
Canada Feature Film Fund Guidelines

Marketing Program for English and French Language Productions



TABLE OF CONTENTS

| | |
|-------------------------------------------------------------------------------------|-----------|
| CANADA FEATURE FILM FUND GUIDELINES | 1 |
| 1. THE CANADA FEATURE FILM FUND | 3 |
| 1.1. THESE GUIDELINES..... | 3 |
| 1.2. OBJECTIVES, SPIRIT AND INTENT | 3 |
| 1.3. EXPECTED OUTCOMES..... | 4 |
| 2. ELIGIBLE APPLICANTS | 5 |
| 2.1. BASIC CRITERIA | 5 |
| 2.2. ADDITIONAL ELIGIBILITY CRITERIA | 5 |
| 2.3. BROADCASTER-AFFILIATED COMPANIES..... | 6 |
| 3. ELIGIBLE PROJECTS | 7 |
| 3.1. BASIC CRITERIA..... | 7 |
| 4. FINANCING FROM THE SELECTIVE COMPONENT | 8 |
| 4.1 BEST PRACTICES APPROACH TO SUCCESSFUL MARKETING..... | 8 |
| 4.2 MARKETING FINANCING..... | 8 |
| 4.3 SELECTION PROCESS..... | 9 |
| 4.4 HOW MUCH? | 10 |
| 5. THE PERFORMANCE COMPONENT..... | 12 |
| 5.1. THE ENVELOPE SYSTEM..... | 12 |
| 5.2. ACCESSING THE ENVELOPES | 12 |
| 5.3. MARKETING FINANCING FOR DISTRIBUTORS..... | 12 |
| ANNEX I: | 15 |
| HOW A PERFORMANCE ENVELOPE FOR MARKETING IS CALCULATED AND ALLOCATED - | 15 |
| PART A: WHAT IS ADJUSTED BOX OFFICE? | 15 |
| PART B: HOW DOES A FILM QUALIFY? | 17 |
| PART C: CALCULATING THE ENVELOPE AMOUNT | 18 |
| PART D: APPLICATION OF CAPS | 18 |
| ANNEX II: APPLICATION PROCESS | 19 |

1. THE CANADA FEATURE FILM FUND

1.1. These Guidelines

These guidelines (the "Guidelines") are for the Canada Feature Film Fund (the "CFFF") Marketing Program for English and French language Productions (the "Program") which is delivered through financing two instruments: a selective component and a performance component. These guidelines are applicable for both English-language and French-language productions.

Resources are reserved for distributors who achieve success at the Canadian box office in the form of performance envelopes. The selective component is primarily for distributors without a box-office track record sufficient to obtain a performance envelope. Please note section 1.2 below for a full description of the two components.

Telefilm Canada has full discretion in the application of, or exception to, these Guidelines to ensure that its funding is provided to those projects that meet its spirit and intent. While compliance with these Guidelines is a prerequisite to eligibility for funding, compliance does not guarantee entitlement to Telefilm Canada funds. In all questions of interpretation of either these Guidelines, or the spirit and intent of the other CFFF programs, Telefilm Canada's interpretation shall prevail.

Separate guidelines for the CFFF's programs of feature film Development and Production are available at <http://www.telefilm.gc.ca>.

Application forms and additional guidelines for CFFF Complementary Activities are available at <http://www.telefilm.gc.ca> or by contacting any of Telefilm's offices.

Telefilm Canada has committed to a *Service Charter for our Clients* <http://www.telefilm.gc.ca/document/en/01/17/charter.pdf>.

Telefilm Canada may make adjustments to its guidelines and application forms from time to time as required, without notice.

1.2. Objectives, Spirit and Intent

The primary objective of the Canada Feature Film Fund is to increase Canadian audiences in theatres for Canadian feature films.

The Program is designed to support the marketing of Canadian feature films with the strongest box-office potential. Telefilm Canada encourages diversity in feature film by supporting a range of genres, budgets, companies and regions. In this effort, Telefilm Canada will also promote the development of partnerships among producers, distributors, exhibitors and international partners. The financial assistance provided will contribute to the overall growth, as well as professional and economic development of the Canadian film industry.

The Program is delivered through two instruments; a **selective component** and a **performance component**:

Selective Component: The selective component is primarily for distributors without a box-office track record sufficient to obtain a performance envelope. In the selective component, Telefilm Canada prioritizes and selects from amongst projects in a highly competitive and oversubscribed environment.

Performance Component: Resources in the form of performance envelopes are reserved mainly for distributors who achieve success at the domestic box-office. Distributors with performance envelopes have greater autonomy, discretion and flexibility in using the funds to make Canadian feature films.

Financing priority for this Program is given to films that have been funded through the CFFF in Production. Given the high demand for the marketing funds, it is likely that these CFFF-funded films will exhaust the marketing resources. However, should any monies remain uncommitted, Telefilm Canada will consider marketing support for eligible productions not financed through the CFFF in Production.

While Telefilm Canada does not intend to restrict filmmakers in their choices of stories or their natural settings, where possible priority will be given to projects which contain significant Canadian creative elements and present a distinctly Canadian point of view (for example: Canadian characters, setting, themes, talent, technicians and stories reflecting Canadian society and cultural diversity).

1.3. Expected Outcomes

The desired outcome of this program is that Canadian films are successfully marketed, and that they contribute to reaching the box office objective of 5% of the market-share of the total Canadian box office.

In order to reach this objective, the expectations are that:

- The English-language market share grows from \$8.5 Million to \$12.5 Million by 2011;and
- The French-language market maintains its share to at least \$22.5 Million of the total box office.

2. ELIGIBLE APPLICANTS

2.1. Basic Criteria

Only Telefilm-approved theatrical distribution companies are eligible to apply to the Program. In order to be considered eligible,, the applicant must be a Canadian-owned and controlled corporation, as determined under Sections 26 to 28 of the *Investment Canada Act*, with its head office based in Canada. In addition, when assessing an applicant's eligibility, Telefilm Canada will take into consideration:

- whether the applicant's activities take place in Canada;
- the financial stability of the applicant; and
- whether the Applicant operates principally as a feature film distribution entity.

Furthermore, key distribution personnel exercising financial and distribution control over the project submitted to Telefilm Canada must be Canadian citizens, within the definition of the *Citizenship Act*, or permanent residents within the definition of the *Immigration and Refugee Protection Act*.

Eligible distribution companies must demonstrate to Telefilm Canada's satisfaction a commitment to distributing Canadian feature films and must possess the experience and level of expertise necessary to distribute the production. Telefilm Canada's specific requirements will vary depending on the nature and scope of the project.

2.2. Additional Eligibility Criteria

Telefilm Canada seeks to ensure that every production it supports is marketed and distributed effectively. Accordingly, it requires that all funded films be distributed by a Canadian company (or companies) whose primary business is the theatrical distribution of feature films in Canada.

To access marketing financing, distribution companies, in addition to meeting the basic eligibility criteria in sections 2.1 must meet the following eligibility criteria:

- the company must have been active in theatrical distribution in Canada for the last two years, by demonstrating a "sufficient" volume of business: over the past two (2) years, the company must have released at least twelve (12) films, of which two (2) had to be Canadian;
- the company must demonstrate on-going relevant expertise at all times and have one or more senior executives with five (5) years experience in distribution companies of comparable size;
- the company must hold rights to at least three recent (produced in the last two years) films to be released within the next eighteen (18) months, two of which must be Canadian;
- if affiliated with a Canadian broadcaster, the company must be a separately incorporated entity, distinct from the operations of the broadcaster(s) with which it is affiliated; and

In addition, during the two-year period prior to submitting an application for marketing assistance, the company must have acquired and theatrically released eligible Canadian films made by non-related production companies comparable in number, budget and scope to films made by related production companies.¹

A start-up company, unable to meet all of the above eligibility criteria, may nonetheless apply for marketing financing if it meets the following conditions:

- a) has one or more senior executives with five (5) years experience in distribution companies of comparable size;
- b) provides to Telefilm Canada's satisfaction a corporate business plan for the distribution entity that, among other things, describes the plan for how the company will meet the above eligibility requirements; and
- c) in the case in which a company plans to access marketing assistance, the company will be expected to acquire and theatrically release a comparable number of eligible Canadian films produced by non-related production companies of a similar size and scope.

A start-up company, in addition to meeting the above criteria, may be required to submit additional supportive documentation to Telefilm Canada in order to establish the company's viability as a Canadian distribution entity. This additional request is at the sole judgment of Telefilm Canada and may be invoked at any time.

Telefilm Canada, in its sole discretion, will make the decision as to whether or not a distribution company will be eligible for the requested purpose of receiving any financing from this Program. Eligibility may be revoked or suspended at any time.

Telefilm Canada will monitor the activities of all eligible distributors in light of concerns about potential reduction in non-related productions. In the event that Telefilm Canada determines, based on its own judgment, that an eligible distributor has disproportionately reduced its non-related activity for the benefit of related production, Telefilm Canada may elect to suspend activity with the company until such time as the activities of the eligible distributor are rebalanced in favor of non-related production.

2.3. Broadcaster-Affiliated Companies²

Broadcaster-affiliated distribution companies that meet the basic eligibility criteria in section 2.1 are eligible to apply to the selective component and are eligible to receive a performance envelope.

¹ Telefilm Canada will use the Handbook of the Canadian Institute of Chartered Accountants as a guide in determining when two companies are related.

² A company is considered to be broadcaster-affiliated if it, or a corporate group of which it is a member, receives more revenue from CRTC-regulated operations (including without limitation, broadcasting, cable, satellite) than from combined production and distribution operations. For the purposes of the above, "corporate group" means two or more affiliated corporations. Telefilm Canada will use the definition of "affiliate" set out in the *Canada Business Corporations Act*.

To ensure fair dealing and to meet the federal government’s policy objective to foster a diversity of voices, Telefilm Canada is of the view that safeguards are necessary. These safeguards include limiting the access of broadcaster-affiliated companies to a maximum of one-third of the overall selective and performance components.

Telefilm Canada will actively monitor the activities of broadcaster-affiliated companies. In the event that Telefilm Canada determines, based on its own judgment, that a broadcaster-affiliated company has practiced unfair dealing, Telefilm Canada may elect to suspend activity with the company for two years. Telefilm Canada will monitor the impact of this policy on the industry on an annual basis.

3. ELIGIBLE PROJECTS ³

3.1. Basic criteria

In administering the CFFF, Telefilm Canada seeks to support the promotion and marketing of feature films that are owned and controlled by eligible applicants and which contain significant Canadian creative elements, including Canadian stories, characters, setting, themes, talent and technicians, and which reflect Canadian society and cultural diversity. While Telefilm Canada does not intend to restrict filmmakers in their choices of stories or their natural settings, it will, wherever possible, give priority to projects that present a distinctly Canadian point of view.

To be considered eligible for financing under this Program, a project must be either:

- a feature length film production funded at the production stage by the CFFF; or
- a feature length film project that meets the Eligible Project Criteria of the [CFFF Production Programs for both English and French language productions](#), with the understanding that for purposes of this Program, this will include fiction and non-fiction films; or
- if funded from an Eligible Distributor’s performance envelope, the project must comply with the Additional Criteria for International Treaty Co-Productions as presented in the CFFF Production Programs for English and French language Productions (section 3.2 of the CFFF Production Program for English-language Productions, and section 3.2 of the CFFF French Development and Production Programs for French-language Productions.

³ The term “eligible project” is used interchangeably with “film” or “project” throughout the Guidelines.

4. FINANCING FROM THE SELECTIVE COMPONENT

Telefilm Canada seeks to improve box office results for the English-language market, while ensuring the sustainability and continued success of the French-language market. As an investor, Telefilm Canada negotiates its participation, which varies from project to project, and may be less than requested. The higher the request for financing to Telefilm Canada, the greater the expectation of box office performance Telefilm Canada will have.

4.1 Best Practices Approach to Successful Marketing

In general, Telefilm Canada supports a best practice approach to administrative procedures for the Marketing Program that speaks to the objective of improved box office performance for Canadian films. It is acknowledged that the contribution of the market voice, that is the involvement and commitment of the distributor early on, is critical to a project's success. To this end Telefilm Canada continues to promote the development of partnerships among producers, distributors, exhibitors and international partners.

Telefilm Canada appreciates the unique challenges and realities of the English-language market for feature film distribution. To this end, with the support of the industry, Telefilm Canada established the position of **National Marketing and Distribution Specialist (Distribution Specialist) for the English-language market**. The Distribution Specialist will ensure the implementation of a best practices approach to administrative procedures, as outlined below, that speak to the objective of improved box office performance for the English market.

The National Marketing and Distribution Specialist will take into account the nature, size and scope of the film in ensuring that:

- discussions about a production's marketing plan, key art, posters, trailers, focus groups and test screenings occur once a project's marketing application has been accepted;
- the appropriate financial commitments are made within marketing budgets and contracts to realize the ambition of the marketing plan and the box office projections;
- with Telefilm Canada's support, that distributors and exhibitors will work to effectively stagger the release of similarly targeted Canadian films, and work to maximize the positioning of a film's posters and trailers; and
- minimum production and marketing spends occur in unit publicity, production promotion and test screening.

4.2 Marketing Financing

Financing is available for Canadian feature film theatrical release costs at various stages, including, but not limited to, the creation of materials such as posters, teaser trailers and test screenings, test marketing and campaign creation, and prints and advertising (P&A).

Telefilm Canada requires that distributors professionally test market all films at least once before finalizing the marketing strategy.

Marketing resources within the selective component are earmarked on a linguistic basis. In the English market, all projects that have received a significant production investment from the CFFF and some with smaller investments will also be required to participate in a test screening prior to picture lock⁴. This test screening will be executed by a Telefilm Canada approved entity. Telefilm Canada will set aside within the English Market selective component sufficient funds for this purpose and recoup these amounts as outlined in section 4.4.1. Telefilm Canada will subsidize, at 100%, **these** test screening costs for national selective projects funded through the CFFF Production Program of the English Language market. Telefilm Canada will also consider similarly subsidizing Telefilm Canada-initiated test screenings of projects, supported at the production stage, at the local level, on a case by case basis. The advance will be in the form of a repayable non-interest bearing advance.

Distributors may use their performance envelopes toward either English- or French-language applications.

4.3 Selection Process

Applicants must submit a full application for financing, to their local office, no later than at the time of delivery of the film to them by the producer, or risk not being financed. This lead time is required to ensure there is a reasonable opportunity for meaningful consultation prior to Telefilm Canada's decision to participate. In addition, it will help ensure that there are appropriate lead times for campaigns, and that strategic release dates can be established.

Telefilm Canada will commit resources to successful applications in the year in which the film is to be released (or the year before, in the case of releases early in the next fiscal year), subject to the financial constraints of agreements with government within which Telefilm Canada operates. *Distributors are required to fully commit their performance envelope before submitting an application to the selective component.*

Applications from eligible distributors must include a detailed marketing plan for the Canadian theatrical release providing:

- a detailed description of how the box-office projections are built up given the demographics of the film (which includes a positioning statement⁵ for the film);
- the proposed release pattern;
- the performance of comparable films;
- a description of the key marketable elements of the film; and

⁴ Any point in the post-production process that still involves picture cutting and/or editing. Once all picture editing is complete, the film's visual elements are considered "locked" (hence: Picture Lock) and post production can move to the next phase, the sound edit and mix.

⁵ A positioning statement is intended as a statement designed to "position" the film in the minds of the intended audience. It identifies the target audience, and the elements of the film which will attract these target filmgoers. It outlines the salient marketing characteristics (or "hooks") of a film.

- a description of how the proposed advertising spend drives the box-office projection, including the type of media targeted, tie-in's, cross-promotions, etc.

Telefilm Canada's evaluation of an application will be based on:

- the box-office expectations for the film;
- the detailed marketing plan
- the size and strength of the distributor's P&A commitment;
- the distributor's risk in the project (minimum guarantee, P&A commitment, pre-sold broadcast licenses); and
- the distributor's track record.

In granting marketing support, Telefilm Canada, as noted, will give priority to the projects supported in production by the CFFF that are most likely to contribute to achieving the box-office objectives within each linguistic market. Films for which distributors have made P&A commitments at the production stage will receive particular consideration.

Given the strong demand, it is likely that the films funded through the CFFF in production will quickly exhaust the selective marketing resources. However, should any monies remain uncommitted, Telefilm Canada is prepared to consider marketing support for eligible productions not funded by the CFFF and, in exceptional cases, feature-length documentaries, where such projects are expected to help achieve the CFFF box-office objectives.

4.4 How Much?

Telefilm Canada's financing (including any performance envelope money) will be in the form of a repayable non-interest bearing advance up to 75% of the eligible Canadian marketing costs for the theatrical release of the film.

Foreign costs are ineligible for purposes of receiving subsidy in this Program. In the case of a day and date release with the United States of America, a Canadian distributor may test screen outside of Canada; and may acquire their marketing elements (i.e. trailers) from outside of Canada. Such costs would be eligible for purposes of recovery and recoupment, however they would not be eligible for subsidy through this Program.

Only exceptionally, Telefilm Canada will allow foreign costs associated with test screenings, and the creation of trailers, to be eligible for subsidy through this Program due to the lack of the availability of expertise within Canada. The distributor's marketing plan must reflect the need for such and must obtain Telefilm Canada's prior approval for these exceptional costs.

4.4.1. Repayment

Telefilm Canada will recoup its financing according to the following schedule:

| | |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Tier 1 | 50% to Telefilm Canada and 50% to the distributor until full recoupment of the distributor's financial contribution to the approved costs |
| Tier 2 | 100% to Telefilm Canada until full recoupment of 50% of its financial support |
| Tier 3 | 100% to the distributor until full recoupment of the MG and any additional eligible and admissible distribution expenses ** |
| Tier 4 | 100% to Telefilm Canada until full recoupment of the remaining 50% of its financial support |
| Tier 5 | 100% of Telefilm Canada's pre picture lock test screening support |

** 100% to the distributor until full recoupment of the MG and any additional expenses, net of any fees or expense reimbursement paid or payable to the Distributor from the Production budget.

4.4.2. Standard Distribution Terms and Conditions

Telefilm Canada may impose caps or limitations on deductible distribution fees and expenses. Please refer to the following link to consult with Telefilm's Business Policies with respect to [Distribution Terms and Contract Requirements](#).

5. THE PERFORMANCE COMPONENT

5.1. The Envelope System

The CFFF recognizes achievement at the Canadian box office by earmarking resources to successful distribution companies for their subsequent eligible activities (performance envelopes). The following objectives govern the envelope system as a means to achieve the overall objective of the CFFF:

1. envelopes should only be earmarked for those companies with the most distinguished track record of performance at the Canadian box office;
2. performance envelopes must be sufficiently large to avoid the companies having to apply to the selective components for "top-up" resources; and
3. the envelopes should afford these exceptional companies greater predictability of financial support, decision-making autonomy and greater flexibility in using the resources, as compared to companies that must apply to the selective components.

In the event of changes in management or ownership of a company for which an envelope has been earmarked (sale, merger, change in management, etc.) Telefilm Canada, at its sole discretion, will review the degree to which those involved in creating the exceptional track record in Canadian box office remain involved and, thus, merit the increased autonomy and flexibility as provided by performance envelopes. In the event that Telefilm Canada, in its sole discretion, is not satisfied that the ongoing earmarking of the performance envelope will meet the spirit and intent of the CFFF, these funds will be transferred for use in the selective component to which all distribution companies will be eligible to apply.

Clients, and especially those distributors who have been offered Performance Envelopes for a certain fiscal, are hereby advised that they should not rely on past guidelines and practice for anticipating or predicting an envelope for and the following fiscal and beyond.

5.2. Accessing the Envelopes

Distributors with performance envelopes have conditional privileges that are not provided to companies that must apply to the highly oversubscribed and competitive selective process. Access to an envelope is a privilege, not a right. **Under no circumstances are the envelopes transferable.** Financing available through a performance envelope must be used during the fiscal year in which the envelope was obtained.

A company that does not meet the eligibility criteria set forth in section 2 of these Guidelines, at the time a project is submitted, shall not have access to any performance envelope generated by the exploitation of the resulting film for as long as that performance envelope shall last.

5.3. Marketing Financing for Distributors

Financing is available for Canadian theatrical release costs at various stages, including but not limited to, the creation of materials such as posters, teaser trailers and test screenings, test marketing and campaign creation, and prints and advertising (P&A). Telefilm Canada requires that distributors professionally test market all films at least twice, once before the final cut of the film, and once before finalizing the marketing strategy.

Telefilm Canada expects distributors to manage their envelopes so as to ensure that adequate resources are prioritized and available for the theatrical release of CFFF-funded films for which distributors have made a marketing commitment. It is likely that the films funded through the CFFF in production will quickly exhaust the distributors' performance envelopes. However, should any monies remain uncommitted, distributors may use the envelope to support any CFFF Eligible film and feature-length documentaries.

Telefilm Canada will commit resources for successful applications in the year in which the film is to be released, (or the year before, in the case of releases early in the next fiscal year), subject to the financial constraints of agreements with the government within which Telefilm Canada operates. *Distributors are required to fully commit their performance envelope before submitting an application to the selective component.*

Eligible distributors must submit a complete application for financing, to their local office, at the time of delivery of the film to them by the producer, or risk not being financed.

Applications must include a detailed marketing plan for the Canadian theatrical release providing:

- a detailed description of how the box-office projections are built up given the demographics of the film (which includes a positioning statement⁶ for the film);
- the proposed release pattern;
- the performance of comparable films;
- a description of the key marketable elements of the film; and
- a description of how the proposed advertising spend drives the box-office projection, including the type of media targeted, tie-in's, cross-promotions, etc.

In exceptional cases, Telefilm is prepared to consider marketing support for feature documentaries, where such projects are expected to contribute to the box-office objectives of the CFFF.

5.3.1. How Much?

Telefilm Canada's financing will be in the form of a repayable non-interest bearing advance up to 75% of the eligible Canadian marketing costs for the release of the film.

Foreign costs are ineligible for purposes of receiving subsidy in this Program. In the case of a coordinated day and date release with the United States of America, a Canadian distributor may test screen outside of Canada; and may acquire their marketing elements (i.e. trailers) from outside of Canada. Such costs would be eligible for purposes of recovery and recoupment, however they would not be eligible for subsidy through this Program.

Only exceptionally, Telefilm Canada will allow foreign costs associated with test screenings, and the creation of trailers, to be eligible for subsidy through this Program due to the lack of the availability of expertise within Canada. The distributor's marketing plan must reflect the need for such and must obtain Telefilm Canada's prior approval for these exceptional costs.

⁶ A positioning statement is intended as a statement designed to "position" the film in the minds of the intended audience. It identifies the target audience, and the elements of the film which will attract these target filmgoers. It outlines the salient marketing characteristics (or "hooks") of a film.

Telefilm Canada will subsidize, at 100%, the test screening costs for national selective projects funded through the CFFF Production Program of the English Language market. The advance will be in the form of a repayable non-interest bearing advance. Note section 4.2 above for reference. Telefilm Canada will also consider similarly subsidizing Telefilm Canada-initiated test screenings of projects, supported at the production stage, at the local level, on a case by case basis.

5.3.2. Repayment

Telefilm Canada will recoup its financing according to the recoupment schedule outlined below:

| | |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Tier 1 | 50% to Telefilm Canada and 50% to the distributor, until full recoupment of the distributor's financial contribution to the approved costs |
| Tier 2 | 100% to Telefilm Canada until full recoupment of 50% of its financial support |
| Tier 3 | 100% to the distributor until full recoupment of the MG and any additional eligible and admissible distribution expenses** |
| Tier 4 | 100% to Telefilm Canada until full recoupment of the remaining 50% of its financial support |
| Tier 5 | 100% of Telefilm Canada's pre picture lock test screening support |

** 100% to the distributor until full recoupment of the MG and any additional expenses, net of any fees or expense reimbursement paid or payable to the Distributor from the Production budget.

5.3.3. Standard Distribution Terms and Conditions

Telefilm Canada may impose caps or limitations on deductible distribution fees and expenses. Please refer to the following link to consult with Telefilm's Business Policies with respect to [Distribution Terms and Contract Requirements](#).

ANNEX I: HOW A PERFORMANCE ENVELOPE FOR MARKETING IS CALCULATED AND ALLOCATED –

The method used in the calculation of a distribution performance envelope is described in this annex.

For purposes of these calculations, **Gross Canadian Box Office** is defined as the box-office figures supplied to Telefilm Canada by the Motion Picture Theatre Association of Canada (MPTAC). The **Adjusted Box Office** is defined as the Gross Canadian Box Office as it is adjusted per the description contained in Part A below.

Part B describes the process of how Telefilm Canada identifies the films that will qualify a distributor for an envelope. Part C details the calculation and methodology applied in arriving at the amount of an envelope. Part D outlines the caps that are applied to companies with envelopes.

PART A: WHAT IS ADJUSTED BOX OFFICE?

The Gross Canadian Box Office is the primary criterion used for the calculation of envelope amounts. However, these amounts are adjusted for a film whose primary audience is children, and are further adjusted depending on the film's level of Canadian content, the number of screenings as well as awards received at festivals and award ceremonies. The result of these adjustments is the Adjusted Box Office used by Telefilm Canada to determine which films qualify their producer(s) for an envelope and to what extent.

Adjustment # 1: Children's Films Adjustment

A film aimed primarily at a children's audience is disadvantaged when compared with other films because of the ticket price differential. In order to compensate for this differential, Telefilm Canada adjusts the Gross Canadian Box Office of a film for children up by 25%.

It is the responsibility of the film's producer to advise Telefilm Canada whether they wish their film to be considered as a children's film, with appropriate documentation in support of the claim. Notification should be made no later than three months following the theatrical release of the film.

Telefilm Canada, in its sole discretion, will use one or more of the following indicators to help identify children's films for the purposes of a Gross Canadian Box Office adjustment, including, but not limited to:

- Films that receive a General Audience ("G") or a Parental Guidance Suggested ("PG") rating;
- The film's target audience is clearly identified by the producer and/or distributor as children under the age of thirteen;
- The film's marketing campaign is clearly targeted to children thirteen years or younger;
- The story is told from the point of view of an individual(s) who is thirteen years of age or younger;

- The distributor, in cooperation with a primary school(s), organizes a special screening for children thirteen years of age or younger;
- films that are officially presented in at least two internationally recognized children's film festivals (a list of Telefilm Canada-recognized children's festivals can be found at Telefilm Canada's Website, www.telefilm.gc.ca);
- films based on a pre-existing property (such as a book), generally recognized to be aimed at children.

Adjustment # 2: Canadian Content Weighting

Companies that make the greatest use of Canadian talent will have their envelope amounts weighted as follows:

- a Canadian film with an 8/10 CAVCO score or a minority official coproduction will have its Gross Canadian Box Office multiplied by 0.8;
- A Canadian film with a 9/10 CAVCO score or a 50% Canadian official coproduction will have its Gross Canadian Box Office multiplied by 0.9; and
- A Canadian film with a CAVCO score of 10/10 or a majority Canadian official coproduction will have its Gross Canadian Box Office multiplied by 1.0.

Adjustment # 3: Festivals and Awards Bonus

To acknowledge critical acclaim and excellence in addition to Canadian box office, the Gross Canadian Box Office will be weighted favourably based on the number of screenings and awards at selected international film festivals, awards at selected Canadian film festivals, as well as nominations and awards at selected Canadian and international awards ceremonies.

Each screening, nomination or award received at selected international and Canadian festivals and award ceremonies will result in a bonus of 5% towards the Gross Canadian box office amount for the eligible film, to a maximum of 20%.

List of International Festivals:

Telefilm Canada may make adjustments to this list, from time to time as required, without notice.

1. Internationale Filmfestspiele Berlin
2. Festival International du Film, Cannes
3. Rotterdam International Film Festival
4. Sundance Film Festival
5. La Biennale di Venezia – Mostra Internazionale del Cinema, Venice
6. New York Film Festival
7. Berlin International Film Festival (Kinderfilmfest)
8. Giffoni Film Festival, Salerno
9. Cinekid, Amsterdam
10. International Film Festival for Children and Youth , Zlin
11. The Children's and Young People's Film Festival in Malmo
12. Chicago International Children's Film Festival

The selected festivals and awards include:

- screenings in the official program(s) (including recognized sidebars) of the

major international festivals listed below;

- awards received at the major international festivals listed below;
- awards received for Best Motion Picture and Achievement in Direction at Les Prix Jutra and at the Academy of Canadian Cinema and Television Film Awards (Genies);
- selected awards received at key Canadian festivals listed below; and
- nominations and awards received at the Academy Awards (Oscars®), the Golden Globe Awards and the Césars.

Canadian Festivals (Awards) ⁷

Telefilm Canada may make adjustments to this list, from time to time as required, without notice.

1. World Film Festival* (Grand Prix des Amériques, Prix Air Canada, Golden Zenith for Best Canadian Film, Award for Most Popular Canadian Film).
2. Toronto International Film Festival (People’s Choice Award, the Toronto City Award for Best Canadian Feature Film, the City TV Award for Best Canadian First Feature Film, the Discovery Award and the FIPRESCI Award).
3. Atlantic Film Festival (People’s Choice Awards for Best Feature and Best Canadian Feature).
4. Vancouver International Film Festival (Most Popular Canadian Film).

PART B: HOW DOES A FILM QUALIFY?

The Reference Period

Please refer to [Date References for Performance Envelope Calculations and Disbursements](#) at the Telefilm website for specific references for this year’s envelope calculations.

Generally performance envelopes are based on Canadian films released in Canadian theatres over the span of 3 years. The calculation period of a year runs from July 1st, and ends June 30. The films must be at least 8/10 on the CAVCO scale or are official coproductions.

A film qualifies its distributor(s) for an envelope if it meets the following performance criteria:

1. the film ranks within the top 15% of films in the list of eligible films, as measured by the Adjusted Box Office.
2. Each linguistic market is ranked separately and the top 15% from each linguistic market are qualified;⁸

⁷ For the reference period specified in Part B.

⁸ Films with box office of less than \$2000 will not be counted.

PART C: CALCULATING THE ENVELOPE AMOUNT

When a film is deemed qualified, it entitles its distributor(s) to a performance envelope subject to the following:

Initial funds available for the distribution performance component (85% of total resources allocated to distribution) are allotted among all qualifying films on a pro rata basis according to the Adjusted Box Office of each film. Funds that are unallocated due to the application of the cap will be moved to the selective component. Any adjustment made to the calculation of one film after letters announcing performance envelopes have been issued will be calculated at the reward ratio determined at the moment of initial calculations. The distributor of record is identified for each qualifying film, and the amount of the film envelope determined according to the pro rata allocation is attributed to the appropriate distribution company(ies). The results are cumulative, such that multiple qualifying films may result in the attribution of multiple amounts to the same distribution company(ies).

PART D: APPLICATION OF CAPS

Telefilm Canada will limit the annual amount allocated in the performance-based calculations for distributors as follows:

- a distribution company, together with any related company(ies), may not be allocated more than \$3.5 million.

A company may be eligible to be allocated three separate performance based envelopes in the same year: English-language production, French-language production and distribution. The total amount that may be allocated to one company, together with any related company(ies), will not be allowed to exceed \$6 million. In the case where this cap is to be applied, Telefilm Canada will consult with the company in determining how to apply it.

ANNEX II: APPLICATION PROCESS

THE APPLICATION PROCESS

Applicants must send the appropriate application form, duly completed and signed, together with Telefilm standard budget and all required documentation, to Telefilm Canada by the applicable deadline(s).

A. WHERE TO APPLY

1. Apply on-line:

It is now possible to submit an application using the on-line services of Telefilm Canada (<http://www.telefilm.gc.ca/eTelefilm>). Applicants who do not have the access code for our eTelefilm services can request one [online](#) or by contacting eTelefilm's Technical Support available between 8:00 AM to 8:00 PM (EST) at 1-800-567-0890 extension 3911.

eTelefilm offers users a range of secure, simple, and speedy on-line services that are available from anywhere and on any platform, between 6 a.m. and 1 a.m. (EST). Among other functions, eTelefilm allows you to submit an application electronically, follow the progress of your file, and have access to direct deposit of funds. In addition, applications sent to Telefilm via eTelefilm can be submitted until 11:59 p.m. (EST) on the deadline date.

2. Apply by mail

Applications should be sent to the Telefilm office in the applicant's region to the attention of the Project Coordinator, who is available to answer any questions regarding the application or the documents required. Please consult [the Contacts section of Telefilm Canada's website](#) for the name of the appropriate contact person.

| Applicants from: | Telefilm Office | Address |
|---------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, Northwest Territories | Western Region | 609 Granville Street Suite 410 Vancouver, British Columbia V7Y 1G5 Phone: (604) 666-1566 Toll-free: 1-800-663-7771 Fax: (604) 666-7754 |
| Ontario, Nunavut | Ontario | 474 Bathurst Street, Suite 100, Toronto, Ontario M5T 2S6 Phone: (416) 973-6436 Toll-free: 1-800-463-4607 Fax: (416) 973-8606 |

| | | |
|---------------------------------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quebec | Quebec | 360 St. Jacques Street Suite 500 Montréal, Québec H2Y 1P5 Phone: (514) 283-6363 Toll-free: 1-800-567-0890 Fax: (514) 283-8212 |
| Newfoundland & Labrador, Nova Scotia, New Brunswick, Prince Edward Island | Atlantic Region | 1717 Barrington Street Suite 300 Halifax, Nova Scotia B3J 3A4 Phone: (902) 426-8425 Toll-free: 1-800-565-1773 Fax: (902) 426-4445 |

Applicants with their head office in one province or territory, but with a branch office in another province or territory must demonstrate a commitment to build the applicant branch office as a self-sufficient and autonomous production (or distribution) unit when applying to the regional office in which the branch office is located.

B. WHEN TO APPLY

MARKETING FINANCING FOR DISTRIBUTORS – SELECTIVE COMPONENT

In order to ensure funds are reserved for successful applicants, Telefilm Canada requires receipt of completed applications no later than at the time of delivery of the film to the distributor by the producer, or risk not being financed.

DISTRIBUTION PERFORMANCE ENVELOPES

An envelope is awarded to a distribution company for marketing, and must be used in accordance with the CFFF Guidelines. For a detailed explanation of performance envelope disbursement requirements, and relevant dates, please refer [Date References for Performance Envelope Calculations and Disbursements](#) at the Telefilm website. Please note that the Telefilm Canada's fiscal year runs from April 1st to March 31st.

The necessary accompanying Application Process material which will be published on Telefilm Canada's website at www.telefilm.gc.ca. Telefilm reserves the right to withdraw the privilege of an envelope or modify the conditions related to the use of an envelope at any time.

Performance envelopes must be 80% drawn down⁹ (disbursed) and 100% committed by March 31. Companies that have not utilized their performance envelope by

⁹ Save for a maximum of 20% of the total performance envelope that need not be drawn down.

November 30 of a given fiscal will be required, by that date, to submit formal applications for funding of projects that will draw down (disburse) at least 80% of any remaining envelope amount by March 31.

Furthermore, in order to satisfy Telefilm's cash management requirements, that portion of a performance envelope that is not contracted by January 31 will no longer be available to your company. Additionally, based on the January 31, contracting deadline, that portion of a performance envelope that will fail to meet the 80% disbursement criteria by March 31, will no longer be available to your company.

C. HOW TO APPLY

All application(s) to the main programs of the CFFF must be accompanied by a duly completed and signed application form and Telefilm standard budget. Application and budget forms may be downloaded from [Telefilm Canada's Web site](#).

[Telefilm Standard Budget](#)

[Marketing Application Form](#)