

**MUSIC ENTREPRENEUR COMPONENT
AID TO CANADIAN SOUND RECORDING FIRMS
Application Form 2007-08**

CANADA MUSIC FUND

Application deadline: November 1, 2006

Read the Music Entrepreneur Component (MEC) Application Guide thoroughly before completing this application form.
For assistance, call toll free 1 866 686-1102.

Applicant ID Number

To be completed by the Department of Canadian Heritage.

APPLICANT IDENTIFICATION

1. Applicant name and address

Legal name of applicant

Trade name

Address (line 1)

Address (line 2)

City

Province

Postal code

Web site

2. Official contact

The "official contact" is the owner or president of the applicant's sound recording firm. The application form must be signed by this person, unless a statement authorizing someone else to sign is provided. If the application is successful, we will send the contribution agreement to this person.

First name

Last name

Salutation (Mr., Mrs., Ms., other)

Title

Telephone

Ext.

Enter a 10 - digit number

Fax

Enter a 10 - digit number

Email

Preferred language of communication

E: English F: French

APPLICANT IDENTIFICATION

3. Application contact

The "application contact" is the person responsible for completing this application form and the person in the applicant's firm most familiar with its contents. We will contact this person first if we require further information. (The official and application contacts can be the same person.)

First name	<input type="text"/>	
Last name	<input type="text"/>	
Salutation (Mr., Mrs., Ms., other)	<input type="text"/>	
Title	<input type="text"/>	
Telephone	<input type="text"/> <small>Enter a 10 - digit number</small>	Ext. <input type="text"/>
Fax	<input type="text"/> <small>Enter a 10 - digit number</small>	
Email	<input type="text"/>	
Preferred language of communication	<input type="text"/>	
E: English F: French		

APPLICANT INFORMATION

4. Organization type and status

Establishment date

Enter the date that the applicant began business as a sound recording firm (dd-mm-yyyy).

Business status

1: Sole proprietorship 2: Partnership 3: Privately held corporation 4: Publicly traded corporation

Incorporation information

1: Federal 2: Provincial

Corporate registration number

Date of incorporation (dd-mm-yyyy)

Business number or GST/HST number

Company headquarters

City

Province

Country

5. Ownership and control

State name of company to which the following table pertains.

Shares by class of share

For more than five classes of shares, provide additional information on a separate sheet.

	Class of shares	Number of authorized shares	Number of issued shares	Par value of issued shares	Number of voting shares*
1					
2					
3					
4					
5					

*Carrying voting rights exercisable under all circumstances.

Shareholders and owners

For citizenship use CAN (Canada), USA (United States), GBR (United Kingdom), FRA (France), 999 (other).

For more than ten shareholders, provide additional information on a separate sheet.

	Name	City	Country	Citizenship	Number of voting shares
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

Note: If shareholder is a corporation, attach an identical table for that corporation. Please provide a similar table for all classes of shares.

APPLICANT INFORMATION

Affiliated companies

A group of companies in which the same person, or group of persons, holds the majority of shares with full voting rights or has been shown to have control in fact of these companies.

For more than five affiliated companies, provide additional information on a separate sheet.

	Name	Also applying to MEC this year. Enter an "x" for each applicable box.		GST number
		Yes	No	
1				
2				
3				
4				
5				

Directors and officers

	Name	Address	Citizenship	Directors : date of appointment	Officers : position held
1					
2					
3					
4					
5					

6. Association memberships

Enter an "x" for each applicable box.

ADISQ—Association québécoise de l'industrie du disque, du spectacle et de la vidéo

CIRPA—Canadian Independent Record Production Association

CRIA—Canadian Recording Industry Association

Other (Specify)

APPLICANT INFORMATION

7. Employees

On the last day of the reference period

Full-time employees	
Part-time employees	

Full-time employees based in Canada	
Part-time employees based in Canada	

8. In-house operations

Enter an "x" for each applicable box.

Production	
Distribution	
Promotion	
Publishing	
Tour booking	
Artist management	
Merchandising	
Concert production	
Retail	
Recording studio	
Manufacturing	
Video production	
Other (specify) _____	
Other (specify) _____	
Other (specify) _____	

What was the applicant's principle activity in the reference period (based on revenues)?

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9. Financial statements

Enter the starting and ending dates of the financial statements included with this application. Applicants must submit financial statements for the three most recently completed financial years. The most recently completed financial year must end no earlier than June 30, 2005. Refer to section 2.6 in the MEC Application Guide for more information.

Most recent year		to	
		to	
		to	

The dates must be entered in the following format: dd-mm-yyyy.

ARTIST ROSTER AND SOUND RECORDING INFORMATION

10. Artist and distributors information

Number of artists under contract on the sound recording firm's roster on the last day of the reference period

-Canadian artists

-Foreign artists

Total number of artists

List of your distributors, for both physical and electronic distribution, for the Canadian and foreign markets.

1. _____
2. _____
3. _____
4. _____

11. Sound recording production—new releases

In the following tables, the applicant must include information on eligible and ineligible sound recordings it released in the reference period. Refer to section 2.4 in the MEC Application Guide for definitions on eligible and ineligible sound recordings. Use the following classifications to complete the tables. Each table represents one year in the reference period. Information in these tables will be used to determine if the applicant meets the "Production Minimum" eligibility criteria. Please submit information on additional sheets if more space is required.

Type of production

- Canadian artist—produced -1
- Canadian artist—licensed -2
- Foreign artist—produced -3
- Foreign artist—licensed -4
- Canadian artist—co-produced -5
- Foreign artist—co-produced -6

Format

Indicate all applicable formats for each release.

- Full-length albums—physical -1
- Full-length albums—download -2
- Singles—physical -3
- Singles—download -4
- SACD -5
- DVD audio -6
- DVD video -7
- Other -Specify

Live / compilation / greatest hits

- Live sound recording -1
- Compilation -2
- Greatest hits / re-release -3

Claimed as eligible release

- Yes Y
- No N

ARTIST ROSTER AND SOUND RECORDING INFORMATION

11. Sound recording production—new releases

Sound Recordings Released Between July 1, 2005, and June 30, 2006					
Artist	Title	Type of production	Format	Live / compilation / greatest hits	Claimed as eligible new release
Total number of new releases claimed as eligible in this year of the reference period					

SOUND RECORDING SALES

12. Breakdown of sales (in units)

This section collects information on the applicant's unit sales in the reference period. Amounts in each category must reflect actual net unit sales (after returns), not estimates. Net unit sales of Canadian sound recordings funded by FACTOR/Musicaction and approved after March 31, 2006 should be reported at 0.7 of their total sales. MEC officials will adjust the unit sales amounts according to the specifications in the MEC Application Guide (i.e. 1 DVD video = 2 units). MEC performs audits every year and the qualified applicants are required to provide evidence to support how their sound recordings were categorized. Refer to section 2.4 in the MEC Application Guide for definitions on eligible and ineligible sound recordings.

a) NET SALES OF ELIGIBLE SOUND RECORDINGS IN UNITS

a-1	Sound recordings—produced / co-produced	Domestic Sales (in units)			International Sales (in units)			Total
		July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	
	Include all unit sales for eligible sound recordings that were produced by the applicant. For a co-production the unit sales amount must reflect the split established in the co-production agreement.							
	Full-length albums—physical							
	Full-length albums—download							
	Singles—physical							
	Singles—download							
	Other formats (SACD, DVD audio, other)							
	DVD video							
	Total net sales of eligible sound recordings—produced (in units)							
a-2	Sound recordings—licensed	Domestic Sales (in units)			International Sales (in units)			Total
		July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	
	Include all unit sales for eligible sound recordings that were licensed to the applicant.							
	Full-length albums—physical							
	Full-length albums—download							
	Singles—physical							
	Singles—download							
	Other formats (SACD, DVD audio, other)							
	DVD video							
	Total net sales of eligible sound recordings—licensed (in units)							
a-3	Total net sales of eligible sound recordings—produced + licensed (in units)							

SOUND RECORDING SALES

b) NET SALES OF INELIGIBLE SOUND RECORDINGS IN UNITS

	Domestic Sales (in units)			International Sales (in units)			Total
	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	
Full-length albums—physical							
Full-length albums—download							
Singles—physical							
Singles—download							
Other formats (SACD, DVD audio, other)							
DVD video							
Total net sales of ineligible sound recordings (in units)							

c) TOTAL NET SALES OF SOUND RECORDINGS IN UNITS

	Domestic Sales (in units)			International Sales (in units)			Total
	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	July 1, 2003–June 30, 2004	July 1, 2004–June 30, 2005	July 1, 2005–June 30, 2006	
Full-length albums—physical							
Full-length albums—download							
Singles—physical							
Singles—download							
Other formats (SACD, DVD audio, other)							
DVD video							
TOTAL							

d) TOTAL NEW RELEASES AND UNIT SALES OF SOUND RECORDINGS BY SHAREHOLDERS OR OWNERS

Number of new sound recordings released in the reference period by songwriters or performers who are shareholders or owners

Unit sales of sound recordings in the reference period by songwriters or performers who are shareholders or owners

NET REVENUES

13. Net revenues

The following sections collect financial information in the applicant's three most recently completed financial years. Amounts in each category must reflect actual revenues as reflected in financial statements, not estimates. MEC performs audits every year and qualified applicants are required to provide evidence to support how their sound recordings were categorized.

	Most recent completed fiscal year		
a) NET SALES OF ELIGIBLE SOUND RECORDINGS (PRODUCED AND LICENSED)	YEAR 1 (\$)	YEAR 2 (\$)	YEAR 3 (\$)
Eligible sound recordings—produced/co-produced			
Full-length albums—physical			
Full-length albums—download			
Singles—physical			
Singles—download			
Other formats (SACD, DVD audio, other)			
DVD video			
Total net sales of eligible sound recordings—produced			
Eligible sound recordings—licensed			
Full-length albums—physical			
Full-length albums—download			
Singles—physical			
Singles—download			
Other formats (SACD, DVD audio, other)			
DVD video			
Total net sales of eligible sound recordings—licensed			
b) NET SALES OF INELIGIBLE SOUND RECORDINGS (PRODUCED AND LICENSED)			
Full-length albums—physical			
Full-length albums—download			
Singles—physical			
Singles—download			
Other formats (SACD, DVD audio, other)			
DVD video			
Total net sales of ineligible sound recordings			
c) OTHER REVENUES			
Artist management fees			
Distribution income for others			
Publishing income			
Concert production			
Other revenues (specify: _____)			
Total other revenues			

NET REVENUES

d) GRANTS AND CONTRIBUTIONS

Canada Music Fund

- Telefilm (Music Entrepreneur Program)
- Music Entrepreneur Component
- FACTOR
- Musicaction
- Canada Council for the Arts (Musical Diversity Component)
- Other CMF (_____)

YEAR 1 (\$)	YEAR 2 (\$)	YEAR 3 (\$)

Other grants and contributions

- Radio Starmaker
- Fonds RadioStar
- Canada Council for the Arts (non-CMF)
- Provincial programs (specify: _____)
- Tax credits (specify: _____)
- Other (specify: _____)

Total grants and contributions

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Total net revenue

EXPENSES AND PROFIT

	Year 1	Year 2	Most recent completed fiscal year Year 3
	(\$)	(\$)	(\$)
14. Gross profit			
Cost of sales			
Opening inventory (including work in progress)			
Plus: direct costs (creation, production, manufacturing, etc.)	+		
Minus: closing inventory	-		
Plus: royalty expenses following sale of sound recordings	+		
Total cost of sound recordings sold			
Plus: cost of other products	+		
Total cost of sales			
Gross profit (total net revenue minus cost of sales)			
15. Operating expenses			
Marketing and promotion			
Bad debts			
Distribution			
Other operating expenditures (note: if greater than 15% of total, provide details on separate sheet)			
Total operating expenses			
16. Earnings before interest, taxes, depreciation and amortization (EBITDA)			
17. Interest expense			
18. Depreciation and amortization			
19. Pre-tax profit (loss)			
20. Net income (loss)			
Income taxes			
Extraordinary gains/losses (net of income taxes)			
Net income (loss)			
21. Retained earnings or owner's equity			
Retained earnings or owners' equity, beginning of year			
Plus: net income (loss)	+		
Plus or minus: prior years' adjustments	+ or -		
Minus: dividends declared/withdrawals	-		
Retained earnings or owners' equity at year end			
22. EBITDA margin % (EBITDA divided by total net revenues)			

BALANCE SHEET

	Year 1 (\$)	Year 2 (\$)	Most recent completed fiscal year Year 3 (\$)
23. Assets			
Current assets			
Cash, securities, and deposits			
Accounts receivables (net)			
Grants and contributions receivable (net)			
Inventory			
Deferred costs, including work in progress			
Prepaid royalties and advances			
Other (specify: _____)			
Total current assets			
Other assets			
Fixed assets (net)			
Investments in and advances to affiliates			
Other (specify: _____)			
Total other assets			
Total assets			
24. Liabilities and equity			
Short-term liabilities			
Due to shareholders or owners			
Bank indebtedness and other short-term loans payable			
Royalties payable			
Accounts and income taxes payable			
Current portion of long-term liabilities			
Deferred revenue from grants and contributions			
Other (specify: _____)			
Total short-term liabilities			
Long-term liabilities			
Due to shareholders or owners			
Mortgages and other long-term liabilities			
Other (specify: _____)			
Total long-term liabilities			
Total liabilities			
Equity			
Share capital issued and paid			
Contributed surplus			
Retained earnings			
Total equity			
Total liabilities and equity			

TANGIBLE NET WORTH

25. Tangible net worth

In the event that any of the applicant's short-term and/or long-term liabilities is secured by pledging a specific asset owned by a related party to the applicant (e.g. shareholder), please provide the following information:

- a. A description of the applicant's liability that is secured by a pledged asset other than the applicant's assets;
- b. The amount of the applicant's liability as per the applicant's balance sheet;
- c. Name of the owner of the pledged asset;
- d. Relationship to the applicant of such owner, from the applicant's perspective [e.g. shareholder, sister-corporation, etc.]
- e. Detailed description of the pledged asset; and
- f. Best estimate of the value of the pledged asset;

Please use the table below to provide the required information:

a. Description of Liability (Note 1)	b. Amount of Liability (Note 1)	c. Owner of Pledged Asset	d. Relationship of Owner of Pledged Asset to Applicant	e. Description of Pledged Asset (Note 2)	f. Value of Pledged Asset (Note 2)

Note 1: This liability appears on the applicant's balance sheet.

Note 2: This asset does not appear on the applicant's balance sheet.

BUSINESS PLAN

You must use the headings listed below on this page and provide all the requested documentation

DESCRIPTION OF THE APPLICANT

History of the applicant

Specialization of the applicant

Developments over the past three years (i.e. new investments, successes, difficulties)

SHORT-TERM OPERATIONAL PLAN (for the next 12 months)

Sound recording production strategy

Human resources action plan

Marketing strategy (i.e. development of new national and international markets, e-commerce)

Financial situation

Please provide an analysis of the financial situation of your company. For firms reporting a negative profit margin in the most recently completed fiscal year, indicate plans to improve profitability. Describe the concrete actions that have been or will be taken to address the situation during the next year (financing, marketing, production activity, human resources, etc.). A detailed response is essential to evaluate the financial viability of the firm.

LONG-TERM OPERATIONAL PLAN (for the next three years)

Sound recording and marketing strategies as well as expected results

Financial forecast (i.e. revenues, profits, investments)

FORECASTED USE OF REQUESTED FINANCIAL ASSISTANCE

Indicate the forecasted use and expected results of the requested MEC—Aid to Canadian Sound Recording Firms financial assistance.

COMPONENT OBJECTIVE

Provide a statement on how the activities of your sound recording firm contribute to the achievement of the principal objective of the MEC—Aid to Canadian Sound Recording Firms component, which is “to ensure that Canadian music entrepreneurs contribute to the Canadian musical experience over the long-term via a diverse range of compelling Canadian musical choices, become increasingly competitive at the national and international level, and position themselves for success in a digitized global economy.”

MEC—AID TO CANADIAN SOUND RECORDING FIRMS APPLICATION CHECKLIST

This checklist describes the documentation that is required for a complete application. All items on this list must be included to process the application. Please check each box.

- Completed application form**
- Business plan**
In a separate document, please provide a current business plan for the applicant's firm. For a description of what type of information the plan should provide, please refer to the previous page.
- Financial statements**
These must cover the applicant's three most recent fiscal years. Refer to section 2.6 in the MEC Application Guide for more information.
- List of artists on roster**
In a separate document, provide a list of all artists on the applicant's roster on the last day of the reference period. It must include the name of the artist, citizenship, date of signing and the contract's end date.
- Sales of eligible sound recordings**
Use the template titled "Sales of Eligible Sound Recordings" found at www.pch.gc.ca/cmfmusic to enter complete information for every sound recording claimed in eligible sales in sections 12a-1 and 12a-2 of this application form. Please follow the appropriate links to reach the MEC section of the Web site.
- Contracts for sound recordings produced, co-produced or licensed**
Applicants must include a copy of contracts pertaining to the production, co-production or licensing of Canadian sound recordings that make them qualify for the 10 points production minimum criteria (new releases) described in section 2.2 of the applicant guide. These contracts must be current and signed by both parties. Companies may black-out all confidential financial information.
- Verification of legal deposit**
Applicants must include a copy of the "Receipt for Legal Deposit" provided by **Library and Archives Canada** for all applicable sound recordings. If the applicant does not have the necessary documentation for all applicable sound recordings, it will be required to submit it before receiving final payment from MEC. Applicants do not have to re-submit a copy of the receipts already submitted to the MEC during a previous application.
- Sample of eligible sound recordings**
Applicants must include one copy of all eligible sound recordings released during the reference period.
Applicants do not have to re-submit a copy of sound recordings already submitted to the MEC during a previous application.
- Letter from the president or the owner authorizing submission of the application**
This letter must be provided if the president or owner does not sign the application form.
- Corporate documentation**
File a copy of each of the following documents. If not applicable, check N/A. Unless some changes occurred in the corporate documentation, applicants do not have to re-submit the information already submitted during a previous application.
 - Letters patent
 - Supplementary letters patent
 - By-laws
 - Shareholder agreement(s)
 - Special resolutions
 - Conflict of interest policy or guidelines

WARRANTIES AND AGREEMENTS

The undersigned applicant to the MEC—Aid to Canadian Sound Recording Firms.

- 1) attests that the applicant has read the MEC—Aid to Canadian Sound Recording Firms Application Guide and undertakes to comply with the conditions and terms set forth therein;
- 2) affirms that the information in this application and the attached documents is accurate and complete; the applicant will reimburse all the amounts paid by the Department through MEC—Aid To Canadian Sound Recording Firms if it is demonstrated that false information was submitted in this application and may be declared ineligible for MEC—Aid to Canadian Sound Recording Firms for the two following years;
- 3) agrees that once funding is provided, any change to the proposal will require prior approval of the Department; agrees to publicly acknowledge funding and assistance by the Department, in accordance with the terms of the contribution agreement; agrees to submit reports and financial accounting for evaluation of the activity funded by the Department; understands that the information provided in this application may be accessible under the *Access to Information Act*; agrees to respect the spirit and intent of the various acts governing the programs of the Department of Canadian Heritage;
- 4) agrees to submit a copy of all relevant agreements and contracts, as well as all information and additional documents that could help the Department of Canadian Heritage determine who owns and controls the firm;
- 5) will cooperate with any future evaluation of MEC—Aid to Canadian Sound Recording Firms, participate in the Sound Recording Survey conducted by Statistics Canada, and must agree to participate in research studies created and funded by the Department of Canadian Heritage;
- 6) will allow the Department access to the applicant's books and files to confirm or have confirmed the accuracy of the statements made, the information provided in this application or the intended use of the contributions provided, and undertakes to reimburse any amount shown by an audit to have been paid in excess or to which the applicants had no claims under the terms of MEC—Aid to Canadian Sound Recording Firms;
- 7) guarantees that at the time of filing out this application, the firm is neither in default nor in arrears in the payment of royalties due to artists or to their representative under the terms of agreements signed with them; the applicant also undertakes to inform MEC—Aid to Canadian Sound Recording Firms of any dispute recently resolved or not yet resolved in which the applicant is directly or indirectly involved, and whose resolution could have an impact on its eligibility for the component, its right to financial assistance or the calculation of financial assistance;
- 8) authorizes the Department of Canadian Heritage to forward to FACTOR and/or MUSICACTION or to obtain from them any relevant information including the present funding application for the purpose of review of the present application and the administration of MEC—Aid to Canadian Sound Recording Firms. The applicant understands that this authorization includes information conveyed to the Department of Canadian Heritage with regard to any other program administered by the Department, before or after this application is submitted;
- 9) is willing to provide any assistance required to prepare a public announcement by the Minister of Canadian Heritage, if necessary.

Authorized officer

Name

Title

Signature

Date

Witness

Name

Signature