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Canada Music Fund Music Entrepreneur Component Aid to Canadian Music Publishing Firms



Application Guide
2012-2013



Music Entrepreneur Component Aid to Canadian Music Publishing Firms Application Guide 2012-2013

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1. INTRODUCTION AND HOW TO APPLY

1.1 Objectives of the Music Entrepreneur Component

The Music Entrepreneur Component (MEC) is one of five components of the Canada Music Fund (CMF). It aims to ensure that established Canadian music entrepreneurs contribute to the Canadian musical experience over the long-term via a diverse range of compelling Canadian musical choices, become increasingly competitive at the national and international level, and position themselves for success in a digitized global economy.

The Department of Canadian Heritage administers the MEC. For more information on the CMF and its components, please visit the Canada Music Fund homepage (<http://www.canadianheritage.gc.ca/cmf-music>).

1.2 Music Entrepreneur Component – Aid to Canadian Music Publishing Firms

The objective of the *MEC—Aid to Canadian Music Publishing Firms* is to strengthen music publishers' ability to develop **Canadian songwriters and composers** and to promote new Canadian musical works in Canada and abroad.

Only **active music publishing firms** that fulfill the requirements detailed in this Guide will be eligible for assistance under this sub-component. Funding provided under MEC is in the form of an annual contribution to assist active music publishers in implementing a business plan that supports the objective of the sub-component.

1.3 Eligibility for other Canada Music Fund components

Business plan activities

- Business plan activities funded under *MEC—Aid to Canadian Music Publishing Firms* will be deemed ineligible for funding under any other CMF components.

Recipients

- Recipients of *MEC—Aid to Canadian Music Publishing Firms* funding will be considered ineligible for music publishing funding under the New Musical Works Component, which is administered by FACTOR and Musicaction.
- Recipients of *MEC—Aid to Canadian Sound Recording Firms* funding are not eligible for *MEC—Aid to Canadian Music Publishing Firms*. However, an affiliated publishing company can submit an application.

1.4 Requirements for a complete application

Application forms (see the CMF Web site: www.canadianheritage.gc.ca/cmfmusic) must be fully completed and all supporting documentation must be provided by the deadline indicated in section 1.5. Words in **bold** are defined in detail in the Definitions section (see section 6).

Applicants must use **financial statements** for their most recently completed financial year to fill out the application form. A copy of those **financial statements** must be provided. The most recently completed financial year must end on or after June 30, 2010.

2011-2012 MEC recipients must submit **financial statements** for the fiscal year immediately following the one provided last year.

While it is essential to submit a complete application, it is equally important to submit only the documentation required to meet program requirements. For example, do not send more SOCAN proofs of registration of Canadian musical works than are required to establish eligibility (see section 2.3) and do not provide a business plan that includes any activities other than those for which you are seeking MEC funding (see page 6).

Please complete and submit the application form to:

Mailing address

MEC—Aid to Canadian Music Publishing Firms
Department of Canadian Heritage
25 Eddy Street, 8th floor, 25-8-S
Gatineau, Quebec
K1A 0M5

Electronic address

cmfmusic-fmcmusique@pch.gc.ca

For more information, please contact us at 1-866-811-0055 (toll-free), 819-953-3369 (direct access to the program) or by e-mail at cmfmusic-fmcmusique@pch.gc.ca

1.5 Deadline

We consider your application to be filed on time if a printed and signed version of the application form, accompanied by all supporting documentation, is sent through mail or by courier and is postmarked **May 17, 2012** or earlier, **or** if the electronic version of the complete application form is received before midnight on the deadline date, and if it is immediately followed by the printed and signed version accompanied by all supporting documentation.

Applications received after the deadline will be automatically rejected.

2. ELIGIBILITY CRITERIA: MUSIC PUBLISHING FIRMS

To be eligible, an applicant must meet all the criteria in this section.

2.1 Number of years in operation

At the date of application, the applicant must have:

- completed three (3) years of continuous operation as a Canadian music publishing firm;
- or
- completed one (1) year of continuous operation as a Canadian music publishing firm and be able to demonstrate that at least one of its **key management personnel** has a minimum of five (5) years of management experience in music publishing.

In either case, it is the date of incorporation as a separate legal entity that is used to establish the required number of years.

2.2 Organizational requirements

From the date of application to the end of term of any **contribution agreement** between the Department of Canadian Heritage and an eligible music publishing firm, the applicant must:

- be a **Canadian-owned and -controlled firm**;
- be an **active music publishing firm**;
- be able to demonstrate **financial viability**;
- have fulfilled all contractual obligations with respect to songwriters' and composers' royalty payments; and
- be a registered member of the Society of Composers, Authors and Music publishers of Canada (SOCAN).

A Canadian music publishing firm is not eligible if its total revenues are in excess of \$5 million in the **reference year** or if the earnings before interest, taxes, depreciation and amortization (EBITDA) for each of the three previous financial years were 20% or greater.

2.3 Eligible Canadian musical works

The applicant must have published a minimum of ten (10) new **eligible Canadian musical works** in the **reference year** composed by a minimum of four (4) **Canadian songwriters or composers** who are not shareholders or principals in the firm. The applicant must **own or control** each of these works on the last day of the **reference year** and must have registered them with SOCAN.

2.4 Minimum music publishing revenues

The applicant must have **net revenues** from all musical works they **own or control** of at least \$40,000 in the **reference year** (important: please refer to the definition of **net revenue** in the definition section). For **Aboriginal music publishers** and for **official-language minority music publishers** the threshold is reduced to \$30,000.

At least \$20,000 of the applicant's **net revenues** in the **reference year** must be attributed to **eligible Canadian musical works**. For **Aboriginal music publishers** and for **official-language minority music publishers** the minimum **net revenues** threshold attributed to **eligible Canadian musical works** is reduced to \$15,000.

Net revenues earned from **eligible Canadian musical works** by **songwriters or composers** who are shareholders or owners of the firm must not exceed 10% of the applicant's **net revenues** in the **reference year**.

3. ELIGIBILITY CRITERIA: BUSINESS PLAN

3.1 Eligible business plan activities

The business plan submitted under this MEC sub-component must directly support the objective of the sub-component to strengthen music publishers' ability to develop the careers of **Canadian songwriters or composers** and to promote new **Canadian musical works** in Canada and abroad.

All proposed activities submitted in the applicant's business plan must be linked to one of the following three categories (the list of activities described under each category is by no means exhaustive; it is provided as an example):

Promotion of Canadian Musical Works

- activities related to the promotion of **eligible Canadian musical works** in Canada and abroad;
- activities related to the “**song plugging**” of **eligible Canadian musical works** on a variety of platforms;
- establishment and maintenance of agreements with international music sub-publishers.

Canadian Songwriter or Composer Development

- organization of or participation in **songwriters' or composers'** showcases and co-writing ventures;
- production of songwriter or composer **demos** (100% Canadian).

Business development

- activities related to the improvement of business processes such as copyright management, royalty tracking or payment systems and the development of digital technologies;
- participation in domestic and international music industry conferences, e.g. MIDEM.

3.2 Business plan requirements

The content of the business plan and its contribution towards achieving the objective of the sub-component will determine the level of assistance allocated to an applicant. The business plan submitted with the application form must include the following elements:

- a brief history of the music publishing firm (approximately 1/2 page);
- a description of the applicant's market: range of publishing services offered, nationally as well as internationally (approximately 1/2 page);
- a description of the extent of Canadian music publishing activities (Canadian musical works, songwriters and composers) relative to the applicant's total music publishing activities (approximately 1/2 page);

- an account of the applicant's financial situation over the past three (3) years (increase or decrease in sales and profit margin) and short- and medium-term financial forecasts (1 to 3 years) (maximum 1 page);
- **a detailed description of the business plan activities that the applicant would like to undertake between April 1, 2012 and March 31, 2013 and for which MEC financial assistance is required; the link between the activities described in the business plan and the objective of the sub-component must be clearly demonstrated (maximum 5 pages);**
- a detailed budget that takes into account the revenues and expenditures related to the implementation of the proposed business plan (please use the Excel format template provided with the application form).

Value-added activities

The business plan submitted with the application should only present value-added activities, i.e. activities that could not be achieved without MEC financial assistance. The applicant's day-to-day activities should not appear in this business plan. Please do not submit the firm's overall business plan but rather a distinct business plan which outlines only the activities for which funding is being sought and demonstrates how they contribute towards the objectives of this sub-component (see section 3.1 above).

3.3 Eligible expenses

Eligible expenditures are limited to those required for the implementation of the applicant's business plan. They must be presented clearly in the budget submitted by the applicant (see application form). The eligible expenditures included in the budget must take into consideration the following limitations:

- To be considered eligible, salaries and benefits must be directly related to the implementation of the business plan. Regardless of the amount requested by the applicant under this budget item, the maximum MEC contribution for the payment of salaries and benefits will not exceed \$20,000.
- Eligible travel costs may include registration fees for industry conferences and trade shows, transportation (economy class only), accommodation and per diem allowances. Regardless of the amount requested by the applicant under this budget item, the maximum MEC contribution for all travel costs will not exceed \$20,000.

- Overhead costs related to the implementation of the business plan may include internet access charges, printing and photocopying, couriers, project management fees, etc. Regardless of the amount requested by the applicant under this budget item, the maximum MEC contribution for all overhead costs will not exceed 10% of the contribution.

The specific conditions relating to the use of funds will be detailed in a **contribution agreement** between the recipients and the Department of Canadian Heritage.

3.4 Ineligible expenses

- recoverable advances paid to **songwriters or composers**;
- hospitality;
- salaries/benefits and overhead costs not directly related to activities detailed in the business plan;
- capital expenditures, depreciation, amortization;
- taxes on goods and services for which the recipient is eligible to claim reimbursement; and
- in-kind expenses.

3.5 Expenses incurred prior to funding approval

The Department will assume no responsibility for any contractual commitments entered into by the applicant prior to confirmation of financial assistance from the Department.

4. ASSESSMENT OF FUNDING REQUEST

4.1 Business Plan Assessment

The business plan submitted by the applicant will be assessed using the following criteria:

- relevance of the business plan's activities and their contribution towards achieving the objective of the sub-component;
- capacity of the music publisher to undertake the implementation of the business plan within the allotted timeframe, e.g. experience, human and financial resources;
- clear and measurable expected results.

4.2 Allocation of funds

The funding provided under the sub-component is in the form of a contribution to support the implementation of the approved business plan of a music publishing firm.

All funds will be awarded on a competitive basis. The Department reserves the right to establish funding priorities and to allocate financial assistance accordingly. The fact that an applicant publishing firm meets all eligibility requirements outlined in the Guide does not mean that it will automatically receive financial assistance.

4.3 Maximum contribution

The maximum total annual contribution per applicant is \$50,000. However, the amount of the contribution cannot exceed 50% of eligible expenses incurred between April 1, 2012 and March 31, 2013.

Furthermore, the financial assistance awarded to an **active music publishing firm** cannot exceed, under any circumstances, the net revenues derived from **eligible Canadian musical works** in the firm's **reference year**.

4.4 Limits on total government assistance

The maximum level of **total government assistance** (federal, provincial/territorial and municipal) cannot exceed 50% of the eligible expenditures presented in the budget submitted by the applicant. This includes tax credits for the same eligible expenses.

5. GOVERNMENT ASSISTANCE: GENERAL CONDITIONS

5.1 Reporting and schedule of payments

Funding recipients will be required to report on the use of funds received and on results achieved. The reporting requirements, the schedule of payment and specific conditions relating to the use of funds will be described in the **contribution agreement** between the recipients and the Department of Canadian Heritage.

5.2 Repayment of government assistance

Since the maximum contribution under *MEC—Aid to Canadian Music Publishing Firms* is less than \$100,000, recipients are not required to repay the contribution.

5.3 Acknowledgement of support

All funding recipients must recognize the financial support provided by the Government of Canada by printing the acknowledgement text on any promotional material, press release, Web site home page, or any other form of written communications related to any activities funded under the sub-component. The conditions for the acknowledgement will be specified in the **contribution agreement** between them and the Department of Canadian Heritage.

Recipients must be prepared to assist the Department of Canadian Heritage in preparing public announcements or promotional events about their contribution.

5.4 Audit

The Department of Canadian Heritage reserves the right to conduct audits of funding recipients. In such cases, recipients must make available any records, documents and other information that may be required to perform the audit, including those used to prepare their funding application.

6. DEFINITIONS

Aboriginal music publisher

A music publisher owned and controlled by members of the Aboriginal peoples of Canada and which publishes a significant proportion of musical works created by Aboriginal peoples of Canada, which includes Status and Non-Status Indians, Métis and Inuit people.

Active music publishing firm

In addition to authorizing or refusing to authorize the mechanical reproduction, synchronization or performance of musical works, on behalf of the songwriters or composers they represent, active music publishing firms get involved in a wide range of activities including: overseeing all stages of a work's development, from the creative process of nurturing the development of **Canadian songwriters or composers**, to a work's production, as well as marketing a musical work in Canada and abroad.

Canadian

- a) A citizen within the meaning of the *Citizenship Act*; or
- b) a permanent resident within the meaning of the *Immigration and Refugee Protection Act*.

Canadian-owned and -controlled firm

A firm:

- that is a sole proprietorship, partnership, cooperative or corporation established under the laws of Canada or a province;
- whose principal place of business is Canada;
- whose firm headquarters is based in Canada;
- whose chairperson or presiding officer and more than half of whose directors and other similar officers are **Canadian**;
- that is either:
 - a corporation with share capital, established under the laws of Canada or a province, which **Canadians** beneficially own or control, other than by way of shares held only as security, directly or indirectly, in the aggregate at least 50% plus 1 of all the issued and outstanding votes; or
 - a corporation without share capital, established under the laws of Canada or a province, which **Canadians** beneficially own or control, directly or indirectly, interests, representing in monetary value at least 50% plus 1 of the total value of the assets; or
 - a partnership, trust or joint venture, which a **Canadian** or Canadian corporation or any combination of the two, beneficially own or control, directly or indirectly, interests representing in value at least 50% plus 1 of the total value of the assets of the partnership, trust or joint venture, as the case may be, and of which the chairperson or other presiding officers and more than half of the directors or other similar officers are **Canadian**.

If at any time one or more persons that are not **Canadian** have any direct or indirect influence through a trust, an agreement, an arrangement or otherwise that, if exercised, would effectively result in control of the firm, the firm is deemed not to be **Canadian**-owned and **Canadian**-controlled.

Contribution agreement

A signed agreement between a recipient and the Department of Canadian Heritage that describes the obligations of both parties. Among other provisions, the contribution agreement includes: the purpose of the contribution and the expected results; the duration of the agreement; the reporting requirements expected; and the financial and/or non-financial conditions attached to the contribution and the consequences of failing to adhere to these conditions.

Demo

A demonstration recording of music recorded by either a **songwriter or composer**, or a music publisher, to promote their material and display their works to potential performing artists, agents, labels, film, etc. For the purposes of this Guide, a demo is not a master recording and is not intended for commercial release, i.e. to be sold as a final product or played on radio.

Eligible Canadian musical work

It consists of any work of music or musical composition, with or without words, and includes any compilation thereof (ref. *Copyright Act*) that has been authored by a **Canadian** and registered to a Collective Rights Management Society.

To be considered Canadian, 100% of music and lyrics must be composed and written by Canadians. In the case of co-written musical works, an equivalent number of portions of Canadian copyrights equalling the required total will be considered. For example, to meet the eligibility criterion of ten (10) new eligible Canadian musical works in the reference year, twenty (20) new musical works would be required if each of them was co-written by a **Canadian songwriter or composer** (50%) and a non-Canadian songwriter or composer (50%).

A Canadian musical work will be ineligible for MEC funding if its lyrics, in the opinion of the Department of Canadian Heritage, constitute:

- material that is hate propaganda, obscene or child pornography, or any other illegal material, as defined in the *Criminal Code*;
- pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose, material that contains excessive or gratuitous violence, material that is denigrating to an identifiable group or any other similarly offensive material.

Financial statements

Where available, applicants must submit audited financial statements, a review engagement report or a notice to reader. If not available, financial statements prepared according to Canadian generally accepted accounting principles will be accepted.

The financial statements must cover the applicant's **reference year** and must end on or after June 30, 2010.

Since the maximum amount of assistance awarded is \$50,000, recipients are not required to submit audited financial statements with their final report.

Financial viability

MEC will determine financial viability based on an assessment of the Canadian music publishing firms' application form, business plan and **financial statements**.

Key management personnel

Key management personnel includes the chairperson, directors and senior employees who exercise financial control over the firm.

Net revenue

Music publishing income generated in Canada and abroad by musical works administered or owned, in whole or in part, by the applicant after all payments to composers, lyricists, arrangers, adapters and co-publishers.

As long as there is no legal relationship between the applicant and the commissioner of a given musical work, the applicant may also include in its net music publishing revenues, the publishing revenues earned from the exploitation of musical works specifically produced for a stage musical, a film, a video game, an advertisement, a television series or program.

Official-language minority music publisher

A music publisher based outside Quebec who publishes a significant proportion of musical works created by Francophone **songwriters or composers** from a minority community or a music publisher based in Quebec who publishes a significant proportion of musical works created by Quebec Anglophone **songwriters or composers**.

Own or control

The music publishing firm has acquired, notably by way of assignment, license or mandate, all or part of the copyright that subsides in a musical work in its repertoire and it therefore has the right to authorize or forbid the exploitation of such work for purposes specified in *The Copyright Act*, as well as to establish the conditions thereof.

Reference year

This is the timeframe that is used to assess the eligibility of an applicant for MEC funding. The reference year is the applicant's most recently completed fiscal year. It cannot be longer than twelve (12) months.

Song plugging

The placement of musical works in a variety of audio or audiovisual productions, such as sound recording, movies, TV show, advertising, etc.

Songwriter or composer

To be considered under the sub-component, a songwriter or composer must be a registered member of a Canadian performing rights society. For the purposes of this Guide, the term "songwriter or composer" refers equally to the creator of the music, lyrics, or both.

Total government assistance

All federal, provincial, territorial and municipal assistance provided toward the same eligible costs.