

APPLICATION

From: The Artists House Foundation

To: The Kauffman Foundation

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ARTS ENTREPRENEURSHIP

Application for Funding

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Arts Entrepreneurship

I. Overview – Our Focus on Entrepreneurship in Music and the Arts (Who)

A. Who We Are:

Artists House is a not-for-profit educational foundation (501 (c) 3), registered in the State of New York. Founded by John Snyder in 1977 as a recording company in which artists owned their work, Artists House was reincarnated in 2002 as a nonprofit, educational organization dedicated to providing business and career information to musicians and young people who wanted to a career in the “creative world”.

Artists House had one of the earliest all video websites on the Internet and began providing information regarding careers in the arts freely to all users in 2002. Around this same time, Artists House received funding from the Norman and Rosita Winston Foundation to produce a series of jazz master classes featuring the elders of the jazz community, most of them honorees in the Jazz Masters program of the National Endowment of the Arts. Based on the idea that great teachers make great students, and on the belief in the empowerment of creative education, we undertook this challenge. The result was the production of a series of ten master class DVDs that were given away to libraries and music educators and that currently supplies a minor revenue stream for Artists House. This series was produced in partnership with NYU and featured these master artists in a unique master class setting, where they critique young artists.

In 2005, Artists House was the beneficiary of a 1.5 million dollar grant (over four years) from the Herb Alpert Foundation (“HAF”) to create a database of information and build a website to help artists, musicians, as well as arts/entertainment entrepreneurs. The Artists House website was born: www.artistshousemusic.org. The goal was—and still is—to cause musicians and artists to realize that they are businesses, and that these businesses create the bedrock of sustainable careers. Though funding from the HAF has ended, that generosity allowed us to build the vast infrastructure and database needed to accomplish our goals. With that task behind us Artists House has been able to reduce its operating costs by 60%.

This website has grown at a steady pace since its official launch in May of 2007 and today has over 2600 daily users on the main site and around 2000 on our YouTube channel. That is to say, we have around 4600 users per day watching our videos about the business, the technology, the production, and the legalities of the monetization of music and intellectual property. To date we have reached

over 1.5 million users. We target our efforts in respect of business and entrepreneurship towards two underserved markets: artists and arts entrepreneurs. The former being mostly musicians and the latter being non-performers who want to work in the fields of music and art, popular culture and entertainment. (See Appendix A.)

B. The Problems We Are Addressing:

We are focusing on entrepreneurship in the arts because of the potential economic impact of one successful artist on the economy, as well as the culture. Artists create enterprise out of the thin air of human imagination—often times without even realizing it. Artists House helps artists recognize that their act of creation secures rights in copyright law that in turn create all of the businesses of reproduction, manufacturing, distribution, performance, display, derivatives, and broadcast of the entertainment industries.

Clearly, artists are businesses by way of the creative act. Yet even music schools do not confront this reality, failing to address the need to educate their students in a way that increases their chances for success in the entrepreneurial and business sense. Someone has to address the matter of how musicians, and all artists and creative individuals, handle their businesses. And many are trying, more and more it is a hot topic for artists to be “entrepreneurial”. But the word is used as a noun, not a verb. So, a subsidiary problem we’re addressing is how to cause those who use the word to attach action to it, based on a mission, on values, on goals, and on a measurable plan: to understand the basic theories of business and how they practically apply.

The problem we’re addressing is the lingering view that there is something inherently distasteful about the co-joining of art and commerce. Arts and music schools do not feel the obligation to include “business” information in their curricula. In our view the self-sustaining artist is not by definition a compromising artist. In fact, for artists to continue to create, their work must provide them with the necessary revenue to live and to support their families.

Self-sufficiency is the opportunity of the artist, of any creative person. The future will favor the creative person. Almost all technological advances favor the creative person. We believe that there is no mystery to the process of entrepreneurship and that given the inherently entrepreneurial nature of artists, and their ability to employ “method” to create, the artist is exceptionally well suited to be successful as a business.

C. The Opportunities We See:

Inherent in the creative process is the ability to define a goal and create a plan to achieve it. For a musician, it’s call rehearsing and practicing. When we think of

the characteristics of the entrepreneur, they also describe the average musician, the typical artist: the desire to work for themselves, the ability to organize and communicate, the willingness to take risk, the determination to overcome adversity, the ability to constantly innovate, the ability to convince others through their performance or their work, the awareness to see and seize opportunity, and the conviction to engage the battle. When this “natural” entrepreneurship of the artist is matched with the creative work product of the artist (effervescent one minute and a valuable asset the next) the combination is ripe with economic and entrepreneurial potential.

The artist creates value and rights of ownership through the act of what they do. Those rights can be monetized effectively with just the barest legal and business awareness. Copyright statutes allow artists the opportunity to monetize their work, technology makes the processes of creation and distribution more widely available, the Internet makes everyone a distributor and broadcaster, and business and entrepreneurial information allows everyone the opportunity to make businesses out of all this.

Marketing, like music, is a conversation, and the social networking world of the Internet is perfectly suited to both. The Internet, as a tool of communication more than commerce, is perfectly suited to the talents, abilities, work product, the community of the musician and artist. In addition, the new economy, the digital economy, will favor the creative person. And the creative person, the person who has their own voice and ability to manifest original ideas, has the perfect communication tools available to them to aid them in their community interactions.

So it is that the act of creation begins a process that inevitably expands to create careers, commerce, art, and economic development. This is a fascinating confluence of circumstance and it creates opportunity in an economy that is in dire need of opportunity and economic stimulus.

Successful artists create jobs. A healthy creative community creates a cultural economy. And all of this can happen with very little capital or natural resources. The talent of the individual is what creates the value inherent in the rights of copyright, trademark, contractual rights, data, and personal rights. We see the opportunity of providing business, legal, and entrepreneurial advice to artists and musicians as a classic example of a little goes a long way. Once an artist sells that first work or receives that first royalty check, they will understand and embrace the opportunities of the market. We want to get them to that place, because once they get there, and it could be less than a month from where they are, a candle will be lit and a business will be begun. Planting apple trees is better than giving a man an apple. Teaching a family how to fish is better than giving them a fish.

The creative enterprise is the greenest of all enterprise. It creates value, wealth, and cultural resonance out of the rarefied air of human imagination. We believe that the encouragement of such enterprise will have a major impact on the economy, on culture, and on arts education.

“Hey there, Delilah, I know times are getting hard. But just believe me, girl, someday I’ll pay the bills with this guitar.” – The Plain White T’s

D. What We Do:

Artists House brings practical information to the creative person as entrepreneur by way of a free, searchable, accessible, interactive, sharable database that allows users multiple ways to interact with the information. Users can join a community of like-minded people and share their own “content”. Users can ask questions and post content. In our database, users can find an authoritative voice for almost any subject in the business of music and the monetization of creative work.

Our achievements include producing a website that is unique in the world of art and music and unique in the world of entrepreneurship and small business. Our achievements include our Jazz Master Class Series in conjunction with NYU. (Part of our Master Teachers series we are developing for public access television and the Internet.) They include our collaborations with a wide variety of other arts institutions and organizations resulting in our employing our media skills to put a megaphone to their messages thereby increasing the impact of them as well as the impact of the institutions and organizations themselves.

Our achievements include providing a database that is a resource for all music and arts students, state music commissions, for profit music related businesses, and for universities and colleges for classroom use. We also produced an instructional DVD for trumpet (in 5 languages), shot at Juilliard, the Metropolitan Museum, the Yamaha Instruments Plant, and other locations related to the life and career of a “brass player.” All of this “content” is available on the website, including the master class series and the media that resulted from the collaborations listed above.

This focus on the artist as business is small business development on a massive scale, and it is squarely located in the swiftly emerging digital economy. The digital economy is destined to become the primary economic driver of the global community. The development of small businesses in these areas of intellectual property and the digital rights is crucial to the well-being, economic stability, and competitiveness of this country in both the economic and cultural senses.

II. Our Vision (Why)

Our efforts are consistent with the importance of small business development as the economic engine of this country. Musicians and artists are small businesses, global micro brands, a walking bundle of rights and the enterprise these rights create. Our efforts to benefit artists and musicians also benefit music companies and publishers, equipment makers, instrument manufactures, and suppliers of all types of musical products. Creative property is a renewable and endless resource providing an endless fountain of “assets” to be monetized and shared, any one of which could have a serious economic resonance for years to come. The process of monetizing and “exploiting” these assets will itself have a significant economic impact, creating a healthy creative class and a robust cultural economy.

Broadly defined, the creative communities account for one-third of the Gross Domestic Product of this country. Artists House seeks to contribute to various segments of these communities by encouraging them to view the creative enterprise through the lens of creative entrepreneurship. The more artists, the more musicians, the more instrument manufacturers, the more music companies and equipment companies, the more people employed, and the more art in the world.

- We believe in the power of artists and musicians to affect people’s lives in a positive way if not change the world
- We believe that we need more artists and arts entrepreneurs
- We believe in the power of information to help musicians and entrepreneurs create sustainable careers
- We believe in the power of markets and the market-driven economy to provide opportunities for creators of intellectual property
- We believe that small business development is essential to the health and well being of this country
- We believe in the necessity of an organized approach to supplying practical, structured information to artists and arts entrepreneurs to enhance their chances for success
- We believe that profit is the by-product of what we do, not the point of it
- We believe in the ethical practice of business and that we have ethical obligations to artists, employees, customers, and to the society and culture as a whole

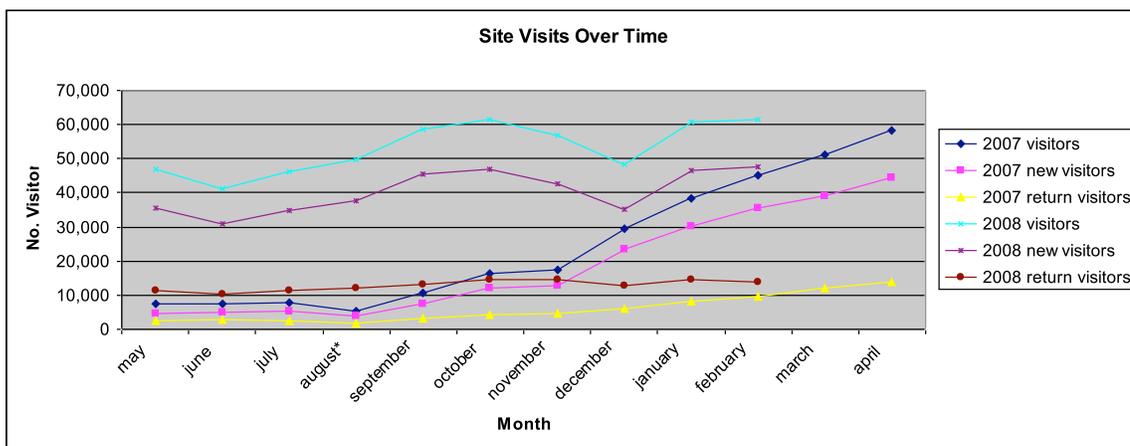
Vision creates purpose and purpose gives an enterprise meaning and all who work in it. It is important for the entire enterprise and everyone in it be aligned and that the mission, vision, values, and goals of the organization be directly connected to the implementation of a measurable plan. This is true for any band, any company, and any creative enterprise.

III. Impact (How We Measure What We Do)

There are two general ways in which the impact of Artists House website can be measured: the number of people who visited the site and the time they spent on it (quantitative impact); the number of people who were helped by the site and in what way – from interesting information to life-changing insight (qualitative impact).

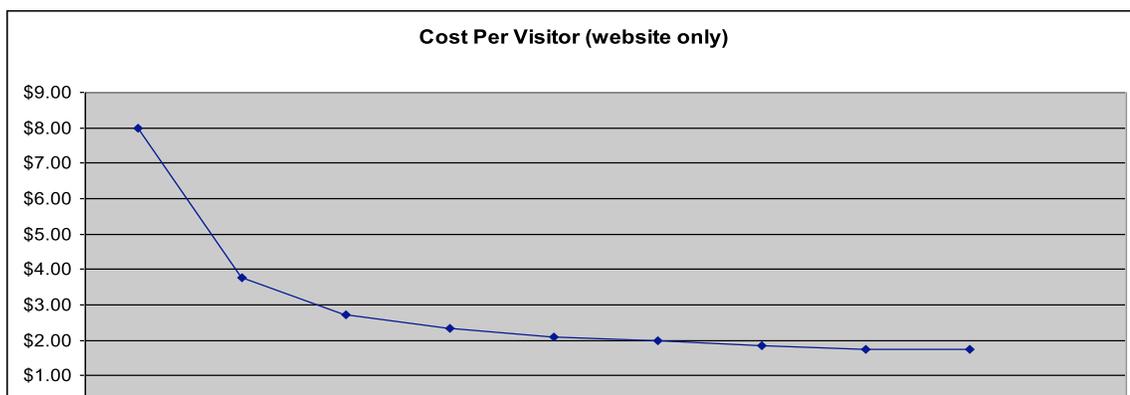
A. Quantitative Impact:

Google Analytics gives us insight into quantitative metrics. In almost all ways we are improving, and, in fact, our growth in this respect has been five fold since May 2007, with 72.86% of that growth occurring in 2008.



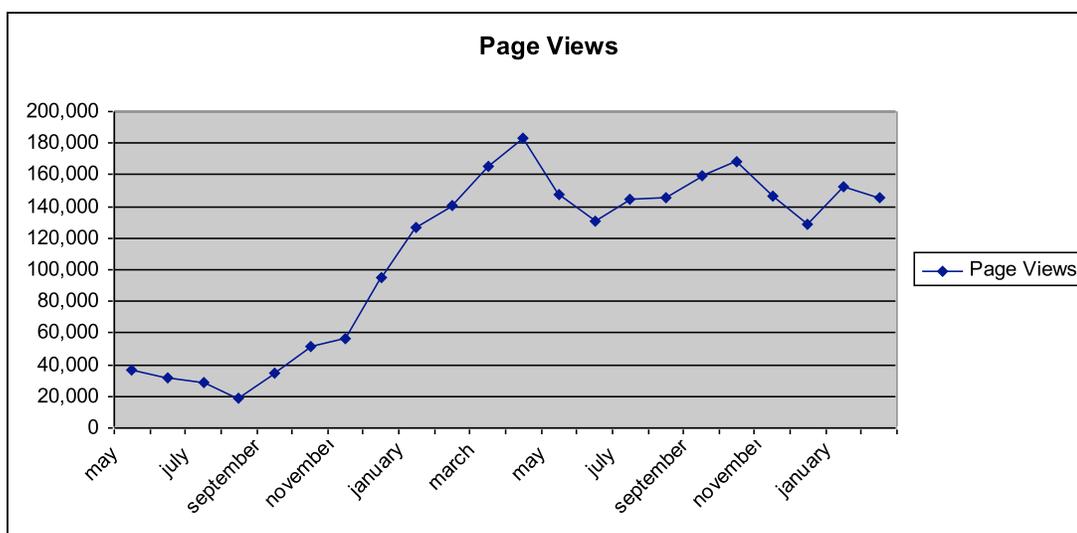
Another way to look at impact is to look at the cost-per-visitor to the site. As of March 1, 2009 we will have spent roughly \$1,430,000. With this, we have developed all of the website assets, (videos, interviews, articles, and interactive bits) and have attracted over 825,000 users to that material. Our cost-per-visitor is currently \$1.73 and falling. This cost-per-visitor number does not include outreach we have done on social networks YouTube, MySpace, Facebook, and Twitter. If we factor in those numbers, the cost-per-visitor is closer to \$0.90.

We currently have over 4500 followers of our Twitter group who receive our “tweets” (140 character messages about something happening in the music world) over 20 times per day.



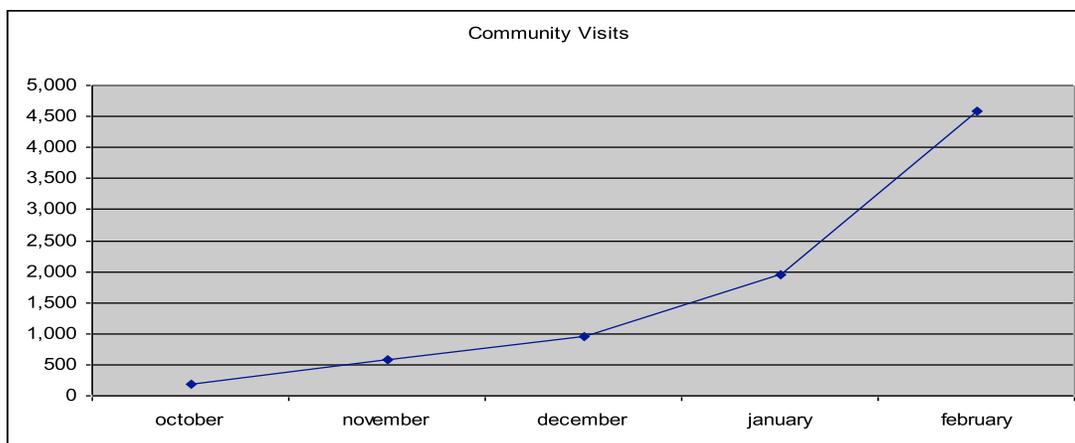
Since the end of January 2009 we have produced 5 weekly Internet broadcasts with our editor, George Howard, and several music industry students. Our broadcast on February 11, 2009 was viewed by 52,625 people asynchronously.

Since we launched in May of 2007, our traffic has shown growth in a cycle that reflects the academic calendar. Traffic drops off in the summer months and over the Christmas holidays. However, since April 2008, we've averaged nearly 150,000 pageviews a month on the site.



Our community site (<http://community.artistshousemusic.org/>) launched quietly in October 2008 and has been experiencing slow but consistent growth over the past five months. In February 2009, Google picked up an image on our frontpage that drove several thousand visitors to the Artists House community from Google Images. The encouraging statistic from these visitors was their bounce rate – the number of people who only visit one page on the site – was 29.21% compared with a community wide bounce rate of 44.03%. That's an improvement of 33.66%!

We are currently engaged in a marketing campaign to raise the visibility of the Artists House community among bands on MySpace. We have increased our number of MySpace friends in the past month from 1800 to over 5000. We are currently adding MySpace friends at the rate of over 150 per day.



B. Qualitative Impact:

Qualitative impact is deduced from quantitative data and anecdotal community feedback. Users routinely comment on how helpful the site is to them and we can make judgments and deductions based on a triangulation of data. For instance, on January 12, 2008 several websites began linking to our interview with Interscope President Jimmy Iovine. Much of the traffic came from web forums where the videos were used to spur debate on the future of the music industry and the role of major labels.

Data shows us that our video interviews are often valuable contributions to today's culture. They address hot topics of the moment and provide original content for users to leverage in their online conversations. As a result, widely read authorities such as Bob Lefsetz and high trafficked sites such as hitsdailydouble.com, gearsultz.com, and crazedhits.com repeatedly link to us for content.

We can never know the number of people actually helped by the site or to what extent they were helped. But we do know that the average visitor is using the site about 2.5 times longer than most visitors on most sites. We think it is reasonable to assume that our chances for actually affecting people's lives in a positive way increase in proportion to the number of people who come to the site, view our content, and take part in our social community.

The several hundred videos we have on YouTube are almost all rated 5 stars by the community that views them.

How do we value things that we have not yet determined how to effectively measure? We collect and interpret data, we extrapolate from what we can measure and observe. We deduce qualitative impact from the careful parsing of

quantitative data. We assume that the more people who walk through the museum, the more who may be positively affected by the experience.

Ultimately, we can assume a positive qualitative impact based on positive quantitative data. We may conclude from the fact that we have 35% repeat visitors that users find our content useful, and we may conclude from the fact that we have 65% new users per day that our reach is ever expanding, and that in the world of social networking, especially when it comes to music, media, and the arts, we may expect greater growth through the viral nature of our content and the huge numbers of musicians and music entrepreneurs who inhabit our markets.

IV. Challenges and Methodology (What and How)

A. The Challenges:

We live in a time where there are no barriers to entry for the businesses of art and music; everyone can participate in the creative processes (many of which are technology dependent) and the distribution and sharing of the results of that process. Therefore, if everyone can participate in this world of creative commerce, the question becomes, how do artists connect with their market, their community? How do artists “compete” in this new, over-populated arena? How do artists participate in the world of commerce and remain focused on the art, without losing any of the purity of its creation, of what inspired it?

These are not only philosophical questions they are questions of survivability and sustainability. How can entrepreneurs make a career, a life out of their art and passion, and pay the same bills the rest of us pay? If 9 out of 10 graduates from Juilliard are not in music as a profession 10 years after graduation, the society has a problem. If artists work at Starbucks for the benefits, the culture has a problem. We can’t “fund” our way out of this problem but we can work our way out of it. Artists House wants to help musicians “work” their way out of it by applying the same creative processes to monetizing their work as they do creating it.

B. The Goal:

We believe that more artists and musicians would be able to monetize their passion and their art if they had the business and entrepreneurial information they needed. We must overcome the perception that to be an artist is to be broke or dependent on the black art of grant writing. It is easier to make money doing what you do than to try to talk someone or some institution out of enough money to pay next month’s rent. We aim for sustainability. And the happy consequence of the creative act is that it not only sustains the artist herself, it creates employment for others, and a synergy that allows for major economic impact.

What is most surprising is that there is currently no one, no company, no institution, no university or other organization providing this information. Universities don't do "practical" very well, companies don't do nonprofit education, and very few organizations have all of the skills necessary to create the content of this type, to know what to create in the first place, to know who to go to for the content, and have the technical and pedagogical skills and experience to organize the content and deliver it via the Internet, for free.

C. The Method:

Creating a searchable, sharable, accessible, database of quality video content in the area of music and arts entrepreneurship requires an array of specialty skills. Artists House started as a group of individuals with a wide variety of expertise and experience in all of these areas, and remains dependent on volunteer participation of the professional and creative community. We have never paid a person for an interview, for example.

The subject of arts and commerce is not new, and it has various manifestations, but that has not included a resource such as Artists House. Artists House is more than just a database. It is a community of people who share certain "values" and it has a certain philosophical orientation. It is oriented to the power of the creative act to create art, content, business, education, culture, legal work, technology, et al.

If artists fully appreciate their power to create enterprise and commerce, to create sharing and education, we will have more of them and more of their enterprise. Further, once we come to appreciate that we all are makers and consumers of art and entertainment, we will come to appreciate the mutuality of the community and its potential to be self-sustaining.

D. Meeting the Challenges:

One of the brilliant implications of copyright is that the ideas of exchange and ownership are inherent in the creative act. Another is that all of the rights inherent in the creative act create commerce and business. How many artists think like this? And how many young musicians and artists don't want to be performers or professional musicians but want to remain in the arts? These people - these artists and these potential entrepreneurs - are not being properly served. Artists House is filling this need. We hope to expand our efforts into the other arts - beyond music, and to encourage others to provide similar information to practitioners and entrepreneurs in those fields.

The "how" has several components: the database itself, consisting of over 5,000 video clips from over 300 industry professionals on almost every topic in the music industry and in related businesses. To this we have added our social, user

community that allows users to create individual user pages, post content, connect with other users, form groups, ask questions, comment on content, post blogs, etc. We have also created our own live Internet video broadcast in which we take questions from viewers and answer them in the broadcast.

We are in the process of creating free, online courses in the music and entertainment businesses, in which “students” enroll into a classroom that is organized as a company. Students learn by doing and do by learning. They actually sell the music and creative property of their classmates and organize themselves into groups that reflect the departments of a media and arts organization. For an example, see: intrombs.ning.com/. (Also, see Appendix D.)

E. Collaborations:

Another way Artists House responds to the challenge of educating artists and arts entrepreneurs is by videotaping and broadcasting conferences and seminars on the subject that are produced by other institutions and nonprofit organizations. We think of it as putting a megaphone up to their message. This not only gets the message to more people, thus creating a greater impact for message and the presenting institution or nonprofit organization, it also strengthens their role in the community. The information itself is available everywhere, to everyone, asynchronously, and forever on the Internet. This “megaphone” strategy is impact squared.

Institutions and organizations with which we have collaborated in this way (the videos are currently available on the Artists House site), include: the Coleman Foundation, the College Music Society, National Academy of the Recording Arts and Sciences (NARAS), Berklee College of Music, USC, NYU, Cal Arts, UCLA, Princeton, Loyola University, The Actors Fund, The American Bar Association, The American College of Sports Medicine, Columbia College, the Juilliard School, The Folk Alliance of Memphis, the New York Philharmonic, and the New York Metropolitan Opera Guild. We worked with the Finnish Consulate in New York along with the New York City Public Schools and NYU to produce an all day seminar on music education in Finland. Exporting professional musicians and orchestral conductors has become a cottage industry for Finland.

Another way that the work of Artists House can achieve the mission and fill the need is to be useful in the educational community. Artists House is providing information and tools to be useful in college and university programs in entrepreneurship, music and entertainment industry studies. Most music schools and conservatories offer an extensive education in the arts but do not provide any business or career information that students need to enhance their long-term career and professional chances of success in worlds of art and popular culture. Artists House seeks to address this imbalance.

With more time, effort, and minimal financial support, we can make it known to more institutions that this resource is available. It is important to emphasize that this utility is not an idea; it is a reality. It is already in practice and functioning well. I use video widgets from the Artists House site in my courses at Loyola University and as added value for our websites. Many for-profit companies already embed widgets of our content in their site, such as The American Songwriter, GearsLutz, Crazy Hits, and the Velvet Rope. That is, our content is being shared virally, and thus reaching more people every day.

F. Why We Are Here:

We seek to help entertainment entrepreneurs take advantage of the opportunities the statutory structure allows. The more they avail themselves of these opportunities, the more art, music and creative enterprise there will be and the more people will be engaged in it, not to mention the increased number of people who will be affected by the art itself. A self-sustaining artist is the gift that keeps on giving.

There is economic resonance in the activities of an artist that does not attach to the activities of anyone else. The artist creates property rights that can lead to the employment of other people. In these difficult economic times, when unemployment is increasing every day, we need economic stimulation that is immediate and sustainable.

It is very clear to us that an entrepreneurially awakened musician and artist could immediately create commerce and economic stimulus by selling something they weren't selling yesterday. These assets can be monetized. Not all of them perhaps, but many more than currently are being monetized.

We already have in place the content, the infrastructure, and the processes to achieve the goals we propose. We have experience achieving our goals. We are not asking for funding for an idea. We are DOING what we are talking about. We are asking for funding to take an exploding idea to the next level of outreach and of sustainability. The more people we reach, the greater impact we have, the more artists and arts entrepreneurs will be monetizing the work, creating more value and thus impacting the economy and the culture at the same time.

G. Entrepreneurship for the Non-Performer:

There is great resonance to the creative work and in the monetization of it. We feel that it is our sacred duty to make it possible for more of this creative work to exist through the work of more artists and more arts entrepreneurs. We have discussed above our efforts to inform and educate performers, artists, and players. But very little attention is given in business schools or music schools, or on the

Internet to the arts entrepreneur, to the non-performer as entrepreneur. There is vast entrepreneurial power in these people that can be unleashed with the same information and education. And it's not just about "entrepreneurship", it's about "ethical entrepreneurship".

It is unrealistic to expect all artists to run their "companies" in a business-like manner, but it is quite realistic to expect that others who share their passion for music but do not perform it to be able to run these companies in a business-like manner. We seek to inform and serve those people as well as artists and musicians. The businesses of music, art, and entertainment are the ripest of all entrepreneurial opportunities. Their products are endless, they are inexpensive to make, they are capable of capturing the human imagination and creating a great amount of value, commerce, and wealth.

These people are just as much "talent" as those we call "artists". Together, they can create enterprise that calls on the unique skills and abilities of all concerned. This will be an enterprise that favors creativity and innovation in all of its members. The over riding premise is the uniqueness of every person and their potential to act creatively within an organization made up of people who share the same values and goals.

It is possible that this could be a virtual enterprise, a structure for an organization where members of the community agree to provide certain skills and undertake particular responsibilities, and share in the profits of the enterprise that celebrates and monetizes the intellectual property of its artists, its workers, and others in their community.

This is a new model. The old models for the monetizing of intellectual property are crumbling. The new models will be those based on communities of shared values. These new models will be more humane, more balanced, more respectful of all concerned, more integrated and transparent, fairer, more ethical. (See Appendix D.)

It is our hope that our content will become more and more the creation of our community, from the amateur and the aspiring artist to the professional and the practitioner. We hope to become a place where individuals can help the community, as well as each other, with information, expertise, and advice.

H. Summary:

To summarize what we expect to achieve through our efforts, let me first say: change the world. Let's just get that out of the way first. Obviously, we all fervently believe in the power of music and art of musicians and artists to make the world a better place. But more to the point, we hope to show artists and

musicians how to think of themselves as businesses and therefore how to sustain themselves in being. And to that group we would add ALL those people who want to work in and participate in the worlds of music and art.

We believe that these people are natural entrepreneurs and are ripe for information and education concerning their businesses, businesses built around their own creative work, their own “intellectual property”.

“You didn’t know till I told you, now I told you, now you know.” – New Orleans hip hop artist

This is an empowering concept for both creators of intellectual property as well as for those who wish to make a living through the sharing and “exploitation” of that intellectual property. Done right, this concept will create the environment where an artist’s creation is equal to the creative acts of those who are charged with monetizing it. And all involved share equally in the results. Shared values create a self-sustaining, creative, cooperative, and economically healthy community. That is what we hope to achieve.

V. Time Frame (When)

We have been engaged in this project for the last 5 years and began with very little funding. We evolved from an emphasis on DVDs to the use of a website to reach the maximum number of people. We were in development for almost two years and we have been “live” as a website for almost two years. We have experienced steady and significant growth and we are poised to increase our reach dramatically. Our work turns from site and content creation to outreach, marketing, social networking and tending to our user community.

We expect that it will take 2 years to reach this next level of impact and outreach, to take us from the level of 4,500 users per day to 10,000 users per day. We expect to become more and more self sufficient as our community grows, and we expect to be able to monetize our activities by offering tuition-based, online courses in specific topics, via live video conferencing and using the classroom as company model described above. We may solicit contributions from our users and we may consider accepting advertising in the form of one advertiser per week, and that company has to be one who’s values we share and who we think is providing an important service or product to our community.

We are balancing our mission of keeping the information free with the need to pay the basic bills. Those costs decrease daily and community involvement increases daily, so we feel that we are on a trajectory of self-sufficiency, with a mixture of commerce, advertising, online courses, and Internet services providing the sustainability we seek.

We expect that with two more years of funding, at a significantly lower level than we have been receiving from the Herb Alpert Foundation, we will be able to reach our goal of self-sustainability.

VI. How Much

\$360,000 over two years, or \$180,000 for each year, would keep the organization running. It would provide the funds necessary for us to meet our goals of increasing our numbers of users in our target markets as well as allowing us to achieve self-sustainability, obviating the need for funding of this nature in the future.

We consider this request as our last step towards the goal of sustainability. We are not asking for funding for content creation, for website construction, for development of functionality, or for start up funds of any kind. All of these things have been accomplished. The money we are requesting is mostly for operational expenses.

Our budget is like most other small arts organizations: we have people, rent, overhead, and professional services to pay. Our editors are volunteers, we make use of inexpensive student labor (different wording?), the only people we pay full time are a website programmer, management, and a office manager/bookkeeper (total of \$130,000). We pay for server expenses, accountant, part time workers, and overhead of around \$4,000 per month. (See Appendix B)

As I mentioned above, the funding from the Herb Alpert Foundation has ended with their last contribution in August 2008. These funds will last us through the end of August 2009. We have various ideas in the works for creating revenue and several ideas for grants from other foundations that might share our interest in empowering arts entrepreneurs of all fields and genres, such as The Coleman Foundation, Wallace Foundation, Annenberg Foundation and NEA Grants.

VII. Conclusion

We feel that our efforts to inform and encourage entrepreneurship in artists, musicians, and others who want to participate in the cultural economy are completely consistent with the broader goals and mission of the Kauffman Foundation to “promote positive education and accelerate entrepreneurship in America”. You consider your grants to be investments and you expect a return on your investments. We offer you the opportunity to achieve this goal in an area that is worthy of your increased attention: arts entrepreneurship.

And we offer you that opportunity in a manner that is exponential in its impact. Our activities have secondary and tertiary levels of resonance (e.g., a successful musician buys more music products). Our activities empower artists to run their “businesses” efficiently, innovatively, and profitably, and for every successful artist, there are multiple jobs created. That is a maximum return on your investment. It is not just art and culture we seek; we seek the business and commerce that art and culture can create. We believe that this goal will be accomplished through the application of entrepreneurial principles to the natural “creative work product” of the musician, writer, or artist.

Artists are small businesses and small businesses are the economic life-blood of this country. Technology and the Internet have not only removed all barriers to entry in these businesses, they have provided the opportunities, platforms and distribution channels for all artists and entrepreneurs to employ to monetize their creative work product. This is an economy that is built on an entirely renewable resource, makes little demand on physical or financial resources, and is accessible by everyone with an idea, an instrument or a “work”.

We live in a time when every kid with a guitar and an Internet connection is a recording company, where every songwriter is a publisher, where everyone with a camera is a filmmaker or content producer. Where everyone is a citizen journalist through blogging, an advertiser through Google ads, a broadcaster through uStream and YouTube. We live in the world where almost all content is digital and therefore freely available on the Internet.

This new world presents vast opportunities but there are several threshold challenges to be overcome. Challenge number one: convince the artist that she is a walking business, whose work creates a bundle of rights that can be monetized. This realization has serious implications. It's not a matter of checking a box or filing a form. The artist became a business when she wrote the song. Challenge number two: showing the artist how to run her business(es) in an efficient, conscientious, productive way, according to basic business principles.

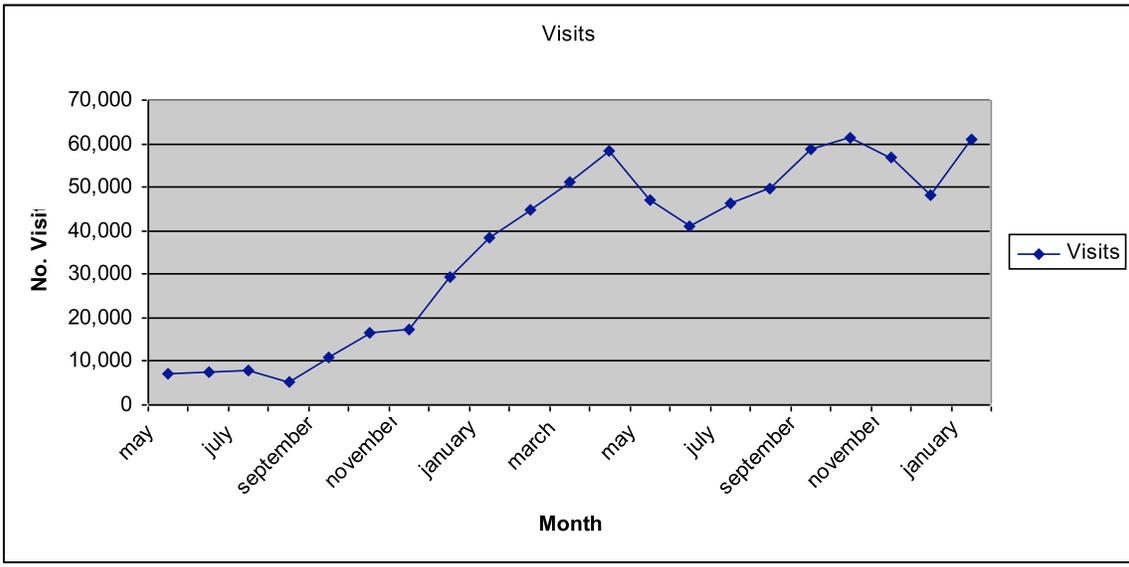
There is great economic resonance to be had from the application of entrepreneurial discipline to the monetization of creative property. Every musician and every artist is a business on the hoof, a natural resource capable of creating value and wealth, enterprise and commerce. Talent is the solar energy of the economy. It's abundant, it's renewable, and its importance cannot be overstated.

We are not asking for funding to allow us to manifest an idea. We are already reaching our markets and we have already reached a certain critical mass in terms of content, functionality, and number of visitors. We are an ongoing and growing concern that needs bridge financing to get us from where we are to the safe shores of sustainability and maximum impact.

Appendix A

Artists House Music: Demographics

Artistshousemusic.org:



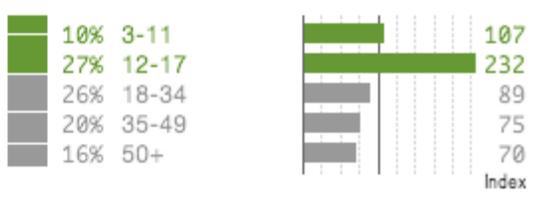
Female



[Embed](#)



Teens

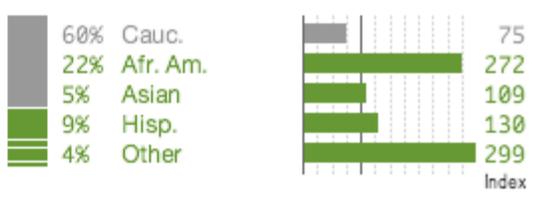


[Embed](#)



Other Ethnicities

There are more visitors of other ethnicities here than average.





Has Kids 0-2 In Household



Children in Household | [Embed](#)



Middle Income

This site attracts a middle income audience.



Household Income | [Embed](#)



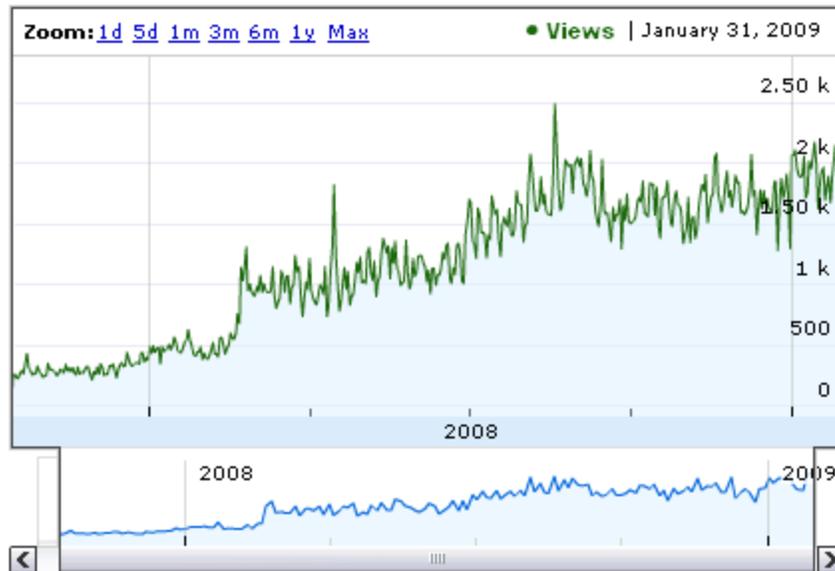
College Graduates

There is a high index of College Graduates here.



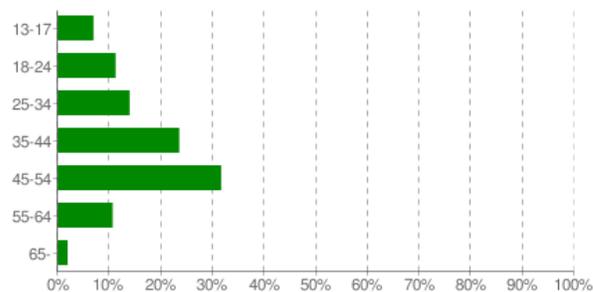
100 index is internet average

Artists House YouTube Channel:

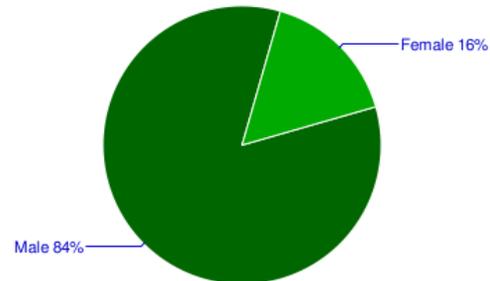


Who is watching the videos in this channel?

Age ranges for both genders



Genders for all age groups



What this means:

We're now reaching more than 2,000 people a day without any search engine advertisement. We have hit this plateau in the past but not without help from networks such as AdWords. As such, though the first graph doesn't do a wonderful job of showing it – we're continuing to experience traffic growth. Since May 2007 artistshousemusic.org has served more than 775,000 visitors.

According to Quantcast, the website reaches predominantly teenagers and college students. Compared to other websites, artistshousemusic.org has a high number of African American and "Other" minorities coming to the website (though 60% of the site's traffic is still white).

Interestingly enough, the Artists House YouTube channel serves a different clientele. YouTube visitors are mostly male and mostly middle age. If the website teaches students, the videos on YouTube teach their parents.

Since August 2007 Artists House videos have been viewed on YouTube more than 750,000 times.

Total combined reach: in excess of 1.5 million users

Appendix B

Budget for Artists House Foundation – August 2009 through August 2011 \$360,000

CATEGORY	MONTHLY	YEAR 1	YEAR 2
Management	\$3000.00	\$36000.00	\$36000.00
Office Mgr./Bookkeeping	\$3300.00	\$39600.00	\$39600.00
Programmer (independent contractor)	\$4000.00	\$48000.00	\$48000.00
Rent	\$1868.00	\$22416.00	\$22416.00
Overhead	\$750.00	\$9000.00	\$9000.00
Accounting Services	\$500.00	\$6000.00	\$6000.00
Part Time	\$500.00	\$6000.00	\$6000.00
Server	\$700.00	\$8400.00	\$8400.00

<u>Design</u>	<u>\$350.00</u>	<u>\$4200.00</u>	<u>\$4200.00</u>
Total Amount	\$14968.00	\$179616.00	\$179616.00

Appendix C

Specific Initiatives and Plans

We have reached a certain level of achievement, of content production, of functionality, and of use, but we do have plans for future growth and refinement. The following are specific ideas that will address the problems we perceive and help us to achieve the goals mentioned above:

A. Strategic Initiatives

- Emphasize entrepreneurship for the musician and for and non-performers in respect of monetizing creative work
- Become the Internet educational arm for as many for-profit and nonprofit websites and organizations as possible, and address the subject of entrepreneurship more directly and completely with their constituencies
- Encourage schools, colleges, and universities to use our database in their online and classroom courses.
- Become more active in blogs and social networking opportunities on the Internet
- We will address the question of metrics, how we measure our success and impact, both quantitatively as well as qualitatively. We can derive conclusions from data, so we will be carefully compiling, analyzing, and reacting to data on every level: content, functionality, and marketing.

B. Functionality Issues

- Increase traffic stats
- Increase return visits and lower bounce rate
- Redesign the site and streamline the online experience by simplifying the navigation for ease-of-use and efficiency
- Make the site more immediate, more live, more interactive; encourage our own social community
- Create a “curriculum generator” depending on “who” the user may be; for each type of user will create a specific, targeted approach to the content and the database

C. Design Standards and Practices

- Explore ways to refine the existing site structure and simplify its presentation at first glance, by setting rules for consistency in graphic elements
- Set rules to enhance the user’s experience
- Simplify workflow of content creation to publication with respect to our editors and staff
- Alter homepage to better reflect the goals of the site, i.e. identity, purpose, and methodology
- Allocate a set period of time for implementation of actionable items, matching responsibility with accountability more directly

D. Marketing/Outreach

- Create more partnerships and collaborate with more institutions and organizations
- Increase site traffic and membership in our social community
- Push content to social networks/blogs by introducing widgets
- Micro-market the content of the site depending on the psychographics of particular groups by creating landing pages for key content based on the characteristics of the user
- Involve more “name bands” and well-known artists in the site, both to connect the subjects and the information to the user as well as to stimulate search engine traffic
- Create more partnerships with nonprofits as well as for profits; become the educational arm of as many related sites as possible; expand our relationship with NARAS and create relationships with all music libraries and other entrepreneurial activities that benefit musicians
- Market the site to teachers more effectively, creating tutorials about how the site may be useful in the classroom
- Become associated with state music and film commissions and seek links on their sites; become their educational arms (already true for the Louisiana Music Commission)

E. User Experience

- Encourage more user questions via our “Ask an Expert” function and our discussion boards
- Create contests for band “demos” and songs
- Feature and promote our best content
- Increase pages viewed per user and time spent on the site viewing the content
- Add “was this page helpful” link and track results
- Create topic narratives and practical tutorials
- Create a virtual world built around a band using “second life” (animation and avatars)
- Create landing pages and organize content based on the answer to the question “I am a” (student, beginning musician, professional musician, industry professional, want to be an industry professional, teacher)
- Encourage user created content be posted to the social arm of the site
- Create search intercepts to direct users to landing pages or search results
- Continue our educational outreach program and create tools to help the teacher and the educator to create and teach courses related to our subject matter

F. Content Production

- Shoot seminars and events produced by others; encourage user created content; acquire content from schools and universities
- Create more narratives, connecting the dots of the database. Rather than have 50 clips on “copyright”, create a module on “copyright” with an editor/teacher telling you about the subject using videos from the database, Power Point slides, and URLs – create a narrative, connect the dots
- Encourage journalism students in various universities and colleges to become reporters/bloggers for Artists House, presenting themselves as representatives of an important voice on the Internet in the music community
- Artists House will continue to focus our content and our efforts on entrepreneurship and sustainable careers going forward.
- Connect the dots of the database and create more “how-to” tutorials
- Shoot more conferences and seminars and to engage with content presenters to video tape their events for distribution on the Internet via Artists House and their own sites

G. Tool Boxes

- We will organize play lists of specific content to create “tool box” widgets for the artist and the entrepreneur, organized by topic, skill, or career step.

These are sharable and easy to embed in any social networking site, other website, blog, or course management system. These toolbox modules could be strung together in ways to apply to a variety of career situations.

H. Press

- We are considering producing pamphlets or other printed materials with respect to basic entrepreneurship in the music and creative property businesses, that is, the work product of artists. The main purpose of such printed materials would be to drive traffic to the site and to use this method, along with all online methods, to drive home the point: musicians and artists are businesses and can have careers through the application of the same creativity they use to create their art, to create their business. To create a sustainable career for themselves.

I. Outreach

- Artists House principals will give presentations to like-minded organizations. For instance, Chicago's C.A.R. has expressed interest in having Artists House provide a series of lectures to their constituents. This approach would have multiple levels of positive impact. Beyond the obvious benefit of providing needed information, this approach essentially creates partnerships with other organizations, all of which will have the opportunity to introduce their constituents to the Artists House site. We will also be collaborating with more organizations to produce content and sharing our database and content with their constituencies.

Actions and next steps lead to the execution of a detailed plan, one that flows naturally and obviously from the mission, vision, values, and goals of the organization and are directly connected thereto. Random acts of improvement are to be avoided.

Appendix D

Classroom as Company, Company as Classroom

We are enthralled with the idea of classroom as company, company as classroom in the virtual environment. We believe think we can make this work as a model for making “industry” out of the creative enterprise. It’s simple: songwriter writes song, it’s recorded, both artist and song are monetized, artist gets career, song creates revenue streams, more music/visuals get made, more communities are created, and worker/stockholders share profit. The model is scalable and replicable.

This is virtual free enterprise built around the exploitation of various rights: copyrights, trademarks, contractual rights, and personal rights. The data resulting from the process and the activities themselves creates value and will reveal the roadmap for sustainability.

If you pay attention to it, manage it, administer it, and if all functions are more or less done efficiently, you will have a virtual media company, created from a classroom. In fact, the classroom always attaches to the company.

The company is a product of education and it is a purveyor of it. Education is, in fact, one of its products. The name of the game is to LEARN how organizations work and how the functions of that organization mesh to produce specific, intended, innovative, and creative results as you engage in that very behavior. It's not just a matter of learning by doing, it's doing by learning.

The class is organized in groups, in departments: company management, creative services, production, A&R, marketing, distribution, sales, merchandise, special products, international, finance, legal/business affairs, aggregation/compilations, broadcast (audio, video, etc.), education, customer relations, HR, etc. The point is to start with the core functions, the core departments, have the students sign up for their choice. Ning functionality pertains to the groups, the groups do their job with respect to the creative work that comprises the company's productions and services.

These departments can take on outside business as well. The marketing department should act entrepreneurially and seek business, growing as necessary, although not autonomously. We seek a corporate character that is entrepreneurial and creative in every respect. Combined with respect for those in company itself as well as respect for "customers". But when customers are members of a community, that's a different level.

Each group could have its official, employed members and that group could, in addition to doing the work of the enterprise as related to their field, and outside work as time and resources allow, they could also create other groups of "interns" or "volunteers" from the Internet at large. These "interns" wouldn't share in the profits as the members would, but they are being trained to eventually join the community, so they receive value for their participation. In this way, the "classroom/company" is not closed, although it does have three levels of participation: administrative, members, guests.

Music creates fans, short for fanatics, and that is one inspired customer. The power of this community of fanatics is clearly unlimited. Suppose you were to be able to organize those people according to their individual talents. And suppose there was this three-dimensional quality to it. For example, the designer in the creative services department has her own business on the side as a photographer. Well, the community celebrates her photography by visiting the gallery of it on the site. The focus is on the company's "products", but since all participants have their own user page, they may engage in their own enterprise.

You learn it as you do it, like a machine assembling itself from the actions of the community, of the participants. In this way the business evolves organically, from

essentially nothing. The only real requirement for this business to be created is for a songwriter to wake up and pick up her guitar. Do you see it? It's all about the INDIVIDUAL power, and the business part comes with communities of individuals aligned by common purpose and shared values. This is just a fancy way of saying, "I like your music, dude."

An industry pro oversees each "department". The culture of the organization is built around music. The people in the company/ classroom will live with the music and the artists and give thought to their responsibilities to them. How do you think about this need that this product creates? I want the videos and the music to be omnipresent on the site. I want the virtual community to be a creative community.

The thin air is the creative act. And this makes business – it makes a beeline to business. It is instant business. No capital is required to make this business. It may cost a little money to engage in it, and a lot of money if the economy of scale warrants it, but there are no barriers to entry to this business.

In this virtual company will be individuals with their own user pages for their own stuff, including radio and tv broadcast, their own players, their own materials, their own blogs. In this social community, the members have roles and responsibilities, and share the acceptance and the allegiance to a common goal. Mission, values, goals align. "I may not make the music but I sure as hell love to market it. In fact, I am the John Lennon of marketing."

The trick is to create a structure and a process template in which every position has a detailed job description and a specific function in the larger enterprise. The trick is to create the environment and the process check lists to make the gears mesh so that the machine works efficiently and in harmony. It's company as symphony orchestra. Such a structure accommodates all levels of proficiency and expertise. But as is common in other areas, the beginners become intermediates and the intermediates become experts, with all gradations in between, depending on time, resources, and training.

In this model, since the work force is virtual, the choices are unlimited, and presumably the quality will be high on every level of the enterprise. We can use diagnostic tools to channel applicants (or students) to the appropriate positions.

We will engage a dozen industry "mentors" to monitor and interact with each "group" or department. And we should have a "teacher's blog" or "instruction blog" for every department. Each group is charged with creating its own culture of communication and interaction, and the development of an approach to their responsibilities that not only meshes with the other departments but achieves unique and innovation methodology in respect of those responsibilities.

Classroom Inc. is a way of learning organically, of creating commerce organically, of using the power of social networking to create groups based on shared values as part of a large enterprise, a larger group. The idea is to find talent, not just musical talent, but all talents related to the enterprise of monetizing creative work. The idea is to “train” this talent to make it aware of its opportunities not only individually but in relation to the group.

Simply put, the classroom as company, company as classroom idea is the horizontal reality and practice of the vertical “fields” or “courses” in a typical curriculum. Typically, subjects are taught in a train. In our concept, they are taught and learned concurrently, as they inter-relate, as they each affect the totally mechanism, the overall organization.

Further to this, we accomplish these results by using the social networking, group organizational technologies that young people currently employ on the Internet. Our course basically operates like Facebook plus Blackboard, like a social networking site and a course management system co-joined, creating an actual media company as a structure for these methodologies. The educational component is presented in the form of “topics”, and these topics are organized in the same way that things are organized in a course management system: subjects, objectives, assignments, props (PPT, etc.) texts, media, discussion boards, student posts, testing/grading mechanism.

If we can perfect this model, that is, be able to make each of the “groups” organized according to responsibility and product/services/administration flow; if we can connect them to one another; if we can perfect the organizational structure and the structure of responsibilities as they relate to the processes necessary for the organization to work, we will have a model that not only gets the job done but it encourages creative solutions. The challenge is to create a structure that is tight enough to cause a work flow to happen but loose enough to allow for creative solutions to achieve the ultimate purposes of that work flow.

In this way the class is learning more organically, less linearly, creating many more points of view and various ways of looking at the same issues. This is a much richer way to learn and much more individualistic as well. It causes the student to develop as an individual more quickly by playing to their own strengths and shaking their “interests” like a snow globe, so that they are all floating around them at once, making it easier to choose where they want to start, but always aware of where they are in the bigger picture, including the other elements/topics that they need to know about in order to fully understand the world they are in.

Classroom as enterprise and enterprise as classroom makes both better places to be, and they both improve as a result of the reflection of the other. Academic integrity is enhanced and respected and enterprise is elevated to be more thoughtful, fully

integrated, and better organized. Theory is tethered to practice and practice is made perfect by the application of theory and accumulated knowledge. This makes for a humane and efficient world, where learning is prized and art and commerce co-exist to the betterment of the economy and the culture.