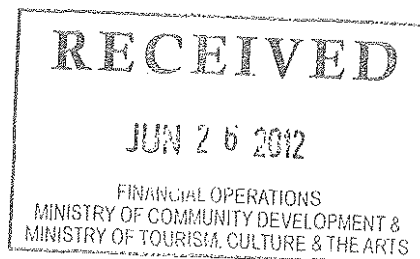


GENERAL SERVICE AGREEMENT



For Administrative Purposes Only

<p>Ministry Contract No.: CS13876001</p> <p>Requisition No.: _____</p> <p>Solicitation No.(if applicable): _____</p> <p>Commodity Code: _____</p> <p>Contractor Information</p> <p>Supplier Name: Deetken Enterprises Inc.</p> <p>Supplier No.: BC0776812</p> <p>Telephone No.: 604-731-4424</p> <p>E-mail Address: apowell@deetken.com</p> <p>Website: http://deetken.com</p>	<p>Financial Information</p> <p>Client: 060</p> <p>Responsibility Centre: 51876</p> <p>Service Line: 56301</p> <p>STOB: 6001</p> <p>Project: 5100000</p> <p>Template version: February 8, 2012</p>
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SCHEDULE A – SERVICES

- Part 1 - Term
- Part 2 - Services
- Part 3 - Related Documentation
- Part 4 - Key Personnel

SCHEDULE B – FEES AND EXPENSES

- Part 1 - Maximum Amount Payable
- Part 2 - Fees
- Part 3 - Expenses
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SCHEDULE C – APPROVED SUBCONTRACTOR(S)

SCHEDULE D – INSURANCE

SCHEDULE E – PRIVACY PROTECTION SCHEDULE

SCHEDULE F – ADDITIONAL TERMS

SCHEDULE G – SECURITY SCHEDULE

THIS AGREEMENT is dated for reference the 1 day of June, 2012.

BETWEEN:

Deetken Enterprises Inc., dba The Deetken Group (the "Contractor") with the following specified address:
Suite 203 – 1755 W. Broadway
Vancouver, BC
V6J 4S5

AND:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Ministry of Community, Sport and Cultural Development (the "Province") with the following specified address and fax number:
PO Box 9819 Stn Prov Govt,
Victoria, BC
V8W 9W3
Fax: 250-387-4099

The Province wishes to retain the Contractor to provide the services specified in Schedule A and, in consideration for the remuneration set out in Schedule B, the Contractor has agreed to provide those services, on the terms and conditions set out in this Agreement.

As a result, the Province and the Contractor agree as follows:

1 DEFINITIONS

General

1.1 In this Agreement, unless the context otherwise requires:

- (a) "Business Day" means a day, other than a Saturday or Sunday, on which Provincial government offices are open for normal business in British Columbia;
- (b) "Incorporated Material" means any material in existence prior to the start of the Term or developed independently of this Agreement, and that is incorporated or embedded in the Produced Material by the Contractor or a Subcontractor;
- (c) "Material" means the Produced Material and the Received Material;
- (d) "Produced Material" means records, software and other material, whether complete or not, that, as a result of this Agreement, are produced by the Contractor or a Subcontractor and includes the Incorporated Material;
- (e) "Received Material" means records, software and other material, whether complete or not, that, as a result of this Agreement, are received by the Contractor or a Subcontractor from the Province or any other person;
- (f) "Services" means the services described in Part 2 of Schedule A;
- (g) "Subcontractor" means a person described in paragraph (a) or (b) of section 13.4; and
- (h) "Term" means the term of the Agreement described in Part 1 of Schedule A subject to that term ending earlier in accordance with this Agreement.

Meaning of "record"

1.2 The definition of "record" in the *Interpretation Act* is incorporated into this Agreement and "records" will bear a corresponding meaning.

2 SERVICES

Provision of services

2.1 The Contractor must provide the Services in accordance with this Agreement.

Term

2.2 Regardless of the date of execution or delivery of this Agreement, the Contractor must provide the Services during the Term.

Supply of various items

2.3 Unless the parties otherwise agree in writing, the Contractor must supply and pay for all labour, materials, equipment, tools, facilities, approvals and licenses necessary or advisable to perform the Contractor's obligations under this Agreement, including the license under section 6.4.

Standard of care

2.4 Unless otherwise specified in this Agreement, the Contractor must perform the Services to a standard of care, skill and diligence maintained by persons providing, on a commercial basis, services similar to the Services.

Standards in relation to persons performing Services

2.5 The Contractor must ensure that all persons employed or retained to perform the Services are qualified and competent to perform them and are properly trained, instructed and supervised.

Instructions by Province

2.6 The Province may from time to time give the Contractor reasonable instructions (in writing or otherwise) as to the performance of the Services. The Contractor must comply with those instructions but, unless otherwise specified in this Agreement, the Contractor may determine the manner in which the instructions are carried out.

Confirmation of non-written instructions

2.7 If the Province provides an instruction under section 2.6 other than in writing, the Contractor may request that the instruction be confirmed by the Province in writing, which request the Province must comply with as soon as it is reasonably practicable to do so.

Effectiveness of non-written instructions

2.8 Requesting written confirmation of an instruction under section 2.7 does not relieve the Contractor from complying with the instruction at the time the instruction was given.

Applicable laws

2.9 In the performance of the Contractor's obligations under this Agreement, the Contractor must comply with all applicable laws.

3 PAYMENT

Fees and expenses

3.1 If the Contractor complies with this Agreement, then the Province must pay to the Contractor at the times and on the conditions set out in Schedule B:

- (a) the fees described in that Schedule;

- (b) the expenses, if any, described in that Schedule if they are supported, where applicable, by proper receipts and, in the Province's opinion, are necessarily incurred by the Contractor in providing the Services; and
- (c) any applicable taxes payable by the Province under law or agreement with the relevant taxation authorities on the fees and expenses described in paragraphs (a) and (b).

The Province is not obliged to pay to the Contractor more than the "Maximum Amount" specified in Schedule B on account of fees and expenses.

Statements of accounts

- 3.2 In order to obtain payment of any fees and expenses under this Agreement, the Contractor must submit to the Province a written statement of account in a form satisfactory to the Province upon completion of the Services or at other times described in Schedule B.

Withholding of amounts

- 3.3 Without limiting section 9.1, the Province may withhold from any payment due to the Contractor an amount sufficient to indemnify, in whole or in part, the Province and its employees and agents against any liens or other third-party claims that have arisen or could arise in connection with the provision of the Services. An amount withheld under this section must be promptly paid by the Province to the Contractor upon the basis for withholding the amount having been fully resolved to the satisfaction of the Province.

Appropriation

- 3.4 The Province's obligation to pay money to the Contractor is subject to the *Financial Administration Act*, which makes that obligation subject to an appropriation being available in the fiscal year of the Province during which payment becomes due.

Currency

- 3.5 Unless otherwise specified in this Agreement, all references to money are to Canadian dollars.

Non-resident income tax

- 3.6 If the Contractor is not a resident in Canada, the Contractor acknowledges that the Province may be required by law to withhold income tax from the fees described in Schedule B and then to remit that tax to the Receiver General of Canada on the Contractor's behalf.

Prohibition against committing money

- 3.7 Without limiting section 13.10(a), the Contractor must not in relation to performing the Contractor's obligations under this Agreement commit or purport to commit the Province to pay any money except as may be expressly provided for in this Agreement.

Refunds of taxes

- 3.8 The Contractor must:
- (a) apply for, and use reasonable efforts to obtain, any available refund, credit, rebate or remission of federal, provincial or other tax or duty imposed on the Contractor as a result of this Agreement that the Province has paid or reimbursed to the Contractor or agreed to pay or reimburse to the Contractor under this Agreement; and
 - (b) immediately on receiving, or being credited with, any amount applied for under paragraph (a), remit that amount to the Province.

4 REPRESENTATIONS AND WARRANTIES

4.1 As at the date this Agreement is executed and delivered by, or on behalf of, the parties, the Contractor represents and warrants to the Province as follows:

- (a) except to the extent the Contractor has previously disclosed otherwise in writing to the Province,
 - (i) all information, statements, documents and reports furnished or submitted by the Contractor to the Province in connection with this Agreement (including as part of any competitive process resulting in this Agreement being entered into) are in all material respects true and correct,
 - (ii) the Contractor has sufficient trained staff, facilities, materials, appropriate equipment and approved subcontractual agreements in place and available to enable the Contractor to fully perform the Services, and
 - (iii) the Contractor holds all permits, licenses, approvals and statutory authorities issued by any government or government agency that are necessary for the performance of the Contractor's obligations under this Agreement; and
- (b) if the Contractor is not an individual,
 - (i) the Contractor has the power and capacity to enter into this Agreement and to observe, perform and comply with the terms of this Agreement and all necessary corporate or other proceedings have been taken and done to authorize the execution and delivery of this Agreement by, or on behalf of, the Contractor, and
 - (ii) this Agreement has been legally and properly executed by, or on behalf of, the Contractor and is legally binding upon and enforceable against the Contractor in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

5 PRIVACY, SECURITY AND CONFIDENTIALITY

Privacy

5.1 The Contractor must comply with the Privacy Protection Schedule attached as Schedule E.

Security

5.2 The Contractor must:

- (a) make reasonable security arrangements to protect the Material from unauthorized access, collection, use, disclosure, alteration or disposal; and
- (b) comply with the Security Schedule attached as Schedule G.

Confidentiality

5.3 The Contractor must treat as confidential all information in the Material and all other information accessed or obtained by the Contractor or a Subcontractor (whether verbally, electronically or otherwise) as a result of this Agreement, and not permit its disclosure or use without the Province's prior written consent except:

- (a) as required to perform the Contractor's obligations under this Agreement or to comply with applicable laws;
- (b) if it is information that is generally known to the public other than as result of a breach of this Agreement; or
- (c) if it is information in any Incorporated Material.

Public announcements

- 5.4 Any public announcement relating to this Agreement will be arranged by the Province and, if such consultation is reasonably practicable, after consultation with the Contractor.

Restrictions on promotion

- 5.5 The Contractor must not, without the prior written approval of the Province, refer for promotional purposes to the Province being a customer of the Contractor or the Province having entered into this Agreement.

6 MATERIAL AND INTELLECTUAL PROPERTY

Access to Material

- 6.1 If the Contractor receives a request for access to any of the Material from a person other than the Province, and this Agreement does not require or authorize the Contractor to provide that access, the Contractor must promptly advise the person to make the request to the Province.

Ownership and delivery of Material

- 6.2 The Province exclusively owns all property rights in the Material which are not intellectual property rights. The Contractor must deliver any Material to the Province immediately upon the Province's request.

Matters respecting intellectual property

- 6.3 The Province exclusively owns all intellectual property rights, including copyright, in:

- (a) Received Material that the Contractor receives from the Province; and
- (b) Produced Material, other than any Incorporated Material.

Upon the Province's request, the Contractor must deliver to the Province documents satisfactory to the Province that irrevocably waive in the Province's favour any moral rights which the Contractor (or employees of the Contractor) or a Subcontractor (or employees of a Subcontractor) may have in the Produced Material and that confirm the vesting in the Province of the copyright in the Produced Material, other than any Incorporated Material.

Rights in relation to Incorporated Material

- 6.4 Upon any Incorporated Material being embedded or incorporated in the Produced Material and to the extent that it remains so embedded or incorporated, the Contractor grants to the Province:
- (a) a non-exclusive, perpetual, irrevocable, royalty-free, worldwide license to use, reproduce, modify and distribute that Incorporated Material; and
 - (b) the right to sublicense to third-parties the right to use, reproduce, modify and distribute that Incorporated Material.

7 RECORDS AND REPORTS

Work reporting

- 7.1 Upon the Province's request, the Contractor must fully inform the Province of all work done by the Contractor or a Subcontractor in connection with providing the Services.

Time and expense records

- 7.2 If Schedule B provides for the Contractor to be paid fees at a daily or hourly rate or for the Contractor to be paid or reimbursed for expenses, the Contractor must maintain time records and books of account, invoices, receipts and vouchers of expenses in support of those payments, in form and content satisfactory to the Province. Unless otherwise specified in this Agreement, the Contractor must retain such documents for a period of not less than seven years after this Agreement ends.

8 AUDIT

- 8.1 In addition to any other rights of inspection the Province may have under statute or otherwise, the Province may at any reasonable time and on reasonable notice to the Contractor, enter on the Contractor's premises to inspect and, at the Province's discretion, copy any of the Material and the Contractor must permit, and provide reasonable assistance to, the exercise by the Province of the Province's rights under this section.

9 INDEMNITY AND INSURANCE

Indemnity

- 9.1 The Contractor must indemnify and save harmless the Province and the Province's employees and agents from any losses, claims, damages, actions, causes of action, costs and expenses that the Province or any of the Province's employees or agents may sustain, incur, suffer or be put to at any time, either before or after this Agreement ends, including any claim of infringement of third-party intellectual property rights, where the same or any of them are based upon, arise out of or occur, directly or indirectly, by reason of any act or omission by the Contractor or by any of the Contractor's agents, employees, officers, directors or Subcontractors in connection with this Agreement, excepting always liability arising out of the independent acts or omissions of the Province and the Province's employees and agents.

Insurance

- 9.2 The Contractor must comply with the Insurance Schedule attached as Schedule D.

Workers compensation

- 9.3 Without limiting the generality of section 2.9, the Contractor must comply with, and must ensure that any Subcontractors comply with, all applicable occupational health and safety laws in relation to the performance of the Contractor's obligations under this Agreement, including the *Workers Compensation Act* in British Columbia or similar laws in other jurisdictions.

Personal optional protection

- 9.4 The Contractor must apply for and maintain personal optional protection insurance (consisting of income replacement and medical care coverage) during the Term at the Contractor's expense if:
- (a) the Contractor is an individual or a partnership of individuals and does not have the benefit of mandatory workers compensation coverage under the *Workers Compensation Act* or similar laws in other jurisdictions; and
 - (b) such personal optional protection insurance is available for the Contractor from WorkSafeBC or other sources.

Evidence of coverage

- 9.5 Within 10 Business Days of being requested to do so by the Province, the Contractor must provide the Province with evidence of the Contractor's compliance with sections 9.3 and 9.4.

10 FORCE MAJEURE

Definitions relating to force majeure

10.1 In this section and sections 10.2 and 10.3:

- (a) "Event of Force Majeure" means one of the following events:
 - (i) a natural disaster, fire, flood, storm, epidemic or power failure,
 - (ii) a war (declared and undeclared), insurrection or act of terrorism or piracy,
 - (iii) a strike (including illegal work stoppage or slowdown) or lockout, or
 - (iv) a freight embargoif the event prevents a party from performing the party's obligations in accordance with this Agreement and is beyond the reasonable control of that party; and
- (b) "Affected Party" means a party prevented from performing the party's obligations in accordance with this Agreement by an Event of Force Majeure.

Consequence of Event of Force Majeure

10.2 An Affected Party is not liable to the other party for any failure or delay in the performance of the Affected Party's obligations under this Agreement resulting from an Event of Force Majeure and any time periods for the performance of such obligations are automatically extended for the duration of the Event of Force Majeure provided that the Affected Party complies with the requirements of section 10.3.

Duties of Affected Party

10.3 An Affected Party must promptly notify the other party in writing upon the occurrence of the Event of Force Majeure and make all reasonable efforts to prevent, control or limit the effect of the Event of Force Majeure so as to resume compliance with the Affected Party's obligations under this Agreement as soon as possible.

11 DEFAULT AND TERMINATION

Definitions relating to default and termination

11.1 In this section and sections 11.2 to 11.4:

- (a) "Event of Default" means any of the following:
 - (i) an Insolvency Event,
 - (ii) the Contractor fails to perform any of the Contractor's obligations under this Agreement, or
 - (iii) any representation or warranty made by the Contractor in this Agreement is untrue or incorrect; and
- (b) "Insolvency Event" means any of the following:
 - (i) an order is made, a resolution is passed or a petition is filed, for the Contractor's liquidation or winding up,
 - (ii) the Contractor commits an act of bankruptcy, makes an assignment for the benefit of the Contractor's creditors or otherwise acknowledges the Contractor's insolvency,
 - (iii) a bankruptcy petition is filed or presented against the Contractor or a proposal under the *Bankruptcy and Insolvency Act* (Canada) is made by the Contractor,
 - (iv) a compromise or arrangement is proposed in respect of the Contractor under the *Companies' Creditors Arrangement Act* (Canada),
 - (v) a receiver or receiver-manager is appointed for any of the Contractor's property, or

- (vi) the Contractor ceases, in the Province's reasonable opinion, to carry on business as a going concern.

Province's options on default

- 11.2 On the happening of an Event of Default, or at any time thereafter, the Province may, at its option, elect to do any one or more of the following:
- (a) by written notice to the Contractor, require that the Event of Default be remedied within a time period specified in the notice;
 - (b) pursue any remedy or take any other action available to it at law or in equity; or
 - (c) by written notice to the Contractor, terminate this Agreement with immediate effect or on a future date specified in the notice, subject to the expiration of any time period specified under section 11.2(a).

Delay not a waiver

- 11.3 No failure or delay on the part of the Province to exercise its rights in relation to an Event of Default will constitute a waiver by the Province of such rights.

Province's right to terminate other than for default

- 11.4 In addition to the Province's right to terminate this Agreement under section 11.2(c) on the happening of an Event of Default, the Province may terminate this Agreement for any reason by giving at least 10 days' written notice of termination to the Contractor.

Payment consequences of termination

- 11.5 Unless Schedule B otherwise provides, if the Province terminates this Agreement under section 11.4:
- (a) the Province must, within 30 days of such termination, pay to the Contractor any unpaid portion of the fees and expenses described in Schedule B which corresponds with the portion of the Services that was completed to the Province's satisfaction before termination of this Agreement; and
 - (b) the Contractor must, within 30 days of such termination, repay to the Province any paid portion of the fees and expenses described in Schedule B which corresponds with the portion of the Services that the Province has notified the Contractor in writing was not completed to the Province's satisfaction before termination of this Agreement.

Discharge of liability

- 11.6 The payment by the Province of the amount described in section 11.5(a) discharges the Province from all liability to make payments to the Contractor under this Agreement.

Notice in relation to Events of Default

- 11.7 If the Contractor becomes aware that an Event of Default has occurred or anticipates that an Event of Default is likely to occur, the Contractor must promptly notify the Province of the particulars of the Event of Default or anticipated Event of Default. A notice under this section as to the occurrence of an Event of Default must also specify the steps the Contractor proposes to take to address, or prevent recurrence of, the Event of Default. A notice under this section as to an anticipated Event of Default must specify the steps the Contractor proposes to take to prevent the occurrence of the anticipated Event of Default.

12 DISPUTE RESOLUTION

Dispute resolution process

- 12.1 In the event of any dispute between the parties arising out of or in connection with this Agreement, the following dispute resolution process will apply unless the parties otherwise agree in writing:
- (a) the parties must initially attempt to resolve the dispute through collaborative negotiation;
 - (b) if the dispute is not resolved through collaborative negotiation within 15 Business Days of the dispute arising, the parties must then attempt to resolve the dispute through mediation under the rules of the British Columbia Mediator Roster Society; and
 - (c) if the dispute is not resolved through mediation within 30 Business Days of the commencement of mediation, the dispute must be referred to and finally resolved by arbitration under the *Commercial Arbitration Act*.

Location of arbitration or mediation

- 12.2 Unless the parties otherwise agree in writing, an arbitration or mediation under section 12.1 will be held in Victoria, British Columbia.

Costs of mediation or arbitration

- 12.3 Unless the parties otherwise agree in writing or, in the case of an arbitration, the arbitrator otherwise orders, the parties must share equally the costs of a mediation or arbitration under section 12.1 other than those costs relating to the production of expert evidence or representation by counsel.

13 MISCELLANEOUS

Delivery of notices

- 13.1 Any notice contemplated by this Agreement, to be effective, must be in writing and delivered as follows:
- (a) by fax to the addressee's fax number specified on the first page of this Agreement, in which case it will be deemed to be received on the day of transmittal unless transmitted after the normal business hours of the addressee or on a day that is not a Business Day, in which cases it will be deemed to be received on the next following Business Day;
 - (b) by hand to the addressee's address specified on the first page of this Agreement, in which case it will be deemed to be received on the day of its delivery; or
 - (c) by prepaid post to the addressee's address specified on the first page of this Agreement, in which case if mailed during any period when normal postal services prevail, it will be deemed to be received on the fifth Business Day after its mailing.

Change of address or fax number

- 13.2 Either party may from time to time give notice to the other party of a substitute address or fax number, which from the date such notice is given will supersede for purposes of section 13.1 any previous address or fax number specified for the party giving the notice.

Assignment

- 13.3 The Contractor must not assign any of the Contractor's rights under this Agreement without the Province's prior written consent.

Subcontracting

- 13.4 The Contractor must not subcontract any of the Contractor's obligations under this Agreement to any person without the Province's prior written consent, excepting persons listed in the attached Schedule C. No subcontract, whether consented to or not, relieves the Contractor from any obligations under this Agreement. The Contractor must ensure that:
- (a) any person retained by the Contractor to perform obligations under this Agreement; and
 - (b) any person retained by a person described in paragraph (a) to perform those obligations fully complies with this Agreement in performing the subcontracted obligations.

Waiver

- 13.5 A waiver of any term or breach of this Agreement is effective only if it is in writing and signed by, or on behalf of, the waiving party and is not a waiver of any other term or breach.

Modifications

- 13.6 No modification of this Agreement is effective unless it is in writing and signed by, or on behalf of, the parties.

Entire agreement

- 13.7 This Agreement (including any modification of it) constitutes the entire agreement between the parties as to performance of the Services.

Survival of certain provisions

- 13.8 Sections 2.9, 3.1 to 3.4, 3.7, 3.8, 5.1 to 5.5, 6.1 to 6.4, 7.1, 7.2, 8.1, 9.1, 9.2, 9.5, 10.1 to 10.3, 11.2, 11.3, 11.5, 11.6, 12.1 to 12.3, 13.1, 13.2, 13.8, and 13.10, any accrued but unpaid payment obligations, and any other sections of this Agreement (including schedules) which, by their terms or nature, are intended to survive the completion of the Services or termination of this Agreement, will continue in force indefinitely, even after this Agreement ends.

Schedules

- 13.9 The schedules to this Agreement (including any appendices or other documents attached to, or incorporated by reference into, those schedules) are part of this Agreement.

Independent contractor

- 13.10 In relation to the performance of the Contractor's obligations under this Agreement, the Contractor is an independent contractor and not:
- (a) an employee or partner of the Province; or
 - (b) an agent of the Province except as may be expressly provided for in this Agreement.

The Contractor must not act or purport to act contrary to this section.

Personnel not to be employees of Province

- 13.11 The Contractor must not do anything that would result in personnel hired or used by the Contractor or a Subcontractor in relation to providing the Services being considered employees of the Province.

Key Personnel

- 13.12 If one or more individuals are specified as "Key Personnel" of the Contractor in Part 4 of Schedule A, the Contractor must cause those individuals to perform the Services on the Contractor's behalf, unless the Province otherwise approves in writing, which approval must not be unreasonably withheld.

Pertinent information

- 13.13 The Province must make available to the Contractor all information in the Province's possession which the Province considers pertinent to the performance of the Services.

Conflict of interest

- 13.14 The Contractor must not provide any services to any person in circumstances which, in the Province's reasonable opinion, could give rise to a conflict of interest between the Contractor's duties to that person and the Contractor's duties to the Province under this Agreement.

Time

- 13.15 Time is of the essence in this Agreement and, without limitation, will remain of the essence after any modification or extension of this Agreement, whether or not expressly restated in the document effecting the modification or extension.

Conflicts among provisions

- 13.16 Conflicts among provisions of this Agreement will be resolved as follows:
- (a) a provision in the body of this Agreement will prevail over any conflicting provision in, attached to or incorporated by reference into a schedule, unless that conflicting provision expressly states otherwise; and
 - (b) a provision in a schedule will prevail over any conflicting provision in a document attached to or incorporated by reference into a schedule, unless the schedule expressly states otherwise.

Agreement not permit nor fetter

- 13.17 This Agreement does not operate as a permit, license, approval or other statutory authority which the Contractor may be required to obtain from the Province or any of its agencies in order to provide the Services. Nothing in this Agreement is to be construed as interfering with, or fettering in any manner, the exercise by the Province or its agencies of any statutory, prerogative, executive or legislative power or duty.

Remainder not affected by invalidity

- 13.18 If any provision of this Agreement or the application of it to any person or circumstance is invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected or impaired and will be valid and enforceable to the extent permitted by law.

Further assurances

- 13.19 Each party must perform the acts, execute and deliver the writings, and give the assurances as may be reasonably necessary to give full effect to this Agreement.

Additional terms

- 13.20 Any additional terms set out in the attached Schedule F apply to this Agreement.

Governing law

- 13.21 This Agreement is governed by, and is to be interpreted and construed in accordance with, the laws applicable in British Columbia.

14 INTERPRETATION

14.1 In this Agreement:

- (a) "includes" and "including" are not intended to be limiting;
- (b) unless the context otherwise requires, references to sections by number are to sections of this Agreement;
- (c) the Contractor and the Province are referred to as "the parties" and each of them as a "party";
- (d) "attached" means attached to this Agreement when used in relation to a schedule;
- (e) unless otherwise specified, a reference to a statute by name means the statute of British Columbia by that name, as amended or replaced from time to time;
- (f) the headings have been inserted for convenience of reference only and are not intended to describe, enlarge or restrict the scope or meaning of this Agreement or any provision of it;
- (g) "person" includes an individual, partnership, corporation or legal entity of any nature; and
- (h) unless the context otherwise requires, words expressed in the singular include the plural and *vice versa*.

15 EXECUTION AND DELIVERY OF AGREEMENT

- 15.1 This Agreement may be entered into by a separate copy of this Agreement being executed by, or on behalf of, each party and that executed copy being delivered to the other party by a method provided for in section 13.1 or any other method agreed to by the parties.

The parties have executed this Agreement as follows:

<p>SIGNED on the <u>7th</u> day of <u>June</u>, 2012 by the Contractor (or, if not an individual, on its behalf by its authorized signatory or signatories):</p> <p><u>[Signature]</u> Signature(s)</p> <p><u>Samir Sheh</u> Print Name(s)</p> <p><u>Principal</u> Print Title(s)</p>	<p>SIGNED on the <u>10th</u> day of <u>June</u>, 2012 on behalf of the Province by its duly authorized representative:</p> <p><u>[Signature]</u> Signature</p> <p><u>Liz Lilly</u> Print Name</p> <p><u>DIRECTOR, BUSINESS DEVELOPMENT</u> Print Title</p>
--	---

Schedule A – Services

PART 1. TERM:

1. The term of this Agreement commences on June 1, 2012 and ends on June 15, 2012.

PART 2. SERVICES:

The Contractor must perform the research, analysis and reporting described in the Proposal attached.

Outputs

The Contractor must Analyse and report on the impact of tax incentives on the film and television production industry in BC, and determine what benefits, in terms of jobs and GDP, BC would see if it matched the incentive programs of other jurisdictions.

Reporting requirements

The Contractor must provide a draft document to MCSCD for review not later than June 14, 2012. The Contractor must provide a 'final' version of the project report June 15, 2012. The report must contain the analysis described in the attached Proposal, together with statistical and factual evidence gathered to support the analysis, and any recommendations regarding policy options that the Contractor's work suggests.

PART 3. RELATED DOCUMENTATION:

1. The Contractor must perform the Services in accordance with the obligations set out in this Schedule A including any engagement letter, Solicitation document excerpt, proposal excerpt or other documentation attached as an Appendix to, or specified as being incorporated by reference in, this Schedule.
2. The following are Appendices to this Schedule A:

Appendix 1 – Engagement Letter	NOT APPLICABLE
Appendix 2 – Solicitation document excerpt	NOT APPLICABLE
Appendix 3 – Proposal excerpt	ATTACHED

PART 4. KEY PERSONNEL:

1. The Key Personnel of the Contractor are as follows:
 - (a) Andre Powell
 - (b) Daniel Breitbach

BC Production and Incentives in Film, TV, and Digital Animation

Objective

- The analysis will focus on answering the following questions:
 - 1) How do tax incentives impact the cost of producing film, TV, and digital animation in BC versus other jurisdictions?
 - 2) What would be the additional benefits to BC (in terms of jobs and GDP) if tax incentives were the same as other jurisdictions?

Approach

- We will work with the Ministry of Community, Sport, & Cultural Development and the British Columbia Film Commission to
 - 1) Identify key trends in the film industry that illustrate the importance of tax incentives, and
 - 2) Estimate tax incentives for specific productions
 - 3) Estimate the economic benefit of securing specific productions
- Key trends currently impacting the BC Film, TV and Digital Animation and Visual Effects Industry
 - 1) The distribution of revenues and count of productions by type
 - Provide a historical examination of revenues and productions to illustrate the importance of capturing a small number of large-scale productions
 - Examine the size of foreign vs domestic to illustrate the importance of capturing "mobile" film productions (i.e. foreign productions)
 - 2) Changes to tax credits in competitor jurisdictions
 - Outline developments in tax incentives for competitor jurisdictions
 - Work with BC Film Commission to incorporate anecdotal evidence of how tax regimes have impacted location decisions
- Estimate tax incentives for specific productions
 - 1) Select up to 3 productions with detailed budget information available
 - 2) Calculate the tax incentives for each production for competitor jurisdictions
 - 3) Estimate the relative cost advantage of operating in competitor jurisdictions
- Estimate the economic benefit of securing specific productions
 - 1) Use historical data to provide estimates of jobs / \$M spent
 - 2) Estimate impacts to GDP of securing a particular production

Estimated Time and Fees

Activity	Expected Time
Data Collection & Industry Research	16 hours (2 days)
Data Analysis	28 hours (3.5 days)
Presentation and Review	28 hours (3.5 days)
Total	72 hours (9 days)

Estimated Fees: 72 Hours x \$160/ hour = \$11,520.00
Delivery Date: Friday, June 15th.

Schedule B – Fees and Expenses

1. MAXIMUM AMOUNT PAYABLE:

Maximum Amount: Despite sections 2 and 3 of this Schedule, \$11,520.00 is the maximum amount which the Province is obliged to pay to the Contractor for fees and expenses under this Agreement (exclusive of any applicable taxes described in section 3.1(c) of this Agreement).

2. FEES:

Hourly Rate

Fees: at a rate of \$160.00 per hour for those hours during the Term when the Contractor provides the Services.

3. EXPENSES:

Expenses: None.

4. STATEMENTS OF ACCOUNT:

Statements of Account: In order to obtain payment of any fees and expenses under this Agreement for the period of this contract, the Contractor must deliver to the Province on a date after completion of the project deliverables, a written statement of account in a form satisfactory to the Province containing:

- (a) the Contractor's legal name and address;
- (b) the date of the statement, and the Billing Period to which the statement pertains;
- (c) the Contractor's calculation of all fees claimed for that Billing Period, including a declaration by the Contractor of
 - "all hours worked during the Billing Period";
- (d) a chronological listing, in reasonable detail, of any expenses claimed by the Contractor for the Billing Period with receipts attached, if applicable, and, if the Contractor is claiming reimbursement of any HST or other applicable taxes paid or payable by the Contractor in relation to those expenses, a description of any credits, rebates, refunds or remissions the Contractor is entitled to from the relevant taxation authorities in relation to those taxes;
- (e) the Contractor's calculation of any applicable taxes payable by the Province in relation to the Services for the Billing Period;
- (f) a description of this Agreement;
- (g) a statement number for identification; and
- (h) any other billing information reasonably requested by the Province.
- (a)

5. PAYMENTS DUE:

Payments Due: Within 30 days of the Province's receipt of the Contractor's written statement of account delivered in accordance with this Schedule, the Province must pay the Contractor the fees and expenses (plus all applicable taxes) claimed in the statement if they are in accordance with this Schedule. Statements of account or contract invoices offering an early payment discount may be paid by the Province as required to obtain the discount.

Schedule C – Approved Subcontractor(s)

Not applicable

Schedule D – Insurance

1. The Contractor must, without limiting the Contractor's obligations or liabilities and at the Contractor's own expense, purchase and maintain throughout the Term the following insurances with insurers licensed in Canada in forms and amounts acceptable to the Province:
 - (a) Commercial General Liability in an amount not less than \$2,000,000.00 inclusive per occurrence against bodily injury, personal injury and property damage and including liability assumed under this Agreement and this insurance must
 - (i) include the Province as an additional insured,
 - (ii) be endorsed to provide the Province with 30 days advance written notice of cancellation or material change, and
 - (iii) include a cross liability clause.
2. All insurance described in section 1 of this Schedule must:
 - (a) be primary; and
 - (b) not require the sharing of any loss by any insurer of the Province.
3. The Contractor must provide the Province with evidence of all required insurance as follows:
 - (a) within 10 Business Days of commencement of the Services, the Contractor must provide to the Province evidence of all required insurance in the form of a completed Province of British Columbia Certificate of Insurance;
 - (b) if any required insurance policy expires before the end of the Term, the Contractor must provide to the Province within 10 Business Days of the policy's expiration, evidence of a new or renewal policy meeting the requirements of the expired insurance in the form of a completed Province of British Columbia Certificate of Insurance; and
 - (c) despite paragraph (a) or (b) above, if requested by the Province at any time, the Contractor must provide to the Province certified copies of the required insurance policies.
4. The Contractor must obtain, maintain and pay for any additional insurance which the Contractor is required by law to carry, or which the Contractor considers necessary to cover risks not otherwise covered by insurance specified in this Schedule in the Contractor's sole discretion.

Schedule E – Privacy Protection Schedule

- Not applicable.

Schedule F – Additional Terms

Not applicable

Schedule G – Security Schedule

Definitions

1. In this Schedule,

- (a) "Equipment" means any equipment, including interconnected systems or subsystems of equipment, software and networks, used or to be used by the Contractor to provide the Services;
- (b) "Facilities" means any facilities at which the Contractor provides or is to provide the Services;
- (c) "Information" means information
 - (i) in the Material, or
 - (ii) accessed, produced or obtained by the Contractor (whether verbally, electronically or otherwise) as a result of the Agreement;
- (d) "Record" means a "record" as defined in the *Interpretation Act*;
- (e) "Sensitive Information" means
 - (i) Information that is "personal information" as defined in the *Freedom of Information and Protection of Privacy Act*, or
 - (ii) any other Information specified as "Sensitive Information" in Appendix G6, if attached; and
- (f) "Services Worker" means an individual involved in providing the Services for or on behalf of the Contractor and, for greater certainty, may include
 - (i) the Contractor or a subcontractor if an individual, or
 - (ii) an employee or volunteer of the Contractor or of a subcontractor.

Schedule contains additional obligations

2. The obligations of the Contractor in this Schedule are in addition to any other obligations in the Agreement or the schedules attached to it relating to security including, without limitation, the obligations of the Contractor in the Privacy Protection Schedule, if attached.

Services Worker confidentiality agreements

3. The Contractor must not permit a Services Worker who is an employee or volunteer of the Contractor to have access to Sensitive Information unless the Services Worker has first entered into a confidentiality agreement with the Contractor to keep Sensitive Information confidential on substantially similar terms as those that apply to the Contractor under the Agreement.

Services Worker security screening

4. The Contractor may only permit a Services Worker who is an employee or a volunteer of the Contractor to have access to Sensitive Information or otherwise be involved in providing the Services if, after having subjected the Services Worker to the personnel security screening requirements set out in Appendix G1 and any additional requirements the Contractor may consider appropriate, the Contractor is satisfied that the Services Worker does not constitute an unreasonable security risk. The Contractor must create, obtain

and retain Records documenting the Contractor's compliance with the security screening requirements set out in Appendix G1 in accordance with the provisions of that appendix.

Services Worker activity logging

5. Subject to section 6, the Contractor must create and maintain detailed Records logging the activities of all Service Workers in relation to:
 - (a) their access to Sensitive Information; and
 - (b) other matters specified by the Province in writing for the purposes of this section.
6. The Records described in section 5 must be made and maintained in a manner, and contain information, specified in Appendix G2, if attached.

Facilities and Equipment protection and access control

7. The Contractor must create, maintain and follow a documented process to:
 - (a) protect Facilities and Equipment of the Contractor required by the Contractor to provide the Services from loss, damage or any other occurrence that may result in any of those Facilities and Equipment being unavailable when required to provide the Services; and
 - (b) limit access to Facilities and Equipment of the Contractor
 - (i) being used by the Contractor to provide the Services, or
 - (ii) that may be used by someone to access Informationto those persons who are authorized to have that access and for the purposes for which they are authorized, which process must include measures to verify the identity of those persons.
8. If the Province makes available to the Contractor any Facilities or Equipment of the Province for the use of the Contractor in providing the Services, the Contractor must comply with any policies and procedures provided to it by the Province on acceptable use, protection of, and access to, such Facilities or Equipment.

Sensitive Information access control

9. The Contractor must:
 - (a) create, maintain and follow a documented process for limiting access to Sensitive Information to those persons who are authorized to have that access and for the purposes for which they are authorized, which process must include measures to verify the identity of those persons; and
 - (b) comply with the information access control requirements set out in Appendix G3, if attached.

Integrity of Information

10. The Contractor must:
 - (a) create, maintain and follow a documented process for maintaining the integrity of Information while possessed or accessed by the Contractor; and
 - (b) comply with the information integrity requirements set out in Appendix G4, if attached.

11. For the purposes of section 10, maintaining the integrity of Information means that, except to the extent expressly authorized by the Agreement or approved in writing by the Province, the Information has:
 - (a) remained as complete as when it was acquired or accessed by the Contractor; and
 - (b) not been altered in any material respect.

Documentation of changes to processes

12. The Contractor must create and maintain detailed Records logging any changes it makes to the processes described in sections 7, 9 and 10.

Notice of security breaches

13. If Contractor becomes aware that:
 - (a) unauthorized access, collection, use, disclosure, alteration or disposal of Information or Records containing Information; or
 - (b) unauthorized access to Facilities or Equipment

has occurred or is likely to occur (whether or not related to a failure by the Contractor to comply with this Schedule or the Agreement), the Contractor must immediately notify the Province of the particulars of that occurrence or likely occurrence. If the Contractor provides a notification under this section other than in writing, that notification must be confirmed in writing to the Province as soon as it is reasonably practicable for the Contractor to do so.

Review of security breaches

14. If the Province decides to conduct a review of a matter described in section 13 (whether or not the matter came to the attention of the Province as a result of a notification under section 13), the Contractor must, on the request of the Province, participate in the review to the extent that it is reasonably practicable for the Contractor to do so.

Retention of Records

15. Unless the Agreement otherwise specifies, the Contractor must retain all Records in the Contractor's possession that contain Information until directed by the Province in writing to dispose of them or deliver them as specified in the direction.

Storage of Records

16. Until disposed of or delivered in accordance with section 15, the Contractor must store any Records in the Contractor's possession that contain Information in accordance with the provisions of Appendix G5, if attached.

Audit

17. In addition to any other rights of inspection the Province may have under the Agreement or under statute, the Province may, at any reasonable time and on reasonable notice to the Contractor, enter on the Contractor's premises to inspect and, at the Province's discretion, copy:
 - (a) any Records in the possession of the Contractor containing Information; or

- (b) any of the Contractor's Information management policies or processes (including the processes described in sections 7, 9 and 10 and the logs described in sections 5 and 12) relevant to the Contractor's compliance with this Schedule

and the Contractor must permit, and provide reasonable assistance to the exercise by the Province of the Province's rights under this section.

Termination of Agreement

- 18. In addition to any other rights of termination which the Province may have under the Agreement or otherwise at law, the Province may, subject to any provisions in the Agreement establishing mandatory cure periods for defaults by the Contractor, terminate the Agreement by giving written notice of such termination to the Contractor, upon any failure of the Contractor to comply with this Schedule in a material respect.

Interpretation

- 19. In this Schedule, unless otherwise specified:
 - (a) references to sections are to sections of this Schedule; and
 - (b) references to appendices are to the appendices attached to this Schedule.
- 20. Any reference to the "Contractor" in this Schedule includes any subcontractor retained by the Contractor to perform obligations under the Agreement and the Contractor must ensure that any such subcontractors comply with this Schedule.
- 21. The appendices attached to this Schedule are part of this Schedule.
- 22. If there is a conflict between a provision in an appendix attached to this Schedule and any other provision of this Schedule, the provision in the appendix is inoperative to the extent of the conflict unless the appendix states that it operates despite a conflicting provision of this Schedule.
- 23. If there is a conflict between:
 - (a) a provision of the Agreement, this Schedule or an appendix attached to this Schedule; and
 - (b) a documented process required by this Schedule to be created or maintained by the Contractorthe provision of the Agreement, Schedule or appendix will prevail to the extent of the conflict.
- 24. The obligations of the Contractor in this Schedule will survive the termination of the Agreement.

SCHEDULE G – Appendix G1 – Security screening requirements

The personnel security screening requirements set out in this Appendix G1 are for the purpose of assisting the Contractor determine whether or not a Services Worker constitutes an unreasonable security risk.

Verification of name, date of birth and address

1. The Contractor must verify the name, date of birth and current address of a Services Worker by viewing at least one piece of "primary identification" of the Services Worker and at least one piece of "secondary identification" of the Services Worker,* as described in the table following this section. The Contractor must obtain or create, as applicable, Records of all such verifications and retain a copy of those Records. For a Services Worker from another province or jurisdiction, reasonably equivalent identification documents are acceptable.

Primary Identification	Secondary Identification
<p>Issued by ICBC:</p> <ul style="list-style-type: none">• B.C. driver's licence or learner's licence (must have photo)• B.C. Identification (BCID) card <p>Issued by provincial or territorial government:</p> <ul style="list-style-type: none">• Canadian birth certificate <p>Issued by Government of Canada:</p> <ul style="list-style-type: none">• Canadian Citizenship Card• Permanent Resident Card• Canadian Record of Landing/Canadian Immigration Identification Record	<ul style="list-style-type: none">• School ID card (student card)• Bank card (only if holder's name is on card)• Credit card (only if holder's name is on card)• Passport• Foreign birth certificate (a baptismal certificate is not acceptable)• Canadian or U.S. driver's licence• Naturalization certificate• Canadian Forces identification• Police identification• Foreign Affairs Canada or consular identification• Vehicle registration (only if owner's signature is shown)• Picture employee ID card• Firearms Acquisition Certificate• Social Insurance Card (only if has signature strip)• B.C. CareCard• Native Status Card• Parole Certificate ID• Correctional Service Conditional Release Card

*It is not necessary that each piece of identification viewed by the Contractor contains the name, date of birth and current address of the Services Worker. It is sufficient that, in combination, the identification viewed contains that information.

Verification of education and professional qualifications

2. The Contractor must verify, by reasonable means, any relevant education and professional qualifications of a Services Worker, obtain or create, as applicable, Records of all such verifications, and retain a copy of those Records.

Verification of employment history and reference checks

3. The Contractor must verify, by reasonable means, any relevant employment history of a Services Worker, which will generally consist of the Contractor requesting that a Services Worker provide employment references and the Contractor contacting those references. If a Services Worker has no relevant employment history, the Contractor must seek to verify the character or other relevant personal characteristics of the Services Worker by requesting the Services Worker to provide one or more personal references and contacting those references. The Contractor must obtain or create, as applicable, Records of all such verifications and retain a copy of those Records.

Security interview

4. The Contractor must allow the Province to conduct a security-focused interview with a Services Worker if the Province identifies a reasonable security concern and notifies the Contractor it wishes to do so.

BC Production and Incentives in Film, TV, and Digital Animation

Objective

- The analysis will focus on answering the following questions:
 - 1) How do tax incentives impact the cost of producing film, TV, and digital animation in BC versus other jurisdictions?
 - 2) What would be the additional benefits to BC (in terms of jobs and GDP) if tax incentives were the same as other jurisdictions?

Approach

- We will work with the Ministry of Community, Sport, & Cultural Development and the British Columbia Film Commission to
 - 1) Identify key trends in the film industry that illustrate the importance of tax incentives, and
 - 2) Estimate tax incentives for specific productions
 - 3) Estimate the economic benefit of securing specific productions
- Key trends currently impacting the BC Film, TV and Digital Animation and Visual Effects industry
 - 1) The distribution of revenues and count of productions by type
 - Provide a historical examination of revenues and productions to illustrate the importance of capturing a small number of large-scale productions
 - Examine the size of foreign vs domestic to illustrate the importance of capturing "mobile" film productions (i.e. foreign productions)
 - 2) Changes to tax credits in competitor jurisdictions
 - Outline developments in tax incentives for competitor jurisdictions
 - Work with BC Film Commission to incorporate anecdotal evidence of how tax regimes have impacted location decisions
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 - 1) Select up to 3 productions with detailed budget information available
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 - 1) Use historical data to provide estimates of jobs / \$M spent
 - 2) Estimate impacts to GDP of securing a particular production

Estimated Time and Fees

Activity	Expected Time
Data Collection & Industry Research	16 hours (2 days)
Data Analysis	28 hours (3.5 days)
Presentation and Review	28 hours (3.5 days)
Total	72 hours (9 days)

Estimated Fees: 72 Hours x \$160/ hour = \$11,520.00

Delivery Date: Friday, June 15th.

Ministry of Community, Sport and Cultural Development
Contracts Issued to Deetken Enterprises Inc. During the Period January 1 to December 31, 2012

<u>Contract Start Date</u>	<u>Contract Description</u>	<u>Contract Value</u>
June 1, 2012	Analyze and report on the impact of tax incentives on the film and television industry in BC	11,520
Total value of contracts issued to Deetken Enterprises Inc. from January 1 to December 31, 2012		<u>11,520</u>

Whyte, Bruce CSCD:EX

From: Dan Breitbach [dbreitbach@deetken.com]
Sent: Wednesday, August 15, 2012 10:21 AM
To: Whyte, Bruce CSCD:EX
Cc: apowell@deetken.com; Carroll, Lora CSCD:EX
Subject: Re: Final Presentation - BC Film and Television Tax Incentives Analysis

Hi Bruce,

The figures on employment from pg. 44 are based on actual figures for a sample of projects we had access to, calculated basically by dividing the total spend on employment by the average salary for an FTE. Figures on pg. 49 are based on the BC Stats industry multipliers. The difference results from p.44 being a small sample and p.49 being based on a larger data set maintained by BC Stats. My intention was to provide some additional context and robustness on the FTE estimates. Given the larger data set BC Stats has access to, I would suggest using the 12.3 FTE / \$1M figure. Results on pg 44 should give a flavor as to what a potential range could be (roughly between 9.7 and 12.6).

The provincial tax revenue multipliers on pg 51 were provided by Lillian Hallin from BC Stats (as were the FTEs per \$1m). This is based on a proprietary data set that has not been made public. She was kind enough to provide these figures to enhance the analysis.

Please let me know if you have any other questions.

Cheers,
Dan

On Wed, Aug 15, 2012 at 10:03 AM, Whyte, Bruce CSCD:EX <Bruce.Whyte@gov.bc.ca> wrote:

Hi Dan:

We wonder if you could help us understand something in your June 18 report.

On page 44, you calculate the jobs created per \$1M industry spend at 11.3; on page 49, you show it at 12.3. Could you please explain/advise which number we should use?

On page 51, you indicate the incremental provincial tax revenue using multipliers. Were you given any numbers to indicate the current Provincial tax haul?

Thank you.

Bruce Whyte, PhD (cand.) | Community Cultural Development Advisor |
Arts & Culture Branch | Ministry of Community, Sport and Cultural Development
Tel: 250 356 6967 | Fax: 250-387-4099

--
Dan Breitbach
The Deetken Group
t: 604.731.4424
c: 604.785.2128
e: dbreitbach@deetken.com

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Whyte, Bruce CSCD:EX

From: Dan Breitbach [dbreitbach@deetken.com]
Sent: Monday, June 18, 2012 12:09 PM
To: Lilly, Liz CSCD:EX; Galbraith, David J CSCD:EX; Lamare, Karen BCFC:EX; Croome, Susan E BCFC:EX; Whyte, Bruce CSCD:EX; Hallin, Lillian LCTZ:EX
Cc: Andre Powell; Paavan Gami
Subject: Re: Final Presentation - BC Film and Television Tax Incentives Analysis
Attachments: BC Film and Television Tax Incentives Analysis - 6.18.2012 v3.pptx

Last update - minor edit. Please use v3. I missed a plus sign on the tax slide and I believe it is a bit more clear here.

Cheers,
Dan

On Mon, Jun 18, 2012 at 11:54 AM, Dan Breitbach <dbreitbach@deetken.com> wrote:
Hi everyone,

After a quick update with Lillian, I've adjusted the total tax dollars to reflect the increased cost of incentives on new productions. Please use this version.

Thanks,
Dan

On Mon, Jun 18, 2012 at 11:27 AM, Dan Breitbach <dbreitbach@deetken.com> wrote:
Hello everyone,

Please find the attached presentation for the BC Film and Television Tax Incentives Analysis. This version has updated economic impact figures based on the latest BC Stats information available. Please let me know if you have any questions and feel free to reach out for any clarity or explanation. It was a pleasure working with you all and I look forward to meeting you again in the future.

Cheers,
Dan

--

Dan Breitbach
The Deetken Group
t: [604.731.4424](tel:604.731.4424)
c: [604.785.2128](tel:604.785.2128)
e: dbreitbach@deetken.com

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Dan Breitbach
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The Deetken Group



BC Film and Television Tax Incentives Analysis

June 18, 2012

1. Overview

2. Approach

3. Industry Trends

4. Cost Benchmark

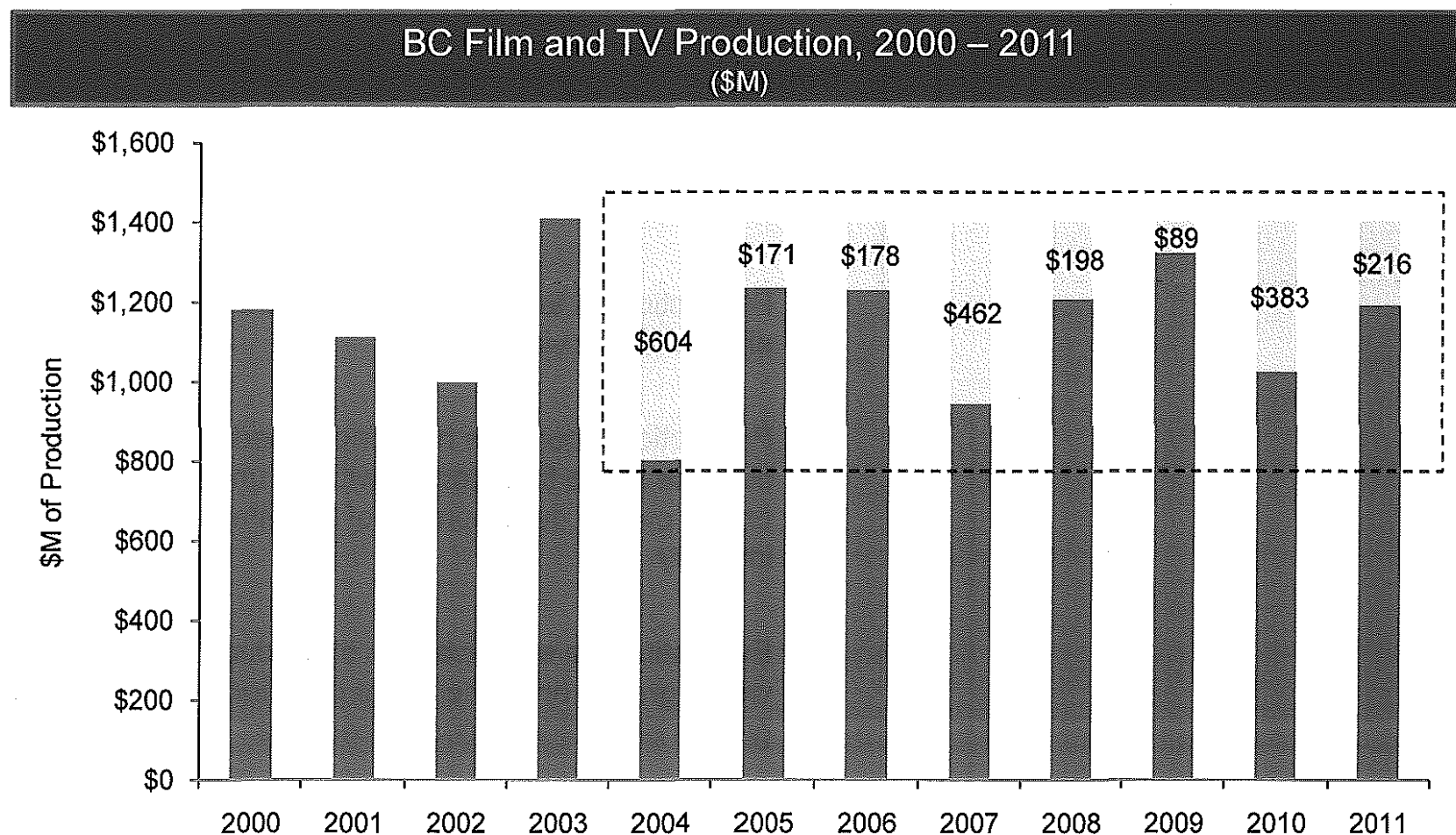
5. Economic Impacts

The Deetken Group has been engaged by the Ministry of Community, Sport, and Cultural Development to provide analysis on the effectiveness and economic impacts of production incentives on the BC film and television industry

Context

- BC remains a top location in North America for film and television production as well as digital animation and visual effects
- Production, in terms of \$ spend in BC, has been effectively flat since 2003
- Production incentives have increased consistently over the same time period, with an uncertain impact on the overall development of the film and television industry
- Evaluating the effectiveness of production incentives would greatly enhance future decision making on the growth or decline of such incentives

Total production in film and television peaked in 2003, leaving available capital and labour under-utilized over subsequent years. At a minimum, BC has an average annual gap of \$285M worth of productive capability



Note: Numbers are presented as published in BC Film Commission Production Stats 2011 and have not been adjusted for inflation

1. Overview

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5. Economic Impacts

A variety of factors influence the performance of BC's production industry. The approach here combines quantitative and qualitative analyses of key determinants of BC's film and television production industry

	Description
Key Trends	<ul style="list-style-type: none"> • Historical BC production by type • Production incentives for BC • Historical trends in production incentives • Comparison of production incentives with competitor jurisdictions
Cost Competitiveness	<ul style="list-style-type: none"> • Exchange rate • Film Budget Benchmark • Changes in production incentives • Impact of PST
Economic Impacts	<ul style="list-style-type: none"> • Production dollars per incentive dollar • Jobs per \$M of production spend • Marginal impact of increasing incentives • Marginal economic impacts from increased incentives

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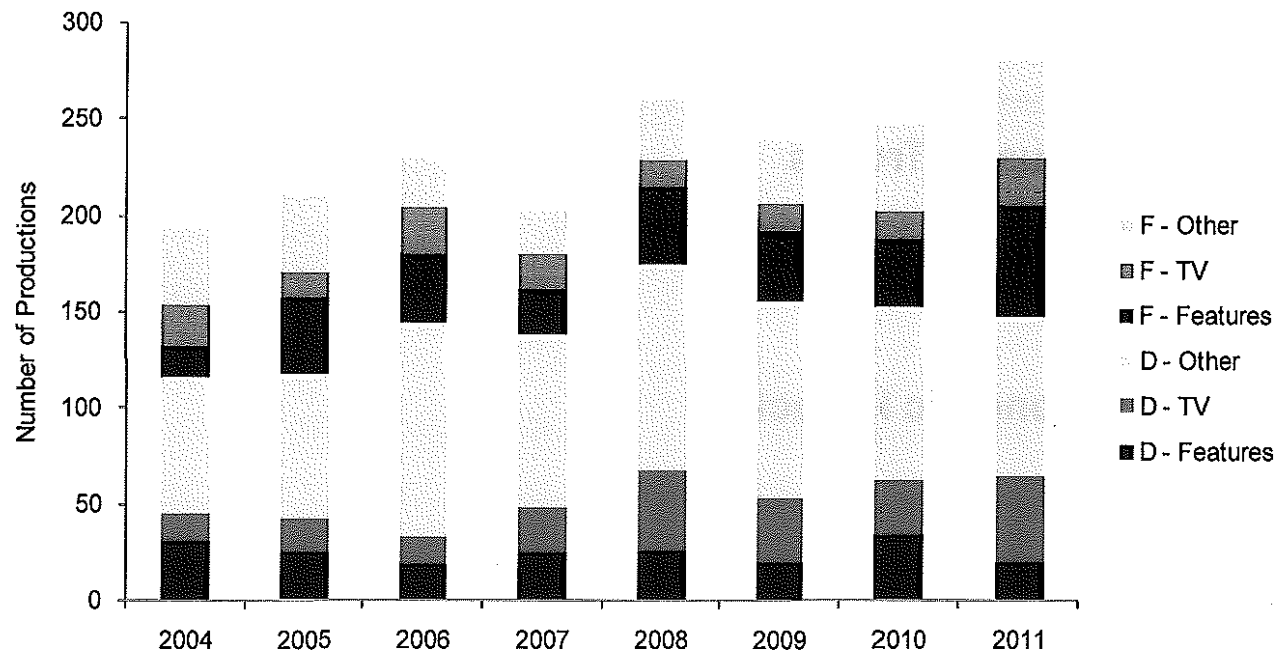
5. Economic Impacts

Industry Trends: BC Productions

Canadian productions account for just over half of all BC productions in 2011

Number of BC Film and TV Productions by Type, 2004 – 2011

Notes



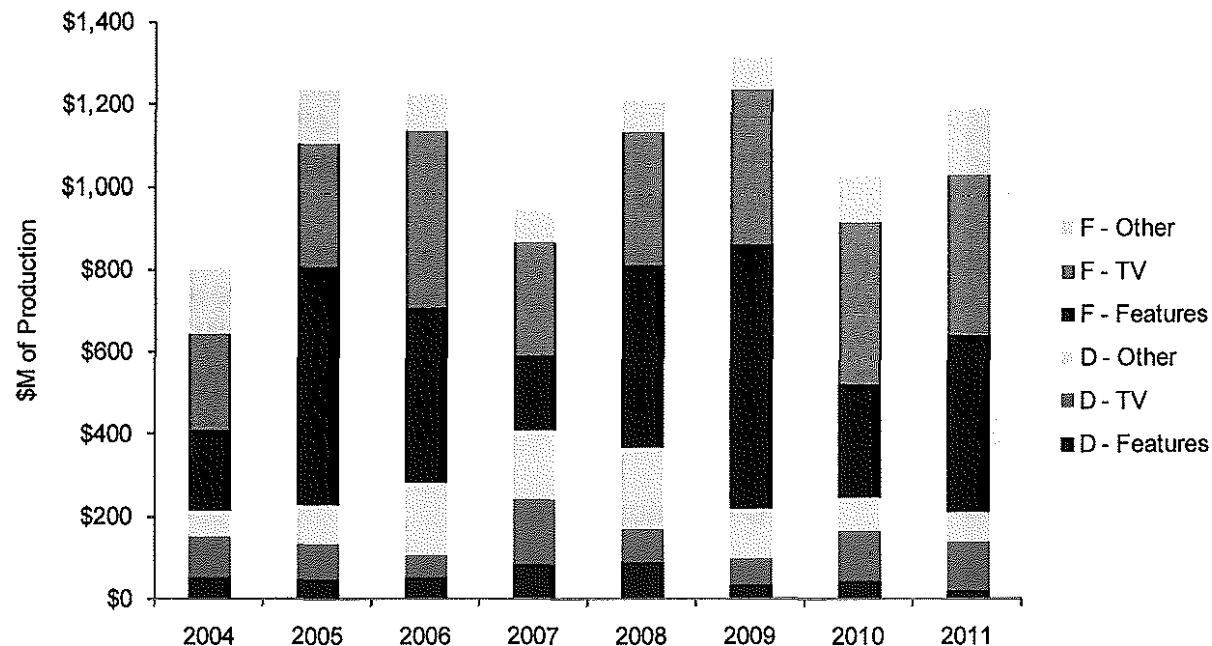
- Historically, non-TV and non-feature film Canadian productions are the largest individual segment
- Though the growth in foreign productions is somewhat variable, the segment has increased since 2004

Industry Trends: BC Production Revenues

Though foreign productions are less than 50% of the number of BC productions, they comprise roughly 80% of film and television production spend in BC

BC Film and TV Production Spend by Type, 2004 – 2011

Notes

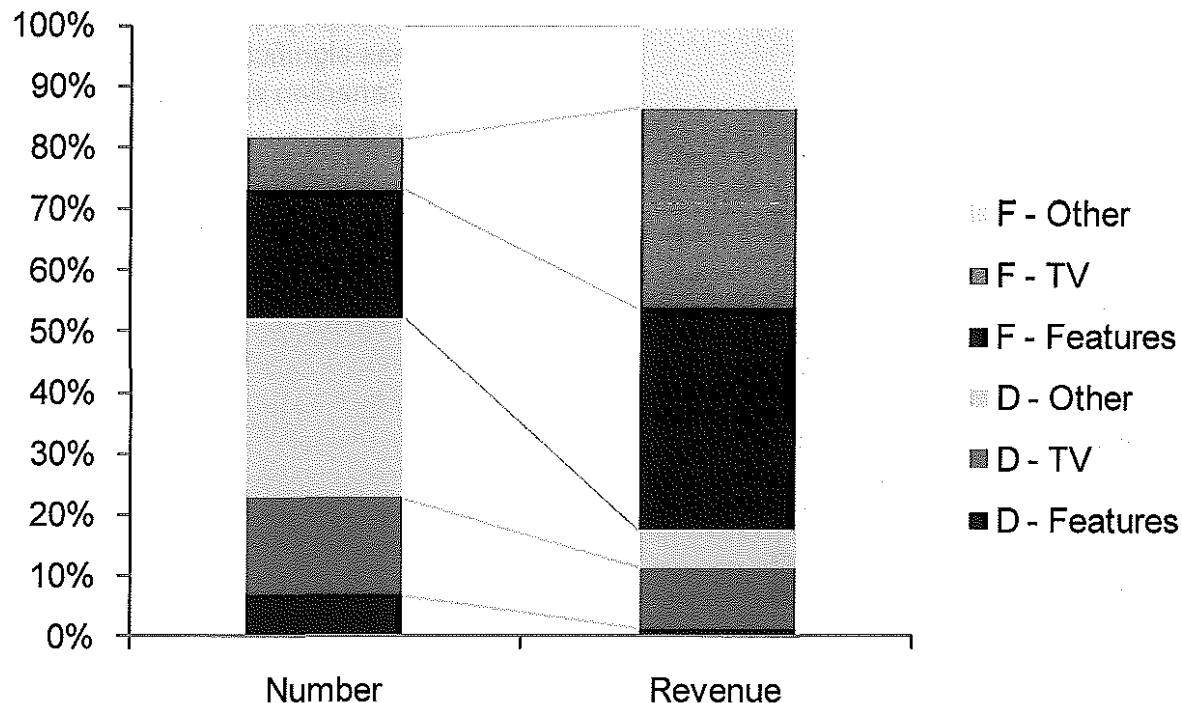


- Foreign production spend has significantly outpaced Canadian spend since 2004 in BC
- Feature film and television for foreign productions are by far the biggest segments

Industry Trends: Number of Productions vs Revenue of Productions

Foreign features and television appear to be much higher value per production for the Province than any other type of production

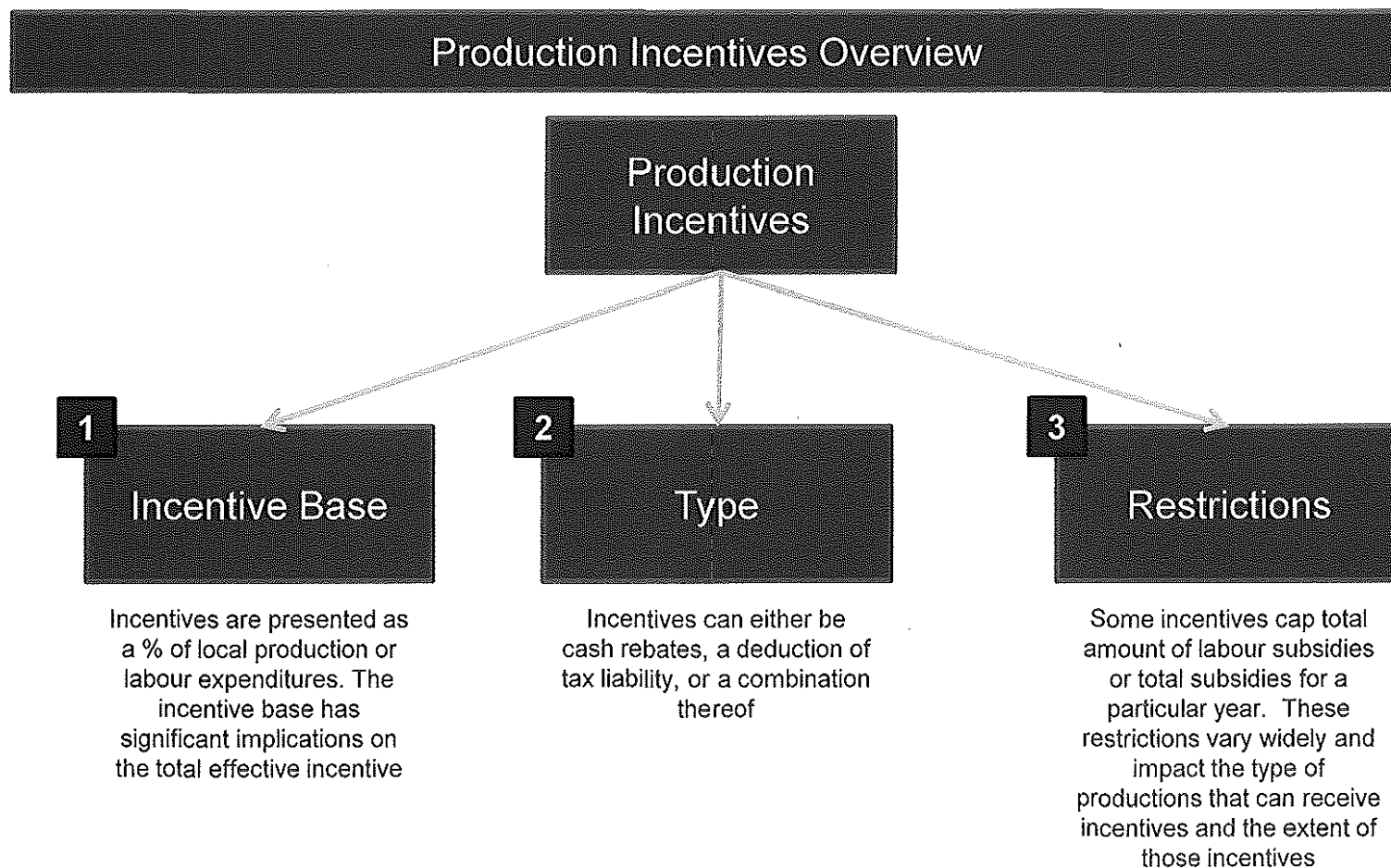
Comparison of Proportions of Number vs Revenue of Production by Type, 2011



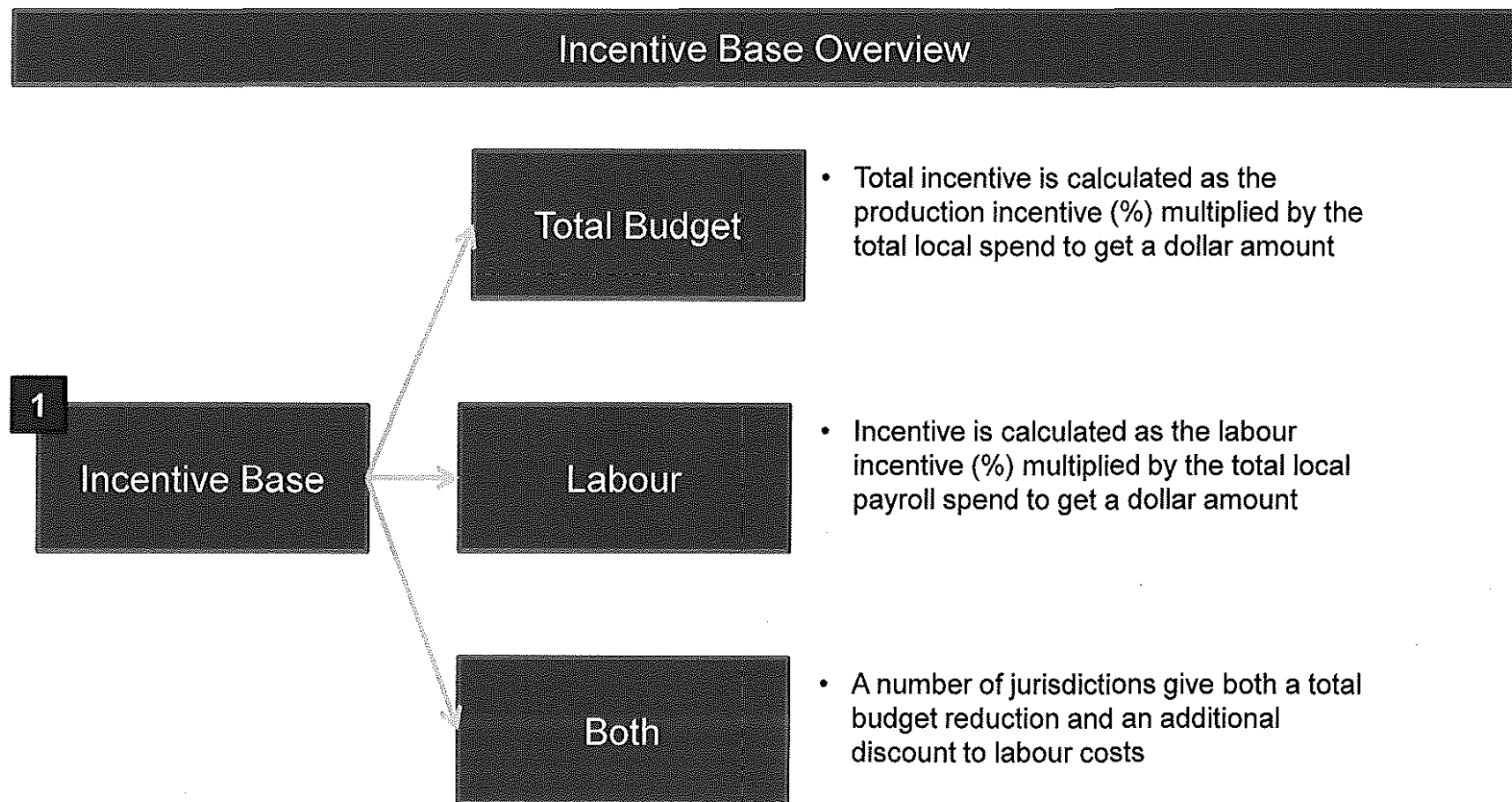
Notes

- A small number of large foreign productions are key to maintaining the overall size of BC's production industry
- These results are for 2011 – however, the analysis is fundamentally the same for every year since 2004

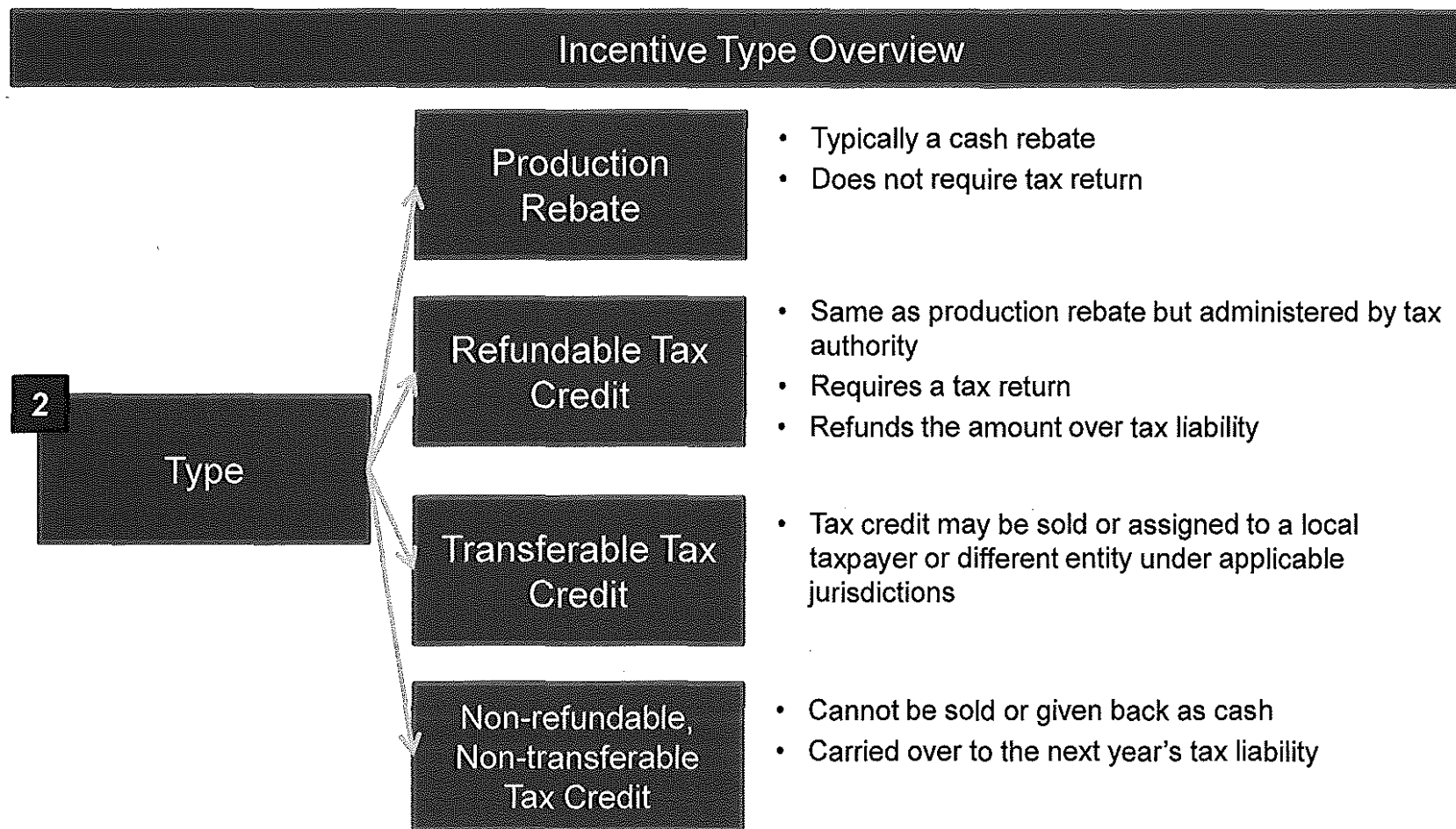
Production incentives have three primary components: Incentive Base, Type, and Restrictions



Incentives are typically based on a discount to the total budget, labour expense, or a combination of both



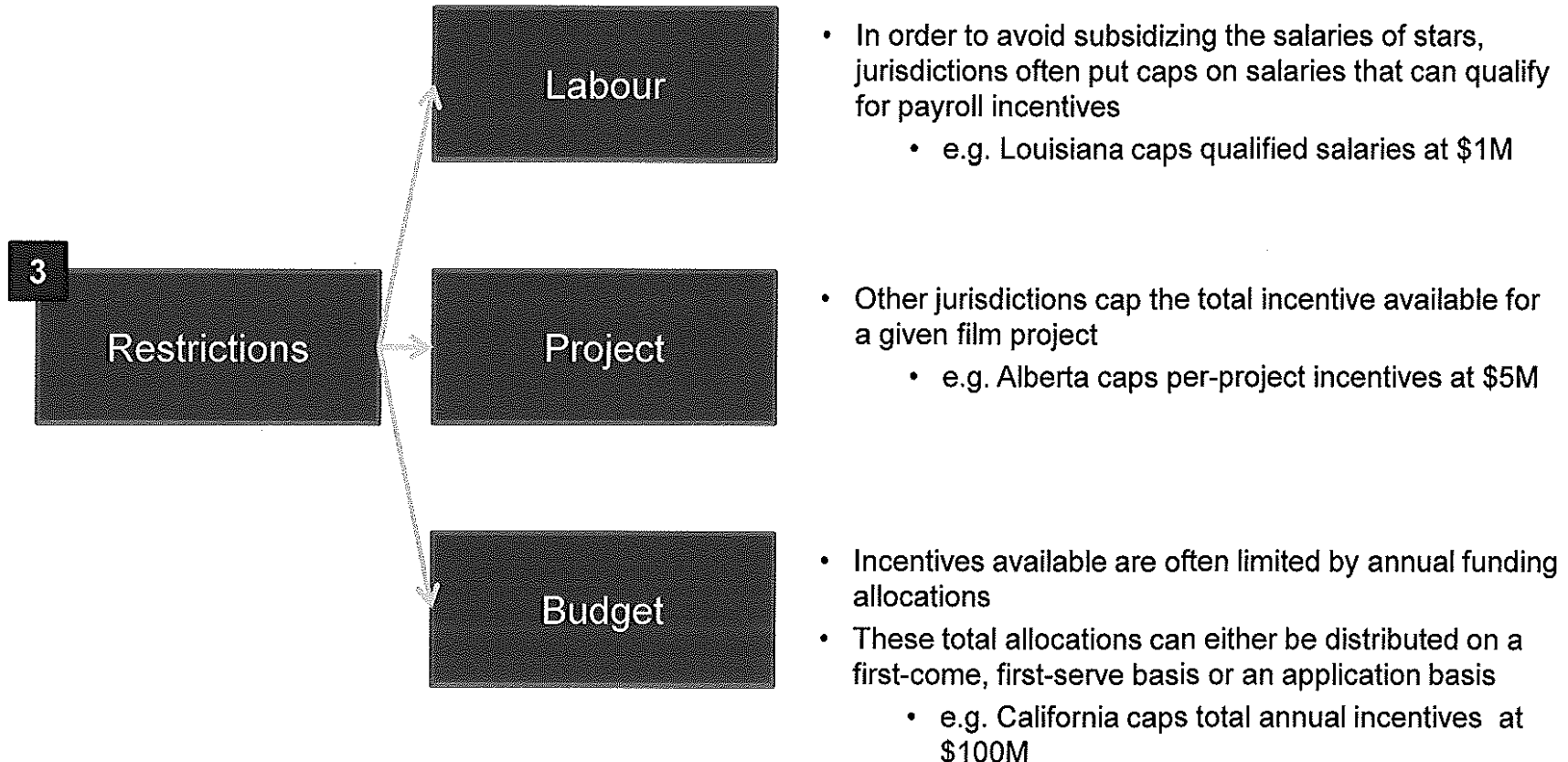
The type of incentive can have a material impact on the size and delivery of the incentive to producers



Industry Trends: Production Incentives

Jurisdictions often restrict how incentives can be used, either by limiting qualifying labour spend, creating a maximum incentive for any one project, or capping the total governmental budget for production incentives in any particular year

Restrictions Overview



Industry Trends: Current Incentive Structures

Production incentives offered in BC

Incentive	Incentive Base	Type	Restrictions
Film Incentive BC (FIBC)	<ul style="list-style-type: none"> 35% of labour expenses Up to 18.5% additional credit available for filming in distant locations Stacks with Federal CPTC (25%) 	<ul style="list-style-type: none"> Refundable tax credit 	<ul style="list-style-type: none"> Production company must be Canadian owned and controlled Production content must be Canadian No minimum spend
Production Services Tax Credit (PSTC)	<ul style="list-style-type: none"> 33% of labour expenses Up to 12% additional credit available for filming in distant locations Stacks with Federal PSTC (16%) 	<ul style="list-style-type: none"> Refundable tax credit 	<ul style="list-style-type: none"> Available to foreign and domestic producers No content regulation Films must spend more than \$1M, television series must spend more than \$200K per episode
Digital Animation or Visual Effects PSTC (DAVE)	<ul style="list-style-type: none"> 17.5% of labour expenses associated with DAVE Stacks with other incentives available 	<ul style="list-style-type: none"> Refundable tax credit 	<ul style="list-style-type: none"> Dependent on overarching incentive (either FIBC or PSTC)
Canadian Film or Video Production Tax Credit (Federal CPTC)	<ul style="list-style-type: none"> 25% of labour expenses 	<ul style="list-style-type: none"> Refundable tax credit 	<ul style="list-style-type: none"> Production company must be a Canadian company that primarily produces Canadian film
Film or Video Production Services Tax Credit (Federal PSTC)	<ul style="list-style-type: none"> 16% of labour expenses 	<ul style="list-style-type: none"> Refundable tax credit 	<ul style="list-style-type: none"> Available to any foreign or domestic company that files Canadian corporate income tax

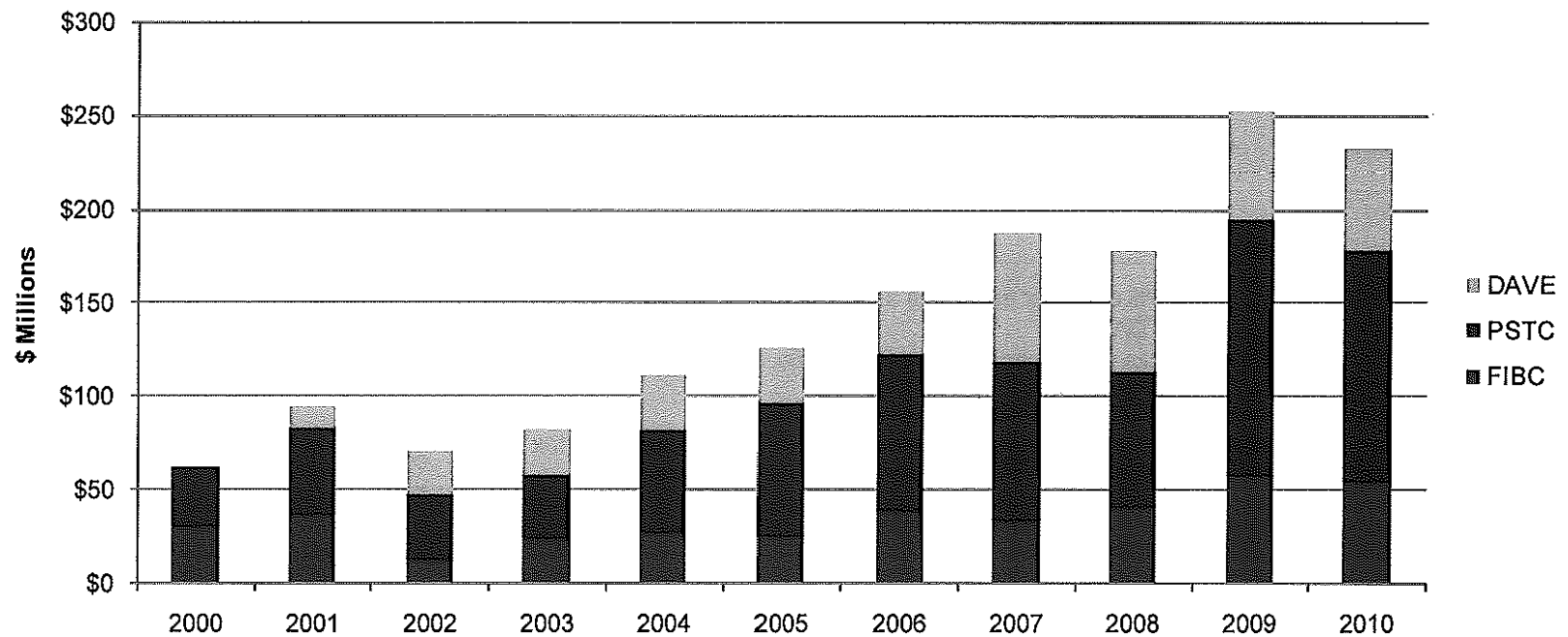
Note:

- All jurisdictions include minimum spend stipulations (~ \$1M for films, ~\$100K for TV episodes), stipulate that a majority of filming/production must occur within the jurisdiction, and limit eligible productions, i.e. no pornography, sports broadcasting incentives
- Sources: <http://www.bcfm.ca/programs/tax-credits>, <http://www.pch.gc.ca/eng/1268752355851>

Industry Trends: Production Incentives Over Time






















BC's production incentives have been growing steadily, across types, since 2000

BC Film and TV Production Incentives, 2004 – 2011
\$M



Industry Trends: Current Incentive Structures

Production incentives across competitor jurisdictions

Jurisdiction	Incentive Base		Type			Restrictions
	Total Budget	Labour	Rebate	Refundable	Transferrable	
Ontario						
Alberta						<ul style="list-style-type: none"> • Incentive capped at \$5M per project
Quebec						
New York						<ul style="list-style-type: none"> • Total incentives capped at \$420M annually
Louisiana						<ul style="list-style-type: none"> • Caps on qualified salaries and producers fees
New Mexico						<ul style="list-style-type: none"> • Total incentives capped at \$50M annually
California						<ul style="list-style-type: none"> • Qualifying budgets capped at \$75M • Total incentives capped at \$100M annually

Note:

- All jurisdictions include minimum spend stipulations (~ \$1M for films, ~\$100K for TV episodes), stipulate that a majority of filming/production must occur within the jurisdiction, and limit eligible productions, i.e. no pornography, sports broadcasting incentives
- Many jurisdictions also offer additional incentives for filming out of metropolitan areas
- Sources: Jurisdiction Film Commissions, e.g. <http://nylovesfilm.com>

Incentives based on the percent of total budget spend have been increasing substantially over time with the two largest production centers, California and New York, increasing incentives in 2009 and 2008

Changes in Total Budget Incentives, 2002 – 2012

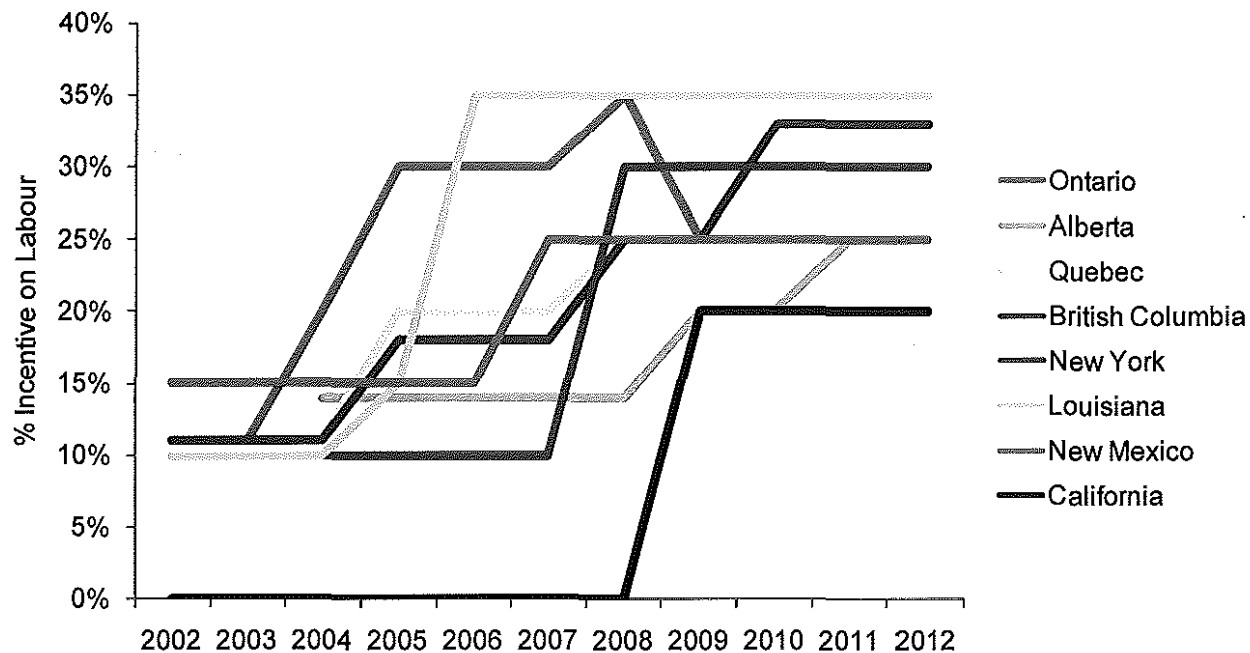


Notes

- BC does not offer a total budget incentive
- Ontario, Quebec and New Mexico all have a 25% total budget incentive

Changes in labour incentives across key jurisdictions – figures presented here exclude federal portion of incentives (see next page)

Changes in Labour Incentives, 2002 – 2012



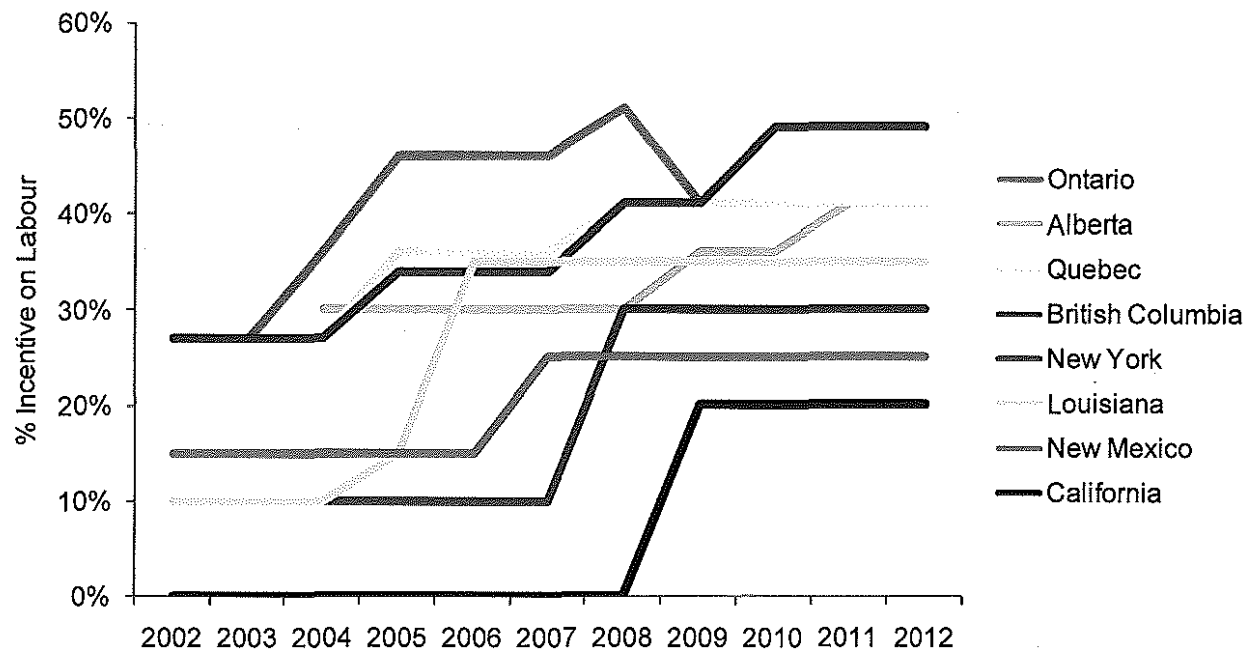
Notes

- All jurisdictions that offer total budget incentives effectively offer labour incentives
- Though BC offers a high labour incentive, it is the only jurisdiction that does not offer a total budget incentive

Changes in labour incentives across key jurisdictions – including federal supplements

Labour Incentives Including Canadian Federal Portion, 2002 – 2012

Notes



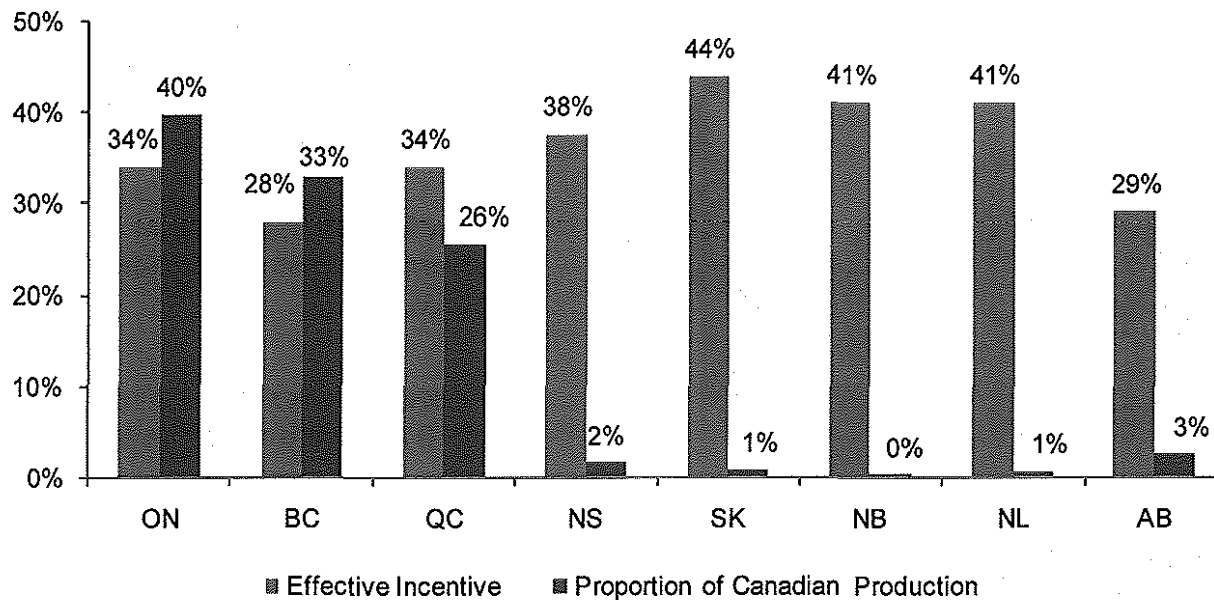
- When the federal portion of labour incentives is added, BC has the highest incentive compared to competitors
- Again, labour incentives are only a component of total incentives – comparing incentives across jurisdictions requires a total effective incentive

Industry Trends: BC's Advantage

Though smaller Canadian jurisdictions offer higher effective production incentives, BC still captures a large portion of productions due to qualitative advantages.

Effective Incentive¹ and Proportion of 2011 Canadian Production

Notes



- BC has the largest film and television labour force in Canada
- BC's film infrastructure is well-developed, with the largest net studio space in Canada
- BC's geography is uniquely diverse, comprising nine climate zones

Note:

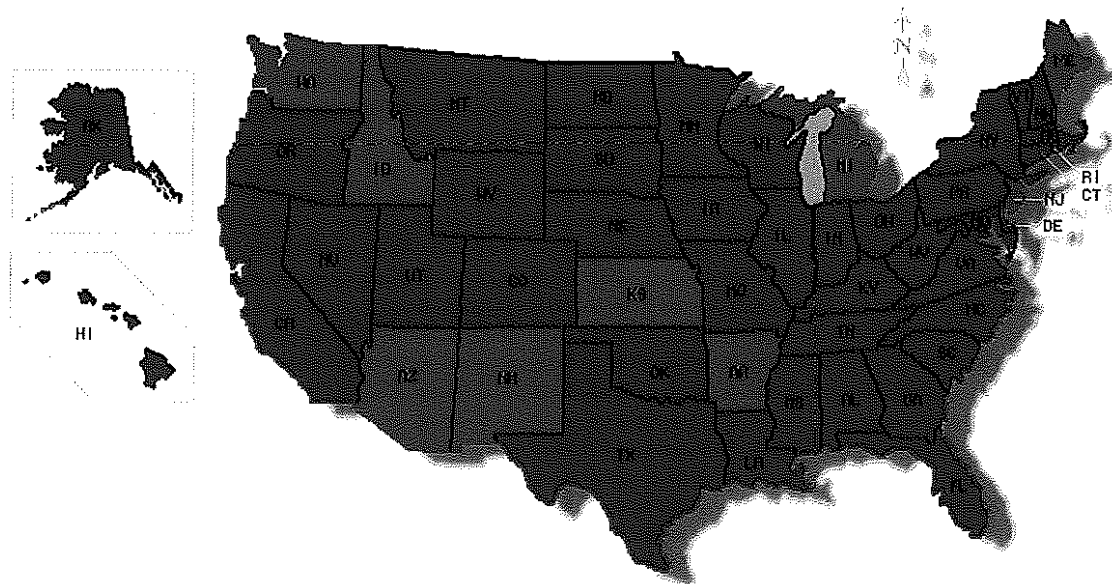
1. Total effective incentive is weighted average of labour and total budget incentives as calculated using a number of detailed production budgets. See Cost Benchmark section for details.

Industry Trends: Incentive Reductions

While larger states have been expanding their incentives, smaller players have reduced them, primarily for internal budgetary reasons

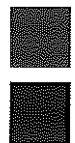
Jurisdictions that Reduced Incentives between 2010 and 2012

Notes



- Michigan capped its incentives (42% of production expenses, the largest in North America) to \$25M annually
- New Mexico capped total incentives to all productions at \$45M
- Arizona's incentives expired in 2010 and were not renewed
- Other states that have cut programs for budgetary reasons: AR, ID, KS, ME, NJ, WA

Legend



Jurisdiction that lowered incentive

Jurisdiction that increased or remained the same

All of BC's competitor jurisdictions have been increasing production incentives over the last decade, an indication of the production industry's mobility and price sensitivity

Key Points – Industry Trends

- Foreign productions in BC have an outsized impact on the overall budget spend compared to the relatively small number of productions
- BC is the only jurisdiction among its competitors that does not offer an incentive based on total budget
- All competitor jurisdictions are increasing budget incentives, including New York and California, the largest centers of production

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Cost Benchmark Overview

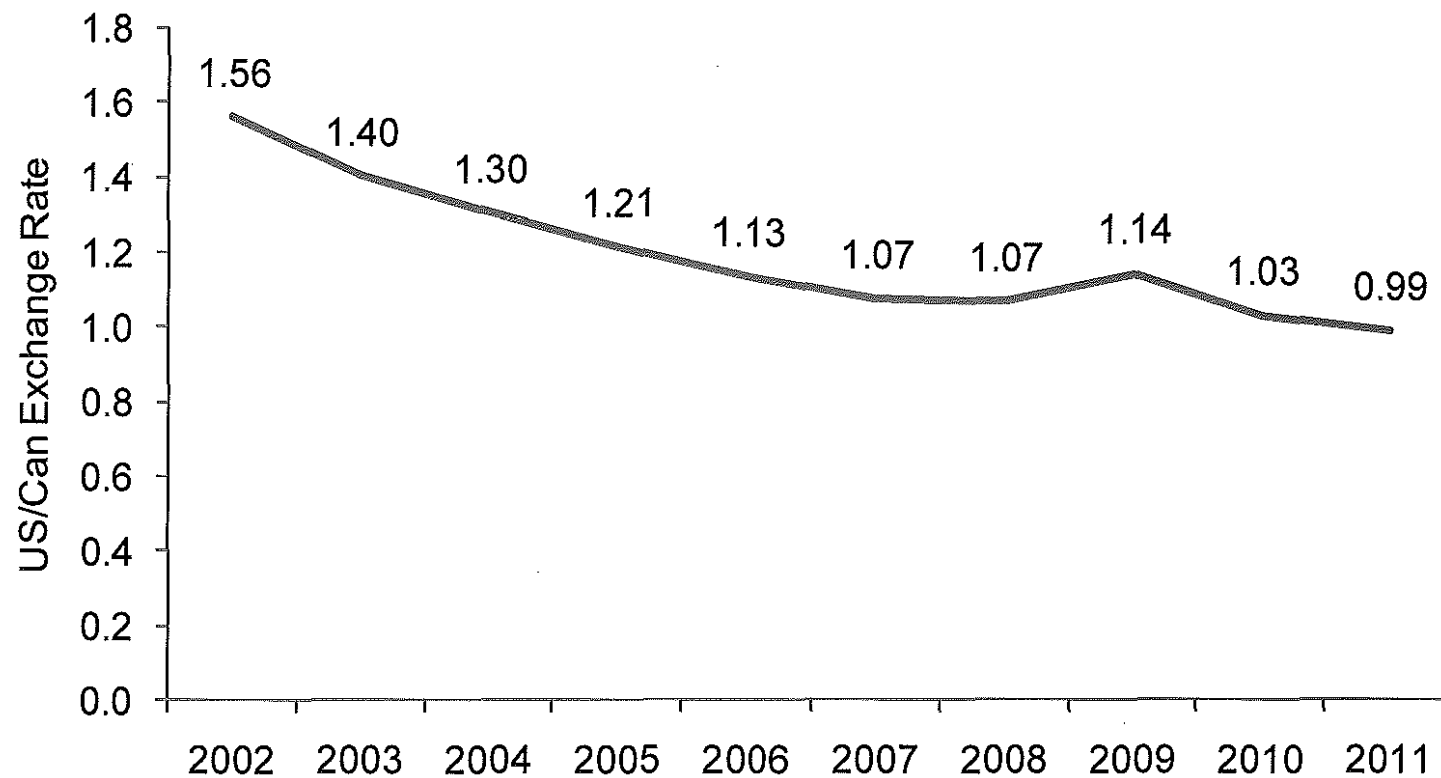
A variety of factors influence the performance of BC's production industry. The approach here combines quantitative and qualitative analyses to explore key developments in BC's film and television production industry

	Description
Exchange Rate	<ul style="list-style-type: none">• Change in US/Canada exchange rate• Change in exchange rate vs. production in BC• Change in exchange rate vs. production in Canada
Film Budget Benchmark	<ul style="list-style-type: none">• Summary of budgets• BC benchmark (percentile rank)• Effective production incentive by jurisdiction• Cost neutral increase in production
Impact of PST	<ul style="list-style-type: none">• Increase in cost of production with PST

Cost Benchmark: Exchange Rate

The Canadian dollar has been consistently gaining against the American dollar since 2002. This has implicitly increased costs for foreign producers coming to Canada

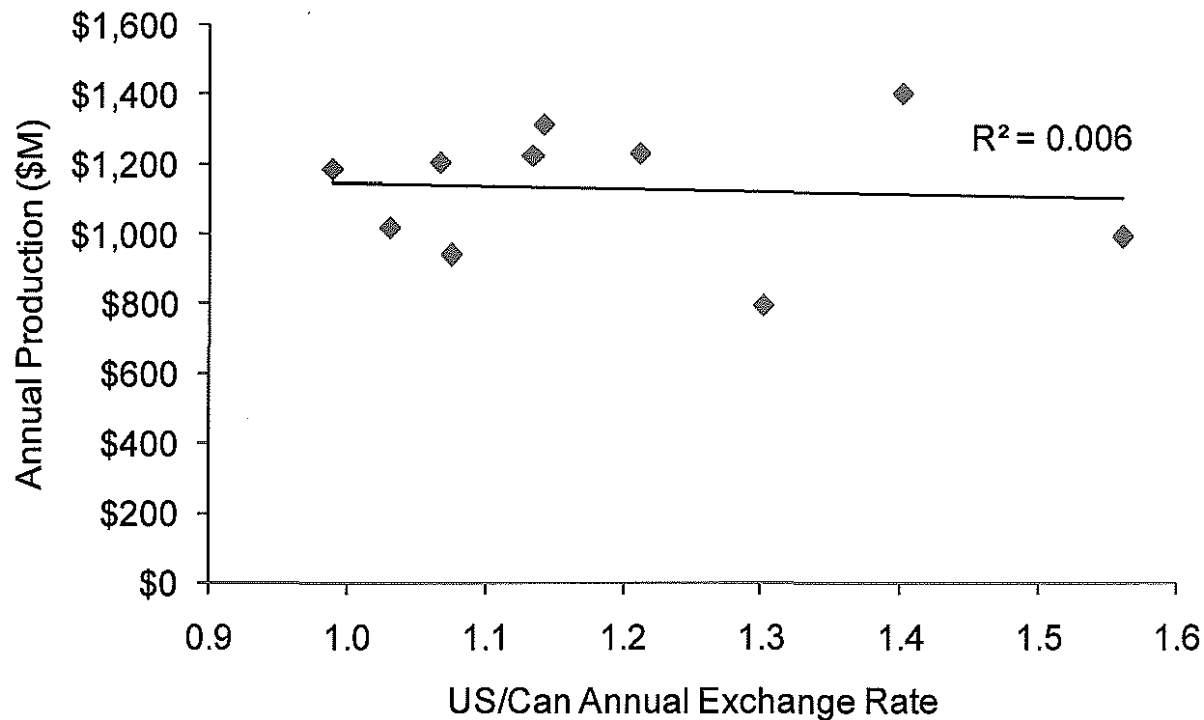
US/Canada Exchange Rate, 2002 – 2011



Cost Benchmark: Exchange Rate

Though currency appreciation has implicitly increased costs for foreign producers, there is little statistical evidence of annual production being impacted in BC

Annual Production vs US/Canada Exchange Rate, 2002 – 2011

Notes

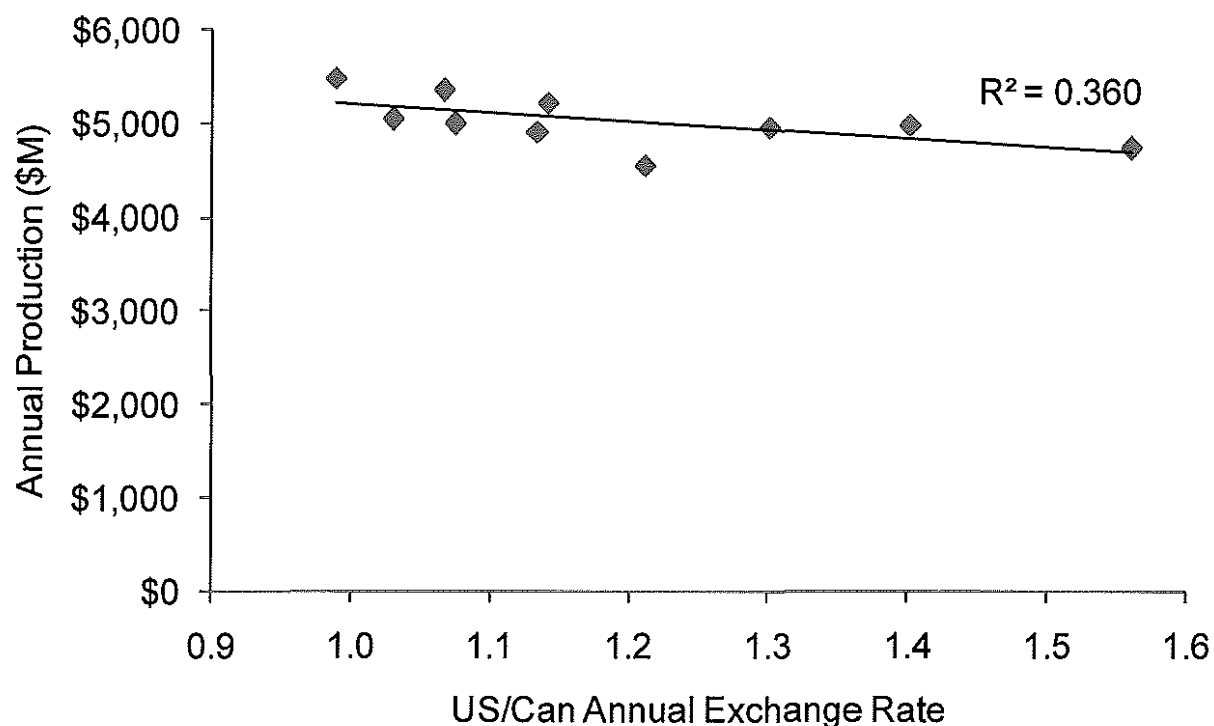
- The linear relationship between the exchange rate and production is effectively flat, suggesting that exchange rate has had little impact on production
- A more thorough econometric analysis would be required to determine precisely what impact exchange rates have had on production

Cost Benchmark: Exchange Rate

Similar to BC, exchange rate appreciate exhibits little correlation with the overall level of film and television production in Canada

Annual Canadian Production vs. Exchange Rate, 2002 – 2011

Notes



- The linear relationship between the exchange rate and production is effectively flat, suggesting that exchange rate has had little impact on production
- A more thorough econometric analysis would be required to determine precisely what impact exchange rates have had on production

Production incentives are evaluated across actual budgets for BC and competitor jurisdictions to identify the range of incentives and the BC's competitiveness

1. Select and Evaluate

For each detailed production budget, a total effective incentive rate is calculated

Identify Budgets

Detailed budgets S13
S13

Select Competitors

Competitor jurisdictions have been selected by the ability to challenge BC for productions

Evaluate Incentives

Incentives are calculated based on published rates, restrictions, and caveats to generate a total effective production incentive

2. Compare and Calculate

Identify where BC's incentives rank against competitors and calculate the difference

Benchmark Incentives

Generate a weighted average effective incentive across budgets and rank jurisdictions

Calculate Differences in Incentives

Find the difference between BC's weighted average effective incentive rate and competitor jurisdictions

Estimate Cost Neutral Incentive for BC

Find the increase in BC's production incentive that would be required to be cost neutral compared to competitors

Exchange
RateFilm
Budget

PST

Cost Benchmark: Budget Benchmark

A variety of film and television productions have been identified to provide a robust sample of budgets to evaluate

Production	Type	BC Spend (\$M)	Labour (\$M)	Other	Employment	Labour Spend / Jobs ¹	Jobs ¹ Per \$M of Spend
s21	Film	\$26.9	\$15.2	\$11.7	3,137	\$4,860	117
	Film	\$24.5	\$15.7	\$8.8	1,478	\$10,659	60
	Film	\$48.7	\$30.0	\$18.7	2,530	\$11,867	52
	Film	\$43.2	\$23.6	\$19.6	2,537	\$9,295	59
	Film	\$60.1	\$33.3	\$26.8	1,909	\$17,459	32
	TV	\$39.4	\$25.1	\$14.2	4,030	\$6,233	102
	TV	\$48.1	\$23.9	\$24.2	3,787	\$6,297	79
	TV	\$27.3	\$17.0	\$10.3	3,774	\$4,509	138
	TV	\$25.2	\$14.3	\$10.9	2,342	\$6,097	93
	TV	\$36.3	\$19.3	\$17.0	1,154	\$16,740	32
	TV	\$22.9	\$12.5	\$10.3	1,012	\$12,406	44

Note:

1. Jobs here refers to the number of people hired, not FTEs. For a calculation of FTEs per production, see the Economic Impacts section

A variety of film and television productions have been identified to provide a robust sample of budgets to evaluate

1. Competitor Jurisdictions

Competitors offer full-production services, possess specialized labour, and have established themselves as film and television destinations

Canada

➤ Alberta

➤ Ontario

➤ Quebec

United States

➤ Louisiana

➤ California

➤ New Mexico

➤ New York

2. Jurisdictions with Comparable Production Incentives

Incentives are large enough to potentially compete with BC, however capacity is limited

- Saskatchewan • Florida • Massachusetts • Puerto Rico • Virginia
- Alaska • Hawaii • Illinois • Rhode Island • West Virginia
- Arkansas • Nova Scotia • New Jersey • South Carolina • Georgia
- Connecticut • North Carolina • Pennsylvania • Utah

3. Other Jurisdictions

Incentives are offered but are currently unable to compete with BC in a meaningful way

- Newfoundland • Idaho • Maine • Missouri • Oregon
- New Brunswick • Indiana • Maryland • Montana • Tennessee
- Alabama • Kansas • Minnesota • Ohio • Wisconsin
- Colorado • Kentucky • Mississippi • Oklahoma • Wyoming

Exchange
Rate

Film
Budget

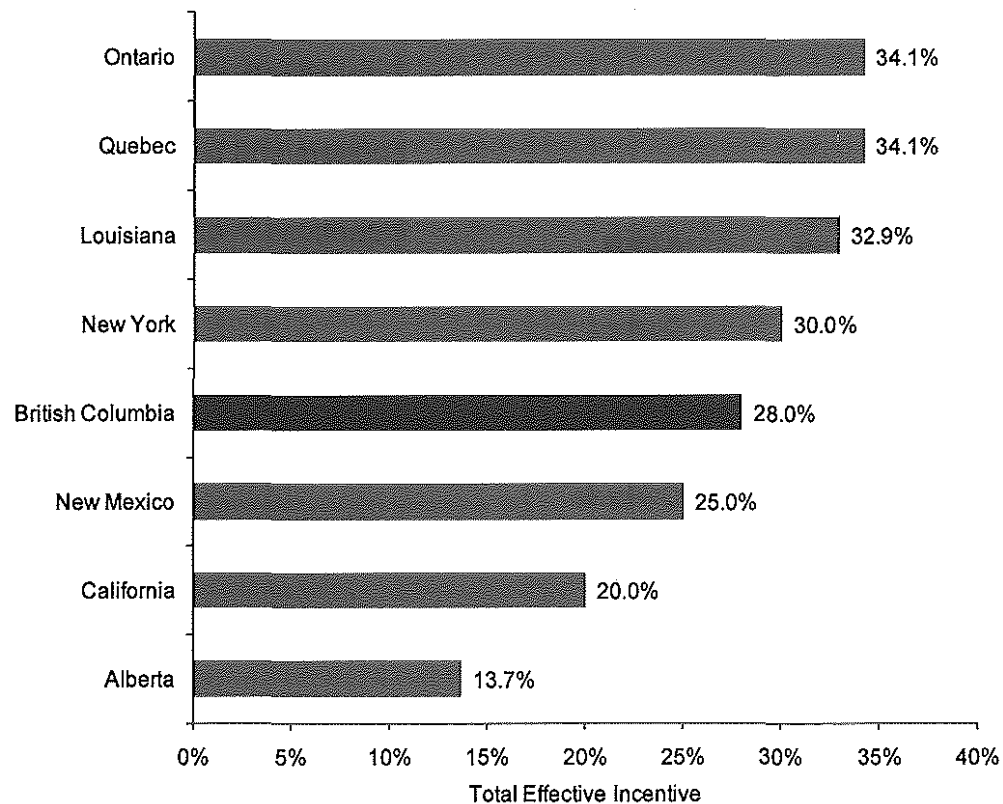
PST

Cost Benchmark: Budget Benchmark

Production incentives are evaluated across actual budgets for BC and competitor jurisdictions to identify the range of incentives and the BC's competitiveness

Production	Percentile of BC's Cost Competitiveness with Competitors	Notes
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s21

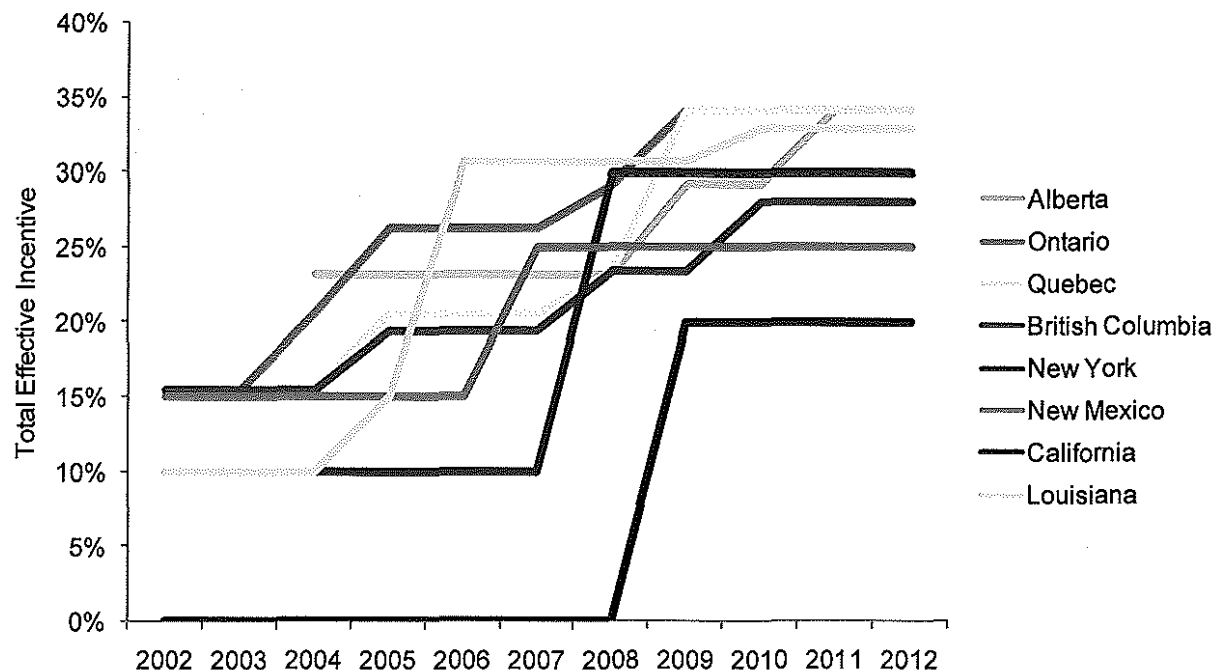
Cost Benchmark: Total Effective Incentive**Total effective incentive by competitor jurisdictions****Total Effective Incentive by Jurisdiction****Notes**

- Though BC has the highest labour incentive, 4 of the 7 other jurisdiction are offer more competitive incentives overall when total budget incentives are considered

Examining total effective budget incentives over time reveals that while BC has increased incentives, other jurisdictions have exceeded BC in the total effective incentive

Total Effective Incentive by Jurisdiction, 2002 - 2012

Notes



- Total effective incentives were calculated using detailed budgets and taking a weighted average of those individual incentives in each year

Exchange
RateFilm
Budget

PST

Cost Benchmark: Budget Benchmark

A variety of film and television productions have been identified to provide a robust sample of budgets to evaluate

Production	Effective Incentive	Competitors		Competitors and Other Comparable Jurisdictions	
		Percentile	Rank (out of 8)	Percentile	Rank (out of 27)
s21	27.8%	42.8%	5	57.6%	12
	31.4%	57.1%	4	80.7%	6
	30.2%	57.1%	4	76.9%	7
	26.8%	42.8%	5	61.5%	11
	27.2%	42.8%	5	61.5%	11
	31.3%	57.1%	4	80.7%	6
	24.3%	28.5%	6	38.4%	17
	30.5%	57.1%	4	76.9%	7
	27.7%	42.8%	5	57.6%	12
	26.1%	42.8%	5	57.6%	12
	26.9%	42.8%	5	57.6%	12
	28.2%	46.7%	5	64.3%	10

Exchange
Rate

Film
Budget

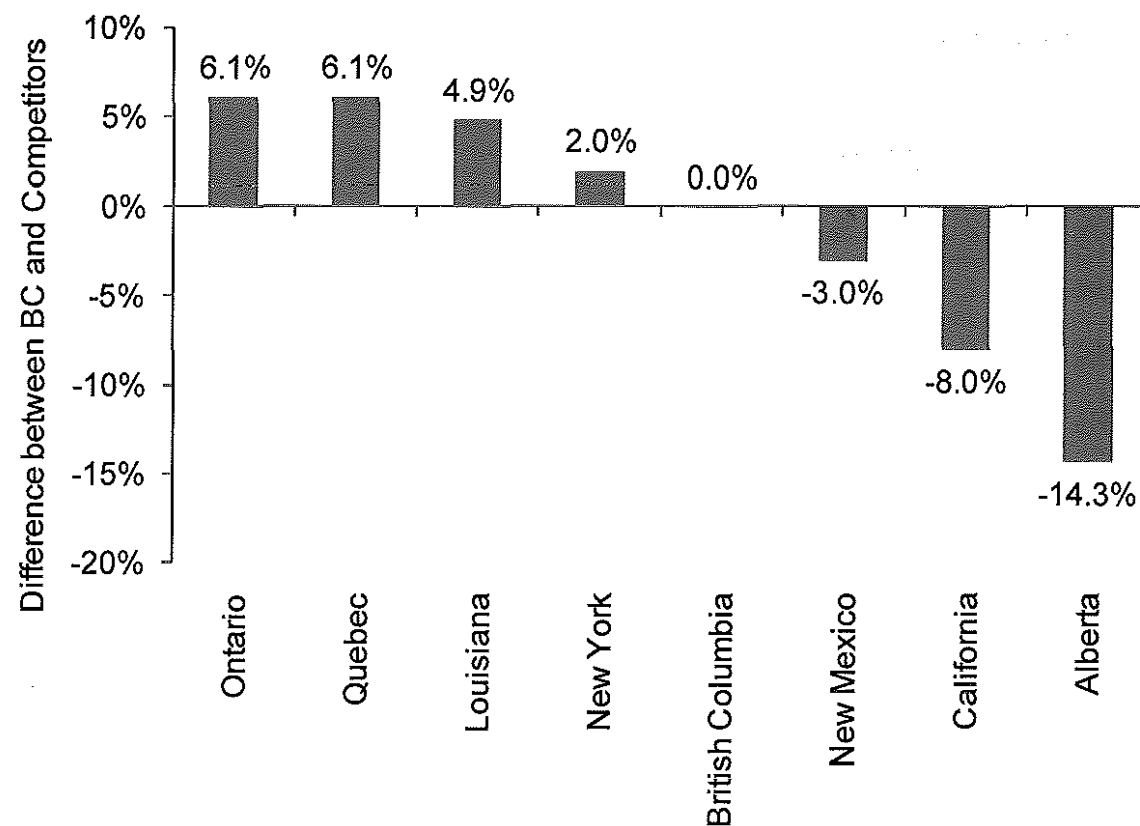
PST

Cost Benchmark: Incentives Relative to BC

BC's two largest Canadian competitors, Ontario and Quebec, on average offer incentives 6.1% higher than BC

Total Effective Incentive by Jurisdiction

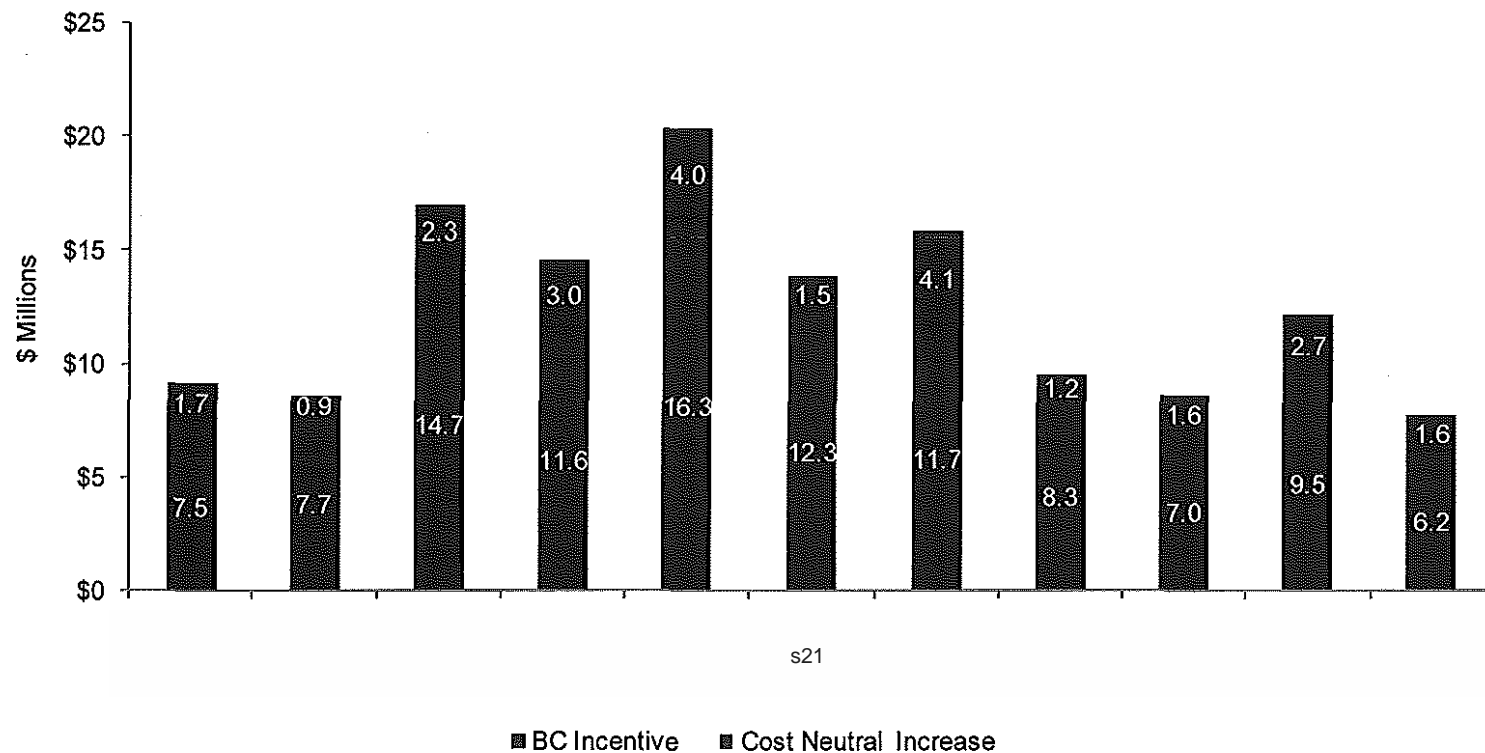
Notes



- Total effective incentives were calculated using detailed budgets and taking a weighted average of those individual incentives in each year

Cost Benchmark: Total Effective Incentive

For each production considered, BC is approximately 20% below Canadian competitors' total effective incentives

Current BC Incentive and Cost Neutral Increase

Cost Benchmark: PST Approach

The transition from HST to PST will increase costs through higher taxes on non-labour expenses

1

Identify Expenses Subject to PST

- Items included but not limited to:
 - Hotel expenses
 - Car Rentals
 - Hardware & Supplies
 - Wardrobe
 - Other non-labour

2

Estimate Increases in Taxes for Detailed Budgets

- Apply 7% sales tax to applicable items

3

Derive effective % increase in costs related to PST

- Aggregate incremental tax liabilities and take as percentage of total budget

Exchange
RateFilm
Budget

PST

Cost Benchmark: PST

The transition from HST to PST will have the average effect of increasing total budgets in BC by 3%

Production	BC Spend (\$M)	Non-Labour Spend (\$M)	7% Increase from PST	% Increase on Total Budget
S21	\$26.9	\$11.7	\$0.8	3.0%
	\$24.5	\$8.8	\$0.6	2.5%
	\$48.7	\$18.7	\$1.3	2.7%
	\$43.2	\$19.6	\$1.4	3.2%
	\$60.1	\$26.8	\$1.9	3.1%
	\$39.4	\$14.2	\$1.0	2.5%
	\$48.1	\$24.2	\$1.7	3.5%
	\$27.3	\$10.3	\$0.7	2.6%
	\$25.2	\$10.9	\$0.8	3.0%
	\$36.3	\$17.0	\$1.2	3.3%
	\$22.9	\$10.3	\$0.7	3.2%

Notes

- Though the transition back to PST will increase costs, the magnitude of cost increases is small compared to changes in the production incentives over time
- Given that the appreciation in the exchange rate has had an indiscernible impact on production, it is unlikely that the transition to PST will affect decisions on production locations significantly

s13

Key Points – Cost Benchmark

- Changes in exchange rate have increased costs of foreign production in BC by approximately 30 % over the last decade, though the impact on production is not statistically observable
- Compared to competitor jurisdictions, BC is roughly average in terms of competitiveness of production incentives
- BC is most competitive when labour costs are a high proportion of total costs
- The transition from HST back to PST will increase producers' costs by approximately 3%

-
- 1. Overview**
 - 2. Approach**
 - 3. Industry Trends**
 - 4. Cost Benchmark**
 - 5. Economic Impacts**

Economic impacts of production incentives in the film and television industry in BC are considered in historical context and under the hypothetical situation that BC increases production incentives to compete with Ontario and Quebec

Key Questions

Production & Incentives

- What is the historical trend in production dollars generated per dollar of incentive?
- How many jobs are created per million dollars of production budget?

Alternative Incentives

- If BC were cost competitive with all other jurisdictions, what would be the increase in total incentives?
- What would be the net benefit of operating at full capacity in the film and television industry?

Economic Impact

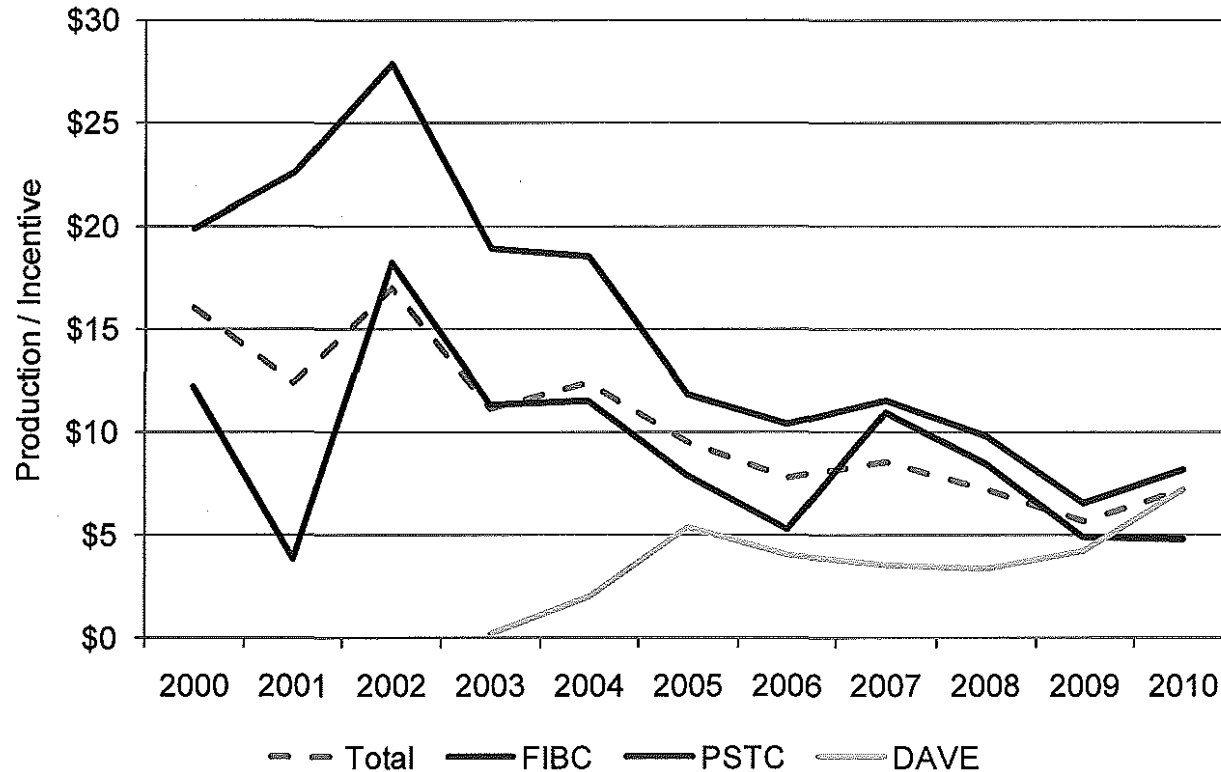
- How many jobs and labour dollars would result from competitive production incentives?
- What would be the increase in GDP?

Economic Impact: Production and Incentives

In 2010, production dollars per incentive dollar issued converged between \$5 - \$8, a steady decline from 8 – 10 years prior

Dollars of Production Spend per Dollar of Incentive

Notes

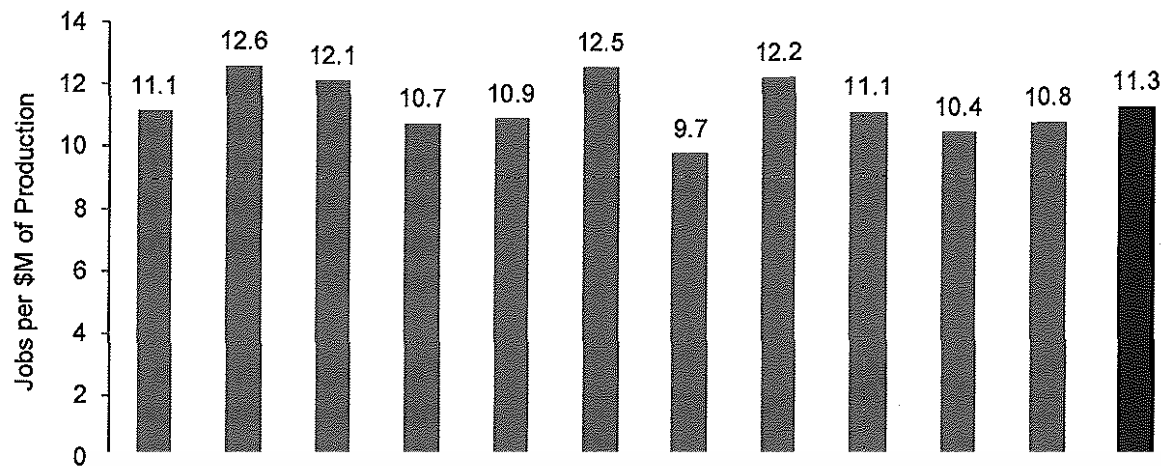


- While production dollars per incentive dollar have declined, it should be noted that this appears to be more about particularly good performance at the beginning of the decade rather than poor performance currently
- The unique structure of the film industry (no revenues, all cost items) make comparisons against other industries tenuous

Economic Impact: Jobs per Million Dollars of Production Spend

Using average annual salary of \$51,000 for film and television employees, we calculate the number of FTEs employed on each production (as opposed to temporary jobs). On average, 11.3 FTEs are created per million dollars of production spend

FTEs per Million Dollars of Production Spend



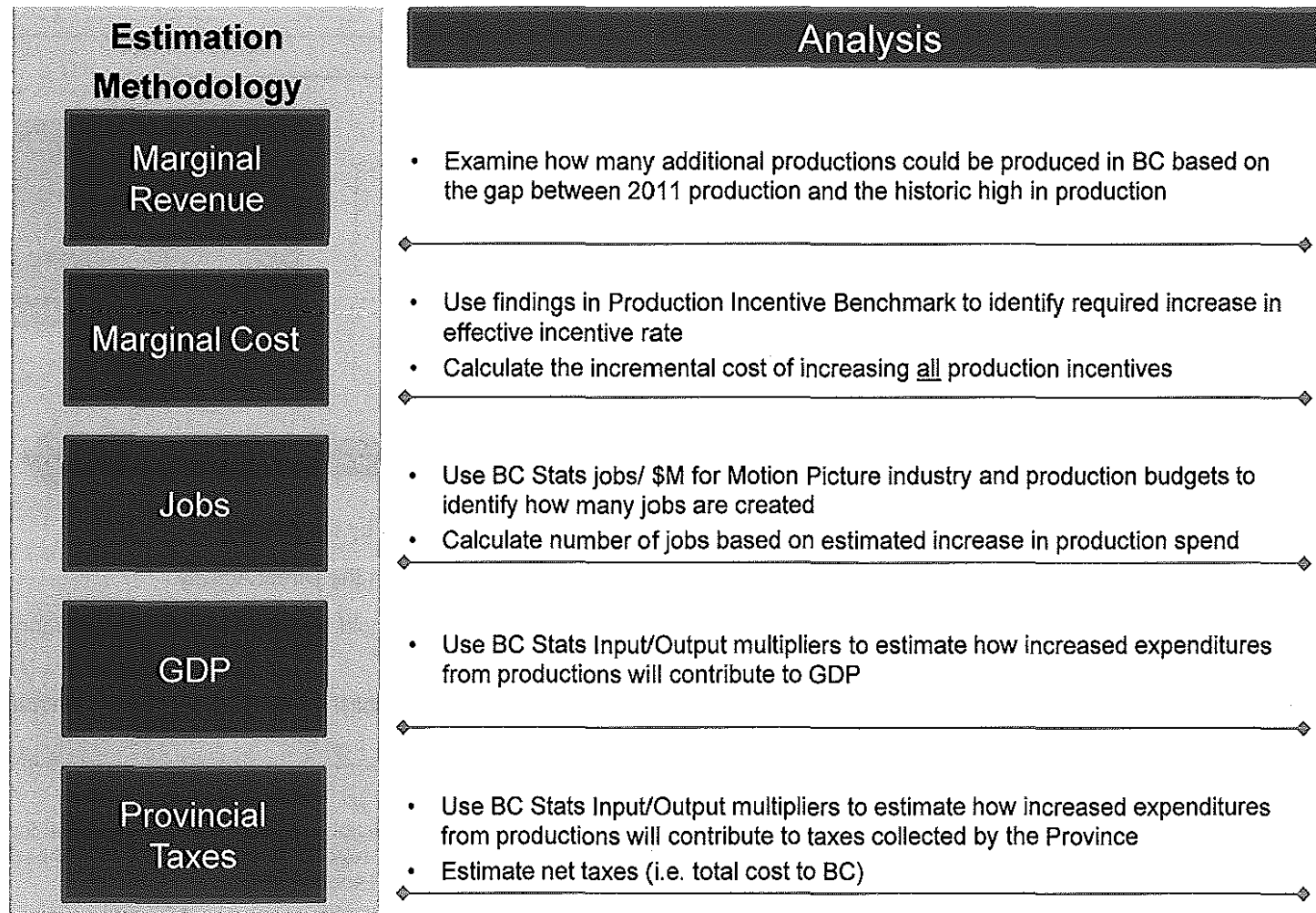
Notes

- FTEs were based on 2005 salary data from 2009 BC Wage and Salary survey for Occupations in Art, Culture, Recreation, and Sport
- Labour spend was divided by weighted average film salary to get the total estimated full-time equivalent number of workers. FTEs were then divided by total production spend to get number of FTEs per \$M of production
- This estimate compares favourably with BC Stats' estimate of 11,2 direct and indirect FTEs per \$M

S21

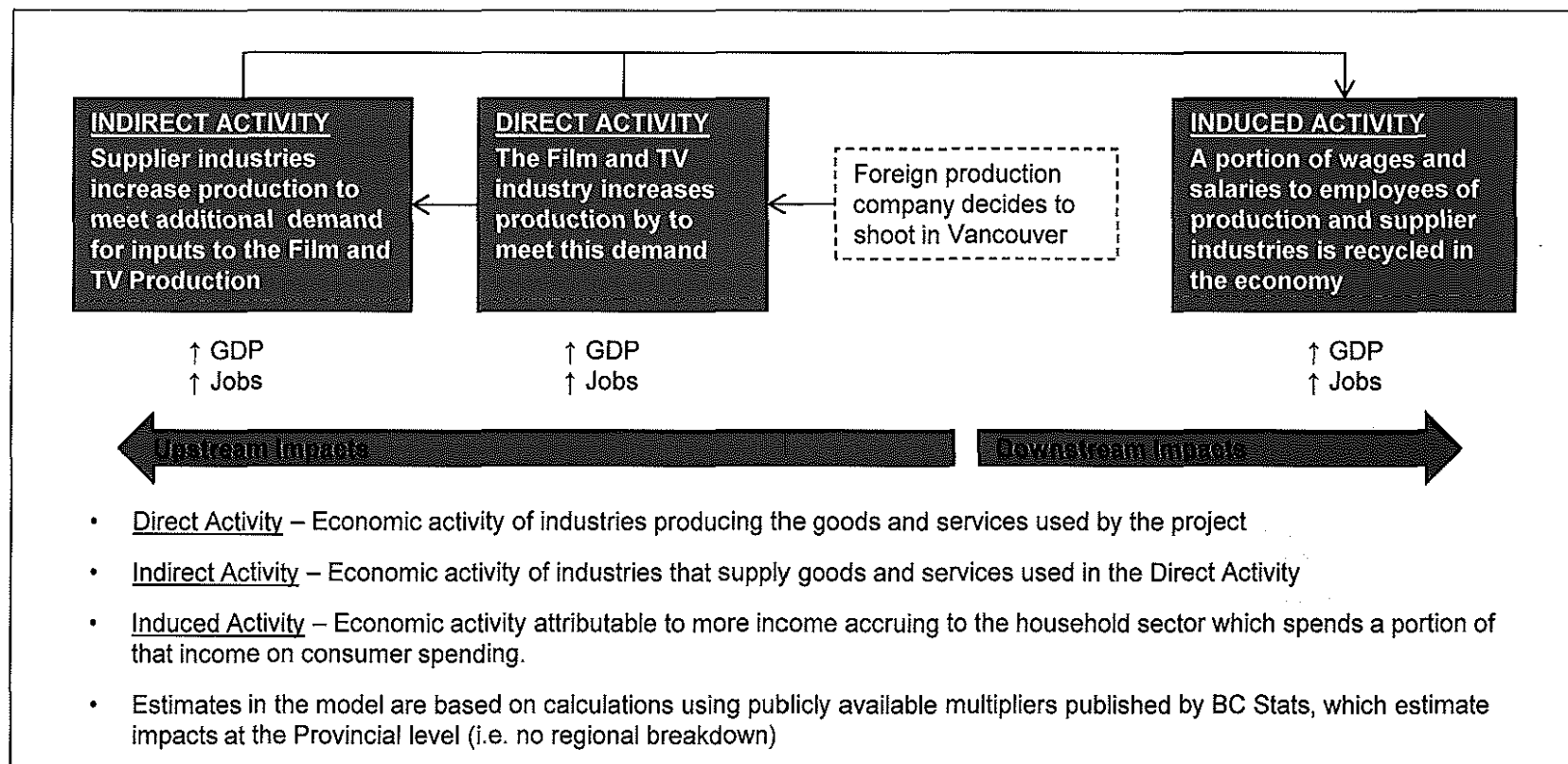
Economic Impact: Approach to Economic Impacts

The analysis focuses on estimating the costs and benefits of increasing production incentives such that the BC Film and Television industry operates closer to production levels in 2003



Economic Impacts: Input/Output Multiplier Methodology

The model uses multipliers published by BC Stats to help estimate these measures. These multipliers are used to estimate impacts from Direct, Indirect and Induced activities. These terms are explained in the illustration below.



Note about Induced Impacts: induced impacts are *downstream* of the initial shock; in other words, they are not a necessary precondition (i.e. Inputs) to enable the increase in output, but an estimated outcome driven by a change in wages and salaries. Some reports do not include induced impacts, due to difficulties in proving that an induced impact of one activity is not a direct or indirect impact (i.e. Input) of another activity.

Economic Impact: Economic Impacts Summary

Using average budget size, BC would generate \$221.7M in additional production spend with 3 average size features and 3 average television productions

Assumptions on Additional Production

- With cost neutral incentives, BC would operate at production levels seen in 2003
- Directly calculating the capacity of BC's film and television industry is hindered by limited data availability
- In 2011, total production was approximately \$1.18B, \$220M less than 2003 production
- This suggests, at a minimum, BC has the ability to generate \$220M in additional production, or roughly 3 average size feature films and 3 average size television productions

Additional Production

Film
Production

Average
Budget Quantitiy

\$40.7M × 3

\$122.1M

TV
Production

\$33.2M × 3

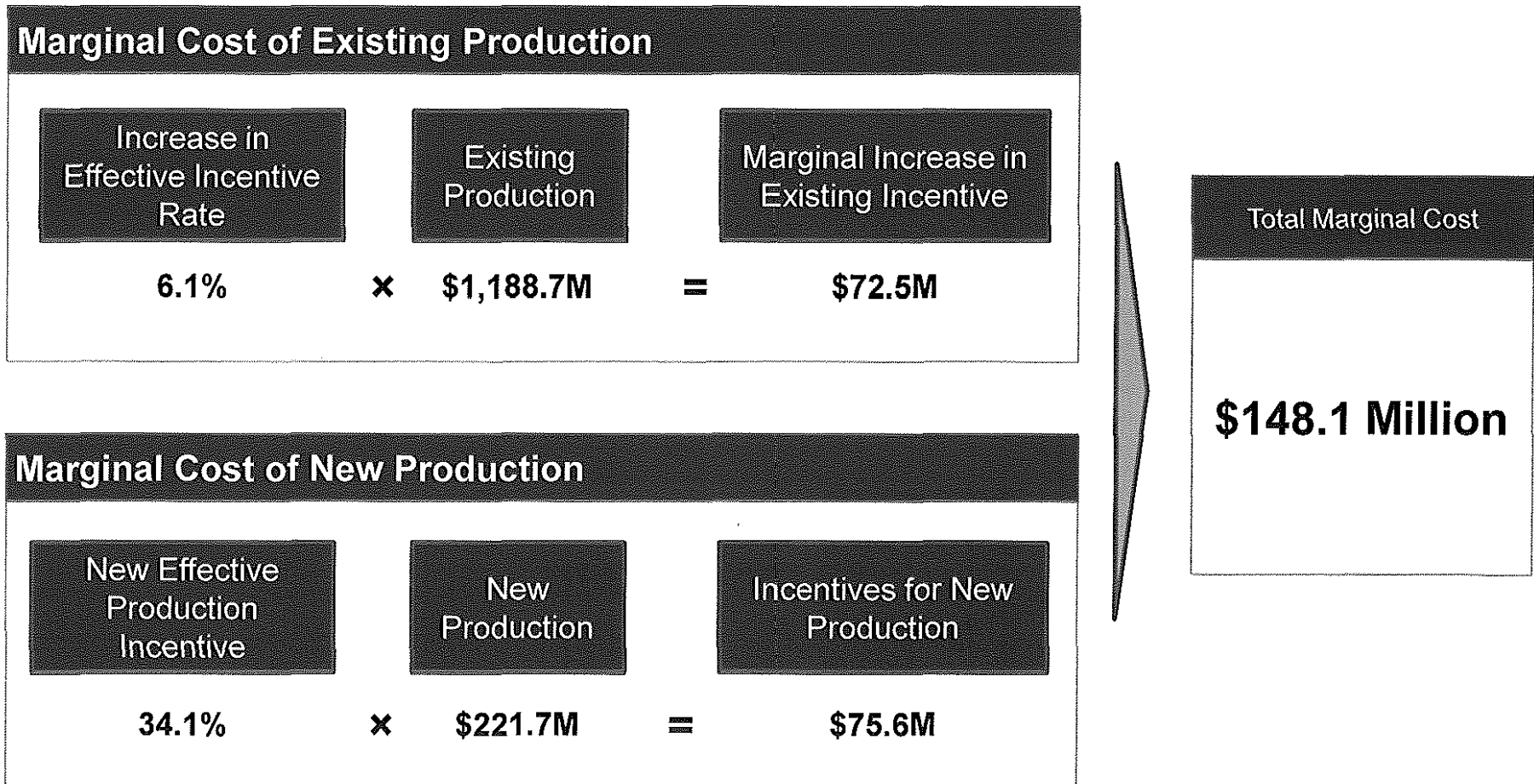
\$99.6M

Marginal Revenue

**\$221.7
Million**

Economic Impact: Economic Impacts Summary

A negative aspect of increasing production incentives to capture additional production is the increase in cost from providing higher incentives to production BC would likely receive already



Economic Impact: Economic Impacts Summary

Using BC Stats industry multipliers for labour creation, 12.3 FTEs are created for every million dollars of production spend, consistent with estimates based on historical productions (see page 44)

Direct FTEs				
FTEs per \$M of Production Spend		\$M of Spend		Total Direct FTEs
6.4	×	\$221.7M	=	1,419

Indirect FTEs				
FTEs per \$M of Production Spend		\$M of Non-labour Spend		Total Indirect FTEs
4.8	×	\$221.7M	=	1064

Induced FTEs				
FTEs per \$M of Production Spend		\$M of Non-labour Spend		Total Induced FTEs
1.1	×	\$221.7M	=	244

Total FTEs
2,727

Economic Impact: Economic Impacts Summary

The impact to total GDP would amount to approximately 0.1% of BC's current GDP

Direct GDP				
Direct Multiplier		\$M of Non-labour Spend		Total Direct GDP
0.479	×	\$221.7M	=	\$106.2M

Indirect GDP				
Indirect Multiplier		\$M of Non-labour Spend		Total Indirect GDP
0.344	×	\$221.7M	=	\$76.3M

Induced GDP				
Induced Multiplier		\$M of Non-labour Spend		Total Induced GDP
0.094	×	\$221.7M	=	\$20.8M

Total GDP
\$203.3 Million

Economic Impact: Economic Impacts Summary

The net impact on Provincial tax revenue is estimated to be **-\$111.2M**, implying that for the **\$148.1M** in additional subsidies, roughly **\$36.9M** would eventually come back in taxes

Direct Provincial Taxes				
Additional Subsidy for Existing Production		Direct Multiplier	\$M of Non-labour Spend	Total Direct Taxes
-\$72.5M	+	-0.145	× \$221.7M	= -\$104.6M

Indirect Provincial Taxes				
		Indirect Multiplier	\$M of Non-labour Spend	Total Indirect Taxes
		-0.042	× \$221.7M	= -\$9.3M

Induced Provincial Taxes				
		Induced Multiplier	\$M of Non-labour Spend	Total Induced Taxes
		.012	× \$221.7M	= \$2.7M

Total Provincial Taxes
-\$111.2 Million

Increasing production incentives would primarily benefit the BC film and television labour force while contributions to GDP and Provincial taxes are effectively offset by the cost of incentives

Key Points – Economic Impacts

- The largest cost of increasing incentives is paying higher incentives to productions that would have been produced in BC under the current incentive structure. Incentives for new productions and increased incentives for existing productions are roughly equal, a possible explanation as to why incentive amounts increase faster than changes in incentive rates
- Under the scenario outlined here, the Province would be issue an additional \$148M in incentives and collect approximately \$37M in eventual taxes, with a total cost to the Province of \$111M
- Gains in employment for the production labour force are estimated at 2,727 FTEs

Appendix

Appendix: Sources

Data	Source
BC/Canada Film and TV Production	<ul style="list-style-type: none"> • BC Film Commission • BC Film and Media • Ministry of Finance
Incentives by Jurisdiction	<ul style="list-style-type: none"> • Each jurisdiction's annual film incentives industry report, e.g. "Report on the Empire State Film Production Tax Credit" • Entertainment Partners – "Basic Overview of US and International Production Incentives"
Exchange Rate	<ul style="list-style-type: none"> • Central Bank of Canada
Budgets	<ul style="list-style-type: none"> • Proprietary data provided by S13
Economic Multipliers	<ul style="list-style-type: none"> • BC Stats Input/Output model, both published 2004 numbers and updated figures provided by Lillian Hallin on June 18, 2012
Salary Data	<ul style="list-style-type: none"> • BC Stats Wage and Salary Survey

Appendix: Terms and Definitions

Term	Definition
Effective Incentive	<ul style="list-style-type: none">• Production incentive offered to a particular production by a given jurisdiction – obtained by summing the labour and budget incentives and dividing the result by total jurisdictional spend
Total Effective Incentive	<ul style="list-style-type: none">• Average production incentive offered by a given jurisdiction – obtained via a weighted average of all effective incentives
Jurisdiction	<ul style="list-style-type: none">• Region governed by similar film incentive structure – typically states or provinces
Competitor Jurisdictions	<ul style="list-style-type: none">• Jurisdictions that either offer significantly better film incentives than BC or that have similar productions levels to BC

Whyte, Bruce CSCD:EX

From: Dan Breitbach [dbreitbach@deetken.com]
Sent: Tuesday, June 12, 2012 9:48 AM
To: Whyte, Bruce CSCD:EX
Subject: Re: glitch in data fixed

Hi Bruce,

Yes, these numbers make more sense - I'm still working through the analysis so this is very helpful. Thanks for clarifying and sending updated data.

Cheers,
Dan

On Tue, Jun 12, 2012 at 9:25 AM, Whyte, Bruce CSCD:EX <Bruce.Whyte@gov.bc.ca> wrote:

Dan, the low production values for 2008 have been 'bugging' us for days, even though we discussed with Bob we didn't believe it as we had not seen that huge dip in prior data.

So I went back over numbers, and found a simple but stupid typo in the PSTC production value.

Kindly use the attached in replacement of the data provided last week. You'll see the production story makes a LOT more sense.

cheers

Bruce Whyte, PhD (cand.) | Community Cultural Development Advisor |
Arts & Culture Branch | Ministry of Community, Sport and Cultural Development
Tel: [250 356 6967](tel:2503566967) | Fax: [250-387-4099](tel:2503874099)

From: Dan Breitbach [mailto:dbreitbach@deetken.com]
Sent: Thursday, June 7, 2012 3:26 PM
To: Whyte, Bruce CSCD:EX
Subject: Re: updated data

Hi Bruce,

Do you know why production values in the spreadsheet you provided would be different than the data here? I like the granularity in the Data Catalogue, but I also want to be confident in the numbers, since they are different than the ones you provided.

Cheers,

Dan

On Thu, Jun 7, 2012 at 1:03 PM, Whyte, Bruce CSCD:EX <Bruce.Whyte@gov.bc.ca> wrote:

Andre, Daniel:

Here is updated and confirmed-accurate data on production values for BC film/TV. I am including our whole spreadsheet on this (see 'product history' tab for main data), so you get some bonus internal analysis and several charts exploring the meaning of the data.

The production data is now from BC F+M, as opposed to BCFC. The production values are for the same (fiscal) year as credits application, although there is no direct correlation (as you know, productions may not claim credits for a bit after production).

If you have any questions about the data, please contact me.

Bruce Whyte, PhD (cand.) | Community Cultural Development Advisor |
Arts & Culture Branch | Ministry of Community, Sport and Cultural Development
Tel: [250 356 6967](tel:250-356-6967) | Fax: [250-387-4099](tel:250-387-4099)

--
Dan Breitbach

The Deetken Group

t: 604.731.4424

c: 604.785.2128

e: dbreitbach@deetken.com

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--

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Whyte, Bruce CSCD:EX

From: Lilly, Liz CSCD:EX
Sent: Wednesday, June 6, 2012 4:17 PM
To: 'Andre Powell'; 'Dan Breitbach'
Cc: Vaux, Shelagh CSCD:EX; Whyte, Bruce CSCD:EX
Subject: Contract
Attachments: GSA-deetken.doc

Andre,

Please find attached an electronic version of the contract with Deetken. Dave was OK with your proposal and it is embedded in the contract as an appendix to schedule A. Please sign two copies on the left-hand side of Page 12, and return to us via courier at

Arts & Culture Branch
Ministry of Community Sport and Cultural Development
800 Johnson Street
Victoria, BC V8W 1N3
ATTN: Bruce Whyte

We will return a copy with our signatures, completing the contract, once we receive it back here.

Thanks for your work on this.

Liz

Liz Lilly
Director, Business Development
Arts and Culture Branch

Arts, Culture and Sport Division

Ministry of Community, Sport and Cultural Development
PO Box 9819 STN PROV GOV
First Floor, 800 Johnson St
Victoria, V8W 1N3

Phone (250)356-7096
Cell (250)514-2775



Please consider the environment before printing this e-mail

Whyte, Bruce CSCD:EX

From: Vaux, Shelagh CSCD:EX
Sent: Wednesday, June 6, 2012 2:35 PM
To: Whyte, Bruce CSCD:EX
Cc: Lilly, Liz CSCD:EX
Subject: RE: contract for andre to sign

Yes, and once it is received back in the office Bruce, can you please take the original up to Toni Phillips in finance and provide me with copy for filing purposes.

Thanks.

Shelagh Vaux | Arts & Culture Branch | Ministry of Community, Sport & Cultural Development
P: 250.952.6510 | F: 250.387.4099 | Shelagh.Vaux@gov.bc.ca

From: Whyte, Bruce CSCD:EX
Sent: Wednesday, June 6, 2012 2:34 PM
To: Lilly, Liz CSCD:EX
Cc: Vaux, Shelagh CSCD:EX
Subject: contract for andre to sign

Liz, please find attached an electronic version of the contract with Deetken. I have embedded their proposal as an appendix to schedule A. Please ask Deetken to sign two copies on the left-hand side of Page 12, and return to us via courier at

Arts & Culture Branch
Ministry of Community Sport and Cultural Development
800 Johnson Street
Victoria, BC V8W 1N3
ATTN: Bruce Whyte

We will return a copy with our signatures, completing the contract, once we receive it back here.

Bruce Whyte, PhD (cand.) | Community Cultural Development Advisor |
Arts & Culture Branch | Ministry of Community, Sport and Cultural Development
Tel: 250 356 6967 | Fax: 250-387-4099



CONTRACT COMMITMENT

Note: This Form must be forwarded to Financial Operations together with the signed original contract or Modification Agreement before the first payment is requested. Complete Sections A, B, D and E if this is an initial contract. Complete Sections A, C, D and E if this is an amendment. Questions about the collection or use of this information can be directed to Contracts, Policy and Review, at (250) 387-4589.

☒ New Contract or ☐ Amendment - contract has Increased / <Decreased> by: \$ _____ (leave blank if unchanged)

A. Branch Action

Branch/Division: Arts & Culture Branch	Contract Manager: Liz Lilly	Telephone: (250)356-7096
---	--------------------------------	-----------------------------

B. Initial Contract - General Service Agreement Attached (form can be found): http://www.pc.gov.bc.ca/psb/GSA/General_Service_Agreement.doc

Project description: Analyse and report on the impact of tax incentives on the film and television production industry in BC, and determine what benefits, in terms of jobs and GDP, BC would see if it matched the incentive programs of other jurisdictions.

Mandatory to Select One Procurement Process (X): Procurement and AIT Code descriptions

- | | | |
|--|---|---|
| <input type="checkbox"/> 100 = Open Competitive Process | <input type="checkbox"/> 200 = Direct Awards – Public Sector Organization | <input type="checkbox"/> 201 = Direct Awards – Sole Source |
| <input type="checkbox"/> 202 = Direct Awards – Emergency | <input type="checkbox"/> 203 = Direct Awards – Security, Order, etc. | <input checked="" type="checkbox"/> 204 = Direct Awards - Confidentiality |
| <input type="checkbox"/> 205 = Direct Awards - Notice of Intent | <input type="checkbox"/> 207 = Direct Award – Under \$25,000 | |
| <input type="checkbox"/> 208 = Direct Award – Financial Assistance - TUA | <input type="checkbox"/> 209 = Direct Award – Cost Sharing Agreement – TUA | |
| <input type="checkbox"/> 300 = Direct Invitation to Selected Vendors | <input type="checkbox"/> 400 = Selected Vendor From Pre-Qualification List | |
| <input type="checkbox"/> 401 = Competition form Vendors on Pre-Qualification Lists | <input type="checkbox"/> 500 = Purchasing from a Corporate Supply Arrangement | |
| <input type="checkbox"/> 600 = other purchase process (FSA)" | | |

Mandatory to Select One AIT Exclusion (X) (descriptions can be found at): Procurement and AIT Cod descriptions

- | | | |
|--|---|--|
| <input type="checkbox"/> 100 = Purchase subject to AIT | <input checked="" type="checkbox"/> 200 = Purchase below applicable AIT threshold | <input type="checkbox"/> 300 = Purchase exempt commodity/service |
|--|---|--|

C. Amendment - Modification Agreement Attached (form at): http://icw.cd.gov.bc.ca/fas/fin_contracts/documents/modification_agreement.doc

Reason for amendment is (X): ☐ Change in deliverables ☐ Other (specify): _____

D. Commitment (Once the amount of the contract or amendment has been entered to the account(s) indicated below, it should not be changed.)

Contractor name: (verified on BC Online Corporate Registry) Deetken Enterprises Inc.		Company registration #: BC0776812		
Doing business as: The Deetken Group				
Address: Suite 203 – 1755 W. Broadway Vancouver, BC				Postal code: V6J 4S5
Phone: 604 731 4424		Fax:		
Commitment # (to be quoted on all invoices): CS13876001				
Term of Agreement: From: June 1, 2012 To: June 15, 2012				
Contract Price:	\$ 11,520.00	Responsibility Centre	Service Line	STOB
Max. Fee:	\$ 11,520.00			
Max. Expenses:	\$ 0			
Project Number				

E. Authorization

F. Assistant Deputy Minister

<input checked="" type="checkbox"/> (X) Contract Policy Requirements – Documented	Pre Approval for Direct Award – Sole Source Service Contract (stob 60) \$25,000 or more:
Spending Authority:	Date:

Attach contract/amendment and return to Financial Services, 3rd Floor, 800 Johnson Street