Company Envelope: Mid-Tier
Program Guidelines
2027-2028
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Program Intent

1. Company Envelope: Mid-Tier is allocated once a year for recipients to undertake a suite of activities fostering the development of Canadian artists, to promote their music, and to help them build sustainable careers. This can include expenses related to the production and marketing of Canadian sound recordings, domestic and international touring, showcasing and concert production of Canadian artists, artist management, publishing of Canadian musical works and business development. The activities must be central to the development of several Canadian artists, the promotion of their music and the expansion of their audience.

Program Overview

2. Funding for this program is provided by Canada's Private Radio Broadcasters, and the Department of Canadian Heritage's Canada Music Fund's Individual Initiatives Component. The Canada Music Fund (CMF) aims to foster an environment where a diversity of Canadian music artists connect with audiences everywhere.

3. The CMF is the main financial support program for commercially driven Canadian music providing up front support and sharing the risk with Canadian-owned music entrepreneurs. Ultimately, the Company Envelope: Mid-Tier program aims to invest in commercially viable music companies that invest in the activities that build audiences for several Canadian artists and remunerate them fairly**.**

4. FACTOR's contribution may not exceed 50% of total eligible expenses. A contribution of 50% is not guaranteed in this program.

5. The maximum funding for individual companies is up to $100,000; affiliated companies are capped at $150,000.

6. Applicants will be notified of their results in May.

Application Deadline

7. **February 11, 2027, 5:00pm Eastern Time** for activities taking place from April 1, 2027 – March 31, 2028.

Who Can Apply

8. Canadian companies that invest in:
    - the production and promotion of sound recordings by Canadian artists;
    - tours and showcases by Canadian artists;
    - publishing of Canadian musical works; and,
    - the management of Canadian artists.

Specifically, eligible companies are record labels, music publishers and artist managers. Artist managers must have the competencies to advise their artists on all matters related to their musical careers and be actively involved in promoting their artists' music.

Companies that undertake concert production activities may be eligible to the 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.

All companies must provide agreements confirming their control of the Canadian rights related to their planned investments. For example, sound recording production and promotion investments may only be made by the party that

controls the exclusive Canadian exploitation and commercial release rights for the resulting sound recording. Please note that FACTOR requires Artist Managers provide full agreements for all artists claimed – deal memos on FACTOR letterhead are not sufficient.

9. Company Envelope: Mid-Tier is available to Canadian music companies that meet the following eligibility criteria, as demonstrated in their FACTOR Applicant Profile:
    a) Be a Canadian-owned and controlled company that has its headquarters based in Canada.
    b) Have completed at least three years of continuous operations as a Canadian music company;
    c) Have a business that relates to the production and marketing of Canadian sound recordings, domestic and international touring and showcasing of Canadian artists, Canadian artist management, and publishing of Canadian musical works;
    d) Demonstrate sound organizational and financial management. The company must demonstrate that it has the financial capacity to successfully complete the proposed projects and that it fulfills all of its contractual obligations to artists and their representatives, including meeting deadlines and making all payments due (fees and royalties). FACTOR reserves the right to deny an applicant access to this program if its financial health is deemed unsatisfactory or documented failures to meet its contractual obligations have been established.
    Depending on the company's financial capacity and the deficiencies identified, FACTOR may redirect them to other programs or deny access to all programs. After a minimum period of one year, the company's status will be reassessed to determine whether its situation has been remedied and whether it has regained the full capacity to manage an annual funding allocation;
    e) Have minimum eligible annual gross revenues (before royalties and fees **for labels and managers**, **or less royalties and fees for Music Publishers**) of **$100,000**, not including public funding, in their most recent fiscal year from eligible activities related to music by Canadian artists - i.e. sound recordings, touring and showcasing, management and publishing - as detailed in the Application Form;
    f) Have carried out eligible activities (production of sound recordings, marketing of sound recordings, tours and showcases and management) for at least two (2) Canadian artists, who are not owners of the company, and have released at least one (1) eligible Canadian sound recordings within the reference period (April 1, 2024, to March 31, 2026) AND/OR for eligible publishing activities, have a minimum of four (4) Canadian songwriters, who are not shareholders or officers of the company, and have promoted at least fifteen (15) new eligible Canadian musical works within the reference period (April 1, 2024, to March 31, 2026);
    g) Prepare to make a minimum of **$30,000** in investments in eligible activities of production and promotion of sound recordings, tours & showcases, publishing and management (not including investments in business development, administration and capital) for the period of April 1st, 2027, to March 31st, 2028. Those investments should be in line with the company's investment history, and the majority should be directed toward artists who are not company owners or related parties;
    h) Be able to demonstrate upon request that it has fulfilled all its contractual obligations with respect to artist royalty statements and payments;
    i) Demonstrate financial need for support to make the planned investments in the development of Canadian artists, the promotion of their music and the expansion of their audience. This will be assessed in three ways:
        i. Profit Margin: 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.
        ii. Revenue: Must have gross revenues (before royalties and fees and not including public funding) derived from its music activities, including activities of both Canadian and Non-Canadian artists, of less than $50 million in at least one of its last three years.
        iii. Dividends: Companies whose total dividends and bonuses reported in their last three financial years exceed the CMF funding they received during that time must demonstrate their financial need for support to carry out their CMF eligible music activities. Companies that reported dividends, bonuses and other extraordinary compensation for company shareholders or owners in their most recent financial year must attest that CMF funding was not used for those payments (bonuses and other extraordinary compensation for company shareholders or owners are ineligible expenses in the Company Envelope programs; for questions regarding dividends taken in lieu of salary, please contact FACTOR).
    j) Be in good standing with the Crown as a result of agreements entered into with Canadian Heritage or any other government department as well as with third-party administrators FACTOR and Musicaction – this must apply to all companies in an affiliated group;

k) For Record Labels: Have the receipts from Library and Archives Canada for a "Legal deposit" for each eligible Canadian sound recording. Company Envelope recipients will be required to submit receipts from the past program year (April 1, 2026 – March 31, 2027) in order to receive their first payment; and
l) Companies that meet the above eligibility criteria, 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.

Be advised that eligibility criteria may change in the future, as the program is further developed.

10. Companies that intend to apply for the Company Envelope program for the first time should contact the Company Envelope program team to be assessed for eligibility **at minimum two weeks before the application deadline**.

11. Applicants must be able to clearly demonstrate their eligibility through artist agreements, artist royalty statements/recoupment statements, and financial statements. Failure to clearly demonstrate eligibility will result in the removal of revenues and investments, or rejection from the program.

12. Companies applying as an affiliate group must each individually meet the program eligibility criteria. Companies that do not meet the eligibility criteria, but otherwise are considered affiliates of Envelope recipients, must be declared by the recipients on their application forms and in-program reporting, but their revenues and investments may not be used in the calculation of the applicant's offer of funding.

13. Recipient Accessibility Support Fund: FACTOR welcomes and encourages applications from people with disabilities, and recipients are eligible for top-up support to their project funding for costs related to accessibility. This fund is open to artists and staff of music companies associated with the project Artist or Applicant. Support for this fund is provided exclusively by Canada's Private Radio Broadcasters. See more details on FACTOR's Accessibility page.

How This Program Works

14. Company Envelope: Mid-Tier is a program funded in part through the Individual Initiatives Component of the Canada Music Fund (CMF). The CMF's Individual Initiatives Component provides financial assistance to Canadian music artists and entrepreneurs to undertake activities that are central to the development of Canadian artists, the promotion of their music as well as the competitiveness of the music sector at home and abroad and on digital platforms.

    This component supports the production and marketing of new Canadian sound recordings, domestic and international touring, showcasing and concert production of Canadian artists, artist management, and publishing of Canadian musical works. The activities must be central to the development of Canadian artists, the promotion of their music and the expansion of their audience. **Recipients must control the rights related to the investments they plan to make and must take on the financial risk of those investments.**

15. To apply, applicants must submit:

    - **Financial Information** - An excel version of the application form is available here for reference, but this information **must** be submitted through the form in FACTOR's portal for your application to be eligible for review.
        - Affiliated groups must declare all affiliated companies and report their revenues and investments on a single application form. In cases where a shareholder has a minority interest in other companies, the companies may submit separate applications, but will still be subject to the $150,000 cap.
        - All Company Envelope applicants must submit their policy on gender equality, diversity, and inclusion for their management positions and/or Board of Directors including the representation of various equity-deserving groups in those leadership positions.

    - **Business Plan** – Provided in response to questions presented in the portal application form.
        - Company History – Provide a brief history of your company, including existing business lines and an overview of your leadership team. Max 1500 characters.
        - Short and Medium-Term Company Strategy – Provide your main (SMART) goals for your company, in both the short and long-term. Max 1500 characters.
        - AI Disclosure – FACTOR requires applicants to disclose all planned or current use of AI tools and licensed materials related to their business strategy, application, reporting, and artist activities. Max 1500 characters.

- Artist Strategy and Tactics – For each artist, and each eligible investment category provide a description of your plan for the year. Max 3000 characters per artist and category.

- **Financial statements for the past 3 fiscal years (PDFs**) - Uploaded to Gross Revenue section of Applicant Profile.
  - Financial statements must be prepared by a Chartered Accountant. FACTOR will accept audited financial statements, review engagement reports, or compilation engagement reports.
  - You are required to submit audited financial statements if you have received more than $250,000 in payments from FACTOR in the 2025-2026 program year. If you are not certain if you have hit this threshold, please contact the Envelope program team to discuss.

16. **FACTOR projects approved prior to April 1, 2027**: Company Envelope recipients for 2027-2028 will be required to complete any active project components in FACTOR'S standalone Video program with expenses incurred on a cash basis prior to **April 1, 2027**. Completions for project components in the Video program must be submitted within 60 days of accepting the Company Envelope offer. No new project components outside the JSR program will be approved after April 1, 2027.
17. Applicants to FACTOR are streamlined into the correct suite of programs according to their revenues and business activities. Companies that have been streamlined to the Company Envelope: Mid-Tier program are not eligible for and may not opt to return to FACTOR's Support for Eligible Music Companies and standalone Video programs.

    ***Note: Companies may apply to both the Company Envelope program and the Collective Initiatives Festival Support component; however, companies may only submit one application to Company Envelope and one application to Festival Support per program year. Each application must include distinct activities (i.e. festival dates to Festival Support and artist development and promotion to Company Envelope). Every event or initiative funded under in Collective Initiatives must be collective in nature, meaning that it is intended to benefit multiple artists or music entrepreneurs. Projects cannot predominantly benefit any one artist, company, or enterprise.*

18. **Applicants representing both French- and English-language artists**: Applicants are asked to submit their investments in artists whose active sound recordings do not contain 51% or more French language lyrics. Any activities related to artists whose active sound recordings contain 51% or more French language lyrics should be directed to the programs at Musicaction.
19. **Applications from affiliated companies**: Applicants must declare all affiliated companies in their application. Affiliated companies should submit one set of application materials, including financial statements for all affiliates. The application will be submitted under one Applicant Profile, and if approved, funding will be disbursed to that Applicant. It is then up to the companies to divide the funding.

20. **Companies undertaking new lines of business:** Applicants must undertake new lines of business for a minimum of 2 years before any investment or revenues from those business activities may be included in the Envelope application, offer and reporting. Applicants whose leadership has significant experience in the new line of business may contact FACTOR prior to submitting their application to have this eligibility point waved. Companies who do not notify FACTOR of their request prior to submission will not have requests considered.

21. In cases of artists who work with multiple companies, the applicant company must clearly identify their specific involvement with the artist to claim their portion of the investments.

22. Recipients have the ability to redirect funding between expenditure categories within certain limits, particularly if the new activities are similar to those proposed in the original application. Once the application is approved, changes to the proposed artist activities having a negative budget impact of 20% or more of planned direct artist investments should be reported and discussed with the Company Envelope team immediately.

    **Please note that material reduction of investments from the submitted application budget, particularly in response to the offer presented by FACTOR, will result in a recalculation of your offer of funding.

23. FACTOR restricts the transfer of ownership and control of sound recordings which it funds under its sound recording programs. Recipients of sound recording funding are obliged, for a period of two years after commercial release, to notify FACTOR of their intention to sell, assign, license or otherwise transfer the control of the sound recording to another party. In some cases, FACTOR may require the funding to be repaid when the sound recording is transferred to a non-Canadian label (including major labels). Please see Business Policies: Disposition of Masters or speak with your Project Coordinator or Program Administrator for more details.

How Applications are Assessed

24. The funds in this program are awarded competitively among eligible applicants depending on the available budget.

25. Contributions to Canadian music companies will be determined on two main criteria:
    - The companies' ability to reach audiences (assessed based on the applicant's recent revenues and recent investments); and,
    - The companies' efforts to develop the careers of Canadian artists, to promote their music, and develop their audiences (based on an assessment of the business plan, planned investments across CMF priority areas, and the feasibility of the investment strategy).

26. As the Company Envelope program provides financial support for companies' investment plans in their Canadian artists in the upcoming program year, the bulk of the budget is allocated via assessments of those plans. The budget is divided across the three assessment steps listed below as follows: 30% on revenue, 30% on recent investments and 40% for planned investments.

27. Assessment Steps:
    - **Revenues (30% of the total Company Envelope: Mid-Tier budget):** the portion of the contribution for this step is allocated based on each company's eligible net revenue (i.e. net of royalties and fees in the last three years as a percentage of the total eligible net revenue in the last three years of ALL companies in the program applicant pool.

      As an example, if a company has $200,000 in eligible revenues net of royalties and fees, and the eligible revenue net of royalties and fees for all companies is $5M, that company would receive 4% ($200K/$5M) of the envelope budget allocated to this step. With an envelope budget of $1M, $200,000 would be allocated via this revenue step, resulting in that company receiving $8,000.

      NOTE: Eligible gross revenues (prior to the deduction of royalties and fees) are those generated from eligible activities as outlined in the next section of this document.

    - **Recent investments (30% of the total Company Envelope: Mid-Tier budget):** the portion of the contribution for this step is allocated based on each company's total eligible investments in eligible Canadian artists from the most recently completed program year (April to March, as submitted in their final report). Investments are granted a weighted ranking based on the following elements.
        - Applicability of the proposed activities to the objectives of the Individual Initiatives Component, including;
            - Investments in new artists – to account for the CMF's objective to help ensure the continued development of **new Canadian artists**.
            - Investments in artists from CMF priority groups – in support of diversity and inclusion policy priorities, incentivizing investments in **Indigenous Artists,** as well as artists from official language minority communities and artists **(OLMC), Racialized Artists** and artists identified as part of the **2SLGBTQIA+** community, **Disabled Artists**, **New Artists**, and **Women Artists.**
            - International investments – in support of the CMF's objective to develop audiences for Canadian artists outside of Canada.

    - **Business Plan/Planned investments (40% of the total Company Envelope: Mid-Tier budget):** Business Plans, Planned Artist Strategies, and Planned Investments in the portal form must provide detail for each artist listed, and are granted a weighted ranking based on the following elements:
        - Relevance and scope of the proposed activities;
        - Feasibility of the investment strategy (funding history, organizational and financial capacity, feasibility regarding planned expenses, risk, etc.)
        - Expected results.

Eligible Activities

28. Your activities must, as related to the creation of a new master, foster the development of Canadian artists, promote their music and expand their audience. Activities resulting in newly created Canadian musical works must prioritize the act of human creation, and any use of AI tools and the related licensed materials must be disclosed in your application and reporting. Activities that support Canadian artists in aggregate (i.e., through the development of shared infrastructure) may be eligible in the business development or administration categories. Only revenues and expenses related to the activities listed below can be reported.

29. Eligible activities are related to the following functions:
    - Production of sound recordings that meet FACTOR's definition of "Active"
    - Marketing of sound recordings
    - Concert Production
    - Music Publishing
    - Artist Management

30. **Production and promotion** activities for sound recordings (tracks) are eligible if the recordings meet the following requirements:
    - They are Canadian (see definition of eligible Canadian sound recording);
    - They are clearly and publicly attributed to an artist (solo performer, group or collective); and
    - They meet legal deposit requirements.

31. **Sound recordings** of various formats and lengths are recognized by the program (e.g. singles, EPs, mini albums, full-length albums, downloads, streaming, vinyl records, CDs, DVDs, etc.). Sound recordings commercially released must be accompanied by a marketing plan. Co-production: Co-production revenues must be reported in keeping with the distribution set out in the co-production agreement.

32. You must own the Canadian copyright for the Canadian sound recordings you produce and release or co-produce and release or hold an exclusive license assigned by the Canadian copyright owner to release the Canadian sound recordings in the Canadian market.

33. The following sound recording activities are ineligible:
    - Sound recordings produced for fundraising, advertising or promotional campaigns; and
    - Sound recordings produced for educational purposes.

34. Activities related to the **touring and showcasing** of eligible Canadian artists are eligible, provided that they are central to the career development of the artist and meet the following requirements:
    - Feature a Canadian artist that has released at least seven eligible Canadian sound recording tracks (or 30 minutes), no more than two years prior to the start of the tour or plan to release within six months of the performance.
    - Are planned in support of an eligible sound recording, the Canadian exploitation and commercial release rights for which are held by the applicant, or;
    - Are planned by a concert production company 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.

35. The following touring and showcasing activities are ineligible:
    - Tour-related activities that are not for a particular artist and their career development. This includes musicals, retrospective/tribute shows, large scale shows (shows that have different programming compared to the tour), charity or corporate shows, etc.
    - Tour-related activities that are not intended to promote an artist's new sound recordings (album or multiple tracks).
    - Related revenues cannot be accounted for in the funding request:
        - Activities related to booking (booking agent and concert promoter)
        - Activities related to distribution (festival, presenter, concert venue)
        - Activities related to ticketing

36. Funding will be given to **music publishing** projects that aim to develop the career of artists and promote their works across multiple platforms. Canadian musical works are eligible if they meet the following requirements:
    - They are central to the career development of an eligible Canadian artist; and
    - All of the works are registered with a collective rights management company.

37. The following activities are ineligible:
    - Publishing activities related to commissioned works for the audiovisual sector; and
    - Other activities aimed at the creation of musical works intended solely as soundtracks or background music.

38. Eligible **artist management** activities must support the career development of Canadian artists. These may be related to eligible activities in sound recordings, touring and showcasing, as well as music publishing or be more directly related with the development of artists, such as travel on behalf of artists, training, creative assistance activities, etc.

39. **Business development** activities such as identifying new eligible artists and developing the market for Canadian artists are eligible.

40. Business travel relating directly to roster artists can be claimed as direct artist investments. Business travel on behalf of the overall company, A&R, or otherwise seeking new opportunities can be claimed under Business Development investments.

Ineligible Activities

41. Any activity related to the production and promotion of Canadian musical works that, in our opinion, contain or promote any of the following is deemed ineligible:
    - material that is hate propaganda, obscene or child pornography, or any other illegal material, as defined in the Criminal Code;
    - pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose;
    - material that contains excessive or gratuitous violence;
    - material that is denigrating to an identifiable group; or
    - any other similarly offensive material.

Eligible Expenses

Eligible expenses are those related to **Canadian artists** for eligible activities undertaken between April 1, 2027, and March 31, 2028. The eligible expenses may include:

42. **Sound recording production**:
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts)
    - Artist, musician and backing vocals fees
    - Arrangers
    - Artistic Director
    - Cover art
    - Equipment rental
    - Executive Producer (associate producer)
    - Manufacturing expenses
    - Mastering
    - Music Producer
    - Participation expenses (co-production with producers or artists)
    - Studio charges
    - Travel expenses (transportation, accommodation and meals, etc.) as per the Government of Canada's Travel Directive

43. **Touring and showcasing expenses**:
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts)*
    - Artist, musician, and technician fees
    - Equipment rentals
    - Production expenses
    - Promotion expenses
    - Travel expenses (transportation, accommodation and meals, etc.) as per the Government of Canada's Travel Directive

* Note on professional fees for booking agent activities:
    - Revenue from booking agent activities must not be included in the Application Form.
    - Booking activities undertaken by contracts to a third-party organization are eligible.
    - For applicants who act as booking agents, only salaries and benefits for booking activities related to artists on their label or management roster are eligible. Salaries and benefits related to other artists are ineligible.

44. **Musical works publishing expenses**:
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts)
    - Coordination fees (i.e. subcontracted coordination [management])
    - Music placement activities expenses (song plugging)

45. **Artist Management expenses**:
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts)
    - Music placement expenses (song plugging)
    - Travel expenses (transportation, accommodation and meals, etc.) as per the Government of Canada's Travel Directive

46. **Artists' development expenses**: (These expenses may be included in any of activities mentioned above)
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts)
    - Artist showcases
    - Media (advertising and press)
    - Premiums, bonuses or any other forms of advances to artists. Recipients may NOT recoup the portion of the advance paid with the Government of Canada's contribution; however, they may recoup the portion they paid with their money.
    - Press photos
    - Printing of not for sale promotional recordings
    - Production of audiovisual music content for the web other than music videos (sessions, video lyrics, live performance recordings, studio recording clips)
    - Promotional material
    - Rental of creative space
    - Rental of creative activity–related equipment
    - Stylists
    - Trade shows (fairs) and professional days
    - Workshops and training (e.g. writing workshop or co-writing session)
    - Other web- and social media–related artist expenses (e.g. designing and updating artist website, producing multimedia content, etc.)
    - Translation fees (website, promotion, contracts)
    - Travel expenses (transportation, accommodation and meals, etc.) as per the Government of Canada's Travel Directive

47. **Promotion expenses**:
    - Salaries and benefits and/or professional fees (specific professional services provided through contracts).
    - General promotional expenses (e.g. radio tracking)
    - Distribution expenses (e.g. expenses incurred by a record label for the distribution of its recordings)
    - Media (advertising and press)
    - Music video production
    - Posters and graphic design
    - Promotional tour
    - Release expenses
    - Travel expenses (transportation, accommodation and meals, etc.) as per the Government of Canada's Travel Directive

48. **Business development expenses**: In the Application Form, include all planned business development expenses. However, these cannot exceed 15% of the contribution amount.
    - Salaries and benefits and/or Professional fees (meaning specific professional services provided through contracts)
    - Expenses related to finding new artists / new contracts (including travel expenses – transportation, accommodation and meals, etc. as per the Government of Canada's Travel Directive)

- Market development related expenses (including travel expenses – transportation, accommodation and meals, etc. as per the Government of Canada's Travel Directive).

49. **Administrative expenses**: In the Application Form, include all planned administrative expenses. However, FACTOR will cap these at 15% of the contribution amount.
    - 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, Luminate, Broadcast Data Systems [BDS], Charmetric, etc.)
    - Management and administration of musical works
    - Subcontractor
    - Conferences and training
    - Business representation

50. **Capital expenses:** Up to a maximum of 10% of the contribution may be used for capital expenditure related to the eligible activities. Eligible capital expenditures must be directly related to the development of Canadian artists, promotion and audience development. Expenses such as the purchase of buildings, vehicles, IT equipment, catalogs, etc. are ineligible. Please notify the Program Administrator if you intend to incur capital expenses.

51. **Ineligible Expenses**: Funding provided through the Company Envelope program cannot be used on the following expenses:
    - Recoverable advances and expenses deemed recoupable against artists' earnings (Recipients may NOT recoup the portion of the expense covered by FACTOR funding; however, they may recoup the portion paid out of pocket)
    - Salaries/benefits and overhead costs not directly related to the eligible project
    - Expenses related to concert presentation (festival production, programming series, etc.)
    - Expenses related to compilations and reeditions. However, revenues could be considered to the extent that the sound recording meets the Canadian content requirements.
    - Expenses related to public competitions (including marketing of the competition, and cash prizes that may be framed as advances against future recordings when signing to a label is part of the competition prize).
    - Expenses related to creating tools or providing services for sale to other companies, where that activity falls outside the scope of this program, as determined at the sole discretion of FACTOR (e.g. the creation of a royalty processing tool for sale to other labels)
    - Merchandising
    - Grant writing and administration services
    - Capital expenditures that are not directly related to the development of Canadian artists, audience promotion and development (this includes the purchase of buildings, vehicles, computers, etc. including depreciation or amortization)
    - Acquisition of catalogues
    - Exchange of services, in-kind costs, or donated services or goods
    - Audit, legal (for example, during a legal dispute) and infringement costs
    - Recoverable taxes and similar charges
    - Interest on late payments
    - Suppliers' administration fees
    - Hospitality expenses (food, alcohol, etc.)
    - Dividends, bonuses and other extraordinary compensation for company shareholders or owners (except as noted in point 9.i.iii).

Funding and Payments

52. By signing the General Agreement with their offer of funding, the signing authority of the recipient acknowledges that they have read and agree to all terms of funding, including the contents of the program guidelines.

53. **Schedule of payments for 2027-2028:** After the funding offer is accepted by the applicant, FACTOR will issue 50% of the contribution amount as an advance payment. The next installment of up to 40% of the contribution amount will be issued when the Mid-year Cashflow Report has been received, reviewed, and accepted by FACTOR. The remainder of the funding is paid out when the completion has been received, reviewed and accepted by FACTOR.

54. Recipients in the Company Envelope program that are delinquent in providing required documentation or reporting (or otherwise are not in good standing with FACTOR) will not receive payment until the delinquency is cleared.

55. Companies that demonstrate material negative variance (-20% or more) in their direct artist investments from application to mid-year will have their offer of funding recalculated, based on the actual costs incurred in their mid-year reporting. Their mid-year payment will provide the balance of 90% of this new offer; if their initial advance exceeds 90% of their recalculated offer, no mid-year payment will be made. Should a company in this position increase spending in the second half of the program year, they may receive the balance of up to their original offer amount upon receipt, review and acceptance of their completion report by FACTOR.

56. To receive FACTOR funding, you must submit banking information for direct deposit.

Mid-Year and Completion Reporting

57. Each program year recipients are required to submit Mid-Year and Completion reports.

58. **Mid-Year reports** must be submitted on October 31, reporting actual spending to September 30 (the midway point of the program year), and reporting forecasted spending to the end of the program year. Recipients will also be required to submit a brief narrative survey. These reports will be submitted via email to the envelopefunding@factor.ca inbox.

59. **Completion reports** must be submitted in FACTOR's portal by **May 15**.

60. The completion report in FACTOR's portal includes the following, all of which are mandatory:
    - Narrative Report/Results
    - Company Information (including a list of affiliated companies, and the number of individuals employed)
    - Investment Detail, including uploading a completed cashflow report

61. As a part of the completion review, FACTOR sends a request for additional documents (expense documentation, artist agreements, artist statements, etc.), with a deadline. On or before that deadline recipients must compile and organize the requested files and provide them as requested. Failure to meet this deadline will result in their project and Applicant Profile being placed on Hold. Failure to provide the requested files within 30 days of the deadline will result in FACTOR escalating the project to Default status, and the requirement of repayment of all funds deposited to date for the program year.

62. The Investment Detail portion of the completion report requires the project administrator to have at minimum "read only" access to all artist profiles associated with the completion report. FACTOR asks recipients to plan for this well in advance of the submission deadline.

63. Recipients should report their investments on a cash, not accrual, basis.

64. Recipients may be asked to include specific information in the completion report to assess the use and impact of the funding, and the recipient's fair and transparent payments to artists, such as:
    - Activities in international markets and on digital platforms;
    - Success stories for some artists on the recipient's roster; and
    - A clear explanation of artists' share of download and streaming revenues in recording agreements and royalty statements.

65. Because offers of funding in this program are made by weighing the full applicant pool's revenues and investments against one another, negative variance of direct artist investments from a recipient's application figures is a critical consideration during review of midyear and completion reporting.

    Negative variance outside of the tolerance threshold outlined in point 22 of these guidelines at either reporting period will trigger a review of the recipient's file. If a short-term trend is identified (that is, material negative variance is present in two consecutive program years) then the recipient will have their offer of funding recalculated using their actual investments for the program year. This will result in a reduction of funding to the recipient, and may result in a payment owed back to FACTOR.

    Identification of a long-term trend (that is, 3 or more years of continuous material variance, or consistent alternating years of material negative variance) may result in the temporary or permanent removal from FACTOR's funding programs.

For detail on why this is a crucial aspect of this program, please see point F1 of the program FAQ, at the end of this document.

66. All Envelope recipients must submit their policy on gender equality, diversity, and inclusion for their management positions and/or Board of Directors including the representation of various equity-deserving groups in those leadership positions.

67. FACTOR reserves the right to audit recipient accounts and records to ensure compliance with the terms and conditions of the funding agreement. FACTOR and the Department of Canadian Heritage also conduct periodic program evaluations, during which recipients may be required to present documentation.

68. You are obligated as a condition of funding to include the appropriate logos and acknowledgment in all materials created in your FACTOR-funded Envelope. Please review the Logo and Acknowledgment Guide for specific instructions. Failure to provide appropriate logos and acknowledgment could result in a loss of some or all of your funding.

69. Once submitted to FACTOR, the Completion will be deemed by FACTOR to be your true, accurate, and final accounting, and may not be unsubmitted, amended, or deleted.

70. Applicants should retain all their invoices, receipts, and proofs of payment for seven years for FACTOR and Revenue Canada taxation purposes. Demonstrated failure to maintain such records may result in the repayment of amounts previously received.

FACTOR is committed to reflecting the diversity of the Canadian population in its programs and operations while also promoting inclusiveness within the broader Canadian music sector.

Glossary

G1. **2SLGBTQIA+** A person who identifies as part of the 2SLGBTQIA+ community is someone who identifies as Two-Spirit, lesbian, gay, bisexual, transgender, queer and/or questioning, intersex, asexual or other.

G2. **Active Sound Recording:** A sound recording is considered by FACTOR to be Active when it has been released within two years prior to the first day of the current program year or will be released within six months of the first day of the following program year.

G3. **Affiliated group:** A group of companies in which the same person, group of persons, or entity holds the majority of shares with full voting rights or has control in fact of these companies.
More specifically, members of a group of companies with the following legal, economic and factual links:

- Links by way of inter-company holdings, i.e. links by way of shareholding (parent companies, subsidiaries, satellites, companies with portfolio investment, and joint ventures).
- Related party as per section 3840 of the CICA Handbook defined as follows:
  - 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 control or common significant influence. Related parties also include management and immediate family members.
- Links between individuals who are linked by blood, marriage, common-law relationship or adoption, insofar as they have the capacity to exercise, directly or indirectly, control, joint control or significant influence over another or other companies.

G4. **Canadian:** A citizen within the meaning of the *Citizenship Act* or a permanent resident of Canada within the meaning of the *Immigration and Refugee Protection Act.*

G5. **Canadian artist:** A citizen within the meaning of the *Citizenship Act* or a permanent resident of Canada within the meaning of the *Immigration and Refugee Protection Act*.

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

G6. **Canadian-owned and controlled company:** A company

- that is a sole proprietorship, partnership, cooperative or corporation established under the laws of Canada or a province or territory;
- whose activities are based primarily in Canada;
- whose company headquarters is based in Canada; and
- whose chairperson or presiding officer and more than half of whose directors and other similar officers are Canadian;

Corporation with share capital: Canadians beneficially own or control, other than by way of shares held only as security, directly or indirectly, in the aggregate at least 50 per cent plus 1 of all the issued and outstanding votes.

Corporation without share capital: Canadians beneficially own or control, directly or indirectly, interests representing in monetary value at least 50 per cent plus 1 of the total value of the assets.

Partnership, trust or joint venture: a Canadian or Canadian corporation or any combination of the two, beneficially own or control, directly or indirectly, interests representing in value at least 50 per cent plus 1 of the total value of the assets of the partnership, trust or joint venture, as the case may be, and at least 50 per cent plus 1 of the executives, directors or other similar officers are Canadian.

If at any time one or more persons that are not Canadian have any direct or indirect influence through a trust, an agreement, an arrangement or otherwise that, if exercised, would result in control in fact of the firm, the company is deemed not to be Canadian-owned-and-controlled.

G7. **Concert production:** Activities related to the conception and the realization of live performances for the public. It includes both technical (i.e. sound, lighting, stage set-up) and performance aspects (i.e. development of the performances, musician fees).

G8. **Disability** A person with a disability has any impairment including a physical, mental, intellectual, cognitive, sensory, learning, communication, or sensory impairment – or a functional limitation – whether permanent, temporary or episodic in nature, or evident or not, that, in interaction with a barrier, hinders a person's full and equal participation in society.

G9. **Employee:** Full- and part-time paid staff working directly for the firm. Owners are considered employees unless they have no active role in the firm. Independent contractors are not considered employees.

G10. **Eligible Canadian sound recording:** To meet Canadian content requirements, any recording of an individual track (i.e. a song) or a collection of tracks (i.e. an EP or an album), must meet the following requirements:

- Be performed by a Canadian artist.
- Have at least 50% of the music and lyrics written by Canadians.
- Exception for music "repertoire":
    - The music and lyrics criterion does not apply to the repertoire of classical music, traditional jazz, world music or traditional music. The sound recording must, however, be performed by Canadian artists.

G11. **Eligible Canadian content for touring and showcasing:** Activities related to touring and showcasing of eligible Canadian artists are eligible, provided that they are central to the career development of the artist and meet the following requirements:

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

G12. **Eligible Canadian musical works:** To meet Canadian content requirements, any musical work must meet the following requirements:

- Consist of any work of music or musical composition, with or without words, and includes any compilation thereof (ref. Copyright Act) that has been authored by a Canadian and registered to a Collective Rights Management Society.
- At least 50% of a musical work (i.e. music and lyrics or music only in case of an instrumental work) must have been written by Canadians.

G13. **Full-length album:** A full-length album has a minimum of 7 tracks, or at least 30 minutes of recorded music.

G14. **Indigenous person:** An Indigenous person is a person who belongs to one of the three Indigenous Peoples in Canada, namely, First Nation, a Métis or an Inuit.

G15. **Key management personnel:** Key management personnel includes the chairperson, directors and senior employees who have financial decision-making power over the company.

G16. **Legal deposit:** Legal deposit is the means by which a comprehensive national collection is gathered together as a record of the nation's published heritage and development. Recipients are required, in compliance with the Legal deposit provisions of the Library and Archives of Canada Act, to send a copy of the sound recordings they produce to Library and Archives Canada.

Library and Archives Canada staff would be pleased to provide more detailed information or answer any questions you may have.

Legal Deposit
Library and Archives Canada

395 Wellington Street
Ottawa ON
Canada K1A 0N4

Telephone: 819-997-9565
Toll free (Canada): 1-866-578-7777 (Select 1+7+1)

Toll free (TTY): 1-866-299-1699
Fax: 819-997-7019

Email: BAC.Depotlegal-LegalDeposit.LAC@canada.ca (Physical or Analogue Legal Deposit)
Email: BAC.Depotlegalnumerique-DigitalLegalDeposit.LAC@canada.ca (Digital Legal Deposit)
Email: bac.archivesweb-webarchives.LAC@canada.ca (Web Harvesting)

G17. **New artist:** For 2027-2028, an artist will be considered 'new' if their first track was commercially released and actively supported by a promotion team after April 1, 2021 (or in the case of a songwriter, if their first track was copyrighted after April 1, 2021)

G18. **Official-language minority community (OLMC):** Official-language minority communities are Francophone communities outside Quebec and Anglophone communities in Quebec. For the purpose of the program, a French-language artist will be considered for this definition if they live and pursue their career outside of Quebec, or, if they identify as belonging to a francophone community, but live and pursue their career in Quebec. For an English-language artist to meet the program's definition, they must have been born in Quebec, currently live in Quebec and meet the program's definition for "new" artist.

G19. **Racialized person** A racialized person is categorized according to ethnic or racial characteristics and subject to discrimination on that basis. Ethnic characteristics include culture, language and religion. Racial characteristics include skin colour, hair texture and facial features. The term "racialized" acknowledges that race is a social construct that negatively impacts a person's social, political, and economic life.

G20. **Traditional jazz/blues music:** Jazz and blues works that were copyrighted prior to 1955.

COMPANY ENVELOPE – Program FAQs

F1. **I want to submit the most ambitious application possible, but if I don't receive the full amount I am expecting from FACTOR, I won't be able to undertake everything I've planned. If I receive an offer that is less than I was expecting, can I reduce my planned investments so I'm spending 50/50 what FACTOR offers me?**

No - while FACTOR's project-based programs specify 50% funding of all eligible expenses, subject to program and annual caps, this is not the case in the Company Envelope program.

Rather, Company Envelope offers are calculated on a competitive basis. Applicants' revenues and investments are compared against the other applicants in the same tier-pool, and against FACTOR's annual budget, to determine offers that may not exceed 50% of planned eligible investments.

***Capacity to fulfill the suite of planned investments is key to this program**, and applicants should present, at application, realistic and accurate plans that they will undertake in full regardless of receipt of federal funding. Though it is understood that from time to time a reduction of planned investments may be necessary due to unforeseen circumstances, not receiving as much federal funding as expected is not considered unforeseen in this context, as such funding is never guaranteed.*

A recipient that reports a negative variance in their direct artist investments (from application to completion) of more than 20% will trigger a review of their file. If this is found to be a trend in their reporting (that is, if the material variance is not a one-year event) their actual expenses will be used to recalculate their offer of funding for the year, resulting in a lower contribution than was originally offered. Continued over-estimation of direct artist investments at the application stage year-on-year may result in removal from FACTOR's programs.

Additionally, large in-year, and year-on-year variances indicate that a recipient does not have the capacity to undertake the planned investments as presented in their applications. Capacity and reliability in forecasting is considered in the offer calculation process, and large negative variances from forecasted numbers will have a negative impact on a recipient's offer calculation over time.

F2. **Can I include projects I expect to sign, but that haven't been finalized, in my application?**

Yes, budget for these potential expenditures – with all possible realism.

This means if you allocated a portion of your budget for a new signing and don't find one in the time period, that investment amount still needs to be spent inside the year on another project or artist. Otherwise, your offer of funding may be recalculated at completion.

F3. **Where can I find the Company Envelope application?**

If you have the required rating to apply to the Company Envelope program, you can find the application in FACTOR's portal.

The financial part of the application will be filled out in-portal, but you can still access the Excel spreadsheet version of the application form here*, if you would like to work in Excel and then transcribe your final numbers to the portal form. You should also be prepared to upload a PDF business plan (per the* Business Plan Guide*) and all relevant financial statements to the portal form.*

F4. **My company doesn't have the rating needed to access the application, but I believe we qualify. How do I get rated to start my application?**

If you believe your company is eligible for the Company Envelope program, please request a profile review through the envelopefunding@factor.ca inbox.

Prior to requesting review, please go through your applicant profile, and those of any affiliate companies, to ensure that you have all the correct information and documents in place, and that they meet the eligibility criteria outlined in point 9.

F5. **I have existing company laneway or juried projects that will still be generating new expenses after April 1. Will the costs be honored or lost?**

FACTOR will work with you to transition eligible expenses from active projects to your Company Envelope. Please see the Company Envelope program guidelines for detail.

Recipients in the Mid-Tier of the Company Envelope program may apply for juried programs on behalf of their artists if they meet all eligibility criteria.

F6. **Do I include all expenses (flight, accommodations, per diem, registration fees) when attending a conference?**

Yes, include all expenses as the travel costs normally put through the Support for Eligible Music Companies program are now included in your annual Company Envelope plan.

F7. **In the past when I received funding from FACTOR for artist activities (such as in the JSR, CMC, and CA programs) I simply credited 50% of each claimed cost on my artists' statements. How do I reflect funding on my artists' statements now that I include non-recoupable expenses, and my funding is not exactly 50%?**

Apply your Company Envelope contribution proportionally as a credit against all eligible recoupable expenses in your completion report. To calculate the percentage: apply the applicable caps to business development and administration expenses (each capped at 15% of total spend), then divide your funding offer by your total expenses for the year.

Not sure how to apply the caps? FACTOR has a calculation tool that works out your proportional contribution and the amounts to apply to your artists' statements; you can reach out to your Program Administrator directly for a copy and to walk through it together.

F8. **I am a manager; I don't control the rights to or invest in sound recordings or tours. What can I include in my Company Envelope?**

Managers applying to the Company Envelope program should include your time and your staff's time, as well as your travel. FACTOR expects staff salaries to be allocated based on work performed, not on a pro-rata basis. Additionally, time spent on general A&R, business development, and administration should not be allocated as direct artist investments but can be included in the business development or administration categories.

F9. **I don't understand how to decide which of my fiscal years to recognize in the application form. What year should I use as Y1?**

You should use your most recently completed fiscal (where the financial statement is already available) as Y1.

Companies whose fiscal year ends in the last quarter of the calendar year must use their fiscal year ending in 2023 on the 2026-2027 application.

FACTOR requires progressive financial statements for each year's application - for example if Y1 is 2024 this year, next year's application should use 2025 as Y1, and FACTOR would expect financial statements to be completed and available the date the application is submitted. Because of this, using the fiscal that ended 3 months or more prior to the end of the calendar year will be the most sustainable practice moving forward. It will ensure you have time to close your books and prepare your financial statements each year and will keep you roughly on-cycle with the majority of other program recipients.

F10. **I'm launching a new company – can I submit that company as an affiliate on my Envelope application? Can it be its own applicant?**

New affiliated companies should have new applicant profiles set up in FACTOR's system (if they are separately registered/incorporated from existing companies) and should be declared on your application form.

Expenses related to these new companies can and should be included in your Company Envelope application, once the new entity itself meets the eligibility criteria for the program.

F11. **If I can't include my new company in my Company Envelope application because it hasn't been in business long enough, can I apply for JSR funding while I wait?**

If the affiliate group is in receipt of funding in the Mid-Tier of the Company Envelope program, then the new company may apply to FACTOR's juried programs on behalf of their artists (subject to all other program eligibility criteria).

Affiliates of a Top-Tier Company Envelope recipient only have access to the Company Envelope program (once they met the eligibility criteria). This is to ensure that all Top-Tier Company Envelope recipients are streamlined into the correct program for their level of revenue and activity.

The goal of having new companies wait until they have been in operation for the full period required by their affiliate group's tier is to allow business to properly spin up before being held to assessment. A part of the offer assessment process compares each company's revenue reference years, and if we don't have information for all three years then the calculation is incomplete.

FACTOR must also confirm that new endeavors meet the mission statement in point 3 of the program guidelines, "Ultimately, the Company Envelope: Top-Tier program aims to invest in ***commercially viable music companies****…" Viability can be challenging to assess in the first year or two of operation.*

F12. **I have activities that are profitable, or already have support from other public funding sources, and so they do not need funding from this program. Can I leave them off my application and semiannual/annual reporting?**

In short, no.

The Company Envelope program is a competitive global program that considers all the eligible revenues and investments (recent and planned) recipients earn and incur within the reference period. FACTOR asks that you include all eligible investments, including those in profitable endeavors (such as successful tours) on your reporting so we can see the total bird's eye view of your eligible activities each program year.

If you redact activities due to other sources of funding, or due to turning a profit, your reporting will look like you were much less active during the program year, and you will look less competitive. At best this means that FACTOR cannot recognize your successes, and at worst could result in a reduction of funding at the end of the year due to variance from application to completion investment numbers

F13. **I'm struggling to fit all my business and artist plans in the text fields provided in the portal. Do you really need this to be so short?**

Some business plans provided to FACTOR in past application years contained a great deal of information that was not necessary for the assessment of the company's application. By setting a word count, we challenge applicants to present only the information necessary to assess their plan for the year.

FACTOR encourages you to be as light and agile as possible when preparing all parts of your business and artist plans. Your brief Company Background should be a short elevator pitch/biography – prose in excess of 250 words would in most cases be too much. Full biographies for executive staff members are not a requirement in the HR Overview section. You are welcome to use bullet point lists and to include links to outside sources, if it helps you condense and clarify your narrative. And remember, we already have access to your Applicant Profile (and previous years' reporting, if you are a return recipient), and all the information held therein.