

Development Program (an element of the Equity Investment Program)

Objectives

The Corporation will provide a loan to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing. Support for the development of a project does not, in any way, guarantee funding by the Corporation in later stages of the project.

Who May Apply

Only incorporated Newfoundland and Labrador film and video production companies may apply. Individuals, non-incorporated groups or licensed broadcasters are not eligible. Corporations must demonstrate that their primary focus is on the development, production and distribution of film and video products and must be at least 51% owned by a resident or residents of Newfoundland and Labrador as described for individuals. For the purposes of these guidelines, a "Newfoundland and Labrador Resident" is a person who has maintained a principal residence in Newfoundland and Labrador for at least 12 consecutive months immediately prior to the date of application to a funding program. (Individuals who have worked outside the province during the year prior to application may be considered eligible applicants if they can demonstrate that their permanent place of residence is Newfoundland and Labrador.)

Five (5) categories of production are eligible for Development Program financing.

- *Feature Films*

dramatic, documentary and animated programs intended for exhibition on the theatrical screen, television (including pay and pay-per-view), video or other mode of transmission.

- *TV Series*

dramatic, documentary, children's, variety, performing arts, animated, information, including pilot productions in these formats.

- *TV Mini-Series*

dramatic series of two to ten episodes with continuing plots and characters.

- *TV Specials*

single television programs that are dramatic, variety, performing arts, animated, informational, including pilot productions in these formats.

- *Non-theatrical*

individual programs or series whose primary exhibition will be in a non-theatrical, non-commercial setting such as schools, universities, libraries or exhibited on non-traditional modes of transmission.

Non-Eligible Productions

- news, current events or public affairs programming;
- programs that include weather or market reports;
- talk shows;
- sports events or activities;
- gala presentation or awards shows;

- projects that solicit funds;
- pornography;
- advertising;
- projects produced primarily for industrial, corporate or institutional purposes;
- projects, other than documentaries, which substantially consist of stock footage.

Application Procedures

The NLFDC will accept applications on an on-going basis with the NLFDC analysis of the applications commencing on the application deadline following the receipt of the application. Documents required for various phases are indicated on the application form.

COMPLETE and ACCURATE DOCUMENTATION is required for all applications. If the application is not complete when it is received, it will not be reviewed. Applicants may re-submit completed applications at a later date.

Applications received by NLFDC will not be returned irrespective of whether they receive support from the agency.

NLFDC has the right to refuse to consider an application which it considers is incomplete.

Evaluation Process

Applications will be assessed in the following manner:

- Following consultation with the Management Staff , completed applications are submitted to the NLFDC.
- The Management Staff analyze the business and creative aspects of the application, according to the NLFDC guidelines, policy and assessment requirements.
- This information is circulated to the Board of Directors.
- The Board of Directors make the final decision on all applications to the Development Program.

Evaluation of a project includes consideration of the following:

- track record of the production company
- experience of individual producers and other senior managers
- experience of key creative personnel (e.g. Writer)
- feasibility of proposed financing structure
- potential for recoupment of investment and eventual profit
- potential to leverage funds from sources other than the NLFDC

Financing

The Corporation will apportion its development funding in two phases for non-series projects as follows:

Phase One - Conception and Development of First Draft Script

At this stage, the Corporation will normally advance a maximum of \$15,000 for the option or acquisition of rights, scriptwriter's and editor's fees, research, required travel expenses, normal overhead, and producer's fees. At the end of this phase of development, the producer will be required to provide a completed first draft script and a cost report. The Corporation's contribution cannot exceed 33% of the budget.

Phase Two - Shooting Script and Production Development

At this stage, the Corporation will normally advance a maximum of \$20,000 for pre-casting and preliminary search for shooting locations as required for script writing, required travel expenses, normal overhead, producer's fees, preliminary shooting schedule, preparation of a marketing plan, preparation of the final budget, and completion of a shooting script. At the end of this phase, the producer will be required to provide a shooting script, a production budget, a marketing plan, and a cost report. The Corporation's contribution cannot exceed 33% of the budget.

A producer may apply for Phase Two development without having received Phase One development.

The Corporation requires the corporate guarantee of the applicant. The Corporation may, at its discretion, require other guarantees. The Corporation will hold a secured interest in the project until the loan is repaid. The Corporation will acquire a proportional interest in the project with a first option / last refusal to participate in the production.

For series projects, the full \$35,000 of funding may be accessed in one stage. All of the criteria outlined for non-series projects in Phase One and Phase Two apply for series applications.

* It should be noted that if the intention is to apply for an equity investment, an application must be made at least 60 days prior to the loan maturing. If the Corporation does not wish to participate as an equity investor, the loan is due as per the original contract.

Projects in development will be reviewed periodically. When a development budget has been approved, but the Producer is unable to demonstrate that the funds advanced by the Corporation have been used for the stated purpose, the Corporation will cancel or reduce its participation in the project and funds already advanced will become repayable, in whole or in part.

Terms and Conditions

The Producer agrees to repay the Corporation the total Development loan amounts owing on the earlier of:

1. the first day of principal photography of the Film or of any cinematographic, video or audio-visual work based in whole or in part upon the Screenplay or any other use of the Screenplay;
2. the sale, transfer, assignment or other disposition of the Screenplay.

The Producer shall pay interest on any overdue Development loan from the date that such amount became payable to the Corporation as determined in accordance with the provisions of this Agreement or any other agreement which amends the repayment provisions of this Agreement at the Royal Bank of Canada's rate announced from time to time as its prime rate per annum for Canadian dollar commercial loans made in Canada (the "Prime Rate") as on the first day of each month to be applied at the same rate during that same month plus two percent (2%) per annum calculated on the daily balance of such overdue payment(s) remaining outstanding (with overdue interest on overdue interest at the same rate) compounded monthly and payable monthly, not in advance from the respective original date(s) of the overdue payment(s). Changes in the Prime Rate shall cause an adjustment to the interest rate referred to above from the first day of each month without the necessity of any notice to the Producer from the Corporation.