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SODEC
Québec

BUSINESS RULES

Production program

Emerging talent program (Production stage)

TRANSLATION
If there is a discrepancy between the English and French versions, the French version prevails.

These rules are applicable to all agreements signed on or after **April 1, 2026**

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SODEC's business rules are based on best practices used in Québec's audiovisual industry. Production companies ("Companies") that submit a project to the Production program or the Emerging talent program (production stage) are required to comply with the rules listed below, and to continue to comply with them while the project is supported by SODEC, until the final costs have been accepted and all requirements have been met at the end of the project (namely, "the end of project").

1. CHAIN OF TITLE

> 100% QUÉBEC-OWNED PROJECTS

When submitting their application, *Companies* must provide the project's chain of title history, indicating the following in chronological order:

- The date;
- The type of agreement (option agreement, screenwriting contract, production contract, rights assignment agreement, etc.);
- The parties, clearly identified;
- And, if applicable, the ownership of rights (in percentages) among the parties.

The duly signed agreements will be required for all selected projects.

For the period starting with SODEC's funding offer up until the end of project, *Companies* are required to provide an updated chain of title history as well as copies of the agreements whenever,

- Any change to the chain of title occurs, or;
- Upon SODEC's request for verification.

> QUÉBEC MAJORITY/MINORITY COPRODUCTIONS

Applicants must provide the following when applying:

- The project's chain of title that indicates in chronological order: the date, the type of agreement, the parties (clearly identified), and the ownership of rights among the parties;
- A copy of the coproduction agreement(s) – preliminary agreements may be accepted, provided that they minimally specify: the parties clearly identified, the total production budget, the split of the ownership of rights, financing and revenues among the parties (in percentages), the term of the agreement (which must remain in effect, minimally, until the date of SODEC's decision).

All other duly signed agreements will be required for all selected projects.

For the period starting with SODEC's funding offer up until the end of project, *Companies* are required to provide an updated chain of title history as well as copies of the agreements whenever,

- Any change to the chain of title occurs, or;
- Upon SODEC's request for verification.

> LEGAL OPINION

SODEC may require the *Company* to provide, at its own expense, an independent legal opinion on a project's chain of title for any reason deemed relevant by SODEC, in order to confirm the validity of the chain of title and that the *Company* holds the necessary rights to produce and distribute the project without restriction.

Notwithstanding the foregoing, SODEC generally requires the following projects to provide a legal opinion on the chain of title:

- A film adaptation of a creative work that has already been published or produced, or is in the process of being published or produced;
- A film adaptation based on the life of a real person or on actual events involving real persons;
- International coproductions.

A legal opinion may be requested as a prerequisite, at any time for the period starting with SODEC's funding offer up until the end of the project.

SODEC's requirements and expectations regarding legal opinions will be communicated directly to the *Company* on a case-by-case basis.

In the event that a project has already been the subject of a recent legal opinion required by Telefilm Canada or the Canada Media Fund (CMF), SODEC will accept that opinion even if it is not specifically addressed to SODEC.

In any case, a copy of all the documents listed in the legal opinion must be provided to SODEC.

2. COMPANY DECLARATION

Applications submitted to SODEC's production programs are processed in stages.

> **As it is no longer required to provide all documents at the time of submission, the *company*'s statement becomes a key reference document for any project submitted, and eventually supported by SODEC.**

Applications for financial assistance must be submitted along with a company declaration duly signed by an authorized representative, such as the company president, a director, or an officer listed on Québec's Enterprise Register, *i.e. the vice president, treasurer, or secretary of the board*. However, a company representative authorized to file documents on SOD@ccès or an employee holding a power of attorney does not have sufficient authority to sign the corporate statement.

> **By signing this statement, the *Company*:**
>
> - **Certifies that the project meets the program requirements and complies with SODEC's business rules;**
> - **Declares that it holds all the rights to the project, without any restrictions;**
> - **Agrees to comply with the program requirements and SODEC's business rules until the project's case file is closed.**

SODEC may consider that the *Company* has made a false statement if the information submitted is inaccurate or incorrect, if there are issues with the chain of title, or if the *Company* fails to comply with the program requirements and SODEC's business rules.

Should any false statement be made, SODEC would be compelled to withdraw its offer, cancel the amounts payable, and/or recover and collect allocated funds from the *Company*.

3. FINANCIAL STRUCTURE

The financial structure provided with the application must clearly and realistically detail all sources of funding necessary to carry out the proposed project.

The *Company* must provide SODEC with:

- The financial structure, using SODEC's template (in French only);
- Supporting documents for each item listed in the financial structure, including a tax credit worksheet and other letters of interest or confirmations—the amounts appearing in the financial structure must not differ from the amounts listed in the supporting documents provided.

> **The *Company* must provide SODEC with a revised financial structure, along with supporting documentation, in the event of any changes to the project's sources of funding (confirmations, modifications, additional funding) up until the final costs have been approved.**

> TAX CREDITS INCLUDED IN THE FINANCIAL STRUCTURE

Minimum threshold fixed at 90%

> **SODEC sets the proportion of Québec and federal tax credits included in a project's financial structure at a fixed minimum threshold of 90% of their value. When determining the amount of its funding offer, SODEC calculates its investment considering the tax credits included in the financial structure, capped at 90% of their value.**

4. BUDGET

> PRODUCTION BUDGET

All submitted projects must include a detailed production budget and summary, using the standard Canadian template, specifying which labour costs are eligible for tax credits and clearly identifying services, deferred costs, and costs incurred outside Québec.

The production budget must also reflect all costs associated with the project's production at fair market value.

In addition, coproductions must provide a detailed coproduction budget and summary in Canadian dollars, using the standard Canadian template, showing, in separate columns, the breakdown of expenses between the *Company* and its interprovincial and/or international coproducers.

> NEW SOURCES OF FUNDING OBTAINED AFTER THE SIGNATURE OF THE AGREEMENT

> ***Companies* wishing to submit an updated financial structure that includes new funding have until SODEC's approval of the rough cut (the date is specified in the agreement between SODEC and the *Company*) to do so. These new sources of funding, as well as any resulting changes to the production budget, if any, must be approved by SODEC.**

This new funding may be used to increase the budget or reduce the producer's investment, provided that any deferred payments are reduced accordingly, when applicable. For greater certainty, if this situation were to result in the production being overfinanced, SODEC would adjust its financial contribution downward accordingly.

SODEC may authorize an increase in production fees and corporate overhead (PFCOs) listed in the budget if said increase is the result of new funding secured by the *Company*.

IMPORTANT: Increases in producer investment, deferred payments, services, sponsorships, and tax credits are not, as such, considered to be new funding.

To be considered as "new funding", increases in producer investment, deferred payments, services, sponsorships, and tax credits must be supplemented by new funding coming from other sources. *For example: funding from a new investor or distributor, or additional funding from a partner already listed in the overall financial structure*.

> PRODUCER FEES AND CORPORATE OVERHEAD (PFCO)

PFCO cap

As a reminder, the PFCO cap that the *Company* may allocate to its project is intended to protect SODEC's financial contribution and to ensure that what is shown on screen has benefited from the largest share of the funding granted to that project.

For any project with a total production budget of $1 million or more:

- Production fees shall be a maximum of 10% of the B+C sections of the budget;
- Corporate overhead may not exceed the 10% cap of sections B+C.

For any project with a total production budget of less than $1 million:

- Production fees shall be a maximum of 15% of sections B+C of the budget;
- Corporate overhead may not exceed the 15% cap of sections B+C.

If after signing the agreement, a project's total production budget were to exceed $1 million as a result of new funding authorized by SODEC, the *Company* is entitled to choose the most favourable PFCO cap between:

- **The amount already specified in the agreement for a project of $1 million or less;**
- **The new and authorized B+C amount for projects of $1 million or more.**

Production fees

Producers are ultimately responsible for audiovisual projects. By accepting funding from SODEC, they act as project managers and decisionmakers for the supported project, and are required to:

- Assume legal and tax responsibilities for the project;
- Ensure its development, funding, oversee its budget, and provide supervision throughout the various stages (preproduction, production, postproduction, up to the delivery of the completed project);
- Comply with all SODEC's obligations and approval stages (chain of title, budget, funding, amendments to the financial structure and budget, creative changes, credits, rough cut, final costs, accounting);

- Take all necessary steps to ensure the production is made available to the widest possible audience in Québec and abroad.

The cap **includes** fees for:

- Producers who act as the project's lead/ decisionmaker, assume the responsibilities set forth above, and, as such, receive a producer credit in the film's credits;
- Line producers, production consultants, production supervisors who also serve as the project's producer, or as a shareholder/board member of the production company.

Fees **outside** the cap:

- Any creative role that is also filled by a producer on the project, a shareholder/ board member of the production company (*e.g., screenwriter, director, editor, actor, DoP, etc.*);
- Line producers WITH a contract. Line producers may be employees of the Company, in which case their fee must be reported as a transaction between related parties until the audited cost report is issued;
- Production managers, postproduction managers/supervisors. Under certain circumstances, a producer may be required to take on these roles; should this occur, SODEC will evaluate the duties performed, the individuals' ability to take on multiple roles, and the compensation received for performing these additional duties.

Corporate overhead

The cap **includes** fees for:

- All administrative costs. Additional administrative costs must be justified and approved by SODEC.
- Honoraria for collaborators who share responsibilities delegated by the producer, such as project manager, business relations manager, administrator, etc. Cumulating honoraria associated with the duties of a producer is not permitted.

Outside the cap (non-exhaustive list):

- SODEC/CAVCO certification submission fees;
- Interim financing;
- Other types of funding;
- ISAN registration fee, or any other standardized registration of the work;
- Eco-responsible/friendly accreditations/certifications.

> CONTINGENCY

All projects, except those applying for postproduction assistance, must include a contingency of no less than 6% of B+C.

> COMPLETION GUARANTEE

> **The *Company* is responsible for ensuring the successful completion of the project.**
>
> **SODEC requires the *Company* to withhold a portion of its production fees until the final cost report is submitted. The amount to be withheld is set by SODEC upon signing the production assistance agreement.**

In addition, large-scale projects that pose a significant financial or operational risk may be required by SODEC to obtain a completion guarantee to ensure that the delivered project meets the budget, schedule and terms set out in the agreement.

5. RECOUPMENT METHOD

Assistance provided in the form of an investment is recouped by SODEC in accordance with the terms of the financial assistance agreement.

The recoupment method varies according to the type of project, the amount of SODEC's investment, and the amounts invested by the other financial partners. Notwithstanding the foregoing, if any other financial partner negotiates a more favourable recoupment position, SODEC shall be entitled to equivalent treatment.

One of the three options below will apply.

> FRENCH-LANGUAGE PROJECTS WITH A SODEC INVESTMENT OF UNDER $2 MILLION: 50/50 METHOD

In accordance with industry standards, recoupment positions are generally as follows:

- The distributor's Minimum Guarantee (MG);
- Deferrals, if any;
- The *Company* recoups its full investment, including Québec and federal tax credits – this amount recoups at an amount equal to 50% of the tier; SODEC and the other investors share the remaining 50% pro rata and pari passu;
- SODEC recoups the balance of its investment pari passu with the other financial partners;
- The *Company* recovers any overrun it may have incurred;
- SODEC participates in the profits generated by the production.

> FRENCH-LANGUAGE PROJECTS WITH A SODEC INVESTMENT OF $2 MILLION OR MORE & ENGLISH-LANGUAGE PROJECTS: *PRO RATA* AND *PARI PASSU* (PRPP) METHOD

In accordance with industry standards, recoupment positions are generally as follows:

- The distributor's Minimum Guaranteed (MG);
- Deferrals, if any;
- SODEC recoups its full investment pro rata and pari passu with the *Company*'s investment, including Québec and federal tax credits, and the investment of other financial partners;
- The *Company* recovers any overrun it may have incurred;
- SODEC participates in the profits generated by the production.

> QUÉBEC-MINORITY COPRODUCTIONS & POSTPRODUCTION ASSISTANCE PROJECTS (IN ANY LANGUAGE): SIMPLIFIED RECOUPMENT

- SODEC recoups an amount equal to 10% of the *Company*'s share of net production revenue.

Either the 50/50 or PRPP method may be applied to Québec-minority coproductions that have secured funding beyond SODEC's usual maximum thresholds, due to the exceptional role the project plays in the promotion of Québec.

> SODEC'S RECOUPMENT PRIORITIES

In certain cases, regardless of the applicable recoupment method, SODEC reserves the right to require recoupment priorities (generally referred to as "corridors"), pro rata and pari passu with the distributor's Minimum Guarantee (MG), in any territory, including Canada. In general and without limitation, these cases consider the following:

- The amount and proportion of SODEC's investment in the project;
- The amount and origin of the distributor's MG;
- Any recoupment priority negotiated by the *Company* in favour of another financial partner;
- Any recoupment scenario deemed disadvantageous to SODEC;
- Any change in the project's funding occurring during production that would alter the recoupment terms negotiated upon signing the agreement.

> FOR ALL PROJECTS: THE DISTRIBUTOR'S MINIMUM GUARANTEE (MG)

In accordance with industry standards:

- Tier 1 is generally reserved to distributors and sales agents for the recoupment of their MG;
- The distributor's MG must always be reasonable and in line with industry standards[1];
- In the case of an MG significantly higher than industry standards, SODEC will request sales estimates supporting its amount and will assess the level of risk associated with its recoupment.

At any time, SODEC may request assistance from the International Affairs and Export department to assess the distribution company's experience.

These additional conditions apply to distribution companies affiliated with the *Company*:

- Distribution company affiliated with the *Company* AND that distributes films from third-party production companies
    - SODEC reserves the right to cap the minimum guarantee amount at the first (Tier 1) recoupment position and to add the remaining portion of the minimum guarantee to the *Company*'s investment.
    - The Company must provide SODEC with documentation detailing the catalog of third-party films distributed and the expertise of the affiliated distribution company (distribution activities and presence in international markets) during the two years preceding the submission of the application.

- Distribution company affiliated with the *Company* that does not distribute films from third-party production companies
    - The amount of the minimum guarantee will be added to the *Company*'s investment and will be recouped at the same tier position.
    - The distribution company will be able to recoup its marketing expenses.
    - A sales commission not exceeding 15% is permitted.

[1] By "MG that is reasonable and in line with industry standards", SODEC means a minimum guarantee amount that is not disproportionate to the investment of other similar projects.

6. INSURANCE POLICIES

The *Company* must carry, in its own name, the insurance coverage required by SODEC for the funded project.

> **The project must be covered by insurance policies that comply with film and television industry standards. These policies must be purchased from a *company* that specializes in this type of insurance (Entertainment package, comprehensive general liability, and errors and omissions).**

The insurance certificates required by SODEC must include all the conditions set forth in the table below.

Specific conditions may apply to:

- International coproductions;
- Projects that require these insurance policies to be implemented as soon as possible, given their specific characteristics (complexity of the chain of title, physical constraints, regulatory requirements, etc.).

SODEC's minimum requirements for each type of insurance policy

Entertainment Package	
Description	**Covers:** • Digital assets, negatives, images, and original copies; • Sets, props, costumes, vehicles, and equipment; • All filming equipment; • Office equipment related to production; • Insurance for the cast and crew: injury, death, or disability of cast members, the director, and may include the producer and other key personnel; • Additional costs associated with the completion of production; • Any other items that need to be covered based on the production's needs.
Term & coverage	**Term:** from the first day of official preproduction to the delivery of the master copy. **Coverage:** no less than the production budget approved by SODEC.
Required wording for SODEC	**Prescribed wording:** "It is hereby understood and agreed that SODEC is added as additional insured. This policy shall not be cancelled or modified, during the coverage period as stated hereon, in such a manner to affect this endorsement or policy unless thirty (30) days prior written notice has been given to SODEC."

Comprehensive General Liability Insurance	
Description	**Covers:** • Personal injury and property damage caused to a third party by production activities; • Any additional coverage (umbrella insurance) required by the owners of filming locations or by the relevant authorities managing them.
Term & coverage	**Term:** from the first day of official preproduction to the delivery of the master copy. **Coverage:** limit of no less than $2 million per claim. This amount may be increased depending on additional coverage and project requirements, subject to SODEC's approval.
Required wording for SODEC	**Prescribed wording:** "It is hereby understood and agreed that SODEC, its officers, directors, agents and employees are added as additional insureds with respect to comprehensive general liability of the named insured. This coverage shall be primary and not contributing to or in excess of any such insurance maintained by SODEC. This policy shall not be cancelled or modified during the coverage period as stated hereon, in such a manner to affect this endorsement or policy unless thirty (30) days prior written notice has been given to SODEC."

Errors & Omissions Insurance	
Description	**Covers:** • Insurance covering legal fees and settlements in the event of errors or omissions in the production's chain of title, copyright infringement, defamation, invasion of privacy or infringement of image rights, or infringement of intellectual property or trademark rights; • This automatically entails the release of all rights (music, images, title, etc.) without exception, as well as the necessary authorizations for the long-term international distribution and commercialization of the production. **> Releasing rights can be a complex process. It is recommended to begin it as early as possible; in some cases, before the preproduction phase.**
Term & Coverage	**Term:** 3 years minimum, starting **before the first day of commercialization**. Depending on the nature of the project, SODEC may require that the errors and omissions insurance is put in place at an earlier stage. **Coverage:** limit of no less than $1 million per claim, and $3 million total, with a maximum deductible of $10,000. Depending on the nature of the project, SODEC may require a higher limit. **> It is the *Company*'s responsibility to submit to SODEC, by the final costs stage at the latest, a certificate from the insurer attesting that the insurance policy taken out for the project covers its distribution across all territories, including the title, music, archival footage, and all other elements necessary for the project's distribution. It is understood that, after the minimum 3-year term, the project will be covered by the distributor's policy, when applicable.** **> It is up to the *Company* to discuss and negotiate with its broker and insurer if it wishes to exclude coverage for certain items. However, the certificate required by SODEC must attest to worldwide coverage that allows the project to reach the widest possible audience.**
Required wording for SODEC	**Prescribed wording:** "It is hereby understood and agreed that SODEC, its officers, directors, agents and employees are added as additional insureds with respect to responsibility that may occur from errors and omissions of the named insured. This coverage shall be primary and not contributing to or in excess of any such insurance maintained by SODEC. This policy shall not be cancelled or modified during the coverage period as stated hereon, in such a manner to affect this endorsement or policy unless thirty (30) days prior written notice has been given to SODEC."

7. CREDITS

> REQUIREMENTS REGARDING SODEC LOGOS AND MENTIONS

- The *Company* is required to submit its project's credits to SODEC for approval at the rough cut stage.
- If the credits are not submitted or if the credits do not comply with the requirements, SODEC may require corrections at any time, at the *Company*'s expense.
- **The *Company* must use SODEC's animated logo (available on the website) at the beginning of each copy or version of the project for all productions funded by SODEC, with the exception of:**
- **Projects that have submitted a conversion request to SODEC;**
- **Projects that have received assistance through these programs : Aide à la production télévisuelle – Bonification de la valeur de production (television production assistance – production value incentive), Aide corporative à la production télévisuelle (corporate television production assistance), Aide au prédéveloppement de séries télévisées basées sur des adaptations littéraires (predevelopment assistance for television series based on literary adaptations).**
- If other animated logos appear at the beginning of the film, the SODEC animated logo must be displayed in descending order of financial contribution by all partners.
- Notwithstanding the foregoing, the SODEC name and logo, as well as the Gestion SODEC (tax credits) name and logo, must appear in the financial partners section, as agreed in the agreement.
- The *Company* is responsible for complying with the graphic standards governing the use of the SODEC logo and branding.

> PRODUCER MENTION & SPECIAL MENTIONS

- **Producer credits of any type, including courtesy credits, must be pre-approved by SODEC.**
- **Producer/coproducer/executive producer credits are reserved for individuals who performed such duties and shall not be used as courtesy credits.**
- **Special mentions may only be offered to an individual whose contribution, for which the mention is given, is not subject to any compensation.**
  The *Company* is responsible for providing SODEC with all necessary explanatory and verification materials.

> RESTRICTIONS REGARDING MENTIONS

- The phrase “An original production” is prohibited and may not be used under any circumstances.
- A financial partner may be listed in the credits only if it is included in the project's financial structure.
- **SODEC authorizes the “PRESENTS” card only if a broadcaster:**
- **Made a firm, quantified and confirmed commitment, with supporting documentation provided at the time of application;**

AND

- **Its contribution amounts to at least 15% of the budget (including an investment and the CMF’s contribution, when applicable);**

AND

- **The *Company* has the approval of the other lenders and distributors.**

There can be only one “PRESENTS” card for all project presenters (distributors and broadcasters). No duplicates or multiple cards are permitted.

8. ROUGH CUT APPROVAL

The *Company* is required to submit a rough cut of the project to SODEC for approval.

SODEC reserves the right to request a screening of the final cut of the project.

9.END OF PROJECT: COST OVERRUN, OVERFUNDING, SAVINGS

The audit or review presents the final production costs and certifies their accuracy and compliance. SODEC relies on all the data included in this report, as well as on the auditor’s professional opinion, to acknowledge and validate the final production costs in accordance with the requirements of its programs.

At the end of project, SODEC may adjust its contribution in order to reconcile the project’s financial balance.

> COST OVERRUN

Any cost overrun relative to the approved budget is excluded from the final production costs recognized by SODEC and remains entirely the responsibility of the *Company*. SODEC does not cover any cost overruns and is under no obligation to increase its contribution to the financial structure. SODEC isolates cost overruns in order to maintain the proportion of its initial financial contribution to the project, as well as the recoupment method set out in the agreement. Cost overruns are always recouped from the *Company* at the final recoupment stage, after all investors have been repaid.

> OVERFUNDING

If the production project is overfunded, SODEC will revise and reduce the amount of its financial contribution in order to offset the surplus.

> SAVINGS

SODEC's final financial contribution is calculated in proportion to its contribution to the financial structure, as provided for in the agreement or in accordance with the newly accepted financial terms. If, for example, SODEC's contribution is equivalent to 15.32% of the Québec budget in the agreement, it must be equivalent to 15.32% of the final Québec costs in the event of cost savings. SODEC may withdraw a portion of its financial contribution to maintain the initial percentage of its contribution.

10. LEGAL DEPOSIT REQUIREMENTS

Under section 20.9.1 of the **Act respecting Bibliothèque et Archives nationales du Québec** (C.Q.L.R., c. B-1.2), the *Company* must, within six months of the first public showing of the final version of the production, deposit a copy of the film, free of charge, with the Cinémathèque québécoise. It is the *Company*'s responsibility to ensure that the film copy deposited complies with the specifications for the legal deposit of digital files as required in the **instructions for the legal deposit of digital films** on the Cinémathèque québécoise website.

Consequently, the *Company* must include in its production budget, for any application submitted to SODEC, the costs of producing a copy that complies with the required specifications for legal deposit. Québec minority coproductions are not subject to this obligation.