

ANNUAL REVIEW 2014

Contents

SECTION

01	President’s Message	p. 1-2
-----------	----------------------------------	---------------

SECTION

02	Core Values	p. 3-4
-----------	--------------------------	---------------

SECTION

03	What People Say About Us.....	p. 5-6
-----------	--------------------------------------	---------------

SECTION

04	What We Do	p. 7-8
-----------	-------------------------	---------------

SECTION

05	Advocating on Behalf of Music Creators	p. 9-12
-----------	---	----------------

SECTION

06	How Tariffs Are Certified	p. 13-14
-----------	--	-----------------

SECTION

07	Royalty Rates	p. 15-18
-----------	----------------------------	-----------------

SECTION

08	Licensing Businesses to Use Music	p. 19-20
-----------	--	-----------------

SECTION

09	Music in Business Case Study: <i>The Landing Restaurant Group</i>	p. 21-22
-----------	--	-----------------

SECTION

10	Distributing Royalties.....	p. 23-24
-----------	------------------------------------	-----------------

SECTION

11	International Partnerships	p.25-26
-----------	---	----------------

SECTION

12	Financials	p. 27-28
-----------	-------------------------	-----------------

SECTION

13	Our People	p. 29-32
-----------	-------------------------	-----------------

SECTION

14	Management Team	p. 33-34
-----------	------------------------------	-----------------

SECTION

15	Board of Directors.....	p. 35
-----------	--------------------------------	--------------

SECTION

16	Member Organisations.....	p. 36
-----------	----------------------------------	--------------

SECTION

01

PRESIDENT'S MESSAGE

Looking back on 2014, there is a strong sense of pride in what we have accomplished as a team at Re:Sound. It wasn't an easy year, but it was one marked by real successes and the addressing of many challenges. Underlying it all is the dedication of our team, to fight for the value of recorded music, and to do our part to ensure that musicians can continue to make a living in their chosen profession. The royalties collected by Re:Sound may have been a tiny part of the income mix for artists and labels a decade ago, but today they are a crucial income stream for both.



Ian MacKay, President
Re:Sound

2014 set a new record for revenue growth (2014 core revenues showed 14% growth while overall revenues grew 21%). At the same time we managed to achieve our lowest ever expense-to-revenue ratio, with over 85 cents of every dollar collected going to rights holders.

These numbers were achieved through hard work in developing revenue streams, collecting revenue from tens of thousands of businesses that use music, and distributing those revenues to artists and labels efficiently and fairly.

2014 was the first year of Re:Sound's new 3 year Strategic Plan, and we are already well on our way to accomplishing our objectives. While the Copyright Board of Canada's decision on music streaming was a low point (setting rates many times lower than the rates in comparable jurisdictions), we have applied for judicial review of that decision. The cause was also taken up by musicians and creators themselves in the high profile "I Stand for Music" campaign. In August, the government ratified the WIPO Performances and Phonograms Treaty (WPPT), something that had been a priority for Re:Sound and that is a very positive development for musicians and labels alike.

On the international front, our bilateral agreement with SoundExchange continued to deliver very significant royalty streams to Canadian musicians and labels. In 2014, Re:Sound successfully obtained Qualified Intermediary status from the IRS, meaning that we are now able to collect royalties on behalf of Canadian rights holders without the deduction of 30% withholding tax. This is a huge accomplishment with a very direct payoff for Canadian creators.

On the operational front, a very important milestone was reached in late 2014 when we successfully moved CONNECT Music Licensing (Connect) to repertoire-based distribution. The benefits have already been seen in faster distributions and resource savings at both organisations. This is a very significant step forward for Connect's members and we are hoping to build on this success with Re:Sound's other member organisations.

**We will continue to strive to be the best that we can be
because music has value.**

SECTION

02

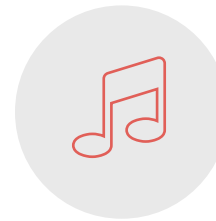
CORE VALUES

Re:Sound's entire team is informed by our core values of Fair, Performer and Maker Centred, Transparent, Efficient and Dynamic. We don't just talk about our core values, we live them.



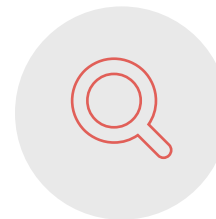
Fair:

We believe in an organisation founded on fairness – fair compensation for rights holders and fair treatment for employees. Where we have to balance competing interests, we will do so equitably and honestly.



Performer and Maker Centred:

Our organisation would not exist without the artists and the makers of music; they are at the core of everything we do, and the inspiration for always achieving more. We will champion artists and their rights and always promote the value of music.



Transparent:

We will always be open, honest, above board and trustworthy. We will make information available to stakeholders appropriately and in a timely manner. We uphold the trust placed in us by rights holders.



Efficient:

We continually strive to be better, be more productive and to improve the way we do things. We will develop best practices of our own and adopt best practices from elsewhere – always looking for the best way forward.



Dynamic:

We are energized by what we do. We are fully committed. We are flexible, adaptable and progressive. We are in motion and not static or stagnant.

SECTION

03

WHAT PEOPLE SAY ABOUT US

“Canadian musicians have consistently achieved global recognition of their talents for decades. They have established an industry we should all be proud of. The revenue we need to continue developing this talent depends on protecting creative rights. The structural changes within the music industry in Canada over the past decade have undermined industry revenues. What has remained consistent is the financial support distributed to artists through Re:Sound, a critical element for protecting these creative rights and promoting the success of Canadian music.”

— **The Honourable Perrin Beatty**
President and CEO, Canadian Chamber of Commerce

“

“As various sources for artists either shrink or disappear altogether in the current economy of the music business, **neighbouring rights are... a key component of financial survival.**”

— **BRIAN HETHERMAN**, *Music Manager*

“As a Canadian owned and operated company, GoodLife Fitness supports other Canadian enterprises, including recording artists and record labels. **Supporting Re:Sound means that we can play the music our members want**, in the format they like, with the knowledge that individuals and businesses in the music industry are fairly compensated for their work and the value it provides.”

— **DANN SAWA**,
Chief Development Officer, GoodLife Fitness

“Canada’s independent music sector produces some of our country’s greatest artists and most innovative businesses. By ensuring they are appropriately compensated for the commercial use of their music, **Re:Sound plays a vital role in allowing Canadian musicians and labels to reinvest into their businesses** and to bring their products to the domestic and international markets.”

— **STUART JOHNSTON**,
President, Canadian Independent Music Association

“In Re:Sound and its team, the Canadian music industry has a **strong champion for the value of music** to businesses, including broadcasters, retailers, restaurants and the fitness industry (to name a few). Their advocacy and hard work ensures vital revenue streams for artists and labels and spurs re-investment into the creation of Canadian music.”

— **DEANE CAMERON**,
President, EMI Music Canada (1988 to 2012)

“Just like the makers of any product, labels and artists take on significant market risk when they create and release recordings. These recordings then provide value to other businesses. **Re:Sound champions this value** and ensures that the artists and labels that take on this market risk are appropriately compensated.”

— **STEVE KANE**, *President Warner Music Canada*

“As an independent recording artist, it’s great to know that **Re:Sound is looking out for my performance rights**. As a chef and restaurant owner, I’ve seen the huge difference the right music can make to successful mood, atmosphere and customer satisfaction.”

— **ROGER MOOKING**,
Chef, Restaurant Owner & Recording Artist

“**Re:Sound has been a trusted partner of SoundExchange** on many fronts. Since completing our bilateral agreement in 2012, we have worked closely together to ensure that performers and makers, whether Canadian or American, get their fair share wherever they’re played, on either side of the border. Re:Sound and SoundExchange share a strong commitment to paying royalties quickly, efficiently, and accurately. We look forward to continuing our work together and improving cross-border exchanges.”

— **MICHAEL J. HUPPE**,
President & CEO, SoundExchange Inc.

“As this country’s largest music organization, SOCAN works collaboratively within the entire music ecosystem, and our relationship with Re:Sound has never been closer. **SOCAN and Re:Sound are working together** on many initiatives, and we are continually considering new ways to combine approaches to make music licensing even easier and more convenient for the clients we share.”

— **ERIC BAPTISE**, *CEO of SOCAN*

SECTION

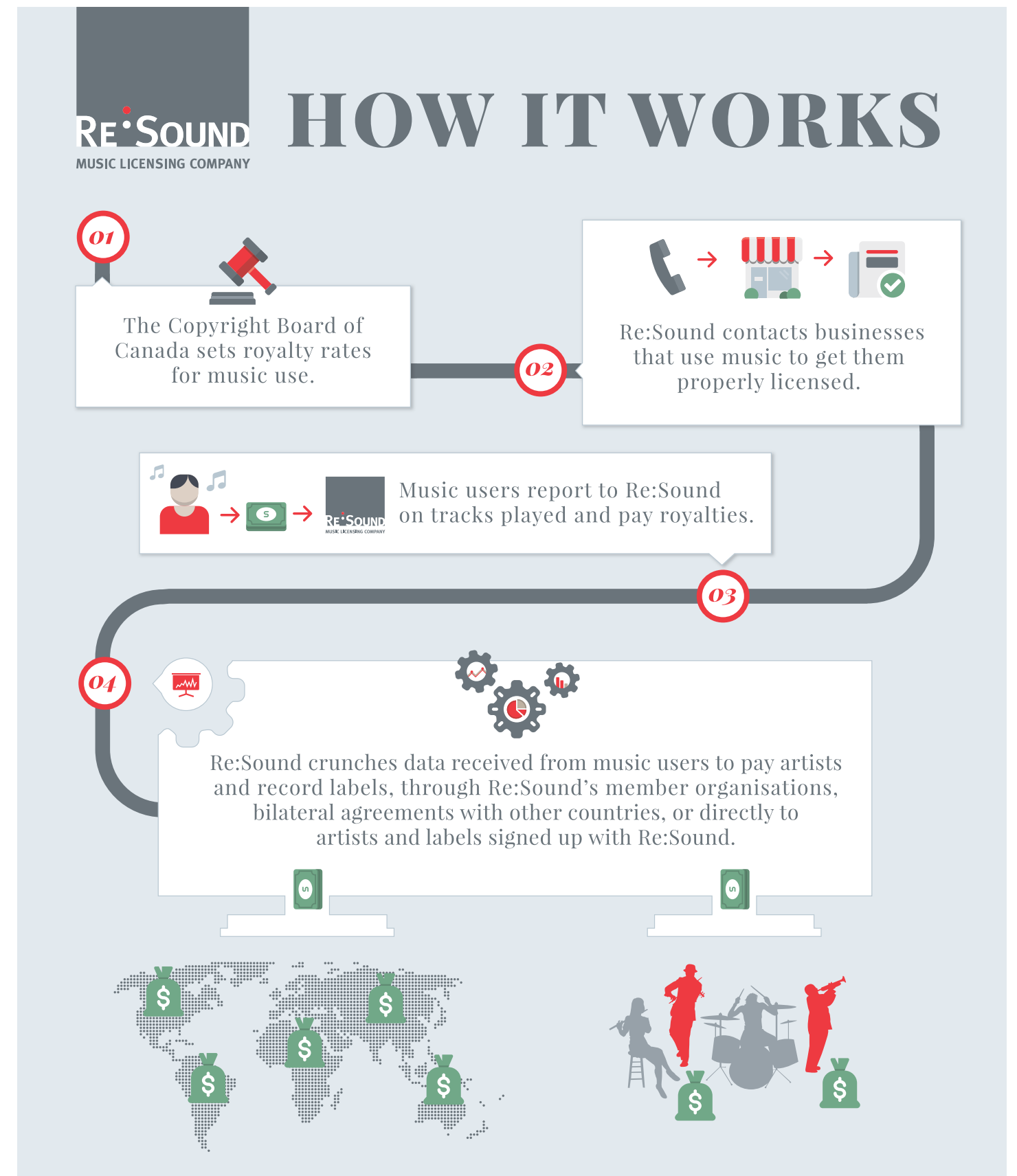
04

WHAT WE DO

Re:Sound is the Canadian not-for-profit music licensing company dedicated to obtaining fair compensation for artists and record labels for their performance rights.

Our work spans across four main areas. We advocate on behalf of music creators; we license businesses for their use of recorded music; we collect and distribute royalties; and we foster international partnerships and bilateral agreements.

Re:Sound is also a member of the Canadian Private Copying Collective, created to receive private copying levies from the manufacturers and importers of blank audio recording media.



SECTION

05

ADVOCATING ON BEHALF OF MUSIC CREATORS

On behalf of artists and record labels, Re:Sound proposes royalty rates for the different uses of sound recordings in Canada. These rates reflect the value of music and are consistent with international rates. Royalty rates are established through agreements with music users or through hearings before the Copyright Board of Canada.

In 2014, there were key developments in several of Re:Sound's tariff proceedings. We concluded the hearing of our Commercial Radio Tariff for the years 2012-2014 where we continued to advocate for mandatory 365 day reporting. Currently, radio stations are only required to submit logs for 28 days of radio play. 365 day reporting would mean that we have data on all tracks played, not just a sample. The Copyright Board's decision in this proceeding is currently pending as of the end of 2014.

In February 2014, the Federal Court of Appeal issued its ruling in our application for judicial review of the Copyright Board's decision on our Fitness Tariff (Tariff 6.B, 2008-2012). The Federal Court granted Re:Sound's application and sent the royalty rates back to the Copyright Board for re-determination. During this time Re:Sound, GoodLife Fitness and the Fitness Industry Council of Canada successfully reached an agreement on royalty rates that worked for all parties and Re:Sound submitted these rates to the Copyright Board. The Copyright Board's decision in this proceeding is currently pending as of the end of 2014.

In May 2014, the Copyright Board issued a decision certifying Re:Sound's Music Streaming Tariff (Tariff 8, 2009-2012). While Re:Sound had proposed rates based on freely negotiated agreements with music users that also reflected international rates for the same services, the Copyright Board rejected both the freely negotiated market rates and the international comparators. Instead, the Copyright Board set the rates for music streaming services at rates that are 10% or less of comparable rates in international jurisdictions, including the United States. The decision positions Canada as a significant outlier in the world, and greatly disadvantages the Canadian music industry in the globalized market place.

Commercial radio and music streaming services are very different. Unlike commercial radio stations, music streaming services are typically accessible anywhere and anytime on mobile devices. Additionally, they can offer the listener the ability to pause, skip, rewind and fast-forward. They provide a wide range of musical genres not available on commercial radio stations and some services also offer channels customized to the individual listener. This makes music streaming services a real alternative to music downloads and the purchasing of CDs, a fact reflected by Nielsen's 2014 Mid-Year Report, which showed U.S. and international sales of CDs and downloads falling, while streaming increased.

In June 2014, Re:Sound filed an application for judicial review of the Copyright Board's decision. Subsequently, 78 music industry associations and labels, led by Music Canada, CIMA, ADISQ and Canadian Council of Music Industry Associations (CCMIA), joined together to form the "I Stand for Music" campaign, a coalition that continues to raise public awareness about the adverse impact of the Tariff 8 ruling on the livelihood of Canadian artists and record labels.

In 2014, we continued to work co-operatively with music users to reach agreements on royalty rates that work for all parties, in place of going through full hearings before the Copyright Board. We reached a number of important agreements in 2014 on Background Music, Satellite Radio, Live Events and Fitness tariffs. While all the agreements still require the approval of the Copyright Board, which has the sole authority to certify royalty rates, the agreements avoid the need for a full hearing before the Copyright Board, saving considerable time and expense for all parties.

Outside of our work with the Copyright Board, 2014 saw Re:Sound's team focus internationally for ways to further the interests of artists and record labels, including Canada's ratification of the WIPO Performances and Phonograms Treaty (WPPT), signing several new international bilateral agreements, and successfully obtaining Qualified Intermediary status.

Looking ahead in 2015, we will continue to work on all of these initiatives including the hearing of our application for judicial review of the royalty rates set by the Copyright Board for Music Streaming (Tariff 8); continuing our co-operative efforts with music users to negotiate renewals of tariffs; and entering into new international bilateral agreements.

WPPT

Canada's ratification of WIPO Performances and Phonograms Treaty (WPPT) was a key priority for Re:Sound in 2014. The WPPT is an international treaty governing the protection of the rights of performers and makers of sound recordings.

We're happy to report that on August 13th, 2014 Canada ratified the WPPT. This initiative brought Canada in line with 93 other countries who had already ratified the treaty and allowed for key amendments to the Canadian Copyright Act to take effect which provide reciprocal protection of WPPT contracting territories in Canada – which is great news for artists and record labels.

SECTION

06

HOW TARIFFS ARE CERTIFIED



The Copyright Board of Canada is a federal tribunal empowered to establish royalties to be paid for the use of copyrighted works. Pursuant to the Copyright Act, Re:Sound files tariffs with the Copyright Board to ensure artists and record labels are being fairly compensated when their music is used commercially within particular industries.



1. Tariff Application

Re:Sound must submit a tariff proposal to the Copyright Board by March 31 of the year preceding the year in which the tariff is to commence.



2. Publication of Tariff Application

The Copyright Board publishes the tariff application in the Canada Gazette, providing official notice to all prospective users of the proposed tariff and their right to object and participate in the proceedings to certify the tariff. The Copyright Board also typically provides a copy of the proposed tariff directly to the relevant industry groups and legal counsel who routinely participate in Board proceedings on behalf of prospective users.



3. Interventions/Objections

Anyone who wishes to object to a proposed tariff may do so within 60 days after publication in the Canada Gazette. Prospective users may still participate in the tariff proceedings after this deadline, by requesting leave to intervene.



4. Preparation for the Hearing

The period before the hearing entails an extensive process involving the exchange of documents, interrogatories, filing of cases, etc. This process typically lasts about one year.



5. Hearing

Copyright Board hearings are open and public. Objectors and other interested parties are provided with an opportunity to file written responses and to present arguments and evidence. Re:Sound files economic evidence to support its tariff proposals and the objectors have full opportunity to address Re:Sound's evidence and to present their own alternative proposals. The Copyright Board's rate and tariff determinations take into account all relevant factors, including the financial realities of the potential payors. Hearings typically last two weeks.



6. Additional Questions

After the hearing, the Copyright Board may come back to any of the parties with follow-up questions. If there are legal issues in dispute, these are often addressed through additional written submissions following the hearing.



7. Decision by the Copyright Board

The entire process of adjudicating a tariff can be lengthy, particularly for an inaugural tariff being applied to a new use of music/industry for the first time. In many cases the decisions from the Copyright Board may not be received until four or five years after Re:Sound has made its tariff application.



8. Authority to Continue to Collect

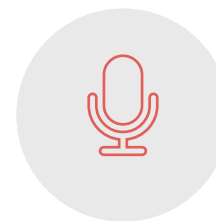
The Copyright Act of Canada grants Re:Sound the authority to continue to collect royalties under certified tariffs until the new proposed tariff is approved.

SECTION

07

ROYALTY RATES

Re:Sound files tariffs with the Copyright Board for various types of users, including radio stations, pay audio services, satellite radio companies, gyms, nightclubs, restaurants, retail establishments, and hotels. The Copyright Board process includes open public hearings where Re:Sound and all interested parties have the opportunity to present their arguments before the Copyright Board. As each tariff is certified by the Copyright Board, Re:Sound begins to collect revenues from that user group and distributes revenues to artists and record labels. All monies collected are split equally between artists and record labels.



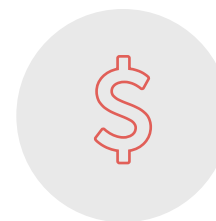
Commercial Radio (Tariff 1.A)

Certified on July 10, 2010, Tariff 1.A sets the royalties to be paid by commercial radio stations for the communication to the public by telecommunication of sound recordings for the years 2008 to 2011. The Copyright Board's decision renews the same royalty rates that applied under the 2003-2007 Commercial Radio Tariff, with a change in the rate base from advertising revenues to gross income. Royalty rates for the years 2012 to 2017 have been proposed and a hearing was held in 2013/2014. A decision from the Copyright Board is currently pending as of the end of 2014.



CBC Radio (Tariff 1.C)

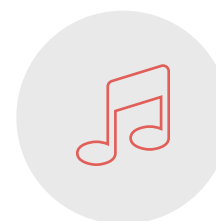
Certified on July 9, 2011, Tariff 1.C sets the royalties to be paid by the Canadian Broadcasting Corporation (CBC) for the communication to the public by telecommunication of sound recordings by over-the-air radio broadcasting and simulcasting for the years 2006 to 2011. Royalty rates for the years 2012 to 2016 have been proposed.



Pay Audio Services (Tariff 2)

Pay audio is a commercial-free music programming service distributed by direct-to-home satellite distribution companies (such as Galaxie and Max Trax) and by all major cable distributors across Canada.

Certified on January 16, 2010, Tariff 2 sets the royalties to be collected by Re:Sound for the communication to the public by telecommunication of sound recordings in respect of pay audio services for the years 2007 to 2009. Royalty rates for the years 2010 to 2016 have been proposed.



Background Music (Tariff 3)

Certified on October 21, 2006, Tariff 3 sets the royalties to be collected by Re:Sound for the performance in public or the communication to the public by telecommunication of sound recordings for use as background music in an establishment for the years 2003 to 2009. Proposed royalty rates for the years 2010 to 2013 were negotiated with music

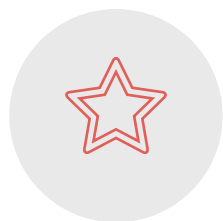
users and are pending certification by the Copyright Board as of the end of 2014.

Background music royalty rates cover background music used at businesses such as retail stores and hospitality establishments, music provided by a background music supplier, as well as any use of music with a telephone on hold. Background music royalty rates do not apply to the use of music as live entertainment, at a live event, or to accompany fitness activities, dancing, dance instruction, skating or other similar activity.



Satellite Radio (Tariff 4)

Certified on April 11, 2009, Tariff 4 sets the royalties to be paid by multichannel subscription satellite radio services (such as SiriusXM Canada) for the communication to the public by telecommunication of sound recordings by satellite radio signal for the years 2007-2010. Proposed royalty rates for the years 2011 to 2018 were negotiated with music users and are pending certification by the Copyright Board as of the end of 2014.



Live Events (Tariff 5)

Certified on May 26, 2012, Tariff 5 sets the royalties to be collected by Re:Sound for the performance in public or the communication to the public by telecommunication of sound recordings to accompany live events for the years 2008 to 2012. Royalty rates for the years 2013 to 2015 have been proposed.

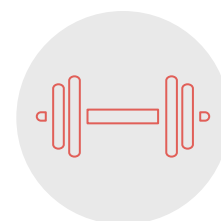
There are several different types of live events each with tailored royalty rates arrived at through agreements with music users. They are: receptions, conventions, karaoke, fairs and exhibitions, parades, ice shows, and fireworks displays.



Nightclubs etc. (Tariff 6.A)

Certified on July 16, 2011, Tariff 6.A sets the royalties to be paid for the performance in public or the communication to the public by telecommunication of sound recordings to accompany dancing or any similar activity for the years 2008 to 2012. Royalty rates for the years 2013 to 2015 have been proposed.

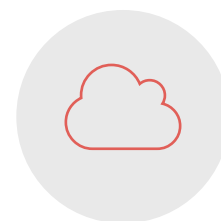
These royalty rates apply to the use of recorded music to accompany dance in any indoor or outdoor venue, including nightclubs, dance clubs, bars, restaurants, hotels, halls, clubs, schools, campuses and adult entertainment clubs.



Fitness etc. (Tariff 6.B)

Initially certified on July 7, 2012, Tariff 6.B sets the royalties to be paid for the performance in public or the communication to the public by telecommunication of sound recordings to accompany physical activities for the years 2008 to 2012. Tariff 6.B was over-turned in part on judicial review by the Federal Court of Appeal and was certified as an Interim Tariff on April 17, 2014. The Copyright Board's decision on the final re-determined tariff is currently pending as of the end of 2014. Royalty rates for the years 2013 to 2017 have been proposed.

These royalty rates apply to the use of recorded music in any indoor or outdoor venue for the purposes of fitness, training, skating, dance instruction or any other physical activity.



Music Streaming (Tariff 8)

Certified on May 17th 2014, Tariff 8 sets the royalties to be paid by non-interactive and semi-interactive webcasters, for the communication to the public by telecommunication of sound for the years 2009 to 2012.

A webcaster is an online music service. A non-interactive webcast is a webcast in which the recipient exercises no control over the content or timing of the webcast. A semi-interactive webcast is a webcast in which the recipient exercises some level of control over the content or timing of the webcast.

In June 2014, Re:Sound filed an application for judicial review of the Copyright Board's decision.

Royalty rates for the years 2013-2015 have been proposed.

SECTION

08

LICENSING BUSINESSES TO USE MUSIC

As the “one-stop-shop” authorized by the Copyright Board of Canada to provide businesses with the licences they need to broadcast or communicate sound recordings, or play sound recordings in public, Re:Sound works with businesses that use music to ensure they are properly licensed.

2014 was a successful year for Re:Sound. We exceeded our budget by 8%, increased annual recurring revenue by over 20% and licensed approximately 3500 new businesses.

Collaboration with music users to find equitable solutions was an area of focus in 2014, as it is in every year. We signed several significant agreements with municipalities including Halifax, Burnaby, Oakville, North Middlesex, Brantford and Warman.

Additionally, in an effort to streamline the complexities surrounding music licensing for businesses, Re:Sound launched a pilot project with SOCAN to jointly license nightclubs. The project was successful and Re:Sound will look for other ways to partner with SOCAN in 2015.

Continuing with our momentum from 2014, Re:Sound will concentrate on making the licensing process as user-friendly as possible.

We plan to develop an accessible, clear and informative music user portal on Re:Sound’s website that will allow existing and new licensees to calculate their fees and in the later stages of development, to pay online.

In 2015, Re:Sound will launch the Music Has Value research project and website. This will include an independent survey of Canadian consumers on the influence of music on their consumer experiences and purchasing habits. The findings of the survey, along with Canadian, international and academic research on the value of music to business and society, will make up the Music Has Value website that Re:Sound will launch and manage.

SECTION

09

MUSIC IN BUSINESS CASE STUDY:

The Landing Restaurant Group



Steven Pelton, CEO
The Landing Restaurant Group

www.williamslanding.ca

www.hunterslanding.ca | www.harperslanding.ca

Photo by: The Landing Restaurant Group

What is your business?

The Landing Group owns several restaurant/bars that include: Williams Landing, Hunters Landing and Harpers Landing. Each Landing has a unique feel and different tailored menu. We build our restaurants to suit the community they are in. Since no two communities are the same, neither are the Landings.

How do you use music in your business?

Music is a huge part of what we do and the atmosphere we create. One of the commonalities between our restaurants is the fun vibe we strive to maintain in each venue. Our music is uplifting, energetic and always noticeable when you walk into the room. Our guests and staff (and everyone else for that matter) want to be in a good environment that exudes positive energy and the music we play is a key component of that.

Could you imagine your business without music?

In a word: no. The days of people wanting a quiet meal have gone. People want and need energy and atmosphere. Music, in my opinion, is the one art form that everybody appreciates in one way or another. People feel good when they hear music in the background and I think it would be very noticeable if there was no music playing.

If we didn't play music in our restaurants, I believe there'd be a missing element to the experience our guests receive. A restaurant without music would be at a terrible disadvantage to competitors who do use music.

Are you licensed to play music in your establishment?

Yes, and we are proud to use "fairly traded" music in our restaurants. It takes hard work, dedication and talent to create the music that the public enjoys. I believe that artists and record labels have the same right to be paid for their work, just like any other industry has. It is simple to me: if artists can't make money we will have less music, and that is not the direction we should be headed in.

SECTION

10

DISTRIBUTING ROYALTIES

At Re:Sound, we are committed to ensuring that artists and record labels receive the royalties to which they are entitled.

In the year 2014, our team of distributions experts carefully analyzed and processed over 138 million sound recording performances. We are proud to say that 2014 distributions were our highest ever.

Our Distribution team continuously strives for improvement. In 2014, we collaborated with our member organisations to see how we could work together to streamline our distribution processes in order to increase efficiencies and get royalties out of the door and into the hands of artists and record labels, faster.

Re:Sound and member organisation Connect partnered on a major initiative that involved moving Connect to repertoire-based distribution. By Re:Sound ingesting Connect's repertoire, it allows for automatic payments rather than Connect and Re:Sound having to engage in a range of multi-step processes that include nearly a thousand separate file exchanges a year. The move to repertoire-based distribution has led to higher and faster distributions to Connect's members, and while it has involved Re:Sound taking on additional work, overall it has resulted in resource savings at both organisations.

Re:Sound's expense-to-revenue ratio was our lowest ever in 2014.

SECTION

11

INTERNATIONAL PARTNERSHIPS

Re:Sound actively engages with similar organisations around the world, sharing best practices and knowledge.

This is especially important as increasingly, the use of recorded music (through music streaming services, etc.) is cutting across national boundaries. Re:Sound also manages bilateral agreements on behalf of our maker members, ensuring that Canadian record labels receive payment when their recordings are used outside of Canada.

To date, we have entered into a bilateral agreement with SoundExchange in the United States that covers makers and performers as well as several bilateral agreements that cover makers with Denmark (Gramex), the Netherlands (SENA) and Ukraine (UMA/UMRL). In 2014, Re:Sound signed further bilateral agreements with Finland (Gramex), Ireland (PPI) and Sweden (IFPI Sverige). International agreements ensure that Canadian rights holders receive royalties when their recordings are played or broadcast internationally.

In 2014, Re:Sound was successfully granted Qualified Intermediary (“QI”) Status in the United States.

The process was rigorous and required extensive administrative work; the result of which significantly benefits Canadian rights holders. The Qualified Intermediary Status means that rights holders represented by Re:Sound and our member organisations are no longer subject to a 30% withholding tax deduction on their royalty payments from the U.S.

Looking ahead, Re:Sound will continue focusing our efforts internationally, continue maximizing our revenues collected through bilateral agreements with international collecting societies and continue to contribute to international and Canadian initiatives for the improved use of universal unique identifiers, such as ISRC Codes and through the use of international standardized reporting mechanisms such as DDEX.

SECTION

12

FINANCIALS

Domestic neighbouring rights revenues rose to \$33.6 million in 2014, representing 10% growth over 2013. Growth was fuelled by a significant year-over-year increase in revenues from public performance, satellite radio and agreements with music streaming services.

International revenues increased almost \$2 million over 2013. This was due to the continued receipt of past year (non-recurring) revenue from SoundExchange and, even more importantly, Re:Sound’s new Qualified Intermediary status (which allows Re:Sound to collect royalties from the US without tax withholdings).

Private copying revenue in 2014 included approximately \$4 million related to close outs of prior years under Copyright Board regulations. Current year private copying revenue declined from \$2.6 million in 2013 to \$1.7 million in 2014, a decline of over 50%.

Total income increased 21% (from \$38.5 million in 2013 to \$46.5 million in 2014), while monies available for distribution increased 24% (from \$32 million in 2013 to just under \$40 million in 2014).

(in \$Millions)

	2014	2013
INCOME		
Neighbouring Rights - Domestic	33.6	30.6
Neighbouring Rights - International	6.9	5.0
Other Income	0.3	0.3
Total Neighbouring Rights Income	40.8	35.9
Private Copying	5.7	2.6
Total Income	46.5	38.5
Expenses	6.7	6.5
Monies Available for Distribution	39.8	32.0

SECTION

13

OUR PEOPLE

We pride ourselves on being a great place to work. Teamwork and employee involvement are integral to Re:Sound's success.

The Re:Sound team is made up of talented professionals who are passionate about making a meaningful difference in the lives of musicians and ensuring the continued success of the Canadian music industry. In fact, nearly half of Re:Sound employees are musicians themselves.

Our diverse group of data crunchers, licensing experts and music champions are informed by Re:Sound's core values. Employee reward programs award those who demonstrate core values throughout the course of their work and our performance management tools use our core values as a system of measurement.

Because we love music and appreciate how it enriches our lives we make sure to support the music industry in ways beyond our operational mandate. We hire interns from colleges with music industry programs and we organise fundraisers for music related charities.

To date, we have raised over \$3,000 for the Canadian Music Therapy Trust Fund.

Celebrating a 15 Year Milestone with Clement Wong

Clement and his wife immigrated to Canada from Hong Kong in 1998. Clement started his career at KPMG as a professional accountant and then landed at BASF China, a German chemical company where he was the Head of Hong Kong & China Finance department and led a team of 22. The decision to come to Canada was motivated by a desire for a greater work life balance. With children on the way, Clement wanted to leave the competitive environment and 60 hour work weeks of Hong Kong behind.

At the time, Re:Sound, then a small start-up of only 5 employees, was seeking a Manager of Finance. Clement was offered the position and took on the task of building a finance department from the ground up. Today, Clement is most proud of seeing the capabilities of Re:Sound grow and its total revenue increase from \$7 million to \$47 million. His stewardship was essential in ensuring Re:Sound would have a robust financial infrastructure and not only followed, but set, best practices.

Clement sees a bright future for Re:Sound. His wish for Canadian musicians

is that a royalty rate for the use of sound recordings in television and film is certified so that artists and record labels can be compensated, just like songwriters and publishers are, when their music is used in television or film.

“

“I feel very fortunate to have joined Re:Sound. I am grateful to have watched it grow over the last 15 years and I’m lucky to have worked with a team that has great talent and integrity. Thank you.”



— Clement Wong, VP Finance

Re:Sound Achievement Award

Annually, Re:Sound recognizes outstanding achievement by an employee, or team of employees, by awarding the Re:Sound Achievement Award. This year the award was given to Suguna Srinivasareddy and Chris Hopkins for their excellent work moving Re:Sound member organisation, Connect, from a claims-based distribution model to a repertoire-based one.

Moving Connect to a repertoire-based distribution model allows for automatic payments rather than Connect and Re:Sound having to engage in a range of multi-step processes that include nearly a thousand separate file exchanges a year. The move was a significant undertaking where Re:Sound had to seamlessly ingest Connect’s repertoire of 4 million recordings.

From an IT perspective Suguna and Chris had to ensure Re:Sound’s database software could ingest the data without a hitch. Suguna, a Programmer Analyst, worked closely with Chris Hopkins, the Manager of Distribution. Over the year, the two held regular meetings and led a group of data matchers through rigorous testing to ensure that the data was being carefully and accurately ingested.

The project was a success. Within weeks, nearly eight thousand new track matches were discovered and overall payout of royalties to Connect’s members has increased.

The move to repertoire-based distribution has led to higher and faster distributions to Connect’s members and while it has involved Re:Sound taking on additional work, overall it has resulted in resource savings at both organisations.

Chris, who started at Re:Sound in 2004 as a Research Distribution Analyst and rose through the ranks to become Manager of Distribution, says that of all the projects he has been involved in, he’s most proud of moving Connect to a repertoire-based distribution model that is in line with best practices around the world.

Suguna, who joined Re:Sound in 2012, has been instrumental in optimizing Re:Sound’s database for the ingestion of Connect’s data. She has shown herself to be a very valued partner for the Distribution team.

Chris and Suguna are happy to be recognized by their peers for their hard work and say that the win inspires them to continue to find new ways to innovate in the workplace to get more money in to the hands of rights holders.

“

“Congratulations, Suguna and Chris, on your well-deserved Re:Sound Achievement Award. Last year Connect and Re:Sound undertook an important project which resulted in improved efficiencies in revenue distribution. Their practical approach to implementation and customer service skills ensured that this project was implemented effectively. Connect looks forward to working on future initiatives with Re:Sound’s ‘superstars’.”

— VICTORIA SHEPHERD,
CONNECT Music Licensing

SECTION

14

MANAGEMENT TEAM

Re:Sound's Management Team is comprised of individuals with diverse backgrounds, a combined 162 years of business experience and the shared belief that music has value.



Ian MacKay
President



Arif Ahmad
Vice President and General
Counsel



Michelle Baily
Vice President, Human
Resources



Mallory Clyne
Director, Communications



Martin Gangnier
Director, Licensing



Otis Quinn
Director, Information
Technology



Doris Tay
Director, Distribution



Clement Wong
Vice President, Finance

SECTION

15

BOARD OF DIRECTORS

Performer Member Representatives

Brad Keenan

ACTRA Recording Artists' Collecting Society (RACS)

Annie Morin (Chair)

Artisti

David Jandrisch

Musicians' Rights Organization of Canada (MROC)

Maker Member Representatives

Lyette Bouchard

*Quebec Collective Society for the Rights of Makers
of Sound and Video Recordings (SOPROQ)*

Graham Henderson (Vice-Chair)

CONNECT Music Licensing

Stuart Johnston

Canadian Independent Music Association (CIMA)

SECTION

16

MEMBER ORGANISATIONS



TOP TEN

2014

**Commercial radio eligible sound recording rankings by spin count.*

ARTIST	SONG
LUMINEERS	HO HEY
SERENA RYDER	STOMPA
WALK OFF THE EARTH	RED HANDS
JUSTIN TIMBERLAKE	MIRRORS
MAROON 5	DAYLIGHT
ARMIN VAN BUUREN/TREVOR GUTHRIE	THIS IS WHAT IT FEELS LIKE
BRUNO MARS	LOCKED OUT OF HEAVEN
DAFT PUNK/PHARRELL WILLIAMS	WHEN I WAS YOUR MAN
MUMFORD AND SONS	I WILL WAIT