



THE CANADA NEW MEDIA FUND

2005 – 2006 (also applicable to 2006-2007)

Canada

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1 DEADLINE DATES

All applications, complete with the required documentation, must be submitted no later than 5 p.m. local time on the deadline date in the appropriate Office of Application. Refer to [Telefilm's website](#) for the deadline dates. There are no deadlines for Sectoral Awareness Assistance; applications are accepted on an ongoing basis.

1.1 APPLICATION PROCEDURE

Product Assistance and Online Distribution Assistance: Market Research and Prototyping, Product Development, and Marketing components application forms and Budget Templates are downloadable from [Telefilm Canada's website](#). The use of the appropriate Budget Template is mandatory.

1.1.1 Applications for Product Assistance or Online Distribution - Market Research and Prototyping stage

Applicants complete a one-step application consisting of a full application with all required documentation as identified in the application form. Decisions pertaining to Market research and Prototyping applications will be final at this step.

1.1.2 Applications for Product Assistance or Online Distribution - Product Development and Marketing

Applicants must apply in two steps.

- The first step consists of an Expression of Interest (EOI) ¹, as described in the application form. Successful Product Development and Marketing applicants at this step will be invited to submit a Full Application that will normally be due within four weeks of notification.
- The second step consists of a full application. These are accepted by invitation only, based on a pre-selection of successful applicants at the EOI step. Acceptance at the Expression of Interest step does not guarantee success at the Full Application step.

¹ Refer to [Telefilm's website](#) for how to apply with an Expression of Interest.

1.1.3 Applications for Sectoral Awareness Assistance

Applicants complete a one-step application to their regional office. Please consult with the New Media analyst in your region for application requirements¹. Decisions pertaining to Sectoral Awareness Assistance applications will be final at this step.

¹ See [Annex 4](#) - Telefilm Canada's offices

2 OFFICE OF APPLICATION

The Canada New Media Fund is delivered to clients from each of Telefilm Canada's four Canadian offices. Applicants should send the application form, duly completed with all required documentation, to the applicant's local Telefilm Canada office, to the attention of the analyst. Analysts are available to answer any questions regarding the application or the documents required.

Applications from the Western provinces and the Territories should be directed to Telefilm Canada's office in Vancouver; applications from Ontario and Nunavut should be sent to the Toronto office; the Montreal office covers Quebec applications; and the Atlantic provinces are served by Telefilm Canada's Halifax office. A list of addresses is provided in Annex 4.

Applicants should be guided by the following in determining to which office to apply:

- Most products are produced by one entity which has majority ownership of the creative, technical and financial aspects of a production, has developed the product and owns the majority of the copyright. In these cases, the applicant must apply to the office described above based on where the applicant entity's head office is located.
- Applicant companies with branch offices in more than one region applying to a Telefilm Canada office not serving the company's headquarters must demonstrate a commitment to build the applicant branch office as a self-sufficient and autonomous product development unit.

3 INTRODUCTION

3.1 GENERAL INFORMATION

The Department of Canadian Heritage has allocated \$14 million dollars for one year to the Canada New Media Fund (the “Fund”), administered by Telefilm Canada. The Fund is distributed between three components: Product Assistance, Online Distribution Assistance and Sectoral Assistance, which are divided on a linguistic basis, as described in Section 3.2, below.

3.2 SPIRIT AND INTENT

The spirit and intent of the Canada New Media Fund is to provide support for

- The market research and prototyping, product development and marketing of high-quality, original, interactive Canadian new media products in both official languages that are intended for the general public and are competitive in international markets;
- Online distribution of aggregated high-quality, original, interactive Canadian new media products in both official languages that are intended for the general public;
- Ensuring the visibility and presence of new media creators in both domestic and international markets; and
- Providing opportunities for professional development.

It is expected that Telefilm’s assistance provided through the Fund will result in increased access to Canadian cultural new media products for Canadian consumers and an increased profile and presence of Canadian cultural new media content on the Internet. The Fund will help build capacity in the industry by assisting in the creation of intellectual property in Canadian companies, and providing the conditions for increased business development at both domestic and international markets. Finally the Fund will support professional development leading to the renewal of a highly skilled pool of producing and creative talent.

Priority is accorded to competitive projects that can demonstrate a superior capacity to build Canadian audiences. To assist with evaluating the full market potential of projects submitted, Telefilm is developing a comprehensive approach to collecting market intelligence. Efforts include collecting statistical data, market research initiatives, and the implementation of an export database. Telefilm Canada also requires all successful applicants to provide audience reach statistics as defined below in section 4.1.6 – Reporting Requirements. The intelligence gathered will be shared with clients in future years to assist producers in identifying promising market trends and developing competitive products.

The Fund will strive to achieve its objectives through three Program Components: Product Assistance, Online Distribution Assistance and Sectoral Assistance.

Fund resources are allocated on a linguistic basis:

- 1/3 French-language and 2/3 English-language for Product Assistance:
- 50% French-language and 50% English-language for Online Distribution Assistance and Sectoral Assistance.

4 PROGRAM COMPONENTS

4.1 PRODUCT ASSISTANCE

This Fund component provides financial support for market research and prototyping, product development and marketing of Canadian cultural new media works in both official languages that are intended for the general public. Priority is given to new media products with significant market potential to reach Canadian consumers.

Support is provided to competitive original new media entertainment, games, education, edutainment, cultural and arts-related products destined for the general public and distributed via a digital network or platform such as the Internet or optical disk.

Products must be interactive and contain compelling multi-media content.

Products must be initiated by Canadian companies and/or Canadian organizations under Canadian ownership, which exercise creative and financial control from market research and prototyping through to product development and marketing. More detailed information on eligible applicants is provided in section 4.1.2.

4.1.1 Definition of Product Assistance Phases of Funding

Telefilm Canada's support in the **market research and prototyping** phase is provided for two different steps:

Market research for conceptualizing a new media product, including activities such as the creation of a feasibility study, a market assessment, product positioning by surveys and focus groups, creation of a product demo and creation of a preliminary marketing strategy.

Prototyping support is provided for the development of the creative and technical elements of the new media product and includes activities such as the creation of the design documents, preparation of a storyboard and/or final version of the script, the creation of a functional prototype, the drafting of a product proposal for business development and financing purposes.

Telefilm Canada's **Product Development** support is provided for the development of a final, market-ready version of the product, including localization of the product.

Telefilm Canada's support in the **Marketing** phase is provided for activities such as the creation of national and international marketing campaigns, design costs, creation and market-testing of advertising, Internet sites, promotion and publicity for launches or in international trade publications; localization of the product; and marketing-specific initiatives.

4.1.2 Eligible Applicants

All Canadian companies actively involved in developing new media content that meet the following eligibility criteria are eligible:

1. Must be from the private sector;
2. Must be Canadian-owned and controlled companies within the meaning of the *Investment Canada Act*;
3. Have a head office based in Canada and the company's activities should take place in Canada;
4. Able to demonstrate that they, or another otherwise Eligible Applicant, have initiated the project and;
5. Able to demonstrate that they exercise creative and financial control from market research and prototyping through product development, marketing and revenue reporting.
6. The eligible applicant company (or eligible companies involved in private sector co-productions) must own 100% of the copyright of the product that is the subject of the application. In the case of co-productions with Canadian public agencies accepted by Telefilm, the co-producing companies must own 100% of the copyright of the product, but the eligible applicant must own a majority of the copyright. In the case of international co-productions, copyright ownership will be determined in accordance with the rules and regulations of the co-production treaties.

Telefilm may also choose to look at the financial stability of the applicant (with appropriate exceptions for new companies) in determining eligibility.

Telefilm invites applications from all eligible Canadian new media companies. However, in keeping with the emerging nature of the new media sector, and to ensure that small and medium-sized Canadian companies¹ are competitive in the existing media environment, 75% of funds are reserved for SME's.

Partnerships with not-for-profit centers of expertise, public agencies or public institutions may be allowed in a proposed product (without these being the applicant). In this event, the Applicant must provide Telefilm Canada with a copy of any agreement concerning the partnership in the product, demonstrating the applicant's majority ownership and creative and financial control from market research to revenue reporting of the project, upon submission of the application.

4.1.2.1 Additional eligibility requirements for applicant proposing to develop convergent products

To avoid any semblance of fee-for-service work in the development of convergent products supported by the Fund, companies applying for financing assistance for a convergent web product linked to a television show and/or feature film whose primary business is not new media product development must correspond to at least one of the eligible applicant definitions below:

¹ See [Annex 1](#) - Definitions

- A television or feature film production company that intends to develop the proposed product using its own in-house new media product development team or its own subsidiary new media production company with the human, technical and financial capability to produce new media products.
- A television and/or feature film production company that has entered into a co-production agreement with a new media production company for the proposed project.
- A new media production company that proposes to develop a new media product using a license acquired from a television and/or feature film production company.

The following types of applicants *will not* be eligible for support:

- Applicant(s) who own less than a 100% interest in the copyright, except for co-productions with Canadian public agencies accepted by Telefilm (in which case the applicant must own a majority of the copyright) and international co-productions;
- Applicants who do not exercise creative and financial control from market research and prototyping through product development and marketing (“fee for service” arrangements).
- Applicants who do not actively develop New Media products.

4.1.3 Eligible Products

Products must meet the following criteria:

Telefilm Canada may provide financial assistance for the market research and prototyping, product development, and marketing of products defined as:

- Interactive entertainment or educational products such as games, edutainment, cultural and arts-related products destined for the general public;
- Containing a variety of compelling multi-media digital content.
- Distributed in a digital format through:
 - Off-line media such as CD-ROM or DVD-ROM;
 - The Internet;
 - A wireless network;
 - An interactive television broadcast;
 - A computer in a multi-media installation;
- Providing the user with an interactive, immersive experience occurring between the user and software or the user and other users as enabled by software, which allows them to play, learn or otherwise be entertained.
- Must have not less than 75 per cent of the total of all project expenditures on Canadian elements.

In general, the following types of products *will not* be eligible for support:

- Products with a specific corporate, industrial or mainly promotional focus;
- Products primarily intended for an interest group;

- Curriculum-based products;
- Games primarily intended for the video-arcade market;
- Products that are primarily linear streamed content (such as music, video, or DVD-video);
- Catalogues or compilations of repurposed material, presented without benefit of new, value adding original content;
- Application software and system software;
- Products with visibly foreign subjects, themes or concerns;
- Projects which disguise their Canadian locations except in cases where it is integral to the telling of a Canadian story;

Furthermore, Telefilm will refuse to provide support to new media products containing elements of excessive violence, sexual violence, or sexual exploitation or elements which are obscene, indecent or child pornography within the meaning of the Criminal Code (as amended from time to time), or libelous or in any other way unlawful.

4.1.3.1 Additional eligibility criteria for convergent products:

For new media projects coupled with a television program, any application to the Canada New Media Fund must demonstrate broadcaster involvement. Applications for the market research/prototyping phases must include a broadcaster letter of interest for the allied program. For the product development and/or marketing phases, applications must include a broadcast license agreement. For all phases, applications must provide separate television program and new media product budgets.

Applicants are reminded, as per section 4.1.2 above, that convergent projects that are owned by the producer are eligible, but projects that appear to be service work produced for a fee, or in which the applicant(s) owns less than 100% of the copyright (subject to the previously noted exceptions), are not eligible.

In order to assure the best conditions for reaching the Canadian public, Telefilm Canada will give priority to convergent web sites that benefit from significant broadcast license fees and promotional support, as shown by the marketing plan, as well as products benefiting from substantial broadcaster financial, technical and promotional support.

Telefilm Canada requires that producers of convergent projects, wishing to launch and operate an autonomous web site (with its own URL and commercial brand) must present a separate business and marketing plan for the project that is distinct from its current operations, and commit sufficient financial and human resources to operate an autonomous commercial entity.

4.1.4 Eligible costs

Generally, the following criteria regarding eligibility of certain budgeted costs will be applicable:

- 75% of eligible expenses must be incurred in Canada

- Expenses incurred and/or paid previous to submission of the application are normally not eligible;
- Each of producer fees and overhead may not exceed 10% of B+C sections of the budget;
- Rights acquisition costs cannot include payment to a related party or co-production partner.

A fully itemized budget using the appropriate Telefilm Canada New Media budget template is required with each application. All related party and capital expenditures must be established in accordance with generally accepted accounting principles and the Canadian Television Fund and Telefilm Canada accounting and reporting requirements, and disclosed to Telefilm Canada by means of the schedules included in the budget templates. Telefilm Canada generally requires that it be named as party to completion guarantees. Product development must be protected by all industry standard insurance policies.

4.1.5 Selection Criteria

Applications are submitted to Telefilm Canada's local offices. The local office determines the eligibility of the applicant and project, including compliance with standard business practices and recoupment policy.

The weight of the evaluation criteria applied to projects depends on the size of the financing request being submitted by the applicant. The higher the level of financing being sought, the more the product will be expected to have a significant consumer reach.

As an investor, Telefilm negotiates its level of financial participation, which varies from project to project and may be less than requested.

4.1.5.1 Decision-Making Process

The goal of the decision-making process is to identify the projects with the greatest potential to succeed with Canadian consumers.

Applications are initially prioritized among projects from across each region within a comparative process. Projects requesting a significant financial commitment will be presented nationally to ensure that the best projects from across the country can proceed.

Each office of Telefilm, while continuing to place emphasis on the consumer reach potential of a product will seek to enhance the portfolio of products in which Telefilm invests and, in so doing, will use its resources to encourage the development of promising projects from diverse and emerging creators.

4.1.5.2 Evaluation Criteria

The Evaluation Grid¹ contains the criteria that Telefilm uses in making its decisions. It is a transparent basis of evaluation and should be used by applicants as a guide to assist in their preparation of application packages that will have the best chance of success in an over-subscribed and therefore competitive environment.

Regardless of the product development stage or the application stage (EOI or Full Application), Telefilm Canada will prioritise projects that demonstrate that appropriate thought and analysis have been given to the questions of product concept and marketing. Depending on the product development stage of the project, the producer must show that the projected potential demand of the project is substantiated by compelling arguments and information.

For all applications, the evaluation will focus on both the product concept and the marketing components (as described below).

The main product selection criteria are:

Canadian Cultural Content – 20 %

- Production team & creative talent;
- Subjects, themes, concerns;
- Cultural diversity of subject matter and content.

Concept – 40 %

- Management experience, talent and technical know-how of the production team;
- Quality of proposed content, as shown by originality, importance and interest of subject matter and technological considerations.

Marketing – 40%

- Potential to reach target audience, as shown by market research, marketing plan and producer's or marketing partner's past sales performance
- Business Plan, demonstrating a viable revenue model, sufficiency and realism of the budget, and market interest.

For a more detailed description of the selection criteria, see the evaluation grid in [Annex 2](#).

Telefilm Canada may carry out the evaluation with the help of specialized external analysts. External analysts are subject to Telefilm's Policy Regarding Outside Readers, which guards against use of privileged information.

4.1.6 Terms of Participation

For Product Assistance, Telefilm Canada will provide financial assistance in the form of conditionally repayable advances.

¹ See [Annex 2](#)

Financing will be advanced in instalments as arranged between Telefilm Canada and the applicant. Consideration to receive additional funds will be tied to reporting requirements from applicants as key milestones and deliverables are achieved. Telefilm Canada may, among other things, withhold payment of instalments if the applicant is not in compliance with provisions outlined in the agreement.

Maximum level of participation

As a general guide, Telefilm Canada's participation normally does not exceed the lesser of 50% of the approved budget for the relevant phase, or:

- \$100,000 in market research and prototyping;
- \$250,000 in product development; and
- \$200,000 in marketing.

For *market research and prototyping* support, contributions may not normally exceed the lesser of 50% of the budget or \$100,000;

For combined *market research/prototyping and product development* support, contributions may normally not exceed the lesser of 50% of the aggregated market research/prototyping and product development budget or \$350,000;

For combined product development and marketing support, contributions may normally not exceed the lesser of 50% of the aggregated product development and marketing budget or \$450,000;

For combined *market research/prototyping, product development, and marketing* support, contributions may normally not exceed the lesser of 50% of the aggregated market research and prototyping, development and marketing budget or \$550,000.

To keep pace with the evolution of new media production, Telefilm may work with applicants on a case-by-case basis to best determine product phases and may consider proposals which encompass all phases of a product: market research and prototyping, product development and marketing. Telefilm Canada may contract for more than one phase at the same time.

Telefilm Canada's participation in one phase does not guarantee its participation in future phases of a product. Financial support is cumulative while each phase of financing is discreet. Financing provided to one phase of a project may not be transferred to another phase.

As a recoupable source of financing, Telefilm negotiates its participation, which varies from product to product. In an environment of over-subscription, Telefilm may offer to participate at an amount less than requested. In determining when and to what degree this kind of offer is made, Telefilm will ensure that the level of participation does not further compromise already fragile production companies.

4.1.7 Terms of Repayment

For Market Research and Prototyping Advances

Contributions are generally repaid upon commencement of product development or upon the transfer, sale, reversion of rights, assignment or other disposition of the development material.

In cases where Telefilm's contribution to product development is significant (i.e.: typically in excess of \$50,000) and the producer is able to demonstrate the need to delay full repayment of Market research and prototyping due to cash-flow constraints, Telefilm may allow a portion of its participation be repayable from revenues. In such cases, Telefilm will insist that the repayment of its market Research and Prototyping participation be treated more favorably within the recoupment schedule than its participation in other phases of project financing.

For Product Development and Marketing Advances

Telefilm Canada will recover its advances as a percentage of the Gross Revenues¹ received or receivable by the applicant (defined as the Producer or the Online operator²) from the exploitation of the product commensurate with the level of Telefilm Canada's participation in the Total Financing³ of the product. However, in order to reflect market conditions and to offset some of the ongoing expenses associated with distribution and marketing of the product and online operations, Telefilm Canada will consider negotiating its rate of recoupment.

These terms and conditions will be reviewed annually with close attention paid to market evolution and the varying of types of products created. The Guidelines could be changed to reflect those changes.

Terms of Repayment for 2006-2007 (subject to annual review)

Telefilm will recoup as follows:

- For **offline** products (*CD/DVD-ROM, multi-media installation or other*)
Telefilm Canada will receive from the Producer a percentage of Gross Revenues equal to 75% of its percentage in the Total Financing of the product.

- For **online** products (*Internet, wireless, iTV or other*)
Telefilm Canada will receive from the Producer a percentage of Gross Revenues equal to 50% of its percentage in the Total Financing of the product.

- For projects that involve a **third party publisher or distributor, or web operator**, Telefilm Canada will receive from the Producer a percentage of Gross Revenues equal to 100% of its percentage in the Total Financing of the product. Telefilm will only recognize as distributors those companies that assume risk for cash licenses, promotional costs, versioning and localization and for a Webmaster, as appropriate, in addition to assuming costs related to web hosting and bandwidth.

¹ See [Annex 1](#) - Definitions

² same

³ same

Since financing structures, distribution arrangements, marketability and most other elements of products vary considerably from product to product, Telefilm may consider different deals on a case by case basis.

All distribution agreements entered into by the Producer shall be subject to the review and approval of Telefilm.

No other financial contributor to the Production may preferentially recoup its contribution ahead of Telefilm. Telefilm will recoup its advances no less favourably than pro rata and pari passu with all other financial contributions (except as noted above).

Telefilm Canada revenue recoupment shall be from all Worldwide Gross Revenues starting from first dollar. Although a Producer may sell worldwide distribution rights in return for an advance or minimum guarantee to be included in the project's financial structure, the advance or guarantee may not recoup ahead of Telefilm Canada's advance.

Incentive for Bilingualism

To encourage the development of products in both official languages, 10% of the advance will not have to be repaid if a product is developed in both English and French or is translated into the second official language.

Profit Participation

After complete repayment of Telefilm Canada's advance in both offline and online products, Telefilm Canada will receive a percentage of Gross Revenues equal to 25% of its percentage in the Total Financing of the product, on a continuing basis, to a maximum of 20% of the amount financed by Telefilm. Telefilm will not include its financial participation in market research and prototyping in the calculation of its percentage of the Total Financing.

Reporting requirements

In order to allow Telefilm Canada to assess the appropriateness of the "Gross Revenues" model as a basis for establishing repayment terms, Telefilm Canada will require that recipients of Canada New Media Fund advances at the product development and marketing stages report to Telefilm in a delayed fashion all their revenue sources, fees and commissions and distribution expenses paid in accordance with the distribution agreements in place.

The producer or distributor will provide Telefilm Canada with a complete financial report on all aspects of the distribution of the product, including copies of such distributors' reports twice each year for the first three years following the completion of product development and annually thereafter. For offline products, these reports must include a complete and detailed report on the number of units sold.

For online projects, applicants will be required to allow their website or web content to be implanted with a dynamic audience measurement system using individual page markers and compiling data on a server independent of the host server. Telefilm will have sole authority to identify the audience tracking service to be used and will be responsible for costs associated with the use of the system. Telefilm will also have independent access to the complete audience data compiled with respect to the applicant's website or web content.

4.2 ONLINE DISTRIBUTION ASSISTANCE

This component provides financial support for the creation or enhancement of distribution channels and initiatives that increase the profile and presence of already existing Canadian cultural new media works.

Telefilm Canada may provide financial assistance to new media distribution initiatives that aggregate already existing Canadian cultural new media content to increase its profile, presence and market on the Internet. This could include joint distribution initiatives such as portals or the online distribution of a portfolio of new media content by an individual company or consortium.

4.2.1 Eligible Applicants

All Canadian companies actively involved in new media content distribution that meet the following eligibility criteria are eligible:

1. Must be from the private sector;
2. Must be Canadian-owned and controlled companies within the meaning of the *Investment Canada Act*;
3. Have a head office based in Canada and the company's activities should take place in Canada;
4. Possess experience in developing online distribution channels for new media content that will benefit the entire sector, and ability to distribute content and reach Canadians online in both official languages;
5. The eligible applicant company (or eligible companies involved in private sector co-productions) must own 100% of the copyright of the product that is the subject of the application. In the case of co-productions with Canadian public agencies accepted by Telefilm, the co-producing companies must own 100% of the copyright of the product, but the eligible applicant must own a majority of the copyright. In the case of international co-productions, copyright ownership will be determined in accordance with the rules and regulations of the co-production treaties.

Telefilm may choose to look at the financial stability of the applicant (with appropriate exceptions for new companies) in determining eligibility.

Telefilm Canada may also choose to fund online distribution projects in stages, depending on the level of development of the project.

4.2.2 Eligible Projects

Telefilm Canada may provide financial assistance for projects that could include any of the following distribution-related activities:

- Design, hosting, maintenance and updating expenses (for a specific period of time, to be determined);
- Creation of marketing campaigns;
- Special marketing initiatives or publications;
- Versioning and localization.

4.2.3 Eligible costs

Generally, the following criteria regarding eligibility of certain budgeted costs will be applicable:

- 75% of eligible costs must be incurred in Canada.
- Expenses incurred and/or paid previous to submission of the application are normally not eligible;
- Each of producer fees and overhead may not exceed 10% of B+C sections of the budget;
- Rights acquisition costs cannot include payment to a related party or co-production partner.

A fully itemized budget using the appropriate Telefilm Canada New Media budget template is required with each application. All related party and capital expenditures must be established in accordance with generally accepted accounting principles and the Canadian Television Fund and Telefilm Canada accounting and reporting requirements, and disclosed to Telefilm Canada by means of the schedules included in the budget templates. Telefilm Canada generally requires that it be named as party to completion guarantees. Product development must be protected by all industry standard insurance policies.

4.2.4 Selection Criteria

The Evaluation Grid contains the criteria that Telefilm uses in making its decisions. It is a transparent basis of evaluation and should be used by applicants as a guide to assist in their preparation of application packages that will have the best chance of success in an over-subscribed and therefore competitive environment. This Grid will be adapted to consider those criteria applicable to distribution.

The main project selection criteria are the same as those identified under Product Assistance (refer to [section 4.1.3](#) for details).

4.2.5 Terms of Participation

Telefilm Canada may provide financial assistance of up to 50% of the final approved costs of the distribution initiative in the form of conditionally repayable advances. While there is no dollar cap on Telefilm Canada's participation, the amount is determined based on the level of funds available.

4.2.6 Terms of Repayment

The Terms of Repayment are the same as those identified under Product Assistance (refer to [section 4.1.6](#) for details).

4.3 SECTORAL ASSISTANCE

Sectoral Assistance enables Telefilm Canada to participate, by means of non repayable advances, in a number of activities and initiatives that contribute to the industrial and professional development of the new media industry in all regions of Canada.

As well, Telefilm uses Funds from this component to provide Canadian and international market support to the new media industry through Telefilm Canada's services at such events. (See [section 4.4](#) below).

4.3.1 Eligible Applicants

All Canadian companies actively involved in new media content development and distribution as well as professional associations, training schools and festivals that meet the following eligibility criteria are eligible:

1. Must be from the private sector;
2. Must be Canadian-owned and controlled companies within the meaning of the *Investment Canada Act*;
3. Have a head office based in Canada and the company's activities should take place in Canada;
4. Able to demonstrate the required expertise to successfully complete the initiative.

Telefilm may also choose to look at the financial stability of the applicant (with appropriate exceptions for new companies) in determining eligibility.

4.3.2 Eligible Projects

Telefilm Canada may support initiatives that promote capacity building within the new media industry such as:

- Training programs offered by schools or centers of expertise;
- Professional development (e.g. workshops, speaker series, etc.)
 - for producers and business agents (focused on understanding audiences, marketing and sales,
 - for content creators;
- Immersion initiatives for individuals or developing companies;
- Support to Canadian festivals whose main focus is new media or which include an important component dedicated to new media that is recognized by the new media industry, for the promotion of featured Canadian new media products;
- Operating costs of new media producer professional associations.

Proposed activities must be national in scope and open to all Canadians and/or Canadian new media companies.

4.3.3 Eligible costs

Only expenses incurred in Canada are eligible for financing assistance. Expenses incurred and/or paid previous to submission of the application for financing are not normally eligible.

4.3.4 Selection Criteria

Telefilm Canada will prioritize initiatives that actively contribute to the professional and economic development of the Canadian new media industry. Priority will be given to those projects that contribute to the development and understanding of Canadian audiences. Applicants to the Fund must, wherever possible, facilitate participation in both English and French.

The following criteria are those that Telefilm Canada uses in making its decisions. Applicants should use these criteria as a guide to assist in their preparation of application packages that will have the best chance of success in an over-subscribed and therefore competitive environment.

The main selection criteria are:

- Experience, management expertise and relevant skills of the applicant;
- Demonstrated capacity to promote audience understanding (for training and professional development initiatives)
- Overall quality of proposed training or professional development
- Demonstrated ability to build Canadian audiences for Canadian products (ie: for Canadian festivals and showcasing events)
- Overall quality of proposed promotional campaign (for festivals)
- A demonstrated need for capital.

4.3.5 Terms of Participation

Telefilm Canada's participation will be in the form of a non repayable advance not to exceed 50% of the final approved costs. The amount of funding awarded will be determined based on the level of funding available.

4.4 TELEFILM CANADA'S PRESENCE AT NATIONAL AND INTERNATIONAL MARKETS

To encourage the Canadian new media industry to be competitive in national and international markets and to facilitate partnerships, new media companies can benefit from Telefilm Canada's logistical and promotional services provided at E³ in Los Angeles.

Companies are invited to share Telefilm Canada's "umbrella stand" at E³, where Telefilm Canada provides a full range of client services: hosting, promotion, logistics, organization of events and meetings, and participation in conferences and talks with foreign delegations and associations. Participating companies will be asked to offset some of the costs of the "umbrella stand".

Further information and a current list of markets that Telefilm Canada attends can be obtained by contacting our Festivals and Markets Bureau (see [Annex 4](#) for a complete list of contact information).

ANNEX 1 – DEFINITIONS

1) **Small-and-medium sized companies (SMEs)**

- Have gross annual consolidated (including related companies) revenues of less than \$25 million averaged over the past three years; and
- Are not related to any company that exceeds the above threshold.

Generally, two companies are related when the reported financial information of one is to be consolidated (full consolidation or equity method) with the audited reported financial information of the other. Telefilm Canada will use the *Handbook of the Canadian Institute of Chartered Accountants* as a guide in determining when two companies are related.

- 2) **Gross Revenues** are defined as all the revenues and other considerations, from all forms of exploitation of the product, received or receivable by the applicant or one of its related companies for its benefit or that of others, before fees, commissions and deductible costs. *(This definition will be expanded upon in the Telefilm Advance Agreement).*
- 3) **Offline Publisher** is defined as a company that duplicates a CD-ROM, DVD-ROM, console disc or other digital format device, packages it and markets it under its own trademark.
- 4) **Online Operator** is defined as a company that operates a site on the Internet or other online service for the purpose of providing online content.
- 5) **Total Financing** is defined as the combined financing received for all phases in the creation and exploitation of the product (market research and prototyping, development and marketing), indeterminate of which phases Telefilm Canada has participated. The level of Telefilm Canada's participation in the Total Financing of the product as well as its recoupment percentage will be established upon submission of each phase's budget and financial structure and agreed upon in the contractual agreement between the applicant and Telefilm Canada.
- 6) **Dynamic Audience Measuring System** is defined as software that collects user-side audience metrics data. Measurement information is collected through a page embedding technology. The company exploiting the software acts as a central collector of user data from measured sites and makes it available to Telefilm.

ANNEX 2 – EVALUATION GRID

CANADA NEW MEDIA FUND PRODUCT ASSISTANCE AND ONLINE DISTRIBUTION ASSISTANCE EVALUATION GRID	
CANADIAN CULTURAL CONTENT	Total Score: 0 /20
<ul style="list-style-type: none"> a) Production team & creative talent b) Subjects, themes, concerns c) Cultural diversity of subject matter and content 	
CONCEPT	Total Score: 0 /40
1. Production team:	Score: /15
<ul style="list-style-type: none"> a) Previous experience and achievements of producer/project manager b) Talent and know-how of design/production team c) Technical team experience d) Experience of the management team f) Applicant's financial stability 	
2. Content/Quality of proposal:	Score: /25
<ul style="list-style-type: none"> a) Originality, importance and interest of subject b) Organization of product content, project plan, functional and creative design specification, usability review, site map and interface guide, etc. c) Innovation and scope of features d) Quality of the prototype e) Feasibility study f) Interface, navigation and ergonomics g) User interactivity and control h) Architecture and programming 	
MARKETING:	Total Score: 0 /40
1. Potential to reach target audience:	Score: /25
<ul style="list-style-type: none"> a) Market research and strategic planning b) Marketing plan, including promotion c) Ability of confirmed marketing partnerships to deliver audiences d) Producer's or marketing partner's past sales performance e) Level of demonstrated market interest (advances, pre-sales, licences, etc.) f) Ratio of potential audience or users per dollar invested by Telefilm as shown by above. 	
2. Business Plan	Score: /15
<ul style="list-style-type: none"> a) Quality of working hypothesis (including revenue models and potential for revenue generation) b) Sufficiency and realism of the production budget c) Sufficiency and realism of the marketing budget d) Producer's investment and funding from private sources 	
TOTAL:	Total Score: 0 /100

ANNEX 3 – GENERAL PRINCIPLES RELATING TO CONTRACTS

While contracts will reflect Telefilm Canada's formal requirements, the following principles generally reflect the concerns of the Corporation.

CONTRACT BETWEEN TELEFILM CANADA AND APPLICANT

The contract governing the financial participation of Telefilm Canada for each product or activity will be that provided by Telefilm Canada. It will describe the product, with particular reference to financing, and stipulate the terms and conditions under which assistance is to be provided and recouped, if applicable.

PROVISIONS OF DOCUMENTATION

It is each applicant's responsibility to ensure at all times that Telefilm Canada is in receipt of all documentation relevant to its application, and to update such documentation and information after material change. Telefilm Canada may request other documentation and information as required in order to conduct an assessment and evaluation of the product, and once assessed, as might be necessary to complete Telefilm Canada's review, or as related to the provision of financing for the applicable activity.

ACCOUNTING

The company shall maintain in Canada full and proper books of account relating to all aspects of the production and distribution of the product, in accordance with generally accepted accounting principles and the Canadian Television Fund and Telefilm Canada accounting and reporting requirements.

COPIES OF THE PRODUCT

Three copies of the final version must be delivered to Telefilm Canada upon completion. Three copies of the final version must also be delivered to the National Archives of Canada.

COPYRIGHT OWNERSHIP

Under no circumstances may the copyright for a Canadian product that benefits from assistance from Telefilm Canada be assigned in whole or part to a non-Canadian or to a company controlled by non-Canadians. Each applicant must agree to observe this requirement at all times and ensure that his or her partners respect it, or repay at once and in full all sums received from Telefilm Canada.

AUDIT

The accounts and records of any company receiving assistance from Telefilm Canada are subject to audit. Audit reports are subject to an official request made to Telefilm Canada pursuant to the federal *Access to Information Act*. Applicants should take note that the issuance of the final drawdown payment by Telefilm Canada shall not be construed as a final acceptance of the final cost report or final certified activity cost statement, and Telefilm Canada shall remain entitled to exercise its audit rights and all other rights under the contract with Telefilm Canada.

ACCESS TO INFORMATION

All Telefilm Canada contracts, correspondence, communications and any other documents related to a new media application are subject to an official request made to Telefilm Canada pursuant to the federal *Access to Information Act*.

FAILURE TO COMPLY

If an applicant fails to comply with these guidelines or any provision of an agreement entered into by Telefilm Canada and the applicant, as determined by Telefilm Canada, then Telefilm Canada may refuse the application, revoke the eligibility status of the applicant and may demand repayment of any sums advanced to the applicant.

DEFAULT SITUATION

Telefilm Canada requires that companies receiving assistance respect their contractual commitments fully and at all times. In any event of default, Telefilm Canada may impose sanctions including the following: charge interest as of the default date; withhold any payment due to the company, reduce its funding; terminate the agreement; appoint a receiver and a manager of the production; and suspend or revoke the company's or group of companies' eligibility for assistance from all Telefilm Canada programs.

MISREPRESENTATION

Any applicant that, at any time, provides false information or omits to provide material information in or in connection with an application may suffer serious consequences. These may include:

- The loss of eligibility for funding of the current product;
- The loss of eligibility for funding of future products;
- The requirement to repay any funds already advanced, with interest;
- In the case of fraud, criminal prosecution.

These measures may be imposed not only on the applicant company, but also on any related, associated and affiliated companies and individuals (as determined by Telefilm Canada in its sole discretion). Any applicant that receives approval for financing will be required to sign a legally enforceable agreement, which includes further provisions concerning misrepresentations, defaults, and related matters.

LITIGATION

An applicant involved in either potential or actual litigation with a third party must immediately make full disclosure to Telefilm Canada. Where potential or actual litigation may jeopardize the normal process of one or more products, thus jeopardizing public funds, Telefilm Canada may suspend or reject an application, suspend or withdraw its participation, or, where it deems necessary, suspend the eligibility of the parties concerned for assistance from any of its programs until the litigation is concluded.

PAYMENTS AND CHEQUE ISSUANCE

Payments to the applicant or recipient are made in accordance with the schedule outlined in the financing agreement provided by Telefilm Canada. Cheques will not be issued until all necessary documentation and reports have been received and approved, and all contractual obligations fulfilled.

Cheques are issued through Public Works and Government Services Canada. The time required to process and issue a cheque is normally ten business days.

COST REPORT

Unless otherwise agreed in writing by Telefilm Canada, products financed by Telefilm Canada must deliver:

- a. If the Total Budget is in excess of \$500,000, a final certified activity cost statement accompanied by an independent auditor's report;
- b. If the Total Budget is in excess of \$200,000, but equal to or less than \$500,000, a final certified activity cost statement accompanied by an independent public accountant's review engagement report;
- c. If the Total Budget is less than \$200,000, an uncertified final cost report, supported by an affidavit.

All final cost reports or final certified activity cost statements shall set out the amount budgeted for each cost category described in the Budget, the expenditures actually incurred in each such cost category, and the difference between these expenditures and their corresponding budgeted amounts.

The producer shall ensure that the above-mentioned documents comply in all respects with the requirements of the Canadian Television Fund and Telefilm Canada Accounting and Reporting Requirements. As such,

1. Separate books of account must be used to account for all transactions related to the financing and the production costs of the Production.
2. Cost reports must conform to the Canada New Media Fund budget template and to Telefilm's cost report template, available on Telefilm Canada's website (www.telefilm.gc.ca).
3. Employee hours worked on each project must be tracked and verifiable for final cost reporting.
4. Each related party transaction reported as an investment in a project must be accounted for at cost. Cost is defined as the following: a breakdown of the related party's annual salary among all of the company's projects, including the services rendered to the production, such that the portion of the salary attributed to the production is consistent with time spent working on it.

The budget for every product should include audit fees specifically for this purpose.

Telefilm Canada carries out periodic audits on a random basis to ensure that companies comply with their contractual commitments.

AUDITED FINANCIAL STATEMENTS

Within six months of the end of its corporate fiscal year, the applicant shall submit to Telefilm Canada:

1. Audited annual financial statements, if the gross revenue for the year is \$10 million or more
2. Annual financial statements accompanied by a review engagement report, if the gross revenue is at least \$5 million but less than \$10 million
3. Annual financial statements accompanied by notes, if the gross revenue is less than \$5 million

ANNEX 4 – TELEFILM CANADA'S OFFICES

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