

SUMMARY OF THE TRANSACTION

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Context

Since the advent of digital, the world of music and that of the visual arts and crafts are changing rapidly. Around the world, alliances are forming, societies are changing hands, and more and more important organizations are taking shape. In short, the management of copyrights does not escape the globalization of markets. So far, in Canada, reproduction rights and public performance rights have been managed by separate societies, but in the current context, rights managers believe that it is in the interest of their successors to unite their skills and to position themselves so as to be able to offer integrated and competitive services.

Objective

Ensure the sustainability of the collective management of reproduction rights; benefit from an increased bargaining power; counter the fragmentation of markets by having the possibility to issue licenses for all types of rights use; increase management efficiency by pooling databases and expertise; reduce operating costs and increase the income of the beneficiaries.

Proposal

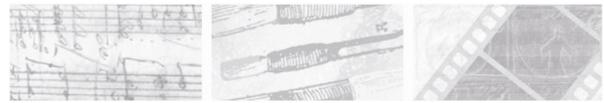
An acquisition of SODRAC's assets and liabilities by SOCAN with no monetary exchange taking effect on June 30, 2018.

Highlights of the transaction

A new, more flexible service offering: As part of the transaction, each SODRAC member will be presented with a new service offering jointly developed by SODRAC and SOCAN. It will be flexible and adapted to the new economy, and will offer each member the choice to entrust the management of all its reproduction rights or only the forms of exploitation that he does not wish to manage himself.

Same services, enhanced expertise: All services currently offered to members of SODRAC (Membership Services, Distribution, Licensing, etc.) will be matched with those of SOCAN, which will integrate the current staff of SODRAC in its Montreal offices. Thus, the expertise developed over more than 30 years by SODRAC which allowed it to ensure an effective collective management of all copyrights for creators in music and visual arts and crafts will be improved in the infrastructures of SOCAN.

Preservation of the defense fund: SODRAC has always fulfilled its mandate to represent and defend the rights of its members on all platforms and territories. In order to ensure the continuation of this crucial mission, which is at the very origin of its creation, SODRAC will distribute during its dissolution the remainder of its assets to the SPACQ Foundation (Société professionnelle des auteurs et compositeurs du Québec), a non-profit organization whose mandate is to defend and promote copyright to the legislature and the public.



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A transparent and seamless transfer: As part of the proposed transaction, SODRAC's and SOCAN's operations will be seamlessly aligned without any interruption or delay in services for licensing, collections or distributions. SOCAN will administer the rights and royalties of current members of SODRAC in accordance with SODRAC's existing rules until SODRAC's obligations to its members are exhausted, or when a SODRAC member chooses to have SOCAN directly represent his/her reproduction rights under the proposed new service offering, in which case its contract with SODRAC will be automatically and immediately terminated.

Added administrative value: In addition to the enhancement of all services, SODRAC's expertise will be maintained by the inclusion of an author, a composer and a publisher that are current members of SODRAC's Board of Directors to a new Reproduction Rights Committee to be established within SOCAN in accordance with the agreement reached between the parties.

Advantages

- One-stop shop for all rights;
- Simplification of reporting registration forms, licensing and distribution;
- An economy of scale;
- Increased bargaining power in music as well as in visual arts and crafts;
- A more efficient research and intelligence service; and
- A strengthened position for the defense of rights.

Steps of the transaction

All preliminary steps necessary for such a transaction have been the subject of negotiations and accounting and legal audits have been endorsed by the boards of directors of both companies. On May 16, 2018, SODRAC's Board of Directors ratified an act of sale of assets of SODRAC to SOCAN subject to the approval of its members at the Special Members' Meeting of June 12, 2018.

Approval

At the Special Members' Meeting of June 12, 2018, the Chair of SODRAC will present two resolutions: one concerning the approval of the project described above containing an amendment to the By-Laws and another proposing approval of the liquidation and the dissolution of SODRAC as well as the distribution of the remainder of its property. The members will have to approve these two resolutions for the agreement to become effective.