

Template Offer Letter and Standard Terms of Business For Short Film Production Investments

**OFFER LETTER**

DATE

Producer Name  
Producer Address  
Letter of Offer

**SUBJECT TO CONTRACT**

Dear [Individual Producer name(s)]

**RE: “[Title]” – Project Number [ ]**

We are pleased to confirm the offer by Scottish Screen (“SS”), subject to contract, to invest in the short film presently titled “[**project name**]” (“the Film”), based on the draft screenplay dated [ ] written by [ ] (“the Screenplay”) on Scottish Screen’s Standard Terms of Business (“Standard Terms”) which are attached hereto and included herein by reference) and on the special terms and conditions set out below and subject always to the execution of a Funding Agreement with SS (“the FA”):-

1. Main Elements

Production Company(“the Producer”);  
Individual Producer(s):  
Co-Producer(s):  
Director(s):  
Writer(s):  
Principal Cast:  
Script:  
Budget:  
Production Schedule:  
Running time:  
Shooting Ratio:  
Shooting Format:  
Delivery Format:  
Delivery Date:

SS to have prior written approval of any changes to the above. Elements are only approved where stated.

2. SS Funding

£X by way of an Equity Investment (“the SS Equity Funding”) in accordance with a cashflow schedule to be approved by SS.

3. Other Finance (Subject to paragraph 2 above)

- 1.
- 2.
- 3.
- 4.
- 5.

TOTAL OTHER FINANCE

As per SS standard terms of business (to be set out in the FA) the Producer must make suitable arrangements (by hedging, insurance or otherwise) to provide for currency fluctuations in order to meet the Budgeted Cost and any currency gains shall be paid into the Production Account.

SS to have approval over all other finance and the terms thereof. Finance is not approved unless stated.

No Distributor and/or Sales Agent has yet been appointed to the project. The terms of the appointment of the Distributor and/or Sales Agent will be subject to the approval of SS. SS shall have approval over "ask" /"take" estimates for the Sales Agents Territory. SS shall have approval over any sale by the Sales Agent at below pre-approved "take" prices.

The Producer acknowledges that it is a condition of funding that the Producer uses his/her best endeavours to secure a UK theatric release of the Film on terms acceptable to Scottish Screen.

The terms of the appointment of a Distribution Agreement will be subject to the approval of SS. The producer shall ensure that in the Distribution Agreement (and UK TV broadcaster if know) that there is incorporated therein a customary holdback (to be approved by SS) against television exploitation of the Film in the UK so as to maximise the theatrical and videogram revenues for the Film.]

4. Specific Conditions

5. Recoupment

From the Net Receipts, the Producer shall be entitled to recoup deferrals (if any and subject to prior written approval by Scottish Screen) prior to any split of proceeds from distribution income and Scottish Screen shall be entitled to share net proceeds from all Distribution income to the level of their investment. Scottish Screen shall receive 40% of Net Receipts and the Producer shall receive 60%. All other equity investors will recoup from the Producer's share of 60%.

6. Conditions Precedent

This offer is subject to

- (i) SS approval of script

- (ii) SS approval of director(s), individual producer(s), all key cast and key crew
- (iii) SS approval of Budget, Production Schedule and Production Cashflow
- (iv) SS approval of the terms of the Sales Agency Agreement, the UK Distribution Agreement and UK Broadcaster Agreement (if applicable)
- (v) SS approval of the financing structure and all agreements relating thereto and related security documentation
- (vi) Evidence of clear chain of title to the Producer and principal Artist's Agreements, Director and Producer Agreements and HOD Agreements together with all related documentation
- (vii) Completion of all financing and distribution/pre-sale agreements (where appropriate)
- (viii) Production Insurance approved by SS
- (ix) SS approval of producers fees
- (x) The Film will be capable of qualification as a British film (under the Films Act 1985 (as amended) or through satisfaction of the requirements of a relevant UK co-production treaty).

#### 7. Press Release

The Producers shall not issue any press release nor make any public announcements regarding the Producer's or SS's involvement in this transaction without the prior written approval of SS. SS shall not issue a press release regarding the Producer's or SS's involvement in this transaction without the prior written approval of the Producers

#### 8. Review

SS's offer of investment is subject to review in 6 months from the effective date of this Offer Letter (being [date]) if you have not closed financing for the project nor commenced principal photography. At such time the offer will be extended by a minimum 3 months or a maximum 6 months

In the event of a conflict between the terms of this Offer Letter and the Standard Terms, the terms of this Offer Letter shall prevail

We are delighted to be working with you on this project. If you wish to accept this offer you must do so within 7 days of receipt by signing and returning to me the attached duplicate letter and Documentation Checklist.

Once we have received all the required documents and information (set out in the Standard Terms of Business), our external lawyer and our Business Affairs Executive will draft a long form Production Finance Agreement. If you have any queries, please contact Business Affairs.

Yours sincerely

Anita Cox  
Business Affairs Executive

Agreed by

.....  
X  
For and on behalf of  
Producer

.....  
Dated

**Scottish Screen  
Short Film Production Investment  
Standard Terms of Business**

These Standard Terms of Business (“Standard Terms”) form part of, and should be read in conjunction with any offer letter (“Offer Letter”) issued by SS.

1. Main Elements

Scottish Screen shall have approval over all Main Elements. Approval to be given in writing and there shall be no changes to any Main Element without Scottish Screen’s prior written approval.

Main Elements are: Production Company, Individual Producer(s), Co-Producer(s), Director(s), Writer(s), Principal Cast, Script, Budget, Production Schedule, Running time, Shooting Ratio, Shooting Format, Delivery Format and Delivery Date.

2. Scottish Screen Investment

The Scottish Screen Investment shall be advanced by way of an equity investment in accordance with a Scottish Screen approved Cashflow Schedule.

3. Other Finance

The Producer shall procure the provision of all other finance required to produce and deliver the Film. Scottish Screen shall have approval over the identity and business terms of all other financiers and finance for the Film.

4. Copyright/Rights

The producer will assign to Scottish Screen the entire copyright to hold. Following and subject to completion of the Film and Delivery and due performance by the Producer of its obligations, Scottish Screen will reassign the entire copyright to the Producer. Scottish Screen will reserve the non-exclusive licence to the Festival Screening Rights for a period of two years from Delivery. For the avoidance of doubt Scottish Screen’s Festival Screening Rights contain a right to exhibit not an obligation to exhibit.

In the event other financiers seek a share of copyright then Scottish Screen will take a share of the copyright and all other rights in the Film pro-rata to the level of its investment in relation to other equity investors as security for repayment and will re-assign such share to the Producer on repayment of the SS Equity Funding.

5. Approvals

Scottish Screen will have approval rights over all key creative, finance and distribution elements including (without limitation): Main Elements (as set out in Paragraph 1); all drafts of the Script including final shooting script; chain of title; all heads of department and key crew members; unit publicist (if applicable); production accountant; composer; soundtrack album agreement; music supervisor; final cut; production schedule; cashflow schedule; laboratory; completion guarantor (if applicable); sales agent and agreements including commissions expenses (and all sales below minimum sales estimates); financing costs; distributors and agreements; other investors and agreements and collection agent (if applicable).

6. Final Cut

Scottish Screen shall have the right of CONSULTATION (or joint consultation with other Financiers as applicable) over the final cut of the Film.

Notwithstanding the above, the Producer shall in any event (i) carry out all changes which Scottish Screen may reasonably require in order for the Film to meet the requirements of the relevant UK Broadcasting authorities and the British Board of Film Classification and/or to comply with any warranty, representation or other contractual specification relating to the Film or to conform to legal advice received by Scottish Screen; and (ii) give full consideration in good faith to all suggestions and comments made by Scottish Screen in respect of all cuts of the Film. The cost of any such changes or editing shall be borne by the Producer from the Budget of the Film and shall be undertaken within the time constraints of the Scottish Screen approved post-production schedule.

7. Recoupment

Scottish Screen shall recoup the Scottish Screen Investment in accordance with the terms of the Offer Letter.

8. Conditions Precedent

The conditions precedent to the Scottish Screen funding are set out in the Offer Letter.

9. Delivery

The Producer shall produce and deliver the Film to Scottish Screen and all other parties requiring delivery in a timely first class manner. Scottish Screen Delivery items will be as set out in the Production Finance Agreement.

If delivering on film, deposit to the Scottish Film Archive (SFA) of one mint 35mm positive print of original negative gauge of the Film together with related materials (e.g. stills, posters, publicity material, press packs or information relating to the Film (the latter as agreed between the Producer and Scottish Screen)).

If delivering on digibeta, deposit to the Scottish Film Archive one digibeta copy of the film together with related materials as above.

10. Credits

Scottish Screen will receive the following front screen credits in respect of the Film:-

1. Throughout The World

(first card) Scottish Screen and [ ] Present

(second card) in association with [ ]

(third card) [ ]

2. Billing Block and Paid Advertising

The Scottish Screen presentation credit and logo shall appear in the billing block for the Film and in all paid advertising for the Film throughout the World.

3. Back end credits

For Scottish Screen “Supported by The National Lottery through Scottish Screen” together with Scottish Screen Lottery Funded logo.



4. Executive Producer credits

X of Scottish Screen shall receive an Executive Producer credit for the Film. The position of such credit and all other Executive Producer credits shall be subject to the approval of SS.

The above-mentioned Executive Producer credit shall appear as a front screen main title credit and in the billing block for the Film and in all paid advertising for the Film.

All other credits in the end roller credits for such additional persons at Scottish Screen to be at the discretion of the Producer (such credits to be approved by Scottish Screen). Scottish Screen will have approval over all other front and end credits. All Executive Producer credits on the Film shall be on a shared card, same size and type as the Producer credit.

11. Security

As security for its investment Scottish Screen will take a charge over the copyright and all other rights and materials granted to or owned by the Producer in relation to the Film and over the income stream to which the Producer and Scottish Screen will be entitled.

12. Confidentiality

The Producer acknowledges that the terms and conditions of this Offer Letter and any other information obtained regarding this letter or in connection with this transaction as a whole (“the Confidential Information”) is and shall remain strictly confidential. The Producer shall not disclose to any third party or make public the Confidential Information without Scottish Screen’s prior consent.

Scottish Screen will endeavour to keep such Confidential Information confidential, but as a Public Authority in terms of the Freedom of Information (Scotland) Act 2002, may

require to disclose certain information when required to do so under that Act. Where the Producer stipulates at the time of providing the information to Scottish Screen that it believes the information should be considered exempt from disclosure under that Act, and a request to Scottish Screen is subsequently made for disclosure of some or all of that information, Scottish Screen will endeavour to discuss such disclosure with the Producer prior to making its decision. The Producer accepts and acknowledges that the decision on disclosure rests solely with Scottish Screen.

#### 13. Press Release

The Producer shall not issue any press release nor make any public announcements regarding the Producer's or Scottish Screen's involvement in this transaction without the prior written approval of Scottish Screen. Scottish Screen shall not issue a press release regarding the Producer's or Scottish Screen's involvement in this transaction without the prior written approval of the Producer.

#### 14. Review

Scottish Screen's offer of investment is subject to review. The Offer Letter sets out the review period. If after review, the Offer is renewed, the Producer will be notified in writing (which will specify the renewal period). If the offer is not renewed or the FA is not executed within the Offer Period the offer will lapse and the Producer will be notified in writing to that effect.

#### 15. Documentation for FA

Scottish Screen requires the following documentation and information:

- (i) Script
- (ii) Director(s), Writer(s), Producer(s) agreements
- (iii) Principal Cast and HOD/Crew agreements
- (iv) Budget (to include contingency and SIF training levy)
- (v) Proposed Cash Flow Schedule
- (vi) Completion Guarantor and draft of Completion Guarantee and Completion Guarantor's agreement with Producer (if applicable)
- (vii) Distributors, deal memos and distribution agreements including P&A commitments (if applicable)
- (viii) Sales companies and their agreements (if applicable)
- (ix) Co-financiers and terms of co-financing agreements including Interparty Agreement and UK Broadcaster Agreement (if applicable)
- (x) Identity of Auditor (if applicable) and Production Accountant
- (xi) Underlying rights and chain of title documents (evidencing a clear chain of rights to the Producer), together with all development finance agreements (as applicable)
- (xii) Details of production insurances
- (xiii) Detailed production schedule
- (xiv) Estimated running time of film
- (xv) Processing laboratory/facilities house agreements
- (xvi) Certificate of incorporation of Production Company
- (xvii) Completed Short Film Information Form
- (xviii) Colour or black and white film
- (xix) Shooting Format

(xx)	Delivery Format
(xxi)	Ratio
(xxii)	Laboratory
(xxiii)	Locations
(xiv)	Delivery Schedule
(xv)	Unit Publicist (if applicable)

16. SIF Levy

All films that receive funding from a public body, or expect to qualify as a British Film under the Films Act 1985 (as amended) are required to pay a contribution (“the SIF Levy”) towards the Skills Investment Fund (“SIF”) of 0.5% of the budget of the Film up to a maximum contribution of £39,500. The Producer shall make allowance in the Budget of the Film for such SIF Levy and shall pay the same to SIF on or before the first day of principal photography of the Film. The Producer acknowledges that Scottish Screen has the right to retain a sum equal to the levy payable to the Skills Investment Fund and to deduct this sum from any payment of SS Funding due to the Producer under this Letter of Offer.

17. Additional Delivery Requirement

The Producer shall provide information and materials as required by Scottish Screen to meet audit requirements for submission of an Evaluation Report to the DCMS from time to time.

An Evaluation Report shall mean a report of the Film to be completed and delivered to Scottish Screen as part of Delivery (under the Production Finance Agreement and then again at 6, 12, 24 and 36 months following Delivery).

18. Scottish Screen’s Obligations

Until the FA is executed and all Conditions Precedent have been satisfied, Scottish Screen shall have no obligation to provide any funding for the Film and Scottish Screen cannot accept any liability for any costs the Producer may incur.