

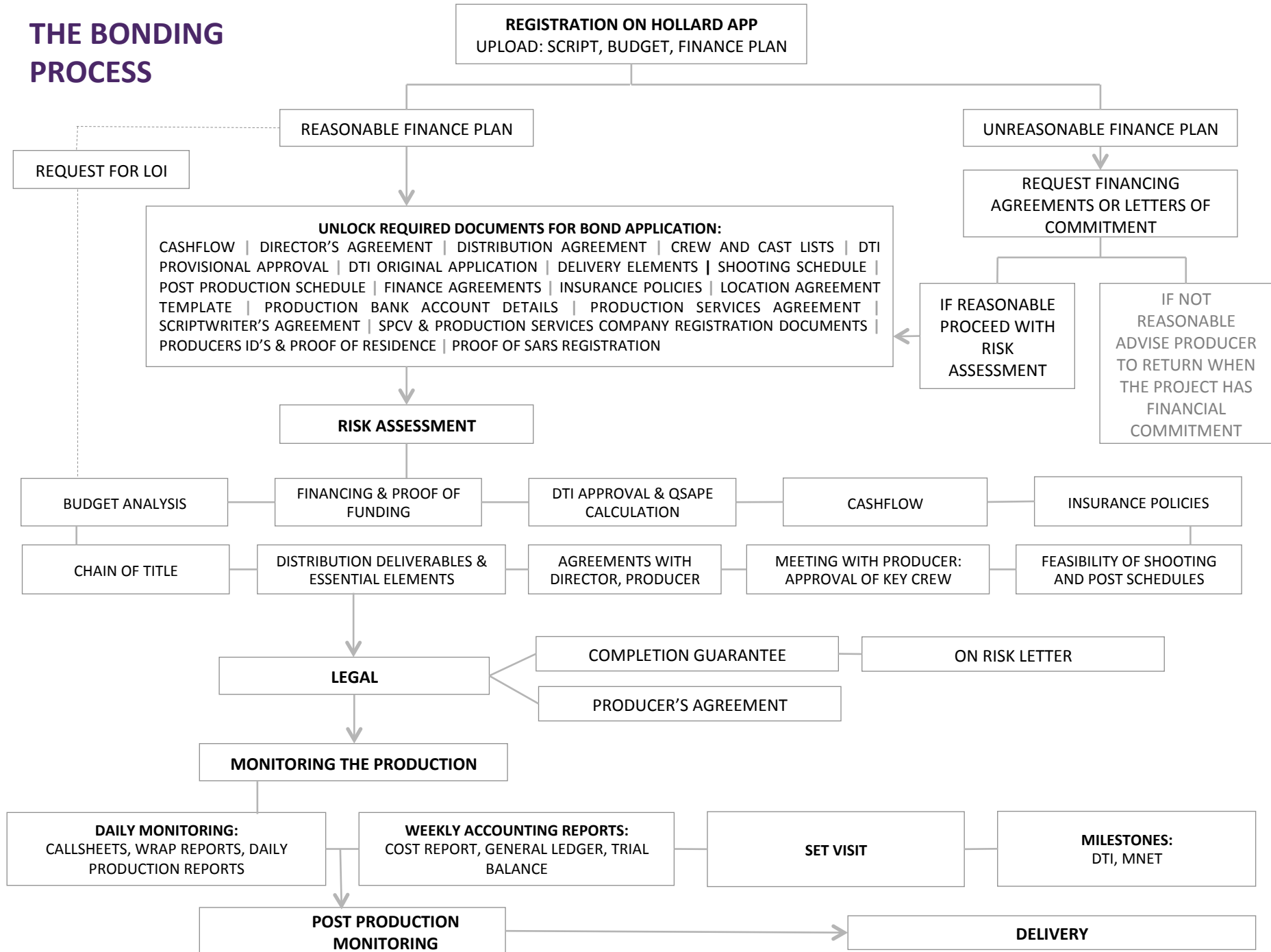


HOLLARD FILM GUARANTORS

The Bonding Process

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THE BONDING PROCESS

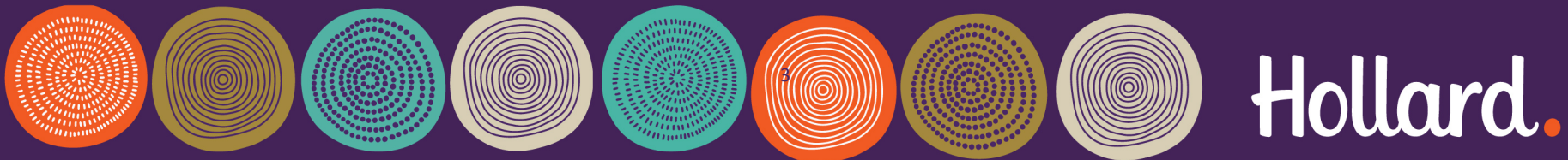


APPLICATION PROCESS

- Hollard Film Guarantors has developed an Online App for Producers to submit all documentation relevant to the bond application, risk assessment and monitoring of the production.
- Producers are required to submit their script, budget and finance plan for initial assessment. Once HFG has details of the finance plan, a more comprehensive list of required documents is unlocked.

LIST OF REQUIRED DOCUMENTS

- Script
- Budget
- Finance Plan
- Schedules (shooting schedule, post schedule, production schedule)
- Cashflow
- Crew and Cast List
- Delivery Elements
- Director's Agreement
- Distribution Agreement
- DTI Provisional Approval Letter and DTI Original Application
- DTI Forms A, B, C
- Finance Agreements – fully executed
- IDs and Proof of Residence of Producers and SPCV Directors
- Insurance Policies
- Location Agreement Template
- Production Bank Account Details
- Production Services Agreement
- Production Services Company & SPCV Registration Documents, Proof of Residence & VAT Registration
- Scriptwriters Agreement

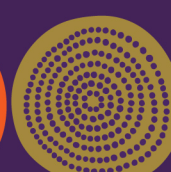
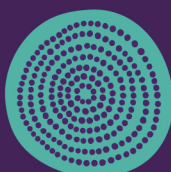


BUDGET ASSESSMENT

- We assess the budget in detail to ensure that the script and schedule are achievable with the budget presented.
- We take into account the size of the budget, scope of the film, experience of relevant key crew and complexity of the shoot.
- We ensure that the budget includes all the elements reflected in the script.

- Script Elements that are often not considered are:
 - **Stunts** – Are there any overly physical or dangerous scenes within the film that a cast member may not be able to do: Driving very fast or recklessly, Car Accidents, Fight Scenes, Jumps and Falls
 - **SFX (Special effects)** – Does the script contain any Rain, Fire, Wind, Explosions or Gun Shots?
 - **Armoury** – Are there any scenes where there needs to be a “live” weapon with gunfire. An armourer is required to carry these live weapons which will shoot blanks.
 - **Animals** – Are there any animals scripted and are they being handled in the film? If so, a licenced animal wrangler and a representative from AACL (Animal Anti Cruelty League) needs to be present on set.
 - **Children** – Are any of the characters in the script under the age of 15 years? If so, according to labour laws for children in entertainment, certain rules need to be followed in terms of the amount of hours a child can work and a child minder needs to be employed to mind the child while he / she is on set.

- Besides the above specialised elements we also look at elements such as Cast, Extras, Locations, Art Department, Wardrobe, Post Production (VFX / CGI), Contingency, Film Producer’s Indemnity Insurance, Accounting and Audit fees, Bond Fee and Transportation to ensure they are adequately budgeted for.



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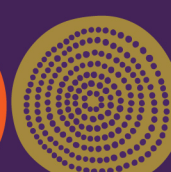
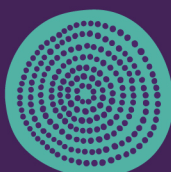
RISK ASSESSMENT

- Finance Plan and Finance Agreements:
 - Ensure that all committed financing has been contracted.
 - Assess the conditions of the financing and payment plans.
 - Request proof of funding for private equity
- Approval of key crew (Producer, Director, DOP, Line Producer, Accountant).
 - These are not creative approvals but relate to reliability and the ability to deliver on budget.
- Assess elements noted as *essential elements* in distribution or financing agreements and ensure they have been adequately planned for.
- Chain of Title – does SPCV have the rights to produce the film?
- Strike Price
 - Ensure that all parties listed on finance plan have fully executed finance agreements with the SPCV.
 - HFG currently recognizes 80% of qualifying DTI rebate towards the strike price. The balance of 20% is to be cashflowed by the Producer or other party and this is to be reflected on the finance plan and cashflow document.
- DTI Rebate
 - Check DTI provisional approval and Producer's Original Application and ensure all excluded items remain excluded
 - Recalculate Qualifying Rebate based on working budget and expected QSAPE
- Schedules
 - Ensure that the shooting schedule and post production schedule are achievable
- Insurance Policies – is the Producer adequately covered for FPI, public liability, cast and crew personal accident cover?
- Cashflow – does the Producer have adequate cashflow to complete the production?



PRODUCTION PROCEDURES

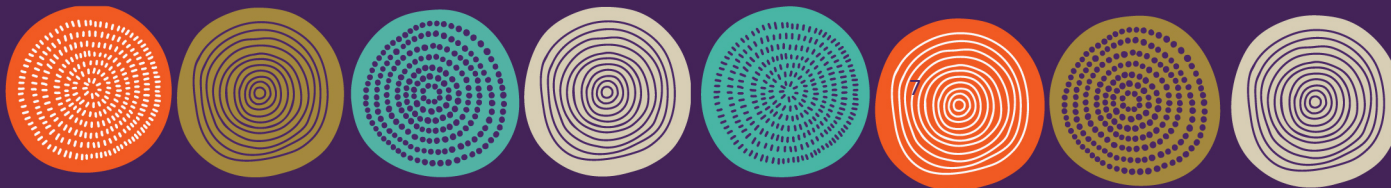
- New Producers are provided with a production guide during pre production that will assist in the managing of the production. This includes but is not limited to:
 - Accounting Templates (Petty Cash Requests & Recons, EFT / Cheque Requisitions, Crew Timesheet, PO's, PO Amendments, Casual Labourer Forms)
 - Production Templates (Callsheet, Wrap Report, DPR, Letterhead, Damage Reports, Cast & Extras Timesheets & Release Forms)
 - Putting the Budget into an Accounting Program with Set Codes
 - Keeping a Working Budget and its benefits
 - Correct Cost Reporting & Line Producer Involvement
 - Fuel Account and tracking fuel expenditure
 - Vehicle / Gear Damages and Reporting to Insurance
 - Invoicing: All invoices to contain the SARS compliant information: Company Details and VAT number
 - Assets & Inventory: keeping track of all assets purchased, asset sale and/or donations?
 - DTI: Milestones and staying on top of them
 - Extras: Tracking costs & number of extras and using correct release forms
 - Locations: Tracking costs, contracting and signing release forms after completion of shoot
 - Contracts: Crew Contracts, Deal Memos, Box Rentals, Car Allowance & Certified ID's, Cast Contracts & Certified ID's, Supplier Agreements, Action Vehicle Rental Agreements, Clearances Agreements, Equipment Rental Agreements
 - Personal Accident Insurance & Hospital Accounts: How to deal with this



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MONITORING THE PRODUCTION

- Producers are required to provide the following documents daily during shoot:
 - Daily Callsheets
 - Wrap Reports
 - Daily Production Reports
- The reports are monitored to ensure the following:
 - The production has completed all scheduled scenes for the day
 - There is a plan to reschedule any dropped scenes
 - There is no excessive overtime which may be a sign of problems on the set
 - No incidents are reported which may require the Bonders' intervention
- The daily assessment on each production allows us to determine if a film is on track in terms of their schedule, if there have been any concerning incidents on set and if any intervention is required from the Bonders.
- Set visits are also conducted to ensure the production is running smoothly.



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MONITORING THE PRODUCTION - FINANCIAL

- Software: We provide film accounting software for productions with budgets under R10M.
- Accounting procedures
 - Advice Producers and Production Accountants on Accounting procedures and processing
 - Advice on SARS registrations and returns
 - Assisting with VAT audits and disputes
- Producers are expected to submit a Cost Report, General Ledger and Trial Balance weekly during shoot, monthly during post production. Hollard assesses the following:
 - That transactions are properly accounted for
 - Misallocations
 - The reasonableness of commitments and estimate to complete (ETC)
 - PAYE and VAT returns are timeously submitted
 - That Petty cashes are processed timeously
 - Check that funds are coming in as per cashflow
 - Assess overages and deal with them to avoid further overbudget
- Mini Audit (Milestone 4)
 - At picture lock stage (4th milestone) we recalculate QSAPE and check for non qualifying expenditure and connected party transactions
 - DTI prefers to retain 20% of qualifying Rebate for milestone 5 therefore any adjustments are made at milestone 4.

