

ON THE ALTAR OF FIRE

BUSINESS PLAN

FEATURE FILM



EXECUTIVE SUMMARY

This business plan outlines the production of *On the Altar of Fire*, a feature film that takes a revisionist approach to the horror and thriller genre by infusing it with in-depth character portraits and the complexities of a close-quarters psychodrama that dispenses with the supernatural in favor of a more grounded approach, making for a fully rounded cinematic experience that elevates the genre. The film will be shot in Minnesota, leveraging local tax incentives to significantly offset production costs. The project will attract investors through favorable U.S. tax codes, including Section 181 and Section 168(k), and offer a clear path to profitability through a strategic marketing and distribution plan. Fiscal sponsorship through FilmNorth will provide additional funding opportunities to further offset costs. With the combination of tax incentives, fiscal sponsorship, pre-sale advances, and tax code benefits, the production is poised to offer very low risk for equity investments.

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I. Film Overview

Title: On the Altar of Fire

Genre: Horror, Thriller, Psychodrama

Budget: \$2,000,000-4,000,000

Location: Minnesota (Duluth, Hibbing, Chisholm, Iron Range)

Synopsis:

On the Altar of Fire is an elevated domestic psychodrama horror/thriller film about the landscape of the mind. It's an intimate, introspective, anxiety-ridden, existential epic of the ordinary following the psychological disintegration of a family. After an innocuous event sets off a chain of misinterpreted slights, anger and anxiety brew toward an escalation of subterranean aggression as each of the three family members collapse into their own mental breakdowns that tear the family apart from within.

II. Data Analytics & Market Research

Target Audience:

- **Demographics:** This film is designed for movie lovers of all ages and demographics interested in adult-level content. Typically films in this genre attract ages 13-35, predominantly male, but *On the Altar of Fire* expects a significant increase in female viewership due to the strong female leads. It also appeals to older demographics due to the elevated approach to the story, which will include stellar acting performances.
- **Psychographics:** Fans of psychological thrillers, supernatural horror, and slasher films, but also fans of great cinema in general where the tools of the medium are used in an expressive way to plunge the viewers into a rich movie experience.
- **Comparative Analysis:** Similar films, such as *Hereditary*, *The Conjuring*, and *It Follows*, have performed exceptionally well, grossing between \$40M and \$200M globally.

Market Trends:

- **Genre Popularity:** Horror films consistently perform well with moderate budgets, often delivering high ROI.
- **Theatrical Release Bolstering Streaming:** The growing trend of thoughtfully marketed theatrical releases providing greater awareness for the ultimate streaming release to expand the revenue potential.

III. Risk Mitigation

1. Tax Code Benefits:

- **Section 181 (U.S. Tax Code):** Allows for 100% deduction of the production cost against active income in the year the expenditure is made. This significantly reduces risk by offering immediate tax relief for investors.
- **Section 168(k) (Bonus Depreciation):** Permits 100% depreciation on qualified property, including films, in the year the property is placed in service, providing another layer of tax benefit to investors.

2. Minnesota Tax Incentives:

Minnesota, particularly the Upper Midwest Film Office (UMFO), offers up to 75% of the budget back through stackable tax incentives:

- **20% Rebate:** For productions shot in the Iron Range (Hibbing, Chisholm), eligible for a 20% rebate on qualified expenses.
- **25% Rebate:** Additional rebate for spending in the county of St Louis, Minnesota, which includes Duluth.
- **Up to 30% in Credits:** For productions in Minnesota, for hiring local crew, utilizing local vendors, and investing in the local economy.

These incentives significantly reduce the financial burden on the production, allowing for a lower break-even point and greater profitability potential.

Investors face extremely low risk due to a combination of high tax incentives from Minnesota that can reimburse up to 75% of the budget, non-repayable fiscal sponsorship funds covering perhaps one third of costs or more, and pre-sale advances that secure revenue before release. Additionally, U.S. tax codes (Sections 181 and 168(k)) allow investors to deduct their investment and benefit from accelerated depreciation, significantly lowering their financial exposure. These factors, along with diversified revenue streams, ensure a strong safety net and make this film an attractive, low-risk investment. So before the film has even been shot, investors stand to recoup a majority portion of their investment.

3. Fiscal Sponsorship via FilmNorth:

FilmNorth, a nonprofit organization, offers fiscal sponsorship for film projects. Contributions made through this sponsorship are tax-deductible for donors. *On the Altar of Fire* has been approved by FilmNorth to receive fiscal sponsorship as of August 29, 2024.

(For those interested in donating, please keep in mind that according to IRS regulations under Section 501(c)(3), individuals or entities that contribute to the project through fiscal sponsorship via FilmNorth cannot simultaneously be investors in the film. This is to ensure compliance with nonprofit tax-deductible donation regulations.)

IV. Collateral

Assets:

- **Intellectual Property / Script:** Completed and polished, ready for production.
- **Key Attachments:** Director, lead actors, and cinematographer with proven track records.
- **Location Tax Incentives:** Our partnership with the Upper Midwest Film Office ensures the utilization of state tax incentives.

V. Marketing Strategy

1. Targeted Campaigns:

- **Social Media:** Leveraging platforms like Instagram, TikTok, and Twitter to build anticipation, particularly through teaser trailers, behind-the-scenes videos, and interactive horror-themed content.
- **Film Festivals:** Entering key major film festivals like Cannes, Berlin, Venice, Toronto, and Sundance. We could also target horror and genre-specific festivals like Sundance's Midnight Section, SXSW, and Fantasia to build buzz and attract distributors.
- **Influencer Partnerships:** Collaborating with horror influencers and YouTube creators to generate organic buzz and reviews.

One example of a successful model for marketing this film is the marketing strategy for the film *Longlegs* by NEON. This was highly successful due to its innovative and minimalist approach. The campaign avoided revealing too much about the plot, opting instead to generate intrigue and suspense through cryptic teasers and interactive elements. For example, the marketing team created a 90s-style website detailing fictional crimes

related to the film's narrative, similar to the viral strategy used for *The Blair Witch Project*. They also used billboards with a phone number where fans could hear a creepy voicemail from one of the actors in character, further immersing the audience in the film's atmosphere.

This "less-is-more" approach kept audiences engaged and curious, leading to a strong box office performance, with the film generating \$102,308,963 theatrically, before its streaming release, by August 2024. The strategic use of mystery and suspense in the marketing materials, including teasers that showed only brief flashes of the serial killer character, built significant anticipation without giving away key plot details. This strategy not only heightened interest but also aligned perfectly with the psychological horror tone of the film, making it a standout in the horror genre marketing.

2. Merchandising:

- **Product Lines:** Develop branded merchandise, including clothing, posters, and collectible items, to create additional revenue streams. The “kitsch” fun of making toy figurines out of the “ordinary” characters in the film could be an amusing marketing tool to generate further social media attention. (Imagine these as being similar to collectible toys for the characters in Stanley Kubrick’s *The Shining*, as opposed to obvious toys like characters in *Star Wars*.)

3. Cross-Promotion:

Partnerships with brands and other media properties that align with the film’s themes, creating synergistic marketing opportunities.

V. Distribution Strategy

As movie industry expert John Fithian recently [noted in the New York Times](#), the industry data sets prove recent films “that had an exclusive theatrical window did much better theatrically, but then also did better when it got to the home.” This indicates why Amazon and Apple have expanded their business models to include more theatrical windows for the films they produce. We believe in the exclusive window theatrical approach for *On the Altar of Fire*, where the marketing and platforming surrounding the release raises public consciousness of the film, as well as lends prestige, which then pays dividends once the film lands on streaming platforms.

1. Theatrical Release:

- **Release:** Targeted release in major cities with strong horror fan bases, accompanied by midnight screenings and special events, followed up by a roll-out in further markets.

2. Streaming Platforms:

- **Licensing:** Negotiating exclusive or semi-exclusive streaming rights with major platforms (Netflix, Hulu, Amazon Prime, Apple) for domestic and international markets.
- **Ancillary Revenue Streams:** Eventual pay-per-view options, Blu-ray/DVD sales, and TV syndication.

3. International Sales:

- **International:** Leveraging foreign distribution channels to tap into international markets, particularly in Europe and Asia where horror films have a strong following.

The film will be distributed through strategic partnerships with distribution studios.

Negotiations will take place once that cast is complete before production begins based upon the value of the material and the assembled cast. In lieu of a favorable deal before shooting commences, the film will attract buyers for distribution during an initial film festival run, most likely at its festival world premiere. Festivals the film will target will be Cannes, Venice, Berlin, Toronto, and Sundance with a marketplace for buyers.

The film will be shot at 4K resolution (and above), with the highest quality industry standards of cameras and lenses, to ensure it meets what has become the universal streaming standards for the most optimal exhibition.

VI. Exit Strategy

1. Recoupment:

- **Break-Even Analysis:** With the tax incentives and the expected rebates, the break-even point is projected at approximately 30% of the initial budget.
- **Revenue Streams:** The primary sources of revenue will include box office sales, streaming deals, international sales, merchandising, and ancillary markets such as airlines.

2. Investor Profits:

- **Profit Distribution:** After recouping the initial investment, profits will be distributed according to a pre-agreed waterfall structure, favoring investors until they have received 120% of their initial investment and proceeding 50/50 between investors and producers after that point.
- **Secondary Market Sales:** Rights to sequels, spin-offs, or remakes can be sold, offering additional exit opportunities.

VII. Tax Considerations

1. Section 181 (Internal Revenue Code):

- Allows investors to deduct 100% of their investment in the same year the production expenses are paid, against active income, making it an attractive tax shelter. This provision is particularly beneficial for high-net-worth individuals and corporations seeking to offset large amounts of taxable income.

2. Section 168(k) (Bonus Depreciation):

- Allows for 100% bonus depreciation on qualified film production costs. This provision applies if the film is completed and released within the tax year. It accelerates the depreciation, giving investors a tax deduction much sooner.

3. Minnesota Tax Incentives:

- **Detailed above.**
- **Stacking:** These incentives can be combined (stacked) to maximize the total rebate, potentially reimbursing up to 75% of qualifying expenses.

VII. Market Analysis

The global entertainment and media industry is experiencing exponential growth, with a significant demand for engaging content that extends beyond the traditional film format. This presents a unique opportunity for our film to leverage multiple revenue streams. The film industry, despite anecdotal speculation, has demonstrated substantial growth and profitability, providing a strong foundation for our venture.

VIII. Financial Projections

Based on extensive market research and projected revenue streams, we anticipate significant profitability. The financial projections will include revenue from film box office sales, merchandise sales, licensing deals, and streaming platform partnerships. We will closely monitor expenses related to film production, marketing, and merchandise manufacturing to ensure financial viability and growth.

We expect the film will be released in at least 20 markets worldwide.

Another factor in financial projections is the plans for the filmmaker, Jason Mann, to release a high-profile science-fiction film that will draw greater viewership to *On the Altar of Fire*.

IX. Comparable Films

The following comparable films show earnings for movie box office for theatrical presentations *only*. Specific data on the home presentation earnings are not included, which would entail revenue from DVD, Blu-ray, digital rentals, and streaming platforms. It is common for successful films to generate substantial revenue through home entertainment sales and licensing deals. These earnings can contribute significantly to the overall financial success of the film. These earnings do not include revenue from licensed merchandise such as toys, clothing, accessories, and other related products, which can also be significant.

Hereditary (2018) - \$82.85 million

In the Bedroom (2001) - \$43.36 million

Midsommar (2019) - \$48.06 million

A Serious Man (2009) - \$31.43 million

The Witch (2015) - \$40.4 million

Revolutionary Road (2008) - \$75.98 million

The Black Phone (2022) - \$102 million

American Beauty (1999) - \$356.29 million

Get Out (2017) - \$255.4 million

These figures demonstrate the potential for high returns in the horror/thriller genre, especially with well-executed films that resonate with audiences. Films produced by companies like A24 and Blumhouse, which specialize in low-budget horror, often see significant profits compared to their modest production costs.

Based on the data from these comparable films, we expect a major portion of the B.O. Earnings to come from International BO (estimated 67%). On average, both Domestic and International B.O. bring in more than double the budgeted amount, at least. Home Market receipts are often a quarter as strong compared to the BO receipts (24%). On average, Home Market recouped approximately three-quarters of the budget (78%) in addition to theatrical revenue.

(Costs Deducted from Box Office Earnings: Based on the market data, we have several assumptions, including a 10% overall tax, an exhibitor/ cinema fee of approximately 43% on our B.O. earnings after tax and a sales agent and distributors 25% from the money pool left to be distributed.)

X. Social Impact Strategy

To review our full Social Impact Strategy, please review our separate document detailing our plan.

To summarize: The social awareness of *On the Altar of Fire* has been designed from its story foundation. The film deals with issues of mental health and mental illness, domestic abuse, and on a broader level it explores misinformation by delving into the way a chain of false information can have corrosive powers even on a microcosmic scale between family members. The larger implications of this analogy echo out to the contention in our global politics, with division encouraged by for-profit news organizations and animosity-fueling algorithms on worldwide social media platforms, leaving all of us in a state of anxiety and fear for how this hostility will render itself into dangerous real world consequences.

Additionally, the production of the film will contribute to an economic and film industry resurgence in Northern Minnesota at a time when film professionals in the area have been struggling due to a lack of film production.

The film has received approval from FilmNorth to receive fiscal sponsorship, as part of the project's mission to serve the communities in Minnesota. To make a donation, please follow this link: <https://filmnorth.org/fiscally-sponsored-projects/on-the-altar-of-fire/>

XI. Conclusion

By leveraging favorable tax codes, state incentives, and a strategic marketing and distribution plan, the film presents a viable investment opportunity with minimized risks and multiple revenue-generating avenues. Investors are provided with substantial tax benefits and a well-defined exit strategy, ensuring a high potential for profitability.

Legal Disclaimer for Film Investors

This legal disclaimer is intended to inform potential film investors about the risks associated with investing in the film industry. It is essential to carefully read and understand the following information before considering any investment opportunity.

Investment Risks

Investing in the film industry carries inherent risks, including but not limited to financial loss. The success of a film project is dependent on various factors such as market demand, competition, audience reception, critical acclaim, and economic conditions. It is crucial to acknowledge that there is no guarantee of financial returns on film investments.

Uncertain Returns

Film investments are speculative in nature, and the potential returns on investment can vary significantly. While some films achieve substantial financial success, others may not generate sufficient revenue to cover production costs or provide a return on investment. Investors should be prepared for the possibility of a complete loss of their investment.

Market Volatility

The film industry is highly dynamic and subject to constant changes in consumer preferences, technological advancements, and market trends. These factors can impact the commercial success of a film and its potential to generate profits. Investors should be aware that the film industry is subject to unpredictable market conditions and trends that can affect financial outcomes.

Production and Distribution Risks

Film production involves numerous uncertainties and challenges, including but not limited to budget overruns, production delays, talent availability, regulatory compliance, and distribution complexities. These risks can impact the timely completion and release of a film, which may further affect financial returns.

Liquidity and Timeframe

Film investments typically have a long-term nature, and investors should be aware that their capital may be tied up for an extended period. Film projects often require substantial time for production, marketing, distribution, and potential returns on investment. Investors should consider their financial liquidity needs and investment time horizon before committing funds to a film project.

Professional Advice

Prior to making any investment decision, it is strongly advised that potential investors seek independent professional advice, including legal, financial, and tax consultation. Qualified professionals can provide personalized guidance regarding the potential risks, financial implications, and suitability of film investments based on individual circumstances.

Legal and Regulatory Considerations

Film investments may be subject to specific legal and regulatory requirements in different jurisdictions. Investors should be aware of the applicable laws, regulations, and securities requirements that govern film investments in their respective jurisdictions. Compliance with these regulations is essential to protect investors' rights and interests.

Diversification and Portfolio Allocation

Film investments should be considered as part of a diversified investment portfolio. Allocating a portion of one's investment capital to film projects, along with other asset classes, can help mitigate risk and balance potential returns. It is important to assess one's overall investment strategy and risk tolerance before considering film investments.

Forward-Looking Statements

Any projections, estimates, or forward-looking statements provided by the film's producers, promoters, or representatives should be considered speculative and subject to change. These statements are based on assumptions, expectations, and market conditions at the time of their creation and may not materialize as predicted.

Acknowledgement and Release

By proceeding with a film investment, investors acknowledge that they have read and understood this legal disclaimer. They accept and assume all risks associated with film investments and release the film's producers, promoters, and related parties from any liabilities arising from investment decisions made based on the provided information.

Investing in the film industry involves substantial risk, and potential investors should carefully evaluate their financial capabilities, risk tolerance, and investment objectives before making any investment decisions. The information provided in this legal disclaimer is for informational purposes only and does not constitute investment advice.