



RE•SOUND

2010 Annual Review

RE•SOUND

MUSIC LICENSING COMPANY

11%

Increase from 2009 in
performance royalty revenue

80%

The percentage of commercial
radio airtime filled by music
(music format stations)

84%

Percentage of people who
would pay more to go to a bar
with music*

Increase in public performance payors since 2009:

369%

independent users

91%

retail headquarters

9%

music suppliers

In 2010 Re:Sound:

Processed

17 million

sound recording performances

Filed

83

exhibits in our T6 Hearing

Achieved

10%

increase in Background Music
(T3) revenue from 2009

Made

15,000

calls to businesses

Mailed

31,000

letters

Made

2,400

on-site business visits

Counted

1.5 million

sound recordings in our
database

Collected under

5

certified tariffs

Visited

businesses in every major
urban centre in Canada

*source: www.musicworksforyou.com

WHAT WE DO

Recorded music is a vital contributor to the success of countless businesses in Canada - from radio stations to retail shops to bars and dance clubs. Re:Sound Music Licensing Company ensures that the artists and record companies that create this music are fairly compensated.

Founded in 1997, **Re:Sound** is the Canadian not-for-profit music licensing company dedicated to obtaining fair compensation for artists and record companies for their performance rights (sometimes also called neighbouring rights). On behalf of its members, representing thousands of artists and record companies, Re:Sound licenses recorded music for public performance, broadcast and new media. All of the money collected by Re:Sound is distributed to our members, less only our actual costs.

Re:Sound is designated by the Copyright Board of Canada as the organization responsible for collection and distribution of royalties under Section 19 of the Copyright Act of Canada. Royalty rates are established by the Copyright Board under a quasi-judicial process in which a full, open hearing is conducted with the participation of all interested parties.



"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

Re:Sound is also a member of the Canadian Private Copying Collective, created to receive and redistribute private copying tariff revenues.



President's Message

The rights that Re:Sound represents on behalf of rightsholders constitute one of the few growing sources of revenue in the music industry, and the royalties we collect and manage have become an important part of the income mix for artists and record labels in Canada. For Re:Sound this means growth in terms of both opportunity and responsibility.

In 2009, we began a transformation to become more entrepreneurial and proactive in the fulfilment of our mission. One of the most visible manifestations of this in 2010, was changing our name and branding to Re:Sound Music Licensing Company (from Neighbouring Rights Collective of Canada) and the launch of a new, more user-friendly website. Our new brand reflects the dynamism of our organization and the increasingly important role performance rights play within Canada's recorded music industry.

In 2010, Re:Sound management completed and started implementation of our first 5-year Strategic Plan, which was approved by Re:Sound's Board in September. The 5 Year Strategic Plan included the core values of the organization: Fair; Performer and Maker Centred; Transparent; Efficient and; Dynamic. These values and the strategic goals we have set for Re:Sound provide a solid platform for years to come, in terms of revenue growth, increased efficiency and the development of stronger partnerships with stakeholders in Canada and abroad.



2010 saw continued strong growth in performance revenues (an increase of 11% over 2009). Conversely, private copying revenues continued to decline by a further 25%.

The organization laid the foundation for future performance revenue growth in a Copyright Board hearing for Re:Sound's inaugural Dance and Fitness tariff (T6), where Re:Sound presented extensive economic and consumer choice modelling evidence on the value of recorded music to the nightclub and fitness industries. It goes without saying that a gym or a nightclub without music is hard to imagine, but it is very much Re:Sound's role to try to establish the value that music brings.

On other fronts, we continued our move to make the organization more efficient through uniting two separate office spaces into one contiguous open space, implementing Epicor systems in Licensing, and making further refinements to our centralized distribution system (LPDS).

Re:Sound actively engaged with outside stakeholders, fully participating in the federal government's copyright consultation process, presenting at numerous industry events and forging relationships in the international community.

On the people front, we implemented new performance management and incentive programmes in the organization, and were very proud to participate in a 2 day volunteer session at the Daily Bread Food Bank, where we sorted thousands of pounds of food going to families in need.

Looking forward, 2011 will be another important year for Re:Sound with many challenges and opportunities.

Re:Sound's role is unique and vital to our industry. Canada produces some of the world's best and, indeed, most successful music and it is the passion of everyone who works here at Re:Sound to make sure that music is valued properly and that music creators are compensated fairly.

Our Core Values

Fair:

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

Performer and Maker Centered:

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 rightsholders.

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.



Board of Directors

Re:Sound's Board is composed of representatives from our member organizations.

Performer Member Representatives

Brad Keenan (Chair)

Brad has been a member of the Re:Sound board since 2007 when he became Director of ACTRA Recording Artists' Collecting Society (RACS). Prior to joining ACTRA RACS, Brad worked at Sony BMG Music (Canada) as Director, Music Licensing and Partnership Marketing. He serves on the Board as ACTRA RACS' representative and Chair of Re:Sound's Board.

Len Lytwyn

Len has been a member of the Re:Sound board since 2003 and is the Executive Director of the Musicians' Rights Organization of Canada (MROC), one of Re:Sound's member organizations. Len, who has had a successful career as a professional musician, is MROC's representative on Re:Sound's Board.

Annie Morin

Annie joined the Board of Directors in 2006 when she became Director of Artisti, one of Re:Sound's member organizations. Prior to joining Artisti, Annie had previously served as Director of Legal Affairs at the Union des Artistes. She is Artisti's representative on Re:Sound's Board.

Maker Member Representatives

Lynette Bouchard (Vice-Chair)

Lynette has been a board member since 2001 when she became Executive Director of the Quebec Collective Society for the Rights of Makers of Sound and Video Recordings (SOPROQ). Lynette has also served on the executive of ADISQ, where she is currently Associate Executive Director. She is SOPROQ's representative on the Re:Sound Board.

Graham Henderson (Chair)

Graham joined the Re:Sound board in 2005 shortly after becoming President of the Canadian Recording Industry Association (CRIA) and the Audio-Video Licensing Agency (AVLA). Before joining CRIA/AVLA, Graham served as Senior Vice-President, Business Affairs and eCommerce at Universal Music and practiced law at McCarthy Tetrault where he was a Partner. Graham is AVLA's representative on Re:Sound's Board.

Duncan McKie

Duncan joined the Re:Sound Board in 2007 as the President of the Canadian Independent Music Association (CIMA). Duncan served on the Board until November 2010, and was the third Maker representative on the Board.

Tariff Development

Our Tariffs:

1.A	Commercial Radio	5	Live Events (Proposed 2008-2012)
1.B	Non Commercial Radio (Proposed)	6	Dance and Fitness (Proposed 2008-2012)
1.C	CBC Radio	7	Motion Picture Theatres (Proposed 2009-2011)
2	Pay Audio	8.A	Simulcasting & Webcasting (Proposed 2009-2012)
3	Background Music	8.B	Semi Interactive Webcasting (Proposed 2009-2012)
4	Satellite Radio	9	Television (Proposed 2009-2013)

Tariff Development

Tariff 1A: In July, the Copyright Board of Canada certified the renewal of Re:Sound's Commercial Radio Tariff for the years 2008-2011. This was a positive result for Re:Sound, which successfully opposed the broadcasters' request to significantly lower its rates and introduce a new decreased rate for stations that use a low amount of music. Re:Sound also achieved several important improvements to the administrative provisions of the tariff including a change to the rate base and greatly increased music use reporting requirements, which will result in improved efficiencies in distributing royalties to our member collectives.

Tariff 5: Submitted to the Copyright Board for Certification

Tariff 6: In April and May, Re:Sound participated in a hearing before the Copyright Board to establish its inaugural tariff for dance and fitness activities. Over the course of the three-week hearing, Re:Sound presented a large amount of sophisticated economic evidence to support its rate proposals with the help of numerous expert witnesses from across Canada and abroad. This hearing has established important steps toward recognizing the value of music to dance and fitness venues.

"It's great that Re:Sound is re-introducing the idea that music has value and that every musician's contribution to a recording has value."

— Moe Berg, Musician/Producer



Public Performance Tariffs

Our Background Music tariff (T3) was certified in 2006 and sets the royalties to be paid to Re:Sound, for the benefit of artists and record companies, for the public performance of sound recordings for use as background music in establishments, including bars, restaurants and retail.

In 2010 we experienced a 10% increase in T3 revenue over 2009, made 15,000 calls to businesses, and made 2,400 on-site visits to businesses in every major urban centre in Canada.

We are awaiting certification of further public performance tariffs. T5 will apply to live events where recorded music is used (e.g. sporting events, wedding receptions, etc.). T6 will apply to all establishments where recorded music is used to accompany dancing (e.g. nightclubs, bars, etc.) and all establishments where recorded music is used to accompany fitness activities (e.g. gyms, etc.).

“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 and Recording Artist



Public Performance

Music brings significant value and a competitive advantage to businesses. For example, 91% of bar goers like to hear music when they go to bars. 84% of retail shoppers like to listen to music when they shop and 80% of patrons like to listen to music when they eat at restaurants. It has also been shown that people are more likely to spend more money at businesses that play music they like. (source: MusicWorks and Entertainment Media Research, 2009)

Distribution

“Most businesses wouldn’t give away their products for free – so why would the creators of music be expected to do it?”

— Colin Cripps, Recording Artist

Re:Sound has a dedicated team responsible for ensuring the royalties we collect through licensing broadcasters and businesses for the use of recorded music are distributed to all eligible musicians and record labels.

At a high level, Re:Sound’s general distribution process includes receiving logs from music users, importing these into our Log Processing and Distribution System (LPDS), matching tracks from logs against LPDS records, calculating the Value per Play (VPP) of each track, receiving and reviewing claims from our members and paying out royalties to members.

Distribution

Historically, commercial radio stations have only been obligated to provide a 14 day sample of radio logs per year. In the last Commercial Radio hearing before the Copyright Board, Re:Sound argued strenuously that this was inadequate and not in keeping with international best practices. In its July 2010 Commercial Radio decision, the Copyright Board increased the minimum reporting requirement to 28 days per year and stated that radio stations must provide full 365 day logs where available. This is an important step forward and Re:Sound will continue to advocate for full mandatory 365 day reporting, to ensure the fairest and most comprehensive reporting to rightsholders.



Financial Highlights

	2010	2009
Income (in \$M)		
Neighbouring Rights	24.7	22.3
Private Copying	4.8	6.4
Other Income	0.1	0.1
Total Income	29.6	28.8
Expenses	5.5	4.8
(Less accumulated surplus carry-forward)	-0.7	-0.6
Monies available for distribution	24.8	24.6
Total distribution up to Dec 31, 2010 (in \$M)		
Neighbouring Rights	128.3	
Private copying	59.3	
Total	187.6	

“All musicians who perform on recordings are entitled to neighbouring rights royalties and it’s important that all musicians are aware of this revenue stream.”

— Rob Lanni, Co-President, Coalition Entertainment



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