



The Great Canadian Video Game Competition

Rules for 2006-2007

Applicants are encouraged to read these rules carefully. This document contains essential information on eligibility criteria and the application process. While compliance with these rules is a prerequisite to eligibility for The Great Canadian Video Game Competition ("the Competition"), it cannot guarantee entitlement to financing. In all questions of interpretation of these rules, Telefilm Canada's interpretation shall prevail.

Telefilm Canada reserves the right to make adjustments to these rules from time to time as the need arises.

1. BACKGROUND

Video games have come of age with a new generation of young and talented industry professionals. Interactive video games now represent the most significant cultural activity of young people, and the lion's share of revenues in the entertainment market.

Canadian companies are recognized internationally for their talent and innovative game concepts. With the emergence of new distribution channels, Canadian game developers are now in a better position than ever to retain their intellectual property and commercialize their own products.

This crucial momentum provides an opportunity for Telefilm Canada to make a significantly positive impact on the sector. That's why Telefilm has created the Great Canadian Video Game Competition to support the creation and commercialization of original Canadian video games. The initiative will provide a more targeted approach to supporting this industry, adapted to the market realities of the games industry.

The Competition is made possible through Telefilm Canada and the Department of Canadian Heritage, the Canada New Media Fund and the sponsorship of industry partners Electronic Arts, Radical Entertainment and Ubisoft.

1.1 Objective

The Competition is intended to encourage experimenting, development and sustained growth in the industry. It provides financial assistance and access to help innovate and commercialize games that contain original Canadian concepts or content that demonstrates innovative use of technology, and that leverage alternative distribution platforms.

2. ELIGIBILITY

2.1. Eligible Applicants

To be eligible to apply, applicants must be eligible to the Canada New Media Fund (CNMF) as described in the CNMF [guidelines](#). Amongst others, applicant companies must meet the following criteria:

- Must be from the private sector;
- Must be Canadian-owned and controlled companies within the meaning of the *Investment Canada Act*;
- Have a head office based in Canada and the company's activities should take place in Canada;
- Able to demonstrate that production team and key creative talent are Canadian;
- Able to demonstrate that they have initiated the project;
- Able to demonstrate that they have the required expertise to successfully complete the project.
- Able to demonstrate that they exercise creative and financial control over their proposed project from start to finish (from market research and prototyping through product development, marketing and revenue reporting).
- The eligible applicant company must own 100% of the Intellectual Property (IP) Rights of the product that is the subject of the application.

Telefilm may also choose to look at the financial stability of the applicant (with appropriate exceptions for new companies) in determining eligibility.

2.2. Eligible Projects

Projects to develop original interactive games destined for the Canadian and international marketplaces are eligible.

A minimum of 75 % of the total project expenditures must be on Canadian elements.

Only one application, for one project, per applicant company will be accepted.

2.3 Ineligible Projects

The following projects are NOT eligible:

- Projects that have already secured material financing or that have commenced material development
- Projects that have previously received support from Telefilm Canada

The following types of products *are also not* eligible for support:

- Projects with a specific corporate, industrial or mainly promotional focus;
- Products primarily intended for an interest group;
- Curriculum-based products;
- Games intended primarily for the video arcade market;
- Products that are primarily linear streamed content (such as music, video, or DVD-video);

- Catalogues or compilations of repurposed material, presented without benefit of new, value adding original content;
- Application software and system software;
- Products with visibly foreign subjects, themes or concerns.

Furthermore, products containing elements of excessive violence, sexual violence, or sexual exploitation or elements that are obscene, indecent or child pornography within the meaning of the Criminal Code (as amended from time to time), or libellous or in any other way unlawful, are NOT eligible.

3. DESCRIPTION OF THE COMPETITION

The Competition is divided in three eliminatory rounds:

Round 1: Innovation

Round 2: Product Development

Round 3: Commercialization

Applicants are invited to apply to Round 1: Innovation. Of all the applications received, up to ten will be selected. Successful applicants at Round 1 will move on to Rounds 2 and 3 through a selective process of elimination. Up to four successful applicants will be selected to go on to Round 2: Product Development, and not more than one successful applicant, the Competition winner, will be selected to go on to Round 3: Commercialization.

With each successive Round, successful applicants will be required to produce required deliverables and achieve the Round's objectives.

All applications will be evaluated by an independent Canadian game industry executives panel ("the Competition Jury"). The Competition Jury's selections will be submitted to Telefilm, whose decision will be final. All decisions made by Telefilm may not be appealed.

Round 1 and 2 participants will have the opportunity to either choose themselves a mentor from the industry or select a mentor from a list supplied by Telefilm, in order to receive business coaching and counselling for the duration of the Competition. To qualify, mentors must be industry veterans with five to ten years of game industry experience as producers or business development executives. The mentors' role is to help the applicants prepare themselves before appearing in front of the Competition Jury. Mentors do not have any ability to influence any decision-making processes and are not part of the Competition Jury.

During Round 1, each mentor will provide at least 16 hours of mentorship between January 15 and March 15 2007. The four winners of Round 2 will be receiving further mentorship between April and August 2007. In addition, Telefilm will provide mandatory media training for each applicant to build their communication and sales pitch skills.

3.1 Round 1: Innovation

Working with their mentors, Round 1: Innovation participants will receive financial assistance to explore their gaming concepts, develop a visual identity for their projects, and elaborate a budget and milestone schedule to assist them with raising initial private sector investment.

As part of the Round 1 experience, competition participants will be required to send at least one member of their group to attend the Game Developers Conference (GDC) in San Francisco in March 2007 at their own expense. There they will have the opportunity to network and explore potential partnerships with industry leaders, with the assistance of their mentor and members of Telefilm's staff.

3.1.1 Round 1 Deliverables

Amongst the deliverables for this Round, competition participants will be expected to produce the following:

- Visual identity for the project
- Technical and game design documents
- Budget and milestone schedule for activities to be undertaken in Round 2.
- Final cost report & affidavit for activities undertaken in Round 1

Specific deliverables will be provided for in the agreement between the parties.

3.1.2 Round 1 Selection Criteria

Applicants may only enter the Competition at Round 1. All applications will be evaluated by the Competition Jury based on the following evaluation criteria.

Applicants competing to enter Round 2 are required to demonstrate that their projects are supported by private sector investment in the amount of \$ 50,000 specifically for that Round.

Talent	<ul style="list-style-type: none">• Technical and creative competencies• History of success in comparable fields• History of success in video game industry
Originality	<ul style="list-style-type: none">• Originality of Canadian concept and idea• Cultural diversity of subject matter and content• Proposed distribution strategy
Quality of Application	<ul style="list-style-type: none">• Quality and creativity of the application• Clear outcomes of assistance• Commercialization potential
Financial Need	<ul style="list-style-type: none">• Demonstrated need for capital• Demonstrate how the funds will spur innovation otherwise thwarted (due to financial reasons)• Demonstrate how funds will provide sustainability to the company

No more than ten projects will be retained to participate in Round 1: Innovation. Telefilm reserves the right not to go forward with any project, at its own discretion.

3.2 Round 2: Product Development

In this round, retained competition participants will receive financial assistance to develop a playable prototype of their video game. In addition, participants in this Round will develop commercialization and marketing plans necessary to attract other financing, and to secure further private investment in their product (see section 4: Terms of Financial Participation for details).

As part of the Round 2 experience, participants will continue to receive support from their mentors and will be required to attend trade missions and training (dates and locations to be determined) at their own expense.

3.2.2 Round 2 Deliverables

Amongst the deliverables for this Round, competition participants will be expected to produce a Pitch package containing:

- Interactive playable prototype
- Commercialization plan
- Budget and milestone schedule for activities to be undertaken in Round 3
- Marketing plan
- Review engagement for the expenses incurred as a result of activities in Round 2

Specific deliverables will be provided for in the agreement between the parties.

3.2.3 Round 2 Selection Criteria

Only competition participants retained in Round 1: Innovation will be allowed to compete against each other for selection to Round 2: Product Development.

To do so, participants will present a one-hour Pitch to the Competition Jury during the Game Developers Conference (GDC), set to take place in San Francisco, March 5 – 9, 2007. Pitch packages must be submitted to Telefilm 2 days before the Pitch session (See 6.2: Application procedure for details).

Participants should be advised that Round 2 Pitch sessions will be videotaped for possible television broadcasting and web publishing. Prior to any possible public broadcast of their videotaped pitches, we will require a consent and release from participants.

The Competition Jury will evaluate all submitted documents, including the pitch package and the presentation, based on the following evaluation criteria:

Commercialization Strategy:	<ul style="list-style-type: none">• Distribution strategy: clear way for consumers to purchase the project• Business model: clear method for how revenues flow into company• Marketing strategy: product-target market fit, target market
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	<ul style="list-style-type: none"> is measurable, reachable and profitable Commercialization strategy that leverages new distribution channels/platforms
Content:	<ul style="list-style-type: none"> Originality of Canadian concept Emergent or original game mechanics IP/Brand Longevity: The IP will last beyond one product release, having sequel and/or licensing potential
Third Party Endorsement:	<ul style="list-style-type: none"> Demonstrate external endorsement or financial support from publishers or investors in the amount of \$50,000 Supportive customer feedback

No more than four projects will be retained to participate in Round 2: Product Development. Telefilm reserves its right not to go forward with any project, at its own discretion.

3.3 Round 3: Commercialization

As the winner of the Competition, the single successful company retained for Round 3: Commercialization will receive financial support to commercialize their product. Financial support will vary depending on the type of product and the platform (see section 4: Terms of Participation for details).

3.3.2 Round 3 Deliverables

Amongst the deliverables for this Round, participant will produce a competitive commercialization plan and market-ready version of the video game capable of attracting additional private investment for launching the product in the market place. The winner must also provide the audited final costs for the expenses of this Round.

3.3.3 Round 3 Selection Criteria

Only competition participants in Round 2: Product Development will be allowed to compete against each other for selection to Round 3: Commercialization.

To do so, participants will present an interactive, playable game demo (prototype) during a second one-hour pitch to the Competition Jury in Vancouver, September 2007 (precise date and location to be determined). Pitch packages must be submitted to Telefilm on the day of the project presentation.

Participants should be advised that Round 3 pitch sessions will be videotaped for possible television broadcasting and web publishing. Prior to any possible public broadcast of their videotaped pitches, we will require a consent and release from participants.

The Competition Jury will evaluate all submitted documents, including the pitch package the presentation and the prototype, based on the following evaluation criteria:

Quality of Playable	<ul style="list-style-type: none"> Quality, originality, and impact of playable
Commercialization Plan	<ul style="list-style-type: none"> Clear and realistic path to commercialization

Consumer Support	<ul style="list-style-type: none"> Demonstrated support by consumers, via focus groups, surveys, demonstrations, etc.
Return on Investment	<ul style="list-style-type: none"> Demonstrated financial model for Return on Investment

No more than one project will be retained to participate in Round 3: Commercialization. Telefilm reserves its right not to go forward with any project, at its own discretion.

4. TERMS OF FINANCIAL PARTICIPATION

Telefilm Canada will provide financial assistance in the form of conditionally repayable advances.

Financing will be advanced in instalments as arranged between Telefilm Canada and the applicant and based on the deliverables for each round. Disbursements will be tied to reporting requirements from applicants as key milestones and deliverables are achieved. Telefilm Canada can exercise all its rights upon default, including, without limitation, withhold payment of instalments, if the applicant is not in compliance with the provisions outlined in the agreement.

Maximum level of participation

Telefilm Canada's participation will be as follows:

Round 1: Innovation	Up to \$50,000 to conceptualize the product
Round 2: Product Development	The participant must contribute a minimum of \$50,000 in private sector investment. Telefilm will contribute up to \$250,000 to develop the game prototype.
Round 3: Commercialization	Up to the lesser of 50% of the approved budget for the project or \$500,000 to complete all tasks defined in the milestone schedule provided in Round 2.

Telefilm Canada's participation in one Round of the Competition does not guarantee its participation in future Rounds nor in future phases of the product's development or commercialization. Financial support is cumulative while each Round of financing is discreet. Financing provided to one Round of the Competition may not be transferred to another Round.

As a recoupable source of financing, Telefilm will negotiate its participation.

Projects that receive Telefilm Canada support at any given Round cannot be submitted to the CNMF before the end of a three month period following the end of the Competition.

5. TERMS OF REPAYMENT

For Round 1, Telefilm will recoup as follows:

Contributions must be repaid on the earlier of the first day of production work of a final version for marketing purposes or any other use of the product or or the transfer, sale, reversion of rights, assignment or other disposition of the product.

In cases where Telefilm's contribution to product development is significant (i.e.: typically in excess of \$50,000) and the producer is able to demonstrate the need to delay full repayment of Round 1 financing due to cash-flow constraints, Telefilm may, at its sole discretion, allow a portion of its participation be repayable from revenues. In such cases, Telefilm will insist that the repayment of its Round 1 financing participation be treated more favorably within the recoupment schedule than its participation in other phases of project financing.

For Round 2 and 3, Telefilm will recoup as follows:

For **offline** products (*PC, Console, Handheld game*) Telefilm Canada will receive from the applicant a percentage of gross revenues equal to 75% of its percentage in the total financing of the product.

For **online** products (*Online, Wireless*) Telefilm Canada will receive from the applicant a percentage of gross revenues equal to 50% of its percentage in the total financing of the product.

For projects that involve a **third party publisher or distributor, or web operator**, Telefilm Canada will receive from the applicant a percentage of gross revenues equal to 100% of its percentage in the total financing of the product. Telefilm will only recognize as distributors those companies that assume risk for cash licenses, promotional costs, versioning and localization and for a Webmaster, as appropriate, in addition to assuming costs related to web hosting and bandwidth.

Since financing structures, distribution arrangements, marketability and most other elements of products vary considerably from product to product, Telefilm may consider different deals on a case by case basis.

All agreements entered into by the applicant shall be subject to the review and approval of Telefilm.

No other financial contributor to the project may preferentially recoup its contribution ahead of Telefilm. Telefilm will recoup its advances no less favourably than *pro rata* and *pari passu* with all other financial contributions (except as noted above).

Telefilm Canada revenue repayment shall be from all worldwide gross revenues starting from first dollar. Although an applicant may sell worldwide distribution rights in return for an advance or minimum guarantee to be included in the project's financial structure, the advance or guarantee may not recoup ahead of Telefilm Canada's advance.

5.1 Incentive for Bilingualism

To encourage the development of products in both official languages, 10% of the advance will not have to be repaid if a product is developed in both English and French or is translated into the second official language.

5.2 Profit Participation

After complete repayment of Telefilm Canada's advance in both offline and online products, Telefilm Canada will receive a percentage of Gross Revenues equal to 25% of its percentage in the Total Financing of the product, on a continuing basis, to a maximum of 20% of the amount financed by Telefilm.

5.3 Reporting Requirements

In order to allow Telefilm Canada to assess the appropriateness of the "Gross Revenues" model as a basis for establishing repayment terms, Telefilm Canada will require that recipients of advances report to Telefilm in a delayed fashion all their revenue sources, fees and commissions and distribution expenses paid in accordance with the distribution agreements in place.

The producer or distributor will provide Telefilm Canada with a complete financial report on all aspects of the distribution of the product, including copies of such distributors' reports twice each year for the first three years following the completion of product development and annually thereafter. For offline products, these reports must include a complete and detailed report on the number of units sold.

For online projects, applicants will be required to allow their website or web content to be implanted with a dynamic audience measurement system using individual page markers and compiling data on a server independent of the host server. Telefilm will have sole authority to identify the audience tracking service to be used and will be responsible for costs associated with the use of the system. Telefilm will also have independent access to the complete audience data compiled with respect to the applicant's website or web content.

6. HOW TO APPLY

6.1 Application Deadline

Applicants may only enter the Competition at Round 1. Complete applications must reach Telefilm Canada's Western region office by 5pm (PST) December 15, 2006.

Applicants who are selected to move forward to Round 2: Product Development and Round 3: Commercialization must observe specific submission dates to be determined at a later date. No applications will be accepted after the stated deadline.

6.2 Application Procedure

To enter the Competition, applicants must submit one signed copy of the application form along with the required documents. Each applicant must submit the application form, all

required documents along with an “elevator pitch” film not exceeding 5 minutes to Telefilm to the address bellow.

The required documents must be converted into PDF-format files and sent to Telefilm in a CD-ROM (with the exception of the “elevator pitch”, which should be sent in a separate DVD).

The application form, the CD-ROM containing all required documents in PDF-format, and the “elevator pitch” DVD must be mailed in a single envelope to Telefilm’s Western region office.

**The Great Canadian Video Game
Competition
Telefilm Canada Western region office
609 Granville Street
Suite 410
Vancouver, British Columbia
V7Y 1G5**

**The Great Canadian Video Game
Competition Coordinator
Phone: (604) 666-7337
Toll free : 1-800-663-7771
Fax: (604) 666-7754**

The Competition will accept applications in both official Canadian languages.

6.3 Notification of Decision

Applicants will receive a written notification of the result of their application to Round 1: Innovation approximately four weeks following the December 15, 2006 submission deadline.

Following deliberations of the Competition Jury, successful participants to Round 2: Product Development and Round 3: Commercialization will be notified of their result within the least possible delay. Telefilm expects decisions to be rendered in the days following the Pitch sessions.

ANNEX 1 – Definitions

- **Video games:** Interactive entertainment software delivered as follows:
 - Shrink-wrapped, on-line real-time, and downloadable delivery for personal computers
 - Shrink-wrapped, on-line real-time, and downloadable delivery for video game consoles (e.g. Xbox 360, PlayStation 2)
 - Shrink-wrapped, on-line real-time, and downloadable delivery for handheld game devices (e.g. Nintendo DS, PlayStation Portable)
 - Shrink-wrapped, on-line real-time, and downloadable delivery for mobile devices (e.g. cell phone, PDA)

- **Alternative distribution:** Distribution that does not assume (but may eventually result in) shrink-wrapped retail delivery.

- **Canadian content:** Any content that is created in Canada by Canadians, but does not have to include Canadian themes.

- **Original content:** Content that is not licensed and is based on original ideas.

- **Original Canadian content:** Non-licensed original ideas that are created by Canadians in Canada, but do not have to include Canadian themes.

- **Game industry veteran:** A person with at least 10 years of direct experience in the video game industry in an executive management role.

- **Intellectual Property (“IP”):** The result of intellectual efforts that have commercial value, such as literary, artistic, or technical works, which may or may not be copyright-, trademark- or patent-protected.