

Completion Protection Policy

applicable to Canada Feature Film Fund (CFFF) Production Applications

1. Definitions

Completion guarantor: Company in the full-time business of providing a completion guarantee carrying demonstrable re-insurance coverage.

Completion Guarantee: Protection acquired or offered by a completion guarantor that guarantees completion and delivery of a production and which, if the production is not completed, ensures that investors and financial partners in that production will be reimbursed.

Completion protection: Means of protecting the completing of a production. It typically takes the form of a completion guarantee, but can also be a sum in escrow, unencumbered line of credit, letter of credit, holdback or other measure.

Key personnel:

For this policy's purpose only, the following is a list of key personnel.

- Producer
- Executive producer
- Co-producer
- Associate producer
- Line producer
- Production manager
- Director
- Production Designer (or Art Director if head of dept.)
- Post Production Supervisor

2. No participation in overages

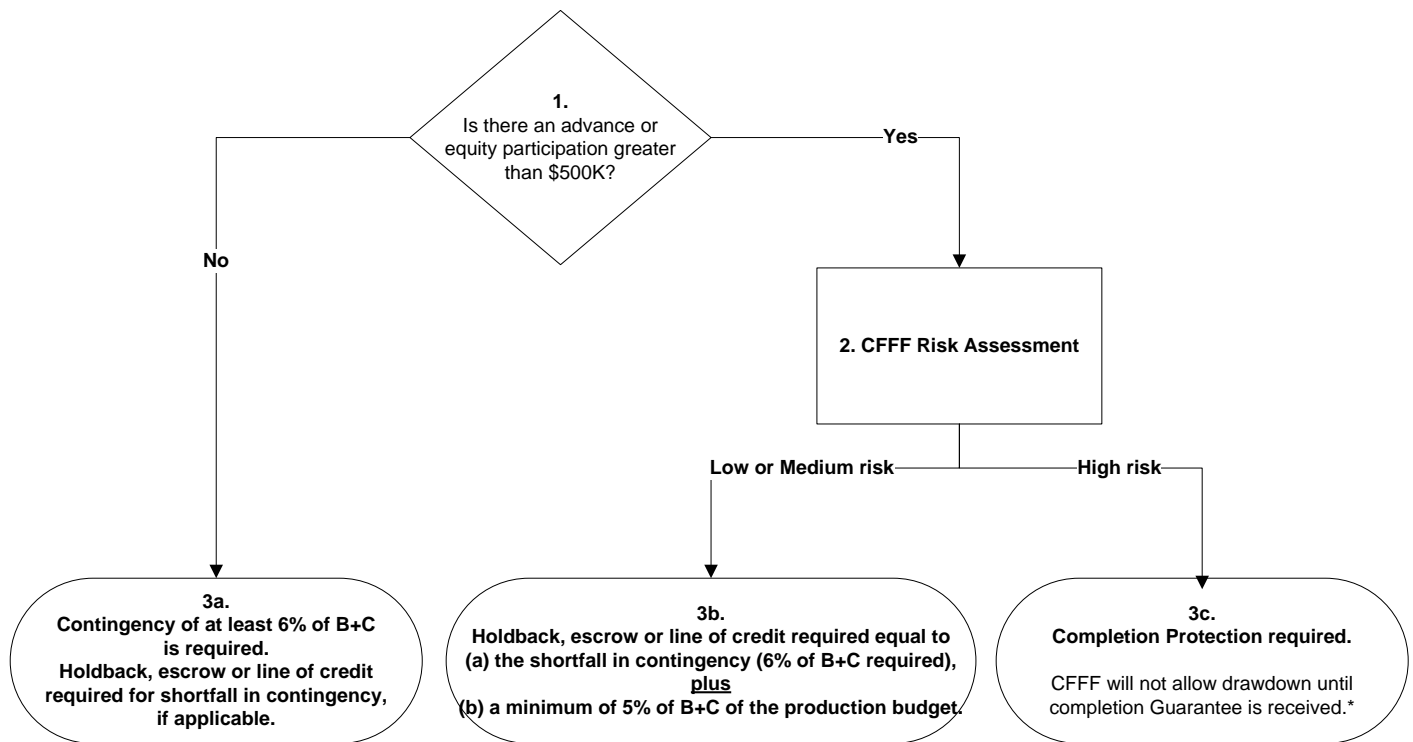
The CFFF will not participate in the financing of overages.

3. Completion protection requirement: Decision process

Notwithstanding the following, the CFFF reserves the right to require completion protection on any production. Factors such as the number of productions a company has in production at the same time, overall financing and the health of the company could influence the CFFF's decision in this regard.

Other than an adequate contingency allowance, completion protection is typically not required for projects with an advance or equity participation each equal to or less than \$500K. For projects with any one of an advance, equity or license fee top-up participation greater than \$500K, completion protection will be determined by a risk assessment.

3. Completion protection requirement: Decision process (cont'd)



* In certain cases involving equity participation, a first drawdown in the form of a convertible loan may be released prior to the receipt of a completion guarantee.*

3.1. Risk factors assessment

Based on the degree to which the risk factors fall into medium and high risk categories, a judgment will be made by the CFFF as to whether a completion guarantee will be required, based on Telefilm's evaluation of the following factors:

3.1 a)

PROJECT/TRACK RECORD RISK			
Risk Factors	Low	Medium	High
1. Shooting (studio, location, foreign...)	studio	location	foreign
2. Weather / Seasonal contingent – on screen or off screen – that may impact on production unit	none	some	much (particularly winter & other extreme exteriors)
3. Years in business – parent companies	more than 5	3 to 5	less than 3
4. Experience with production company/producer (frequency, track record and experience in similar genre)	very good	somewhat good	poor or non-existent
5. Experience with financiers (frequency and track record). See note 2.	very good	somewhat good	poor or non-existent
6. Experience with key personnel (frequency and track record). See note 3.	very good	somewhat good	poor or non-existent
7. Complexity of script, setting and shoot. <u>For example:</u> (i) innovative and extensive special effects (SpFx) and/or computer generated images (CGIs)... (ii) period setting with extensive design elements (iii) on screen children; animals, water elements, etc.	simple	average	complex
8. Number of co-production partners	single	multiple	International
9. Level of producer investment, deferrals and relate distribution advances	under 5% of Canadian budget	5%-10% of Canadian budget	over 10% of Canadian budget
10. Experience with complex delivery: multiple entities, foreign entities, extensive list of DM's.	multiple	occasional	no

Note 2: Have the financiers been involved in previous productions? Is there a record of past problems?

Note 3: Who are the key personnel? Have previous productions been delivered on time and on budget with no more than a 5% overage?

3.1 b) Applicable if project / track record risk is identified as high.

CORPORATE FINANCIAL RISKS			
Risk Factors	Low	Medium	High
Production company's net worth value (total assets : total liabilities). See note 1.	highly positive (2 to 1 ratio)	somewhat positive (between 1 and 2 to 1)	negative or barely positive (under 1 to 1)
Working capital (short term assets : short term liabilities).	highly positive (2 to 1 ratio)	somewhat positive (between 1 and 2 to 1)	negative or barely positive (under 1 to 1)
Lender is not requesting a bond	Financing 100% of production	Financing <100%	No lender attached

Note 1: In consideration of total assets and level of producer's investments, deferrals and in cases where the distributor and producer are related, distribution advances.

4. Holdbacks, escrow and line/letter of credit in lieu of a Completion Guarantee

In the event that there is no approved interim lender or that the approved interim lender has not stipulated binding completion protection requirements, the CFFF will determine what level of completion protection is most appropriate.

5. Budgeted Contingency

For those productions where the CFFF financial participation is equal to or less than \$500,000, the CFFF expects that producers will budget adequately for contingency. For those productions where an approved interim lender has stipulated binding completion protection requirements or where a completion guarantee is in place, the CFFF will accept the lender's or guarantor's requirements for contingency. For all other productions, the CFFF requires a minimum contingency of at least 6% of the B+C portions of the budget.

6. Rebates for completion guarantee

The Producer shall not accept or give any discount or rebate in respect of the completion guarantee without CFFF's prior approval. In the event that a no-claims rebate is recovered from the completion guarantor, such rebate shall first be applied to payment of Budget items and Budget overages. Any balance remaining from the rebate after all Budget items and overages have been paid may be retained by the Producer as a performance bonus.

7. The CFFF (Telefilm) always beneficiary of completion guarantees

The CFFF (Telefilm) must always be made beneficiary of a completion guarantee issued for a production in which it is a financial participant, whether or not this completion guarantee was required by the CFFF.