

Cultural Industries Fund

Introduction

The Alberta Cultural Industries Association created the Cultural Industries Guarantee Fund with funds from the Alberta Foundation for the Arts and Canadian Heritage. The plan was to provide guarantees to financial institutions for companies working in the cultural industries—book publishers, film/video producers, sound recording companies and magazine publishers. The Fund has been expanded to provide direct loans.

As outlined in ACIA's original agreement with Canadian Heritage, the objective of the Fund is to assist "cultural industries companies for the purpose of corporate development, which included, but is not restricted to, improvement of human and/or technological resources in order to achieve sustainable company growth and/or better fiscal performance. Expenses associated with such corporate development may include, for example, establishment, restructuring or expansion of production, marketing and/or distribution capacity, upgrading computer/network infrastructure, acquisition of strategic properties specific to a cultural industry, etc. The companies making application to the fund must demonstrate that the use of fund capital will result in improved corporate performance that is sustainable" after use of the Fund.

The Board of the Alberta Cultural Industries Association, which includes ex-officio representation from the Federal government, manages the revolving fund of approximately \$2 million. A Selection Committee of experienced individuals appointed by ACIA's member organizations and the Fund Manager review applications.

General Conditions

- The Fund can provide guarantees to financial institutions (not to exceed \$250,000) for corporate development loans or lines of credit for corporate operating, development and growth. If the lender is willing to lend more than the guaranteed amount, this can be considered by the Fund.
- The Fund can act as a direct lender to provide "micro-loans" (generally not to exceed \$25,000) for corporate development.
- The Fund will not take an equity position in companies applying to the Fund.
- All applicants must meet the general eligibility criteria, in addition to sector specific eligibility criteria.

- Applications by members in good standing of the Alberta Magazine Publishers Association, the Alberta Motion Picture Industries Association, the Alberta Recording Industry Association and the Book Publishers Association of Alberta will be reviewed with no administrative fee. Other eligible companies will be assessed a \$750.00 non-returnable, administrative review fee for each application.
- A Fund guarantee generally will be stepped down over the life of the guarantee agreement. The guarantee may not necessarily start at 100 percent of the loan.
- Meeting eligibility requirements does not mean a company will receive a guarantee or loan. Decisions will be made on the basis of the applicant's growth strategy, company viability and on the availability of funds.
- Micro loans shall not exceed three years in duration, and shall be offered at an interest rate of CIBC prime.
- Loan guarantees shall generally not exceed a duration of three years.

General Eligibility Criteria

Applicants must be:

- Registered businesses which are 51 percent beneficially owned by people domiciled in Alberta, and with effective managerial, creative and financial control by people domiciled in Alberta, and with their head offices in Alberta;
- At least 80 percent beneficially owned by Canadian citizens or landed immigrants, or fully owned and controlled by Canadian institutions or associations which are in turn at least 80 percent controlled by Canadian citizens or landed immigrants;
- Businesses that demonstrate that the production and/or distribution of film/video, sound recordings, books, periodicals is a major, not peripheral activity of their business;
- Businesses that demonstrate a reasonable expectation of profit;
- Businesses that demonstrate a commitment to the use and development of Alberta talent, personnel, goods, services and facilities;
- In the case of applications for guarantees, preference will be given to those businesses that can demonstrate interest from a financial institution, or an offer to finance contingent on approval of the Guarantee.

Sector Conditions

Book Publishers

- Publish original Canadian books¹ as a primary and not an occasional activity.
- Have been in operation for at least two years from the date of publication of the first title.
- Have at least four original Canadian titles in print, and has a publishing program that produces at least one new title per year.

¹ The UNESCO definition of a book shall apply.

- Have no more than 25 percent of titles in print written by principals, directors or employees of the firm.

Magazine Publishers

- Companies that publish magazines (namely publications that define themselves to the public as a magazine, or do not identify themselves as other than a magazine) of a consumer, cultural, social, economic or artistic nature. (Publications circulated exclusively to club memberships, or deemed to be house organs advertising catalogues, promotional publications or daily or weekly newspapers are ineligible.)
- Have for a period of 12 months prior to application established regular frequency of publication, and maintained accepted standards of editorial and production quality.
- Have a majority of contributors who are both paid and are persons other than principals of the company.
- Have editorial policy and decision making developed separately and without undue influence from advertising revenue considerations.
- Have identified their audiences and developed appropriate distribution strategies to reach their market.

Magazines must:

1. Have an advertising/editorial ratio averaged over a year of not exceeding 70/30.
2. Have an advertising/editorial relationship that adheres to the guidelines set by the Canadian Society of Magazine Editors.
3. Have a subscription price and must be available to the general public. In principle, a minimum of two issues should be published each year.

Sound Recording

Applicants for micro-loans must:

1. have been in operation (incorporated or unincorporated) for a minimum of two years.
2. have been directly involved in the production of a minimum of two sound recordings that each distributed and sold at least 1,000 albums or album equivalents.
3. The principal business owner(s) must include in their plan the intention to make this business their primary occupational activity.

Applicants for guarantees must:

In the case of a record company/label;

- have released a minimum of three albums of two separate artists in the previous two-year period.

- be principally involved in the development and/or licensing, acquisition and/or sale of sound recordings.
- The label must be involved in the marketing and promotion of sound recording projects.
- The company must have sold a minimum of 5,000 albums or album equivalents in the last two years through digital sales, mail order sales, off-stage sales, and through distribution to retail.

In the case of music publishers:

- The company must have participated in publishing on a national basis a minimum of four of the company's musical copyrights, by at least two individual song writers (one of which must be at arms length from the company) in the 18-month period immediately preceding the application.

In the case of recorded music production and/or management companies:

- The company has produced, or caused to be produced, a minimum of two separate albums by two separate artists, both of whom must be at arm's length from the company, in the two-year period immediately preceding application.
- The company must have caused these albums to be released, distributed and promoted.
- The above albums must have each sold a minimum of 2,000 albums, or album equivalents, in the last two years through digital sales, mail order sales, off-stage sales, and through distribution to retail.

In the case of recording studios:

- The company's facility must have recorded a minimum of two completed album projects in the previous three-year period by artists who are not principals of the company. These albums must also have received national distribution.²
- The company's facility must be able to operate as a turnkey facility, whereby third party producers, engineers, or artists can immediately access and perform in the facility.

² National distribution is defined as the ability to place product in retail either directly, or through a third party agreement, in a minimum of five nationally recognized retail trade accounts.

Film/Video Producers

- An independent producer shall
 - Show evidence of having completed at least 60 minutes of completed productions.

Or

- Have completed productions that qualify for a minimum of twenty five points from any combinations of productions weighted according to the following schedule:
 - Film or video productions in the province of Alberta in the last four years, including dramatic, entertainment, educational documentary instructional, motivational, music video or home video: for every five minutes of running time...2 points.
 - Television commercials or public service announcements produced in the province of Alberta in the last four years which have been broadcast or are acceptable for broadcast on commercial television: for each fifteen seconds of running time.... 2 points

Application Materials

Company Information

All applicants must submit:

- Legal and operating name (if different)
- Mailing address
- Ownership structure (name of parent company, if applicable); and
- Registration and signing authorities.

For micro-loans from the Fund, applicants must submit:

- A **brief** profile of the business, describing history, activities, and key personnel;
- The proposed use of the loan amount.
- The business purpose that will be facilitated by the loan
- A budget indicating the benefit to be derived from expending the loan proceeds, as well as the anticipated repayment timelines of the loan repayment.
- Financial statements for the last fiscal year
- Copies of promotional materials or company products may be included in support of the company's application.

For applications for guarantees from ACIA to a financial institution, applicants must submit:

- A profile of the company, including history, general goals and objectives, and number of projects completed, in development, and planned for the next fiscal year;
- A concise financial history of the company, which includes the most recent financial statement, recent volume of sales in dollars, usual overhead costs, wages, methods of funding, and present and planned arrangements for and and/or government financing;
- The nature of the company's sales and marketing arrangements, specifying all relevant percentages, salaries and discounts;
- A realistic forecast of the company's performance, including expected sales, profits and losses, expenses, and cash-flow forecasts over the term of the proposal.
- The company's future prospects, including possible expansion, changes in personnel, plans for development and acquisition of intellectual properties, sales and marketing strategies, and expected financial health;
- A profile of key personnel and their duties;
- A description of all related company business and affiliations; and
- An outline of the use to be made of the loan, line of credit or interim financing;
- In the case of interim financing, proof of the appropriate receivable.
- Copies of promotional materials or company products may be included in support of the company's application.

Applications should be sent to

Alberta Cultural Industries Association
Box 200
21-10405 Jasper Ave.
Edmonton, Alberta
T5J 3S2

For information call:
780-498-5536

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