Reducing the Risk

by Howard Goldberg

Canadian producers are facing a considerable challenge: how to use the Capital Cost Allowance to build an industry which can move beyond the need for tax shelter financing? Astral Bellevue Pathé is Canada's most prolific producer. It makes films for theatre and television, finances them both publicly and privately, and continually tries to reduce the risk to the investor. Using ABP as an example, Howard Goldberg examines the financial complexities of the investor/producer relationship.

With tact equal to the tackiness of the 1980 Genie Awards, a hyper-critical Canadian press pans Canadian performance at Cannes. Many of the 55 English feature films completed for the spring 1980 selling season fail to make international sales or attract distributors. Among the ones which receive distribution few show encouraging box office returns. Early 1980 "Canada Can and Does" industry hype is drowned out by late 1980 "Canada Can't and Won't" investor skepticism. CineMag quotes Robert McInnis of Merrill Lynch: "The whole viability of film as an investment is open to question." Yet at year's end, 47 English and 6 French Canadian features finish shooting at a total budget almost equaling the previous year's $205 million expenditure.

How have production companies managed to equal 1979's output when most of their product continues to fail at the box office? Remembering that the film industry is a deal-making industry, and that there are probably as many answers to this question as there are films made, let's have a general look at the conditions under which "movie-money" flows - and flew.

In 1979, almost anyone who had the organization to put together a package that a) looked like it would be certified as a Canadian film, and b) boasted a few big names, could finance a film through public offering or private placement in the securities market. As a matter of government policy, investment in films qualified for a 100% capital cost allowance (CCA). Brokerage firms large and small were willing to deal in film financing, and uninitiated gung-ho investors were ready to risk dollars otherwise headed for government treasuries under this tax shelter. The general abundance of cash and unprecedented volume of production gave the appearance that the Canadian film industry had finally reached a level where it would be a significant force on the international market.

The Canadian Film Development Corporation (CFDC) along with the Canadian Association of Motion Picture Producers (CAMP) brought us the 1980 Genie Awards, and created the Cannes "Canada Can and Does" slogan, helping to crystallize and promote the impression that the industry had come into its own. This was a calculated risk. Had Canadian films actually found buyers at Cannes the hype would have suddenly hit home, and the amount of money available for future production would have sky-rocketed as everybody tried to get in on a good thing. If purchases of the films were slow, producers could always point to the future promise of North American markets. The industry's overemphasis on the importance of Cannes, combined with its poor performance at the festival and continued sluggishness at North American box offices, frightened potential investors in film and heightened the awareness of risk factors among the more experienced film investors. If the industry was to maintain its 1979 level of production, producers would
have to find innovative formulas — formulas calculated to reduce the financial risk to the investor.

In 1980, two production companies and a private film fund offered investors the opportunity to invest in more than one high-budget feature with each purchase of a single unit in an offering. This financing practice, "cross-collateralization," is one way of reducing risk to the investor. Cooper-Rosenfeld sold units in Bells and Utilities under one issue, while Filmplan International sold three films — Gas, The Fright, and Comics — under a single issue. The attractiveness of cross-collateralization is also its prime drawback: while profits from one blockbuster can offset the losses of many turkeys, the chances of investing in a series of hits, and thereby matching the returns which accrue to lucky unit holders of a blockbuster, are slim even for the most professional investment team.

The Seven Arts Fund is a private capital pool managed by experienced personnel from film production and corporate finance. Individual investors purchased units in the fund, which in turn invested large sums in film projects that the management judged to be of highest commercial potential — a sort of "mutual fund" approach to film investment.

According to its prospectus, when the Seven Arts Fund enters a film project, it seeks a degree of control over that production in order to protect its investment. In other words, the investor (the Seven Arts Fund) acts like a producer. To the extent that the "Seven Arts producer" is actually a blend of financial and filmmaking expertise its involvement in film projects is calculated to improve the calibre of those films.

Others, like the Ronald I. Cohen group of companies, formed their own financing branches. Cohen's Filmfund Financing stressed the track records of Running and Middle Age Crazy, in order to attract cash for Ticket to Heaven and Harry Tracy — Desperado.

In 1980 many projects failed to get off the ground because they could not find brokerage firms willing to sell their units. Inadequate script development and pre-production, coupled with a lack of marketing strategy, made brokers hesitant to back these projects. Those producers affected couldn't convince the financiers that their companies were strong enough to guarantee successful completion of a marketable product. Giants like Greenshields and Merrill Lynch edited themselves out of the picture. Smaller firms became increasingly discriminating as they gained experience and expertise, their reputations affected by each film handled. Consequently, they looked more carefully at a package before accepting it: How strong is the company which is doing the film? What's its track record? Is the film marketable? Is there an advance distribution agreement? In short, brokerage firms were beginning to anticipate the obvious questions which every investor ought to ask before sinking five or ten thousand dollars in a film unit.

Because of their financial orientation, brokers found it relatively easy to evaluate the industrial aspects of the production companies, to analyse their corporate structure, their relationships to distribution companies and theatre outlets, their credit rating with major financial institutions and the rest. When it came to the artistic aspects of the film — the strength of the script, the talent of the cast and crew — they were in large part dependent upon the evaluations of the producers with whom they were dealing. Many of these producers were still learning what would (or could not) constitute an artistically and commercially successful film.

The upshot was that companies whose corporate structure seemed sound did relatively well in selling units in 1980: less established companies did less well.

By year-end, the investors' verdict was in. Over $40 million worth of units remained unsold; film was no longer perceived as a good investment deal, despite its tax shelter advantage. Did the individual investors distinguish between a strong production company and a weak one? Between a commercial film and one which would die at the box office? According to André Lamy, executive director of the Canadian Film Development Corporation, and other industry analysts, the sale of units at the 1980 year-end bore little relation to the artistic or commercial merits of the individual films. Projections for investments in 1981 were gloomy indeed.

Harold Greenberg, president of Astral Bellevue Pathé (ABP, or simply 'Astral') has produced or co-produced 12 films in the past 4 years which are now in postproduction or distribution. A total of seven ABP films in distribution represents an investment of $18 million. The "Producer's Gross" received to date on these seven is $8 million, or 45% of what was spent to complete the films. The actual return to unitholders would be

Southern Alberta Institute of Technology
Calgary

FILM ANIMATION INSTRUCTOR
August 1981 Appointment

The Alberta College of Art requires an individual to instruct students in the Visual Communication Programme in all creative aspects of the design and production of animated film.

Applicants must have a university degree or diploma from a recognized college of art and applied design and a minimum of two to four years experience as animation concept designer and/or animation artist. Extensive related professional experience may be recognized in the absence of postsecondary academic qualifications. Access to the Canadian film industry and experience in supervising the ordering, installation and usage of technical equipment is also required. Previous teaching experience would be an asset.

Portfolio will be required if invited for interview. If you wish to send some audiovisual material and/or slides (drawing/design) to supplement your returning application, please ensure that all material is clearly marked with your name, return address and position title.

Please respond by forwarding a detailed resume to:
Personnel Services
Southern Alberta Institute of Technology
1301 - 16th Avenue N.W.
Calgary, Alberta
T2M 0L4
5501-C-13
considerably less than 45%, because deduction of any deferred payments is calculated before distribution of returns to unitholders. (A detailed breakdown of Producer's Gross for each Astral film as of Nov. 3, 1980, is provided in Table 1.) Within a larger context, these figures are not surprising; a random sampling of Canadian features produced since 1976 would yield similar figures.

What is surprising is that, despite its track record, ABP is quickly emerging as Canada's largest private producer of theatrical features and television programming. The adage, "You're only as good as the profitability of your last film," often times applied to directors, actresses and actors, doesn't seem to apply in Astral's case.

By examining the ways in which a leading company like Astral has weathered the storms of the Canadian film industry, we may come to a better understanding of the delicate and complex relationships between financing, marketing and film production. Understanding these relationships may well increase the chances of building a non-subsidized, prolific, and commercial Canadian film industry of international stature.

Before undertaking a production, a producer must consider the various methods of financing the project. Usually the choice is between public offering or private placement of the film. Not only is the decision regarding public offering/private placement important, the relative timing of the offer or placement is crucial. An offer or placement sold before the beginning of principal photography greatly reduces the need for costly interim financing, and an offer/ placement made after the beginning of principal photography increases interim financing requirements in proportion to the project's stage of completion.

Greenberg prefers private placement to the public prospectus because "there are fewer people involved, fewer legal fees to absorb, and lower interim financing costs because the placement is usually made in an early stage of the project." The last time Astral arranged private financing on a major-budget feature was in late 1978 for the 1979 production 'Crunch', (total budget $2.5 million).

Investors in 'Crunch' have yet to see any returns, because 'Crunch' hasn't been released for distribution. "Crunch" said Greenberg, "was produced with the Animal House/Meatballs market in mind. This market doesn't exist anymore. We've decided, and this is where experience comes in, to hold back awhile, re-design our marketing plan for the film so it will have a more enthusiastic reception when it is released." This delay between production and release, based on sound reasoning, did little to inspire confidence in would-be big-money investors, and may have decreased Astral's ability to secure private financing on later features. "Costs have risen," laments Greenberg. "We simply cannot find a group of 25 investors willing to invest a total of four or five million dollars. Therefore, in the future, most of our financing will have to be done via the prospectus route."

Confronted by the high risk factors which stem from the unpredictability of audience acceptance of a film (e.g. the Crunch situation), ABP has organized and continues to organize a business structure which reduces the risk to film investors and is geared towards the "mass production of programming minutes (television and theatrical features).

Astral's integrated structure generates a sizable proportion of its own interim financing requirements and facilitates the acquisition of additional interim financing from external sources. In the case of its recent production Hot Touch, this interim financing allowed the company to complete principal photography and to secure an advance distribution agreement with 20th Century-Fox before going to the public to sell units in the film. A nearly completed film with U.S. distribution goes a long way towards diminishing the importance of the company's pre-
The remainder of this article presents a detailed examination of the Astral Bellevue Pathé corporate structure, using Hot Touch as an example of how this structure works.

Astral Bellevue Pathé is always the first to tell you that it is "Canada's largest, fully-integrated motion picture organization... Where Canadian films come together." (See the corporate structure chart to get a picture of that "integration").

When Greenberg undertakes a particular film project he employs the resources of many subsidiaries and affiliated companies. As president of Astral Film Productions Ltd. (AFPL), and as executive producer or sometimes co-executive producer, Greenberg works with AFPL's Creative Development Department[12] to finalize negotiations for the script rights. He also begins looking for an American distributor for the film; a must if he hopes to attract public investment. Concurrently, he is at work with AFPL's Finance Department examining avenues of interim financing for the film. AFPL's line producer, Don Carmody, independently assembles a production crew. During shooting, Astral Photo or Angreen Photo retail supply Polaroid and 35 mm still film stock. Both during and after shooting, Bellevue Pathé laboratories provide processing services, and Pathé Sound provides services contributing to the final mix. Finally, Astral Films Ltd. (AFL) handles Canadian distribution of the finished product.

According to ABP's 1980 annual report to stockholders, "fees in respect of services to productions have been taken into revenues as received from the production companies. Generally, these fees are not paid until a film is substantially completed and it is clear that funding is adequate to cover all production liabilities." One of Astral's 1980 features now in post-production - Roger Vadim's Hot Touch (working titles French Kiss, The Art of Deceit and A Stroke of Luck) - clearly illustrates the extent of Astral's "self-film financing" capability, and the enormous importance of this to bankers and, in turn, to investors.

Reference to Table 2 shows that AFPL and its affiliated companies provided a total of $478,000 worth of services to Hot Touch, or 11.3% of the $4,224,000 projected cost of production. By assigning a lower priority to the payment of liabilities to ABP affiliated companies, Astral is able to finance up to the equivalent of 11.3% of a $4,224,000 production requirement in services. This figure of 11.3% is not only important to the extent that it reflects Astral's "in house" ability to produce films, but also to the extent that banking institutions consider it a contributing proportion of ABP's share of the risk.

While it is conceivable that a banker might not be able to distinguish between a good and a bad script, it is inconceivable that he would not be able to understand the competitive advantage of an integrated corporate structure.

Parent to the film company producing Hot Touch, F.K. Productions, is AFPL. Parent to AFPL is ABP. The importance of this "integrated" structure cannot be underestimated. The bank is assured that F.K. Productions is not a fly-by-night operation. Its performance will reflect upon the overall credit reputation of ABP, therefore the bank is reasonably sure that ABP will do everything in its power to complete and distribute the film. If the funds from the bank advances had to be repaid from the proceeds of a prospectus by Feb. 28, 1981. If by that time sales of units of Hot Touch had not generated sufficient funds, the bank would be treated as an equity holder in the film, collecting its loan from 'Net Revenue'[13] on a pro rata basis with unitholders.

It is easy to see that in going ahead with the production of Hot Touch Astral took a sizable risk: if by Feb. 28, 1981 prospectus sales of the film had not generated enough cash to repay the bank advances to the production company (up to $2.5 million) Astral's ability to finance future films with the same banks at the same terms would be adversely affected.

But couldn't AFPL have minimized bridge financing requirements through the public offering of Hot Touch before

---

**Table 2**

The following is a list of the estimated costs of services provided to F.K. Productions by its parent company AFPL and affiliates. The estimates, by F.K. Productions are as stated in the prospectus entitled "A Stroke of Luck" (one of the working titles of the film Hot Touch) issued by Emptor Corporate Ventures Ltd. Projected cost of production of the film was $4,224,000.

According to Astral Bellevue Pathé's 1980 annual report to shareholders, "fees in respect of services to productions [provided by ABP and its affiliates]... generally are not paid until a film is substantially completed and it is clear that funding is adequate to cover all production liabilities."

<table>
<thead>
<tr>
<th>Service</th>
<th>Budgeted Cost</th>
<th>ABP Affiliate Providing Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Greenberg, co-executive producer</td>
<td>$150,000</td>
<td>AFPL</td>
</tr>
<tr>
<td>Administrative</td>
<td>50,000</td>
<td>AFPL</td>
</tr>
<tr>
<td>Processing laboratory</td>
<td>206,500</td>
<td>Bellevue Laboratories</td>
</tr>
<tr>
<td>&amp; Sound mixing</td>
<td></td>
<td>Pathé Sound</td>
</tr>
<tr>
<td>Loan (interest)</td>
<td>72,000</td>
<td>AFPL and affiliated companies</td>
</tr>
<tr>
<td>Total budgeted cost</td>
<td>$478,000</td>
<td></td>
</tr>
</tbody>
</table>

---

Cinema Canada/25
The man at the top of it all is ABP President, Harold Greenberg

ASTRAL BELLEVUE PATHÉ INC.

Photofinishing
Bellevue Photo
Labs Division (Montreal)
Bellevue Photographic Ltd. (Toronto)

Retail Stores
Anglocan Photo
Division
Astral Photo
Division

Motion Picture
Laboratory
Services
Bellevue Pathé
Quebec (1972) Ltd.
(Montreal)
Pathé Sound and
Post-production
Centre (Toronto)

Film Distribution
Theatrical:
Astral Films Ltd.
Providing services
for 20th Century
Fox, Columbia

Television:
Astral Television
Films Ltd.

Production
Astral Film Productions Ltd.

The Individual Film
Production Company
(A separate company is incorporated for
each production: F.K. Productions pro-
duced Hot Touch)

A producer will want to maximize his
chances of selling units in his film, and
minimize the risk that the issue won't sell,
before going through the expense, trouble,
and waiting period involved in the sale of
a public issue. If Greenberg had planned
to finance Hot Touch through public
sales before shooting, the discriminating
investor would have been confronted
with the Astral track record of films which
have not yet recouped their investment,
and the absence of an advance distribution
agreement with a U.S. major. In short, an
offering of Hot Touch by prospectus
before shooting began, would not have
been very attractive to investors.

Instead of going public before shoot-
ing, Astral accepted the risk inherent in
utilizing the bank's $2.5 million line of
credit, and went about minimizing that
risk by structuring a public offering with
strong competitive advantages.

Public offering of Hot Touch was made
on a "revolving closing" basis. In a revolv-
ing closing, completion of the film and the
public offering are not contingent on the
sale of a minimum number of units. In
effect, the production company guaran-
tees the purchase of all units not bought
by the public via prospectus. Investors
interpret a production company's willin-
gess to assume an equity position in the
film as an indication of the company's
confidence in the commercial viability of
the film. The attractiveness of a film to an
investor increases with the production
company's financial commitment to holding
an equity position.

In the case of Hot Touch, work on the
film continued (continues) regardless of
sales of units, thanks to advances as
required to F.K. Productions by the par-
ent company AFPL, and its affiliates. This
means with the public offering of Hot
Touch, ABP committed itself to providing
the difference (if necessary) in cash or
services between the $4,224,000 total
cost of production and the $2.5 million
bank loan to the production. This dif-
ference amounts to $1,724,000 or 41%
of the total cost of production. This is a
solid commitment that has great impor-
tance to public investors. Herein lies one
of ABP's competitive advantages.

It is difficult to ascertain the actual
dollar amount that AFPL and its affiliates
loan to F.K Productions because this
amount varies according to ongoing pub-
lic sales of Hot Touch and ongoing cash
requirements to complete the film. Be-
fore going public, F.K. Productions in-
curred costs of $3.3 million advancing
Hot Touch well beyond completion of
principal photography and into post-
production. While $2.5 million came
from the banks, the remaining $800,000
represented a combination of a) services
provided by ABP affiliated companies b)
loans by ABP and its affiliates to F.K.
Productions, and c) accounts payable to
external (non-affiliated) companies. "In-
ternal bridge financing distinguishes
AFPL from other less integrated pro-
duction companies," says Greenberg.

The ability to generate internal bridge
financing afforded Astral the luxury of
actually shooting the whole film before

shooting started?

A prospectus constituting a public of-
fering is a sizable work of 'legal art'.
Securities commissions regulations oblige
producers to spend as much (if not more)
on a prospectus as they would normally
spend on a script! In the case of Hot
Touch AFPL spent $210,000 acquiring
rights to the Jean-Yves Pitoun story, and
$200,000 on the prospectus, agent's fee
and legal and escrow agent.
going public. With principal photography completed, Greenberg secured an advance distribution agreement with 20th Century-Fox and finally initiated public sale of the film by prospectus. The reality of a nearly completed film with name actors and actresses, a director with a history of memorable films to his credit, an advance distribution agreement with Fox, and a commitment to complete the film regardless of the progress of sales by prospectus, is a good deal the wisest investor recognizes; an achievement which does much to reduce the relevance of ABP's track record of return to investors. ABP and banking institutions shoul­dered the risk until the production was close enough to completion to be of interest to investors in a highly competitive buyers' market.

By mid-January 1981, after two-and-a-half months of public sales, at least two-thirds of the ownership units of Hot Touch had been sold to the public. This sale represents roughly $2,800,000 to F.K. Productions—enough to repay the $2.5 million bank advance with interest, but not yet enough to repay the loans to the production by AFPL and its affiliates.

Because demand for tax shelter investments is low the first six months of the year, sales of Hot Touch are not likely to improve significantly. If sales of the issue fail to generate sufficient revenue, according to terms outlined in the prospectus, AFPL and the affiliates which advanced money to the production will assume an equity position. That is, they will be treated as if they had purchased units in the film for the amount of those unpaid advances.

Although no breakdown indicating the proportion of advances to productions by each affiliated company is available, we may presume that ABP reduces the risk it incurs with each advance to a production by loaning only from those affiliates most able to secure lines of credit from financial institutions at the best possible terms, and those most able to withstand a loss in the same fiscal year.

"It is difficult for us to provide internal bridge financing on a constant basis because this requires a great deal of money," says Greenberg. "We can do maybe one picture each year this way... In the future, Astral will not undertake production responsibilities on any motion picture unless there is an advance distribution agreement with a U.S. major." Given the significance of advance distribution agreements to the investor, this new Astral policy may make it easier for them to go public with a film in earlier stages of production and reduce the extent of their internal bridge financing activity.

In summary, the extent of banking support to F.K. Productions was influenced positively by its corporate relationship with the rest of ABP. Astral reduced the risk to outside investors by offering a nearly completed film along with a commitment to complete the film as scheduled regardless of sales of units in the film. They were able to do this thanks to an integrated structure which a) provided services contributing to the successful completion of the film on a "buy now, pay later" basis, b) loaned funds from financially stronger affiliated companies to F.K. Productions, c) shared the risk inherent in film production with banks and later, public investors.

Having successfully financed and completed 12 films in four years, Harold Greenberg has shown he is capable of taking a script to the screen. Nevertheless, "We’ve made mistakes in the past," he says. "We’ve gone ahead with films that perhaps should not have been made. This is a learning process. We learn from our mistakes."

Greenberg is not alone among producers. Many will admit, in retrospect, that too many films were made in the late seventies without adequate preparation; films which had little chance of making their money back.

Those films were made because of the capital cost allowance, offered by the government to promote the industry. Now, the goodwill investors held towards producers in 1978 has all but expired. The track record of returns from finished films has not been good. Only a few can point to even partial returns.

Aware of the need to reduce the risk to investors, producers have made corporate moves, trying to find the formulas which might insure continuous production. The multiple deals, the mutual fund approach, the willingness of a production to hold an equity position are all elements of these new approaches. But even the most solid corporate posture can only go so far in reducing the risk and attracting public investment. Eventually, the film must return the investment. "No one wants to lose money with a tax shelter," comments one investment counsellor. "You don’t spend a dollar to save sixty cents," echoes another.

From a corporate point of view, Astral Bellevue Pathe is the strongest company engaged in film production in Canada. It has structured its many films differently, and continues to search for the formula which will allow it to continue steady production. Yet its track record has not yet created the investor confidence which would allow it to return time and again to the same investors.

If many suggest that Astral, because of its corporate size and structure, has the best chances of emerging as Canada’s most prolific production company, then the challenges it meets are critical. Astral, like the rest of the producers, is in need of a few box-office hits, capable of making good returns to investors and boosting public confidence that the Canadian film industry can and will still make good films.

Time is running short. The capital cost allowance is not forever, and far-sighted producers need to gather strength before it is withdrawn. If track records do not improve, companies will be forced to decrease production volume or enter into increasing numbers of co-productions with non-Canadian companies. The catch is that these co-productions are only attractive to foreigners because of the ability of Canadian producers to raise tax shelter money.

Predictions are hazardous: with Canadian pay TV just around the corner, the demand for Canadian feature film pro­gramming will see a dramatic increase. The challenge facing Canadian producers is to translate this new demand into increased investor confidence, and to maintain this confidence by supplying a film product whose quality speaks for itself.

Arthur Winkler, CLU
Consolidated Insurance Agencies Ltd.

Creatively adapting insurance protection for the entertainment industry since 1968
Consult us for budget estimates, quotations or information about your insurance requirements.

3101 Bathurst St., suite 201
Toronto M6A 2Y1
Telephone (416) 787-0304

Cinema Canada/27
FOOTNOTES

1. In a public offering of a film, the film is sold in units, each unit representing a proportion of ownership of the film. For example, a film budgeted at $5 million may be divided into 500 units, each unit representing 2. In private placement there is a limit on the number of individuals who may purchase shares of the operation being financed. In Quebec, this limit is 25 individuals. For example, a film budgeted at $5 million could be offered privately in 25 shares selling at $200,000 each. Because private placement shares are not sold by prospectus, public disclosures are not required.

2. In private placement there is a limit placed on the number of Canadians who may purchase shares of the operation being financed. In Quebec, this limit is 25 individuals. For example, a film budgeted at $5 million could be offered privately in 25 shares selling at $200,000 each. Because private placement shares are not sold by prospectus, public disclosures are not required.

3. The Capital Cost Allowance (CCA) plan is a Federal tax incentive program whereby investors in films which have been certified by the federal government are permitted to deduct up to 100% of their investment when calculating their annual income.

4. Claude Giroux, producer of A Man and a Woman, is Chairman of the Board of the Seven Arts Fund. Michael Bennahum, President of the Fund is a New York investment banker. Claude Frenette, the Fund’s Secretary-Treasurer is a senior executive. (He was at one time the Vice-President and General Counsel of Power Corporation of Canada.)

5. When it closed, the public offering of the Seven Arts Fund had sold $4,210,000 worth of units out of a total of $10,000,000. The managers of Seven Arts believe that the length of time required to clear the securities commission’s 6 months was in part responsible for the weak showing; they simply did not have the time to adequately explain this new marketing concept to potential investors. They plan to issue a similar public offering in 1981.

6. $4,500 returned for each $5,000 purchase plus $3,000 guaranteed future income.

7. $2,135 returned for each $5,000 purchase plus $3,000 guaranteed future income.

8. Producer’s Gross is all revenues from the exploitation of a film after deducting the costs of distribution and exhibition. Producer’s Gross is more than “Net Revenue” because the latter is calculated only after deduction of all deferred payments in connection with production of the film. Net Revenue figures for the seven Astral films in distribution were not available.

9. Interim financing, or bridge financing, is the money a producer requires to undertake and complete a production. Bridge financiers are usually re-paid with money that accrues from public offering or private placement of an issue on a securities market. The money from the sale of units becomes available to the production company upon closure of the offering.

10. The lower-budget ($1 million) Astral production Being Different (working title The Secret Self) was financed by private placement in 1980.

11. This is not, however, true of all production companies in Quebec. DAL Productions, makers of Meatballs (a film which cost $2 million to produce and grossed over $50 million) has since financed 2 films privately – Happy Birthday to Me ($3.5 million) and My Bloody Valentine ($2.5 million). Heartaches, a film budgeted at $4.9 million has also fulfilled its financing requirements privately after being blessed with $2.5 million from the specialists at the Seven Arts Fund.

Competition among the production companies for the $200,000 investor is tough; this money seems to be directed only to companies with a proven track record, or in a case like Heartaches, a film that has received seven digit backing from capital pools like the Seven Arts Fund – which supposedly recognizes marketable, high quality film packages when they come along.

As long as companies like DAL produce one money-maker each year, they should be able to maintain a high ‘private placement production volume’. If however, one of them should experience problems leading to inordinate delay between principal photography and the film’s subsequent completion and release (as was the case with consecutive ABP productions Crunch and Tulips) that company’s ability to raise sufficient interim financing for its next production would be hampered to the extent that it lacks the ability to generate financing internally and/or to secure loans from banking institutions. Tulips is an Astral production whose principal photography was done in the fall of 1979. Because shooting was undertaken with what was later shown to be an incomplete script, reshooting took place in the fall of 1980. What Crunch and Tulips have in common are those unforeseen delays between principal photography and release.

12. The AFPL Creative Development Department consists of Sandra Kolber.

13. “Net Revenue” here is Net Revenue as defined in the prospectus of Hot Touch. Net revenue is usually the amount received from the exploitation of a film after deduction of deferred payments and all expenses (distributor’s fee, etc.) relating to the exploitation of the film.