



ASCAP 1997 ANNUAL REPORT



SUCCESSES...NEW CHALLENGES

– Marilyn Bergman, President and Chairman



PHOTO © SPIKE NARANJO

In looking back at 1997, I am pleased to report that we have had a number of great successes in several different legislative areas. ASCAP

reached an agreement on its outstanding differences with the National Religious Broadcasters (NRB) Music Licensing Committee. The agreement resulted in a license to perform ASCAP music for radio stations represented by the NRB, which settles pending rate litigation with this group of broadcasters. Furthermore, it represents a resolution of longstanding disputes with the NRB. Yet most importantly, this agreement marks the beginning of a new era of cooperation between music creators and publishers – especially in the Christian music community – and those in broadcasting who use their music.

When President Clinton signed the “La Cienega” correction legislation into law in November 1997, it was a major victory for all of us. Without this much-needed legislation, thousands of popular songs recorded from 1909 to 1978 could have fallen into public domain. The passage of the “La Cienega” bill also indicated that the legislative log jam in Congress, which had held up other important copyright legislation, was finally breaking.

We continued to fight for the much needed “Copyright Term Extension” bill, H.R. 604 and S. 505, which extends the term to “Life Plus 70” years, the standard in Europe and much of the world. However, the assault on copyright is

coming from more places, with more power, than ever before. Most frightening are the ever-growing roster of telephone companies and Internet providers who are intent on chipping away at the traditional rights of copyright holders.

In this digital age, there are any number of organizations with questionable technology to keep track of digital performances and collect and pay on them through E-commerce systems. With devices such as “liquifiers” and “electronic DNA,” they are jumping into the performing rights field with little experience and a lack of understanding of intellectu-

“When President Clinton signed the “La Cienega” correction legislation into law in November 1997, it was a major victory for all of us...”

al property. At the same time, ASCAP’s traditional role, to issue blanket licenses and survey performances, is being challenged by new licensing arrangements. We as creators are faced with many licensing alternatives, all of which tend to devalue music, to make it a commodity, worth so much per second. I can tell you as a creator, on behalf of all creators, that we have never written a commodity. And I hope all the publishers out there have never – at least not intentionally – published a commodity.

Facing the challenges of a changing world is in ASCAP’s blood. In fact,

ASCAP was created in the early part of the 20th century to protect rights holders as the new media of the time – radio, phonograph and film sound – burst into popularity. Although many creators believed that those technologies were the end of their business as they knew it, they soon came to realize that they represented the beginning of major new creative opportunities with resulting new revenue streams. Today, we are in the midst of yet another new beginning. And ASCAP is again best positioned to take advantage of these many new digital opportunities.

In an era of musical E-mails and unlimited copies at the push of a button, we are challenged by the distinction between “fair” use and foul, between public performance and private sharing and between performance right and mechanical. Technology has outpaced legislation and case law. Ambiguity only favors those who seek to exploit and devalue our copyrights without proper compensation – or any compensation at all.

It is ASCAP’s mission to ambush ambiguity, to work diligently to draw the legal lines that will protect creators and copyright owners in the next century. We must continue to fight it in the halls of legislation and in the forum of public opinion. Most importantly, we, as creators, must educate music users about an important, fundamental truth: that although the music “industry” is big business, more often than not it is based on one person or a team of people alone in a room. It is the smallest of businesses – where the “staff” is five lines on a page and the bottom line is an “e” note.



A MILESTONE YEAR

– John LoFrumento, Chief Executive Officer



I am very proud and pleased to report that last year was an unqualified financial success for ASCAP and its membership.

In a new milestone for ASCAP, our 1997 domestic and foreign distributions were well over \$400 million – \$416.6 million, to be exact. Domestic distributions in 1997 were \$284.3 million, up by 4% from last year, and distributions for foreign performances were over \$132 million, an increase of 6.7%.

Operating expenses, at \$78.2 million, resulted in an operating ratio of 16.2%. This means that for every dollar that ASCAP collected, only sixteen cents was deducted for overhead, so that our members received 84% of what we collected. Accordingly, in 1997, ASCAP once again had one of the lowest operating ratios in the world, and certainly the lowest in the United States by far.

In addition, there were many more significant achievements for ASCAP in 1997 that I would like to share with you:

HIGHLIGHTS

OPERATIONS

- ASCAP and the Department of Justice agreed on changes in the Foreign Consent Decree, which governs our operations abroad. These changes will save us administrative costs which will be passed on to members.

- A new agreement with the local television industry allowed ASCAP to distribute revenues from local television station per program licensees on a program-by-program basis for theme, background and feature performances.

- ASCAP continued to press for an increase in licensing fees from the cable industry in the Federal Court in New York. We hope for the case to appear before the judge in early 1999.

- We appointed two new senior managers, Phil Crosland in Marketing and Marc Morgenstern in New Media, to aggressively position ASCAP in both of these areas.

MEMBER BENEFITS

- We expanded our exclusive membership benefit options portfolio, featuring credit union membership, musical instrument insurance and medical, dental, life and travel/personal accident insurance, to include general liability studio insurance.

- We developed the ASCAP Member Card, the first in the Society's long history, to identify ASCAP members and to serve as a key to an ever-growing range of discounts and services exclusively for ASCAP members.

ON THE WEB

- ASCAP's web site was awarded for Business Excellence on the Web by *WebMaster Magazine*. A comprehensive licensing section was added and designed to explain the ASCAP system and address many of the most frequently asked questions about licensing.

- We offered a groundbreaking license for music performances on the Internet and made it available for downloading on the ASCAP web site.

- ASCAP became the first, and is still the only, U.S. performing right organization to distribute royalties to composers, songwriters and music publishers for on-line performances of music.

- We developed the ASCAP Ratecalc, an interactive license rate calculator on our web site that gives licensees a quick calculation of the cost of a basic ASCAP music license.

REPERTORY

- In the Radio area, according to *Billboard* year-end chart results, ASCAP had 72% of the Hot 100 pop charts; 88% of the Hot Rap chart; 80%

of the R&B charts; 80% of the AC charts; and 57% of the Hot Country charts.

- In the Film area, 14 of the top 20 grossing films of 1997 were scored by ASCAP composers; two others contained ASCAP songs; and one contained an ASCAP co-written theme.

- In television, more than half of the top twenty Nielsen prime time network series of 1997 have ASCAP themes and/or scores.

- 12 of the 14 musicals (new and continuing) that played on Broadway last year were composed by ASCAP members.

FOREIGN ROYALTIES

- For the second year in a row, ASCAP provided its members with a supplemental year-end statement with information regarding foreign taxes withheld. This information enables members with income from foreign societies to receive the maximum benefit from foreign taxes withheld and has resulted in up to \$3 million in annual savings. ASCAP was the first U.S. performing rights organization to provide its members with this annual benefit.

These accomplishments and more combined to make 1997 one of the best years for ASCAP. The leadership and commitment of ASCAP's Board of Directors and the hard work and dedication of the ASCAP staff continue to provide the highest level of service. We're fortunate to have Al Wallace, our Chief Operating Officer, leading developments that will continue to extend our advantages in both technology and operations. All of us are totally committed to making membership in ASCAP an irresistible choice for songwriters, composers and publishers.



ASCAP FINANCIAL OVERVIEW

During the June Board meeting, our independent public accountants, Arthur Andersen LLP, presented our certified financial report for the years ended December 31, 1997 and 1996, selected portions of which are provided for you on pages 5-7. The financial status of the Society was also discussed at ASCAP's general membership meetings and we have included some of the highlights in the following financial overview.

Total receipts for 1997 amounted to \$482.1 million, about even with last year's receipts of \$482.6 million. Domestic receipts from license fees and other sources were \$358.4 million, up \$2.4 million from 1996. Royalties from foreign societies totaled \$123.7 million in 1997, a slight decrease of 2.2% from the 1996 total of \$126.5 million due, in large part, to the impact of the strong dollar in foreign currency conversions. The source of receipts for 1997 is shown on the accompanying pie chart (below).

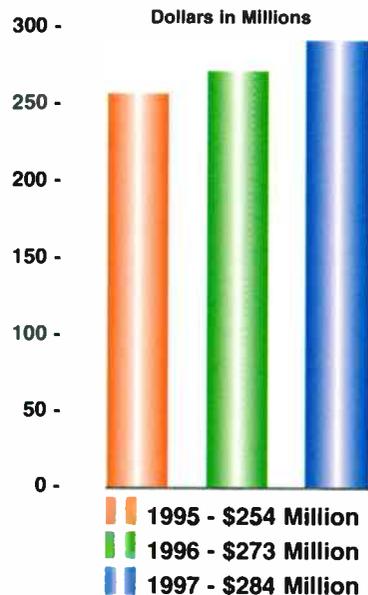
ASCAP's license fees were \$351.5 million, an increase of \$3.2 million over the \$348.3 million reported in 1996. Television receipts were \$155.2 million down slightly from 1996, due in part to the shift by some stations from a blanket license to a per program format license agreement, providing the stations with substantial savings. ASCAP once again posted record high Radio receipts of \$124.7 million, an increase of 3.9% over

1996, reflecting continued strength in that industry's revenue. General licensing fees were \$67.3 million and Symphonic and Concert receipts were \$4.3 million, increases of 1.7% and 18.4%, respectively, over 1996.

Operating expenses were \$78.2 million compared with \$74.3 million last year, an increase of \$3.9 million, resulting in an operating ratio of 16.2% which is still the lowest of any U.S. performing rights organization, and one of the lowest in the world. This modest increase in expense, represents management's commitment to make strategic investments in order to reap future benefits for our members. For example, during 1997, ASCAP incurred significant costs related to the ongoing rate proceeding with the Cable industry to correct the long standing disparity between license fees being paid and the substantial growth in that industry's use of our member's music. ASCAP also continued to upgrade technology utilized in our distribution and licensing areas. And lastly, we continue our commitment to ensure that music performances on the Internet are licensed and monitored on an ongoing basis. As we continue to invest in the future of ASCAP and its members, management has continued to remain focused on reducing costs and streamlining operations, as evidenced by a 3% reduction in staff which totaled 571 at year end.

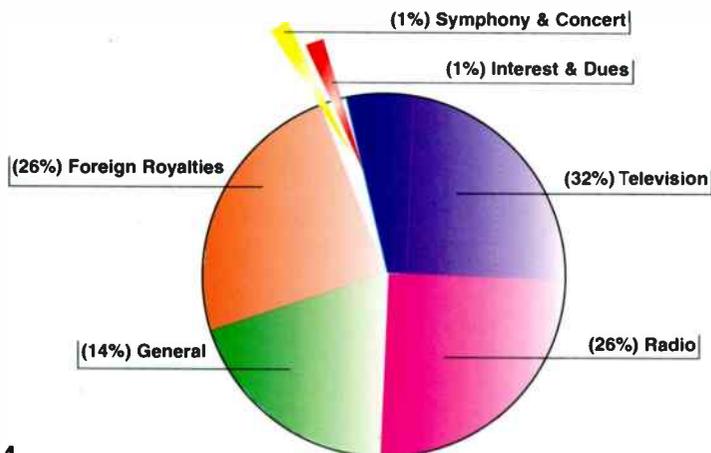
During 1997, ASCAP distributed \$416.6 million to members and foreign affiliated societies, the first time any U.S. performing rights organization has exceeded \$400 million in performance royalties. This represents an increase of 4.8 % from the 1996 level.

DOMESTIC DISTRIBUTIONS



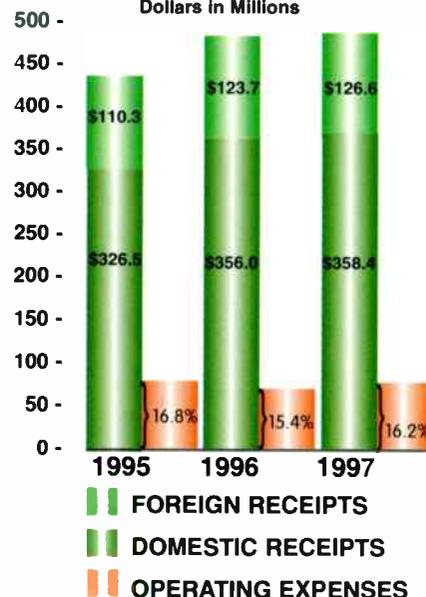
SOURCES OF RECEIPTS – 1997

\$482.1 MILLION



ANNUAL RECEIPTS AND ONGOING OPERATING EXPENSES

Dollars in Millions



Report of Independent Public Accountants

To the Board of Directors of ASCAP: We have audited the accompanying statements of receipts, expenses and change in fund balance of the American Society of Composers, Authors and Publishers for the years ended December 31, 1997 and 1996. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of receipts, expenses and change in fund balances 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 1, these statements were prepared on the modi-

fied cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statements of receipts, expenses and change in fund balance referred to above present fairly, in all material respects, the receipts, expenses and change in fund balance of the Society for the years ended December 31, 1997

and 1996, on the modified cash basis of accounting described in Note 1.

Arthur Andersen LLP

New York, New York
April 15, 1998

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS STATEMENTS OF RECEIPTS, EXPENSES AND CHANGE IN FUND BALANCE FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996 (000's omitted)

	1997	1996
DOMESTIC RECEIPTS:		
License fees –		
Television.....	\$155,182	\$158,438
Radio.....	124,663	120,029
General.....	67,324	66,192
Symphonic and concert.....	4,285	3,618
Interest on investments.....	5,740	6,606
Membership dues.....	1,234	1,152
Total domestic receipts.....	<u>358,428</u>	<u>356,035</u>
ROYALTIES FROM FOREIGN SOCIETIES (Note 5)...	<u>123,696</u>	<u>126,544</u>
Total receipts.....	<u>482,124</u>	<u>482,579</u>
EXPENSES:		
Licensing, collection and legal.....	24,127	24,486
Distribution.....	17,926	16,581
Publicity and membership.....	16,599	16,732
Administrative and other.....	19,576	<u>16,528</u>
Total expenses.....	<u>78,228</u>	<u>74,327</u>
Excess receipts over expenses	403,896	408,252
DISTRIBUTIONS (Note 5):		
Members –		
Domestic distributions.....	256,239	248,017
Foreign distributions.....	132,229	123,982
Foreign societies.....	28,097	25,380
Total distributions.....	<u>416,565</u>	<u>397,379</u>
Current distribution to foreign societies in excess of/(less than) current receipts	(1,758)	1,380
Net increase in fund balance.....	(14,427)	12,253
FUND BALANCE, beginning of year (Note 2).....	<u>121,238</u>	<u>108,985</u>
FUND BALANCE, end of year (Note 2).....	<u>\$106,811</u>	<u>\$121,238</u>

The accompanying notes are an integral part of these statements.



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Society of Composers, Authors and Publishers (the "Society" or "ASCAP") is an unincorporated membership association of composers, lyricists and music publishers. Founded in New York in 1914, ASCAP is the oldest performing rights licensing organization in the United States. The Society maintains its financial statements on the modified cash basis of accounting. Fixed assets, including leasehold improvements, are capitalized. Depreciation of fixed assets is provided using the straight-line method based on the estimated useful lives as follows: furniture - ten years; equipment - three to five years; and automobiles - three years and four months. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases. Payments on account to members are considered receivables and are collected from subsequent royalties.

Revenues due but not received, such as amounts due from licensees and foreign societies, and royalty distributions and other payables related to such revenues, which are significant, are not accrued.

The preparation of these financial statements require 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.

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires that long-lived assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The adoption SFAS No. 121 in 1996 did not have a significant impact on the Society.

2. FUND BALANCES

Statements of Receipts, Expenses and Change in Fund Balance (000's omitted)

	<u>December 31, 1997</u>				<u>December 31, 1996</u>			
	<u>Total</u>	<u>General Fund</u>	<u>Symphonic and Concert Fund</u>	<u>Foreign Incoming Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Symphonic and Concert Fund</u>	<u>Foreign Incoming Fund</u>
License fees	\$ 475,150	\$ 347,169	\$ 4,285	\$ 123,696	\$ 474,821	\$ 344,659	\$ 3,618	\$ 126,544
Interest on investments	5,740	1,220	-	4,520	6,606	1,936	-	4,670
Membership dues	1,234	1,234	-	-	1,152	1,152	-	-
Expenses	<u>(78,228)</u>	<u>(72,785)</u>	<u>(804)</u>	<u>(4,639)</u>	<u>(74,327)</u>	<u>(69,130)</u>	<u>(821)</u>	<u>(4,376)</u>
Excess of receipts over expenses	403,896	276,838	3,481	123,577	408,252	278,617	2,797	126,838
Transfers among funds	-	2,553	(704)	(1,849)	-	1,235	(530)	(705)
Distributions	(416,565)	(282,603)	(1,733)	(132,229)	(397,379)	(271,607)	(1,790)	(123,982)
Current distribution to foreign societies in excess of/ (less than) current receipts	<u>(1,758)</u>	<u>(1,758)</u>	<u>-</u>	<u>-</u>	<u>1,380</u>	<u>1,380</u>	<u>-</u>	<u>-</u>
Net increase in fund balance	<u>(14,427)</u>	<u>(4,970)</u>	<u>1,044</u>	<u>(10,501)</u>	<u>12,253</u>	<u>9,625</u>	<u>477</u>	<u>2,151</u>
Fund balance beginning of year	<u>121,238</u>	<u>13,990</u>	<u>6,147</u>	<u>101,101</u>	<u>108,985</u>	<u>4,365</u>	<u>5,670</u>	<u>98,950</u>
Fund Balance, end of year	<u>\$ 106,811</u>	<u>\$ 9,020</u>	<u>\$ 7,191</u>	<u>\$ 90,600</u>	<u>\$ 121,238</u>	<u>\$ 13,990</u>	<u>\$ 6,147</u>	<u>\$ 101,101</u>



3. LEASE COMMITMENTS

Equipment and automobile rental and office lease expense aggregated \$6,278,000 and \$5,954,000 for the years ended 1997 and 1996, respectively. The minimum rental commitments under existing noncancelable office leases are as follows (000's omitted):

1998.....	4,175
1999.....	4,073
2000.....	3,854
2001.....	3,752
2002.....	4,918
2003 and thereafter.....	<u>16,238</u>
	<u>\$ 37,010</u>

4. BENEFIT PLANS

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

Under the Society's Pension Plan, benefits are based on years of service and 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. The Society contributed \$1,422,000 and \$1,170,000 to the Pension Plan during 1997 and 1996, respectively.

The following table sets forth the Pension Plan's funded status at January 1, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
	(000's omitted)	
Actuarial present value of		
Vested benefit obligation	\$ 13,679	\$ 12,173
Nonvested benefit obligation	<u>527</u>	<u>339</u>
Accumulated benefit obligation	<u>\$ 14,206</u>	<u>\$ 12,512</u>
Actuarial present value of		
projected benefit obligation	\$ 22,058	\$ 19,223
Plan assets at fair value	<u>\$ 14,461</u>	<u>\$ 12,330</u>

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% in 1997 and 1996. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 6.4% for both years. The expected long-term rate of return on assets was 8.0% for both years.

Under the Society's Savings Plan, all employees with at least one year of service may elect to contribute from 2% through 20% of their salaries. 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 salary. Employees' contributions are immediately vested and the Society's matching contributions are vested after the first year of service. During 1997, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to

\$9,500 limiting ASCAP's matching contribution to \$4,750 per employee. The amounts contributed by ASCAP to the Savings Plan for 1997 and 1996 were \$665,000 and \$640,000, respectively.

ASCAP has a nonqualified deferred compensation plan wherein eligible employees may elect to defer a portion of their compensation each year. The plan is funded on an annual basis. Compensation expense, which is not material, is recorded currently.

5. DISTRIBUTIONS

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

Effective with the December 31, 1996 financial statements, the Society began including taxes withheld by affiliated foreign societies as receipts. These taxes withheld, which amounted to \$3,669,000 and \$3,891,000, are reflected in Royalties from Foreign Societies in the accompanying statement of receipts, expenses and change in fund balance for the year ended December 31, 1997 and 1996, respectively.

Also, in 1996, the Society began including foreign taxes withheld in the summary of distribution reported to members at year-end, thereby enabling members to report them appropriately on their tax returns. These taxes, which amounted to \$3,692,000 and \$3,899,000, are reflected in Foreign Distributions in the accompanying statement of receipts, expenses and change in fund balance for the years ended December 31, 1997 and 1996, respectively.

6. CONTINGENCIES

The Society is continually involved in court proceedings with its licensees to determine reasonable fees. ASCAP is currently engaged in negotiations with the local television station industry and a major television network. The principal court proceeding, involving fees for cable television program services, the Turner Broadcasting matter, is now expected to be tried at the end of 1998 or early in 1999. In all such proceedings to determine reasonable fees, fees are being paid on an interim basis, subject to retroactive adjustment when final fees are arrived at by agreement or court determination.

In 1994, CBS commenced a contract action against ASCAP in New York state court alleging that under "most favored nation" clauses in prior license agreements with ASCAP for the CBS Television Network, CBS is entitled to substantial monetary damages as a result of the 1992 agreement between ASCAP and NBC with respect to license fees for the NBC Television Network. Pretrial discovery in the case is nearing completion. In the opinion of the Society's counsel, the likelihood of an unfavorable outcome is remote.

In addition, the Society is subject to litigation in the normal course of business. In the opinion of the Society's counsel and management, such proceedings will not result in any material change in the Society's total receipts or the amounts available for distribution in 1998.





ASCAP BOARD OF DIRECTORS

ASCAP is the only performing rights organization in the U.S. created and governed by composers, lyricists, songwriters and music publishers. Our Board of Directors is made up entirely of writers and publishers elected from and by the membership every two years. ASCAP's Board members are among today's most prominent women and men in music, both as creators and advocates for music creators' rights.

ASCAP Board of Directors (clockwise from upper left): President and Chairman Marilyn Bergman, John Bett's, Freddy Bienstock, Joanne Boris, Leon J. Brettler, Treasurer Arnold Broido, John Cacavas, Vice Chairman Cy Coleman, Hal David, John L. Eastman, Nicholas Firth, Secretary Arthur Hamilton, Donna Hilley, Wayland Holyfield, Jimmy Jam, Dean Kay, Leeds Levy, Johnny Mandel, Vice Chairman Jay Morgenstern, Stephen Paulus, David Raksin, Irwin Z. Robinson, Mary Rodgers, and Kathy Spanberger.



Chief Executive Officer
John A. LoFrumento

ASCAP OFFICES - ATLANTA: 541-400 10th Street NW Atlanta, GA 30318 Phone: (404)753-4679 Fax: (404)755-4373 • **LOS ANGELES:** 7920 Sunset Blvd. Suite 300 Los Angeles, CA 90046 (323) 883-1000 Fax: (323) 883-1049 • **MIAMI:** 844 Alton Road, Suite 1 Miami Beach, FL 33139 (305) 673-3446 Fax: (305) 673-2446 • **MIDWEST:** 1608 W. Belmont Avenue Suite 200 Chicago, IL 60657 (773) 472-1157 Fax: (773) 472-1158 • **NASHVILLE:** Two Music Square West Nashville, TN 37203 (615) 742-5000 Fax: (615) 742-5020 • **NEW YORK:** One Lincoln Plaza New York, NY 10023 (212) 621-6000 Fax: (212) 724-9064 • **LONDON:** 8 Cork Street London W1X1PB England 011-44-171-439-0909 Fax: 011-44-171-434-0073 • **PUERTO RICO:** 400 Calle Kalaff, Suite 85, San Juan, PR 00917, Phone: (787) 281-0782, Fax: (787) 761-2805

MEMBER SERVICES: 1-800-95ASCAP Web Site: www.ascap.com E-Mail: info@ascap.com
ACE (ASCAP Clearance Express): (212) 621-6509 **ACE Helpline:** (212) 621-6521





ASCAP 1998 ANNUAL REPORT

ASCAP Marks 85 Years Of Musical Milestones





OUR COMMITMENT TO CREATORS

– MARILYN BERGMAN, President and Chairman

1998 saw the culmination of a copyright protection struggle that resulted in significant victories for ASCAP members, as well as success in minimizing our defeats. Most importantly, the passage of the "Sonny Bono Copyright Term Extension" Law, named for the late U.S. Congressman from California, extended the length of copyright in the United States for all currently copyrighted works by another 20 years, from the current standard of the creator's "Life Plus 50" years to "Life Plus 70" for post-1978 works. For pre-1978 works, the length of copyright changed from 75 years to 95 years. ASCAP strongly supported this legislation and we are proud to have lead the way in bringing American copyrights into line with those of our trading partners in the European Community.

Unfortunately, the "Copyright Term Extension" law included some elements of the unfair "Fairness in Music Licensing" bill which we have worked so hard to

stop. As an amendment to "Copyright Term Extension," it expanded the existing exemption from music licensing fees for restaurants, bars, and retail stores [which use radio and television as a source of music]. As you

"We are gradually taming the Wild West that the Internet was becoming....We have found that once music web sites understand that music creators get most of their income from the performance of their music....most are willing to pay license fees."

know, ASCAP strongly opposed this legislation, which passed in a toned-down – but still highly objectionable – form attached to the "Sonny Bono Copyright Term Extension" bill. The final music licensing language set the exemption for eating and drinking establishments at 3,750 gross square feet, and for retailers at 2,000 gross square feet. It is important to remember that Congressman Sensenbrenner's original

bill provided for a complete and total exemption from music licensing fees for these business owners [using this type of music]. The "Music Licensing" provisions became effective on January 28th, 1999. Looking to the future,

we are totally committed to overturning the "Music Licensing Amendment" which allows for-profit restaurants, bars, grills and retailers to avoid paying for music performed over radio and television speakers. Very simply, it is not fair that any of us should be forced to work for free. And unfortunately, a growing generation of Americans are being brought up believing that intellectual property on the Internet should be free.

Because of the speed with which it is pervading our lives and our livelihoods, ASCAP has been at the forefront countering this perception. As a writer myself, I can tell you that I share the concerns of all my fellow ASCAP members. Although there is certainly a lot to be concerned about, I am happy to say that we are gradually taming the Wild West that the Internet was becoming. For the most part, we at ASCAP have found that once music web sites understand that music creators get most of their income from the performance of their music – and not, like record labels or recording artists, from the sale of "product" or from concertizing – most are willing to pay license fees.



Left, José Feliciano with Los Amigos Invisibles at the 98 Latin Awards and, above, Chaka Khan and Monica at the 98 Rhythm and Soul Awards.



The users of music must continue to realize that music begins with a songwriter or a composer. As our music is delivered to more places, more often, and faster than we ever thought possible, with proper copyright protection and strong enforcement, the Internet will be a great asset to music creators, distributors, and listeners.

All ASCAP members should be encouraged that our technological innovations with Internet tracking and licensing, foreign revenue verification, cue sheet reporting, three-way radio performance tracking and direct deposit of royalties through our exclusive credit union, all help to deliver the lowest operating expense percentage of any of our competitors. That means more money for ASCAP members. In essence, ASCAP's technology is more than a promise for tomorrow. It is, in fact, a reality for today.

In addition to protecting our members' copyrights on these new media frontiers, our commitment to creators continues to include nurturing new generations of songwriters and composers. Through ASCAP

showcases and the ASCAP Foundation's ever-expanding program of nationwide workshops, writers and composers have a forum in which to develop their music and careers. Our membership is constantly growing with new writers in all genres of music, assuring that ASCAP is the most vital and forward-looking performance rights organization in the world.

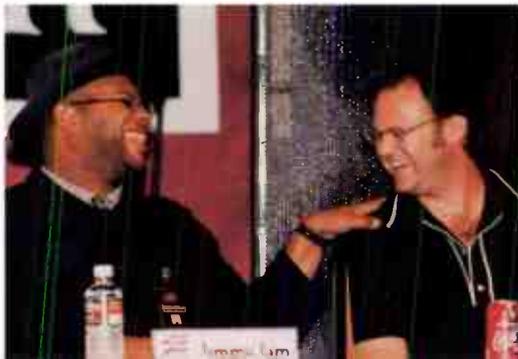
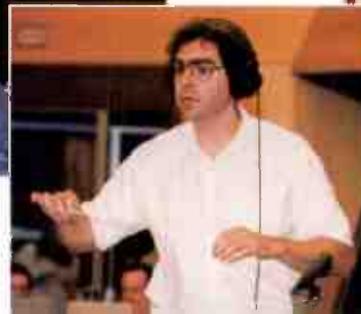
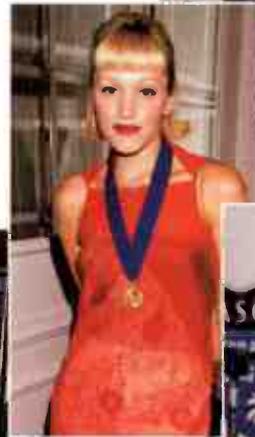
In the music industry's current environment of constant change, ASCAP members are fortunate to have a Board of Directors who are composer, lyricist and music publisher members themselves. The very nature of ASCAP's board ensures that the best interest of members are served. And as Boards of Directors go, few work harder than ASCAP's. Its 24 members meet regularly to set policy. In addition, there are 18 Board committees which provide oversight and direction to management in various areas of ASCAP's operation. I thank my colleagues on the Board for their hard work and vision, which has helped ASCAP

remain the world's leading performing rights organization for more than 85 years.

IMAGES OF 98: (from the top) Gary Baker and Frank Myers in the New ASCAP Nashville Demo Studio; Sean "Puffy" Combs accepting his Golden Note Award in Manhattan; Senator Patrick Leahy (D-VT), Marilyn Bergman and Senator Orrin Hatch (R-UT) in Washington, D.C.; Gwen Stefani at ASCAP's 98 Pop Awards; Rufus Wainwright at ASCAP's South by Southwest showcase; Andy Brick at the ASCAP Film Scoring Workshop; Annie Roboff in the studio; Jimmy Jam and Rob Cavallo at ASCAP's Superstars of the Studio panel in Los Angeles.



ASCAP





LEADING THE WAY

— JOHN LoFRUMENTO, Chief Executive Officer

I'm very happy to report that last year was another unqualified financial success for ASCAP. First and foremost, in 1998 ASCAP became the first performing rights organization to collect over one-half billion dollars in royalties for its members. Our 1998 domestic and foreign distributions were almost \$425 million – an all-time record! Domestic distributions in 1998 were \$294.4 million, up 4% from last year, and distributions for foreign performances were over \$130 million dollars, despite the negative impact of the strong American dollar.

In 1998, ASCAP had one of the lowest operating ratios in the world, and certainly the lowest in the United States by far. For every dollar ASCAP collected, only 16 cents was deducted for overhead, so our members received 84 cents of what we collected. This operating ratio of 16% is unchanged from 1997, and it is indicative of our

goal to control expense growth while selectively investing in critical areas such as systems (including Y2K compliance), licensing and customer service.

Ultimately, the best opportunities for controlling expenses and enhancing member service will be through the creation of a global shared service center with other music rights organizations. During 1998, we began the process by initiating an International Music Joint Venture, consisting of ASCAP, BUMA/STEMRA and the PRS-MCPS Alliance. This initiative will redefine rights management for the new millennium.

Although 1998 was a very good financial year, a more important development is that ASCAP established itself as the clear leader in all aspects of performing rights. Again, I am proud to share the following highlights of a very successful year.

ASCAP CUSTOMERS

In 1998, we started developing a brand new customer approach to our licensees, so that now the users of our music are

being rewarded for taking an ASCAP license. The implementation of the ASCAP Customer Benefit Card entitles our customers to discounts on restaurant supplies, credit card processing, promotional merchandise, as well as unique travel, financial and insurance benefits. These are unprecedented programs in the performing rights industry and ASCAP is pleased to be an innovator of these customer initiatives. They are an example of how ASCAP is creating a market driven culture, so important to ASCAP members' long-term financial growth.

THE INTERNET

ASCAP has been a proven leader in meeting the challenges in the licensing and distribution of performances on the Internet. As many of you know, ASCAP was the first to pay members for Internet performances. In 1998, we tripled our collections from the previous year. But on the Internet, our goal is not only to protect our members by monitoring the use of music, but also to reach out to the users of

music, our customers, and to help them comply with the law in the least complicated way possible.

Last year, a major development in that direction was the creation of the ASCAP EZ-Seeker, a revolutionary Internet licensing tool. Now renamed the ASCAP EZ-Eagle, this remarkable software identifies the highest value music sites, captures song title information, decodes any watermarking technologies, identifies the user, and automatically sends licensing materials. I was proud to present this breakthrough internet licensing tool at last year's CISAC (Confederation Internationale des Societes d'Auteurs et Compositeurs) World Congress and to explain to our sister societies how we all could benefit from this new technology. As a newly elected member of the CISAC Executive Committee, I will also look forward to sharing with you in the future ASCAP's involvement and progress with the CIS project, one of CISAC's most ambitious undertakings. CIS (Common Information System

em) is a project lead by ASCAP's own COO Al Wallace, and entails the worldwide cooperation of rights societies and guarantees the greatest possible returns for creators for the use of their works.

In a related Internet development, ASCAP led the movement towards watermarking, a process by which ASCAP's members' works are identified online. We have engaged in intensive discussions with the five major watermarking companies. Two considerations are key to any ASCAP watermarking solution. First, ISWC codes will be used in the watermarking process; and, second, ASCAP will support multiple watermarking systems in order to give our members a choice.

NEW TECHNOLOGY

ASCAP developed some other technological innovations in 1998. We released on our Web site ASCAP Rate Calc, an interactive license rate calculator that gives licensees a quick calculation of the cost of a basic ASCAP music license. We released ASCAP EZQ 3.0 a major upgrade and refinement to our previously existing cue sheet software, which firmly establishes a uniform electronic cue sheet format for the entire film

and television industry. We also completed and began utilizing a database designed to serve ASCAP's film and television writers, composers and publishers with the highest standard of accuracy. Developed by ASCAP's International Television Monitoring Unit (ITMU), the database verifies the thoroughness and correctness of television performance statements received from affiliated foreign societies, which includes all census stations in eight countries: Italy, Ireland, France, Germany, Switzerland, Austria, Spain and the United Kingdom.

REPERTORY

In the radio area, according to *Billboard* year-end chart results, we scored ten of the top ten Hot R&B singles; nine of the top ten Hot Rap singles; eight of the top ten Hot Country singles; seven of the top ten Adult Contemporary songs; and seven of the top ten Hot 100 singles.

In the film area, of 1998's top 20 films, 11 had ASCAP scores, including three by foreign society composers. An additional six films featured ASCAP songs, both original and licensed.

In television, ASCAP composers wrote the themes and underscores

for 13 of 1998's 20 highest rated prime time network shows. In fact, the themes for the top four shows, and the underscore for six of the top ten shows, were written by ASCAP composers.

I am pleased to say that in 1998, ASCAP welcomed over 12,000 new members, including: Alanis Morissette, the Backstreet Boys and the Dixie Chicks, to name a few. We also did very well in the Latin area, bringing in writer Omar Alfanno, Columbian composer Gabriel Romero and the Mexican group Plastilina Mosh, among others.

To continue our outreach to musical communities wherever possible, we opened new offices in Atlanta, Miami and Puerto Rico.

MEMBER BENEFITS

We continued to expand our exclusive member card benefit options portfolio to include tour liability insurance, discounts and other benefits at Guitar Center locations around the country, Retro-fit Promotional Merchandising deals and discounts, Transmedia membership, as well as tax-deferred investment services and airline and auto rental discounts.

We offered ASCAP WEAR, an exciting collection of clothing and

gear, to members and friends.

We greatly enhanced the look, feel and content of *Playback* and increased the number of pages to include more articles of interest. We redesigned ASCAP's award-winning Web site, www.ascap.com, and continued to add exciting new graphics and features. It has become the most visited performing rights Web site in the world because it is the best resource for anyone involved in the creation and use of music.

All of these accomplishments combined to make 1998 a year of unprecedented progress for ASCAP. I commend the leadership, forward-thinking and commitment of ASCAP's Board of Directors as well as the hard work and dedication of the ASCAP staff. Combined, they have continued to provide the highest level of service in an industry in which incredible change has become the norm. All of us remain focused on our commitment to making membership in ASCAP an irresistible choice.

ASCAP Marks 85 Years



Cover Photo: A 1916 photo shows Oscar Hammerstein (at piano) surrounded by ASCAP members (from left) Jerome Kern, Louis A. Hirsch, A. Baldwin Sloane, Rudolf Friml, Alfred Robyn, Gustave Kerker, Hugo Felix, John Philip Sousa, Lesley Stewart, Raymond Hubbell, John Golden, Silvio Hein and Irving Berlin.

1910's 1920's

OCTOBER 1913: A group of nine composers, songwriters and music publishers, led by Victor Herbert, meet at Luchow's Restaurant in Manhattan to discuss forming a performing rights society.

FEBRUARY 13, 1914: A meeting of over 100 leaders takes place, resulting in the official formation of ASCAP. Members who joined in 1914 include John Philip Sousa, Irving Berlin, Jerome Kern, George M. Cohan and James Weldon Johnson. The tradition of ASCAP membership meetings each year, open to all members, continues with annual meetings in New York, Los Angeles and Nashville, respectively.

OCTOBER 1914: Rectors Restaurant of Manhattan becomes ASCAP's first licensee.

MARCH 1917: The U.S. Supreme Court unanimously rules for ASCAP in *Herbert v. Shanley's (Restaurant)*, giving ASCAP the legal backing to pursue licensing of music users.

1919: ASCAP and PRS (Britain's Performing Right Society) sign first agreement for representation of ASCAP members abroad. ASCAP members are now represented in nearly 90 countries worldwide.

New members include George and Ira Gershwin, Richard Rodgers, Oscar Hammerstein II, W.C. Handy, Sammy Fain, Dorothy Fields and Harry Warren.

1921: ASCAP makes first royalty distribution to writers and publishers.

1923: ASCAP begins licensing radio stations.

1930's 1950's



At a 1936 Congressional hearing on copyright were (from left) Rudy Valee, Irving Berlin, George Gershwin and ASCAP President Gene Buck.

New members include Harold Arlen, Louis Armstrong, Duke Ellington, Johnny Mercer, Frank Loesser, Gene Autry, Sammy Cahn, Franz Waxman, Alfred Newman and Jule Styne.

1934: The first Oscar for Best Song is awarded to ASCAP members Con Conrad and Herb Magidson for "The Continental" from the film *The Gay Divorcee*.

1940's



Cab Calloway (left), who joined ASCAP in 1942 was honored with the first ASCAP "Duke" Award in 1988. Aaron Copland became a member in 1946.

New members include Count Basie, Aaron Copland, Erich Korngold, Igor Stravinsky, Frederick Loewe, Alex North, Jimmy Van Heusen and Leonard Bernstein.

1941: ASCAP begins licensing a new medium: television.

1949: The first Tony award for music goes to Cole Porter for *Kiss Me Kate*.

1950's



Dizzy Gillespie and Stephen Sondheim became ASCAP members in the 1950's.

New members include Henry Mancini, Dizzy Gillespie, Elmer Bernstein, Marvin Hamlisch, Tito Puente, Burt Bacharach and Stephen Sondheim.

1954: ASCAP member Walter Schumann receives the first Emmy in music for "Dragnet."

1958: First "Song of the Year" Grammy presented to Domenico Modugno (SIAE) for "Volare." The song is licensed in the U.S. through ASCAP.

1959: First Gold Record Award by the Recording Industry Association of America presented to ASCAP members Paul Vance and Lee Pockriss for "Catch a Falling Star."

1960's



The Grateful Dead joined ASCAP in 1969.

New members include Carly Simon, Jimi Hendrix, John Denver, The Doors, The Grateful Dead, Jerry Leiber, Mike Stoller, Philip Glass, Stephen Schwartz and Jerry Herman.

1961: ASCAP opens a membership office in Los Angeles.

1961: Two of the first three Country Music Hall of Fame inductees are ASCAP members: Jimmie Rodgers and Fred Rose.

1963: ASCAP opens membership office in Nashville.

1970's



Bruce Springsteen became a member in 1973.

New members include Stevie Wonder, Smokey Robinson, Jose Feliciano, Mark Isham, Howard Ashman, Alf Clausen, Bonnie Raitt, John Fogerty, Bruce Broughton and Bruce Springsteen.

Of Musical Milestones

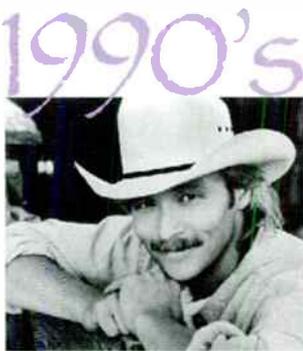
1976: The ASCAP Foundation is established to encourage and support charitable and educational programs in the field of music.

1976: Revised U.S. Copyright Law is passed, effective January 1, 1978, extending term of copyright to "life plus 50" and protecting pre-1978 works for a total of 75 years. The law also dramatically updated copyright protections.

1977: ASCAP successfully concludes license negotiations with HBO, later followed by other major cable program suppliers. Approximately 125 are now licensed by ASCAP.

1979: ASCAP becomes the first U.S. performing rights organization to license college radio.

American creators the highest standard of copyright protection; ASCAP took a leading role in the successful effort to obtain passage.



Alan Jackson was one of the ASCAP members at the forefront of country Music's growth in the 90's.

New members include a number of prominent writers who switched from other performing right organizations, including: Billy Joel, James Taylor, Joni Mitchell, Alanis Morissette, ZZ Top, Alan Silvestri, James Newton Howard and Hans Zimmer. Among other new members: Lauryn Hill, Mary J. Blige, Deana Carter, Beck, Jewel, Sean "Puffy" Combs and Pearl Jam.

1993: ASCAP's Board adopts a new strategic agenda designed to meet the challenges of a changing music business environment. Basic goals are to improve service to members and customers and adapt to new digital technologies within and outside ASCAP.

1994: ASCAP becomes first U.S. performing rights group to survey pop music concerts and venues.

1994: ASCAP debuts ACE (ASCAP Clearance Express), the first interactive online song database offering instant title, author, publisher and artist information.

1995: ASCAP's Web site (www.ascap.com) is unveiled, featuring enhanced access to ACE

and numerous other areas of interest for ASCAP members, customers, students and music lovers.

1996: ASCAP launches new portfolio of exclusive member benefits with a credit union membership option. The benefits portfolio has now grown to include health, life and musical equipment insurance options, discounts on compact disc, tape and vinyl record manufacturing, travel, restaurant dining, musical accessories and more.

1996: ASCAP develops and offers first license agreements for Internet performances of copyrighted music.

1997: ASCAP makes first distribution of internet performance royalties to members.

1998: ASCAP's EZ-Eagle™ is announced – a new software technology that revolutionizes the licensing and tracking of music performances on the Internet. In addition to identifying specific song titles of works performed on the Internet, EZ-Eagle™ also can locate Internet sites using commonly available audio and video file formats, qualify those prospects, automatically issue license forms where appropriate, and track compliance with license requirements.

1998: ASCAP launches its exclusive Member Card and Customer Card programs for ASCAP



Attending the 1997 ASCAP Pop Awards Dinner were (from left) First Lady Hillary Rodham Clinton, Marilyn Bergman and Senator Barbara Boxer (D-CA).

members and licensed ASCAP customers to facilitate taking advantage of exclusive benefit options and discounts.

1998: Two major pieces of positive legislation, strongly supported by ASCAP and affecting all music creators are passed by Congress and signed by the President:

- The "Sonny Bono Copyright Term Extension" Law extends the U.S. term for all currently copyrighted works for an additional 20 years.

- The Digital Millennium Copyright Law brings the U.S. into line with World Intellectual Property Organization treaties on copyright and prevent circumvention of copyright protection for music performed on the internet.

1998: ASCAP member artists sweep all 15 MTV Awards.

1999: ASCAP celebrates the 85th anniversary of its founding.



Jimmy Jam and Terry Lewis were honored as Songwriters of the Year at ASCAP's 1988 Pop Awards Dinner.

New members include Garth Brooks, Prince, Aerosmith, Beastie Boys, Tracy Chapman, Madonna, Johnny Cash, James Horner, Howard Shore, Elliot Goldenthal, Marc Shaiman, Wynton Marsalis, Lyle Lovett, Jonathan Wolff, Randy Newman, Jermaine Dupri, Metallica and LL Cool J.

1980: U.S. Supreme Court rules in ASCAP's favor in CBS case, upholding the ASCAP blanket license.

1988: A bill is passed and signed into law enabling U.S. to join the Berne Convention, assuring



Billy Joel (center) was honored with the ASCAP Founders Award at a 1996 Capitol Hill reception. Pictured are ASCAP members (from left) Marvin Hamlisch, Jimmy Jam, Nicholas Ashford, Valerie Simpson, Jimmy Webb, Marilyn Bergman, Garth Brooks and Cy Coleman.

ASCAP FINANCIAL OVERVIEW

During the June Board meeting, our independent public accountants, Arthur Andersen LLP, presented our certified financial report for the years ended December 31, 1998 and 1997. Selected portions of that report are provided on pages 9 - 11. The 1998 financial results of the Society were also discussed at ASCAP's general membership meetings in Los Angeles, Nashville and New York City.

ASCAP's total distributions were \$424.5 million in 1998, an increase of almost \$8 million or 1.9%. Distributions to members and foreign societies for domestic performances was \$294.4 million, up 3.5%. Distributions for foreign performances were \$130.1 million, down \$2.1 million as a result of the reduced value of foreign currencies due to the strong American dollar, which more than offset increases in foreign royalties received. A chart showing the recent trend in total distributions is shown at the right.

Total Receipts for 1998 were \$508.3 million, up \$26.2 million from last year and marked the first time that ASCAP receipts exceeded a half billion dollars – a landmark milestone. Domestic receipts from License fees and other sources were \$377.7 million, up \$19.3 million from 1997. Royalties from foreign societies were \$130.6 million, up \$6.9 million or 5.6% despite the negative impact of the strong U.S. dollar dur-

ing the year. A chart depicting the sources of receipts during 1998 is shown below.

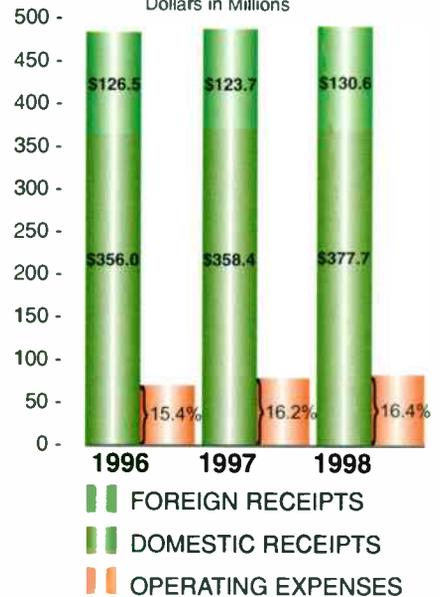
Domestic license fees were \$371.2 million, up \$19.8 million or 5.6%. The growth was achieved as a result of increased television receipts due to negotiated increases in interim fees from a number of cable stations. Radio receipts accounted for most of the remaining growth as a result of higher fees associated with growth in the industry. The slight increase in General license fees is due to the difficult business environment as a result of the pending licensing legislation during most of 1998 which was discussed earlier in this report.

Operating expenses were \$83.6 million which results in a 1998 operating expense ratio of 16.4%. This ratio is one of the lowest among the world's performing rights organizations and is the lowest in the U.S. The modest increase in expenses and operating ratio represents management's commitment to stringently control overhead expenses while, at the same time, make necessary strategic investments which will provide future benefits for our members. For example, during 1998, ASCAP incurred significant costs related to the ongoing rate proceeding with the cable industry to correct the long-standing disparity between license fees being paid and the substantial growth in that industry's use of our members music. ASCAP also continued to upgrade technology

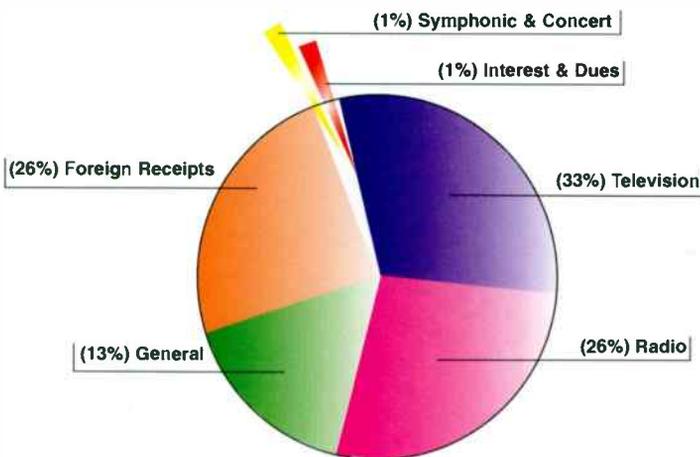
utilized in our distribution and licensing areas. Efforts were also undertaken to explore the significant cost saving opportunities in the development of a shared service center with other overseas performing rights organizations designed to streamline common back office functions common to all societies.

ASCAP will continue to focus on opportunities to reduce costs and streamline operations while at the same time seeking out investment opportunities to increase receipts, improve member services and enhance productivity.

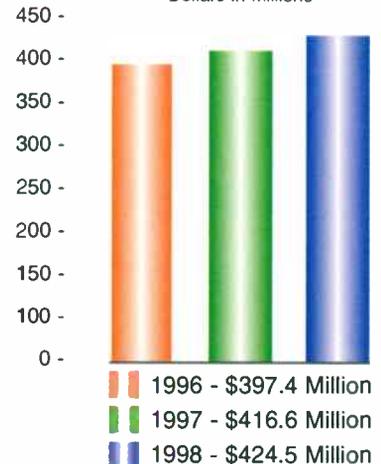
ANNUAL RECEIPTS AND ONGOING OPERATING EXPENSES
Dollars in Millions



SOURCES OF RECEIPTS – 1998
\$508.3 MILLION



TOTAL DISTRIBUTIONS
Dollars in Millions



**AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS STATEMENTS OF RECEIPTS, EXPENSES
AND CHANGE IN FUND BALANCE FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

(000's omitted)

	1998	1997
DOMESTIC RECEIPTS:		
License fees –		
Television and Cable.....	\$ 165,789	\$155,182
Radio.....	133,130	124,663
General	68,032	67,324
Symphonic and concert.....	4,284	4,285
Interest on investments.....	5,168	5,740
Membership dues.....	1,330	1,234
Total domestic receipts.....	<u>377,733</u>	<u>358,428</u>
ROYALTIES FROM FOREIGN SOCIETIES (Note 5)	<u>130,615</u>	<u>123,696</u>
Total receipts.....	<u>508,348</u>	<u>482,124</u>
EXPENSES:		
Licensing, collection and legal.....	23,425	24,307
Distribution.....	19,421	18,017
Publicity and membership.....	17,729	16,463
Administrative and other.....	<u>22,997</u>	<u>19,441</u>
Total expenses.....	<u>83,572</u>	<u>78,228</u>
Excess receipts over expenses	424,776	403,896
DISTRIBUTIONS (Note 5):		
Members –		
Domestic distributions.....	263,873	256,239
Foreign distributions.....	130,100	132,229
Foreign societies.....	<u>30,507</u>	<u>28,097</u>
Total distributions.....	<u>424,480</u>	<u>416,565</u>
Current distribution to foreign societies in excess of/(less than) current receipts.....	(1,596)	(1,758)
Net increase in fund balance.....	<u>(1,300)</u>	<u>(14,427)</u>
FUND BALANCE, beginning of year (Note 2)	<u>106,811</u>	<u>121,238</u>
FUND BALANCE, end of year (Note 2)	<u>\$105,511</u>	<u>\$106,811</u>

The accompanying notes are an integral part of these statements.

Report of Independent Public Accountants

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

We have audited the accompanying statements of receipts, expenses and change in fund balance for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 1, these financial statements were prepared on the modified cash basis of accounting,

which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statements of receipts, expenses and change in fund balance referred to above present fairly, in all material respects, the receipts, expenses and change in fund balance of the Society for the years ended December 31, 1998 and 1997, on the modified cash basis of accounting described in Note 1.

Curtis Andersen LLP

New York, New York
MARCH 26, 1999

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Society of Composers, Authors and Publishers (the "Society" or "ASCAP") is an unincorporated membership association of composers, lyricists and music publishers. Founded in New York in 1914, ASCAP is the oldest performing rights licensing organization in the United States. The Society maintains its financial statements on the modified cash basis of accounting. Fixed assets, including leasehold improvements, are capitalized. Depreciation of fixed assets is provided using the straight-line method based on estimated useful lives as follows: furniture – ten years; equipment – three to five years; and automobiles – three years and four months. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Payments on account to members are considered receivables and are collected from subsequent royalties. Revenues due but not received, such as amounts due from licensees and foreign societies, and royalty distributions and other payables related to such revenues, which are significant, are not accrued.

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.

2. NET ASSETS

	<u>December 31, 1998</u>				<u>December 31, 1997</u>			
	<u>Total</u>	<u>General Fund</u>	<u>Symphonic and Concert Fund</u>	<u>Foreign Incoming Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Symphonic and Concert Fund</u>	<u>Foreign Incoming Fund</u>
License fees	\$ 501,850	\$ 366,951	\$ 4,284	\$ 130,615	\$ 475,150	\$ 347,169	\$ 4,285	\$ 123,696
Interest on investments	5,168	981	-	4,187	5,740	1,220	-	4,520
Membership dues	1,330	1,330	-	-	1,234	1,234	-	-
Expenses	<u>(83,572)</u>	<u>(78,365)</u>	<u>(609)</u>	<u>(4,598)</u>	<u>(78,228)</u>	<u>(72,785)</u>	<u>(804)</u>	<u>(4,639)</u>
Excess of receipts over expenses	424,776	290,897	3,675	130,204	403,896	276,838	3,481	123,577
Transfers among funds	-	2,712	(685)	(2,027)	-	2,553	(704)	(1,849)
Distributions	(424,480)	(292,547)	(1,833)	(180,100)	(416,565)	(282,603)	(1,733)	(132,229)
Current distribution to foreign societies in excess of/ (less than) current receipts	<u>(1,596)</u>	<u>(1,596)</u>	<u>-</u>	<u>-</u>	<u>(1,758)</u>	<u>(1,758)</u>	<u>-</u>	<u>-</u>
Net (decrease) increase in net assets	(1,300)	(534)	1,157	(1,923)	(14,427)	(4,970)	1,044	(10,501)
Net Assets, beginning of year	<u>106,811</u>	<u>9,020</u>	<u>7,191</u>	<u>90,600</u>	<u>121,238</u>	<u>13,990</u>	<u>6,147</u>	<u>101,101</u>
Net Assets, end of year	<u>\$ 105,511</u>	<u>\$ 8,486</u>	<u>\$ 8,348</u>	<u>\$ 88,677</u>	<u>\$ 106,811</u>	<u>\$ 9,020</u>	<u>\$ 7,191</u>	<u>\$ 90,600</u>

3. LEASE COMMITMENTS

Equipment rental and office lease expense aggregated \$6,108,000 and \$6,278,000 for the years ended 1998 and 1997, respectively. The minimum rental commitments under existing noncancelable office leases are as follows (000's omitted):

1999.....	\$ 4,105
2000.....	3,889
2001.....	3,752
2002.....	4,918
2003.....	4,035
2004 and thereafter	<u>12,184</u>
	<u>\$ 32,883</u>

4. BENEFIT PLANS

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

Under the Society's Pension Plan, benefits are based on years of service and 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. The Society contributed \$1,564,000 and \$1,422,000 to the Pension Plan during 1998 and 1997, respectively.

The following table sets forth the Pension Plan's funded status at January 1, 1998 and 1997:

	1998	1997
	(000's omitted)	
Actuarial present value of:		
Vested benefit obligation	\$ 15,663	\$ 13,679
Nonvested benefit obligation	771	527
Accumulated benefit obligation	<u>\$ 16,434</u>	<u>\$ 14,206</u>
Actuarial present value of projected benefit obligation	<u>\$ 26,278</u>	<u>\$ 22,058</u>
Plan assets at fair value	<u>\$ 16,654</u>	<u>\$ 14,461</u>

The weighted average discount rate in determining the actuarial present value of the projected benefit obligation was 7.0% and 7.5% in 1998 and 1997, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 6.4% for both years. The expected long-term rate of return on assets was 8.0% for both years.

Under the Society's Savings Plan, all employees may elect to contribute from 2% through 20% of their salaries. 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 salary. Employees' contributions are immediately vested and the Society's matching contributions are vested after the first year of service. During 1998, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to \$10,000 limiting ASCAP's matching contribution to \$5,000 per employee. The amounts contributed by ASCAP to the Savings Plan for 1998 and 1997 were \$743,449 and \$665,468, respectively.

ASCAP has a nonqualified deferred compensation plan wherein eligible employees may elect to defer a portion of their compensation each year. The plan is funded on an annual basis. Compensation expense, which is not material, 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 under applicable distribution formulas.

Effective with the December 31, 1996 financial statements, the Society began including taxes withheld by affiliated foreign societies as receipts. These taxes withheld, which amounted to \$3,871,000 and \$3,669,000, for the years ended December 31, 1998 and 1997, respectively, are reflected in

Royalties from Foreign Societies in the accompanying statements of receipts, expenses and change in fund balance.

Also, in 1996, the Society began including foreign taxes withheld in the summary of distribution reported to members at year-end, thereby enabling members to report them appropriately on their tax returns. These taxes, which amounted to \$3,429,000 and \$3,692,000, for the years ended December 31, 1998 and 1997, respectively, are reflected in Foreign Distributions in the accompanying statements of receipts, expenses and change in fund balance.

6. CONTINGENCIES

Litigations: The Society is continually involved in court proceedings with its licensees to determine reasonable fees. ASCAP is currently engaged in negotiations with the local television station industry and a major television network. The principal court proceeding, involving fees for cable television program services, the Turner Broadcasting matter, is now expected to be tried at the end of 1999 or early in 2000. In all such proceedings to determine reasonable fees, fees are being paid on an interim basis, subject to retroactive adjustment when final fees are arrived at by agreement or court determination.

In 1994, CBS commenced a contract action against ASCAP in New York State Court alleging that under "most-favored-nation" clauses in prior license agreements with ASCAP for the CBS Television Network, CBS is entitled to substantial monetary damages as a result of the 1992 agreement between ASCAP and NBC with respect to license fees for the NBC Television Network. Pretrial discovery in the case has been completed and ASCAP's motion for summary judgement has been filed with the court. In the opinion of the Society's counsel, the likelihood of an unfavorable outcome is remote.

In addition, the Society is subject to litigation in the normal course of business. In the opinion of counsel and management, such proceedings will not result in any material change in the Society's total receipts or the amounts available for distribution in 1999.

International Music Joint Venture: In February, 1999, the Society entered into an International Music Joint Venture ("IMJV") with the British and Dutch Rights Societies. The purpose of the IMJV is to create a shared service center to handle administrative operations 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. The initial investment for ASCAP is expected to be \$1 million in 1999.



ASCAP Board of Directors

(by row, l-r) President and Chairman of the Board MARILYN BERGMAN,

JOHN BETTIS, FREDDY BIENSTOCK, JOANNE BORIS, LEON J. BRETTLER, ARNOLD BROIDO,
 JOHN CACAVAS, CY COLEMAN, HAL DAVID, JOHN L. EASTMAN, NICHOLAS FIRTH, ARTHUR HAMILTON,
 DONNA HILLEY, DEAN KAY, LEEDS LEVY, JOHNNY MANDEL, JAY MORGENSTERN, STEPHEN PAULUS,
 DAVID RAKSIN, DAVID RENZER, IRWIN Z. ROBINSON, MARY RODGERS, JIMMY WEBB, DOUG WOOD



Chief Executive Officer
 John A. LoFrumento

ASCAP is the only performing rights organization in the U.S. created and governed by composers, lyricists and music publishers. Our Board of Directors is made up entirely of writers and publishers elected from and by the membership every two years. ASCAP's Board members are among today's most prominent women and men in music, both as creators and advocates for music creators' rights.

ASCAP OFFICES: ATLANTA: 541-400 10th Street NW Atlanta, GA 30318 (404)753-4679 Fax: (404)755-4373 • LOS ANGELES: 7920 Sunset Blvd. Suite 300 Los Angeles, CA 90046 (323) 883-1000 Fax: (323) 883-1049 • MIAMI: 844 Alton Road, Suite 1 Miami Beach, FL 33139 (305) 673-3446 Fax: (305) 673-2446 • CHICAGO: 1608 W. Belmont Avenue Suite 200 Chicago, IL 60657 (773) 472-1157 Fax: (773) 472-1158 • NASHVILLE: Two Music Square West Nashville, TN 37203 (615) 742-5000 Fax: (615) 742-5020 • NEW YORK: One Lincoln Plaza New York, NY 10023 (212) 621-6000 Fax: (212) 724-9064 • LONDON: 8 Cork Street London W1X1PB England 011-44-171-439-0909 Fax: 011-44-171-434-0073 • PUERTO RICO: 510 Royal Bank Center 255 Ponce de Leon Ave. Hato Rey, PR 00917 (787) 281-0782 Fax: (787) 767-2805.

MEMBER SERVICES: 1-800-95ASCAP • Web Site: www.ascap.com • E-Mail: info@ascap.com
 • ACE (ASCAP Clearance Express): (212) 621-6509 • ACE Helpline: (212) 621-6521