



American Association  
of Independent Music

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## 2. Project Narrative

### a. Executive Summary (IV.B.2.a):

Applicant: The American Association of Independent Music ("A2IM") a 501(C)(6) trade organization

Partners: The Recording Academy

MDCP Federal Funds Requested: \$284,300

Total Project Budget: \$1,154,345 with \$512,595 in applicant contributions & \$357,450 in service income

Proposed Award Period: September 1, 2012 – August 31, 2015

Foreign Markets Targeted: Europe, Latin American and Asia, Exhibit A notes recorded music size only.

U.S. Industry to be promoted: Independent music label industry and music service providers

ITA entities A2IM envisions working with:

- \* International Trade Administration Manufacturing and Services in Washington, D.C.

- \* U.S. Commercial Service Export Assistance Center, New York City

- \* U.S. Commercial Service offices in each of the markets to be visited

Project Description: The American Association of Independent Music ("A2IM") proposes an MDCP project to enhance the global competitiveness and increase the exports of U.S. independent music label recorded music exports. This will be accomplished by creating American pavilions at international trade commerce events, one on an annual basis (Midem in Cannes, France) and others on a single time basis during the grant period (e.g. Porto Musical in Recife, Brazil). A2IM currently attends Midem but will increase the scale of the pavilion and partially fund incremental attendees who have not attended previously due to costs. Second, we propose running trade missions to certain key territories which do not hold trade commerce events. The music marketplace is so fragmented that, while Midem is the largest business oriented market place, it's necessary to make regional visits to get access to buyers in order to reach each continent/territory. Approval of this award will either establish, or allow to be expanded to include more creators, American pavilions at conferences or create trade missions, which will generate \$45 million in export revenues for small and medium sized companies during the three year funding period plus \$56 million in the post-funding period. Once these footholds are established we believe these projects and economic gains will be sustainable. A2IM will attempt to get sponsors to fund the pavilions subsequently and our members' registrations, travel costs and most artist tour support costs will be covered by their increased export business.

The American Association of Independent Music ("A2IM", [www.a2im.org](http://www.a2im.org)) is the 501(C)(6) not-for-profit trade organization created to protect the rights, educate and promote commerce for the American Independent music label community. A2IM's membership includes 303 music labels of varying sizes and all musical genres across the country, representing the diversity of American music.

## **Music Industry Background – Why Fund American Music through Export Growth & Program Priorities (IV.B.2.6) and (I.B. 1 thru 10)**

The American music industry is integral to the United States economy and to its culture. The impact and importance of our community is vast with far reaching effect on the U.S economy and the Global stage

as music has an economic multiplier effect on non-music business like hardware manufacturing and usage by other media such as television, film, games, etc.

A recent [World Intellectual Property Organization \(“WIPO”\) study](#) report on the economic contribution of the copyright industries titled “COPYRIGHT + CREATIVITY = JOBS AND ECONOMIC GROWTH” highlights the impact of piracy on cultural diversity, economic development and employment and notes the rapid growth of the creative sectors — 2.5 times faster than the average growth of economies in general—and the significant contributions they make to the development of countries. A2IM’s members as music creators, small businessmen, and investors in music creation from across the country, need our government’s support for a cooperative effort to restore American global competitiveness in the music business. Preservation of our community is a financial and cultural imperative.

As outlined in our proposal, our program priorities will result in:

- \* As a result of new and increased overseas export revenues in increased artist signings and marketing spending (some third party) and an increase in music label employment, including in some cases hiring of a new international licensing and marketing manager at many music labels.
- \* Increase in entertainment media exports to emerging markets such as Brazil, Hong Kong related portals and China where current exports are either nonexistent or minimal for music media and entertainment as well as expanding exports in the European market, facilitating these increases via trade shows and trade missions for members, including some currently not trading.
- \* Continue work on expanding intellectual property rights protection and combating piracy.

In recent years, the music industry sustained declines in revenues and profits. Organizations such as A2IM have found effective ways to stem the tide and reverse the decline. Years of decline have ended with 2011 music results basically flat, not down, for the first time in six years as the transformation of the music industry has completed and we are ready to rebound.

As outlined in our proposal, the new music economic model is based upon:

- \*Obtaining revenues from multiple sources, both domestically and internationally. Our members have embraced new business models that allow for efficient distribution of music, such as the licensing of free-to-the user streaming services and webcasting, one price per month subscription services, bundled mobile services, etc. We honestly feel there is no other U.S. creative industry that has embraced new forms of economic and delivery models as completely as the music industry. We have identified within each target market where our music distribution emphasis should be, including whether there should be a physical distribution strategy. We will also focus on the broader music marketplace including touring & merchandising, music synchronization and licensing other music-centric- businesses.
- \* Using this strategy, increasing trade exports with our European overseas partners and making inroads into emerging marketplaces such as Asia and South America will increase America’s competitiveness.
- \* Our understanding Intellectual Property Rights (“IPR”) challenges in each marketplace and fighting piracy, in a pronged approach in both the U.S and abroad.

To achieve these goals, U.S. support of trade is needed. As detailed below, the U.S. sourced repertoire’s share of non-U.S. marketplaces has declined from 34% in 2005 to 26% in 2010 (latest available statistics). Despite our best efforts, exports of music, a key driver of U.S. cultural diversity in the world, have continued to lag. It should be noted that the return on investment & overseas margins earned will

be high, as incremental costs for production and marketing for U.S. creation process domestic releases are completed in the U.S., resulting in low local exploitation costs needing to be incurred abroad.

A2IM has implemented the above strategy and achieved success. Our proposal aims at serving a wider world music industry with different strategies based upon the economic marketplace of each target market, beyond the scope of which we can achieve on our own, which will in turn have a far reaching, positive, competitive impact on the economy of the U.S.

#### b. Music Industry Background—International Marketplace (IV.B.2.b)

At the Grammy's on the Hill event in Washington D.C. on April 14, 2011 Senator Al Franken spoke and framed the importance of the music industry citing music's importance to our culture and our economy, noting "we export our culture and improve our balance of trade". A2IM believes American music is the best way to show the world the creativity and diversity of our culture, with distinctly American genres like Jazz and the Blues, and at the same time we improve our economy. Now is the time to support these music creators and those that invest in that creation. It should also be noted that advocacy to protect intellectual property rights and fight theft of our creative works is always a major priority in all A2IM initiatives, especially in the world marketplace as discussed later in A2IM and the Music Industry.

The American music industry has transformed over the past twelve years, since the emergence of Napster on-line theft in 1999. Until then the music label business was a simple business based upon promoting music over AM/FM radio and distributing Compact Discs to retailers who sold to consumers. With the advent of Internet commerce the methods that a music label uses to create music and then market, promote and monetize that music has changed as the processes now happens over a vast array of mediums. Music labels must now get monetization from numerous sources (physical sales, digital sales, subscription services, streaming radio services, etc.) and new technologies, at home and abroad.

While the effect of on-line theft and the resulting music slump is a worldwide problem, the U.S. is being particularly hard hit and needs support as we're losing our place in the world music market. The overall world market has declined at a slower pace than the U.S. per the **International Federation of the Phonographic Industry** ("IFPI", [www.ifpi.org](http://www.ifpi.org)) wholesale statistics. In 2005 the U.S.'s share of the international music market was 34%. For 2010, latest available data, the IFPI reported worldwide recorded music revenues of \$15.9 billion at wholesale with the U.S. share only \$4.1 billion, meaning the U.S. was down to 26% world market share and was, for the third year in a row, behind Japan in sales of physical CD's. In addition to the overall drop in U.S. share of worldwide music sales, the IFPI has also confirmed that the percentage of U.S. repertoire sales within overseas markets is also declining. As America's manufacturing and service sectors continue to shift abroad, Intellectual Property is one of the few potential growth areas for our economy via exports and we, as music creators and small businessmen and investors in music creation from across the country, need our government's support for a cooperative effort to restore American global competitiveness in the music business.

When looking at the music business, it must also be noted that our content is used in other music related businesses. While there are no U.S. domestic only figures available, the **International Federation of the Phonographic Industry** ("IFPI", [www.ifpi.org](http://www.ifpi.org)) worldwide statistics figures for related businesses like touring (\$19.8 billion) and musical instruments (\$14.8 billion) are almost on par with sales of recorded music at retail (\$ 23.4 billion) with the merchandising business generally believed to be about 50% of the touring businesses annual revenues. The decline in music revenues has a multiplier effect on our economy and non-music related businesses like music player manufacturing (\$26.1 billion worldwide) and due to music usage in film, TV, advertising, games and AM/FM radio (for which music

generates almost \$2 in domestic AM/FM radio advertising sales for every dollar generated by domestic sales of recorded music) so music lifts many segments of our overall U.S. economy.

b. Music Industry Background—U.S. Domestic Marketplace (IV.B.2.b)

The 2010 **Recording Industry of America Association** (“RIAA”, [www.RIAA.com](http://www.RIAA.com)) U.S. statistics (latest available) have shown the precipitous drop in the American music industry’s commerce over the past dozen years. In 1999 RIAA reported revenues at retail of \$14.6 billion, all physical recorded music sales. Twelve years later, in 2010, total revenues reported were \$6.8 billion from all sources, which included physical, digital and mobile sales, performance income, subscription services, etc. (these figures do not include synchronization licenses and many other unmonitored new income streams). **At these levels of revenues it is hard for our industry to sustain itself for both music creators and those who invest in that creation to make a living.** Increased overseas revenues are vital to our industry.

In the United States the independent music label community in 2011 represented over 90% of annual music label new releases of recorded music and as reported by Billboard Magazine, despite market barriers to entry, represents over 30% of annual recorded music sales, including over 38% of digital sales, in the U.S. These figures help demonstrate that export business is essential to our members but it has been declining due to lack of resources to effectively promote our music to new export partners.

International Music Trade Commerce Background/Ability to meet Demand (IV.B.2.b (5))

There are numerous revenue sources to be garnered abroad. The sale of recorded music can be via the sale of physical compact discs or vinyl records, via digital downloads, mobile, etc. The physical media sales of CD’s or vinyl can be accomplished via exports of physical product manufactured in the United States for smaller markets or by licensing (lower revenues/higher margins) the recorded music rights and having the overseas licensee manufacture the CD’s and vinyl with the music label incurring the cost of sending over master recording media and artwork color separations, a cost of \$3,000-\$5,000 per market. There is almost a zero risk of not being able to meet overseas customer demand.

In addition to the sale of recorded music there are many other available revenue sources abroad. Music can be licensed to subscription services abroad similar to U.S. services like Rhapsody, which charge monthly subscription fees to stream music. Music can be licensed for use in films, television, advertisements, games, etc. under synchronization licenses. In most countries, there is also performance income paid streaming music services, like Pandora in the U.S., and AM/FM radio airplay.

The potential profit margins from the sale or license of music are high. Music is intellectual property so once the music is created there are no large incremental additional creation costs to distribute music in foreign territories, except for translation cost requirements in some territories like China. Similarly the elements to market and promote music (artwork, photos, press kits, single remixes, video’s, etc.) created in the U.S. can be used overseas although there may need to be some translations, special radio mixes and, if the artist visits the foreign markets, tour support dollars.

International Music Business Conferences

Independents exhibit at international business conferences to connect with local distributors, i.e., foreign buyers to secure licensing and distribution deals, to find synchronization licenses (film, television, advertisements, etc.), and other new revenue streams from companies providing new technology business models. These trade shows are large with hundreds of exhibitors from dozens of countries. Almost all of the non-U.S. exporters are located in large, subsidized national pavilions. However, because the U.S. does not provide support for national pavilions at these international

marketplaces our U.S. companies are at a competitive disadvantage because they must attend either on their own without a booth or exhibit in isolated booths that are frequently missed by buyers and don't appropriately demonstrate the importance of American music. These business trade shows are great locations to meet numerous potential business partners. The attendee figures for MIDEM 2011, latest available, were: 6,850 delegates from 3,120 representing 77 countries (55 of which had pavilions). Europe represented 70% of attendees and North America 20%. Asia at 5% and Latin America 2% were clearly under represented at Midem, especially for new revenue streams.

In addition to conferences, we need to follow-up with those connections made with visits to these commerce partners to better understand their marketplace and demonstrate the viability of our music within their market place via trade missions. An example of government funded trade missions is the attendance of groups from Australia, New Zealand, Japan, Mexico, etc. at A2IM's New York City based Indie Week events each June. In June 2011, a delegation of 20 came sponsored by U.K. Trade & Investment and 6 from CAVA, China's government agency, came in addition to our normal guests from Germany, France, and Scandinavia to name some others.

**World Marketplace/Competitiveness (IV.B.2.b (2)):**

We see overseas export and licensing as our biggest revenue opportunity. We feel via a combination of attendance at overseas business conferences and trade mission business meetings with our music creator counterparts and companies that license music usage to make new arrangements for licenses and/or exports plus synchronization licenses and technology distribution licenses that can increase U.S. revenues and profits significantly. The U.S. recorded music market has shrunk to \$6.8 billion so we need to have a better market penetration overseas to be financially competitive. The overall \$23.4 billion world retail marketplace for recorded music leaves a dramatic opportunity in the \$16.6 billion market ex-U.S., plus non-recorded music revenue streams. Attached as EXHIBIT A and A-1 are the IFPI figures for 2010 (latest data available). Exhibit A-1 highlights the sales of foreign repertoire in each marketplace, with American music, albeit declining in the past decade, typically #1 as American Music Travels! Again it should be noted that these figures do not included all recorded music sales or all revenues sources ( film and advertising licenses, licenses to on-demand streaming services, etc) and do not include any ancillary businesses like touring and merchandising.

Via discussions with our Worldwide Independent Network ("WIN") overseas independent trade organization colleagues, A2IM has been able to learn about the opportunities available in the world market place plus understand the competitive landscape in terms of government support. At Midem 2010 we did a survey of those countries that had pavilions and found that of the 32 countries that we surveyed 30 of those territories received government assistance toward the costs of their pavilions. Of those, over 75% also provided assistance toward the costs of attending and registration of their attendee companies.

We also had discussions with our foreign colleagues, plus a U.S. A2IM member with extensive foreign experience including in Brazil, China and Europe, Robert Singerman, to see what level of overall support foreign governments are funding, both centrally and locally. Some of the highlights include:

Our colleagues with CIMA ("Canadian Independent Music Association") have shared with us that they receive almost \$50 million Canadian Dollars annually to support independent music, some from the Canadian government, some from the provinces like Ontario and Quebec and some from government mandated radio funding (\$7.5 million of the \$50 million) to support trade shows, tour support and artists development.

The government funded French Export Office France funds between \$2-\$3 million Euros a year plus an extra 500,000 Euros for digital initiatives. This is for the export office program and does not include local embassy costs. The funding includes education & books and funding of deficit financing. A funding example is for artist tour support on a 50/50 sharing basis for a minimum of four dates for up to 10,000 Euros. For SXSW in Austin, Texas (an export event for them) there is an extra fund of 2,000 Euros per band. Despite a language difference (they have emphasized English speaking music plus techno and other beat oriented music to overcome this barrier) the results have been a big jump in U.S. exports for France, up from 2% of French exports 15 years ago when the program started to 35% of exports now!

Our colleagues with VUT (German association of independent labels, publishers and producers) in Germany shared that they receive between \$2 and \$2.5 million Euros annually to support overseas trade including overseas artist tour support of 40% of costs plus there are other sources, such as the city of Hamburg (150,000 Euros), who also do funding. Other provinces and cities like Bavaria and Stuttgart also do funding with 50% of the monies they use for funding programs coming from a European funding program called "EFRE" - European Funds for Regional Development.

The Scandinavian countries have the SXSL funds which fund each Country's from music sector in the range of 500,000- 1 million Euros of their equivalent local currency. Barbados' music labels get funding from their Ministry of Trade and Brazil, Australia, Hungary & Luxembourg all have programs as well. The effect in other countries of receiving support has been pronounced as music revenues have actually grown.

The global competitive disadvantage for American label creators/investors within the world market is clear, possibly leading to the current decline over five years from 34% to the current 26% worldwide market share. Our proposed trips will help level the playing field and make the U.S. more competitive.

#### Target Markets (IV.B.2.a. (9):

As our proposal notes, American "Music Travels" A2IM label members have music in genres such as world music, classical music, blues, instrumental, and many other genres that will travel to all other markets better than just music with English lyrics developed by the four major music label entities. Our targets are three continents: Asia, Europe and Latin America and Exhibit A highlights each IFPI market's results for 2010, including the percentages of repertoire from overseas in each territory. Again these figures do not include all the music revenue streams in each country. Barriers to entry are extremely limited, except for translation rules for China, Canadian Content rules, etc. so new relationships will lead to business.

The European market, which is approximately 40% of the world wholesale market and is still primarily a physical CD market, is the most mature market but also currently the most accessible for American creators once they make their business contacts. Brazil has the 6<sup>th</sup> largest world economy and also still has a large physical media market as well as a major mobile market. The Asian market is seen as two markets, a mature physical Japanese market with Hong Kong related, China, South Korea, etc. markets primarily digital markets where non-recorded music revenues will also be an emphasis. In 2009 A2IM President Rich Bengloff attended and spoke at the inaugural International Creative Industries Summit ("ICIS") in Shanghai, China attended by a mix of Government run and privately run companies and, as a result of our attendance, the government run Chinese Audio/Video Association ("CAVA") has joined A2IM as an associate member and had a delegation visit New York during 2011 Indie Week to meet with our members.

The American Association of Independent Music ("A2IM") and the American Music Industry (IV.B.2.b (1), (4)) and (IV.B.2.f (2), (3), (4))

The American music creator community industry group consists of the four major label groups (only one of which is currently U.S. owned) and literally thousands of independent music labels and producers.

The American Association of Independent Music ("A2IM"), is the not-for-profit 501(C) (6) trade organization representing the U.S. independent music label community. A2IM started to form in late 2004 to ensure that independent music labels, all of whom are small and medium size enterprises (SME's) were properly represented in the music community so they would not have to endure the business barriers to entry that occurred in the old music economy (no space at physical retail as independents could not afford to pay for cooperative advertising to get shelf space, no airplay at AM/FM radio as independents could not afford independent radio promoters) in the emerging new digital economy. A2IM received its IRS tax status determination letter granting A2IM tax exempt status in September 2005, effective June 29, 2005.

A2IM's membership is made up of 303 Independent music labels located across the country stretching from Hawaii to Florida, that have banded together to form a central voice advocating for the health of the Independent music sector. Our membership includes independent music label leaders like Beggars/Matador/4AD/XL, Big Machine, Concord Music Group, Curb Records, Razor & Tie, Windup, but it should be noted that our membership is not just made up of these market leaders. A2IM membership also includes music labels of varying sizes (in terms of staffing, number of releases and revenues), and genres, many owned by artists like Grammy winner Alison Brown and Garry West of Compass Records in Nashville, Brett Gurewitz of Epitaph/Anti/Hellcat in L.A., the Hanson brothers of 3CG in Tulsa, Joan Jett's Blackheart Records in NYC, Moe's Fatboy label in Buffalo and the Skaggs Family and Gillian Welch's Acony records in Nashville. Many of our member labels are located across America, in addition to the traditional New York, Nashville and Southern California music bases. For example we have members like Mountain Apple in Hawaii, Barsuk in Seattle, Six Degrees in San Francisco, Basin Street in New Orleans, Saddle Creek In Omaha, RhymeSayers in Minneapolis, Red House in St. Paul, Ghostly in Ann Arbor, Alligator in Chicago, Righteous Babe in Buffalo, YepRoc in Haw River, North Carolina and Tropisounds in Miami. None of our members have U.S. revenues of over \$100 million from recorded music sales; many have revenues as low as \$2-5 million annually. **All of our label members have one thing in common: that they are small business people with a love for music who are trying to make a living and compensate their artists and employ their staffs.**

A2IM is also a member of the Worldwide Independent Network ("WIN") with Dr. Portia Sabin (President of Kill Rock Stars in Portland) of the A2IM board representing A2IM on the WIN board. WIN is a worldwide organization of 23 countries' independent music label trade organizations who meet twice a year, at Midem in Cannes, France each January and in New York each June during A2IM's annual Indie Week event. We communicate with these WIN colleagues on a regular basis and their support will be invaluable in our planning and execution of the ITA/A2IM Music Travels program.

In 2012, at the 54th Grammy's, independently owned music labels scored a total of 34 Grammy awards, of the 76 awarded, including the Best New Artist award and including wins in Alternative, Country, New Age, Gospel, Regional Mexican, Regional Roots, Americana, Bluegrass, World, Children's, Comedy, and numerous Jazz and Classical categories. This was the second consecutive year, since A2IM started keeping track in 2006, where independent labels and artists led the nominations with over 50% of all nominations; a true sign of the continued strength and importance of independent music.

Unfortunately economic reward has not always followed critical success due to barriers to entry for independents in commerce. A2IM members share the core conviction that the independent music community plays a vital role in the continued advancement of cultural diversity and innovation in music at home and abroad, but we need investment help to promote and monetize our music.

A2IM's mission statement is to obtain tangible economic gains for its members via advocacy, commerce opportunities, and member services, including education, most notably the Independent Music Label Roadmap. A2IM's NMC (New Media Committee), whose role is education pertaining to access to new promotion and revenue streams; publishes member white papers to share insight and best practices with fellow A2IM members. The NMC white papers on e-mail marketing, Direct-To-Fan, e-commerce, Social Network Providers and mobile are valuable resources that include best practices as well as suggested service providers in each area. The A2IM Licensing Committee issues similar white papers on publishing & copyrights, synchronization revenues, branding revenues, etc.

A2IM is directed by a diverse (in terms of the size of label, geographic location, musical genres and genders) eleven person board which is elected by A2IM's label members on staggered three year terms. The four person full-time A2IM staff is located in New York City. In addition to the A2IM board, staff and committees there are regional member run chapters in Chicago, Los Angeles, Nashville, New York, the Pacific Northwest (Portland/Seattle) and San Francisco. Events are also held at music industry gatherings like South by Southwest in Austin, Texas and an annual Indie Week is hosted in New York each June drawing approximately 250-300 attendees from around the country and around the world.

In addition to our label members A2IM has 165 associate members ("AMP's"), those who work with, depend upon, or support Independent music, perhaps recognizing that our segment of the label community is where future revenue growth will occur and includes the technology companies and distributors who bring independent music to market. In addition to our label members these American based service providers can sell their technology and services to companies abroad, where they currently compete with overseas service providers like Believe Digital (based in Paris, France), Distribution Select (Based in Montreal, Canada) and Consolidated Independent (based in London, England) for business that can be serviced from anywhere in the world. As a result, including these A2IM associate members in our Music Travels program can result in these companies acquiring business from overseas as well.

#### A2IM and Intellectual Property Rights (IV.B.2b (1), (4) and (IV.B.2f (2), (3), (4))

Protecting Intellectual Property Rights (IPR) is a priority for A2IM. We understand the relationship between IPR and on-line theft and the effects that unauthorized unpaid content distributed has on our industry. As the marketplace has changed and the landscape transformed, our members have adapted and modified their business plans both domestically and internationally based upon each unique marketplace. A2IM faces the issue with an approach that involves the A2IM staff, our Board of Directors and our members in oversight of music websites, advocacy, outreach, messaging and dialogue.

#### DOMESTIC:

In the domestic sphere, we are currently experiencing a digital shift, one that is embracing legal service providers such as iTunes, Spotify, Rhapsody, etc. We monitor other services that flirt with infringement to ensure that license agreements are in place and being fulfilled. A2IM holds 3 seats on the Sound Exchange (SX) board, including A2IM President Rich Bengloff, and we work in tandem with SX throughout the year on many issues including IPR. A2IM regularly messages its members about



copyright initiatives and grassroots letter writing campaigns with a goal of helping to make our elected officials aware of our copyright stances and the difficulties our members' businesses are facing.

In July, 2011, A2IM joined forces with other music creator community colleagues and announced our participation in the Copyright Alert Program. The Copyright Alert Program unites the music, film and television communities with the Internet Service Providers to fight content theft and to educate consumers about content theft via the ISP services that individual consumers use. Upon announcing A2IM's support of the program, A2IM President Rich Bengloff noted that the Copyright Alert Program is an "historic agreement that will reduce the financial distress being experienced by our independent music label community so that our members and their artists can continue to create and invest in the music they love and, in doing so, help protect thousands of music artists and their musical compositions, across the United States."

In recent months, Rich Bengloff (A2IM President) and Bruce Iglauer (President of Alligator Records & A2IM Board member) have personalized the issue of piracy and given voice to our commitment to those outside of our direct community via Op-ed's which were published in national press outlets. Rich's piece, "[Protect-IP and SOPA Acts Will Not 'Break the Internet'](#)" was published in Billboard Magazine on December 14, 2011. Bruce Iglauer's piece, "[Going After Digital Pirates](#)" was published December 3, 2011 in the Chicago Tribune. Both Op-ed's speak compassionately and sensitively about the hardships faced by creators due to on-line content theft while urging all sides to break from soap-box rhetoric and engage on the issues through realistic and pragmatic dialogue.

Throughout the year, A2IM representatives regularly travel to Washington DC and we support the goals of the United States and its trading partners who try to correct the great harms that piracy has wrecked on our industry while at the same time trying to protect the Internet's great benefits. In November we visited with staff from the Office of Intellectual Property ITA and the U.S. Trade Representative's Office to get an IPR update and share ideas. A2IM echo's the words of President Obama who has said, we must "know that someone else can't just steal (our) idea and duplicate it with cheaper inputs and labor."

#### INTERNATIONAL:

A2IM takes a number of approaches to deal with IPR on the international front including our promotion of and attendance at business conferences abroad and participation in seminars and dialogues with our colleagues from around the world.

For the past seven years, A2IM has maintained a strong & robust presence at the Midem Music Conference in Cannes, France. As the world's largest music industry trade fair, Midem brings together business people to discuss cultural policy as well as political and legal issues. For example, in 2011 A2IM's President and Board met with France's Hadopi President to learn about their "progressive response" program. Additionally, Concord Music President & A2IM Board Member Glenn Barros sits on the IFPI Board.

At Midem 2012, A2IM working with our overseas WIN independent trade organization colleagues from AIM (Based in the UK) and IMPALA (based in Brussels), met to start to create a Global Manifesto for the independent music industry. The Midem Manifesto event addressed the urgent need for independents to come together to produce a Global Manifesto for the future of our sector, with IPR protection a clear priority.

During the past year, A2IM has built a relationship with U.S. Commerce ITA staff in Washington D.C. and New York and A2IM members now use ITA resources, including [www.stopfakes.gov](http://www.stopfakes.gov) and the country toolkits for education. The New York ITA office has been holding individual export planning meetings with our members.

In February 2012, A2IM co-hosted a webinar arranged by the U.S. Commerce Department/International Trade Agency D.C. office on the topic THE MUSIC INDUSTRY: SELECTING PARTNERS AND PROTECTING INTELLECTUAL PROPERTY RIGHTS IN CHINA. The session, [which is now available to A2IM members](#) on A2IM.org, provided over 30 A2IM members from across the country, Hawaii, Omaha, Florida, etc. with an overview of the music industry and opportunities in China. The webinar addressed what you need to know about exporting music to China and protecting your intellectual property rights with International Trade Administration and local private industry China market experts discussing the marketplace and the government's work to protect IPR globally.

Each year the U.S. Trade Representative's ("USTR") office solicits comments on which foreign countries deny adequate and effective protection of Intellectual Property Rights. In February 2012, [A2IM filed 2012 Special 301 Review](#) about small music creator's unique challenges.

Project Description Overview (IV.B.2.c):

This Music Travels project seeks to establish American pavilions at numerous business trade shows around the world plus trade missions, around a core music event; where there are no prominent trade shows to attend. These pavilions and trade missions will allow American music labels and associate member service providers to have business meetings at these international trade events or missions and access major European, Asian and South American markets for their exports and services. In advance of the events, we will select the most appropriate American companies and artists to attend these meetings (with musical genre and label best probability of success being among the main considerations), and help them plan including Visa expertise as it relates to artist travel.

American companies exhibiting in the American Pavilions or attending trade missions will finally receive the same competitive advantages as companies in other national pavilions. Instead of exhibiting in isolated booths in poor locations and having to promote their products and secure buyer meetings on their own, exhibiting companies will be able to benefit from the mass traffic generated from the group and utilize the many competitive resources that A2IM will provide. A2IM will secure exhibition or meeting spaces and organize set up for American exhibitors. The American pavilion or missions will garner a spotlight and allow American companies to participate in the events at reduced costs based on economies of scale.

Proposed Events/Trade Missions

Event Calendar	2013	2014	2015
MIDEM (January)	yes	yes	yes
Porto Musical/Trade Mission: (February)	yes		
(Brazil & Argentina)			
Womex (October)	yes		
TIMM in Japan (October)	yes		
Trade Mission Hong Kong /China/South Korea (April)		yes	

\* Prior to the above list of events, ITA/A2IM Music Travels will hold three Export Kickoff road shows to promote Music Travels. The Road shows will take place during in Fall 2012 in New York City with travel from New York City to Nashville, TN and Los Angeles, CA as well.

Work Plan for the business trade shows and the trade missions:

- Before the event: Planning, Preparation & Marketing
    - Select and organize exhibition space (find a venue for the trade mission)
    - Secure rates based on economies of scale opportunities
    - Design U.S. Pavilion, including exhibitor booth layout
    - Coordinate with local vendors in the territory and arrange for furniture and amenities in Pavilion, including: storage room at the stand for cartons, CDs and other materials, shared WiFi for exhibitors, lighting, signage, reception kiosk, desks and chairs
    - Coordinate preferred hotel rates, exhibition packages and set-up with each company in the Pavilion. Coordinate with the U.S. Commercial Service offices to assist with these arrangements through their Gold Key Service
    - Create and produce marketing materials regarding A2IM/ITA pavilions or trade missions. Substantial consideration will be given to preparing the promotional materials for the A2IM/ITA events as they will establish branding that will be applied to all of the trade shows and missions included in this cooperative agreement. These materials will include strong anti-piracy educational content.
    - Train our participants on how to best optimize their time by doing advance research and by setting up at least 50% of their schedules in advance of each event.
  - Market Music Travels and American music availability through private contacts via phone, mail and email campaigns and our colleagues at WIN
    - Identify and market Pavilion to potential foreign buyers:
    - Foreign buyers targeted for this program will consist of official distributors for all types of music related media, selling CD, online and mobile technology companies that use music and advertisers, TV & Film music supervisors, etc that use music (including broadcast, satellite and cable television) in markets throughout Asia, Europe and Latin America.
    - Once business relationships are established between the buyers and U.S. participant, activities will be considered to coordinate the foreign buyers with U.S. participants at future events.
    - Create email campaign to international buyers likely to attend event

A2IM will work with the conference organizers and our WIN colleagues to create a list of buyers to build a database and commercial opportunities. Email campaigns will go out well in advance of the events to allow participants more time to promote products and set up meetings with potential buyers.

  - Create opportunities and encourage participants to set up appointments with buyers
- At the event: Set up, Marketing and Operation of the American pavilion
  - Coordinate set-up activities of the pavilion
  - Hire host/hostess who will greet guests, schedule meetings, maintain message center, answer and respond to phones/faxes, answer and respond to visitor question, ITA inquiries, etc.
  - Market the pavilion throughout the trade show and in industry publications
  - Provide water and coffee to exhibitors and buyers
  - Assist participants with promotional materials
- After the event
  - Survey Participants as to ITA Performance measures, including both label and artist revenues and A2IM pavilion evaluations

## d. Performance measures

## (1) ITA measures (IV.B.2.d.(1))

Measure (ITA#)		Goal		Explanation	(IV.B.2.d.(4)) Reporting Method
		#	\$ Value		
Exporter class (IV.B.2.d(1)(a))	NTE: New to export	50		Chances of making sales at foreign show: NTE: 50%, NTM: 65%, ITM: 75% U.S. Firms in project trade missions/shows: NTE: 50x50%=25 NTM: 30x65%=13 ITM: 30x75%=23 110 firms 60 of which export by 2013	All firms sign success agreement to report as a condition of participation.  A2IM will begin member surveys and the survey will include requests for U.S. firm, city, state, email information and export/licensing history.
	NTM: New to market	30			
	ITM: Increase to market	30			
Export Transactions (IV.B.2.d(1)(a)(i))		11	45,000,000	NTE: 25x\$375= 9.4 NTM: 13x\$300=3.9 ITM: 23x\$400= <u>9.2</u> 22.5 x2 = 44	
Export transactions four years following award period (IV.B.2.d(3)(a)(ii))			56,000,000	Avg annual award period exports x 4 years = (44,000,000/3) = 14,000,000/4 = 56,000,000	

Target market Ex-U.S. (IV.B.2.d(1)(b)(i))	U.S. share		unknown	Current U.S. total music share is unknown. A2IM's goal is to increase the market, approximately .15% of \$16.6 Billion, \$225 million by the end of 2013.	A2IM estimate based on IFPI 2010 amounts (latest available)
	Total Non-U.S. Recorded Music Revenues		\$16.6 Billion ex-U.S. revenue total for recorded music sales only		
Export attributable to MDCP project activity (IV.B.2.d(1)(b)(ii))	AGGR: Aggregated export sales			A2IM anticipates that all export sales will be reported as individual transactions.	
Success agreement (IV.B.2.d(1)(b)(iii))		1		8 weeks prior to every event. (Same basic agreement used for each event.)	Report date document first sent to firms.
Participation list to ITA		6		6 weeks prior to every event. (4 events annually.)	

## (2) Applicant-designed measures (IV.B.2.d.(2))

Measure (AWA #)	Instances during award period	Explanation (26)	Reporting Method
U.S. firms participating in briefing on export, finance, logistics, etc. (300)	225-230	Number of firms to participate in at least one of the briefings or a webinar.	Event sign-up list and/or success agreement.
U.S. firms participating in trade missions. (160)	100-110	Number of firms to participate in at least one of the missions.	

Music Travels Performance Measures (IV.B.2.d.(1)(b)):

1. ITA Performance Measures: A2IM is prepared to gather and report on the effect of cooperative agreement activity on the following performance measures:

a. Reporting by name, city, state, and contact information of U.S. company and the status of each company as new-to-market, new-to-export, or increased-export-to market, the following:

- Value of exports of services or goods delivered or contracted.
- Value of other competitiveness developments including export-related agreements, loss avoided, trade complaints resolved, U.S. firm's investment in foreign assets that increase U.S. exports, cooperator's investment in foreign assets that increase U.S. exports.
- U.S. jobs created; and U.S. jobs sustained not already reported as jobs created.

b. Reporting by cooperator:

- Value of the target market for the target industry(s), and the current foreign share of such market(s);
- Value of exports attributable to MDCP activity that cannot be reported individually under IV.B.3.b.(1)(a) above; and
- Date each participation agreement is signed.

2. A2IM Performance Milestones

a. Increase in Music Label and Associate Participation to Achieve Sustainability. The MDCP award period for the Music Travels Program is three years. The projected goal of the visits to conferences and the trade missions is to accommodate approximately 100-110 companies (based upon the size and potential) and to visit 7-8 markets to create ongoing business relationships.

b. Export Transactions. A2IM predicts each participant will secure between \$100,000-\$250,000 in distribution revenue from each business trade conference or trade mission depending on the label's size and genres of music. Total export revenue generated by participants in Music Travels over three years will be approximately \$45 million.

c. Exhibiting Companies. Most independent music labels have exported content globally in the past but need to expand volumes and markets. Music labels anticipate the amount of new participating

companies to increase annually, many of which will be first time participants overseas with others being companies that have been overseas but in limited markets.

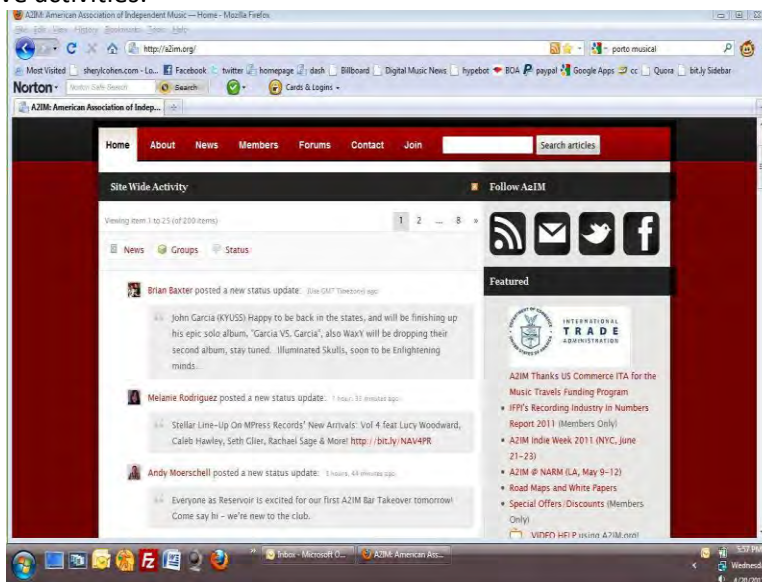
d. Industry Guidance for New to Export Companies. For new export participants, A2IM will provide support in terms of buyer outreach, market information and model licensing support, as we have done in the past at the MIDEM conference.

e. Promotion of Participant's Music. A2IM will coordinate with each participating company regarding how we will collectively market their music on-line and in brochures.

f. Evaluations. Every visit will be evaluated by the U.S. participants (and selected foreign buyers) based on survey results. The surveys will gather information regarding participation satisfaction, Pavilion or trade mission venue effectiveness, suggestions for future trips, effect on sales, etc. The information will be used to identify the strengths and weaknesses of the earlier visits, and see where improvements can be made for subsequent visits. A2IM currently does a MIDEM evaluation each year.

g. Media Mentions. The goal of the cooperative agreement is to promote U.S. exports through our visits to conferences where we will have pavilions or trade mission visits. In the first year, A2IM will work with the NYC ITA and local overseas ITA office's Trade Specialists to generate buzz on this program event with our WIN independent music label colleagues and our independent publicists, Shore Fire Media, to help us publicize in industry trade publications like Billboard, Hypebot, Music Connection and other on-line publications. The A2IM/Recording Academy/Shore Fire Media team will work together on marketing campaigns, including press releases and other promotional activities. We will also work with our ITA Commerce Services partners in each market to carry out the same promotional activities in the local and regional industry trade publications.

h. Promotion of ITA Services. As a trade association, A2IM recognizes the valuable resources ITA divisions provide in terms of business development, market research and export support. A2IM will look to promote the ITA services through the A2IM and Shore Fire Media websites, A2IM member bulletins and other informative activities:



i. Advance Email Marketing Campaign to Foreign Buyers. A2IM will coordinate/create international buyer database information with our WIN Independent music label colleagues along with Commercial

Services resources in each market and work together to create promotional email campaigns for participating companies' potential buyers in advance of each American visit.

j. Meeting Count. For each participating company at every American trade visit A2IM will set the goal and create mechanisms to ensure a minimum of 15-30 pre-scheduled "meetings of substance," i.e., a sit-down, one-on-one discussion with international buyers.

k. Market Research. Provide exhibitors with market trends and foreign buyer information prior to each Pavilion or trade visit.

### 3. Performance Measure Recording and Reporting System

A2IM will create reporting documents for U.S. exhibitors and foreign buyers participating in the Music Travels program that will collect detailed information in connection with the ITA Performance Measures and A2IM Performance Milestones listed above. A mandatory requirement for participation in the American pavilions or trade missions will be the commitment by the participating companies to fully complete the reporting documents within three months of the event.

#### **A2IM Qualifications/Supporting Partners (IV.B.2.f(1),(2),(3)):**

A2IM has for the past seven years organized events throughout the U.S. to bring our members together for education and to create business meetings at industry events like South by Southwest in Austin, Texas, College Music Journal in New York and at the annual NARM conventions finding venues to present seminars (where our members educate our members) and finding settings to hold one-on-one business meetings, typically five per hour for 2-3 hours. These meetings are typically followed by open networking events. A2IM also arranges these types of events at our regional chapters around the U.S.

In addition, despite our limited financial resources, A2IM has created stands for the past seven years at the annual Midem music business conference in Cannes, France and at the Popkomm business conference in Berlin, Germany for four years. We handle all functions including stand rental, booth design, member registration, administration both before and during the event, including arranging hotels and facilitating training of members as to how to arrange their schedules and schedule meetings. A2IM facilitated meetings are measured in increased sales, better access and a deeper understanding of local trade and barriers to trade. We are not looking for funding related to Popkomm. Unfortunately due to current economic crisis our Midem stand space has had to be downsized and many of our label members have not been able to attend Midem over the past three years so we are looking for supplemental funding for Midem for both the stand and first time Midem registrants.

A2IM has the knowledge, expertise, members and resources to establish competitive national pavilions and run trade missions around the world. Many of the core functions A2IM has been responsible for include organizing and training our members, and running the Midem and Popkomm pavilions and other U.S. events will apply to developing, marketing and managing the proposed Music Travels conference participations and trade missions. On the proposed non-Midem events, our members who have attended Midem, and thus have demonstrated their capacity to pay program fees, will use that experience and knowledge of local trade, including barriers, to maximize their commerce returns.

In Spring 2011, A2IM, in conjunction with the Empire State Development/NYS Department of Economic Development, applied for and was awarded a Federal Small Business Association STEP (State Trade and Export Program) Grant. The NYS SBA STEP Grant is a federally funded grant program whose goal is to increase exports to Asia, for New York State Small and Medium Sized Businesses (SME). The STEP Grant

marks the first federal grant participation by A2IM, bringing an estimated \$200,000 in funding for A2IM members in travel subsidies and overseas field support for an Asia commerce mission aimed at increasing exports. The outbound portion will commence in Fall 2012 when A2IM travels to Hong Kong (buyers who represent Singapore, Malaysia, etc. are also in Hong Kong), Beijing & Seoul. A2IM will host seminars on the subject of IPR Protection at each of the three cities with the webinars streamed so our colleagues from around the U.S. will be able to take part. Our lead contact NY State contact is Ed Kowalewski of Empire State Development, [ekowalewski@empire.state.ny.us](mailto:ekowalewski@empire.state.ny.us), 716-846-8237

Additionally, from June 2007 thru June 2009 our colleagues at the Future of Music Coalition (“FMC”) received New York State Music Fund grant funding From Rockefeller Philanthropies Advisors related to studies on AM/FM radio access. A2IM was a strategic project partner for FMC and received \$38,000 of grant proceeds in exchange for running some educational events and completing two surveys related to the funding. Our contact at FMC was Kristen Thompson, [kristin@futureofmusic.org](mailto:kristin@futureofmusic.org) and (610) 747-0103.

In addition to the above noted resources and expertise A2IM strongly believes we possess that will be needed for the Music Travels program to be successful and sustainability, A2IM can also draw upon our WIN organization international music label colleagues, our Recording Academy artist oriented colleagues and the U.S. Commerce ITA's comprehensive resources related to the international export marketplace to optimally implement the Music Travels Program. We have developed an ongoing working relationship with Ms. Andrea Da Silva, of ITA, in D.C. (who attended A2IM Indie Week in June 2011) and Ms. Dawn Bruno in the New York ITA office. If our application is approved, we would look forward to reaching out to them and many other specialists here and abroad to begin developing this project. We envision that Ms. DaSilva will be an instrumental member of our coordinating team. A2IM looks forward to further establishing relationships and meeting with Commerce ITA's team. Moreover, while many of A2IM's contacts at WIN can and will provide a database of local international buyers as well as gathering member contacts we would also will look to utilize the regional resources and services of ITA Commercial Services in each country we visit to create a more comprehensive listing of local and regional foreign buyers with whom our members should meet.

We have found in our NYS STEP Grant Planning that there are substantial resources being offered by the U.S. Export Assistance Office (USEAC) and the Commercial Service local offices abroad that will help ensure success. A2IM understands that many of the resources, including USEAC's Gold Key Service, require service fees and will adjust our contributions in the budget after further discussion with the ITA team on the precise and most useful services for the project.

#### Resumes of Key A2IM Support Personnel (IV.B.2.f(5))

##### A2IM President, Rich Bengloff:

Rich Bengloff is responsible for A2IM advocacy, commerce and member services. Rich, who received his BA from SUNY-New Paltz and his MBA from Columbia, has over 20 years of operational, financial and management experience in the music industry. Prior to joining A2IM Rich worked at Red Distribution, Sony Distribution and Warner Music Group's Elektra Records and most recently was the CFO of WNYC Radio where his responsibilities included grant funding administration. Rich also is often called on to be a panel moderator/speaker at events around the world including events as varied as CMJ, Midem, SXSW, etc. Rich's will lead the project team and use his background as a CPA/MBA to be personally responsible for all administration and accounting for the funding received.



A2IM, Vice President, Jim Mahoney:

Jim Mahoney has served in his current capacity at A2IM since 2007. Prior to joining A2IM he spent 15 years in senior management at the Profile, Roadrunner and Fat Beats labels independent music labels overseeing marketing, distribution, A&R, production, international commerce, business affairs and accounting. Mr. Mahoney, an alumnus of Syracuse University's Newhouse School, has extensive experience managing international music distribution in Europe, Japan, South America, Australia, and Korea. In addition to overseeing A2IM's grassroots outreach and communications to the organization's 303 independent label members, he manages A2IM's international trade market presence at overseas events like Midem in Cannes, France and Popkomm in Berlin.

A2IM, Director of Membership Services, Jennifer Masset:

Ms. Masset joined the A2IM staff after having been a member of A2IM as US Label Manager for German headquartered !K7 Label Group from 2001 to 2009. In her role as US label manager, Ms. Masset managed marketing and sales for 14 music labels in the US market. She has a BS in marketing from Boston College's Carroll School of Management. Ms. Masset is proficient in French. Ms. Masset oversees A2IM's member-run New Media Committee and Licensing & Publishing Committee as well as regional chapters and events.

A2IM, Operations Manager: Sheryl Cohen:

Ms. Cohen joined the A2IM staff after working at Musicians On Call, a New York Based non-profit that brings live and recorded music to the bedsides of patients. Sheryl has a bachelor's degree in Music from Berklee College of Music in Boston and a bachelor's degree in Literature from California State University-Long Beach. As Operations Manager, Ms. Cohen oversees and maintains the A2IM website, is a full charge bookkeeper and supports all of the A2IM staff. Ms. Cohen is proficient in Brazilian Portuguese.

Robert Singerman, Outside Consultant:

Robert Singerman has worked in the music business for over thirty years as an agent, manager, label executive, consultant, producer, venue programmer and music supervisor. In 2004, he created and directed the European Union: European Music Office and also was the Director of The French Music Export Office in North America. Bob's clients include the Brazil Music Exchange Association and China's 88tc88 which facilitates entrée into the China market and he has led trade missions for Spanish organizations and government, as well as working on various events for Brazil and other countries. His current mission and business, Music With Subtitles, is creating a system to give music subtitling and dubbing solutions, so that music becomes truly global, through the universal understanding of the lyrics.

Shore Fire Media/The Recording Academy:

A2IM has on retainer the publicity firm of Shore Fire Media and we would designate that they spend 25% of their A2IM time using their extensive contacts to of promote, market and publicize the opportunities, operations and results of the Music Travels ITA program We also include in our proposal our strategic partners in our proposal, The Recording Academy (the organization that run the Grammy awards [www.grammy.com/](http://www.grammy.com/)) who will assist with the artist touring phases of the project.

**Sample Draft Agreement for members to Participate in A2IM's Music Travels Initiative**

Benefits of the Music Travels initiative and your responsibilities as a participant are set forth below. Send completed forms as soon as possible to the attention of A2IM's Sheryl Cohen [Sheryl@a2im.org](mailto:Sheryl@a2im.org), via fax @ 212-999-7984 or via mail @ A2IM, 853 Broadway, Suite 1406, New York, NY 10003. Please note that some of the benefits listed below are contingent on when you sign up to participate. We will assign time-sensitive benefits in the order that we receive completed participation agreements.

1. Benefits-Thanks to the **\$284,300** MDCP award and the partnership with ITA, we are able to act as facilitators for the Music Travels ITA/A2IM program. Here are a few of the benefits available to Music Travels ITA participants:

a. Training & Education

We will hold a series of education seminars and counsel and train all participants on the best way to optimize your participation.

b. One free Gold Key Service from ITA's Commercial Service

This includes up to five targeted appointments, an interpreter, transportation, and help with follow-up from the ITA. This valuable service is worth hundreds of dollars. It is a limited offer. A2IM will pay for this service only for the first ten companies that sign up for Music Travels.

c. Access to targeted trade information from our WIN colleagues and ITA local offices

d. Pre-mission briefing by A2IM in Los Angeles, Nashville and New York with u-stream on-line access to help you decide whether or not you wish to participate in a Music Travels trade mission or business trade conference. We've arranged a road show to answer questions.

2. Keeping track of how we are doing.

Our partner, ITA, is tasked by the U.S. Congress to help U.S. companies be more competitive. Perhaps the most straight-forward indication of competitiveness is a company's exports. In order to help you and U.S. industry generally, ITA needs to know how well it is doing.

a. Sharing the good news with ITA. Each quarter, A2IM Music Travels participants share following information with ITA the dollar value and number of export sales (deliveries or contracts for goods & services) and licensing agreements. Please also share any additional information such as a non-proprietary description of the type of good or service sold, its application, steps you took to make the sale, etc. will help. This gives ITA a better idea of how U.S. firms are succeeding at exporting, and how ITA can best continue to help.

b. Confidentiality with ITA-Your success information is submitted directly to ITA. Your competitors don't see it unless you give ITA permission to release it publicly. ITA professionals who have access to your success information have security clearances. They are accustomed to handling classified diplomatic cables and other media and transmissions that contain sensitive information. ITA will not share individual success information with A2IM unless you expressly agree to it.

c. Public highlighting of your successes.

If ITA wants to publicize any of your successes, it will always show you what it proposes to do and secure your express approval in writing.

d. Sharing the good news with A2IM.

We have structured A2IM Music Travels so that all we get at A2IM is a consolidated total from ITA. We will know the total number of exports you and others make, and the number of transactions, but we won't have the individual information you share with ITA. Of course, we would love to know of your individual successes as well. We invite you to share them with A2IM too, but we understand if you prefer not to.

e. Optional information to share with A2IM.

In addition to the information you report to ITA, we would appreciate your helping us track A2IM's performance on Music Travels by reporting to us the number of occurrences of each of the following each quarter:

- (1) Trade shows attended
- (2) Staff hired or re-assigned to exporting.
- (3) Market exploration trips by CEO.
- (4) Market exploration trips by other than CEO.
- (5) Export marketing business plans developed.
- (6) Product literature translated.
- (7) In-depth market research commissioned.
- (8) Advertising media.
- (9) Product awareness campaigns other than advertising.
- (10) Other examples of your success developing the international market.
- (11) Export-related agreements you conclude such as signing an agent or distributor.
- (12) Value of any loss you are able to avoid as a result of working with A2IM or ITA.
- (13) Value of any trade complaint you are able to resolve as a result of help from A2IM or ITA.
- (14) Value of export-related investment you make overseas.

I agree to the terms of the participation agreement with A2IM as set forth above.

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Company name

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Email/Phone

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Address

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Name

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Title

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Signature/Date

**ITA/A2IM Music Travel-Exhibitor Survey**  
**Introduction and Directions**

As part of your company's participation in the Music Travels Program, you agree to fill out the following information. This will help A2IM learn more about American exporters and gauge the impact of its services. This survey will take no more than 15 minutes to complete and will help provide A2IM the information needed to best serve American independent music labels and service providers.

Please know that the information you provide will be confidential. Information about your company's export business will only be used as part of an aggregate report detailing the state's export volume as a whole. Please answer all of the questions by circling and/or writing in the appropriate answer. Individuals or companies will not be identified in any report.

**Company Name** \_\_\_\_\_

**Key Contact Name** \_\_\_\_\_ **Date** \_\_\_\_\_

<b>1. What were your company's revenues in your last fiscal year? <i>Circle one.</i></b> 1. Less than \$2.0 million 2. \$2.1 to \$5.0 million 3. \$5.1 to \$10.00 million 4. \$10.1 to \$25.00 million 5. More than \$25.00 million	<b>4. To how many countries do you export? <i>Circle one.</i></b> 1. We do not currently export. 2. 1 country 3. 2-5 countries 4. 5-9 countries 5. 10 countries or more
<b>2. What was your employment in last fiscal year? <i>Circle one.</i></b> 1. Less than 5 2. 5 to 9 people 3. 10 to 24 people 4. 25 to 99 people 5. 100 or more people	<b>5. What percentage of your total revenues came from exports in calendar year 2002? <i>Circle one.</i></b> 1. None 2. Less than 10 percent 3. Between 10 and 25 percent 4. Between 26 and 50 percent 5. More than 50 percent
<b>3. For how many years have you been exporting? <i>Circle one.</i></b> 1. Less than 1 year 2. 1-2 years 3. 3-5 years 4. 6-10 years 5. More than 10 years	<b>6. What was the value of your exports over the past year?</b> \$ _____

<b>7. What was your growth rate in annual exports from U.S.A. over the past year?     %</b>
<b>8. What is your facility's projected growth in export revenues over the next year? <i>Circle one.</i></b> 1. Less than 10 percent 2. 10 to 25 percent 3. 26 to 50 percent 4. More than 50 percent Please state which countries primary growth will come from:

**9. In the box below please respond to the first 8 questions as follows:**

**Column A:** Please indicate whether your business did any of the following actions in the past year, by circling Yes or No. If you answer YES in Column A, please complete columns B and C.

**Column B:** Did A2IM assist you in doing this action? Circle Yes or No.

**Column C:** If Yes in B, please rate the contribution of services provide A2IM and its Music Travels Project.

Rate services as follows: (1 =None, 2=Some, 3=Significant, 4=Essential) Export-Related Actions	A. Did you complete this action in the past year?		B. Did A2IM or Music Travels assist you with this action?		C. Contribution of A2IM & Music Travels Towards this Action.			
1.Developed export strategy	Yes	No	Yes	No	1	2	3	4
2.Participated in a trade mission	Yes	No	Yes	No	1	2	3	4
3.Found a potential overseas business partner or buyer	Yes	No	Yes	No	1	2	3	4
4. Signed an agreement with an overseas partner (agent, distributor, licensee, joint venture partner etc.)	Yes	No	Yes	No	1	2	3	4
5.Export products or services for the first time (new-to-export)	Yes	No	Yes	No	1	2	3	4
6.Exported into a new country (new-to market)	Yes	No	Yes	No	1	2	3	4
7.Expanded exports in current countries	Yes	No	Yes	No	1	2	3	4
8.Utilized International Legal Services	Yes	No	Yes	No	1	2	3	4

**10. How well did the quality of A2IM services you received match your expectations? Circle One**

1. Did not meet my expectations
2. Met my expectations
3. Exceeded my expectations

**11. Please describe any benefits/revenues that your music label's artists achieved from the music travels program and note the benefit.**

**12. Please comment on what A2IM might do to further expand your export business?**

A2IM Member Letters of Support and Interest in Music Travels

A2IM has 303 Music Label Imprints and 165 Associate Members (service providers such as distributors, lawyers, licensing companies etc., all of whom also compete in the world marketplace). All of our Music Label Imprints and Associate Members are listed at [www.a2im.org](http://www.a2im.org). Below is a list of Label Members (51) and Associate Members (12) from across the country that have provided letters of support and interest for A2IM's Music Travels Program Proposal in 2011. Many others have voiced verbal support and interest. All will be required to display the ITA Logo as a condition of Music Travels participation and the proposed A2IM use of the ITA logo is attached. Also included, is a letter from our strategic partner The Recording Academy (the artist organization that runs the Grammy's™) which is headquartered in Los Angeles, California and has offices in: Atlanta, Chicago, Florida, Memphis, Nashville, New York, Pacific Northwest, Philadelphia, San Francisco, Texas and Washington DC. A listing of all members who sent letters (sample is attached):

**Label Members (51)**

335 Records - TN  
 3CG - OK  
 ABB Records - CA  
 Acony Records - TN  
 Alliance Records - NY  
 Alligator Records - IL  
 Altissimo Records - TN  
 Bar None Records - NJ  
 Blackheart Records - NY  
 Blind Pig Records - IL  
 Concord Records - CA  
 Cutting Records - NY  
 Domino Recording Company - NY  
 Dualtone Music Group - TN  
 Epitaph - CA  
 Fuel Label Group - CA  
 Funzalo - AZ  
 Ghostly International - MI  
 Glassnote - NY  
 Goin' Native - FL  
 High Note Records - NY  
 I Scream Records - NY  
 Jagjaguwar - IN  
 Kill Rock Stars - OR  
 Long Live Crime Records - CA  
 Mack Avenue Records - CA  
 Motema Music - NY  
 MPress - NY  
 Naxos - TN  
 New West Records - CA  
 Owl Studios - IN  
 Prosthetic Records - CA  
 PRA Records - NY

**Label Members (Continued)**

Red House Records - MN  
 RhymeSayers Entertainment - MN  
 Righteous Babe Records - NY  
 SCI Fidelity Records - CO  
 Six Degrees Records - CA  
 SMC Recordings - CA  
 Sub Pop Records - WA  
 System Recordings - NY  
 tinyOGRE - NY  
 Tommy Boy Records - NY  
 Triple Crown Records - NY  
 Tropisounds Corporation - FL  
 TUTM - NJ  
 Virtual Label - NY  
 Vix Records - NY  
 Volcom Entertainment - CA  
 What Are Records - CO  
 YEP ROC - NC

**Strategic Grant Partner**

The Recording Academy

**Associate Members (12)**

B Major Entertainment - CA  
 Bug Music - CA  
 Counterpoint Systems - NY  
 eMusic - NY  
 IODA - CA  
 Packet Video - CA  
 Rightsflow - NY  
 Roots Music Exporters - TN  
 Sonicbids - MA  
 SynchTank - NY  
 TAG Strategic - CA  
 The Orchard - NY



April 4, 2011

Richard Bengloff  
American Association of Independent Music ("A2IM")  
853 Broadway  
Suite 1406  
New York, NY 10003

We are happy to support the A2IM proposed Music Travels project as an independent music label based in the United States. Exports are imperative to the financial health of our business especially considering the changing market conditions. We are very interested in participating in export training, export travels to trade fairs and meetings abroad, and projects in the United States to increase our international revenues.

Sincerely,

Dave Hansen  
General Manager  
Epitaph Records



THE RECORDING ACADEMY®

GRAMMYS® ON THE HILL

April 4, 2011

Richard Bengloff  
American Association of Independent Music ("A2IM")  
853 Broadway  
Suite 1406  
New York, NY 10003

Dear Rich:

We are happy to support the A2IM proposed Music Travels project as a music-related service provider based in the United States. Exports are imperative to the financial health of our business especially considering the changing market conditions. We are very interested in participating in export training, export travels to trade fairs and meetings abroad, and projects in the United States to increase our international revenues.

Sincerely,

Daryl P. Friedman  
Vice President  
Advocacy & Government Relations

## Exhibit A:

Recorded Music Retail Sales 2009–2010 (US\$ million)						
	Physical market		Digital market		Total	
	2009	2010	2009	2010	2009	2010
<b>North America</b>						
Canada	444.5	343.2	159.0	174.7	603.5	517.9
USA	4,555.9	3,635.2	3,152.0	3,115.1	7,707.9	7,267
<b>Europe</b>						
Austria	216.7	184.1	23.4	27.6	240.1	211.7
Belgium	194.8	187.6	19.7	19.6	214.5	207.2
Bulgaria	4.4	2.4	1.3	1.0	5.7	3.4
Croatia	13.4	11.0	0.2	0.2	13.6	11.2
Czech Republic	44.6	31.9	2.0	2.1	46.6	34.0
Denmark	121.0	95.9	41.0	48.5	162.0	144.4
Finland	94.4	79.5	8.5	17.0	102.9	96.5
France	1,112.2	1,010.5	208.9	241.9	1,321.1	1,252.4
Germany	1,867.9	1,713.6	217.0	262.8	2,084.9	1,976.4
Greece	102.9	74.1	10.1	7.3	113.0	81.4
Hungary	30.3	24.9	1.7	1.0	32.0	25.9
Iceland	7.9	7.5	0.1	0.0	8.0	7.5
Ireland	84.2	77.9	19.0	20.4	103.2	98.3
Italy	282.0	275.4	50.3	53.8	332.3	329.2
Netherlands	327.0	270.2	24.1	30.8	351.1	301.0
Norway	166.5	131.4	25.4	43.5	191.9	174.9
Poland	127.3	124.4	-	4.9	127.3	129.3
Portugal	68.2	43.8	6.9	6.5	75.1	50.3
Russia	194.2	126.2	48.0	47.8	242.2	174.0
Slovakia	8.0	9.6	0.8	0.5	8.8	10.1
Spain	256.1	183.2	52.5	58.9	308.6	242.1
Sweden	172.2	136.8	29.9	56.1	202.1	192.9
Switzerland	201.6	166.1	35.5	38.8	237.1	204.9
Turkey	83.3	73.0	-	8.1	83.3	81.1
UK	1,703.9	1,388.1	432.6	510.5	2,136.5	7,936
<b>Asia</b>						
China	29.0	23.2	138.9	115.3	167.9	138.5
Hong Kong	42.6	37.8	18.9	19.1	61.5	56.9
India	95.4	91.0	115.9	146.8	211.3	237.8
Indonesia	35.8	29.2	87.3	82.7	123.1	111.9
Japan	4,524.3	4,096.9	1,320.3	1,246.3	5,844.6	5,343.2
Malaysia	29.8	23.9	25.6	34.7	55.4	58.6
Philippines	19.1	15.6	8.0	10.8	27.1	26.4
Singapore	21.3	18.0	7.8	12.1	29.1	30.1
South Korea	102.9	116.9	216.3	244.7	319.2	361.6
Taiwan	56.5	56.3	20.2	20.9	76.7	77.2
Thailand	53.8	39.2	102.2	110.7	156.0	6,591
<b>Latin America &amp; Caribbean</b>						
Argentina	85.1	82.7	7.3	14.8	92.4	97.5
Brazil	280.4	258.7	55.2	72.9	335.6	331.6
Central America	8.1	6.8	7.3	10.1	15.4	16.9
<u>C h i l e</u>	<u>15.0</u>	<u>1 3 . 8</u>	<u>9.0</u>	<u>1 0 . 9</u>	24.0	24.7
Colombia	34.2	22.7	10.9	14.9	45.1	37.6
Ecuador	2.0	1.5	0.8	1.2	2.8	2.7
Mexico	171.3	157.9	33.7	53.6	205.0	211.5
Peru	2.3	2.2	1.0	0.8	3.3	3.0
Uruguay	8.4	5.3	0.8	0.7	9.2	6.0
Venezuela	16.6	13.3	1.4	1.2	18.0	747
<b>Australasia</b>						
Australia	535.7	408.0	128.3	164.3	664.0	572.3
New Zealand	79.6	57.4	10.6	12.9	90.2	642
<b>Africa</b>						
South Africa	187.2	171.8	9.3	11.9	196.5	183
<b>Global</b>	<b>18,922.0</b>	<b>16,157.6</b>	<b>6,906.7</b>	<b>7,213.9</b>	<b>25,828.5</b>	<b>23,366</b>



<b>Exhibit A-1 April 22, 2011-MCDP Part 2- ITA/A2IM- Music Travels Proposal: Project Narrative Page 29 of 30</b>				
<b>Repertoire Origin 2010: Physical Product Only</b>	<b>Domestic</b>	<b>International</b>	<b>Classical</b>	<b>Compilations</b>
<b>Argentina</b>	35%	61%	4%	-
<b>Australia</b>	25%	59%	3%	13%
<b>Belgium</b>	10%	60%	6%	24%
<b>Brazil</b>	59%	38%	2%	-
<b>Bulgaria</b>	4%	84%	3%	9%
<b>Canada</b>	27%	73%	-	-
<b>Central America &amp; Caribbean</b>	1%	80%	4%	14%
<b>Chile</b>	17%	75%	2%	7%
<b>China</b>	30%	53%	17%	-
<b>Croatia</b>	66%	30%	4%	-
<b>Colombia</b>	22%	62%	2%	14%
<b>Czech Republic</b>	51%	40%	5%	4%
<b>Denmark</b>	57%	40%	3%	-
<b>Ecuador</b>	1%	95%	1%	3%
<b>Finland</b>	51%	33%	4%	12%
<b>France</b>	60%	32%	8%	-
<b>Germany</b>	32%	51%	8%	10%
<b>Greece</b>	53%	43%	4%	-
<b>Hong Kong</b>	25%	46%	15%	13%
<b>Hungary</b>	38%	62%	-	-
<b>India</b>	74%	5%	-	21%
<b>Indonesia</b>	65%	35%	-	-
<b>Italy</b>	52%	41%	7%	-
<b>Japan</b>	81%	19%	-	-
<b>Malaysia</b>	20%	58%	1%	21%
<b>Mexico</b>	43%	48%	2%	7%
<b>Netherlands</b>	26%	68%	6%	-
<b>New Zealand</b>	11%	89%	-	-
<b>Norway</b>	46%	51%	3%	-
<b>Peru</b>	8%	80%	5%	7%
<b>Philippines</b>	29%	45%	1%	25%
<b>Poland</b>	23%	48%	9%	20%
<b>Portugal</b>	35%	38%	-	27%
<b>Singapore</b>	1%	78%	5%	17%
<b>Slovakia</b>	50%	42%	3%	5%
<b>South Africa</b>	45%	55%	-	-
<b>South Korea</b>	72%	15%	10%	3%
<b>Spain</b>	37%	42%	7%	14%
<b>Sweden</b>	49%	51%	-	-
<b>Switzerland</b>	15%	65%	5%	14%
<b>Taiwan</b>	36%	44%	13%	7%
<b>Thailand</b>	64%	36%	-	-
<b>Turkey</b>	83%	17%	-	-
<b>UK</b>	38%	40%	4%	18%
<b>Uruguay</b>	52%	46%	1%	-
<b>USA</b>	%	5%	2%	-
<b>Venezuela</b>	-	99%	1%	-

**American Association of Independent Music (“A2IM”)-MusicTravels Request Budget Narrative (Three years from 09/01/2012-08/31/2015):**

3. a. Budget for Project Award Period and Supporting Worksheets:

The budget for project award periods and other worksheets are provided in this Part 3, Budget. They support and explain the figures reported on SF-424A, which is included in Part 1, Forms.

b. The A2IM budget proposal for Music Travels is focused on education, including IPR and overseas trips:

- Outreach and education of our A2IM members, 303 music label members and 165 associate members, with a goal of promoting commerce opportunity tools to help members increase their business overseas. From a 2011 survey, there is a listing of 64 letters received expressing support and interest in participating in the Music Travels program included in the Part 2-Project Description section of this application. Many other members have expressed verbal interest. We anticipate holding kick-off events in Los Angeles, Nashville and New York City to present the opportunities available under this Music Travels program plus do outreach via internet messaging and the A2IM website. The costs of these outreach/education programs are included in the proposed budget.
- The Music Travels program includes visits to business oriented conferences over a three year period, Midem annually, the others once, by American music companies whose music will travel well overseas plus technology companies and music service providers who can provide services to overseas businesses. In addition, for larger markets without a significant business conference we propose one trade mission to Hong Kong/China/South Korea and Latin America both around a music conference anchor event during the three year period. For a major event like Midem, the world’s largest business conference, we want to bring a larger group of members, especially those that have never been overseas to promote their music and we have only included the incremental costs to expand our program (with a reduced third year cost as we anticipate getting pavilion sponsors starting in the third year). We have excluded the Popkomm conference in Berlin, Germany from this proposal as A2IM already has a pavilion of the appropriate size and attends this conference with the appropriate number of our members. All of the other conferences are new for A2IM. We are planning a trade mission via a NY STEP grant mission to Hong Kong, China and South Korea in Fall 2012. The number of U.S. participant varies based upon the event and market size and performing artists will be included in each event and the numbers are noted in the budget detail. A2IM and the participating members will fund all over-subscription costs.
- In addition to the above outlined cost proposal the A2IM staff will be contributing staffing support plus we would like to bring one consultant with international expertise on board. A2IM understands that exports are a key to the growth of our business sector so we will emphasize this program as an A2IM priority and devote a significant amount of time to the program, approximately 15% - 20% for the senior staff. Included is a proposal to bring on a consultant, Robert Singerman, for the funding period. As his bio shows Mr. Singerman is uniquely qualified in promoting foreign trade and Mr. Singerman specifically works with overseas companies and governments so Mr. Singerman’s knowledge of local markets will be of great assistance. Mr. Singerman would be involved in all phases of the planning, administration and execution of this funding initiative including training in local content, translation and legal requirements. If funding does not allow for the hiring of this consultant A2IM can meet these requirements with our existing staff and by working with our World Wide Independent Network overseas label colleagues and U.S. Commerce ITA.

c. Financial Resources/Systems

As shown in the budget for Music Travels project award period, most of the \$512,595 of three year match by A2IM will be salary and benefits (\$342,979) and indirect expenses (\$95,216) plus separately \$357,450 of the three year cash costs will be covered by program income from a membership that historically has paid portions of their personal travel costs.

The audited, A2IM Financial Statements submitted with this application show a cash balance of \$736,000 as of A2IM's year ended June 30, 2011 which approximates our current balance. The expectation is that A2IM's cash balance as of June 30, 2012 will be similar for an organization with annual expenses in the range of between \$600,000 and \$700,000. A2IM has operated at a surplus for all six years of A2IM's existence, a period in which membership and membership dues revenues have grown each year. The A2IM cash balance has been accumulated in part with the intent to expand international programs so A2IM will have no problem meeting the matching requirements under the Music Travels program if the Commerce ITA funding request is granted. Additionally the amount of matching funding that might come from member programming contributions should be no problem as members are used to paying fees to participate in A2IM export events. Any financial risk from under participation by A2IM members will be borne by A2IM out of our cash reserves.

d. Other Financial Assistance Awards

From June 2007 through June 2009 Future of Music Coalition ("FMC") received New York State Music Fund grant funding From Rockefeller Philanthropies Advisors related to studies on AM/FM radio access. A2IM was a strategic project partner for FMC and received \$38,000 of grant proceeds in exchange for organizing educational events and completing two music label member surveys related to the funding. Our contact at FMC was Kristen Thompson, [kristin@futureofmusic.org](mailto:kristin@futureofmusic.org) and (610) 747-0103.

In 2011, A2IM was awarded a NY State STEP grant for a 20 person delegation to visit Hong Kong, Mainland China & South Korea, in 2012, with a value of approximately \$200,000 - \$225,000. We are in the planning stages and working with Ed Kowalewski of Empire State Development, [ekowalewski@empire.state.ny.us](mailto:ekowalewski@empire.state.ny.us), 716-846-8237 and Dawn Bruno of U.S. Commerce ITA in New York 212-809-2647.

e. Financial Statements

A2IM is current with our required Federal Form 990 annual filings, which are reviewed by the accounting firm of Marks, Paneth & Shron, ("MPS") and A2IM has a certified audit of A2IM's books by MPS for the year ended June 30, 2011. If Music Travels is funded by U.S. Department of Commerce ITA then A2IM will commits to having annual audits done thereafter during the entire grant funding period.

f. Measurement:

A2IM and its members commit to measurement of results for a three year period for the results of this program and the subsequent post-funding period of four years as the program results must be sustainable for the program to be a success. Measurement, on a quarterly basis, will be easily facilitated since the goal is new or expanded business with specific companies which will be clearly measureable for both revenue and variable profit. As noted there will also be non-measurable benefits for both artists and music labels from other related businesses like touring, merchandising, performance income, etc.

**Budget for Project Award Period**  
With Breakdown of Projected Funding Sources

Categories		Total Expenses for All Years				1st Year				2nd Year				3rd Year			
		Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share		
			Cash		In-Kind		Cash		In-Kind		Cash		In-Kind		Cash		In-Kind
			Pgm Income	Other			Pgm Income	Other			Pgm Income	Other			Pgm Income	Other	
DIRECT EXPENSES		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	PERSONNEL																
1	Domestic	0	0	299,388	0	0	0	97,900	0	0	0	99,767	0	0	0	101,721	0
2	International	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	TOTAL	0	0	299,388	0	0	0	97,900	0	0	0	99,767	0	0	0	101,721	0
4	FRINGE BENEFITS																
4	Dom. (Rate 14.56%	0	0	43,591	0	0	0	14,254	0	0	0	14,526	0	0	0	14,811	0
5	Int'l. (Rate 22.71%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	TOTAL	0	0	43,591	0	0	0	14,254	0	0	0	14,526	0	0	0	14,811	0
7	TRAVEL																
7	Domestic Costs	11,575	0	22,200	0	11,575	0	16,200	0	0	0	3,000	0	0	0	3,000	0
8	International	41,075	357,450	0	0	15,075	114,100	0	0	12,000	126,525	0	0	14,000	116,825	0	0
9	TOTAL	52,650	357,450	22,200	0	26,650	114,100	16,200	0	12,000	126,525	3,000	0	14,000	116,825	3,000	0
10	Member Registrations	94,650	0	0	0	32,350	0	0	0	34,500	0	0	0	27,800	0	0	0
11	Stand Costs	125,500	0	0	0	46,000	0	0	0	54,500	0	0	0	25,000	0	0	0
12	Overseas Local Costs	11,500	0	7,200	0	3,500	0	2,400	0	3,000	0	2,400	0	5,000	0	2,400	0
13	OTHER	0	0	45,000	0	0	0	15,000	0	0	0	15,000	0	0	0	15,000	0
14	TOTAL DIRECT																
14	Sum from above	284,300	357,450	417,379	0	108,500	114,100	145,754	0	104,000	126,525	134,693	0	71,800	116,825	136,932	0
15	Sum of all direct columns	Sum line 16 columns a, b, c, d 1,059,129				Sum line 16 columns e, f, g, h 368,354				Sum line 16 columns i, j, k, l 365,218				Sum line 16 columns m, n, o, p 325,557			
INDIRECT EXPENSES		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
16	Indirect (Rate 8.99%	/		95,216	/	/		33,115	/	/		32,833	/	/		29,268	/
17	Percent of Total (line 20)			8.2%	/			8.2%	/			8.2%	/				
TOTAL		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
18	Dir.+Indir.	284,300	357,450	512,595	0	108,500	114,100	178,869	0	104,000	126,525	167,526	0	71,800	116,825	166,200	0
19	Percent of Total (line 20)	24.6%	31.0%	44.4%	0.0%	/				/				/			
All Expense Columns																	
20	Total	Sum line 16 columns a, b, c, d 1,154,345				Sum line 16 columns e, f, g, h 401,469				Sum line 16 columns i, j, k, l 398,051				Sum line 16 columns m, n, o, p 354,825			

Note: Explain calculation of each category in separate worksheets and narratives as appropriate.

# American Association of Independent Music

	<u>2011</u>	<u>Indirect</u>	<u>Direct</u>
<b>Expenses</b>			
Show expenses	49,000		49,000
Salaries	395,000		395,000
Fringe benefits	57,500		57,500
Seminars, meetings, etc.	0		0
Travel	18,000		18,000
Contracted services	53,000		53,000
Postage, Other etc.	16,800	10,300	7,000
Rent, utilities, etc.	38,800	38,800	
Insurance	2,200	2,200	
Depreciation	800	800	
<b>Total</b>	<b>631,100</b>	<b>52,100</b>	<b>579,500</b>

## Fringe Benefits Rate Calculation

### Domestic

Fringe benefits	57,500	
Salaries	395,000	= 14.56%

### International

Average EU fringe benefits as a percentage of average US company fringe benefits 156.00%  
 ("Employment Practices Comparison 2000", Organization for Economic Cooperation and Development, Paris (30 June 2001) at 37.)

a	b	c=a*b
156.00%	14.56%	22.71%

## Indirect Cost Rate Calculation

Indirect Costs	52,100	
Direct Costs	579,500	= 8.99%

Four columns--fed share, pgm inc, other, in-kind--

**Non-Personnel Direct Expenses**  
Activity-Specific Breakdown and Projected Funding Sources

Cat.	#	Activity	Explanation & Calculation	1st Year				2nd Year				3rd Year			
				Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share		
					Cash		In-Kind		Cash		In-Kind		Cash		In-Kind
					Pgm Inc	Other			Pgm Inc	Other			Pgm Inc	Other	
h	i	j	k	l	m	n	o	p	q	r	s				
Travel (dom)			<div><div><div><div><div>Perdiem</div><div>Days</div><div>Sub</div><div>Airfare</div><div>Misc</div><div>Travelers</div><div>Tot</div></div><div>a</div><div>b</div><div>c=a*b</div><div>d</div><div>e</div><div>f</div><div>(c+d+e)*f</div></div></div><div><div>1</div><div>A2IM Staff</div><div>Roadshow to promote Music Travels (NYC to Nashville to Los Angeles)</div><div>350</div><div>4</div><div>1,400</div><div>800</div><div></div><div>1</div><div>2,200</div></div><div><div>1</div><div>Music Travels Consultant</div><div>Roadshow to promote Music Travels (NYC to Nashville to Los Angeles)</div><div>350</div><div>4</div><div>1,400</div><div>800</div><div></div><div></div><div>1</div><div>2,200</div></div><div><div></div><div>Venue Rental in NYC, Nashville, Los Angeles</div><div>Includes Venue Rental in 3 cities for one night each. Cost includes: H2O, Coffee, Lunch, AV, Chairs, Tables</div><div></div><div></div><div>0</div><div>4,000</div><div></div><div>3</div><div>12,000</div></div><div><div></div><div>Other Potential Costs</div><div>Graphic Design, Printing (\$6000) &amp; Advertising (\$3000)</div><div></div><div></div><div>9,000</div><div></div><div></div><div>1</div><div>9,000</div></div><div><div></div><div>Washington D.C. trips</div><div>Orientation plus feedback meetings/train travel</div><div>300</div><div>2</div><div>600</div><div>400</div><div></div><div></div><div>1</div><div>1,000</div></div><div><div></div><div>Translations</div><div>Print Translations</div><div></div><div></div><div>5,000</div><div></div><div></div><div>1</div><div>5,000</div></div><div><div></div><div></div><div><div>Fare</div><div>Days</div><div>Tot</div><div>a</div><div>b</div><div>(a*b)</div></div></div><div><div></div><div>Ground Transportation: Car Rental</div><div></div><div></div><div>75</div><div>5</div><div></div><div>375</div></div></div> <div><div>2,200</div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></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Four columns--fed share, pgm inc, other, in-kind--

**Non-Personnel Direct Expenses**  
Activity-Specific Breakdown and Projected Funding Sources

Cat.	#	Activity	Explanation & Calculation	1st Year				2nd Year				3rd Year			
				Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share		
					Cash		In-Kind		Cash		In-Kind		Cash		In-Kind
					Pgm Inc	Other			Pgm Inc	Other			Pgm Inc	Other	
h	i	j	k	l	m	n	o	p	q	r	s				
	Porto Musical/Trade Mission (Brazil & Argentina)	Trade Mission in Brazil & Argentina (14 attendees + 4 artists budgeted, will attend year 2 only)	225 6 1,350 2,000 0 18 60,300	15,075 45,225											
	Trade Mission Hong Kong/China/South Korea	Trade Mission in Hong Kong, China & South Korea (14 attendees + 4 artists budgeted, will attend year 2 only)	275 7 1,925 2,500 0 14 61,950					14,000 47,950							
					0 0										
TOTAL				15,075 114,100 0 0	12,000 126,525 0 0	14,000 116,825 0 0									
Registration	MIDEM	Trip/Registration allowance of \$1,000 USD for 25 attendees for years 1	25,000	25,000	25,000			25,000							
Registration	Womex	Trip/Registration allowance of \$375 USD for 12 attendees for year 2	4,500		4,500										
Registration	TIMM	Registration allowance of \$500 USD for 12 attendees for year 2 only	5,000		5,000										
Registration	Porto Musical/Trade Mission (Brazil & Argentina)	Registration allowance of \$525 USD for 14 attendees for year 1 only	7,350	7,350											
Registration	Trade Mission Hong Kong/China/South Korea	Registration allowance of \$200 USD for 14 attendees for year 3 only	2,800					2,800							
Registration															
Registration															
TOTAL				32,350 0 0 0	34,500 0 0 0	27,800 0 0 0									
Stand Costs	MIDEM	Stand Costs inc buildout, construction, signage, wifi, electricity: years 1,	70,000	35,000	35,000			17,500							
Stand Costs	Womex	Stand Costs inc buildout, construction, signage, wifi, electricity: year 2+	9,000		9,000										
Stand Costs	TIMM	Stand Costs inc buildout, construction, signage, wifi, electricity + \$1000	10,500		10,500										
Stand Costs	Porto Musical/Trade Mission (Brazil & Argentina)	Stand Costs inc buildout, construction, signage, wifi, electricity: year 1 o	16,000	11,000											
Venue Costs	Trade Mission Hing Kong/China/South Korea	Venue Costs inc: H20, Coffee, Lunch, AV, Chairs, Tables: year 2 only + \$1,000 Misc			0			7,500							
TOTAL				46,000 0 0 0	54,500 0 0 0	25,000 0 0 0									

Four columns--fed share, pgm inc, other, in-kind--

**Non-Personnel Direct Expenses**  
Activity-Specific Breakdown and Projected Funding Sources

Cat.	#	Activity	Explanation & Calculation	1st Year				2nd Year				3rd Year				
				Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			
					Cash		In-Kind		Cash		In-Kind		Cash		In-Kind	
					Pgm Inc	Other			Pgm Inc	Other			Pgm Inc	Other		
h	i	j	k	l	m	n	o	p	q	r	s					
Staffing	MIDEM	(2) Professional Stand Hostesses for years 1,2 & 3	2,400	2,400				2,400				2,400				
Staffing	TIMM	Local Translator: year 2 only	3,000					3,000				5,000				
Staffing	Porto Musical/Trade mission (Brazil & Argentina)	Local Translator: year 1 only	3,500													3,500
Staffing	Trade Mission Hong Kong/China/Sou th Korea	Local Translator: year 3 only	5,000													
Staffing																
Staffing																
TOTAL				3,500	0	2,400	0	3,000	0	2,400	0	5,000	0	2,400	0	
Acct	CPA	CPA firm for OMB Compliance (\$15,000) ###	1	45,000	15,000				15,000				15,000			
TOTAL				0	0	15,000	0	0	0	15,000	0	0	0	15,000	0	
Personnel	16 18 19															
Domestic Costs				11,575	0	16,200	0	0	0	3,000	0	0	0	3,000	0	
Travel (int'l)				15,075	114,100	0	0	12,000	126,525	0	0	14,000	116,825	0	0	
Member Registrations				32,350	0	0	0	34,500	0	0	0	27,800	0	0	0	
Stand Costs				46,000	0	0	0	54,500	0	0	0	25,000	0	0	0	
Overseas Local Costs				3,500	0	2,400	0	3,000	0	2,400	0	5,000	0	2,400	0	
Other				0	0	15,000	0	0	0	15,000	0	0	0	15,000	0	
TOTAL				108,500	114,100	33,600	0	104,000	126,525	20,400	0	71,800	116,825	20,400	0	



### Personnel Expenses

#### Breakdown and Projected Funding Sources

Explanation & Calculation								1st Year				2nd Year				3rd Year			
								Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share		
									Cash		In-Kind		Cash		In-Kind		Cash		In-Kind
									Pgm Inc	Other			Pgm Inc	Other			Pgm Inc	Other	
								n	i	j	k	l	m	n	o	p	q	r	s
Org.	Position	Project Work Description	% of time a	Ann Sal. b	Allocated Salary c=a*b	Ann. Increase d	Part yr. Adjust e												
A2IM	Rich Bengloff (President )	Primary project coordinator, strategic planning, general oversight, personnel decisions, member relations, trade missions accounting	20%	185,000	37,000	0%		37,000				37,000				37,000			
A2IM	Jim Mahoney (Vice President)	Primary events coordinator. Includes planning, event preparation, travel to events. etc.	15%	115,000	17,250	3%		17,250				17,767				18,300			
A2IM	Jen Masset	Primary events coordinator. Includes planning, event preparation	5%	73,000	3,650	3%		3,650				3,760				3,872			
A2IM	Sheryl Cohen	Support services for seminar prep, trade show prep, mailings, accounting including preperation of internal reports, gathering and submission of quarterly financial reports, etc.	20%	40,000	8,000	8%		8,000				8,640				9,331			
A2IM	HIRE: Consultant - Robert Singerman	Coordinate/arrange logistics for trade shows and missions including coordination with overseas entities, tech. seminars, trade missions, other activities	0%	20,000	10,000	3%		10,000				10,300				10,609			

## Personnel Expenses

## Breakdown and Projected Funding Sources

Explanation & Calculation								1st Year				2nd Year				3rd Year			
								Fed Share	Non-Fed Share			Fed Share	Non-Fed Share			Fed Share	Non-Fed Share		
									Cash		In-Kind		Cash		In-Kind		Cash		In-Kind
									Pgm Inc	Other			Pgm Inc	Other			Pgm Inc	Other	
								h	i	j	k	l	m	n	o	p	q	r	s
<u>Org.</u>	<u>Position</u>	<u>Project Work Description</u>	<u>% of time</u> a	<u>Ann Sal.</u> b	<u>Allocated Salary</u> c=a*b	<u>Ann. Increase</u> d	<u>Part yr. Adjust</u> e												
A2IM	Publicist - Shore Fire Media	A2IM will allocate 25% of its independent publicist Shore Fire Media's time toward publicity and support for the Music Travels Prnram	25%	40,000	10,000	3%		10,000				10,300				10,609			
A2IM	Recording Academy	Coordinate artist outreach for events including touring selections	10%	120,000	12,000	0%		12,000				12,000				12,000			
					0	0%		0				0				0			
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Financial Statements  
(Together with Independent Auditors' Report)  
Year Ended June 30, 2011

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEAR ENDED JUNE 30, 2011**

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Statement of Financial Position .....	2
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Statement of Cash Flows.....	4
Notes to Financial Statements .....	5 - 7

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
American Association of Independent Music, Inc.  
New York, NY

We have audited the accompanying statement of financial position of American Association of Independent Music, Inc. ("A2IM") as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of A2IM's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association of Independent Music, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth & Shron LLP*

New York, New York  
December 23, 2011

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

**ASSETS**

Cash	\$ 736,160
Accounts receivable, net (Notes 2E and 3)	76,853
Security deposits	3,200
Other assets	1,000
Fixed assets, net (Notes 2F and 4)	<u>416</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 817,629</u></b>
---------------------	--------------------------

**LIABILITIES**

Accrued expenses	\$ 49,823
Deferred revenues (Note 2G)	<u>75,250</u>

<b>TOTAL LIABILITIES</b>	<b><u>125,073</u></b>
--------------------------	-----------------------

**NET ASSETS** (Note 2B)

Unrestricted net assets	<u>692,556</u>
-------------------------	----------------

<b>TOTAL NET ASSETS</b>	<b><u>692,556</u></b>
-------------------------	-----------------------

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 817,629</u></b>
---	--------------------------

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUE AND SUPPORT:**

Membership dues	\$ 761,524
Sponsorship	58,023
Interest income	2,686
Miscellaneous income	<u>9,160</u>

<b>TOTAL REVENUE AND SUPPORT</b>	<b><u>831,393</u></b>
----------------------------------	-----------------------

**EXPENSES:**

Salaries	394,982
Payroll taxes and fringe benefits	57,569
Professional services	53,617
Telephone	1,478
Website design and maintenance	3,076
Supplies	1,539
Insurance	2,207
Dues and subscriptions	7,920
Meetings and conferences	48,980
Travel and entertainment	17,386
Rent	38,800
Depreciation (Notes 2F and 4)	831
Miscellaneous	<u>2,736</u>

<b>TOTAL EXPENSES</b>	<b><u>631,121</u></b>
-----------------------	-----------------------

<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>200,272</b>
--	----------------

Unrestricted Net assets - beginning of year	<u>492,284</u>
---	----------------

<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<b><u><u>\$ 692,556</u></u></b>
--	---------------------------------

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$	200,272
----------------------	----	---------

Adjustments to reconcile change in net assets to  
net cash provided by operating activities:

Depreciation		831
--------------	--	-----

Change in:

Accounts receivable		(59,159)
---------------------	--	----------

Other assets		1,254
--------------	--	-------

Accrued expenses		33,449
------------------	--	--------

Deferred revenue		75,250
------------------	--	--------

<b>Net Cash Provided by Operating Activities</b>		<u>251,897</u>
--	--	----------------

<b>NET INCREASE IN CASH</b>		251,897
-----------------------------	--	---------

Cash - beginning of year		<u>484,263</u>
--------------------------	--	----------------

<b>CASH - END OF YEAR</b>	<b>\$</b>	<u><u>736,160</u></u>
---------------------------	-----------	-----------------------



**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 1 – ORGANIZATION AND MISSION**

American Association of Independent Music, Inc. ("A2IM" or "the Organization") is a not-for-profit organization serving the independent music community as a unified voice. The Organization represents the Independents' interests in the marketplace, in the media, on Capitol Hill, and as part of the global music community with a focus on advocacy, commerce and member services, including education. The Organization's revenue source is primarily from membership dues. A2IM is headquartered in New York City.

The Organization is exempt from federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

B) Financial Statement Presentation

A2IM reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses, is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted - net assets generally of an endowment nature resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. A2IM has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets received and released within the same year are reported as unrestricted net assets. A2IM has no temporarily restricted net assets.

Unrestricted - unexpended net assets that are, neither permanently nor temporarily, restricted by donor-imposed stipulations.

C) Fair Value Measurement

A2IM values financial assets and financial liabilities and nonfinancial items in accordance with Accounting Standards Codification 820, *Fair Value Measurement* ("ASC 820") (previously, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*). ASC 820 establishes the hierarchical disclosure framework, which prioritizes and ranks the level of market price observability of inputs used in measuring fair value. Under accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the organization. Unobservable inputs reflect the organization's assumption about inputs market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical securities that the organization has the ability to access.

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A2IM has no investments in equity securities or debt instruments. The Organization's other financial instruments are receivables, accounts payable, and accrued expenses. Management believes that the recorded value of these instruments approximates fair value.

**D) Cash and Cash Equivalents**

For purposes of the statement of cash flows, A2IM considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

**E) Accounts Receivable**

The Organization determined that an allowance for doubtful accounts of \$95,000 should be provided for accounts receivable. Such estimate is based on historical loss experience of the aging of receivables. Accounts receivable are written off when all reasonable collection efforts have been exhausted.

**F) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Organization capitalizes property and equipment with a useful life of three years or more and a cost of \$1,000 or more.

**G) Deferred Revenue**

The Organization records deferred revenue for membership dues paid in advance of the period intended.

**H) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I) Subsequent Events**

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through December 23, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through December 23, 2011 that would require adjustment to or disclosure in the financial statements.

**J) Tax Status**

A2IM has no uncertain tax positions as of June 30, 2011 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. A2IM is subject to federal, state and local income tax examinations by tax authorities for the year ended June 30, 2008 and prior years.

**AMERICAN ASSOCIATION OF INDEPENDENT MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following as of June 30, 2011:

Membership dues	\$ 167,638
Other	<u>4,215</u>
	171,853
Allowance for doubtful accounts	<u>(95,000)</u>
Accounts receivable, net	<u>\$ 76,853</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2011:

		<u>Estimated Useful Lives</u>
Equipment	\$ 6,331	3-5 years
Less: accumulated depreciation	<u>(5,915)</u>	
Net book value	<u>\$ 416</u>	

Depreciation expense for the year ending June 30, 2011 was \$831.

**NOTE 5 – COMMITMENTS**

The Organization leases office space for \$3,300 per month. The lease runs through February 29, 2012. Rent expense under the operating lease amounted to \$38,800 for the year ended June 30, 2011.

**NOTE 6 – CONCENTRATIONS**

Financial instruments that potentially subject A2IM to a concentration of credit risk include cash and money market accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Effective October 14, 2008, the basic limit on federal deposit insurance coverage was increased from \$100,000 to \$250,000 for interest-bearing accounts until December 31, 2013. Such coverage was unlimited for noninterest-bearing accounts through June 30, 2010, for participating banks, through the Transaction Guarantee Program ("TAGP"). In July 2010, the FDIC insurance limit was permanently increased to \$250,000 and, beginning December 1, 2010 through December 31, 2012, deposits held in noninterest-bearing accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions.

As of June 30, 2011, A2IM had cash or money market accounts that exceeded the FDIC insurance limits. Management does not consider this concentration to be a significant risk.

## Application for Federal Assistance SF-424

\* 1. Type of Submission:

- ☐ Preapplication  
☒ Application  
☐ Changed/Corrected Application

\* 2. Type of Application:

- ☒ New  
☐ Continuation  
☐ Revision

\* If Revision, select appropriate letter(s):

\* Other (Specify):

\* 3. Date Received:

02/17/2012

4. Applicant Identifier:

5a. Federal Entity Identifier:

5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

\* a. Legal Name: American Association of Independent Music (A2IM)

\* b. Employer/Taxpayer Identification Number (EIN/TIN):

20-3132925

\* c. Organizational DUNS:

9642277190000

d. Address:

\* Street1:

853 Broadway, Suite 1406

Street2:

\* City:

New York

County/Parish:

\* State:

NY: New York

Province:

\* Country:

USA: UNITED STATES

\* Zip / Postal Code:

10003-4703

e. Organizational Unit:

Department Name:

Division Name:

f. Name and contact information of person to be contacted on matters involving this application:

Prefix:

Mr.

\* First Name:

Rich

Middle Name:

\* Last Name:

Bengloff

Suffix:

Title:

President

Organizational Affiliation:

\* Telephone Number:

212-999-6113 x1

Fax Number:

212-999-7984

\* Email:

rich@a2im.org

## Application for Federal Assistance SF-424

### \* 9. Type of Applicant 1: Select Applicant Type:

X: Other (specify)

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\* Other (specify):

Not-For-Profit, Trade 501(C)(6)

### \* 10. Name of Federal Agency:

Department of Commerce

### 11. Catalog of Federal Domestic Assistance Number:

11.112

CFDA Title:

Market Development Cooperator Program

### \* 12. Funding Opportunity Number:

ITA-MAS-OPCM-2012-2003089

\* Title:

Market Development Cooperator Program 2012

### 13. Competition Identification Number:

2243137

Title:

### 14. Areas Affected by Project (Cities, Counties, States, etc.):

Add Attachment

Delete Attachment

View Attachment

### \* 15. Descriptive Title of Applicant's Project:

Music Travels is a proposal by A2IM to enhance the global competitiveness by increasing exports and licensing income of U.S. independent music label members from across the United States.

Attach supporting documents as specified in agency instructions.

Add Attachments

Delete Attachments

View Attachments

**Application for Federal Assistance SF-424****16. Congressional Districts Of:**\* a. Applicant b. Program/Project 

Attach an additional list of Program/Project Congressional Districts if needed.

**17. Proposed Project:**\* a. Start Date: \* b. End Date: **18. Estimated Funding (\$):**

* a. Federal	<input type="text" value="284,300.00"/>
* b. Applicant	<input type="text" value="512,595.00"/>
* c. State	<input type="text" value="0.00"/>
* d. Local	<input type="text" value="0.00"/>
* e. Other	<input type="text" value="0.00"/>
* f. Program Income	<input type="text" value="357,450.00"/>
* g. TOTAL	<input type="text" value="1,154,345.00"/>

**\* 19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- ☐ a. This application was made available to the State under the Executive Order 12372 Process for review on .
- ☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- ☒ c. Program is not covered by E.O. 12372.

**\* 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)**☐ Yes ☒ No

If "Yes", provide explanation and attach

**21. \*By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)**

☒ \*\* I AGREE

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

**Authorized Representative:**

Prefix:  \* First Name:

Middle Name:

\* Last Name:

Suffix:

\* Title: \* Telephone Number:  Fax Number: \* Email: \* Signature of Authorized Representative:  \* Date Signed:

# BUDGET INFORMATION - Non-Construction Programs

OMB Number: 4040-0006  
Expiration Date: 06/30/2014

## SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. MDCP	11.112	\$	\$	\$ 284,300.00	\$ 870,045.00	\$ 1,154,345.00
2.						
3.						
4.						
5. Totals		\$	\$	\$ 284,300.00	\$ 870,045.00	\$ 1,154,345.00

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# SECTION B - BUDGET CATEGORIES

6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)
	(1)	(2)	(3)	(4)	
	MDCP	N/A	N/A	N/A	
a. Personnel	\$ 97,900.00	\$ 99,767.00	\$ 101,721.00	\$	\$ 299,388.00
b. Fringe Benefits	14,254.00	14,526.00	14,811.00		43,591.00
c. Travel	156,950.00	141,525.00	133,825.00		432,300.00
d. Equipment	0.00	0.00	0.00		
e. Supplies	0.00	0.00	0.00		
f. Contractual	32,350.00	34,500.00	27,800.00		94,650.00
g. Construction	46,000.00	54,500.00	25,000.00		125,500.00
h. Other	20,900.00	20,400.00	22,400.00		63,700.00
i. Total Direct Charges (sum of 6a-6h)	368,354.00	365,218.00	325,557.00		\$ 1,059,129.00
j. Indirect Charges	33,385.00	32,563.00	29,268.00		\$ 95,216.00
k. TOTALS (sum of 6i and 6j)	\$ 401,739.00	\$ 397,781.00	\$ 354,825.00	\$	\$ 1,154,345.00
7. Program Income	\$	\$	\$	\$ 357,450.00	\$ 357,450.00

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SECTION C - NON-FEDERAL RESOURCES					
(a) Grant Program		(b) Applicant	(c) State	(d) Other Sources	(e)TOTALS
8.	N/A	\$ 512,595.00	\$ 0.00	\$ 0.00	\$ 512,595.00
9.					
10.					
11.					
12. TOTAL (sum of lines 8-11)		\$ 512,595.00	\$	\$	\$ 512,595.00

SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$ 108,500.00	\$ 8,575.00	\$ 63,000.00	\$ 36,925.00	\$
14. Non-Federal	\$ 259,854.00	64,963.50	64,963.50	64,963.50	64,963.50
15. TOTAL (sum of lines 13 and 14)	\$ 368,354.00	\$ 73,538.50	\$ 127,963.50	\$ 101,888.50	\$ 64,963.50

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program		FUTURE FUNDING PERIODS (YEARS)			
		(b)First	(c) Second	(d) Third	(e) Fourth
16.	year two	\$ 41,000.00	\$ 63,000.00	\$	\$
17.	year three		71,800.00		
18.					
19.					
20. TOTAL (sum of lines 16 - 19)		\$ 41,000.00	\$ 134,800.00	\$	\$

SECTION F - OTHER BUDGET INFORMATION	
21. Direct Charges: 1,059,129.00	22. Indirect Charges: 95,216.00
23. Remarks:	

## ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

**NOTE:** Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee- 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333), regarding labor standards for federally-assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. §§2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

<p><b>* SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL</b></p> <p>Sheryl Cohen</p>	<p><b>* TITLE</b></p> <p>President</p>
<p><b>* APPLICANT ORGANIZATION</b></p> <p>American Association of Independent Music (A2IM)</p>	<p><b>* DATE SUBMITTED</b></p> <p>02/17/2012</p>

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## CERTIFICATION REGARDING LOBBYING

Applicants should also review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, 'New Restrictions on Lobbying.' The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Commerce determines to award the covered transaction, grant, or cooperative agreement.

**LOBBYING**

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, 'Disclosure Form to Report Lobbying,' in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

**As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.**

**\* NAME OF APPLICANT**

American Association of Independent Music (A2IM)

**\* AWARD NUMBER**

MDCP: 11.112

**\* PROJECT NAME**

A2IM Music Travels

**Prefix:**

Mr.

**\* First Name:**

Rich

**Middle Name:****\* Last Name:**

Bengloff

**Suffix:****\* Title:**

president

**\* SIGNATURE:**

Sheryl Cohen

**\* DATE:**

02/17/2012