

# BACKGROUND

Ontario Media Development Corporation

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## **\$10 MILLION INTELLECTUAL PROPERTY DEVELOPMENT FUND**

December 10, 2009

### **INTELLECTUAL PROPERTY (IP) FUND**

- The Budget of March 26, 2009 announced that the Provincial Government would “invest \$10 million in a pilot program, administered through OMDC, that would refund a portion of the costs associated with intellectual property development to Ontario-based companies in the screen-based industries”.
- Designed to assist qualifying Ontario corporations by providing a partial refund of costs incurred for eligible early stage development activities for screen-based content properties.
- Non-juried or “entitlement” based program, subject to the availability of funds.
- The fund is a pilot project; continuation after March 31, 2010 will be subject to an evaluation of the pilot program and available funding.
- The fund will be administered by the Tax Credit and Financing Programs Department of OMDC.

### **WHO CAN APPLY**

- Canadian controlled companies in Ontario with a proven track record in the business of creating screen-based content products in Ontario for at least one year prior to the year of application to the fund may apply for expenditures incurred on or after April 1, 2009 and up to and including March 31, 2010. Companies can apply up to twice: at their fiscal year end, and once at a time of their choosing.

### **IP FUND INFORMATION**

- The rebate will be calculated at 30% of eligible costs up to a cap of \$150,000 for the span of the pilot program.
- A performance bonus of 10% (capped at \$20,000) will be available to corporations that can demonstrate advancement of their development project by securing third party funding.
- OMDC will accept applications after launch of the program and up to July 31, 2010 (subject to availability of funds).

### **IP FUND ELIGIBLE ACTIVITIES**

- The IP Fund is designed to assist qualifying Ontario corporations by providing a partial refund of costs incurred for eligible early stage development activities for screen-based content properties including:
  - optioning or acquiring story rights;
  - concept, story and character creation;
  - creation of game design and technical specification documentation;
  - research for script and story purposes; creation of prototypes.

## FILM & TELEVISION INDUSTRY

- In 2006, Ontario film, television and video production companies accounted for 46% of Canada's overall film and video production operating revenues, surpassing Quebec (25%) and B.C. (20%).
- Companies operating in the Canadian feature film & TV sector find attracting investment capital a challenge. Canadian producers consistently struggle to raise sufficient capital to create feature films. In doing so, they are forced to sell most if not all of the potentially lucrative intellectual property rights to the productions, and often their producer fees are tied up in tax credits that take time to access. In the interim, these credits are financed through bank loans with interest fees that further reduce producers' profits. Project or hit-based revenues make it difficult to leverage loans and attract private investors. This keeps production budgets small, thereby decreasing production value. All these factors diminish Canadian producers' ability to generate capital, which hampers growth and innovation in the sector.

## INTERACTIVE DIGITAL MEDIA INDUSTRY

- In Ontario, there were between 950 and 1,050 interactive digital media companies that employed more than 16,000 people in 2008. These companies generate between \$1.3 and \$1.5 billion in annual gross revenue and between \$1.4 and \$1.2 billion in interactive digital media revenue.
- Funding and access to capital are also significant issues in this sector. Ontario's interactive media creators do not have a predictable source of interim capital to fund initiatives, and the development timetable can be quite long and expensive. For example, developing a console game takes an average of two years and \$4 to \$5 million to complete. Companies often live from project to project and are therefore unable to make significant capital re-investments in their companies. These capital challenges mean that companies have very little negotiating leverage, particularly with international players, when selling their products. In many cases they must sacrifice ownership of their intellectual property – and therefore potential future revenue streams – to ensure that their projects actually reach completion.

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