

Criteria for applying for and operating under the AP1 Agreement



When submitting an application to operate under the AP1 Agreement you will need to include the following:

- A completed standard application form
- A copy of last audited accounts
- A copy of the Certificate of Incorporation or Change of Name Certificate
- A completed Status Enquiry Request Form
- Distribution statements for the previous 12 months
- A single page overview of company background and future plans

The criteria on which the application is assessed are as follows:

Creditworthiness

If the financial status of the applicant is considered to be satisfactory then the AP1 Agreement will be granted without financial restrictions. However, if the financial status of the applicant is not considered to be satisfactory for immediate AP1 status then one or more of the following provisions may be applied:

Deposit against royalties

A deposit may be required to protect MCPS' members in respect of the royalty liability that accrues through accounting in arrears. The amount of the deposit is normally determined by assessing the royalties to be paid by the producer during the first 4 accounting periods and is then set at 50% of this sum. The deposit will normally be refunded (with interest) after 4 consecutive quarters' fully satisfactory accounting.

Direct Debit Scheme or 'pay as you go'

Monthly payment will be irrevocably made by direct debit in advance over the first 4 quarters, which will be reconciled against the quarterly AP1 invoice. The initial monthly payment will be set to cover the projected royalties for the forthcoming quarter. The direct debit scheme will normally come to an end after the completion of the first 4 quarters accounting but may be extended beyond this at the record producers request.

Accounting and Administration

The reporting of shipments (stock movements) to MCPS must be electronically in a format that meets MCPS' technical requirements. There are five available ways to do this:

- Using an MCPS designed Excel spreadsheet.
- The acquisition of a commercially available software package
- Creation of your own software program
- Use of an MCPS approved 3rd party agent to produce a Statement of Shipments
- Joint & Several Liability with an existing AP1 Agreement holder. It will be required that a side agreement be signed by which both parties accept joint and several liability for the label's debts.

MCPS have produced a booklet to explain these options and the AP1 accounting process in general. For more information on the above options or for technical specifications contact Royalty Operations on: Fax: 020 8378 7260 or Email: ap1quarterly@mcps.co.uk

For more details, see Overview of AP1 Accounting

Assessment Visit

An assessment visit will be carried out to discuss the requirements of AP1 and to examine the administrative arrangements for complying with the accounting procedure and record keeping.

Audit

If the company has not recently been audited, an audit check may be performed as part of the application process. It is required however that a full audit check is carried out within 12 months of the start of the Agreement.

Changing over to the AP1 Agreement

The Agreement is offered by the MCPS board, in writing, giving the commencement details and conditions applying including written acceptance of the terms and conditions of the AP1 Agreement.

In addition, the following must be adhered to:

Stock Check

A stock check must be carried out prior to the Agreement commencement date. This must be forwarded to MCPS Audio Products as soon as collated.

The quantities of stock for each item must be entered on the first Statement of Shipments (SOS) in the 'Prior Quarter Negative' column to prevent paying royalties twice on these units. This is the responsibility of the record producer as MCPS will not check the SOS for royalty paid shipments.

Copyright Control and Deposit Accounts

A condition of the AP1 Agreement is that bank accounts are set up and maintained for royalties due on Musical Works where the current copyright ownership is in dispute or is designated Copyright Control (ownership unidentified). Written confirmation of these accounts must be made with MCPS in advance of commencement date. When MCPS identifies that a Musical Work is in either category, the relevant royalty sum should be placed in the appropriate account until the dispute is resolved or the owner is identified.

Confirmation of Royalty Accounting Software or third party provision

Where you do not have a royalty accounting system we must have written confirmation that arrangements agreed with MCPS are in place in advance of commencement date.

Financial Requirements

Prior to commencement date any deposit, guarantees and mandates required must be paid and all outstanding AP2 and AP2A invoices must be paid.

Compliance with the AP1 Agreement

The AP1 Agreement is a valuable benefit that offers significant credit advantages. In return for this, it is expected that due attention is paid to the operation of the Agreement.

With the support of the BPI and AIM, MCPS requires that you fully comply with the terms and conditions of the AP1 Agreement at all times. We reserve the right to terminate your Agreement if you fail to do this.

Some examples of the grounds for termination are as follows:

- Failure to submit a full and comprehensive label copy, at least seven working days prior to release.
- Failure to submit the Statement of Shipments (SOS) by 21st day of the month following the quarter end.
- Failure to pay the quarterly AP1 invoice by 45th day following the quarter end.
- Failure to pay adjustment invoices within 7 working days.

The above are only examples for guidance and you must ensure that you fully comply with the AP1 agreement at all times. If you experience problems with the AP1 Agreement, please contact the Audio Products Business Team.

In cases of non-compliance MCPS has the ability to terminate the Agreement or require the producer to move back to an AP2 Agreement and comply with the requirements of this. The reinstatement of the agreement will be at MCPS' discretion and a new application will be required. A record company may request a review of MCPS' decisions by referring the matter to a joint committee comprising of MCPS representatives and record company representatives.