

MEMORANDUM OF UNDERSTANDING

This document constitutes an understanding between the State of Alaska Department of Commerce, Community and Economic Development (DCCED) and the Alaska Travel Industry Association (ATIA) to collaborate on a \$14.7 million Destination Tourism Marketing Campaign for a one-year period commencing on July 1, 2011 (FY 2012). It is the intent of this Memorandum of Understanding (MOU) to articulate the collaborative approach toward implementing the FY 2012 Destination Tourism Marketing Campaign that will: enhance the economic opportunity for large and small businesses to participate in marketing programs; and create awareness of Alaska as a tourism destination.

Except, and only to the extent provided by applicable law, no creditor or third party shall have any rights under this MOU or any agreement between the parties. This MOU is effective when signed by both parties and expires on June 30, 2012. Nothing in this MOU shall be construed to limit or modify the authority or legal responsibility of any participating agency.

BACKGROUND

In 1999, the Alaska Legislature consolidated tourism marketing functions performed by the Alaska Tourism Marketing Council, the Alaska Visitors Association and the Alaska Division of Tourism with intent that they be performed under contract with a qualified trade association. For 11 years, from FY 2001 through FY 2011, ATIA has functioned as the State of Alaska's qualified trade association and the official tourism marketing organization. The Destination Tourism Marketing Campaigns were funded by appropriations through the DCCED qualified trade association budget component and by named recipient appropriations to ATIA. In addition, private sector tourism businesses matched state funds at varying levels.

For FY 2012, the Alaska Legislature appropriated money to DCCED to carry out a tourism marketing campaign. Under AS 44.33.120(b)(1), (3), (5), (6), and (9), DCCED is authorized to cooperate and coordinate with the private sector to plan, implement and promote the development of tourism into and within Alaska. This MOU represents DCCED's plan to collaborate with ATIA on a Destination Tourism Marketing Campaign to maximize public and private sector investment in tourism marketing and leverage the \$12 million appropriation to DCCED into a \$14.7 million FY 2012 Destination Tourism Marketing Campaign.

GUIDING PRINCIPLES

Continuity. Prior to the Legislative appropriation to DCCED for FY 2012, significant time and public/private resources were expended on the development of the FY 2012 Destination Tourism Marketing Campaign. It is the intention of DCCED and ATIA to build from this framework and implement a Destination Tourism Marketing Campaign as outlined herein. Each party agrees to work with the other to cooperate in the implementation of this \$14.7 million Destination Tourism Marketing Campaign for FY 2012.

Economic Development. Strategic investment of public and private sector resources is essential to further development of Alaska's visitor industry. DCCED and ATIA will endeavor to coordinate activities and resources in order to stimulate economic growth.

Tourism Marketing Revenue. DCCED has been appropriated \$12 million towards a Destination Tourism Marketing Campaign. Additionally, it is anticipated that ATIA will generate \$2.7 million in funds in the execution of the FY 2012 Destination Tourism Marketing Campaign from: (1) the sale of ad space in the travel planner and consumer websites; (2) the collection of attendance fees for the Alaska Media Road Show and the New York Media Event; and, (3) the Tourism North and

other Destination Tourism Marketing Campaign cooperative marketing and contribution programs. This revenue may be collected by ATIA conditioned upon ATIA's use of these funds to execute the \$2.7 million portion of the Destination Tourism Marketing Campaign associated with the program costs for implementation, travel trade and international components as described in Appendix B. Any revenue generated in the execution of the FY 2012 Destination Tourism Marketing Campaign and collected by ATIA that is not used as described in this section shall be returned to DCCED, or with the written approval of DCCED, may be used for another purpose consistent with the Destination Tourism Marketing Campaign. All revenues generated by ATIA from sources, not part of the Destination Tourism Marketing Campaign, include without limitation, from ATIA's: member dues, convention, ATIA's organizational website, and other products/tourism programs/tourism events, shall remain the property of ATIA.

Communication and Consultation. Shared information is important for the successful implementation of the FY 2012 Destination Tourism Marketing Campaign. To the extent allowed by law, the parties agree to share information. The operative management description for implementing the Destination Tourism Marketing Campaign shall be "advise-consult-direct." Under "advise-consult-direct," ATIA and DCCED shall *advise* and *consult* on matters related to implementing the FY 2012 Destination Tourism Marketing Campaign, but each party will retain responsibility and authority for *directing* the program elements and professional services contracts assigned to it through this MOU.

Involving Other Partners. The Alaska tourism industry and community organizations are valuable resources for furthering the goals of tourism marketing. DCCED and ATIA will venture to identify additional partnering opportunities where practicable.

IMPLEMENTATION

ATIA agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- Work with DCCED to implement the FY 2012 Destination Tourism Marketing Campaign including providing support and documents to facilitate timely implementation of the campaign such as marketing program and other materials or documents as mutually agreed to by the parties.
- Direct Destination Tourism Marketing Campaign revenue-generating activities and projected cash flow for implementing a \$2.7 million portion of the Destination Tourism Marketing Campaign.
- Provide a seat on the ATIA Marketing Committee and the Marketing Planning Committee for a DCCED representative as assigned by the DCCED Commissioner.
- Direct the international components identified in Appendix B of the MOU including the international marketing contracts with ESTM Tourismus Marketing [German-speaking Europe], AVIAREPS Marketing Garden [Japan], AVIAREPS Oceania [Australia], MGA Communications [United Kingdom] and AVIAREPS Marketing Garden Korea.
- Direct travel trade projects as identified in Appendix B including the contract with Forget-Me-Not Communications.

DCCED agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- To the extent possible, maintain continuity in the Destination Tourism Marketing Campaign as outlined in Appendix A of this MOU, and direct the following marketing contracts:
 - Bradley Reid & Associates / for a national advertising also called a "direct response campaign," a "consumer marketing campaign," or an

- "image campaign," including collateral development and other marketing materials. Management includes all work done for the North to Alaska and Joint Alaska-Yukon marketing programs and as well as specific international programs;
- Thompson & Co. / for a national public relations, special event and social media campaign including working with domestic travel writers, broadcasters and social media journalists to produce positive editorial coverage about Alaska, and as well as specific international programs;
 - Dawley & Associate / to provide technical assistance, security and consulting regarding changes or improvements to the www.travelalaska.com website, including web strategy and hosting, and with work associated with the North to Alaska program and as well as specific international programs;
 - GMA Research / for a conversion study to determine how inquiries generated by the consumer direct response campaign translated into actual visitors and research reports, and for work associated with the North to Alaska campaign;
 - AKA Direct / for fulfillment services related to receiving all inquiries generated by the advertising "direct response" campaign and for inputting all source data, mailing the State Vacation Planner and maintaining a warehouse to store the vacation planner and other tourism collateral material including fulfillment of the North to Alaska guide.
- Provide a DCCED appointment to the ATIA Marketing Committee, Marketing Planning Committee and the North to Alaska working group. DCCED will attend and participate in committees and working groups as well as ATIA board meetings.

DCCED and ATIA agree to work together in good faith to accomplish the following:

- Develop a draft Destination Tourism Marketing Campaign and budget for FY 2013.
- Facilitate communications and successful implementation of the FY 2012 campaign and maintain ongoing communication on marketing issues and opportunities under the following framework:
 - The DCCED Commissioner will designate a project director to oversee and direct all marketing tasks done by all contractors assigned to DCCED.
 - The project director will work with each contractor on the implementation of the Destination Tourism Marketing Campaign. Contractors will advise DCCED on all pending tourism marketing issues. DCCED will inform the ATIA President or that officer's designee who shall make recommendations to DCCED about such pending tourism marketing issues.
 - The DCCED Commissioner and project director will be the liaison to the ATIA President or that officer's designee on all issues that arise during FY 2012.
 - As outlined in Appendix B and noted above, ATIA will direct and oversee trade and international projects and manage the international contractors. However, for tasks associated with DCCED contractors for which DCCED assumes budgetary responsibility, ATIA will consult with and provide recommendations to DCCED on marketing plan, contractor billing, and all associated project work including approving project work and media assistance.

- Invoices from contractors managed by DCCED must be sent to both the DCCED project director and the ATIA President or that officer's designee. Within 10 days of the receipt of invoices, the project director and the ATIA President or that officer's designee will meet to review invoices. After joint review and DCCED approval, DCCED will process the invoices for payment and within the required state time frame.
- When budget savings or overruns are identified by contractors managed by DCCED, the amount will be reported to the project director with a recommendation for reallocation. Then, DCCED's project director and ATIA's President or that officer's designee will evaluate marketing program costs and adjustments at least quarterly with the ATIA Marketing Committee who will make recommendations to DCCED.
- ATIA and DCCED will keep an up-to-date budget tracking report for each contractor billing that shows the ongoing budget status of the Destination Tourism Marketing Campaign. These reports must be forwarded to the DCCED Commissioner, the ATIA President or that officer's designee, and the ATIA Marketing Committee on a quarterly basis.

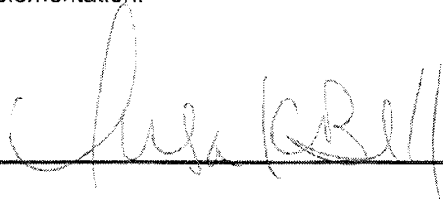
APPENDICES

The following identified Appendices are attached to this MOU and incorporated herein by this reference:

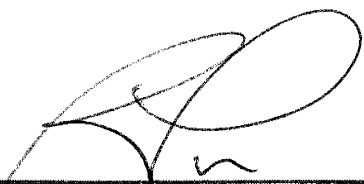
- Appendix A – DCCED Campaign Elements
- Appendix B – ATIA Campaign Elements

SIGNATORIES

By the signature of their representatives, each party recognizes the intent, the guiding principles and implementation responsibilities outlined in this MOU and will work toward its full and timely implementation.



Susan K. Bell
Commissioner
Department of Commerce, Community & Economic Development



Ron Peck
President & Chief Operating Officer
Alaska Travel Industry Association

8-8-11

Appendix A

DCCED Program	Base Budget	Total Budget	Notes on Core Budget & Budget Additions/Changes
Advertising	4,900,059	4,900,059	Includes Forget Me Not Communications budget for consumer shows
		40,500	International Trade Show booth space from core program
		88,000	Tour Op/Travel Agent Mkting + Seatrade booth from core program
		95,000	Assumption of J.Henry contract for ad effectiveness study from core program
		2,480,220	For additional television buy
		50,000	Add'l digital marketing funds/pay-per-click for those searching AK travel info
		15,000	Additional agency admin to manage additional contracts/work
total advertising			7,674,779
Public Relations	777,000	777,000	
		4,000	Trade Newsletter assumed from core program
		55,000	Int'l media asst. assumed from core program
		17,500	Add'l funds for core program/media outreach
		25,000	Add'l funds for core program/social media
		50,000	Special Opportunity
		10,000	Additonal agency admin to manage additional work
total PR			938,500
Fulfillment/Collateral	1,335,000	1,335,000	Production, printing, postage, label input services and DMO collateral print.
total fulfillment/collateral			1,335,000
Web/Internet	490,821	490,821	
		67,250	Assumption of Destination Analysts contract for website research/usability
		20,000	For development of new website content
		80,000	For content customization based on user profiling/conversion information
		75,000	For translating website into Korean based on projected increase in tourism
total web/internet			733,071

Appendix A

DCCED Program	Base Budget	Total Budget	Notes on Core Budget & Budget Additions/Changes
Coop Leads & Sales Kit		225,750	Coop program including leads, sales kit from core program
			225,750
Research	450,750	238,500	Conversion study, coop research and travel intentions research.
total research			238,500
North to Alaska	500,000	500,000	For printing all N2A collateral and website updates/magazine advertising
			500,000
Instate Marketing	150,400	150,400	For targeting instate travelers, multi-quest research and planner dist.
total instate marketing			150,400
Travel Trade	92,000	30,000	Represents new funds. Core budget moved to Advertising & PR budgets
total travel trade			30,000
International	95,500	0	Moved to Advertising and Public Relations budgets
Film-related Tourism Promotion	0	20,000	For a tourism-related promotion or program TBD
DCCED Implementation	0	60,000	Direct expenses for program implementation
Contingency	0	100,000	To be held for unforeseen/unanticipated expenses or programs
SUB-TOTAL	8,791,530	12,000,000	
Variance	3,208,470	0	
TOTAL DCCED	12,000,000	12,000,000	

APPENDIX B: ATIA CAMPAIGN ELEMENTS

ATIA Program Elements	Program Costs	Income Revenue	Implementation	Total Program
Advertising		0	156,002	
Public Relations		120,000	107,290	
Fulfillment/Collateral		1,040,000	292,180	
Web/Internet		210,000	98,380	
Research		0	55,450	
Coop Programs		640,000	386,488	
North to Alaska		300,000	65,340	
Instate Marketing		0	20,400	
Travel Trade	270,450	60,000	146,820	
International	859,943	150,000	196,650	
DMO Contributions		150,000		
Annual meeting		30,000		
Variance	44,607			
TOTAL ATIA	1,175,000	2,700,000	1,525,000	2,700,000