
HFA Soundcheck

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HFA's 2002 Year in Review

HFA Continues to Evolve

A few words from Gary Churgin, President & CEO

The Harry Fox Agency, Inc. has spent the past year re-aligning our capabilities and transforming our processes to operate more effectively and efficiently in a dynamic environment. The developing needs of our clients and the music industry at large were the catalyst for the re-alignment and transformation. To strengthen our foundation for long-term success, we have actively recruited music industry veterans to join our team and cross-trained our staff in several disciplines within our business. As a result of these efforts, we have dramatically reduced the time it takes us to process an inquiry and we have expedited the licensing process.

Our Business Development department continues to foster relationships with several online music services and facilitate the electronic bulk licensing process that we offer to the online music services. All of these initiatives, coupled with the use of Soundscan as a tool in pro-active royalties collections, have enabled our Collections department to have a banner year in an industry where there is currently much uncertainty. The team at HFA is committed to increasing our organizational effectiveness in all our processes in order to reduce client expenses and continuously improve client satisfaction.

HarryFox.com, HFA's web enabled licensing and index system, will be made available soon for use by publishers and licensees. We are currently testing the system and preparing for its deployment. We will keep you abreast of its development and launch plans.

Client Relations

The Client Relations department dramatically reduced the average time to process an inquiry in 2002 from 250 days to an average of 23 days; 85% of all publisher-initiated inquiries that were opened in 2002 were resolved by year's end. The department's goal for 2003 is to further reduce the average days to process an inquiry to 20 days.

The Client Relations department also enjoyed a productive year due in part to the reorganization and cross-training initiatives undertaken during the previous year. The Client Relations Department is structured to enable Client Relations agents to build relationships that foster a comprehensive knowledge of our clients and their catalogues. To keep our Client Relations agents knowledgeable on all of HFA's business practices and music industry news, we continue to cross-train and educate our staff through forums hosted by internal and external music industry experts.

Label Specialists & the Pro-Active Licensing Program

HFA has been listening to its clients and monitoring music industry trends. Based on client feedback, discussions with online music services and new media configuration companies, we have created the Label Specialist program. The program was created to improve pro-active licensing relationships with the record labels. The Label Specialist program accelerates and refines our licensing and collection processes. HFA's licensing department has been creating tools to track compositions scheduled to be included on upcoming releases.

The tracking tools, coupled with Soundscan data, will become an effective tool in securing timely licensing and expeditious royalty collection. As discussed below, the upcoming release data collected by the Label Specialists is shared with the Collections department in order to track active releases. As a result, we expect to be able to collect and distribute to you your money more expeditiously.

In October 2002, Maurice Russell joined HFA to lead this endeavor as the licensing department's Vice President of Licensing and Label Relations. Maurice is a music industry veteran with over 10 years in the entertainment business, seven of those years at PolyGram Records. Under his management, the Label Specialists are strengthening relationships with key label personnel and other music industry professionals in order to identify recording project priorities and release schedules.

Pro-Active Royalty Collections

HFA recognizes that issuing licenses more efficiently is a trigger for the expeditious collection of royalties. In order to facilitate the royalty collections process, we acquired the use of Soundscan data in 2001. In 2002, we coupled the Soundscan data with the tracking tools developed by the Label Specialists to enable our Collections Department to identify current and future collection opportunities. As a result, total pro-active royalties collected by HFA in 2002 beat the amount collected in 2001 by 100%.

To manage our pro-active Collections and Royalty Compliance initiatives, we have hired Nat Annamalai as Vice President of Revenue Tracking and Royalty Compliance. Nat's background includes three years at PolyGram Records where he held the position of Vice President and Treasurer. Prior to that, he was at Thorn EMI Inc. for three years as Treasurer and Corporate Controller, and one year as Manager, Corporate Accounting and Finance

Licensing for Online Music Services

HFA has created an electronic bulk licensing process that enables online music services to instantaneously request an infinite number of licenses for use online. This new process in turn enables the online music service to promptly increase the breadth of musical content it offers to consumers. The technology that enables our Business Development department to process bulk requests, has led HFA to successfully issue licenses for online music services in an efficient and timely manner. To date, HFA has **issued over 1.2 million licenses**. This is a significant increase in the number of licenses HFA issued in the past.

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