

**EXPERIMENTAL STREAM-
COMMERCIAL PROJECTS
PILOT PROGRAM
GUIDELINES
2016-2017**

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1. GENERAL INFORMATION

Interpretation, Application, Disclaimer, and other Important Information

These Guidelines are for the information and convenience of Applicants (as defined in [section 3.1 herein](#)). They provide an overview of the objectives of the CMF, the manner in which the CMF is administered, and information on typical administrative practices of the CMF. Compliance with these Guidelines is a prerequisite to eligibility for any CMF funding.

The CMF has full discretion in the administration of its programs, and in the application of these Guidelines, to ensure funding is provided to those projects that contribute to the fulfillment of its mandate. In all questions of interpretation of these Guidelines, the interpretation by the CMF shall prevail.

All Applicants and broadcasters (where relevant) must abide by the Accounting and Reporting Requirements (ARR) of the CMF and follow applicable business policies as created and amended from time to time. Business policies, including the ARR, may be found in Appendix B of these Guidelines and are also available from the CMF website at www.cmf-fmc.ca. Information included in Appendices A and B is an integral part of these Guidelines.

Projects that receive CMF funding in a given year are subject to the Guidelines and the CMF policies that are in effect for that fiscal year. For greater clarity, changes to CMF Guidelines and/or policies made in a subsequent fiscal year will not be applied retroactively, unless specifically stated. The CMF fiscal year is April 1 to March 31.

Please note: These Guidelines may be changed, or modified as required, without notice. Please consult the CMF website at www.cmf-fmc.ca to receive the latest Guideline news and documentation.

Provision of Documentation

It is the responsibility of the Applicant to ensure the CMF receives all relevant documentation, and to update such documentation and information after a material change. The CMF may request other documentation and information to conduct an assessment and evaluation of the project and, once assessed, to complete CMF file reviews. For the purposes of project assessment and evaluation, the CMF reserves the right to rely solely on the written and audiovisual materials initially submitted by the Applicant.

Failure to Comply

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

Misrepresentation

If, at any time, an Applicant, as required by the Guidelines or as requested by the CMF, provides false information or omits material information in connection with an application, the Applicant may suffer serious consequences.

These may include, among others outcomes:

- Loss of eligibility for funding of the current project
- 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 CMF at its sole discretion). Any Applicant receiving approval for funding will be required to sign a legally enforceable agreement, which includes further provisions concerning misrepresentations, defaults, and related matters.

2. HOW THE COMMERCIAL PROJECTS PILOT PROGRAM WORKS

2.1 INTRODUCTION

Beginning in 2016-2017, Applicants will have more options when applying for funding in the CMF's Experimental Stream.

First, projects funded through the Experimental Stream's Innovation Program ("**Innovation Program**") are Canadian interactive digital media content and software applications that are innovative and leading-edge. Please refer to the [Innovation Program Guidelines](#) for more information on the specific requirements of that Program.

Second, in order to allow more flexibility in the projects funded through the Experimental Stream, beginning in the Fall of 2016-2017, the CMF will accept applications for funding through a pilot initiative designed to support Canadian interactive, innovative and leading-edge digital media content and software applications which have an increased focus on potential commercial success ("**Commercial Projects Pilot Program**", or "**C3P**"). These Guidelines apply to the C3P.

Projects in the C3P may apply for Production support only.

The C3P shall fund projects through a selective process in which Eligible Projects (see [section 3.2](#)) are assessed according to an evaluation grid (see [section 2.4](#)).

A project requesting funding for production should generally be one out of conceptual phases and with a demonstrable path to market and/or monetization. Production support is provided for the creation of a final, market-ready version of an Eligible Project, including localisation of the project and early marketing/commercialization activities.

2.2 NATURE OF FUNDING CONTRIBUTION

Successful applicants receive funding in the form of a recoupable investment.

Details on the repayment/recoupment of CMF funding support can be found in Appendix A to these Guidelines ([Recoupment Policy: Experimental Stream](#) – Pilot Commercial Program).

2.3 AMOUNT OF FUNDING CONTRIBUTION

2.3.1 CMF Contribution

Successful applicants receive funding in an amount appropriate to the needs of the project and subject to a Maximum Contribution of the lesser of 50% of the project's Eligible Costs or \$1,200,000.

For international coproductions, the Maximum Contribution will be calculated on the lesser of the Eligible Costs of the Canadian portion of the project's global budget and the Eligible Costs of the Canadian portion of the global final costs. Digital media coproductions are eligible if they comply with the [Framework for international digital media coproduction](#).

2.3.2 Eligible Costs

Eligible Costs are costs set out in the budget for the project or the final cost report, as applicable (including both related-party and non-related-party costs), plus costs the CMF considers necessary, and minus costs that the CMF considers excessive, inflated or unreasonable.

Eligible Costs for C3P must be costs directly related to the project, including but not limited to:

- Research and preparation of content
- Salaries and benefits/wages/contracts for project teams (global project management, preparation, digitization, development of interpretive materials, editing and proofreading)
- Technology infrastructure (hardware and software)
- Expenses to put content online, including copyright clearance, documentation, design and development, translation costs
- Travel and accommodations
- Project audit fees
- Other technical and administrative expenses
- Marketing and promotion

Core business operations or capital expenditures of the applicants, such as rent, purchase of real estate, and maintenance costs, are not Eligible Costs.

All related-party and capital expenditures must be established in accordance with generally accepted accounting principles and CMF Accounting and Reporting Requirements, and disclosed to the CMF. Production must be protected by all industry-standard insurance policies. The CMF requires that it be named as a party to production insurance policies.

Assessment of a project's Eligible Costs shall be done at the CMF's sole discretion.

2.4 EVALUATION GRID

The CMF chooses successful projects in the C3P according to the following evaluation grid.

Assessment Criteria	Weight
	Production
Team <ul style="list-style-type: none"> ❖ Studio <ul style="list-style-type: none"> ▪ Experience and achievements of the studio ▪ Demonstrated past commercial successes on previous iterations of the project, or on other titles in the catalog ▪ Historical success working with the CMF (adherence to proposed timelines and budget, deliverables comply with initial submitted proposal, historical sales performance of previous CMF-funded projects [if applicable], etc.) ❖ Staff <ul style="list-style-type: none"> ▪ Experience and achievements of producer and project management staff ▪ Experience and achievements of the creative and technical staff ▪ Experience and achievements of the marketing and promotion staff responsible to deliver marketing activities and sales ❖ Team work <ul style="list-style-type: none"> ▪ Cohesion and complementarity of staff expertise and ability to work in a team 	15%
Innovation, Creativity and Commercial potential <ul style="list-style-type: none"> ▪ Originality of the content and form ▪ Integration and/or development of new technologies ▪ Sophistication of design and programming (architecture, navigation, interface, graphic design, creative elements) ▪ Quality and distinctiveness of the user experience and interactivity ▪ Product design attributes that will maximize audience reach and retention. For example: <ul style="list-style-type: none"> ▪ Ease of access ▪ Play mode or user mode ▪ Platforms on which the product will be made available ▪ Intrinsic design elements created to attract wide audiences ▪ Product design and mechanisms to stimulate audience retention ▪ Potential for legacy to the industry 	40%
Business plan <ul style="list-style-type: none"> ❖ Financing <ul style="list-style-type: none"> ▪ Viability of the project: budget, financial structure, diversity of financial partners, risk assumed by the producer, risk assumed by the CMF, leveraging effect ▪ Distinctiveness of the business model: revenue models and potential for revenue generation ▪ Financial stability of the Applicant in relation to the size of the project ❖ Distribution strategy <ul style="list-style-type: none"> ▪ Quality of market research <ul style="list-style-type: none"> ▪ Appropriateness of market and competitive analysis ▪ Appropriateness of audience analysis ▪ Quality of the project's marketing and promotional strategy <ul style="list-style-type: none"> ▪ Quality, diversity, relevance of the distribution modes ▪ Relevance of promotional activities ▪ Involvement of the market channel partners (if applicable): level of demonstrated interest (advances, pre-sales, licenses) 	45%

3. ELIGIBILITY FOR FUNDING

3.1 ELIGIBLE APPLICANTS

An eligible Applicant to the CMF is either:

- 1) A company that
 - a) Is for-profit: i.e. a taxable Canadian corporation, within the meaning of the Income Tax Act (Canada);
Note: Not-for-profit corporations are not eligible Applicants to the CMF, however coproductions or partnerships between for-profit and not-for-profit corporations may be allowed where the not-for-profit corporation holds a minority interest in the project; in such a case the CMF will only contribute to the Eligible Costs related to the for-profit corporation.
 - b) Is Canadian-controlled as determined for the purposes of sections 26 to 28 of the Investment Canada Act;and
- c) Has its head office based in Canada.

or

- 2) A Canadian broadcaster, public or private, that is licensed to operate as such by the Canadian Radio-television and Telecommunications Commission (CRTC).

An eligible Applicant must own and control all the rights necessary to produce and exploit the project that is the subject of the application at every stage of the project's life-cycle, including Development; entities that provide services but do not own the applicable rights are not eligible to be applicants to the CMF.

Note: For the purposes of these Guidelines, the term Applicant includes all coapplicants, and/or all related, associated, affiliated or parent companies and/or individuals (as determined by the CMF at its sole discretion), as applicable.

3.2 ELIGIBLE PROJECTS

The Experimental Stream's C3P seeks to support commercially-focused Canadian interactive digital media content and application software.

3.2.1 Canadian Elements

An Eligible Project must meet the following criteria:

- a) Its underlying rights are owned, and significantly and meaningfully developed, by Canadians.
- b) It is produced in Canada, with at least 75% of its Eligible Costs being Canadian costs.
- c) It is, and remains throughout its production, under Canadian ownership and Canadian executive, creative, and financial control.

Digital media coproductions are eligible if they comply with the [Framework for international digital media coproduction](#).

3.2.2 Types of Content/Applications

While Eligible projects must be digital media content and/or application software that is innovative, interactive, and connected to the Canadian cultural sector, the C3P will focus less on innovation and place a greater emphasis on Eligible Projects with the potential for commercial success.

3.2.2.1 Digital Media Content/Applications

The Experimental Stream's C3P will fund a variety of innovative, interactive content/applications, including but not limited to:

- Web 2.0 or higher applications
- Mobile applications
- Software applications with a connection to the Canadian cultural sector
- Videogames, whether for PC, console, handheld console, mobile, or other platforms
- Projects that contain both linear, audiovisual content and significant interactivity

The CMF does not wish to unduly limit the types of content or applications that it funds, and applicants with innovative project proposals are encouraged to apply. The following, however, are types of projects that are ineligible for the Experimental Program:

- Film and Television-Convergent projects (i.e., projects that are associated with a film or television production*). However, digital media projects with a television or film component may be considered eligible if the television or the film component is not the main component of the project, but is part of an overall integrated multiplatform experience. In addition, the digital media project must be presented/distributed on digital platform(s) at least 3 months before the broadcast/exploitation of the television or the film component. The CMF will evaluate the eligibility of such projects on a case-by-case basis.
- Products with a specific corporate, industrial or mainly promotional focus
- Curriculum-based products (including but not limited to e-learning applications, software and technologies)
- Catalogues or compilations of repurposed material, presented without benefit of new, value-added original content
- System software
- Pure research and development, such as projects or activities that would be eligible for the Federal Scientific Research and Experimental Development Tax Incentive Program
- Casino type games

**Note: Projects using character(s) or brand(s) that are associated, or have been associated, with a film or TV production are not ineligible merely because of the character/brand's association.*

3.2.2.2 Innovation

While the C3P will place a greater emphasis on Eligible Projects with the potential for commercial success, some innovation is still required. Innovation may be expressed in terms of innovative content or innovative technology. The CMF does not define or delimit what is innovative – applicants are encouraged to pursue their own vision of innovation and state how their project is innovative.

The CMF uses the following classification for degrees of innovation, in descending order:

1. *Revolution*: Never been done before, completely new, breakthrough, creates market turbulence.
2. *Differentiation*: Paradigm shift for an existing product or service. Brings something existing to another level.

3. *Improvement*: Adding significant components, or features, that bring new benefits to an existing product or service.
4. *Iteration*: Refining features, adding content to an existing product or service.

3.2.2.3 Interactivity

Eligible Projects in the C3P must be interactive. Interactivity is defined as a meaningful participatory experience between the user and a product/technology (including but not limited to immersive technologies that engage and stimulate the user's senses to create perceptually-real sensations), or the user and other users as enabled by the product/technology. Projects that use the internet or mobile platforms to distribute linear content without significant interactive feature(s) are not eligible.

In determining whether a project is “interactive,” the CMF will look at the project as a whole. As such, an Eligible Project may contain both interactive and linear components, as long as the overall user experience involves a significant degree of interactivity.

3.2.3 Market Channel Partner

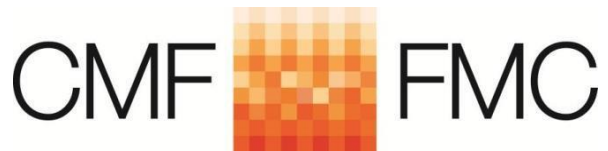
Eligible Projects must have a letter of intent from a market-channel partner committing to take the project to market and to actively promote the project. A letter of interest need not include a cash financing commitment to the project.

A market-channel partner must be a 3rd party – it cannot be the Applicant or a related party to the Applicant.

The CMF may waive the market-channel partner requirement where there are clear and acceptable alternative arrangements for taking the project to market, or where the Applicant can demonstrate that it has the ability to effectively self-distribute the project.

3.2.4 Miscellaneous Requirements

An Eligible Project cannot contain elements of excessive violence, sexual violence, or sexual exploitation or elements which are obscene, indecent or child pornography within the meaning of the Criminal Code (as amended from time to time), or libellous or in any other way unlawful.



APPENDIX A
RECOUPMENT POLICY:
EXPERIMENTAL STREAM
– COMMERCIAL
PROJECTS PILOT
PROGRAM
2016-2017

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1. INTRODUCTION

This policy applies to all projects funded through the CMF's Experimental Stream's Commercial Projects Pilot Program ("C3P") in the Experimental Stream. This policy describes:

- The nature of the CMF's contribution in the Experimental Stream's C3P
- The CMF's expectations for repayment of its contribution and, where applicable, its level of participation in profits
- Details related to recoupment and reporting of revenues.

The CMF expects to fund a variety of different projects through the Experimental Stream's C3P, many of which may face different marketplace realities relating to recoupment. As such, the CMF has chosen a case-by-case approach to recoupment in this stream, subject to the principles described in this policy. Details of project recoupment not covered in this policy will be negotiated between successful applicants and the CMF.

2. PRODUCTION

2.1 NATURE OF FUNDING CONTRIBUTION: RECOUPABLE INVESTMENTS

Successful applicants for production funding will receive funding in the form of a recoupable investment.

2.2 LEVEL OF RECOUPMENT AND PROFIT PARTICIPATION

After the deduction of applicable costs and fees (discussed in greater detail in [subsection 2.3](#) below), the CMF will recoup its investment from revenue generated by exploitation of the project:

- a) In a manner no less favourable than pro rata and pari passu with other financial participants who provide recoupable financing to the project, based on the CMF % of participation in the project.
- b) Until the full amount of the CMF's investment is recouped or seven (7) years from the submission to the CMF of the project's first exploitation report, whichever comes first.

For greater clarity, "pro rata and pari passu" includes the concept that the recoupment of the CMF will be proportional to its share of project financing compared to other sources of recoupable financing.

For example, for a project costing \$1 million:

- Where the CMF provides an investment of \$500,000 and another investor provides a recoupable investment of \$500,000, the CMF will receive \$0.50 of every dollar of revenue generated by the project (i.e. 50%).
- Where the CMF provides an investment of \$250,000 and another investor provides a recoupable investment of \$750,000, the CMF will receive \$0.25 of every dollar of revenue generated by the project (i.e. 25%).
- Where the CMF provides an investment of \$250,000, another investor provides a recoupable investment of \$250,000, and the project receives a \$500,000 non-recoupable contribution (such as a grant), the CMF will again receive \$0.50 of every dollar of revenue generated by the project (i.e. 50%).

2.2.1 Profit Participation

Once the CMF has recouped 100% of its investment, the CMF will participate in profits generated by exploitation of the project in the same manner in which it recouped its investment

As with the recoupment of its investment in the project, the CMF will participate in profits for no longer than (7) seven years from the submission to the CMF of the project's first exploitation report.

2.2.2 Buy-out

The CMF may consider proposals by the applicant(s) to be "bought out" of its right(s) of recoupment and/or profit participation on a case-by-case basis.

The CMF will not consider proposals to buy out the CMF's investment where the buy-out is primarily intended to extinguish the CMF's right to recoupment or profit participation from revenues generated by the project. As such, the CMF will expect

to receive buy-out proposals in which the amount paid to the CMF for the buy-out would be materially higher than the amount of the CMF's investment in the project. The CMF expects that buy-out proposals will typically come where a sale of the project, either alone or as an asset in the sale of the applicant company/companies, (or similar transaction) by the applicant(s) to a party unrelated to the applicant has been made.

Buy-out proposals must involve payment to the CMF in cash or in instruments easily convertible to cash.

Where a sale of the project (or similar transaction) results in an ongoing revenue stream to the applicant(s), the CMF will expect to also participate in those revenues in a proportion consistent with the level of recoupment and profit participation described above.

2.3 EXPLOITATION FEES AND EXPENSES, AND ENHANCEMENT COSTS

Depending on the nature of the project:

- Applicants (or distribution entities) may incur expenses in the course of distributing and/or exploiting the project;
- Distribution entities may take fees/commissions in payment for their distribution services;
- Applicants may incur costs for enhancements or upgrades to the project that are proposed after the start of the exploitation.

Before the CMF recoups its share of revenues, the Applicant is allowed to deduct commissions, fees and expenses related to the exploitation and, if applicable, the enhancements costs of the project as follows:

- First Year of exploitation: up to a maximum of 75% of the gross exploitation revenues;
- Second Year of exploitation: up to a maximum of 50% of the gross exploitation revenues;
- Third Year and all subsequent years of exploitation: only commissions, fees and expenses will continue to be deductible, up to a maximum of 50% of the gross exploitation revenues. Enhancement costs shall no longer be deductible.

The CMF will determine appropriate deductions on a case-by-case basis. All deductions must be reasonable, actual and verifiable.