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

Application Guide
2017-2018



Music Entrepreneur Component Aid to Canadian Music Publishing Firms Application Guide 2017-2018

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1. Introduction and how to apply

What's new:

- The minimum music publishing revenues have been updated. See section 2.5.
- The portion of net revenues earned from **eligible Canadian musical works** by **songwriters or composers** who are shareholders or owners of the firm is increased from 10% to 25%. See section 2.5.
- Priority will be given to projects related to “promotion of Canadian Musical Works” and “Canadian Songwriter or Composer Development”.
- The maximum annual contribution is increased from \$50,000 to \$75,000.
- The total contribution amount that members of an affiliated group could receive from the New Musical Works and Music Entrepreneur components cannot exceed \$800,000 annually.
- Clarifications are made to the eligible expenditure related to the “advances paid to songwriters or composers” and the maximum contribution that can be allocated to “salaries and benefits” is increased from \$20,000 to \$30,000 for contributions of \$50,000 or less and to \$40,000 for contributions over \$50,000. See section 5.1.
- “Web related costs” continue to be eligible expenses but under overhead. See section 5.1
- “Refundable advances paid to **songwriters or composers** and songwriters or composers’ “Catalogue acquisition costs” are not eligible expenses.

1.1 Objectives of the Music Entrepreneur Component

The Music Entrepreneur Component (MEC) is one of four components of the Canada Music Fund (CMF). The CMF aims to increase the creation of and access to a diversity of Canadian music for audiences everywhere by enhancing the sector’s ability to compete in domestic and international markets.

The MEC aims to ensure that Canadian music entrepreneurs build a strong and competitive industry capable of contributing to the Canadian musical experience over the long term through a diverse range of compelling Canadian choices.

The Department of Canadian Heritage administers the MEC. For more information on the CMF and its components, please visit the [Canada Music Fund homepage](#).

1.2 Music Entrepreneur Component – Aid to Canadian Music Publishing Firms

Funding is intended to strengthen music publishing firms' ability to develop **Canadian songwriters and composers** and to promote new Canadian musical works in Canada and abroad.

The MEC provides assistance on an annual basis to Canadian music publishing firms for the implementation of project activities that support the objective of the sub-component. Only Canadian music publishing firms that fulfill the requirements detailed in this Guide will be eligible for assistance under this sub-component. This guide explains the eligibility requirements and the funding mechanisms in detail.

1.3 Eligibility for other Canada Music Fund components

1.3.1 Project activities

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

1.3.2 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 music publishing firm can submit an application.

1.4 Requirements for a complete application

1.4.1 Introduction

This guide contains important information that will assist you in submitting a complete application. Words in **bold** are defined in detail in the *Definitions* section of this guide.

The application form can be obtained by contacting the Program directly by [email](#).

The application form must be completely filled out and all supporting documentation provided. The application checklist, which describes the supporting documentation, must also be completed.

1.4.2 Financial Statements

Applicants must submit, as a minimum, financial statements in the form of 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. However, once a contribution agreement is signed between a recipient and the Department, the recipient is required, for subsequent applications to submit as a minimum a review engagement report or a notice to reader.

The financial statements must cover the applicant's **reference year** and must end on or after September 30, 2015.

1.4.3 Application submission

Applicants may submit their application by [email](#). They must send a printed and signed copy of their application form to the following 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

For more information about MEC—Aid to Canadian Music Publishing Firms, please contact the Program at 1-866-811-0055 (toll-free) or by [email](#).

1.5 Deadline

The Program considers your application to be filed on time if a printed and signed version of the application form, accompanied by all supporting documentation, is sent via mail or courier and is postmarked **November 8, 2016** or earlier. The Program will also consider that your application has been filed on time if the electronic version of the complete application form is received before midnight on the deadline date, provided that it is immediately followed by the printed and signed version accompanied by all supporting documentation.

An application form postmarked or stamped after the deadline will not be accepted.

1.6 Service standards

For Program's Service Delivery Standards, please refer to the [Canadian Heritage website](#) or [contact the Program](#).

2. Eligibility criteria: applicants

2.1 Introduction

MEC–Aid to Canadian Music Publishing Firms will support the eligible activities of Canadian music publishing firms in the year beginning April 1st, 2017 and ending March 31st, 2018.

2.2 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.

2.3 Organizational requirements

From the time of application to the end of term of any **contribution agreement** between the Department of Canadian Heritage and a music publishing firm, whose principal business relates to the creation, publishing, production, distribution or marketing, including touring-related activities, of Canadian music, the applicant must:

- be a **Canadian-owned and -controlled firm**;
- have its company headquarters based in Canada;
- be able to demonstrate financial viability. The Program will determine viability based on the Canadian music publishing firm's application form and financial statements, as needed;
- 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 net 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.

A Canadian music publishing firm is not eligible if it (or its affiliates) is in default with the Crown from agreements entered into with Canadian Heritage or any other government department.

2.4 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.

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

- 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;
- any other similarly offensive material.

2.5 Minimum music publishing revenues

The applicant must have **net revenues** from all musical works they **own or control** of at least \$25,000 in the **reference year** (important: please refer to the definition of **net revenue** in the definition section). For **Aboriginal music publishing firms** and for **official-language minority music publishing firms** the threshold is reduced to \$17,500.

At least \$12,500 of the applicant's **net revenues** in the **reference year** must be attributed to **eligible Canadian musical works**. For **Aboriginal music publishing firms** and for **official-language minority music publishing firms** the minimum **net revenues** threshold attributed to **eligible Canadian musical works** is reduced to \$8,750.

Net revenues earned from **eligible Canadian musical works** by **songwriters or composers** who are shareholders or owners of the firm must not exceed 25% of the applicant's **net revenues** in the **reference year**.

3. Eligibility criteria: project activities

3.1 Eligible project activities

The project activities submitted must directly support the objective of the component to strengthen music publishing firms' ability to develop **Canadian songwriters or composers** and to promote new **Canadian musical works** in Canada and abroad.

All proposed activities submitted by the applicant must be linked and submitted under 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 (Priority for 2017-2018)

- 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 (Priority for 2017-2018)

- 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.

3.2 How to present your project activities

The application form submitted by the applicant must include the following elements:

- A detailed description of the project activities to undertake between April 1, 2017 and March 31, 2018 and for which MEC financial assistance is required. The link between these activities and the objective of the sub-component must be clearly demonstrated, with measurable outcomes (approximately 5 pages);
- A brief description of the music publishing firm, the range of publishing services it offers, nationally and internationally, and the importance of its Canadian music publishing activities (Canadian musical works, songwriters and composers) as part of its total music publishing activities (approximately 2 pages);

- An account of the applicant's financial situation over the past year (increase or decrease in sales and profit margin) and short- and medium-term financial forecasts (1 to 3 years) (maximum 1 page);
- A detailed budget that takes into account the revenues and expenditures related to the implementation of the proposed project activities (please use the Excel format template provided with the application form).

4. Funding level

4.1 Allocation of funds

Funding is provided in the form of a contribution to support the implementation of the project activities to be undertaken by 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 or has previously received funding from the CMF does not mean that it will automatically receive financial assistance.

4.2 Project activities Assessment

The project activities submitted by the applicant will be assessed using the following criteria:

- relevance of the activities and their contribution towards achieving the objectives of this component;
- capacity of the music publishing firm to undertake the activities within the allotted timeframe, e.g. experience, human and financial resources;
- clear and measurable expected results.

For 2017-2018, priority will be given to projects related to "promotion of Canadian Musical Works" and "Canadian Songwriter or Composer Development".

4.3 Maximum contribution

The maximum annual contribution per applicant is \$75,000. However, the amount of the contribution cannot exceed 50% of eligible expenses incurred between April 1, 2017 and March 31, 2018.

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

4.4 How affiliated groups are treated

Members of an **affiliated group** will be subject separately to the maximum contribution. However, the total contribution amount that members of an affiliated group could receive from the New Musical Works and Music Entrepreneur components cannot exceed \$800,000 annually.

5. Use of funds

5.1 Eligible expenses

Eligible expenditures are limited to those presented in the application form for project activities undertaken between April 1, 2017 and March 31, 2018. They must be presented clearly in the budget submitted by the applicant (see application form) and could include:

- Costs related to the organization or participation in songwriters or composers showcases or co-writing ventures;
- Non-recoverable advances paid to **songwriters or composers** (for example, expenses paid to promote **songwriters or composers**, expenses paid towards demos, showcases, co-writing, etc.);
- Recoverable advances paid to **songwriters or composers** that are non-refundable for which the recovered portion was deducted. The recovered portion means:
 - the portion of advances paid in 2017-2018 that are recovered in 2017-2018 and;
 - the portion of advances paid over the previous years (which were submitted as eligible expenses in prior years) that are recovered in 2017-2018.
- Costs related to national and international promotional activities (media kits, promotional material, pamphlets, posters, invitations, etc.);
- Costs related to the improvement of copyright management, royalty tracking or payment system;
- Costs related to the development of digital technologies and specialized software purchase;
- Training costs related to approved activities;
- Travel expenses (transportation and accommodations) that are directly business-oriented and that comply with what is authorized by the Government of Canada's *Travel Directive*. They shall not include per diem (meal allowances). The maximum total amount of reimbursement for travel expenses for the overall project activities is \$20,000;
- Salaries and benefits directly related to the approved activities. The maximum MEC contribution for the payment of salaries and benefits is:
 - \$30,000 for contributions of \$50,000 or less;
 - \$40,000 for contributions over \$50,000.
- Overhead costs related to the implementation of the project activities may include internet access charges, Web related costs, printing and photocopying, couriers, project management fees, etc. The maximum MEC contribution for all overhead costs may not exceed 10% of the contribution.

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

5.2 Ineligible expenses

- Refundable advances paid to **songwriters or composers**;
- ‘Songwriters or composers’ Catalogue acquisition costs;
- fixed overhead costs, including insurance, subscriptions, rent, mortgage, legal fees, etc;
- hospitality;
- Per diem costs;
- salaries/benefits and overhead costs not directly related to project activities detailed in the application form;
- Interest, bank charges, currency exchange fees;
- capital expenditures, depreciation, amortization;
- taxes on goods and services for which the recipient is eligible to claim reimbursement; and
- in-kind expenses.

5.3 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.

5.4 Payments and Reporting

The schedule of payments will be described in the **contribution agreement** between the recipient and the Department of Canadian Heritage.

Recipients will be required to report on the use of funds received and on results achieved. This requirement will be described in the **contribution agreement** between them and the Department of Canadian Heritage.

5.5 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.

6. Government assistance: general conditions

6.1 Public Acknowledgement of financial assistance

All funding recipients must publicly acknowledge, in English and in French, the financial support received from the Government of Canada in all communication materials and promotional activities related to the funding agreement, such as advertising, promotional and program materials, public announcements, speeches, websites, social media, etc. The Department's requirements for public acknowledgement of financial assistance are part of the funding agreements.

The Department's [Guide on the Public Acknowledgement of Financial Assistance](#) will assist funding recipients in complying with the requirements described in the funding agreement.

6.2 Limits on total government assistance

The maximum level of **total government assistance** (federal, provincial/territorial and municipal) cannot exceed 50% of the total eligible expenditures presented in the budget submitted by the applicant. This includes tax credits. The Recipient will have to repay the federal portion of excess assistance granted pursuant to a prorated calculation.

6.3 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.

6.4 Minister's discretion and decisions

The eligibility criteria and guidelines do not restrict the discretionary power of the Minister of Canadian Heritage. Decisions of the Minister regarding the eligibility and the funding of applicants are final.

7. Definitions

Aboriginal music publisher

A music publishing firm 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.

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:

- a) that is a sole proprietorship, partnership, cooperative or corporation established under the laws of Canada or a province;
- b) whose activities are based primarily in Canada;
- c) whose firm headquarters is based in Canada;
- d) whose chairperson or presiding officer and more than half of whose directors and other similar officers are **Canadian**;
- e) if a corporation with share capital, of 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;
- f) if a corporation without share capital, of 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;
- g) if a partnership, trust or joint venture, of 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 result in control in fact of the firm, the firm is deemed not to be **Canadian**-owned and-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; the public acknowledgement of the funding; the financial and/or non-

financial conditions attached to the contribution, as well as 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 publishing firm, 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%).

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 total eligible expenditures.