
Canada New Media Fund

Product Assistance Component Guidelines



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1. GENERAL INFORMATION

Applicants are encouraged to read the guidelines related to the program component carefully. These documents contain essential information on eligibility criteria and the application process. While compliance with the guidelines is a prerequisite to eligibility to the Product Assistant component of the Canada New Media Fund (the "Fund"), it cannot guarantee participation to financing. In all questions of interpretation of the guidelines, Telefilm Canada's interpretation shall prevail.

Telefilm Canada reserves the right to make adjustments to the guidelines to reflect the changes of the market evolution and the varying of types of products created. The applicable guidelines for a project will remain in force for the entire life of the project.

Any information concerning and/or relating to any aspect of the funding application, the product, any previously completed product, the applicant and any related party to the applicant, as well as any other individual project and/or personal information, will remain confidential subject to the provisions of the [Access to Information Act](#) and the [Privacy Act](#).

Applicants are required to disclose the involvement of former public servants who are subject to the [Value and Ethics Code for the Public Service](#).

Applicants shall provide assurance that, where lobbyists are used, they are registered in accordance with the [Lobbyist Registration Act](#) and that no actual or potential conflict of interest exists nor any contingency fee arrangement.

2. BACKGROUND

The Department of Canadian Heritage has allocated \$14.3 million dollars to the Canada New Media Fund for 2009-2010. Administered by Telefilm Canada, the Fund is a national program which supports the creation and the distribution of interactive digital cultural content products. The Fund will strive to achieve its objectives through its two main Program components: Product Assistance and Sectoral Assistance components, which are both application driven. The third program component of the Fund, the Sectoral Development, will allow Telefilm Canada to tailor its support for Canadian interactive digital companies at national and international markets.

It is expected that the assistance provided by Telefilm Canada through the Fund will support Canadian interactive digital content companies in undertaking innovative projects that have strong potential for commercial sales in the domestic and international marketplace, resulting in an increased capacity for corporate growth through intellectual property development and improved revenue opportunities. The Fund will further help to build capacity in the industry by providing Canadian interactive digital content companies with 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 present a high likelihood of profitability for Canadian interactive digital content. The Fund's resources are allocated on a linguistic basis:

- 1/3 French-language market; and
- 2/3 English-language market.

2.1 Objectives and Expected Outcomes of the Fund

The objectives of the Fund are:

- to foster the creation of Canadian interactive digital cultural media works, in both official languages; and
- in support of this objective, to assist Canadian companies that produce interactive digital cultural media works to become more competitive in domestic and international markets.

Expected outcomes:

The immediate outcomes of the Fund are:

- cultural new media works and products are created; and
- Canadian new media companies benefit from sectoral assistance activities.

These are expected to contribute to the intermediate outcome of:

- funded products are distributed, reaching both domestic and international markets.

To assist with evaluating the full commercial potential of projects submitted, Telefilm Canada has developed a comprehensive approach to collecting market intelligence. Efforts include collecting statistical data by platform and market research initiatives. Telefilm Canada also requires all successful applicants to provide a report on the achieved results, audience reach statistics and/or exploitation reports depending of the platform they received funding for. The intelligence gathered will be used by Telefilm Canada in future years to assist applicants in identifying promising market trends and developing competitive products but it will also provide Telefilm Canada with specific benchmarks in evaluating the success of the Fund's investments.

2.2 Development, Production and Marketing Phases

This Fund provides conditionally repayable advances for the development, production and marketing of Canadian interactive digital cultural content products in both official languages that are intended for the general public.

- Priority is given to interactive digital content products with significant potential for commercial sales in the domestic and international marketplace.
- Support is provided to competitive original interactive products which provide a participatory experience between the user and the product / technology or the user and other users as enabled by the product / technology, which allows them to play, learn or otherwise be entertained.
- Products must be initiated by Canadian companies under Canadian ownership, which exercise creative and financial control from development through to production and marketing.

The Fund's **development** support is provided for conceptualizing an interactive product (feasibility study, market assessment, product positioning by surveys and focus groups, product demo and a preliminary marketing strategy) and/or for the development of the creative and technical elements of the interactive product (design documents, preparation of a storyboard and/or final version of the script and a functional prototype, and the drafting of a product proposal for business development and financing purposes).

The Fund's **production** support is provided for the development of a final, market-ready version of the product, including localization of the product and early marketing/commercialization activities.

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

3. ELIGIBILITY

3.1 Eligible Applicants

1. Must be for profit companies from the private sector.
2. Must be Canadian-owned and controlled companies as described under section 26 to 28 of the [Investment Canada Act](#).
3. Have a head office based in Canada and the company's activities should take place in Canada; and able to demonstrate that they, or another otherwise eligible applicant, have initiated the project and are actively involved in developing interactive digital content.
4. Must be able to demonstrate that they exercise creative and financial control from development through production, marketing and revenue reporting.
5. The applicant company (or 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 Canada, the co-producing companies must own 100% of the copyright of the product, but the applicant must own a majority of the copyright.
6. Must be able to demonstrate a confirmed financial structure when applying to the Fund.
7. Must be able to demonstrate that their projects will be delivered by January 29, 2010.

Telefilm Canada will look at the financial stability of the applicant in determining eligibility.

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 development to revenue reporting of the project, upon submission of the application.

3.2 Eligible Products

This component will provide financial advances to competitive original interactive digital content works, such as games, reference titles, edutainment and entertainment products destined for the general public and distributed in physical form or via digital distribution.

Telefilm Canada may only provide financial assistance for the development, production and marketing of interactive content for the following platforms: independent website,

Convergent Project¹, PC, mobile device (phone or PDA), Console² and Handheld Console³. All products must provide the user with an interactive 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.

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

- products with a specific corporate, industrial or mainly promotional focus;
- curriculum-based products;
- products that use the internet or mobile platforms to distribute exclusively linear content without any other interactive feature;
- catalogues or compilations of repurposed material, presented without benefit of new, value adding original content; and
- application software and system software.

Furthermore, Telefilm Canada will refuse to provide support to interactive digital content 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.

3.3 Eligibility Criteria by Platform (specific requirements)

In order to attract projects with the highest potential for commercial success, and in addition to complying with the basic eligibility requirements outlined above, applications must also meet specific requirements related to the relevant platform for which financial support is being sought.

Development

- All applicants must submit a business plan at the development phase.
- Applicants submitting an application for a Console or Handheld Console product must have previously published a game for Console or another platform by the applicant company or by the senior management team in the case of a new company. Applicants must possess a Developer's Certification⁴. Applicants dealing with subcontractors must guarantee that their subcontractors also possess a Developer's Certification.

Production and Marketing

- In addition to the requirements specific to the development phase, all applicants for content destined for independent websites, Convergent Projects, PC, mobile devices, Consoles and Handheld Consoles must have previously been distributed or must demonstrate that they have a third party investment (cash or services) or a related party investment (cash) in the product. Services in-kind by a related party investment are not considered a condition to fulfill the requirement.

¹ See Annex 1: Definitions

² *Idem*

³ *Idem*

⁴ *Idem*

- For mobile applicants, a marketing commitment from a carrier, mobile publisher or Aggregator⁵ will also be required.
- For game Console or Handheld Console products, applicants must have a deal from a Publisher⁶ at the time of contracting.
- For content distributed through an electronic platform (e-commerce, web portals, etc.), Telefilm will prioritize applicants that have a firm distribution deal at the time of application.
- For Convergent Projects, Telefilm Canada will prioritize applicants that have a minimum license fee equal to 10% of the financial structure of the convergent property from a Canadian broadcaster; and demonstrate that revenues from TV and interactive digital content production is divided according to the relative weight of each platform budget in the total budget. For applicants wishing to launch and operate an autonomous website (with its own URL and commercial brand), applicants must have a separate business and marketing plan distinct from its current operations and sufficient financial and human resources to operate the website's autonomous commercial entity.
- To avoid any semblance of fee-for-service work in the development of convergent products, a company applying for financing assistance for the development of a Convergent Project (linked to a television or film property) and whose primary business is not in the interactive digital content development, must correspond to at least one of following the eligible applicant definitions:
 - A television and/or feature film production company that intends to develop the proposed product using its own in-house interactive product development team or its own subsidiary interactive digital cultural media production company with the human, technical and financial capability to produce interactive products.
 - A television and/or feature film production company that has entered into a co-production agreement with an interactive digital content production company for the proposed project. The interactive digital content production company must own 51% or more of the interactive rights of the product.
 - An interactive digital content production company that proposes to develop a interactive digital content product using a license acquired from a television and/or feature film production company.

3.4 Eligible Costs

The following criteria regarding eligibility of certain budgeted costs will be applicable:

- a minimum of 75% of eligible costs must be incurred in Canada;
- expenses incurred and/or paid previous to submission of the application are not eligible;
- each of producer fees and overhead may not exceed 10% of B+C sections of the production or marketing budget;

⁵ *Idem*

⁶ *Idem*

- combined producer fees and overhead may not exceed 20% of A to F sections of the development budget; and
- rights acquisition costs cannot include payment to a related party or co-production partner.

A fully itemized budget using the appropriate Telefilm Canada [budget template](#) is required with each application. All related party and capital expenditures must be established in accordance with generally accepted accounting principles and Telefilm Canada [accounting and reporting requirements](#), and disclosed to Telefilm Canada by means of the schedules included in the budget templates. Production must be protected by all industry standard insurance policies. Telefilm Canada generally requires that it be named as party to production insurance policy.

The focus of this component will be on funding projects. Core business operations or capital expenditures of the applicants, such as rent, purchase of real estate, and maintenance costs, will not be eligible.

4. SELECTION CRITERIA

4.1 Decision Making Process

Each regional office determines the eligibility of the applicant and product, including compliance with standard business practices and recoupment policy.

Applications will be evaluated and decisions made by Telefilm Canada's regional offices in each of its four regional offices. Each office of Telefilm Canada, while placing an emphasis on the commercial potential of a product, will also seek to enhance the portfolio of products in which Telefilm Canada participates and, in so doing, will use its resources to encourage the development of promising projects from diverse and emerging creators.

4.2 Evaluation Criteria

The evaluation grid contains the criteria that Telefilm Canada 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, 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 applicant must show that the projected potential demand of the product is substantiated by compelling arguments and information.

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 significant commercial potential is expected of the product.

For all new applications, the evaluation will focus on both the product concept and the marketing components (as described below). The main product selection criteria are:

Concept – 45 %

- 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 – 45%

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

Canadian Cultural Content – 10 %

- Production team & creative talent;
- Subjects, themes and cultural diversity.

For a more detailed description of the selection criteria, see the evaluation grid.

CANADA NEW MEDIA FUND - EVALUATION GRID PRODUCT ASSISTANCE (DEVELOPMENT, PRODUCTION AND MARKETING)	
CONCEPT	Total Score: 0 /45
1. Production team: 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 e) Applicant’s financial stability	Score: /15
2. Content/Quality of proposal: 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	Score: 30
MARKETING	Total Score: 0 /45
1. Potential to reach target audience: a) Market research and strategic planning b) Marketing plan, including promotion c) Ability of confirmed marketing partnerships to deliver audiences d) Management team and marketing partner’s past sales performance e) Level of demonstrated market interest (advances, pre-sales, licences, etc.)	Score: /25
2. Business plan: 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	Score: /20

CANADIAN CULTURAL CONTENT	Total Score: 0 /10
a) Production team & creative talent b) Subjects, themes, cultural diversity	
TOTAL	Total Score: 0 /100

4.3 Additional Marketing Support

Telefilm Canada will consider advancing additional marketing support should the project reach its activities, revenue and audience performance targets within a define timeframe, as agreed upon by Telefilm Canada and the applicant at the time of the contract. Marketing support will be provided in the form of a conditionally repayable advance and administered through an amendment to the original production/marketing contract.

5. FINANCIAL PARTICIPATION

5.1 Terms of Financial Participation

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

Financing will be advanced in instalments as arranged between Telefilm Canada and the applicant. Drawdowns and consideration to receive additional funds will be tied to reporting requirements from applicants as key milestones and deliverables are achieved. The deliverables for the last drawdown must be received by January 29, 2010. Telefilm Canada may, among other things, withhold payment of instalments if the applicant is not in compliance with provisions outlined in the agreement.

5.2 Maximum Level of Participation

In order to ensure a transparent and accountable decision-making process, Telefilm Canada will evaluate its financial participation so as to maximize the resources of the Fund and diversify its portfolio.

The maximum amount of commitment to any given product is \$550,000 per fiscal year, based on Telefilm Canada's fiscal year (April 1st to March 31st).

The maximum level of financial participation per phase is as follows:

Development

- For all platforms, Telefilm Canada will advance up to 50% of eligible costs, up to a maximum of \$250,000 in development; with the exception of products for Consoles in which case, Telefilm may choose to advance up to 50% of eligible costs, up to a maximum of \$ 550,000 in development. Telefilm Canada considers the Sony PlayStation™, the Microsoft Xbox™ and the Nintendo Wii™ as Consoles.

Production

- For all platforms, Telefilm Canada will advance up to 50% of eligible costs, up to a maximum of \$ 550,000 in production.

Marketing

- For all platforms, Telefilm Canada will advance up to 50% of eligible costs, up to a maximum of \$ 550,000 in marketing.

Telefilm Canada's participation in one phase does not guarantee its participation in future phases of a product. Financing provided to one phase of a project may not be transferred to another phase.

In an environment of over-subscription and as a financial participant, Telefilm Canada negotiates its level of financial participation, which varies from project to project and may be less than requested. Telefilm Canada also evaluates its financial participation according to the submitted budget.

For products demonstrating exceptional creative merit and the need for financing, Telefilm Canada may at its own discretion, provide financing beyond 50% to a maximum of 75% of the eligible costs but still within the dollar cap for the relevant financing phase.

5.3 Terms of Repayment

The intention behind Telefilm Canada's terms of repayment is to increase the Fund's contribution to the viability of Canadian interactive digital companies.

Telefilm Canada will allow the applicant to recoup 100% its own financial participation in a *pro rata pari passu* position with all other financial participants except Telefilm Canada. Telefilm Canada will recoup 100% of its financial participation after all other financial participants have fully recouped.

Telefilm Canada's revenue recoupment shall be from all worldwide Gross Receipts⁷ starting from first dollar. Depending on the type of revenue, and at its absolute discretion, Telefilm Canada may allow for standard deduction rates to cover expenses associated with the type of exploitation as follows:

- Distribution Exploitation Revenues⁸: a 15% deduction will be allowed on Gross Receipts.
- Direct Exploitation Revenues⁹: a 35% deduction will be allowed on Gross Receipts.
- Royalty Revenues¹⁰: no deduction will be allowed on Gross Receipts.

Telefilm Canada will not participate in profit sharing once it has recouped its advances. The changes in repayment and profit participation are not retroactive and apply only to applicants funded starting with the 2007-2008 fiscal year.

Telefilm Canada may request any financial and/or corporate documentation it deems necessary to evaluate its financial participation and reserves the right to approve the overall submitted budget.

⁷ *Idem*

⁸ *Idem*

⁹ *Idem*

¹⁰ *Idem*

Development advances

If the project receives financial advances at the development stage but is produced without the Fund's support at the production phase then Telefilm Canada will recoup at a standard rate of 10% of Gross Receipts less the appropriate deductions.

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

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.

Reporting requirements

Telefilm Canada will require that applicants of the Fund will report to the Corporation all of their revenue sources, fees and commissions twice a year, for the first three years following the completion of project.

6. HOW TO APPLY

All applications must be sent to the applicant's Telefilm Canada regional office as described in Section 7. Applicants must send the appropriate application form, duly completed and signed, together with Telefilm Canada's appropriate standard [budget template](#) and all required documentation to Telefilm Canada by May 4, 2009.

Applicants resubmitting a project must be able to demonstrate that material changes have been made. All material changes must be presented as part of the application in a cover letter. The changes must be presented clearly in a bullet format.

7. WHERE TO APPLY?

7.1 Apply On-line

To expedite the treatment of applications, Telefilm Canada encourages its clients to submit their applications through eTelefilm®, a fast, secure and user friendly on-line service. Clients that submit applications via eTelefilm® enjoy access to direct deposit for Telefilm Canada funding payments. To register on-line visit: www.telefilm.gc.ca/eTelefilm.

Please note that the applications submitted through our on-line service will be accepted up to 11:59 PM (EST) on the closing date.

7.2 Apply by Mail

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.

Applicants should send the application form, duly completed with all required documentation, to the applicant's local Telefilm Canada office. Applications should be sent to the attention of the local New Media contact as listed on Telefilm Canada's [website](#). The resource person is available to answer questions regarding the application or the documents required.

Applications from the Western provinces and the Territories must be directed to Telefilm Canada's office in Vancouver; applications from Ontario and Nunavut must be sent to the Toronto office; the Montreal office covers all French-language applications as well as English-language applications from Quebec; and the Atlantic provinces are served by Telefilm Canada's Halifax office. The applicant must apply to the office described above based on where the applicant entity's head office is located.

ANNEX 1 - DEFINITIONS

- 1) **Convergent Project** is defined as an interactive property whose content is inspired by a television program licensed by a Canadian broadcaster and which enhances the viewer experience of the television program. Such property is made available simultaneously with the corresponding television program and its promotion and advertising is linked to that television program.
- 2) **Console** being specifically: Xbox 360, PlayStation 3 and Wii.
- 3) **Handheld Console** being specifically: Nintendo DS and Sony PSP.
- 4) **Developer Certification** is defined as an official industry recognized accreditation in the design and development of the platform in question, where such certification exists. For the purposes of the Fund, it is acceptable that either the applicant or a subcontractor hired by the applicant have the relevant developer certification credentials.
- 5) **Aggregator** is a company that acts as an intermediary between mobile application developers and network carriers. Its role is to constitute, manage and sell a catalog of mobile products and to generate sales with different network carriers.
- 6) **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.
- 7) **Gross Receipts** are defined as all the revenues and other considerations, from all forms of exploitation of the product, received 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 Canada Advance Agreement).*
- 8) **Direct Exploitation Revenues** are defined as revenues earned by the applicant who is either selling or marketing the product directly to the end user. The applicant assumes the role of publisher and/or distributor in the sale of their product and has to support all exploitation costs related to the distribution and sell of their product, such as: disk reproduction, hosting, bandwidth, promotion, sales fulfillment, client service, etc.
- 9) **Distribution Exploitation Revenues** are defined as revenues received by the applicant from the sale of a product by a third party (publisher, distributor, subdistributor or webcaster) to the end user. The applicant sells their product to a third party for resale in the marketplace but is actively involved with the third party on a continued basis in developing and managing distribution, for example, on different territories and/or sub-markets. The applicant may also financially participate in the reproduction, distribution, marketing and promotion of the product, jointly with the third party.
- 10) **Royalty Revenues** are defined as revenues received by the applicant from a publisher, or a distributor or a webcaster representing a percentage of the suggested retail price. The applicant does not initiate any business activity related to the sale and distribution of their product.