

ALTERNATIVE TO COMPLETION GUARANTEE

DISCUSSION: In the television and film industry, financiers of productions often require that the producer acquires a form of insurance know as a "Completion Bond" or a "Completion Guarantee" as a condition of financing to protect their investment. Since completion bonds are rarely available or extremely expensive for new media projects, financiers like the Bell Broadcast and New Media Fund require an alternative that is easier for the new media producer to comply with, commonly known as a "Producer Escrow" or a "Producer Hold Back". This alternative means of protecting the financier's investment requires the new media producer to put a certain percentage or all of its producer and/or contingency fees in "escrow" to guarantee the delivery of the completed new media production in lieu of a completion bond. Technically, an "escrow" requires the producer to deposit funds into the hands of a third party escrow agent who is obliged to hold the "escrowed funds" until certain specified conditions are met by the producer, after which the funds may be released. The "Producer Hold Back" is intended to achieve the same result, but functions without the involvement of an independent escrow agent. A "hold back" requires the producer to agree that it will not pay itself its producer fees or contingency amounts or other line item from the production budget until the Bell Broadcast and New Media Fund confirms the project is completed in accordance with the specifications included in the application for funding. Both are intended, absent the comfort of a completion bond, to protect financiers' investments and provide some assurance that the project will be completed and delivered. The "Producer Hold Back" is more typical of the arrangements currently made for projects that receive funding from the Bell Broadcast and New Media Fund and a sample of such a document is provided below.

[DATE]

[NAME OF RECIPIENT]

Bell Broadcast and New Media Fund
2 Carlton Street, Suite 1709
Toronto, Ontario
M5B 1J3

Dear [Recipient]

Re: Alternative to Completion Guarantee for "Stranger than Fiction Interactive"

In lieu of a completion guarantee for the new media production entitled "*Stranger than Fiction Interactive*" (the "Web Project"), the producer, Stranger Than Fiction Productions Inc., hereby agrees and covenants to hold back and not draw on, disburse or receive the funds from budget line item(s) [X, OVERHEAD AND/OR PRODUCER FEES OR OTHER LINE ITEM] representing a cash amount of \$ [DOLLAR VALUE OF LINE ITEMS HELD BACK] of the approved production budget dated [DATE OF APPROVED BUDGET] for the Web Project. The overall total of the approved production budget for the Web Project is \$ [DOLLAR VALUE OF PRODUCTION BUDGET]. Stranger Than Fiction

Productions Inc. acknowledges that this covenant to hold back and not draw on the specified funds is a condition of the Bell Broadcast and New Media Funds commitment to finance the Web Project. The condition will remain in effect until Stranger Than Fiction Productions Inc requests in writing and receives from the Bell Broadcast and New Media Fund written confirmation that the Web Project has been completed in accordance with its specifications.

Yours truly,

President
Stranger Than Fiction Productions Inc.