

# REVOLVING FILM FUND

- › Supporting the financing of South Australian drama and documentary screen production initiatives

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## what is the scheme?

The Revolving Film Fund ("**RFF**") is a \$3 million financing facility administered by the South Australian Film Corporation ("**SAFC**").

Through the RFF, the SAFC provides secured loans to finance long-form dramas and documentaries which are either stand-alone projects or series.

Generally there are two types of loans available under this scheme:

- *Producer Offset* loans are available to cash flow the Producer Offset for eligible Australian productions; and
- *Distribution Guarantee / Licence Fee* loans are available to cash flow distribution guarantees or licence fees from reputable distributors, broadcasters or sales agents.

However, the SAFC may at its discretion provide loans for other purposes where there is a significant and demonstrable benefit to the South Australian screen industries.

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## who is eligible?

- / South Australian based production companies engaged in producing major production initiatives in South Australia; and
- / non-South Australian production companies with a project which will undertake significant amount of production in South Australia.

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## what projects are eligible?

Projects that are eligible for funding under this program include:

- / narrative driven, long-form drama and documentary projects, that are stand-alone or series and are intended for commercial release via theatrical, broadcast and /or digital platforms and can be linear or interactive (both live action and animation are supported).
- / The projects must be produced in South Australia, with at least 50% of the production's below-the-line costs expended in the State. The crew and, where appropriate cast, must be predominantly South Australian.

Projects **must be** Australian projects or official co-productions.

Projects are expected to have:

- / marketplace investment and production finance in place; and
- / a plan for Australian domestic and international release.

While the primary function of the RFF is to cashflow productions, in exceptional circumstances the SAFC may consider applications to cash flow projects during pre-production, if the applicant can demonstrate clearly that:

- / key parties have committed to the project;
- / financing is at an advanced stage; and
- / the loan can be repaid no later than at the start of principal photography.

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### **what is on offer?**

Up to:

- / \$1 million\* per South Australian production company or project at any one time; or
- / \$500,000 per non-South Australian production company or project at any one time.

\*While the SAFC will consider applications for loans up to a maximum of \$1 million for South Australian production companies, loans above \$750,000 will require higher levels of security; for example, a bank guarantee (see below for more details on securities).

In the case of Producer Offset loans, the SAFC may cash flow an amount up to the bondable Qualifying Australian Production Expenditure (QAPE) guaranteed by the completion guarantor, which is usually up to 85% of the total anticipated Producer Offset return.

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### **what are the minimum requirements for application?**

- / When applying to cash flow the Producer Offset the contracting party must be a company that is incorporated or registered in Australia which:
  - has been established for the sole purpose of producing the project (SPV);
  - has no trading or tax history; and
  - holds a Provisional Certificate and accompanying letter from Screen Australia quantifying the QAPE.
- / The SAFC will accept an application citing the parent company if at the time of lodging the application the SPV has not been incorporated. The SPV will become the contracting party upon incorporation.
- / When applying to cash flow the Producer Offset:
  - the applicant must also provide a written opinion from an independent third party production accountant (not employed on the project), approved by the SAFC, confirming the estimated QAPE for the project.

- / When applying to cash flow Distribution Guarantees and/or Licence Fees:
  - the contracting party must be a company that is incorporated or registered in Australia;
  - the applicant must provide an executed, legally binding deal memo or distribution, broadcast or publishing agreement for the project in a form acceptable to the SAFC;
  - where the distributor, broadcaster or sales agent is based overseas, payment terms demonstrating that the distributor, broadcaster or sales agent will cash flow a minimum of 50% of the distribution guarantee or licence fee into the production budget for the project is required;

**Additional conditions:**

- the SAFC will preference projects where a substantial amount of the funds are cash flowed into the budget or are paid on delivery;
- the SAFC may at its sole discretion limit its exposure to any one distributor, broadcaster or sales agent; and
- all pre-sale and distribution guarantees must be payable within 12 months of delivery of the completed production, irrespective of commercial success.
- / All applicants for RFF funding must be able to evidence that they own or control all copyright and other intellectual property rights in the project by providing complete chain of title documents in a form approved by the SAFC, and/or demonstrate shared ownership or control of the same under a formal co-production agreement.
- / The SAFC will require a letter of intent from a recognised completion guarantor demonstrating their intent to either (depending on the type of loan applied for):
  - bond the project and guarantee a minimum QAPE spend commensurate to the amount of the Producer Offset in the finance plan; or
  - bond the project and the delivery requirements of the distributor, broadcaster or sales agent for the project.
- / All applicants must provide a finance plan, budget, production schedule and script in accordance with the SAFC's General Guidelines; it is anticipated that the finance plan and the planning of the production will be at the advanced stage necessary to secure market place interest.
- / In addition the budget must include provision for the SAFC's interest and administration fees and (where the Distribution Guarantee or Licence Fee will be paid in a foreign currency) provision for adverse foreign currency exchange fluctuations.
- / The SAFC will be entitled to its standard credit and logo requirements as a financier of the project, the details to be negotiated in good faith with other investors and financiers.
- / All projects seeking RFF funding must have a demonstrable net economic and cultural benefit to South Australia.

- / The SAFC assesses applications in accordance with its prevailing risk assessment policies, giving regard to all the circumstances surrounding each application.
- / Applications can only be assessed with due regard to the level of funds available in the RFF at the time of application.

Eligibility for an RFF loan is not contingent on SAFC equity investment in the production of the project.

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### **how will I know if my application has been successful?**

If an application is successful, the SAFC will issue a letter of commitment detailing the conditions precedent and other salient terms of the loan as soon as practicable after the date of approval. The applicant is required to sign and return a copy of this letter to acknowledge acceptance of the terms. Thereafter the applicant will enter into a Loan Agreement and related security documents with the SAFC. The SAFC will endeavour to issue the Loan Agreement and security documents within 21 business days from the date the signed copy of the Letter of Commitment is received.

**Loan Agreement:** the contract between the SAFC as lender and the applicant as borrower details the terms of the loan.

**Security Interests:** there are different security requirements for Producer Offset and Distribution Guarantee / Licence Fee loans which provide the SAFC with security for the repayment of the loans. Securities may vary at SAFC discretion depending on the circumstances of each application, and amounts in excess of \$750,000 will require a higher threshold of security, including (for example) a bank guarantee. However as a guide the SAFC will usually require the following minimum securities:

<b>Producer Offset Loans</b>	<b>Distribution Guarantee / Licence Fee Loans</b>
A first ranking registered Security Interest over the SPV's entitlement to payment of the Producer Offset refund and a general Security Interest over all other assets of the SPV	A first ranking registered Security Interest over the producer's entitlement to payment of the distribution guarantee or licence fee as applicable and a general Security Interest over all other assets of the producer.
A registered Security Interest over all of the SPV and/or the parent company's entitlement to gross receipts from the project	An irrevocable direction to the distributor, broadcaster or sales agent (as the case may be) directing them to pay the distribution guarantee/licence fee to the SAFC on a specified date, which must be acknowledged and agreed in writing by the distributor, broadcaster or sales agent.

A Deed of Guarantee and Indemnity from the parent company guaranteeing the SPV's performance of its obligations under the loan agreement	The SAFC to receive gross receipts in payment of the loan in priority to all other parties under the relevant PIA and Disbursement and Collections Agreement
An irrevocable direction to the SPV's bank, enabling the SAFC to appoint signatories to the Producer Offset refund account	
The SAFC to receive gross receipts in payment of the loan in priority to all other parties under the relevant PIA and Disbursement and Collections Agreement	

**Administration Fee:** for productions with an SA Producer attached the SAFC charges a legal and administration fee of 2% of the total value of the loan (plus GST), which will be deducted from the first drawdown of funds paid by the SAFC under the Loan Agreement. For productions with no SA Producer attached the administration fee is 3% of the value of the loan (plus GST). Once the Loan Agreement is executed, this fee is payable even if the loan facility is not used by the applicant.

**Interest:** for South Australian applicants the interest rate on all loans provided under the RFF is charged at the 90 day Bank Bill rate, calculated by the SAFC at the time of receipt of the application plus a margin of 2% for South Australian applicants and 3% for non-South Australian applicants. Applicants must pre-pay interest in advance, which will be deducted from the first drawdown of funds paid by the SAFC under the Loan Agreement.

**Penalty Interest:** the penalty interest payable on all overdue amounts is calculated at twice the 90 day Bank Bill rate at time of application.

**Repayment Term:** the repayment term for RFF loans is usually no more than 12 months when secured against distribution guarantees, licence fees and/or bank guarantees, and up to 18 months when secured against the Producer Offset.

**Foreign Currency:** in respect of loans secured against foreign distribution guarantees or licence fees, the applicant will be liable for any losses or gains arising from currency fluctuations, hedging, insurance or similar financial risks, together with any related legal or other costs. The RFF loan will only be issued and must be repaid together with applicable interest in Australian dollars (A\$).

**Production and Investment Agreement (PIA) (or similar):** provides for investment of funds in the project, transfer of ownership in the project to named investors and the production and marketing of the project. The SAFC's rights as a lender of funds that are recoupable will be acknowledged in the PIA, together with its right to a screen

credit and delivery materials. The SAFC will require approval over the PIA even if it is not an investor in the project.

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### **how do I apply?**

The application process is detailed in the SAFC General Guidelines.

Application forms are available online at [www.safilm.com.au](http://www.safilm.com.au).

After reading the General Guidelines and confirming eligibility, applicants are required to discuss their applications with the SAFC prior to submitting a completed application.

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### **when can I apply?**

Applications for the Revolving Film Fund are open all year round and are considered by the Board at the subsequent Board meeting after the application has been received. Applications must be received **in full** no later than 30 business days prior to a Board meeting.

*Please note that SAFC Board dates may be subject to change at the SAFC's discretion. While the SAFC will use reasonable endeavours to notify its clients of any changes to Board dates, applicants should check with the SAFC for updates.*

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### **how do I submit my application?**

#### **Online:**

Applications and support materials are submitted via the SAFC online application portal: [www.hightail.com/u/safc](http://www.hightail.com/u/safc)

A link to submission instructions can be found on the SAFC website (on the same page as these guidelines), and also at the bottom of the application form.

**See [“Submitting electronic documents”](#) on the SAFC website for details on how to prepare your documents and submit them.**

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### **where can I find out more?**

- Read the SAFC General Guidelines
- Read the SAFC Terms of Trade
- Visit the Industry Programs section of [www.safilm.com.au](http://www.safilm.com.au)
- Contact the SAFC on 08 8394 2000

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#### **The fine print**

As with all South Australian Film Corporation programs, the following guidelines must be read in conjunction with the South Australian Film Corporation General Guidelines, Terms of Trade and relevant application form. Applicants are required to

discuss their applications with the South Australian Film Corporation prior to submitting a completed application.

SAFC General Guidelines, Terms of Trade and the relevant application form can be found at [www.safilm.com.au](http://www.safilm.com.au)



## Change Log

May 2016

- Updated eligibility per Arts South Australia Guidelines

Jul 2015:

- Update to application instructions for online submissions