



THE FOUNDATION ASSISTING CANADIAN TALENT ON RECORDINGS.

2006 - 2007 ANNUAL REPORT

The Foundation Assisting Canadian Talent on Recordings.

FACTOR, The Foundation Assisting Canadian Talent on Recordings, was founded in 1982 by CHUM Limited, Moffat Communications and Rogers Broadcasting Limited; in conjunction with the Canadian Independent Record Producers Association (CIRPA) and the Canadian Music Publishers Association (CMPA). Standard Broadcasting merged its Canadian Talent Library (CTL) development fund with FACTOR's in 1985.

As a private non-profit organization, FACTOR is dedicated to providing assistance toward the growth and development of the Canadian independent recording industry. The foundation administers the voluntary contributions from sponsoring radio broadcasters as well as two components of the Department of Canadian Heritage's Canada Music Fund which support the Canadian music industry. FACTOR has been managing federal funds since the inception of the Sound Recording Development Program in 1986 (now known as the Canada Music Fund).

Support is provided through various programs which all aid in the development of the industry. The funds assist Canadian recording artists and songwriters in having their material produced, their videos created and support for domestic and international touring and showcasing opportunities as well as providing support for Canadian record labels, distributors, recording studios, video production companies, producers, engineers, directors— all those facets of the infrastructure which must be in place in order for artists and Canadian labels to progress into the international arena.

FACTOR started out with an annual budget of \$200,000 and is currently providing in excess of \$14 million annually to support the Canadian music industry.

Canada has an abundance of talent competing nationally and internationally and The Department of Canadian Heritage and FACTOR's private radio broadcaster sponsors can be very proud that through their generous contributions, they have made a difference in the careers of so many success stories.



We acknowledge the financial support of the Government of Canada through the Canada Music Fund.
We also acknowledge the financial support provided by Canada's Private Radio Broadcasters.

ON THE COVER:
Patrick Watson

FACTOR SUCCESS STORIES.

7 artists received 8 2007 Canadian Radio Music Awards

14 artists received 15 2007 Indie Awards

17 artists received 18 2007 Juno Awards

11 artists received 19 2007 East Coast Music Awards

15 artists received 18 2006 Juno Awards

15 artists received 21 2006 East Coast Music Awards

9 artists received 11 2006 Western Canadian Music Awards

6 artists received 10 2006 Canadian Country Music Awards

4 artists received 7 2005 Canadian Country Music Awards

7 artists received 8 2005 Urban Music Awards

11 artists received 12 2005 Western Canadian Music Awards

10 artists received 12 2004 Urban Music Awards

Board of Directors 2006 - 2007



1. **JIM WEST** – Chair | President, Distribution Fusion III
2. **KATHLEEN McNAIR** – Vice Chair, Corus Appointee | Vice-President Regulatory Affairs, CORUS Entertainment Inc.
3. **RIC ARBOIT** – Treasurer, CIRPA Appointee | President, Nettwerk Productions Ltd.
4. **ROB FARINA** – Secretary, CHUM Appointee | Program Director, CHUM-FM, CHUM Limited
5. **PEGI CECCONI** – CMPA Appointee | Vice-President, Anthem Entertainment
6. **BRIAN DEPOE** – Standard Radio Appointee | Program Director, EZ Rock, Standard Radio
7. **CHARLOTTE BELL** | Vice-President, Regulatory Affairs, Global Television Network
8. **AUBREY WINFIELD** | President, Orange Record Label
9. **STEVE KENNEDY** – Rogers Broadcasting Appointee | Program Director, Jack FM, Rogers Broadcasting

10. **TERRY KELLY** | President, TK Productions
11. **DUFF ROMAN** – Director Emeritus, Founding President | Vice President, Industry Affairs and Digital Radio, CHUM Limited
12. **PIERRE LALONDE** – Observer | Director for Sound Recording Policy and Program, Department of Canadian Heritage

NOT PICTURED:

13. **SUSAN WHEELER** – Observer | Vice President, Regulatory and Programming, Canadian Association of Broadcasters
14. **ALVIN JAHNS** – CIRPA Appointee | Vice President of Finance, Stony Plain Recording Company Ltd.
15. **SAM BAARDMAN** – Observer | Executive Director, Manitoba Audio Recording Industry Association

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“The Board is very pleased with FACTOR’s streamlining of its processes and programs. The administration team is continuing to develop more and more efficient ways in which FACTOR’s funding can assist the industry.”



It has been quite a year for FACTOR. I am pleased to see that through all the challenges that faced the foundation in 2006, the organization has been strengthened by them.

The Board of Directors worked very hard to ensure the foundation stayed the course of being non-political and non-aligned during the CRTC’s Review of Radio. It was important that the facts on FACTOR were presented accurately without involving the organization in the political elements of such a review. I am proud of how we worked through the myriad of facts and myths surrounding FACTOR. At the end of the day the message received from the CRTC in their acknowledgement of all the good work done by FACTOR was greatly appreciated. The Board and staff were well aware of the importance

of FACTOR and the good work that it does but it goes a long way when such acknowledgement is received from the CRTC.

Another positive that has come out of the Review of Radio is a greater awareness of ensuring that FACTOR’s financial contributors—both the Government of Canada and Canada’s Private Radio Broadcasters, are made well aware of the success and importance of the work being done. It is clear to the Board that we need to keep all parties informed and abreast of the work being done.

The Board has revisited its by-laws and new ones are to be adopted at the upcoming Annual General Meeting in July 2007. These by-laws will be addressing the changing landscape of Canada’s terrestrial radio broadcasters, as well as the manner in which the foundation conducts its business. It will be formally embracing the Canadian Association of Broadcasters having an observer seat at the FACTOR Board and will also be embracing the Music Managers Forum. The by-laws will ensure there is a steady flow of new representation on the Board of Directors. Many of the changes that are being formalized in the by-laws are, in actual fact, the manner in which FACTOR has been conducting its business for many years. This includes concerns to have regional/geographical representation and representation from the grassroots/emerging artists community.

The Board is very pleased with FACTOR’s streamlining of its processes and programs. The administration team is continuing to develop more and more efficient ways in which FACTOR’s funding can assist the industry. To that end, once again, only 10% of funds received were used to cover administration costs.

The saying “when you get lemons, make lemonade” is most appropriate when FACTOR’s office space challenge arose. The foundation, through no fault of its own, was forced to relocate its office.

The cost of rent in Toronto had significantly increased and it made more sense to purchase a building than to continue to rent space. Because of the financial resources held in the Contingency Reserve Fund, FACTOR was able to purchase a building outright and reduce its operating costs simultaneously.

The purchase of 30 Commercial Road will result in there being a projected increase of approximately \$400,000 in funding over the next five years.

At year end, we are faced with dealing with new funding partners through the BellGlobeMedia acquisition of CHUM Limited and Astral Radio purchasing the assets of Standard Broadcasting. We look forward to working with them as well as those broadcasters who have been supporting the good work of FACTOR for many years.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim West", with a long horizontal flourish extending to the right.

JIM WEST,
Chair

“I am proud of the fact that over \$340,000 that could have been spent on administration was turned back into the programs.”



It has been a year of challenges and success. At the end of the year, I believe we have much to celebrate in terms of the successes achieved through 2006-07.

This includes the review of FACTOR resulting in the launch of a new website on July 1, 2006. Along with the new website were streamlined programs and application forms. We took the time to step back and review how we were doing things and saw that there was room to re-develop processes that would be more efficient for both the industry and FACTOR.

When reviewing the Annual Report this year, one will notice a significant difference in the level of content provided this year as compared to last year. While FACTOR will be providing more

information than last year, it will be provided through two documents:

- The Annual Report and
- The Activity Report for the fiscal year ending March 31, 2007.

The content of FACTOR's Annual Report last year contained far more detail than is traditionally reported in an annual report. There is also a cost to design, layout and printing of such a large report. However, we recognize the need for transparency, and to that end, intend to continue to provide a very high level of detail. If one is interested in learning about the specific details of what an artist received or what amount of funding was provided to a program, this data is reported in the Annual Activity Report.

I am proud of the fact that over \$340,000 that could have been spent on administration was turned back into the programs. While it was a very challenging year for the organization, we always operate from the place of trying to keep operating costs down and to that end I believe our diligence has certainly benefited the music industry.

The loan repayments reported represent repayments from the past 24 months, and while the figures for this past year are slightly down from the previous fiscal, the projects FACTOR funds continue to have significant success at both the national and international level.

We have moved offices and are settling into the new space. The location is central, the accessibility by public transit is not much different than being downtown other than the lack of traffic congestion, and the cost is less. While there are some things that need to be done to have the building functioning at its optimum, it is anticipated that because of the additional space available, it will not be difficult for FACTOR to secure one or more tenants to help reduce FACTOR's costs for operating and taxes on the building.

A significant amount of time was expended last year in dealing with the review of radio. While challenging, it provided a wonderful opportunity for FACTOR to provide the facts that are proof positive that the work done at FACTOR is having a significant benefit to artists at both the national and international level.

With the financial resources available to FACTOR, it is impossible for the foundation to provide funding to every artist/applicant. To that end, the FACTOR staff came up with several ideas on how we could encourage and support grassroots/emerging artists while recognizing the financial limitations of the foundation. Two initiatives were launched last year:

1. The Resource Centre – this centre is housed at FACTOR and contains many books, reports and information about the industry that can assist one in learning about the music industry. There are books on songwriting, production, legal, management etc.

2. The Open Mic – this initiative is to provide opportunities for grassroots artists to be able to perform in public in a supportive and nurturing environment. While the first open mic was held last August, five artists who have performed at them have been successful in applying to and receiving funding from FACTOR.

I am proud to lead the team of dedicated staff at FACTOR and am honored to serve the Board of Directors of FACTOR. The combination of Board and staff has truly enabled FACTOR to be and continue to be a place where people's dreams are managed and fulfilled. I cannot help but think: what a wonderful organization to represent.

Yours truly,



HEATHER OSTERTAG, C.M.
President & CEO



Financial Results Summary and Funds Expended

In 2006-2007, FACTOR had revenue totaling \$15 million. Revenue was generated from four sources:

1. The Department of Canadian Heritage's Canada Musical Fund Programs; New Musical Works and Collective Initiatives, as well as the Music Entrepreneur Component.
2. Voluntary contributions from Canada's private radio broadcasters.
3. Significant benefits contributions from Canada's private radio broadcasters.
4. Interest earned on investments and loan repayments from private funds.

FACTOR also received additional funds from loan repayments and interest income from investments on funds for which commitments have been made; but, for various reasons, payment was not issued.

Comparative and Cumulative Results

Financial Results 2006-2007 Fiscal Year as Compared to 2005-2006

Revenue	2007	2006
Public		
Canada Music Fund Contributions		
- New Music Works Program	\$ 6,534,436	\$ 7,152,528
- Specified Label Funding	207,641	2,242,940
- Collective Initiatives Program	1,398,338	1,398,938
	\$ 8,140,415	\$ 10,794,406
Private		
Broadcaster Contributions		
- Significant Benefits	\$ 3,771,363	\$ 3,119,716
- Voluntary	1,574,719	1,831,034
Loan Repayments	1,174,121	184,567
	\$ 6,520,203	\$ 5,135,317
Investment Income	343,984	303,662
Total Income	\$ 15,004,602	\$ 16,233,385

Funds Expended

It should be noted that funds expended during a fiscal year do not represent the total funds offered. Many projects that were offered funding were not completed and therefore, final payments not issued. Because FACTOR operates on a "zero budget" basis, the amounts offered cannot exceed the total budget available. However, some of the issued payments were for projects where offers were made in a previous fiscal year. Therefore, a comparison cannot be made between the funds offered and the funds expended.

Expenditures	2007	2006
Loans and Awards	\$ 12,011,118	\$ 14,024,651
Administrative Expenses	1,499,292	1,664,835
Total Expenditures	\$ 13,510,410	\$ 15,689,486

Private Radio Contributions

Contributions from Canada's private radio broadcasters represented 36% of FACTOR's total revenue for the year. Voluntary radio contributions to FACTOR from its Sponsoring Radio stations totaled \$1,574,719. As well, FACTOR received \$3,771,363 from radio stations resulting from the CRTC decision allowing multiple ownership of stations in a single marketplace.

The following private radio broadcasters made financial contributions to FACTOR totaling \$5,346,082.

Astral Radio	CIDR-FM	CHMP-FM	CHYK-FM	Maritime Broadcasting
CFXY-FM	CIMX-FM	CHQR-AM	CHYX-FM	CFAN-FM
CIBX-FM	CIOO-FM	CHQT-AM	CIYN-FM	CFBC-AM
CIKX-FM	CJCH-AM	CHRC-AM	CKAP-FM	CFCY-FM
CJCJ-FM	CJMJ-FM	CILQ-FM	CKLP-FM	CFQM-FM
CKBC-AM	CJPT-FM	CIME-FM	CKNR-FM	CHER-AM
CKHJ-AM	CKCE-FM	CIMJ-FM		CHFX-FM
CKTO-FM	CKGM-AM	CINF-AM	Jim Pattison	CHLQ-FM
CKTY-FM	CKKL-FM	CING-FM	CFDV-FM	CHNS-FM
	CKKW-FM	CINW-AM	CFMY-FM	CHOY-FM
Blackburn Radio Inc.	CKLC-AM	CIQB-FM	CHAT-FM	CIOK-FM
CFCO-AM	CKLW-AM	CISN	CHBW-FM	CJCB-AM
CFGX-FM	CKLY-FM	CJDV-FM	CHBZ-FM	CJCW-AM
CHKS-FM	CKPT-AM	CJKR-FM	CHDR-FM	CJRW-FM
CHOK-AM	CKQM-FM	CJOB-AM	CHLB-FM	CJYC-FM
CHYR-FM	CKST-AM	CJOY-AM	CHPQ-FM	CKCW-FM
CIBU-FM	CKUL-FM	CJRC-AM	CHUB-FM	CKDH-AM
CKNX-AM	CKWW-AM	CJSS-FM	CHWF-FM	CKEN-FM
CKNX-FM		CJUL-AM	CIBH-FM	CKNB-AM
CKSY-FM	CORUS Radio	CJXY-FM	CIBW-FM	CKPE-FM
CKUE-FM	CFEL-FM	CKAC	CIFM-FM	CKWM-FM
	CFFX-AM	CKCB-FM	CJAV-FM	
CHUM Radio	CFGQ-FM	CKDK	CJBZ-FM	NewCap Broadcasting
CFAX-AM	CFHK-FM	CKNG-FM	CJDR-FM	CFCB-AM
CFCA-FM	CFLG-FM	CKNW-AM	CJJR-FM	CFCV-FM
CFGO-AM	CFMI-FM	CKOI-FM	CJXX-FM	CFCW-AM
CFJR-FM	CFMJ-AM	CKRS	CJZN-FM	CFCW-FM
CFLY-FM	CFMK-FM	CKRU-AM	CKBD-AM	CFDL-FM
CFRA-AM	CFNY	CKRY-FM	CKBZ-FM	CFDR-AM
CFRW-AM	CFOM	CKWF-FM	CKDV-FM	CFGN-AM
CFUN-AM	CFOX-FM		CKKN-FM	CFLC-FM
CFWM-FM	CFPL-AM	Haliburton Broadcasting	CKKQ-FM	CFLN-AM
CHBE-FM	CFPL-FM	CFBG-FM	CKLR-FM	CFLW-AM
CHBN-FM	CFQR-FM	CFXN-FM	CKLZ-FM	CFNN-FM
CHIQ-FM	CHAY-FM	CFZN-FM	CKOV-AM	CFNW-AM
CHQM-FM	CHED-AM	CHMS-FM	CKPG-TV	CFOK-AM
CHST-FM	CHLN	CHMT-FM	CKWV-FM	CFRK-FM
CHUM-AM	CHLT-AM	CHPB-FM		CFRQ-FM
CHUM-FM	CHMJ-AM	CHYC-FM		
	CHML-AM			

CFSX-AM	CKUL-FM	CJQM-FM	CJBK-AM	CKFG-FM	CKKX
CFUL-FM	CKVH-AM	CJRQ-FM	CJBX-FM	CKQR-FM	CKLM
CFXE-FM	CKVO-AM	CJRX-FM	CJDC-AM	CKWL-AM	CKLQ
CFXG-AM1	CKWA-FM	CKAT-AM	CJEZ-FM		CKMB-FM
CFXH-FM	CKWY-FM	CKBY-FM	CJFM-FM	Individual	CKOM-FM
CFXP-FM	CKXD-FM	CKCL-FM	CJFW-FM	radio	CKOT-AM
CFXW-FM	CKXG-FM	CKER-FM	CJMG-FM	stations	CKOT-FM
CHCM-AM	CKXG-FM1	CKFX-FM	CJOR-AM	that also	CKPC-AM
CHLW-AM	CKXX-FM	CKGB-FM	CKCR-AM	contributed	CKPC-FM
CHNK-FM	CKXX-FM1	CKGL-AM	CKFM-FM	to FACTOR	CKQV
CHNO-FM	VOCM-AM	CKIS-FM	CKFR-AM	are:	CKRM-AM
CHTN-FM	VOCM-FM	CKIZ-FM	CKGR-AM	CDIC-FM	CKRW
CHVO-AM	VOCM-FM1	CKLG-FM	CKKC-FM	CFBT-FM	CKSG-FM
CIBQ-AM		CKQC-FM	CKLH-FM	CFGP	CKYL
CIHT-FM	Rogers	CKNI-FM	CKMM-FM	CFJB-FM	MORE FM
CIKZ-FM	Media	CKSR-FM	CKMX-AM	CFMB	
CILR-FM	CFAC-AM	CKWX-AM	CKNL-FM	CFNO	
CILV-FM	CFFR-AM	CKY-FM	CKOC-AM	CFOB	
CIQX-FM	CFGP-FM	CKYX-FM	CKOR-AM	CFPS-FM	
CIRK-FM	CFRV-FM		CKQB-FM	CFQC	
CIXF-FM	CFSR-FM	Standard	CKRX-FM	CFWF	
CIZZ-FM	CFTR-AM	Radio	CKSL-AM	CFXJ-FM	
CJEG-FM	CHAS-FM	CFBR-FM	CKTB-AM	CHAO-AM	
CJEV-AM	CHDI-FM	CFMG-FM	CKTK-FM	CHGK-FM	
CJMO-FM	CHEZ-FM	CFQX-FM	CKX-FM	CHMS-FM	
CJPR-FM	CHFI-FM	CFRB-AM	CKXA-FM	CHMX-FM	
CJUK-FM	CHFM-FM	CFRN-AM	CKXR-FM	CHUC	
CJXK-FM	CHMN-FM	CFTK -AM	CKZZ-FM	CHWO-AM	
CJXL-FM	CHNI-FM	CHAM-AM		CIGL-FM	
CJYQ-AM	CHTT-FM	CHOM-FM	Vista	CIKR-FM	
CKBA-AM	CHUR-FM	CHOR-AM	Broadcasting	CIRC	
CKCM-AM	CHYM-FM	CHRE-FM	Group	CIRV	
CKDQ-AM	CICX-FM	CHRX-FM	CFBV-AM	CIXL-FM	
CKFE-FM	CIGM-AM	CHSU-FM	CFCP-FM	CJBQ	
CKGA-AM	CIOC-FM	CHTK-AM	CFFM-FM	CJCS-AM	
CKGY-FM	CISS-FM	CHTZ-FM	CFLD-AM	CJLS	
CKIM-AM	CISQ-FM	CHVR-FM	CFNI-AM	CJMK-FM	
CKIX-FM	CITI-FM	CIBK-FM	CFWB-AM	CJRL	
CKJR-AM	CIWW-AM	CICF-FM	CHNV-FM	CJWA-FM	
CKJS-AM	CJAQ-FM	CILK-FM	CHQB-AM	CJWW	
CKKY-AM	CJCL-AM	CIOR-AM	CIRX-FM	CJZZ-FM	
CKQK-FM	CJET-FM	CIQM-FM	CIVH-AM	CKBT-FM	
CKRA-FM	CJMX-FM	CISL-AM	CJCI-FM	CKDG-FM	
CKSA-FM	CJNI-FM	CJAD-AM	CJSU-FM	CKDR	
CKSQ-AM	CJOK-FM	CJAT-FM	CKBX-AM	CKHL	
CKTG-FM	CJQQ-FM	CJAY-FM	CKCQ-FM	CKJH	

Loan Repayments

For the fiscal year ending March 31, 2007, there were loan repayments of \$576,121. It should also be noted that \$598,000 in loan repayments for the fiscal year ending March 31, 2006, were reported during this fiscal year. Therefore, when assessing the \$1,174,121, it should be recognized that it reflects loan repayments for a two-year period.

For the fiscal year ending March 31, 2007, FACTOR-supported sound recordings sold 187,408 units. In total, from its inception in 1982, FACTOR-supported sound recording projects have sold a total of 31.6 million copies with a retail value in excess of \$706 million.

Administration

At FACTOR, the goal to keep administration expenses down is always a priority. Based on the 12.5% allowed by Canadian Heritage (which is a guideline the Board of Directors adopted for all funding), FACTOR was entitled to spend \$1,875,575 in administration expenses. The foundation spent \$1,499,292. The \$376,283 unused administration funds were reinvested into the programs. FACTOR's administrative costs were held at 10% again this year.

It should be realized that with FACTOR's purchase of an office building, operating costs will be reduced in future years. As well, less funds will be required to be held in the Contingency Reserve Fund. (Additional information about this transaction can be found in the report on Administration in the Activity Report).

Project Requests and Funding Commitments for the Fiscal Year Ending March 31, 2007

Project Results	2006-2007
Applications Submitted	3,051
Applications Approved	1,412
% of Total Applications Approved as compared to Total Submitted	46.28%
Amount Requested	\$ 36,389,308
Amount Offered	\$ 13,030,204
% of Total Funds Offered as compared to Total Requested	35.81%

Comparative Analysis of all Applications Submitted and Approved

	Funds Requested	Funds Offered	Applications Submitted	Applications Approved
Sound Recordings for Commercial Release				
Direct Board Approval Program Level 1,2,3, Classical & Electronica/Urban	\$ 3,474,201	\$ 2,328,132	110	91
FACTOR Loans	5,369,973	498,945	242	26
Emerging Artists Sound Recording Projects				
Independent Artists Recording Loans	6,463,438	469,616	445	30
Artist Demo Grants	1,062,278	225,275	554	150
Publisher & Songwriters Grants	216,147	80,283	108	66
Songwriter Workshop Grants	21,706	15,962	33	26
Video Production				
Video Grants	3,161,988	848,537	130	41
Marketing & Promotion				
Marketing Audio Recording Loans	4,000,676	2,457,115	264	169
Touring & Showcasing Grants				
Domestic Showcase & Touring Grants	2,558,414	732,779	351	218
International Showcase & Touring Grants	3,745,283	1,322,787	434	278
Company Marketing Support				
Domestic & International Business Development Support	1,601,180	979,795	266	213
Label, Manager & Distributor Business Development Support	575,617	412,500	39	37
Collective Initiatives	3,244,188	1,869,695	54	46
Radio Marketing Fund	894,220	788,780	21	21
Total	\$ 36,389,309	\$ 13,030,203	3,051	1,412

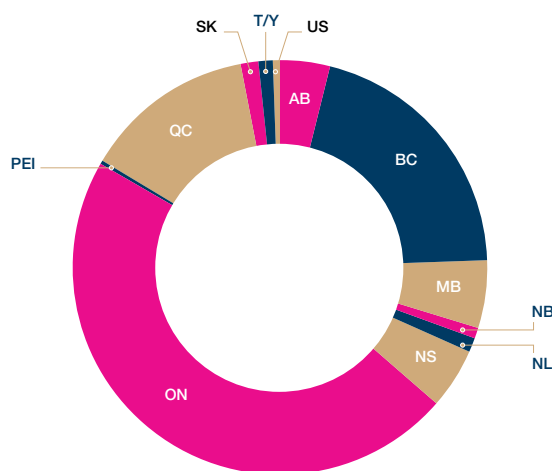
Comparative Analysis of all Applications Submitted and Approved

Applications and Approvals by Province and Territory

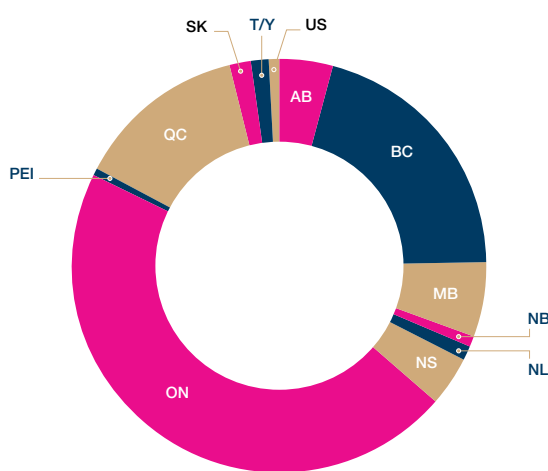
Province	Apps. Submitted	Amount Requested	Apps. Approved	Amount Offered	% of Apps. Approved	% of Funds Offered
Alberta - AB	127	\$ 1,118,312	61	\$ 423,553	48.03%	37.87%
British Columbia - BC	620	6,588,483	290	2,017,215	46.77%	30.62%
Manitoba - MB	163	1,853,569	83	598,070	50.92%	32.27%
New Brunswick - NB	28	389,879	11	69,671	39.29%	17.87%
Newfoundland and Labrador - N/L	33	271,977	14	81,660	42.42%	30.02%
Nova Scotia - NS	147	1,042,713	55	374,123	37.41%	35.88%
Ontario - ON	1,426	19,483,994	650	7,495,798	45.58%	38.47%
Prince Edward Island - PEI	11	263,405	7	183,450	63.64%	69.65%
Quebec - QC	405	4,493,506	188	1,437,038	46.42%	31.98%
Saskatchewan - SK	45	251,745	24	83,163	53.33%	33.03%
Territories and Yukon - T/Y	30	280,493	20	108,794	66.67%	38.79%
United States - US*	16	351,232	9	157,669	56.25%	44.89%
Total	3,051	\$ 36,389,308	1,412	\$ 13,030,204	46.28%	35.81%

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.

COMPARATIVE ANALYSIS OF APPLICATIONS SUBMITTED
ALL PROGRAMS BY PROVINCE AND TERRITORY



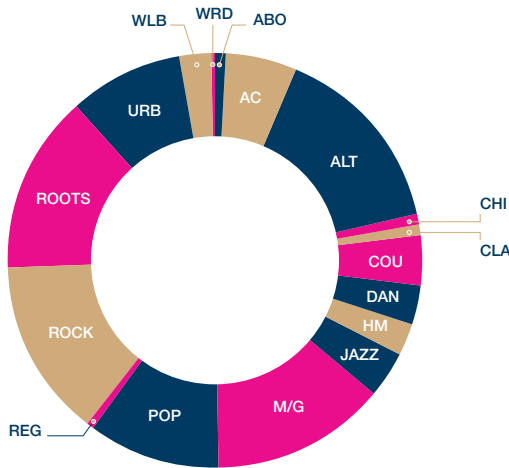
COMPARATIVE ANALYSIS OF APPLICATIONS APPROVED
ALL PROGRAMS BY PROVINCE AND TERRITORY



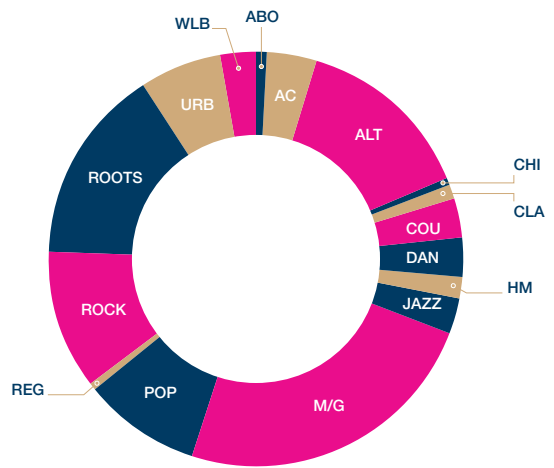
Applications and Approvals by Musical Genre

Genre	Apps. Submitted	Amount Requested	Apps. Approved	Amount Offered	% of Apps. Approved	% of Funds Offered
Aboriginal - AB	31	\$ 335,207	15	\$ 106,818	48.39%	31.87%
Adult						
Contemporary - A/C	168	1,482,536	52	222,063	31.14%	15.18%
Alternative - ALT	460	5,243,218	198	1,695,070	43.04%	32.33%
Children's - CHI	22	235,118	9	36,049	40.91%	15.33%
Classical - CLA	28	419,478	12	166,559	42.86%	39.71%
Country - COU	115	1,155,451	47	340,488	40.87%	29.47%
Dance - DAN	96	900,859	43	190,032	44.79%	21.09%
Heavy Metal - H/M	76	810,959	20	175,657	26.32%	21.66%
Jazz	111	1,126,464	43	265,970	38.74%	23.61%
Multi-Genre - M/G	413	6,380,772	342	4,090,655	82.81%	64.11%
Popular - POP	316	4,150,928	126	1,340,948	39.87%	32.30%
Reggae - REG	13	231,713	6	61,200	46.15%	26.41%
Rock	426	5,386,160	156	1,652,378	36.62%	30.68%
Roots - RTS	424	4,055,179	216	1,440,849	50.94%	35.53%
Urban - URB	270	3,333,611	90	849,497	33.33%	25.48%
World - WLB	81	1,126,692	37	395,971	45.68%	35.14%
Word - WRD	1	14,963	—	—	—	—
Total	3,051	\$ 36,389,308	1,412	\$ 13,030,204	46.28%	35.81%

COMPARATIVE ANALYSIS OF APPLICATIONS SUBMITTED
ALL PROGRAMS BY GENRE



COMPARATIVE ANALYSIS OF APPLICATIONS APPROVED
ALL PROGRAMS BY GENRE



Programs and Funding Provided

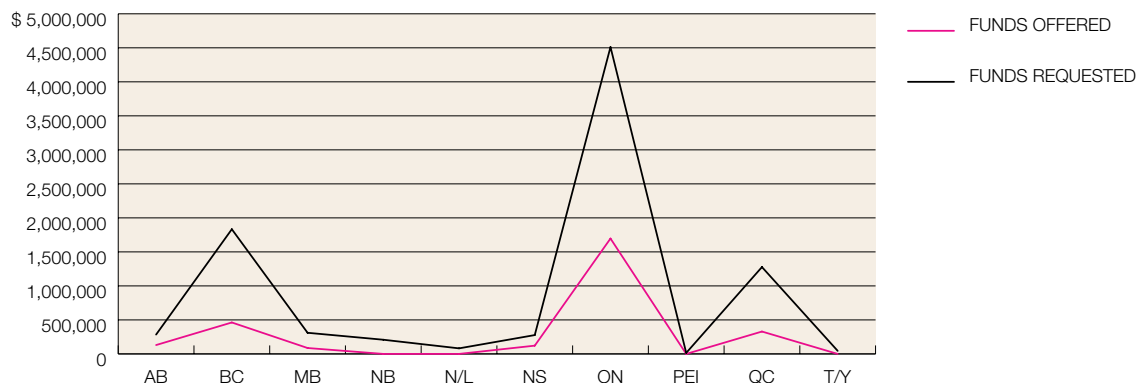
Sound Recording

FACTOR offers funding to various levels of the music industry. From the creation of simple demos, on through to the production of sound recordings for commercial release, FACTOR provides financial assistance. Assistance is also provided to cover the costs of licensing and purchasing of Canadian produced masters by Canadian artists. Artists and labels are able to access the various programs subject to their meeting specific program criteria. Under the sound recording umbrella there are two levels of support. They are: Direct Board Approval Programs (Level 1,2,3, Classical and Electronica/Urban), and FACTOR Loans.

FACTOR received 352 requests totaling \$8,844,174 and approved 117 projects offering a total of \$2,827,078 which represents 32.0% of the total amount requested. Details for these programs are provided in the Activity Report.

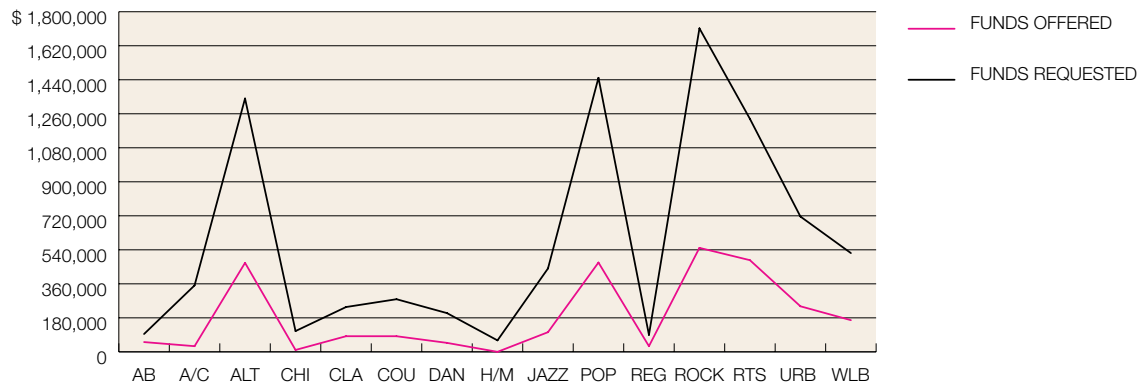
Sound Recording Loans Submitted and Approved by Province and Territory

Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 284,220	\$ 130,344	17	8
British Columbia - BC	1,833,030	462,364	82	23
Manitoba - MB	310,745	86,930	17	4
New Brunswick - NB	208,573	—	3	—
Newfoundland and Labrador - N/L	81,718	—	4	—
Nova Scotia - NS	277,075	121,628	11	5
Ontario - ON	4,511,808	1,696,619	161	61
Prince Edward Island - PEI	15,000	—	1	—
Quebec - QC	1,277,079	329,193	54	16
Territories and Yukon - T/Y	44,926	—	2	—
Total	\$ 8,844,174	\$ 2,827,078	352	117



Sound Recording Loans Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 94,466	\$ 51,765	5	2
Adult Contemporary - A/C	351,622	30,000	14	1
Alternative - Alt	1,340,843	471,060	55	26
Children's - CHI	110,000	10,000	4	1
Classical - CLA	237,157	82,759	11	3
Country - COU	278,591	82,725	12	4
Dance - DAN	205,007	47,500	11	2
Heavy Metal - H/M	60,667	—	3	—
Jazz	441,290	104,060	25	4
Popular - POP	1,450,435	472,724	48	15
Reggae - REG	90,000	30,000	3	2
Rock	1,712,136	550,373	64	21
Roots - RTS	1,233,125	485,220	54	21
Urban - URB	716,130	241,181	24	9
World - WLB	522,705	167,711	19	6
Total	\$ 8,844,174	\$ 2,827,078	352	117





Emerging Artists Development

FACTOR is committed to supporting projects for artists that are demonstrating the possibility of being tomorrow's stars. It is important that all levels of the industry are provided with funding to ensure that there is a steady flow of new artists being developed. This makes for a healthy vibrant eco system.

While FACTOR has a strong focus on supporting those artists that have already made some inroads into the development of their musical careers at the national and international level, there is support being provided to ensure that new, up and coming talent is being supported as well. This provides for a healthier industry that has more opportunities both nationally and internationally.

At the emerging artists level, FACTOR provides funding for the production of sound recordings through the Independent Recording Loan Program, the Professional Demo Grant Program and Songwriter Workshop Grants. In total, FACTOR received 1,140 applications requesting \$7,763,569 and approved funding for 272 projects with a total of \$791,137 funds offered; which represents 10.2% of the total amount requested. The low approval rate—as reported above, is directly attributable to the very limited financial resources available. The criteria to access funding through the various sound recording programs is very stringent and only the “best of the best” actually receive offers of funding.

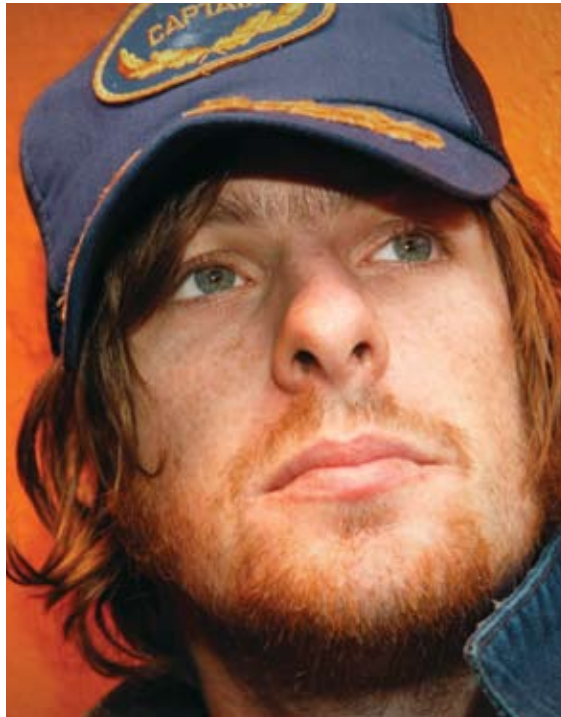
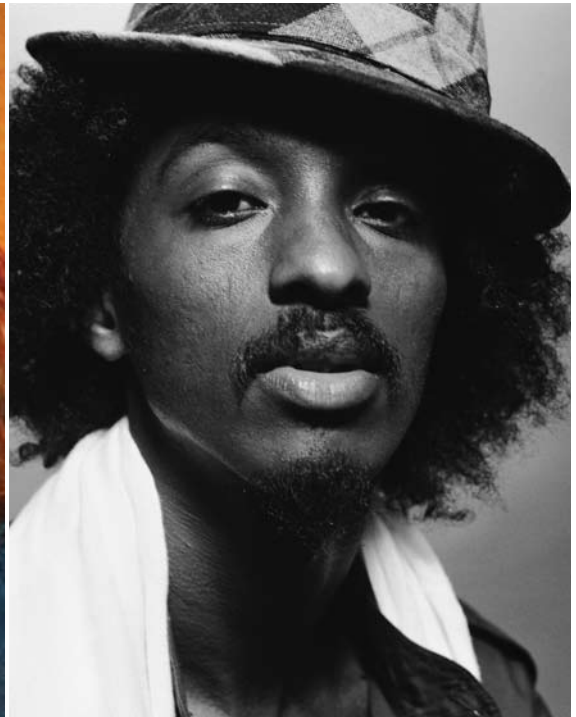


PHOTO: CHRIS SMITH



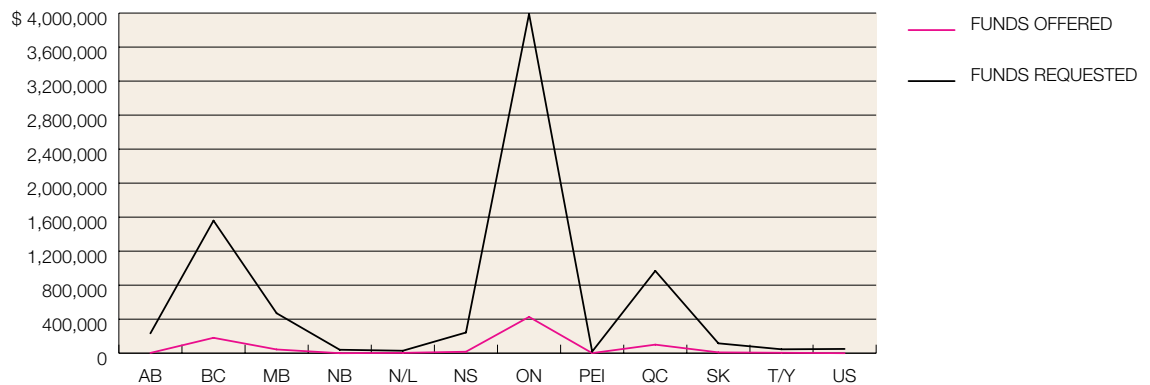
OPPOSITE:
Suzie McNeil
ABOVE (L-R):
Matt Mays, K'naan

Emerging Artists Development

Emerging Artists Projects Submitted and Approved by Province and Territory

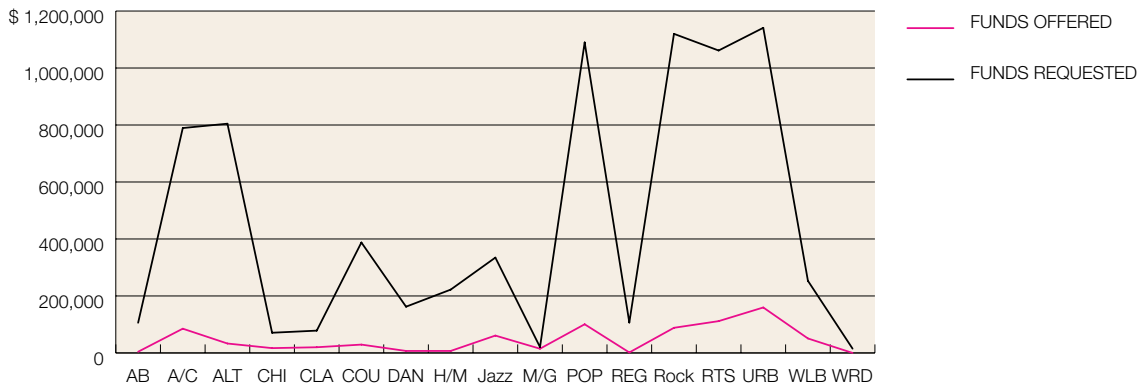
Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 233,116	\$ 3,066	33	3
British Columbia - BC	1,559,166	180,867	216	52
Manitoba - MB	469,831	43,792	58	18
New Brunswick - NB	40,436	—	8	—
Newfoundland and Labrador - N/L	28,772	3,799	12	3
Nova Scotia - NS	242,992	17,102	73	12
Ontario - ON	3,990,171	426,681	560	138
Prince Edward Island - PEI	19,000	1,000	3	1
Quebec - QC	968,458	100,612	145	34
Saskatchewan - SK	115,947	9,398	22	8
Territories and Yukon - T/Y	45,680	4,820	7	3
United States - US*	50,000	—	3	—
Total	\$ 7,763,569	\$ 791,137	1,140	272

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.



Emerging Artists Projects Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 105,902	\$ 4,192	12	4
Adult Contemporary - A/C	789,334	85,174	117	31
Alternative - ALT	804,580	33,083	133	13
Children's - CHI	70,903	16,905	11	3
Classical - CLA	78,323	20,000	8	1
Country - COU	387,640	29,310	66	22
Dance - DAN	162,321	6,990	28	6
Heavy Metal - H/M	222,300	7,022	33	5
Jazz	334,660	60,983	47	16
Multi-Genre - M/G	20,568	14,886	31	24
Popular - POP	1,089,811	100,640	151	41
Reggae - REG	106,713	1,700	8	1
Rock	1,119,941	88,260	169	26
Roots - RTS	1,061,422	111,620	151	39
Urban - URB	1,141,065	159,554	149	33
World - WLB	253,123	50,818	25	7
World - WRD	14,963	—	1	—
Total	\$ 7,763,569	\$ 791,137	1,140	272



Video Grants

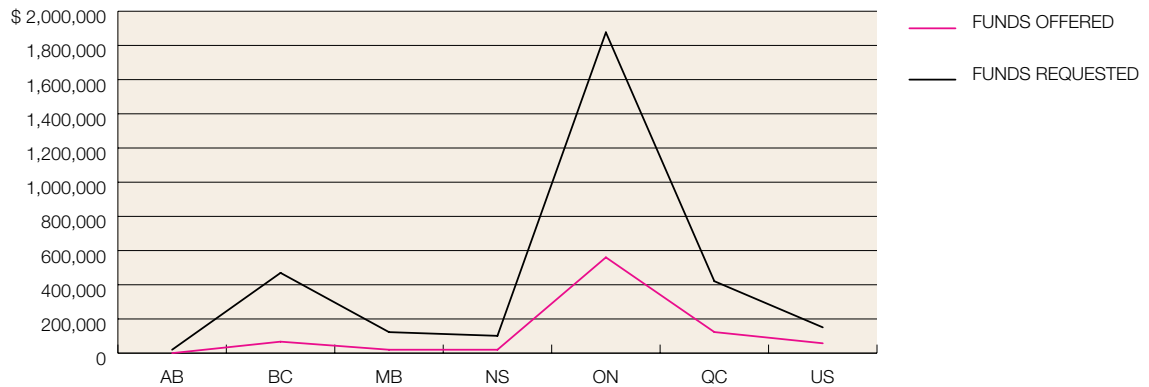
While finding opportunities for videos to be played on television are somewhat limited in many genres, the video is still recognized as an important marketing tool. FACTOR's eligibility requires that all videos must be in support of a recent commercially released, nationally distributed sound recording.

FACTOR received 130 requests totaling \$3,161,988 and approved 41 projects, offering a total of \$848,537; which represents 26.8% of the total amount requested. Details are provided in the Activity Report.

Video Grants Submitted and Approved by Province and Territory

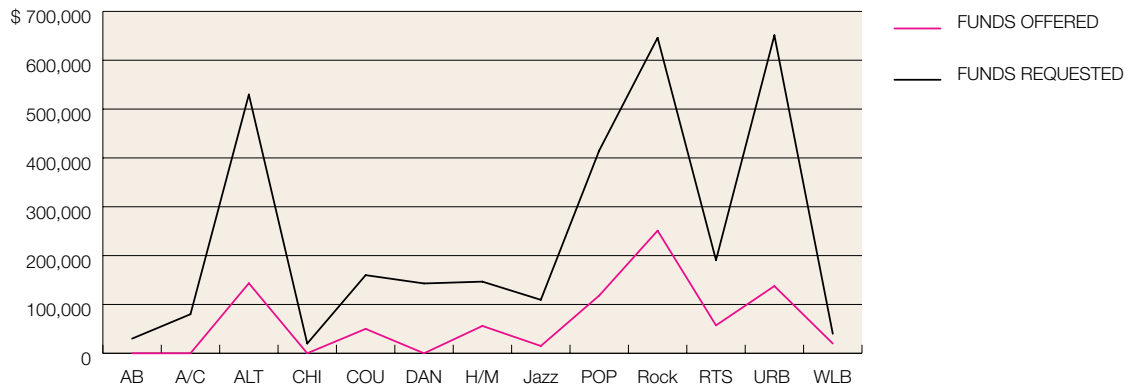
Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 20,000	\$ —	1	—
British Columbia - BC	469,593	67,188	21	4
Manitoba - MB	123,000	20,000	5	1
Nova Scotia - NS	101,275	20,000	5	1
Ontario - ON	1,876,434	560,320	76	27
Quebec - QC	420,852	123,391	17	6
United States - US*	150,834	57,638	5	2
Total	\$ 3,161,988	848,537	130	41

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.



Video Grants Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 30,000	\$ —	1	—
Adult Contemporary - A/C	80,000	—	3	—
Alternative - ALT	529,806	143,391	25	7
Children's - CHI	20,000	—	1	—
Country - COU	160,000	50,000	5	2
Dance - DAN	142,987	—	7	—
Heavy Metal - H/M	146,713	56,000	6	3
Jazz	109,480	15,000	5	1
Popular - POP	415,177	118,228	17	6
Rock	646,039	251,092	26	10
Roots - RTS	190,800	57,188	8	4
Urban - URB	650,986	137,638	25	7
World - WLB	40,000	20,000	1	1
Total	\$ 3,161,988	\$ 848,537	130	41



Marketing and Promotion Sound Recordings

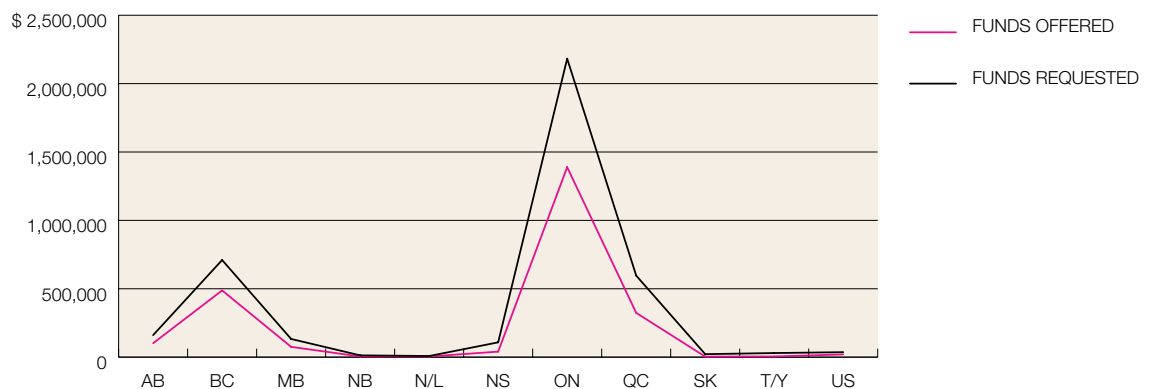
Marketing and promotion is a very necessary part of the sound recording process. For this reason, FACTOR offers matching funding to assist with the marketing and promotion of all sound recording projects which receive funding from the foundation. FACTOR also offers some funding to assist with the marketing and promotion of sound recordings which do not receive financial assistance from FACTOR for the production of the master.

FACTOR received 264 requests totaling \$4,000,676 and approved 169 projects, offering a total of \$2,457,115; which represents 61.4% of the total amount requested.

Marketing and Promotion Grants for Sound Recordings Submitted and Approved by Province and Territory

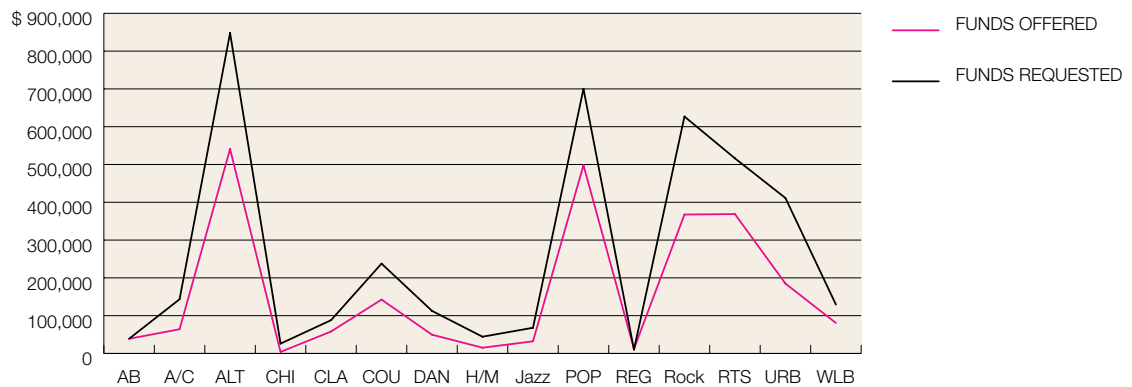
Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 160,890	\$ 101,836	13	8
British Columbia - BC	710,088	487,819	49	36
Manitoba - MB	133,008	75,170	13	7
New Brunswick - NB	13,151	5,000	2	1
Newfoundland and Labrador - N/L	8,288	5,000	2	1
Nova Scotia - NS	108,198	40,306	10	3
Ontario - ON	2,182,356	1,389,228	134	87
Quebec - QC	596,306	323,756	35	23
Saskatchewan - SK	21,993	4,000	3	1
Territories and Yukon - T/Y	30,000	5,000	2	1
United States - US*	36,398	20,000	1	1
Total	\$ 4,000,676	\$ 2,457,115	264	169

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.



Marketing and Promotion Grants for Sound Recordings Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 38,841	\$ 38,841	2	2
Adult Contemporary - A/C	143,431	64,040	16	9
Alternative - ALT	847,908	540,909	62	39
Children's - CHI	26,000	4,000	2	1
Classical - CLA	87,998	58,000	5	5
Country - COU	237,702	142,464	14	8
Dance - DAN	112,575	49,618	6	6
Heavy Metal - H/M	44,250	15,175	5	2
Jazz	67,967	32,052	6	2
Popular - POP	700,244	498,154	34	22
Reggae - REG	10,000	12,000	1	2
Rock	626,880	367,568	35	20
Roots - RTS	516,279	368,739	39	31
Urban - URB	411,274	184,883	27	14
World - WLB	129,327	80,672	10	6
Total	\$ 4,000,676	\$ 2,457,115	264	169



Touring and Showcasing

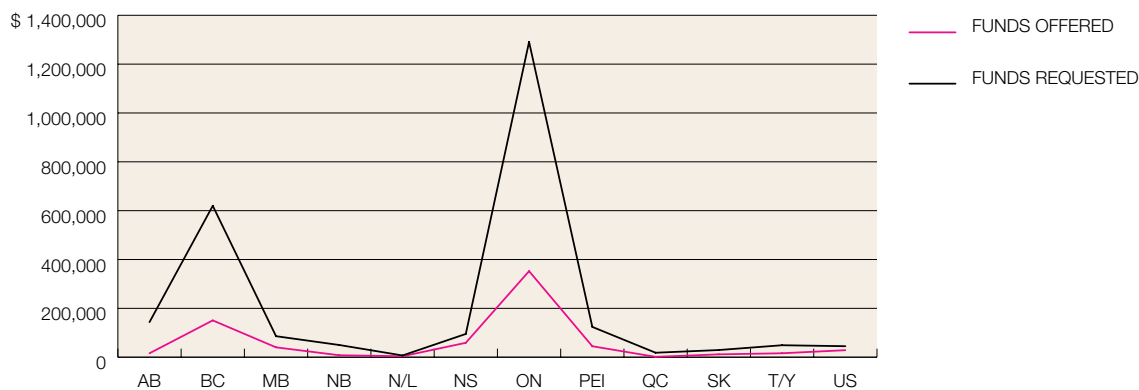
Touring and showcasing is a key aspect to the development and longevity of the careers of artists regionally, nationally and internationally. FACTOR therefore provides funding to assist with touring and showcasing at all levels.

For Domestic Touring opportunities, FACTOR received 351 requests totaling \$2,558,414 and approved 218 domestic touring and showcasing grants, offering a total of \$732,779; which represents 28.6% of the total amount requested. This low percentage of funding offered can be attributed directly to the stringent process the Board of Directors must utilize when reviewing funding requests because of the very limited financial resources available.

Domestic Touring and Showcasing Grants Submitted and Approved by Province and Territory

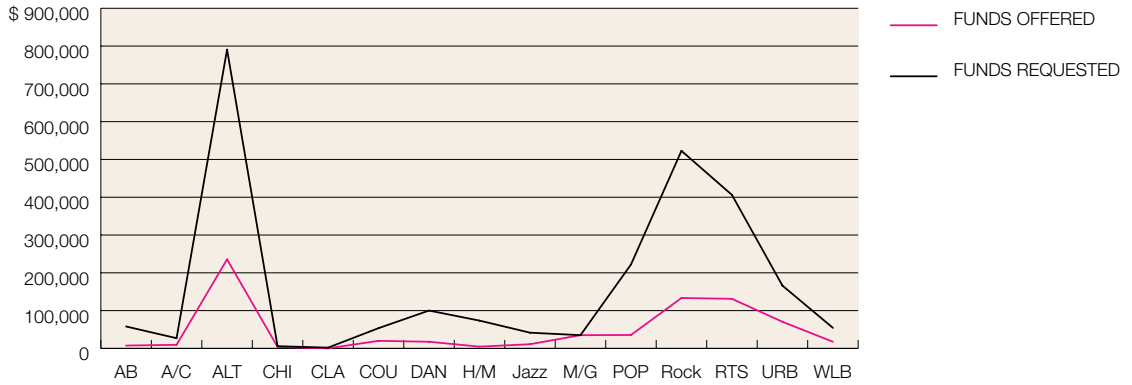
Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 143,632	\$ 16,038	29	15
British Columbia - BC	619,987	150,607	89	54
Manitoba - MB	85,981	40,367	28	22
New Brunswick - NB	49,931	7,931	7	4
Newfoundland and Labrador - N/L	7,071	3,881	4	3
Nova Scotia - NS	95,213	58,936	9	7
Ontario - ON	1,290,960	352,283	137	77
Prince Edward Island - PEI	18,305	1,450	3	2
Quebec - QC	124,011	44,861	20	14
Saskatchewan - SK	29,323	11,620	11	9
Territories and Yukon - T/Y	49,000	16,100	11	9
United States - US*	45,000	28,705	3	2
Total	\$ 2,558,414	\$ 732,779	351	218

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.



Domestic Touring and Showcasing Grants Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 57,999	\$ 7,490	9	5
Adult Contemporary - A/C	27,000	9,482	7	5
Alternative - ALT	790,632	235,651	90	53
Children's - CHI	5,775	3,943	3	3
Classical - CLA	2,000	—	1	1
Country - COU	53,518	20,005	10	6
Dance - DAN	100,110	17,521	15	8
Heavy Metal - H/M	73,526	4,673	9	2
Jazz	41,584	10,986	9	6
Multi-Genre - M/G	35,000	35,000	2	2
Popular - POP	221,879	35,474	27	14
Rock	522,780	133,330	62	33
Roots - RTS	406,160	131,183	81	62
Urban - URB	166,128	70,475	18	13
World - WLB	54,323	17,566	8	5
Total	\$ 2,558,414	732,779	351	218







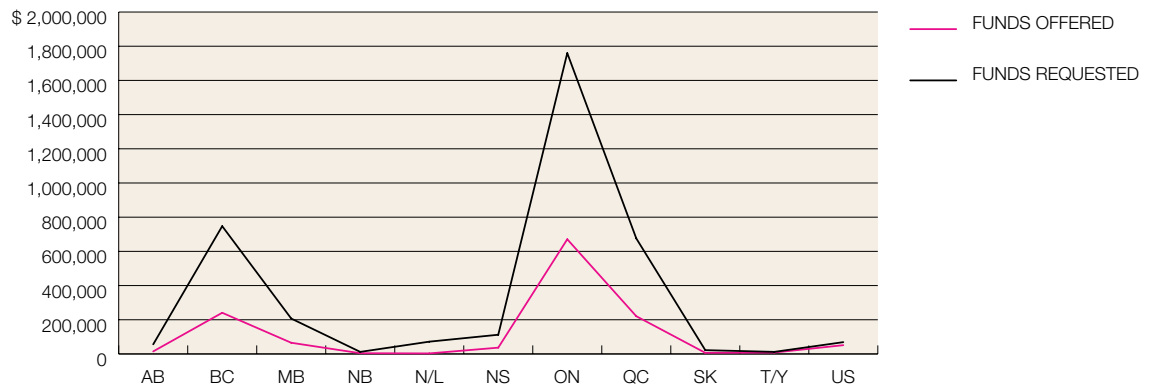
Touring and Showcasing

For International Touring opportunities, FACTOR received 434 requests totaling \$3,746,283 and approved 278 international touring and showcasing grants, offering a total of \$1,322,787; which represents 35.3% of the total amount requested. This low percentage of funding offered can be attributed directly to the stringent process the Board of Directors must utilize when reviewing funding requests because of the very limited financial resources available.

International Touring and Showcasing Grants Submitted and Approved by Province and Territory

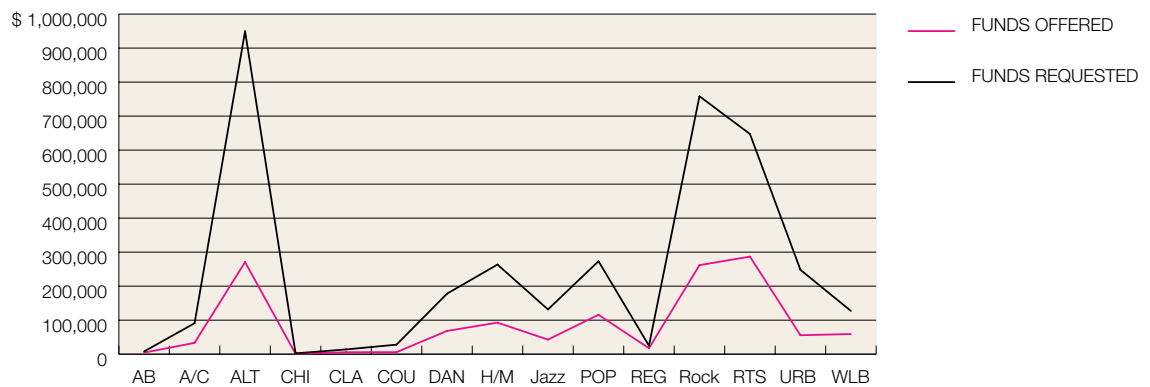
Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 56,073	\$ 14,820	15	8
British Columbia - BC	747,437	240,853	96	66
Manitoba - MB	207,008	65,412	24	14
New Brunswick - NB	12,000	4,240	3	3
Newfoundland and Labrador - N/L	71,838	3,096	6	2
Nova Scotia - NS	112,347	36,790	18	13
Ontario - ON	1,759,566	670,782	194	124
Quebec - QC	675,681	220,714	65	38
Saskatchewan - SK	22,208	6,514	6	3
Territories and Yukon - T/Y	12,125	8,240	3	3
United States - US*	69,000	51,326	4	4
Total	\$ 3,745,283	\$ 1,322,787	434	278

* Canadian citizens living outside of Canada are eligible to apply for FACTOR funding.



International Touring and Showcasing Grants Submitted and Approved by Musical Genre

Genre	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Aboriginal - AB	\$ 7,999	4,530	2	2
Adult Contemporary - A/C	91,149	33,366	11	6
Alternative - ALT	949,449	270,977	96	60
Children's - CHI	2,440	1,200	1	1
Classical - CLA	14,000	5,800	3	2
Country - COU	28,000	5,984	7	4
Dance - DAN	177,859	68,403	29	21
Heavy Metal - H/M	263,503	92,788	20	8
Jazz	131,483	42,888	19	14
Popular - POP	273,382	115,727	39	28
Reggae - REG	25,000	17,500	1	1
Rock	758,384	261,756	70	46
Roots - RTS	647,393	286,898	91	59
Urban - URB	248,028	55,766	27	14
World - WLB	127,214	59,204	18	12
Total	\$ 3,745,283	1,322,787	434	278



Marketing Support for Businesses

As globalization has taken over the development of businesses—including the music industry, it is of critical importance that companies are provided with assistance to ensure that they can increase their financial viability and enhance their competitiveness. The cost of doing business nationally and internationally is affected by many things beyond the control of the music industry (i.e. high travel costs and an ever-increasing number of niche-type music industry conferences). FACTOR support in this area continues to be one that requires increased financial assistance.

Domestic and International Business Development

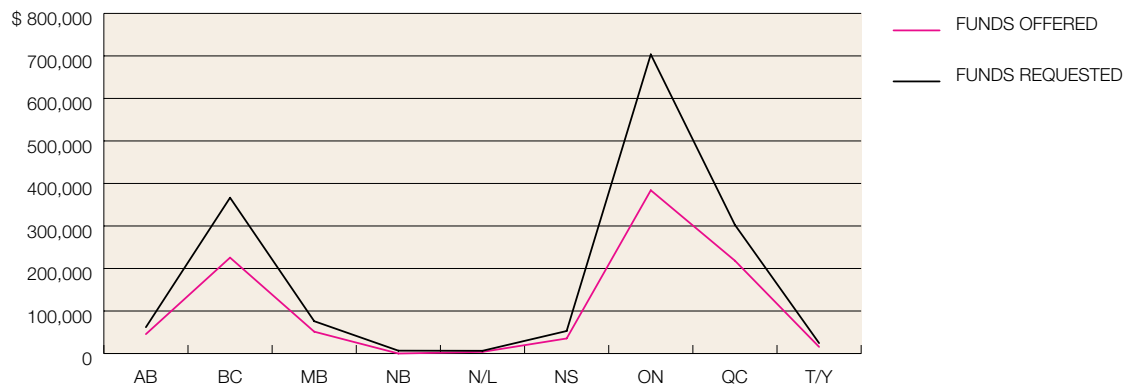
As the world continues to become more and more accessible, it is important that Canadian owned labels and managers are afforded the opportunity to expand their financial viability and competitiveness. To support them in their global dealings, FACTOR provides funding to assist with eligible companies in their travel expenses. Whether it be a meeting or attendance at important music related conferences, funding to a maximum of \$20,000 per year (per company) is available.

FACTOR received 266 requests totaling \$1,601,180 and approved 213 projects offering a total of \$979,795; which represents 61.2% of the total amount requested. Details are provided in the Activity Report.



Domestic and International Business Development Submitted and Approved by Province and Territory

Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 61,922	\$ 45,649	11	11
British Columbia - BC	366,523	225,558	56	44
Manitoba - MB	76,056	51,400	11	11
New Brunswick - NB	6,700	—	1	—
Newfoundland and Labrador - N/L	6,396	3,884	2	2
Nova Scotia - NS	52,974	35,401	16	10
Ontario - ON	703,563	383,959	107	84
Quebec - QC	302,509	218,311	60	50
Territories and Yukon - T/Y	24,537	15,633	2	1
Total	\$ 1,601,180	\$ 979,795	266	213



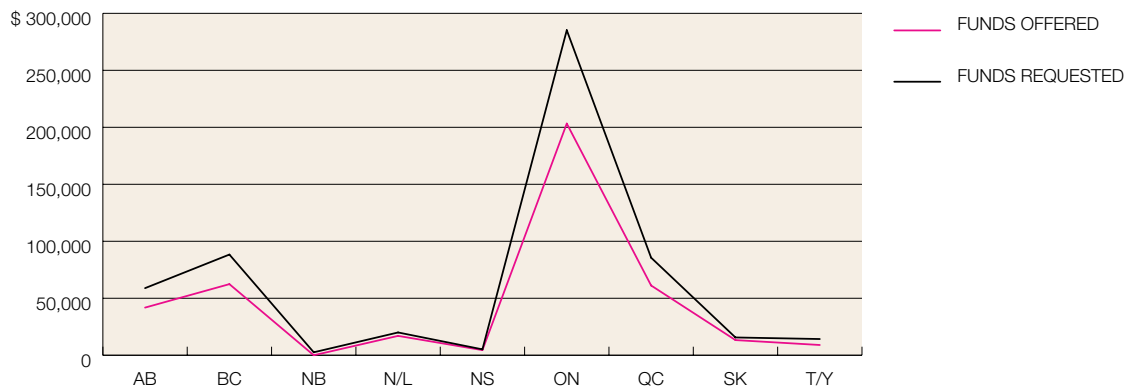
Label, Manager and Distributor Business Development Support Program

This program was developed to support labels, managers and distributors with some of the hard costs involved with supporting the development/exploitation of the careers of the artists they represent. Eligible costs include: memberships to music related associations, subscription fees to industry related publications, Soundscan, and skills upgrading initiatives.

FACTOR received 39 requests totaling \$575,617 and approved 37 projects offering a total of \$412,500; which represents 71.7% of the total amount requested. Details are provided in the Activity Report.

Support Program Applications Submitted and Approved by Province and Territory

Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 58,874	\$ 41,800	5	5
British Columbia - BC	88,349	62,400	4	4
New Brunswick - NB	2,588	—	1	—
Newfoundland and Labrador - N/L	20,000	17,000	1	1
Nova Scotia - NS	5,162	4,500	2	2
Ontario - ON	285,192	203,300	18	18
Quebec - QC	85,610	61,200	6	5
Saskatchewan - SK	15,611	13,300	1	1
Territories and Yukon - T/Y	14,231	9,000	1	1
Total	\$ 575,617	\$ 412,500	39	37



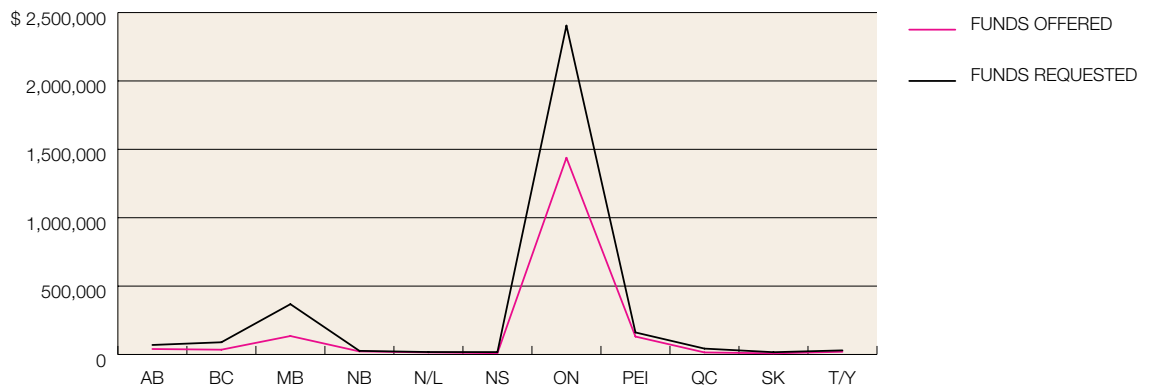
Collective Initiatives

This program supports both business and music industry related not-for-profit organizations. Funding is provided to support initiatives that encourage the growth and development of the Canadian music industry. Educational and professional information sessions/seminars and national initiatives that promote various sectors of the music industry are supported through this program.

FACTOR received 54 requests totaling \$3,244,188 and approved 46 projects offering a total of \$1,869,695; which represents 57.6% of the total amount requested. Details are provided in the Activity Report.

Collective Initiative Grants Submitted and Approved by Province and Territory

Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 69,585	\$ 40,000	2	2
British Columbia - BC	89,311	35,000	4	4
Manitoba - MB	367,939	135,000	5	4
New Brunswick - NB	26,500	22,500	2	2
Newfoundland and Labrador - N/L	17,894	15,000	1	1
Nova Scotia - NS	17,477	9,458	2	1
Ontario - ON	2,404,725	1,438,406	30	25
Prince Edward Island - PEI	161,100	131,000	3	3
Quebec - QC	43,000	15,000	3	2
Saskatchewan - SK	16,663	8,331	1	1
Territories and Yukon - T/Y	29,994	20,000	1	1
Total	\$ 3,244,188	\$ 1,869,695	54	46



Radio Marketing Initiatives

FACTOR is in year six of receiving funds from Canada's private radio broadcasters through the 2% fee to be paid resulting from the CRTC decision allowing for multiple ownership of radio stations in a single marketplace.

A key initiative supported through this funding has been the ANR Lounge and the Music Industry Network Canada database. This initiative has had several positive impacts for the independent artists as well as the industry. The ANR (ALL NEW RELEASES) Lounge provides artists a free service so they can upload their new releases for distribution to Canadian radio broadcasters. Another benefit from the funding provided has been through the MINC database which has required the music industry coast to coast to coast, to share data; resulting in a very comprehensive list of key information that is of benefit to all working in the music industry. Funding has been provided to both the regional and national associations. It has also afforded a very unique collaboration between sectors of the industry which have previously not worked closely together. The funding commitment to this project was for a five-year period which came to a conclusion on March 31, 2007. It is hoped that other sources of revenue can be secured to ensure that this all important database continues to be updated.

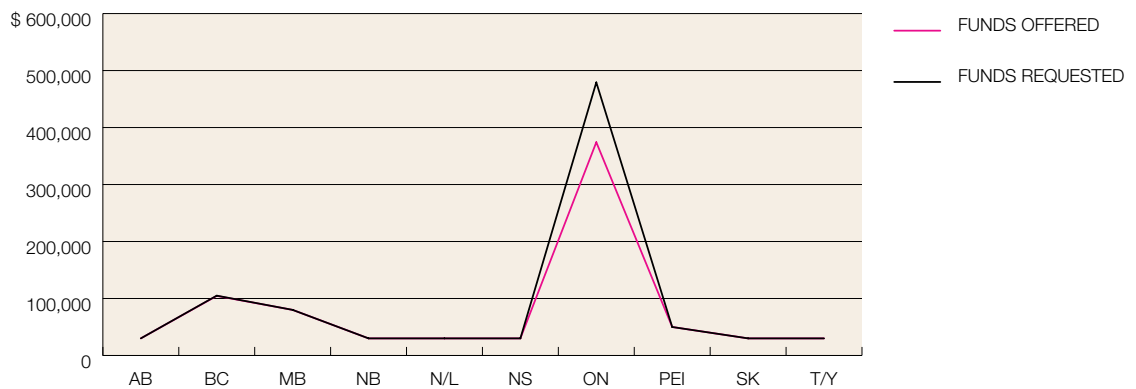
Since the outset, The FACTOR Board has blended the majority of the funds received under the revenue described as radio marketing, to augment budgets for other programs offered by FACTOR. FACTOR also provides some funding to those initiatives that the Board of Directors deems to be of importance and benefit to the industry, which may not fall within the parameters and limitations of FACTOR's other programs.



FACTOR received 21 requests totaling \$894,220 and approved 21 projects offering a total of \$788,780; which represents 88.2% of the total amount requested. More specific details are provided in the Activity Report.

Radio Marketing Support Submitted and Approved by Province and Territory

Province	Amount Requested	Amount Offered	Applications Submitted	Applications Approved
Alberta - AB	\$ 30,000	30,000	1	1
British Columbia - BC	105,000	104,560	3	3
Manitoba - MB	80,000	80,000	2	2
New Brunswick - NB	30,000	30,000	1	1
Newfoundland and Labrador - N/L	30,000	30,000	1	1
Nova Scotia - NS	30,000	30,000	1	1
Ontario - ON	479,220	374,220	9	9
Prince Edward Island - PEI	50,000	50,000	1	1
Saskatchewan - SK	30,000	30,000	1	1
Territories and Yukon - T/Y	30,000	30,000	1	1
Total	\$ 894,220	788,780	21	21





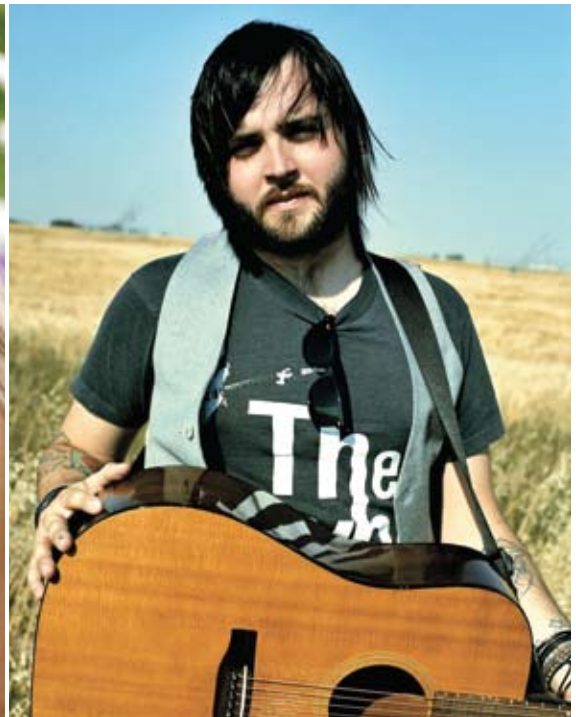
New Initiatives

The staff at FACTOR participated in a strategic planning session about 18 months ago. Part of the focus of the session was on “what else can we, as staff at FACTOR, do to support the industry?”. Two very interesting ideas came out and have been implemented during this fiscal year.

One being the creation of a resource centre; housed at FACTOR, where applicants can come in and review research books on the music industry, read trade publications, access a computer, access FACTOR staff and find general assistance in their endeavors at moving their career forward in the music industry.

The other initiative was staff-organized with the Cameron House to start hosting Open Mic’s. The Open Mic was to afford artists an opportunity to perform in public within a safe, supportive, encouraging environment. The bi-monthly Open Mic’s continue to be hugely successful and each one brings out more people than the previous one. From its inception in August 2007, approximately 97 people have come out to perform at the Open Mic. Of the 97 individuals who have performed, five have been successful in their endeavors to apply to FACTOR for funding.

These two initiatives fall within the staff vision of finding a way to touch the lives of as many artists as possible, while recognizing the financial constraints of FACTOR. We recognize that not all can receive a cheque, but we can provide them with knowledge and experience—both of which are essential to a successful career in the music industry.



OPPOSITE:
Gordie Sampson
ABOVE (L-R):
Zoe Bentley, Leeroy Stagger

Outstanding Commitments as of March 31, 2007

The funding that FACTOR receives from Canada's private radio broadcasters is of critical importance to how FACTOR administers the funds. The public funds administered by FACTOR must be spent within the fiscal year in which they are made available. This requirement would be a significant challenge for the industry, were it not for the private funds.

Projects must be allowed to be completed in their own time frame. To impose deadlines on the completion of projects would have an adverse affect on the overall results that can be accomplished. To require all sound recording projects, videos, tours, showcases, etc. to be completed before March 31st each year, would not best serve the artists and the creative process. The risk of rates being inflated at peak times of the year could create inflated values for services and could also adversely affect the outcome of these projects. It could result in services being available to the highest bidder.

FACTOR's current process ensures a seamless blending of funding from one year to the next, while adhering to Treasury Board regulations, but not interfering with the creative process. It also results in FACTOR carrying forward outstanding commitments on its books at the end of each fiscal year.

However, FACTOR's financial statements reflect that there is funding on hand to cover these outstanding obligations upon the completion of the projects. FACTOR has approximately \$10,000,000 in outstanding commitments for Sound Recordings, Video Production, Touring & Showcasing, Marketing-Companies, Marketing-Sound Recordings, Collective Initiatives and Radio Marketing Initiatives.



PHOTO: DUSTIN RABIN



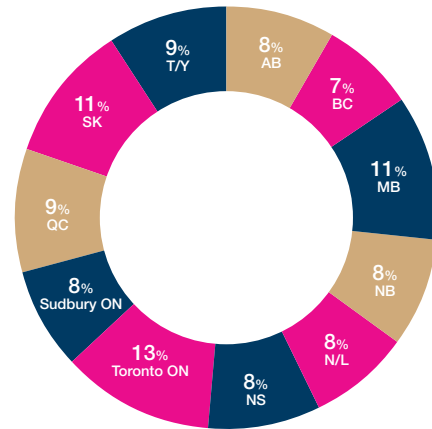
Project Evaluation Process

The FACTOR Board of Directors' policy is to establish monies available to each program, based on the financial budget, and to review applications. The FACTOR Loan, Independent Recording Loan, Professional Demo Award and Songwriter's Demo Grant programs all require a creative assessment. This assessment involves music and broadcasting industry professionals who attend juries to determine which projects should be offered funding. Those applications that receive two yeses in the genre specific jury go on to a super jury. This panel reviews all the genre recommended projects to determine those that will receive funding.

The 179 juries that were conducted last year involved the participation of 607 music and broadcasting professionals who donated their time. As well, FACTOR is represented by provincial music industry associations across Canada. Part of their affiliation with FACTOR requires them to conduct juries throughout the year. The breakdown is as noted below:

FACTOR Juries by Province

Province/Territory	Number of Juries
Alberta - AB	15
British Columbia - BC	13
Manitoba - MB	20
New Brunswick - NB	15
Newfoundland and Labrador - N/L	14
Nova Scotia - NS	15
Ontario (Toronto) - ON	21
Ontario (Sudbury) - ON	14
Quebec - QC	17
Saskatchewan - SK	19
Territories and Yukon - T/Y	16
Total	179



Regional Representation

FACTOR greatly values its relationship with the provincial music industry associations coast to coast to coast. They represent FACTOR to the industry in their respective provinces and territories. There are two levels of representation:

Provincial Music Representation

Provinces and Territories	Members of the FACTOR National Advisory Board and Regional Evaluation Coordinators	Representatives
Alberta - AB	Alberta Recording Industry Association	NAB – Alvin Jahns REC – Kennedy Jenson
British Columbia - BC	Music British Columbia	NAB – Bob D'Eith REC – Savry Bou
Manitoba - MB	Manitoba Audio Recording Industry Association	NAB – Sam Baardman REC – Sara Stasiuk
New Brunswick - NB	Music New Brunswick	NAB – Robert Bellefleur REC – Yolande Bourgeois
Newfoundland and Labrador - N/L	Music NL	NAB – Denis Parker REC – Janet Cull
Nova Scotia - NS	Music Nova Scotia	NAB – Shelley Nordstrom REC – Kasia Morrison
Ontario (outside of Greater Toronto area) - ON	Music & Film In Motion	NAB – Mark Palumbo REC – Dennis Landry
Quebec - QC	—	REC – Shevaughn Battle
Saskatchewan - SK	Saskatchewan Music	NAB – J.P. Ellson REC – Julie Desjarlais
Territories and Yukon - T/Y	Music Yukon	NAB – Mark Smith REC – Grant Simpson



Success Stories

Certifications and Awards

The Canadian Recording Industry Association (CRIA) verifies sales of audio recordings in Canada and issues certifications based on the number of copies sold. Gold (50,000 copies), Platinum (100,000 copies), Double Platinum (200,000 copies) and Triple Platinum (300,000 copies) etc. to Diamond (1,000,000 copies).

The artists listed below have received gold, platinum, etc. certifications for sound recording projects since January 2006. These artists have all received financial assistance from FACTOR through one or more of its programs.

Artists	Album Title	Level of Certification	Year
Billy Talent	Billy Talent	3x Platinum	2007
	Billy Talent II	2x Platinum	2007
Champion (aka DJ Champion)	Chill 'Em All	Gold	2006
Chris Brown	Chris Brown	Gold	2007
City & Colour	Sometimes	Platinum	2006
Colin James	Colin James & Little Big Band	2x Platinum	2006
Daniel Powter	Bad Day	Platinum	2006
	Daniel Powter	Gold	2007
Death From Above 1979	You're a Woman		
	I'm a Machine	Gold	2006
Feist	Let It Die	Platinum	2006
k-os	Atlantis Hymns For Disco	Platinum	2006
Loreena McKennitt	An Ancient Muse	Platinum	2007
Mobile	Tomorrow Starts Today	Gold	2006
Nickelback	Photograph	Platinum	2006
	All The Right Reasons	5x Platinum	2006
Nicola Ciccone	Nous serons six milliards	Gold	2006
Randy Bachman & Burton Cummings	Bachman Cummings Songbook	Gold	2006
Sam Roberts	Chemical City	Gold	2006
Sarah Harmer	I'm a Mountain	Gold	2006
Sarah McLachlan	Wintersong	2x Platinum	2006
Stars	Set Yourself on Fire	Gold	2006
The Corb Lund Band	Hair In My Eyes		
	Like A Highland Steer	Gold	2006
	Five Dollar Bill	Gold	2006
The Tragically Hip	World Container	Platinum	2006
	That Night In Toronto	5 x Platinum	2007
	Fully Completely	Diamond	2007
	Yer Favourites	2 x Platinum	2007
	Hipeponymous	Platinum	2007
Theory of a Deadman	Theory of a Deadman	Platinum	2006
Will Millar	Celtic Whispers	Gold	2006

2007 Juno Awards for FACTOR Supported Artists

Artist	Award
Billy Talent	Group of the Year Rock Album of the Year
City and Colour	Alternative Album of the Year
Downhere	Contemporary Christian/Gospel Album of the Year
George Canyon	Country Recording of the Year
Gordie Sampson	Songwriter of the Year
Hilario Duran and His Latin Jazz Big Band	Contemporary Jazz Album of the Year
Jack Grunsky	Children's Album of the Year
Jacksoul	R&B/Soul Recording of the Year
James Ehnes	Classical Album of the Year: Large Ensemble or Soloist(s) with Large Ensemble Accompaniment
Jim Byrnes	Blues Album of the Year
Jim Cuddy	Adult Alternative Album of the Year
Mobile	New Group of the Year
Sam Roberts	Video of the Year
Sarah Harmer	Music DVD of the Year
Swollen Members	Rap Recording of the Year
The McDades	Roots & Traditional Album of the Year: Group
Tiga	Dance Recording of the Year

2007 ECMA Awards for FACTOR Supported Artists

Artist	Award
Charlie A'Court	Pop Recording of the Year
Classified	Rap/Hip-Hop Single Track Recording of the Year
Duane Andrews	Jazz Recording of the Year
George Canyon	Sirius Satellite Radio Entertainer of the Year Video Of The Year Vibe Creative Group Country Recording of the Year
In-Flight Safety	CBC Galaxie Rising Star Recording of the Year Tour Tech East Alternative Recording of the Year XM Satellite Radio Group Recording of the Year
Jamie Sparks	African-Canadian Recording of the Year Urban Single Track Recording of the Year
Jill Barber	FACTOR Recording of the Year Female Solo Recording of the Year
Joel Plaskett Emergency	DVD Of The Year Single Of The Year SOCAN Songwriter Of The Year
John Campbelljohn	Blues Recording of the Year
Ron Hynes	Male Solo Recording of the Year
Sloan	Newcap Radio Rock Recording of the Year

2006 CCMA Awards for FACTOR Supported Artists

Artist	Award
Brett James, Hillary Lindsey & Gordie Sampson	Songwriter(s) Of The Year
Carolyn Dawn Johnson	Female Artist Of The Year
Corb Lund	Album Of The Year Roots Artist Or Group Of The Year
George Canyon	Single Of The Year Male Artist Of The Year
Johnny Reid	Chevy Trucks Rising Star Award Independent Male Artist Of The Year Independent Single Of The Year
Patricia Conroy	Independent Female Artist Of The Year

2006 WCMA Awards for FACTOR Supported Artists

Artist	Award
Andrea Menard	Outstanding Aboriginal Recording
Bif Naked	Video Of The Year
Brad Turner Quartet	Outstanding Jazz Recording
Corb Lund	Outstanding Independent Recording Outstanding Roots Recording Songwriter Of The Year
Fresh I.E	Outstanding Christian Recording
Joel Fafard	Outstanding Instrumental Recording
Land's End Chamber Ensemble	Outstanding Classical recording
Nickelback	Outstanding Rock Recording
The Bills	Entertainer Of The Year

*Listings appearing in **boldface** are FACTOR-supported audio recordings. All other listings received some other means of support from FACTOR.

Foundation Assisting Canadian
Talent On Recordings - Financial Statements March 31, 2007

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Auditors' Report

To the Directors of the Foundation Assisting Canadian Talent On Recordings:

We have audited the statement of financial position of the *Foundation Assisting Canadian Talent On Recordings* (FACTOR) as at March 31, 2007 and the statements of changes in net assets, operations and cash flows, for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 7, 2007

Fruitman Kates LLP

FRUITMAN KATES LLP
Chartered Accountants
Licensed Public Accountants

Foundation Assisting Canadian Talent On Recordings

Statement of Financial Position - As at March 31, 2007

	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 7,385,252	\$ 6,310,008
Accounts receivable	423,242	448,419
Prepaid expenses and sundry assets	46,808	20,045
	7,855,302	6,778,472
Investments (NOTE 3)	2,880,680	4,502,742
Property and equipment (NOTE 4)	1,639,287	167,128
	\$ 12,375,269	\$ 11,448,342
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 307,700	\$ 813,605
Net assets (NOTE 5)		
Unrestricted	9,846,971	8,748,132
Contingency reserve	581,311	1,719,477
Invested in property and equipment	1,639,287	167,128
	12,067,569	10,634,737
	\$ 12,375,269	\$ 11,448,342

Approved on behalf of the Board:



DIRECTOR



DIRECTOR

See accompanying notes to financial statements

Foundation Assisting Canadian
Talent On Recordings

Statement of Changes in Net Assets - For the year ended March 31, 2007

	2007				2006
	Unrestricted	Contingency Reserve	Invested in Property and Equipment	Total	Total
Balance, beginning of year	\$ 8,748,132	\$ 1,719,477	\$ 167,128	\$ 10,634,737	\$ 10,084,675
Excess (deficiency) of revenue over expenditures	1,494,192	52,157	(113,517)	1,432,832	550,062
Interfund transfers (NOTE 6)	(395,353)	(1,190,323)	1,585,676	—	—
Balance, end of year	\$ 9,846,971	\$ 581,311	\$ 1,639,287	\$ 12,067,569	\$ 10,634,737

See accompanying notes to financial statements

Foundation Assisting Canadian Talent On Recordings

Statement of Operations - For the year ended March 31, 2007

	2007	2006
Revenue		
Public		
Canada Music Fund Contributions		
New Musical Works Program		
- General Component	\$ 6,534,436	\$ 7,152,528
- Specified Label Funding	207,641	2,242,940
Collective Initiatives Program	1,398,338	1,398,938
	8,140,415	10,794,406
Private		
Broadcasters' Contributions		
- Significant Benefits	3,771,363	3,119,716
- Voluntary	1,574,719	1,831,034
Loan repayments	1,174,121	184,567
	6,520,203	5,135,317
Investment income	343,984	303,662
	15,004,602	16,233,385
Expenditures		
Loans and awards (Schedule)	12,011,118	14,024,651
Administrative expenses (Schedule)	1,499,292	1,664,835
	13,510,410	15,689,486
Excess of revenue over expenditures before the following	1,494,192	543,899
Loss on disposal of property and equipment	(62,542)	—
Amortization of property and equipment	(50,975)	(49,897)
Investment income - Contingency Reserve	52,157	56,060
	(61,360)	6,163
Excess of revenue over expenditures	\$ 1,432,832	\$ 550,062

See accompanying notes to financial statements

Foundation Assisting Canadian Talent On Recordings

Statement of Cash Flows - For the year ended March 31, 2007

	2007	2006
Cash flows from (used in):		
Operating activities		
Excess of revenue over expenditures	\$ 1,432,832	\$ 550,062
Adjustment for:		
- amortization	50,975	49,897
- loss on disposal of property and equipment	62,542	-
	1,546,349	599,959
Changes in non-cash working capital		
- accounts receivable	25,177	(420,244)
- prepaid expenses and sundry assets	(26,763)	(4,345)
- accounts payable and accrued liabilities	(505,905)	306,607
	(507,491)	(117,982)
	1,038,858	481,977
Investing activities		
Investments	1,622,062	(2,344,181)
Property and equipment	(1,585,676)	(52,926)
	36,386	(2,397,107)
Change in cash and cash equivalents	1,075,244	(1,915,130)
Cash and cash equivalents, beginning of year	6,310,008	8,225,138
Cash and cash equivalents, end of year	\$ 7,385,252	\$ 6,310,008
Cash and cash equivalents are comprised of the following:		
Unrestricted	\$ 6,803,941	\$ 5,507,946
Contingency Reserve	581,311	802,062
	\$ 7,385,252	\$ 6,310,008

See accompanying notes to financial statements

Foundation Assisting Canadian
Talent On Recordings - Notes to Financial Statements
For the Year ended March 31, 2007

1. Purpose and Legal Form of the Foundation

The Foundation Assisting Canadian Talent on Recordings (FACTOR) was incorporated as a non-profit association without share capital on June 17, 1982, under the Canada Business Corporations Act.

FACTOR provides funding by way of loans and grants to Canadian individuals and groups in the music recording industry in order to promote and foster Canadian talent. FACTOR receives and disburses funds pursuant to agreements with the Government of Canada, under the Department of Canadian Heritage's New Musical Works and Collective Initiatives programs. The current contract with the Government of Canada expires on March 31, 2010. Financial contributions received from Canada's private radio industry are likewise distributed annually by FACTOR to individuals and groups in the Canadian music industry.

2. Significant Accounting Policies

A) REVENUE RECOGNITION

FACTOR follows the deferral method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection thereof is reasonably assured.

Investment income is recognized as revenue when earned.

B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term deposits with terms to maturity less than 90 days and are recorded at cost.

C) INVESTMENTS

Investments comprising marketable securities are stated at the lower of cost and market value.

D) LOANS

Loans to artists, producers and record companies are granted to finance costs directly associated with recordings, as well as the promotion and marketing of these recordings. These loans must be repaid directly from royalty proceeds

of projects financed by the program. Due to the uncertainty of ultimate collectibility, loans are expensed when the monies are advanced. Repayment of these loans is recorded as revenue when cash is received from the recipient.

E) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and amortized on a declining balance basis as follows:

Building	-4% per annum
Computer equipment	-30% per annum
Office furniture and equipment	-20% per annum

F) CONTRIBUTED SERVICES

Members of the FACTOR's Board of Directors, Members of the National Advisory Board and unpaid volunteers from the music industry donate their time without monetary compensation. Because of the difficulty in determining the fair value of contributed services, they are not recognized in the financial statements.

G) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H) INCOME TAXES

Pursuant to the Income Tax Act (Canada), FACTOR is classified as a non-profit organization and therefore, is not subject to income tax.

3. Investments

Investments comprising marketable securities are recorded at the lower of cost and market value. At the year end the market value of the investments was approximately \$2,882,000 (2006 - \$4,505,000).

4. Property and Equipment

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$596,000	\$ —	—	—
Building	894,323	11,924	—	—
Computer equipment	244,239	147,481	171,104	121,685
Office furniture and equipment	163,370	99,240	141,152	85,985
Leasehold improvements	—	—	135,724	73,182
	\$ 1,897,932	\$ 258,645	\$ 447,980	\$ 280,852
Net Book Value		\$ 1,639,287		\$ 167,128

5. Net Assets

Net assets invested in property and equipment represent property and equipment purchased and proceeds of disposition and related amortization of these assets.

Net assets invested in the contingency reserve have been set aside by the Board of Directors to ensure that FACTOR is able to meet legal and other obligations and commitments, other than the loans and awards described in note 8(I), in the event of the termination of the funding contract with the Government of Canada.

The unrestricted net assets accounts for the Foundation's general operating activities. The balance represents the accumulation of surplus private contributions, loan repayments and investment income earned thereon after interfund transfers.

6. Interfund Transfers

During the year, \$300,000 (2006 - \$176,000) was transferred from the unrestricted fund to the contingency reserve and \$95,353 (2006 - \$52,926) was transferred to the property and equipment fund. In addition, \$1,490,323 (2006 - \$NIL) was transferred from the contingency reserve to the property and equipment fund. These transfers have been approved by the Board of Directors.

7. Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities. Unless otherwise indicated, the fair values of financial assets and financial liabilities approximate their recorded amounts. The face value of the investments is guaranteed if held to maturity. FACTOR is not exposed to significant interest rate, currency or credit risk arising from its financial instruments.

8. Commitments

I) LOANS AND AWARDS

FACTOR is committed to advancing funds totalling approximately \$10,000,000 (2006 - \$11,000,000) as loans and awards to recipients. Because certain conditions must be met before such loans are made, these amounts have not been recorded as liabilities.

II) LEASES

FACTOR is committed to various operating leases for equipment. The future annual minimum lease payments are approximately as follows:

2008	\$ 23,000
2009	\$ 9,000

9. Related Party Transactions

During the year, FACTOR approved loans and/or grants in the normal course of operations, to related organizations, amounting to approximately \$1,175,000 (2006 - \$1,550,000). Included in the aforementioned are grants to Canadian Independent Record Production Association (CIRPA) a not for profit association, amounting to approximately \$420,000 (2006 - \$420,000). The parties are related by virtue of the fact that they are officers of the recipients and are represented on the FACTOR Board of Directors.

10. Comparative Figures

Certain prior year's figures have been reclassified to conform with the current year's presentation.

Foundation Assisting Canadian Talent On Recordings

Schedule of Loans and Awards - For the year ended March 31, 2007

	2007	2006
New Musical Works Program		
Sound recording	\$ 3,398,940	\$ 3,510,604
Marketing sound recordings	1,642,159	1,861,030
Video production	1,353,390	1,660,657
Domestic and international touring	1,187,835	1,179,357
Domestic and international showcasing	771,689	458,409
Domestic and international business development	601,499	567,398
Label, manager and distributor business development	381,572	395,566
Specified label funding	181,686	1,993,725
	9,518,770	11,626,746
Collective Initiatives Program		
Collective initiatives and songwriters workshop grants	1,522,031	1,407,176
Regional affiliates	200,000	123,216
	1,722,031	1,530,392
Radio Marketing Fund	770,317	867,513
	\$ 12,011,118	\$ 14,024,651

Foundation Assisting Canadian Talent On Recordings

Schedule of Administrative Expenses - For the year ended March 31, 2007

	2007	2006
Salaries and benefits	\$ 838,034	\$ 936,433
Occupancy costs	168,750	146,083
Publicity, promotion and meetings	106,602	72,052
Automobile and travel	94,537	88,589
Consulting and professional fees	72,217	203,544
Office and general	62,087	59,498
Regional affiliates and travel	36,892	46,036
Courier and postage	33,920	31,023
Equipment rentals and repairs	30,668	30,655
Professional development	25,897	26,667
Telephone and communications	19,750	16,411
Insurance	9,938	7,844
	\$ 1,499,292	\$ 1,664,835



The Foundation Assisting Canadian Talent on Recordings
With Support From Canada's Private Radio Broadcasters

How to contact us

To learn more about The Foundation Assisting Canadian Talent on Recordings please visit us at:
www.factor.ca

For any questions or comments, you may reach us through the website or at the following address:

The Foundation Assisting Canadian Talent on Recordings

30 Commercial Road
Toronto, Ontario, M4G 1Z4
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