

Merchant bankers to the entertainment industry

Barry Young and the Skyld Group approach

In late 1980-early 1981 as a direct result of the collapse of public and industry confidence in feature film deferral projects, lawyer Barry Young became convinced that the industry could be reestablished to the mutual benefit of investors, producers and the government if projects were designed with much greater emphasis on distribution potential. Today, Young is president of CEO of the Skyld Group of companies which includes Canadian film distributor Spectrafilm.

With the backing of partner and Skyld chairman, merchant banker and financier Norton Penturn, Young has steered Skyld and Spectrafilm through the financial complexities of marketing film and television production. In the following interview with Cinema Canada, Young details how the Skyld Group approach has worked so far, as well as its potential for, as he puts it, making "Canada a major player in international financing."

by Tom Perlmutter

Cinema Canada: *To begin with, can you tell me how you got involved in film financing?*

Barry Young: It was an accident, like all good things. I practised law for 10 to 12 years and then I spent four years working politically with a friend of mine, Stuart Smith, then Ontario Liberal leader. I had only intended to do that for a year or two. But as it stretched on I started looking for access points back into law and to a challenge inside of law. So it was in my mind to go back into practice – entertainment law. In the fall of 1980, I jumped with both feet into the beginning of a temporary career in packaging and marketing feature-film tax-shelter incentives. And the fall of 1980 was exactly when the tax-shelter collapsed. So I was left in January 1981 with, "Well, what do you do? Go back into law? Having made commitment do you stay with it or not?"

Cinema Canada: *What happened in 1980 that you jumped into it?*

Barry Young: I wanted to leave politics. I was ready to make a move and, when an opportunity came up, I made it. And the industry collapsed within three months. I just didn't see the industry as being as negative as everybody else was saying. In the first few months of 1981, I kept coming back to the opi-

nion that – this is with the benefit of a lot of hindsight – there was still an industry in the finance-end, provided you approached it from the investors' point of view at all times. That meant making sure you had nothing but an arm's length relationship with anybody in the production industry.

Cinema Canada: *Why was that so important?*

Barry Young: Structurally, if you happen to be, for example, an executive producer who also happens to be a packager and marketer, the product is your baby and you want it to go ahead. I thought that there had never been a clear enough distinction between those whose responsibility was to finance, package retail units and even distribute products and those whose responsibility it was, one way or the other, to create and deliver the product.

Cinema Canada: *So you felt that a film investment business was viable given a clear-cut division between production and financing?*

Barry Young: I was convinced that there was a position in the industry if one a) maintained a legitimate arm's length relationship with production; b) spent considerable time and effort learning the distribution side; and c) made sure that before one got involved with a product, it was a product that the consumer wanted. The only way you can tell that is by seeing what a distributor's

disposition to a project is, which leads you to presales. It seemed to me that the industry would grow only if we were producing a product wanted by the consumers. It's as simple as that. The way you manage that is by maintaining the separation between your finance packaging and the producers, so that in your mind you're not in conflict. I'm not suggesting there are deliberate conflicts. But you know that there may be. You have to approach it from the point of view of the distributor and the investor. Let someone else worry about the other things. We started initially with television packaging which was easier at that stage of pre-sell. It wasn't easier internationally; it was just easier in a Canadian climate because everybody internationally had been used to dealing with us without a pre-sale or much of a commitment. I went out and found a partner who had recently been badly burned, like others, in his previous involvement in the industry. I laid out the plan that I had and he said, "Fine, let's try it."

Cinema Canada: *That was quite an undertaking – to grapple with the whole distribution side of the industry.*

Barry Young: You learn something every day. That was one of the biggest failures of the industry as it went through its boom and as it collapsed. Producers didn't want to deal with distribution because they wanted the product produced. They didn't want to raise the

question of: "Are we producing something that has any commercial appeal or buyer-acceptance?" At the same time you had a goodly number of financial people and brokers and so on who were interested in playing, or thinking that they were playing, a creative role. And it's exciting if you let yourself be swayed. I guess they relied on what they felt was the industry experience and that chestnut line: you never never do a sale until you've got it in the can because then you've got something worth it and, boy, those distributors will come after it. It's bullshit in any industry. Why the investment community turned a blind eye on the pre-sales, I really don't know.

Cinema Canada: *Given that pre-sales were not common, how did you tackle the problem?*

Barry Young: You go out and talk to the various elements. You have to watch very closely which producers have a track-record of performance on-budget and delivery of a product that a distributor of that type of product accepts and has faith in. In the early stages, when everybody in the world thought we were insane, we had to restrict ourselves to dealing with those producers whom you could identify as having ready access to major television exhibitors or distributors. Then, through those relationships, and your own experience with distributors, the relationships grow. It's an ongoing thing. The key for this industry's success is obviously per-

formance. That builds the solid business relationships which then open doors which frankly aren't open until then. It's the old chicken-and-egg story. I think also the government made a rather classic mistake in the structuring of its original tax incentive. There was an opportunity at that stage for consistent investment if you assume that what they were trying to do was provide an atmosphere where private investment would come into the financing of film and television production. I still can't understand why they didn't insist on an element of pre-sale as part of the condition. I still think that that is something that currently should be looked at very closely by Revenue Canada. I think there's an opportunity to welcome back an awful lot of private investment through the tax-incentive program. But we need to make sure we don't get into the same predicament that the industry found itself in before, where Revenue Canada was very dissatisfied because it really was tax-free. That money was invested and lost. There were no future revenues and it was a black eye for the industry.

Cinema Canada: *Was there a model you worked from at the time?*

Barry Young: I think a lot of it was luck. I talked very widely to a lot of people in the industry. I listened to all the horror stories and was able to learn from other people's experience. I firmly believe that if I had gone into the industry five years earlier, I would have been as much either a culprit or a victim as anybody else because it was one of those things that only hindsight shakes out.

Cinema Canada: *At the time it must have been hard to get off the ground. Everybody was burnt. How did you raise the financing?*

Barry Young: Well, my partner and I put together sufficient money that we were able to offer something to producers that had never been offered before.

Cinema Canada: *Did you raise the money from financial institutions?*

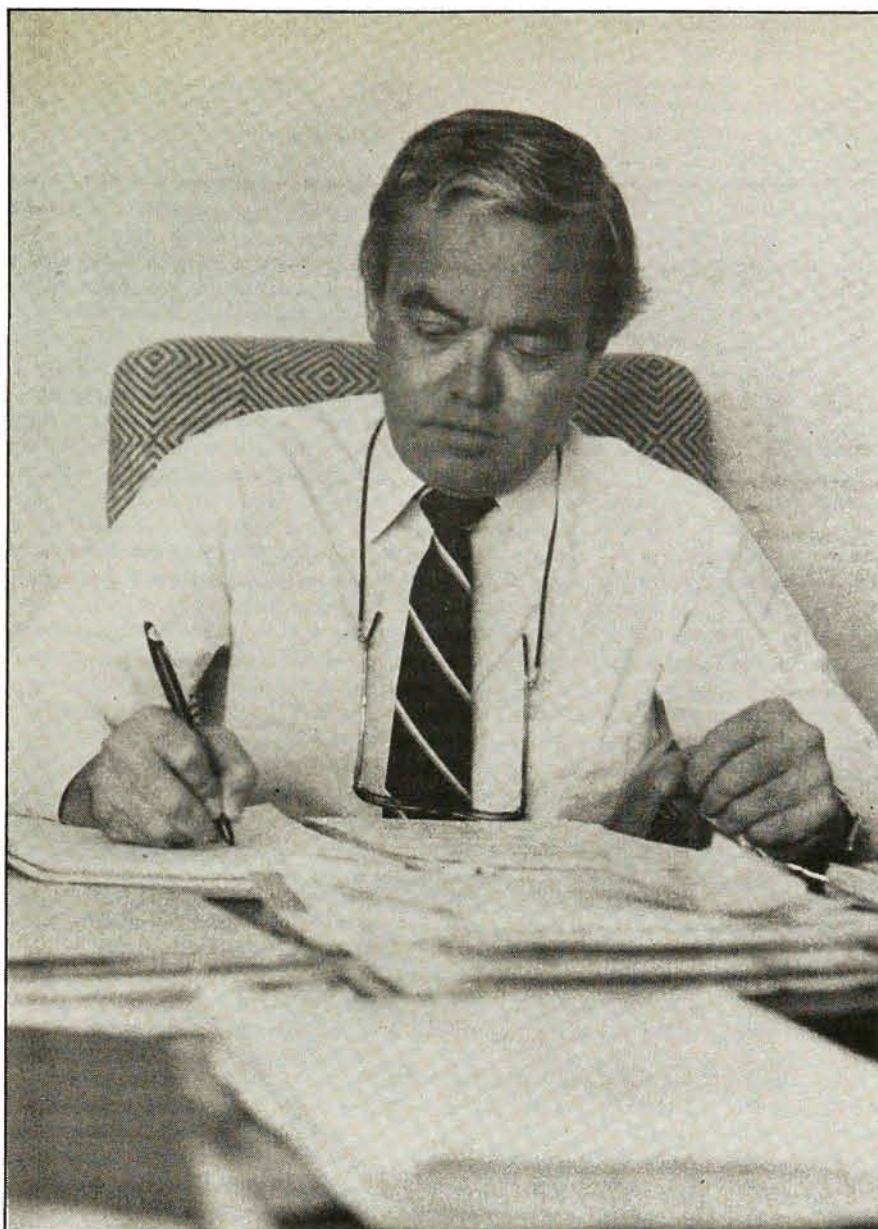
Barry Young: No. Frankly, it was my partner and I. He is a very wealthy individual and he trusted me to spend his money in that first year. It's expanded dramatically since.

Cinema Canada: *What kind of returns were you looking at in that first year?*

Barry Young: I never approached it on that basis. Because we were going into an environment everybody else said was negative, the basic criterion I applied was, can I recoup the interim financing? We did it differently than it had ever been done before. It was really non-recourse.

Cinema Canada: *Can you explain what you mean by non-recourse?*

Barry Young: We would analyze a project from the point-of-view of its capability to recoup the interim financing investment. On average, I wanted to see a project that would make me whole on my loan over an 18-month period and still have some revenue generating capacity that would give me some interest or fee recoupment. I was analyzing a project on the same basis, net of soft costs, as I would on behalf of my co-investors, whoever they might be. We were making a commitment and lending producers money from January through to July and August and we didn't get around to selling the tax package until September through December. We



were, in fact, underwriting the offering because we were lending the interim financing to the producers. As long as the producer did the production, brought it in on budget and delivered it to the distributor, he was off the hook in terms of ever having to repay me. It wasn't the producer's responsibility to worry. His money wasn't dependent on whether we sold to tax investors or whether we stayed in or stayed with half the units because we had only sold half to investors. We were the only organization, as I found out later, that had ever done that with producers.

Cinema Canada: *What you're saying is that you have to do classic risk analysis. It's like a venture-capital project each time.*

Barry Young: The simplest way to describe what we do is we're a merchant-banking service, in a modest way, to the entertainment industry. We provide one way or another production financing and a distribution service for selected products through Spectrafilm. We're also a very specialized identifier and packager of investment opportunities for the investment community.

Cinema Canada: *Can you run through the risk analysis that you will do on a project? Will the producer come to you? Will you go looking for producers?*

Barry Young: There has been quite a demand for the type of service we provide. There are enough projects coming in the door. When I look at a project, I analyze the budget. We structure our deals so that the producer him-

self is at risk, at least to the extent that if he fails to deliver on-time and on-budget, he is very exposed to the extent of any fees that he might have had. We hammer out some pretty tough terms then, because that's the only opportunity in the whole process we have to drive home to the producer that it's fundamentally important that the project come in on-budget.

Cinema Canada: *Do you make use of completion guarantors?*

Barry Young: When you're dealing with short shooting schedules for television productions, it's a different situation from a feature. It's much more controllable. There are many times we have opted to go for completion assurance. If it's an appropriate producer I will risk the total of our fees and they will risk the total of their fees as a completion fund which usually equates to 25 or 30 percent of the hard-cost of the package, which is more than enough coverage for anything other than a total disaster. We, in fact, become completion guarantors not by adding additional fees but by putting our fees and the producer's fees at risk.

Cinema Canada: *You mentioned that you operate at arm's length. I'm curious about the approval process. Once the contract has been approved, do you leave the producer completely alone? Do you have various stages where the producer comes back for approval?*

Barry Young: I have all of the appropriate approvals. I'm more interested in all of the relationships that have developed particularly with the distributors. I want the distributor to have and

execute on the approval and pre-approvals and the monitoring during the production. From a financing point of view, I'm much wiser to confine my activities to making sure that the product, as it's being produced, is in line with the original representations of the producer to the distributor. I usually ask the distributor to provide me with proof of the approval of cast, crew, budget and I ask if there is a monitor. I encourage distributors to place monitors even if he says he doesn't need one, because he's worked with the producer in the past. It doesn't prejudice the distributor from later being able to say, "Sorry, that's not what I contracted to buy, so screw you." But it helps to prevent that situation. The risk is still there. I try to minimize it.

Cinema Canada: *Who does the pre-selling? Would the producer have to do that? Do you?*

Barry Young: Usually, we like to see a producer make the original contact, determine the interest and the general range of license fees. Then we come in and jointly, with the producer, we finish the negotiations. It has been the perception that the Majors like to do things themselves and they don't care about outside participation in the financing and the ownership. But the reality is that with the increased fragmentation of the market that's going on, and particularly the increased production cost, the Majors have to do money management. Money management involves getting what you need in terms of product and phasing the payment for it over the longest period of time. Ideally, if you can make commitments for \$10 million and never have to spend your own money and get the product you would have gotten and have re-marketed it down the pipeline and gotten that \$10 million before you need it - that is a major selling point for attracting what can be qualified as Canadian production to Canada. We are one of the last jurisdictions at the moment that involve ourselves in tax-incentive financing of production. If we are given the right climate by our government in the next year or two, the financial community in Canada can build a relatively unlimited market. I would say the market could be between \$200 and \$300 million annually. It would be a deferral market, not tax loss. It's a recycling over a year, a year-and-a-half of tax dollars spent on Canadian industrial entertainment. About 70 cents out of every dollar invested with us end up in somebody else's pocket as income in the year that the deferral is coming up. If you do a rough tracking-out, the government, on our projects, usually makes about 30% more in tax-revenues on a project over a two-year period than they would have made if we weren't in business.

Cinema Canada: *That \$300 million figure is solely on the basis of a tax deferral market. It doesn't take into account any other scheme such as the Broadcast Fund. Is it also based on the present two-year structure?*

Barry Young: The two-year period is a problem but it's not major. I would rather, if I had to focus Ottawa on what they should do to enhance both their position and the industry's, protect the future integrity of the industry by writing in some form of requirement that there be demonstrated commercial acceptance of the product before it can go out as a tax incentive.

Cinema Canada: *As is presently done*

with the Broadcast Fund?

Barry Young: I think it has to be more than that. I don't think anybody should be allowed to take out a tax-incentive package that doesn't have a very firm and clear minimum 50 percent conditional presale. Then you prevent the fast-talkers from selling tax-loss packages. In doing so the government is ensuring revenues are coming back in. You can take your pyramid and extend it to the point where it becomes absurd in terms of dollars and so ultimately there would have to be a cap on the amount that an individual or corporation could have as a percentage of their real income so that the deferral can't go on *ad infinitum*.

Cinema Canada: What is your problem with the two-year period?

Barry Young: It's really in explaining and enforcing. It's detrimental in that you end up in the second year doing two things, assuming an investor needs and wants more deferral: sheltering and deferring a portion at the same time.

Cinema Canada: At the moment the government is again considering the tax provisions for the industry. Are you making any representations to the government?

Barry Young: Not yet. But you know there's no question in my mind that the incentive that is there is probably the purest form of sectoral tax incentive that exists. It really does work to the extent that placement of these packages does occur. If you take \$1 million and if the project has the type of conditional distribution arrangements that we put in place, then there is at least \$700,000 of that money coming back in the next year-and-a-half. The government's risk is that deferral on the taxation of that money for a year to a year-and-a-half at the most. Now between 65 and 70 percent of that offering of \$1 million goes into somebody else's pocket in the same year as the deferral. This happens because almost 80% of the expenditures that are involved in the creation of a project go to income either corporate or personal. It's a highly labour-intensive deferral.

Cinema Canada: Do you sell all the packages you're involved in? Do you keep any for yourself?

Barry Young: The only ones I have ever kept have been experimental. I don't want the conflict to develop between what I give to my investors and what I do myself. I experimented with two official co-productions.

Cinema Canada: Which ones are those?

Barry Young: I never use names. We've done one or two official co-productions with our own financing and equity participation because they were a little different. We could learn and assess the parameters. We're happy with the experience and we will be moving to provide our tax-based investors with those kinds of projects. But it's based on our experience. Through Spectrafilm, we do, in fact, do some production financing, but it's mostly foreign for the acquisition of foreign products. We have never had a project that we kept which, if independently analyzed, would have gone to investors. The ones that made the most money and are in a position to make the most money are all ones that we have our investors in.

Cinema Canada: Did you have any difficulty selling any of the projects?

Barry Young: No, we've been very careful from day one.

Cinema Canada: How do you go about selling the tax-deferral package? Is there a group of people you approach constantly or do you place it through a broker?

Barry Young: Our ability to place through registered brokers and our own internal placement has doubled every year. And we could have done more. We always end up short of product.

Cinema Canada: Everything you do is Canadian?

Barry Young: Yes. We will be expanding in the future into other Canadian markets. I don't think the investment and financing community has given enough credit to the government of Quebec for the additional incentive they put in place for Quebec productions. Hopefully this year we're going to move into and market specifically in Quebec some combined federal-provincial tax incentive projects.

But we've also built a track-record and a reputation that is comforting to brokers and investors.

Cinema Canada: Have you had any losses on any of your packages?

Barry Young: No, I haven't yet. We plan out a five-to-seven-year earnings program on each one as we go in. I have one which is delayed by a year-and-a-half, one of the original television packages. That's because of the uniqueness of that package. It was contracted not to go on air for a year-and-a-half after it was in fact produced. There's no question that all of my investors in my early packages will recoup their money and earn a little bit. But they won't do nearly as well as my investors in the later packages as we've gained knowledge and experience. Fortunately, they're mostly the same investors so that if you do the analysis on an individual basis they'll all do quite well.

The point is we take our own risks. I always "worst case" things. I want to at least get my principal back so that I'm able to relend it. I don't do a project that doesn't at least show me some potential for making some profit from my lending

Cinema Canada: How did you get involved in Spectrafilm?

Barry Young: Well, it's part and parcel of the business if you accept what a merchant banking operation is. It's an operation that gets in and crawls around and gets to know as thoroughly as it can the sector that it's decided to focus on. As it grows, it provides an increasing range of services and facilities and investment opportunities and financing opportunities and service opportunities to that sector. Spectrafilm was, after a lot of evaluation, our identification of the lowest risk, lowest cash-flow intensive opportunity to establish ourselves in a reasonably major way in the distribution business. With classics and/or specialty films, you're dealing with, for the most part, strategic or ripple releases across North America. You're not involved in a \$5 million prints and ad campaign. You slowly open up the film—here... here... here. We're very satisfied with that. We did contemplate trying to go into a broader based distribution operation to start with and the numbers just horrified us. The risks are frightening.

Cinema Canada: What do you mean by that? Can you give me specific examples?

Barry Young: If you're trying to pick up a good mid-range budget film and you want to release it appropriately in North America, you're talking about a minimum 300-theatre release to a maximum of 700. You're looking at a releasing cost campaign of \$2 to \$5 million per film. You must have an inventory of film for release that makes the exhibitor pay attention to you. He doesn't want one film every two years; he wants a pipeline. You're talking about having \$20 to \$30 million in ready and available cash flows to jump right into commercial distribution. It's always dangerous to do that. It's high risk. With classic films it's territory-by-territory or region-by-region or city-by-city release. You're monitoring daily and your costs of release may be between \$100,000 to \$500,000 as opposed to the millions. There is a theory in the distribution business that it takes five years to get a business up and running to break-even point. Then you pray for the big hit. We're proving that you can go at it more modestly but in a very visible sector and establish a very good international credibility and presence by focussing on specialty film, in this case classics, but it could be specialty low-budget commercial horror or whatever. Spectrafilm is slowly positioning itself to expand into more commercial properties and is expanding substantially its capabilities of distribution in the ancillary market, in television syndication and particularly video.

Cinema Canada: Is Spectrafilm paying its way yet?

Barry Young: Give or take \$150,000 a year it now carries itself in operation. Thank God, it wasn't the five years that everybody projects. It's been two years with all of the normal frustrations that go on when you start up a new entity. Remember we started Spectra when everybody else under the sun started. We were well along in our plans when we launched Spectra right at the top of the cycle. Realistically, now there's only one other major North American competitor to Spectra. And I understand that they have decided to drop their buying to two or three films this year. Two years ago there were six or seven major ele-



Cinema Canada: Have you got a specific project?

Barry Young: Yes, *Night Magic*. It's wonderful because the net effect of the combination of the federal and Quebec incentive is that my investors have an opportunity of virtually breaking even on an investment of approximately 54% pre-sale. We would be lucky to get the Ontario government or, for that matter, British Columbia or the prairie provinces, to design and implement the same type of incentive package that Quebec has put in place.

Cinema Canada: You have definite plans for expansion?

Barry Young: Well, our traditional packaging is clearly attractive because people are buying it. Between the presales and the markets and territories that are left open, there is lots of room to move to really fairly substantial profits. With that in mind, yes, we are in the process of expanding. We likely will expand not physically but in providing the packaging and the investment vehicle to retailers in other major cities in other provinces. We've quietly done some marketing in BC in the last year and some in Alberta. We've found them very receptive. We found, again contrary to the norm, a good reception for the right packages and the right product.

too. Secondly, there's the packaging and monitoring of the investment package and thirdly, there's the retailing of it. I think one of the mistakes made by the brokers initially was that they got into both elements of it. In reality they would have been much better if they stepped back and said, "There are one or two or three packaging entities if you will to provide us with product which we'll retail." In the current climate I believe there will be a fairly dramatic expansion of the market place over the next two to three years. A caution I add to brokers is, for God's sake don't make the same mistakes twice. You're a retailer of product. In that context it takes four or five years to build the experience and knowledge of whether it's a good package.

Cinema Canada: How many packages have you done to date?

Barry Young: About 25 now.

Cinema Canada: That doesn't include the ones you kept for yourself?

Barry Young: No, they've been just small amounts. On the co-productions we put \$200,000-\$400,000 and watched it come back and make a bit of money. We have provided interim financing over three years of approximately \$25 million to the industry and we have marketed about \$33 million worth of investment.



ments all buying, trying to acquire 10 to 15 films a year. We plan to buy between 12 and 16 over this next six-month buying season. It gives us the premiere position which means that potentially there is that much more profit. It's now back to being a situation where we can acquire films within legitimate business parameters. Last year and the year before it certainly wasn't that.

Cinema Canada: *Can you define what you mean by legitimate business parameters.*

Barry Young: Spectra's responsibility as a distributor is to take a product that it wants and release it in a way that benefits the film and therefore the track-record of the producers. We have to make money on it. We're not a charity. What was happening two years ago, as a result of the combination of needing to get into the business and all of the competition, was that the amounts required as advances to obtain North-American rights were not conducive to making a profit. Now, it's somewhat different. The producers around the world will be forced to look at the real costs. We walk them through it. There are no secrets at Spectra. We tell the producers this is what would happen if we give you what you want; this is what has to happen on that film for us to break even. The price has come down with that. Our position at Spectra is we're more interested in being the producer's partner in the exploitation. If the film is good and the producer has done his job, done something worthwhile commercially, and we do our job properly in releasing, then it's a real goldfield. Our deals will be increasingly designed so that we're both delightfully happy with the back-end. We give good deals to the producers at the back-end. We will not take all of the risks for the North American release of a product. I don't care which product it is. We've turned down a couple that look like they will make whoever distributes them substantial money over the next year-and-a-half. But we turned them down

because the producer in effect was saying, "You pay me x dollars and I don't care. I'll take a worse back-end for more money up front." That is increasingly foreign to the business philosophy of Spectrafilm. That tells me that he doesn't think it's going to do very well, either because of the way he thinks we're going to handle it or because he doesn't think he has a very strong property.

Cinema Canada: *What happened to the competition, the other six or seven classics distributors?*

Barry Young: Specialty film is a boutique-type operation. Some of the majors seem to be dropping out of it because there doesn't seem to be a bottom-line possibility in it that there was four or five years ago. And they're right. There were too many people in it. Others are simply saying, "Hey, our business is doing commercial film distribution. We don't have to be all things to all people." There's a role, hopefully a very profitable role, for a Spectrafilm type operation. There's a niche there that can be extremely important to the independent producer.

Cinema Canada: *Is Spectra 100%-owned by Skyld?*

Barry Young: Yes.

Cinema Canada: *Skyld is a private company owned completely by yourself and your partner?*

Barry Young: Yes. I can envision a time when it won't be because as we grow and expand there will be additional working capital requirements. Our long-term objective is to become a relatively major but cautious player in the international financing and distribution segments of the entertainment business. We will also continue to expand the straight financial services side.

Cinema Canada: *Is there a timeframe or a volume level of business for going public?*

Barry Young: It isn't the size of the operation in terms of dollar-volume or

anything like that. As things come along we do them. We're quite a profitable group of companies. We take virtually nothing out of the business. It's all ploughed back into expansion.

Cinema Canada: *If there a figure you can give me on your profitability?*

Barry Young: We're quite pleased. We analyze our performance relative to other sectors and we're very pleased with it. It doesn't mean a lot to us because we take a minimal amount out for ourselves. We generate a lot of expansion capability internally.

Cinema Canada: *Is there any intention of building a vertically-integrated operation by expanding into production?*

Barry Young: No. We wish to confine ourselves to the provision of services. I'm not interested in hard-asset production facilities. The industry is cyclical. I guess my feeling is that if we hit a slump in the industry, I would much rather be the provider of services which you then stop providing than be the provider of facilities that are sitting there empty which you have to carry.

Cinema Canada: *You mentioned that Spectra is cautiously moving towards the commercial market. What other plans do you have for the company over the next few years?*

Barry Young: We will deal more and more with English-language independent producers in the States, Canada, Britain and Australia who are providing lower-budget theatrically commercial property. We have the capability of financing the same as long as they are Canadian co-productions. I expect us to have a reasonably substantial presence in the American financing market in the next couple of years so that we will be capable of financing directly in the U.S. markets.

Cinema Canada: *Co-productions?*

Barry Young: No. Just American productions.

Cinema Canada: *Presumably you'll have to operate on quite a different basis because you won't have the same tax-deferral benefits to offer?*

Barry Young: Even in Canada the objective is to move to the point where we don't rely on the tax incentive. I always make the assumption that you only have the tax-incentive package for another year or two and then who knows... you might find that it's gone.

Cinema Canada: *You seem to have a vision of the industry which is somewhat different from what is accepted. You've been able to make it work for Skyld. Can you comment on the basis of that vision?*

Barry Young: If you accept that financing and the ultimate ownership or control of distribution rights, residual rights, library rights and so on are the ways to build a position in the entertainment sector, then Canada is unbelievably uniquely situated to play a major role in the overall international financing and distribution of productions. This is true for all sorts of reasons: cultural, tax-related, government program related, and position related vis-a-vis the Europeans and Americans. This is one area where we occupy a truly mid-Atlantic place. If we get out and play internationally. We have the Americans who are increasingly looking for participation and partners in the financing of the product they need for their market. They look at us as the fifty-first state. Toronto, Montreal, Vancouver are only a jump or 'phone-call away. We've got excellent production facilities. You can shoot just about anything. It's an easy fit in that context. Contrary to what a lot of Canadians think and feel, the Americans don't have hang-ups about dealing in a straight, business-like, fair way with us. They want to get in and play. A business deal is a business deal. You get the Europeans who only in the last seven or eight years have been able to play. Like Canada they have been hostage to the fact that their whole industry has been driven by Hollywood product for years and years. With the growth of video, the increasing importance of television they are now providers of legitimate major productions fully financed without tapping the American market. It's changing psychologically their perceptions of the American market which is increasingly seen as a profit centre for non-U.S.-financed productions. But they recognize the cultural differences that inhibit their access to the American market. The Europeans, particularly the French and British, look to Canada because our market, our appetites are similar. It looks like an easy, in some ways more trusted, more conservative relationship that helps them access the American market. The ability is there to do some exciting joint-venture relationships both in financing and distribution between Canadians and Europeans to access the American market and between Americans and Canadians to plug into the coproduction relationships outside North America to limit the exposure of production costs. Add to that our coproduction treaties, the Telefilm Fund, if it's used wisely, and a growing capability on the tax-incentive side. These elements can make Canada and a few entities in Canada major players in financing on an international scale. For us to assemble the capability to finance \$100 million worth of production a year is only about a year or a-year-and-a-half away.