

# RESOLUTION STATES OF STATE



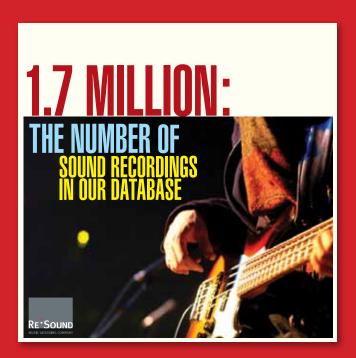


# Introduction

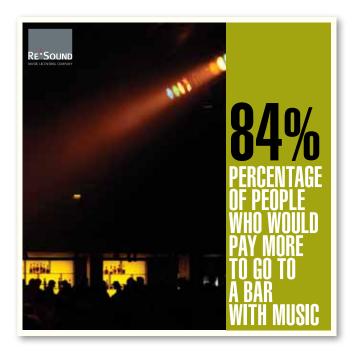
it also plays a vital role in the success of countless businesses – from broadcasters to nightclubs, restaurants, bars and retailers.

Re:Sound's mission is to obtain fair compensation for artists and record companies for their performance rights and we always strive to do this in a way that is fair, transparent, efficient and dynamic.

Music is an essential part of Canada's cultural fabric and 2011 was a year of growth for Re:Sound. We experienced an increase in new business and additional sources of revenue. In addition, we maximized efficiencies in our organization – particularly within our distribution processes and our IT systems. In 2011, Re:Sound made significant and positive contributions to the debate on copyright modernization in Canada and we took advantage of every opportunity to discuss and highlight the value to businesses across Canada of using recorded music.



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## What We Do

Re:Sound represents and safeguards the rights of artists and record companies and ensures that they are fairly compensated for the broadcast and public performance of their recorded music in Canada. We accomplish this by filing Tariffs pursuant to the Copyright Act before the Copyright Board of Canada on their behalf, contacting and granting licences to all Canadian broadcasters, music users and suppliers, as well as working with similar organisations around the world.

The Copyright Board of Canada certifies the tariffs to be paid by users of sound recordings in Canada. Re:Sound files tariffs for various types of users, including radio stations, pay audio services, satellite radio companies,

gyms, nightclubs and background music users such as restaurants, retail establishments, and hotels.

The income we generate is allocated and distributed to our members less only actual costs. Over 80% of collected income is distributed to our members.

The process of distributing income requires millions of micro-transactions annually. We receive data from various sources, then need to clean, match, research, correct and summarize it before being able to distribute royalty monies to our members. Royalties collected are distributed equally between artists and record companies.



# President's Message

music industry in Canada continue to grow, but there are real oppor-

tunities as well.

2011 was another year of strong revenue growth. Overall neighbouring tariffs are small, independent businesses. Similarly, the vast majority rights revenue grew by 19% from \$24.8 million in 2010 to \$29.6 million in 2011. Private copying revenues continued their decline (from \$4.8 performers and small record labels who invest their capital, talent and million in 2010 to \$3.2 million in 2011).

Re:Sound had proceedings before the Copyright Board, the Federal Court of Appeal and the Supreme Court of Canada in 2011. In July, the the licenses they need and ensuring that the rights holders get paid for Copyright Board's decision was released in our inaugural Dance Tariff. Also in July, the Copyright Board released its decision in Re:Sound's tar-sic is a huge part of peoples' lives, and brings real value to businesses iff covering CBC Radio, with an approximate 40% increase in the rate, as (including night clubs, retailers, restaurants, hotels, as well as radio and well as significantly improved music use reporting requirements. In December, the Supreme Court of Canada heard Re:Sound's appeal of the Federal Court of Appeal's decision denying performers and record companies royalties when their recorded music is used on TV and in films.

Building relationships is an enormously important part of what sic are fairly remunerated for the use of their work. Our whole manage-Re:Sound does. In 2011, we engaged in outreach activities in the music industry, both within Canada and internationally. We also met with survey, 95% of employees said they were proud or very proud to work MPs and government representatives to raise awareness of the role

The last year was an important year of growth, consolidation and that Re:Sound plays and to promote the value of recorded music. Perchange for the organisation. In 2011, we reached the mid-point of haps most important of all, 2011 was a year where we reached out to Re:Sound's first five year Strategic Plan. Much has been accomthe business community like never before, working with trade associaplished, and much lies ahead. The challenges faced by the recorded tions and thousands of individual businesses to educate, facilitate and

> Many of the businesses we license under our public performance of Re:Sound's rights holders are also small independent businesses: creativity and take on significant risk to bring their product to market. Re:Sound's role is to facilitate the relationships between these two groups - enabling the businesses that use recorded music to obtain the value of their recorded music. There is no doubt that recorded musatellite radio, etc.).

just great at what they do, but are also passionate about and proud of the role that Re:Sound plays in ensuring that creators of recorded muat Re:Sound. That speaks volumes.



RE'SOUND

85%
OF EMPLOYEES
WOULD RECOMMEND
RE:SOUND
TO A FRIEND AS

# **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.

# Establishing the Value of Recorded Music

Working on Behalf of Performers and Record Labels

One of Re:Sound's fundamental roles is to ensure performers and record labels are appropriately compensated for the commercial use of their work. Once it is determined that recorded music is widely used within an industry, we engage in research and analysis to determine the economic value of recorded music to that industry. Re:Sound then files a tariff with the Copyright Board of Canada to reflect that value and to ensure the creators of recorded music are fairly compensated.

The Copyright Board certifies the tariffs to be paid by users of sound recordings in Canada. Re:Sound files tariffs for various types of users, including radio stations, pay audio services, satellite radio companies, gyms, nightclubs and background music users such as restaurants, retail establishments, and hotels. Re:Sound makes representations before the Copyright Board in a process that includes open public hearings where interested parties have the opportunity to present their arguments and supporting evidence. As each tariff is certified by the Copyright Board, Re:Sound begins to collect revenues from that user group across Canada under the authority of Section 68.2(3)(b) of the Copyright Act.

2011 was an important year for Re:Sound as we worked to further establish the economic value of recorded music to businesses in Canada and continued advocating on behalf of our rightsholders.

#### Dance Tariff - Certification of Inaugural Rates

In July, the Copyright Board released its decision regarding Re:Sound Tariff 6.A – Use of Music to Accompany Dance. T6.A was first proposed in 2007, as part of a broader tariff, T6, which also includes use of music at fitness clubs. Over the course of the two-week hearing in April and May 2010, Re:Sound presented economic evidence to support its rate proposals with the help of expert witnesses.

T6.A applies to all establishments where recorded music is used to accompany dancing in venues such as night clubs, bars, restaurants,

halls, and others for the periods 2008-2012. It goes without saying that recorded music is an integral component of the business models of these establishments. This is Re:Sound's inaugural Dance Tariff and introduces a new and important stream of revenue for our members. Re:Sound started licensing establishments under T6.A in September 2011.

#### CBC Radio - Increased Rates

Also in July, the Copyright Board released its decision regarding the renewal of the CBC Radio Tariff for both Re:Sound and SOCAN (Tariff T1.C). At the hearing, Re:Sound had presented extensive evidence on CBC's increased use of recorded music, as well as the value of that recorded music to CBC. We were successful in obtaining an increase of approximately 40% to the annual amount paid by the CBC. We also worked directly with CBC on improving music use reporting requirements, which were reflected in the Copyright Board's decision. These improvements will greatly assist the efficient administration of the Tariff.

#### TV and Motion Pictures - Supreme Court Case

On December 7, 2011, the Supreme Court of Canada heard Re:Sound's appeal regarding the right to collect royalties on behalf of performers and record labels for the performance of sound recordings in television broadcasts and motion picture theatres by way of our proposed Tariffs 7 and 9.

Re:Sound argued before the Supreme Court that it is incongruous and unfair that composers receive royalties when their music is broadcast on TV or in films, while the artists who performed those recordings do not.

Re:Sound was very proud to represent artists and makers at the nation's highest court. The Supreme Court of Canada only grants leave to approximately 10% of applicants so this demonstrates the Court's interest in giving full hearing to the issue.

A judgement in this case is expected sometime in 2012.

#### The Copyright Board and Re:Sound's Tariffs

The Copyright Board of Canada is a federal economic regulatory body 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 labels are being fairly compensated for the public performance or communication to the public of their work. The following are the steps in the Copyright Board process:

- 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 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: 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 alternate proposals. The Copyright Board's rate and tariff determinations take into account all relevant factors, including the financial realities of the potential payors.
- **6.** Additional questions from the Copyright Board: After the hearing, the 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, applying 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 made its tariff application.

# **Building Relationships**

Working with Our Stakeholders on Behalf of our Rightsholders

An integral part of what Re:Sound does is outreach to stakeholders – including musicians and labels, the businesses that use recorded music, media, and government.

For musicians and labels, Re:Sound engages in outreach to ensure that they are aware of their rights and to make sure they are signed up to receive equitable remuneration. For businesses that use music, Re:Sound works with trade associations and individual businesses to educate them on the value music brings to business and on how the licensing regime works.

In 2011, we continued to participate in forums that allow us to reach out to the music industry, the business community, government, media, and the general public across Canada.

#### Canadian Music Database

In December, Re:Sound received significant funding from the Ontario Media Development Corporation (OMDC) to create the Canadian Music Database. Re:Sound is leading a partnership, including the Canadian Independent Music Association (CIMA) and Audio-Visual Licensing Agency (AVLA) to create a highly functional database of independent music created in Canada. This database will help promote Canadian talent and help ensure that Re:Sound has the absolute best available data for distributing royalties to Canadian independent musicians and labels.

#### Music Industry

Re:Sound wants to ensure that all eligible musicians and labels are aware of performance rights and understand how they work. To that end, in 2011, Re:Sound representatives again participated in major Canadian music events such as the Juno Awards, NXNE and Canadian Music Week. We also participated in M for Montreal, a three day industry showcase highlighting Montreal and Canadian music and in Oh So Beautiful, an Indie Urban Showcase.

Re:Sound also continued our practice of speaking to hundreds of students in music and music production classes to discuss with them the importance of performance royalties to an artist's or label's income stream.

#### International Outreach

Re:Sound is part of the international music community. We are always working to ensure that we are well-connected and well-informed on the international front, that Re:Sound's rightsholders are properly represented and that we are fully abreast of best practices from around the world. In 2011, Re:Sound representatives again participated in international conferences, including MIDEM and the International Federation of the Phonographic Industry (IFPI) PRC meetings.

#### The Business Community

We value our relationships with Canadian business. In addition to the thousands of telephone calls and mailings we make each year,



Re:Sound participates in and attends industry trade shows to forge relationships with the businesses we license.

In 2011, Re:Sound exhibited at the Canadian Restaurant and Food Association Show, the Hotel Association of Canada Conference and CanFitPro, the Canadian fitness industry conference. Re:Sound staff members also attended a number of industry-specific shows and conferences to build greater understanding among the businesses with whom we partner.

#### Government

In 2011, Re:Sound met with Members of Parliament and representatives from the Departments of Canadian Heritage and Industry to present Re:Sound's views on Canada's copyright laws. We also appeared before the House of Commons Committee on Bill C-11, the Copyright Modernization Act.

In addition, Re:Sound engaged in an outreach campaign to federal Members of Parliament, meeting with MPs from both the government and opposition to inform them of our mission, our role and our business. We also sent letters to every MP, detailing how Re:Sound works with businesses in their riding.

As a champion of fair compensation for musicians and labels, Re:Sound is also leading a campaign to update Canada's copyright laws to better reflect the contribution music creators make to the success of radio stations. Music makes up approximately 80% of program airtime for commercial radio in Canada and radio industry revenue has grown 7,000% over the past 15 years. Clearly, music is integral to the success of commercial radio and, yet, stations pay only \$100 to performers and labels on the first \$1.25 million they earn in ad revenues. Effectively, musicians and labels are subsidizing a highly successful commercial radio industry in Canada.

Re:Sound worked with the Canadian Independent Music Association (CIMA), the Canadian Council of Music Industry Associations (CC-MIA) and the Canadian Federation of Musicians (CFM), and through lobbying, advertising and editorial coverage, we were successful in raising significant awareness of this situation. We will continue to advocate on this issue to ensure fair and proper compensation for rightsholders.

#### Media

Re:Sound regularly works with the media to highlight the role recorded music plays in the success of small and large businesses and to further educate rightsholders, businesses and the general public about performance rights. In 2011, the following outlets featured stories about Re:Sound:

Canadian Musician Music Week Business News Network CTV National News CBC Radio Financial Post Ottawa Citizen Hill Times Bar & Beverage

# Working with Businesses Across Canada

New Business Continues to Grow

#### Commercial Radio

The Commercial Radio industry had a very successful year in 2011, with record profits. Re:Sound's revenues under our Commercial Radio Tariff (T1.A) rebounded from a decline in previous years and posted an increase of 6% in 2011. Our tariff covers the 642 commercial radio stations broadcasting in Canada.

#### Satellite Radio

The satellite radio landscape in Canada changed in 2011 with the merger of Sirius Canada and XM Canada, meaning there is now only one payor under Re:Sound's Satellite Radio Tariff (T4). Overall revenue under this tariff increased by 16% in 2011.

#### Pay Audio

Pay audio services are commercial-free digital music services offered through cable and digital television subscriptions. The providers of these services pay royalties to artists and record labels through Re:Sound's Pay Audio Services Tariff. In 2011, revenue from this tariff increased by 6%.

#### Public Performance

Re:Sound's Public Performance revenue grew by 33% in 2011 compared to 2010. We had expected even higher growth but our Live Events Tariff (T5) and our Fitness Tariff (T6.B) were not certified in 2011 by the Copyright Board as anticipated.

In 2011, our licensing team worked diligently to engage with businesses across Canada to help them understand the value of a

Re:Sound license and how music can contribute to their bottom line. Consequently, we experienced 68% growth in individual payors and a 9% increase in corporate payors. Crucially, 2011 saw a 35% increase in new payors.

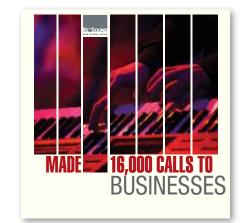
Collecting public performance revenues requires the licensing of many thousands of establishments for relatively small annual fees. These strong results reflect improvements we made in 2011 in our operations, inspections and auditing, as well as the introduction of our new Dance Tariff (T6.A).

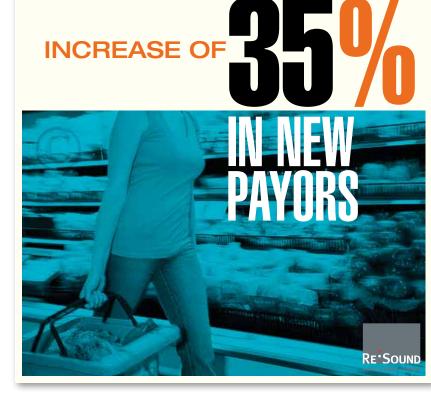
#### Background Music

We continued to collect under our Background Music Tariff (T3) for the use of background music in establishments including bars, restaurants and retail. To ensure continued growth and efficiency in collection under this tariff we pursued and finalized co-operative agreements in 2011 with a number of trade associations representing businesses subject to Tariff 3.

#### Music to Accompany Dance

The Copyright Board of Canada certified Tariff 6.A in July 2011 with first payment from businesses due on October 1, 2011. This tariff sets the royalty to be paid to Re:Sound for the benefit of recording artists and record companies for the public performance of sound recordings in establishments including, nightclubs, dance clubs, bars, restaurants, hotels, halls, clubs, schools, campuses and adult entertainment clubs, for the purposes of dancing or any similar activity. Our Licensing team did a remarkable job of reaching out to businesses in





a very short time frame and in 2011, we collected over \$400,000 under this new tariff. Extensive preparation by the Licensing team ensured a successful roll-out of this new tariff.

#### Preparation for New Tariffs

Over the last number of years Re:Sound has proposed further public performance tariffs that are awaiting certification from the Copyright Board. These tariffs include Tariff 5, which will apply to live events where recorded music is used (e.g. sporting events, wedding receptions, etc.)

and Tariff 6B, which will apply to all establishments where recorded music is used to accompany fitness activities (e.g. gyms, etc.).

In anticipation, we devoted time and resources in 2011 to prepare for the roll-out of these tariffs. This included implementing a new customer relationship management system, E9, which allows us to be fully integrated with our suppliers. We also introduced online reporting for music users, increasing efficiency for businesses licensed by Re:Sound.

In 2011, Re:Sound made strides towards even greater efficiency and accuracy in royalty distribution.

# Distributing Royalties

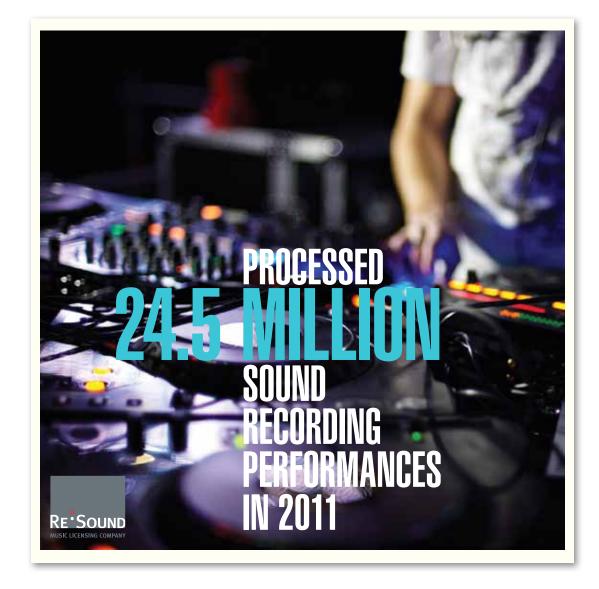
Maximizing Efficiencies and Accuracy

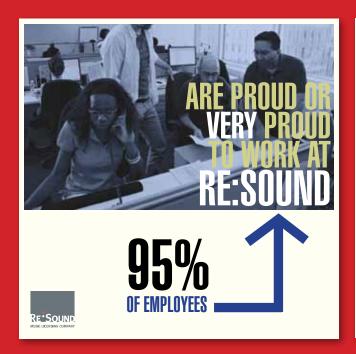
Our team of distribution professionals worked hard in 2011 to administer huge volumes of data, in order to ensure that the right performers and makers got paid the royalties to which they're entitled. Our team receives thousands of logs from music users and imports them into our data systems, matches tracks against our records, calculates the Value per Play (VPP) of each track, receives and reviews claims from our members and pays out royalties to our members.

In 2011, Re:Sound made strides towards even greater efficiency and accuracy in terms of royalty distribution.

- We moved our Performer members to a claims-based process through our Log Processing and Distribution System (LPDS). All current claims for both makers and performers are now processed through one system – LPDS.
- We successfully integrated 365-day reporting into the distribution process for our Commercial Radio Tariff, increasing the transparency and accuracy of our reporting to rightsholders. As we reported in the 2010 Annual Review, we will continue to advocate strongly for mandatory 365-day reporting from all radio stations.

- We completed an analysis of private copying distribution data for the years 2000-2005, resulting in increased royalty shares to performers and makers.
- The 2009 and 2010 CBC Radio log years were matched in 2011, completing a 4 year project to catch up on all CBC Radio log processing. This was a major achievement as it meant matching 8 years worth of data in only 4 years. We will be matching current CBC Radio logs as of 2012.
- We initiated a project to integrate historical Maker and Performer distribution data into LPDS. This means that all royalty distributions for past years will be tied to clear, supporting data. This project will vastly increase transparency and is another example of how Re:Sound is adopting best business practices to benefit our rightsholders.
- In 2011, Re:Sound also continued working with international performance rights organizations to establish bilateral agreements to ensure that Canadian rightsholders receive royalties when their music is used in other countries.









In 2011, Re:Sound conducted our first ever employee survey and we're very proud to say that we achieved 100% participation.

# Our People

Building a Great Place to Work

In 2011, Re:Sound continued the implementation of our 5-year Strategic Plan and the ongoing dedication to the Core Values of the organization: Fair; Performer and Maker Centred; Transparent; Efficient and; Dynamic.

Our Strategic Plan and our Core Values guide all that we do. One of Re:Sound's Strategic Goals is to be recognized internally and externally as a great place to work. For us this means being dynamic, energized and progressive. It also means having the best employee practices and developing long term employee commitment and loyalty.

- .• As a service company, employees make all the difference to Re:Sound so employee engagement is critical to our success. In 2011, Re:Sound conducted our first ever employee survey and we're very proud to say that we achieved 100% participation.
- We initiated a company-wide project that saw employees brainstorm tangible ideas that would contribute positively to Re:Sound. Some of the great ideas that came out of this initiative and that cross-departmental employee teams are working on will improve Re:Sound's online and social media presences, "green" our office, and augment our outreach efforts across the Canadian music industry.

- Our Reward and Recognition program acknowledges employees' commitment to Re:Sound's Core Values. In 2011, 11 "Hit Singles" and 3 Quarterly "Platinum Awards" were presented.
   We're also very proud that two Re:Sound "Junos" were awarded in 2011 to employees who demonstrated significant commitment to our Core Values.
- We continued our participation in internship and summer student programs by hiring high school co-op students through the Toronto District School Board, and interns and summer students through Durham College's Music Business Management program. In total, we welcomed 7 students in 2011.

#### Corporate Social Responsibility

- Re:Sound continued its association with Toronto's Daily Bread Food Bank and Re:Sound employees packed, chopped or sorted 6,705 pounds of food.
- In 2011, Re:Sound participated in fundraising efforts for the Unison Fund, created and administered for the music industry, by the music industry and designed to provide discreet relief to people in the Canadian music community in times of personal hardship and crisis.

# RE:SOUND EMPLOYEES PACKED, CHOPPED OR SORTED 6,705 POUNDS OF FORD AT TORONTO/O DAILY PRESE FORD BASIS



# In their own words



#### **Arlene Parker**

Arlene was awarded a Re:Sound "Juno" for her commitment to our Core Values of being Dynamic and Efficient. In 2011, Arlene found further efficiencies in how Re:Sound processes performer royalty claims, saving the organisation time and money.

With 13 years of service, Arlene describes the atmosphere at Re:Sound as friendly and points to the people with whom she works as a big reason for her commitment to the organisation. Re:Sound's mission of ensuring fair compensation for performers and labels is also important to Arlene. "I've always been a great proponent of the Canadian music industry," she says.



#### Elsie Mbuoben

When we were temporarily under-resourced in the Finance Department, Elsie stepped up to take on additional responsibilities and put in extended hours to get the job done. For her commitment to our Core Values of being Efficient and Dynamic, Elsie was awarded a 2011 Re:Sound "Juno".

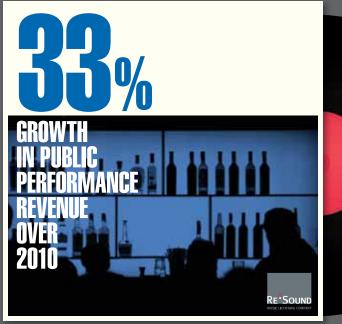
Elsie, who has been with Re:Sound for just over a year enjoys the flexibility and comfort of working here. She says she is inspired by the work Re:Sound does on behalf of rightsholders. "Some people aren't rewarded the way they should be," says Elsie of music creators. "Being part of compensating them is something I want to be a part of."

Of her Re:Sound "Juno", Elsie is quick to credit her colleagues. "Whatever my achievements, they're because other people here have done their job well."

# Financial Highlights

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# **Executive Management Team**

#### lan MacKay President

#### Arif Ahmad

Vice President and General Counsel

#### Michelle Baily

Director, Human Resources

#### Matthew Fortier

Director, Communications

#### Martin Gangnier

Director, Licensing

#### Otis Quinn

Director, Information Technology

#### Doris Tay

Director, Distribution

#### Clement Wong

Director, Finance and Administration















# **Board of Directors**

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

#### **Performer Member Representatives**

#### Brad Keenan

ACTRA Recording Artists' Collecting Society (RACS)

#### Len Lytwyn

Musicians' Rights Organization of Canada (MROC)

**Annie Morin (**Vice-Chair) Artisti

**Maker Member Representatives** 

#### Lyette Bouchard

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

#### Graham Henderson (Chair)

Audio-Video Licensing Agency (AVLA)

#### Stuart Johnston

Canadian Independent Music Association (CIMA)





