



MEDIA DEVELOPMENT MEDIA FUNDING PROGRAM BUSINESS GUIDELINES

Media Development (MD) supports media content creation through the Predevelopment Fund, the Development Fund and the Media Production Fund.

This document is a guide to doing business with MD. The goal of this document is to increase transparency and predictability in dealings between MD and recipients of funding. Where possible, the guidelines have been standardized with federal funding agencies.

MD retains full discretion in the evaluation of projects receiving funding from MD and the application of these guidelines. In all questions of interpretation of this document, the interpretation of MD shall prevail.

Where there is a discrepancy between this document and a Transfer Payment Agreement (TPA) between the Government of Yukon, as represented by the Minister of the Department of Economic Development, and a funding recipient, the TPA will prevail.

Where there is a discrepancy between this document and the Predevelopment Fund, Development Fund or Media Production Fund policies, those policies will prevail. For discrepancies relating to definitions, this document will prevail.

These guidelines do not apply to other funding programs administered by MD, including training in the media sector and sound recording. Government of Yukon reserves the right to modify these guidelines at any time and without notice.

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1 Media Development

1.1 Application Process

MD begins receiving applications to the Predevelopment Fund, Development Fund and Media Production Fund on an opening date to be announced in the spring, which coincides with other major funders in Canada. Applications are then accepted on an ongoing basis while funds remain available or until a published closing date.

Media Advisors are the first point of contact for all applicants. They provide support and advice on the funding programs and work with clients to ensure applications are complete and that all necessary documentation is submitted. Applicants are advised that Media Advisors may contact other Yukon government departments, funding agencies, broadcasters, distributors and others that have been involved with the Applicant or the project to verify information and provide their perspective as needed.

Processing of applications will be conducted as expeditiously as allowed given the volume of submissions under consideration and required due diligence. In general, the Applicant can expect to hear from MD:

- Within 10 business days for applications of \$25,000 or less;
- Within 15 business days for applications between \$25,001 and \$100,000; and
- Within 25 business days for applications over \$100,000.

Producers are advised that MD and all other funders, including Telefilm Canada and Canada Media Fund, may communicate, exchange and discuss with one another any and all information and documentation which relates in any way to the funding application. This information and documentation may include the production of the program, the agreement to be executed with the Yukon government, the Applicant and any co-applicants and any company which is related to the Applicant or any co-applicant, and any current or previously completed production of the Applicant, co-applicant or a company which is related to the Applicant or any co-applicant.

1.2 Application Documentation

Applications must be complete and include all necessary documentation at time of submission. Incomplete and/or ineligible applications will be removed from further consideration.

To avoid being removed from the queue and having to resubmit, applicants are strongly encouraged to contact MD to discuss their questions before submitting a complete application.

Required application documentation can be found in the individual Program Policies.

1.3 Ineligible Projects

MD finances the creation of professional film, television and digital media programming of economic benefit to the Yukon (“Project”). The following are not eligible to receive financing from MD’s programs:

- Content not eligible for licencing by an Eligible Trigger (a third party that has agreed to publicly air the completed production; e.g. distributor, online streaming service, education sector);
- User-generated, non-professional videos by amateurs that have no experience or formal training in professional media production as a paid occupation;
- News, current events or public affairs programming, or a program that includes weather or market reports;
- Sports event or activity;
- Gala presentation or an awards show;
- Production that solicits funds;
- Pornography;
- Advertising (including commercials and infomercials);
- Production produced primarily for industrial, corporate or institutional purposes;
- Production, other than a documentary, all or substantially all of which consists of stock footage; and
- Production in respect of a game, questionnaire or contest (other than a production directed primarily at minors).

1.4 Decision Making

Media Development’s Predevelopment Fund, Development Fund and Media Production Fund utilize an assessment matrix to evaluate applications as necessary.

1.4.1 PREDEVELOPMENT FUND

There are no minimum Yukon Labour or Yukon Spend requirements in the Predevelopment Fund. Submissions are sent to an adjudication panel comprised of industry professionals, as selected by MD, and assessed based on the following matrix:

Evaluation Criteria:	Weighting
Percentage of Yukon Ownership	25%
Quality of the creative idea and its potential to obtain a letter of interest or licence from an Eligible Trigger	25%
Applicant’s track record and the capacity to complete the project as presented	25%
Potential return on investment to the Yukon, in terms of investment and employment opportunities, should the project move to development and/or production	25%

If predevelopment funding is not fully allocated by December 31, the funding may be reallocated to other funds, subject to Yukon government’s financial administration policies.

1.4.2 DEVELOPMENT FUND AND MEDIA PRODUCTION FUND

If multiple submissions are received within 10 business days of an opening date and the sum total of eligible rebates is greater than available funding, the applications will be assessed and prioritized based on the economic benefit to the Yukon. Applications will be assessed based on the following matrix:

Evaluation Criteria	Weighting
Dollar amount of Yukon Spend	25%
Number of Key Positions filled by Yukon Labour	25%
Percentage of Yukon Ownership	25%
Dollar amount of arm’s-length financing toward the Project Budget originating from entities headquartered outside the Yukon	25%

If either development or production funding is not fully allocated by December 31, the funding may be reallocated to other funds, subject to Yukon government’s financial administration policies.

Yukon government, in its sole discretion, may participate in projects deemed to be of exceptional economic benefit to the Yukon.

1.5 Promotion and Credit

MD shall receive credit on all versions and copies of the Project and on all publicity and promotional materials under the Producer’s control as follows:

- “Produced with the participation of” which shall include the logo of the Yukon government as provided by MD to the Producer;
- MD’s credit placement, size and prominence shall be no less favourable than the Yukon Production Company and Yukon Producer;
- If MD’s cumulative financing toward the Project is larger than all other similar financial sources, then MD’s credit placement shall appear most prominently in size and placement in comparison to all other sources, including immediately before the first frame or immediately after the last frame of film, television and digital video content created;
- Without limiting the foregoing, if there is more than one financier, the MD credit shall be grouped with the credits of all other financiers and the credits shall appear in a size, placement, type and prominence in a ratio at least equal to MD’s cumulative participation as compared to the funding of other financial participants which receive a credit;

- The credit shall appear on the “home page” or opening screen of online versions of the Project. The credit must be a hyperlinked MD logo that is linked to <https://yukon.ca/en/filming-yukon> (Children’s Projects are exempt from the requirement to hyperlink to this webpage); and
- In compliance with the Government of Yukon Visual Identity and Standards.

MD shall have the right to approve in advance the final credit proposed for MD relative to all other credits for the Project and the further right to elect not to have its credit included on the Project.

Funding recipients shall participate in interviews, focus groups, or other reasonable information gathering activities in conjunction with a program evaluation of MD. Media Development shall have the right, but not the obligation, to participate in and/or attend all promotional events undertaken for the Project. The Producer will submit to MD all promotional material and information about all promotional events for the Project, sufficiently in advance of such event to allow MD to decide whether it will participate and/or attend.

MD requires the Producer to provide, at no cost, materials for promotional use by MD. Media Development has the right to use the name of the Project, excerpts from the Project of up to two minutes in length, production stills, slides and other publicity materials, at no cost to MD to publicly promote, publicize and advertise MD. Furthermore, the recipient grants MD the right to collect and/or publish statistics related to the Yukon government’s financing of the Project. The Producer will provide a digital copy of the finished Project showing the Yukon credit in a format as described above.

1.6 Default

If a funding recipient provides false information, omits material information, fails to fulfill requirements by the deadline or expiry date, or an event of default occurs under the provisions of a TPA, then MD may, with prior notice to the Applicant, do any or all of the following:

- Request additional information or breakdown of expenses which the Applicant is obligated to deliver;
- Audit or cause to have audited the accounts and records of the Applicant;
- Reduce the level of funding;
- Require the Applicant to repay all or a portion of funds already advanced;
- Withhold any payment due to the Applicant or to any related, associated, and affiliated companies and individuals of the Applicant (“Related Parties”); and/or
- Terminate the TPA and MD’s obligation to provide funding to the Applicant.

At the sole discretion of MD, the above consequences may also be imposed on all Projects majority owned (51% or more) by the directors of the Applicant business or corporation and those of any Related Parties that have received MD financing. MD will not assess future applications received from an Applicant or Related Parties that are in default.

MD will notify the Applicant in writing that it has ten (10) days to resolve the default. If the default with MD is not resolved within the ten-day (10) period, MD may require the Applicant to immediately repay all amounts received by the Applicant under the TPA.

MD reserves the right to modify this policy at any time. The policy does not limit in any way the rights and remedies that MD has under its TPAs or otherwise.

2 Eligible Applicants

Incorporated companies who meet the following criteria are eligible to apply for financing from Media Development:

- has an office with a physical address in the Yukon;
- is subject to the Yukon Income Tax Act; and
- is registered as per the Yukon's *Business Corporations Act*.

In addition to meeting the Applicant criteria above, the company must:

- Own, option or control rights (including the underlying rights) sufficient to develop, produce and exploit the proposed content; and
- Retain an ongoing financial interest in the Project.

For the Predevelopment Fund and the Development Fund, if the Yukon Production Company retains less than 51% of the ownership and control of the project, the maximum rebate for the project is reduced proportionate to the ownership share. For example, if the Yukon production owns 25% of a project in development, they would only be eligible for 25% of the \$40,000 maximum or \$10,000.

2.1 Ownership of Production

Yukon ownership of the production will be determined based on the Yukon Residents being in positions that carry out the functions of a producer, which include having and maintaining responsibility and control over:

- The Project's development. A Project previously conceived outside the Yukon may be eligible subject to demonstrating that, since acquiring the underlying rights, the Yukon Production Company has substantially developed and scripted the Project;
- The creative, artistic, technical and financial aspects of the Project;
- The selection, hiring and firing of the key artists and creative personnel involved in the Project;
- All expenditures and budget overages related to the Project;

- The Project bank accounts (sole and unfettered cheque signing authority); and
- The negotiation of initial exploitation agreements.

2.2 Co-production

A Yukon Production Company in co-production with a non-Yukon Production company, or a Yukon corporation owned by both eligible Yukon Residents and non Yukoners, where ownership and/or control by Yukoners is 51% or greater, the production is eligible for the full 5% Yukon Ownership rebate. For those productions where the Yukon Production Company or eligible Yukon Residents retain less than 51% of the ownership and control of the project, the production will be eligible for a rebate proportionate to the Yukon ownership and control of the project. For example, if the Yukon Production Company retains 45% of the ownership and control of the Project, they may access a maximum of 45% of the 5% Yukon Ownership rebate or 2.25%.

2.3 Yukon Residents

For application purposes

“Yukon Resident” is defined as a person who has resided in the Yukon for at least one year (365 days) prior to the date of application for funding to MD.

For employment purposes

“Yukon Labour” is defined as dedicated labour by a person who has resided in Yukon for at least one-hundred and eighty (180) days prior to commencing their duties on the Project. The Yukon Labour’s primary place of residence must remain in Yukon during the entire time they perform any duties in relation to the Project.

For all Yukon Residents and Yukon Labour, a [Residency Declaration](#) is required. It can be submitted with the proof of Yukon residency documentation listed on the Declaration form. If the documentation is not provided, it must be sworn before a Notary Public in Yukon.

3 Eligible Key Positions

3.1 Key Positions

Under the Media Production Fund, applicants are required to employ at least three different Yukon Labour in Key Positions. The following list of Key Positions are positions that are eligible to meet this requirement. This list may be updated anytime by MD in consultation with the industry.

Camera Operator	Key Grip	Production Designer (Art Director)
Continuity	Key Makeup Artist	Production Manager
Costume Designer	Line Producer	Props Master
Director	Location Manager	

Director of Photography	Performer(s) In Speaking Roles	Resident in a Lead Role
Director of Sound	Picture Editor	Scriptwriter
First Assistant Director	Production Accountant	Set Decorator
Gaffer		Sound Editor

4 Yukon Goods and Services

MD encourages applicants to acquire the majority of their goods and services from Yukon sources. If requested by the Applicant and approved in advance by MD, expenditures for certain professional services that are not available in the Yukon may in whole or in part be deemed Yukon expenditures.

Yukon expenditures associated with filming outside the territory may be eligible for rebate pending advance review and approval by MD, recognizing that certain productions require shooting outside the Yukon.

The Applicant must track Yukon and non-Yukon expenditures separately with supporting source documents. See Section 8.1 for more information, Project Documents.

4.1 Yukon Spend

Yukon Spend includes monies paid to Yukon Labour or a Yukon business for goods or services. The following may be added to the calculation of Yukon Spend:

- Monies paid to services and resources not available in the Yukon either as identified from time to time by MD, or previously requested by the Applicant in writing and approved in advance by MD; and
- 25% of a trainer’s wages for the period during which they are actively transferring skills to Yukon Labour being trained in a Key Position (Section 3.1). This must be at a rate no more than that of the position next more senior to the one being trained.

Yukon Spend does not include GST and is net of deferred fees, related-party investments that exceed 25% of the total of maximum Producer Fees cap and Corporate Overhead cap¹, and in-kind contributions from persons and business involved in the Project (outlined in Sections 6.1 and 6.2).

4.2 Yukon Business

A Yukon business is one that meets three of the following:

- has an office with a physical address in the Yukon;
- is subject to the Yukon *Income Tax Act*;
- is registered as per the *Business Corporations Act* or the *Partnership and Business Name Act*, where applicable; and

¹ Investments are financial contributions by related parties in order to complete the financial structure.

- has a valid municipal business licence where applicable.

4.3 Yukon Labour

The 10% Yukon Labour rebate in the Media Production Fund is only available to Projects that exceed the minimum of three Key Positions filled by qualified Yukon Labour for the duration of the production. For each Key Position filled by Yukon Labour beyond the minimum, the eligible rebate is increased by 2% to a maximum of 10%.

Example A:

An Applicant applies for production financing toward a Project that is hiring Yukon Labour in eight Key Positions. The Applicant is eligible for the base rebate of 25% of Yukon Spend plus an additional 2% rebate for each Key Position filled by Yukon Labour greater than the minimum requirement of three. In this example, the total rebate is 25% plus 10% (5 x 2%) = 35% of Yukon Spend.

Example B:

An Applicant applies for production financing toward a Project that is hiring Yukon Labour in two Key Positions and training Yukon Labour in one Key Position previously approved by MD. The Applicant is eligible for the base rebate of 25% of Yukon Spend but because Yukon Labour is not filling three (3) Key Positions, they are not eligible for an additional Labour Rebate.

5 Market Driven

At the time of application to the Development Fund and Media Production Fund, the Applicant must demonstrate market demand for the Project in the form of a licence agreement or a letter of interest from an Eligible Trigger. The Eligible Trigger must agree, for consideration at fair market value, within two years after the Project is completed and commercially exploitable, to:

- Broadcast the Project on a television network or station; or
- Release the Project in theatres and/or event venues; or
- Distribute the Project on DVD or other physical storage device; or
- Make the Project available for streaming through an online service.

If the application to MD is successful, the Applicant will have 90 days from the date of notification by MD to provide fully executed agreements with the Eligible Trigger.

5.1 Eligible Triggers

At the time of application, the Applicant must submit a letter of commitment, licence agreement or deal memo from an Eligible Trigger. The Eligible Trigger:

- Is a Canadian or foreign-owned corporation that is not related or affiliated² with the Applicant;
- Is primarily in the business of broadcasting, releasing, distributing or otherwise disseminating large amounts of comparable content directly to the public;
- Is committed to making the completed production available to the public within two years from delivery to the Eligible Trigger;
- Will include within their agreement with the Applicant, reference to:
 - the length of the Project (number and length of episodes);
 - the genre of the Project;
 - geographical region and language of rights licenced;
 - start and end dates of the licence term;
 - number of plays of the Project, time of day, and days of week when plays are expected to occur (if known);
 - any exclusivity of rights licenced; and
 - the type of contribution the Eligible Trigger will pay for the licence or acquisition fee (for example, cash, services and revenue sharing). There is no minimum dollar amount or percentage threshold that is required from the Eligible Trigger.
- Will not require as a condition of their commitment that the Applicant incur cash expenditures for the use of services or facilities of the Eligible Trigger, or provide any other form of buyback or kickback for the benefit of the Eligible Trigger; and
- Will not licence, acquire or restrict the Applicant's ability to exploit the Project outside of the reach of platforms and channels owned by the Eligible Trigger. These are additional rights that must be separately licenced or acquired by the Eligible Trigger for consideration at fair market value.

Below are three examples of potential Eligible Triggers.

5.1.1 TELEVISION NETWORKS AND STATIONS

Television networks and stations in the business of broadcasting comparable projects directly to the public. These include, for example, public networks, educational broadcasters, private conventional television stations, community stations, specialty services and linear pay TV services, video on demand (VOD) and hybrid VOD services.

5.1.2 ONLINE SERVICE

Online services in the business of transmitting pre-screened or pre-qualified comparable projects on their online platform to the public. Online platforms may include online services pursuant to CAVCO (Canadian Audio-Visual Certification Office) Public Notice 2017-01 which is updated regularly with services being added and removed if the nature of the service changes.

² As defined by the Income Tax Act R.S.V 1985 c.1 <https://laws-lois.justice.gc.ca/eng/acts/I-3.3/section-251.html>

An online service created for the sole purpose of making the Project available to audiences is not an Eligible Trigger. Planning to post the Project on an online service that does not pre-screen or pre-qualify comparable content does not meet this requirement (i.e. self-releasing the Project on iTunes, YouTube, Vimeo or Facebook). However, recognized channels and influencers on these services that are in the business of licencing or acquiring comparable content for their subscribers and followers may meet the definition.

5.1.3 DISTRIBUTION COMPANY

Distribution companies in the business of releasing comparable content directly to the public. The distribution company must be responsible for marketing and promotion, setting release dates, establishing pricing and commit to releasing the Project on one or more distribution channels in the geographical area of the world. For example, the agreement may commit to releasing the Project in theatres and event venues, distributing DVDs to schools, or making the Project directly available to audiences by another means. The distribution company must be able to demonstrate a track record of successfully releasing comparable content on the proposed distribution channel in the geographical area of the world.

A sales agent who earns a commission acting as an intermediary between the Applicant and an Eligible Trigger but not taking on the responsibilities of marketing and promotion and making the content directly available to the public, does not meet this requirement.

MD reserves the right to independently determine the acceptability of each Eligible Trigger. As broadcasters, distributors, online platforms and channels are rapidly evolving, MD may update and publish the list of Eligible Triggers in the MD Business Guidelines.

5.2 Payment Schedule

Where possible, MD will align the payment schedule with the deliverables of the other funders to reduce administrative burden on applicants and to help mitigate future potential shortfalls for producers.

5.3 Licence Terms

The licence agreement from the Eligible Trigger should include reference to:

- the length of the Project (number and length of episodes);
- the genre of the Project;
- geographical area of the world and language of rights licenced;
- start and end dates of licence term, if known;
- number of plays of the Project, time of day, and days of week when plays are expected to occur, if known;

- any exclusivity of rights licenced; and
- the type of contribution the Eligible Trigger will pay for the licence fee (cash, services and revenue sharing, for example).

The licence fee paid for the broadcast must be clearly separate from any amounts paid for any Other Rights being acquired by the Eligible Trigger, including the rights to the interactive content and distribution rights, if any. “Other Rights” include, but are not limited to:

- Paid internet broadcast/distribution;
- Paid mobile/wireless distribution (not through the internet); and
- Electronic sell through and/or electronic rental (iTunes, broadcaster websites, etc.).

The agreement with the Eligible Trigger cannot:

- Restrict the Producer’s ability to exploit any non-Canadian rights;
- Restrict the Producer’s ability to exploit the Other Rights in Canada that the Distribution Platform does not licence or acquire; nor
- Include co-terminus rights.

6 Financial Sources

The Applicant must demonstrate a viable financial plan for cash expenditures in the Project Budget at the time of submitting a complete application. Executed agreements with the financial sources are preferable. Alternatively, demonstration may include letters of commitment, a detailed estimate of tax credit calculations and copies of applications under active consideration by another funding agency. The commitment letter or agreement must include the amount of the contribution, the type of participation, reference to the Project, a payment schedule, repayment terms and the approved budget and approved financing plan.

Prior to entering into a TPA with the Applicant, the Project must be fully financed with executed agreements in place equivalent to the Project Budget.

6.1 Related Parties in the Financial Structure

The Applicant and Related Parties may contribute to the financing of the Project in the form of an investment, deferrals or in-kind services. Note that Related Party Investments that exceed 25% of the total of maximum Producer Fees cap and Corporate Overhead cap will not be considered in the funding calculation.

If the Applicant is covering more than 15% of the Project budget with its own operating funds, additional documentation such as a loan agreement, a financial statement, a shareholder agreement, a letter from the Applicant’s bank or a similar form of documentation may be requested to verify the capacity to provide the financing.

6.2 Deferrals and In-Kind

The financial structure may include deferrals or in-kind services, facilities or staff which are legitimate, verifiable and specifically for creation of the Project. There must be a fully executed agreement specifying the budget code, category and amount. The cost must be assessed at market value and clearly indicated in the agreement. The Applicant may be asked to provide evidence of market value equivalency for deferrals and in-kind services provided.

Producers can only defer their own fees, overhead, or on behalf of employees or equipment from their own company used in the Project.

MD will not permit:

- Producer deferrals, investments and/or reductions of Producer Fees and Corporate Overhead (PFCO) that in the aggregate exceed 25% of the total maximum Producer Fees cap and Corporate Overhead cap (caps are outlined in Section 7.5) unless the producer is able to demonstrate an alternate viable financial structure which can later replace deferred PFCO with other funding once confirmed; and
- Deferrals, in-kind contributions and investments from individuals and businesses participating in the Project that exceed 25% of the Project Budget.

6.3 Treatment of Tax Credits

The Applicant must demonstrate eligibility, provide calculations and estimate a maximum of 90% of anticipated tax credits in the financial structure.

Applicants are reminded that federal tax credits require a Canadian distributor and streaming on a CAVCO-approved digital channel. MD's non-repayable contribution to production financing is considered assistance, and may reduce the amount of eligible federal tax credit for the project.

7 Project Budget

Financing from MD is intended to support the creation of the Project and is not to be considered as revenue or profit for the Applicant. All applicants must provide a detailed estimate of total costs for the Project. Estimates must be supported by contracts, agreements, quotes, estimates and allocation worksheets which must be made available to MD upon request.

7.1 Eligible Development Costs

Eligible Development Costs are costs set out in the development budget for the Eligible Project or the final cost report as applicable, subject to adjustment by MD at their sole discretion. MD's participation is calculated on the Eligible Costs of an Eligible Project and

assessment of the Eligible Costs is at MD's sole discretion. In general, the following are Eligible Costs during the development phase:

- Predevelopment costs not considered in a funding award under the Predevelopment Fund;
- Research directly related to the project;
- Option fees paid to an unrelated party, or acquisition of rights fees;
- Scriptwriting (first draft scripts, polish, bible, etc.);
- Script workshops;
- Development of production budget and financing;
- Marketplace research to determine potential audience;
- Focus groups;
- Short non-broadcast demos and a pilot episode;
- Producer fees and corporate overhead;
- Arm's-length legal costs; and
- Third-party preparation of the Production budget breakdown.

The following preproduction costs are also eligible for returning series:

- Cast retention;
- Set retention;
- Travel costs related to procuring international pre-sales; and
- Showrunner fees.

Costs incurred more than 12 months prior to the Applicant entering into an eligible development agreement are not Eligible Costs, with the exception of the option or acquisition of rights and the expenses associated with acquiring those rights, as long as they are not paid to a person with ownership interest.

The development budget template outlines specific allowable costs. Any costs related to creating content that does not meet the definition of Eligible Project are ineligible and must be tracked separately (i.e. video games, mobile applications, websites, etc.). Travel costs are limited to the lowest economy airfare, accommodation for a standard room, and per diems are not to exceed the posted Yukon government rate.

7.2 Related Parties in the Budget

Related parties exist when one party can exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence (shareholder, senior management, family member of shareholder, or a company under common control, for example). Senior management personnel are those persons having authority and

responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity³.

A Related Party Transaction (RPT) is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related PRIOR to the transaction.

The Applicant must disclose RPTs in the Budget and in Final Cost Documents (FCD), which are the final cost report and affidavit. Information provided must include a description of the relationship between the transacting parties, a description of the transaction, the amount of the transactions classified by budget/final cost line item number, and the measurement basis used.

RPTs must be either the actual costs paid by the Related Party to the vendor or, if an allocation of the cost between more than one Project, the calculation for the measurement basis for allocation must be provided. The amount of consideration must be reasonable in the circumstances, directly attributable to the Project and the specific phase funded by MD, and comparable to what would be agreed upon in an arm's length transaction (at fair market value).

Amounts paid to Related Party Labour must be supported by corresponding documents including production-specific T4 slips, employment contracts and time sheets specifying the Project title. Amounts paid to Related Party Goods and Service providers must be equal to or below fair market value⁴. Amounts paid to internal costs of the Applicant should be valued on the same basis as RPTs and reported at Budget and in FCD.

7.3 Producer Fees

All fees paid to persons with an Ownership Interest⁵ in the Project company that are fulfilling the functions of a producer are placed in Section A of the Budget and capped as a percentage of the Sections B+C of the Budget ("PFCO"). In the case of certified international co-productions (certified by Telefilm Canada), the PFCO is calculated on the Canadian share of the Budget. The PFCO also includes:

- Finder's fees for the arranging of the Project financing or commercial exploitation of the Project (including excessive gap financing fees); and

³ Canada Media Fund: <https://cmf-fmc.ca/document/appendix-b-business-policies/>

⁴ "Fair market value is the highest price, expressed in dollars, that a property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other", Canada Revenue Agency in its Summary Policy (CSP-F02) dated October 25, 2002.

⁵ Ownership Interest: A direct or indirect ownership interest in the Applicant company itself, or in any entity with a direct or indirect ownership interest in the Applicant company, including affiliates, subsidiaries and parent entities, granting the holder decision-making authority for, or meaningful influence on, the significant matters of the Applicant company.

- Any fees for responsibilities of a producer payable to financiers (including broadcasters, distributors and agencies).

Fees paid to producers and other project managers who do not have an Ownership Interest in the Project may be outside the PFCO subject to approval in writing by MD. Producer or project management fees that are outside the PFCO may be placed in Sections B or C of the Budget.

The Producer oversees all aspects of the Project and therefore generally may not participate in most other Project roles. On smaller budgeted Projects, a Producer may perform other roles in the Project and be budgeted in appropriate categories. A detailed rationale must be provided, supporting this occurrence. Any fees considered by MD to be in excess of industry standards will be placed within the PFCO.

In all cases, where it appears this policy is being used inappropriately to place fees outside the PFCO, MD, at their sole discretion, may reallocate fees to within the cap and will determine if a person's fees should be placed within the cap.

A producer may also incur expenses other than producer fees which may be charged to the Project. These expenses are usually for travel or entertainment. Such costs are eligible outside the cap if incurred in the course of the Project, substantiated by supporting documentation, and included in the approved budget.

7.4 Corporate Overhead

MD allows a percentage of Sections B+C of the Budget to corporate overhead expenses. These expenses may include, for example, rental of corporate office space, maintenance and repair expenses, office equipment, supplies, administrative staff salaries, industry association fees, attendance or other participation at festivals, markets or awards.

Administrative expenses specific to the Project are typically allowed outside of the cap (as identified below; such as rental of temporary Project office space, salaries paid to Applicant company staff for time spent working on the Project, CAVCO user fees providing tax credits are included in the Project financing). Corporate overhead expenses charged to the Budget in addition to the cap must be supported by documentation and are subject to MD's prior written approval.

7.5 Cap on Producer Fees and Corporate Overhead

Combined Producer Fees and Corporate Overhead (PFCO) are capped at a fixed amount in the Project Budget.

Project Budget	Predevelopment Fund and Development Fund	Media Production Fund
Less than \$100,000	40% of Eligible Costs less producer fees and corporate overhead	30% of Sections B+C
\$100,000 to \$500,000	Not Applicable	30% of Sections B+C
More than \$500,000	Not Applicable	20% of Sections B+C to a maximum of \$2M

7.6 Contingency

MD expects that producers will budget adequately for contingency. Typically, this amount will not exceed:

- 10% of the Direct Costs of development; or
- 10% of Sections B+C of the film, television, digital media production budget.

8 Accounting and Cost Reporting

Establishing policies for cost reporting and audit requirements will help to ensure that MD financing is used in an appropriate and reasonable manner respecting industry standards, and that such funds are not used to provide profit for the producer nor used to offset non-Project-related expenses of the Applicant or any other party.

These requirements apply to all Projects receiving funding from MD. In the case of certified international treaty co-productions, these requirements apply to the Canadian share of the budget. Applicants must provide certain financial reports to MD, who is entitled to examine the books of account and related records of the Applicant to ensure compliance.

The Applicant company must:

- Maintain unique bank and accounting records throughout the Project for which financing has been provided; and
- Prepare Final Cost Documents (a report and an affidavit) in the standard industry format and be accompanied by explanatory notes for substantive variances from the Project budget.

An Applicant that is not in compliance with these bookkeeping and reporting requirements, or who through audit or review is found to be in contravention of these guidelines will be declared in default with potential consequences as described in Section 1.

8.1 Project Documents

The Applicant company is required to retain all documents related to the Project at its place of business or in an archival facility for a period of two years from the year in which the Project was completed (as per the auditor's report, the review engagement report or the affidavit).

Among others, these documents include the following:

- All agreements entered into with financiers of the Project;
- Correspondence exchanged between financiers and the Applicant or its representatives;
- Separate accounts (detailed general ledger, general journal, revenue and disbursement journal, accounting entries, payroll register, etc.) for the Project;
- Exploitation reports and their relative supporting documents;
- Bank reconciliation and monthly bank statements;
- Statement of cash flow, including cash received from all sources of financing, cash outflows in respect of Project costs, reconciling to the cash balance in the general ledger at the end of each month;
- Cancelled cheques and/or disbursement vouchers and bank debit notes;
- Bank deposit slips (if available);
- Purchase invoices and/or supplier statements;
- Purchase orders or similar authorization for expenditures, signed by authorized personnel of the Applicant;
- Expense accounts and petty cash reports with corresponding receipts;
- Duly executed employee contracts and employee T4 slips;
- Timesheets for Related Party labour costs to the Project;
- Support for Fair Value of Related Party goods and services;
- Schedule of total allocation of shared costs;
- A list of all affiliated, associated or related companies or entities;
- Any other support for note disclosures; and
- Any other information required by MD as indicated in the TPA.

The Applicant company and the individual producer(s) must take all necessary precautions to ensure that all financial records related to the Project including hard copies or electronic records are retained and made accessible over the two-year period. Care must be taken to ensure records held by terminated personnel are recovered prior to their departure.

8.2 Final Cost Documents

The table below outlines the Final Cost Documents (FCD) dependent on the size of the Project Budget. MD reserves the right to require that an audit or review engagement be performed, regardless of the budget level.

Combined Project budget	Applicant's Report	Accountant's Report
Less than \$250,000	Final Cost Report and Affidavit; General Ledger for all expenses for the project.	Not applicable
\$250,000 to \$500,000	Certified Final Cost Report	Independent public accountant's review engagement report and accompanying financial statements
More than \$500,000	Certified Final Cost Report	Independent auditor's report and accompanying financial statements

Notwithstanding the above criteria, MD may request an audit be included in its agreement with an Applicant, for any Project.

The submission of FCDs must take place no later than 12 months after the launch of the Project and no later than 24 months after the first transmission of the Programming.

Additional reporting requirements will be detailed in the Transfer Payment Agreement.

8.3 Related Party Transactions (RPT) Reporting

The value of any estimated RPT included within the Budget must be separately disclosed to MD at the time of application, followed by the actual cost of the RPT, which must be disclosed within the Final Cost Documents. Actual RPTs and related balances are to be determined in accordance with Canadian generally accepted accounting principles. RPT include the cost of services rendered by related party personnel and goods and services supplied by related parties.

8.3.1 RELATED PARTY PERSONNEL

The cost of services (such as salaries or fees) rendered by individuals hired by a related entity and allocated in whole or in part to the Applicant company must correspond to the actual amount paid to the individual and be in accordance with the employment or engagement contract signed with the employer, and be supported by an acceptable proof of payment. Salary expenses must also correspond to the period of time worked by the employees on the Project. Employee benefits may be included with these expenses.

The allocation of time devoted to the Project must be reasonable and appropriate and must be supported by documents including production-specific T4s, employment contracts, time sheets specifying the Project title, etc.

In order for labour expenditures to be eligible, they must meet the following four criteria:

1. Be reasonable in the circumstances;
2. Be included in the approved budget of the Project;
3. Be directly attributable to the Project (there must be a clear link to specific work performed on the Project); and
4. Be paid in the fiscal year the work occurred or no later than 120 days after the Applicant company's year end.

The Applicant is responsible for providing sufficient and adequate documentation to support the above-stated amounts.

8.3.2 GOODS AND SERVICES SUPPLIED BY RELATED PARTIES

Projects frequently use various goods, services and other assets owned by a related company, including but not limited to space in a building, camera and sound equipment, post-Project services and facilities, computers and related material, vehicles, office equipment and furniture.

The accounting of these transactions will conform to one of the following two methods:

1. When the goods and services provider is a related entity, such transactions may be accounted for at the fair market value. However, to be admissible, the expense must meet the four criteria stated in the previous section, and if the goods or services are provided by the Parent company, they must correspond to the CRA's policy RC4157 on tax reporting. MD reserves the right to revise the eligibility criteria (see 7.3.1) in cases of abuse of application or if certain amounts are unsubstantiated or deemed unreasonable at MD's sole discretion.
2. When the goods and services provider is the same legal entity as the Applicant company, such transactions must be accounted for at the actual cost as defined below.

Actual cost must be calculated based on the actual operating costs incurred by the Applicant company including but not limited to depreciation, electricity, rent, insurance, maintenance costs and repairs, cost of financing such goods, property taxes and/or required permits that have been incurred directly for the Project. MD may use the annual financial statements of the Applicant company to validate the actual operating costs.

When a related company charges the Applicant company for goods or services supplied by a third party (such as utilities), the value of the goods or services must be equal to the cost paid by the related party to the third party. No profit margin can be charged on these

goods or services. They are to be charged at a rate equal to actual cost, but only for the amount actually used by the production.

The Applicant is responsible for providing sufficient and adequate documentation to support all costs associated with the project.

8.4 Locked Items in the Project Budget

MD may identify within the TPA locked Budget items, such as allowance for:

- Contingency;
- Acquiring exploitation rights within Canada in perpetuity;
- Acquiring exploitation rights for a period of at least five years for all geographical regions in which pre-sales have been made or for which a distributor has acquired exploitation rights;
- RPTs; and
- Producer Fees and Corporate Overhead.

These locked Budget items may not change unless pre-approved by MD. These locked Budget items must be reported in the FCD.

There may be no variance between budget and final costs for Locked Items. The Independent Public Accountant, if required, must also certify no variances in the note disclosure.

9 Production Insurance Requirements

The Applicant must obtain policies of insurance underwritten by an established insurer specializing in television and digital media content insurance in accordance with the standards of the industry and the nature of the Project. We recommend that the Applicant present this section to the insurer to ensure MD's minimum requirements are met.

Additional insurance may be required depending on the activities undertaken during the production period. These additional requirements will be outlined in the TPA.

All certificates must contain the following statements/information:

- Specify title of insured Project;
- Specify that coverage applies to programming and non-programming, where applicable;
- Government of Yukon, its members and all associated, affiliated and related companies, their successors-in-interest and assigns, and the officers, advisors, directors, agents, shareholders and employees of each of the foregoing are added as an additional insured; and

- Policy cannot be cancelled or materially changed without providing at least thirty (30) days prior written notice via registered mail to MD:
Economic Development Fund (F-1)
Box 2703
Whitehorse, Yukon Y1A 2C6

COMMERCIAL GENERAL LIABILITY – Programming and Non-Programming

The Applicant will obtain coverages of Commercial General Liability Insurance in an amount not less than \$2,000,000 or in the amount of the total production budget, whichever is greater.

10 Roles and Responsibilities

Minister of Economic Development

- The Minister may amend the programs within the overall scope and budget of the program.

Deputy Minister of Economic Development or Delegate

- The Deputy Minister or Delegate will prescribe the procedures and timeframe for payments, procedures, and administration of the program as outlined in the business guidelines.

Staff of the department

- Department staff are the first point of contact for all applicants. Staff will assess all rebates and approve them according to their signing authority level.

11 Forms and Templates

- 11.1 Budget (Separating Video, Interactive, Marketing, RPTs, Yukon)
- 11.2 Related Party Transactions Form
- 11.3 Final Cost Report
- 11.4 Final Cost Report Affidavit
- 11.5 Audit Letters