that we not only welcome technology, but also that we have been successfully licensing the Internet service providers on the Web. We pointed out that the numbers of webcaster licensees had risen from 100 or so in 1998 to over 2,000 in 2002, all without lawsuits.

## Active in Washington

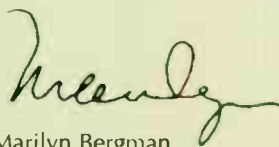
To make these two points, we were active in the House of Representatives and the Senate of the United States. We provided information for hearings in the Senate, and two witnesses for important hearings in the House on questions involving music on the Internet. ASCAP members Lyle Lovett and Phil Galdston both testified for songwriters before hearings held by the House Intellectual Property Subcommittee, and did great service in explaining the importance of the performance right, of our licensing successes without litigation and of our welcoming of technological breakthroughs. With their help, we drove home the fact, unknown to so many, that ownership of a CD does not confer ownership of the music on a CD. Lyle's testimony on behalf of ASCAP eloquently rebutted the argument made by MP3 that their service merely allowed people to enjoy music they owned by virtue of owning CDs without having to carry the CD with them. The fact that they did not own the music was an eye-opener to members of Congress.

## Welcoming Technology

We will continue to ensure that songwriters, composers and music publishers whose livelihood depends upon the performance right are visible and vocal in the fight to protect your rights on the Internet or any other digital media. Our participation in the Future of Music Conferences that were held in Washington, D.C. this past January and in January of 2002 is just another way for us to make our point. At these well-attended conferences, ASCAP members and staff participated on panels and asked important questions from the audience of other panelists, all designed to tell ASCAP's story: how we welcome technology, our desire for fairness and our success in working with the Internet.

## America's Greatest

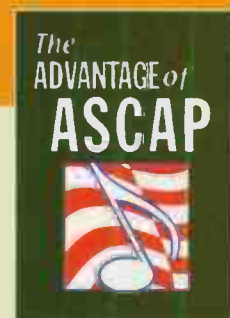
We feel strongly that the music of ASCAP members - America's greatest songwriters, composers and publishers – should reach the widest audience possible, by any medium possible, but we remain steadfast in our efforts to protect our members right to be fairly compensated for their creativity.



Marilyn Bergman  
President and Chairman of the Board

Member-Ownership  
Means...

**ASCAP leads in the effort to bring about proactive legislation that profits and protects music creators.**



# The CEO's Report

**"ASCAP's distributions were in excess of \$587 million in the world."**

In 2001, ASCAP became the first performing rights organization in the world to distribute over one-half billion dollars to our members. I am pleased to report that in 2002, our distributions reached yet another all-time high – \$587 million. Included in this record total is \$375 million for domestic performances, \$133 million for foreign performances, and \$79 million in special distributions, primarily from our settlements with cable such as Viacom and HBO. It is worth noting that over the past three years, ASCAP has distributed more than \$125 million as a result of our aggressive efforts in the cable area, which yielded very favorable cable settlements.

## More Money in Members' Pockets

ASCAP's total revenues in 2002 amounted to \$635 million with operating expenses of approximately \$92.4 million. Expenses have actually been reduced compared with 2001 levels. Along with revenue growth, expense control is a key factor in our ability to keep growing distributions and putting more money in our members' pockets.

With an operating ratio of 14.6%, 2002 marks the second year in a row that ASCAP has reported an operating ratio under 15%, well below any other American performing rights organization. We continue to become a more efficient operation at the same time that we are innovating to dramatically improve service to our members.

## An Exciting Innovation

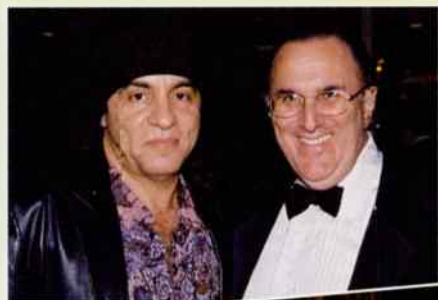
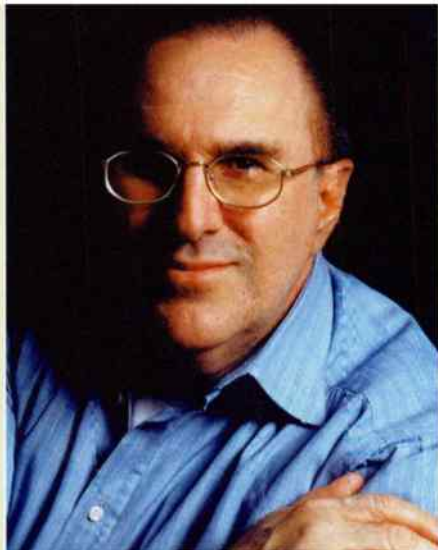
There is one innovation that is particularly exciting for ASCAP's future. ASCAP's business development arm,

ASCAP Enterprises, has joined forces with Yes Network to create a technology-based marketing information company called Mediaguide. Mediaguide uses proprietary pattern recognition technology, a fingerprint, to identify music and advertisements performed on radio, television, satellite and Internet broadcasts. Mediaguide will become the source authority on broadcast airplay information, providing the most comprehensive, accurate, timely and reliable airplay data in the world across all broadcast media. This is an exciting development for ASCAP members. Our members demand and deserve expanded survey coverage and the highest standard of performance identification.

## The Ultimate Level of Performance Tracking

Mediaguide's technology analyzes the sound spectrum of an audio file, creates a unique "fingerprint," and then can identify all performances by recognizing that unique fingerprint. Mediaguide's technology will provide the ultimate level of performance tracking accuracy. It will enable ASCAP to track both analog and digital performances and to identify a larger number of works, including an estimated 200 million performances on radio alone. No other entity can do this.

By the end of 2002, Mediaguide was monitoring five major markets 24/7. Currently, Mediaguide is monitoring 1,700 stations nationwide and will monitor a projected 2,500 stations by the end of 2003. The data we receive from Mediaguide will help reduce ASCAP's survey and identification costs. In addition, since Mediaguide can monitor, identify and track content of all types including music, advertisements and programming, across all media, Mediaguide's data will also be of interest to other cus-

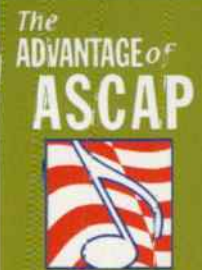


### Pictured from the top:

ASCAP CEO John A. LoFrumento with ASCAP writer member and actor Steven Van Zandt at the 2002 Songwriters Hall of Fame; with composer/songwriter Marc Shaiman at a reception celebrating the success of Shaiman's smash Broadway debut of *Hairspray*; and with Latin Music Award winners Alejandro Montalban and Eduardo Reyes at the 2002 El Premio ASCAP Awards.

## Member-Ownership Means...

The measure of ASCAP's success is more money in our members' pockets.



## million – more than any other performing

tomers. This will provide the opportunity for incremental revenues.

More important, it will help ensure the livelihoods of our members as music use becomes even more pervasive through the Internet, satellite and other delivery systems.

### New Revenue Streams

I am pleased to report that ASCAP members are already beginning to enjoy new revenue streams from some of these new delivery systems. In 2002, we signed five year agreements with the two satellite radio services – XM and Sirius – and began tracking member performances. We expect to distribute royalties from satellite radio in 2003. While the medium is still in its infancy, the potential is there for it to really take off in the next couple of years.

ASCAP also entered into a long-term agreement concerning fees with digital music service Music Choice, which is the largest provider of commercial-free digital music via cable and satellite. The agreement covers the distribution of the music choice service in the home via cable, satellite and other media, such as the Internet. In addition, our most recent distribution in 2002 included, for the first time, payments for performances on the DMX cable channels.

In April 2002, we made our first distribution of royalties from cellular phone ring tones, which we began licensing in 2001.

These are just some highlights of our aggressive efforts to license new media and protect your copyrights in the digital world.

In other licensing news, ASCAP reached agreements with the two major trade organizations representing the U.S. Bus Industry. So for the first time, our members can look forward to being compensat-

ed for performances of their music from this new revenue source.

### Service Improvements

There are also several other ways we've been improving services to our members. Our online title registration system has rapidly taken over as the preferred method for registering titles and that is a major improvement over paper filing. And, as we get feedback from our members, we are continuing to make enhancements to the system. The process is quick, easy, more accurate and less expensive.

We added the Disney and Universal theme parks to our census survey. We have also commenced a complete census of all general entertainment cable services. And, in response to our members' requests, we have upgraded the level of detail we provide on our performance statements to include the number of performances or "plays" of the program for all television performances licensed on a blanket basis.

### Looking to the Future

As we look to the future, we have undertaken a major project to rebuild and better integrate our member, performance and royalty distribution databases utilizing state-of-the-art programming technologies. We have called this project PREP. In the months ahead you will be hearing much more about PREP and how it will benefit members.

A handwritten signature in black ink that reads "John A. LoFrumento".

John A. LoFrumento  
Chief Executive Officer



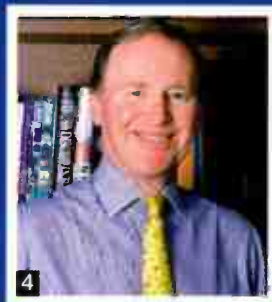
# Board of Directors

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.

Key committees include Executive, Finance, Foreign Relations, Legislative, Marketing, New Technologies, Survey & Distribution and Symphonic & Concert.

**12 Writers**  
**12 Publishers**



## Member Meetings

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. In each city, ASCAP also presents pre-meeting seminars featuring a select group of songwriters, composers and ASCAP representatives who speak in depth about issues important to members and answer members' questions in a casual atmosphere.

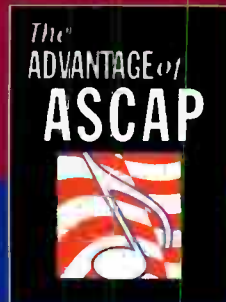
## Who Better to Speak for Music Creators Than Music Creators Themselves?

ASCAP's Board of Directors are:

1. Composer Elmer Bernstein
2. Peermusic's Kathy Spanberger
3. Songwriters Paul Williams and Hal David
4. BMG Music's Nicholas Firth
5. Carlin America's Freddy Bienstock, Famous Music's Irwin Z. Robinson and Theodore Prasser's Arnold Brody;
6. Songwriter Marilyn Bergman, ASCAP President and Chairman

# Member-Ownership Means...

**ASCAP is owned and run by people who create and publish music.**



7. Sony/ATV Music's Donna Hilley with Universal Music's David Renzer

8. Songwriter Jimmy Jam

9. Composer Bruce Broughton

10. EMI Music's Joanne Boris with composer Johnny Mandel

11. Composer Cy Coleman

12. Composer Stephen Paulus with songwriter Wayland Holyfield

13. MPL Communications' John L. Eastman

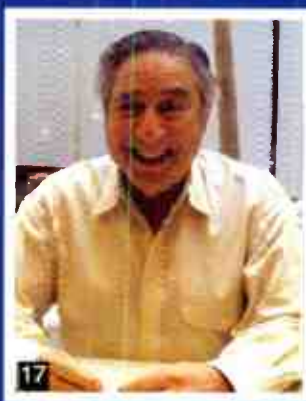
14. Leeds Music's Leeds Levy

15. Composer Doug Wood

16. Lichelle Music's Dean Kay

17. Warner/Chappell Music's Jay Morgenstern

18. Songwriter Jimmy Webb





BRUCE SPRINGSTEEN

ALICIA  
KEYS

# The Power of Success

The 45th Annual Grammy Awards, honoring the best music of 2002, took place in New York City on February 23, 2003. Congratulations go to all ASCAP members who dominated the awards, especially to multiple award winners **Bruce Springsteen**, **Dixie Chicks**, **India.Arie**, **Coldplay** and **Nelly**.

BRIGHT SHENG

INDIA.ARIE

JOHN RZEZNIK

MARCO BELTRAM

ELLIOT GOLDENTHAL

NELLY

U2 (PRS)

DIXIE CHICKS

JOHN DEBNEY

★ ASCAP film composers enjoyed a spectacular year in 2002. For the second year in a row, **John Debney** scored three top box office hits: *The Scorpion King*, *Snow Dogs* and *Spy Kids 2*. **Howard Shore** also scored the music for two of 2002's top box office hits: *The Lord of the Rings: The Two Towers* and *Panic Room*. Other top box office ASCAP film scores included *Signs* (**James Newton Howard**); *We Were Soldiers* (**Nick Glennie-Smith**); *The Bourne Identity* (**John Powell**).

★ The top **Academy Awards** for music in films released in 2002 were presented to ASCAP members. The Oscar for Best Original Score went to **Elliot Goldenthal** for *Frida*. The Oscar for Best Original Song went to **Luis Resto** for "Lose Yourself" from *8 Mile*.

★ **Golden Globe Awards** went to film composer **Elliot Goldenthal** for 2002's *Frida* and **U2 (PRS)** for "The Hands That Built America" from 2002's *Gangs of New York*.

★ In 2002, **Primetime Emmy Awards** went to ASCAP winners **Mark Watters**, **Adrian Johnston (PRS)**, **Seth McFarlane** and **Stephen Sondheim**.

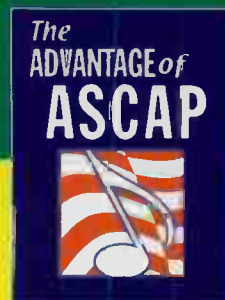
★ 2002 **Daytime Emmy Awards** went to **Debi Cochran**, **Wally Kurth** and **Christian Taylor** for "General Hospital"; **Dave Conner**, **Danny Epstein**, **Tony Geiss**, **Stephen Lawrence** and **Mike Renzi** for "Sesame Street"; and **Brian Comotto**, **Peter Fish**, **Ron Goodman**, **Loris Holland**, **Robbie Kondor**, **Mike Renzi** and **John Wineglass** for "All My Children."





## Member-Ownership Means...

**ASCAP is the only U.S. Performing Rights Organization whose payment procedures are open to the public.**



# ASCAP Occupied the Top Spots on the 2002 Billboard Year End Charts

★ ASCAP composers also dominated the world of television in 2002. **Russ Landau's** music was featured in the top Nielsen rated network TV series "Survivor" (three installments) and "Fear Factor." Other top series featuring ASCAP music included "Good Morning Miami" (**John Rzeznik**); "Friends" (**Michael Skoff**); "George Lopez" (**Lonnie Jordan**); "Third Watch" (**Ken Jordan**); "Crossing Jordan" (**Wendy and Lisa**); "E.R." (**James Newton Howard**); "Everybody Loves Raymond" and "Yes, Dear" (**Rick Marotta**); "Still Standing" (**Holly Knight**); "The Practice" (**Marco Beltrami** and **Jon Hassell**); "24" (**Sean Callery**); "The Simpsons" (**Alf Clausen**); "8 Simple Rules for Dating My Teenage Daughter" (**Dan Foliart**); "American Dreams" (**Nicole Hart**); "Without a Trace" (**Reinhold Heil**) and **Johnny**

**Klimek**) and "Judging Amy" (**Peter Himmelman**).

★ ASCAP also celebrated the achievements of our members through its own annual award ceremonies in Film and Television music, Pop, Rhythm & Soul, Latin, Country and Concert Music. In recognition of pioneering contributions to music, ASCAP honored: the groundbreaking group **Earth, Wind & Fire**; legendary songwriter **James Taylor**; prolific film composer **Alan Silvestri**; one of the most successful Latin musical performers in the world, **Gilberto Santa Rosa**; and Country music superstar **Alan Jackson**.

★ 2002 ASCAP Songwriter of the Year Awards went to: **Dr. Dre** and **Chad Hugo** for Rhythm & Soul; **Beyoncé Knowles** for Pop, **Omar**

**Alfanno** and **Joan Sebastian** for Latin, **Darrell Scott** for Country. ASCAP Concert Music honorees included **Henry Brant**, **Bright Sheng**, **John Corigliano**, **Justin Davidson** and **Peter Shickelz**.

★ ASCAP members honored by the Songwriters Hall of Fame in 2002 included **Ashford & Simpson**, **Garth Brooks**, **Randy Newman** and **Stevie Wonder**.

★ 2002 Essence Awards were presented to ASCAP members **Alicia Keys**, **India.Arie** and ASCAP Board member **Jimmie Jam** and **Terry Lewis**.

★ 2002 Rock and Roll Hall of Fame Inductees included ASCAP members **Tom Petty** and **the Heartbreakers**, **The Ramones** and **The Talking Heads**.

# In 2002, ASCAP's membership grew to well over 150,000 writer and publisher members

Among the many new members ASCAP welcomed in the past year are some top names in their fields. Beginning with the top row (l-r) are:

- ★ Jay Z
- ★ Rob Thomas
- ★ 50 Cent
- ★ John Mayer
- ★ Avril Lavigne (SOCAN)
- ★ Alejandro Lerner
- ★ Brian Tyler
- ★ Nickel Creek
- ★ Sharissa
- ★ Kenny Chesney
- ★ Tweet
- ★ John Powell

All of these new members add value to our repertoire, which strengthens our bargaining power as we negotiate license agreements.





## ASCAP has a long tradition of offering programs and support to our members in the early stages of their careers.

ASCAP's career development programs include showcases, workshops, grants, educational seminars and more, covering many genres of music from Film Scoring to Concert to Pop, R&B, Hip Hop, Jazz, Latin, Country and Gospel.



★ ASCAP's Rhythm and Soul Creative Team launched a new program, entitled "Lyrically Speaking," that highlights the use of music with the spoken word.



★ The Society's ASCAP Plus Awards Program distributed \$2.36 million to writer members for the 2002-2003 year. ASCAP Plus 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.

★ ASCAP's staff continues to research and implement meaningful new member benefits and services that add value to the ASCAP membership card.



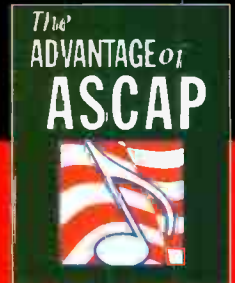
★ Since the launch of ASCAP's Credit Card Program in early 2002, more than 1,000 ASCAP members have selected ASCAP's MBNA MasterCard as a way to show support and pride for the Society. The ASCAP Platinum Plus or Preferred credit card features exceptional customer service and benefits, including a low introductory Annual Percentage Rate, no annual fee, around-the-clock fraud protection, 24-hour customer satisfaction and more. In addition, cardholders generate income for the ASCAP Foundation at no additional cost, because MBNA America, the card's issuing bank, provides funds to the ASCAP Foundation for each new account that is opened.



★ MusicPro Insurance continues to be one of our most popular benefits, providing convenient, lower-cost insurance for instruments and equipment, studio and tour liability, travel/accident, long term care and medical.

## Member-Ownership Means...

**Members have a voice.**



# Technology Driven by Members' Needs

## **Mediaguide – Innovative Technology That Delivers the Highest Standard of Performance Tracking**

ASCAP members demand the highest standard of performance tracking. So ASCAP has joined forces with Yes Network to create a technology-based marketing information company called **Mediaguide**. Mediaguide uses proprietary pattern recognition technology, a fingerprint, to identify music and advertisements performed on radio, television, satellite and Internet. By the end of 2002, Mediaguide had been successfully tested in five markets and is expected to become the source authority on broadcast airplay information, providing the most comprehensive, accurate, timely and reliable airplay data in the world across all media.

## **ASCAP.com is The World's Most Visited Professional Website**

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

In recent years ASCAP's website, [www.ascap.com](http://www.ascap.com), has grown to become the most visited professional website in the world with more than 2.2 million page views and over 18 million hits every month. Members now use the site for everything from title registration to the identification of collaborators. Because ASCAP is owned by its members, in 2002 ASCAP began seeking opportunities to enhance members' experience when using the site.

ASCAP's site features:

- ★ A strong focus on members
- ★ Home page headlines
- ★ Up to date news and information
- ★ Navigation that is intuitive and oriented by the user

The functional design serves the needs of music creators and publishers.



## **ASCAP's Col**

*A free service for mu*

## **Collaborator Corner – An Online Networking Tool**

ASCAP's Collaborator Corner is an online networking tool for music professionals seeking creative partners. It helps songwriters, composers and lyricists develop career-enhancing connections and enables users to take advantage of opportunities that might not otherwise be brought to their attention. There have now been over 2,000 project postings and several success stories.

## **ASCAP Inside Music – A Monthly Email Newsletter**

The "ASCAP Inside Music" monthly email newsletter to members continues to provide important information about legislative issues, ASCAP events, career opportunities, music industry information, useful advice, member benefits updates and more. To take advantage of this great communications tool, members simply have to register their email addresses on the [ascap.com](http://ascap.com) website.

## **Online Title Registration – A Resounding Success**

ASCAP's online title registration system on the ASCAP website not only makes registering titles quick and easy, but it also improves accuracy and is less expensive. In 2002 it became the preferred method for registering titles. The system will eliminate the need for paper forms by the end of 2003.

## **PREP – Performing Rights Enterprises Program – A State of the Art Royalty Distribution System**

In 2002, ASCAP began developing PREP (Performing Rights Enterprises Program) a major new integrated data system to handle ASCAP's needs in the area of Royalty Distribution, Copyright & Agreements and Membership and Inquiry Management. Phase One of



# laborator Corner

GO!

*asic professionals to find collaborators.*

## Member-Ownership Means...

We diligently track the use of our members' music on the Web and other digital media.

PREP's construction, which included its design and building requirements, was completed ahead of schedule in 2002. When PREP is completed, members will benefit from a state-of-the-art system that will be:

- ★ Web enabled – to provide both easy access to and easy provision of information by members.
- ★ Flexible – to meet the demands of industry changes and members' needs.
- ★ Easy-to-use – to maximize efficiency.
- ★ Able-to-grow – as ASCAP's survey grows both in content and number of surveyed performances.

The  
ADVANTAGE of  
ASCAP



## The Future of Music Policy Summit

To ensure that the creators' voice is always represented in any discussion about music and technology, ASCAP continues to participate in many of the top conferences across the country that deal with the subject. ASCAP was a leading sponsor of the Third Annual Future of Music Policy Summit held at the Georgetown University Conference Center in Washington, D.C. Prominent ASCAP members participated on two separate panels. Patti Smith and Vernon Reid were part of an "Artists Roundtable" discussion and Eric Bazilian and Vernon Reid were featured on a "State of the Union" panel. In addition, ASCAP Board member Dean Kay hosted a reception and Jonatha Brooke also participated at the conference. Pictured (l-r) are Jonatha Brooke, Eric Bazilian, Dean Kay and Vernon Reid.



# Innovations That Serve Music Creators



To further the idea that the best way to ensure the future protection of copyrights is to educate people, the J.A.M. Program (Junior ASCAP

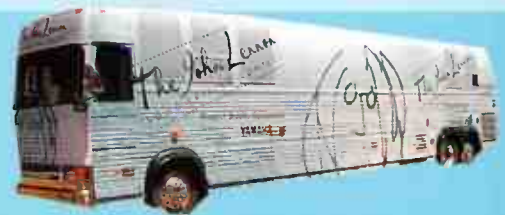
Members) was started so that teenagers who are interested in music, both its creation and the business, would have a place to learn about different aspects of the music industry. J.A.M. gives teens the opportunity to get involved in a real music business organization, while keeping up with their favorite music creators, and hopefully learning a thing or two from them. J.A.M. membership is open to members of Tri-M, the national music honor society, who are eligible to receive select discounts and special benefits. However, all students can utilize the J.A.M. website, which features helpful and informative articles that give them an inside look at

the inner workings of the music industry, articles on the craft of songwriting and interviews with such creators as Tom Waits, Mary J. Blige, Amy Correia, Johnta Austin, Jonny Lang, Aimee Mann and Gretchen Peters.

In conjunction with The Copyright Society of the U.S.A. which launched Copyright Awareness Week from April 22-28, 2002, the ASCAP J.A.M. Program launched a Copyright Essay Contest for its J.A.M. Chapters. The mission of the essay contest was to educate high school students about the protection and use of creative works and the basic principles of copyright law. With that goal in mind, students were asked to write an essay answering the question "How do copyright laws benefit young musicians?" A panel of judges evaluated submissions and selected the winners. Winners were announced at the 2002 MENC National Conference held in Nashville, Tennessee.

## J.A.M. Sponsors Tri-M Chapter Visits by the John Lennon Songwriting Contest Educational Tour Bus

In 2002, ASCAP's J.A.M. Program continued to sponsor visits by the John Lennon Songwriting Contest Educational Tour Bus to Tri-M Chapter high schools that won an essay contest explaining why the Bus should visit their school. The winning schools included East Meadow High School in East Meadow, New York; Western Brown High School in Mt. Orab, Ohio; Chapman High School in Chapman, Kansas; and Norris High School in Firth, Nebraska. Pictured are students and teachers in front of the bus.



## Hamlisch Speaks at Music Educators National Conference

As part of the ASCAP J.A.M. Program, composer Marvin Hamlisch was the keynote speaker at the Music Educators National Conference (MENC) convention in Nashville, Tennessee in April 2002. Pictured (l-r) are Executive Director of MENC John Mahlman, Hamlisch and past MENC President Mel Clayton.



ASCAP  
Heineken presents  
**amp**  
music series



Retrospect (above) performs at the 2002 ASCAP Presents Heineken Amp Music Series in Memphis. Also pictured is the Nurse Kaya String Quartet performing at the 2002 Thru the Walls showcase in Manhattan.

## Member-Ownership Means...

**ASCAP is focused on member career development.**



## Partnerships and Sponsorships

To better promote ASCAP members' music, the Society has formed co-sponsorships with companies who also see value in ASCAP's programs and events. One of the most successful partnerships has been ASCAP and Heineken's Amp Music Series which showcases promising ASCAP bands and artists in cities all across the country. In 2002, the series was presented in San Francisco, Philadelphia, Memphis, Orlando, Raleigh, Atlanta and New York City. Conceived and produced by ASCAP composer/performer Martha Mooker and sponsored in part by Sibelius, the music notation software company, and The ASCAP Foundation, Thru the Walls was another successful showcase in 2002 that promoted the work of concert music composer/performers whose music defies boundaries and genres.

## The ASCAP Film Scoring Workshop



Another great example of an ASCAP partnership that continues to nurture up and coming creators is The ASCAP Film Scoring Workshop supported by The ASCAP Foundation, which in 2002 featured participants from throughout the U.S. and countries including Turkey, Norway, Ireland, England, Germany and Australia. ASCAP's liaisons with Twentieth Century Fox, Segue Music Inc., Sabron Inc, JoAnn Kane Music Services, the RMA and AFM Local 47 and Design FX Audio in Los Angeles all combine to make this renowned workshop a world-class program.

## Expanded Member Benefits

One way ASCAP is able to continue to expand and enhance its service to its members is by teaming up with other companies in providing benefits and services. ASCAP's Member Card Benefits Program continues to grow and expand in the scope and nature of what it offers to members. Discounts to members are available from an ever-growing list of companies such as Musician's Friend, Sibelius Music Notation Software, Guitar Center, Fender.com, XM Satellite Radio, DupeCoop, J&R Music World/Computer World, Wireless Warehouse, Valle Music Reproduction, Official Software Copyright and Trademark Products, North American Van Lines, Avis and Hertz Car Rental, the USAliance Federal Credit Union, Prudential Financial investment services and more.

## MusicPro and eHealthInsurance



ASCAP developed MusicPro Insurance to meet the needs of ASCAP members who are either out on the road performing or in their home studios writing and recording. The cost of good equipment, studio and tour insurance was too high for most members. So ASCAP looked high and low to find a way to provide high quality, low cost insurance. Conceived, created and co-owned by ASCAP, MusicPro met that need and more with greater coverage and flexibility, better service and lower costs than any other insurance.

## eHealthInsurance

In 2002, MusicPro's coverage expanded to include affordable medical coverage customized for the music professional. The added "eHealthInsurance" service gives artists instant online access to quotes from a variety of providers, allowing comparisons by benefit and price.

**ASCAP has redefined music licensing. Our philosophy is based on building partnerships with those who use ASCAP members' music and by using fair and open discussions to reach agreements.**



Pictured in San Francisco (l-r) are Heineken USA's Kevin Costa, Ampt Award recipient and owner/booker of the Hill club Ramona Downey and ASCAP's Wade Metzler.

# ASCAP Customers

## In 2002, ASCAP's leadership led to several significant licensing developments.

- ★ ASCAP reached agreement concerning fees with the popular digital music service Music Choice.
- ★ ASCAP reached agreements with two major U.S. bus trade organizations, the American Bus Association and the United Motorcoach Association on rates and terms for performances of music on buses. The agreement covers live and mechanical (CD's, tapes, movies on video, etc) music performances on buses.
- ★ ASCAP reached agreements with satellite radio operators XM Satellite Radio and Sirius Satellite Radio. The depth and

diversity of music that satellite radio offers means that more members will have their works heard and more members will receive royalties. ASCAP's partnership with XM also provided ASCAP members with a significant discount on this exciting new service.

★ In April 2002, ASCAP made its first distribution of royalties from cellular phone ring tones.

★ ASCAP's New Media Licensing Group has built relationships with virtually all Internet sites performing ASCAP music. In 2002, webcaster licensees grew to over 2,000.

## Customer Recognition

The ASCAP Partners In Music Award annually recognizes ASCAP licensees who are exceptional in promoting and expanding the reach of music. The 2002 recipient was the Flora-Bama Lounge, a major music venue in Pensacola, Florida, owned and operated by Joe Gilchrist. Mr. Gilchrist, a strong supporter of cultural endeavors in the Flora-Bama region, is the driving force behind the annual Frank Brown International Songwriters Festival, a popular and successful showcase for songwriters. Pictured (l-r) at the 2002 ASCAP Country Music Awards, where the award was presented, are ASCAP CEO John LoFrumento, Joe Gilchrist and ASCAP Senior Vice President/Director of Licensing Vincent Candilora.





## The ASCAP Customer Card

ASCAP values its customers. One way of showing its appreciation is by adding value for being a customer. The ASCAP Customer Card does this



by providing a wide selection of benefits reserved exclusively for ASCAP customers to make their lives a little easier, their employees a little happier and their bottom-line richer. In 2002, new benefits were added to include discounts at J&R Music World/Computer World, Wireless Warehouse, Musician's Friend, XM Satellite

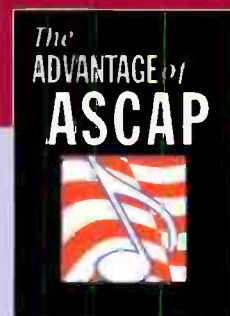
Radio, MusicPro Medical and Dental Insurance and much more.

## Outstanding Broadcast Awards

At ASCAP's 35th Annual ASCAP Deems Taylor Awards for outstanding print, broadcast and news media coverage of music, the Society presented its Radio Broadcast Award to the widely-syndicated National Public Radio Program, *Fresh Air*, and its producing station WHYY Radio in Philadelphia. On hand to accept were program host/co-Executive Producer Terry Gross and co-Executive Producer Danny Miller. ASCAP also presented its Internet Award to the outstanding website, [www.musicalamerica.com](http://www.musicalamerica.com).

## Member-Ownership Means...

**ASCAP is always the first to identify new areas for licensing our members' music.**



# Partners in Music

Cited in the Television Broadcast category was "Evening at Pops: Fiddler's Three," featuring Interplay by ASCAP composer Chris Brubeck and produced by Bill Cosel, WGBH-TV and the Boston Pops Orchestra. Pictured at right (l-r) are *Fresh Air's* Terry Gross, ASCAP President and Chairman Marilyn Bergman and *Fresh Air's* Danny Miller. Also pictured (far right) is ASCAP CEO John LoFrumento presenting the Internet Award to [musicalamerica.com](http://musicalamerica.com) editor Susan Elliott.



## RAVES – Custom-Made Technology for ASCAP Radio Customers

In 2002, ASCAP launched a new tool for the radio industry called RAVES (Radio Account View Electronic Service). RAVES is an online customer management service that enables radio stations to view up-to-date balance, billing address and license information via ASCAP's website. Stations are also able to email questions or changes directly to the RAVES mailbox. ASCAP has always been at the forefront of new technology and RAVES is the latest example of how ASCAP develops and uses technology to provide customers with valuable programs that are interactive, secure, fast and easy to use.

# World Leadership

## In 2002, ASCAP's foreign collections for member performances grew to over \$140 million

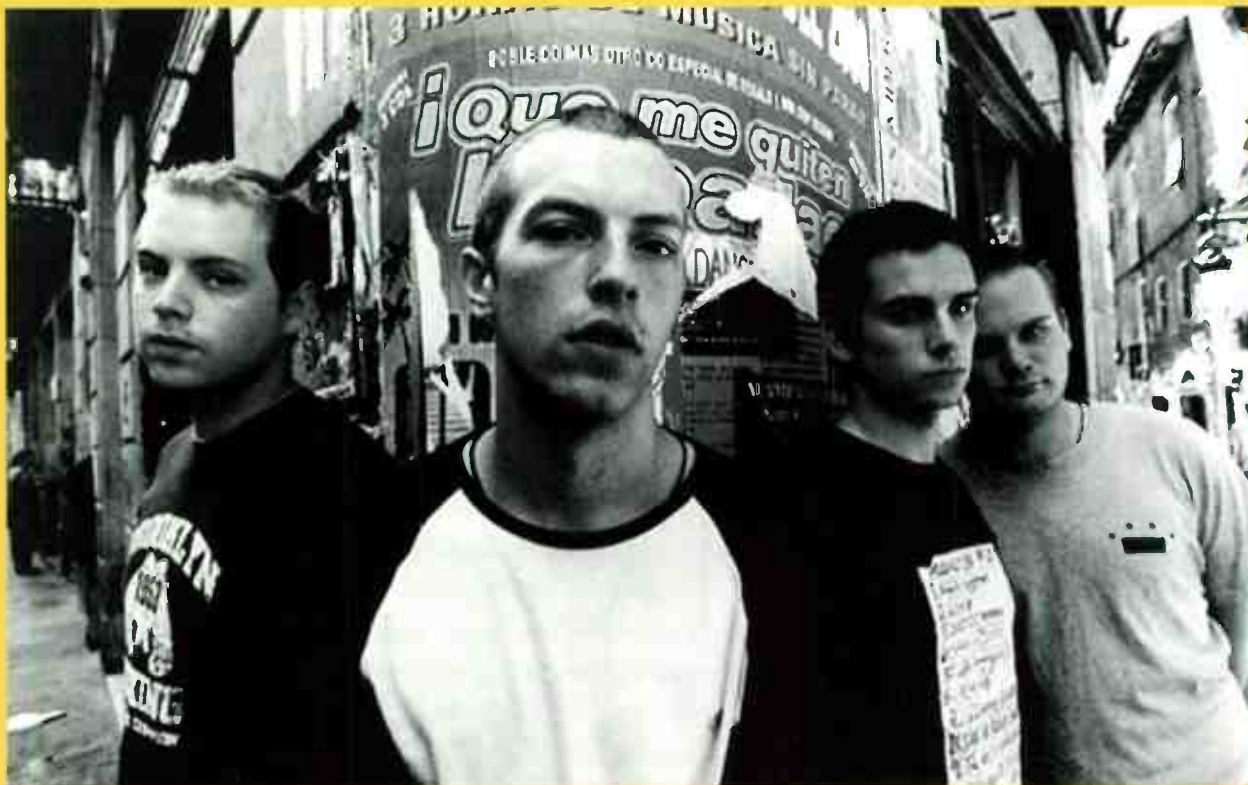
ASCAP collects more money from foreign societies than any other performing rights organization, making ASCAP the recognized leader around the world. For ASCAP members, this results in numerous international advantages:

- ★ ASCAP administers more foreign repertory in the U.S. than any competitor.
- ★ ASCAP has reciprocal representation agreements with over 80 affiliated societies representing virtually every country that has laws protecting copyright.
- ★ ASCAP's team of high-profile, experienced reps works closely with established societies in the rapidly developing

economies of Eastern Europe, Southeast Asia and the Caribbean.

- ★ By virtue of ASCAP's long-standing relationships with foreign societies, it has conducted technical visits to more countries than any other society, gaining a comprehensive understanding of how they do business and identifying tools needed to help them administer our repertory most effectively.

- ★ ASCAP members also benefit from any interest earned on royalties pending distribution and from a foreign tax credit which translates into tax savings for members up to \$3 million in any given tax year.



**Coldplay (PRS)**, who license their music through ASCAP in the United States, won two Grammys for music from their 2002 album, *A Rush of Blood to the Head*: Best Alternative Album and Best Rock Performance by a Group for their song "In My Place."



## Member-Ownership Means...

**Our only agenda is to secure more money for our members.**

The  
ADVANTAGE of  
ASCAP



Pictured far left (l-r) at the ASCAP/PRS Awards in London in October, 2002 are film composer Patrick Doyle, who was honored for his score to *Bridget Jones's Diary*, with IMRO CEO Adrian Gaffney. Also pictured are ASCAP/PRS Publisher of the Year winners Warner/Chappell's Mike Sault and Richard Manners.



The 2002 CISAC World Congress in London was host to many of the world's leading music creators and industry executives. Gathered at a Congress event (l-r) are Ireland's Paddy Moloney from The Chieftains, American lyricist and ASCAP Board member Hal David,

British record producer Sir George Martin and ASCAP CEO John LoFrumento.

ASCAP's Todd Brabec and Nancy Knutsen attended the 2002 APRA Awards in Sydney, Australia. Brabec presented the award for Most Performed Australian Work Overseas for the Savage Garden hit "Crash and Burn." Pictured (l-r) are publisher Rough Cut Music's John Woodruff, Brabec and songwriter Daniel Jones.



## Thinking Globally

ASCAP is committed to identifying and claiming every current and potential source of revenue for its members, 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. 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.

## An Active Role

ASCAP plays a prominent role in international organizations including CISAC (Confederation International des Sociétés D'Auteurs et Compositeurs):

★ ASCAP CEO John LoFrumento is a member of CISAC's Executive Bureau and Administrative Council as well as a member of the CISAC

Canada/USA Committee since its inception in 1996.

★ ASCAP's Chief Information Officer Tina Barber, and ASCAP's Mairy Beam, serve on CISAC's CIS Supervisory Board (CSB). In addition, David Safir represents ASCAP on CISAC's European, Ibero-American and African Committees as well as on its Distribution Committee and the Radio & TV Broadcasting Committee.

★ In cooperation with ASCAP's sister societies in such countries as Canada, Australia and Ireland, ASCAP presents educational workshops for those writers and publishers interested in licensing their music through ASCAP in the U.S.

## International Tools

ASCAP has played a leading role in developing and implementing sophisticated programs that have been adapted throughout the world

★ The WID (Works Information Database) which ASCAP developed as a centerpiece of the Common Information System.

★ The WWL (World Works List) used by societies around the world.

★ The ITMU (International TV Monitoring Unit), where experts in TV and Film repertory utilize an innovative data base called EZ-Maxx to scan foreign TV listings and compare results to distributions received from foreign societies. This ensures that foreign titles are matched to the original title and proactively supplies the cue sheet required for distribution.

★ The ASCAP Concert Tracking Program, which ensures that live performances abroad are documented with set lists so that royalties don't go astray.

# Senior Management

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,



JOHN A. LOFRUMENTO  
CEO

The Membership Group, The Enterprises Group and The Headquarters Group. Working together, the groups have created a scale of synergies that continue to benefit ASCAP members by combining our core businesses with entrepreneurial activities. Here are descriptions of ASCAP's Business Units and how their unique responsibilities provide improved service to members:

## PERFORMING RIGHTS GROUP



Al Wallace  
EVP, Chief Operating Officer

## MEMBERSHIP GROUP



Todd Brabec  
EVP, Membership

## 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 and COO 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.



Vincent Candilora  
SVP  
Licensing



Peter Boyle  
SVP  
Chief Economist



John Alexander  
SVP  
Creative Affairs



Connie Bradley  
SVP  
Nashville

## The Membership Group

Focuses on the needs of ASCAP members by expanding services in 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.

## ENTERPRISES GROUP



Chris Amenita  
SVP, New Media



Nancy Knutsen  
SVP, Film/TV

## 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.

## HEADQUARTERS GROUP



Phil Crosland  
SVP, Marketing



Karen Sherry  
SVP  
Industry Affairs



Roger Greenaway  
SVP  
International

VP/Executive Director of  
The ASCAP Foundation

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



# Financial Overview

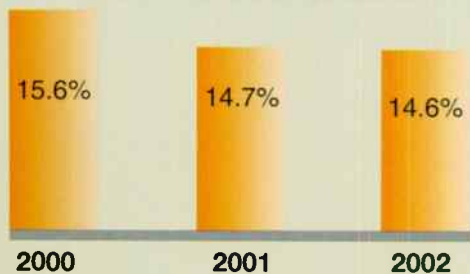
ASCAP's financial results were discussed at the general membership meetings in Los Angeles, Nashville and New York. In addition, our independent public accountants, Ernst & Young LLP, presented our audited financial statements for the years ended December 31, 2002 and 2001 at the April Board meeting. Pages 22 to 27 include selected portions of the audited financial statements.

ASCAP's total distributions were \$587.9 million in 2002, an increase of \$78.6 million or 15.4%. Distributions to members and foreign societies for domestic performances were \$454.7 million, an increase of \$67.7 million or 17.5%. Distributions for foreign performances were \$133.3 million, up \$10.9 million or 8.9%. The Total Distributions chart at right highlights the trend of distributions over the past three years.

Total receipts were \$634.9 million in 2002, down \$11.2 or 1.7%. Included in receipts for 2002 were \$21.8 million of cable settlements received from certain major cable services that were part of the "Turner Broadcasting" proceeding versus \$62.8 million in 2001. Excluding these settlements, total receipts were up \$29.8 million or 5.1%. Domestic receipts, excluding settlements, were \$465.1 million, up \$12.0 million or 2.6%. Fees from Cable were up \$50.4 million, excluding specials, while fees from radio were down \$36.9 million due to lower fees due to a decline in industry revenues. Fees from General licensees increased \$4.1 million or 5.0%.

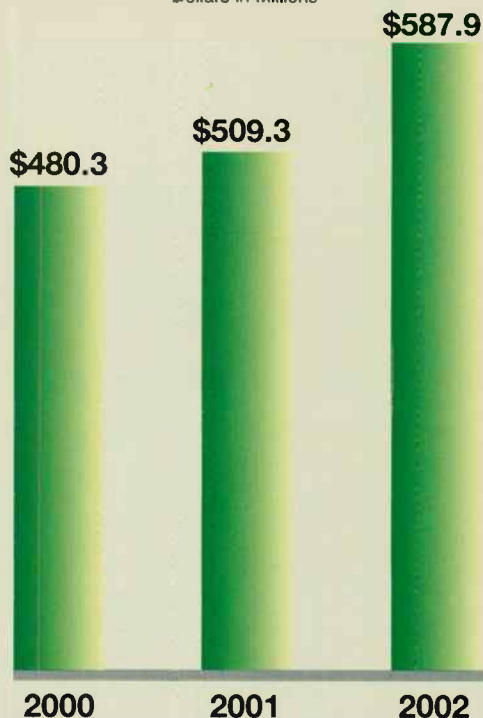
Operating expenses were \$92.4 million, a decrease of \$2.9 million, which resulted in an operating ratio of 14.6%, our lowest operating ratio to date and second consecutive year under 15.0%. The Annual Receipts and Ongoing Operating Expenses charts at right and below provide a three-year trend of related information. The decrease in expenses reflects our continued commitment to control overhead expenses while strengthening operations to enhance service to our members and licensees.

## ONGOING OPERATING EXPENSES OPERATING EXPENSE RATIO



## TOTAL DISTRIBUTIONS

Dollars in Millions



## ANNUAL RECEIPTS

Dollars in Millions

2000: \$577 total receipts    2001: \$646 total receipts    2002: \$635 total receipts



# REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated statement of receipts, expenses, and change in net assets of the American Society of Composers, Authors and Publishers and Subsidiaries (the "Society") for the year ended December 31, 2002. The consolidated statement of receipts, expenses, and change in net assets are the responsibility of the Society's management. Our responsibility is to express an opinion on the consolidated statement of receipts, expenses, and change in net assets based on our audit. The consolidated statement of receipts, expenses, and change in net assets of the Society as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on that consolidated statement of receipts, expenses, and change in net assets in their report dated March 15, 2002.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the consolidated statement of receipts, expenses, and change in net assets have been 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 consolidated statement of receipts, expenses, and change in net assets 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 year ended December 31, 2002, on the basis of accounting described in Note 2.

*Ernst & Young LLP*

Ernst & Young LLP  
New York, New York  
March 28, 2003



**AMERICAN SOCIETY OF COMPOSERS, AUTHORS  
AND PUBLISHERS AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF RECEIPTS, EXPENSES  
AND CHANGE IN NET ASSETS (Note 2)  
FOR THE YEARS ENDED DECEMBER 31, 2002 and 2001**

(000's omitted)

<b>DOMESTIC RECEIPTS:</b>	<u>2002</u>	<u>2001</u>
License fees-		
Television	<b>\$116,537</b>	\$118,583
Cable	<b>136,337</b>	126,903
Radio	<b>144,663</b>	181,561
General	<b>79,941</b>	76,374
Symphonic and concert	<b>4,916</b>	4,421
Interest and other income	<b>3,510</b>	6,323
Membership dues	<b>983</b>	1,759
Total domestic receipts	<b>486,887</b>	515,924
<b>ROYALTIES FROM FOREIGN SOCIETIES (Note 6)</b>	<b>148,027</b>	130,215
Total receipts	<b>634,914</b>	646,139
<b>EXPENSES:</b>		
Licensing, collection and legal	<b>24,616</b>	25,927
Distribution	<b>24,709</b>	23,816
Publicity and membership	<b>21,510</b>	21,665
Administrative and other	<b>21,581</b>	23,862
Total expenses	<b>92,416</b>	95,270
Excess of receipts over expenses	<b>542,498</b>	550,869
<b>DISTRIBUTIONS (Note 6):</b>		
Members-		
Domestic distributions	<b>402,976</b>	340,555
Foreign distributions	<b>133,253</b>	122,387
Foreign societies	<b>51,674</b>	46,368
Total distributions	<b>587,903</b>	509,310
<b>CURRENT DISTRIBUTION TO FOREIGN SOCIETIES (LESS THAN) IN EXCESS OF CURRENT RECEIPTS</b>	<b>141</b>	(269)
Net (decrease) increase in net assets	<b>(45,264)</b>	41,290
<b>NET ASSETS, beginning of year (Note 4)</b>	<b>198,960</b>	157,670
<b>NET ASSETS, end of year (Note 4)</b>	<b>\$153,696</b>	\$198,960

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

## 1. ORGANIZATION AND NATURE OF BUSINESS

The American Society of Composers, Authors and Publishers and Subsidiaries (the "Society" or "ASCAP") is an unincorporated membership society of composers, songwriters, lyricists and music publishers. As a performing rights society, ASCAP represents its members by licensing copyrighted music and distributing royalties for the non-dramatic performances of their copyrighted works. These royalties are paid to members based on surveys of performances of the works in ASCAP's repertory that they wrote or published. Founded in New York in 1914, ASCAP is the oldest performing rights licensing society in the United States.

## 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.

ASCAP accounts for 50% or less owned companies over which it has the ability to exercise significant influence using the equity method of accounting. ASCAP's share of net income or losses of equity investments is included in Administrative and Other Expenses in the consolidated statements of receipts, expenses and changes in net assets. ASCAP periodically reviews these equity investments for impairment and adjusts these investments to their net realizable value when a decline in market value is deemed to be permanent. For the period ended December 31, 2002, ASCAP recorded a loss of approximately \$256,000 from equity method investments.

### 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:

### Revenue Recognition

Revenue, consisting of royalties collected and interest income, is recorded at the time that the cash is received. 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 recognized when paid and are not accrued.

### Income Taxes

The Society does not account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes ("SFAS 109"). Under SFAS 109, the liability method is

used for accounting for income taxes and deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. The Society recognizes income tax expense as payments are made to the appropriate taxing authorities and does not recognize related tax liabilities, deferred tax assets, or deferred tax liabilities as may be required by SFAS 109.

Income tax paid and expensed for the year ended December 31, 2002 amounted to approximately \$692,000.

### Defined Benefit Pension Plans

The Society does not account for its defined benefit pension plans in accordance with SFAS No. 87, Employer's Accounting for Pensions ("SFAS 87"). Under SFAS 87, accrual accounting is applied to defined pension plans sponsored by an employer and to the extent that an employer has an underfunded or overfunded pension obligation a liability or asset would be recognized. The Society recognizes pension expense as a plan is funded, and does not recognize pension assets or liabilities as may be required by SFAS 87. See Note 5.

### Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

### Fixed Assets

Fixed assets, including leasehold improvements, are capitalized, at cost. Depreciation of fixed assets is provided using the straight-line method based on estimated useful lives as follows:

Furniture	10 years
Equipment	3 - 5 years
Automobiles	3 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the assets or the terms of the related leases. Repair and maintenance costs are expensed as incurred.

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 capitalized while costs incurred in the project planning phase are expensed. Costs to maintain software programs once developed are expensed as incurred.

### 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.



### **New Accounting Pronouncements**

In July 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 provides guidance on the timing of the recognition of costs associated with exit or disposal activities. The new guidance requires costs associated with exit or disposal activities to be recognized when incurred. Previous guidance required recognition of costs at the date of commitment to an exit or disposal plan. The provisions of the statement are to be adopted prospectively after December 31, 2002. Although SFAS No. 146 may impact the accounting for costs related to exit or disposal activities the Society may enter into in the future, particularly the timing of the recognition of these costs, the adoption of the statement will not have a material impact on the Society's present financial condition or results of operations.

### **3. JOINT VENTURES**

#### **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 was 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 expensed approximately \$4.3 million of its investment which included its share of expected liquidating liabilities and loan guarantees, net of \$3.3 million in costs relating to software developed by the IMJV that was distributed to ASCAP upon liquidation. The unpaid liquidating liabilities of approximately \$4.3 million are included in other liabilities and the \$3.3 million of software costs is included in fixed assets on the consolidated statements of assets, liabilities, and net assets at December 31, 2001.

As of December 31, 2002 ASCAP has no remaining liabilities relating to the liquidation of the IMJV. During 2002, approximately \$3.7 million was paid in cash to settle ASCAP's share of liquidating liabilities and loan guarantees and \$0.6 million was reversed against expenses as certain liabilities were settled for amounts less than initially estimated.

#### **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 a 50% interest in the joint venture.

On October 28, 2002, Enterprises and ConneXus Corporation formed a joint venture, Mediaguide, Inc. ("Mediaguide"), a Delaware Corporation, for the purpose of commercially exploiting a proven technology for monitoring, identifying and reporting all information contained in broadcasts or transmissions and to produce information products and services specifically designed to meet certain obligations under license agreements with ASCAP and ConneXus. As of December 31, 2002, Enterprises has contributed \$7,349,352 for a 50% interest in the joint venture.

**4. STATEMENTS OF RECEIPTS, EXPENSES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001  
(000's omitted)**

	2002			2001		
	Total	General Fund	Foreign Incoming Fund	Total	General Fund	Foreign Incoming Fund
License fees	\$630,421	\$482,394	\$148,027	\$638,057	\$507,842	\$130,215
Interest and other income	3,510	745	2,765	6,323	2,055	4,268
Membership dues	983	983	-	1,759	1,759	-
Expenses	(92,416)	(86,796)	(5,620)	(95,270)	(90,284)	(4,986)
Excess of receipts over expenses	542,498	397,326	145,172	550,869	421,372	129,497
Transfers between funds	-	-	-	-	(394)	394
Distributions	(587,903)	(454,650)	(133,253)	(509,310)	(386,923)	(122,387)
Current distribution to foreign societies (less than) in excess of current receipts	141	141	-	(269)	(269)	-
Net increase (decrease) in net assets	(45,264)	(57,183)	11,919	41,290	33,786	7,504
Net assets, beginning of year	198,960	103,816	95,144	157,670	70,030	87,640
Net assets, end of year	<u>\$153,696</u>	<u>\$46,633</u>	<u>\$107,063</u>	<u>\$198,960</u>	<u>\$103,816</u>	<u>\$95,144</u>

**5. BENEFIT PLANS**

The Society has both a defined benefit pension plan (the "Pension Plan") and a defined contribution savings plan (the "Savings Plan"). These plans 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 \$1.2 million and \$1.0 million during 2002 and 2001, respectively.

The following table sets forth the Pension Plan's funded status at January 1, 2002 and 2001:

	January 1	
	2002	2001
	(000's omitted)	
Actuarial present value of:		
Vested benefit obligation	\$21,580	\$19,214
Nonvested benefit obligation	<u>2,155</u>	<u>1,727</u>
Accumulated benefit obligation	<u>\$23,735</u>	<u>\$20,941</u>
Actuarial present value of projected benefit obligation	\$33,736	\$29,312
Plan assets at fair value	<u>\$19,754</u>	<u>\$21,212</u>

ASCAP also has a nonqualified retirement equalization benefit plan that provides certain employees defined

pension benefits in excess of limits imposed by federal tax law and a non-qualified supplemental executive retirement benefit plan which is offered to certain members of management to provide additional benefits at retirement (collectively, the "SERP"). Both plans are funded on an annual basis.

The following table sets forth the SERP's funded status at January 1, 2002 (000's omitted):

Actuarial present value of:	
Vested benefit obligation	\$1,257
Nonvested benefit obligation	1,193
Accumulated benefit obligation	<u>\$2,450</u>
Actuarial present value of projected benefit obligation	<u>\$3,534</u>
Plan assets at fair value	<u>\$1,643</u>

The weighted average discount rate in determining the actuarial present value of the projected benefit obligation was 7.25% and 7.50% in 2002 and 2001, 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 2002 and 2001. The expected long-term rate of return on assets was 8.25% in 2002 and 2001.

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 2002, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to \$11,000, limiting ASCAP's matching contribution to \$5,500 per employee. The amounts contributed by ASCAP to the Savings Plan for 2002 and 2001 were \$926,049 and \$890,451, respectively.

ASCAP has a nonqualified deferred compensation plan whereby eligible employees may elect to defer a portion of their compensation each year. Compensation expense, equal to amounts deferred by employees is recorded currently.

## 6. DISTRIBUTIONS TO MEMBERS

Receipts of the Society, less expenses of operations and amounts payable to foreign societies, are distributed to members in accordance with the Society's survey and distribution system, originally mandated by the 1960 amendments to the ASCAP Consent Decree and now embodied in the Society's rules and regulations.

The Society includes taxes withheld by affiliated foreign societies as receipts. These taxes withheld, which amounted to approximately \$4.3 million and \$3.7 million for the years ended December 31, 2002 and 2001, respectively, are reflected in royalties from foreign societies in the accompanying consolidated statements of receipts, expenses and change in net assets.

The Society also includes foreign taxes withheld in the summary of distributions reported to members at year-end, thereby enabling members to report them appropriately on their tax returns. These taxes, which amounted to approximately \$4.1 million and \$3.7 million for the years ended December 31, 2002 and 2001, respectively, are reflected in foreign distributions in the accompanying consolidated statements of receipts, expenses and change in net assets.

At December 31, 2002 and 2001, \$2.5 million and \$2.4 million, respectively, represented the foreign taxes withheld on receipts that will be reported in the year when the related distributions are paid.

## 7. COMMITMENTS AND CONTINGENCIES

### Litigation

The Society is involved continually in court proceedings with its licensees to determine that reasonable fees are being remitted to ASCAP. Such pending court proceedings include those with the local television station industry, the background/foreground music industry, and several cable television program services. In all such proceedings to determine reasonable fees, interim fees are being paid on, subject to retroactive adjustment when final fees are determined by agreement or court determination.

ASCAP is currently engaged in license fee negotiations with the radio industry and two of the major broadcast television networks. Beginning in 2000, negotiations with the operators of several major cable services have pro-

duced agreements resulting in settlement of claims involving their cable services and significant payments of retroactive license fees to ASCAP. In 2002, ASCAP received a substantial settlement payment from a cable network. It is anticipated that settlements with other cable program services in 2003 will result in net additional payments to ASCAP—one cable sports network has been paying interim license fees to ASCAP at rates that will likely result in a refund to that cable sports network as part of any settlement.

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.

### Lease Commitments

Equipment rental and office lease expense, including escalations and utilities, aggregated approximately \$7.1 million and \$7.2 million for the years ended December 31, 2002 and 2001, respectively. The minimum rental commitments under existing noncancelable office leases and equipment leases at December 31, 2002 are as follows (000's omitted):

2003	\$4,684
2004	4,700
2005	4,643
2006	1,663
2007	510
Thereafter	<u>1,503</u>
Total minimum lease payments	<u><u>\$17,703</u></u>



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