



Canadian Television Fund

2006-2007 Guidelines

Main Document

The COMPLETE Canadian Television Fund 2006-2007 Guidelines consist of:

Main Document (You must have this) and one of the following Guideline Modules as applicable to your production:

Broadcaster Performance Envelope Stream:

- Drama
- Children's and Youth
- Documentary
- Variety and Performing Arts

Special Initiatives Stream:

- Aboriginal-Language Productions
- French-Language Productions outside Quebec
- Development Financing
- Versioning Assistance

Nos Principes directeurs sont affichés en français sur notre site Internet à l'adresse suivante :
www.FondsCanadiendeTele.ca

Important Changes to the Guidelines for 2006-2007

1. **English-Language Drama is now part of the Broadcaster Performance Envelope Stream (BPE).**

English Drama will no longer undergo a selective process. Broadcasters with BPE monies available for English Drama will be able to licence projects that meet all the CTF eligibility requirements. The opening calibration of the English-Language Drama envelopes shall be determined based on a four-year (including 2005-2006) average of historic access to CTF program funding.

2. **CBC/SRC (including Newsworld and RDI) Allotment:** CBC/SRC will receive an allocation of 37% of CTF monies, calculated after the deduction of administrative costs and Aboriginal-Language program monies.

The same rules (e.g., CTF contribution levels and minimum licence fee thresholds) will apply to the CBC/SRC envelopes as they apply to the other programs and initiatives, with the exception that rules related to Broadcaster Performance Envelope recalculation will not apply to the CBC/SRC.

3. As of 2006-2007 all project file administration will be done by Telefilm Canada on behalf of the CTF.

These Guidelines are for the information and convenience of Applicants (as defined in Section 5) to the Canadian Television Fund ("CTF" or "Fund"). They provide a sense of the objectives of the Fund, the manner in which the Fund is administered, and information on typical administrative practices that the Fund may follow. Compliance with these Guidelines is a prerequisite to eligibility for any CTF funding.

The CTF has full discretion in administering its programs and in the application of 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 of the Spirit and Intent of the Fund, the CTF's interpretation shall prevail.

Please note that these Guidelines may be changed or clarified as required, without notice.

Table of Contents

1	Introduction to the Canadian Television Fund	3
1.1	History and General Information	3
1.2	Spirit and Intent	3
1.3	Essential Requirements	4
2	Streams of Funding	5
2.1	Nature of Funding Contribution	5
2.2	Language Envelopes	6
2.3	Genre Allocations	6
3	Broadcaster Performance Envelope Stream	7
3.1	Broadcaster Genre Flexibility	7
3.2	Flexibility for Corporate Broadcast Groups	7
3.3	Transfers for Broadcaster-Affiliated Programming	8
3.4	Transfers for 2ER Documentary Programming	8
3.5	Recalculation of Broadcaster Performance Envelopes	8
3.6	Broadcaster Performance Envelope and CBC/SRC Deadlines	8
4	Special Initiatives Stream	9
5	Eligible Applicants	9
5.1	Independent Production Companies	9
5.2	Broadcaster-Affiliated Production Companies	9
6	Eligible Projects	10
6.1	Genres of Programming	10
6.2	Canadian Ownership and Control	11
6.3	Technical Requirements	11
6.4	Other Considerations	12
6.5	Licence Fee Requirements and Conditions	12
7	Regional Production	15
7.1	Definition of Regional Production	15
8	CTF Contribution	15
8.1	Production Budget	16
9	Business Policies	17
10	General	17
10.1	Provision of Documentation	17
10.2	Application of Guidelines and CTF Policies	17
10.3	CTF Credit	17
10.4	Failure to Comply	17
10.5	Misrepresentation	18
10.6	Default	18
11	Application Submissions	18

1 Introduction to the Canadian Television Fund

1.1 History and General Information

The Canadian Television Fund was created in 1996 as a government/industry initiative. Since that time, the CTF has been composed of two funding programs: the Equity Investment Program ("EIP") and the Licence Fee Program ("LFP").

A private, not-for-profit corporation, the CTF is responsible for funding contributed by the Department of Canadian Heritage, the Canadian cable industry, and the direct-to-home satellite industry by way of broadcast distribution undertakings. The CTF is not an agent of the Department of Canadian Heritage nor of Her Majesty the Queen in right of Canada.

The Board of Directors of the CTF is composed of members from the Canadian production and distribution communities, the Federal Government, Canadian broadcast distribution undertakings and Canadian broadcasters.

1.2 Spirit and Intent

The Spirit and Intent of the CTF is to support the production and broadcast of a specific type of culturally significant television and film production. These productions speak to Canadians about themselves, their culture, their issues, their concerns and their stories. The programs reflect the lives of Canadians across the country and reveal Canadians and their society to the viewer.

The Fund supports a high volume of distinctively and identifiably Canadian broadcast programming, reflecting Canadian culture, stories and themes. These productions are in English, French and Aboriginal languages and include Documentary, Children's and Youth, Variety and Performing Arts, and especially Dramatic programming in peak viewing hours.

The Fund focuses its support on currently licensed projects intended primarily for Canadian audiences and seeks to encourage Canadian viewing of these productions. These projects must be initiated by Canadian companies, under Canadian ownership, which exercise creative and financial control from development through production to distribution and exhibition.

The Fund is a cultural programming fund. It does not support "industrial" or "foreign service" productions or those that cede control to foreign entities.

The CTF is dedicated to all of the public policy objectives associated with its mandate, including support for regional production, Aboriginal-Language Productions and French-Language Production across Canada.

The CTF's administrative direction is based on four guiding principles, to:

- Drive audience success for Canadian programming in the Fund's traditional genres of Drama, Children's and Youth, Documentary and Variety and Performing Arts.
- Allow for language market-specific approaches to CTF funding for English and French-Language programming.
- Lever funding to increase private-sector funding of television programming.
- Deliver effective and efficient administration of our services to our clients.

1.3 Essential Requirements

Given the Spirit and Intent of the Fund, a production must meet all of the following Essential Requirements before it can be submitted for consideration to any stream of funding. In the case of a series, the Essential Requirements are applicable to every episode. The CTF has full discretion to make a decision about whether or not a project meets the Essential Requirements; the Fund's interpretation shall prevail. The Fund applies these Guidelines in such a manner as to ensure that its funding is provided to those projects that meet its Spirit and Intent.

1. The project speaks to Canadians about, and reflects, Canadian themes and subject matter.
2. The project will be certified by the Canadian Audio-Visual Certification Office ("CAVCO") and has achieved 10/10 points (or the maximum number of points appropriate to the project), as determined by the CTF using the CAVCO scale.
3. Underlying rights are owned, and significantly and meaningfully developed, by Canadians.

Eligible projects must be developed by Canadians. Canadian creators must have significant and meaningful involvement in the project, from concept to final script. The project may not be based on foreign television productions, foreign format buys, foreign feature films (unless based on a published Canadian literary work), or foreign fully developed final-version scripts.

4. The project is shot and set primarily in Canada.

Further details on these Essential Requirements and permissible exceptions are provided in the separate Guideline Modules. These modules include additional important information and form an integral part of these Guidelines.

1.3.1 Official Treaty Co-Productions

With respect to the eligibility of official treaty co-productions to access the Fund, these Essential Requirements shall be interpreted so as to treat the treaty co-production partner as "Canadian".

Accordingly, the terms "Canadian" and "Canadians" in Essential Requirements 1 and 3, and the term "Canada" in Essential Requirement 4 will be deemed to include the co-production country. The 10/10 points referenced in Essential Requirement 2 must be attained by citizens of Canada or the co-producing country.

For Essential Requirement 2: In the case of a co-production between Canada and a European country that is part of the European Union, the CAVCO points positions may be filled by a citizen of Canada or any other country of the European Union. This flexibility is allowable with regards to Essential Requirement 2 but does not apply to Essential Requirements 1, 3 and 4. As stated above, for official treaty co-productions, the terms "Canadian" and "Canadians" in Essential Requirements 1 and 3, and the term "Canada" in Essential Requirement 4 will be deemed to include the co-production country only.

In the event that a production submitted to the Fund as an official treaty co-production is unable to obtain final approval as an official treaty co-production from the competent authorities, the final production must meet all Essential Requirements under Section 1.3 above (and under the applicable programming module) and all other eligibility requirements applicable to projects that are not official treaty co-productions in order to remain eligible for CTF funding.

2 Streams of Funding

Applications for funding must be submitted to the appropriate stream.

The streams are:

- Broadcaster Performance Envelope Stream
- Special Initiatives Stream, including:
 - Aboriginal-Language Productions
 - French-Language Productions outside Quebec
 - Development financing
 - Versioning assistance

CBC/SRC

The CBC/SRC will receive an allocation of 37% of the Broadcaster Performance Envelope Stream and 37% of the Special Initiatives Stream, unless otherwise noted in the applicable Guideline Module.

2.1 Nature of Funding Contribution

Each funding stream, with the exception of some Special Initiatives, may provide a mix of licence fee top-ups and equity investments according to a set formula. Contributions from some Special Initiatives may take forms other than equity or licence fee top-up, such as loans or advances.

Generally, the first contribution of the CTF will be in the form of a licence fee top-up to a maximum of 20% of the production budget. Amounts in excess of 20% will be in the form of an equity investment (subject to Section 2.1.1). Some productions are not eligible for an equity investment from the CTF (subject to Section 5.2.2 and the Documentary Guideline Module regarding 2ER Documentary projects).

In the case of English and French-Language big-budget, one-hour Dramatic series (defined as productions having budgets of \$800,000 per hour or more), the first 25% of the production budget being supported will take the form of a licence fee top-up and any additional amount will take the form of an equity investment (subject to Section 2.1.1).

CTF contributions from more than one Broadcaster Performance Envelope may be combined in the financing of a project. In such a case, all the rules governing envelope use pertain to each broadcaster as if each was the only contributor. The total combined CTF contribution committed from all broadcasters' envelopes must respect the licence fee top-up and equity investment split described above and any applicable CTF contribution caps.

A licence fee top-up supplements a successful Applicant's Canadian broadcaster cash licence fees. As such, this type of contribution forms part of the broadcaster's licence fee for the production. Applicants obtaining equity investments receive a direct cash investment in the production. This investment results in the CTF acquiring an undivided copyright ownership interest in all versions of the production and the resultant benefits thereof. All equity investments are subject to a standard and non-negotiable recoupment schedule (as described and subject to any exceptions set out in the Recoupment Policy).

2.1.1 Policy on Equity Portion of CTF Contribution

The CTF considers any eligible equity request of less than \$10,000 (in absolute dollars) made through a Broadcaster Performance Envelope to be too small for equity participation. Accordingly, any such requested amount will automatically be converted into a licence fee top-up contribution.

2.1.2 Quebec Regional French-Language Production Incentive

The goal of this incentive, worth \$700,000, is to ensure that a minimum level of regional production occurs in the regions of Quebec with the hope of potentially generating an increase in the number of productions over time.

This incentive will be awarded to French-Language Productions meeting the definition of a Regional Production (see Section 7.1) and produced by an applicant based in the province of Quebec.

The incentive will take the form of a CTF licence fee top-up contribution of 5% of the CTF-approved production budget up to a per-project maximum of \$75,000. This incentive will be awarded to projects on a first-come first-served basis. It will be awarded directly by the CTF separately and beyond what was awarded by the broadcaster via its CTF Broadcaster Performance Envelope. This incentive will be applied towards the licensing broadcaster's calculation of its Broadcaster Performance Envelope for the Historical Access Adjustment Factor.

37% of the \$700,000 will reserved exclusively for the use of SRC/RDI.

2.2 Language Allocations

CTF funds are allocated by language, with two-thirds for English-Language productions and one-third for French-Language Productions.

The Fund also has an allocation within the Special Initiatives Stream for Aboriginal-Language Productions. Aboriginal-Language Productions which are versioned in English or French and which meet the CTF's television production requirements may also apply to the English and French-Language Broadcaster Performance Envelopes.

2.3 Genre Allocations

The genre allocations are detailed in the table below:

	Drama	Children's and Youth	Documentary	Variety and Performing Arts	Total
English-Language	60.0%	20.0%	18.0%	2.0%	100%
French-Language	55.5%	14.9%	22.4%	7.2%	100%

3 Broadcaster Performance Envelope Stream

The CTF's contributions to all eligible genres of programming are administered through funding envelopes allocated to Canadian broadcasters with a track record of supporting CTF programs. Broadcasters have the flexibility to commit to projects that are eligible for CTF funding up to the limit of the funds allocated to them in 2006-2007.

Broadcasters are expected to use their Performance Envelopes in a manner consistent with their historical access to the CTF. In particular, their envelopes should be expended within similar genres. Furthermore, they are also expected to maintain and improve upon their pattern of licensing projects from regional producers. Each year the CTF recalculates the Broadcaster Performance Envelopes to reward broadcasters who satisfy the CTF's objectives and mandate, as expressed in the weighting factors (see Section 3.5).

In order to be funded from a Broadcaster Performance Envelope, a project must meet all eligibility and genre requirements under the CTF Guidelines. In addition, the broadcaster must be prepared to pay a minimum cash licence fee. Minimum threshold amounts have been established for each genre of programming and are further detailed in the specific Guideline Modules for each genre.

The broadcaster will decide how much of its Broadcaster Performance Envelope will be used to support a production, up to a per-project limit. The CTF has established contribution caps based on the historical contributions by genre and language, which are also detailed in the specific Guideline Modules for each genre.

3.1 Broadcaster Genre Flexibility

Each Broadcaster's Performance Envelope has specific allocations per genre, according to the types of CTF-supported programming historically licensed by that broadcaster. Broadcasters are allowed a 15% margin of flexibility on the genre targets in their envelope. Broadcasters must expend at least 85% of the genre targets in their envelope within those genres.

Broadcasters who license big-budget (\$750,000 or more per hour) Performing Arts programs are permitted to transfer more than their 15% flex amount from other genre allocations to their Variety and Performing Arts allocation in order to help finance this type of programming.

3.2 Flexibility for Corporate Broadcast Groups

Broadcasters belonging to the same corporate group are permitted to transfer up to 100% of the funds from their Broadcaster Performance Envelopes to a broadcaster within the same corporate group that has a Performance Envelope, provided the funds remain in the same genre. Transfers cannot be made across languages. While this provides more flexibility for broadcasters within the same corporate group, it will not affect the overall distribution of CTF funding to the various genres.

Broadcasters are also permitted to transfer all or a portion of their allotted 15% flex amount to another broadcaster within the same corporate group that has a Performance Envelope. Broadcasters are permitted to transfer more than their 15% flex amount to another broadcaster within the same corporate broadcast group (that has a Performance Envelope) who licenses big-budget (\$750,000 or more per hour) Performing Arts programs in order to help finance this type of programming.

All transfers made by broadcasters within a corporate broadcast group must be reported to the CTF through the submission of a *Transfer of Funds Request Form*, available at: <http://www.canadiantelevisionfund.ca>.

3.3 Transfers for Broadcaster-Affiliated Programming

The CTF will allow a broadcaster to transfer all or a portion of its pre-approved broadcaster-affiliated spending capacity to a broadcaster in the same corporate group with an existing CTF-approved broadcaster-affiliated spending capacity. All transfers made by broadcasters within a corporate broadcast group must be reported to the CTF through the submission of a *Transfer of Funds Request Form*, available at: <http://www.canadiantelevisionfund.ca>.

Transfers of broadcaster-affiliated amounts are made in absolute dollars, not in percentages.

3.4 Transfers for 2ER Documentary Programming

Broadcasters may transfer all or a portion of their 2ER Documentary spending capacity to another broadcaster's Documentary Broadcaster Performance Envelope within the same corporate group. Corporate groups may spend up to 40% of their total initial Documentary allocations on 2ER documentaries (i.e., prior to the use of any flex amounts).

All transfers made by broadcasters within a corporate broadcast group must be reported to the CTF through the submission of a *Transfer of Funds Request Form*, available at: <http://www.canadiantelevisionfund.ca>.

Transfers of 2ER allocations are made in absolute dollars, not percentages.

For more information please refer to the Documentary Guideline Module.

3.5 Recalculation of Broadcaster Performance Envelopes for 2007-2008

The CTF will recalibrate the 2007-2008 Broadcaster Performance Envelopes based on the following factors:

English-Language Envelope		French-Language Envelope	
Factor	Weight	Factor	Weight
Audience Success	40%	Historical Access	45%
Historical Access	30%	Audience Success	30%
Regional Production	20%	Above-Average Licences	15%
Above-Average Licences	10%	Regional Production	10%

CBC/SRC is not subject to the recalculation of Broadcaster Performance Envelopes, given that CBC/SRC allotment is fixed at 37% of the Broadcaster Performance Envelope Stream.

3.6 Broadcaster Performance Envelope and CBC/SRC Application Deadlines

In All Languages	Open for Submissions	First Closing Date	Final Closing Date
Drama	March 1, 2006	August 31, 2006	October 13, 2006
Other Genres	March 1, 2006	October 13, 2006	December 15, 2006

Drama Envelopes – 75% of Drama envelopes of \$2,000,000 or greater, must be spent by the first closing date.

Variety and Performing Arts, Documentary, Children's and Youth Envelopes – 75% of these combined envelopes of \$2,000,000 or greater, must be spent by the first closing date.

In the case of broadcasters in a corporate group, the first closing date applies to all broadcasters that have starting envelopes in excess of \$2,000,000 (i.e., prior to any transfer of funds). Further, 75% of such envelopes must be spent regardless of whether any portion of that amount is transferred to an affiliated broadcaster (i.e., any such transferred dollars must be spent by the receiving broadcaster by the deadline regardless of whether the receiving broadcaster started with an envelope in excess of \$2,000,000).

If the CTF does not receive applications representing at least 75% of the Broadcaster Performance Envelope by the first closing date, the unused portion of the 75% of the relevant Broadcaster Performance Envelope will be transferred into the CTF reserve fund.

For all broadcasters regardless of envelope size

The final closing date is the final deadline for submitting applications. Any amount remaining in a Broadcasters Performance Envelope for which the CTF has not received a complete application by the final closing date will be transferred into the CTF's reserve fund.

4 Special Initiatives Stream

The Fund provides funding allotments for each of the following Special Initiatives:

- Aboriginal-Language Productions
- French-Language Productions outside Quebec
- Development financing
- Versioning assistance

Separate Guideline Modules are available for each Initiative.

5 Eligible Applicants

5.1 Independent Production Companies

For the purposes of these Guidelines, the term "Applicant" is deemed to mean and include all co-applicants and/or parent companies as applicable.

Each Applicant to the CTF must be a Canadian-controlled corporation as defined in subsection 1106(1) of the *(Draft) Income Tax Regulations* under the definition of "Canadian" with its head office based in Canada. In addition, when assessing an Applicant's eligibility, the CTF may choose to look at factors, including:

- 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 or not the Applicant operates principally as a television or film production entity.

5.2 Broadcaster-Affiliated Production Companies

The CTF will use the definition of "affiliate" set out in the *Canada Business Corporation Act*. In addition, an Applicant affiliated with a Canadian broadcaster is only eligible for funding from the CTF if, in addition to meeting the criteria in Section 6, it is:

- A separately incorporated entity and is distinct from the operations of its affiliated Canadian broadcaster; and
- Not affiliated with a publicly-funded Canadian broadcaster.

5.2.1 Access to Licence Fee Top-Up Funding

Broadcaster-affiliated production companies may access licence fee top-up funding through the Broadcaster Performance Envelope Stream for projects licensed by their affiliated broadcasters ("affiliated programming") up to a specified maximum amount. The maximum amount of CTF funding available for affiliated programming in each Broadcaster Performance Envelope is based on the three-year historical access that the broadcaster's affiliated programming had to CTF funding. Specifically, the maximum percentage is determined by dividing the historic level of CTF contributions to a broadcaster's affiliated programming by the total CTF contributions made to all productions licensed by that broadcaster.

Broadcaster-affiliated production companies are not limited in their access to licence fee top-up funding through the Broadcaster Performance Envelope stream for projects licensed by unaffiliated broadcasters.

English-Language Drama is based on the four-year historical access that the broadcaster's affiliated programming had to CTF funding.

5.2.2 Access to Equity Investment

Access to CTF equity investment through all CTF funding streams is additionally governed by the following criteria:

- When an Applicant beneficially owns more than 10% of a broadcaster, on a fully diluted basis, either directly or indirectly, its productions are eligible for equity investment only if the licence fees payable by that broadcaster are clearly outside the financial structure of the production and do not contribute to fulfilling the CTF's licence fee requirements.
- An Applicant is ineligible if it, or a corporate group of which it is a member, receives more revenue from CRTC-regulated operations (including, without limitation, broadcasting, cable and satellite) than from combined production and distribution operations.

For the purposes of this section, "corporate group" means two or more affiliated corporations.

6 Eligible Projects

Only projects that are produced by an eligible Applicant and comply with the four Essential Requirements, as appropriate to each category of production and programming genre, as set out in the Guideline Modules (with the exception of 2ER Documentary projects) are eligible to apply for CTF funding. In addition, these projects must have an acceptable Canadian broadcast licence and must further comply with the additional eligibility requirements below.

6.1 Genres of Programming

The CTF supports the following programming genres: Drama, Documentary, Children's and Youth programming, and Variety and Performing Arts programming. The definition of each of these genres is contained in the Guideline Modules.

The following is a non-exhaustive list of genres and programming formats that are not eligible to apply to the CTF: sponsored productions, sports, news, game shows, current affairs, public affairs, human interest or lifestyle productions, "how-to" productions, reality television, instructional television, infomercials, music videos, formal or curriculum-based educational programming, format buys, magazine productions, talk shows, "talkshows culturels", award shows, special event celebrations, galas, reporting and current events, religious programming, fund-raising productions, benefits, tributes, promotional productions, pep-rallies, travelogues and interstitials.

Projects comprised mainly of stock footage are eligible, provided they satisfy the CTF's genre and category definitions and are new productions (i.e. not repackaged or adapted versions of previously produced productions).

The CTF defines "stock footage" as footage that was:

- Originally shot for purposes other than the production submitted for funding; and
- Edited for use in the production and not simply repackaged in whole or in large segments for the production.

6.2 Canadian Ownership and Control

A project must meet the following criteria:

- It is under Canadian ownership and Canadian executive and creative control.
- It is under the financial control of Canadian citizens or permanent residents.
- It is, and has been, controlled creatively and financially by a Canadian production company during all phases of production, from development through post-production, and all distribution and exploitation rights are owned and initially controlled by a Canadian production company.
- A project formerly produced in-house by a broadcaster is eligible as long as the Applicant is an independent production company and has full control of the proposed project.
- Generally, no more than 49% of the production financing/final cost is provided by a single non-Canadian entity, person or related entity (via licence fees, distribution advances, goods and services and/or equity investment). However, interim lending of more than 49% may be provided by a non-Canadian arm's-length entity in the business of lending money and taking security.
- The Applicant retains and exercises all effective controls or approvals consistent with those of a producer. This includes control and final approval of creative decisions and production financing, distribution and exploitation, and preparation and final approval of budget, subject to reasonable and standard approval rights customarily required by arm's-length financial participants, including Canadian broadcasters and distributors.
- The Applicant owns all rights (including copyright) and options necessary for the production and its distribution in Canada and abroad, and retains an ongoing financial interest in the project.

6.3 Technical Requirements

A production must meet the following criteria:

- It must be delivered to the broadcaster in conformity with the broadcaster's technical standards.
- It conforms to the Canadian Association of Broadcasters' Code of Ethics and to all programming standards endorsed by the Canadian Radio-television and Telecommunications Commission (CRTC), including those related to sex-role portrayal and violence.
- It has a broadcast length of at least 30 minutes (including commercial breaks), although a package of children's programming "shorts" may be eligible if the package equals or exceeds a broadcast length of 30 minutes. This is not applicable for youth programming.
- It is closed-captioned if it contains narrative, dialogue or lyrics. Exceptions may be permitted for projects targeted to children under the age of five, projects in Aboriginal languages that do not use the Roman alphabet, and live-to-air productions.
- If a television series, it includes all episodes of the cycle and may not include episodes from any other cycle. It may not be a split cycle. The CTF assesses split cycles and multiple cycles by examining numerous factors such as production scheduling and broadcast airing patterns. In particular, multiple cycles will not be accepted if they do not air continuously. The CTF may allow a partial cycle if there are insufficient funds remaining in a Broadcaster Performance Envelope to support all the episodes in a cycle.
- Only one application for a given television series may be made per CTF fiscal year.
- Generally, the CTF expects a production to begin principal photography/key animation during the fiscal year in which it is funded. Special considerations may be made for documentaries that need to capture a time-sensitive event.

6.4 Other Considerations

Versioning

For those projects that have been licensed or will be licensed for Canadian broadcast in the other official language (English or French, as applicable) prior to delivery of the project to the first window Canadian broadcaster, the CTF requires that all versioning (i.e., dubbing or subtitling) of the project will be performed by Canadian-owned and controlled company using Canadian artists, actors, employees and technicians (as applicable). Exceptions may be made in the case of official treaty co-productions.

The CTF requires that English and French versioning costs be included in the budget if one of the Canadian financiers contractually requires it. The CTF will not support versioning costs normally incurred by distributors to assist in foreign market sales.

Insurance and Completion Protection

Productions receiving financing from the CTF must have insurance and completion protection safeguards in a form and amount acceptable to the CTF. The insurance and completion protection requirements are defined among the CTF's other business policies and are published on the CTF's web site at: <http://www.canadiantelevisionfund.ca>.

6.5 Licence Fee Requirements and Conditions

A project applying to the CTF must have a current licence(s) from a Canadian broadcaster(s) licensing the right to broadcast the production in Canada that meets all the requirements of Section 6.5 and all its subsections. Such licences must be genuine, industry standard, fair market value and non-recoupable. Canadian broadcasters include all private, public and educational broadcasters and all specialty, pay and pay-per-view undertakings.

6.5.1 Licence Fee Thresholds

Eligible projects must meet the CTF's licence fee thresholds as appropriate to the genre and category of production (described by genre or category in the Guideline Modules).

Licences contributing to the CTF's threshold requirements must be paid in cash. A licence fee will not contribute to meeting threshold requirements if it includes facilities, goods or services, equity, a producer time-buy, donations or corporate sponsorship monies negotiated and obtained by the Applicant, tax credits or any arrangement which, in the CTF's assessment, does not constitute a genuine cash licence fee.

In cases where provision of a licence is wholly or partially dependent on a buyback of services from the broadcast licence provider, the CTF may elect to deduct the value of the services or facilities from the total value of the licence, for the purposes of all CTF calculations, including threshold assessment, allowable Broadcaster Performance Envelope contributions and the calculation of licence fees above historical averages. This determination will be made on a case-by-case basis.

The foregoing does not prevent a Canadian broadcaster from contributing as financing an equity investment, services, or facilities to an eligible production, in addition to a cash licence fee.

The acquisition of French-Language rights by an English-Language broadcaster and of English-Language rights by a French-Language broadcaster will not be accepted in licences contributing to threshold, except in licences from dual-language broadcast channels. In such cases, the dual-language broadcaster is required to specify to the CTF the licence fee paid for each language right acquired. Further, no single-language licence should prevent the exploitation of the other language rights by the producer.

For official treaty co-productions, CTF licence fee thresholds will be calculated on the greater of the Canadian portion of the production's global budget and the level of Canadian participation as certified by Telefilm Canada's International Co-productions Department.

The entirety of the licences contributing to meeting threshold requirements must be used in the production financing.

In order for a licence fee to be deemed eligible for the purposes of obtaining a CTF contribution, the broadcaster must fully commit to broadcast the production closed captioned, in peak viewing hours, within 18 months of completion and delivery of the production. Should the broadcaster fail to comply with these broadcast requirements the licence fee will be deemed ineligible to contribute to threshold or to trigger a CTF contribution. The CTF will consider requests for extension to this period on a case-by-case basis. "Peak viewing hours" is normally defined by the CTF as 7 p.m. to 11 p.m., with some exceptions for specific genres and categories of production (discussed further in the Guideline Modules).

6.5.2 Additional Rights

Additional Rights are currently under review by the CTF. This review may result in changes to the Guidelines in this section (6.5.2). Any amendments made to this section of the Guidelines will apply to all licence agreements, including licence agreements entered into before the amendments are announced. The CTF will not "grandfather" any licence agreements that do not comply with the Guidelines. **The CTF will provide notice of any changes to this section of the Guidelines as soon as possible.**

A licence fee that will contribute to threshold and/or trigger a CTF contribution cannot confer upon a Canadian broadcaster any of the following rights:

- An ownership, profit, repayment or recoupment position in the production;
- Broadcast rights for non-Canadian territories or restrictions on the Applicant's ability to exploit these rights, with the exception of traditional broadcast spill-over protections and exclusive world premiere rights. Notwithstanding the foregoing exception, licence agreements must provide for waiver of the world premiere rights if a bona fide sale to a foreign entity is made provided the foreign entity agrees not to broadcast the program within six months of delivery to the Canadian broadcaster. For greater clarity, under no circumstances shall a broadcaster hold world premiere rights longer than six months from delivery where a bona fide sale was made to a foreign broadcaster; or
- Other rights (e.g. home video, merchandising, new media, non-theatrical, on-line distribution, on-line broadcast/streaming or any form of video on demand) for Canadian or non-Canadian territories. In addition, licence agreements may not unreasonably restrict the producer's exploitation of other rights. For Drama, the maximum allowable time restriction on exploitation of other rights is two broadcasts or one year from delivery, whichever occurs first. In the case of a series, this refers to two broadcasts of the first episode or one year from delivery of the first episode, whichever occurs first. For all other genres, the maximum time restriction is three months after the first broadcast of the project or the first episode.

A broadcaster may acquire an ownership, profit, repayment or recoupment position in the production, as long as these additional rights do not form part of the licence fee. All such rights must be valued and paid for separately at reasonable, fair market value.

A broadcaster or an eligible distributor affiliated with the broadcaster may acquire other broadcast rights or broadcast rights for non-Canadian territories as long as these additional rights are not part of the rights being acquired in exchange for the licence fee that forms part of the threshold. All such rights must be valued and paid for separately at reasonable, fair market value.

6.5.3 Licence Terms and Conditions

The CTF has a standard approach when assessing the maximum allowable time period of all broadcast windows (the "Term"). The start of the licence Term will be understood to begin at the contractually agreed upon term commencement date, as negotiated between the Applicant and the broadcaster. As generally understood in the industry, the Term is the period of time in which a broadcaster has the right to exploit a program. In the case of a series, the Term is measured from the commencement date of the first episode and not the commencement dates of each episode.

For clarity, the start of the Term and the first air date will not always coincide. By way of example, a broadcaster's Term may be from September 1, 2006 to September 1, 2010, but the broadcaster may choose to make the first broadcast date November 15, 2006. For eligibility purposes, the licence Term will be deemed to begin on September 1, 2006.

Applicants continue to have the flexibility to incorporate licences in excess of the Term within the financial structure. However, only that portion of the licences within the Term will be used for the purposes of all CTF calculations, including threshold assessment, allowable Broadcaster Performance Envelope contributions and the calculation of licence fees above historical access. Those licences that commence within the Term but extend beyond it will be pro-rated to match the maximum Term set for each genre.

Broadcasters may acquire, in addition to the Term, the right of first negotiation and last refusal for additional broadcast windows for the currently licenced project/cycle. The right of first negotiation may not be exercised prior to delivery of the first broadcast window. Broadcasters may not acquire the right of last refusal for any other rights, including broadcast windows for future cycles or versions of the project (including currently licensed projects/cycle), or other distribution rights.

For the purposes of series television, licences contributing to threshold may not contain co-terminus rights. Co-terminus clauses (i.e., clauses that extend the terms of existing licences to the end of the term of the renewal licence with no additional payment) are prohibited in eligible licences for renewed series, but these licences may include rights of first negotiation and/or last refusal for extension of licences for existing episodes of the series.

These maximum Terms do not apply to licences acquired by broadcasters for affiliated programming given the limited access to CTF funds by broadcaster-affiliated production companies. However, the maximum Terms do apply to projects produced by broadcaster-affiliated production companies that are licensed by unaffiliated broadcasters (where the financial structure does not contain a licence from an affiliated broadcaster).

Any licence used to draw a contribution from a Broadcaster Performance Envelope will be deemed to be contributing to threshold and must meet all licence eligibility criteria including the commitment to broadcast the production in peak viewing hours within 18 months of completion and delivery of the production. For second and subsequent window broadcasters, the commitment to air the production in peak viewing hours within 18 months will begin at the start of those broadcasters' licence periods.

7 Regional Production

Recognizing the importance of supporting stories and cultural expression from across Canada and from a wide range of producers, the CTF provides incentives for broadcasters to select projects produced in the regions.

All broadcasters receiving envelopes are expected to maintain and improve upon their past practice in licensing regional production.

The CTF supports regional production through Special Initiatives, such as French-Language Production outside of Quebec, Quebec Regional French-Language Development Incentive, and Quebec Regional French-Language Production Incentive.

7.1 Definition of Regional Production

The following definition of a “regional production” will be used by the CTF in assessing the eligibility of projects as regional productions. Where the control and central decision-makers in a project are located outside of the regions, the project is not considered to be a regional production. The CTF definition of a “regional production” is as follows:

- Principal photography occurs in the regions (outside of a 150 km radius from Montreal or Toronto), with suitable exceptions for documentaries;
- The Applicant is based in the regions (with its head office situated in the regions), and
 - Exercises full control of the creative, artistic, technical and financial aspects of the project or, in the case of a regional/non-regional co-production, the regional Applicant has such control in proportion to its copyright ownership;
 - In the case of a regional/non-regional co-production, the regional Applicant owns at least 51% of the copyright in the production;
 - In the case of a regional/non-regional co-production, the regional Applicant shares equitably in fees payable to producers and corporate overhead;
 - Initially owned and controlled the distribution rights to the project and retains an ongoing financial interest in the project or, in the case of a regional/non-regional co-production, the markets and potential revenues are shared equitably in proportion to the financial participation of each co-producer; and
 - Has meaningfully participated in the production’s development.

8 CTF Contribution

The level of the CTF’s contribution to a production varies by genre, language and the stream of funding through which the contribution is obtained.

A complete breakdown of the maximum envelope contributions, CTF contribution caps and exceptions is included in each Guideline Module.

For more information on the Quebec Regional French-Language Production Incentive, please see Section 2.1.2.

8.1 Production Budget

The participation of the CTF is calculated based on the assessment of the project's allowable budget items.

Any budgeted costs (including both related-party and non-related-party items) that the CTF, at its sole discretion, deems excessive, inflated, or unreasonable will cause the CTF to reduce the amount of its participation.

All budgeted related-party fees, allowances and other items (Related-Party Transactions) must be:

- Disclosed to the CTF (i.e. provided on a list with the CTF application); and
- In accordance with the *CTF/Telefilm Canada Accounting and Reporting Requirements* of January 1st, 2006, more specifically but not limited to Sections 3 and 4.

8.1.1 Producer Fees and Corporate Overhead

Productions receiving financing from the CTF must conform to the CTF's policies concerning allowable producer fees and corporate overhead costs in the production budget. These policies are defined among the CTF's other business policies and are published on the CTF's web site.

8.1.2 Unit Publicity and Promotion Costs

The CTF generally contributes towards unit publicity costs in production budgets. Costs that are not considered to be eligible for production financing include such items as launch costs and the ongoing promotional activities of broadcasters. Any such costs included in the production budget or final costs may be disallowed by the CTF, resulting in a reduction to the CTF contribution.

8.1.3 Multi-Platform Projects

Children's and Youth Programming projects in which the storytelling and/or narrative of the television and new media components are inextricably linked and interdependent may receive support for the new media portion of the budget.

The CTF will consider funding the new media component of television projects that apply. The CTF will not support any new media component that focuses on promotion, marketing, administrative processing, or other aspects of the project unrelated to the storytelling and/or narrative element that enhances the experience for the viewer.

The CTF requires that licence fee thresholds be met against the integrated budget.

9 Business Policies

All applicants and broadcasters (where relevant) must abide by the CTF's business policies as listed below. All policies are available for viewing, printing and downloading from the CTF web site at <http://www.canadiantelevisionfund.ca>.

- Accounting and Reporting Requirements
- CTF Chain of Title Assessment Policy
- Completion Protection Policy
- Default Policy
- Producer Fees and Corporate Overhead Policy
- Producer Fee Deferral Policy
- Treatment of Tax Credits
- Standard Recoupment Policy

10 General

10.1 Provision of Documentation

It is the Applicant's responsibility to ensure that the CTF is in receipt of all documentation relevant to its application, and to update such documentation and information after material change. The CTF may request other documentation and information as required in order to conduct an assessment and evaluation of the project and, once assessed, as might be necessary to complete CTF file reviews. For the purposes of project assessment and evaluation, the CTF reserves the right to rely solely on the written and audiovisual materials initially submitted by the Applicant.

10.2 Application of Guidelines and CTF Policies

Productions that receive CTF funding in a given year are subject to the Guidelines (including all modules) and the CTF policies that are in effect for that fiscal year. For greater clarity, changes to CTF Guidelines and/or policies made in a subsequent fiscal year will not be applied retroactively, unless specifically stated.

10.3 CTF Credit

All productions that receive a contribution from the CTF are required to acknowledge the financial participation of the CTF by including the CTF credit in all domestic versions of the program as well as in all domestic advertising, publicity and promotional materials (including web sites) in connection with the program. You can access the appropriate credit logo at: <http://www.canadiantelevisionfund.ca/producers/ctflogos/>

Where it is within the control of the Applicant, the CTF credit will also be included in all international versions, advertising, publicity and promotional materials in connection with the program.

The CTF credit must at all times appear in a manner and form acceptable to the CTF. The CTF requires sign-off on screen credits before the credit roll is produced.

Productions that have not obtained the CTF's approval of its credit may be required to re-edit the credit roll, at the Applicant's expense, in order to be in compliance with this Section.

10.4 Failure to Comply

If Applicants fails to comply with these Guidelines, as determined by the CTF, then the CTF may refuse the application, revoke the eligibility status of the Applicant's project and may demand repayment of any sums advanced to the Applicant.

10.5 Misrepresentation

Any Applicant that at any time, as required by the Guidelines or as requested by the CTF, provides false information or omits to provide material information in or in connection with an application may suffer serious consequences. These may include, among others:

- Loss of eligibility for funding of the current production
- Loss of eligibility for funding of future productions
- Repayment of any funds already advanced, with interest
- Criminal prosecution, in the case of fraud

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

10.6 Default

Applicants found in default in any one of the financing streams will be subject to the CTF's default policy. The CTF's default policy is available on the CTF's web site.

11 Application Submissions

Applicants can submit their application for funding to the following offices:

Montreal

Telefilm Canada
360 Saint-Jacques Street, Suite 700
Montreal, Quebec H2Y 4A9
Toll Free: 1 800 567-0890
Local Phone: (514) 283-6363
Fax: (514) 283-8212

Halifax

Telefilm Canada
1717 Barrington Street, Suite 300
Halifax, Nova Scotia B3J 2A4
Toll Free: 1 800 565-1773
Local Phone: (902) 426-8425
Fax: (902) 426-4445

Toronto

Telefilm Canada
474 Bathurst Street, Suite 100
Toronto, Ontario M5T 2S6
Toll Free: 1 800 463-4607
Local Phone: (416) 973-6436
Fax: (416) 973-8606

Vancouver

Telefilm Canada
609 Granville Street, Suite 410
Vancouver, British Columbia V7Y 1G5
Toll Free: 1 800 663-7771
Local Phone: (604) 666-1566
Fax: (604) 666-7754

11.1 Corporate Office

The CTF office can be reached through one central toll-free number: 1 877 975-0766.

Toronto

Canadian Television Fund
111 Queen Street East, 5th Floor
Toronto, Ontario M5C 1S2
Local Phone: (416) 214-4400
Fax: (416) 214-4420

Please visit the Canadian Television Fund's web site at www.CanadianTelevisionFund.ca.