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THE ENTERTAINMENT CENTER GROUP

CONFIDENTIAL PROSPECTUS

THE ENTERTAINMENT CENTER GROUP

AN AGGREGATE OF \$1,750,000 OF LIMITED PARTNERSHIP
UNITS OF A CALIFORNIA LIMITED PARTNERSHIP

35 UNITS AT \$50,000 PER UNIT

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK
(SEE RISK FACTORS)

This offering will terminate at the close of business on Friday, July 28, 1978, unless sooner terminated by the sale of all the units offered. If subscriptions for all the units offered have not been received by the termination date, no units will be sold. Funds paid by investors will be deposited with United California Bank, Century Plaza Office, 2029 Century Park East, Los Angeles, California 90067, and investors will be refunded without interest if subscriptions for all the units offered have not been received by the termination date.

THIS PROSPECTUS IS INTENDED TO FURNISH INFORMATION TO PROSPECTIVE INVESTORS WITH RESPECT TO THE INVESTMENT DESCRIBED. CINEMACOM WEST, INC., RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ACCEPT OR REJECT ANY SUBSCRIPTIONS TO PURCHASE LIMITED PARTNERSHIP UNITS.

THE ENTERTAINMENT CENTER GROUP SHALL MAKE AVAILABLE TO EACH INVESTOR OR HIS/HER AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY UNITS, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM ANY PERSON AUTHORIZED TO ACT ON BEHALF OF THE ENTERTAINMENT CENTER GROUP CONCERNING ANY ASPECT OF THE INVESTMENT AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE ENTERTAIN-

MENT CENTER GROUP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS.

INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS PROSPECTUS OR ANY COMMUNICATION, WHETHER WRITTEN OR ORAL, FROM THE ENTERTAINMENT CENTER GROUP OR CINEMACOM WEST INC., OR ITS EMPLOYEES OR AGENTS, AS LEGAL, TAX, ACCOUNTING OR OTHER EXPERT ADVICE. EACH INVESTOR SHOULD CONSULT HIS/HER OWN COUNSEL, ACCOUNTANTS, AND OTHER PROFESSIONAL ADVISERS AS TO LEGAL, TAX, ACCOUNTING AND RELATED MATTERS CONCERNING HIS/HER INVESTMENT.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK (SEE RISK FACTORS) AND, CONSEQUENTLY, THE PURCHASE OF UNITS SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD A TOTAL LOSS OF THEIR INVESTMENT.

THERE IS NO PUBLIC MARKET FOR THE UNITS, NOR WILL SUCH A MARKET DEVELOP. BECAUSE THE UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AN INVESTOR MAY BE REQUIRED TO RETAIN OWNERSHIP OF THE UNITS AND BEAR THE ECONOMIC RISK OF HIS/HER INVESTMENT FOR AN INDEFINITE PERIOD. IN NO EVENT MAY AN INVESTOR SELL HIS/HER UNITS UNLESS SUCH UNITS ARE REGISTERED UNDER THE SECURITIES ACT OF 1933 OR AN EXEMPTION FROM SUCH REGISTRATION BECOMES AVAILABLE TO HIM/HER.

IT IS UNLAWFUL TO SELL OR TRANSFER THE UNITS, OR TO RECEIVE ANY CONSIDERATION THEREFOR WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

THE PICTURE'S RENTALS MUST APPROXIMATE \$4,950,331 IN ORDER FOR LIMITED PARTNERS TO RECOUP THEIR INVESTMENT FROM DOMESTIC THEATRICAL RELEASE. BY JANUARY 4, 1978, 52 MOTION PICTURES RELEASED IN 1977 HAD EARNED DOMESTIC RENTALS OF MORE THAN \$4,950,331.

NO PERSON, OTHER THAN CINEMACOM WEST, INC., IS AUTHORIZED TO GIVE ANY INFORMATION WITH RESPECT TO THE ENTERTAINMENT CENTER GROUP AND ITS PROPOSED OPERATIONS NOT CONTAINED IN THIS PROSPECTUS. ANY INFORMATION NOT CONTAINED HEREIN NOR GIVEN BY CINEMACOM WEST, INC., MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ENTERTAINMENT CENTER GROUP OR CINEMACOM WEST, INC.

SUMMARY OF OFFERING

The Entertainment Center Group is a California limited partnership formed and recorded in Los Angeles on May 2, 1978, to produce a feature motion picture. The general partner is CinemaCom West, Inc., a California corporation. CinemaCom West, Inc., will manage and control the affairs of the Entertainment Center Group and acquire 50 percent of its profits. The limited partners will share in the remaining 50 percent of the profits proportionally to their individual investments.

The Offering

Thirty-five Entertainment Center Group limited partnership units are being offered at \$50,000 per unit.

Escrow Arrangement

Payments accompanying subscriptions will be placed in a special escrow account arranged with United California Bank and if all units have not been subscribed by the termination date of the offering, investors' funds will be returned.

The Motion Picture

The motion picture is a comedy tentatively titled DISORDER IN COURT about a notoriously unsuccessful businessman who decides to change his luck by going into the most profitable small business in America--the adult bookstore business--at exactly the wrong time: just when a politically ambitious young district attorney is elected to put such places out of business.

Suitable potential investors may obtain copies of Roland Wolpert's screenplay from CinemaCom West, Inc., Suite 400, 2040 Avenue of the Stars, Los Angeles, California 90067, telephone (213) 277-4997.

SUMMARY OF USE OF PROCEEDS

Proceeds to the Entertainment Center Group from the offering will be used to pay the picture's nondeferred production costs approximately as follows:

Writer/Coproducer Roland Wolpert	\$ 106,406
Actor/Coproducer Edward Murphy	65,000
Other Nondeferred Above-The-Line Costs	222,500
Shooting Period Costs	600,000
Completion Period Costs	180,000
Organizational Office Expense Excluding Legal Fees, Accounting Fees and Selling Expenses	15,000
Organizational Legal Fees	18,000
Organizational Accounting Fees	8,000
Securities Dealers' Commissions	69,131
Other Selling Expenses	25,000
Interest on Preproduction Loans and Advances	86,579
Postorganizational Office Expense Excluding Legal and Accounting Fees	15,000
Postorganizational Legal Fees	3,000
Postorganizational Accounting Fees	25,000
Completion Bond	70,000
Other Nondeferred Below-The-Line Costs	224,000
Refund (\$497 Per Unit)	17,384
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TOTAL USE OF PROCEEDS	\$1,750,000

For a more detailed explanation and breakdown of the use of the proceeds of the offering, see specific headings under The Entertainment Center-Group.

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INTRODUCTION

It is proposed that a group of limited partners acquire 50 percent of the profits of the Entertainment Center Group, a California limited partnership recorded in Los Angeles on May 2, 1978, to produce a feature motion picture with CinemaCom West, Inc., as the general partner and Rebecca Bella as the initial limited partner. CinemaCom West, Inc., is a California corporation. Rebecca Bella is the vice-president of CinemaCom West, Inc., and will withdraw as a limited partner upon admission to the Entertainment Center Group of limited partners pursuant to this offering.

The estimated nondeferred production cost of the motion picture is \$1,732,616. The Entertainment Center Group is seeking subscriptions to its capital in an aggregate amount of \$1,750,000 in units of \$50,000.

If 35 units are subscribed, each unit will represent an interest of approximately 1.429 percent of the profits and 2.857 percent of the losses of the Entertainment Center Group. However during the term of this offering, the Entertainment Center Group may obtain one or more advances or loans to pay part of the estimated nondeferred production cost of the motion picture. If the Entertainment Center Group obtains one or more preproduction advances or loans, the Entertainment Center Group will lower the aggregate amount of this offering. The Entertainment Center Group will seek subscriptions to its capital in limited partnership units of \$50,000 in an aggregate amount approximately equal to the estimated nondeferred production cost less the aggregate amount of the preproduction advances and loans. If fewer limited partnership units are offered, of course each unit will represent an interest greater than 1.429 percent of the profits of the Entertainment Center Group. On the other hand, repayment of any preproduction advances or loans will take priority over recoupment by the limited partners of their investment. (See The Entertainment Center Group Profits and Losses for an analysis of various debt-equity combinations.)

During the term of this offering, the Entertainment Center Group also may lower the aggregate amount by lowering its estimate of the picture's nondeferred production cost. This may occur as a result of the Entertainment Center Group actually contracting for or obtaining some services, materials, equipment or facilities at a cost lower than the cost estimated, in which case the Entertainment Center Group will seek subscriptions to its capital in units of \$50,000 in an aggregate amount approximately equal to the lower estimated nondeferred production cost. Again, if fewer units are offered, each unit will represent an interest in the profits greater than 1.429 percent.

Profits of the Entertainment Center Group are to be paid out of gross receipts after provision for postproduction operating expenses, payoff of all preproduction and completion loans and advances, return of limited partners' investments and payment of deferred production costs. The limited partnership agreement defines gross receipts as all monies received by the Entertainment Center Group from any source, including

monies received from:

- 1) Domestic (United States and Canada) theatrical release;
- 2) Theatrical release in the United Kingdom; Europe and the rest of the world;
- 3) United States free television markets, network and syndication;
- 4) United States pay television markets, including but not limited to pay cable, over-the-air subscription, microwave distribution and stand-alone systems;
- 5) Canadian, United Kingdom and foreign syndication television markets;
- 6) Cassette and video disk markets;
- 7) Novelization and other publishing rights;
- 8) Soundtrack album rights; and
- 9) Posters, graphics and other merchandising rights.

Approximately \$4,950,331 in rentals from domestic theatrical release is needed for the limited partners to recoup a \$1,732,616 investment from domestic theatrical release.

A suitable investor desiring to purchase one or more limited partnership units

- 1) executes the Entertainment Center Group Amended Agreement of Limited Partnership,
- 2) completes, executes and acknowledges the Entertainment Center Group Subscription Agreement,
- 3) completes and executes the United California Bank Escrow Agreement, and
- 4) delivers the three agreements along with payment for the number of limited partnership units he/she desires to purchase.

One unit costs \$50,000. Payment accompanies delivery of the executed agreements.

Delivery of the completed, executed and acknowledged subscription agreement constitutes an offer to purchase units. The Entertainment Center Group must accept or reject an offer within 30 days of receipt thereof.

Prior to acceptance of an offer, the Entertainment Center Group will disclose in writing to each potential investor any material relationship between his/her representative(s) or its affiliates and the Entertainment Center Group or its affiliates, which then exists or mutually is understood to be contemplated or which has existed at any time during the previous

two years, and any compensation received or to be received as a result of such relationship.

The Entertainment Center Group accepts an offer by

1) executing a copy of the subscription agreement and delivering it to the investor, and

2) executing the escrow agreement and delivering it along with the investor's payment to United California Bank.

The Entertainment Center Group Amended Agreement of Limited Partnership imposes a fiduciary responsibility on CinemaCom West, Inc., for the safekeeping and use of all funds and assets of the Entertainment Center Group.

During the term of the partnership, all partnership documents will be available for inspection upon request of a limited partner or his duly authorized representative during normal business hours at Suite 400, 2040 Avenue of the Stars, Los Angeles, California 90067. The Entertainment Center Group will last for a term of six years commencing May 2, 1978, unless sooner terminated by agreement of the partners or sale, liquidation or other disposition of all the assets.

Potential investors are not to consider the contents of this prospectus or any attachments hereto or any communications from the Entertainment Center Group or CinemaCom West, Inc., as legal, tax or accounting advice.

RISK FACTORS

Profit Potential Subject to High Degree of Risk

Due to the competitive nature of the motion picture industry and the subjective nature of motion pictures, the profit potential of any motion picture is subject to a high degree of risk. There can be no assurance that the motion picture will be a commercial success or that exhibition of the picture will generate profit. There can be no assurance or representation of the picture's prospects in theatrical release in the United States or the picture's prospects in any other market. Since the Entertainment Center Group's compensation for its services is dependent on the motion picture's commercial success, there is a substantial degree of risk that exploitation of the motion picture will not yield profits to the Entertainment Center Group and its partners, and that investors may not recoup all or any portion of their investments in the Entertainment Center Group.

Domestic Rentals Must Approximate \$4,950,331

Domestic rentals are monies returned to the distributor from theatrical exhibition in the United States and Canada. The picture's domestic rentals must approximate \$4,950,331 in order for the limited partners to recoup their investment from domestic theatrical release.

We assume the distributor's fees and expenses (prints, advertising,

etc.) will be about 65 percent of domestic rentals. Stated another way, domestic rentals must be 2.86 times the limited partners' net aggregate investment. The limited partners' net aggregate investment equals their initial investment less any refund; it equals the picture's nondeferred production cost. The picture's nondeferred production cost is estimated at \$1,732,616. Therefore domestic rentals must approximate \$4,950,331.

In its January 4, 1978, issue, Variety lists 119 motion pictures released in 1977 which by year's end earned domestic rentals of at least \$1 million. Of the 119 pictures, 52 earned domestic rentals of more than \$4,950,331. The 67 pictures earning less than \$4,950,331 in domestic rentals may or may not have cost less than \$1,732,616 to produce. Variety does not list pictures in terms of production costs, nor does any other known source.

To return \$4,950,331 in domestic rentals, the picture may have to generate a gross domestic boxoffice of about \$8,267,052, assuming exhibitor costs to be about 40 percent of gross boxoffice receipts. Stated another way, boxoffice equals 1.67 times rentals. Variety does not list pictures in terms of gross boxoffice receipts, nor does any other known source.

No Assurance of Successful Distribution

The gross receipts of motion pictures are dependent, among other things, upon the availability of a distribution organization which is capable of arranging for appropriate advertising and promotion, selecting proper release dates, and obtaining bookings in theatres. There can be no assurance that CinemaCom West, Inc., will be successful in arranging for the picture's distribution, nor that any distributor will be successful in its distribution efforts. Additionally, investors should assume that any distribution agreement by its terms will not impose a continual obligation upon the distributor to use its best efforts to exploit the picture.

No Assurance Taxed as Partnership

There is no assurance that the Entertainment Center Group will be classified as a partnership and not taxed as a corporation for federal income tax purposes. The Entertainment Center Group would be subject to income tax if it is taxed as a corporation and the tax results to each partner would be adversely affected. (See Legal Opinions, Entertainment Center Group Not Subject to Income Tax.)

Tax Audit May Result

Investors should note that a federal income tax audit of the Entertainment Center Group's tax information may result in an audit of the returns of the limited partners. The Entertainment Center Group will not be responsible for paying any expenses incurred by a limited partner in connection with an audit of his/her individual return.

Reliance on Management

By the terms of the Entertainment Center Group Amended Agreement of Limited Partnership the management and control of the affairs of the Entertainment Center Group are vested in CinemaCom West, Inc. Most members of the cast and crew have not been determined. CinemaCom West, Inc., will have complete discretion in employing such members. Prospective investors therefore will be entirely reliant on CinemaCom West, Inc., and will not be able to evaluate for themselves the merits of such employments. CinemaCom West, Inc., was incorporated under the General Corporation Law of California on March 11, 1977, and this is the first experience of CinemaCom West, Inc., and its officers in packaging and managing a motion picture investment vehicle. (See The Entertainment Center Group, CinemaCom West, Inc., et seq.)

No Trading Market Will Develop

No trading market will develop for the limited partnership units offered. Consequently, holders of units may not be able to liquidate their investment in the event of emergency or for any other reason, and units will not be readily accepted as collateral for a loan.

OPINIONS OF COUNSEL

Edward Murphy who is a member of the California Bar and the Pennsylvania Bar is the author of the following opinions of counsel. For the nature and amount of Murphy's direct and indirect interest in this offering, including legal fees, and for Murphy's proposed employment by the Entertainment Center Group, see The Entertainment Center Group, Relationship of Parties Involved: Compensation

Facts

The Entertainment Center Group is a limited partnership recorded May 2, 1978, and having its principal place of business in Los Angeles. The partnership intends to raise capital in the amount of \$1,732,616 entirely or partly by sales of limited partnership units to defray the nondeferred production cost of a feature motion picture. The Entertainment Center Group initially intends to invite by use of this prospectus, and by use of the telephone and the mail, no more than 25 persons to submit offers to buy one or more Entertainment Center Group limited partnership units at \$50,000 per unit. Every person invited to submit an offer will be furnished a copy of this prospectus. General solicitation or general advertising will not be used.

Sales will not be made to more than 10 of the persons invited to submit offers. All persons invited to submit offers will be reasonably assumed to have by reason of their business or financial experience the capacity to protect their own interests in connection with the transaction. The Entertainment Center Group will have reasonable grounds to believe each prospective investor has such knowledge and experience in business and

financial matters that he/she is capable of evaluating the merits and risks of purchasing Entertainment Center Group limited partnership units, or that he/she is a person who is able to bear the economic risk of the investment. The Entertainment Center does not propose to

1) qualify the initial offering by permit under Cal. Corp.C. §25113;

2) file this prospectus with the California Corporations Commissioner under Cal. Corp. §25300(a); or

3) register the units with the Securities and Exchange Commission under Section 5 of the Securities Act of 1933.

Issues

The first issue is whether the Entertainment Center Group may lawfully invite offers and consummate sales as it initially proposes. The second issue is whether investors' liability is limited. The third is whether for tax purposes the Entertainment Center Group will be treated as a partnership.

No More Than 25 Persons

It is the opinion of counsel that the Entertainment Center Group may lawfully invite offers as it proposes. Cal. Corp.C. §25110 provides:

It is unlawful for any person to offer or sell in this state any security in an issuer transaction ... whether or not by or through underwriters, unless such sale has been qualified under Section ... 25113 [Qualification by Permit] ... or unless such security or transaction is exempted under Chapter 1 of [Part 2 of the Corporate Securities Law of 1968]

The proposal by the Entertainment Center Group to invite offers to buy units constitutes in the opinion of counsel an offer to sell a security in an issuer transaction and therefore is a transaction which must be qualified or exempt from qualification.

Cal. Corp.C. §25102(f), which is under Chapter 1 of Part 2, exempts "any offer or sale, in a transaction not involving any public offering, of any bona fide ... limited partnership interest." 10 Cal. Admin.C. §260. - 102.2 provides that

for the purposes of Subsection (f) of Section 25102, an offer or sale of any bona fide ... limited partnership interest does not involve any public offering if offers are not made to more than 25 persons and sales are not consummated to more than 10 of such persons, and if all of the offerees either have a preexisting personal or business relationship with the offeror or its partners, officers, directors or controlling persons or by reason of their business or financial experience could be reasonably assumed to have the the capacity to protect their

own interests in connection with the transaction. The number of offerees and purchasers referred to above is exclusive of any described in subdivision (i) of Section 25102 of the Code [Sales to Institutional and Registered Investors] and a husband and wife (together with any custodian or trustee acting for the account of their minor children) are counted as one person. This section does not create any presumption that a public offering is involved in offers not conforming to this section, and the determination of whether or not a transaction not covered by this section involves a public offering shall be made without reference to this section.

So under 10 Cal.Admin.C. §260.102.2, the Entertainment Center Group's proposal to initially invite not more than 25 offers and consummate not more than 10 sales would not involve a public offering.

Since even nonconformity with 10 Cal.Admin.C. §260.102.2 does not create a presumption that a public offering is involved, counsel has been requested to state factors considered relevant by the commissioner in determining whether securities are being offered to the public. That is, what if Entertainment Center Group limited partnership units for one reason or another were offered to more than 25 potential investors, or what if sales were consummated to more than 10 of such persons - say, for example, 35 sales (the maximum number under this offering) to 35 different persons were consummated? What, if anything, still constitutes a private offering exempted by Cal. Corp.C. §25102(f) without reference to 10 Cal.Admin.C. §260.102.2?

In response to these questions, counsel sets forth herein portions of Cal. Corp. Com. Release No.5-C which can be used and relied upon by the Entertainment Center Group as guidelines:

(a) The number and character of offerees and investors.

While it has been said that an offering to not more than a small, relatively insignificant number of persons would not be a "public offering," provided, of course, that the securities are not acquired with a view to their further distribution, the question cannot be determined exclusively by reference to the number of prospective offerees or investors. A promoter may recruit a few investors--indeed a single investor--by an appeal to the general public through newspaper advertising or handbills, or through the employment of a securities broker who is engaged in service to the public at large. To the extent that numbers are significant, the number of offerees must be considered as well as the number of investors. Thus, the fact that the invitation is addressed indiscriminately to a large number of persons indicates a public offering, even if the offer is accepted by only a small and selective group.

It is important to consider not only the number of offerees and investors, but also the manner in which they have been selected. If the offering is addressed indiscriminately to an heterogeneous group, it is more likely to be a public offering than if offerees are selected with emphasis on their business or financial experience or other characteristics rendering them suitable for the particular investment.

More specific guidelines are provided in 10 Cal.Admin.

C. §260.102.2]. . .

(b) The relationship of the offerees to each other. Pre-existing relationships among members of the group to which the offering is addressed, may be significant in determining the character of the offering, other things being equal. Thus an offering to a relatively large number of persons may not be an offering to the public if a close relationship of blood, friendship, or business association exists among all members of the group. However, just as an offering to a single individual may be considered a public offering by virtue of the public appeal made in attracting the individual, so an offering to a group of closely related persons may be public in character if the initial appeal to the group was of a public nature. Also, the group may be so large and the relationship among its members so impersonal as to characterize the group as merely a segment of the general public, and to make an appeal limited to the group a public offering notwithstanding the relationship existing among members of the group. Thus an offering to all of the employees of a large company, such as the Ralston Purina Company, has been held by the courts to constitute a public offering, and a similar conclusion has been reached in connection with an offering to a large professional organization, such as the Los Angeles County Medical Association.

(c) The relationship between the issuer and the offerees. A close relationship between the offerees and the issuer which indicates that the former are purchasing the security in reliance upon their personal confidence in the issuer, is a factor tending to characterize the offering as essentially nonpublic in nature. But where such close relationship exists only with one or a few members of the investor group, the lack of a relationship to the other investors continues to be indicative of a public offering. In addition, the fact that the investors are relative strangers to the issuer suggests a public offering, even though they are recruited by persons having a close relationship with the issuer, and even though a relatively close relationship exists among all members of the offeree group. . . In connection with [offers and sales of limited partnership units] the applicability of Rule 260.102.2 to an offering addressed to not more than 25 persons, followed by sales to not more than 10, is predicated upon a pre-existing personal or business relationship of all offerees with the offeror or its partners, officers, directors, or controlling persons, in the absence of business or financial experience on the part of the offerees as specified in the Rule.

(d) The size of the offering. The size of the offering may have a bearing upon the question whether securities are being offered to the public. Size, in this context, refers to both the dollar amount of the financing and the number of units into which the issue is divided. An offering consisting of only a few units is less likely to be considered of a public character than one consisting of a large number of units, and, similarly, an offering which is relatively large in dollar volume, will tend to be characterized as public. If the size is such, either in terms of units or dollars, as to indicate a public offering,

the fact that the initial offering and distribution is limited to a few investors who do not purchase for resale, does not eliminate entirely the possibility of a public offering. Inasmuch as frequently the intent of the initial investors concerning permanent retention or subsequent transfer of the securities, is not fixed or ascertainable, the fact that the offering is large enough to permit of redistribution to the public is a significant factor, with others, indicative of a public offering....

(e) The manner of the offering. Perhaps the most significant single factor which can be cited, is the manner in which investors are to be sought. Although not conclusive, the fact that the investment initiative proceeds from the purchaser of the securities tends to indicate a private offering. On the other hand, the fact that the issuer or its representative is the moving force in producing the sale, or that it creates and maintains an organized effort intended to expedite the distribution of the security, indicates a public offering. Moreover, it is significant to consider whether the offering appeal is to be made by a means or media designed or likely to bring the security to the attention of a large and indiscriminately constituted group, such as by use of the public press, trade publications, radio or television, mass mailings, or in meetings open to the public. The expenditure of funds for advertising and the offering of commissions for referrals or sales, tend to indicate a public offering, as does the employment of professional solicitors, advertising firms, or public relations experts.

(f) The character of the security offered. Since some types of securities are more familiar or attractive to the investing public than others, the character of the security has a bearing upon the question whether the offering is to the public. Shares of stock and evidences of indebtedness, with their usual rights and preferences, and subject to the incidents normally provided in corporate articles and bylaws, are more likely to be viewed as the subject of a public offering than securities containing unusual or uncommercial arrangements which make desirable and appropriate only for a relatively limited group of selected investors, and unsuitable and unattractive to others and to the general public.

Likewise, the character of the business which is being financed is significant in the determination whether the financing is public in character. The romance attaching to certain lines of business, such as the electronics industry and certain real estate developments, increases the possibility of and inducement for, public investment....

It may be said generally that the question whether an offering is public or not in situations not covered by the Rules of the Commissioner above referred to, must be resolved by the issuer or seller in consultation with legal counsel. The Department [of Corporations] will attempt to render assistance in the analysis of factual situations and in the understanding of the legal principals applicable thereto.

In the light of Cal. Corp. Com. Release No. 5-C, counsel is of the opinion

that the Entertainment Center Group initially should confine its offering as proposed, i. e., offers to no more than 25 suitable investors and sales to no more than 10. If the Entertainment Center Group subsequently proposes to solicit offers from more than 25 suitable investors, counsel will review the proposal and

1) if appropriate, consult with the Department of Corporations;
and

2) consider filing an application for a limited offering qualification by permit under Cal. Corp. C. §25113.

Prospectus Need Not Be Filed

Cal. Corp. C. §25002 defines an advertisement inter alia as any written communication published in connection with the offer of a security. This prospectus therefore is an advertisement. Delivery of this prospectus to a potential investor is a publication. Cal. Corp. C. § 25300 (a) provides:

No person shall publish any advertisement in this state concerning any security sold or offered for sale in this state unless a true copy of the advertisement has first been filed in the office of the commissioner at least three business days prior to the publication or such shorter period as the commissioner may by rule or order allow.

But subdivision (b) provides:

Subdivision (a) of this section does not apply to ... [a]ny advertisement for any security published by an issuer or any underwriter or other participant in a distribution for the issuer if the security or transaction is exempted by the provisions of [Cal. Corp. C. §25102(f)]

As we have shown supra the initial offering proposed by the Entertainment Center Group is clearly a transaction exempted by the provisions of Cal. Corp. C. §25102(f). Therefore in the opinion of counsel the Entertainment Center Group is not required to file a copy of this prospectus with the corporations commissioner.

Prospectus Contents

Nevertheless, the contents of this prospectus are regulated. Cal. Corp. C. §25401 provides:

It is unlawful for any person to offer or sell a security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Cal. Corp. C. §25302(a) gives the commissioner authority to enjoin the publication of an offending prospectus by summarily notifying its publisher in writing without notice or hearing. 10 Cal. Admin. C. §260.302 sets forth the commissioner's standards relating to advertising. The following portions bear on the offering proposed by the Entertainment Center Group:

Any advertisement of securities ... should disclose, fairly and accurately, such relevant facts concerning the nature of the securities, their terms and conditions, and the nature and financial condition of the business enterprise as are necessary to make the advertisement not misleading. Normally, any advertisement should comply with the following standards:

(a) An advertisement should not contain any statement or inference that an investment in the security is safe ... or that failure, loss, or default is impossible or unlikely.

(b) An advertisement ... should disclose all relevant details relating to promotional ... rights issued or proposed to be issued by the company....

(e) Any advertisement which refers to an exemption from or reduction in taxation under any law should be based on an opinion of counsel, and the name of such counsel should be stated in the advertisement....

(g) If the advertisement contains any endorsement or recommendation of the securities by any public figure, whether express or implied (for example by the inclusion of such person's ... name in the advertisement), full disclosure shall be made of any compensation or other benefit given or promised by the issuer or any person associated with the issuer, directly or indirectly. The disclosure required by this Subsection (g) shall be made in the same document containing the advertisement ...

This prospectus in the opinion of counsel complies with the provisions of Cal. Corp. C. §25401 and 10 Cal. Admin. C. §260.302.

Also, in the opinion of counsel, no statement in this prospectus violates the anti-fraud provisions of Section 17(a) of the Securities Act of 1933.

Units Exempt from Registration with SEC

Section 5 of the Securities Act of 1933 requires that all securities offered by the use of mails or other channels of interstate commerce be registered with the Securities and Exchange Commission. The limited partnership units offered by the Entertainment Center Group would be found to be, in the opinion of counsel, securities offered by the use of channels of interstate commerce. Congress, however, has provided certain exemptions in the Act from such registration provisions where there is no practical need for registration or where the public benefits of registration are too remote. Among these exemptions is that provided by Section 4(2) of the Act for transactions by an issuer not involving any public offering. The courts and the Securities and Exchange Commission have interpreted the Section 4(2) exemption to be available for offerings to persons who have access to the same kind of information that registration would provide and who are able to fend for themselves.

Securities and Exchange Commission Rule 146 is designed to provide, to the extent feasible, objective standards upon which responsible businessmen may rely in raising capital under claim of the Section 4(2) exemption and also to deter reliance on that exemption for offerings of securities to persons who need the protections afforded by the registration process.

Rule 146(b) provides:

Transactions by an issuer involving the offer, offer to sell, offer for sale or sale of securities of the issuer that are part of an offering that is made in accordance with all the conditions of this rule shall be deemed to be transactions not involving any public offering within the meaning of Section 4(2) of the Act.

The conditions of Rule 146 germane to the offering of the Entertainment Center Group deal with

- 1) nature of the offerees,
- 2) limitations on the manner of the offering,
- 3) access to or furnishing of information,
- 4) number of purchases, and
- 5) limitations on disposition.

Rule 146(d)(1) requires that a person acting on behalf of the Entertainment Center Group, prior to offering limited partnership units, must have reasonable grounds to believe and must believe that the prospective investor has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of the prospective investment, or that the prospective investor is a person who is able to bear the economic risk of the investment.

The question arises whether under Rule 146 Entertainment Center Group limited partnership units may be offered by letters and other written communications.

It is the opinion of counsel units may be offered by means of letters or other written communications so long as each person to whom a communication is directed has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an investment in the Entertainment Center Group, or that he/she is able to bear the economic risk of the investment. Under Rule 146(c)(3), such communications are deemed not to be forms of general solicitation or general advertising. General solicitation and general advertising, which are prohibited, include any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio. See Rule 146(c)(1).

Under Rule 146, may Entertainment Center Group limited partnership units be offered at meetings or seminars?

It is the opinion of counsel that units may be offered at meetings or seminars provided each person invited to the meeting or seminar has such knowledge and experience in financial and business affairs that

he/she is capable of evaluating the merits of an investment in the Entertainment Center Group, or that he/she is able to bear the economic risk of the investment. If the person invited can bear the risk but does not have the requisite knowledge and experience, he/she must be accompanied to the meeting or seminar by a representative who does. Under Rule 146 (c)(2), such meetings and seminars are deemed not to be forms of general solicitation or general advertising. Meetings of course may not be open to the public.

As stated supra, every prospective investor in the Entertainment Center Group will be furnished a copy of this prospectus. Rule 146(e)(1)(ii) requires that

each offeree or his/her offeree representative(s), or both, shall have been furnished during the course of the transaction and prior to sale, by the issuer or any person acting on its behalf, the same kind of information that is specified in Schedule A of the Act, to the extent that the issuer possesses such information or can acquire it without unreasonable effort or expense.

It is the opinion of counsel that the information contained in this prospectus is the same kind of information that is specified in Schedule A of the Securities Act of 1933.

Rule 146(e)(2) requires the Entertainment Center Group make available to prospective investors the opportunity to obtain additional information:

The issuer shall make available, during the course of the transaction and prior to sale, to each offeree or his offeree representative(s) or both, the opportunity to ask questions of, and receives answers from the issuer or any person acting on its behalf concerning the terms and conditions of the offering and to obtain any additional information, to the extent the issuer possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information obtained pursuant to [Rule 146(e)(1)(ii)].

The Entertainment Center Group will make such an opportunity available to potential investors. See Additional Information.

Rule 146(e)(3)(ii) and (iii) require the Entertainment Center Group to disclose to potential investors:

1) A purchaser of the limited partnership units must bear the economic risk of the investment for an indefinite period of time because the units have not been registered under the Act and, therefore, cannot be sold unless they are subsequently registered under the Act or an exemption from such registration is available; and

2) Other limitations on disposition.

It is the opinion of counsel that compliance with Rule 146(e)(3)(ii) and (iii) is found in this prospectus under The Entertainment Center Group, Transfers of Units, and in the Entertainment Center Group Subscription Agreement.

Rule 146(g) provides:

The issuer shall have reasonable grounds to believe, and after making reasonable inquiry, shall believe, that there are no more than thirty-five purchasers of the securities of the issuer from the issuer in any offering pursuant to the rule.

The Entertainment Center Group is only offering 35 limited partnership units, therefore it is the opinion of counsel that there is compliance with Rule 146(g).

Rule 146(h) provides:

The issuer and any person acting on its behalf shall exercise reasonable care to assure that the purchasers of the securities in the offering are not underwriters within the meaning of Section 2(11) of the Act. Such reasonable care shall include, but not necessarily be limited to, the following:

(1) making reasonable inquiry to determine if the purchaser is acquiring the securities for his own account or on behalf of other persons;

(2) placing a legend on the certificate or other document evidencing the securities stating that the securities have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the securities;

(3) issuing stop transfer instructions to the issuer's transfer agent, if any, with respect to the securities, or, if the issuer transfers its own securities, making a notation in the appropriate records of the issuer; and

(4) obtaining from the purchaser a signed written agreement that the securities will not be sold without registration under the act or exemption therefrom.

It is the opinion of counsel that the Entertainment Center Group would be found to comply with all four subsections of Rule 146(h). Compliance with Rule 146(h)(1) and (4) is found in the Entertainment Center Group Subscription Agreement; and compliance with Rule 146(h)(2) in the Entertainment Center Group Amended Agreement of Limited Partnership. With regard to Rule 146(h)(3), see The Entertainment Center Group, Transfer of Units, where prospective investors are cautioned that the Entertainment Center Group will issue stop transfer instructions to the Entertainment Center Group's transfer agent, if any, with respect to the units, or, if the Entertainment Center Group transfer its own units, the Entertainment Center Group will make a notation in the appropriate records.

Finally, Rule 146(d)(2) requires that immediately prior to selling any limited partnership units, a person acting on behalf of the Entertainment Center Group, after making reasonable inquiry, shall have reasonable grounds to believe and shall believe either

1) that the prospective investor has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of the prospective investment, or

2) that the prospective investor and his/her representative(s) together have such knowledge and experience in financial and business

matters that they are capable of evaluating the merits and risks of the prospective investment and that the prospective investor is able to bear the economic risk of the investment.

The Entertainment Center Group intends to offer its units in compliance with Rule 146. No offer of units will be made in any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio. All potential investors will possess the requisite financial and business knowledge and experience or be able to bear the economic risk. Any meetings will not be open to the public. So it is the opinion of counsel that the offering described in this prospectus meets all the conditions of Rule 146, and would be deemed a transaction not involving a public offering within the meaning of Section 4(2) of the Securities Act of 1933. Therefore it is the opinion of counsel that the offering is exempt from the registration provisions of the Act.

Investors' Liability Limited

It is the opinion of counsel that the liability of an investor becoming a limited partner of the Entertainment Center Group is limited to his/her investment. Cal.Corp.C. §15501 provides

A limited partnership is a partnership formed by two or more persons under the provision so Section 15502, having as members one or more general partners and one or more limited partners. The limited partners as such shall not be bound by the obligations of the partnership.

Cal.Corp.C. §15502(1) requires that two or more persons desiring to form a limited partnership shall sign and acknowledge a certificate stating specified information about the partnership and then record the certificate in the office of the recorder of the county in which the principal place of business of the partnership is situated. Cal.Corp.C. §15502(2) provides

A limited partnership is formed if there has been substantial compliance in good faith, with the requirements of paragraph one.

On May 2, 1978, CinemaCom West, Inc., as general partner and Rebecca Bella, as limited partner, executed an agreement of limited partnership. Counsel has examined the agreement and is of the opinion that it is a valid agreement. The agreement states the name of the partnership is the Entertainment Center Group and its principal place of business is 2040 Avenue of the Stars, Suite 400, Los Angeles, California 90067.

On May 2, 1978, a certificate of limited partnership was recorded at the office of the Los Angeles County Registrar-Recorder. Counsel has examined the certificate, compared it to the agreement of limited partnership and is of the opinion that it correctly states the required information about the Entertainment Center Group, and that it was correctly recorded.

CinemaCom West, Inc., is a California corporation. A limited partnership is formed by two or more "persons." But "person" is defined to include a corporation. (Cal. Corp. C §18; see also Cal. Com. C. §1201(30) where "person" is defined for the purposes of that code as "an individual or an organization.") Hence a corporation may be a general partner. (See Hrusoff and Cazares, "Formation of the Public Limited Partnership," 22 Hastings L.J. 87, 90, n. 26(1970).

Cal. Corp. C. §15504 provides that the contribution of a limited partner may be cash or other property but not services. Rebecca Bella's contribution was a \$39,400 demand promissory note. A promissory note is clearly property and not services, hence a proper contribution.

The Entertainment Center Group, in the opinion of counsel, is a properly formed and recorded California limited partnership, and hence, the liability of an investor becoming a limited partner is limited to his/her individual investment.

Entertainment Center Group Not Subject to Income Tax

It is the opinion of counsel that the Entertainment Center Group would be found to be a limited partnership rather than a corporation and therefore not subject to federal income tax.

The Entertainment Center Group cannot obtain an advance ruling from the Internal Revenue Service classifying it a limited partnership rather than an association taxed as a corporation. The sole general partner of the Entertainment Center Group, CinemaCom West, Inc., is a corporation which has an interest in only one limited partnership, and the total contributions to the Entertainment Center Group are less than \$2,500,000. In such a case, the IRS will consider a request for a ruling only when the net worth of the corporate general partner at all times will be at least 15 percent of the total contributions or \$250,000, whichever is the lesser (Rev. Proc. 72-13, 1972-1 CB 735). The total contributions to the Entertainment Center Group will be somewhere between \$1,750,000 and \$900,000. Even fifteen percent of \$900,000 is \$135,000, which exceeds the net worth of CinemaCom West, Inc., as of December 31, 1977. It appears that "at all times" the net worth of CinemaCom West, Inc., will be less than 15 percent of the total contributions.

The broad issue is whether the Entertainment Center Group is an "association." (See Regulation §301.7701-2) The term "association" refers to an organization whose characteristics require it to be classified for purposes of taxation as a corporation rather than as another type of organization such as a partnership or a trust. There are a number of major characteristics ordinarily found in a pure corporation which, taken together, distinguish it from other organizations. These are:

- 1) Associates;
- 2) An objective to carry on business and divide the gains therefrom;
- 3) Continuity of life;
- 4) Centralization of management;

- 5) Liability for corporate debts limited to corporate property;
and
6) Free transferability of interest.

Whether a particular organization is to be classified as an association must be determined by taking into account the presence or absence of each of these corporate characteristics. The presence or absence of these characteristics will depend upon the facts in each individual case.

Since associates and an objective to carry on business and divide the gains therefrom are generally common to both corporations and partnerships, the determination of whether an organization which has such characteristics is to be treated for tax purposes as a partnership or as an association depends on whether there exists centralization of management, continuity of life, free transferability of interests, and limited liability.

An unincorporated organization is not classified as an association unless such organization has more corporate characteristics than non-corporate characteristics. In determining whether an organization has more corporate characteristics than non-corporate characteristics, all characteristics common to both types of organizations are not considered.

For Example, if a limited partnership has centralized management and free transferability of interests but lacks continuity of life and limited liability, and if the limited partnership has no other characteristics which are significant in determining its classification, such limited partnership is not classified as an association. Although the limited partnership also has associates and an objective to carry on business and divide the gains therefrom, these characteristics are not considered because they are common to both corporations and partnerships. (Regulation §301.7701-2)

Regulation §301.7701-3(b)(1) provides:

An organization which qualifies as a limited partnership under State law may be classified for purposes of the Internal Revenue Code as an ordinary partnership or as an association if, applying the principles set forth in §301.7701-2, the organization more nearly resembles a corporation than an ordinary partnership or other business entity.

The specific issue then is whether the Entertainment Center Group more nearly resembles a corporation or an ordinary partnership. To decide the issue we check to see whether the Entertainment Center Group has continuity of life, centralization of management, liability for Entertainment Center Group debts limited to Entertainment Center Group property, and free transferability of interests.

Regulation §301.7701-2(b) provides that if the death, insanity, bankruptcy, retirement, resignation or expulsion of any member will cause a dissolution of the organization, continuity of life does not exist. Accordingly, the Regulation continues, a limited partnership subject to a statute corresponding to the Uniform Limited Partnership Act lacks continuity of life. The Entertainment Center Group is subject to a statute corres-

ponding to the Uniform Limited Partnership Act inasmuch as California Corporation Code §§15501-15532 comprise the enactment of the Uniform Partnership Act in California. Therefore it is the opinion of counsel that the Entertainment Center Group would be found not to have continuity of life. (See Rev. Rule 74-320, 1974-2 CB 4040.)

Although under the Regulations limited partnerships organized under an enactment of the Uniform Limited Partnerships Act generally do not have centralized management, an exception is made where substantially all the partnership interests are owned by the limited partners. (Regulation §301.7701-2(c)(4)). The offering of the Entertainment Center Group contemplates limited partners purchasing and owning all the units; CinemaCom West, Inc., is expected to purchase no units. Also, the Entertainment Center Group Amended Agreement of Limited Partnership provides that "limited partners shall take no part in the conduct or control of the Entertainment Center Group's business and shall have no right or authority to act for or bind the Entertainment Center Group."

In view of the foregoing, it is the opinion of counsel that the Entertainment Center Group would be found to have centralization of management.

Under Regulation §301.7701-2(d)(1), an organization has the corporate characteristic of limited liability if under local law there is no member who is personally liable for the debts of or claims against the organization. Personal liability means that a creditor of an organization may seek personal satisfaction from a member of the organization to the extent that the assets of such organization are insufficient to satisfy the creditor's claim.

Under these rules, there is no limited liability for an organization governed by a Uniform Partnership Act statute, nor apparently, is there limited liability for a limited partnership under a Uniform Limited Partnership Act statute.

While the Regulations make this point categorically for general partnerships, they take a roundabout route for limited partnerships. First, if a general partner in a limited partnership, whether an individual or a corporation, has substantial assets other than his partnership interest, there is personal liability. In businesses owning large sums of money, a partner's assets may be substantial even if they are insufficient to meet any substantial portion of the firm's debt.

Second, if a general partner has no such substantial assets, but is not merely a "dummy" acting as the agent for the limited partners, there is personal liability as to him. Finally, if the general partner both (1) lacks substantial assets, and (2) is merely a "dummy" for the limited partners, there is personal liability for the limited partners.

As stated *supra*, it is the opinion of counsel that there is no personal liability on the part of the Entertainment Center Group's limited partners. On the other hand, CinemaCom West, Inc., lacks substantial assets. So it is conceivable that for tax purposes the Entertainment Center Group's liability for debts could be found to be limited to the property of the Entertainment Center Group ... although on this issue there is a question mark.

Under Regulation §301.7701-2(e), an organization has the corporate characteristic of free transferability of interests if each of its members or those members owning substantially all of the interests in the organization have the power, without the consent of other members, to substitute for themselves in the same organization a person who is not a

member of the organization. In order for this power of substitution to exist in the corporate sense, the member must be able, without the consent of other members, to confer upon his substitute all the attributes of his/her interest in the organization. Thus, the characteristic of free transferability of interests does not exist in a case in which each member can, without the consent of other members, assign only his/her right to share in profits but cannot so assign his/her rights to participate in the management of the organization.

The Entertainment Center Group Amended Agreement of Limited Partnership provides:

The interest of each limited partner shall be assignable to the extent of the right to recoup his/her investment and to receive a share of the profits, but a limited partner shall not have the right to substitute an assignee as investor or limited partner in his/her place and stead.

It is the opinion of counsel that the Entertainment Center Group would be found not to have free transferability of interests.

Moreover, it is the opinion of counsel that this restriction on the substitution of a limited partner is necessary to preserve the tax status of the Entertainment Center Group. It is conceivable that for tax purposes the Entertainment Center Group's liability for debts could be found to be limited to the property of the Entertainment Center Group. If the Entertainment Center Group was required to give a right of substitution to limited partners, it is conceivable, in the opinion of counsel, that the Entertainment Center Group could be found to more closely resemble a corporation than a partnership. To preserve the tax status of the Entertainment Center Group as a partnership, it is the opinion of counsel that limited partners should not have the right of substitution.

To summarize, the Entertainment Center Group seems to only clearly have one corporate characteristic - centralization of management, and conceivably another - limited liability. In any case, it does not in the opinion of counsel possess more corporate than noncorporate characteristics.

In P. G. Larson, 66 TC 159, followed in D.S. Chaffin, 35 TCM 590, real estate syndicates organized under the California Uniform Limited Partnership Act were taxable as limited partnerships for federal tax purposes, not as corporations. They possessed two of the four major corporate characteristics (centralized management and free transferability of interests) and lacked two others (continuity of life and limited liability). Held under the regulations an entity more closely resembles a corporation than any other form of organization only if it possesses more corporate than noncorporate characteristics. This indicates that every characteristic is of equal weight.

So it is the opinion of counsel that the Entertainment Center Group would be found to be a limited partnership rather than a corporation and therefore not subject to federal income tax.

LEGAL PROCEEDINGS

The Entertainment Center Group, CinemaCom West, Inc., nor any of the

officers of CinemaCom West, Inc., is a party to any legal proceedings or has suffered a business failure, bankruptcy, insolvency, proceeding involving violations of federal or state security laws or an audit or the result of an audit by the Internal Revenue Service.

THE MOTION PICTURE

The motion picture the Entertainment Center Group will produce is tentatively titled DISORDER IN COURT based on the screenplay written by Roland Wolpert.

Story

The story is a comedy about a notoriously unsuccessful businessman who decides to change his luck by going into the most profitable small business in America--the adult bookstore business--at exactly the wrong time: just when a politically ambitious young district attorney is elected to put such places out of business. The picture primarily concerns itself with the ensuing obscenity trial and the relationship that develops between the town's public defender and the two defendants in the obscenity case: the old business man whose luck runs true to form and the young farm girl who came to town to find work and finds herself on trial.

Copies of the screenplay can be obtained from CinemaCom West, Inc., Suite 400, 2040 Avenue of the Stars, Los Angeles, California 90067, telephone (213) 277-4997.

Production Parameters

The production budget was prepared within these parameters:

- 1) Picture to be shot at the Burbank Studios and on Los Angeles studio-zone locations.
- 2) Cast to be members of the Screen Actors Guild, extras to be members of the Screen Extras Guild, writers to be members of the Writers Guild of America, director to be a member of the Directors Guild of America, musicians to be members of the American Federation of Musicians and crew to be members of various Los Angeles locals of the International Alliance of Theatrical and Stage Employees and Moving Picture Machine Operators and the International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers.
- 3) Production camera to be a Panaflex, second camera to be an Arriflex 35-2C-B, aspect ratio to be 1.85 to 1.
- 4) Shooting ratio to be 10 to 1, take-print ratio to be 2 to 1.
- 5) Laboratory to be Technicolor.

6) Camera rawstock to be 5247 Eastman Color Negative II Film; dailies, workprints to be 5381 Eastman Color Print Film and protection master to be 5243 Eastman Color Intermediate II Film.

Potential investors should understand that the producers in their discretion may change the parameters during or subsequent to the term of the offering if the change will increase the picture's chances of commercial success. If production changes made during the term of the offering lower estimated nondeferred production costs, the Entertainment Center Group will lower the aggregate amount of the offering. The Entertainment Center Group will refund investments proportionately to limited partners if production changes made subsequent to release of funds held in the escrow account result in lower nondeferred production costs.

Schedule

A 25-day, 5-week shoot is scheduled. Monday, October 16, 1978 is the first scheduled shooting day and Friday, November 17 is the last scheduled shooting day.

Insurance

Under the Entertainment Center Group Amended Agreement of Limited Partnership, CinemaCom West, Inc., warrants that the picture will be covered by cast, negative, props, miscellaneous equipment, property damage liability, errors and omissions, worker's compensation and comprehensive liability insurance. The Entertainment Center Group and all the partners, general and limited, will be named insured under the policies affording such insurance coverage. CinemaCom West, Inc., has made arrangements for insurance coverage with Truman Van Dyke Company, 6290 Sunset Boulevard, Hollywood, California 90028.

THE ENTERTAINMENT CENTER GROUP

The following material includes biographical notes on principal executives of the Entertainment Center Group, summarizations of certain provisions of the Entertainment Center Group Amended Agreement of Limited Partnership and hypothetical applications of its provisions. The material is not intended to be a complete description of the amended agreement. Each investor, together with his/her representatives and advisers, should carefully study the amended agreement in its entirety before submitting a subscription.

CinemaCom West, Inc.

CinemaCom West, Inc., is the sole general partner of the limited partnership and the corporate producer of the picture. CinemaCom West, Inc., was incorporated on March 11, 1977, under the General Corporation Law of California authorized to issue one million shares of capital stock.

Its principal executive offices are located at 2040 Avenue of the Stars, Suite 400, Los Angeles, California 90067, telephone (213) 277-4997.

Edward Murphy

Edward Murphy is an actor, writer and lawyer, and has been the president, treasurer and secretary of CinemaCom West, Inc., since incorporation. Mr. Murphy has been a member of the Pennsylvania Bar since 1961 and a member of the California Bar since 1970. He holds a bachelor of civil engineering degree and a juris doctor degree, both from Villanova University. He served on the faculty of Villanova and the University of Maryland. From 1962 to 1965, he served on active duty as a captain in the United States Air Force.

Murphy earned his first acting and writing credits in the late 1960s when he was employed by the Soriano Group, a multinational company that owns and operates television stations, newspapers, breweries, mines and shipping interests in the Far East, Europe and the United States. In March of 1968, Murphy wrote three pilot scripts for a children's space-age adventure program called MAJOR MANILA in collaboration with Honolulu television writer/producer Rene Clemens. TV 13 in Manila, a Soriano-owned-and-operated television station, produced the three programs and Murphy played the title character, Major Manila. While living and working in Manila, Murphy also made six feature guest actor appearances on a popular musical variety television program called BABY IS MY NAME; he played the part of Corporal Kowowski in a feature motion picture entitled THE BEGGAR produced and directed by Luis Nepumuceno and starring Charito Solis named "Asia's Best Actress, 1968"; and he served on the board of governors of the Manila Theatre Guild.

Murphy returned to Los Angeles in 1969. His acting credits in Hollywood motion pictures include MAD DOCTOR OF BLOOD ISLAND (Hemisphere Pictures), WILBUR AND THE BABY FACTORY (Boxoffice International Pictures) MAHARLIKA (unreleased starring Paul Burke and Farley Granger, Producer Paul Mason, Director Jerry Hopper) and a travelogue entitled SUMMER WORLD directed by British cinematographer Paul Cullerne.

Murphy's acting credits in repertory theater include Paul Bratter (lead) in Neil Simon's BAREFOOT IN THE PARK, Oscar Madison (lead) in Simon's THE ODD COUPLE, Chuck Berringer (lead) in Robert Anderson's YOU KNOW I CAN'T HEAR YOU WHEN THE WATER'S RUNNING, Hogan (lead) in Lawrence Roman's UNDER THE YUM-YUM TREE, CHESTER STAMM (supporting) in Harry Kurnitz's ONCE MORE WITH FEELING and Stevens (lead) in Ayn Rand's THE NIGHT OF JANUARY 16th.

Murphy's television commercial credits include Colgate's Tender Care Baby Powder for Premier Pictures, Safeguard Soap for A. Smith & Associates, White Castle Whiskey for Advertising Marketing Associates and Medicol for A. Smith & Associates.

In 1972 Murphy took a leave of absence from the entertainment industry to be public defender in Santa Barbara. Between April, 1972, and July, 1977, he tried about 50 felony jury trials and a number of misdemeanor cases, including two widely publicized obscenity trials in which the defendants were acquitted as a result of testimony from expert witnesses Murphy brought to Santa Barbara to testify for the defense. Roland

Wolpert's screenplay is based on one of those trials.

Roland Wolpert

Roland Wolpert is a motion picture and television writer who has top credits in both comedy and drama. He alternates between both forms. His first network TV show, for the COLUMBIA WORKSHOP in 1960, was ANNIVERSARY DINNER, a comedy about contemporary Washington. His second, for NAKED CITY, was STRIKE A STATUE and starring George C. Scott. He wrote the ABC MOVIE OF THE WEEK comedy BUT I DON'T WANT TO GET MARRIED starring Herschel Barnardi and Shirley Jones. He also wrote the original story for the WORLD PREMIERE movie DEADLOCK, which served as the pilot for the law enforcement segments of THE BOLD ONES.

Wolpert has also written for GOOD TIMES, EMERGENCY, STREETS OF SAN FRANCISCO, ROOM 222, FAMILY AFFAIR LOVE AMERICAN STYLE, THE GOVERNOR AND J.J., MR. NOVAK, GILLIGAN'S ISLAND, BILL COSBY SHOW, BEWITCHED, TRAVELS OF JAIMIE MCPHEETERS, MADIGAN, MR. SMITH GOES TO WASHINGTON, 77 SUNSET STRIP, MY LIVING DOLL, DAN AUGUST and LANCER.

Relationship of Parties Involved: Compensation

The Entertainment Center Group Amended Agreement of Limited Partnership provides that the fact that any partner or a member of his/her family or a member or shareholder of the entity which is the partner is directly or indirectly interested in or connected with any person, firm or corporation employed by the Entertainment Center Group to render or perform a service or from which or whom the Entertainment Center Group may buy merchandise or other property shall not prohibit CinemaCom West, Inc., from employing such person, firm or corporation or from otherwise dealing with them or it, provided that such dealings shall be on as favorable terms to the Entertainment Center Group as are offered by qualified non-related persons.

What follows describes all prior material transactions and agreements between the Entertainment Center Group, CinemaCom West, Inc., Edward Murphy and Roland Wolpert, and all proposed and possible material transactions between the parties in the future.

When CinemaCom West, Inc., was incorporated on March 11, 1977, Edward Murphy was the sole incorporator; on March 25, 1977, he became the corporation's president, secretary and treasurer; on August 19, 1977 he purchased 180 shares of CinemaCom West, Inc., stock and became the sole shareholder.

Murphy has loaned sums of money to CinemaCom West, Inc., and the corporation has made partial repayments to Murphy from time to time. As of December 31, 1977, CinemaCom West, Inc., owed Murphy \$16,461.

Out of the proceeds of the offering, the Entertainment Center Group will reimburse CinemaCom West, Inc., for office expenses incurred organizing the Entertainment Center Group; fifteen thousand dollars is budgeted.

The Entertainment Center Group will reimburse CinemaCom West, Inc., for office expenses incurred subsequent to United California Bank

releasing the funds in the escrow account, through the month in which the picture is released; fifteen thousand dollars is budgeted.

The Entertainment Center Group will pay CinemaCom West, Inc., 50 percent of the profits to produce the picture. CinemaCom West, Inc., is the corporate producer of the picture. Roland Wolpert and Edward Murphy are the individual coproducers.

CinemaCom West, Inc., has assigned 50 percent of its 50 percent share of the profits to Roland Wolpert to coproduce the picture. The Entertainment Center Group will pay Roland Wolpert a nondeferred fee of \$106,406 for writing and coproducing the picture, a deferred fee of five percent of the estimated aggregate of production costs less \$50,000. Wolpert's deferred fee is estimated to be \$42,106 and will be computed as follows:

The estimated nondeferred production costs of the picture is known: \$1,732,616. The estimated deferred production cost less Wolpert's deferred fee is also known: \$67,406.

The estimated aggregate of production costs (nondeferred and deferred) can be expressed mathematically

$$A = N + D$$

where

A = Aggregate of production costs (dollars)

N = Nondeferred production cost (dollars)

D = Deferred production cost (dollars)

The picture's deferred production cost (D) is the sum of Wolpert's deferred fee plus all other deferred production costs. This can be expressed

$$D = .05A - 50,000 + d$$

where

d = Deferred production costs less Wolpert's deferred fee (dollars)

Solving the two equations simultaneously, we get

$$A = \frac{N + d - 50,000}{.95}$$

But N equals \$1,732,616 and d equals \$67,406, therefore A equals \$1,842,128.

Wolpert's deferred fee then is \$42,106 (105 times 1,842,128 less 50,000). So Wolpert's total compensation for writing and coproducing the picture will be \$148,512 plus 25 percent of the profits.

The Entertainment Center Group will pay Edward Murphy a nondeferred fee of \$25,000 for playing the role of Jack Moon and a deferred fee of \$19,000. The Entertainment Center Group will also pay Murphy a nondeferred fee of \$30,000 for coproducing the picture and a deferred

fee of \$4,406. The Entertainment Center Group will also pay Murphy a nondeferred fee of \$18,000 for organizational legal services. So Murphy's total compensation will be \$106,406. As noted supra, however, Murphy is the sole shareholder of CinemaCom West, Inc., which will be entitled to 25 percent of the profits.

Under The Entertainment Center Group Amended Agreement of Limited Partnership, whenever CinemaCom West, Inc., Roland Wolpert or Edward Murphy receives fees for any services rendered to the Entertainment Center Group, CinemaCom West, Inc., is required, within 60 days of the end of each quarter wherein such fees were received, to send to each limited partner a detailed statement setting forth the service rendered or to be rendered and the amount of fees received by CinemaCom West, Inc., Roland Wolpert or Edward Murphy.

Production Costs

Production costs of the Entertainment Center Group are the aggregate of all nondeferred and deferred charges and expenses paid or incurred in connection with production and completion of the picture. Nondeferred production costs are costs and charges for services, materials, equipment or facilities payable prior to or during production of the picture. Estimated nondeferred production costs total \$1,732,616. Deferred production costs are costs and charges for services, materials, equipment or facilities incurred prior to or during production of the picture but payable out of monies received by the Entertainment Center Group from the rental, sale, distribution or exhibition of the motion picture. Estimated deferred production costs total \$109,512.

The proceeds of this offering will be used only to pay nondeferred production costs. Deferred production costs will not be paid until the Entertainment Center Group has sufficient gross receipts.

Above-the-Line Costs

Above-the-line production costs are essentially the compensation of the picture's writers, producers, director and talent, except writers' and producers' shares of the profits. The Entertainment Center Group production budget estimates the picture's total above-the-line nondeferred production costs will be about \$393,906:

<u>Code</u>	<u>Account</u>	<u>Nondeferred</u>	<u>Deferred</u>
1	Writer/Producers	\$136,406	\$46,512
2	Writer/Producer Staff	25,000	-----
3	Director	45,500	13,000
4	Talent	137,000	50,000
5	Above-the-Line Taxes and Fringe Benefits	50,000	-----
	TOTAL ABOVE-THE- LINE COSTS	\$393,906	\$109,512

Shooting Period Costs

The production schedule calls for a 25-day shooting period. The shooting period consists essentially of photographing and recording the action. The Entertainment Center Group production budget estimates the picture's total nondeferred shooting period costs will be about \$600,000. Shooting period costs are comprised of production, camera, art department, set construction and striking, special effects, set operations, electrical, set dressing, action props, livestock and picture vehicles, special photography, wardrobe, makeup and hairdressing, production sound, locations, transportation, film (production) and sundry.

Completion Period Costs

At the conclusion of the shooting period, the completion period begins. The completion period essentially consists of cutting and assembling the picture track and sound track. The production schedule calls for a 16-week completion period. Most completion period costs are actually incurred during the completion period. The Entertainment Center Group production budget estimates the picture's total nondeferred completion period costs to be about \$180,000. Completion period costs are comprised of editing and projection, music, postproduction sound, film and stock shots (postproduction) and titles, opticals and inserts.

Other Production Costs

The Entertainment Center Group production budget estimates all other nondeferred production costs will total about \$558,710. Other production costs breakdown as follows:

<u>Code</u>	<u>Account</u>	<u>Nondeferred</u>	<u>Deferred</u>
29	Insurance	\$ 17,000	-----
30	Below-the-Line Taxes and Fringe Benefits	155,000	-----
31	Publicity and Still Photography	12,000	-----
32	General Expense	374,710	-----
	TOTAL OTHER PRO- DUCTION COSTS	\$558,710	-----

Account 32, General Expense, includes cost estimates of an MPAA rating, clerical labor, cast breakfasts at the studio, danish and coffee on the set, preview expenses, studio facilities (sound stages, lighting equipment, etc.) and studio surcharge.

Also Account 32 includes cost estimates of organizational office expense, organizational legal fees, organizational accounting fees, commissions, other selling expenses, interest, postorganizational office ex-

pense, postorganizational legal fees, postorganizational accounting fees and completion bond.

Some of these expenses are singled out for explanation.

Organizational Office Expense

CinemaCom West, Inc., started doing business on August 9, 1977, in Santa Barbara, and on January 10, 1978, moved to its present address in Los Angeles. The business of the company through December 31, 1977, consisted in reviewing and developing motion picture properties and preparing to move to Los Angeles. In its 1977 federal income tax return, CinemaCom West, Inc., reported operating expenses through December 30, 1977 totaling \$5,254. The Entertainment Center Group will reimburse CinemaCom West, Inc., roughly 85 percent of that expense, or \$4,500.

The expense of maintaining offices from January 1, 1978, through the date United California Bank releases funds held in the escrow account, is estimated to be about \$9,500. Virtually all of this expense is chargeable to the motion picture to be produced by the Entertainment Center Group. Therefore the total organizational office expense is estimated in the production budget to be about \$15,000 (4,500 plus 9,500).

Excluded from office expense are expenses which, if incurred, will be directly related to the offering and sale of the limited partnership units. These expenses - selling expenses - are listed and described infra under Commissions/Interest and under Other Selling Expenses. Also excluded from office expense and described infra are organizational legal and accounting fees.

Organizational Legal Fees

The Entertainment Center Group production budget estimates organizational legal fees through the date United California Bank releases funds held in the escrow account to run about \$18,000. The services covered by these fees have been and continue to be supplied by Edward Murphy, and include research and preparation of the amended limited partnership agreement, subscription agreement, escrow agreement, certificate of limited partnership, fictitious business name statement, and this prospectus - including the opinions of counsel.

Organizational Accounting Fees

The Entertainment Center Group production budget estimates organizational accounting fees through the date United California Bank releases funds held in the escrow account to run about \$8,000.

Commissions/Interest

The production budget assumes

- 1) securities dealers' commissions for placement of Entertainment Center Group limited partnership units to run about \$69,131,

and

2) interest on production loans and advances to run about \$86, -
579.

The two figures are computed as follows:

The budget assumes commissions to run eight percent of the aggregate amount of limited partnership units purchased. The Entertainment Center Group does not know at the at the outset of this offering of course exactly what percent of nondeferred production costs will be raised by sales of limited partnership units, nor on what percent of any such sales, commissions, if any, will be owing.

Therefore, we assume for budgeting purposes that one half of non-deferred production costs is raised by sales of units, and commissions are owing on all sales. We also assume that the aggregate amount of the offering equals nondeferred production costs.

Expressing the foregoing mathematically

$$c = \frac{.08(N)}{2}$$

and

$$N = c + n_1$$

where

c = Securities dealers' commissions (dollars)

N = Nondeferred production costs (dollars)

n₁ = Nondeferred production costs less commissions
(dollars)

Solving the two equations simultaneously for c, we get

$$c = .0416 n_1$$

We assume the other half of nondeferred production costs is raised by a preproduction loan which the Entertainment Center Group obtains for 12 months at an interest rate of 10 percent per annum. Expressed mathematically

$$i = \frac{.10(N)}{2}$$

and

$$N = i + n_2$$

where

i = Interest on production loan or advance (dollars)

n_2 = Nondeferred production costs less interest
(dollars)

Solving the two equations simultaneously for i , we get

$$i = .0526 n_2$$

We can now compute c and i .

The estimated nondeferred production costs less c and i total \$1,576, -906. Therefore

$$N = 1,576,906 + c + i$$

But we already know that

$$N = c + n_1$$

$$N = i + n_2$$

$$c = .0416 n_1$$

and

$$i = .0526 n_2$$

So we have five simultaneous equations and five unknowns (N , c , i , n_1 and n_2). Solving for N , c and i , we get

$$N = 1,732,616$$

$$c = 69,131$$

$$i = 86,579$$

CinemaCom West, Inc., and the Entertainment Center Group will require firm commitments from any securities dealer placing units inter alia that the dealer

1) is duly registered pursuant to the provisions on the Securities Exchange Act of 1934 and is a member in good standing of the National Association of Securities Dealers, Inc., and is qualified in all states in which units are offered and sold, and

2) will limit the initial offering to the number and kind of investors proposed by the Entertainment Center Group (see the statement of facts under Opinions of Counsel).

Other Selling Expenses

Assuming that one half of nondeferred production costs is raised by sales of limited partnership units and securities dealers' commissions run about \$69,131, the Entertainment Center Group production budget estimates selling expenses in addition to commissions to run about \$25,000.

Selling expenses other than commissions include all other expenses actually incurred by the Entertainment Center Group relating to copying, printing, engraving, mailing, salaries of employees while engaged in sales activity, charges of experts, and any other expenses actually incurred by the Entertainment Center Group and directly related to the offering and sale of the units, excluding legal and accounting fees.

10 Cal. Admin. C. §260.140.20 provides

No issuer of securities shall incur more selling expenses than are reasonably necessary for the sale and issuance of such securities. Selling expenses which do not exceed 15 percent of the aggregate offering price (before deducting discounts and commissions) are presumed to be reasonable if the said percentage is computed only on the portion of the aggregate offering price when and as paid to the issuer.

Fifty percent of \$1,750,000, the aggregate offering price of the limited partnership units, is \$875,000. Fifteen percent of \$875,000 is \$131,250. Estimated selling expenses total \$94,131 (69,131 plus 25,000); therefore selling expenses, if any, will not exceed 15 percent of the aggregate offering price.

Postorganizational Office Expense

The Entertainment Center Group production budget estimates \$15,000 of the proceeds of this offering to cover the expense of CinemaCom West, Inc., maintaining offices subsequent to the date United California Bank releases funds held in the escrow account, through the month during which the picture is released.

No part of the proceeds of this offering is earmarked for office expense subsequent to release of the picture through May 1, 1984, when the term of the Entertainment Center Group expires. These expenses are postproduction operating expenses and are to be paid to CinemaCom West, Inc., out of the Entertainment Center Group's gross receipts. (If gross receipts are insufficient to meet operating or other postorganizational expenses, the limited partners are required under the Entertainment Center Group Amended Agreement of Limited Partnership to repay part or all of their investments to meet such expenses.)

Postorganizational Legal Fees

The Entertainment Center Group production budget estimates \$3,000 of the proceeds of this offering to pay legal fees incurred subsequent to the date United California Bank releases funds held in the escrow account, through the month during which the picture is released.

No part of the proceeds of this offering is earmarked for legal fees

subsequent to release of the picture through May 1, 1984, when the term of the Entertainment Center Group expires. Any such fees will be considered postproduction operating expenses and will be paid out of the Entertainment Center Group's gross receipts.

Postorganizational Accounting Fees

The Entertainment Center Group budget estimates \$18,000 of the proceeds of this offering to pay accounting fees incurred subsequent to the date United California Bank releases funds held in the escrow account, through the last week of shooting.

The budget estimates \$7,000 of the proceeds of this offering to pay accounting fees incurred subsequent to the shooting period, through the month during which the picture is released. This period roughly approximates the completion period.

No part of the proceeds of this offering is earmarked for accounting fees subsequent to release of the picture through May 1, 1984, when the term of the Entertainment Center Group expires. Such fees will be postproduction operating expenses and will be paid out of the Entertainment Center Group's gross receipts.

Profits and Losses

The following discussion includes hypothetical situations in which the picture does poorly at the boxoffice as well as situations in which the picture turns a profit.

The Entertainment Center Group Amended Agreement of Limited Partnership provides each limited partner is entitled to a share of the profits of the Entertainment Center Group in the same proportion the limited partner's investment bears to twice the aggregate investment of all the limited partners. Profits are defined as the excess of gross receipts over the picture's aggregate production cost nondeferred and deferred. Gross receipts are defined as all monies actually received by the Entertainment Center Group.

The amended agreement also provides that each limited partner shares in a loss of the Entertainment Center Group in the same proportion the limited partner's investment bears to the aggregate investment of all the limited partners.

The picture's aggregate production cost is estimated at \$1,842,128 of which \$1,732,616 is nondeferred and \$109,512 is deferred. Thirty-five limited partnership units are offered at \$50,000 per unit for an aggregate offering of \$1,750,000.

Suppose the Entertainment Center Group sells 18 units for \$900,000 and obtains a distribution advance of \$832,616 to bring its capital to the nondeferred cost of \$1,732,616 estimated to produce the picture. Limited Partner One (LP1) buys nine units for \$450,000. LP2 buys six units for \$300,000; and LP3, three units for \$150,000.

Assume the aggregate cost of producing the picture turns out to be \$1,780,000 of which \$1,630,000 is nondeferred and \$150,000 is deferred. The \$102,616 surplus (\$1,732,616 minus \$1,630,000) is returned to the distributor, leaving a \$730,000 balance owed on the debt.

Then suppose the picture is released and does poorly at the boxoffice.

After distribution fees and expenses, the Entertainment Center Group is only entitled to \$950,000 - less of course the \$730,000 debt owing the distributor. The limited partners suffer a \$680,000 loss on their \$900,000 investment which each shares in proportion to his/her individual investment.

LP1's investment was \$450,000 so LP1 takes 50 percent of the loss, or \$340,000 (450,000 divided by 900,000 times 680,000). LP2 takes 33 percent, or \$226,667 (300,000 divided by 900,000 times 680,000). LP3 takes 17 percent, or \$113,333 (150,000 divided by 900,000 times 680,000). There are no funds, of course, to pay the \$109,512 in deferred production costs.

Now consider a second example. Assume the Entertainment Center Group raises the estimated aggregate of nondeferred production costs solely by the sale of units and does not obtain any advances or loans. The Entertainment Center Group sells all 35 limited partnership units at \$50,000 per unit. LP1 still buys nine units for \$450,000, LP2 six for \$300,000 and LP3 three for \$150,000. But then suppose LP4 buys seven units for \$350,000 and LP5 buys 10 for \$500,000. This gives a limited partners' initial aggregate investment of \$1,750,000.

Again the aggregate cost of producing the picture turns out to be \$1,780,000 of which \$1,630,000 is nondeferred and \$150,000 is deferred. The unused surplus of \$120,000 (1,750,000 less 1,630,000) is refunded to each limited partner in the same proportion the limited partner's initial investment bears to the aggregate initial investment of all the limited partners.

LP1's initial investment was \$450,000. The aggregate initial investment was \$1,750,000. So 25.7 percent (450,000 divided by 1,750,000 times 100) of \$120,000 is returned to LP1, or \$30,857; 17.1 percent or \$20,571 is returned to LP2; 8.6 percent or \$10,285 to LP3; 20 percent or \$24,000 to LP4; and 28.6 percent or \$34,286 to LP5. The limited partners' net aggregate investment is \$1,630,000, the picture's aggregate nondeferred production cost.

Again assume the picture does poorly at the boxoffice. The Entertainment Center Group receives only \$950,000 and the limited partners suffer a net aggregate loss of \$680,000 (120,000 plus 950,000 minus 1,750,000).

However this time LP1 shares 25.7 percent rather than 50 percent of the loss. LP1's initial investment was \$450,000 but the limited partners' aggregate initial investment was \$1,750,000 rather than \$900,000. So LP1's loss is \$174,760 (.257 times 680,000) rather than \$340,000. LP2's loss is \$116,288 rather than \$226,667 and LP3's loss is \$58,480 rather than \$113,333. Again there are no funds to pay the deferments.

Consider a third example. Suppose the picture turns a profit at the boxoffice. That being the case the limited partners will receive a larger share of the profits if the Entertainment Center Group raised part of its capital by obtaining preproduction advances or loans.

Assume as in the last example LP1, LP2, LP3, LP4 and LP5 initially invest \$1,750,000. The aggregate cost of producing the picture turns out to be \$1,780,000 of which \$1,630,000 is nondeferred and \$150,000 is deferred, leaving an unused surplus of \$120,000 which is refunded to the limited partners.

The picture is released and after distribution fees and expenses the Entertainment Center Group is entitled to and receives \$2,600,000, so the picture turns a profit of \$820,000 (2,600,000 minus 1,780,000).

A limited partner is entitled to a share of the profit in the same proportion his/her individual investment bears to twice the limited partners' aggregate investment. (It does not matter whether initial or net investments are used; here we use initial investments.) Expressed mathematically

$$\frac{P_{lp}}{P} = \frac{I_{lp}}{2(I)}$$

or

$$P_{lp} = \frac{P I_{lp}}{2(I)}$$

where

P_{lp} = Limited partner's share of the profit (dollars)

P = Profit (dollars)

I_{lp} = Limited partner's individual investment (dollars)

I = Limited partners' aggregate investment (dollars)

LP1's share of the \$820,000 would be \$105,429 (820,000 times 450,000 divided by 2 times 1,750,000); LP2's share \$70,286; LP3's share \$35,143; LP4's share \$82,000; and LP5's share \$117,143.

Consider a fourth example. Assume that only LP1, LP2 and LP3 invest an aggregate of \$900,000 and the Entertainment Center Group obtains a \$832,616 distribution advance as in the first example. The Entertainment Center Group's capital is \$1,732,616. The aggregate cost of producing the picture turns out to be \$1,780,000 of which \$1,630,000 is nondeferred and \$150,000 is deferred, leaving a surplus of \$102,616 which is returned to the distributor lowering the debt to \$730,000.

The picture is released and after distributor fees and expenses the Entertainment Center Group is entitled to \$2,600,000, less the \$730,000 debt. So the Entertainment Center Group receives \$1,870,000 out of which the limited partners recoup their investment (I) of \$900,000, leaving \$970,000. Then the \$150,000 in deferments are paid, leaving a profit of \$820,000. However now, since the limited partners' initial aggregate investment was only \$900,000 rather than \$1,750,000, LP1's share of the profit is \$205,000 rather than \$105,429 (820,000 times 450,000 divided by 2 times 900,000). LP2's share is \$136,666 rather than \$70,286; and LP3's share is \$68,333 rather than \$35,143.

Transfer of Units

As stated supra under Opinions of Counsel, Entertainment Center Group

Not Subject to Income Tax, the Entertainment Center Group Amended Agreement of Limited Partnership provides that the interest of each limited partner is assignable to the extent of the right to recoup his/her investment and to receive a share of the profits, but a limited partner does not have the right to substitute an assignee as investor or limited partner in his/her place or stead.

Even the amended agreement permits assignments, state and federal laws severely restrict transferability of the limited partnership units. Prospective investors should understand that:

1) It is unlawful to sell or transfer any interest in the Entertainment Center Group or to receive any consideration therefor without the prior written consent of the Commissioner of Corporations of the State of California except as permitted in the Commissioner's Rules;

2) As a limited partner he/she must bear the economic risk of the investment for an indefinite period of time because the units have not been registered under the Securities Act of 1933 and, therefore, cannot be sold unless they are subsequently registered under the Act or an exemption from such registration is available;

3) The amended agreement evidencing the limited partnership units bears a legend stating that the units have not been registered and sets forth the restrictions on transferability and sale of the units;

4) The Entertainment Center Group will issue stop transfer instructions to the Entertainment Center Group's transfer agent, if any, with respect to the units, or, if the Entertainment Center Group transfers its own units, the Entertainment Center Group will make a notation in the appropriate records; and

5) By the terms of the Entertainment Center Group Subscription Agreement, the Entertainment Center Group will obtain a signed written agreement from each investor that the units will not be sold without registration under the Securities Act of 1933 or exemption therefrom.

Reports to Limited Partners

At all times during the term of the Entertainment Center Group, Cinema-Com West, Inc., will keep full and true books and records of account in which will be entered fully and accurately each transaction of the Entertainment Center Group. All of the books and records of account, together with all other records of the Entertainment Center Group, including an executed copy of the certificate amending the certificate of limited partnership, will at all times be maintained at Suite 400, 2040 Avenue of the Stars, Los Angeles, California 90067, and will be open during business hours for the inspection and examination of the limited partners or their representatives. If the Entertainment Center Group moves its offices, all limited partners will be notified of its new address.

The Entertainment Center Group's first six-month period will begin at the termination date of the offering. Within 60 days thereafter, the

Entertainment Center Group will prepare and distribute to the limited partners the first of semiannual reports containing a balance sheet, a statement of income for the six-month period, a cash-flow statement for the six-month period and other pertinent information regarding the Entertainment Center Group and its activities during the six-month period.

The Entertainment Center Group will prepare and distribute to the limited partners within 75 days after the end of the Entertainment Center Group's fiscal year all information necessary for the preparation of the limited partners' federal income tax returns.

The Entertainment Center Group will prepare and distribute to the limited partners within 120 days after the end of the fiscal year an annual report containing a balance sheet as of the end of the fiscal year and statement of income, partners' equity, and changes in financial position and cash flow statement, for the year then ended, all of which, except the cash flow statement, will be accompanied by an auditor's report containing an unqualified opinion of an independent certified public accountant. The annual report will also contain a report of the activities of the Entertainment Center Group during the period covered.

ADDITIONAL INFORMATION

The offices of the Entertainment Center Group and CinemaCom West, Inc., are located at Suite 400, 2040 Avenue of the Stars, Los Angeles, California 90067. The telephone number is (213) 277-4997.

Copies of all documents relating to the Entertainment Center Group and the production of the motion picture are available from CinemaCom West, Inc., upon request by a potential investor or his/her representative, and will be maintained at the above address.

During the course of the transaction and prior to sale, the Entertainment Center Group will make available to each potential investor or his/her representative, the opportunity to ask questions of, and receive answers from, the Entertainment Center Group or any person acting on its behalf concerning the terms and conditions of this offering and to obtain any additional information, to the extent the Entertainment Center Group possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information contained in this prospectus.