

CANADA FEATURE FILM FUND

PRODUCTION PROGRAM FOR ENGLISH-LANGUAGE
PRODUCTIONS

GUIDELINES

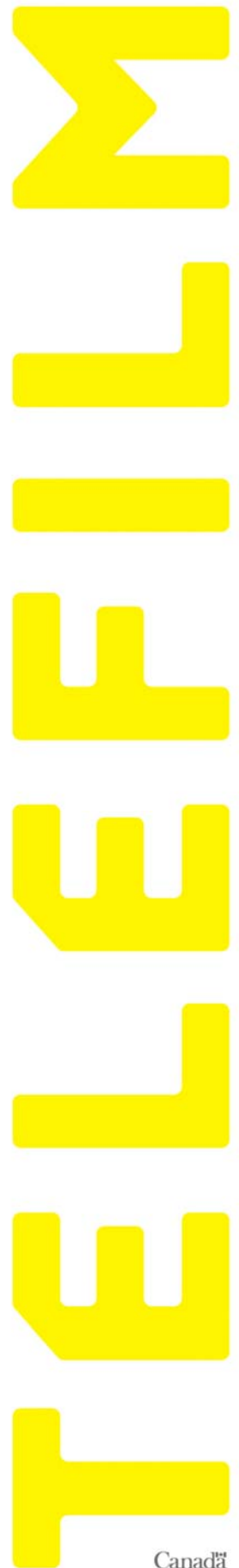


TABLE OF CONTENTS

1. CANADA FEATURE FILM FUND – ENGLISH-LANGUAGE PRODUCTIONS.....	3
1.1. GUIDELINES.....	3
1.2. OBJECTIVE, SPIRIT AND INTENT	3
2. ELIGIBLE APPLICANTS	4
2.1. BASIC CRITERIA	4
2.2. BROADCASTER-AFFILIATED COMPANIES	4
3. ELIGIBLE PROJECTS	5
3.1. BASIC CRITERIA	5
3.2. ADDITIONAL CRITERIA FOR INTERNATIONAL TREATY COPRODUCTIONS	6
4. SELECTIVE COMPONENT.....	7
4.1. NATIONAL DECISION MAKING.....	7
4.2. LOCAL DECISION MAKING	9
4.3. GREENLIGHT FINANCING	10
4.4. ENHANCEMENTS & TEST SCREENINGS.....	11
5. PERFORMANCE COMPONENT	12
5.1. ENVELOPE SYSTEM	12
5.2. ACCESSING ENVELOPES.....	13
5.3. FINANCING FOR OTHER ACTIVITIES FOR PRODUCERS	15
6. FINANCIAL PARTICIPATION AND REPAYMENT	15
6.1. FINANCIAL PARTICIPATION	16
6.2. REPAYMENT	17
7. APPLICATION PROCESS.....	19
7.1. HOW TO APPLY	20
7.2. WHEN TO APPLY	20
ANNEX I – CALCULATION & ALLOTMENT OF PERFORMANCE ENVELOPES FOR PRODUCTION.....	22
PART A: WHAT IS ADJUSTED BOX OFFICE	22
PART B: HOW DOES A FILM QUALIFY	25
PART C: CALCULATING THE ENVELOPE AMOUNT	25
PART D: HOW ENVELOPES ARE ATTRIBUTED TO PRODUCTION COMPANIES.....	26
PART E: APPLICATION OF CAPS	26

1. CANADA FEATURE FILM FUND – ENGLISH-LANGUAGE PRODUCTIONS

1.1. Guidelines

These guidelines pertain to the Production program for English-language productions and are designed to reflect the unique realities of the English-language market. Separate guidelines for the French-language market and for other CFFF programs (including development, marketing and complementary activities) are available on the Telefilm Canada (Telefilm) [website](#).

There are two financing instruments within this program:

Selective component: The selective component is primarily for producers without a box office track record sufficient to obtain a performance envelope. Telefilm selects from amongst projects in a highly competitive and oversubscribed environment.

Performance component: Resources are reserved for producers who achieve success at the Canadian box office in the form of performance envelopes. Producers with envelopes have greater autonomy, discretion and flexibility in the use of their envelope toward the development, production and marketing of Canadian feature films.

While compliance with the guidelines is a prerequisite to eligibility for funding, compliance does not guarantee entitlement to Telefilm funds. Telefilm may make adjustments to its guidelines and application forms from time to time as required. Telefilm 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. In all questions of interpretation of either these guidelines, or the spirit and intent of this program, Telefilm's interpretation shall prevail.

1.2. Objective, Spirit and Intent

The primary objective of the CFFF is to increase Canadian audiences in theatres for Canadian feature films.

To this end, the program is designed to support the production of Canadian feature films with the strongest box office potential. Telefilm will encourage diversity in feature film production by supporting a range of genres, budgets, companies and regions. Telefilm will continue to promote the development of effective partnerships amongst 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.

While Telefilm does not intend to restrict filmmakers in their choices of stories or their natural settings, Telefilm's policies and decision making process will prioritize projects that demonstrate the highest potential to attract Canadian audiences, contain significant Canadian creative elements and present a distinctly Canadian point of view.

2. ELIGIBLE APPLICANTS

2.1. Basic Criteria

In order to be considered eligible, an 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 will take into consideration:

- if the applicant's activities take place in Canada;
- the financial stability of the applicant (with appropriate exceptions for new production companies without established parent companies); and
- whether the applicant operates principally as a feature film production entity.

Furthermore, individual producers and other key production personnel exercising creative and financial control over the project submitted to Telefilm 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 production companies must demonstrate to Telefilm's satisfaction a commitment to producing Canadian feature films and must possess the experience and level of expertise necessary to complete the production. Telefilm's specific requirements will vary depending on the nature and scope of the project.

2.2. Broadcaster-Affiliated Companies¹

Broadcaster-affiliated production 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.

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

Telefilm may monitor the activities of broadcaster-affiliated companies. In the event that Telefilm determines, based on its own judgment, that a broadcaster-affiliated company has practiced unfair dealing, Telefilm may elect to suspend activity with the company for two years.

¹ 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 will use the definition of **affiliate** set out in the [Canada Business Corporations Act](#).

3. ELIGIBLE PROJECTS ²

In administering the program, Telefilm seeks to support the production of feature films that are owned and controlled by eligible applicants and which contain significant Canadian creative elements. While Telefilm 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.

3.1. Basic criteria

To be considered eligible, a project must:

- be a feature length fictional film³ produced in the English-language;
- be aimed primarily at the Canadian theatrical market;
- be under Canadian ownership, that is, its copyright must be owned by a Canadian;
- be under Canadian financial, creative and distribution control; as well, all rights and options necessary for the full and complete exploitation of the project must be held by an eligible Canadian production company;
- with respect to Canadian content certification, upon completion be **either**:
 - certified by the Canadian Audio-visual Certification Office (CAVCO) as a “Canadian film or video production” with a minimum of 8 out of 10 points under the provisions of the [Income Tax Act](#) (Canada); **or**
 - certified as an official treaty coproduction by the Minister of Canadian Heritage (refer to Telefilm’s guidelines entitled [International Coproductions](#));
- be written by a Canadian scriptwriter and directed by a Canadian director. Appropriate exceptions will be made for otherwise eligible projects requesting a lower level of financial participation from Telefilm. In the case of the writer, Telefilm will consider indicators in determining eligibility that include: the degree of involvement of the Canadian writer (which must be meaningful and collaborative); and whether the underlying property and story are Canadian;
- have a Canadian performer in the lead role. Telefilm will continue to allow for flexibility in assessment of the Canadian performer in a lead role in co-protagonist and ensemble situations, as well as where the non-Canadian actor is integral to the market potential of the film (that is, marquee cast)⁴;
- if budgeted at more than \$1.25 million, have a hard⁵ commitment from an eligible Canadian

² The term **eligible project** is used interchangeably with **film** or **project** throughout the guidelines.

³ The project is at least 75 minutes in duration. Projects whose first window is more likely home video or television broadcast are ineligible.

⁴ Telefilm will continue to consider appropriate exceptions to these criteria on a case by case basis, particularly where the level of financial request to the CFFF is low, and there are significant Canadian creative elements (including a distinctly Canadian point of view).

⁵ A hard commitment is a written agreement describing the financial resources the distributor will commit to the project, and includes the assurance that the proposed P&A budget will not be revised downward without the producer’s and Telefilm’s approval.

- distribution company⁶ for theatrical release in Canada within one year of delivery;
- conform to the Canadian Association of Broadcasters (CAB) [Code of Ethics](#) and to all other programming standards endorsed by the CAB or the CRTC, and not contain any element that is an offence under the [Criminal Code](#), is libellous or in any other way unlawful.

3.2. Additional Criteria for International Treaty Coproductions

Advance ruling or certification as an official international coproduction does not render an applicant or project automatically eligible for program funding. Telefilm will evaluate appropriate exceptions to the eligible applicant and eligible project rules for international coproductions. In assessing whether to grant an exemption from these rules, Telefilm will take into consideration the amount requested from the CFFF, the producer's ownership and control in the creative, the financial and distribution process and the level of Canadian elements.

Specifically, in the case of coproductions applying for financing through a production performance envelope, Telefilm will use the following criteria (both of which must be met in order for the project to be considered eligible):

3.2.1. Producer credit

In addition to compliance with the applicable minimum credit requirements contained in any coproduction treaty and Telefilm's [International Coproductions guidelines](#), the credits for coproductions shall meet the following criteria, wherever any producer-related credits or the billing block appears, including without limitation, on screen, on posters, in paid advertisements and in any printed and/or electronic promotional material including press releases and press books:

- The Canadian producer is credited as the producer of the film along with the foreign co-producer.
- The form of the credit accorded to the Canadian producer is consistent in all respects with the form of the credit accorded to the foreign co-producer. By way of example, (i) if a **produced by** credit is accorded to the foreign co-producer, then a **produced by** credit shall be accorded to the Canadian producer; (ii) if a **producer** credit is accorded to the foreign co-producer, then a **producer** credit shall be accorded to the Canadian producer; and (iii) if a presentation credit is accorded to the foreign co-producer or such foreign co-producer's company, then such presentation credit shall be accorded to the Canadian producer. Alternative forms of a producer-related credit (e.g. Executive Producer, Co-producer, Line-Producer, etc) for the Canadian producer are not acceptable substitutions for the **producer** or **produced by** credit. In the case of a majority Canadian coproduction, the Canadian producer shall be credited appropriately in first position.
- A producer-related credit or presentation credit of any sort to an individual who is not a national of one of the co-producing countries will render the project ineligible, subject to Telefilm-approved producer related credits for individuals historically involved in the development of a

⁶ The criteria for an eligible distributor are outlined in the CFFF Marketing program [guidelines](#).

project and contractually entitled to such credit but who are no longer actively involved in the production.

- The foregoing criteria apply as well to corporate credits and logos with the exception that distributors, international sales agents and financiers are entitled to presentation credits (in accordance with the established industry custom) and to have their corporate names and logos appear in the billing block, on screen, posters, in paid ads and in all promotional material in their respective territories.

3.2.2. Creative Control

The project must meet at least one of the following criteria:

- Writer is a Canadian; or
- Director is a Canadian.

4. SELECTIVE COMPONENT

Telefilm, in consultation with the CFFF Working Group, has clarified the best practices of selective decision-making. These best practices are a set of guiding principles designed to build on the past performance of the Canadian feature film industry. They affect national and regional decision-making, and their respective goals and objectives.

4.1. National Decision Making

In order to meet the CFFF's objective, Telefilm's goal is to significantly improve box office results for the English-language Canadian market. The focus of the national projects is on box office performance. As such, the higher the request for financing to Telefilm, the greater will be the expectation for box office performance.

The national selective decision making process is typically for requests to Telefilm of \$1.5 million or more in total financing⁷. However lower financing requests will be considered if a project meets all the evaluation criteria for national projects, as outlined in this section below. National projects will first be evaluated in their local office by the local feature film executive. The strongest projects that meet the national evaluation criteria will be recommended for financing to the national feature film executive. The national feature film executive is then responsible for making the final decision.

Projects requesting national financing will compete against projects from across the country and must be able to demonstrate their capacity to achieve box office results.

⁷ It is understood that the \$1.5 million or more includes combined potential financing from the selective component and a performance envelope.

Learning from historical box office performance analysis, the following factors will consequently have **greater influence** in our future national decision making:

- genre⁸;
- size of production budget⁹;
- level of market interest; and
- level of the participants' financial risk in the project.

Once a financing decision has been made, a project's success at the box office requires the ongoing collaboration and support of **all** players. The National Feature Film Executive, with the support of the local feature film executive, will proactively ensure early and ongoing discussions around a project's marketing plan, key art, posters, trailers, focus groups and test screenings. Budgets and contracts must confirm minimum production and marketing spends in unit publicity, production promotion and test screening. Meetings with distributors and exhibitors will ensure the staggered release of similarly *targeted* Canadian films, and that efforts are made to maximize the positioning of a film's marketing campaign and release (e.g. day and date etc.).

Telefilm's evaluation of a project begins with the screenplay. If the screenplay is considered to be production ready, the feature film executive will assess the strength of the creative material, the package, the distribution commitment and the financial structure according to the following evaluation criteria:

EVALUATION CRITERIA FOR NATIONAL PROJECTS	
Creative material	<ol style="list-style-type: none"> 1. Originality, quality and production-readiness of the script; 2. Reflection of Canadian society and cultural diversity, including story, character, setting, source of the story, majority producer, writer, director and 3. The genre's track record of success. We intend to increase the diversity of our portfolio to include a greater portion of genres with broad audience appeal, particularly comedy.
Package	<ol style="list-style-type: none"> 1. Marquee value of the potential/planned/budgeted cast; 2. Marquee value of other elements of the project (e.g. source material, director); 3. Track record of the creative team (primarily producer, director, scriptwriter); 4. Director's vision for the film; 5. Production budget should typically be over \$5 million¹⁰ and sufficient

⁸ Genre is considered a factor in box-office success, as analysis has repeatedly proven. Note in the evaluation criteria section below under **Creative material**.

⁹ Note in Evaluation Criteria section **Package** where preferred budget size is indicated as \$5 million and above. Findings confirmed that the most favourable box office results were more consistently achieved by higher-budget Canadian films with strong market interest.

	to realize the full potential of the script.
Distribution commitment	<ol style="list-style-type: none"> 1. The size and strength of the distributor’s prints & advertising commitment 2. The marketing plan: <ol style="list-style-type: none"> i. the detailed description of how the box office projections are built up given the demographics of the film, which includes a positioning statement for the film; ii. the proposed release pattern; iii. the performance of comparable films; iv. the description of the key marketable elements of the film; and v. the description of how the proposed advertising spend drives the box office projection, including the type of media targeted, the tie-in’s, cross-promotions, etc. and 3. The distributor’s track record of success.
Financial package	<ol style="list-style-type: none"> 1. The viability of the financial structure; 2. The level of market interest¹¹, including the degree to which international commitments from distributors, broadcasters and financiers have the potential to enhance the Canadian box office. Typically market interest should be in excess of \$1 million; 3. The degree to which all stakeholders are financially at risk, that is, sharing in the risks and rewards of the project; and 4. The degree to which participants remuneration is tied to domestic box office success.

Telefilm also seeks to maximize its access to revenue. Therefore, in addition to ensuring that projects maximize their potential to reach Canadian audiences, Telefilm will prioritize between otherwise comparable projects those with the greatest potential to return revenue to the CFFF.

4.2. Local Decision Making

The objectives in the region are two-fold: i) to develop and support projects that will feed into the national selective packaging and production financing stream and; ii) to continue building industry capacity. Consequently, nurturing and supporting emerging talent is critical. Local financial participation decisions will primarily focus on skills development, and less on box office targets. Within their regional allocations, the local feature film executives will seek to enhance Telefilm’s portfolio by selecting projects that:

¹⁰ The historical analysis, in the best practices exercise, determined that budgets of \$5 million and more performed better at the box office than projects with budgets between \$2.5 million - \$5 million. Consequently, preference will be given to projects with budgets of \$5 million and more.

¹¹ Market interest is defined as any of the following: Minimum Guarantee from an eligible distributor (domestic or foreign); licence from a broadcaster included in the financial structure; and other private financings **excluding** all and any deferrals, and any private Funds (e.g. Harold Greenberg Fund).

- assist in the development of emerging talent in key creative positions;
- increase the diversity of voices from underrepresented communities, and/or;
- help build audiences, and create awareness, through innovative multiplatform strategies.

Given the limited amount of money in the regional funding stream, while all budgets continue to be eligible, preference will be given to projects with budgets of less than \$2.5 million and requesting less than \$750,000. Regional requests for financing may be up to \$1.5 million, however this would only be considered on a very exceptional basis. Market interest is not the deciding factor for regional projects, however the marketing plan and/or alternative distribution strategy continues to remain important in order to create awareness for the films and their talent.

Projects with higher requests¹² will be referred to the national selective decision making level where the primary focus is on box office performance.

4.3. Greenlight Financing

4.3.1. Greenlight pre-production advances

A greenlight advance is only available for those feature film projects that have already received a commitment letter from Telefilm for production financing. Applications for a greenlight advance must have an eligible distributor¹³ attached.

Telefilm's financial participation will be maximum of 80% of eligible costs¹⁴ to a maximum of \$150,000¹⁵.

Applicants should be aware that greenlight advance financing is not in addition to Telefilm's offer of production financing. If an applicant receives a greenlight advance, the amount will be included as part of Telefilm's total financial commitment to a production, as outlined in a commitment letter from Telefilm.

4.3.2 Greenlight financial participation and repayment

Telefilm's financial participation is in the form of an advance against Telefilm's production financing.

¹² National selective decision making is typically for requests to Telefilm of \$1.5 million or more.

¹³ The criteria for an eligible distributor are outlined in the [guidelines of the Marketing program for English- and French-language productions](#).

¹⁴ Eligible costs for a Greenlight advance include those associated with the final polish of the screenplay, closing agreements with financial participants, attaching cast and early pre-production; in other words, generally those costs associated with fulfilling the conditions outlined in the production commitment letter.

¹⁵ To assist producers who wish to secure certain pay or play arrangements, and in certain instances where casting will assure the project/film marketplace access, Telefilm will consider participating beyond the greenlight maximum amount.

In the event that the project proceeds into production with financial support from Telefilm, this greenlight advance will be converted either into an equity investment or a recoupable advance (at the option of the producer) as part of the total Telefilm financing of the production.

In the event that the project proceeds into production without financial support from Telefilm, or does not proceed into production by a defined date, the greenlight advance will be treated as a non-equity repayable advance similar to a development advance. In this case, the advance will be repayable according to the contract that Telefilm and the producer enter into, generally on the earlier of: the first day of principal photography (or any other use of the script) or the sale, assignment or other disposition of the rights to the project.

4.3.3 Exceptions for Greenlight financing from performance envelope funds

A commitment letter for production financing from Telefilm is not required. To be eligible for greenlight financing, the producer must submit a complete application for production financing, and demonstrate that the producer has sufficient resources within the producer's envelope to complete the production financing of an otherwise eligible project to which an eligible distributor is attached.

Telefilm's financing will be the lesser of:

- the amount requested by the applicant;
- the uncommitted balance of the performance envelope;
- 80% of eligible costs, and;
- the \$150,000 maximum.

4.4. Enhancements & Test screenings

Telefilm's financing from the selective component may be applied to the costs for enhancements and test screening during the post production stage.

4.4.1. Enhancements

Telefilm's financing from the selective component may also support enhancements for projects already supported by the CFFF during the production stage at either the local or national level. Enhancements are not overages to the production, but rather are considered to be extraordinary costs outside the production budget directly related to increasing the Canadian box office potential for the project (that is, soundtrack, special effects, additional shooting and test marketing).

In assessing applications for financing support for enhancements, Telefilm will evaluate the following:

- the expected increase in the market potential of the project, as evidenced by the distributor's revised box office projections;
- the revised marketing plan; and

- the revised P&A commitment.

Telefilm will favour those requests for enhancements where the project has been subjected to a market test screening.

Telefilm requires that its additional financial participations for enhancements, or breakages¹⁶ (as well as any other participants' additional amounts) will recoup preferentially.

4.4.2. Test screenings

Additionally, all projects supported during the production stage at the national level must participate in a test screening prior to picture lock¹⁷. This test screening will be executed by a Telefilm approved entity. Telefilm will consider financial support for test screening of projects supported at the production stage, at the local level, on a case by case basis. There continues to be the expectation of a test screening upon delivery of the film to the distributor under the [CFFF](#).

Telefilm will favour those requests for enhancements that arise as a result of the required test screening.

With regards to recoupment for Telefilm initiated test screenings in post production, Telefilm requires that this financial participation will recoup preferentially as outlined in the CFFF Marketing program.

5. PERFORMANCE COMPONENT

5.1. Envelope System

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

- envelopes should only be earmarked for those companies with the most distinguished track record of performance at the Canadian box office;
- performance envelope amounts must be sufficiently large to avoid the companies having to apply to the selective components for top-up resources; and
- 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 component.

¹⁶ See section 5.3. for additional details.

¹⁷ 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 (picture lock) and post production can move to the next phase, the sound edit and mix.

In the event of changes in management or ownership of a company for which an envelope has been earmarked (such as a sale, merger, change in management, etc.) Telefilm, 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 provided by performance envelopes. In the event that Telefilm, 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 production companies will be eligible to apply.

Clients, and especially those producers who have been offered performance envelopes in a given fiscal year, are hereby advised that they should not rely on past guidelines and practice for anticipating or predicting an envelope for the following year and beyond.

5.2. Accessing Envelopes

Producers with performance envelopes have conditional privileges that are not provided to companies that must apply to the highly oversubscribed and competitive selective component. Access to an envelope is a privilege, not a right. **Under no circumstances are the envelopes transferable.** Funds available in a performance envelope must be used in the fiscal year in which the envelope is 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. Consequently, if a film is made as a coproduction involving:

- a (majority) company eligible for funding from the CFFF; and
- a (minority) company ineligible to receiving funding from the CFFF

and if the exploitation of the film results in a performance envelope, only the company eligible for CFFF funding at the time the project was submitted shall have access to the performance envelope funds (calculated in proportion to the eligible company's financial participation in the project).

Producers with a production performance envelope may use up to \$200,000 to finance a portfolio of development projects as set out in the CFFF Development Program Guidelines for French and English-Language Projects.

5.2.1. Meaningful involvement

Telefilm will ensure that producers access their envelopes in support of projects in which they are meaningfully involved. Telefilm considers meaningful involvement a safeguard to prevent envelopes from being traded as assets. Performance envelopes provide greater autonomy, discretion and

flexibility in the use of CFFF funds. Telefilm expects producers to apply their strong track record of box office performance to the use of their performance envelopes. The producer must take responsibility and retain decision-making authority for the project from development through pre-production, production, post-production and marketing.

Within this context, the following are Telefilm's minimum requirements to demonstrate a producer's meaningful involvement in a project or projects. Telefilm may apply additional requirements to ensure meaningful involvement as deemed necessary.

Producers with performance envelopes must:

- acquire copyright ownership in the eligible project, at least commensurate with the level of participation from the performance envelope relative to the size of the Canadian production budget, but, in any case, no less than 20% copyright ownership;
- receive a share of producer's fees and corporate overhead commensurate with their ownership interest;
- retain control commensurate with their ownership in the development, production, marketing and subsequent revenue reporting of the production;
- retain future access to a performance envelope commensurate with their ownership interest should the film be successful at the Canadian box office;
- enter into meaningful collaboration with partners at the development stage as demonstrated by a signed co-ownership or co production agreement that includes a description of all of the above; and
- must be signatories to the Telefilm production financing agreement.

5.2.2. Accessing financing from the selective component for producers with envelopes

Producers with an envelope may not split their envelope between two or more eligible projects with the intention of applying to the selective component for top up financing for these projects.

Telefilm requires that producers with a performance envelope first fully contract their envelope amount before applying for financing from the selective component.

Producers with an envelope may commit resources from the envelope to one project and at the same time apply for partial or full financing for another project from the selective component. In the event that the application to the selective component is successful, Telefilm will freeze the resources committed within the performance envelope for six months or until November, whichever is sooner. If the project for which resources have been conditionally committed does not fulfill the conditions and proceed to contract by the deadline, the producer will not be allowed to transfer the funds to another project. Instead, Telefilm will deduct the amount from the producer's envelope and apply it against the selective assistance granted to the other project.

In assessing applications for projects with similar box office potential within the selective component, Telefilm will give priority to those received from producers without a performance envelope.

In addition to demonstrating meaningful involvement, producers who partner with a producer seeking financing from the selective component are required to provide the lesser of the following amounts to the eligible project: the balance of their envelope (less any reserve for development) or an amount corresponding to the percentage of their ownership interest in the film applied to the total funding requested from the CFFF (performance and selective components combined).

Production performance envelopes earned in one genre (i.e. fiction or documentary) must be used for the production of a film in that same genre, i.e. a production performance envelope earned for a fiction film must be used for the production of a fiction film and a envelope earned for a non-fiction/documentary film must be used for the production of a non-fiction/documentary film.

Production performance envelopes based on English-language films must be used for production of English-language films and vice versa. However, in order to allow some flexibility in the use of envelopes in development portfolios, producers will be entitled to use English-language performance envelope funds for development of a French-language project and vice versa.

Production envelope floor: the minimum value of a production envelope is set at \$750,000.

5.3. Financing for other Activities for Producers

Telefilm's financing from the producer's performance envelope may also be applied to costs such as enhancements or breakage for films otherwise supported by the CFFF.

Breakage is considered to be an extraordinary cost directly related to the engagement of a performer(s) with exceptional marquee value. When determining whether or not to participate in costs related to non-Canadian performers, Telefilm will take into consideration the presence of significant Canadian creative elements in the project. Enhancements are not overages to the production budget. Enhancements are considered to be extraordinary costs outside of the production budget directly related to increasing the Canadian box office potential for the project (that is, soundtrack, special effects, additional shooting and test marketing).

Telefilm requires that its additional financial participation (as well as any other participants' additional amount) will recoup preferentially.

6. FINANCIAL PARTICIPATION AND REPAYMENT

6.1. Financial Participation

As a financial participant, Telefilm negotiates its participation, which varies from project to project and may be less than requested.

Production financing from the selective component is capped at \$4.0 million per project (including any performance envelope money), or 49% of the eligible Canadian production costs¹⁸, whichever is less.

Telefilm's financing, from the producer's envelope, will be provided up to 49% of the eligible Canadian production costs. There is no absolute dollar cap unless the producer is also seeking financing from the selective component, in which case the cap to selective financing will apply.

Eligible feature-length documentaries qualify for production performance envelopes of up to \$1 million. However, such documentary performance envelopes may not be used for development.

Telefilm's financial support will be provided in one of two ways, depending upon the choice of the producer. The producer may choose that Telefilm's financing be provided in the form of an equity investment of up to 49% of the eligible Canadian production costs. In such case, Telefilm will acquire a proportionate share of the copyright in the production. Alternatively, the producer may choose to receive Telefilm's financing in the form of a recoupable advance. The producer's choice of the method of financing may affect the amount of federal or provincial tax credits that the producer is eligible to receive in connection with the production. Consequently, the producer must determine, in consultation with the producer's professional tax advisors, which form of Telefilm financing is optimal for the production project. However, the choice of equity or advance must be clearly indicated at the time of application.

In exceptional circumstances, Telefilm may provide financing beyond 49%, up to 64% of the eligible Canadian production costs but not exceeding the \$4.0 million cap. In cases for which the producer has chosen to receive Telefilm's financing in the form of an equity investment, any amount above 49% will be provided in the form of a producer equity advance¹⁹. In cases for which the producer has chosen to receive Telefilm's financing in the form of a recoupable advance, any amount above 49% will also be provided in the form of a recoupable advance.

Projects for which the producer is seeking financing in excess of 49% must:

- include a hard P&A commitment from an eligible distributor in an amount equivalent to at least 15% of the film's budget;
- demonstrate a distinctly Canadian point of view; and
- exhibit exceptional creative merit.

¹⁸ For the purposes of the production component of the CFFF, Canadian costs must be incurred in Canada.

¹⁹ A producer equity advance is an interest-free advance to the production company to be invested by it in the production. It is payable on the same schedule as Telefilm's other financing amounts. Recoupment by Telefilm of such advance is subject to negotiation but in no event will it be recouped less favorably than its other financing amounts.

Telefilm will have sole authority to determine if the above criteria have been met.

6.2. Repayment

Telefilm will recoup its financing according to the contract it enters into with the production company. The calculation of Telefilm’s entitlement to recoupment will not be affected by the form of Telefilm’s financial participation.

6.2.1. Minimum recoupment practices for production financial participations

Telefilm will recoup its financial participation no less favourably than *pro rata* and *pari passu* with all other financial contributions (except as noted below), including:

- producer investment, private fund and provincial agency financing, broadcaster investment, craft and creative deferrals (whether or not by related parties) and any form of producer-related financial participation which is directly or indirectly supported by producer fees, corporate overhead or federal or provincial tax credits.

For projects whose financing structures include distribution advances/ minimum guarantees, pre-sales for non-Canadian territories or other similar forms of participation including gap financing, the producer must offer Telefilm a deal that will not unfairly limit Telefilm’s ability to recoup its financial participation, and that will permit a reasonable expectation of recoupment.

Although a producer may sell worldwide distribution rights in return for an advance/minimum guarantee to be included in the project’s financial structure, or arrange gap financing of unsold territories, the advance/guarantee/gap may not recoup from worldwide revenues ahead of Telefilm’s participation. The following are the two most typical kinds of recoupment arrangements that can satisfy the requirement:

Open territory	A major territory or territories is or are excluded from the recoupment of the advance/guarantee/gap to allow for Telefilm’s financial participation to recoup in first position (shared with other participants entitled to recoup in the same position as Telefilm) from net revenue generated from these territories, without being subject to prior recoupment of the advance/guarantee/gap. The open territory must be a territory or territories that represent reasonable revenue potential to Telefilm. An open territory arrangement does not mean that the provider (usually a distributor) of the advance/guarantee/gap cannot be granted the right to sell in the open territory simply that the advance/guarantee/gap does not recoup from the open territory.
Revenue corridor	The producer negotiates a deal with the provider of the advance/guarantee/gap (usually the distributor) such that the advance/guarantee/gap is recoupable, not from 100% of revenue but from some lesser share of the revenue. The remaining portion of revenue flows to Telefilm (and other financial participants entitled to the same position as Telefilm).

When an advance/guarantee/gap is provided by a company related to or affiliated with the producer, Telefilm may require a recoupment position for the advance/ guarantee/gap that is more consistent with that of other financial contributions (i.e., *pro rata* and *pari passu*).

Since financing structures, distribution arrangements, marketability and most other elements vary considerably from project to project, Telefilm considers different deals acceptable on a case-by-case basis. In every case, Telefilm is seeking a reasonable expectation of recoupment in light of its objectives as outlined above.

Approved budget over-runs and service deferrals may be recouped only after Telefilm has recouped.

For productions where Telefilm deems certain budget items to be excessive (including producer's fees and corporate overhead and third party cast, crew, or service deferrals), Telefilm requires a recoupment position that ensures that such items do not negatively affect Telefilm's recoupment.

6.2.2. Incentive for producers of low budget English-language productions

To encourage wider distribution of projects produced by SMEs²⁰ producing low budget English-language productions (and to improve their capitalization through recoupment), Telefilm provides the following incentive:

- Where the production budget of an English-language project produced by a SME does not exceed \$1.25 million, Telefilm will forego recoupment of 25% of its participation in favour of the producer. Producers will be allowed to recoup this amount as their own, in addition to whatever other participation they may have in the project, *pro rata* and *pari passu* with all other financial participations.

6.2.3. Incentive to encourage private financing

In order to encourage producers seeking non-traditional sources of Canadian private financing for their projects, Telefilm will offer the following incentive to productions benefiting from such funding:

- Until full recoupment of eligible private financial participations, eligible private participants may receive 50% of revenues *pro rata* and *pari passu*. The other 50% will be shared *pro rata* and *pari passu* with the remaining first tier participants.

Such a preferred position will not apply to: suppliers deferring payments, broadcasters and other CRTC licensees, funds established as a requirement of the CRTC, and Canadian participants eligible to receive

²⁰ Small- and medium-sized companies have gross annual consolidated (including related companies) revenues of less than \$25 million, averaged over the past three years or less depending on the age of the company, and are not related to any company that exceeds the above threshold. Telefilm will use the *Handbook of the Canadian Institute of Chartered Accountants* as a guide in determining when two companies are related.

accompanying benefit from their participation, such as distribution or licensing rights, payment for services provided to the production or the fulfillment of regulatory requirements, or entities receiving a producer credit. Furthermore, any portion of such private participation that is directly or indirectly supported by remuneration from the budget may not recoup more favourably than Telefilm's participation.

Applicants wishing to take advantage of this incentive are strongly advised to contact the [Canada Revenue Agency](#) for details on how third party loans, investments and other financings may affect qualification for tax credits.

6.2.4. Special recoupment requirements of public and private funds

With the exception of the incentive to encourage private financial participation (as described in the section above), and distributor distribution advances, Telefilm will not accept an arrangement that provides it with less favourable recoupment than *pro rata* and *pari passu* with all other financial contributions included in the financial structure for the production, including those of private or public funds which are directly or indirectly affiliated with government agencies, broadcasters, CRTC licensees, or Canadian participants eligible to receive accompanying benefit from their participation, such as distribution or licensing rights, payment for services provided to the production, or the fulfillment of regulatory requirements.

6.2.5. Breakage

For productions in which Telefilm has made a commitment to financially participate, with a recoupment schedule as described herein (open territory(ies) or corridor(s)), Telefilm will consider, on a case-by-case basis, allowing third-party financing of extraordinary costs directly related to the engagement of a performer(s) with exceptional marquee value to recoup more preferentially than indicated herein. This exception is made in keeping with the CFFF's objective of increasing Canadian box office and audiences generally for Canadian feature films, and in recognition of industry practice regarding the financing and recoupment of breakage. Telefilm will only agree to such an arrangement in cases where there continues to be a reasonable expectation of recoupment, or indeed an increased expectation given the value of the performer in the marketplace.

6.2.6. Standard distribution terms and conditions

Telefilm may impose caps or limitations on deductible distribution fees and expenses.

7. APPLICATION PROCESS

All applicants must now apply on-line. Applicants should submit the appropriate application form, duly completed and signed, together with the Telefilm standard budget and all required documentation, via eTelefilm by the applicable deadline(s). [Application forms](#) and the [Client Service Charter](#) are available on Telefilm's [website](#).

7.1. How to Apply

To apply, applicants must use the on-line services of [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 applicants to submit an application electronically, follow the progress of the file, and have access to the direct deposit of funds. In addition, applications sent to Telefilm via eTelefilm can be submitted until 11:59 p.m. (EST) on the application cut-off date.

Applicants in remote communities without access to the internet may continue to apply by mail and should contact their local office for address details.

7.2. When to Apply

7.2.1. Selective component

There is no application deadline for English-language production projects (including selective and performance component requests). Telefilm will begin receiving production applications in April, and evaluate them on an on-going case-by-case basis until funds are exhausted.

All applications for production financing must be submitted well in advance of commencement of principal photography. Telefilm will not accept applications for production financing after principal photography has begun.

7.2.2. Performance component

Performance envelopes must be fully committed, contracted and no less than 90% drawn down (disbursed) by March 31. For Telefilm's cash management purposes, those companies that have not fully committed their performance envelope by early October will be required to submit formal applications for funding of projects that will fully draw down any remaining envelope amount by March 31 (save for an amount representing no more than 10% of the total envelope, which is not required to be drawn down).

In order to satisfy Telefilm's cash management requirements, that portion of a performance envelope that is not contracted by the required date will no longer be available to the company. Furthermore, that portion of the performance envelope that is not expected to be drawn down (save for the amount representing no more than 10% of the total envelope, which is not required to be drawn) by March 31, **will no longer be available to the company**. That portion of a performance envelope that will not be contracted and drawn down²¹ by March 31 will be reallocated to the selective component.

Applications for projects that are the subject of an undertaking must be submitted to Telefilm no later than early October. Any amount that is undertaken to be drawn down, and is not, will no longer be available to the company. Should such a company qualify for a performance envelope for a subsequent fiscal year, an amount equal to the amount not drawn down will be deducted from the envelope to which the company would otherwise be entitled. For those companies that do not qualify for an envelope in a subsequent fiscal year, Telefilm may have to consider restricting such companies' access to the selective component of the CFFF for that same subsequent year.

Please note that Telefilm's fiscal year runs from April 1 to March 31.

²¹ Save for a maximum of 10% of the total performance envelope that need not be drawn down.

ANNEX I – CALCULATION & ALLOTMENT OF PERFORMANCE ENVELOPES FOR PRODUCTION

The method used in the calculation of performance envelope amounts for English-language productions is described in this Annex.

For purposes of these calculations, **Gross Canadian Box Office** is defined as the box office figures supplied to Telefilm 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 identifies the films that will qualify a producer for an envelope. Part C details the calculation and methodology applied in arriving at the amount of an envelope. Part D describes how envelopes are attributed to companies. Finally, Part E 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 to determine which films qualify their producer(s) for an envelope and the amount of such envelopes.

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 adjusts the Gross Canadian Box Office of a film for children up by 25%.

It is the responsibility of the producer to advise Telefilm 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 three (3) months following the theatrical release of the film.

Telefilm 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 13;

- the film’s marketing campaign is clearly targeted to children 13 years or younger;
- the story is told from the point of view of an individual(s) who is 13 years of age or younger;
- the distributor, in cooperation with a primary school(s), organizes a special screening for children 13 years of age or younger;
- films that are officially presented in at least two internationally recognized children’s film festivals (a list of recognized children’s festivals can be found on Telefilm’s [website](#)); and
- 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%.

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 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 *César* awards.

International festivals

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

- Amsterdam, Cinekid (children)
- Berlin – International Filmfestspiele Berlin: Official Selection, Panorama, Forum, Kinderfilmfest
- Cannes Film Festival: Official Competition, *Un Certain Regard*, Directors' Fortnight and International Critics' Week
- Chicago
- Giffoni Film Festival (children)
- Karlovy Vary
- Locarno
- Malmo (children)
- New York Film Festival
- Park City (Sundance)
- Pusan, South Korea
- Rotterdam, The Netherlands
- San Sebastian, Spain
- Shanghai
- Sydney
- Tokyo
- Venice : La Biennale di Venezia – Mostra Internazionale del Cinema, Venice Days (Directors' Fortnight equivalent)
- Zlin (children)

Canadian festivals & awards

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

- World Film Festival (*Grand Prix des Amériques, Prix Air Canada, Golden Zenith for Best Canadian Film, Award for Most Popular Canadian Film*).
- 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).
- Atlantic Film Festival (People's Choice Awards for Best Feature and Best Canadian Feature).
- Vancouver International Film Festival (Most Popular Canadian Film).

PART B: How Does a Film Qualify

Reference period

Generally performance envelopes are based on Canadian films released in Canadian theatres over the span of three 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 producer(s) for an envelope if it meets both of the two following performance criteria:

- the film ranks within the top 15% of films in the list of all eligible films, as measured by the Adjusted Box Office²²; and
- the film earned at least \$500,000 in Gross Canadian Box Office, adjusted only for children's films.

PART C: Calculating the Envelope Amount

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

The performance envelope(s) generated by each film is calculated as described below. In the case of envelopes for production, a reward ratio is applied.

Each film that qualifies for the purpose of an English-language production envelope generates for its producer(s) an amount of envelope equivalent to the Adjusted Box Office multiplied by \$0.86 for its English-language box office, and for its French-language box office, the reward ratio will be according to the pro rata calculations as described in the guidelines for the French-language production and marketing programs. The producer(s) of record is (are) identified for each qualifying film, and the amount of the film's envelope determined is attributed to the appropriate production company(ies). The results are cumulative, such that multiple qualifying films may result in the allocation of multiple amounts to the same production company(ies). Any adjustment done to a performance envelope will be calculated with the reward ratios used at the moment of initial calculations.

Production envelope floor

The minimum value of a production envelope is set at \$750,000.

In the case of double shoots, where the film earns both a French-language and an English-language production envelope, the production company will advise Telefilm of the preferred language of production for the envelope. Such envelopes will continue to be calculated based on reward ratios in effect in each language market in which the film earns its box office receipts.

²² Films with box office of less than \$2000 will not be counted.

PART D: How Envelopes are Attributed to Production Companies

Envelopes are attributed to the Canadian company or companies that own the rights in the film. If more than one company owns the copyright, the attribution is made *pro rata* to the copyright ownership unless the copyright owners have entered into another arrangement for the sharing of an envelope between them.

In the event that the copyright in the film is owned by a single purpose company, that is in turn wholly owned by another company, the envelope to which that single purpose company is entitled may be transferred to the other company, provided that Telefilm is satisfied with the documentation supporting such ownership. In the event that more than one individual or company owns the production company of record (which owns the copyright in the film), Telefilm will attribute the envelope value of the qualifying film among the companies on record as the copyright owners, according to the ownership information on record.

PART E: Application of Caps

Telefilm will limit the annual amount allocated in the performance-based calculations as follows: a production company, together with any related company(ies), may not be allocated more than \$3.5 million based on the calculation using English-language films.

While 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 will consult with the company in determining how to apply it.