

ASCAP



ANNUAL REPORT 2003

AMERICAN SOCIETY OF COMPOSERS, AUTHORS & PUBLISHERS



A Message From

"We continue to be an active presence in Washington, making visits to key decision makers, providing a constant stream of information about the challenges to those who make their livings providing the music loved by the whole world."

Dear fellow ASCAP members, last year, the turmoil unleashed by the Internet continued unabated – as did the stalemate between those who believe the law must be changed to make it easier to steal music, and those who believe the law must be changed to strengthen the protections against stealing music. It appears that this year promises more of the same. As always, ASCAP is in the forefront to ensure that the creators' voice be heard loud and clear.



Important Issues

We have been involved in several other important issues as well. We are attempting to pass legislation that would abolish the deplorable system of deciding copyright royalties through CARPS, Copyright Royalty Arbitration

Panels. This system has become so offensive to so many, that a consensus has developed to abolish it and return to the system of a Copyright Royalty Tribunal. ASCAP has played an active role in the development of this consensus, which, in turn, has led to the approval of legislation by the House of Representatives and now awaits approval by the Senate. We will remain actively involved in the effort to win final approval of this much-needed change.

Another issue in which ASCAP is involved is more complex, but nonetheless important. This Supreme Court has made a series of decisions undermining the

rights of senior citizens and disabled citizens who may be faced with discrimination by state governments. These decisions were made in the name of "sovereign immunity." In other words, states rights, a cry which many of us remember from another time.

What many are unaware of is that this argument of "sovereign immunity" is also being applied in the case of owners of intellectual property having their rights infringed by state or local governments. What this means in plain language is that if a state university uses your music, they can refuse to pay for it on the grounds of "sovereign immunity." You can readily see both the danger and the folly of this doctrine.

Let me give you an example: Under this outdated concept, New York University, as a private university, would require a license to use our music, but S.U.N.Y – Albany, because it is a state university, (asserting its states rights under "sovereign immunity"), could use the same music for free. In other words, they could infringe with impunity.

We are part of a coalition of intellectual property owners trying to pass legislation correcting this decision by this Supreme Court. It has been and will continue to be an uphill battle and we pledge to continue to fight.

An Active Presence in Washington

We continue to be an active presence in Washington, making visits to key decision makers, providing a constant stream of information about the challenges to those who make their livings providing the music loved by the whole world. In Washington in September 2003, we put on a spectacular evening for members of the

Above, Burt Bacharach and Marilyn Bergman at the 20th Annual ASCAP Pop Music Awards; above right, Alan and Marilyn Bergman with Mary Rodgers congratulating Stephen Sondheim on receiving The ASCAP Foundation Richard Rodgers Award for Lifetime Achievement in the American Musical Theater.

the President

House and Senate. We brought some of ASCAP's top songwriters who talked about the often difficult journey from writing a song to its success. Some of these songs were then performed by outstanding artists.

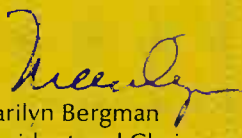
Thirty-five members of the House came to this event, and they went away understanding that our profession is a hard one; that the work of creating a song is intense and difficult, and that the odds on success are long. Bringing this kind of understanding to those who write our laws from those who write our songs is invaluable.

We meet with prominent Congress-people and Senators on an ongoing basis...focusing on the chairs of committees and leaders whose voices are important on intellectual property matters. All these meetings and receptions couldn't take place without the ASCAP Legislative Fund making this work possible.

I want to thank all of the members who contributed to the ASCAP Legislative Fund for the Arts. Your support is so important to our ongoing work on behalf of all members. From ASCAP's earliest years through today, we have had to defend and prove the value of our music to those who want to use it without paying us.

"Value to the User"

In Washington, D.C., and in courtrooms across America, we have repeated the message of Justice Holmes: "If our music didn't have value to the user, whether it be a restaurant, a radio station or a website, it wouldn't be used." Most often, ASCAP has prevailed, but never without a struggle. I can assure you, that we stay true to course and continue to vigorously defend our musical copyrights and our livelihoods.



Marilyn Bergman
President and Chairman
of the Board



Above, Marilyn Bergman pictured with Senator Barbara Boxer (D - CA).

Below, Senator Patrick Leahy (D - VT) with Bergman.

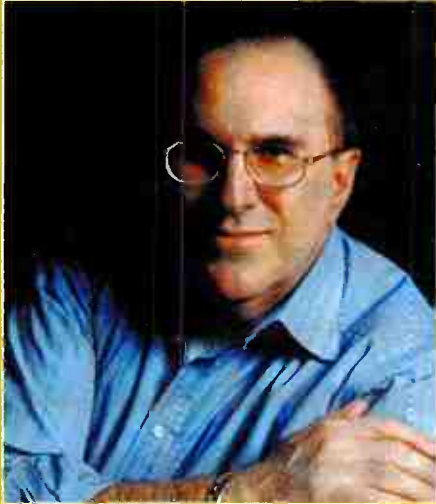
Below left, ASCAP presented "The Stories Behind the Songs" on Capitol Hill, featuring a star-studded evening of songwriters and artists. The evening's purpose was to illustrate to the numerous members of Congress in attendance the often-bumpy process of creating and selling a hit song. Pictured are the songwriters and performers who participated in the show: (front row, kneeling, l-r) songwriters Ralph MacDonald and Paul Williams; (standing, l-r) vocalist Nicki Richards, former Three Dog Night vocalist Chuck Negron, singer Maureen McGovern, lyricist Hal David, Bergman, songwriter Jimmy Webb, vocalist Dionne Warwick, singer Kenny Rankin, songwriter William Salter, lyricist Alan Bergman, singer Roberta Flack, vocalist Lillias White and songwriter Cy Coleman.



On The Cover: From the top (l-r) 2003 Country Songwriter/Artist of the Year Alan Jackson; 2003 R&S Songwriter of the Year Timbaland; 2003 Concert Music Honorees Julie Taymor and Elliot Goldenthal; 2003 R&S, Pop and Country Publisher of the Year EMI Chairman and CEO Martin Bandier; 2003 Henry Mancini Award winner Hans Zimmer; 2003 Pop Songwriter of the Year Seven; 2003 Country Songwriter of the Year Craig Wiseman; 2003 Latin Publisher of the Year Sony/ATV President/CEO and ASCAP Board Member Donna Hilley; 2003 Latin Songwriter of the Year Joan Sebastian; 2003 Pop Songwriter of the Year Nelly; 2003 Latin Heritage Award winner Olga Tañón; 2003 Founders Award winner Elvis Costello.

The CEO's Report

"In the first three years of this, the 21st century, ASCAP has collected almost \$2 billion."



In 2003, the music industry continued to face the challenges of a shifting marketplace. ASCAP met these challenges by understanding the expanded opportunities that they presented for ASCAP members and capitalized on them. The result, I am pleased to report, is that ASCAP has had another record year in revenues, collecting \$668 million. Of that amount, international revenues were over \$180 million, a 23% increase over 2002. This increase in international revenues was due to the growing popularity of our members' music along with very favorable exchange rates.

In the first three years of this, the 21st century, ASCAP has collected almost \$2 billion. In 2003, our operating ratio dropped to its all time low of 13.9%, thus confirming

ASCAP's commitment to its members to operate in an ever efficient manner, using new technologies to offset a growing volume of members' and business transactions. ASCAP's regular distributions were \$531 million in 2003, up 4.3%. Here again, for the last three years, 2001, 2002 and 2003, our distributions totaled more than \$1.6 billion. Strong revenues together with operational efficiency added up to more money in our members' pockets, which is very good news.

Above left, Warner Brothers Music's Les Bider with ASCAP CEO John LoFrumento at the 2003 El Premio Awards in Los Angeles.

Above right, pictured at ASCAP's 2003 Jazz Wall of Fame induction ceremony (l-r) are Lester Young, Jr., Howard Jones, Lisa Cohn, Dr. Billy Taylor, Hank Jones, John Clayton, Yvette Young and John LoFrumento.



Innovative Leadership

We've launched two important new businesses in recent years, both of which are already benefiting our members and will do so more dramatically as they grow. In last year's report, we introduced some early details about Mediaguide, a new technology based marketing information company. Mediaguide delivers the ultimate level of performance tracking using fingerprinting to identify music performed on radio, television, satellite and Internet broadcasts. I'm delighted to report that Mediaguide was fully deployed six months ahead of schedule and is currently monitoring over 2,300 U.S. radio stations in over 200 markets 24/7. Mediaguide has now fingerprinted over 3 million sound recordings.

The data we receive from Mediaguide will help reduce ASCAP's operating expenses while significantly increasing the scope of our surveys. In addition, Mediaguide's data will be of interest to other customers. Mediaguide can track and identify all types of programming, across all media. This is of great interest to record companies, advertisers and radio stations and will provide the opportunity for incremental revenues for ASCAP members.

MusicPro Insurance is another successful new business co-owned and developed by ASCAP. I know that many members are already taking advantage of MusicPro for the very best coverage at the lowest rates for musical instruments and gear. In 2003, MusicPro's business grew by 75%. Not only is MusicPro providing our members with a much-needed service at a great value, but ultimately, MusicPro's profits will help to offset ASCAP's operating expenses.

Licensing New Media

ASCAP is also aggressive in licensing new media to ensure the future livelihoods of our members. Whatever the technology, whatever the form of entertainment, ASCAP music is part of its success. I am happy to tell you that we have made our first distribution for performances on XM satellite radio. We have five-year agreements signed with both of the satellite radio services, XM and Sirius, both of which have reported exponential subscriber gains in 2003. The combined, published, subscriber counts for both companies rose from a little less than 400,000 in 2002 to 1.6 million in 2003, an increase of over 300%. Industry experts predict that both satellite companies will see significant growth in subscriber numbers and advertising revenues over the next few years. This is good news for ASCAP members since our license agreements capture

the combined value for their dual revenue streams.

As many of you surely know, ringtones have quickly become a new source of royalty revenue for ASCAP members. In 2001, when ringtones first began to emerge in the United States, ASCAP was well pre-

pared and became the first U.S. music rights organization to offer a pioneering blanket license agreement to ringtone providers. Shortly thereafter, it became the first U.S. PRO to distribute ringtone royalties to its members, a practice that was quickly incorporated into ASCAP's regular, quarterly distributions.

Mobile ringtones are just the tip of the iceberg. Since 2001, the ringtone license agreement has evolved into today's "wireless music" license. ASCAP's wireless agreement licenses many other types of music performances that are now being offered to the tens of millions of mobile-phone and wireless-device users in the U.S. – ringbacks, mobile TV, music-enhanced voice-mail, and streaming audio and video are some of the new types of music use. We project enormous growth in the marketplace for music through wireless platforms.

Improved Service to Members

In 2003, we continued to improve our services to members in other areas. We are now doing a complete census of all general entertainment cable services. And beginning with survey year 2004, we will move to a census, or complete count, of programming on MTV and VH1.

ASCAP's online title registration system, launched in 2001, has resulted in significant cost savings and a



tripling of the number of registrations we process annually.

We are rebuilding our member performance and royalty distribution databases. A major component will be online member access to detailed performance and royalty information. This is a significant undertaking and will deliver the highest level of member service.

In 2003 we developed "ASCAP e-tools" to help our members get the most from their online presence. One of the most exciting online offerings are website building tools, powered by Nimbit Web Tools. Nimbit's services are designed especially for working musicians, which makes them an ideal partner for ASCAP. Through ASCAP e-tools, you'll get great pricing on a complete website hosting package. Or you can use ASCAP website tools to manage your existing site, wherever it's hosted.

Staying Ahead of the Curve

In this age of rapid change, ASCAP's challenge is to stay ahead of the curve, to anticipate change and to recognize how we can turn change into opportunity for our members. ASCAP's Board of Directors has set an agenda that meets this challenge head-on and we have a terrific team of senior managers to keep our operations on course.

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

John A. LoFrumento
Chief Executive Officer

Above left. Kenny Chesney and John LoFrumento at the 2003 Country Music Awards in Nashville.

Above, on October 27, 2003 some of the top names in the musical theater community celebrated the premiere of Stephen Schwartz's *Wicked*, Broadway's newest smash hit. Pictured above are (l-r) Scott Wittman (lyricist, *Hairspray*), Marc Shaiman (composer/lyricist *Hairspray*), Stephen Schwartz, Kristin Chenoweth (star of *Wicked*) and John LoFrumento.

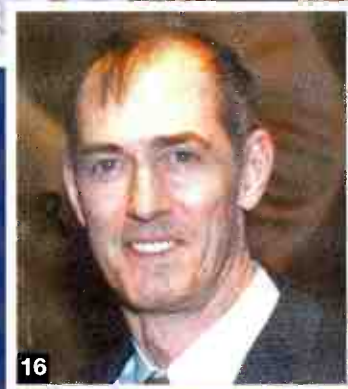
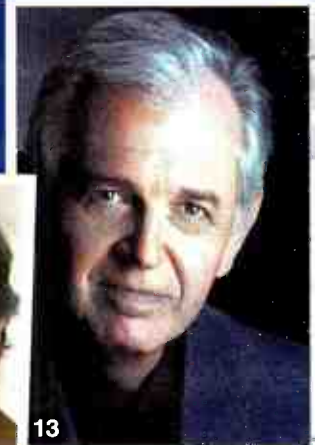
MEMBER OWNED AND OPERATED

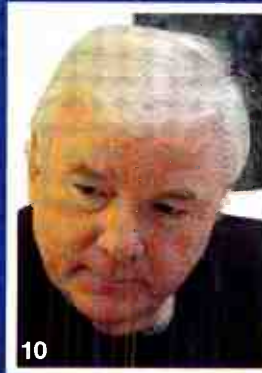
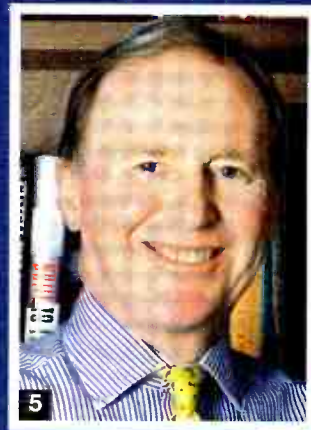
ASCAP Board of Directors

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



ASCAP's Board of Directors are

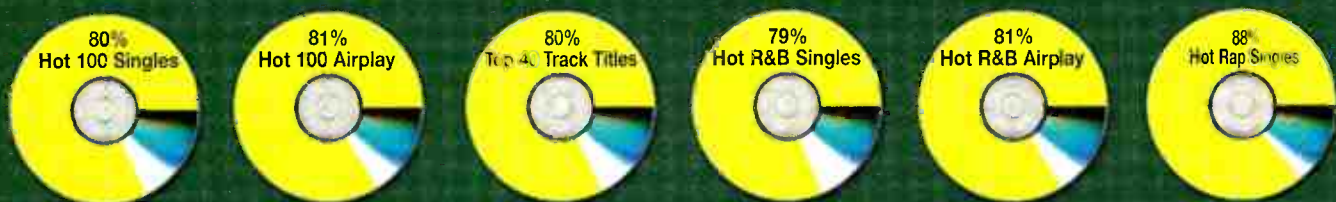
- 1. Peermusic's Kathy Spanberger
- 2. Sony/ATV Music's Donna Hilley with Universal Music's David Renzer
- 3. Composer Elmer Bernstein
- 4. Songwriter Jimmy Jam
- 5. BMG Music's Nicholas Firth
- 6. Songwriter Hal David
- 7. Composer Cy Coleman
- 8. Songwriter Jimmy Webb and Warner/Chappell Music's Jay Morgenstern
- 9. Composer Johnny Mandel
- 10. Lichelle Music's Dean Kay

- 11. Songwriter Marilyn Bergman, ASCAP President and Chairman
- 12. Composer Stephen Paulus with songwriter Wayland Holyfield
- 13. Composer Bruce Broughton
- 14. Leeds Music's Leeds Levy
- 15. MPL Communications' John L. Eastman
- 16. Composer Doug Wood
- 17. EMI Music's Joanne Boris
- 18. Carlin America's Freddy Bienstock, Famous Music's Irwin Z. Robinson and Theodore Presser's Arnold Broido
- 19. Songwriter Paul Williams



ASCAP MEMBER SUCCESS

Members occupied the top spots on the



In 2003, ASCAP members garnered most of the industry's top honors.

★ At the 46th Annual Grammy Awards, honoring the best music of 2003, ASCAP members took home the lion's share of awards, including the top three – Song of the Year to **Richard Marx** and **Luther Vandross**, Record of the Year to Coldplay and Album of the Year to **OutKast**. Multiple Grammy winners included **Beyoncé** with five, **Luther Vandross** with four, **OutKast** with three and **June Carter Cash**, **Jay-Z** and **Justin Timberlake** with two each.

★ The top Academy Awards and Golden Globes for music in films released in 2003 were presented to ASCAP members. The Oscar and Golden Globe for Best Score went to **Howard Shore** for *The Lord of the Rings: The Return of the King*. The Oscar and Golden Globe for Best Song, "Into the West," from the same film went to **Shore**, **Annie Lennox** and **Frances Walsh**.

★ ASCAP television composers also won distinguished awards at the 2003 Primetime Emmy

Awards: **Sean Callery** for his work with hit Fox television show, *24*; ASCAP Board member **Bruce Broughton** for his work with *Eloise at the Plaza*; and **Bill Conti** for outstanding musical direction for the 75th annual Academy Awards.

★ On Broadway, **Marc Shaiman's** hit musical, *Hairspray*, swept the Tony Awards with 8 wins, including Best Musical and Best Original Score.

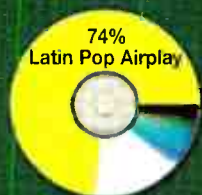
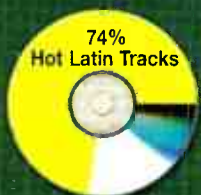
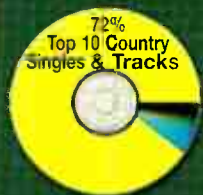


What member-ownership
means to
Quincy Jones



"When I finally got my certificate in 1955, I said 'Man, I'm in ASCAP!' I was happy because so were Duke Ellington and all these great people."

2003 Billboard year-end charts



★ Members honored at the Songwriters Hall of Fame ceremony in 2003 included ASCAP Board members **Jimmy Webb**, who received the Johnny Mercer Award, and **Nicholas Firth** who received the Abe Oleman Publisher Award. **Martin Bandier** was honored with the Patron of the Arts Award. And among the Songwriters Hall of Fame inductees were PRS members **Phil Collins** and **Queen**.

★ 2003 Rock and Roll Hall of Fame inductees included ASCAP members **Elvis Costello**, **The Clash** and **AC/DC**.

★ ASCAP celebrates the achievements of our members through our own annual award ceremonies in film and television, pop, rhythm & soul, Latin, country and concert music. In recognition of lifetime achievement in music, ASCAP honored music legends **Elvis Costello**; **June** and **Johnny Cash**; film composer **Hans Zimmer**; And the "Queen of Merengue" **Olga Tañón**.

★ 2003 Songwriter of the Year awards went to **Timbaland** for Rhythm & Soul; **Nelly** and **Seven** for Pop; **Joan Sebastian** for Latin; and **Craig Wiseman** and **Alan Jackson** for Country.

★ ASCAP concert music honorees included composers **Elliot Goldenthal**, who received an Oscar and a Golden Globe award for his score for *Frida*, *Frida* director **Julie Taymor**, **Peter Schickele**, **George Steel**, **Dale Warland** and **Samuel Adler**.

★ ASCAP member **Paul Muldoon** won The 2003 Pulitzer Prize for Poetry for his collection *Moy Sand and Gravel*.

Pictured (l-r): OutKast, Howard Shore, Annie Lennox (PRS), Beyonce, Jay-Z, Luther Vandross, Richard Marx, The Clash, Queen, Justin Timberlake





In 2003, ASCAP's membership grew to 175,000...an increase of 25,000 members since 2002!





ASCAP offers programs, support and services to our members at all stages of their careers:

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



★ In 2003, ASCAP's Rhythm and Soul Creative Team launched a "Distinguished Speaker Series" entitled "Generations in Gospel: Understanding the History of Gospel Music and How to Obtain Mainstream Success," that addressed business issues relating to the gospel music community.



★ The Society's ASCAP Plus Awards Program distributed \$2.35 million to writer members for the 2003-2004 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.

★ Driven by the unique needs of ASCAP members, ASCAP's staff continues to research and implement new member benefits and services that add value to the ASCAP membership card. Among 2003's new benefits are discounts on Masterwriter songwriting software, Official's Copyright Online Filing Tools, Berkleemusic.com Online Classes, subscriptions to a variety of music magazines and trade publications and much more.

★ Created by ASCAP to provide convenient, lower cost insurance to meet the needs of working professionals, MusicPro Insurance continues to be one of the Society's most popular benefits.



With coverage for instruments and equipment, studio liability, tour liability, travel/accident, long term care and even medical, MusicPro gives members peace of mind so they can concentrate on their music.

★ ASCAP's MasterCard credit card is designed to provide members with peerless benefits, priority customer service and convenience with every purchase. In 2003, ASCAP also began offering the ASCAP Platinum Plus for Business MasterCard credit card. This business credit card helps members manage their business more effectively. It offers the flexibility of a MasterCard with the benefits that every business-owner needs, including online banking and management reporting as well as no annual fee.



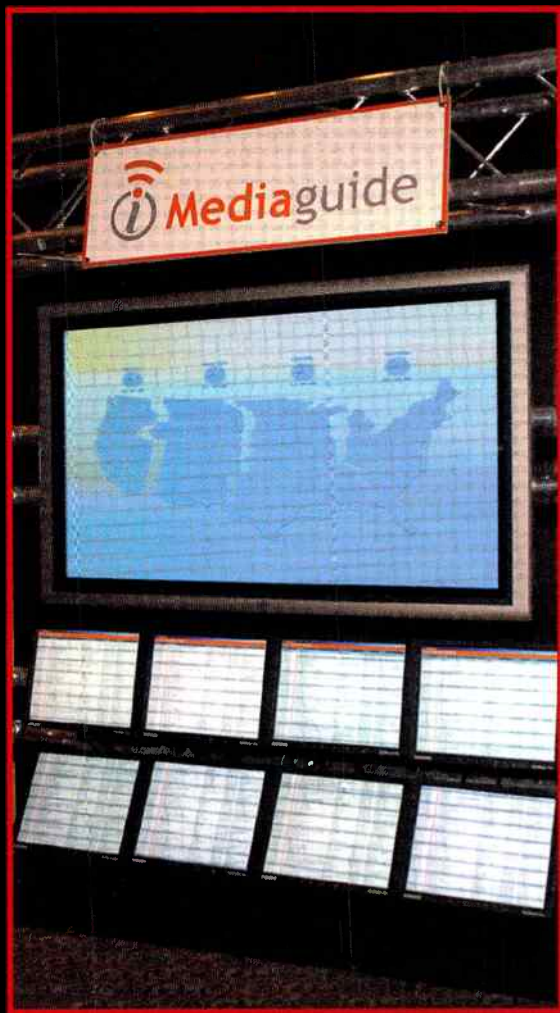
Pictured among the many new members ASCAP welcomed in the past year are some top names in their fields. Beginning with the top row (l-r) are: ★ Kelly Clarkson ★ The All-American Rejects ★ Ray Benson ★ G Unit ★ Hot Hot Heat ★ Tego Calderon ★ Goapele ★ Roger Neill ★ Chingy ★ Dierks Bentley. New members add value to our repertory, which strengthens our bargaining power as we negotiate license agreements.

What member-ownership means to Beyoncé



"ASCAP was there when nobody knew my name. I don't forget that."

Member Driven Technology



In addition to highlights of ASCAP's 2003 accomplishments, a demonstration of Mediaguide's powerful tracking abilities were presented at ASCAP membership meetings in Los Angeles, New York and Atlanta.



Mediaguide - delivering the ultimate level of performance tracking

★ When ASCAP joined forces with Yes Network to create a technology-based marketing information company, Mediaguide, it began a revolution in performance tracking. Using proprietary pattern recognition technology, a fingerprint, to identify music and advertisements performed on radio, television, satellite and Internet, Mediaguide provides the most comprehensive, accurate, timely and reliable airplay data in the world across all media.

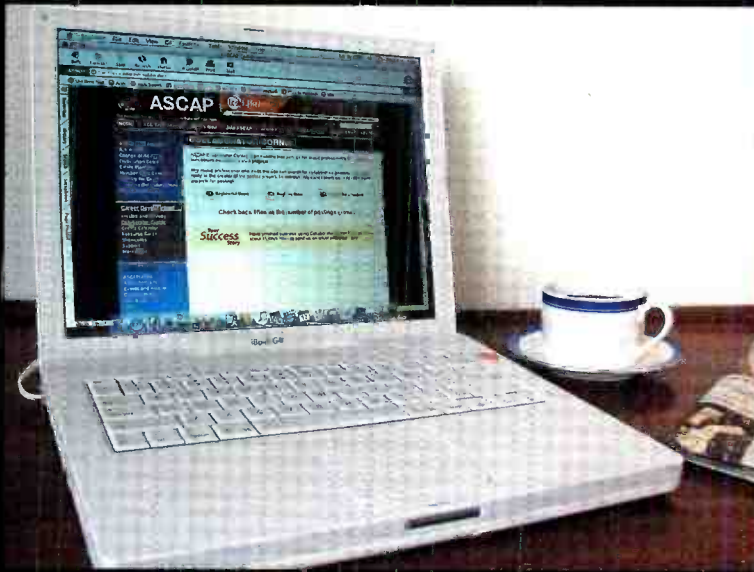
★ Deployed six months ahead of schedule, Mediaguide is now monitoring over 2,300 U.S. radio stations in over 200 markets - 24/7, and it has fingerprinted almost 3 million sound recordings.

★ Mediaguide will benefit ASCAP members in several major ways. In addition to its innovative and incredible tracking abilities, Mediaguide will provide data that will help reduce ASCAP's operating expenses and significantly increase the scope of ASCAP's surveys. Also, Mediaguide's data will be of great value to other customers, such as record companies, advertisers and radio stations, and will provide the opportunity for incremental revenues for ASCAP members

ASCAP.com Custom-Made for Members

More than 18 million hits a month

At 2.2 million page views and over 18 million hits every month, ASCAP's website is the world's most visited professional website. Since ASCAP is owned by its members, the site is designed to best serve the needs of ASCAP members. From Audio Portraits that highlight the music and craft of songwriters and composers to easy online title registration forms to Collaborator Corner's online networking opportunities, the site keeps a strong focus on members and their career development. In 2003, navigation on the site was improved so that members could also quickly and easily read the latest ASCAP news, change their address,



find out distribution dates, sign up for Inside Music E-News, discover the latest ASCAP member benefits as well as find articles and advice of interest to songwriters, composers and music publishers.

Collaborator Corner

Collaborator Corner is ASCAP's free 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. Collaborator Corner now averages about 200 new postings a month – that's 2,400 project postings in a year –and several success stories!

Inside Music E-News

By simply registering their email address with ASCAP, members receive Inside Music, a monthly e-newsletter exclusively for ASCAP members! Inside Music is filled with essential information about networking and songwriting opportunities, as well as articles and advice for members.

Online Title Registration

In 2003, ASCAP's online title registration system became the preferred method for registering titles. Members found registering their titles on ASCAP's website to be quick and easy. The new system also improves accuracy and is less expensive.

PREP – ASCAP's State of the Art Royalty Distribution System

PREP is ASCAP's Performing Rights Enterprises Program that has been in development since 2002. When it is completed, it will be perhaps the greatest advancement in a royalty distribution system anywhere in the world. It will also handle ASCAP's needs in the area of Copyright and Agreements and Membership and Inquiry Management. The state-of-the-art system will be web-enabled to provide easy access to and easy provision of information by members. It will also be flexible to meet the demands of industry changes and members' needs. It will be easy to use to maximize efficiency! And it

What member-ownership means to Brad Paisley



"I love the fact that it is run by songwriters and was founded by songwriters. It is such a rare thing in our society. The actual people that it benefits determine how it does business."

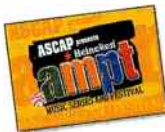
will be able to grow as ASCAP's survey grows both in content and number of surveyed performances.



In 2003, ASCAP, through a partnership with Nimbit, began developing "ASCAP Web Tools" which allow members to create and launch their own official website or improve their existing site. Nimbit's website services, designed especially for working musicians, include site-building tools, email management, calendar updates and more. Members can also update their site from the road; post shows, news, photos and more; and manage mailing lists and newsletters. It allows members to save time, hassle and money, so they can concentrate on what they do best: create music.

INNOVATIVE BENEFITS FOR CREATIVE PEOPLE

By joining forces with other companies who see value in the Society's programs and events, ASCAP is better able to promote its members' music



ASCAP and Heineken's Ampt Music Series

ASCAP members are creative people. Their job is to think outside the box.

ASCAP knows that the only way to provide great service to such creative people is with innovative programs and services. One such innovation is ASCAP's partnering with kindred spirits in the business world who understand that by helping to promote ASCAP members and their music, they are also promoting their own bottom line.

One of the most successful partnerships has been ASCAP and Heineken's Ampt Music Series which showcases promising ASCAP bands and artists in cities all across the country. In the fall of 2003, the series rolled into New York, Atlanta, Detroit and Chicago and was expanded from prior years to include panels featuring top music executives and celebrity interviews. The series got the attention of both the music industry and the public, and also celebrated the accomplishments of local music scenes around the country.



Pictured (l-r): In Detroit, WRIF's Doug Podell and ASCAP members Don Was and Luis Resto with their Heineken Ampt/ASCAP Recognition Awards; T-Babe performing in Chicago; and in Atlanta, ASCAP's Ian Burke, Heineken USA's Patrick Pollard, grant recipient Marc Demone Dickerson, Heineken USA's Emily Parker, and ASCAP's Keith Johnson.

Also new to the 2003 series was the presentation of Heineken Ampt/ASCAP Recognition Awards in three cities that called attention to the contributions of key music industry players in those local music scenes. In addition, The ASCAP Foundation and

The Heineken Music Initiative teamed up to offer grants to emerging R&B songwriters selected in several cities across the country. Songwriters submitted songs, which were then chosen by judges. The winning songwriters were each awarded a \$3,000 grant.

MusicPro - Affordable, Convenient Insurance



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 has met that need and more with greater coverage and flexibility, better service and lower costs than any other insurance.

MusicPro now offers ASCAP members Musical Instrument Insurance, Studio Liability Insurance, Travel/Personal Accident Insurance, Tour Liability Insurance, Individual Term Life Insurance, Long Term Care, Medical Insurance and Dental Insurance.



Teaming Up for Success: ASCAP's Expanded 2003 Member Benefits

One way ASCAP is able to continue to expand and enhance its service to its members is by also teaming up with other companies to provide 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 Masterwriter songwriting software, Music Dispatch, subscriptions to *Rolling Stone*, *Billboard*, *Performing Songwriter* and a long list of other great music magazines, Official

Software's Copyright Online Filing Tools, membership in the Songwriters Hall of Fame/National Academy of Popular Music, 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, North American Van Lines, Avis and Hertz Car Rental, the USAlliance Federal Credit Union, Prudential Financial investment services and more.

What member-ownership
means to
Randy Newman



"ASCAP has encompassed and encouraged the length and breadth of American music."



The 2003 ASCAP Film Scoring Workshop



2003 recording session crew and participants in ASCAP's 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. In 2003, the workshop, under the guidance of composer Richard Bellis, featured 15 participants chosen from among approximately 300 sub-

missions. To present this annual, renowned and world-class program, ASCAP liaisons with recording engineer Armin Steiner, Segue Music Inc., Mad 4 Music, Sabron, Inc., Jo Ann Kane Music Services, the RMA and AFM Local 47, Twentieth Century Fox and the Newman Scoring Stage.

The Value of **ASCAP** Members' Music



ASCAP Broadcaster Legend Award: Pictured (l-r) are ASCAP CEO John LoFrumento, ASCAP Broadcaster Legend Award winner Hal Jackson and ASCAP Senior VP/Licensing Vincent Candilora.

ASCAP's guiding philosophy in music licensing is simple: we treat our customers as partners. We both understand the earning power of over 7 million songs.

People love music. Businesses need music. Especially today as new media allows more music to be experienced in more ways than ever before. ASCAP members create the music that is in so much demand around the world. The ASCAP license guarantees that businesses are able to utilize ASCAP's vast repertory of music. It also guarantees that ASCAP members receive fair and accurate payment for use of their music.

In 2003, ASCAP's leadership led to several significant licensing developments, especially in the area of new media:

★ ASCAP's agreement with XM Satellite radio cleared the way for the first distribution for performances on XM satellite radio. ASCAP has five-year agreements signed with both of the satellite radio services, XM and Sirius, both of which reported exponential subscriber gains in 2003.

★ ASCAP was the first U.S. performing rights organization to offer a pioneering blanket license agreement to mobile phone ringtone providers when ringtones emerged in 2001. Subsequently, ASCAP was the first in the U.S. to create a new source of royalty revenue for ASCAP members. This was reflected in 2003 as ringtone royalties were incorporated into ASCAP's regular, quarterly distributions.

★ ASCAP's wireless music license evolved from the ringtone license agreement to cover the many different types of music performances that are now being offered to the tens of millions of wireless device users in the U.S. Among the new types of music uses are ringbacks, mobile TV, music-enhanced voice-mail and streaming audio and video. ASCAP's leadership in developing the earlier ringtone license meant the Society was well-prepared for the massive growth of wireless devices in 2003. ASCAP

members will benefit from this new and growing revenue stream.

Education and Entertainment

ASCAP members regularly appear as speakers and performers at industry conferences to both educate and entertain ASCAP customers. In April 2003, ASCAP Board member and songwriter Paul Williams spoke to the broadcast industry during the Annual NAB Crystal Awards Luncheon in Las Vegas. Pictured below (l-r) are NAB President & CEO Edward Fritts, Paul Williams and ASCAP Senior VP of Licensing Vincent Candilora.



Honoring Outstanding Customers



The ASCAP Partners In Music Award annually recognizes ASCAP licensees who are exceptional in promoting and expanding the reach of music. The 2003 recipient was Wal-Mart. Pictured above (l-r) at ASCAP's 41st Annual Country Music Awards held in Nashville in 2003 are ASCAP Senior VP/Director of Licensing Vincent Candilora and Wal-Mart Buyer of Domestic Music Jeff Maas. Wal-Mart was honored at the Country Music Awards for expanding and promoting the reach of country music.

The ASCAP Broadcaster Legend Award was presented to radio pioneer Hal Jackson (see top photo on page 16) at ASCAP's 16th Annual Rhythm and Soul Music Awards held in New York City in 2003. Jackson was honored for introducing the music of America's great R&B songwriters and composers to millions of radio listeners. Over his long career, Hal accomplished many firsts that paved the way for other aspiring African-American broadcasters, musicians and performers. He was the first African-American host of a jazz show on the ABC Network; the first African-American to host an interracial network television show on NBC-TV; and in the spring of 1980, was the first African-American inducted into the National Association of Broadcasters Hall of Fame.

The ASCAP Deems Taylor Television Broadcast Award, presented at the 36th Annual ASCAP Deems Taylor Awards in New York City in 2003, honored A&E's *Live By Request*.



Pictured above accepting their awards are (l-r) Executive Producer Andy Kadison, Executive Producer/creator Danny Bennett, A&E Executive Producer Jodi Hurwitz, Executive Producer/creator Paul Rappaport and ASCAP CEO John LoFrumento, who presented the award. The ASCAP Deems Taylor Radio Broadcast Award honored WFMT Radio and WFMT Radio Network host and producer Steve Robinson.

The Heineken Ampt/ASCAP Recognition Award, presented as part of the ASCAP Presents... Heineken Ampt Music Series, honors key players, most often radio personalities and club owners, in music scenes around the country. In Chicago, the honoree was WGCI/WVAZ's Elroy R. C. Smith.



Pictured above at the award's presentation (l-r) are ASCAP's Ian Burke, AMPT recipient Smith, Heineken USA's Janet Berry and ASCAP's Keith Johnson.

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

What member-ownership means to Jason Mraz



"Songwriters can tend to feel alone. They're out there. They're being worked. And ASCAP watches your back."

a little happier and their bottom-line richer. Newly expanded in 2003, the card offers discounts on business services such as NOVA (MBNA) Credit Card Processing, iPromoteu.com Promotional Merchandise, Penny Wise Office Products and North American Van Lines, financial services such as the ASCAP Customer Investment Program; MusicPro insurance, including medical, dental, entertainment equipment and systems insurance, travel/personal accident insurance, individual term life insurance and long term care; Instaware kitchen and dining room supplies for restaurants; retail discounts from JAMedia, J&R Music World/ Computer World, Wireless Warehouse, Musician's Friend, XM Satellite Radio; and travel services such as Avis and Hertz car rentals and Choice Hotels International.

ASCAP: Leading the way &

In 2003, ASCAP's foreign collections for member performances grew to over \$180 million

2003 World Meeting

In 2003, ASCAP CEO John LoFrumento and ASCAP Board member Hal David presented the German society, GEMA, with a plaque in honor of their centennial. The presentation took place at the SOCAN-hosted CISAC Executive Bureau and Administrative Council meetings on December 10 and 11 in Toronto, Canada. LoFrumento serves on CISAC's Executive Bureau and the Administrative Council. David also serves on the Administrative Council. Pictured (l-r) are GEMA's Professor Dr. Jurgen Becker and Professor Dr. Reinhold Kreile accepting their plaque from David and LoFrumento.



Foreign Receipts

ASCAP collects more money from foreign societies than any other American performing rights organization, making ASCAP a 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.



The Darkness (PRS), who license their music through ASCAP in the United States, was one of the biggest bands from the U.K. to break onto American radio in 2003.



At the 2003 SOCAN Music Awards, ASCAP CEO John LoFrumento congratulated Canadian music Icon and ASCAP member Joni Mitchell on winning the William Harold Moon Award. John and Joni are pictured with SOCAN CEO Andre LeBel on the right.



The 2003 World Soundtrack Awards in Ghent, Belgium were presented on October 12, 2003.

round the world

Three-time Oscar winning ASCAP composer Maurice Jarre (*Dr. Zhivago, Lawrence of Arabia*) was presented with the Lifetime Achievement Award. Jarre is pictured at the presentation with presenter and president of the International Jury, actress Jeanne Moreau.



Australia's 2003 APRA Music Awards In May, 2003, ASCAP's Todd Brabec, Nancy Knutsen and Tom DeSavia visited Australia where several events celebrating the continued collaboration of ASCAP and APRA took place in Melbourne and Sydney, including the annual APRA Awards. Pictured at the awards held in Sydney (l-r) are Brabec, Knutsen and APRA Chief Executive Brett Cottle.



ASCAP/PRS Awards in London Pictured at the 2003 ASCAP/PRS Awards in London are ASCAP's Ralph Murphy and Roger Greenaway with legendary producer George Martin.

World View

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 Experienced Voice in International Organizations

ASCAP plays a prominent role in international organizations including CISAC (Confederation International des Societies 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 Senior VP/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.

What member-ownership means to Tina Weymouth (Talking Heads)



"ASCAP protects our rights and collects performance royalties for us all around the world. And to be member-owned and member-run is such a wonderful thing."

ASCAP Tools Adapted Throughout the World

ASCAP continues to play 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 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



JOHN A. LOFRUMENTO
CEO

PERFORMING RIGHTS GROUP



Al Wallace
EVP, Chief Operating Officer



Vincent Candilora
SVP
Licensing



Peter Boyle
SVP
Chief Economist



Tina Earber - SVP
Chief Information
Officer



Bob Candela -SVP
Chief Financial
Officer



Lynne Lummel
SVP
Support



Seth Saltzman
SVP
Management

MEMBERSHIP GROUP



Todd Brabec
EVP, Membership



John Alexander
SVP
Creative Affairs



Connie Bradley
SVP
Nashville



Nancy Knutsen
SVP
Film/TV



Tom DeSavia
SVP
Pop/Rock



Alexandra Licutikoff
SVP
Latin



Jeanie Weems
SVP
Rhythm & Soul

ENTERPRISES GROUP



Chris Amenita
SVP, New Media

HEADQUARTERS GROUP



Phil Crosland
SVP
Marketing



Karen Sherry
SVP
Industry Affairs



Roger Greenaway
SVP
International

VP/Executive Director of
The ASCAP Foundation

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, the groups continue to benefit ASCAP members by combining our core businesses with entrepreneurial activities.

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.

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.

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.

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

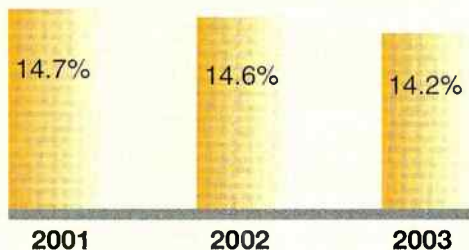
ASCAP's financial results were discussed at the general membership meetings in Los Angeles, Atlanta and New York. In addition, our independent public accountants, Ernst & Young LLP, presented our audited financial statements for the years ended December 31, 2003 and 2002 at the April Board meeting. Pages 22 to 27 include selected portions of the audited financial statements.

ASCAP's total distributions were \$530.9 million in 2003, compared to \$587.9 million in 2002. Distributions for 2002 included the special distribution of various cable settlements. Excluding these special distributions, 2003 distributions increased \$21.6 million or 4.2%. Distributions to members and foreign societies for domestic performances were \$381.4 million, a decrease of \$73.3 million or 16.1%. Again, excluding special distributions, 2003 domestic distributions increased \$5.3 million or 1.4%. Distributions for foreign performances were \$149.5 million, up \$16.3 million or 12.2%. The Total Distributions chart at right highlights the trend of distributions over the past three years.

Total receipts were \$668.7 million in 2003, up \$33.8 million or 5.3%. Included in receipts for 2003 were \$10.3 million of cable settlements received from certain major cable services that were part of the "Turner Broadcasting" proceeding versus \$21.8 million in 2002. Excluding these settlements, total receipts were up \$45.3 million or 7.4%. Domestic receipts, excluding settlements, were \$478.1 million, up \$13.0 million or 2.8%. Fees from Radio were up \$29.0 million due to growth in industry revenues while fees from Cable, excluding settlements, were down \$11.2 million due to prior year fees received in 2002. Fees from General licensees increased \$3.5 million or 4.5%.

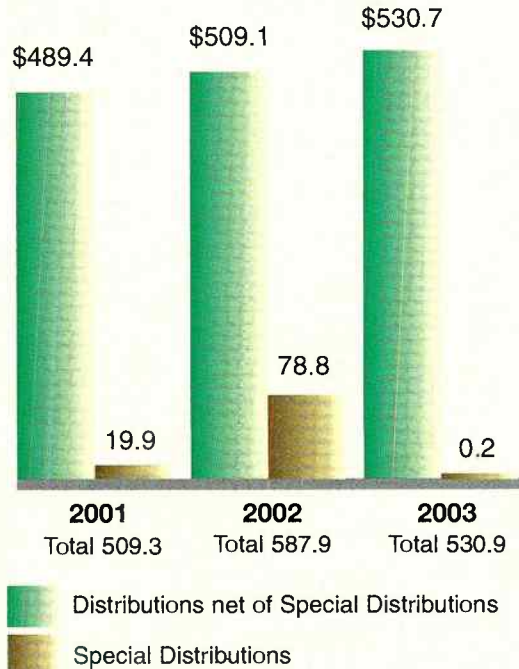
Operating expenses were \$95.2 million, an increase of \$2.8 million, which resulted in an operating ratio of 14.2%, our lowest operating ratio to date and third consecutive year under 15.0%. The Annual Receipts and Ongoing Operating Expenses charts at right and below provide a three-year trend of related information. We continue to become a more efficient operation while simultaneously innovating to dramatically improve service to our members.

ONGOING OPERATING EXPENSES OPERATING EXPENSE RATIO



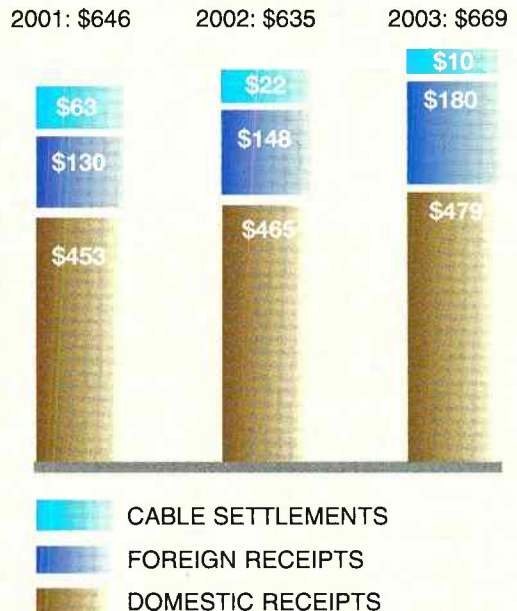
TOTAL DISTRIBUTIONS

Dollars in Millions



ANNUAL RECEIPTS

Dollars in Millions



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 statements of receipts, expenses and change in net assets of the American Society of Composers, Authors and Publishers and Subsidiaries (the "Society") as of December 31, 2003 and 2002. The consolidated statements 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 statements of receipts, expenses and change in net assets 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 consolidated financial statements 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 statements 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 as of December 31, 2003 and 2002, on the basis of accounting described in Note 2.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Ernst & Young LLP
New York, New York
April 5, 2004

**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)

DOMESTIC RECEIPTS:	<u>2003</u>	<u>2002</u>
License fees-		
Television	\$109,751	\$116,537
Cable	113,639	136,337
Radio	173,369	144,663
General	84,628	79,941
Symphonic and concert	4,991	4,916
Interest and other income	2,035	3,510
Membership dues	-	983
Total domestic receipts	<u>488,413</u>	<u>486,887</u>
ROYALTIES FROM FOREIGN SOCIETIES	<u>180,309</u>	<u>148,027</u>
Total receipts	<u>668,722</u>	<u>634,914</u>
EXPENSES:		
Licensing, collection and legal	23,244	24,616
Distribution	24,088	24,709
Publicity and membership	21,198	21,510
Administrative and other	24,355	21,324
Loss in unconsolidated affiliates	2,300	257
Total expenses	<u>95,185</u>	<u>92,416</u>
Excess of receipts over expenses	<u>573,537</u>	<u>542,498</u>
DISTRIBUTIONS:		
Members:		
Domestic distributions	340,253	402,976
Foreign distributions	149,526	133,253
societies	41,108	51,674
Total distributions	<u>530,887</u>	<u>587,903</u>
CURRENT DISTRIBUTION TO FOREIGN SOCIETIES (LESS THAN) IN EXCESS OF CURRENT RECEIPTS	<u>260</u>	<u>141</u>
Net increase (decrease) in net assets	42,910	(45,264)
NET ASSETS , beginning of year	<u>153,696</u>	<u>198,960</u>
NET ASSETS , end of year	<u>\$196,606</u>	<u>\$153,696</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

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. All intercompany transactions have been eliminated in consolidation.

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.

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. Additionally, during 2002, the Society discontinued charging its members dues for the participation in the Society's affairs.

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 to account for income taxes. Also, 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 amounted to approximately \$0.6 million and \$0.7 million, respectively, for the years ended December 31, 2003 and 2002.

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 4).

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 and all training fees 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 January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46") which provides guidance on identifying and assessing interests in variable interest entities to decide whether to consolidate that entity. FIN 46 requires consolidation of existing unconsolidated variable interest entities if the entities do not effectively disperse risk among parties involved. In December 2003, the FASB issued Interpretation No. 46R ("FIN 46R"), a revision which clarifies some provisions of FIN 46. This interpretation applies immediately to variable interest entities created after December 31, 2003. It applied as of the end of the first fiscal period ending after December 15, 2004, to variable interest entities in which an enterprise holds a variable interest it acquired before January 1, 2004. The Society is in the process of evaluating its interests to determine if it will meet the characteristics of interests that would qualify as variable interests based on the Interpretation. The Society does not believe that the impact of FIN 46R will have a material effect on its financial statements.

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.

In December 2001, the partners decided to discontinue the shared service center initiative. As of December 31, 2002 ASCAP had 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% non-controlling 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. Enterprises initially contributed \$7.3 million for a 50% interest in the joint venture. For the years ended December 31, 2003 and 2002 ASCAP has recorded a loss of approximately \$2.3 million and \$0.3 million, respectively, equal to its share of net losses.

In addition, Enterprises has provided additional funding to Mediaguide of \$5.0 million in October 2003 in exchange for a convertible promissory note with a maturity date of October 2012. The note bears interest at 3.75% per annum compounded annually, and due at maturity. As of December 31, 2003 the Society is owed accrued interest of \$0.1 million. The convertible note may be converted into common stock of MediaGuide at ASCAP's option contingent upon ConneXus converting a similar convertible note at the same time as to prevent any dilution of ownership interests.

4. 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 following table sets forth the Pension Plan's funded status at January 1, 2003 and 2002:

	January 1	
	2003	2002
	(000's omitted)	
Actuarial present value of:		
Vested benefit obligation	\$29,368	\$21,580
Nonvested benefit obligation	2,880	2,155
Accumulated benefit obligation	\$32,248	\$23,735
Actuarial present value of projected benefit obligation	\$41,467	\$33,736
Plan assets at fair value	\$16,804	\$19,754

4. BENEFIT PLANS - CONTINUED

The Society's contribution expense to the Pension Plan was approximately \$4.2 million and \$1.2 million during 2003 and 2002, respectively.

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, 2003 and 2002:

	January 1	
	2003	2002
	(000's omitted)	
Actuarial present value of:		
Vested benefit obligation	\$1,763	\$1,257
Nonvested benefit obligation	1,724	1,193
Accumulated benefit obligation	<u>\$3,487</u>	<u>\$2,450</u>
Actuarial present value of projected benefit obligation	<u>\$4,460</u>	<u>\$3,354</u>
Plan assets at fair value	<u>\$2,050</u>	<u>\$1,643</u>

The weighted average discount rate in determining the actuarial present value of the projected benefit obligation was 6.50% and 7.25% in 2003 and 2002, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 5.13% in 2003 and 6.15% in 2002. The expected long-term rate of return on assets was 5.00% in 2003 and 6.50% in 2002.

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 2003, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to \$12,000, limiting ASCAP's matching contribution to \$6,000 per employee. The amounts contributed by ASCAP to the Savings Plan for 2003 and 2002 were approximately \$0.9 million for each respective year.

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.

5. 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 \$5.9 million and \$4.3 million for the years ended December 31, 2003 and 2002, 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 \$4.5 million and \$4.1 million for the years ended December 31, 2003 and 2002, respectively, are reflected in foreign distributions in the accompanying consolidated statements of receipts, expenses and change in net assets.

At December 31, 2003 and 2002, \$3.9 million and \$2.5 million, respectively, represented the foreign taxes withheld on receipts that will be reported in the year when the related distributions are paid.

6. COMMITMENTS AND CONTINGENCIES

Litigation

The Society is involved continually in court proceedings with its licensees to determine that reasonable fees are being paid 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, subject to retroactive adjustment when final fees are arrived at by agreement or court determination.

ASCAP is currently engaged in license fee negotiations with the radio industry and one of the major broadcast television networks. Beginning in 2000, negotiations with the operators of several major cable services have produced agreements resulting in settlement of claims involving their cable services, significant payments of retroactive license fees to ASCAP, and special royalty distributions to members.

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 financial position.

Lease Commitments

Equipment rental and office lease expense, including escalations and utilities, aggregated approximately \$7.3 million and \$7.1 million for the years ended December 31, 2003 and 2002, respectively. The minimum rental

commitments under existing noncancellable office and equipment leases at December 31, 2003 are as follows (000's omitted):

2004	\$4,551
2005	4,494
2006	3,234
2007	5,338
2008	5,241
Thereafter	<u>55,354</u>
Total minimum lease payments	<u>\$78,212</u>

Report of Independent Auditors on Other Financial Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of receipts, expenses and changes in net assets for the years ended December 31, 2003 and 2002 are presented for purposes of additional analysis and are not a required part to the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

April 5, 2004

Ernst + Young LLP

Ernst & Young LLP
New York, New York
April 5, 2004

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

	2003			2002		
	Total	General Fund	Foreign Incoming Fund	Total	General Fund	Foreign Incoming Fund
License fees	\$666,687	\$486,378	\$180,309	\$630,421	\$482,394	\$148,027
Interest and other income	2,035	273	1,762	3,510	745	2,765
Membership dues	-	-	-	983	983	-
Expenses	(95,185)	(88,660)	(6,525)	(92,416)	(86,796)	(5,620)
Excess of receipts over expenses	573,537	397,991	175,546	542,498	397,326	145,127
Distributions	(530,887)	(381,361)	(149,526)	(587,903)	(454,650)	(133,253)
Current distribution to foreign societies (less than) in excess of current receipts	260	260	-	141	141	-
Net increase (decrease) in net assets	42,910	16,890	26,020	(45,264)	(57,183)	11,919
Net assets, beginning of year	153,696	46,633	107,063	198,960	103,816	95,144
Net assets, end of year	\$196,606	\$63,523	\$133,083	\$153,696	\$46,633	\$107,063



ASCAP OFFICES
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

General Licensing

2690 Cumberland Parkway SE
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

654 Ave.
Muñoz Rivera
IBM Plaza Ste. 1101B
Hato Rey, PR 00918
Tel. (787) 281-0782
Fax. (787) 767-2805