

# FACTOR Canada

## ARTIST ENTREPRENEUR

### Program Guidelines

2023-2024

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## Program Intent

Artist Entrepreneur is a pilot program for Top Tier artists (Artists rated 3 or Platinum Album Certified Artists) who are significantly investing in growing their business via rights they control such as masters, copyrights, and/or live performances. It complements the Company Envelope while replacing the Comprehensive Artist program and is designed for increased flexibility for eligible activities and expenses during the program year – aligned with FACTOR’s fiscal (April 1 – March 31). The funds in this program are awarded competitively among eligible applicants depending on the committed investment and the available budget.

## Program Overview

1. Artist Entrepreneur is a program intended to assist Canadian artists who own and control their masters, copyrights, and/or touring rights, and who are making significant investments in the activities related to the rights they control.
2. Artist Entrepreneur funding is allocated once a year for recipients to undertake a suite of activities fostering the development of the artist and the promotion of their music. These activities can include expenses related to the production and marketing of their active sound recordings, domestic and international touring, including showcasing. Activities must be central to the development of the Canadian artist, the promotion of their music and the expansion of their audience. Applicant artists can only include activities for which they control the rights.
3. Funding for this program is provided by the Individual Initiatives component of the Canada Music Fund (CMF) which aims to increase the diversity of Canadian music artists connecting with audiences worldwide, and Canada’s Private Radio Broadcasters.
4. FACTOR’s contribution may be up to 50% of total eligible expenses.
5. The minimum investment commitment for this program is \$30,000.
6. The maximum funding level per individual artist applicant is up to \$75,000 which would require a minimum investment of \$150,000 to reach that amount. Please note that there is no guarantee that any applicant will receive the maximum annual offer.
7. Detailed review of applications will take up to eight weeks from the application deadline.

## Application Deadline

**January 25, at 5:00 p.m. Eastern Time** for activities taking place from April 1, 2023 – March 31, 2024.

## Who Can Apply

8. [Canadian Artists](#) rated 3 and Platinum Album Certified Artists who control the exclusive Canadian exploitation and commercial release rights for the sound recording and/or who control the exclusive Canadian touring and live performance rights.
9. Canadian Artists rated 2 who have experienced significant expansion to their market and career during the 2023-2024 program year may contact the Program Administrator for review for eligibility to apply. This must be done no later than 5 business days before the program application deadline.
10. You must have reviewed and rated Artist and Applicant Profiles in FACTOR’s online system in order to be adjudicated in this program. Please go to the [How to Apply page on the FACTOR website](#) for instructions.

11. Prepare to make a minimum of \$30,000 in investments in eligible activities of production and promotion of sound recordings, tours and showcases, publishing for the period of April 1, 2023, to March 31, 2024. Those investments should be in line with the artist's current strategy and investment history.
12. Applicants must demonstrate a financial need to make the planned investments in the development of their careers, the promotion of their music and the expansion of their audience. Specifically:
  - a. Applicants must have reported a net profit margin including public funding and before interest, taxes, depreciation, and amortization (**EBITDA**) of less than **15%** in at least one of its last three years. Artists who do not meet that criterion must demonstrate that a significant portion of those profits were or will be reinvested back into their careers.
  - b. Applicants whose average total dividends/profitability reported in their last three financial years exceed their request for funding in the current program year must demonstrate their financial need to carry out their CMF eligible music activities. Applicants that reported dividends, bonuses and other extraordinary compensation for company shareholders or owners in their most recent financial year must attest that CMF funding was not used for those payments (dividends, bonuses and other extraordinary compensation for company shareholders or owners are ineligible expenses in the Artist Entrepreneur program).
13. Artists who previously reached their lifetime funding cap with FACTOR are not eligible for funding in this program.
14. Musical content created and supported through this program may contain no more than 50% French-language lyrics. Artists whose music exceeds the 50% French-language lyric threshold should apply for funding through Musicaction.
15. In support of CMF diversity and inclusion policy priorities, FACTOR welcomes applications from artists from equity-deserving groups such as Indigenous Artists, as well as artists from official language minority communities and artists (OLMC), Racialized Artists and artists identified as part of the 2SLGBTQIA+ community, Disabled Artists, and Women Artists.
16. FACTOR welcomes and encourages applications from applicants with disabilities. Please contact your Program Administrator or our general information account to discuss options for accommodations throughout the application process, as well as our Application Accessibility Support Fund.

## How to Apply

17. To apply, applicants must email all of the following documents to: [ArtistEntrepreneur@factor.ca](mailto:ArtistEntrepreneur@factor.ca)
  - a. Completed Application Form ([the Excel template is available here for download](#)).
  - b. Artist Profile – Provide the most up-to-date information for all mandatory sections of the Artist Profile (including the Audience tab) as of the date of application.
  - c. Marketing Plan and Investment Strategy (PDF) - See detailed instructions on the Application Form.
  - d. Financial statements or Canada Revenue Income Tax returns for the past 3 fiscal years (PDFs):
    - Financial statements or must be prepared by a Chartered Accountant. FACTOR will accept audited financial statements, review engagement reports, or notice-to-reader/compilation engagement reports.
    - If you are not able to provide the required financial documentation outlined in the point above, but believe you are otherwise eligible, please contact the Program Administrator to discuss.

## How Applications are Assessed

The funds in this program are awarded competitively among eligible applicants depending on the available budget in the fiscal year (April 1 – March 31).

18. Canadian artists' applications will be assessed on the following criteria:
  - a. The artist's ability to reach audiences, based on both previous investment and current success measured partially by revenue.
  - b. The artist's efforts to develop their career, and to promote and develop audiences, based on an assessment of their proposed investment strategy and its feasibility.
19. The Artist Entrepreneur program provides financial support for artists' annual investment strategy; the majority of

the budget is allocated by its assessment. The budget is divided across the three assessment steps as follows: 20% on revenue, 20% on recent investments and 60% for planned investments.

### Assessment Steps:

- **Revenues (20% of the total Artist Entrepreneur budget):** the portion of the contribution for this step is allocated based on each artist's eligible net revenues (i.e. net of royalties and fees due to profit sharing partners) in the last three years as a percentage of the total eligible net revenue in the last three years of ALL artists in the program applicant pool.

*As an example, if an artist has \$50,000 in eligible revenues (net of any amounts owed to profit sharing partners), and the total pool of eligible revenue across all applicants in the program is \$4M, that artist would receive 1.25% (\$50K/\$4M) of the Artist Entrepreneur budget allocated to this step. If the Artist Entrepreneur budget for the program year is \$1M, \$200K would be allocated for revenue in the program year and as result the artist would be awarded \$2,500 in this step.*

- **Recent investments (20% of the total Artist Entrepreneur budget):** the portion of the contribution for this step is allocated based on each artists' total investments in eligible activities from the most recently completed program year (April to March) Each recipient's amount is based on their portion of total eligible investments of all recipients.

*As an example, if an artist has \$50,000 in eligible recent investments and the total pool of eligible recent investments across all applicants in the program is \$4M, that artist would receive 1.25% (\$50K/\$4M) of the Artist Entrepreneur budget allocated to this step. If the Artist Entrepreneur budget for the program year is \$1M, \$200K would be allocated for eligible recent investments and as result the artist would be awarded \$2,500 in this step.*

- **Investment Strategy (60% of the total Artist Entrepreneur budget):** Amounts in this section are determined by an assessment of each applicant's investment strategy. The investment strategy must provide detail for each activity. These elements will be assessed according to the following elements:
  - Applicability of the proposed activities to the objectives of the Individual Initiatives Component, including international investments in support of the CMF's objective to develop audiences for Canadian artists outside of Canada.
  - Relevance and scope of the proposed activities;
  - Feasibility of the investment strategy (funding history, organizational and financial capacity, feasibility regarding planned expenses, risk, etc.)
  - Expected results.

## Conditions of Funding

20. Applicants must have the capacity to match the financial investment which they receive to fund the planned activities and be able to carry out the planned investments regardless of the final amount of FACTOR funding.
21. Applicants must be in good standing with the Crown, the Department of Canadian Heritage, or any other government department as well as with third-party administrators FACTOR and Musicaction.
22. Once an applicant has received an Artist Entrepreneur funding offer, they may not access additional funding through FACTOR's project-based programs.
23. Once an application is approved, changes to the proposed activities having a budget impact of 20% or more of planned investments should be reported and discussed with the client's Program Administrator immediately.
24. Recipients of funding in support of exploitation of copyright or tour and showcase support should notify their Program Administrator if they intend sell, assign, license, or otherwise transfer the control of the related rights to another party.
25. FACTOR restricts the transfer of ownership and control of sound recordings which it funds under its programming. Recipients of funding in support of the creation of sound recordings are obliged, for a period of two years after commercial release, to notify FACTOR of their intention to sell, assign, license, or otherwise transfer the control of the sound recording to another party. In some cases, FACTOR may require the funding to be repaid when the sound recording is transferred. Please speak with your Program Administrator for more details.

## Eligible Activities:

26. Your activities must foster the development of your career, promote your music and expand your audience, as related to an [active sound recording](#). Only revenues and expenses related to the activities listed below can be reported.
27. Eligible activities are related to the following functions:
- Production of sound recordings which meet FACTOR's definition of "Active" (main activity – sound recordings)
  - Marketing of sound recording
  - Touring and Showcasing
  - Publishing

## Ineligible Activities:

28. Any activity related to the production and promotion of Canadian works that, in FACTOR's opinion, contain or promote any of the following is deemed ineligible:
- a. material that is hate propaganda, obscene or child pornography, or any other illegal material, as defined in the Criminal Code;
  - b. pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose;
  - c. material that contains excessive or gratuitous violence;
  - d. material that is denigrating to an identifiable group; or any other similarly offensive material.
  - e. Expenses relating to compilations and reissues are ineligible. However, revenues could be considered to the extent that the sound recording meets the Canadian content requirements.
  - f. Tour-related activities that do not further career development. This includes musicals, retrospective/tribute shows, variety shows, charity or corporate shows, etc.
  - g. Tour-related activities that are not intended to promote an artist's active sound recordings (album or multiple tracks).

## Funding and Payments

29. **Schedule of payments for 2023-2024:** After the funding offer is accepted by the applicant, FACTOR will issue 50% of the contribution amount as an advance payment. The remainder of the funding is paid out when the completion has been received, reviewed, and accepted by FACTOR.
30. To receive FACTOR funding, recipients must submit banking information for direct deposit. The bank account name must appear on the void cheque/Direct Deposit/pre-authorized payment form, and this must match the Applicant name associated with the recipient's file.

## Eligible Expenses

Eligible expenses are those related to Canadian artists for eligible activities undertaken between April 1 and March 31. The following lists of eligible expenses are demonstrative and are not exhaustive. If you have any planned expenses that are not listed below, please contact the Program Administrator before submitting your application.

31. Sound recording expenses.
- a. Artist, musician and backing vocals fees
  - b. Arrangements
  - c. Cover art
  - d. Equipment Rental
  - e. Manufacturing expenses
  - f. Mixing and Mastering
  - g. Producer fees
  - h. Studio fees
  - i. Travel expenses for recording within Canada.

32. Marketing and Promotion, including video expenses.
  - a. Album release performance expenses
  - b. Digital ads
  - c. Media (advertising and press)
  - d. Music video and visualizer production
  - e. Posters and graphic design
  - f. Press and other promotional photography
  - g. Radio tracking
  - h. Stylists
  - i. Travel related to promotional performances.
33. Music Publishing expenses.
  - a. Song plugging.
34. Touring and showcasing expenses.
  - a. Artist, musician, and technician fees
  - b. Backline and other equipment and rigging rentals
  - c. Promotion expenses
  - d. Travel expenses (transportation, accommodation, per diems, etc.) Please contact the Program Administrator for specific details.

## Ineligible Expenses

35. Funding provided through the Artist Entrepreneur program cannot be used on the following expenses:
  - a. Equipment purchases and purchases of capital assets;
  - b. Salaries/benefits, overhead costs or any other expense not directly related to the eligible activities;
  - c. Taxes that are subject to rebate to the recipient (such as VAT, HST);
  - d. Musicians' union dues, penalties, fines, pension contributions and any other union-mandated payments;
  - e. Merchandising;
  - f. Grant writing services;
  - g. Capital expenditures that are not directly related to the development of Canadian artists, audience promotion and development (this includes the purchase of buildings, vehicles, computers, etc. including depreciation or amortization);
  - h. Acquisition of catalogues;
  - i. Exchange of services ;
  - j. Audit, legal (for example, during a legal dispute), and infringement costs;
  - k. Interest on late payments;
  - l. Suppliers' administration fees;
  - m. Hospitality expenses (including alcohol, excluding travel per diems) ;
  - n. Dividends, bonuses, and other extraordinary compensation for company shareholders or owners;
  - o. Cash expenses over \$500;
  - p. Cash expenses up to \$500 that are not supported by either a completed FACTOR-provided Receipt for Services form signed by the payee, or a detailed vendor receipt issued by the payee.

## Completion

36. As part of completion reporting, recipients will be required to submit:
  - a. A completion cashflow report provided by FACTOR, including a breakdown of all expenses per activity, by month.
  - b. Expense documentation for all costs claimed on the cashflow report, including an invoice and eligible proof of payment for each expense. For detail regarding what FACTOR will accept as eligible proof of payment, please refer to [FACTOR's Expense Documentation Guide](#).

- c. Accepted proof of payment includes:
- The back and front of cancelled cheques;
  - Electronic and debit card payment: bank statement showing the name of the payee;
  - Credit card payment: monthly statement showing the name of the payee;
  - Automated accounts payable processing software (e.g. Plooto, Telpay, Quickbooks, etc): batch report indicating the date, transactions and batch total, along with the bank statement confirming the batch transaction;
  - Payroll service (e.g. ADP, Ceridian, Payworks, etc): payroll journal and summary, along with the bank statement confirming the transaction;
  - Money order and postal order receipts, wire transfer and e-transfer receipts.
- d. A narrative report outlining any changes to the proposed activities and measurable successes from the proposed activities.

37. FACTOR reserves the right to audit recipient accounts and records to ensure compliance with the terms and conditions of the funding agreement. FACTOR and the Department of Canadian Heritage also conduct periodic program evaluations, during which recipients may be required to present documentation.
38. Applicants should retain all their invoices, receipts, and proofs of payment for seven years for FACTOR and Revenue Canada taxation purposes. Demonstrated failure to maintain such records may result in the repayment of amounts previously received.
39. You must credit FACTOR on all materials and events supported through this program, including tagging FACTOR using #FACTORfunded on social media. To ensure appropriate Logos and Acknowledgment on any assets you create with the funding, please refer to [FACTOR's Logo and Acknowledgment Guide](#). You must provide proof of your acknowledgment of FACTOR's funding as a part of your completion report.
40. Once submitted to FACTOR, the completion report will be deemed by FACTOR to be your true, accurate, and final accounting, and may not be unsubmitted, amended, or deleted.

## Glossary

- G1. **2SLGBTQIA+:** A person who identifies as part of the 2SLGBTQIA+ community is someone who identifies as Two-Spirit, lesbian, gay, bisexual, transgender, queer and/or questioning, intersex, asexual or other.
- G2. **Active Sound Recording:** A sound recording is considered by FACTOR to be Active when it has been released within two years prior to the first day of the current program year or will be released within six months of the first day of the following program year.
- G3. **Canadian:** A citizen within the meaning of the *Citizenship Act* or a permanent resident of Canada within the meaning of the *Immigration and Refugee Protection Act*.
- G4. **Canadian artist:** A citizen within the meaning of the *Citizenship Act* or a permanent resident of Canada within the meaning of the *Immigration and Refugee Protection Act*.

The term “Artist” refers to an artist solo performer, a musical group or collective. In the case of music publishing activities, an “artist” refers to a songwriter or composer. A group or a musical collective is considered Canadian if at least 50% of its members including the lead singer are Canadians. In the case of an orchestra featuring no principal artist, the orchestra must be based in Canada.

- G5. **Canadian-owned and controlled company:** A company
- that is a sole proprietorship, partnership, cooperative, or corporation established under the laws of Canada or a province or territory;
  - whose activities are based primarily in Canada;
  - whose company headquarters is based in Canada; and
  - whose chairperson or presiding officer and at least 50 per cent plus one of whose executives, directors and other similar officers of its Board are Canadian or permanent residents within the meaning of the *Immigration and Refugee Protection Act* (hereinafter called “Canadians”). Any sub-group of the Board of Directors with decision-making powers (i.e. Executive Committees) that act on behalf of the Board must also consist of at least 50 per cent plus one Canadians. Companies employing employees located abroad must ensure that decision-making and control remain in Canada.

**Corporation with share capital:** Canadians beneficially own or control, other than by way of shares held only as security, directly or indirectly, in the aggregate at least 50 per cent plus one of all the issued and outstanding votes.

**Corporation without share capital:** Canadians beneficially own or control, directly or indirectly, interests representing in monetary value at least 50 per cent plus one of the total value of the assets.

**Partnership, trust or joint venture:** 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 per cent plus one of the total value of the assets of the partnership, trust or joint venture, as the case may be, and at least 50 per cent plus one of the executives, 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 company is deemed not to be Canadian-owned-and-controlled.

- G6. **Disability:** A person with a disability has any impairment whether permanent, temporary, or episodic in nature, or evident or not, that, in interaction with a barrier, hinders a person’s full and equal participation in society.
- G7. **Eligible Canadian sound recording:** To meet Canadian content requirements, any recording of an individual track (i.e. a song) or a collection of tracks (i.e. an EP or an album), must meet the following requirements:
- Be performed by a Canadian artist.
  - Have at least 50% of the music and lyrics written by Canadians.
  - Exception for music “repertoire”:
    - The music and lyrics criterion does not apply to the repertoire of classical music, traditional jazz, world music, or traditional music. The sound recording must, however, be performed by Canadian artists.
- G8. **Eligible Canadian content for touring and showcasing:** Activities related to touring and showcasing of eligible Canadian artists are eligible, provided they are central to the career development of the artist and meet the

following requirements:

- Feature a Canadian artist that has released at least six eligible Canadian sound recordings (individual tracks or collection of tracks) no more than two years prior to the start of current program year, or plan to release within six months of the latest scheduled tour or showcase date.

G9. **Eligible Canadian musical works:** To meet Canadian content requirements, any musical work must meet the following requirements:

- Consist 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.
- At least 50% of a musical work (i.e. music and lyrics or music only in case of an instrumental work) must have been written by Canadians.

G10. **Indigenous person:** An Indigenous person is a North American Indian or a member of a First Nation, a Métis, or an Inuit. North American Indians or members of First Nations include 'status', 'treaty' and 'registered' Indians, as well as non-status and non-registered Indians.

G11. **Official-language minority community (OLMC):** Official-language minority communities are Francophone communities outside Quebec and Anglophone communities in Quebec. For the purpose of the program, a French-language artist will be considered for this definition if they live and pursue their career outside of Quebec; or, if they identify as belonging to a francophone community, but live and pursue their career outside of Quebec. For an English-language artist to meet the program's definition, they must have been born in Quebec, currently live in Quebec and meet the program's definition for "new" artist.

G12. **Platinum Album Certified Artists:** An artist is defined as being platinum certified if they meet the following criteria: domestic sales of 80,000 units or more, and/or worldwide sales equaling 200,000 units or more, of any one release from the past 5 years prior to the first day of the current program year (including stream-equivalent albums). FACTOR will assess the artist's need for public funding and how the proposed activities will create opportunities for career growth.

G13. **Racialized person:** The term "racialized" acknowledges that race is a social construct, and that racialization is a process through which groups come to be socially constructed as races, based on characteristics such as ethnicity, language, economics, religion, culture, politics. It can be applied to people and attributed to them as a group in ways that negatively impact their social, political, and economic life (e.g., Black, Asian, Muslim).

G14. **Reissue:** The re-release of an album that was previously made commercially available – i.e. anniversary release, deluxe album with additional bonus tracks, remastered editions.



## ARTIST ENTREPRENEUR – Program FAQs

### **What's the difference between the Artist Entrepreneur program and the Comprehensive Artist program?**

The Artist Entrepreneur program essentially replaces the Comprehensive Artist program but is designed to have increased flexibility for eligible activities during the program year. Funding can be applied to a suite of activities including production of sound recordings, marketing of sound recordings, domestic and international touring and showcasing, and publishing. Applicants may apply to any or all of these activities.

### **Who is eligible for the Artist Entrepreneur program?**

This program is open to Canadian artists rated 3 and/or Platinum Album Certified artists who control their masters, copyrights, and/or touring rights, and who are making significant investments in the activities related to the rights they control. (FACTOR's definition of Platinum Certified - domestic sales of 80,000 units or more, and/or worldwide sales equating 200,000 units or more, of any one release from the past 5 years prior to the first day of the current program year including stream-equivalent albums).

### **I previously hit FACTOR's artist lifetime funding maximum. Recently I've started to experience a lot of activity in Germany, which is a new market for me. I'd like to take advantage while things are still hot – but I need support to make that happen. Can I still apply?**

Please contact the Artist Entrepreneur program administrator to discuss your specific situation.

### **What's the difference between owning and controlling rights as it applies to my eligibility in the Artist Entrepreneur program?**

Funding in the Artist Entrepreneur program may only be provided to the party that controls the rights related to the activity for which funding has been requested. For example, if you are signed directly to a record label but control your touring rights you may apply for tour and showcase funding but not sound recording funding.

### **I own my masters, but have signed a licensing agreement with a record label, can I still apply to the Artist Entrepreneur program?**

Yes, though in this circumstance, one may apply only for touring and showcase support.

### **Do I need to be releasing a new album to apply?**

You must have an active sound recording to apply for any portion of Artist Entrepreneur funding. A recording is considered by FACTOR to be Active when it has been released within 2 years prior to the first day of the current program year or will be released within six months of the first day of the following program year. The active sound recording does not have to be a right you control, if applying for say touring and showcase, but an active sound recording still needs to be released within the timelines as an anchor to your activities.

### **Can I use this funding to record outside of Canada?**

Eligible costs are those paid to Canadians and Canadian owned and controlled companies, for goods and services delivered in Canada. If you have a question about possible expenses occurring outside of Canada or with a non-Canadian vendor, please reach out to the program administrator.

### **Is video production/creation an eligible expense in this program?**

Yes. Traditional stand-alone music videos, content videos, animated banners etc. are eligible and considered part of marketing and promotion.

**I have already received funding from one of FACTOR's standalone project-based programs this year – Live Performance, or Video. Am I still eligible for Artist Entrepreneur funding?**

Yes, any funding you received within the 2023-2024 program year will be taken into consideration when your offer is calculated.

**I am currently receiving FACTOR funding; can I still apply to the Artist Entrepreneur program?**

Please speak to your FACTOR representative for further details.