RAINDANCE – FILM FINANCE GLOSSARY

**Above The Line Costs**
The top sheet of a film budget is divided into various sections. The first of these sections summarises what are known as above the line costs. These are the creative elements – story rights and screenplay, executive producer and producer, direction, principal cast as well as the tax deductions, travelling and living costs of the individuals referred to in the detailed schedules which support the analysis set out in the top sheet. See also below the line costs.

**Access Letter**
A letter under which a laboratory undertakes to honour orders placed by a distributor, even though the laboratory may be owed money by the producer or, in relation to the film, by other persons. See also laboratory letter and pledge holder agreement.

**Adjusted Gross Deal**
A distribution agreement where the distributor deducts from gross receipts the costs of co- operative advertising and divides the balance ¡ the adjusted gross ¡ with the producer. The advantage for the producer is that he does not have to vet the distribution expenses. The disadvantage is that the distributor may cut back on distribution expenses, to the detriment of the commercial success of the film, if he does not think his share of adjusted gross receipts will cover his expenses.

**Advance**
see minimum guarantee

**Ancillary Rights**
Rights which may be capable of commercial exploitation that accrue or are acquired as a result of or in the course of production of a film, as distinct from the exploitation of the film itself. They include merchandising rights, television spin-off rights, sequel, prequel and remake, book publishing rights, computer game rights, soundtrack album rights, and the music publishing rights in the score. These rights are sometimes referred to as secondary rights

**Angel**
See private investor

**Answer Print**
The composition print that emerges from the laboratory after the combination of the sound with the graded picture, optical effects and soundtrack. When the print is approved a computer tape is made which tells the printer what to duplicate and ensures that all subsequent copies are the same. Also known as the first trial print.

**A.S.C.A.P.**
American Society of Composers, Authors and Publishers ¡ one of a small number of American collecting societies, which act on behalf of composers and music publishers in the licensing and collection of license fees from public performances and broadcast of musical works. See also BMI and SESAC. A.S.C.A.P. One Lincoln Plaza New York, New York 10023 USA 7920 Sunset Blvd Suite 300, Los Angeles CA 90046 tel 213 883 1000 / fax 213 883 1047 / 001 212 595 3276 www.ascap.com

**Assignment By Way Of Security**
The method by which a financier takes a security interest in a film. The copyright in the film and the underlying rights (and the revenues) are assigned to the financier by way of security – effectively they are mortgaged to the financier to secure the repayment of the financiers investment. The mortgage is registered at Companies House to establish it’s priority and appears on the production companies register of charges, which is open to public inspection. See also priority agreement and security agreement. What is left of the revenue generated by a film after deduction of distribution fees and expenses, advances and minimum guarantees, recoupment of the financiers’ investments, repayment of any sums advanced by the completion guarantor fees. Also known as net profit. See deferment and producer’s share of net profits

**Basic Points**
One hundredth of one percent ¡ typically used in the context of interest rates, for example, three basis points would be 0.03%.

**B.B.F.C.**
The British Board of Film Classification is the body charged with viewing films and certifying their suitability for cinema audiences and for sale and rental of video grams by reference to age groups. It is cheaper to certify a 16mm print than a 35mm print. 3 Soho Square, London W1V 6HD tel: 020 7440 1570 fax: 0171 287 0141

**Below The Line Costs**
The top sheet of a budget is divided into four sections. The first section deals with above the line costs. The following three sections ¡ production, editing period and other ‘(for example production fee, insurance and general expenses) ¡ are below the line costs. To arrive at the total budget, you add together the above the line costs, the below the line costs, the completion guarantee fee,the contingency and the fringes.

**B.M.I.**
Broadcast Music Inc -an American collecting society acting on behalf of composers and music publishers. See also ASCAP and SESAC.

**Break Costs, or Funding Breakage Costs**
The costs incurred by a bank as a result of receiving a prepayment during the currency of an interest period or, in the case of a loan for a fixed term, prior to the term date or as a result of withholding a drawdown under the loan, having already funded it. The costs are calculated on the premise that, in order to fund a loan to its customer, the bank has taken deposits in the interbank market which it needs to liquidate or redeploy if its own borrower repays early or fails to draw down. Typically, on a prepayment, the bank’s break costs will represent the difference between the return which the bank would have earned on the prepaid amount for the rest of the interest period if here had been no prepayment and there turn which the bank will derive in the interbank market on the prepaid amount for the residue of the interest period.

**British Actors Equity**
Guild House
Upper St Martins Lane
London
WC2H 9EG
tel 020 7379 6000
fax 020 7379 7001

See talent unions.

**Cap**
An arrangement (unusually entered into separately from the underlying loan) between a bank and the borrower where, for a premium, an upper limit is set on the interest rate payable by the borrower on a floating rate loan. If the underlying interest rate rises above the upper limit, the provider of the cap reimburses the borrower for the excess above that limit.

**Capital Allowances**
Tax relief which may be claimed on the capital cost of acquiring a qualifying asset. It may be offset against a taxpayer’s income liable to corporation tax or income tax. There are various forms of capital allowance and detailed rules governing the rates of capital allowances and how they are applied. They may be subject to clawback as a result of a balancing adjustment when the taxpayer disposes (or is deemed to dispose) of the relevant asset.

**Cash Flow**
The cash flow is usually setout in a schedule to the budget and comprises the sums from time to time required for the timely production of the film. The cash flow will also show the source of funds. A hurdle to independent producers is that cash is normally drip fed once the film is formally in production, meaning that even prosperous companies have to tighten their belts until the elusive first day of production actually happens. Perhaps this is one of the reasons that movies are shot before the scripts are fully developed: cash strapped productions companies are always eager to bring forward the date of production at the expense of time- consuming and expensive script development. Certified The cost of production of a film, as certified by an independent firm of accountants.

**Chain Of Title**
The route by which the producer’s right to use copyright material may be traced from the author to the producer through a `chain’ of assignments and transfers.

**Co-operative Advertising**
Advertising, the cost of which is shared between the distributor and exhibitors.

**Co-production Treaty**
An agreement between states which may permit films made in or with resources from both states to benefit from subsidies available from both states.

**Collecting Society**
An organisation which acts on behalf of its members, who may for example be composers, music publishers,visual artists or record companies, to administer, collect and distribute sums to which the members are entitled on the commercial use of their works.

**Collection Agent**
See collection agreement below.

**Collection Agreement**
An agreement entered into by the producer and financiers of a film with a collection agent, for example, National Film Trustee Company Limited. The collection agent is appointed to collect the proceeds of the exploitation of the film and distribute them to the financiers, the producer and other beneficiaries,such as deferees and profit participants, in accordance with directions set out in the agreement. The collection agent would expect to receive a fee for this work, perhaps negotiated as a percentage of all sums collected by it.

A collection agent is appointed because, whilst a production entity may have a continuing legal existence, it may not have a continuing physical existence in the sense of numbers of individuals who attend to its business on a daily basis. The collection agent offers physical continuity and is responsible for ensuring that distributors account for and pay the producer’s share of the distribution revenues. The collection agent will hold revenues on trust and they are therefore intended to be secure from the collection agent’s own creditors. The collection agent may also offer a degree of security, not only in the legal sense, because of its reputation and perceived permanence.

**Completion Guarantee**
An agreement under which a completion guarantor guarantees to the financiers of a film, or a distributor who has advanced money prior to delivery, that the film will be completed and delivered by a given date to its principal distributors in accordance with the relevant distribution agreements.

The completion guarantor will not be under any liability to complete and deliver the film once a specified level of financing known as the strike price has been advanced by the financiers. Once the strike price has been paid the completion guarantor will have the option of abandoning the film (and repaying the financiers) or of completing and delivering the film. Also the completion guarantor will not accept any responsibility for the artistic quality of the film. If the film is not delivered by the given date,the completion guarantor will repay to the financiers the sums they have advanced towards the cost of the film. The completion guarantee may be supported by a loss payee endorsement.There will also be an agreement between the completion guarantor and the production company, under which the production company (a) agrees to produce the film in accordance with the financing and distribution agreements and to permit the completion guarantor to take over the production in certain specified circumstances and (b) grants to the completion guarantor a charge or security interest over the film.

**Completion Guarantor**
A company which is in the business of providing completion guarantees for financiers, the principal UK guarantor being Film Finances.

**Contingency**
A final sum added to the budget for a film to cover unforeseen circumstances, usually 10% of the budgeted cost excluding the completion guarantee fee.

**Copyright Search**
A search in the US Copyright Office to see if any interest in the relevant work or film has been registered. No equivalent registry in the UK exists and accordingly no certain means of verifying the ownership of copyright interests.

**Cost of Funds**
A bank’s cost of lending money. This will depend on the nature of the loan – for example a bank’s cost of funds on a sterling LIBOR loan will usually be LIBOR plus its MLA cost.

**Costs Off The Top Deal (referred to as C.O.T)**
A distribution agreement where distribution expenses are deducted from gross receipts and the balance is then divided between the distributor and the producer in agreed shares. Distributors’ fees are usually calculated on gross receipts but in this case the distributor’s share is effectively its fee, calculated on a lower base.

**Cross Collateralisation**
The application of revenues derived from one source, whether a territory or a means of exploitation,towards the recoupment of an advance irresrespective of revenues arising from another territory or means of exploitation all falling within the same grant to a distributor or agent. This device is generally discouraged by the lawyers of independent filmmakers, but is widely encouraged by sales agents as a means of facilitating sales. Know what you are getting into on this one.

**Debenture**
Technically a legal document evidencing indebtedness, but commonly used to mean a fixed and floating charge over the assets Aand undertaking of acompany.

**Deferment**
A sum payable to a writer, performer, director, produceror someone else connected with a film out of revenues derived from the exploitation of the film, but after the deduction of distribution fees and expenses and, usually, after the financiers and the completion guarantor have recovered all of the sums (and whereagreed together with interest) they have advanced towards the cost of prodcution and delivery of the film.

**Deferred Tax**
An accounting entry which is included in, amongst other things, a company’s financial statements,to reflect a potential liability to tax. Conventionally, deferred tax is established where reliefs and/or allowances (particularly capital allowances) have the effect of deferring liabilities to tax which would otherwise have crystallised. These are called `timing differences.’

**Deferee**
A person to whom a deferment is payable.

**Discount**
To discount, for example, a distribution agreement means the assignment to al ender of the benefit of a distribution agreement under which advances are payable on delivery of the film in return for a loan, which can be used to meet the costs of production of the film as they are incurred. The agreement is `discounted’ because the sum made available by way of loan is less than the amount of the advance. The difference covers the lender’s fees and legal expenses and the interest calculated to be payable on the loan during the period under the contracted repayment date.

**Discounted Cashflow or DCF**
An investment appraisal technique which takes account of the time value of money by assessing the present value of future income and expenditure. It is often used in valuing an investment or to show the viability of a project. See internal rate of return.

**Distribution Agreement**
An agreement under which rights to exploit a film in one or more media are granted. The distributor grants rights as principal, not as agent. The agreement will provide either for a lump sum payment by the distributor or for a sharing of revenues.

**Distributor**
A party which organises film distribution under a distribution agreement. See also sales agent.

**Domestic Rights**
The rights to distribute a film in North America. The world excluding North America is, just as confusingly for a non-American, often collectively referred to as `foreign’.

**Eady Levy**
A levy, abolished by the Thatcher government, on all UK cinema tickets paid to the government and then shared among the producers of films produced in the UK (including films with only a tenuous link to the UK).

**Equity Of Redemption**
The borrower’s right to redeem (i.e. cancel) a mortgage on payment of the sums secured. English law prohibits any impediment – known as a `clog on the equity’ -on the borrower’s right to redeem the morgage or the inclusion in a mortgage of a side benefit in favour of the lender.

**Errors & Omissions (E&0) Insurance**
Insurance against claims arising out of infringements of copyright, defamation and unauthorised use of names, trade names, trademarks or charactes. This insurance is usually taken out by the poducer,particularly if the film is intended to be distributed in North America, on a film by film basis. Insurance will be with effect either from the first day of principal photography or from delivery. Some broadcasters caryblanket insurance to cover everything they transmit. Cover will be forfeited if the claim arises out of an actor failure to act whic his `wilful, wanton, intentional, malicious or conspiratorial’ or if the poduction procedures laid down in the policy are not adhered to. The principal insured may be asked to have the interests of financiers and distributors noted on the policy or to have them named as additional insureds.

**European Co-Production Fund**
A fund administered by British Screen Finance Limited, from which moneys are lent towards the cost of films produced as European co-productions.

**Favoured Nation Tterms**
The most favourable terms accorded to any party to a transaction, including that no-one will get any better terms or if any improved terms are granted to a third party then the`favoured nation’ will be treated equally.

**The Film Council**
Distributor of UK government money. An easy target for criticism by film critics such as Alexander Walker and disgruntled filmmakers, the Film Council is nonetheless the best chance for filmmakers to get government or “soft” money in the UK. As of 2002, the Film Council has three distinct areas of financing; The New Cinema Fund run by maverick producer Paul Trijbits. This fund specialises in filmmaking which utilises new technology. The Premiere Fund is headed by proven producer Robert Jones, (Usual suspects). The third fund is the Development Fund headed by Jenny Borgers. The Development Fund recognises the importance of the screenplay. The Film Council has enjoyed success by funding films that were hits like Gosford Park, My Brother Tom and The Warrior.

**Final Cut**
The final say on the editing of a film. This right will usually lie with the production company (subject to its obligations to financiers and distributors), unless the director is of sufficient stature to be able to insist on this right as a term of his agreement with the production company.

**Financial Covenants**
The undertakings within loan documents requiring the borrower to maintain certain financial ratios, for example, current assets to current liabilities, or total debt to total equity, or to maintain a minimum net worth during the term of the loan. Such covenants would not be applicable where the business of the borrower consists only of the production of a single film.

**Fine Cut**
The final edit of the film.

**First Trial Print**
See answer print

**Floating Charge**
A charge which`floats’ above the assets subject to it (typically a company’s debts and trading stock), allowing the company to deal in those assets in the ordinary course of the company’s business until the occurrence of stated events of default. On any such event, the charge`crystallises’ and becomes a fixed charge over the relevant assets then owned by the company.

**Floating Rate**
Interest at a rate which fluctuates, typically by reference to changes in LIBOR or the base lending rate of a specified bank.

**Foreign Rights**
The converse of domestic rights, they are the rights to distribute a film outside America.

**Forward Rate Agreement or FRA**
An agreement to fix a rate of interest for a future period where the borrower would otherwise be paying at a floating rate. Typically, on the date on which the fixed rate first becomes operative,the borrower or the bank will settle the discounted difference between the fixed rate for the period and the floating rate for the same period.

**Four Walling**
The practise where a producer rents all the seat for all the shows for a week (usually at a discount) and then puts in hes/her own film and collects the box office.

**Free Television**
A television broadcast intended for reception by the public where no charge is made to the viewer other than any government license fee or tax. See standard television.

**Fringes**
Social security and, in some cases, pension payments due to the cast and crew on top of wages shown in the below the line section of the budget. Fringes are often detailed in a separate schedule and summarised in a line in the final section of the budget top sheet.

**FRSs**
Financial Reporting Standards issued by the Accounting Standards Board and which apply to all financial statements whose purpose is to give a true and fair view of a companies position under the Companies Act 1985.The FRSs are successors to the Statements of Standard Accounting Practice (SSAPs) formerly prepared by the Accounting Standards Committee.Many of the SSAPs are still in force as accounting standards although by FRSs

**Gap Financing**
A specialty lending arrangement whereby a bank will lend the difference between production finance raised and the minimum expected from sales by a reputable sales agent. Usually does not exceed fifteen percent of the budget of a film.

**Gearing**
The relationship between a company’s indebtedness and its equity capital – also referred to as a company’s `debt/equity ratio’. Gearing is sometimes also called `leverage.’

**Gross Participation**
An arrangement under which a participant in a film,usually a major artist, will share in gross,rather than net,receipts.

**Grossing – up clause**
A clause customarily found in loan documents which provides that, where withholding taxes are imposed on payments by the borrower to the lender, the borrower will pay an additional amount to the lender so that the lender receives what it would have received had there been no such taxes. The additional payment is referred to as a `gross up payment’ and the requirement to pay as a requirement to`gross up’.

**Hedge**
In a financing context,any technique to offset the impact of movements in interest rates or currency exchange rates. Typical examples of hedging instruments are swaps, options and forward rate agreements.

**Holdback**
A period during which a particular form of exploitation is not allowed. A videogram hold back,for example, means a period following theatrical release which must expire before videograms of the film can be released.

**Increased costs clause**
Customarily found in loan documents, this clause proves that if there is a change in regulatory requirements after the loan agreement is signed which raises the cost to the bank of making o maintaining loan (or reduces its effective return), the borrower will compensate the lender. See also the MLA requirements.

**Inter-party agreement**
An agreement between parties which, under separate agreements, each separately contracts with the film production company. The inter-party agreement regulates the relationship between these financier parties.

**Internal rate of return or IRR**
An investment appraisal technique, also known as discounted cash flow yield, from which the profitability of a project or investment can be assessed. The IRR of an investment is the rate of return at which its anticipated future income and expenditure (cash flows) must be discounted to give a net present value of zero. If that IRR is greater than the anticipated cost of funding the project or investment,the project is likely to be profitable.

**Internegative**
When a film has been shot on colour reversal stock a duplicate stage (interpositive) is omitted by making a CRI (colour reversal internegative) from the camera negative. An internegative is made directly from this to produce a duplicate negative from which exhibition print copies of the film are made.

**Interpositive**
A positive print, made from the original negative of the final version of the film,from which a duplicate negative is made. It is then possible to make many exhibition print copies from the`dupe’ negative without damaging the original negative. Also known as the master positive.

**Laboratory letter**
An expression used indiscriminately to refer to access letters and to pledge holder agreements, without differentiating between the two. Whilst the functions of an access letter and a pledgeholder agreement might be fulfiled in a single document, the irrespective functions are distinct.

**Lead bank, or lead manager**
A bank which acts as lead manager for a potential syndicate of banks in relation to a syndicated loan. Appointed by the borrower,the lead manager, in exchange for a fee, normally settles with the borrower the outline of the basic terms of the loan, promotes the loan to potential participants, provides information relating to the borrower and its business and negotiates on behalf of the participants.
Lead managers try to ensure that they are not obliged to provide the loan if insufficient participants express an interest, that they are not liable for the information provided to participants and that they are not liable for any actor omission when negotiating the loan.

**Letter of credit (LC)**
A written undertaking to pay the sum of money, on delivery to the person giving the undertaking,of documents in the form specified in the letter of credit. When a distribution agreement is discounted, the lender may insist that the advance payable by the distributor is secured by a letter of credit from a recognised bank. The documents required to trigger payments usually include a certificate from a third party, often the completion guarantor, that delivery has been made to the distributor in accordance with the distribution agreement. Some financiers, such as the legendary Roger Corman, finance their positions in feature films by using LC’s alone. Once an independent producer has convinced a financier to participate, the financier can then provide a LC upon which the producer can borrow. The advantage to the investor is that they can participate in the film’s profits as if they had put up cash. The costs of preparing the LC is usually borne by the producer.

**LIBID**
The London Interbank Bid Rate, being the rate at which a bank borrows by bidding for deposits to be placed with lending banks in the London interbank market.

**LIBOR**
The London Interbank Offered Rate, being the rate at which a bank is able to borrow money on the London interbank market from lending banks. LIBOR varies according to the size of the borrowing and its period.

**Limited partnership**
A partnership constituted by a general partner (with unlimited liability) and limited partners (with limited liability).Under English law, the maximum number of partners permitted is twenty save for partnerships relating to certain professional activities. Limited partnership is a form of association frequently used to enable investors to invest collectively. Normally, the general partner will manage the investment. Please consult a lawyer before you attempt to do this, as it is very easy to fall foul of investment law, which is a criminal matter, and the police will come to your house.

**Limited recourse**
A loan similar to a non-recourse loan but where there is some recourse to the assets of the borrower other than those charged,and sometimes limited recourse to other companies. The latter may take the form of a limited parent company guarantee.

**Loan out agreement**
An agreement where the services of an individual are made available through a production company, usually owned or controlled by that individual.

**London Film and Video Development Agency (LFVDA)**

An interesting agency which distributes funds on behalf of the BFI and the National Lottery. They are also assessors for the National Lottery, but despite this, they have been regularly t Lottery for their own projects. Andrea Corbett is the over worked grants advisor, and Gill Henderson took over from Steve McIntyre on June 1st 98. They also publish an invaluable newsletter. Make sure you call them.

114 Whitfield Street
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tel 0207 383 7755
fax 0207 383 7745

**Loss payee endorsement**
Confirmation from a completion guarantor’s reinsurer, given to a film’s financiers,to the effect that they can look directly to the reinsurer to make payments under the reinsurance policy in the event that the completion guarantor has a liability to make payment under the completion guarantee.

**Low contrast print**
Television has a lower contrast tolerance than cinema projection, therefore low contrast stock overcomes such problems as ambient light in interviewee living rooms which would crush out details in dark areas of a picture.

**M & E Track**
A mixed music and effects track which is free from dialogue. Used for foreign language versions. See also triple track.

**Margin**
In a banking context, the rate of interest payable to a lender over and above LIBOR or the lender?s base rate -for example, 2% over LIBOR.

**MCPS**
The Mechanical-Copyright Protection Society Limited, a collecting society which administers the licensing of mechanical reproductions of musical works and the collection and distribution of revenues derived from such licensing.

**Minimum Guarantee**
The minimum sum a distributor guarantees will be payableto a producer as a result ofthe distributor’s distribution of the film. The guaranteed sum may be payable at the beginning ofthe distribution period, as an advance against the producer’s share of the proceeds of distribution. It may, however, be the aggregate sum which the distributor guarantees will be payable to the producer over the whole of the distribution period. Any shorfall of actual revenues against the guaranteed amount would then be payable at the end of the distribution period.

**MLA Requirements**
Requirements imposed by the Bank of England on banks providing loans and other finance in sterling in the United Kingdom to maintain certain minimum liquid asset ratios- hence MLA. The cost of meeting these requirements is generally passed on by a bank to its customer on sterling loans. The amount is usually determined as a percent agerate at the beginning of each interest period according to an established formula which is sometimes contained in the loan document, but the bank will usually reserve the right to change the formula. See also increased costs clause.

**MPAA**
The Motion Picture Association of America administers the rating system for feature films in the United States in a manner not unlike that in which the BBFC does in the UK.

**MPEAA**
The Motion Picture Exporters Association of America,the trade association of the major studios, which represents the interests of the studios as distributors outside the United States.

**Musicians Union**
See talent unions.

**Negative Pick-Up**
A distribution agreement where the advance is payable only on delivery of the finished film to the distributor.

**Negative Pledge**
A covenant contained in loan documents where the borrower agrees not to createor permit to exist any other mortgage, charge or security interest over any of its assets. The covenant is often subject to stated exceptions.

**Net Asset Value or Net Worth**
The book value of the assets of a company or business less its liabilities, exluding liabilities to equity investors. The net asset value reflects the share holders’/owners’ net investment in the company or business.

**Net Present Value or NPV**
Today’s value of money to be received or paid in the future after applying a discount to reflect the delay before it is received or paid. The accuacy ofthe result depends onthe assumptions made in assessing the discount rate.

**Non-Recourse Loan**
A misnomer for a loan where the lender has no recourse to any party or any assets other than the assets over which the lender has specifically taken security, in effectthe proceeds of exploitation of the film, and/or the single purpose vehicle which owns the assets.

**Non-Standard Television**
All forms of television other than standard television. It includes trapped audience rights, basic cable (except where the programme signal is receivable over the aid with a standard rooftop or settop aerial, pay cable and over the air subscription television(STV), direct broadcast by satellite (DBS), master antenna television (MATV), multi-pointvideo distribution systems(MVDS) and satellite master antenna television systems(SMATV).

**Non-Theatrical Rights**
The rights to exhibit afilm to a live audience by direct projection by means of sub standard gauges (for example 16mm or 8mm) or by video grams, where the exhibition of films on a regular basis is not the primary purpose and when no specific admission charge ismade forthe exhibition.
The excercise of non-theatrical rights is usually limited to educational establishments, nursing homes, hospitals, `shut in locations’ – such as prisons, conventsand orphanages- and clubs and other organisations of a religious, educational, cultural, charitable or social nature.

**Novation**
The transfer of all benefits and obligations under a contract. The transfer requires the consent of the person to whom the obligations are owed. This is to be contrasted with an assignment, which is the transferof the benefit only of a contract or other right, and may not require the consent o fthe person owing the obligation.

**NTSC**
National Television System,the code system used in the USA and Japan by which colour television pictures are distributed or transmitted using 525 lines. See also PAL and SECAM.

**Off-Balance Sheet Finance**
An arrangement under which a loan is made to a company without the debt appearing on the investor’s balance sheet and affecting its gearing ratio. Historically, the use of off-balance sheet financing techniques was widespread. Latterly, however, it has become difficult to keep assets and liabilities off a company’s balance sheet in view of FRS 5,`Reporting the Substance of Transactions’.

**Optical Sound Negative**
To make optical sound combined prints,the final master magnetic mix is re-recorded as a photographic optical sound negative. This negative is synchronised and printed with the final cut picture negative on positive stock, tomakethe married print.

**Option**
In the context of film, an option is a right excercisable during a specific period for a specific sum to acquire certain rights,for example the right to produce a film based on a book, or a right to require an artist to contribute to a production.

**Overages**
Distribution revenues payable to the producer after the advance or minimum guarantee has been recouped.

**P & A Commitments Spend**
A contractual obligation imposed on a distributor to spend specified minimum sums on prints and advertising to support the initial theatrical release of a film.

**Packaging**
The provision, usually by a talent agency, of a package of individuals to work on a film. The package might consider of anyone or more of the director, screenplay writer, stars and members of thesupporting cast. The package is presented as a whole – you cannot choose some elements only.

**Pact**
Producers Alliance for Cinema and Television, the UK trade asociation for film and television producers.

**PAL**
Phase Alternative Line,the code system used in the UK by which colour television pictures are distributed or transmitted using 625 lines. PAL is also used in an increasing number of countries in Europe. See also NTSC and SECAM.

**Panning and scanning**
The process by which a film shot on an aspect ration (the ratio of the width to the height of the picture) suitable for cinema distribution (eg 1.85:1 or 2.3:1) is reduced and adjusted for television transmission (standard screen 1.33:1, wide screen 1.8:1). When a film is shot for both theatric distribution and television transmission the viewfinder is often `masked’to ensure that the main action is within the television aspect ratio.

**Pay or play**
A commitment to pay a directoror performer made before production commences, and some times before all the finance has become unconditional, regardless of whether his o rher services are used.

**Pay television**
Television programming (otherthan basic cable) for which the viewer has to pay something otherthan a government licence fee.

**PFD Agreement**
An agreement which deals with the production, finance and distribution of a film as opposed to one ortwo only ofthese elements.

**Pledge holder agreement**
An agreement under which a processing laboratory agrees with the financiers of a film not to part with possession ofthe original negative and the principal film materials without prior written consent of the financiers. See also access letter and laboratory letter.

**Points**
Shares of back end or net profits in a film are measured in percentage points. To have points in a film means to have a share of the net profits.

**Pre-sale**
A licence or distribution agreement entered into before a film has been completed. The advance, minimum guarantee or licence fee payable underthe pre-sale may form part of the finance package for the film, either as a direct contribution towards the cost of production or, if the advance, minimum guarantee or licence fee is only payable on or after delivery of the film, it may be discounted.

**Prequel**
The opposite of a sequel – it is set before the events depicted in the film from which it is derived.

**Priority Agreement**
An agreement between the financiers and, sometimes, the completion guarantor, regulating the priority of their respective security interests in the film

**Private investor**
An individual, often having little direct connection with the film industry, who invests his own money in a film. In the world of theatre he is referred to as an angel.

**Producer’s share of net profits**
Net profits are what is left of revenues from the exploitation of the film after distribution fees and expenses, repayment of any loans and investments raised to finance production, repayment of any sums extended by the completion guarantor and the payment of any deferments. Net profits are normally divided between the investors and the producer. The producer’s share is usually between 40-60% of the net profits, out of which the producer may have to pay the profit entitlements (points) of various individuals and others who have contributed towards the film. These shares are fixed either as a share of the producer’s share of net profits or as a share of 100% of the net profits. See also back end.

**Production to budget undertaking**
The undertaking given by the individual producer to the completion guaranto that the sums allowed in the budget for the film approved by the financiers and completion guarantor for the cast, living expenses, music and legal fees will not be exceeded.

**PRS**
The Performing Right Society Limited, the British collecting society which licenses perorming and broadcasting rights in musical works on behalf of composers and music publishers and collects and distributes revenues derived from such licensing.

**Recoupment order**
The order in which investors and financiers are repaid their loans and investments (and interest). Although all revenue may be applied in a single order, often revenue from different distribution territories or media are applied in different orders.

**Remake**
A new production based substantially on the script of an existing film. A remake may be a new production based on the script of an old film, such as the various versions of A Star is Born, or an English language remake of a foreign language film, for example, the French film Nikita remade in America as The Assassin.

**Residual**
A sum of money, payable under a union, guild or individual agreement, to a performer, musician, writer, composer, director or producer by reference to the means by which, or the place in which, the film is exploited.

**Revolver or revolving facility**
A loan facility which requires loans to be repaid at the end of given periods – usually each interest period – but enables the loans to be immediaely redrawn at the end of those periods subject to a final repayment and termination date. Such facilitites often arise when the borrower has the option of borrowing in more that one currency.

**Roll over relief**
A relief for capital gains tax purposes (or corporation tax, in the case of a company). It operates by deferring liability for tax on a sale, where the proceeds are invested in further qualifying assets, until such time as a sale takes place and there is no such reinvestment.

**SAG**
The Screen Actors Guild, the American equivalent of British Actors Equity.

**Sale and leaseback**
A sale of an asset which is immediately leased back to the seller by the buyer.

**Sales agent**
An agent appointed by the producer to act as agent for the sale of the film. See also distributor.

**SECAM**
Sequential Colour and Memory – the code system used in France by which colour television pictures are distributed or transmitted using 625 lines. See also PAL and NTSC.

**Secondary rights**
See ancillary rights.

**Security agreement**
A charge or mortgage of the copyright and distribution rights in a film and of the physical materials created in the process of producing the film given by the production company as security for the repayment or a loan or investment used to finance the cost of production of the film. See also assignment by way of security and priority agreement.

**Sequel**
A film which follows another film, using the same characters but depicting later events. See also prequel.

**SESAC**
SESAC Inc, an American collecting society acting on behalf of composers and music publishers.

**Simultaneous cable relay**
The relay by cable of television programme signal transmitted over the air simulataneously with (or effectively simultaneously with) the original transmission. The expression usually relates to the relay of a whole programme service or channel rather than individual programmes.

**Single purpose vehicle or SPV**
A company established for a particular project or to hold a particular asset. An SPV is often used by the borrower’s group to contain insolvency risk and/or make it easier to give a lender the floating charge it will normally seek.

**Source material**
The original work on which the screenplay for a film is based.

**Standard television**
The American equivalent of free television.

**Stop date**
The last date on which a performer or director can be obliged to work. A performer or director may want the certainty of knowing when he/she will be free to accept another engagement. Stop dates are unpopular with completion guarantors, as it can be very expensive to replace an important member of the cast or the director if a film is delayed.

**Strike price**
See completion guarantee.

**Subordinated debt**
Debt, the repayment of which is postponed or subordinated to the claims of other creditors on liquidation or administration. The subordination may be in favour of a particular creditor or in favour of all other creditors (or a class of them).Where the subordination is in favour of all creditors, the subordinated debt is akin to share capital and isoften treated as such, particularly in relation to financial covenants. The subordination will usually (but need not) encompass payment of interest, fees etc. in respect of the debt as well as its repayment.

**Syndicated loan**
A loan provided by a number of banks (called a `syndicate’) as opposed to a `bilateral loan’ between one lender and the borrower.

**Takeover**
Completion guarantors and some financiers require a right to take over the production of a film if the producer becomes insolvent, commits a material breach of its obligations to the completion guarantor or the financier encounters serious production problems. This may involve firing some of the crew and/or cast working on the film, including the director.

**Talent unions**
In Britain, British Actors Equity, the Musicians’ Union and the Writers Guild of Great Britain, being the respective joint negotiating bodies on behalf of actors, musicians and screen writers.

**Tax transparency**
A legal structure is tax transparent if it results in the same tax consequences for the ultimate investors whether they invest directly or through the legal structure. An example of an arrangement which is tax transparent is a corporate partnership, ie a partnership the members of which are companies.

**Tax shelter**
A relief, allowance, deduction or credit for taxation purposes which has the effect of eliminating, reducing, or deferring, a liability to tax.

**Tax haven**
A jurisdiction which eith charges no tax or tax at very low rates. Examples are the Channel Islands, Isle of Man, British Virgin Islands, Netherlands Antilles, Bermuda and Cayman Islands.

**Television rights**
The collective expression includes a number of different forms of television, such as free and pay television and terrestrial and satellite television. When granting television rights, care should be taken to be specific as to the rights granted if revenues are to be maximised.

**Theatrical rights**
The rights to exhibit the film in cinemas and other places of public viewing to which the general public is admitted and for which an admission charge in money or money’s worth is made.

**Title Search**
A report, usually carried out by agents in the United States, on registrations of works under the proposed title of the film and on literary works, television programmes and films bearing the same or similar titles to that proposed for the film. The report may inlude a digest of references to projects bearing the same or a simila title which have appeared in the film industry trade press.

**Triple track**
Separate magnetic track (sound) can come in a number of formats. Triple track is the format which contains three separate sound tracks. Any sound can be put onto a tack, for example, one track may be M & E track. A triple track is frequently used for stero sound, one track being used for the left, one track for the right and the third unused.

**Turnaround**
When a project is developed, the person financing the development has an agree period in which to put the project into production, failing which the project goes into turnaround. When this happens the producer is entitled to buy the project back from the financier, usually for all or a proportion of the sums advanced by the financier.

**Underspend**
The amount by which the budgeted cost of the film, exceeds the actual cost of production of the film.

**Window**
A period during which a particular form of exploitation of a film may take place, for example a free television window.

**Writers Guild of Great Britain**
See talent unions.