



Canada Feature Film Fund Budgets and Production Financing Requirements

A: General Principles Related to Budgets

A fully itemized budget based on Telefilm Canada's standard budget form is required with each application. Standardized production budgets are available from Telefilm Canada's offices or on our web site www.telefilm.ca. Other requirements include the following:

- Overhead and producer fees respectively may not exceed 10% of the B+C portions of the budget.
- For official treaty co-productions, a multi-column budget is required, noting each country's participation in a separate column and a consolidated total column.
- All projected related-party transactions must be established in accordance with generally accepted accounting principles and disclosed to Telefilm Canada by means of the Related-Party Transaction form found on Telefilm Canada's website.
- A closed-captioned version for the hearing impaired is required unless guaranteed by the producer's contract with the distributor. If the project is financed in whole or in part by the Talent Fund, the project must also be provided with described video.
- All delivery items specified in existing distribution, broadcast or other agreements must be fully budgeted.
- Budget must include sufficient provision for digital encoding and subtitling in the other official language.
- For English or French dubbing or sub-titling, Telefilm will require that a Canadian-owned-and-controlled company do the dubbing or subtitling. Exceptions may be made in the case of official co-productions. Telefilm requires that the versioning costs be included in the budget if one of the financiers contractually requires it.
- 10 professional quality DVD (or equivalent) copies of all versions of the production must be delivered to Telefilm Canada.
- The budget for unit publicity and promotion expenses within the production budget must meet Telefilm's expectations in terms of marketing and promotional strategy. Telefilm could ask for modifications.
- Budget must include an amount representing a minimum of 6% of B+C in the Contingency account.
- Budget must include sufficient provision for completion protection.
- The production must be protected by all industry standard insurance policies, including E&O (with no exclusions).
- Budget must include sufficient provision for preservation copies for Library and Archives Canada:
 - a) one unencrypted Digital Cinema Package (DCP) (compliant to SMPTE 429 or Interop guidelines) as follows:
 - DCPs should be delivered to LAC on external, ruggedized hard drives that support USB 3.0 interface standards;
 - hard drives should be formatted NTFS or Linux EXT2/3;
 - if the production shoots on film but moves to DCP, please submit a DCP;

- b) one DVD copy or equivalent (e.g. Blu-ray);
- c) a list of the names and addresses of all rights holders along with a full list of credits for the Production
- o Productions financed by Telefilm Canada must deliver a final cost report, certified in accordance with the Telefilm Canada Accounting and Reporting Requirements Policy (available on Telefilm Canada's website). The budget for every production should include an item specifically for this purpose. Telefilm Canada carries out periodic audits on a random basis to ensure that companies comply with their contractual commitments.
- o Generally, Telefilm requires that English-language projects with budgets of \$2.5 million and more supported at the production stage have a professional test screening prior to picture lock, the cost of which must be included in the production budget. This test screening must be executed by a Telefilm-approved entity.

B. General Principles Related to Production Financing

- o A detailed financial plan outlining the balance of financing for a project is required on submission of application, accompanied by written evidence of the financial commitment of other participants
- o Telefilm Canada allows pre-sales made by the producer if they are part of production financing. No commission is allowed.
- o Producers securing sponsorships may claim a commission of 10% of a sponsorship's cash value (provided that it is part of the non-recoupable production financing) when the sponsorship was acquired by the company itself or a related party. If a third-party contractor secured the sponsorship, the commission is 15%. If the sponsorship transaction occurs before the completion of the production, its net value is included in the financing structure. Otherwise it becomes income. A sponsorship contract must be requested at drawdown. No other fee-related expenses are allowed.
- o Deferrals should not normally exceed 10% of the budget
- o Telefilm Canada requires that the Federal Tax Credit available to any production in which it invests, or a producer investment in an amount equivalent thereto, be included in the financial structure of the production. Producers may elect to include provincial tax credits or may be required to do so by the provincial government concerned. In either case, the credit or an equivalent producer investment must be included before Telefilm Canada will allow any related-party distribution advance(s) or other related-party financing to have a recoupment position that is preferential to that of Telefilm Canada.
- o If another producer has received financing for the project by Telefilm Canada in a previous phase, Telefilm will not finance production of the project before recoupment of the advance made to date has been properly assumed by the applicant. Telefilm will determine in its own discretion whether the project submitted is the same as the project that has previously received financing.

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