

# FACTOR Canada

## BUSINESS POLICIES and Glossary of Standard Terms

2024-2025

*Published May 2024*

Please read this document in conjunction with your FACTOR application materials, contracts, and correspondence. This guide sets out FACTOR's key business policies, which dictate the approach to receipt, assessment, approval, and completion of client projects. This document also describes FACTOR's definition of words, phrases, and terms one should understand before applying.

Note: FACTOR's Board of Directors reserves the right to modify and amend this document at any time without notice.

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# Section I – General

## 1.0 Applicant Agreement – Terms of Application

- 1.1 By submitting an Application, Applicants agree to be bound by the Online Portal System [Terms of Use](#) and [Privacy Policy](#), the General Agreement, FACTOR's Program Guidelines and these Business Policies which together constitute the Terms of Application. Prospective Applicants are advised to review these rules and documents in advance of submitting their Applications.
- 1.2 The Applicant warrants that:
  - a) The Application (including its associated Artist Profile(s) and Applicant Profile) has been prepared in good faith, with due regard for FACTOR's rules and business policies; and those of FACTOR's contributors including the Department of Canadian Heritage and Canada's Private Radio Broadcasters.
  - b) It has complied with all terms and conditions stipulated in the agreement(s) for any and all previous programs in the music industry supported by the Government of Canada in which the Applicant has received assistance.
  - c) It has full right and title to exploit any copyrights or other intellectual property as contemplated in the Application, and to enter into an Agreement with FACTOR.
  - d) The information contained in the Applicant Profile and/or Artist Profile and the Application is true and complete.
  - e) The budget projections contained in the Application are based in fact and have been prepared in good faith according to best commercial practices, with due diligence and moderation. FACTOR shall have right to withdraw all or part of the recommended funding if the actual budget reported on Completion is substantially different from the projected budget or cannot be substantiated to FACTOR's sole satisfaction.
- 1.3 The Applicant and its representatives, legal surrogates, parent companies, affiliates, subsidiaries, and divisions assume the entire risk of any loss and damage arising out of the Application for funding, the approval or disapproval of the Application and the payment or non-payment of such funding.]
- 1.4 The Applicant indemnifies FACTOR (and its directors, officers, and employees) against any direct, indirect, consequential, or incidental loss or damage arising out of the Application, its approval or non-approval, or the payment or non-payment of funding.
- 1.5 The Applicant may not institute any claim or proceeding against FACTOR (or its directors, officers, or employees) by reason of any approval or disapproval of FACTOR in connection with an Application for funding or in connection with any payment or allocation of funding or demand for reimbursement by FACTOR in accordance with the General Agreement.
- 1.6 If the Application is successful in receiving funding from FACTOR, the Applicant may be required to complete and submit, within twelve (12) months following the Completion of the Project, a Recipient's 'Questionnaire Form provided by the Department of Canadian Heritage and may be obliged to complete the Statistics Canada annual survey on the sound recording industry.
- 1.7 If the Applicant is not the Artist but has a contractual relationship with the Artist, the Applicant represents, warrants and agrees that it has fulfilled, and will continue to fulfill, its contractual obligations to the Artist and the contractual obligations imposed by the successful receipt of FACTOR funding on behalf of the Artist, even if the relationship with the Artist changes or ceases.
- 1.8 An Application will be deemed ineligible if it engages or benefits, directly or indirectly, any party that is not in good standing with FACTOR, including but not limited to Artists and current or former Applicants and Recipients.
- 1.9 Applicants under the age of 18 must submit a [consent form](#) signed by a parent or legal guardian.

- 1.10** Only the party that controls the copyright in the master sound recordings may apply for funding under a sound recording or marketing program. See [Glossary: Own or Control](#). When a sound recording or proposed sound recording is subject to an Option Clause, FACTOR will deem such sound recording to be under license or control of the Option-holder, unless and until FACTOR receives written notice that the Option-holder declines to exercise the Option, or that the agreement containing the Option Clause has been terminated.

## 2.0 Eligible Artists

- 2.1** Only Canadian Artists and business entities are eligible to apply and be subject of an Application. See [3.0 Canadian Citizenship and Company Criteria](#).
- 2.2** An Applicant who has been found in [Default](#) is ineligible until such time as the FACTOR Board of Directors declares such Applicant no longer in Default.
- 2.3** Non-resident Canadian Artists are eligible.
- 2.4** When a total of \$500,000 in gross disbursements less repayments has been disbursed by FACTOR in support of a Project, whether the Recipient of any Disbursement Amount was the Artist or someone working with the Artist, then such Artist or any Applicant working with the Artist, provided they satisfy all other criteria, may continue to apply for funding; however, all Applications will be subject to mandatory Board review to assess the ongoing eligibility and merit of the Project and the Application.
- 2.5** In order to make efficient use of FACTOR funds and to ensure that support is available for new entrants, the Board will ultimately determine on a case-by-case basis for each Artist what amount may be disbursed to or on behalf of an Artist throughout the Artist's or FACTOR's lifetime. That considered amount is gross disbursements less repayments made in respect of the Artist's Projects, whether the Recipient of any Disbursement Amount was the Artist or someone working with the Artist.
- 2.6** Based on budget capacity and business need for funding to create opportunities for career growth, FACTOR will assess Platinum-certified artists for the Artist Entrepreneur program only.

## 3.0 Canadian Citizenship and Company Criteria

- 3.1** Only Canadian citizens, permanent residents of Canada, and Canadian companies and corporations are eligible for FACTOR funding. For FACTOR's purposes:
- a) An Artist comprising more than one member is deemed Canadian if at least half of the members including the lead singer are Canadian or permanent residents of Canada. In the case of an orchestra featuring no principal artist, the orchestra must be based in Canada;
  - b) A registered sole proprietorship is deemed Canadian if the sole owner is a Canadian citizen or a permanent resident of Canada;
  - c) A registered partnership is Canadian if at least half of the partners are Canadian citizens or permanent residents of Canada;
  - d) An incorporated company is Canadian if Canadian citizens or permanent residents of Canada beneficially own or control
    - i. in the case of a corporation with share capital, at least 51% of all the issued and outstanding voting shares; or
    - ii. in the case of a corporation without share capital, at least 51% of the total value of the assets;
  - e) A non-for-profit association must be governed by a majority Canadian Board of Directors, members must be over 51% Canadian, and their principal business purpose is central to the career development of Canadian music artists.
- 3.2** Applicants are required to submit the following documentation, and all Applicants are required to submit updated documentation whenever there is a change in status:

- a) Proof of Canadian citizenship(s) or permanent resident status for Artists and any other personnel being claimed in Project eligibility;
- b) If the Applicant is
  - i. A Canadian citizen, proof of Canadian citizenship is required (a photocopy of your valid Canadian passport, Canadian birth certificate, Canadian citizenship card or citizenship certificate). Members of First Nations may provide their Secure Certificate of Indian Status (SCIS) card;
  - ii. A permanent resident of Canada, proof of permanent resident status (a copy of your PR Card);
  - iii. A registered sole proprietorship: proof of Canadian business registration and the owner's Canadian citizenship or permanent residency;
  - iv. A registered partnership: proof of Canadian business registration and proof of partners' Canadian citizenship or permanent residency;
  - v. An incorporated company: copies of Canadian incorporation papers, organizational chart of the company, share capital structure, previous year's financial statements, and proof of Canadian citizenship for shareholders and directors (requiring copy of valid Canadian passport, Canadian birth certificate or Canadian citizenship card), OR a signed declaration of the Board of Directors stating that at least half of its members are Canadian citizens or permanent residents of Canada;
  - vi. A non-profit association: proof of Canadian citizenship of at least half of the members of the Board of Directors, OR a signed declaration of the Board of Directors stating that at least half of its members are Canadian citizens or permanent residents of Canada.

**3.3** See [16.0 Company Documentation](#) for additional details regarding documentation for Eligible Music Companies including sole proprietorships, partnerships, corporations and associations.

**3.4** Non-resident Canadian Artists who are Canadian citizens may apply, provided that Applicant companies must be registered in Canada.

## 4.0 Language Requirements

- 4.1** Sound recordings that contain more than 50% French-language lyrics are ineligible for FACTOR support but may be eligible for support from [Musicaction](#). Qualifying Releases and Qualifying Titles can contain no more than 50% French-language lyrics.
- 4.2** Sound recordings with lyrics that are at least 50% in English, in any other language excluding more than 50% French, or instrumental music may be eligible for FACTOR support.
- 4.3** Where the Applicant and the project are eligible for either FACTOR or Musicaction, the Applicant may choose where to apply. However, no project may receive funding from both FACTOR and Musicaction.

## 5.0 MAPL Certification

- 5.1** MAPL is a point system for calculating the Canadian content of a single track or album. MAPL stands for Music, Artist, Performance/Production, Lyrics. To qualify for FACTOR funding, Qualifying Albums and Qualifying Titles must meet the following two criteria:
  - a) ARTIST – 100% of the track(s) must be performed by a Canadian Artist. An Artist (group) is Canadian if at least half of the group members are Canadian.
  - b) MUSIC and/or LYRICS – Each of the tracks will be assessed. The total quantity of Music and Lyrics on the album must add up so that at least half of the album is composed by a Canadian.
    - i. For an instrumental track, if a single track has no Lyrics, then at least 50% of its Music should be composed by a Canadian.
    - ii. For an instrumental album, the total quantity of Music must add up so that at least half the album is composed by a Canadian.

- iii. For an album that has tracks both with and without lyrics, at least 50% of the album's total Music and Lyrics must be written by a Canadian.
- 5.2** In the case of tracks that are co-written by a Canadian, the Canadian co-writer must have written at least 50% of the track for it to count toward the Music or Lyrics total.
- 5.3** A new arrangement of music in the public domain can be claimed as Canadian content provided that the composer of the new arrangement is Canadian. Lyrics in the public domain may be claimed as Canadian if the original composer was Canadian.
- 5.4** Tribute or "cover" albums may be excluded on a case-by-case basis from the Music and Lyrics requirement with express permission of FACTOR; however, they must be produced in Canada in a Canadian studio. Please contact FACTOR in advance to ensure eligibility.
- 5.5** Provided that it meets the MAPL criteria above (Artist, and Music and/or Lyrics), an album that has been or will be produced outside of Canada may qualify, subject to FACTOR approval.

## **6.0 Offensive Material**

- 6.1** FACTOR may refuse funding to projects featuring any lyrics and/or artwork that contain illegal or offensive material.
- 6.2** All General Agreements include a clause related to offensive material, which provides that no portion of FACTOR's funding shall be used towards, and none of the Project costs may include, the creation of any intellectual property and material that is or contains:
- a) Hate propaganda, obscene or child pornography, or any other illegal material as defined in the Criminal Code;
    - i. Pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose;
  - b) Excessive or gratuitous violence, and
  - c) Material that is denigrating to an identifiable group, or any other similarly offensive material.
- 6.3** A breach of the General Agreement clause related to offensive material is an Event of Default. At its option, FACTOR may find the Recipient in Default, which may lead to the Recipient being required to repay the funding in full.

## **7.0 FACTOR-Recognized Distribution and Accredited International Distribution**

- 7.1** FACTOR maintains a list of [FACTOR-recognized Distributors and Accredited International Distributors](#).
- 7.2** For sales in Canada, FACTOR may recognize sales confirmed by a [Net Sales Letter](#) provided by an accredited Canadian record label or a FACTOR-Recognized Distributor. A FACTOR-Recognized Distributor is a Music Distributor that maintains a catalogue of sound recording titles, which it sells or licenses to retail music vendors on a distribution fee-for-service basis. Having FACTOR-Recognized Distribution for Canada is a mandatory qualification imposed on Applicants to gain eligibility for some FACTOR programs; however, the Board may waive this qualification on a case-by-case basis.
- 7.3** To be certified as a FACTOR-Recognized Distributor for Canada, a Music Distributor must meet all of the following qualifications to FACTOR's satisfaction:
- a) Must have a catalogue of at least 25 Commercially Released Albums (or Track Equivalent Album at 6 tracks per Album) from multiple artists and labels; and
  - b) Must have Commercially Released at least 5 different Qualifying Releases within the 14 months prior to applying for Recognized Status.
- 7.4** For sales in the rest of the world, an Accredited International Distributor is a record label or distribution company focused on non-Canadian markets that is accredited by FACTOR to provide accurate Proof of Sales.

Every Accredited International Distributor must have a Catalogue of at least twenty-five (25) active Album titles (or Track Equivalent Albums at 6 tracks per Album) from multiple Artists and Record Labels, released at least five (5) different Album titles (or Track Equivalent Albums at 6 tracks per Album) in the past year, and must be able to provide sales reports in a format acceptable to FACTOR.

- 7.5 To certify one's international label or distributor as an Accredited International Distributor, the Applicant must contact FACTOR at least two (2) weeks in advance of any relevant deadline, and provide the name, website address and contact information for the label or distributor, along with a copy of the sales report. FACTOR may also request proof of the distributor's eligibility as set out above along with a copy of the distribution agreement. It is the Applicant's responsibility to make sure this is done in a timely manner. If FACTOR staff do not have time to process the request, the Proof of Sales may be rejected.
- 7.6 Please note that all major label Distributors are approved as FACTOR-Recognized Distribution AND Accredited International Distributors; however, their sales reports must be submitted in an approved format.

## 8.0 Default

- 8.1 The [General Agreement](#) sets out the contractual definition of Default, including Events and Effects of Default.
- 8.2 A Recipient who is found in Default may not access any further funding and is deemed ineligible to apply for any further funding, until the FACTOR Board of Directors has, in its sole judgment, declared the Default to have been remedied. Such remedies may include the full repayment to FACTOR of the Disbursement Amount.
- 8.3 If a Recipient found in Default has more than one active Application, all Applications of that Recipient will also be considered in Default and may be put on hold until such time as all Defaults by the Recipient have been declared by the FACTOR Board of Directors to have been remedied.
- 8.4 An Artist who has been found in default as a Recipient is ineligible as the subject of an Application by any Applicant, regardless of that Applicant's good standing, except by permission of FACTOR or until FACTOR has declared the Artist's Default to have been remedied.
- 8.5 In the event that any Applicant is found to be in Default and is later accepted back into the applicable program upon curing the Default in the sole determination of FACTOR, the timelines associated with the applicable program shall not be extended during the period of Default and cure.

## 9.0 Appeals

- 9.1 There is no automatic right of appeal. In very rare circumstances, such an appeal may be heard. However, any Applicant who believes that they have been subject to an unfavourable decision is invited beforehand to follow the following steps in order to obtain the reasons at the source of the decision:
- a) The Applicant must first contact the *Project Coordinator/Administrator* who is responsible for the file in writing within 30 days of the decision.
  - b) FACTOR provides the Applicant with the rationale for the decision that is related to the program guidelines.
  - c) If the Applicant considers that the explanations provided do not justify the decision taken, the file may, at their request, be transferred to the *Director, Programs*.
- 9.2 In light of the facts and issues raised by the Applicant, the *Director, Programs* renders their decision, which cannot be appealed when it is based on:
- a) The application of the rules set out in the program (eligibility criteria, eligible activities and expenses, documentation that must accompany applications and completions, etc.);
  - b) The application of the conditions and obligations detailed in the General Agreement;
  - c) The application of FACTOR's policies and administration.

- 9.3 The *President & CEO* may decide to confirm or overturn the decision of the *Director, Programs*. The *President & CEO* may also decide that the request merits the attention of the *Chair of the Board of Directors*. The latter may decide to render a decision or to refer the matter to the *Board of Directors*.
- 9.4 The decisions of the *President & CEO and the Board of Directors* are final and without appeal.

## 10.0 Dispute Between Recipient and Third Parties

- 10.1 FACTOR deems all Applications and agreements between itself and Applicants and Recipients to be confidential. FACTOR will not intervene in a dispute between a funding Recipient and any third party except in the following circumstances:
- a) The third party is a supplier claiming that the Recipient was reimbursed by FACTOR for an expense related to the supplier's provision of goods and services that the supplier claims were never provided, or if provided, remain unpaid;
  - b) The third party is an Artist claiming that a Recipient Record Label has charged back or recouped from the Artist's royalty non-repayable funding in contravention of the [Artist Advances](#) provisions of these Business Policies; or has falsely represented the Artist's acknowledgment and agreement to the Recipient applying for funding in the name of or on behalf of the Artist; or
  - c) Such other limited circumstance as the Board may identify from time to time.
- 10.2 If the dispute involves the payment or non-payment of monies owed back to FACTOR by the Recipient, FACTOR may first exercise its audit rights. If upon audit, a claim of financial wrongdoing is substantiated to FACTOR's satisfaction, FACTOR may at its sole option declare an Event of Default by the Recipient, or take such other measures as it deems fit in its sole discretion.
- 10.3 FACTOR may also direct the parties in dispute toward mediation or other form of conflict resolution not involving FACTOR, excepting that at the direction of the Board of Directors, the Recipient's Applications may be held in abeyance until the Board of Directors is satisfied that the dispute has been resolved.
- 10.4 The provisions of these Business Policies are to be interpreted without affect or prejudice to any term of legal agreement between FACTOR and the Recipient.

## 11.0 Grant Writer Standards

- 11.1 Grant writers are expected to act in good faith in their dealings with FACTOR, to keep up to date with FACTOR's rules, policies, and guidelines, to communicate those to their clients; and to advise their clients to do the same. **All offers that require a contract signature must be signed by the Artist or authorized signatory.**
- 11.2 Every Applicant and Artist that is subject of an Application has the right to full disclosure by FACTOR of the Applicant's Project files. Even if appointed the primary contact or administrator, a grant writer may not block or attempt to block an Applicant's or Artist's access to information. **FACTOR will copy the Applicant, either the Artist or owner of the Applicant, on all communications.**
- 11.3 Both the grant writer and the Applicant are expected to understand the content and scope of the Application and all of the terms of funding. The Applicant is deemed to have read and approved the Application as submitted, and remains at all times ultimately responsible for the execution of the funded project, disbursement of funds, and reporting to FACTOR as long as the General Agreement is in force.
- 11.4 The Applicant is responsible for the work of the grant writer. FACTOR will not overlook or forgive errors made by a grant writer even if the error has a negative impact on the Applicant's funding or standing with FACTOR.
- 11.5 Privity of contract is always between FACTOR and the Applicant. In the event of any monetary or other dispute between the Applicant and the grant writer in respect of a FACTOR-funded project, FACTOR will remove the grant writer as a contact and will proceed with the Applicant as the only contact.
- 11.6 The amount and payment schedule of the grant writer's fee is a matter of negotiation between grant writer and Applicant client.



- 11.7 FACTOR neither endorses nor recommends grant writers. Applicants are urged to review references provided by other clients before proceeding to hire a grant writer at their own cost.
- 11.8 FACTOR reserves the right to refuse to transact with grant writers who, in the opinion of the FACTOR Board of Directors, have willingly or negligently abused the application process or have been untruthful in previous transactions.

## 12.0 Other Sources of Funding

- 12.1 For all funded Projects, Applicants must disclose all other Public Funding that is being applied toward the same Eligible Costs that are being submitted to FACTOR. [See Glossary: Public Funding.](#)
- 12.2 FACTOR's contribution plus all other Public Funding may not exceed 100% of the Total Eligible Budget. Where Public Funding disclosed on Completion exceeds 100% of Total Eligible Budget, FACTOR's contribution will be reduced.
- 12.3 FACTOR treats funding derived from Canadian Content Development ("CCD") contributions by private radio broadcasters (including, for example, the Radio Starmaker Fund) in the same manner as Public Funding. FACTOR's contribution plus all other CCD funding may not exceed 100% of the Total Eligible Budget.
- 12.4 FACTOR considers revenue derived from "crowdfunding" (e.g. Kickstarter, Patreon etc.) to be private, not Public Funding.
- 12.5 FACTOR reserves the right to discuss and verify with other public funders the amount or terms of their contribution to a FACTOR-funded project and may, at its option, withhold a portion of the Offer until it is satisfied that the funding has been or will be awarded as disclosed by the applicant.

## Section II – Profiles, Profile Reviews and Ratings

### 13.0 Profile Submission, Review and Rating

- 13.1 To be considered for eligibility to apply to all FACTOR programs, prospective Applicants must have a true and current Applicant Profile and Artist Profile where applicable, in FACTOR's Online Portal System.
- 13.2 Every Artist that is the subject of an Application, must have an Artist Profile in the Online Portal System.
- 13.3 Applicant Profiles and Artist Profiles are subject to verification and Rating by FACTOR staff. No Application will be considered until the Artist Profile or Applicant Profile has been verified and given a Rating. Applicants are advised to ensure that the Artist Profile(s) and Applicant Profile have been created, submitted, and given a Rating well in advance of any deadline.
- 13.4 FACTOR may at its option set a deadline for submission of an Artist Profile or Applicant Profile and will communicate this deadline in the Program Guidelines and in other public communications. In that event, late submissions will not be accepted and subsequently the party will not be eligible to apply.
- 13.5 Applicants under 18 years of age must submit a signed [Parent or Legal Guardian Consent Form.](#)

### 14.0 Artist Profiles

- 14.1 FACTOR's current Rating System, by which it analyzes and assesses the pool of data provided by each Applicant or Artist Profile with a Rating assigned to each Applicant, takes place following the first review of the Profile as requested by the Applicant (or their representatives) and may be adjusted following each subsequent Profile Submission Deadline.
- 14.2 There are three (3) Artist Ratings: General, Artist 2, and Artist 3.
- 14.3 New Profiles may be submitted at any time and will receive a General Rating, which will be valid until the next Profile Submission Deadline. Profile Submission Deadlines are scheduled on a semi-annual basis:
  - a) Annual Review – last business day of February, and

b) Semi-Annual Review – last business day of August.

- 14.4 Artist Ratings may move up or down in the ratings after the Annual Review in February. Applicant and Artist profile reviews at the Semi-Annual review period are by request only from the Applicant or Artist.
- 14.5 Artist Profiles should be kept up to date. It is mandatory that Artist Profiles be updated for any given Profile Submission Deadline, or any new application. Artists hoping to receive an increased rating must update their data and request a review prior to the deadline.
- 14.6 Information submitted in the Artist Profile, once verified, will be considered valid for the remainder of the FACTOR fiscal year (April 1 to March 31). If the Artist Profile is not updated during the year and the information is no longer valid at the Annual Review, the Artist Rating may be adversely affected.
- 14.7 The Artist Rating in effect prior to the Annual Review will be held valid until the start of the next fiscal year on April 1, unless the Artist requests a review and receives a new (higher) rating at the Semi-Annual review, which will then be valid until the start of the next fiscal year on April 1.

## 15.0 Applicant Profiles and Company Ratings

- 15.1 FACTOR’s current Rating System analyzes the pool of data provided by each Applicant Profile against the current fiscal year’s budget and a rating is assigned to each Applicant. The Rating given to each Applicant will in turn allow access and eligibility to the programs that FACTOR has designated. Company Ratings (as defined below) are reviewed bi-annually following the Profile Submission Deadlines set out herein.
- 15.2 Artists and Professional Songwriters wishing to apply as the Applicant must create an Applicant Profile, which will be verified and assigned an “Approved” rating. This simply indicates that the Applicant Profile has been approved to apply. See [14.0 Artist Profiles](#) for more information on Artist Rating.
- 15.3 Music Companies may achieve a range of Company Ratings based on the information entered into their Applicant Profiles. Assessment and rating of a music company’s Applicant Profile takes place following the first requested review of the Applicant Profile and, excluding Record Labels 4, may be adjusted following each subsequent Profile Submission Deadline, but may only be moved down after the Annual Review.
- 15.4 The Approved Applicant rating that is given to an Artist Applicant or a company applying only to Collective Initiatives or Sponsorship is not subject to reassessment at the Profile Submission Deadlines.
- 15.5 These are the possible Company Ratings for Applicant companies wishing to apply for funding in any program except Collective Initiatives and Sponsorship:

<b>Record Label</b>	<b>Artist Manager</b>	<b>Music Publisher</b>
Approved	Approved	Approved
Record Label 2	Artist Manager 2	Music Publisher 2
Record Label 3	Artist Manager 3	Music Publisher 3
Record Label 4	Artist Manager 4	Music Publisher 4
Record Label 5	Artist Manager 5	Music Publisher 5

- 15.6 Profile Submission Deadlines for Music Companies are scheduled on a semi-annual basis as follows:
  - a) Annual Review – last business day of February, and
  - b) Semi-Annual Review – last business day of August.
- 15.7 According to the results of the reassessment, Record Labels, Artist Managers, and Music Publishers rated Approved, 2, or 3 may move up through the Ratings during the year, but may only be moved down after the Annual Review.
- 15.8 The Annual Review company deadline (January) is mandatory for music companies wishing to qualify for the Company Envelope funding programs.

- 15.9** It is not mandatory that Applicant Profiles be updated for any given Profile Submission Deadline; however, new data added to the Profile after the deadline will not be considered retroactively and the Applicant may lose any benefit of any new data entered until the next Profile Submission deadline.
- 15.10** Information submitted in the Applicant Profile, once verified, will be considered valid for the remainder of the FACTOR fiscal year unless updated and verified. If the Applicant Profile is not updated during the year and the information is no longer valid on Annual Review, the Applicant Rating may be adversely affected.
- 15.11** Collective Initiatives and Sponsorship Applicants must complete an Applicant Profile but will receive an Approved Applicant Rating. This Rating is not subject to review following the Profile Submission deadlines.
- 15.12** A division or Associated Entity of an Eligible Music Company may qualify with a separate Applicant Profile based on its activities as a Record Label, Artist Manager, or Music Publisher. However, the applications from all divisions, departments, and Associated Entities of the Eligible Music Company will be limited to the Program and annual maximums of one sole Applicant. For the purpose of these Business Policies, two companies shall be deemed Associated Entities if, at any time in the year
- a) One of the entities controlled, directly or indirectly, the other; or
  - b) Both entities were controlled, directly or indirectly, by the same person or group of persons.
- 15.13** 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. Companies that do not meet that criterion must demonstrate that a significant portion of those profits were or will be reinvested in the further development of their Canadian artists.

## **16.0 Company Documentation**

- 16.1** If the Applicant is a Registered Business (including a registered sole proprietorship or a partnership) or a Corporation, the following information is to accompany the Applicant Profile submitted to FACTOR. This information is required on a one-time-only basis, unless changes are made that materially affect the constitution of the company (see below).
- 16.2** Applicants who are Registered Businesses must:
- a) Provide the operating name and CRA Business Number and indicate any and all trade names and “doing business as” names. Sole Proprietors must supply their Social Insurance Number for tax purposes;
  - b) Provide the names and addresses of each of the Owners/Partners of the Registered Business;
  - c) Upon request by FACTOR, submit a copy of either a valid Canadian passport, Canadian Birth Certificate, or Canadian Citizenship Card for each registered Owner/Partner; and
  - d) In the case of a Partnership, submit a letter signed by all partners approving applications to FACTOR for funding assistance and designating an authorized contact and signing party for Applications.
- 16.3** Applicants who are Corporations must:
- a) Submit Articles of Incorporation;
  - b) Submit Letters Patent or Certificate of Incorporation;
  - c) Submit Organizational Chart including names of Officers and Executive Employees; i.e. President, Vice-President, Secretary, Treasurer and General Manager;
  - d) Provide the names, email addresses, and citizenship of the Directors and Shareholders of the Company;
  - e) Upon request by FACTOR, provide an affidavit that the sufficient number of shareholders are Canadian (being 50% plus 1 of all issued shares). FACTOR may request a signed declaration of the Board that the majority of the Board of Directors are Canadian;

- f) Provide information on the Share-Capital of the Company detailing the Number of Outstanding Shares, Class of Shares, and indicate the breakdown of the Ownership of the Shares (Name, Class of Shares and Number of Shares);
- g) Submit a copy of the applicable By-Laws, Resolutions and Agreements entered into between the Shareholders who might individually, or in combination, affect the control and ownership of the Company; and
- h) Provide either a Resolution of the Board of Directors (if necessary within the Company By-Laws), or a Letter from the President or Principal owner of the Company indicating approval of applications to FACTOR for funding assistance and designating an authorized contact and signing party for applications.

**16.4** Applicants who are non-profit associations must:

- a) Submit Articles of Incorporation;
- b) Submit Letters Patent or Certificate of Incorporation;
- c) Submit Organizational Chart including names of Officers and Executive Employees; i.e. President, Vice-President, Secretary, Treasurer and General Manager;
- d) Provide the names, email, phone number and citizenship of the Directors of the Association (Name and full address of all Directors);
- e) Provide either a Resolution from the Board of Directors (if necessary within the Association's by-laws), or a Letter from the Chairman of the Board of Directors indicating approval of applications to FACTOR for funding assistance and designating an authorized contact and signing party for applications; and
- f) Upon request, provide the citizenship documentation as set out for Corporations (above); or submit a signed declaration of the Board that the majority of the Board of Directors are Canadian.

**16.5** For all Eligible Music Companies and companies applying to the Collective Initiatives program (including non-profit associations), financial statements for the past three (3) years must be attached to the Applicant Profile and updated on an annual basis within six (6) months of the company's fiscal year-end. For FACTOR's purposes, statements must be prepared by a Chartered Accountant. FACTOR will accept audited financial statements, review engagement reports, or notice-to-reader/compilation engagement reports. Recipients of \$250,000 of funding or more in any given program year must prepare and present audited statements for their corresponding fiscal years. In some cases, FACTOR will require independent audited financial statements. See [39.0 Audit](#).

**16.6** If there are any changes in respect of the Owners/Partners of a Registered Business, or Directors/ Shareholders, Share-Capital, or By-Laws that may affect the company's ownership, or signing authority of a Corporation, the Applicant must update the applicable information immediately.

**16.7** This information will remain on file, accessible only to specifically authorized FACTOR staff and our third-party independent auditing firm, for the purpose of review and verification only. It will be held strictly confidential in accordance with the Privacy Act and will not be made available to any Jury member nor to the FACTOR Board of Directors.

## **17.0 Eligible Music Companies**

**17.1** Applicant profiles are only rated for the Company Laneway of programs at the Annual and Semi-Annual rating periods.

**17.2** To be eligible for the Company Laneway of programs, an Applicant must:

- a) Be in good standing with FACTOR;
- b) Be a Canadian-owned business;
- c) Be incorporated. Artist Managers do not need to be incorporated, but must be registered Canadian businesses with CRA business numbers (including registered sole proprietors or partnerships);

- d) Primarily operate in one of (or a combination of) the eligible business activities. These are **Artist Manager**, **Music Publisher**, and **Record Label**. As a part of the ongoing modernization of FACTOR's programs, and per the rights-based framework on which FACTOR's programs are designed, service-providers such as **Music Distributors** will no longer be eligible for funding in the Company Laneway of programs as of the 2024-2025 program year. Companies that undertake **Concert Production** activities may be eligible to the Company Envelope program if they demonstrate that they are responsible (i.e. artistically and financially) for all aspects related to the live activities of their artists – this relationship must be enshrined in a contract between the company and their artists;
- e) Have been operating continuously in Canada for at least two (2) years prior to Application, primarily in one of (or a combination of) the eligible business activities listed above (three (3) years for Company Envelope: Top-Tier); and
- f) Update all Qualifying Criteria information in their Applicant Profile on or before the Annual Review deadline. This should include the provision of financial statements in the Gross Revenue section of the Applicant Profile, for a minimum of the Applicant's three most recent completed fiscal years (or two (2) most recent completed fiscal years in the case of companies that have only been in operation for two (2) years). Financial statements should be provided within six (6) months of the Applicant's fiscal year end. For details regarding what documents FACTOR will accept as financial statements, please see the definition of [Financial Statements](#) in the Glossary of Standard Terms.

**17.3** To be eligible for the entry Company Laneway program, **Support for Eligible Music Companies (SEMC)**, an Applicant must be rated 2 or 3 in one of the eligible business activities. Please see the [SEMC program guidelines](#) for detailed qualifying criteria.

**17.4** To be eligible for the **Company Envelope** program, an Applicant must be rated 4 or 5 in one of the eligible business activities. Please see the [Company Envelope Mid-Tier](#) and [Company Envelope Top-Tier](#) program guidelines for detailed qualifying criteria.

**17.5** Regarding companies transitioning from SEMC to Company Envelope:

- a) Companies that have been in operation for longer than ten (10) years whose revenues have not grown sufficiently to graduate to the Company Envelope program will not be eligible to continue in the Support for Eligible Music Companies program. Companies that are eligible for Company Envelope, but that have no funding history with FACTOR must participate in one year of the SEMC program prior to being onboarded to the Company Envelope program.
- b) FACTOR will review all companies rated 2 and 3 at the Semi-Annual review period and will advise any companies that should prepare to apply for the subsequent Company Envelope application window at that time.
- c) Applicants that have been instructed to apply for the Company Envelope program for the next program year may not opt to remain in SEMC but may choose not to apply for funding.

## **18.0 Proof of Sales, Proof of Qualifying Release**

**18.1** All sales reported to FACTOR must be sales made and not returned; i.e., sales made to retail customers. FACTOR retains the right to audit any Proof of Sales submitted, including Proof of Sales prepared by an Artist's Record Label or distributor. Falsifying and/or rendering inaccurate Proof of Sales may render the Application ineligible or may be deemed at FACTOR's option an Event of Default.

**18.2** Proof of Sale documents must clearly indicate:

- a) The name of the Artist;
- b) The title and format of the sound recording(s);
- c) The Record Label (where applicable);
- d) The catalogue number of UPC number and/or ISRC code for each track;
- e) The territory and reporting period covered by the report; and

f) The total number of single track and unit sales made and not subject to reserve or holdback.

**18.3** FACTOR will accept the following as Proof of Sales:

- a) SoundScan Title Reports (including those provided by Luminate);
- b) Alpha Data Title Reports;
- c) Reports from digital retailers (i.e. Apple Music, Spotify, Amazon) or distributors (i.e. AWAL, The Orchard, Tunecore);
- d) A Sales/Royalty Report or a letter declaring net sales, signed by an accredited Canadian Record Label, FACTOR Recognized Distributor or an Accredited International Distributor; or
- e) Off-stage sales provided that Applicants must complete the Manufactured Units information in FACTOR's Discography Sales Calculator and include their manufacturing receipts in accordance with 18.7 below.

**18.4** The following are not considered valid Proof of Sales:

- a) Self-reported off-stage sales (including label invoices, copies of SoundScan Venue Settlement Forms, etc.),
- b) Manufacturing invoices except as noted below in 18.7, and
- c) Invoices for units shipped to retailers.

**18.5** For FACTOR's purposes an Album unit is equivalent to:

- a) 1 physical full-length Album (CD or Vinyl);
- b) 1 digital full-length Album (downloaded);
- c) 6 physical CD singles or EPs, or six vinyl singles or EPs;
- d) 10 track downloads; and
- e) 1,500 on-demand audio streams

**18.6** For Proof of Qualifying Release and Qualifying Release information, FACTOR will accept a document setting out the details of the Qualifying Releases or Qualifying Titles, including Artist Name, Album Title, Release Date, Record Label for Canada and any other territories, Distributor, Track listing with run times, Producer credit, music credit, lyrics credit, UPC number or (for digital releases) the ISRC number for each track; and identifying any French-language tracks.

**18.7** FACTOR no longer recognizes SoundScan reports (including At Venue) to verify Offstage Sales. Instead, FACTOR will accept the Manufactured Units information contained in the Discography Sales Calculator, with product manufacturing receipts as proof of Offstage Sales. Such manufacturing receipts must clearly set out the name of the Artist, title, format and number of units manufactured, and must be verifiable by FACTOR. FACTOR will recognize 100% of the manufactured number of Units, less any physical retail sales claims made for the same period and territory.

**18.8** By submitting the documentation, the Applicant is deemed to have sworn to its accuracy and truthfulness. Be advised that if FACTOR finds any information submitted to be false, FACTOR may impose a penalty including the withdrawal of a related application, loss of good standing, or a finding of Default.

## **19.0 Radio Charts**

**19.1** FACTOR recognizes commercial radio charts published by Billboard, Mediabase, BDS, the Indigenous Music Countdown published by NCI-FM, and others on a case-by-case basis. Please contact FACTOR to confirm whether a particular radio chart will be recognized.

**19.2** FACTOR recognizes the national Canadian campus/community radio chart Iearshot (published by NCRA/ANREC) and may recognize other non-Canadian campus/community charts on a case-by-case basis. Please contact FACTOR to confirm whether a particular radio chart will be recognized.

## Section III – Application Process

### 20.0 Application Process

20.1 Prior to being able to make an Application, all prospective Applicants must first

- a) Register as a user in the Online Portal System;
- b) Create and submit an Applicant Profile for review; and
- c) Receive an Applicant Rating;
- d) Please note, if the Applicant's current rating precludes them from applying and the Applicant meets the threshold criteria for the program, the Applicant may update their information in the Online Portal System. The Applicant should contact their Project Coordinator to apply to the higher-tier program they seek access to, for eligibility assessment.

[See the Applicant Profile Tutorial Guide for detailed instructions.](#)

- 20.2 If the intended Application is to a program supporting artists, then the Artist that is subject of the Application must also have an approved [Artist Profile in the Online Portal System](#). The Artist Profile must be approved by the Artist, but may be created and submitted by the Artist, the Applicant, or another user. There should only be one Artist Profile in the Online Portal System for each unique Artist; for the purpose of making an Application that Artist Profile may be used by the Applicant provided that permission to do so has been granted by the administrator of the Artist Profile.
- 20.3 Where an Application Deadline has been designated by FACTOR, Applications (including all Mandatory Documents and uploads) must be submitted online no later than 5:00 p.m. Eastern Time on the Deadline Date.
- 20.4 Applicants are strongly advised to speak to a FACTOR representative well in advance of the Deadline Date to ensure that the Applicant, Project, and costs are eligible, and to foresee other issues that might arise.
- 20.5 Program Guidelines (including all rules and requirements) are subject to change and are frequently updated. Please check the FACTOR website prior to making an Application to ensure you follow the current guidelines.
- 20.6 All Applications are subject to the availability of funds as determined by FACTOR and eligible submissions are not guaranteed funding.
- 20.7 Applications completed online must be submitted with all information and documents required in the Online Portal System at the time of submission. Incomplete Applications will be rejected. If any Applicants knowingly submit false information the Project will be rejected and the Application will be put on hold.
- 20.8 Supporting documents that FACTOR receives must be standalone documents uploaded to the Online Portal System. Links to third party websites are not eligible (example: Google Docs)
- 20.9 If, during the online Application process, the Applicant encounters some technical difficulty related to the operation of the Online Portal System, it is the responsibility of the Applicant to inform FACTOR by email with accompanying screenshots prior to the Deadline Date.
- 20.10 FACTOR does not accept Applications outside of the Online Portal System except by permission.
- 20.11 The Program Guidelines and the information submitted in the Applicant Profile and/or Artist Profile as well as the contents of the Application and all related documentation are part of the General Agreement if the Project is approved.
- 20.12 Once the Application has been submitted, FACTOR staff review the documentation to ensure eligibility of the Applicant, the Project and the costs. FACTOR staff may, at their discretion, contact the Applicant to ask for additional materials or other clarification.

- 20.13 FACTOR reserves the right to refuse any Application, for any reason, or to propose or impose modifications to the budget submitted.
- 20.14 FACTOR reserves the right to make inquiries with third parties to verify any statements and/or costs submitted.
- 20.15 The FACTOR Board of Directors has final approval in respect of all Applications and may modify the amount of funding requested as deemed necessary. While determining an Application and all of its costs to be eligible to be funded, the Board of Directors may reduce, alter, pro-rate, or refuse a contribution.
- 20.16 Once the Board of Directors has approved or rejected an Application, FACTOR staff will notify the Applicant. FACTOR's key terms and conditions of funding will be set out in an Annex to the General Agreement. The complete General Agreement must be executed by both parties before the Application will be processed further.
- 20.17 Following full execution by both parties of the General Agreement, FACTOR may at its discretion offer to advance all or part of the approved amount of funding as an Advance against the final Disbursement Amount. See [24.0 FACTOR Advance](#).
- 20.18 All Recipients are solely responsible for any income tax implications that may arise as a result of their receipt of FACTOR funding. FACTOR will issue a T4A tax form to all Recipients (excluding the Sponsorship program) who have received a minimum of \$500. See [FACTOR's T4A FAQ Resource](#) for more information.

## **21.0 Assessment Process – Juried Program**

- 21.1 Once the Applicant has received the appropriate Applicant and Artist Rating and has submitted an Application, FACTOR staff will review the Application and determine if it meets the program's eligibility requirements. All eligible Applications are then forwarded for assessment by jurors who have been previously certified by FACTOR.
- 21.2 Jurors are representatives from the music and broadcasting industries who have special knowledge of the genre selected by the Applicant. Jury members are required to disclose any conflict of interest when assessing a Project.
- 21.3 Jurors participate on a confidential basis; their names will not be disclosed to any Artist or Applicant.
- 21.4 The Jury will assess each Application based on the quality of music (lyrics, vocals, musicianship, and originality) along with marketing plan and current market activity. Biography, photos, and other supplementary information may be provided with each Application. Weighted criteria vary from program to program.
- 21.5 The Jury will not have access to any financial or personal information of the Applicant.
- 21.6 If the Jury recommends the Application for funding, it is then forwarded to the Board of Directors for financial assessment. The Board of Directors may award the full amount requested in the Application, but reserves the right to award a lesser amount based on its assessment of the Applicant's proposed expenses, or based on the total amount of funding available, or for any other reason. Board members recuse themselves from all discussion and decisions related to Juried applications in which they have a conflict of interest.

## **22.0 Assessment Process – Non-Juried Program**

- 22.1 Once the Applicant has received the appropriate Applicant and Artist Rating and has submitted an Application, FACTOR staff will review the Application and determine if it meets the Program's requirements. All eligible Applications are then reviewed by the Board of Directors.
- 22.2 The Board of Directors may award the full amount requested in the Application, but reserves the right to award a lesser amount based on its assessment of the Applicant's proposed expenses, or based on the total amount of funding available, or for any other reason. Board members recuse themselves from all discussion and decisions related to applications in which they have a conflict of interest.

## **23.0 FACTOR Advance**



- 23.1** When an Application has been approved and the Recipient has executed the required agreements to FACTOR's satisfaction, FACTOR may, at its sole discretion and subject to the Annual Funding Cap, issue a payment to the Recipient representing a portion of the Disbursement Amount.
- 23.2** Upon Completion of the Project, the FACTOR Advance will be deducted from the final Disbursement Amount, and the balance, if any, will be issued to the Recipient as final payment.
- 23.3** If, as assessed by FACTOR, the Total Eligible Budget upon Completion is less than the amount applied for or approved at the Application stage, such that the deduction of the FACTOR Advance results in a negative balance (an "Overpayment"), then the Recipient must repay such Overpayment to FACTOR and in accordance with the timeline imposed by FACTOR upon Completion. Failure to repay an Overpayment may be deemed an Event of Default.

## **Section IV – Eligible Costs**

### **24.0 Eligible Costs – General Terms**

- 24.1** This section applies to all FACTOR Programs unless otherwise noted. Eligible Costs specific to each Program or Component have been moved to the Program Guidelines and Component Guidelines. Please see those documents for rules specific to each Program.
- 24.2** Only those costs identified by the Applicant in the Application and approved by FACTOR will be deemed Eligible Costs.
- 24.3** Eligible Costs are those paid to Canadians and Canadian-owned and controlled companies for goods and services delivered in Canada with exception of non-Canadian costs eligible where applicable. Notwithstanding the foregoing, FACTOR will recognize eligible costs related to non-Canadian Artist Members.
- 24.4** Goods and services purchased from individual Canadians living outside of Canada will be deemed Eligible Costs. Goods and services purchased from Canadian-owned businesses physically located outside of Canada will be deemed Eligible Costs provided that the business continues to have significant commercial activity or maintains a head office in Canada.
- 24.5** Where FACTOR allows Eligible Costs to be expended In-House, those costs must be charged, in FACTOR's sole opinion, at verifiable fair market value with no mark-up. For In-House services, the party providing the services must be in the business of, or professionally employed to provide such services. Likewise, allowable costs paid to Related Parties must also be charged at verifiable fair market value with no mark-up. Please see the Program Guidelines and Component Guidelines for details.
- 24.6** Eligible Costs will begin to be deemed eligible after the Application has been received at FACTOR. For clarity: as soon as your Application has been received by FACTOR, you may begin incurring Eligible Costs. Costs incurred and paid prior to the submission of an Application are deemed ineligible.
- 24.7** Costs must be verifiable with invoices, receipts, and Proof of Payment.

### **25.0 Cash Payments**

- 25.1** Cash payments for all programs and components are limited to:
- a) Incidental purchases under \$100 (e.g. gas, small goods) must be supported by a cash register receipt.
  - b) Lease or purchase of goods and services under \$500 must be supported by a detailed receipt indicating supplier, purchaser, description, cost, and date.
  - c) Per diems under \$500 must be supported by a FACTOR-provided [Receipt for Services form](#) signed by the payee.
- 25.2** FACTOR will not reimburse expenses paid in cash where the claim is a lease or purchase of goods and services over \$500. Such costs must be paid by a credit card or bank transaction.

- 25.3** Receipts in all cases must be sufficiently detailed to show the purchase is connected to the expense claim. Receipts must describe the goods or services purchased. FACTOR reserves the right to contact the vendor, and to reject any costs it deems, in its sole opinion, insufficiently supported.

## 26.0 Travel Costs

- 26.1** Travel costs in all Programs must follow the spirit and intent of the Treasury Board Guidelines, namely that these costs do not exceed the rates specified in the [Government of Canada Travel Directive](#). In the event of a discrepancy between a maximum reimbursable cost published by FACTOR and the same cost published by the Treasury Board Guidelines, the lesser cost shall be applied.
- 26.2** In addition to the limits proposed by the Treasury Board guidelines, travel costs in all programs are subject to the following:
- a) Hotel room or one-bedroom suite: Costs will be recognized at a maximum of \$300 per room or per suite per night, regardless of the number of occupants.
  - b) Hotel suite with more than one bedroom, where the suite is occupied by more than one eligible traveler in the same application: Costs will be recognized at the lesser of (a) the actual suite costs; or (b) \$300 per bedroom per night.
  - c) Private room, apartment or house rented through a public, commercial agency (e.g. Airbnb), where the claimant is the only tenant of the rental property: Costs will be recognized at a maximum of \$300 per night.
  - d) Private rooms, apartment and house rentals rented through a public agency (e.g. Airbnb), and hotel suites with several rooms, where the claimant is sharing the tenancy with other (non-funded) people: Costs will be recognized at the lesser of: (a) the actual room rental cost for one room as indicated on the agency or hotel invoice, to a maximum of \$300 per room per night; or (b) the total rental cost divided by the number of bedrooms in the property, to a maximum of \$300 per night. In the case of a shared tenancy, all tenants will be presumed to have paid a proportional share of the rental cost.
  - e) Private, non-commercial accommodation costs (e.g. rooms in privately-owned apartments and houses not rented through an agency) will be recognized at the maximums published by the Travel Directive.
  - f) Flight costs, where eligible, will be recognized by FACTOR for economy-rate tickets only (business and first class tickets are not eligible);
  - g) No dollar value will be attributable to air miles, frequent flyer points or similar programs. However, FACTOR may recognize a cash fee charged by the points provider;
  - h) Applicants are urged to ensure that each person traveling is covered by trip cancellation, health/ medical and accident insurance appropriate to the length and location of the visit to the country in which any funded travel occurs. In the event that a trip or any portion thereof is canceled such that all or any portion of approved Eligible Costs is forfeit, the Applicant is required to recover the maximum amount available under its travel insurance. FACTOR will cover 50% of any remaining non-refundable costs.
- 26.3** Examples:
- a) Tour support application: Claimant 4-person band rents a hotel suite with two bedrooms; all 4 band members stay there. The suite costs \$350/night. FACTOR would recognize \$350/night.
  - b) Tour support application: Claimant 4-person band rents a hotel suite with two bedrooms; all 4 band members stay in one bedroom and the (non-funded) opening act stays in the other bedroom. The suite costs \$350/night. FACTOR would recognize \$175/night.
  - c) Business Travel application for two travelers. Claimant rents a 3-bedroom apartment through Airbnb at a cost of \$600/night. She and a co-worker take two of the rooms. She sublets the third bedroom to someone else, and a fourth person sleeps on the couch. FACTOR would recognize \$400 per night of the rental cost, being one-third/\$200 of the total per night, multiplied by two employees.

- d) Business Travel application. Claimant rents a 2-bedroom apartment through Airbnb at a cost of
- e) \$500/night. He takes one room and sublets the other room. FACTOR would recognize \$250/night.
- f) Business Travel application: Claimant sublets a room in a 4-bedroom house from some other people who rented it through Airbnb. The total rental cost for the house is \$1,000/night but claimant has been charged \$300/night by the renter holding the Airbnb contract, on the grounds that they have the biggest room. FACTOR would still recognize \$250/night.

## 27.0 Ineligible Costs

27.1 Ineligible costs in all programs include, but are not limited to:

- a) Equipment purchases and purchases of capital assets;
- b) Taxes that are subject to rebate to the Recipient (such as VAT, HST);
- c) Musicians' union dues, penalties, fines, pension contributions and any other union-mandated payments;
- d) CD, vinyl, or other music media manufacturing and duplication costs, except where allowed within the allowance for promotional, not-for sale costs;
- e) Manufacture of merchandise;
- f) Grant writer fees;
- g) Audit and legal costs;
- h) Hospitality expenses;
- i) Interest on late payments;
- j) Dividends, bonuses, and other extraordinary compensation to company shareholders or owners;
- k) Salaries, benefits, and ownership costs not directly related to the project;
- l) Booking commissions
- m) Costs paid to providers that are employed by or related parties to the Applicant;
- n) Costs incurred after the original Completion deadline, and any FACTOR-authorized extensions to that deadline, are ineligible.

27.2 FACTOR reserves the right at all times to allow, disallow, or modify costs. It is advisable to discuss any significant changes to your budget before Completion. If you are uncertain about the eligibility of a cost, please contact FACTOR before incurring that cost. In order for a Project and costs to remain eligible, Applicants must notify FACTOR immediately of any significant change to the original Application or budget submitted. A significant change would be one that impacts more than 25% of the budget.

## 28.0 Administration Expenses

28.1 In some programs, FACTOR allows Administration Expenses to be included within the Total Eligible Budget, up to a maximum 15% of eligible costs or in accordance with caps set out in [Schedule A](#) of these Business Policies, and also in the specific Program Guidelines. The Administration Expenses are intended to contribute to overhead costs such as occupancy, staffing, and other day-to-day costs of running a business, which costs cannot be claimed elsewhere in the Total Eligible Budget. The Administration Expenses must be documented on Completion.

28.2 Grant writing, grant administration, and grant management are not eligible Administration Expenses. The amount and method of payment due to a 'grant writer' or any other supplier which assists with funding Applications is a matter of contract between the Recipient and such supplier.

## 29.0 Musicians' Fees

**29.1** Where applicable, fees paid to musicians will be recognized as follows:

- a) For sound recording work, musicians' fees will be capped at a rate of \$400 per studio session, to a maximum of one session per track. The day rate includes overtime pay for the session, if any.
- b) "Leader fees" paid to third-parties will be eligible at up to double the day rate, but only if the session is contracted pursuant to a musician's union contract, and that contract is submitted to FACTOR. Royalty players (i.e. the artist and its members) may not claim a leader fee to FACTOR except where the artist is an orchestra or similar large ensemble in the classical genre.
- c) For live performances, musicians' fees will be capped at a show rate of \$300 per show. The show rate includes all paid performances in one calendar day.
- d) Cash payments to musicians may only be eligible for FACTOR reimbursement if they conform to the policy on Cash Payments as set out above. For reimbursement by FACTOR, the musician's fee must be supported by an invoice from the musician to the Applicant, along with Proof of Payment showing the invoice was paid.
- e) Per diems paid to musicians will be recognized in addition to the above rates, to a maximum of \$50 per person per day. Claims to FACTOR for reimbursement of per diems paid in cash must be accompanied by a [Receipt for Services form](#).
- f) Additional union-mandated payments such as dues, fines, pension contributions, etc. are not eligible for FACTOR reimbursement.
- g) FACTOR may recognize Donated Services only as follows: (i) in the Artist Development Program, provided that the Applicant must submit an [Artist Donated Services form](#); and (ii) when the Artist is the Applicant, FACTOR will recognize Donated Services for live performances in a Tour or Showcase component, to a maximum of \$150 per Artist Member, per show. Applicants may not claim Donated Services in respect of Hired Musicians or Hired Crew.

## **30.0 Artist Advance**

- 30.1** Only Cash Advances paid out-of-pocket to the Artist will be recognized as an Eligible Cost. FACTOR will not recognize nor reimburse an Artist Advance paid In-Kind, in the form of merchandise or any other non-cash goods or services.
- 30.2** FACTOR funding must be applied by the Applicant as a credit toward Eligible Costs. No portion of FACTOR funding, including any funding that has been forgiven or retired by FACTOR as against the Recipient, may be retained by the Recipient while any Project costs remain recoupable against an Artist's royalty account.
- 30.3** If an advance is claimed as a Project expense, the portion funded by FACTOR cannot be recoupable.

## **31.0 Donated Services**

- 31.1** FACTOR will recognize Total Eligible Budget items designated as Donated Services only in limited circumstances and as set out in the Program Guidelines and/or Eligible Costs detail for that program:
  - a) When the Artist is the Applicant in a Tour or Showcase Component, and only for the Artist or Artist Members, to a maximum of \$150 per Artist Member, per show. Such Donated Services must be supported on Completion by a [Receipt for Services form](#);
  - b) In the Artist Development program, only for the Artist or Artist Members, to a maximum of \$500 per application. Such Donated Services must be supported on Completion by an [Artist Donated Services form](#).

## **32.0 Sales Tax Reimbursement**

- 32.1** Taxes that are recoverable by the Recipient may not be claimed as an Eligible Cost, whether or not the Recipient makes an effort to recover them. Examples of taxes that are recoverable include: GST/HST, PST, VAT.

- 32.2 When an Applicant includes recoverable taxes in a budget, they will either be removed by FACTOR as ineligible, or assigned to the Applicant share of project funding.

### 33.0 Related Party Transactions (RPTs)

- 33.1 The value of any estimated RPT included within the Project budget must be separately disclosed to FACTOR on Application, and the actual final cost at the time of Completion, along with a description of the basis of measurement for how the cost was valued.
- 33.2 Definition of Related Party:
- a) Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint or common significant influence. Related parties also include management and immediate family members.
  - b) A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.
  - c) Control of an enterprise is the continuing power to determine its strategic operating, investing and financing policies without the cooperation of others.
  - d) Significant influence over an enterprise is the ability to affect the strategic operating, investing and financing policies of the enterprise.

## Section V – Completion

### 34.0 Completions and Delivery of Completion Documentation

- 34.1 **Every Recipient is required to Complete the Project and submit documentation and materials in the format required and within the timeframe set out in the Program Guidelines and the General Agreement.** This will include, at a minimum, an activity report and a final cost report, and may include some or all of the expense documentation related to the expenses claimed in the cost report, including invoices, receipts and Proofs of Payment as required by FACTOR. After an initial review, FACTOR may request additional documentation. It is a condition of funding that Recipients submit all documentation requested by FACTOR by the deadlines required. Failure to meet these deadlines may result in a penalty up to and including loss of all funding as well as not being permitted to submit new applications to any programs/Projects with FACTOR until the Completion is resolved. See [37.0 Deadlines and Extensions](#) for details.
- 34.2 FACTOR will require the applicant to submit invoices and proofs of payment. Proofs of payment must indicate the applicant as payor. Proofs of payment must also indicate vendor name, transaction date, amount paid and source of payment. Accepted proof of payment includes:
- a) Canceled (“cashed out”) cheques must be scanned on both sides so the bank stamp is visible. The stamp is generally on the back of the cheque;
  - b) Credit card statements and bank statements must clearly indicate the account owner’s name. If the account owner’s name is not visible, include a scan of the credit card used with the name clearly legible. Account number and non-relevant items can be redacted, but the costs being claimed must be shown clearly on the statement;
  - c) Money order and postal order receipts must be legible, dated and signed;
  - d) Wire transfer receipts must show the name of the payee and be dated;
  - e) Electronic transfer receipts must be sent directly from the bank and show the name of the payee, the recipient, the date, the payment amount and confirm the transfer was completed. FACTOR will accept a

copy of the email confirmation of the deposited funds or proof from online banking if all required information is displayed;

- f) Cash register receipts may be accepted for incidental items provided they show the information required for proofs of payment as noted above;
- g) Payments made by automated accounts payable processing software (e.g. Plooto, Telpay, Quickbooks, etc) must include the batch report indicating the date, transactions and batch total, along with the bank statement confirming the batch transaction;
- h) Payments issued through escrow accounts (e.g. Plooto Instant, Wise Payments, etc) must show the information required for proofs of payment as noted above;
- i) Payroll processing by a payroll service (e.g. ADP, Ceridian, Payworks, etc) must include a payroll journal and summary, along with a bank statement confirming the corresponding payment to the payroll service.

**34.3** The cost report, expense documentation, and any other material required by FACTOR to be submitted prior to the Completion deadline shall be together known as the "Completion." Once submitted to FACTOR, the Completion will be deemed by FACTOR to be the Recipient's true, accurate, and final accounting, and may not be unsubmitted, amended or deleted. Supporting documents that FACTOR receives must be standalone documents and links to third-party websites are not eligible (example: Google Docs)

**34.4** Upon Completion, every Recipient of funding for the production or acquisition of a sound recording must deliver to FACTOR via the Completion:

- a) A copy of all lyrics;
- b) A digital copy of each track in MP3 format;
- c) A digital copy of the artwork in .pdf or .jpg format clearly showing the required logos.

**34.5** Product Submission Deadline: No later than thirty (30) days after the Commercial Release of the funded sound recording, every Recipient must deliver to FACTOR via email:

- a) As a Zip file or by providing a link to a preferred file sharing site (e.g. Dropbox, etc.): a digital copy in MP3 format of the final, as-released version of the funded sound recording, including the final, required metadata [thumbnail artwork, FACTOR logo and acknowledgement text, Canada wordmark (if applicable), Government of Canada acknowledgement (if applicable), track artist, track title, track time/duration, track number]; and a digital copy of the final, as-released album artwork clearly showing the required logos and acknowledgment; and a streaming link from a commercial platform;
- b) If manufacturing physical copies for sale, a finished, retail-ready copy in any physical format may be required.

**34.6** Every Recipient of video funding for the production of one or more music videos must, upon Completion, provide FACTOR with a web link/URL to view the finished video including end credits, and upon FACTOR's request, a copy of the video(s) in .mov format or such other digital format as FACTOR may designate.

## **35.0 Logo and Acknowledgment**

**35.1** As a material condition of funding, every Recipient must publicly acknowledge the financial support of FACTOR and (as applicable) the Government of Canada and/or Canada's private radio broadcasters. The specific requirements of logo and acknowledgment placement for each funded project are set out in the General Agreement for the Project, and in the [Logo & Acknowledgment Guide](#).

**35.2** Failure to provide the appropriate acknowledgements and logos, as assessed solely by FACTOR, may result in a reduction of funding of up to 15% of the Disbursement Amount; or may be deemed an Event of Default.

## **36.0 Deadlines and Extensions**

**36.1** Once a Project has been funded, it is a condition of funding that Recipients meet all deadlines for each Milestone set by FACTOR for the Project. Milestones include (but are not limited to) completing a Component,

Commercially Releasing a sound recording, or submitting one or more expense documents ([see Glossary: Milestone](#)).

**36.2** Extensions are never assumed or automatic and are limited, depending on the nature of the Milestone and the Project or program. It is the Recipient’s responsibility to request an extension (if available) prior to the deadline passing. To do so, the Recipient must send an email to the Project Coordinator at FACTOR, giving the reason for the request.

**36.3** For all programs and Components listed below, the following actions will occur once the Completion deadline or final extension deadline passes:

- a) The Recipient will be sent a Notice advising them that they may fulfill the requirement of the Milestone or request an extension provided they do so within a Grace Period of seven calendar days. If the Recipient does not respond within that Grace Period, then all available extensions will be deemed to have expired.
- b) When all available extensions have expired (whether deemed or actually) and the Recipient has still not met the requirements of the Milestone, then the Recipient will be put On Hold for ninety (90) days. If the issue remains unresolved after this period, the Recipient will be in Default.
- c) “On Hold” means that all Active projects of the Recipient will be suspended for a specified period per program. The recipient cannot receive any approved funding nor apply for any new funding until the hold has been cleared. When a Recipient is On Hold, milestone dates remain in place.
- d) After the 90-day On Hold period:
  - i. the Recipient will be held in Default, signifying breach of contract;
  - ii. all offers will be withdrawn;
  - iii. the Recipient must return all funds to FACTOR; and
  - iv. the Recipient will be prevented from receiving any additional approved funding or applying for any new funding, which status will continue until FACTOR clears the Default.
- e) “Default” means that the Recipient is in breach of contract. At FACTOR’s sole option, a finding of Default means that all funds disbursed toward the whole Project must be repaid as set out in the General Agreement; the cross-default provisions of the General Agreement apply, meaning that the Recipient and any Associated Entities, including affiliated companies, partners and shareholders may also be held in Default on all other Projects, and are prevented from receiving any additional approved funding or applying for any new funding, which status will continue until FACTOR determines in its sole discretion that the Default has been satisfactorily cured.

**36.4** Completion Deadlines

<b>Component</b>	<b>Completion Deadline</b>	<b>Extensions</b>
Artist Development	Twelve (12) months from the date of Approval.	No extensions may be requested.
Business Development	Last business day in May of the next year following the date of Approval.	Up to sixty (60) days from the original Completion deadline.
Business Travel	Sixty (60) days from the date of Approval or the travel end date, whichever is later.	One or more extensions may be granted, provided that such extension(s) may not in total exceed sixty (60) days past the original Completion deadline.
Collective Initiatives	Three (3) months from the end date of the approved Project or Event.	One or more extensions may be granted, provided that such extension(s) may not in total exceed sixty (60) days past the original Completion deadline.

Envelope Funding for Music Companies	May 31, 2024	The Recipient must contact their Project Coordinator to request an extension.
Support for National Service Organizations	June 1, 2024	The Recipient must contact their Project Coordinator to request an extension.
Showcase	Sixty (60) days from the date of Approval or end of the Showcase, whichever is later.	One or more extensions, provided that such extension(s) may not in total exceed sixty (60) days past the original Completion deadline.
Songwriter Development	Twelve (12) months from the date of Approval.	No extensions may be requested.
Songwriter Support for Music Publishers	Sixty (60) days from the date of Approval or the travel end date, whichever is later.	One or more extensions may be granted, provided that such extension(s) may not in total exceed sixty (60) days past the original Completion deadline.
Sound Recording – Juried Sound Recording	Six (6) months from the date of Approval or the recording start date, whichever is later. Note that recording must commence (and FACTOR may require proof that recording has commenced) within six (6) months of Approval.	If the Component hasn't been started within that six (6) month period, then no extensions will be available. In that event the offer will be withdrawn and any advanced funds must be returned to FACTOR. However, the Recipient may re-apply.  If the Component is underway, the Recipient may request, and the Project Coordinator may grant, one or more extensions, provided that such extension(s) may not in total exceed three hundred and sixty-five (365) days past the original Completion deadline.
Tour Support	Sixty (60) days from the date of Approval or end of the Tour, whichever is later.	One or more extensions, provided that such extension(s) may not in total exceed sixty (60) days past the original Completion deadline.
Video	Six (6) months from the date of Approval.	If the Component hasn't been completed within the six month period, the offer will be withdrawn and any advanced funds must be returned to FACTOR. However, the Recipient may re-apply.

### 36.5 Completion Deadlines – Sponsorship Program

- a) Successful Applicants are required to submit a report on the results of the Project or event within four (4) months after the project or event end date.
- b) If the original Completion deadline passes without a request for extension, the Recipient will be given a 14-day Notice of Grace Period to request an extension.
- c) After the Grace Period ends, the Recipient will be put on hold until the Completion is submitted.

### 36.6 Completion Deficiency – Missing or Insufficient Materials

- a) When mandatory information or expense documentation is incomplete, unclear, or missing from the Completion, the Recipient will be given a Notice of Grace Period to submit the requested materials. No extensions will be available.
- b) If the Grace Period passes, or the uploaded materials remain incomplete or unclear upon review, the Recipient will be put on hold for thirty (30) days. After thirty (30) days, the Recipient will be in pre-Default.
- c) If the matter is still unresolved, the Recipient will be in Default six (6) months from the date on which the notice of Grace Period was issued.

### 36.7 Commercial Release Deadline – All Sound Recording Projects



- a) The sound recording must be Commercially Released no later than six (6) months after FACTOR has issued final payment for Completion of the sound recording Component. The Recipient must confirm via email to FACTOR that the Commercial Release has occurred no later than thirty (30) days after the Commercial Release has taken place.
  - i. If the Recipient fails to provide such confirmation of Commercial Release within that time, the Recipient will be given a Notice of Grace Period (seven (7) calendar days) to provide the Confirmation of Commercial Release, or to request an extension;
  - ii. If the Grace Period expires without a response from the Recipient, the Recipient will be put on hold for a period of ninety (90) days, after which time the Recipient may be held in Default. In that event the Offer will be withdrawn and all funds disbursed toward the Project (all Components) must be repaid to FACTOR.
- b) First Extension Period
  - i. The Recipient may request and the Project Coordinator may grant a First Extension Period. The Recipient must submit the revised Commercial Release Date at the time of making the extension request.
  - ii. If the Recipient fails to provide a revised Commercial Release Date at the time of the extension request, the Recipient will be put on hold for a period of ninety (90) days, after which time the Recipient may be held in Default. In that event the Offer will be withdrawn and all funds disbursed toward the Project (all Components) must be repaid to FACTOR.
- c) Second Extension Period: the Recipient may request and the Board of Directors may grant a Second Extension.
- d) If no additional extension is available or granted, the Offer will be withdrawn, and all funds disbursed toward the Project (all Components) must be repaid to FACTOR.

### **36.8 Product Submission Deadline – Juried Sound Recording Program**

- a) No later than thirty (30) days after the Commercial Release of the funded sound recording, every Recipient must deliver to FACTOR a final digital version and (if manufacturing and as requested by FACTOR) a final physical copy.
- b) If the Product Submission Deadline passes without delivery of the required materials, the Recipient will be given a Notice of Grace Period to submit the required material. If the Grace Period passes, the Recipient will be on hold for ninety (90) days. After ninety (90) days, the Recipient will be held in Default.
- c) If the required material is delivered on time but, upon review by FACTOR, contains deficiencies that can be corrected, the Recipient may be given thirty (30) days to re-submit corrected materials. If that deadline passes without delivery of the corrected materials, the Recipient will be given a notice of Grace Period to submit the corrected materials. If the Grace Period passes, the Recipient will be on hold for ninety (90) days. After ninety (90) days, the Recipient will be in Default.

## **37.0 Commercial Release**

- 37.1** It is a condition of funding in all full-length sound recording programs that the funded sound recording be commercially released in Canada according to the terms of the General Agreement, subject to any extensions explicitly approved by FACTOR. “Commercial Release, Commercially Released” means the sound recording has been legally offered to the public for sale, download, stream, or other method of public consumption, via a music retailer or digital music service, provided that the nature of such offer is commercial, meaning that its purpose is to generate revenue of which the Artist whose performance is embodied on the sound recording is entitled to be paid a share. Physical formats of the sound recording packaging must feature a UPC barcode; each track must have been assigned an International Standard Recording Code (ISRC) number.
- 37.2** The date on which the sound recording is first offered in the manner described above, shall be deemed the Commercial Release Date. The Project is considered Commercially Released once the first single is offered for public sale, download, stream, or other methods of commercial consumption.
- 37.3** The following are examples of what FACTOR deems a Commercial Release:

- a) The sound recording is being released by a Record Label, and is being sold by a Distributor through physical and digital music retailers. The sound recording is being released by a Record Label, but will only be available in vinyl and in digital formats. The vinyl is being sold Off-Stage, and the digital version is being sold through iTunes, CD Baby, Bandcamp and other digital retailers. In this case, the Commercial Release Date will be the date the digital version is first made available for sale through the digital retailer.
- b) The sound recording is being distributed through a content aggregator and is being sold worldwide through many digital retailers.
- c) The sound recording is being released by the Artist independently, but is being sold through (for example) iTunes, CD Baby, Bandcamp and local record stores.
- d) The sound recording is being released by a Record Label, or by the Artist independently, and is being sold through retailers serviced directly by the label and/or the Artist, but only as approved by FACTOR on a case-by-case basis.
- e) The sound recording is being manufactured in vinyl format, has a UPC barcode and is being offered for sale Off-Stage; but only where the Artist has a SoundScan Venue Settlement Account and is reporting off-stage sales to SoundScan.
- f) The sound recording is being offered for sale online at a “pay what you want” price provided that some actual sales have been made, at a price higher than zero.

**37.4** The following are examples of what FACTOR does NOT deem a Commercial Release:

- a) The Artist or Record Label is pre-selling copies of the eventual sound recording. In this case, the Commercial Release will take place when the sound recording is made available to all members of the public, not just those who pre-bought the album.
- b) The sound recording is only being promoted or offered for free on the Artist’s website or any other promotional website.
- c) The sound recording is being given away for “free with purchase” of another item. However, if the sound recording is included in a ticket price AND the Artist is reporting off-stage sales through SoundScan, then FACTOR may recognize the Commercial Release.
- d) The Artist is manufacturing CDs but is only selling them Off-Stage, but does not have a SoundScan Venue Settlement account and there is no digital retail activity.
- e) The sound recording is streaming exclusively on a music blog for a week before it goes on sale in stores. In that case, the week during which it is streaming only, does not count as the Commercial Release.
- f) The sound recording is streaming on a public video exhibition site such as YouTube.

## **38.0 Audit by Third Party**

**38.1** Recipients who receive \$100,000 or more per Project are required to submit an independent audited cost report on Completion. “Independent” means that the audit must be prepared by an external auditor who does not normally prepare the Recipient’s books and financial statements. For the purpose of this Audit policy only, a “Project” means:

- a) Under Collective Initiatives, any one event or Project including all related activities funded under any Collective Initiatives component. If the Project is a music conference and includes a digital application and a series of branded workshops, and the combined funding provided meets or exceeds \$100,000, the audit policy will apply.
- b) Any sound recording Project where FACTOR’s contribution to the combined costs of license or production plus marketing and all other Components meets or exceeds \$100,000.
- c) Applicants to the Funding for National Service Organizations must submit audited statements.

**38.2** The audited cost report must conform to Generally Accepted Accounting Principles (GAAP) and must include (among standard audit notes):

- a) An income statement, including details on all sources of project financing.
  - b) Details and explanation of any in-kind or contra-based reported income.
  - c) An expense statement, including details on any related party transactions, salary valuations, and any in-kind and non-arm's-length expenditures.
- 38.3** The audited cost report must be submitted upon Completion. The Recipient need not submit, but is required to retain, records of all expenditures and all Proofs of Payment, which FACTOR may demand to verify from time to time.
- 38.4** FACTOR reserves the right to withhold payment of all or any portion of the Disbursement Amount if, in the sole opinion of FACTOR, the audit fails to conform to FACTOR's standards.
- 38.5** The cost of the audit may be deemed an Eligible Cost, capped at \$10,000, which FACTOR may reimburse at the level of FACTOR funding for the Program, up to \$5,000.
- 38.6** FACTOR may, at its sole discretion, accept the Recipient's independent audited annual financial statements in lieu of a specific audited cost report, provided that the Recipient must also provide a report of all FACTOR-funded costs as reviewed and verified by the auditor.

## **39.0 Disposition of Masters**

- 39.1** All the terms of this section are subject to the Annual Funding Cap, the Program Guidelines rules and maximums, the standing and status and all other applicable conditions of the transferee Record Label's eligibility to receive FACTOR funding. For the purposes of this section:
- a) "Eligible Canadian Record Label" means an Eligible Record Label defined herein; provided that such Record Label must not be an Associated Entity of, nor a Related Party to the Recipient;
  - b) "Sold", "Sale" means a conveyance, in exchange for a purchase price, of all rights in and to the copyright of the sound recording.
  - c) "Assigned," "Assignment" means a transfer of interest in, or ownership of, the sound recording.
  - d) "License," "Licensed" means a conveyance of rights whereby one party who controls certain exploitation and other rights in a sound recording grants limited rights to another party in exchange for a fee and other consideration.
  - e) "Transfer," "Transferred" means any conveyance of some or all of the interest, including ownership or title, in a sound recording copyright, and/or the benefits derived from the exploitation of those rights. When exclusive control of the sound recording copyright changes hands in any transaction, FACTOR deems the sound recording to have transferred.

Notwithstanding anything contained in these Business Policies, the FACTOR Board of Directors has final authority in any of these matters and will exercise such at its discretion.

- 39.2** FACTOR places certain restrictions on the ways and means by which the exclusive exploitation rights in a Full-length Active FACTOR-funded sound recording may be acquired and/or exploited by other parties. The restrictions contained in this section apply:
- a) ONLY to Full-length Active FACTOR-funded sound recordings. A Full-length FACTOR-funded sound recording will be deemed "Active" during the period starting from Approval of the first Application for sound recording funding and ending two (2) years after the First Commercial Release date, and
  - b) ONLY to the exclusive Canadian exploitation rights (including copyright) in those sound recordings. The non-Canadian rights in any FACTOR-funded sound recording may be Licensed or Sold without further notification to or restriction by FACTOR.

For clarification: this policy does not apply to sound recordings funded under the Artist Development program. Those may be Licensed or Sold without further notification to or restriction by FACTOR.

- 39.3** Active FACTOR-funded sound recordings may be Sold, Licensed, Assigned or otherwise Transferred (singly and collectively, “Transferred,” “Transfer(s)”) to a third party. However:
- a) The original Recipient MUST notify FACTOR of the upcoming Transfer BEFORE it takes place; and
  - b) FACTOR must approve all Transfers.

Note: Failure to notify FACTOR of a pending Transfer of an Active FACTOR-funded sound recording may be considered an Event of Default under the General Agreement by which it was funded.

- 39.4** If an Eligible Music Company and part or all of its catalogue is Sold, the FACTOR Board of Directors will determine a plan for closing active funded Projects and any repayments required on a case-by-case basis.
- 39.5** If the exclusive Canadian exploitation rights in a sound recording funded under any full-length sound recording program is Sold, Licensed, Assigned or otherwise Transferred (collectively hereafter, “Transferred”) to a non-Canadian label (including “major labels”):
- a) 100% of the funding disbursed to the Recipient must be immediately repaid to FACTOR.
  - b) The file will be immediately put on hold; no further funds will be advanced to the Recipient subject to the repayment of funding;
  - c) Subject to repayment to FACTOR’s satisfaction, the file will be closed with no penalty to the Recipient. However, if the Recipient fails to repay the funding as prescribed, the Recipient may be found to be in Default.
- 39.6** If the exclusive Canadian exploitation rights in a sound recording funded under any full-length sound recording program is Transferred to an Envelope Funding Recipient:
- a) If the Recipient was a Record Label, all of the Project funding disbursed to the Recipient must be immediately repaid to FACTOR.
  - b) If the Recipient was an Artist, none of the funding will be due back to FACTOR.
  - c) The Transferee Envelope Funding company may be eligible to include related investments in their envelope. Contact your FACTOR Envelope Funding Coordinator for more details.
- 39.7** If the Active FACTOR-funded Sound Recording was funded under the Juried Sound Recording program (“JSR”):
- a) If the title is Transferred to a Record Label rated Approved, 2, 3 or 4:
    - i. If the Recipient was a Record Label, all of the Project funding disbursed to the Recipient must be immediately repaid to FACTOR.
    - ii. If the Recipient was an Artist, none of the funding will be due back to FACTOR.
    - iii. The Transferee Record Label may be allowed to become the Applicant in a new JSR Project.
    - iv. If allowed to the JSR program, the Transferee Record Label will be eligible to apply for a license fee not to exceed an amount that is the difference between the amount paid out to the original JSR sound recording Component Recipient and the JSR program limit for that Recipient and the new Project will be eligible for all other Components subject to the Transferee Record Label’s standard limits, less the amount disbursed in the original JSR Project.
  - b) If the title is Transferred to the Artist:
    - i. 100% of the funding disbursed to the Recipient must be immediately repaid to FACTOR.
    - ii. The Transferee Artist may be allowed to become the Applicant in a new JSR Project.
    - iii. The Project will be eligible for all Components of the JSR subject to the limits applicable to the original Application less all funding disbursed to the Recipient, less any amounts repaid to FACTOR.
- 39.8** If the Active FACTOR-funded sound recording was funded under the Artist Entrepreneur program:

- a) If the Recipient was an Artist and the title is Transferred to any eligible Canadian Record Label:
  - i. The Transferee Record Label may become the Applicant in a Company Envelope project (if the Record Label has the appropriate Rating).
- b) If the Recipient was a Record Label and the title is transferred to any eligible Canadian Record Label (excluding Envelope Funding recipients, see 39.6):
  - i. All of the Project funding disbursed to the Recipient must be immediately repaid to FACTOR.
  - ii. The Transferee Record Label may become the Applicant in an Envelope project (if the Record Label has the appropriate Rating),
  - iii. The Transferee Record Label may apply under the Envelope program for a FACTOR contribution to the license fee, such contribution not to exceed an amount that is the difference between the original sound recording Component contribution amount and \$30,000.

**39.9** If the Active FACTOR-funded sound recording was funded under the Company Envelope funding program:

In all cases the Recipient must repay **all funding** disbursed. In that event the sound recording will be deemed to be non-FACTOR-funded, and:

- a) If the title is Transferred to a Record Label rated 4, the Transferee Record Label may become the Applicant in a new Envelope Application, subject to the company's project limit and Annual Funding Cap;
- b) If the title is Transferred to a Record Label rated Approved, 2 or 3, the Transferee Record Label may apply for funding in the programs for which it is normally eligible.

**39.10** When any Active FACTOR-funded sound recording is Transferred, the original Recipient will be required to complete any open Components as soon as practical, in consultation with FACTOR.

## GLOSSARY

ACCREDITED INTERNATIONAL DISTRIBUTOR	An International Distributor that has been vetted by FACTOR and been determined to be conducting a legitimate business as a Distributor.
ACTIVE	(a) Presently engaged in an eligible business activity; or (b) the period of time during which the General Agreement is in force, starting on acceptance of the Offer and ending two years after Commercial Release.
ACTIVE TITLE	A sound recording (single, EP, or album) is considered by FACTOR to be Active when it has been released within two (2) years prior to the first day of the current program year or will be released within six (6) months of the first day of the following program year.
ADMINISTRATION EXPENSES	An expense, calculated as a percentage of total eligible costs, representing salaries and benefits and/or professional fees (professional services provided through contracts), business website, e-commerce website, data and asset management software and tools, subscriptions (databases, SoundScan, Broadcast Data Systems [BDS], etc.), management and administration of musical works, subcontractor, conferences and training, and business representation.
ADVANCE	a) A partial payment of the Disbursement Amount. See <a href="#">FACTOR Advance</a> ; b) An amount paid to the Artist by a Music Company, in exchange for the right to exploit the Artist's work. See <a href="#">ARTIST ADVANCE</a> .
ALBUM	A collection of sound recordings packaged together. For FACTOR's purpose an Album includes at least six (6) songs or compositions, or runs at least twenty (20) minutes in duration. See also <a href="#">TRACK EQUIVALENT ALBUM</a> . For FACTOR's purposes a collection of remixes of the same track will not constitute an Album.
ANNEX	A legal agreement between FACTOR and a Recipient, containing the details of, and specific terms related to, an individual grant of funding; the Annex is an appendix to, and is considered part of, the General Agreement entered into by every Recipient.
ANNUAL FUNDING CAP	No Applicant may receive more than \$200,000 per FACTOR fiscal year in funding derived from any project-based program funded in whole or in part by the Individual Initiatives component of the Canada Music Fund (the "Individual Initiatives portion"); nor more than \$200,000 per FACTOR fiscal year in funding derived from any project-based program funded in whole by private broadcaster contributions (the "Radio Contributions portion"). No Applicant to the envelope-based programs may receive more than \$600,000, affiliated companies are capped at \$800,000. The Annual Funding Cap is based on all applicable FACTOR offers, adjusted by amounts actually paid out, in the fiscal year. If a funded project spans two fiscal years, any offer unpaid at the end of year one (1) will roll into year two (2) and will count against that year's cap.
APPLICANT	The individual person or business entity making the Application for funding. The Applicant is the entity who will enter into a binding agreement with FACTOR and is responsible for receiving, disbursing, and Completion of the funds advanced. Upon approval of funding, the Applicant becomes the Recipient, and is the party who may be in Default if there should be a finding of Default in the performance of the General Agreement.
APPLICANT ADMINISTRATOR	The sole User of the Online Portal System authorized to manage an Applicant Profile. The Applicant Administrator has full read/write access to the Applicant Profile and all Projects involving the Applicant. The Applicant Administrator exclusively controls which other users have read or read/write access to the Applicant Profile and Projects involving the Applicant.
APPLICANT AGREEMENT	A legal agreement between FACTOR and an Applicant into which the Applicant enters at the time of submitting an Application for funding, which sets out the terms of Application. See <a href="#">1.0 Applicant Agreement</a> .

APPLICANT PROFILE	All of the personal, professional and financial information entered into the Online Portal System by the Applicant or its authorized delegate, which is relied upon by FACTOR in assessing applications by the Applicant.
APPLICANT RATING	The Rating assigned by FACTOR to an applicant that allows access to select programs in the Online Portal System. Eligible Music Companies will be rated 2, 3 or 4. See <a href="#">COMPANY RATING</a> . All other applicants, including artists applying on their own behalf and companies applying only to the Collective Initiatives, Sponsorship, or Funding for National Service Organizations programs, receive an Approved Applicant rating.
APPLICATION	All of the documents, including FACTOR's guidelines and forms along with the Applicant's field entries and submissions and the contents of related Artist Profiles or Applicant Profiles, that are submitted at the time of Application, or are required by FACTOR to be submitted in the assessment process, or are required to be submitted in the Completion process, which together constitute all the information relevant to the request for funding.
APPLICATION DATE	The date upon which the Application is received by FACTOR.
APPLICATION DEADLINE	The latest date and time, as published or otherwise set by FACTOR, upon which FACTOR will accept the submission of an Application.
APPLICATION PROCESS	The standard procedure by which FACTOR receives and reviews an Application. See <a href="#">21.0 Application Process</a> .
APPROVAL/APPROVED	A result of the assessment process by which FACTOR accepts the Application for funding, including any modifications to the proposed activities, amounts, and schedules made by FACTOR. FACTOR's eventual assessment of the Application upon Completion will be based upon the contents of the Approved file. An Application that has been Approved may not be changed or altered by the Applicant except by permission of FACTOR.
ARTIST	One or more persons performing as a musical group or band. A musician will be deemed a member of the Artist group or band if that person is credited publicly as a band member and is entitled to earn royalties from sales of the Artist's recordings. For FACTOR eligibility: (i) a solo Artist must be a Canadian citizen or permanent resident of Canada; (ii) If the Artist is a group, at least half of the group members including the lead singer must be Canadian citizens or permanent residents of Canada; (iii) the Artist must be engaged in the development of their own music career and is expected to have significant control over their creative product and brand identity; (iv) For clarity, a musician or group of musicians performing music created on a work-for-hire basis (where the copyrights are owned as work product by the contractor), for the primary purpose of marketing or promoting a product or service, will not be considered an Artist for the purpose of FACTOR eligibility; (v) in the case of a new group comprised of formerly solo Artists, FACTOR will deem the collaboration to be a new and distinct Artist if the group is marketed as such; (vi) in the case of an orchestra featuring no principal Artist, the orchestra must be based in Canada.
ARTIST ADMINISTRATOR	The sole User of the Online Portal System authorized to manage an Artist Profile. The Artist Administrator has full read/write access to the Artist Profile and the ability to read (but not write or edit) all Projects involving the Artist. The Artist Administrator control which users have read or read/write access to the Artist Profile. The Artist Administrator does not have the ability to share Projects or view Applicant Profiles.
ARTIST ADVANCE	An amount of money offered in exchange for certain rights in a sound recording or in the songs or compositions underlying the sound recording, which is usually recoupable against the Artist's share of royalties and other revenues. FACTOR does not recognize Artist Advances made in-kind. See <a href="#">31.0 Artist Advance</a> .
ARTIST MANAGEMENT COMPANY	A sole proprietorship, partnership or incorporated company of one or more Artist Managers.

ARTIST MANAGER	A person who, subject to a binding agreement with an Artist, musician, songwriter etc., represents that Artist, musician or songwriter in creative and commercial matters affecting their rights and career options. See <a href="#">17.0 Eligible Music Companies</a> .
ARTIST MEMBER	A full-time credited member of the Artist; not a hired, occasional or “side” performer as that term is generally understood in the music industry.
ARTIST PROFILE	All of the personal, professional and financial information entered into the Online Portal System by the Artist or its authorized delegate, which is relied upon by FACTOR in assessing applications involving the Artist.
ARTIST RATING	A designation by FACTOR, based on its review of all available Artist Profiles. The Artist Rating is the mechanism by which an Artist is accorded eligibility for FACTOR Programs. See <a href="#">14.0 Artist Profiles</a> .
ASSESSMENT	The process, varying from program to program, by which Applications are reviewed by FACTOR staff, the jury, and the Board of Directors. See <a href="#">22.0 Assessment Process</a> .
ASSESSMENT TRACK	A sound recording, often a rough demo, which is required to be submitted with the Application for assessment by a Jury.
ASSOCIATED ENTITIES	Entities that are associated, affiliated or related entities.
ASSOCIATION	A group of people or companies organized for a joint purpose. Associations wishing to apply to FACTOR must in all cases be registered associations.
AUDIT	Either (a) the review by FACTOR staff of some or all of the expense documentation accompanying a Completion (see <a href="#">SPOT AUDIT</a> ; <a href="#">FULL AUDIT</a> ) or (b) the official inspection of an Applicant’s or Supplier’s accounts by an independent party (see <a href="#">39.0 Audit by Third Party</a> ).
AWARDS SHOW	An event during which awards are given to Artists and/or Music cCompanies and/or music industry professionals.
BARCODE	A machine-readable representation of standard data.
BUSINESS PLAN	A document that outlines an Artist or music company’s short- and long-term goals, including strategies for their achievement and a projection of the related costs.
CANADA MUSIC FUND or “CMF”	A fund created by the federal government of Canada as the primary tool to implement the Canadian Sound Recording Policy. FACTOR administers two components of the CMF: Individual Initiatives and Collective Initiatives.
CANADIAN	See <a href="#">3.0 Canadian Citizenship and Company Criteria</a> .
CARNET	International customs documents that are required to facilitate shipping of equipment and merchandise across international borders.
CASH	In relation to bookkeeping, an actual, verifiable out-of-pocket expense.
CASH PAYMENT	In relation to Proof of Payment, a cash payment is made in currency and is generally disallowed by FACTOR. See <a href="#">PROOF OF PAYMENT</a> .
CATALOGUE	The total of Active Titles.
CHAIN OF TITLE	A series of legal agreements that evidences a party’s claim to the right to exploit a copyrighted work.
CMRRA	Also, Canadian Musical Reproduction Rights Agency. <a href="#">CMRRA</a> is the Canadian PRO representing composers, songwriters, and publishers for mechanical and other rights licenses.
COLLECTIVE	Owned by, or controlled by, or being of demonstrable benefit to multiple copyright holders.



COMMERCIAL RELEASE / COMMERCIALY RELEASED	The event of the sound recording being legally offered to the public for sale, download, stream, or other method of public consumption, via a music retailer or digital music service, provided that the nature of such offer is commercial, meaning that its purpose is to generate revenue of which the Artist whose performance is embodied on the sound recording is entitled to be paid a share. Physical formats of the sound recording packaging must feature a UPC barcode and catalogue number; for all formats including CD and digital, each track must have been assigned an International Standard Recording Code (ISRC) number. See <a href="#">38.0 Commercial Release</a> .
COMPANY DOCUMENTATION	All of the documentation that verifies the ownership and constitution of an Applicant's business, and may include business name registration and Business Number, partnerships agreement(s), and incorporation documents as applicable; along with annual financial statements. This documentation is required to be submitted at the time of first Application and/or the latest Profile Submission Deadline, and must be updated from time to time if and when changes are made to the constitution of the company. See <a href="#">16.0 Company Documentation</a> .
COMPANY RATING	The Applicant Rating assigned by FACTOR to a Music Company.
COMPILATION	A thematically organized collection of songs or compositions from one or more Artists, which may or may not have been previously released.
COMPLETION	The process of reviewing and closing a Component and/or Project related to an Application, during which the Recipient submits a cost report, expense documentation, and any other material required by FACTOR to certify that the funds were spent in accordance with the General Agreement and these Business Policies.
COMPONENT	A grouping of activities and related costs that along with another or other Components comprise a Program.
CONTENT AGGREGATOR	An organization that legally gathers music in digital format, which it then licenses or sells through to digital music retailers and music services.
COPYRIGHT	Per the Copyright Act of Canada: "Copyright is the sole right to produce or reproduce a work or any substantial part thereof in any material form, to perform the work or any substantial part thereof in public, or, if the work is unpublished, to publish the work or any substantial part thereof."  In every sound recording, there is a copyright in the master recording, and separate copyrights in the underlying music composition and lyrics.  For FACTOR's purposes, only the party that controls the copyright in the sound recording master may apply for funding under a sound recording or marketing program. See <a href="#">OWN OR CONTROL</a> .
CORPORATION	A business that has prepared and filed incorporation documents either federally or provincially and has received a Certificate of Incorporation.
COVER	A sound recording of an Artist's performance of a song or composition written by another Artist or songwriter of note. Covers are generally ineligible for FACTOR support but may be allowed on a case-by-case basis. See <a href="#">5.0 MAPL Certification</a> .
CURRENT RELEASE	The Artist's most recent Commercially Released full length sound recording. To qualify for the Live Performance Program, a Current Release was released no longer than twenty-four (24) months prior to the Component submission date. To qualify for the Video Program, the Current Release was released not longer than twelve (12) months prior to Component submission date.
DEAL MEMO	A short-form contract for goods or services. In respect of Eligible Crew, a deal memo should set out, at a minimum, the names of the parties to the contract, the date of execution, the start and end dates, a description of services being provided, and the amount and nature of payment being exchanged.

DEFAULT	As designated solely by FACTOR, a finding of material breach of the General Agreement. Among other penalties, an Applicant or Recipient in Default is deemed to not be in good standing and may not apply for nor receive any funding from FACTOR. See <a href="#">EFFECT OF DEFAULT</a> , <a href="#">EVENT OF DEFAULT</a> .
DEMO	A short-form sound recording, whose purpose is to give a sketch of a proposed longer-form sound recording.
DEPARTMENT OF CANADIAN HERITAGE	The federal ministry bearing responsibility for, among other things, culture policy and funding. FACTOR administers several components of the Canada Music Fund, created and funded by Canadian Heritage.
DIGITAL DISTRIBUTOR	An individual or company whose business includes gathering music in digital format from multiple Artists and Record Labels for the purpose of legally selling individual music files, and legally licensing digital music files for use by Digital Music Services.
DIGITAL MUSIC SERVICE	A legal business whereby music in digital format is offered to the public for sale as permanent downloads or other form of consumption such as streaming, mobile ringtones, etc.
DIGITAL-ONLY RELEASE	A sound recording that has been or will be Commercially Released only in digital format.
DIGITAL RETAILER	A legal business whereby music in digital formats is sold to the public, whether by the album or by the track, such as iTunes, Bandcamp, etc.
DIGITAL SALES	The results and proceeds of sales made by a Digital Retailer and/or digital Music Service.
DISBURSEMENT AMOUNT	The funds allotted to the Recipient to complete a Project as approved by FACTOR.
DISTRIBUTION AGREEMENT	An agreement entered into between an Artist or Record Label, and a Music Distributor, whereby the distributor undertakes responsibility for wholesaling a sound recording to a music retailer in exchange for a distribution fee. A Distribution Agreement may also provide for the distributor to assume the cost of manufacturing, warehousing, and other goods and services, the costs of which it is entitled to deduct from sales revenues. In a Distribution Agreement, the Artist or Record Label retains significant control and corresponding risk with respect to decisions related to marketing, spending, deployment of the Artist's services and so on. See <a href="#">7.0 FACTOR-Recognized Distribution</a> .
DISTRIBUTOR	A Music Company that is primarily in the business of the distribution of music.
DONATED SERVICE(S)	The performance of services for consideration but with no exchange of Cash Payment. See <a href="#">32.0 Donated Services</a> .
DOWNLOAD	A song, track or album in digital format that has been made legally available to the public for transfer from a remote server to a consumer's local device.
DUPLICATION	The act of copying a sound recording multiple times for the purpose of distribution.
DVD	Digital video disc. For FACTOR's purposes, a music DVD is an audio-visual production featuring one or more Artists, and packaged for public performance and/or sale in physical and/or digital formats.
EDUCATIONAL INITIATIVE	As certified by FACTOR, a Project or event whose objective is skills training and education for music industry professionals, including Artists and songwriters.
EFFECT OF DEFAULT	The consequence or consequences that may arise as a result of a finding of Default, as set out in the General Agreement.
ELIGIBLE BUDGET	The total of Eligible Costs in an Application, as determined by FACTOR.
ELIGIBLE COST	Each and every cost that is eligible to be reimbursed by FACTOR, as determined by FACTOR. See <a href="#">25.0 Eligible Costs</a> .

ELIGIBLE CREW	A person hired by the Artist for a Tour or Showcase to provide only the services of Tour Manager, Driver, Road/Equipment Technician, Lighting Technician, Sound Mixer, Merchandise Seller, or a combination of the foregoing, in exchange for wages. Eligible Crew must travel with the Artist for all or a substantial portion of the Tour. To establish an Eligible Crew member, the Applicant must submit a signed Deal Memo upon Application, and Proof of Payment upon Completion. An Eligible Crew member cannot also be claimed as a member of the Artist or as a Hired Musician.
ELIGIBLE MUSIC COMPANY	A Record Label, Music Publisher, and/or Artist Management Company that meets certain criteria required to be eligible to apply to certain programs. See <a href="#">17.0 Eligible Music Companies</a> .
ELIGIBLE TRAVELER	A person who is a) a member of the Artist; or b) a Hired Musician or Eligible Crew member whose paid services have been engaged by the Artist for the duration of a Tour or Showcase; AND c) who has been approved by FACTOR as an Eligible Cost.
E.P. OR EP	A sound recording comprised of more than one but fewer than six (6) songs or tracks and that runs less than twenty (20) minutes.
EVENT OF DEFAULT	The occurrence of an event, as set out in the General Agreement, that triggers FACTOR's right to find the Applicant in Default of the General Agreement.
EXCLUSIVE RECORDING ARTIST AGREEMENT	A type of Record Label agreement whereby an Artist agrees to provide exclusive recording services to a Record Label, usually in exchange for the payment of advances and royalties, and other consideration including the release of the Artist's recorded material. In an Exclusive Recording Artist Agreement, the Record Label typically gains the original and residual ownership of the copyright in any product of the Artist's services, as opposed to a license agreement where the Record Label's control of the copyright is for a defined term.
FINANCIAL STATEMENTS	Financial statements are the formal record of the business activities of a business, person, organization or other entity, typically including a balance sheet, an income statement or statement of profit and loss, an equity statement and a cash flow statement. For FACTOR's purposes, statements must be prepared by a Chartered Accountant. FACTOR will accept audited financial statements, review engagement reports, or notice-to-reader/compilation engagement reports. Recipients of \$250,000 of funding or more in any given program year must prepare and present audited statements for their corresponding fiscal years.
FISCAL YEAR	For FACTOR, the period beginning April 1 of one calendar year and ending March 31 of the subsequent year.
FULL AUDIT	A review by FACTOR of all the expenses and expense documentation submitted upon Completion.
FULL-LENGTH	An Album, having at least six (6) different songs or tracks, or running in excess of twenty (20) minutes in duration. Provided that all tracks are Commercially Released within twelve (12) months of each other, six (6) different single tracks, or several tracks running in excess of twenty (20) minutes, may constitute a full-length Album for FACTOR purposes.
GENERAL AGREEMENT	A binding agreement between FACTOR and an Applicant, which sets out FACTOR's terms and conditions of funding. Each Applicant is required to execute a General Agreement at the time of Application. The specific terms of each individual offer of funding are set out in an Annex, as defined herein, which is attached to the Offer and forms part of the General Agreement once the Application has been approved.
GOOD STANDING	The state of being in compliance with all FACTOR obligations, with no detriment to continued transaction with FACTOR, including being not onh, not in pre-Default, and not in Default.
GRACE PERIOD	Unless otherwise specified, a Grace Period is seven (7) calendar days (one calendar week).

GRANT	An award of money that the Recipient is not required to repay (except in an event of Default).
GROSS REVENUE	A standard term in commercial contracts and arrangements, typically meaning all revenue, without deduction of any kind. For the purpose of reporting to FACTOR, Gross Revenue means all revenue actually received by the Applicant from the worldwide exploitation of the FACTOR-funded sound recording in all markets, after deduction of distributor's fees but without any further deductions.
HIRED MUSICIAN	A musician who is hired to provide his or her services on a contracted, project basis, in exchange for wages. If claimed as an Eligible Cost, the Hired Musician must be Canadian, and the Applicant must submit an agreement or Deal Memo for the Hired Musician's services and provide Proof of Payment on Completion. A full-time member of the Artist, or an Eligible Crew member, cannot also be claimed as a Hired Musician.
HOME SHOW	A paid, ticketed public performance that takes place in a private residence rather than a commercial venue.
INDEPENDENT CONTRACTOR	A person or company that is not salaried nor usually employed by the Applicant, but provides services on a negotiated fee-for-service basis.
INDIVIDUAL/SOLE PROPRIETOR	An individual person doing business or an unincorporated business entirely owned by one person.
INELIGIBLE	An activity or cost that FACTOR will not approve nor reimburse.
IN-HOUSE	Goods or services that are provided by, or an activity that is undertaken by, the Applicant itself (including its employees, exclusive contractors, or band members in the case of an Artist Applicant) rather than outsourcing to a third party. See <a href="#">25.0 Eligible Costs</a> .
IN-KIND	An item identified by FACTOR in a budget as being provided for non-cash consideration. In-kind costs are not eligible for FACTOR reimbursement.
INTERNATIONAL STANDARD RECORDING CODE	Also, ISRC. An international standard code for identifying unique sound recordings, which can be embedded in a digital music file. In Canada, ISRC codes are assigned by (among others) <a href="#">CONNECT</a> music licensing.
JURIED PROGRAM(S)	Singly and collectively, the Artist Development Program and the Juried sound recording Program.
JURY	A group of individuals selected by FACTOR to assess an Application. Jury members are not FACTOR employees and must declare any actual or perceived conflict of interest to FACTOR before engaging in the Assessment process.
LETTER OF INTENT	A short letter that is required to be submitted to FACTOR prior to the Applicant being given permission to apply under the Collective Initiatives or Sponsorship Program. The letter should include an overview of the business history of the applicant and any key partners, the nature of the project, its intended audience, market and goals.
LICENSE	Also, License Agreement. An agreement by which a party (the licensor) who controls certain exploitation and other rights in a sound recording and/or its underlying composition, grants limited rights to another party (the licensee, usually a Record Label) in exchange for a License Fee and other consideration. The rights granted are generally exclusive to the licensee, and the term of the License is limited. For all FACTOR funded Albums, the minimum acceptable license term extends until the later of two (2) years after Commercial Release, or termination of the General Agreement.
LICENSE FEE	An amount of money paid to the licensor by the licensee in consideration for the rights granted. The License Fee may take the form of a non-recoupable, non-repayable lump sum, and may be offered as an advance against royalties and other revenues.
LOAN-OUT COMPANY	A corporation formed by an individual person (such as an Artist) for the purpose of doing business for their personal services under that corporation. FACTOR does not consider a loan-out company to be a Music Company for the purposes of program eligibility.

LUMINATE	The official information and sales tracking system for music and music videos globally. Luminate reports are accepted by FACTOR as Proof of Sales.
LYRIC VIDEO	A video in which the lyrics to the song are the primary visual feature.
MANUFACTURING	The creation of duplicate copies of a sound recording master, along with artwork and packaging in physical format.
MAPL	An acronym standing for Music, Artist, Performance/Production, Lyrics. Sometimes referred to as “Canadian Content” or “CanCon.” FACTOR’s MAPL requirements differ slightly from those of Canadian radio standards. See <a href="#">5.0 MAPL Certification</a> .
MARKETING PLAN	A document that sets out a plan for the commercialization of a sound recording or other funded Project, including a schedule and projection of related costs.
MASTER	The final mix of all the recorded tracks of a sound recording as stored on a device, from which copies for promotional and consumer use are made.
MASTER ACQUISITION	An agreement by which one party acquires all the rights in a sound recording master, typically for the life of the copyright.
MASTER SIDE	The synchronization rights that attach to the sound recording master. See <a href="#">SYNC LICENSE</a> .
METADATA	A layer of digital information about a sound recording such as artist name, album title, record label, release date, copyright owners, and so on. With a CD the metadata is not normally displayed by the player but can be accessed by specialized music playback and/or editing applications. In an MP3 the metadata is contained in the ID3 tag.
MERCHANDISE	Artist-branded items that are sold Off-Stage at a live performance by the Artist, including copies of a sound recording.
MILESTONE	An event in the production or delivery of a funded Project, usually accompanied by a deadline, requiring a submission or action by the Recipient, such as Completion, Commercial Release, and so on.
MOST FAVOURED NATIONS (MFN)	A clause or term of agreement stating that a party receiving a benefit in a transaction will do so on an equal basis with all other parties concluding similar agreements. For example, synchronization license agreements will often contain a most favoured nations clause providing that the master-side fees must always be equal to those of the Publishing Side, and vice-versa.
MP3	A digital audio encoding format and the only digital music file format that can be uploaded to FACTOR’s Online Portal System.
MUSIC COMPANY	FACTOR defines a Music Company as one whose primary business activities are that of a Record Label, Artist Manager, or Music Publisher. To be eligible for certain programs, a Music Company must also meet the definition of an Eligible Music Company.
MUSIC DISTRIBUTOR	An entity whose business is primarily the wholesale distribution of music to physical and/or digital music retailers.
MUSIC ENTREPRENEUR	A music industry professional who is not an Artist.
MUSIC INDUSTRY ASSOCIATION (MIA)	An organization of music industry professionals that acts as a central network and educational/professional resource for musicians and industry members of a specific province or territory. See <a href="#">Industry Links</a> .
MUSIC PUBLISHER	An entity whose business is primarily the marketing, licensing and administration of copyrights in songs and compositions, and ensuring that songwriters and composers receive payment for the performance, reproduction and other commercial uses of the compositions. See <a href="#">17.0 Eligible Music Companies</a> .

NET DEAL	An informal term describing an agreement in which the two parties share the net revenue left over from gross revenue after the deduction of fees, costs and other agreed-upon deductions.
NET REVENUE	Also, Net Proceeds. A standard term in commercial arrangements and contracts, usually meaning gross revenue after deduction of fees, costs or other agreed-upon deductions.
NO-CASE	An unofficial showcase that takes place during the dates of a conference or festival but is not recognized and/or promoted by that conference or festival.
OFFER	(a) The amount of funding that FACTOR is prepared to contribute to a project following the Approval of an Application, along with terms of acceptance and related documents. The amount of the Offer and the Disbursement Amount may differ on Completion, depending on the final analysis of the project and the amount of Eligible Costs declared by the Recipient; (b) the notification sent to successful Applicants informing them that their Application has been approved, and containing the Offer.
OFFICIAL LANGUAGE MINORITY COMMUNITY (OLMC)	A designation and related programs of the federal government of Canada in support of French and English language communities. For FACTOR's purposes, OLMC refers to Anglophone Artists residing in the province of Quebec. Francophone Artists residing outside of Quebec are designated OLMC and supported by <a href="#">MusicAction</a> .
OFF-STAGE SALES	Sales of sound recordings to the public at a live performance by the Artist, usually undertaken by the Artist rather than the Record Label, but including sales through music festivals where the sales are made through a temporary retail store on the festival site.
ONLINE PORTAL SYSTEM	FACTOR's website and project/application portal.
OPTION, OPTION CLAUSE	A contract clause typical in recording, licensing and publishing contracts that gives a Music Company such as a Record Company, licensee or publisher the right to acquire additional and/or future works on a first-look or reserved basis. The terms of such acquisition are usually set out in the Option Clause, along with terms for how and when the Option may be "exercised," or given effect, by the music company that is the Option-holder.
OUT-OF-POCKET	An expense that requires a money payment, rather than an in-kind, deferred or non-cash payment.
OWN OR CONTROL	Refers to control of the exclusive exploitation rights flowing from copyright in a sound recording. Only one party is eligible to apply for FACTOR funding for a specific Project in any one sound recording program at any one time; and that party is the eligible entity, or is the authorized representative of the eligible entity, that has exclusive control of the exploitation rights in the sound recording at the time of Application, regardless of whether that control was gained by way of ownership in first instance, by limited or unlimited sale or acquisition, by license, by assignment or by any other means of transfer. As a general rule, eligibility to apply for marketing support always follows the party that controls the sound recording in the territory.
PARTNERSHIP	An association or relationship between two or more individuals, corporations, trusts or partnerships that join together to carry on a business.
PER DIEM	Meaning "per day," a per diem is an amount paid to a service provider in addition to wages or salary, that is meant to compensate that person for miscellaneous expenses (such as meals) incurred as a result of traveling for work or business.
PERFORMANCE RIGHTS ORGANIZATION	Also, PRO. An organization, usually non-profit, that acts as an intermediary between music rights holders and parties wishing to license those rights for public performance, reproduction or other commercial use. In Canada, PROs include <a href="#">SOCAN</a> , <a href="#">CMRRA</a> , <a href="#">SODRAC</a> and <a href="#">SPACQ</a> .

PRE-PRODUCTION	With respect to a sound recording, Pre-Production means the activities undertaken by the Artist and the Artist's team in preparation for the making of the sound recording, including songwriting and rehearsal time. With respect to audio-visual productions including Videos and DVDs, Pre-Production refers to the activities undertaken in preparation for the filming or taping of the production.
PREVIOUSLY UNRELEASED	A sound recording that has never been Commercially Released.
PRIVATE FUNDING	Project funding provided by an entity whom FACTOR deems to be private, such as an individual, Record Label, Publisher etc. See <a href="#">12.0 Other Sources of Funding</a> .
PRODUCER	The person or persons hired by the Artist or Record Label to produce the sound recording, including managing the production budget and/or making creative, financial and scheduling decisions.
PRODUCTION PLAN	A Production Plan provides an overview for the video production including the pre-production, shoot, and post schedules, key crew, casting, wardrobe, travel, locations, and any notable technical details.
PROFESSIONAL SONGWRITER	A Professional Songwriter is a Songwriter with a membership to a performing rights organization, whose songs are commercially exploited.
PROFESSIONALLY MANUFACTURED	A sound recording reproduced and packaged in physical format (such as CD or vinyl), including artwork, ISRC codes and a barcode, by a company that is in the business of such manufacturing.
PROFILE SUBMISSION DEADLINE	The latest date upon which Artist Profile and Applicant Profile data can be submitted to the online system for verification and calculation within the current pool of Profiles, for the purpose of assessing the Profile Rating. See <a href="#">13.0 Profile Submission, Review and Rating</a> .
PROGRAM GUIDELINES	A document published by FACTOR that sets out the parameters of eligibility for Applicants, activities and costs, as established and amended by FACTOR's Board of Directors from time to time. Unless otherwise noted, Applications are assessed by the Program Guidelines in force on the Application Deadline date or, in the case of a Rolling Deadline, the Application Date.
PROJECT	All of the eligible activities intended to be undertaken by the Applicant and that are proposed under one or more Components of a unique Application under any FACTOR Program.
PROJECT ADMINISTRATOR	The sole User in the Online Portal System authorized to manage a particular Project. There is only ever one Project Administrator for each Project. The Project Administrator has full read/write access to the Project and controls which other users have read or read/write access to the Project.
PROJECT COMPLETION	The state of all Components of a Project being Completed.
PROJECT COORDINATOR	The FACTOR staff member assigned to work with Applicants to facilitate the Application, delivery and completion of Projects.
PROOF OF CITIZENSHIP	A photocopy or scan of a birth certificate, Permanent Resident card, Citizenship Card, Secure Certificate of Indian Status, or the photo and biometrics page of a current passport.
PROOF OF OWNERSHIP	Documentation that verifies the Applicant's claim to ownership or control of the sound recording, songs, or other property that is the subject of a FACTOR Application. See also: <a href="#">CHAIN OF TITLE</a> . Examples include: License Agreements, Exclusive Recording Artist Agreements, acquisition agreements, production agreements, partnership agreements etc.
PROOF OF PAYMENT	Documentation that confirms the payment of an Eligible Cost, including canceled cheques, credit card and debit card receipts, money order and postal order receipts, wire transfer and online transfer receipts, credit card and debit card statements and, where allowable, cash register and signed personal receipts. See <a href="#">Section V - Completions</a> .

PROOF OF PERFORMANCE	Documentation that verifies that a live performance date took place. For Tour Dates, FACTOR will accept a copy of the promoter's settlement sheet, or the booking agency's final statement. These must indicate the date, city and venue and indicate the final payment received. Tour itineraries, posters and print ads will not be accepted as Proof of Performance; however, FACTOR may accept ticket stubs or media reviews on a case-by-case basis. For Showcase dates, FACTOR will accept samples of flyers, posters, programs, print-ads, live photographs, ticket samples, videos (physical or online), web-links, live show reviews from external publications, and confirmations from publicists/promoters/radio promoters.
PROOF OF SALES	Verifiable, third-party documentation that indicates the number of sound recording Units sold at retail; meaning sold and not returned, as claimed by the Applicant, including physical and digital retail sales, and Off-Stage Sales where allowable. See <a href="#">18.0 Proof of Sales</a> . FACTOR must approve all providers of such documentation in advance of its submission. See <a href="#">7.0 FACTOR-Recognized Distribution</a> .
PUBLIC FUNDING	Project funding derived from any Canadian entity that FACTOR deems to be public in nature, including any funding from a private radio broadcaster(s) that is approved by the CRTC as a contribution to and eligible Canadian Content Development (CCD) initiative (e.g. Radio Starmaker Fund); and any funding derived from a federal, provincial or municipal source. Revenue raised by crowdfunding (e.g. Kickstarter, Indiegogo) is NOT "public funding." See <a href="#">12.0 Other Sources of Funding</a> .
PUBLICIST	A type of press agent who represents a musician or band. Using a specific set of skills, these individuals work to craft and promote an artist's brand.
PUBLISHER	SEE <a href="#">MUSIC PUBLISHER</a> .
PUBLISHING SIDE	The synchronization rights that attach to the underlying composition. See <a href="#">SYNC LICENSE</a> .
QUALIFYING ALBUM	A Full-length sound recording comprised of previously unreleased tracks that is performed by a Canadian Artist; (b) conforms to Business Policies: MAPL Certification; AND (c) contains no more than 50% French-language tracks. For clarity, an album of remixed, previously released tracks does not constitute a Qualifying Album.
QUALIFYING RELEASE	A Qualifying Album or EP that has been Commercially Released.
QUALIFYING THRESHOLD	The verifiable threshold of public consumption, as designated by FACTOR from time to time, that must be met to qualify to apply for certain funding. See <a href="#">18.0 Proof of Sales</a> .
QUALIFYING TITLE	A single track sound recording that meets FACTOR's MAPL qualifications. See <a href="#">5.0 MAPL Certification</a> .
RADIO FUNDING	Funding derived from a radio broadcaster's contributions to Canadian Content Development (as mandated by the CRTC) such as the <a href="#">RADIO STARMAKER FUND</a> . For FACTOR's purposes, Radio Funding is considered Public Funding.
RADIO STARMAKER FUND	Also, <a href="#">RSF</a> . A private fund that provides investment into marketing and tour support for Canadian Artists that have a proven track record.
RATING	A designation by FACTOR, based on its review of all available Applicant or Artist Profiles. The Rating is the mechanism by which an Applicant or Artist is accorded eligibility for FACTOR Programs.
RATING SYSTEM	The methodology by which all Artist Profile and Applicant Profile data are assessed by FACTOR, leading to the designation of Ratings.
RECIPIENT	An Applicant receiving FACTOR funding as the result of an approved Application.



RECORD LABEL	A Record Label is primarily in the business of licensing or acquiring the exploitation rights in sound recordings and working with Artists to promote and commercialize sound recordings. Record Labels typically engage music distributors to place and manage orders of their products with retailers. See <a href="#">17.0 Eligible Music Companies</a> .
RECOUPABLE	Also, recoup. An amount of money, and/or the cost of goods or services, that is offered to an Artist in a recording, license, or publishing agreement; the recoupable amount is then paid back to the record label or publisher, usually at the rate of the Artist's share of royalties. It is standard practice in the music industry that recoupable amounts are paid back to the offerer in first position, meaning that the Artist receives no royalties until recoupment.
RECOUPMENT	The point upon which all recoupable costs have been paid back or recouped.
RELATED PARTY	See <a href="#">34.0 Related Party Transactions</a> .
RELEASE DATE	The date upon which the sound recording is first made available for sale to the public through any music retailer.
RE-RELEASE	The Commercial Release of a sound recording that has already been Commercially Released once.
RETAIL/RETAILER	The sale of music to the public through a physical or online store. When used by FACTOR, "retail" does not extend to off-stage sales except in the case of an on-site music festival retailer.
REVENUE	The total amount of money earned by a person or company, through sales or the provision of goods or services.
ROLLING DEADLINE	A deadline that is not set on a specific calendar date. See individual Program Guidelines for further details.
ROYALTY	A negotiated share of the revenue derived from the exploitation of a music copyright.
ROYALTY PERFORMER	The Artist or an individual member of the Artist group who is entitled to receive royalties from sales of a sound recording.
ROYALTY REPORT	A report created for a specific royalty earner (such as the Artist) by a record label or distributor, that sets out gross revenues earned, less any expenses, as agreed in each instance by the parties to a label agreement or distribution agreement.
SALES REPORT	A report produced by a Music Distributor that sets out, among other things, the number of units sold. See <a href="#">18.0 Proof of Sales</a> .
SCHOOL SHOW	A paid engagement hosted by a school for the benefit of its students.
SHOWCASE	A performance for a target audience of music industry professionals more so than the general public; the goal of a Showcase is to attract interest of potential industry partners, such as booking agents, managers and record labels.
SIDE	See <a href="#">MASTER SIDE</a> , <a href="#">PUBLISHING SIDE</a> , <a href="#">SYNC LICENSE</a> .
SIGNING AUTHORITY	A person duly authorized by an Artist or Applicant to enter into binding agreements with FACTOR on the Artist or Applicant's behalf.
SIGNING AUTHORIZATION	A document signed by an Artist or Applicant that confers signing authority upon a designated person.
SINGLE	A song or composition offered as a stand-alone item for public performance and/ or purchase.
SLATE	A programmed series of music video and/or filmed or taped audio-visual productions.
SOCAN	Acronym for Society of Composers Authors and Music Publishers of Canada. <a href="#">SOCAN</a> is the PRO representing Canadian songwriters, lyricists, composers and publishers.

SODRAC	Acronym for Society for Reproduction Rights of Authors, Composers and Publishers in Canada. <a href="#">SODRAC</a> represents mechanical and other reproduction rights.
SONGWRITER	An individual (or, in the case of a songwriting team, two or more individuals) who compose music and/or lyrics to original songs.
SPACQ	Acronym for “La Société professionnelle des auteurs et des compositeurs du Québec,” <a href="#">SPACQ</a> is the PRO representing Quebec-based songwriters and composers.
SPONSORSHIP PROGRAM	See the <a href="#">Sponsorship Program page</a> on the FACTOR website.
SPOT AUDIT	A review by FACTOR of one or more of the expenses and related documentation submitted in a Completion.
STARMAKER-ELIGIBLE	An Artist that is eligible for funding from the <a href="#">Radio Starmaker Fund</a> , according to the rules of the Radio Starmaker Fund.
STREAM	Also Digital Stream, Streaming. The legal performance of a sound recording in real time over digital networks, where the audio file stored on an off- site hard drive and is not downloaded by the listener for permanent storage.
SUPPLIER	An individual person or company that has provided goods or services to a FACTOR-funded project.
SYNC LICENSE	Also Synchronization License. A legal agreement that sets out the terms by which a party (such as a producer) is authorized to synchronize copyrighted music along with visual images. There are two sets of rights engaged in a synchronization license: the rights attached to the composition, and the rights attached to the sound recording master. See <a href="#">PUBLISHING SIDE</a> , <a href="#">MASTER SIDE</a> .
TERM	(a) A point of negotiation in an agreement, or a clause that sets out how that point or item shall be handled in an agreement; (b) The duration of an agreement.
TERRITORY	(a) The target area for a tour of marketing activity; (b) A standard contract term referring to the geographical or commercial limits to a grant of rights. For example, if the Territory in a License Agreement is set at “The Universe,” it is unlimited and the licensor will have the right to exploit the rights granted throughout the world.
THIRD PARTY COST	For FACTOR’s purposes, a third-party cost is a direct outlay of cash paid out-of-pocket in purchase of goods or services from a provider that can’t be defined as an in-house or related party.
TITLE	(a) A single song or composition; b) a single or full-length sound recording that is part of a catalogue; the legal right to exploit a copyright, or the documentation that evidences such right. The documentary history that establishes legal title is sometimes called “Chain of Title.”
TOTAL ELIGIBLE BUDGET	The total of all Eligible Costs plus the <a href="#">ADMINISTRATION FEE</a> (if any). The percentage of FACTOR’s contribution to the Total Eligible Budget is a maximum of 50% or 75% depending on the Component or program.
TOTAL SUBSIDY	For the Tour Support or Showcase Component, the total amount calculated per date for which the Applicant may be eligible, which cannot exceed 75% of the Total Eligible Budget for the Component.
TOUR	For FACTOR’s purposes, a Tour is a continuous series of public engagements, taking place at different venues, for a contracted performance fee.
TOUR DATE	A calendar date on which the Artist is contracted to perform during a Tour. The Tour Date must be paid and contracted, and able to be verified with Proof of Performance. All performances taking place during one calendar day constitute one Tour Date.
TRACK	A sound recording of one individual song or composition.

TRACK EQUIVALENT ALBUM	Provided that all tracks are Commercially Released within 12 months of the commercial release of the first track, six (6) different single tracks, or several tracks running in excess of twenty (20) minutes, may constitute a Track Equivalent Album.
TRANSFER	A change in ownership or control of a Title or other property.
TRIBUTE	A sound recording featuring one or more Artists performing the songs or compositions of another, well-known songwriter or artist.
UNIT	A unit of sale; for FACTOR's purposes, in physical music sales this means one Album and in digital music sales it means either one Album or six (6) individual track sales.
UNRELEASED	A sound recording that has not been Commercially Released. See <a href="#">38.0 Commercial Release</a> .
UPCOMING RELEASE	To qualify for the Live Performance program, an Upcoming Release is a Qualifying Album intended for Commercial Release in the Territory of the Tour or Showcase within six months of the latest scheduled Tour or Showcase date. To qualify for the Video Program, an Upcoming Release is a Qualifying Album intended for Commercial Release in Canada within six months of the date of application.
USER	An individual person who has created a User Profile in FACTOR's Online Portal System.
USER PROFILE	All the personal information entered into the Online Portal System, along with permissions and authorizations attached, of an individual user of the system.
VENUE SETTLEMENT PROGRAM	A subscription program offered in Canada by Nielsen SoundScan which allows Artists to report off-stage merchandise sales.
VIDEO	A short moving visual image film that accompanies a sound recording, typically a single.
VIDEO TREATMENT	A document that defines the concept of the video and sets out the narrative, characters, plot and other important creative elements.
VIRAL	Intended primarily for distribution on the Internet.
WOODSHEDDING	A period of creative instrumental or musical exploration or practice alone or with a band.

## SCHEDULE A – Administration Expenses 2024-2025

Where allowed, Administration Expenses are calculated as 15% of the Total Eligible Budget, to the maximum indicated.

Program (Project)	Component	Maximum
Artist Development Program	n/a	n/a
Artist Entrepreneur		15% of direct, out-of-pocket third party costs
Collective Initiatives	Industry Events	15% of direct, out-of-pocket third-party costs
Collective Initiatives	Showcase Production for Artists from Official Language Minority Communities	15% of direct, out-of-pocket third-party costs
Collective Initiatives	Showcase Production for Export Ready Artists	15% of direct, out-of-pocket third-party costs
Company Envelope Funding for Music Companies	Envelope Funding	15% of direct, out-of-pocket third-party costs
Support for National Service Organizations	n/a	15% of direct, out-of-pocket third-party costs
Juried Sound Recording	Marketing	\$3,000
Juried Sound Recording	Radio Marketing	n/a
Juried Sound Recording	Showcase	\$300
Juried Sound Recording	Sound Recording	\$3,000
Juried Sound Recording	Tour Support	\$2,000
Juried Sound Recording	Video	\$3,000
Live Performance	Showcase	\$300
Live Performance	Tour Support	\$2,000
Songwriter Development Program	n/a	n/a
Sponsorship	Sponsorship	n/a
Support for Eligible Music Companies	Business Development	\$3,000
Support for Eligible Music Companies	Business Travel	\$300
Support for Eligible Music Companies	Songwriter Support for Music Publishers	\$300
Video	Video	\$3,000