



FINANCING AND BUDGETING POLICIES

Production, Performance Accelerator, and TV Development Online Programs

March 2016

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Unless otherwise indicated, the Summary of Fee and Rate Thresholds and sections A – G apply to all programs.

Production, Performance Accelerator, and TV Development Online Programs

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Summary of Fee and Rate Thresholds

<p>Producer Fee: (GEN24)</p>	<p>Not to exceed 10% of budget sections A+B</p>
<p>Proposal Preparation Expenses: (GEN19)</p>	<p>Not to exceed \$10,000 cap. Note: if a project has received Bell Fund development support, no development costs may be repaid through production. Proposal preparation expenses may be ineligible. It is expected that the project would know the cost for Proposal Preparation at the time of application. Overages in this account may not be permitted.</p>
<p>Labour and personnel: (Category A)</p>	<p>All labour rates for personnel engaged by Producer must be estimated at actual cost in units of: hours, days or weeks, without corporate markup, overhead fees, or equipment costs included in the cost assessment. Rates must be clearly marked as inclusive of applicable payroll benefits or may have payroll benefits set out as a separate category. Hourly rates in excess of these ranges may be acceptable provided there is sufficient explanation and quotes, contracts or pay stubs to support the rates.</p> <p>It is expected that fee rates fall within the ranges below and that these ranges are applied based on role/job function, not based on the seniority of the person performing the role. The range of these fees are normally as follows:</p> <p><u>Junior personnel: \$15 to \$30 / hour</u> i.e.; Assistant Designers, Illustrators, Assistant Graphic Artists, low-end Programmers, Testing Labour, Administrative Labour, etc.</p> <p><u>Intermediate personnel: \$30 to \$60 / hour</u> i.e.; Project Coordinators, Leads, Graphic Designers, Storyboard Artists, mid-range Programmers, Select testing labour, etc.</p> <p><u>Senior personnel: \$55 to \$100/ hour</u> i.e.; High-end Leads, Production Supervisor, Project Managers, specialized Design personnel, Art Directors, specialized Programmers and integrators, etc.</p>
<p>Production Supervisor: (IDM01, Account 01.05)</p>	<p>Production Supervisor: This person oversees the day to day operations of all elements of production but is not a Producer on the project and is not a shareholder of the company. This role may not be required on every project and may not be required in addition to the Project Manager. These roles do not provide programming and/or design services.</p>
<p>Equipment and Materials:</p>	<p>Pro-rated or amortized at market value for duration</p>

(Category B)	of use on project (24 month straight depreciation method)
Software: (IDM13, Account 13.10, 13.11)	Pro-rated or amortized at market value for duration of use on project (50% of cost or 12 month straight depreciation method, whichever is less)
Server Expenses and Site Maintenance:	Cap of \$50,000 for distribution and maintenance. The Digital Media Work shall be available to the public for a minimum of one (1) year from the date it launches and is subject to the expectation of a longer term based on evaluator and Board of Directors review on a project by project basis. Producers will be notified of this term as a condition of the offer of funding.
Pre-Launch Promotion and Publicity: (GEN23)	Cap of 15% of budget categories A+B
Corporate Overhead: (Category F)	Not to exceed 10% of budget categories A+B
Contingency: (Category G)	Not to exceed 10% of budget categories A+B Reflects the inherent risk in the project

A digital media project's financial structure and budget are key criteria in the evaluation of your application. Producers must provide a production budget and a financial structure based upon reasonable cost estimates and realistic expectations for other financing. Ensure these documents are completed thoroughly and accurately, including all tabs within the budget template, with sufficient back-up materials, notes and schedules to ensure a successful application. Be prepared to provide backup evidencing cost estimates, particularly if cost estimates are in excess of normally approved rates or otherwise exceptional. A project may not be overfinanced.

The Bell Fund contributes funding for project production and is not to be considered as direct revenue or profit for Producers. Producers should consider this when preparing the budget and financial structure of their proposed project.

Please note the following definitions for the purposes of these Guidelines and Policies:

Producer: The Producer is the company that owns the copyright in the digital media production and is the party(ies) signing the contract for financing with the Bell Fund. The Producer must charge actual cost for its services as set out in the summary of fees and thresholds on page 3.

"Related parties" exist when one party has the ability to 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 or common significant influence. Related parties also include management and immediate families.

A "related party transaction" 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. All such transactions also require verifiable documentation such as dockets and timesheets for personnel from all such parties including senior personnel associated with parent or related companies who are charged against the budget. For clarification purposes, when the relationship arises as a result of the transaction, the transaction is not one between related parties.

“Control” of an enterprise is the continuing power to determine its strategic operating, investing and financing policies without the cooperation of others.

“Significant influence” over an enterprise is the ability to affect the strategic operating, investing and financing policies of the enterprise.

A “service provider” should operate principally as a Digital Media production entity providing services to partners in the media industry and must be a Canadian-controlled corporation with its head office based in Canada.

A. Digital Media Production Financing Guidelines and Policies

Please ensure that a complete, fully detailed financial structure is submitted in both the Application and Budget Template where indicated. Please fill out all schedules including Transactions By All Parties and ROI schedules.

1. Bell Fund Digital Media Production Contribution: Bell Fund will provide a non-recoupable grant of up to 75% of approved budgeted costs.

- For the Performance Accelerator Program: see page 16
- For the TV Development Online Program: see page 18

2. Bell Fund Matching Broadcaster Bonus Contribution: Bell Fund will provide a grant to match cash contributions from Canadian broadcasters- specifically designated for the financing of the production of the digital media/interactive project, such as licence, distribution advance or equity investment, to a maximum of \$100,000. Notwithstanding the above, in the event that a production company is considered an affiliated party to the Broadcaster, and where such Broadcaster is providing a cash contribution to the digital media production, the Bell Fund will only match an amount no more than equal to the average of the immediately previous 3 such cash contributions provided to non-related arms-length 3rd party productions.

A Licence is a non-recoupable payment for specific rights granted for a specific term. Financial structures that contain a cash contribution from a broadcaster may not include any cash payment to a broadcaster for facilities, services or staff in its budget.

- For the Performance Accelerator Program: see page 16
- For the TV Development Online Program: see page 18

3. 10% Cash Trigger Requirement: A minimum of 10% cash contribution is required from a source other than Bell Fund or the Producer. Examples of third party cash funding include: broadcaster cash support, other funding agencies (eg, Shaw Rocket Fund, Canada Media Fund, OMDC IDM Fund, Fonds Québecor, etc.), tax credits, sponsorship, advertisement, third party distribution companies, etc. This cash source of funding must be paid at some point during the production of the digital media component. Though confirmation of the 10% cash contribution is not required at time of application, it is preferred when submitting your application. For successful applicants, Bell Fund will not execute its Digital Media Production Financing Agreement with the Producer nor provide funding until written commitment is received from all sources.

- For the Performance Accelerator Program: see page 16
- For the TV Development Online Program: see page 18

4. Broadcaster Contribution: Broadcasters may provide cash contributions in the form of non-recoupable licence fees or equity as part of the Cash Trigger Requirement (see #3 above).

In the event that a cash contribution is provided, the broadcaster may not receive any cash payment of any kind for any services, facilities or staff provided by the broadcaster.

Broadcasters may also provide in-kind services to a maximum of \$20,000 for server, hosting and bandwidth costs associated with any original digital content available on the broadcaster's website. Such costs may be included in the budget and financing but do not form part of the 10% contribution. These will be assessed as part of the broadcaster support.

The broadcaster must indicate its cash or in-kind contribution in the broadcaster support form included in the application.

- For the Performance Accelerator Program: see page 16
- For the TV Development Online Program: see page 18

5. Television Production Company Contribution: The television production company may contribute to the financing of a digital media project in the form of investment, deferrals or in-kind services. Deferral or in-kind expenses which are legitimate, verifiable and specifically for the production of the digital media project are acceptable. Rights payment to the television production company for licensing of the television property is not permitted. Television production expenses may not be included in the digital media budget. Although this contribution may be included in the digital media financial structure, it does not satisfy the minimum 10% arm's length cash contribution requirement.

6. Digital Media Producer Investment (equity): Producer may provide a fully executed agreement for its investment in the digital media project. In such cases, the Producer must also provide its most current financial statements to verify the capacity to provide this investment. Although this contribution may be included in the Digital Media financial structure, it does not satisfy the minimum 10% cash contribution requirement.

- For the TV Development Online Program: see page 18

7. Deferrals: Deferrals may be included in the financial structure of a digital media project. There is no maximum amount of deferrals that may be used to finance a production. Deferrals must be supported with appropriate deferral agreements containing a matrix specifying:

- budget code,
- category, and
- amount.

Producers can only defer their own fees, overhead, or on behalf of employees or equipment from their own company used in the production of the Digital Media project. In such cases, the Producer must also provide their most current financial statements to verify their capacity to defer. Deferrals from unrelated parties such as a subcontractor must provide their own separate deferral agreement. All deferral agreements must reflect the budget line item and exact amount being deferred. Budget allowances for Contingency may not be deferred.

8. Digital Media Tax Credits: If eligible, tax credits may be used to finance the project and be included in the financial structure. However, Bell Fund does not obligate Producers to use tax credits as part of a project's financial structure. If tax credits are used to finance the digital media component, a schedule calculating tax credits used in your financial structure must be submitted with your application. Provisionary approval from the provincial tax credit agency may be requested if the Producer's application for funding is successful.

- For the TV Development Online Program: see page 18

9. In-Kind Contribution: In-kind services, facilities or staff from other parties (sub-contractors, television production companies, etc.) may be included in the financial structure, and listed appropriately in the budget. All such costs must be assessed at market value with appropriate discounts applied. The value of services

provided must be clearly and explicitly indicated in a services agreement between the Producer and service provider. Agreements should minimally contain the following information:

- date,
- total amount of contribution and any discounts applied,
- breakdown of contribution by related budget codes and categories of services provided, and
- any other provisions.

Producer may be asked to provide evidence of market value equivalency for in-kind services provided.

10. Interim Financing: Producer may not use interim financing as a component of the financial structure for the project. Interim financing may only be used to bridge finance other commitments. A detailed cash flow statement must be included to justify any interim financing costs in your production budget.

11. Other Contribution Contractual Requirements: Minimally, executed commitment letters are required from all sources used in a project's financial structure, or ideally, any executed agreements. This includes deferrals, in-kind services, and cash contributions. Applications may be submitted without confirmed alternate financing. Agreements must minimally include:

- date,
- amount of contribution,
- type of commitment (ie; grant, equity, advance, etc.),
- total and date of budget,
- clear declaration that contribution is for production of the digital media project,
- payment schedule or proposed drawdown, and
- default or expiry clause.

If your application with Bell Fund is successful, you will have 90 days from the date of approval to provide all required documentation. All executed agreements will be required in order for Bell Fund to issue a Digital Media Production Financing Agreement.

B. Digital Media Production Budgeting Guidelines and Policies

The budget submitted to the Bell Fund should include additional notes describing in detail, tasks and production phases to be performed by personnel, and supporting notes explaining cost estimates in detail. Be prepared to back up your cost estimates with copies of contracts, quotes, leases, payroll documents etc. if requested. Your budget and corresponding notes provided constitute one of the evaluation criteria of your application.

1. Budget Template: For all applications submitted to Bell Fund please complete the Bell Fund Production Budget Template (excel file) also available on our website. (www.bellfund.ca – available with the application forms). Please do not overwrite formulas built into the template. Look for error messages and fix them before submission.

2. Production Expenses Only: All digital media cost estimates for production must be distinct and separate from television broadcast costs, and from other digital media project phases (development, etc.). Use only applicable cost estimates and line items from the budget template that specifically relate to the digital media production. Provide details, notes and agreements explaining your cost estimates. Add additional line items where and if necessary.

3. Development Expenses: Development expenses already incurred or previous commitments for project development may not be included in any line item in the digital media production budget template (unlike

budgeting television production), Producers may not include any type of repayment for previous development costs including payments to other funding agencies in their digital media production budget submission.

4. Television Production Expenses: Digital Media production budgets may not include any television production expenses.

The Bell Fund requires that all digital media costs must be separately budgeted from television production costs, regardless of the project. If a project has been developed with one integrated budget please contact the Bell Fund for guidance on separating the budget into separate components.

5. Related Party Transactions All line items and respective amounts from the budget paid to Related Parties to the Producer such as principals, management and immediate family must be itemized and disclosed on the appropriate tab of the Budget Template. All purchase and rental of equipment, facilities and material and capital purchases directly or indirectly paid for or obtained by the Producer and costed in the digital media budget must also be declared.

6. Canadian Costs: 75% of the budget costs must be spent in Canada. Please prepare the Non-Canadian Costs Declaration within the Budget Template for any and all non-Canadian labour services and/or products.

7. Producer Fee (GEN24): Producer fee payable to all parties involved in producing the digital media project may not exceed 10% of the total of budget categories A+B. Under no circumstances can this cap be exceeded.

- For the TV Development Online Program: see page 18

8. Rights Acquisition (Category A, Account 02): Rights acquisition includes costs associated with licensing copyrighted material and intellectual rights for use in the digital media production. Cost estimates for rights associated with video or broadcast materials that were produced for the television production and used for the website or interactive component are not permitted in the digital media production budget. Property rights for video or sound footage exclusively used for the website or interactive component may be budgeted in this category, provided sufficient proof and support material is provided. Cost for original video or audio production exclusively used in the digital media component must be estimated in the appropriate production sections of the digital media budget template (category B, account 7). Any performer, writer or other additional rights payment for digital media distribution, must be included under the specific personnel's line item. Any additional rights payment estimated must be supported by executed agreements. Rights payment to any related party cannot be included in the digital media production budget.

9. Proposal Preparation Expenses (GEN19): Proposal preparation costs may be included to a maximum of \$10,000 provided these expenses have not been paid in the past by Bell Fund or by other funding sources. Proposal Preparation Expenses are not development expenses but are expenses directly related to the preparation of the application to the Bell Fund. It is expected that there will not be any overages on these costs following the approval of the project budget.

10. Labour and Personnel (Category A): Excluding rates paid to Sub-contractors (see below Paragraph 11), all labour rates (which may be inclusive of payroll benefits/fringes or may separately identify payroll benefits/fringes) must be estimated at actual cost to be paid to the employee or freelancer, broken down in consistent units of either: hours, days or weeks. Corporate mark-up, overhead fees, or pro-rata equipment costs may not be included in the calculation of labour rates. Read "Summary of Rate Fees and Thresholds" on page 3 of this document for details on maximum fee rates.

11. Production Sub-Contracting (Category A): Where necessary, labour for production elements may be subcontracted to unrelated parties at rate card rates, only in the case where the third party specializes in a specific and required production process. If above Bell Fund guidelines (see page 3 for rate thresholds),

such cases require a clear rationale from the Producer and evidence of current market value assessment for such services. Bell Fund will judge the legitimacy of such budget proposals on a case-by-case basis.

12. Disclosure of Personnel (Category A): Budget submissions must include names and companies of all personnel to be engaged in the digital media project in the appropriate budget category. The Producer oversees all aspects of production and therefore usually may not participate in most other production roles. On smaller budgeted projects a Producer may perform other roles in the production and be budgeted in appropriate categories. A detailed rationale must be provided supporting this occurrence. Note that personnel performing multiple roles will be reviewed for reasonableness of tasks and duration.

13. Agreements, Quotations and Labour Cost Breakdowns (Category A): If requested, the Producer must provide any agreements with consultants, writers, or third party suppliers verifying budgeted cost estimates. These agreements must include an itemized cost breakdown of all services to be provided. For significant amounts, extraordinary items, or non-standard fees in the budget, it is strongly recommended that a quotation, comparable market value assessment, and/or rationale be provided to substantiate the cost estimates proposed.

14. Talent (Category A, VID09): Please provide details on all performer engagements including anticipated hourly, daily or weekly rate, number of units to be worked and any use fees or rights payments which are appropriately part of the budget. Talent contracts must be provided upon request.

15. Audio/Video Production and Post-Production Labour (Category A): Original audio and video production will be reviewed to ensure no overlap with television production costs. Digital Media producers should ensure reasonableness of any cost amounts that may be provided to them by the television producer.

- For the TV Development Online Program: see page 18

16. Equipment and Materials (Category B): Computer workstations, equipment and facilities used in the production of the digital media component must be assessed at market value for the period used. The budget may include only equipment and facilities specifically required for project production. Budget may reflect actual rental costs with applicable discounts (provide quotation) or amortized purchase price (using a 24 month straight depreciation method). The cost estimate is to be prorated for duration of project. Applicants should include details and quotes for all equipment used in the production. Cost estimates for equipment and materials may not include corporate mark-up or overhead fees. Applicants should provide a rationale should leasing costs be in excess of market acquisition costs.

17. Software (Category B): Estimated software cost must be amortized and pro-rated for the duration of the project (no greater than 50% of market value or 12 month straight depreciation method, whichever is less). Details and quotes for all software must be included with the budget. In exceptional circumstances, proprietary software previously developed may be licensed to the project at market rates. In such cases, a rationale substantiating this must be included with your budget.

18. Server Expenses and Site Maintenance (Category D, GEN22): Server and site maintenance expenses may not exceed budgeted costs of \$50,000. There is no formal limitation on the amount of time for operation and maintenance expenditures after initial deployment of website or interactive material, provided the duration is reasonable and is consistent with the broadcast schedule of the television production. The digital media work shall be available to the public for a minimum of one (1) year from the date it launches and is subject to the expectation of a longer term based on evaluator and Board of Directors review on a project by project basis. Producers will be notified of this term as a condition of the offer of funding.

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19. Pre-Launch Promotion, Publicity [Marketing and Promotion Expenses] (Category D, GEN23): Bell Fund encourages producers to allocate funds to marketing for pre-launch promotion and publicity of the digital media component.

Marketing and promotion budgeted costs may not exceed 15% of the total budget for categories A+B. The approved budget is “frozen” for marketing and promotion expenses. In other words, the final audit must ensure that the approved budget for this expense category is used for appropriate marketing and promotion expenses, and *may not* be reduced and used for overages in other expense categories. Should the expenditures in this category be less than projected, the Bell Fund contribution to the budget will be reduced accordingly.

- For the TV Development Online Program: see page 18

Cost estimates must relate specifically to the digital media project and may not include expenses for the promotion of a related television production or corporate promotion. The digital media production budget may not include payment to broadcaster to promote website or interactive component. A detailed marketing and promotion plan explaining expenses must be included with the application.

20. Production Administration (Category C): Office expenses and other related administration labour, equipment and facility cost estimates must relate directly to the project and duration of production only. Show the calculation of office rent and other such expenses which are additional expenses (such as additional office space) but not covered in Corporate Overhead (GEN25).

21. Corporate Overhead (GEN25): The purpose of this category is to help defray corporate overhead expenses not permitted in other project-related line items in the budget (eg. Receptionist, in-house contracts co-ordinator). The total of this category may not exceed 10% of the total of budget sections A+B. Under no circumstances can this cap be exceeded. Corporate overhead may be shared with Service Companies but not with Sub-Contractors whose rates exceed Bell Fund rate card.

22. Contingency (GEN26): Contingency may not exceed 10% of the total of budget sections A+B. Under no circumstances can this cap be exceeded. Contingency will vary from project to project according to the risk inherent of a particular project. On average, contingency is estimated in the range of 3-7% of budget sections A+B.

C. Other Financial Materials Expected to be Delivered with the Application

1. Letter of Understanding between Production Companies: If applicable, Producer must provide with the application a letter of understanding or a letter of intent to enter into an agreement between the television producer and the digital media production company (whether as co-producers or as digital media service producer), though it is preferred that a fully executed agreement between the digital media and television production company is provided at time of application. If the digital media producer is to provide any less than all of the services contained in the budget, this letter must indicate a breakdown with code, category and description of all budget items attributable to any component or personnel from the digital media company. If the television producer is to be paid for any services contained in the budget the agreement must indicate a breakdown with code, category and description of such budget items.

- For the TV Development Online Program: see page 18

2. Detailed Digital Media Production Schedule: The Producer must submit with application detailed timeline, Gantt chart or other schedule breakdown as well as schedule overview published on top sheet of budget, indicating all key dates for anticipated completion of production phases and milestones.

Note: There are many project management tools that can assist producers in creating more robust schedules to correlate with budgets.

3. Cash Flow Statement: In the event that interim or bridge financing is proposed, the Producer must submit a detailed cash flow statement with calculation of borrowing costs. The cash flow statement must be of

sufficient detail to clearly demonstrate need for interim financing and justify budget line items for financing costs. A Producer may not pay themselves interest payment for interim financing the production.

4. A Completion Guarantee/Escrow is not required for Digital Media production applications.

D. Financial/Budget Related Materials Required after the Project has been Approved

Upon approval of the project, the applicant(s) will have 90 days to provide any requested documentation or clarifications. The documentation will likely include:

1. Executed agreement between digital media and television production companies: the producer must provide a fully executed agreement between the digital media and television production companies, regardless of whether they are independent or owned by the same corporation. The agreement must minimally set out the following:

- date,
- total and date of budget,
- terms of agreement to produce a digital media project associated with the television property
- conveyance of all necessary and applicable rights to do so,
- specific ownership of website,
- if applicable share of producer fees and overhead
- if applicable revenue share arrangement.

If the digital media company is producing less than 100% of the project, provide a breakdown including budget codes, category and description of all budget items attributable to any component or personnel from the Television production company.

The agreement should also include:

- declaration that no other side-letter or agreement exists between both parties, and
- a termination clause.

• For the TV Development Online Program: see page 18

2. Comprehensive and General Liability Insurance: Producer must provide a certificate of insurance from the insurance company underwriting the digital media and television projects, specifying Bell Fund as an 'additional insured' party on the comprehensive and general liability insurance policy that provides coverage in locations and for facilities where the television and digital media materials will be produced. Minimum requirement for liability coverage is \$1,000,000 but \$2,000,000 is preferred.

3. Errors and Omissions Insurance or posting of Waiver: Producer must either obtain separate E&O insurance specifically for the digital media project, or where approved by Bell Fund (on a case by case basis) post a Waiver provided by Bell Fund on the website. The Producer should ensure the E&O insurance and associated costs are estimated in the budget, the Producer must provide evidence to support this expense and that E&O insurance for the website is being secured. The Board of Directors may require E&O insurance at its discretion.

The policy should add the Bell Fund as additional insured with the following:

"Bell Fund, its Officers, Directors, agents and employees. This policy shall not be cancelled or modified during the period of coverage as stated thereon, in such manner to affect this endorsement or policy unless thirty (30) days prior written notice has been given to Bell Fund"

If Bell Fund agrees to a waiver, it should read:

The Bell Fund takes no responsibility for the accuracy or validity of any claims or statements contained in the documents, content, goods or related graphics on this digital media project. Further, The Bell Fund makes no representations about the suitability of any of the information contained in the documents, content, goods and related graphics of the digital media project for any purpose. All such materials are provided without warranty of any kind. In no event shall The Bell Fund be liable for any damages whatsoever, including special, indirect or consequential damages, arising out of or in connection with the use or performance of information available from this Digital Media Project.

E. Financing and Budgeting Review Procedures for Successful Applicants

1. The budgets of all successful applications are assessed by the Bell Fund and the results may impact the amount of Bell Fund's contribution as determined by the Board of the Bell Fund. In the event that the budget assessment is less than the budget originally submitted, Bell Fund's contribution level will be reduced proportionately by the percentage of requested funding applied for in the original application. If such an event occurs, Producer may do one of the following:

- i) maintain original budget total submitted and refinance any deficit caused by reduced Bell Fund commitment; or
- ii) reduce budget as internally assessed by Bell Fund and finalize arrangements with other funding agencies and sources.

Budget must be reduced if specific categories exceed the budget caps in this Policy.

2. Producer is contacted and a Bell Fund representative reviews outstanding materials, list of deficiencies and if applicable, where budget has been reduced due to the assessment. Based on the budget appraisal and delivery of all outstanding material, Producer will be advised of Bell Fund's contribution level.

3. Producer has 90 days to resolve deficiencies, deliver outstanding materials, and/or provide proof or rationale for specific budget line items in question.

4. Based on Producer's deliverables and further evidence of cost estimates requested, Bell Fund's final contribution will be confirmed.

5. In many instances, other agencies such as Canada Media Fund undergo similar review procedures. Bell Fund and all other agencies may try to coordinate and reconcile contribution amounts. Producers are advised that participating funding agencies may discuss various aspects concerning your project.

6. Upon timely delivery of all outstanding material, agreements and revised documents, a Digital Media Production Financing Agreement with the Bell Fund will be issued.

7. The Digital Media Production Financing Agreement and Television Production Financing Agreement are considered concurrent agreements as such the satisfaction of conditions of both agreements is required in order to release payments. In all cases the Television project must demonstrate confirmed full financing.

F. Cost Report (including Audit/Review Engagement) Requirements

After your production is completed, the Bell Fund requires a series of documents to be submitted before processing your final drawdown. The documents include, but are not limited to: Producer Interim Report (required 90 days following launch), Producer Final Report on the project, Broadcaster Interim Report and Final Report; Final Cost Report, Audit Report/Review Engagement, Final Financial Structure. Review the Schedule "A" of your Digital Media Production Financing Agreement for further details on the Final Report and any further requirements.

1. The guiding principle for auditing final costs and final financing of projects is to ensure that the contribution provided by the Bell Fund is used in an appropriate and reasonable manner respecting industry standards, to reimburse actual costs incurred for a specific project's production, and that such funds are not used to provide profit for the Producer or Services Company nor used to offset non-project related expenses of the production company or any other party. Cost Reports and Audits should reflect accurate costs including any costs in excess of the Budget that may have been paid for with additional financing or Producer's own resources and received in accordance with the Bell Fund guidelines and policies. It is important for Bell Fund's knowledge and assessment of future projects to know what digital media projects actually cost.

- Production projects with budgets less than \$249,999: Producer must provide a signed cost report in addition to an official affidavit.
- Production projects with budgets between \$250,000 - \$499,999 require a complete final cost report and a Review Engagement report provided by a certified independent public accountant who is at arms length from the Producer.
- Production projects with budgets equal or greater than \$500,000: Producer must provide a complete final cost report and a full audit of production costs and statement of final financing, conducted by a certified accountant at arms-length from the Producer, and all company principals, and who is certified to conduct such audits.

2. Notwithstanding the above criteria, the Bell Fund may request an audit be included in its agreement with a Producer, for any project.

All other guidelines and requirements for final audit, review engagement, and final cost reports must be in accordance with the Bell Fund Audit Guidelines (www.bellfund.ca)

3. Producers must maintain a separate set of books and accounts and related records for the digital media project. Producers may have a separate bank account for the digital media project but it is not required.

4. All bookkeeping and accounting procedures must be conducted in accordance with GAAP (Generally Accepted Accounting Principles) that appear in the CICA Handbook (Canadian Institute of Chartered Accountants).

5. Final cost reporting and audit procedures must be undertaken based on the budget and financing structure approved by Bell Fund and in accordance with the Bell Fund Audit Guidelines.

6. There may be no variance between budget and final costs for Producer fees, overhead fees, minimum marketing expenditures and any other budget allocations that are restricted by Bell Fund's guidelines or policies, or have been specified as locked budget items in the Digital Media Production Financing Agreement between the Producer and Bell Fund.

7. Final costs reports must reflect actual payments made to employees, freelancers - and suppliers and include time sheets, where the time sheets can be made available to the Bell Fund as reasonably requested.

8. The Audit/Review Engagement deliverables must include a summary of all related party transactions as well as all payments made to the Producer and/or related parties.

9. Default provisions: Any party who does not adhere to the accounting policy and required bookkeeping and reporting requirements, or who through audit or review is found to be in contravention of costing policy and guidelines, will be declared in default and may not be eligible for future contribution from Bell Fund, until the contravention is corrected to the satisfaction of the Bell Fund.

10. Bell Fund may request additional information or breakdown of expense accounts in its review of final production costs which the Producer is obligated to deliver in a timely fashion.

11. Bell Fund may adjust its final contribution to a project based on results of the Audit/Review Engagement.

12. The submission of the final deliverables must take place no later than 12 months after the launch of the digital media component and no later than 24 months after the first broadcast of the television component.

- For the Performance Accelerator Program: see page 16
- For the TV Development Online Program: see page 18

G. Guidelines for Compliance Audits Conducted by Bell Fund

1. Bell Fund reserves the right to conduct its own audit of production expenses. Producers are obligated to provide Bell Fund with all necessary documents and records in a timely fashion if an audit is requested.

2. Compliance audits will be conducted to ascertain Producer's adherence to Bell Fund accounting and costing policies.

3. The expense for a compliance audit will be assumed by the Bell Fund.

4. Producers will be required to provide a separate set of books and records of all project related expenses and financing within reasonable time of the Fund requesting access to such material.

5. The purpose of a compliance audit is to assess actual production costs recorded by Producer, and review all related party transactions. However, compliance audit may include any provision of reviewing expenses and financing for a production.

6. Default provisions: Those found not adhering to Bell Fund accounting policies will be required to address any deficiencies found within a specified time frame. If action is not taken to address any deficiencies, the contribution from the Bell Fund may be withdrawn or reduced. Additionally, the Producer may be declared in default and may no longer be eligible to receive contributions for other projects from the Fund, until the deficiency is addressed to the satisfaction of the Bell Fund.



FINANCING AND BUDGETING POLICIES

APPENDIX A

Performance Accelerator Program

March 2016

Financing and Budgeting Policies Performance Accelerator

A. Digital Media Production Financing Guidelines and Policies

1. Bell Fund Performance Accelerator Production Contribution: Bell Fund will provide a non-recoupable grant of up to 75% of approved budgeted costs to a maximum of \$75,000 per project.
2. Bell Fund Matching Broadcaster Bonus Contribution: Not applicable.
3. 10% Third Party Cash Trigger Requirement: Not applicable.
4. Broadcaster Contribution: Not applicable.

F. Cost Report (including Audit/Review Engagement) Requirements

12. The submission of the final deliverables must take place no later than 12 months after the launch of the project.

Sections A to G apply to all programs unless otherwise indicated.



FINANCING AND BUDGETING POLICIES

APPENDIX B

TV Development Online Program

March 2016

Financing and Budgeting Policies TV Development Online

A. Digital Media Production Financing Guidelines and Policies

1. Bell Fund Digital Media Production Contribution: Bell Fund will provide a non-recoupable grant of up to 75% of approved budgeted costs to a maximum of \$100,000 per project.
2. Bell Fund Matching Broadcaster Bonus Contribution: Not applicable.
3. 10% Third Party Cash Trigger Requirement: Not applicable.
4. Broadcaster Contribution: Not applicable.
6. Digital Media Producer Investment (equity): Producer may provide a fully executed agreement for its investment in the digital media project. In such cases, the Producer must also provide its most current financial statements to verify the capacity to provide this investment.
8. Digital Media Tax Credits: If eligible, tax credits may be used to finance the project and be included in the financial structure. However, Bell Fund does not obligate Producers to use tax credits as part of a project's financial structure. If tax credits are used to finance the digital media component, a schedule calculating tax credits used in your financial structure must be submitted with your application. Provisionary approval from the provincial tax credit agency may be requested if the Producer's application for funding is successful.

B. Digital Media Production Budgeting Guidelines and Policies

The budget submitted to the Bell Fund should include additional notes describing in detail, tasks and production phases to be performed by personnel, and supporting notes explaining cost estimates in detail. Be prepared to back up your cost estimates with copies of contracts, quotes, leases, payroll documents etc. if requested. Your budget and corresponding notes provided constitute one of the evaluation criteria of your application.

1. Budget Template: Producers may submit the budget template that best reflects the nature of their TV Development Online project. This may include Movie Magic, Telefilm or the Bell Fund Digital Media Production Budget Template or other.
3. Development Expenses: Development expenses already incurred or previous commitments for project development may not be included in any line item in the TV Development Online production budget template (unlike budgeting television production).
7. Producer Fee: Producer fee payable to all parties involved in producing the digital media project may not exceed 10% of the total of budget categories A+B or B+C (depending on the budget template used). Under no circumstances can this cap be exceeded.
15. Audio/Video Production and Post-Production Labour (Category A): Not applicable.
18. Server Expenses and Site Maintenance: Server and site maintenance expenses may not exceed budgeted costs of \$20,000. There is no formal limitation on the amount of time for operation and maintenance expenditures after initial deployment of website or interactive material, provided the duration is reasonable and is consistent with the broadcast schedule of the television production. Webmaster expenses are not included as part of this line.

19. Pre-Launch Promotion, Publicity [Marketing and Promotion Expenses]: Not applicable.

C. Other Financial Materials Expected to be Delivered with the Application

1. Letter of Understanding between Production Companies: Not applicable.

D. Financial/Budget Related Materials after the Project has been Approved

1. Executed Agreement between Digital Media and Television Production Companies: Not applicable.

F. Cost Report (including Audit/Review Engagement) Requirements

12. The submission of the final deliverables must take place no later than 16 months after the Bell Fund confirmation of funding.

Sections A to G apply to all programs unless otherwise indicated.