

MG DISTRIBUTION OR INTERNATIONAL SALE FINANCED BY A FRENCH SOFICA OR EQUITY/GAP CONTRIBUTION

We would like to draw your attention to the article about the regulation on Eurimages¹ co-production support allowing priority recovery for distribution MGs or international sales financed by a French Sofica or Equity/Gap contribution. This article has been in force since 1 January 2018 and is not applicable to films supported by Eurimages before that date.

Article 7.1.1.1

7.1.1. The support amount is repayable, from the first euro, from each producer's net receipts at a rate equal to the percentage of the Eurimages share in the financing of the film, and after deduction – if formally approved by the Secretariat by means of the "List of Deductions" – of distribution guarantees and/or pre-sales necessary for the financing of the film upon which binding agreements have been concluded before completion of the answer print. Any other deductions or comparable financing arrangements are to be approved by the Executive Director of Eurimages.

Subject to prior written approval from the Executive Director, the share of distribution minimum guarantees or international sales advances financed by "Soficas", financial institutions or risk investors such as gap and equity financiers (hereafter "complementary financing") may be assimilated to minimum guarantees or international sales advances and recouped prior to Eurimages provided that:

- The complementary financing takes the form of a distribution guarantee or international sales advance whose nature can be clearly and objectively verified in the contractual documents provided to Eurimages (for example, allocation of receipts alone constitutes an insufficient proof). In the absence of a distribution or international sales agreement in standard industry form, the complementary financing will not be accepted by Eurimages;
- Complementary financing must be provided by independent companies or third-party organisations, without shareholding or legal links with the producers involved in the project;
- The complementary financing agreements must be signed before the completion of the digital master copy;
- Once the minimum guarantee or international sales advance including the complementary financing has been recouped by the distributor, an additional recoupment corridor will be allocated to Eurimages, above and beyond Eurimages' standard recoupment position as defined above. The additional corridor will be equivalent to the total of remaining receipts until recoupment by Eurimages of an amount equal to the application of the standard Eurimages recoupment percentage to the complementary financing. The overall corridor granted to Eurimages will therefore be equal to 100% of receipts after recoupment of the distribution guarantees and international sales advances. Exceptionally, and on a case-by-case basis, this corridor can be reduced to no lower than 50% of receipts in order to allow potential rights-holders, other than the co-producers, to recoup;

¹ <https://www.coe.int/en/web/eurimages/team>

- Only the nominal value of the complementary financing, excluding any premiums or interest, will be considered as recoupable prior to Eurimages.

Explanatory Note:

The application of this article requires the prior formal agreement of Eurimages and is subject to certain conditions:

- contracts with Soficas/Equity/Gap must mention that their contribution is indeed a financing/through a Distribution MG or international sale;
- the contract with the distributor or international sales agent must mention the contribution of an MG and that it is financed by Soficas/Equity/Gap;
- after recoupment of this MG, the recoupment plan must provide for a corridor of 100% of the revenue for Eurimages which breaks down as follows: a percentage corresponding to the "normal" corridor allocated to Eurimages (shown on the first page of the support agreement) and a "catch-up/deferred" corridor of at least 100% minus this "normal" corridor corresponding to the recoupment of Eurimages share of the MG financed by the Soficas/Equity/Gap. This catch-up corridor would remain until Eurimages had recovered this deferred share.

For example:

International sales MG = 100.000 €

Soficas/Equity/Gap contribution = 50.000 €

Share of the revenue attributed to Eurimages in the support agreement = 10%

Recovery of revenue from ROW revenue:

1. Sales fee and sales expenses = 100% for the sales agent, then on the remaining revenues,
2. Recoupment of the Sales MG of 100,000 € then on the remaining revenues,
3. For Eurimages :
 - ✓ 10% of the revenue as the "normal" revenue share,
 - ✓ 90% of the revenue from the "catch-up" corridor (deferred share) until Eurimages recoups
10% x €50,000=€5,000.

The implementation of this article should be considered as far in advance as possible with the Eurimages project manager concerned.