

## **The Completion Guarantee**

### **What is a Completion Guarantee?**

1. A service to Financiers which Guarantees to them that for an agreed fee:-
  - the bonded script will be filmed, completed and delivered by a fixed date
  - to a first class technical standard
  - the burden of over costs (if such there be) will be the Completion Guarantor's responsibility – specific exclusions excepted
2. In many cases the guarantee is the key component which enables a film to be made. The Guarantee ensures that there will be an end product by a given date which not only enables banks & financing bodies to lend monies against distribution agreements traditionally not payable until completion, but gives them the confidence to do so.
3. A resource for Producers/Financiers. The guarantee gives the creative & financial teams access to extremely experienced staff and resources who are on hand at all times during the process to supply advice, assistance and support as required.
4. A process which enables the Financier/Producer to control creative excess. The guarantor has the right to take over and complete the film if the script, budget and schedule are not adhered to, and the right of hire/fire of any/all key personnel. The knowledge that creative control (and remuneration) can be removed from the creative players generates, (in most cases) an appropriate respect for the monies and time available to make the film.

### **Who requires a Completion Guarantee?**

- Most major lending banks
- UK Government Regional Funding Bodies,
- Independent Financiers
- Certain Studios and Television Companies
- Distributors/Sales agents

### **How long have Completion Guarantees been in existence - & why?**

- 63 years. The first company (Film Finances) was incorporated in 1950.
- The concept of the Completion Guarantee was created in the UK to stem financial losses major film corporations were sustaining in the late 1940's due to regular and alarming over costs in production, which threatened to collapse the UK industry.

## How does it work?

- Once a set of specific approvals/conditions are met and the Guarantor is satisfied that the film can be shot within the time, budget and using the personnel the Producer/Director wishes to allocate to the project, the Guarantor issues a Completion Guarantee (a legally binding document) which undertakes to guarantee the completion and delivery of the film by a fixed date – normally 1 calendar year after the commencement of Principal Photography + 60 days Force Majeur. (90 days FM if there is an Essential Element involved)
- The cost for this service is an up front fee calculated as a % of the budget

## The Process

### 1. **Due Diligence/Discovery.**

The Guarantor Evaluates the Production's Key Documents

- Script
- Budget
- Schedule
- Finance plan

to discover if (in the Guarantor's view) the project's paperwork is a realistic financial & logistical realization of the script ie. whether it constitutes a "reasonable risk". If so:-

### 2. **Preliminary Meetings.** Guarantor +

- Producer/Line Producer/Accountant – Budget
- Producer/LP/Director/Ist AD – Schedule
- Art Department – Departmental Breakdowns + Proposed Personnel
- Locations Department – Departmental Breakdown

If these meetings support the initial evaluation:-

### 3. **Letter of Intent Supplied.** The LOI :-

- \* confirms that the Completion Guarantor will in principal supply a Completion Guarantee subject to the conditions in the LOI.
- triggers the legal documents
- can, on occasion, trigger bridge and/or pre-production funding
- contains the Budget total, fee and contingency calculations.

**At this point the process splits into 2 parts.**

Legal Closing/Further Production Work.

#### 4. **Legal Closing.**

- The Production's lawyer supplies a Document Checklist to all legal parties. Traditionally the checklist averages 80 - 100 legal documents which are then wrangled by the various lawyers. These include:-
- **Completion Guarantee Agreement**- sets out the **STRIKE PRICE** and contains the terms and conditions contingent upon the giving of a guarantee. Historically the guarantee does not cover over costs on the following budget items/accounts:-

Cast + Extras.

Music + score & source music including clearances.

Publicity

Legal Costs

CGI Costs

Delivery Items

FX Loss

- Producers Completion Agreement
- Individual Producer Undertaking
- Individual Director Undertaking
- Security/right of takeover agreements - PATOL

**Insurance Documents** – Guarantor to be endorsed on all Documents

- \* Insurance Policy Documents
- E & O Policy
- Cast Medical Log (No Exclusions)
- Essential Elements Policy – As Required

#### 5. **Production Closing**

Once the LOI has been signed and returned to the Guarantor:-

- Guarantor supplies Insurance and Production Checklists to the production team and works with them to ensure that all documents are supplied and pre-conditions met.
- Guarantor works with production to ensure that all pre-conditions in the LOI are met.
- Guarantor attends all parties pre-production meeting and Production Reeces as required.
- Final evaluation of paperwork & Final Meetings as required.
- Calculation of strike price finalized.
- Delivery date fixed.
- Final Fee Calculation checked and agreed (usually 2% - 2.5%)

- Final Contingency Calculation Checked. (10%).  
NB: Can include a portion of Producer/Director Fees if over optimistically calculated by production team.

When Production due diligence complete but in any event prior to shoot/legal closing

### **Guarantor supplies Production Report/Checklist to UNDERWRITERS**

#### **6. Shoot**

- Production supply daily call sheets & Progress Reports
- Production supply weekly Cost Statements, Trial Balances & F & E Reports.
- Guarantor visits site fortnightly – more often if required

#### **7. Post Production**

- Production supply monthly cost statements, TB'S & F & E Reports.
- Guarantor meets post production team monthly – more often if required.
- Guarantor views picture cut prior to picture lock in order to ensure that the film is being edited in accordance with the script.

#### **8. Problematical Projects**

The job of the individual guarantor is to ensure that each film is delivered on schedule and on budget. However, on a small percentage of films, this does not happen. In such cases an experienced Guarantor will step in before the situation becomes critical.

##### **Problems can be due to:-**

- **Uninsured events/Acts of God** - causing schedule overruns – eg. Bad Weather. Bad Luck.
- **Budget mismanagement. Any department not prepared to take responsibility for their own budget is likely to cause financial problems.**  
Usual culprits - Camera/Electrical dept. Art department possibly.
- **HoD's in fear & Denial.** Aware of additional costs but afraid to disclose them. Think they might get on top of the issues or if they ignore them they might go away. Art/Location Depts traditionally
- **Talent Issues.**  
Lateness.  
Excessive time spent in Costume/Make Up.  
Cast Contracts – Person negotiating for production not tying down

perks properly or making loose arrangements.  
Domestic/Religious Issues.

- **Director Issues.** Creative vision, often previously undisclosed, doesn't match the production's financial resources. Tantrums.  
"I don't care whether we can afford it- it's what I WANT".
- **Animals + Children** (+ Chaperones) not performing as planned.
- **Incompetence of Personnel.**  
Poor line producer – unable to drill down into every line item on the budget.  
Production Accountant - not 100% on top of costs.  
Purchase Order systems not properly in place. Unusual in the UK normal abroad.  
Poor Production Co-ordinator.  
1st AD's who are good on the floor but can't schedule properly.  
Poor Production Sound – can cost large amounts of money to fix in post.  
Special Effects and/or CGI – consistently going wrong/not executed as hoped.
- **Over Optimism & procrastination of problems.**  
"We'll do it in post."  
"We'll do it as a second unit shot".  
"We won't shoot it today we'll CGI/Green screen it in post".
- \* **Human error** – simply getting it wrong.
- **Period Films, Costume/Make Up/Extras**  
Always takes longer to get ready than planned.
- **Location Issues** – Deals being renegotiated once unit settled in the location – normally stately homes or private houses. Unit behave badly & are banned from locations.

#### **In the event of takeover the Guarantor:-**

- completes and delivers the film. At the same time mitigating and limiting overcost to itself & it's underwriters wherever possible.
- is responsible only for those costs required to complete/deliver the film - it has no responsibility to existing creditors.
- historically prefers to work with the producer/director to complete the film in accordance with the creative vision if at all possible.  
If impossible guarantor will provide representatives to do the job instead.
- has no creative remit. The wording of the guarantee is that the essential components of the script are shot, and the work completed and delivered to first class technical standard.