

BLUEANT

CMF GUIDELINE CHANGE REQUEST

Blue Ant Media Inc. (“**BAM**”) enjoys a collaborative relationship with the Canada Media Fund (“**CMF**”) and is grateful to have had our voice heard in the past. In the 2012-2013 guidelines, the CMF instituted changes that helped level the playing field by recognizing and easing challenges independent broadcasters face while competing with large vertical integrated broadcasters (“**VI**”).

After attending the CMF cross-country consultation that kicked off in Toronto, BAM has the same strategic objectives as listed in the presentation, (Canadian content, innovation, diversity of voices, global digital environment, create access and demand). We would like to contribute to the discussion with the following ideas:

- 1) As an independent broadcaster and multi-media player, BAM doesn't have the same budgetary means nor can they meaningfully compete against a VI broadcaster in the performance envelope calculations; (ie: audience success – total hours tuned and original first run). BAM strives to meet all of CMF's objectives: broadcasting numerous documentaries and drama per year, invests in rich and substantial digital components and provides support to independent producers both within the GTA and regionally. BAM has achieved high quality programming through their outreach at a much lower budget cost than the VI broadcasters, who mainly spend on large format buys and US co-ventures. **BAM believes that CMF would continue their mandate of assisting independent producers by dedicating specifically to independent broadcasters (excluding Corus), a 15% increase to the allocation of English Language Performance Broadcaster funds.**
- 2) Two years ago, BAM was involved in CMF's working group meetings where several entities urged project eligibility changes. The CMF determined that it was difficult for independent broadcasters to spend their performance envelope under some of the guideline limitations. As a result, they implemented English language envelopes under a certain amount (in the case of 2013-2014 \$2.5 million), greater flexibility to allocate envelope funds. It included eliminating caps for 4ER and 2ER documentary contributions; in-house production allocations and the ability to contribute to any genre of our choosing. Simultaneously, the guidelines allowed VI broadcasters to enjoy a 50% flex in genre allocations. **BAM would like to maintain these important changes but in addition to them, would like to see an increase from \$2.5 million to \$5 million. This cap would ensure that independent broadcasters are able to continue to spend their envelope with the same flexibility.**

Independent broadcasters have much smaller budgets to buy content for their stations in comparison to larger VI broadcasters. One of the challenges that we face is to meet licence fee threshold as set out in the CMF guidelines for documentary, variety and performing arts programming. BAM also commissions English language Drama that can

be produced quite efficiently but is generally shut out of using their envelope with current trigger guidelines. **Therefore, under the same increased cap of \$5 million, BAM would advocate that a threshold category be added to allow for an English documentary and/or VAPA budget of say \$200,000/ hour range, to have a licence fee top up trigger of 20% of the budget for less than 6 episodes, or 25% for 7 episodes and above. For English Drama a budget of a minimum of \$200,000/hour is 30% of Eligible Costs. By relaxing the licence fee top up trigger caps, it would help independent producers who can produce smaller budget productions, to access the independent broadcaster envelopes.**

It was suggested at the Toronto consultation meeting that foreign licence fees could be included in the finance structure towards triggering Performance Envelope Top-Up Funds. **BAM supports this idea and suggests that either this approach or the above to meet threshold could prove to be beneficial to independent broadcasters.**

- 3) Demand for digital funds was clearly attested by industry when the 2013-2014 CDMI funds were oversubscribed in three hours after the opening date for applications. BAM has demonstrated a definition in their business model as being innovative content creators, keenly focused and committed to multi-platform content execution. As a non-VI, we are less reliant on the traditional linear model and more focused on the evolution of new ways to distribute content to our audiences. To-date, we are investing in this future and proportionately have spent more on digital content in the past year, which we believe is in keeping with one of CMF's key priorities. **With the growing demand for rich and substantial digital content in the convergent CMF model, BAM would like to see the CDMI English language fund for 2014-2015 increased from \$9.6 million to \$20 million.**

These are very early days of establishing a viable business model for digital media. With the support of the CDMI, Blue Ant is experimenting with new digital media production models and monetization strategies. Our goal is to help establish a financially sound digital media industry in Canada, working on projects both internally and externally. But because as an industry we have not yet achieved a sound business model for digital content, we know that establishing caps on broadcasters will severely hinder progress towards that goal. Blue Ant for example works with small digital media project budgets, and the CDMI's support has allowed us to execute the vast majority of our digital initiatives this year. Cutting our access to CDMI funding by establishing a cap will significantly reduce our capacity to produce digital media content and end our leadership by example of the importance of digital media production in Canada. **If an in-house funding cap is implemented in the 2014-2015 CDMI funding guidelines, it will critically impact and change the whole strategy of BAM's ability as a small broadcaster and digital content producer to create and experiment in forward thinking projects, just the same as any other independent producer.**

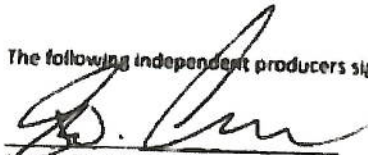
We thank the CMF for considering our proposal and would be happy to discuss our ideas as the CMF review and update their guidelines in keeping with industry trends dictated by audience.

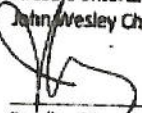
Sincerely,
BLUE ANT MEDIA INC.

A handwritten signature in black ink, appearing to read 'Raja Khanna', with several horizontal strokes underneath.

Raja Khanna
CEO, Blue Ant Television & Digital

The following independent producers sign this letter in support to GAM's proposal


Arcadia Entertainment Inc.
John Wesley Chisholm


Parallax Films
Ian Herring