



Fonds de Garantie MEDIA pour la Production / MEDIA Production Guarantee Fund
Funded by the European Union and IFCIC

MEDIA
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THE MEDIA PRODUCTION GUARANTEE FUND

A new financial scheme for the European film industry

*MEDIA Desk Information session – Roma & Milano,
June 27th and 28th 2011*

- The European Commission and IFCIC have launched a new financial support mechanism called the MEDIA Production Guarantee Fund (MPGF/IFCIC)
 - *Size of MPGF/IFCIC:*
4 M€ allocated by the EU, from 2010 through 2013
 - *Total guarantee capacity of MPGF/IFCIC:*
36,4 M€ of risk , accounting for **66,2 M€** of credits



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- MPGF/IFCIC responds to a specific need of small and medium-sized enterprises operating in the film sector in Europe:
 - The objective of the Fund is to facilitate access of European audiovisual SMEs to bank credits



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About IFCIC

- French specialized financial institution
- created in 1983 and entrusted with a Public Service mission
- whose objective is to facilitate access to bank financing for SMEs operating in the cultural sector
- 90% of this activity is related to the cinema and audiovisual sectors

About IFCIC

- 85 M€ : amount of Public Guarantee Funds currently managed
- 760 M€ : total amount of credits guaranteed (December 2010)
- 545 M€ : amount of loans guaranteed in 2010 (new commitments)
- Loans of about 100 French independent films guaranteed in 2010



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About IFCIC

- IFCIC runs the MPGF and is responsible for all procedures related to the guarantees delivered by the Fund
- IFCIC co-funds the mechanism by covering its final risk should the MEDIA funds be insufficient (with the support of CNC)

Why MPGF/IFCIC

- Few European banks finance the audiovisual sector:
 - film banking is perceived as "high risk" by most financial institutions
 - the market size for film banking services is limited, making film banking a niche business
 - film industry expertise within financial institutions is rare
 - the back-office cost of film lending does not ensure the return for most of those institutions

Why MPGF/IFCIC

- The guarantee represents an incentive for banks to be active in film banking since the MPGF takes part of the risk from the institution
- It provides support to banks, promoting the emergence of film financing expertise in financial institutions

Why MPMGF/IFCIC

- Thanks to its experience in film financing and its thorough expertise in the cinema production sector, IFCIC provides a very valuable second judgment on each project application:
 - Comforts the lending institution in its risk assessment
 - Protects the lending institution from negative experiences and keeps it active in film banking over the long term

Why MPMGF/IFCIC

- With this new mechanism the producers should :
 - have easier access to bank credit facilitating their cash flow during film production
 - have access to such credits without having to provide personal guarantees as collateral
 - have access to riskier loans (eg : preproduction loans)

MPGF/IFCIC's characteristics

- Size of the fund : 4 M€
- Total guaranteeing capacity : 36,4 M€
(corresponding approx. to 66 M€ of credits)
- Rate of guarantee : 55% of the outstanding principal loan amount

MPGF/IFCIC's characteristics

- Cost of the guarantee : 1% a year of the outstanding amount of risk covered by MPGF/IFCIC (the borrower is not directly charged for the guarantee)
- The guarantee can be called in case of bankruptcy of the borrower



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Eligibility criteria

- Eligible financial institutions :
 - financial institutions registered in one of the countries participating in the MEDIA Programme
 - duly authorized to grant bank financings by a competent authority recognized by the EU



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Eligibility criteria

- Eligible borrowing companies :
 - independent audiovisual production companies
 - registered in one of the countries participating in the MEDIA Programme

Eligibility criteria

- Eligible film works :
 - feature films of any genre bound for theatrical release
 - qualifying as European (significant artistic and technical European participation)
 - majority produced by European production companies
 - majority financed by European sources

Eligibility criteria

- Eligible credit transactions :
 - ensuring the cash flow of European film productions (project financing)
 - production or preproduction loans (no development, or treasury loans)
 - discount contracts of the financing plan (no gap financing)

Applying for the guarantee

- The production company contacts the bank
- The bank directly requests the MPMG/IFCIC guarantee
- Banks requesting the guarantee perform the due diligences and adequate investigation to reach a correct risk assessment
- Banks send a complete request application to IFCIC

The evaluation process

- IFCIC evaluates each operation on a case by case basis and grants its guarantee on clear and uniform criteria
- The evaluation process aims to determine the technical and financial viability of the credit transaction
- No evaluation of the artistic content or potential success

The evaluation process

- The MPMG/IFCIC evaluation and decision committee is held once a month (schedule may be modified if necessary)
- The bank is informed of IFCIC's decision within 1 week after the committee
- The credit institution informs IFCIC when the guaranteed credit is set-up, the guarantee then becomes effective



Limits of intervention

- Limitation per borrowing company n°1 : 1,82 M€ maximum risk exposure at any given moment
- Limitation per borrowing company n°2 : 7,28 M€ maximum total amount of guarantee to be granted during the period 2010-2013
- Limitation per credit institution : 14,56 M€ maximum total amount of guarantee to be granted during the period 2010-2013



Limits of intervention

- The first two limits are weighted following a table based upon the country where the borrower is registered
- Italy : weighted at 50%



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