

**THE WEST DANISH FILM FUND'S CONDITIONS FOR
SUBSIDIES AND/OR INVESTMENTS - FEATURE FILMS, ETC.**

1. PURPOSE

1.1 The West Danish Film Fund (DVF) can subsidise and/or invest in the preparation of scripts and the development and production of feature films, TV movies, and TV series.

1.2 The purpose of DVF is to subsidise and/or invest in productions of artistic interest, which furthermore promote the development of the West Danish film and TV environment. DVF may make its subsidisation and/or investment conditional upon regional trade being documented or accounted for.

2. SCRIPT SUBSIDIES

2.1 DVF may award subsidies for script preparation, including script writing and dramaturgical assistance. The purpose of script subsidies is to ensure the highest possible quality of the script as well as to form a basis for DVF's evaluation of a possible subsequent application for development or production subsidies to and/or investment in the film project.

2.2 Script subsidies can be awarded to a scriptwriter, a director personally writing the script, a production company, or a team of the aforementioned. If the subsidy recipient is a production company, a contract with a scriptwriter must be presented to DVF upon request. The subsidy recipient must subsequently provide documentation for its use of the funds.

2.3 If application is made for a subsidy for adapting a copyright-protected work, the application will not be approved until the applicant has satisfactorily documented that the project does not infringe on any copyrights.

2.4 Applications for script subsidies must be made in writing using DVF's application form.

2.5 Script subsidies are usually paid in two instalments: Half upon the subsidy recipient's written acceptance of the subsidy commitment and half when the outcome of the subsidised project has been approved by DVF.

2.6 DVF's commitment to a script subsidy does not imply a commitment to subsequent development subsidies and/or investment in the production, though the applicant may later apply for such subsidies/investment for the same project.

2.7 If DVF later invests in the project, the script subsidy is considered part of the total repayable subsidy.

2.8 If the film project is not later awarded a production subsidy, the script subsidy is non-repayable.

2.9 DVF's commitment is valid for 6 months from its issuance, after which the commitment is void without further notice.

3. DEVELOPMENT SUBSIDIES

3.1 DVF may award development subsidies to a film, TV, or multimedia project if it is judged that development would be of significant importance for strengthening the project artistically, financially, or in terms of production and in line with DVF's purpose, in accordance with Item 1.2. The purpose of development subsidies is to ensure the best possible development of the project as well as to form a basis for DVF's evaluation of a possible subsequent application for production subsidies for the film project.

3.2 All proprietary conditions concerning the project in question must be declared as a prerequisite for receiving subsidies. DVF may require documentation that the applicant possesses or can acquire all adaptation rights, etc.

3.3 The application must contain a precise description of the matters for which the development subsidy is being sought and a statement about the expected outcome of project development as well as a schedule, budget, and financing plan for the latter. The application must also contain a short evaluation of the film's target audience and the production company's thoughts on distribution. The application must declare whether the project has received or sought other funding. Development subsidies are usually only awarded if a script is already in existence. The script must be submitted along with the application.

3.4 Development subsidies are usually disbursed upon the production company's written acceptance of the subsidy commitment, minus 10%. The remaining 10% is disbursed when DVF has approved the outcome of the subsidised project.

3.5 DVF's commitment to a development subsidy does not imply a commitment to subsequent production subsidies and/or investment, though the applicant may later apply for such subsidies/investment for the same project.

3.6 The production company must keep DVF regularly informed about the progress of project development, including any changes to the project's schedule.

3.7 The production company is responsible for managing project development and must present accounts no later than 6 months following the expected completion of project development set for in the schedule. Accounts must be presented in accordance with the accounting requirements per Item 5.15. Any savings relative to the approved budget, including the margin of uncertainty, must be immediately repaid to DVF in a proportion equal to the share of the DVF subsidy.

3.8 If the film project is later awarded a production subsidy by DVF, the development subsidy is considered part of the total repayable subsidy.

3.9 If the film project is not later awarded a production subsidy, the development subsidy is non-repayable.

3.10 DVF's commitment is valid for 6 months from its issuance, after which the commitment is void without further notice.

4. PRODUCTION SUBSIDIES AND/OR INVESTMENTS

4.1 DVF may award subsidies and/or invest in the production of film, TV, and multimedia projects. Production subsidies and/or investments are awarded to support the production of film, TV, and multimedia projects that promote the development of the West Danish film

and TV environment.

4.2 Production subsidies and/or investments can consist wholly or in part of loan of studio facilities.

4.3 Applying for Production Investment

4.3.1 Applications for production subsidies and/or investments must be made in writing and must, at a minimum, include the following information and attachments:

- Script.
- Schedules for preproduction, shooting, and postproduction as well as the expected release date.
- Production plan.
- List of the cast and crew, with special mention of participants residing in the West Danish region.
- List of the locations in which filming will take place.
- Budget, including a statement on how the production's resources are intended to be used in the West Danish region. Costs intended to be incurred in the region should be labelled specifically in the budget as "regional trade".
- Financing plan (investments, distributor advances, pre-sales, equipment, own services, etc.) as well as information about whether the project has received or sought other funding.
- Statement about any possible agreements made with other companies (co-production agreements).
- Repayment schedule, including a specification of repayment to all co-financing parties.
- Distribution agreement or Letter of Commitment (LOC) regarding theatrical distribution in Denmark.
- Promotion plan.
- Documentation proving that the applicant holds all rights to exploit the finished film. This includes copies of contracts with the scriptwriter, director, producer, etc.
- Curricula vitae for the scriptwriter, director, and producer as well as the production company's other possible key personnel.
- Corporate information, upon request.
- Any other agreements made concerning the film.

4.3.2 DVF may require additional information and statements, as required for application processing.

4.3.3 The applicant is obligated to ensure that DVF has received all relevant agreements concerning the film prior to finalisation of the subsidy commitment and/or investment agreement.

4.4 Budget and Financing Plan

4.4.1 The budget must list all costs at market prices.

4.4.2 The budget must be presented to DVF for approval and must include specifications of the following items:

- Costs expected to be confined to the region labelled specifically as “regional trade”.
- Administration costs of no more than 7% of the budget, excluding the costs of project development, the completion bond, and the margin of uncertainty.
- The producer's fee, the amount of which must be approved by DVF on the basis of the nature and size of the production in question.
- Margin of uncertainty of at most 10% of the budgeted production costs, excluding the costs of project development and the completion bond.
- Premium for a possible completion bond or other security per Item 4.11.1.
- Cost of a possible collection agent.

4.4.3 All financing and co-production agreements for the project, including the production company's own investment in the project, must be presented to DVF for approval. The co-production agreements must specify the division of the project's financing as well as the rights to which the Danish production company are entitled.

4.4.4 Production subsidies and/or investments can usually only be disbursed once the production company has documented that the budget, including the margin of uncertainty, is fully financed.

4.4.5 For co-productions in which the Danish production company is the minority production company, Danish creative and/or technical involvement linked to the West Danish region is a prerequisite for production subsidies and/or investments. Should the balance between Danish and foreign involvement in the production change following the release of subsidies and/or investment agreements, the right to subsidies and/or investments may lapse.

4.5 Payment Instalments

4.5.1 Production subsidies and/or investments are paid to the production company in instalments. DVF determines the amount of and conditions for the individual instalments on the basis of the approved cash-flow plan. In case of significant changes to the schedule, production plan, cash-flow plan, etc., DVF reserves the right to change the dates and amounts of the instalments.

4.5.2 Production subsidies and/or investment payments are only disbursed upon the production company's written acceptance of the commitment. Ie, in the case of investments, the investment agreement must first be signed by the production company.

4.5.3 Prior to payment of individual instalments, DVF may require the production company to provide a cost report attested by a registered or state-certified accountant.

4.5.4 The final instalment is usually disbursed once DVF has received and approved the

film's production accounts.

4.6 Supply of PR Material

4.6.1 The production company must supply the following PR material concerning the film for use in DVF's PR and publications work:

- Film posters (3 copies).
- Stills from the film, photo of the director, and photo of the producer. Supplied on high-quality CD. All photos in TIFF and JPEG format. Recommended sizes: TIFF: approx. 10 MB, JPEG: approx. 1 MB, equivalent to 13x18 cm/300 dpi.
- Upon agreement with DVF, a number of copies of the film's other marketing and PR material.
- Synopses in Danish and English.
- A high-quality copy of the film on DVD/VHS.

4.6.2 All still photos must be supplied with: Photographer credits, name of production company, name of director, name of the person photographed, and film title.

4.7 Reporting and Accounts

4.7.1 During the production and postproduction phases, the production company must keep DVF regularly informed about the progress of production. DVF is entitled to monitor the production of the film, including viewing rough cuts and the final version of the film. If the schedule or production plan change, the production company must immediately notify DVF, which may then require a revised plan.

4.7.2 During production, the production company must keep separate accounts of revenues and costs concerning the film. If the budget's individual principal items are expected to deviate from the approved figures by more than 10%, the production company must inform DVF, which may require the presentation of a revised budget for approval.

4.7.3 The production company must submit the film's production accounts to DVF for approval within 6 months of the film's world premier. The accounts must be audited by a registered or state-certified accountant.

4.7.4 The production accounts must contain a specification of the film's production costs, including specifically labelled costs incurred in the West Danish region. The production accounts must include the same items as are in the approved budget, and the budgetary figures must be supplied for comparison. The accounts must include an evaluation of upward deviations of more than 10% for the budget's principal items. The production accounts must also include a separate specification of those amounts that comprise in the film's financing, including subsidies from funds, state grants, pre-sales, etc.

4.7.5 DVF's subsidy rate is calculated on the basis of the approved financing plan. Possible DVF script and development subsidies for the film project are included as part of the film's total subsidy, regardless of whether the recipient of the script and development subsidies is the same as the recipient of the production subsidy. The subsidy rate is equal to the share of DVF's subsidies in proportion to the total financing.

4.8 Revenue and Screening Revenue Statements

4.8.1 The film's revenues are accounted for reasons of repayment subsidies to DVF. The revenue statement is based on the film's revenues in all countries and from all media.

4.8.2 Revenues are accounted as follows:

- Revenue from Danish theatrical distribution is calculated as the invoiced film distribution proceeds less the documented costs of distribution fees as well as the production company's share of DVF-approved costs for prints and marketing.
- Revenue from rental and sales of DVDs and videocassettes in Denmark is calculated as the invoiced rental and sales proceeds less the documented costs of promotion, distribution, and direct costs.
- Revenue from TV broadcast in Denmark and abroad, international theatrical distribution, and distribution in all other media than the aforementioned domestically and internationally is calculated as the sales price less documented, directly incurred sales and distribution costs.
- All other net revenues – e.g., sales of secondary rights relating to the film, including merchandising, remakes, sequels, soundtrack sales, and film prop sales as well as the production company's share of revenues from OS or I/S Danske Filmproducenter's settlement of points – are fully accounted in the film's revenue. CAB funds are not included in the film's revenue.
- Revenues that, according to the approved production accounts, are included in the film's financing, including minimum guarantees, pre-sales, etc., are not listed in the film's revenue statement.
- Savings from the production accounts are transferred to the film's revenue statement.

4.8.3 Both during and after production of the film, DVF is entitled to fully monitor all payments. DVF may require payments relating to the film to be made via a collection producer or collection agent.

4.8.4 The production company or the collection agent submits statements of the film's gross and net revenues (Revenue Statements). DVF must receive revenue statements within 45 days of the end of each statement period. The first statement period runs for 6 months from the date of the film's world premier. Revenues are subsequently accounted on a quarterly basis until 2 years after the film premiered, after which revenues are accounted on an annual basis. Prior to the end of February, a statement of all revenues from the previous calendar year is submitted to DVF. DVF may require that revenue statements be attested by a registered or state-certified accountant.

4.9 Repayment

4.9.1 Repayment of investments by DVF in a Danish production company must commence once the private investment has been repaid.

4.9.2 If DRTV or TV2 has invested in the film; this investment is not calculated as a private investment. Repayment to DVF is made proportional to repayment of investment from DRTV or TV2 on the basis of the investment agreement with DVF.

4.9.3 In special cases agreed upon in advance, DVF may require that repayment to DVF is made proportional to repayment of the private investment.

4.9.4 "Private investment" is understood to mean investments in the film made by the production company, independent co-production partners, and other third-party private investors, per the Standard Contract of 25 March 2003¹. Minimum guarantees, pre-sales, and grants from funds or other film institutes are not included in the private investment. The amount of the private investment is calculated based on the approved production accounts.

¹ The Standard Contract of 25 March 2003 is a standard agreement entered into by DR and TV2 on the one hand and production companies on the other. The agreement is used for DR/TV2's investments and/or purchases of screening rights to feature films.

4.9.5 DVF must approve any repayment plan drawn up by the production company. DVF may require that all other financiers who place requirements on repayment must first have their terms of payment approved by DVF.

4.9.6 Repayment of investments to DVF, in accordance with the approved repayment plan, commences upon submission of the revenue statement that states that repayment is required.

4.9.7 In the event of varying repayment times among private investors, private investors are deemed repaid once they have been repaid a sum equal to the private investments.

4.9.8 DVF usually accepts repayment of contributions from funds in accordance the funds' statutes and likewise usually respects customary royalty agreements.

4.9.9 If requirements for regional trade are not fulfilled, DVF may require that the negative balance be immediately repaid or be repaid by the film's revenues as the first priority until the amount has been repaid.

4.9.10 If DVF has approved outright sale as part of the financing plan, the repayment percentage is calculated based on the eventual financing overview less the financing attached to the outright sale.

4.9.11 Upon receipt of the first revenue statement, DVF may waive its requirement for repayment and further revenue statements.

4.10 Security

4.10.1 To ensure the film's completion in case of the production company's bankruptcy as well as to ensure DVF's conditional requirements for repayment of subsidies, DVF may require the production company to provide satisfactory security. The production company must bear all costs of such a security.

4.11 Terms of Distribution

4.11.1 The production company is obligated to make distribution deals for the film that ensure the film's best possible distribution in all media, including theatres, video, DVD, and TV.

4.11.2 In agreements for Danish theatrical distribution, the distribution fee may constitute no more than 20% of the invoiced distribution proceeds.

4.11.3 In agreements regarding the transfer of rights to videocassette and DVD rental and sales in Denmark, the distribution fee may constitute no more than 40% of the invoiced rental and sales revenues AFTER deduction of promotion and manufacturing costs (COT). Video/DVD rights cannot be sold outright to the distributor at a one-time charge unless DVF has first approved this in writing.

4.11.4 In agreements regarding Danish TV broadcast, sales and distribution costs constitute the documented costs, although these may amount to no more than 30% of the sales price. Costs of pre-sales included under financing or pre-sales included before the film's Danish theatrical release cannot be deducted from the film's revenues.

4.11.5 In agreements regarding international TV broadcast as well as agreements regarding international distribution, the Danish production company can deduct documented direct sales and distribution costs. Documented sales agent fees can also be deducted, though not exceeding 30%. For sales to marginal markets, DVF may approve certain exceptions.

4.11.6 DVF may require full monitoring of sales agreements of any kind made by the production company as well as of subsequent distribution links.

5. GENERAL TERMS AND CONDITIONS

5.1 The following general terms and conditions apply to all forms of subsidy and/or investment awarded according to these terms and conditions.

5.2 All applications must be in writing, using DVF's application form.

5.3 All applications must contain documentation proving that the applicant holds or can acquire all the necessary rights to adapt a work into a film and distribute the finished film.

5.4 The recipient is obligated to append the present terms and conditions to all contracts relating to the film concerning circumstances regulated by the present terms and conditions or that might otherwise be of importance to DVF's rights in accordance with the present terms and conditions.

5.5 "Subsidy" is understood in these terms and conditions to mean any form of capital injection in the project. This is not a term for an investment inasmuch as "investment" is understood to mean repayable investments.

5.6 If subsidies and/or investments have been awarded, DVF must approve in writing any transfer of rights to the project until such a time as DVF's investments have been repaid. Transfers must take place at market prices.

5.7 DVF is entitled to publish any information about the film in connection with DVF's promotional and press activities unless it has been otherwise agreed with the recipient in writing.

5.8 DVF may require that the production company arranges a special theatrical premier for the film in the West Danish region.

5.8 The film's credit texts and all advertising materials must state that the film is produced with subsidies and/or investments from DVF. The DVF logo must be displayed. DVF must approve the design of credit texts and advertising materials mentioning DVF.

5.9 DVF's exercise of its rights according to the present terms and conditions does not imply an obligation to pay fees to the production company or others unless such has been explicitly determined.

5.10 In the subsidy or investment commitment, DVF may change or supplement the present terms and conditions in accordance with subsidy and/or investment's purpose. The production company is obligated to comply with these terms and conditions, and any deviation must be first approved by DVF in writing. DVF is obligated to respond to requests from the recipient within a reasonable period.

5.11 If the present terms and conditions are breached or if it is determined that the film cannot legally be screened in Denmark, DVF's commitment is void, and any disbursed subsidies and/or investments must be immediately repaid.

5.12 If the recipient abandons or for other reasons prematurely terminates a project, the unused script subsidies and development subsidies must be immediately repaid. In such cases, DVF may require auditor-certified accounts.

5.13 If the film is not completed, disbursed production investments must be repaid. DVF may waive its requirement for repayment if DVF deems there to be special circumstances or if the requirement for repayment would be counterproductive to the purpose of DVF.

5.14 DVF may at any time require relevant documentation from the applicant.

5.15 The production company must supply accounts for projects that have received development or production subsidies and/or investments. The accounts must contain the same items as are in the approved budget, and the budgetary figures must be supplied for comparison. The accounts must be audited by a registered or state-certified accountant. The audit must at a minimum include a general audit of the accounts as well as an audit of assets and liabilities.

5.16 DVF may refuse to disburse subsidies and/or investments if the applicant has unpaid debts with DVF.
