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INDEPENDENT FILM FINANCING IN QUEBEC

-Case study Les scènes fortuites

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As the writer moved to Montreal, Quebec, Canada in 2016 to pursue better opportunities in the field of film, he has since been part of various projects including a micro-budget feature film called *Les scènes fortuites*, on which he worked as assistant camera. However, it was always very unclear how these projects were financed, what it took to be eligible to receive financial aid and what organizations were handing out financial aid. The objective of this thesis was to dive in the world of independent film financing, starting out with general film financing options, moving on to Canada and Quebec specific financing options and finally discussing how these were applied to *Les scènes fortuites*, which was used as the case study.

An independent film shall be any film that is financed outside of the studio system. For such films there are multiple options to assemble the budget from: gifts, grants, subsidies and tax incentives, investor financing and lender financing. Each of these options are discussed according to importance, emphasizing grants and tax incentives as these two options are the most prominent in the Quebec film finance landscape. It was discovered that there are viable options both Canada wide and in the province of Quebec when it came to grants. Multiple categories of film can be financed through grants. In addition, the government of Canada and the provincial government of Quebec both offer tax incentives for filmmakers to cut down the costs.

For the case study, a local micro-budget feature film by the name of *Les scènes fortuites* was used to illustrate in practical terms how these financial tools could be used. The writer took part in the film as assistant camera and through the project cultivated a relationship with the producer, Laurent Allaire, who was interviewed about the project to give insight to the structure of the film's finances and how in the end it was budgeted. *Les scènes fortuites* used a combination of a grant from Telefilm Canada, tax incentives from the government of Canada in the form of the Canadian Film or Video Production Tax Credit and a Refundable tax credit for film and television production in Quebec from the province of Quebec. In addition a television distribution agreement and private money helped to bridge the gap to have the film come to fruition.

KEYWORDS:

Independent, Film, Canada, Quebec, Montreal, financing, Grant, Tax Incentive

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ITSENÄISTEN ELOKUVIEN RAHOITUS QUEBECISSÄ

Tapaustutkimus Les scènes fortuites

Siitä lähtien kun kirjoittaja muutti Montrealiin, Quebecin provinssiin Kanadaan vuonna 2016 etsimään parempia mahdollisuuksia elokuva-alalla, on hän ollut osallisena useassa projektissa mukaan lukien mikrobudjettielokuvassa nimeltä Les scènes fortuites, jossa hän työskenteli kamera-assistenttina. Oli kuitenkin aina hyvin epäselvää miten nämä projektit rahoitettiin, mitä vaadittiin, että rahoitusta olisi mahdollista saada ja mitkä organisaatiot jakoivat rahoitusta. Opinnäytetyön tarkoituksena oli tutkia itsenäisen elokuvan rahoitusta, aloittaen yleisistä elokuvien rahoitusmahdollisuuksista, siirtyen rahoitukseen Kanadassa ja Quebecissä ja lopulta käyden läpi, miten näitä rahoitusmahdollisuuksia hyödynnettiin Les scènes fortuites-elokuvassa, joka oli opinnäytetyön tapaustutkimuksena.

Itsenäisellä elokuvalla tarkoitetaan elokuvaa, joka on rahoitettu studiojärjestelmän ulkopuolella. Tällaisille elokuville on useita mahdollisuuksia rakentaa budjetti: lahjat, stipendit, tuet ja verokannustimet, investoija- ja lainarahoitus. Jokainen näistä vaihtoehtoista tutkitaan tärkeyden mukaan, korostaen stipendejä ja verokannustimia, koska nämä kaksi vaihtoehtoa ovat näkyvimpiä Quebecissä elokuvarahoituksen piirissä. Saatiin selville, että Kanadassa ja samalla Quebecin provinssissa oli molemmissa hyviä vaihtoehtoja stipendejä koskien. Monia eri kategorian elokuvia on mahdollista rahoittaa stipendein. Lisäksi Kanadan hallitus ja Quebecin provinssin hallitus tarjoavat verokannustimia elokuvantekijöille elokuvan menojen pienentämiseksi.

Tapaustutkimukseen käytettiin paikallista mikrobudjettielokuvaa nimeltä Les scènes fortuites, jonka kautta esiteltiin miten eri rahoitustyökaluja oli mahdollista käyttää. Kirjoittaja osallistui elokuvan tekemiseen kamera-assistentin roolissa ja muodosti suhteen tuottajaan, Laurent Allaireen, jota haastateltiin elokuvan rahoituksesta ja miten lopulta elokuva budjetoitiin. Les scènes fortuites hyödynsi stipendidiä Telefilm Canadalta ja verokannustinta Kanadan hallitukselta nimeltä Canadian Film or Video Production Tax Credit ja toista kannustinta nimeltä Refundable tax credit for film and television production in Quebec Quebecin provinssilta. Lisäksi jakeluoikeutta televisiokanavan kanssa ja yksityistä rahoitusta hyödynnettiin tarvittavan rahoituksen saamiseksi, jotta elokuva oli mahdollista tehdä.

ASIASANAT:

Itsenäinen, Elokuva, Kanada, Quebec, Montreal, Rahoitus, Stipendi, Verokannustin

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LIST OF ABBREVIATIONS (OR) SYMBOLS

| | |
|-------|--|
| CAVCO | Canadian Audio-Visual Certification Office |
| CFDC | Canadian Film Development Corporation |
| CPTC | Canadian Film or Video Production Tax Credit |
| CRTC | Canadian Radio-television and Telecommunications Commission |
| INIS | Institut national de l'image et du son |
| NFB | National Film Board |
| OLMC | Official-Language Minority Communities |
| PSTC | Film or Video Production Services Tax Credit |
| QPSTC | Refundable tax credit for film or television production services |
| ROI | Return On Investment |
| SODEC | Société de développement des entreprises culturelles |
| \$ | Canadian Dollar |

1.INTRODUCTION

1.1 Background

The reason why I chose to write my thesis about film financing in Canada and especially in the Province of Quebec was simple. I wanted to put emphasis on the practicality and real world use of this thesis for myself as a film industry professional. Instead of writing about something artistic and theoretic, I wanted to focus on something tangible, something that would actually better my knowledge of the industry in the place that I currently live and work in.

In 2013 I started a small production company in Finland, called Crook Film. I produced music videos and commercials on the side of my studies. I worked closely with a class mate of mine, him acting as the director and me as the director of photography. On most instances we shared responsibility for editing, with him carrying most of the responsibilities when it came to producing. During the time I worked on these projects, I learned many aspects of running my own production company and what it takes to complete a project from pre-production, shooting, post-production and finally handing over the final product for the client.

In 2016 I made the decision to relocate to Montreal, Quebec, Canada, to pursue better opportunities in the film industry and eventually establish myself as a director of photography in fiction film. Montreal is known for directors like Jean-Marc Vallée, Denis Villeneuve and Xavier Dolan. In addition, Montreal often serves as a location for big productions like X-men, Life of Pi and John Wick. I also chose Montreal specifically, because my partner is a French Canadian, and we decided to move back to her home area to better both of our careers.

In the future, there is a strong possibility that I will start my own production company in Montreal. However, the difference to my production company in Finland would be the content. While in Finland, the content was mostly commercial and corporate, in Montreal I want to focus as much as possible on artistic work including short films, music videos and artistic projects that use video as the main tool. For corporate work, the financing comes from the clients. However, for artistic projects it is possible to apply for financing from different financing bodies. That is where I got the idea for my thesis and especially how I see it as a practical project for myself. If I intend to finance my own projects in the future, it will be vital for me to understand how the financing for film works in the province of Quebec.

1.2 Objectives

The world of film financing can be very complicated and challenging. Furthermore, the field and practices vary from country to country. In the case of Canada, it varies even between provinces, since some financing bodies are only provincial organizations, while some organizations operate in the entire country. The main research question I want to answer in this thesis is:

- ☀ What are the different forms of film financing and how does film financing work in the province of Quebec?

This research question holds many smaller questions within itself, that I want to research in order to be able to proficiently answer the main research question:

- ☀ What are the main financing bodies?
- ☀ How do you apply for film financing?
- ☀ Who is eligible?

In addition, to provide a clear picture from the field of film production, I want to take a practical approach to this thesis in a case study segment, showing how a feature length film called *Les scènes fortuites* was financed. The film was produced in Quebec as a micro-budget production, which brought on its unique challenges. During production, I worked on the film as assistant camera and made connections with the crew, which made it possible to receive information on the finances of the film.

2. LITERATURE REVIEW

2.1 Concept of film financing and the different forms of film financing

In order for a film to be made, it always requires capital for it to come into fruition. The scope of this thesis is limited to professional filmmakers and does not take into consideration ultra small scale productions that one might make as a hobby, neither does this thesis cover student projects, as the financing for these are often sourced by the school. In conclusion, a film set in a professional environment always needs labor, equipment, and filming locations as the building blocks. All of these building blocks are sourced using money. In this segment of the thesis, I will discuss the different forms of film financing that are the most relevant for independent film. I will also attempt to put emphasis on the nuances of financing these different types of projects in Quebec, if it varies greatly from the general methods. The source material used, discusses film finance from the viewpoint of American independent film. At the time of writing, I was not able to source literature on Canadian or Quebec film financing. However, for the purposes of this thesis, the information on American film financing shall be deemed sufficient and similar enough to Canadian film financing. For this thesis, an independent film shall be any film that is produced without backing from a major studio.

There are five main areas of film finance:

1. gifts, grants, subsidies and tax incentive programs
2. investor financing
3. lender financing
4. studio and industry financing
5. international financing options

(Cones 2008, 2)

For this thesis, I will discuss the first three options.

2.2 Gifts

Gifts are not a highly relevant category in film financing and it is rarely enough to finance a film by gifts alone. However, gifts can be used as a part of the entire financing portfolio, by combining other forms of financing that will be discussed later in this segment. As stated earlier, amateur and student films are excluded from the scope of this thesis. According to Cones a gift is “a voluntary transfer of cash, an asset or other property made without consideration” (Cones 2008, 11). As the donor should not expect anything in return for their donation, it can often be very challenging to receive gifts to finance your film (Cones 2008, 11).

A donor must have some form of motivation for giving their gift, for example emotional or ideological reasons. The donor might have a personal relationship with the director, producer or another member of the cast or crew, thus wanting to aid in furthering their career through a donation. Ideological similarities between the donor and the filmmakers might also motivate the donor to make a contribution for the production. For example if the film to be financed takes a stance on climate change, and the donor has the same stance, he/she might want to choose to support that in order to give issues he/she believes in a voice. Political reasons can also come into play, but at a point we must ask the question of what constitutes a gift? If the donor expects certain issues to be discussed in a film in exchange for the contribution, can it be considered a gift, or is it then an exchange of commodities? Cones brings up a valid point, for why a donor might want to contribute: taxation involving the estate taxes of the donor's estate. In the United States, you can give up to \$14,000(USD) per year per recipient, without having to pay any taxes. In Canada, the situation is even better for filmmakers that plan to finance their films through gifts, as there is no gift tax in existence (Cones 2008, 11-13; Internal Revenue Service 2018; TaxTips.ca 2017).

From a filmmaker's perspective, a good alternative to asking for money is something else the donor can provide. Receiving money is difficult, but for example getting permission to use a location, a building or some woods the donor owns could be much easier since the donor does not actually have to give you anything tangible like cash. Perhaps the donor owns a rare car, that you need for the shoot, or owns something else of value that is hard or impossible to acquire without that donor. Using gifts in the form of property or locations might be the best use of this form of financing, since money is hard to receive and it will rarely be enough (Garon 2009, 121-122). As we can see from table 1, there are multiple advantages and disadvantages to this form of financing. The biggest advantage is of course that there is no need to payback, unlike

with investments. Another negative aspect in my opinion is the amount. Rarely would a gift be enough to finance a film, rather it has to be coupled with other methods which makes it questionable: is it worth to spend time on this form of investment option?

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| <p><i>Advantages</i></p> <p><i>No obligation to return or pay back.</i> The recipient does not have to pay a gift back to the donor.</p> <p><i>Current enjoyment.</i> Recipients can currently enjoy the benefits of the gift (i.e., use the gift to help produce a film).</p> <p><i>Tax advantages for donor.</i> A donor may be able to avoid federal estate tax on gifted property. The estate or inheritance tax on appreciation in value after the date of the gift may also be avoided.</p> <p><i>Tax advantages for recipient.</i> Income from the gifted property may be taxed at a lower income tax rate (assuming the recipient's income is substantially less than the donor's).</p> <p><i>Disadvantages</i></p> <p><i>Loss of control.</i> Donor loses control over the gifted property.</p> <p><i>Loss of income.</i> Donor cannot retain income from the gifted property.</p> <p><i>No return.</i> Donor cannot demand return of the gifted property.</p> <p><i>Creditors' claims.</i> Gifted property may be subject to claims of the recipient's creditors.</p> <p><i>Divorce proceedings.</i> Gifted property may be subject to divorce proceedings of the recipient.</p> <p><i>Medicaid eligibility.</i> The donor's eligibility for assistance from Medicaid for nursing home expenses may be affected.</p> |
|--|

Table 1. Advantages and disadvantages of financing films through gifts (Cones 2008, 13).

2.3 Grants

Grants are often one of the main ways to finance an independent film. Especially in Canada and Quebec grants are very important and films are almost always funded partly by grants. Cones explains grants well: "Grants for filmmakers may come from foundations, government agencies, large corporations, film festivals, arts organizations and other groups" (Cones 2008, 13). There are multiple different types of organizations that offer grants and often they focus on specific actors in the film industry, topics, styles of film or phases of production that they offer their grants to. Even though grants

may be the main source for independent filmmakers to finance their projects, there are some drawbacks. As seen in table 2, we can observe that it is very time consuming and there is plenty of competition involved. For some filmmakers this might be seen as a big enough obstacle to forego this option completely (Cones 2008, 19-20).

For example different actors in the film industry that may be given a grant are writers, directors, minority filmmakers, female filmmakers and students (Cones 2008, 14). An example of a grant offered to minority filmmakers is administered by The Canadian International Documentary Festival called Hotdogs. Hotdogs' CrossCurrents Doc Fund offers grants to storytellers from within marginalized or underrepresented communities. Their Interactive/short stream grant offers a grant of \$10,000 while their Theatrical Stream grant offers up to \$30,000. They focus heavily on new filmmakers. As an interesting detail, both grants are offered only to directors with three or less professional directing credits to their name (Hotdocs.ca 2018).

Some grants are given to specific production phases of a film from pre-production, production, post-production to distribution and marketing. Perhaps the most prominent grant administering organization in Canada, Telefilm Canada, does exactly this. They have financing programs for development, production, marketing, international marketing and promotion among others. All of the financing options that Telefilm Canada offers will be discussed in a later segment of this thesis. One of their grants, the talent to watch program (formerly micro-budget production program) was used on *Les scènes fortuites*, the case study film for this thesis (Telefilm 2018b).

Other grants are selective based on the topic of the film, or which category it is in, for example short film, feature length or documentary film. For example the Rogers Documentary Fund only finances documentary productions. Their definition of a documentary is quite strict, with several points to it:

“For the purposes of the Rogers Documentary Fund, a documentary will be defined as those films or videos that employ a format which is characterized by most, if not all, of the following elements to create a non-fiction representation of reality that:

- ☼ informs and/or engages in critical analysis of a specific topic or point-of-view
- ☼ provides an in-depth treatment of the subject (may be meditative or reflective)
- ☼ is primarily designed to inform, but may also entertain

- ☼ treats a specific topic over the course of at least 30 minutes and, at maximum, feature-length (including commercial time)
- ☼ requires substantial time in preparation, production and post-production
- ☼ has an original narrative and visual construction
- ☼ has enduring appeal, and therefore a durable “shelf-life” (Rogers Documentary Fund 2018).

Advantages

Only possible funding source. One or more grants may be the only available funding source for certain film projects that are highly specialized or targeted at small, specific groups and that are not expected to make a profit.

No obligation to repay. Often, but not always, a filmmaker awarded a grant is not expected to repay the money.

Combination financing. Small grants might be combined with other forms of film finance to bring a movie to the screen.

Disadvantages

Grants too small. Relative to the cost of producing a feature film or even a documentary, grants are rarely large enough to play a significant role in funding a feature-length movie.

Lots of research involved. A considerable amount of research is generally required to identify potential grant sources and to determine more specifically whether an application relating to a specific film project is appropriate to any given grant source. Thorough grant research may require the review of hundreds, if not thousands, of possibilities, some from outside the subject area of filmmaking.

Challenge of grant writing. Properly completing or drafting the grant application can be a tedious and time-consuming activity.

Professional assistance. The expert assistance of a grant consultant may be required to reduce the time and effort involved in research and grant writing, and such assistance may cost money.

Extremely competitive. Seeking grants for any purpose is generally a very competitive field and sometimes political—getting one or more grants is usually a long shot at best.

Takes time. The passage of a considerable amount of time is usually involved in obtaining grants—research time, writing of the grant application, waiting for the decision and actually receiving the check.

Monitoring required. The way in which the funds are being spent is likely to be monitored by the grant-making organization.

Table 2. Advantages and disadvantages of financing films through grants (Cones 2008, 19-20).

The most important film financing bodies in Quebec are Telefilm Canada and SODEC. Both of these organizations will be discussed thoroughly in the Quebec specific segment of this thesis.

2.4 Subsidies and tax incentives

There are two major tax incentive programs in Canada. The Canadian Film or Video Production Tax Credit Program (CPTC) and Film or Video Production Services Tax Credit Program (PSTC). A production that is seeking for tax credits through either of these programs, must go through an application process. In order to qualify, they must receive an “Accredited Video or Film production Certificate” from Canadian Audiovisual Certification Office (CAVCO). The CPTC and PSTC are mutually exclusive. A production that is receiving a tax credit through CPTC cannot apply for further tax credit through PSTC and vice versa (Government of Canada, 2018a; 2018b).

2.4.1 Canadian Film or Video Production Tax Credit Program (CPTC)

The CPTC is a tax credit program by the government of Canada and its goal is to stimulate and develop the domestic independent production sector. The program gives a tax credit to Canadian film productions in the amount of 25% of qualified labour expenditures and the labour expenditures cannot exceed 60% of total production costs net of assistance. According to section 125.4 of the income tax act, assistance includes for example governmental and private grants, government equity and provincial tax credits. This means that tax credits received from the CPTC cannot exceed 15% of total production costs (Government of Canada, 2018a; Edwards 2018).

To be eligible to apply for The CPTC, there are multiple criteria:

- ☼ The production company has to be a taxable Canadian corporation
- ☼ The producers must be Canadian
- ☼ Agreement with Canadian distributor or broadcaster to air the production in Canada within two years
- ☼ Production cannot be news, game shows, sports, galas, fund soliciting shows, reality TV, pornography, advertising, corporate or a production that is mainly made up of stock footage except documentaries

- ☼ The planned production must receive a minimum of 6 points (see table 3) on the Canadian Content Point system. The Canadian point system, part of the “Canadian Program Certification helps independent Canadian producers and broadcasters obtain recognition for productions that use mainly Canadian crews and talent. This certification allows broadcasters to meet their Canadian content regulatory obligations, including their on-screen quotas” (CRTC, 2018). The certification is based on a point system that gives points based on key creative functions performed by Canadians as seen in table 3 (Government of Canada 2018a; CRTC 2018; Canada Revenue agency Guide to Form T1131 2018, 5).

| | |
|--|----------|
| ■ Director (Note 1) | 2 points |
| ■ Screenwriter (Note 1) | 2 points |
| ■ Highest-paid lead performer (Note 2) | 1 point |
| ■ Second-highest-paid lead performer (Note 2) | 1 point |
| ■ Art director | 1 point |
| ■ Director of photography | 1 point |
| ■ Music composer | 1 point |
| ■ Picture editor | 1 point |
| Note 1 Either the director or the screenwriter must be a Canadian. | |
| Note 2 Either the highest-paid or the second-highest-paid lead performer must be a Canadian. | |

Table 3. Point system (Canada Revenue Agency 2018a, 7).

In addition to needing at least 6 points, either the director or the screenwriter must be Canadian and also one of the two lead actors/actresses must be Canadian. The certification is administered by the Canadian Radio-television and Telecommunications commission (CRTC) (Canada Revenue agency 2018a; CRTC 2018; Government of Canada 2018; Edwards 2018).

2.4.2 Film or Video Production Services Tax Credit Program (PSTC)

The main difference with the PSTC compared to the CPTC is, that the PSTC is not restricted to Canadian production companies. It was created to strengthen Canada’s position as a desired shooting location by international productions and to bring labour to Canadian film industry professionals. Foreign production companies, who are not eligible to pay tax in Canada, are given a refund under the PSTC. The PSTC gives a 16% tax credit calculated from the expenses of Canadian labour. To be eligible

to apply for PSTC, the applicant must be a Canadian production company, or a foreign production company which has a production office in Canada (Canada Revenue agency 2018b, 5; Cassels Brock 2012, 1-4).

While the CPCT had no minimum requirements for expenses, the PSTC does:

- ☼ \$1,000,000 for feature films
- ☼ \$200,000 for a one-hour television episode or
- ☼ \$100,000 for a 30-minute television episode

The same restrictions apply when it comes to the genres of production as with the CPCT (Cassels Brock 2012, 1-4, Canada Revenue agency 2018, 7).

Advantages

Another source of finance. Government subsidies or tax incentives at any level represent another opportunity to whittle down the size of a film's budget. Tax incentives may reduce the net expenditure by 10 percent to 15 percent.

Motivation for investors. Tax incentives may help to motivate investors to invest in a high-risk investment such as film.

Disadvantages

Thrust into debate. Accepting the benefits of tax incentives may thrust a producer into the vortex of a never-ending public debate regarding the propriety of government subsidy of the film industry.

Philosophical conflict. Taking advantage of tax incentives or other government subsidies may be inconsistent with the producer's personal philosophy regarding the proper role of government.

Investor abuse. Historically and almost inevitably, there always seem to be some investors who interpret the tax laws so liberally as to engage in tax-shelter abuse, and a public outcry will follow and governments will reduce or eliminate the tax advantages.

Ruinous competition. Many believe the studios here in the United States are pitting the different film commissions and legislative bodies from various jurisdictions against each other, as a way to get bigger and bigger subsidies, with the only sure result being larger profits for the studios and increased salaries for studio executives.

Table 4. Advantages and disadvantages of financing films through tax incentives (Cones 2008, 34).

2.5 Investor Financing

Investor financing differs from the other forms of financing presented so far. Unlike with gifts, grants or tax credits, investors always expect some return on investment (ROI) from their initial investment. As independent film is often a risky investment, it might be difficult for the producer to secure investors for their production. However, the producer is at least partly protected, since it is a rule of thumb that the investors only get paid if the film is a financial success. It is also up to the producer to negotiate whether or not the investors will have an active or passive role in the production (Cones 2008, 39).

There are multiple additional matters to consider when it comes to investor financing. Instead of just having a sole investor or a small amount of investors, it could be more intriguing for many investors join when the group of investors is bigger. Naturally the possible ROI would be smaller, but independent film is such a risky investment, many could air on the side of caution. With a larger group of investors, the risk is spread among multiple parties and in the case of a failure the lost amount will be tolerable. (Cones 2008, 40).

For the producer there are multiple options how to use investor financing. First of all the scope can cover only one production, or multiple productions. It is also common, that certain investors finance only a certain production phase of the production. They can finance for example the pre-production, or development phase for a single production, which could be then categorized as a single-film development offering. Alternatively the investment can cover the production and post-production phases, or only focus on the distribution and marketing phase. As Cones notes, it is often difficult for an independent film to procure investment financing and talented actors. Investors are often not interested in a production unless it has known talent attached to it. On the other hand the talent might not be interested in the project before financing is secured. (Cones 2008, 40-42).

2.6 Lender Financing

Another way to finance a film is loans. A loan is a delivery of a sum that is to be paid back in the same amount with or without interest. Usually there is a pre-determined date for when the loan has to be paid back to the lender. A loan can be given out by a private individual or often financial institutions like banks. Loans can be used in the same way as investments; to be used either to finance only a single or some

production phases of the project, or a loan can be used to finance the entire project. (Cones 2008, 149).

It is common for loans to be backed up by some form of collateral, for example property, contract rights or accounts. For the scope of this thesis, it is sufficient to discuss term loans, recourse loans and lines of credit. Other forms of loans will be left out from this thesis (Cones 2008, 150-151).

2.6.1 Term loans

Term loans can be considered the classic form of loans, that are also used for mortgages. A term loan is usually a long term loan, that is often paid in equal installments over the course of the loan. The instalments usually consist of the principal payment and the interest payment. According to Cones, sometimes the principal payments are either completely eliminated, or at least reduced and they are to be paid at the end of the loan period. A term loan can have a fixed or variable interest rate, it depends on the financial landscape and duration of a loan when it comes to selecting the best option (Cones 2008, 152).

2.6.2 Recourse loans and lines of credit

A recourse loan is a type of loan, where an endorser or guarantor, for example the producer is made liable personally for the loan. A recourse loan is not recommended necessarily for the producer if he/she is made personally responsible for the loan, due to the very insecure nature of independent films. It is hard to predict whether or not a film will be a financial success, so it would be ill-advised to place oneself personally responsible. A line of credit is simply “a nonbinding commitment by a lender to lend up to a specific amount of money from time to time. Lines of credit usually do not exceed one year but may, at the bank’s option, be renewed each year” (Cones 2008, 152).

Advantages

Lender does not share in net profits. Producers who borrow money from a lender are generally not obligated to allow the lender to share in any of the film's net profits or net proceeds (or the producer's share of such moneys); that is, the lender's consideration for making the loan is generally limited to the fees and interest charged.

No lender creative control. Lenders do not generally exercise any creative control over the production of a motion picture.

Noncollateralized loans. Loans not supported by collateral may be suitable for development money or the financing of an ultra-low-budget picture.

Disadvantages

Must be repaid. Loans generally have to be repaid regardless of whether the film makes money.

Incorporation requirement. Most lenders will require that the production company organize as a corporation so as to avoid any possibility of usury problems. Incorporating adds additional expense to the transaction for the producer and creates an entity that must be properly maintained by the producer over the years.

Collateral may be lost. A feature film production money loan supported by hard asset collateral, for example, the family ranch, is a good way to lose the ranch.

Noncollateralized loans are limited. Loans not supported by collateral are generally not available except for small amounts of money.

Specific term. Loans are generally repayable at a specified time, regardless of whether any of the revenues generated by the motion picture in any markets and media have been received by the borrower-producer.

Completion guarantor required. Banks generally require that the producer contract with a completion guarantor to protect the lender against the risk of budget overruns, thus causing the producer to spend money on the completion guarantor's fees and in all likelihood causing the production budget to be increased so as to decrease the chances of exceeding the budget.

Personal liability may be required. Some lenders may make the producer personally liable for the repayment of the loan in addition to the liability of the corporate production company.

Tax consequences. Tax problems may occur if the lender provides the loan at below-market interest rates.

Table 5. Advantages and disadvantages of financing films through lender financing (Cones 2008, 155-156).

2.7 Introduction to Quebec

In order to understand some of the complexities and nuances of Quebec as a unique area, I decided to write an introductory segment about the province. As most of the readers of this thesis are expected to be from and in Finland, I do not expect them to have the full knowledge of the special situation that Quebec is in comparison to all the neighboring provinces in Canada and The United States of America as the neighbor on the South side. From here on out this thesis focuses on every aspect from a Quebec point of view, while everything before this segment had a general perspective to it.

2.7.1 History

Before Quebec was discovered by the Europeans, it was populated by indigenous tribes of the Algonquain, Iroquois and Inuits. In 1534 Quebec was claimed in the name of New France by Jacques Cartier, an explorer sent by King Francis I of France. In 1608 Quebec's now second largest city, Quebec City, was founded by Samuel De Champlain, a French explorer and diplomat. The province's biggest city, Montreal was founded in 1642 by Paul Chomedey de Maisonneuve, who was sent to build a mission there. In the century of 1700, there was a rivalry between the French and the British which eventually escalated to war called the Seven Years War. In 1759, the French were defeated outside of Quebec City, and France conceded all areas to the British in the Treaty of Paris of 1763, the British then named this area as the province of Quebec. Ever since that time, Quebec has been the only French speaking province in Canada, surrounded by English speaking provinces and the United States. Many Quebecers feel that they are their own culture and nation and some think that Quebec should be its own country. The situation can be compared to Scotland and the United Kingdom, or Catalonia in Spain. It is important to understand the background of Quebec, because it reflects heavily on the politics, regulations and culture, including the film industry and how the film industry is financed in Quebec (Wikipedia 2018).

2.7.2 Quebec today

Quebec is Canada's largest province, with over 1,600,000 km² of land. Quebec is the only province in Canada, where the official language is French. In the census of 2016, the population in Quebec was 8,164,361, with over 77% of the population speaking French as their mother tongue. Quebec City is the capital of Quebec, but the biggest

city is Montreal, with 1,942,044 people. Montreal is more diverse and culturally mixed than the rest of the province, with 48% of the population's mother tongue being French 17% English and 35% another languages. Quebec's economy could be compared to the one in Finland. Quebec's GDP per capita is \$45,511, when Finland's is \$45,709. Quebec has multiple areas of expertise when it comes to the economy as we can see from table 6(Quebec government 2018a; 2018b; Statistics Canada 2016; Trading Economics 2018).

- aerospace
- life sciences
- information technologies and communications
- environment and green technologies
- aluminum
- fashion
- transportation and logistics

It also stands apart in the following niches of excellence:

- biofood
- wood-based construction
- energy
- environment and green technologies
- technical textiles and material
- marine technologies
- furniture
- mines and metals
- tourism
- land transport
- technologies

Table 6. Quebec economy sectors (Quebec government 2018a).

2.7.3 Film industry in Quebec

Quebec has one of the biggest film industries in Canada with Toronto and Vancouver. In 2016 alone, 116 feature length productions were shot in Quebec. 55 of those were fiction, 56 were documentaries, 2 were animations and finally one docufiction film was also produced. 550 films and television shows got refundable tax credits from the Quebec government between 2016 and 2017. The support totaled \$853M, with \$167M going to 36 fiction features, \$144M going to 230 documentaries, \$481M going to

television shows, \$2M going to 12 short films and finally \$42M going to animations. The government of Quebec offers separate tax credits than what were discussed before. The CPTC and PSTC are tax credits offered by the government of Canada. The Quebec tax credits will be discussed in a later segment (Institut de la Statistique 2017).

2.8 Film finance in Quebec and financing bodies

Film finance in Quebec is based heavily on institutions that offer financial aid programs like Telefilm Canada. In addition it is common practice to take advantage of the tax credit incentives offered by both Canada and the province of Quebec. Films are often financed with a combination of financial programs, tax incentives and possible investments by third parties or the production company itself.

2.8.1 Telefilm Canada

Telefilm Canada is a federal organization, that was created to finance, develop and market the Canadian audiovisual industry. It was founded in 1967, when the government of Canada allocated \$10M to the new Canadian Film Development Corporation (CFDC) to support feature films. In 1968, the head office opened in Montreal where it still remains today. In 1984, offices were opened in both Vancouver and Halifax and the organization was renamed to Telefilm Canada to better represent its activities (Telefilm 2018a).

Currently Telefilm Canada has 10 different financing programs to help filmmakers in Canada and Quebec. They provide financing to all phases of production from development all the way to post-production and marketing. They also help with co-productions especially with France, and with any other country that is a member of Eurimages, or European Cinema Support Fund. Each program has its own requirements for eligibility (Telefilm 2018b).

All current financing programs of Telefilm Canada:

☼ Development

☼ Production

- ☼ Talent to Watch (formerly micro-budget production program)
- ☼ Theatrical Documentary
- ☼ Marketing
- ☼ International Marketing
- ☼ Export Assistance
- ☼ Promotion
- ☼ Canada-France Mini-Treaties
- ☼ Eurimages

| <i>In millions of dollars</i> | 2015-2016 | 2014-2015 | Variance | |
|--------------------------------|------------------|-----------|------------|------|
| | | | Prior year | |
| | | | \$ | % |
| Production | 60.7 | 60.8 | (0.1) | 0 |
| Development | 5.8 | 7.8 | (2.0) | (26) |
| Coproduction (Recommendations) | 0.5 | 0.5 | - | 0 |
| | 67.0 | 69.1 | (2.1) | (3) |
| Marketing | 18.0 | 11.2 | 6.8 | 61 |
| Promotion | 6.9 | 6.4 | 0.5 | 8 |
| International events | 3.8 | 3.7 | 0.1 | 3 |
| | 28.7 | 21.3 | 7.4 | 35 |
| | 95.7 | 90.4 | 5.3 | 6 |

| <i>In millions of dollars</i> | 2015-2016 | 2014-2015 | Variance | |
|---|------------------|-----------|------------|------|
| | | | Prior year | |
| | | | \$ | % |
| Parliamentary appropriation | 95.5 | 95.5 | - | 0 |
| Investment revenues and recoveries | 12.1 | 10.5 | 1.6 | 15 |
| Management fees from the CMF | 10.0 | 10.0 | - | 0 |
| Talent Fund | 2.7 | 1.8 | 0.9 | 50 |
| Contributions to promotional support activities | 0.7 | 0.9 | (0.2) | (22) |
| Interest and other revenues | 0.1 | 0.3 | (0.2) | (67) |
| | 121.1 | 119.0 | 2.1 | 2 |

Table 7. Telefilm Canada assistance 2015-2016 (Telefilm 2016b).

In 2015-2016, the total amount that Telefilm Canada handed out Canada wide in assistance was \$95,7M as shown in table. Most of the financing assistance went into film production, with \$60,7M. Marketing was the second biggest program, with a total of \$18M. Virtually all of the funding came from the government of Canada, with \$95,5M. (Telefilm 2016b).

2.8.2 SODEC

The Société de développement des entreprises culturelles, or in short SODEC is a provincial organization that supports and aids cultural companies in the province of Quebec. SODEC is not limited to the film industry, but supports the entire cultural sector including film, television, books, publishing, crafts, art, music and real estate heritage. SODEC was founded in 1995 and it operates under the ministry of culture and communications in Quebec (SODEC 2017a).

In 2016-2017 SODEC financed a total of 329 projects. For production financing, 32 feature films received help, four of them were major co-productions and three minor co-productions. 17 documentaries were financed, with two of them being co-productions. A total of \$37,982,049 was given in financial support. SODEC also supported 16 film festivals and 5 of these festivals received money to upgrade their technology like website or ticketing services for example (SODEC 2017b, 22).

Even though SODEC is not only an organization that supports film but other arts as well, film is still taking a large majority of the financing it offers. As we can see from table 8, in the “Programmes généraux” or “general programs”, \$37,982,049 out of \$57,14957 was given to cinema and television. That is approximately 66,5% that goes to cinema and television alone. The situation is the same when it comes to the financing of companies. From a total of 68 companies receiving financing, 50 of them were production companies. This comes down to 73,5%. Based on this we can see, that Quebec favors the cinema industry heavily which is very encouraging from a filmmaker’s standpoint. Even though it is not easy to receive financing from governmental organizations, at least they give an opportunity to filmmakers to make their films without having to necessarily do it by taking on personal debt in the form of bank loans (SODEC 2017b, 36-37).

SODEC offers multiple different programs for financial aid:

- ☼ Screenwriting Assistance Program
- ☼ Production Assistance Program
- ☼ Young Creators Assistance Program

- ☼ Promotion and Dissemination Assistance Program

- ☼ Business Assistance Program for Interactive Production Activities (SODEC 2017a)

Interestingly, SODEC operates in two different ways when it comes to their financial aid depending on the program. For example for the screenwriting assistance program, the aid is always an investment on the part of SODEC (SODEC 2018d, 7). This means that SODEC will have to be paid back the invested amount. For the Production Assistance Program, for feature length fiction films and all lengths of documentaries the aid will be in the form of an investment. In the case of short and mid length fiction films the aid is however given as a grant (SODEC 2018b, 7). The Young Creators Assistance Program is based on grants as well (SODEC 2018e, 5), similarly the Business Assistance Program for Interactive Production Activities is grant based (SODEC 2018a, 4). The Promotion and Dissemination Assistance Program is a combination; for feature length projects SODEC will have to be paid back 25% of the initial investment. However, with short and mid length projects the aid will be a grant (SODEC 2018c, 10).

There are three different tax credit programs for Quebec, similar to the Canada wide PSTC and CPTC:

- ☼ Refundable tax credit for film and television production
- ☼ Refundable tax credit for film or television production services
- ☼ Refundable tax credit for film dubbing (SODEC 2017a)

These tax credits are administered through SODEC (QFTC 2018). For the scope of this thesis, I will discuss the first two. The third one, refundable tax credit for film dubbing is not relevant to this thesis, as no dubbing took place in the case study that could be refunded.

RÉPARTITION DE L'ENSEMBLE DES INTERVENTIONS FINANCIÈRES DE
LA SODEC SELON LA NATURE DES ACTIVITÉS ET LES DOMAINES,
2016-2017

| DOMAINE | PROGRAMMES D'AIDE | | FINANCEMENT | | MESURES FISCALES |
|--|--------------------------|--|----------------------------------|------------------------------|--|
| | Programmes généraux (\$) | Programme d'aide à l'exportation et au rayonnement culturel (\$) | Financement des entreprises (\$) | Financement intérimaire (\$) | Décisions préalables : montant presenté du crédit d'impôt (\$) |
| Arts d'interprétation | - | - | 2 200 000 | - | - |
| Arts visuels | - | - | - | - | - |
| Cinéma et production télévisuelle | 37 982 049 | 1 241 147 | 21 984 632 | 3 781 397 | 129 605 015 |
| Doublage | - | - | - | - | 4 294 600 |
| Enregistrements sonores | - | - | - | 114 608 | 1 472 441 |
| Événements ou environnements multimédias hors Québec | - | - | 2 612 185 | - | 2 005 902 |
| Livre et édition spécialisée | 6 273 361 | 813 932 | 2 025 000 | 109 444 | 6 662 256 |
| Logiciel | - | - | - | - | - |
| Médias écrits | - | - | - | - | - |
| Métiers d'art | 3 932 054 | 99 400 | 200 000 | - | - |
| Multidomains | 500 000 | - | - | - | - |
| Multimédia | - | - | 500 000 | - | - |
| Muséologie et patrimoine | - | - | - | - | - |
| Musique et variétés | 8 461 793 | 2 295 793 | 1 300 000 | - | - |
| Production de spectacles musicaux | - | - | - | 1 121 253 | 16 568 900 |
| Radio | - | - | - | - | - |
| Services de production cinématographique et télévisuelle | - | - | - | - | 193 262 284 |
| TOTAL | 57 149 257 | 4 450 272 | 30 821 817 | 5 126 702 | 353 871 398 |

FINANCEMENT DES ENTREPRISES

Répartition des autorisations selon les domaines, 2016-2017

| DOMAINE | Nbre d'autorisations | Montant (\$) | % |
|---|----------------------|-------------------|--------------|
| Arts d'interprétation | 2 | 2 200 000 | 7,1 |
| Cinéma et production télévisuelle | 50 | 21 984 632 | 71,3 |
| Livre et édition spécialisée | 6 | 2 025 000 | 6,6 |
| Métiers d'art | 1 | 200 000 | 0,6 |
| Multimédia | 1 | 500 000 | 1,6 |
| Musique et variétés | 5 | 1 300 000 | 4,2 |
| Production d'événements ou d'environnements multimédias hors Québec | 3 | 2 612 185 | 8,5 |
| TOTAL | 68 | 30 821 817 | 100,0 |

Table 8. SODEC assistance 2016-2017 (SODEC 2017b).

2.8.3 Refundable tax credit for film and television production in Quebec

Very similar to the CPTC, the Refundable tax credit for film and television production is a tax incentive program managed by SODEC. The goal of the program is to promote and financially support very varied productions in the province of Quebec. The program gives a tax credit to Quebec film productions in the amount of 32% of qualified labour expenditures and the labour expenditures cannot exceed 50% of total production costs. To be eligible to receive the tax credit, the production company must be a production company from Quebec, that is paying taxes in Quebec. For the specific production to qualify for tax credit, it must be certified by SODEC according to the act respecting the sectoral parameters of certain fiscal measures (SODEC 2017d, 4-8).

Productions that do not qualify for tax credit:

- ☼ Corporate or promotional
- ☼ educational
- ☼ adult entertainment
- ☼ music videos
- ☼ sports
- ☼ news
- ☼ real time broadcasts
- ☼ gameshows
- ☼ fundraising
- ☼ reality tv
- ☼ making of videos
- ☼ films made from stock footage (except documentaries)

(SODEC 2017d, 6-7)

Like the CPTC, this program has a similar point system when it comes to the cast and crew. A minimum of 6 points out of 10 is required, view table 9 (SODEC 2017d, 8-10).

| | |
|----------------------------------|----------|
| le réalisateur | 2 points |
| le scénariste | 2 points |
| le premier acteur | 1 point |
| le deuxième acteur | 1 point |
| le directeur de la scénographie | 1 point |
| le directeur de la photographie | 1 point |
| le compositeur | 1 point |
| le chef monteur de prises de vue | 1 point |

Table 9. Quebec point system (SODEC 2017d, 9).

2.8.4 Refundable tax credit for film or television production services (QPSTC)

The QPSTC is also administered by SODEC and is similar to the Canada wide PSTC, meaning it is directed to foreign production companies wanting to shoot their production in Quebec. “The tax credit corresponds to 20% of the qualified expenditures incurred by an eligible corporation for services provided in Québec for the making of an eligible production” (SODEC 2017c, 2).

The corporation is eligible if either of the following points holds true:

- ☼ “either owns the copyright for the eligible production throughout the period during which the production is carried out in Québec;
- ☼ or, in the case where the owner of the copyright is not an eligible corporation in regard to such a production, has concluded, directly with the owner of the copyright for the eligible production, a contract to supply production services in relation to such a production” (SODEC 2017c, 2).

Eligible productions are as follows:

“The film belongs to one of the following categories of eligible films:

- i. fiction films, including films that are composed entirely of sketches each of which is drawn in its entirety from a screenplay and that are specially conceived and arranged for television;
- ii. documentaries lasting a minimum of 30 minutes of programming or, in the case of a series, 30 minutes of programming per episode, excluding documentaries intended for minors, which may be shorter.
- iii. no part of the film belongs to a category that is not a category of eligible films; iv. the following production costs are \$250 000 or more:
 - in the case of a film that is part of a series or miniseries, the production costs of the series or miniseries;
 - in other cases, the production costs of the film” (SODEC 2017c, 4).

2.8.5 CFC Features

CFC Features is a program by the Canadian Film Centre, that supports Canadian filmmakers in various stages in their career. They finance feature length films up to \$500,000. If the production budget is larger, the filmmaker is responsible themselves to acquire additional financing. The maximum length of the film can be no more than 85 minutes. While anybody can apply, it is required that the film has a director, writer and producer attached to it. The development of the film cannot begin before these roles are filled. The program was created in 1992. The CFC Features program seems to be quite selective, as they have only produced a total of 23 feature films during their existence. The program is aimed especially to those in the low-budget category and filmmakers in different levels of their careers are encouraged to apply. CFC Features provides support and financing in three different stages:

☼ Stage 1 | Development & Packaging Lab

☼ Stage 2 | Production Lab

☼ Stage 3 | Distribution Lab (CFC Features 2018)

2.8.6 Quebecor fund film production assistance program

Quebecor was founded in 1999 to support high quality content in all production phases. Interestingly, the Quebecor fund was created by Videotron Ltd. a Quebec company that could be compared to Telia or DNA in Finland. In addition to the film production assistance program, the Quebecor fund also has a television production assistance program. The film production assistance program caters to French language feature films. The program is quite strict in its eligibility criteria and the producer must be experienced with at least two feature films under his/her belt. Other criteria can be seen in table 10(Quebecor Fund 2018).

| |
|---|
| <p>Production Assistance</p> <p>The applicant must obligatorily:</p> <ul style="list-style-type: none"> • have found a minimum of 90% of its financing budget and, preferably, have some financial support from SODEC and/or TELEFILM; <p>or</p> <ul style="list-style-type: none"> • have completed at least 75% of filming if the project has never been previously submitted to the Quebecor Fund and provide a copy of a first film edit; <p>The project must include the following:</p> <ul style="list-style-type: none"> • the production of a French-language Canadian feature film with an issued distribution licence and a broadcasting licence by a CRTC-recognized French-language Canadian PU; • an interactive marketing plan; • a production budget over \$1,500,000. <p>The application must be submitted:</p> <ul style="list-style-type: none"> • during the development or pre-production stage and before signing any formal agreements with institutions such as SODEC or TELEFILM Canada; <p>or</p> <ul style="list-style-type: none"> • during production, when filming is 75% or more completed. |
|---|

Table 10. Eligibility criteria for Quebecor (Quebecor 2018).

The program can only finance a projects worth 10% of the total budget and the programs part cannot exceed 200,000 (Quebecor Fund 2018).

2.8.7 National Film Board of Canada (NFB)

The National Film Board of Canada was founded in 1939, originally called the National Film Commission. In 1950, the NFB described their mandate as such: “to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations” (NFB 2014).

The NFB pioneered such movements as cinéma vérité and direct cinema by making equipment more portable and light to allow such styles of cinema. Since it's founding, the NFB has produced over 13000 productions with over 5000 awards under their belt, including 12 Oscars. The NFB is headquartered in Montreal (NFB 2017; 2018a).

The NFB has multiple programs to finance films:

- ☀ French program
- ☀ English program
- ☀ Institutional program
- ☀ filmmaker support programs

The French program has multiple criteria to be accepted:

- ☀ work that cannot be produced without the NFB's assistance
- ☀ author's merit
- ☀ originality of creative approach
- ☀ relevant and powerful themes
- ☀ narrative quality
- ☀ international outreach
- ☀ regional roots
- ☀ project's positioning with respect to the above-mentioned programming balance criteria (NFB 2018b)

3. RESEARCH METHODS

Before I discuss the research methods used in this thesis, I wanted to clarify what research actually is: “Research simply means a search for facts - answers to questions and solutions to problems. It is a purposive investigation. It is an “organized inquiry.” It seeks to find explanations to unexplained phenomenon, to clarify the doubtful propositions and to correct the misconceived facts” (Krishnaswami and Satyaprasad 2010, 2).

3.1 Arbitrary vs Scientific method

There are two different ways to conduct research:

“Arbitrary method: Arbitrary method of seeking answers to questions is based on imagination, opinion, blind belief or impression. For example, it was believed that the shape of the earth was flat; a big snake swallows the sun or moon causing solar or lunar eclipse. Similarly, we form our own impressions about various phenomena and issues.

The arbitrary method suffers from serious weaknesses or drawbacks. It is subjective, the finding will vary from person to person depending on his impression or imagination. It is vague and inaccurate” (Krishnaswami and Satyaprasad 2010, 2).

“Scientific method: This is a systematic rational approach to seeking facts. It eliminated the drawbacks of the arbitrary method. It is objective, precise and arrives at conclusions on the basis of verifiable evidences” (Krishnaswami and Satyaprasad 2010, 2).

For the purposes of a bachelor’s thesis, clearly the scientific method should be used when conducting research. It is the only way to get reliable and accurate facts. According to Kerlinger, research should be “systematic, controlled, empirical and critical investigation of hypothetical propositions about the presumed relations among natural phenomena” (Krishnaswami and Satyaprasad 2010, 2, see Keshwyer 1973, 11). As Krishnaswami and Satyaprasad point out, there doesn’t always have to be a hypothesis in order to do research, instead it may be carried out in order to make a hypothesis about a certain topic. For example there is no hypothesis on independent

film financing in Quebec, but through the research in this thesis I hope to formulate one (Krishnaswami and Satyaprasad 2010, 2-3).

3.2 Quantitative vs Qualitative approach

Qualitative approach

The qualitative approach focuses on finding out the reasons, opinions and motivations on why matters are the way they are. It is used to shed light on the target of the research and can also be used to create a hypothesis. Often times it is a viable option to start with qualitative research, since it will present the researcher a clear picture of the field and can then give a good starting point for quantitative research. For qualitative research it is common to have a small sample size, conducting interviews and making observations (Defranzo, 2011).

Quantitative approach

Quantitative research is used to put the research into numbers and statistics, to quantify the issue. It can be used to quantify opinions, attitudes, patterns and finally to generalize results. For this type of research, measurable data is needed in order to create reliable statistics and see the patterns. Quantitative research is a structured type of research, with methods like surveys, polls and systematic observations being the main tools (Defranzo, 2011).

3.3 Inductive vs Deductive approach

Deductive approach

A deductive approach can be explained as such: “developing a hypothesis (or hypotheses) based on existing theory, and then designing a research strategy to test the hypothesis” (Research Methodology 2018a, see Wilson 2010, 7). With a deductive approach, a known theory is tested with the given circumstances to see if it is valid or not. It starts with a basic theory on the subject and a hypothesis is formulated based on this theory. Tests and observations are then made to test out this hypothesis. Finally the hypothesis can be either confirmed or rejected based on the findings. If the hypothesis is not confirmed, the theory should be modified accordingly (Research Methodology 2018a).

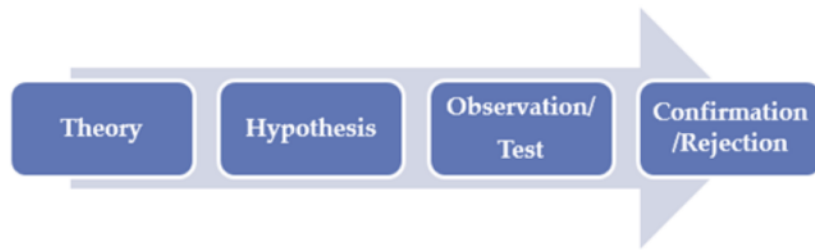


Figure 1. Deductive approach process (Research Methodology 2018a).

Inductive approach

Inductive approach takes another direction with research. It starts with observations and tests on the subject matter first, to find patterns. There is no hypothesis in the beginning of the research and the course of the research can be altered when the researcher finds out more about the topic. The inductive approach is often called the bottom-up approach, because it uses observations to build a theory (Research Methodology 2018b).

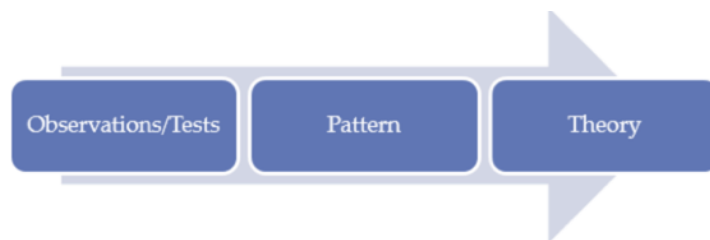


Figure 2. Inductive approach process (Research Methodology 2018b).

3.4 Data collection

For this thesis a qualitative approach will be used. While it is possible to formulate data on the amount and categories of financing for films in Quebec, that is not the main objective of the thesis. Often times this data is already available already and it was merely used to discuss the financing options. One of the main objectives was to find out what the field of financing looks like for Quebec and how a filmmaker could best navigate it. For this objective a qualitative approach fits better, with the interview of Laurent Allaire, the producer of *Les scènes fortuites*, being the key source in understanding how a film can be financed.

As there was no clear research question or a single theory on film financing in Quebec and the thesis was mainly about collecting knowledge about the environment, an

inductive approach was chosen. As seen in table 11, all aspects pointed towards the inductive approach. No literature on the topic was found especially regarding Quebec. Time availability could have been improved upon, but engagements in paid work in the industry hindered the use of time somewhat when it came to the thesis. Even books about film financing in Canada could not be found with the resources I had, so the closest option was to rely on books from the United States. There was no risk in this thesis to end up with no theory, as this was not a main objective.

| | Deductive approach preferred | Inductive approach preferred |
|----------------------|--|--|
| Wealth of literature | Abundance of sources | Scarcity of sources |
| Time availability | Short time available to complete the study | There is no shortage of time to complete the study |
| Risk | To avoid risk | Risk is accepted, no theory may emerge at all |

Table 11. Deductive vs Inductive approach (Research Methods 2018).

Data was collected mainly from a small selection of literature that discussed film financing in The United States as it is the closest market to Canada and Quebec. This literature was used for the general theories on film financing. When it came to more specific financing options in Canada and especially Quebec, no literature was available. For these topics the websites of financing organizations and governmental institutions were used. In addition, the interview conducted with Laurent Allaire played a key factor in learning more in depth knowledge about the production costs of the independent film *Les scènes fortuites* and the applying process of financing for the film.

3.5 Reliability, validity and limitations

The literature used in this thesis is from respected sources from the Turku University of Applied Sciences electronic library. As such they should be trusted as solid references when discussing film financing. Due to the nature of this thesis, plenty of internet sources had to be used. Most internet sources are websites of well established organizations in film financing and they can be trusted. Some information was sourced from unfavorable websites such as Wikipedia, but no vital information was sourced from this location. Other sources included individual filmmaker's websites, websites about research methods and governmental websites. It is possible some of the

websites could have mistakes in them, but due to time constraints efforts to double check all the data was not made. In addition, some websites were only written in French. Web translations such as Google Translate were used to translate portions of these websites in order to understand them.

Laurent Allaire, the producer interviewed for this thesis, is an experienced producer in Quebec and has a wealth of knowledge on the discussed matters. On occasion, language barriers could play a role in some wordings as he is of Italian and French Canadian origin, but all the collection of the vital data such as figures should not be affected by this.

4. CASE STUDY: LES SCÈNES FORTUITES

4.1 Background

In 2016 I moved to Montreal for my exchange studies at Concordia University in the film studies program. Simultaneously I was doing my Arts Academy internship in a production company called Natali Film. My mentor at Natali Film was Dan Popa, a director and director of photography known for his unique documentary films. Popa was approached by a producer, Laurent Allaire, he had been working with on his documentaries, to work as the director of photography on a micro-budget feature film, called Les scènes fortuites. Popa accepted Allaire's proposition, even though the budget was low, because it was an interesting project. As I was an intern for Popa at the time, he assigned me to work as assistant camera for the production.

Laurent Allaire, is a producer from Quebec who graduated in 2010 from the INIS film production program. Since then he founded his own production and distribution company called Chasseurs Films in 2013. Allaire produces beautiful content anywhere from feature films, shorts, documentaries to music videos. One of Allaire's classmates at INIS was Guillaume Lambert, who wrote, directed and starred in Les scènes fortuites. Lambert is known for his comedic roles in multiple known television productions in Quebec such as Like-moi! and L'Âge adulte, the latter which he also wrote. His breakthrough performance as an actor happened in a short film called Life's a bitch, which was a nominee at Sundance in the Short Film Grand Jury Prize category and also won best short film at Jutra Awards and HollyShorts Film Festival. Lambert also wrote the screenplay for Life's a bitch. Lambert contacted Allaire to be the producer of his new project, which was originally intended to be a mini-series on the web. However, Allaire convinced Lambert to turn it into a full length feature film (Chasseurs Films 2018; IMDB 2018).

4.2 Explanation of production phases

According to Allaire (2018a; 2018b), a commonly used system in a producer's budget is to categorize the different levels of production with letters A, B, C and D. Each letter corresponds to a certain section in the budget:

- ☼ A = Part of pre-production, includes budget for writer, director and producer
- ☼ B = Part of production, includes budget for actors, technicians, production office fees, management fees, transportation, travel, lodging, tapes for cinema etc.
- ☼ C = post-production technicians, music, finalization and delivery
- ☼ D = marketing, general and indirect costs



Picture 1. On set close the American border (Soulieres).

4.3 Pre-production and financing

Les scènes fortuites was financed with a combination of financial aid programs, tax incentives, distribution agreements and private contributions from the production company. To be able to finance the project, Allaire knew he needed to apply for funding from organizations like Telefilm Canada. From the different programs Telefilm had available the “Talent to watch program” (formerly micro-budget production program) seemed to fit Les scènes fortuites perfectly (Allaire 2018a).

4.3.1 Talent to watch program and Les scènes fortuites

The program is intended for emerging filmmakers, who haven't yet produced a feature length film. In the context of the “Talent to watch program”, emerging filmmakers are directors, writers and producers. There are three different components to the program: main component, indigenous component and Official-Language Minority Communities (OLMC) component. Les scènes fortuites fits within the main component (Telefilm 2016a, 2-4).

To be eligible to apply, there are a few key points to fulfill:

1. “To be eligible to apply to this Program, Telefilm must first receive a recommendation from one of the selected partners stating which project the partner wishes to recommend.
2. If the recommendation is made by a partner for the Main component, the partner must confirm that the key members of the recommended project’s creative team are recent alumni from one of the partner’s production programs or active members of the partner’s film cooperative.
3. The key members of all recommended projects must be emerging talent i.e. they must already have produced, directed and/or written at least one short film (i.e. 30 minutes or less) but must not have produced, directed or written a feature length film (i.e. 75 minutes or more)” (Telefilm 2016a, 2-3).

To limit the amount of applications Telefilm receives, they created a funnel system with local film schools in Quebec. Instead of applicants sending their applications directly to Telefilm, they must send them to one of these partner schools instead. The school then selects the ones they wish to recommend to Telefilm. As it says in the first criteria, the project needs a recommendation from one of the partners. In Allaire’s and Lambert’s

case that partner was INIS (Institut national de l'image et du son). Allaire pitched the project successfully to INIS and they chose to recommend the project to Telefilm. The second criteria fulfilled for the project as the creative team, or emerging filmmakers were Allaire (producer) and Lambert (director and writer) were both alumni of INIS. The third criteria also fulfilled as no features were yet created, but both men had short films under their belts. Telefilm Canada accepted to fund the film and financed the film with a total of \$112,500 (Allaire 2018a).



Picture 2. Popa (left) talking with Allaire (right) sound recordist Chartrand in the back (writer's photo).

4.3.2 Tax incentives & other financial contributions

The production took advantage of the refundable tax credit for film and television production in Quebec, which gives tax credit in the amount of 32% from eligible labour costs. This resulted in a tax incentive between \$35,000-\$40,000. The Canadian Film or Video Production Tax Credit Program (CPTC) was also taken advantage, but on a smaller scale with the approximate amount of \$5000. In addition a distribution

agreement was made with an international tv channel called TV5. The value of the agreement was approximately \$20,000. The rest of the film was financed by Allaire and his production company. The structure of the budget according to production phase was the following:

- ☼ A = 8% of total budget
- ☼ B = 52% of total budget
- ☼ C = 22% of total budget
- ☼ D = 11% of total budget (Allaire 2018b)

The remaining 7% was used for miscellaneous promoting and distribution costs (Allaire 2018b)

As we can observe from this structure, the actual production takes over half of the costs of producing a film. However, from a producer's standpoint it is vital to make sure that there is sufficient financing for post-production and other costs as we can see from C and D. After all, they represented a total of 40% of the total budget. The total budget of the film was approximately \$230,000 (Allaire 2018b).

4.4 Production & Post-production

Principal photography took a total of 28 shoot days spread out across several months. Allaire did not want to shoot the entire film on consecutive days, because of the nature and budget of the film. Instead, he opted to shoot in 2-4 day blocks to leave himself time to organize and find locations for each shooting block and to make sure the crew was available. Multiple locations were given as favors, so it would have been very difficult to schedule the shoot if the schedule would not have been flexible. In addition, Lambert had other engagements at the time so it would have been impossible for him to commit to a full month of shooting. Thanks to the personal relationships of Allaire and Lambert, they were able to secure top talent from Quebec to play in the film such as Valérie Cadieux, Bianca Gervais, Monia Chokri and Éric Bernier to name a few. Francois Perusse, a famous comedian and musician played a small role in the film and also narrated the film (Allaire 2018a).



Picture 3. Official poster of Les scènes fortuites (Entract Films FB 2018).



Picture 4. Lambert watching a take (writer's photo).

Due to the budget, we had to be very quick and light with no heavy setups. The entire camera department consisted of Popa, the director of photography and myself working as assistant camera. Because there was virtually no budget for camera equipment, we shot the film on Popa's personal Sony A7S mirrorless camera pairing it with small Voightlander and Nikon lenses. To help with pulling focus, we had a small 5" Black Magic Video Assist monitor. Popa shot almost the entire film with ambient and available practical lighting. Only on a few occasions we used a small LED panel to light some scenes. My main tasks included assembling the camera, switching lenses, checking focus, charging batteries and operating the slate. The sound team worked quickly and efficiently as well, most of the time with just a single operator booming and operating the mixer at the same time. On few occasions we were able to have a separate boom operator and a mixer.

My knowledge about post-production for *Les scènes fortuites* is limited as I was not part of the process. The film was edited by Ara Ball, a writer and director from Quebec. Post-production for sound, including music was done by Casey Brown. The budget for post-production was slightly under \$50,000 (Allaire 2018a; 2018b).



Picture 5. Writer as assistant camera working on set (Soulieres 2018).

4.5 Distribution

The film was picked up by Entract Films, who now own the rights to show it in cinemas in Canada. The film showed in multiple theaters in Montreal. TV5 own the television rights. Les scènes fortuites is also available on demand from Illico \$6,49. Illico is a web television service similar to MTV Katsomo or Elisa Viihde in Finland (L'initiative 2017).



Picture 6. Slate of Les scènes fortuites (writer's photo).



Picture 7. Shooting a scene (writer's photo).

5 CONCLUSION

5.1 Research findings

The field of film finance is very complicated. In writing this thesis, I was able to examine a very specific issue that was unclear and vague for me. The main goal for this thesis was to find out the main financing bodies, how to apply for financing and who can apply for them. This was accomplished by and large and I now have a clear picture of the requirements and challenges there are to produce a film in Canada and especially Quebec.

It is clear, that in order to make a film in Quebec, financing programs are always needed in order to make an independent feature film. In the case of *Les scènes fortuites*, the total budget was almost \$230,000 and it was still considered a micro-budget production. In addition, the other vital part is to take advantage of tax incentives on both the federal and provincial level. *Les scènes fortuites* did not use any loans or investors in financing the film. However, after writing this thesis it seems unavoidable that a film in Quebec has to be made with a combination of financing options. Any single option is rarely enough and often times the organizations have set limits to how much the aid can be in relation to the total budget. Even if a combination of financing options are secured, creating a film requires immense amounts of time, patience, paperwork and often favors from the community (Allaire 2018a; 2018b). Through writing this thesis, I gained the knowledge and understanding of how much other costs there are in addition to just the production phase and how long a film can be in development behind the scenes before it will actually get made. I consider myself fortunate to have worked on the film, to see the film being produced and made from a technicians standpoint, but also having interviewed Laurent Allaire and having gotten to know the producer's side of making a film. As I develop as a professional in film here in Quebec, I feel I now have a good understanding of the field of film finance and it will surely give me an advantage in my professional life in the future.

5.2 Implications for further research

Further research could be conducted by focusing more on each financing program through additional case studies and see how they differ. In addition, more interviews could be conducted in order to see if the process and experience has differences

between production companies and individuals. At the time of writing, the literature on Canada and especially Quebec was very limited or non-existent. Therefore, when publications about the topic appear in the future, they could bring more specific and concrete information about financing in Quebec, that was simply not available at this time.

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Appendices

Appendix 1. Interview questions

1. What was the total budget of Les scènes fortuites?
2. Which different organizations, people and systems participated in the financing?
3. How was the total budget divided among these organizations, people and systems?
4. Which financing programs were used from these organizations?
5. Explain the different production phases A, B, C and D?
6. How was the budget divided between the different production phases?
7. How did you get involved in the project?

1. Mikä oli Les scènes fortuites-elokuvan kokonaisbudjetti?
2. Mitkä eri organisaatiot, henkilöt ja järjestelmät osallistuivat rahoitukseen?
3. Miten kokonaisbudjetti oli jaettu näiden organisaatioiden, henkilöiden ja järjestelmien välille?
4. Mitä rahoitusohjelmia näistä organisaatioista käytettiin?
5. Selitä eri tuotantovaiheet A, B, C ja D?
6. Miten budjetti jakautui eri tuotantovaiheiden välille?
7. Miten tulit osalliseksi projektia?