

feature film proposal



logline

When a string of grotesque killings begins to

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synopsis

Steven, a thrill-hungry, but washed-up documentarian, is hired by the secretive and religious Gabe to record him as he tracks a serial killer who, on a lunar cycle, has preyed on over thirty victims. Although Steven questions the legality of the work, they venture into crime-ridden parts of town searching for clues about the supposed murder of an illegal immigrant. Their efforts bring them to a homeless camp where a local derelict, Bill, may have information about the crime. As Gabe pressures Bill to tell him what he knows, Steven is accosted by a group of homeless.

Doing his own detective work, Steven speaks to a beat cop, and even a News investigator friend. Back in his suburban home, Steven's wife Mary has him agree to pull out if things get dangerous, and she wonders if the suspect Gabe is pursuing might be Gabe himself. Suspicions increase when Steven sees Gabe dole out a brutal beating to a possible suspect, even stuffing an unknown substance down the suspect's mouth. However, the lure of an exciting documentary is too intriguing and Steven finds himself drawn further into Gabe's world.

Their investigation grows more complicated when Bill's corpse turns up. Gabe believes he was murdered because he knew the killer's identity. They review footage and notice one of the men who accosted Steven at the homeless camp. Although the resemblance is faint, he matches one of the suspects. Gabe proclaims that this is the killer.

That night, Steven's home alarm system blares and he discovers a deep claw mark etched into the sliding glass door. The next morning, Mary finds a trail of herbs around the house and Steven's investigator uncovers that the only Gabriel Thomas died in an orphanage twenty-three years ago. Faced with Steven's suspicions, Gabe explains that the herbs are Wolfsbane and were left to ward off the werewolf – the serial killer. He works for the church and fears they cannot contain the threat anymore. Steven does not believe this, but Gabe assures him that in less than forty-eight hours it will be over. And at worst Steven will have an amazing documentary about a madman.

Steven has an angry Mary leave for a few days and he joins Gabe as they stake out a brothel, where they finally get a glimpse of their suspect, stalking his prey from an adjacent rooftop. After a chase across the decaying city, the monster escapes, but Steven captured the footage.

As they close in on their enemy, Gabe discloses that during an attack he was bitten and infected. His time is running out and by dawn he'll be a werewolf. When this job is done, Gabe makes Steven promise to point the gun at his head and pull the trigger.

At the werewolf's cabin in the woods, they are ambushed by a pack of werewolves. Gabe takes on as many as he can as Steven makes a break for the woods. He takes refuge in a tunnel, but it isn't long before a werewolf sniffs him out. Gabe manages to decapitate the monster and save him. His mission complete, Gabe demands Steven keep his promise so he will not be damned to hell. As Steven debates, Gabe, now a full werewolf, attacks as the gun goes off...

As audiences become desensitized to gore for the sake of gore, they are gravitating towards stories that hit home on a personal level. Scares have their biggest impact when the characters are real and we care about them. If you keep it simple and make it relatable, then it will touch a nerve.

Not only is using found footage a unique way into a classic werewolf story, but it will allow the production to keep costs low and add to the simple realism I am going for. For me, all of the footage needs to be motivated. When, where and why do the characters have the camera on? In extreme danger, on the run from a werewolf, would the character really still not only keep his camera running, but also hold onto it? I believe we have smart solutions for these questions, rather than band-aids. With that, the choices the characters make have to be as realistic as possible. And that is reflected in the script.

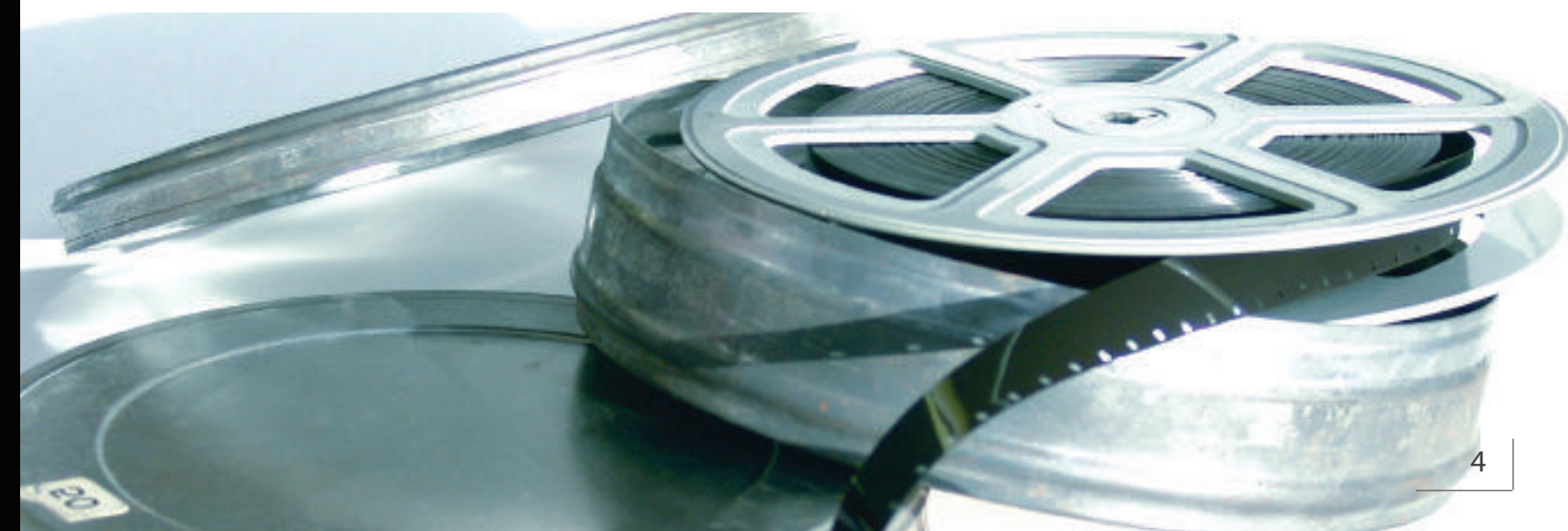
The interesting angle of a found footage film is that they feature 'normal' people. The thinking is that they could easily be us, the audience, thus making it instantly relatable. Steven is that everyman here... throwing a good, normal guy into a dark environment and dealing with the problems that arise along with him.

Gabe is at the root of those problems. He is a mystery to the audience and Steven. We peel back layers of Gabe's character just as we pull back layers of the story. And we quickly come to learn that he isn't exactly who he says he is and soon Steven is fighting for his life because of it.

The film will reflect the stark reality of this world both in its tone and design. I want to put you into this bleak city and ratchet up the tension before being exposed to the veracity of the situation. In doing so, it will be grounded in a gritty reality. People will be ruffled around the edges, flawed in both appearance and character. Crushed blacks, desolate grays and blood reds serve as the color palette. Raw, exposed concrete and the filth of the decaying city that surround Steven as he follows Gabe render the setting.

It is not my goal to make a forgettable romantic comedy or an obtuse character piece and I refuse to let *Slayer* exist among a crowded marketplace of films with tired subject matters. The aim is to challenge people with the medium, leave lingering questions and a lasting impression long after they have seen the film.

director's statement



executive summary

Spoke Lane Entertainment, LLC is a feature film production company dedicated to bringing a unique vision to independently financed projects. It strives to be consistent in its commitment to the idea, no matter what the genre, each movie should support the distinct point of view of its filmmaker. Spoke Lane produces motion pictures for worldwide audiences while maintaining an anti-excess philosophy allowing high quality projects to be made for less money. It accomplishes this by utilizing valuable resources, tax credits and industry relationships to maintain studio quality production at the 'independent' budget level; producing projects that are as compelling as they are commercially viable.

The purpose of this investment proposal is to raise financing for the independent feature film 'Untitled Werewolf Hunter'; a found-footage action-horror currently budgeted at \$500,000. It is reminiscent of past films such as *The Last Exorcism*, *The Troll Hunter* and the *Paranormal Activity* series.

Why Invest in Werewolf?

A tightly composed found footage film filled with mystery and white-knuckle action, Untitled Werewolf Hunter is set in a city cursed with a horrifying string of crimes that are being swept under the rug. It features popular elements attractive to audiences worldwide as a serial killer detective story uniquely situated amidst a world of dark secrets and terrifying werewolf lore. All brought to you from a first person perspective.

Found footage is a genre of filmmaking in which all or a substantial part of a film is presented as discovered film or video recordings, often left behind by missing or dead protagonists. The events onscreen are seen through the camera of one or more of the characters involved and tend to be horror films. While the genre dates back at least as far as 1980's *Cannibal Holocaust*, it was popularized after the release of *The Blair Witch Project* (1999), *Paranormal Activity* (2007) and *Cloverfield* (2008).

Well done found footage movies are terrifying, and that is what we are hoping for when watching a horror movie. The actors tend to be average 'everyman' types with whom we can identify. Even if you don't believe the events of the film did happen, the informal acting and style of filmmaking causes the viewer to feel a sense of 'this could happen to me' much more so than a slick high budget production.

The best found footage films force the audience to question their everyday life and the people in it. Films that really leave a mark on the independent scene are those that push boundaries... that have a radical opinion set in a world little know anything about. The type of film where special effects take a backseat to the story. Untitled Werewolf Hunter is this type of independent found footage film.

Market Statements

Given audience's recent preoccupation with vampires, the rebirth of the canine-gnashing werewolf should come as no surprise. The two monsters go hand-in-hand, and not just because teen scream queen Stephanie Meyer inked a connection through her *Twilight* book series. Humans who transform into various brands of 'other' have a very special place in humanity's long narrative tradition. In the specific case of the werewolf, it dates as far back as Greek folklore, which coined the term lycanthrope for any human who could shape-shift into wolf form. Long thought to be the less commercial stepbrother of vampires, werewolves have seen an unprecedented resurgence on screen recently. From the box office success of the *Underworld* franchise to the global phenomenon of the *Twilight* film series, they are more popular than ever.

"Not since the Second World War have we been so swamped by monstrous images plucked from old European folklore, from vampires to angels and werewolf. One could say we're in the midst of redrawing the establishment lines of science in the wake of mapping the human genome and cloning life, which could explain the dawn of a new breed howling at the moon..."
- Katherine Monk, Canwest News Service

Dynamic Growth of International Markets While Mitigating Risk Overseas

Today's moves often realize more than 50% of their revenues from distribution in foreign markets. These emerging markets have fueled increased production and a proliferation of independent film production companies.

More than ever before, films are able to exploit DVD, Video On-Demand and developing distribution opportunities around the world increasing earning potential while reducing risk to investors.

Smart Production & Distinct Vision

In addition to an experienced executive team, a script with mass appeal and an applied sensibility that combines artistic vision and financial integrity, the team will aggressively harvest premium production value and utilize state-of-the-art technology that streamlines processes and overall cost.

With a wealth of production experience on visual effects and animated films, but with their feet firmly planted in the independent world, the production team knows what it takes to get things done with an eye on keeping costs as low as possible.

It is not our goal to make a forgettable romantic comedy. Or an obtuse character piece. The aim is to challenge audiences with the medium and create an exciting piece of entertainment that leaves lingering questions long after they have seen the film.

production details

Spoke Lane Entertainment is developing Untitled Werewolf, an independent found-footage action horror feature. The preliminary budget of the film, \$500,000, includes funding for the development, production and completion of the film.

Budget: \$500,000

PROPOSED SCHEDULE:

Month 1 – Month 3 PRE-PRODUCTION

Pre-production includes setup and development expenses, casting expenses, first-stage equipment purchases, crew salaries and travel expenses.

Month 4 PRINCIPAL PHOTOGRAPHY

Principal Photography is the process of filming a motion picture and is the most costly stage of production. This includes second-stage equipment purchases and rentals, crew salaries and expenses, location costs and travel expenses.

Month 5 – Month 8 POST-PRODUCTION

Post-Production includes film editing, score production, final crew salaries and expenses, screening, marketing, distribution and advertising expenses.

Month 9 LAUNCH SALES EFFORT & INDUSTRY SCREENINGS

The three major festivals we would target are Sundance, Cannes and Toronto. These are not only the major selling festivals where the buyers are, but are also the most heavily attended and publicized festivals in terms of critical exposure for the film. We also plan to have a strong presence at AFM and Berlinale film markets.

investment summary

Spoke Lane Entertainment, LLC is offering 20 units of limited liability interests to prospective investors at \$25,000 per unit. All proceeds are to be placed directly in the Untitled Werewolf Productions LLC bank account for the uses contained herein.

EACH UNIT: \$25,000
UNITS NEEDED: 20
TOTAL BUDGET: \$500,000

Levels of Investment:

One Unit: \$25,000
20% return on investment
50% of profits split among investors*

*In ratio to amount of each investment

Revenue Structure

The gross revenues to be generated by the film includes the proceeds from its sale, licensing, distribution and exhibition in the United States and foreign theatrical, home video, television, satellite and cable markets.

The investors will receive 100% of the cash available for distribution until such time as they have recouped their initial investment plus 20%. Thereafter, the investors and Untitled Werewolf Productions will share equally (50/50) in the balance of the cash available for distribution.

Revenues from the picture will be disbursed in the order set forth below:

Sales

First, any producer rep or sales agent fees and sales expenses (i.e. marketing costs, legal costs and directly related sales costs) that must be paid 'off the top.' Generally 15-20% of the proceeds. Then to:

Investors

Investors shall recoup 100% of their investment, pro rata with all investors, out of any cash available for distribution until full investment is recouped plus 20% Then to:

Profits

Finally, any remaining amounts, after payment of all remaining and on-going third-party, out-of-pocket expenses relating only to the picture, will be paid as follows: 50% of such profits will be split among the investors. The remaining 50% of profits will be allocated to Untitled Werewolf Productions. All third party attachments shall be borne out of Untitled Werewolf's share.

Footnote: Details may be subject to change pending additional talent attachments.

break-even analysis

PROJECTED REVENUES FROM *THE SKIN TRADE*

	Low	Break-Even	Medium	High
Domestic Box Office (in thousands)	250	425	2,500	25,000
REVENUES				
Theatrical - Domestic	119	202	1,188	11,875
Theatrical Foreign	88	149	875	8,750
Video - Domestic (including VOD)	225	382	2,250	22,500
Video - Foreign	125	212	1,250	12,500
Television - Domestic	88	149	875	1,000
Television - Foreign	25	42	250	2,500
TOTAL REVENUES	669	1,136	6,688	59,125
COSTS				
Negative Cost	500	500	500	500
Overhead	75	75	75	75
Prints & Advertising: Domestic	150	255	1,500	15,000
Prints & Advertising: Foreign	88	149	875	8,750
Video - Domestic	34	57	338	3,375
Video - Foreign	19	32	188	1,875
Residuals	25	42	250	2,500
Other Costs	15	25	150	1,500
TOTAL COSTS	(905)	(1,135)	(3,875)	(33,575)
CONTRIBUTION TO MARGIN	(236)	0	2,813	25,550

*these numbers are not guarantees and are based on data present from previous films

**The following scenarios illustrate possible returns on investment in the LLC. Due to the inherent risks associated with LLCs and film investment (see "The Risks of Film Investment" supra), there is no guarantee that investors in the LLC will actually receive the amounts of return indicated in these scenarios or any amount of return.

motion picture revenues

The financial success of a film is dependent upon many factors, the most important and unpredictable of which is public appeal. Today, the average cost to produce (\$59 million) and market (\$30 million) makes the average Hollywood film close to a \$90 million investment, in large part due to the escalating cost of creative talent. But Hollywood studios learn over and over that no amount of money spent or combination of high-priced stars can guarantee box office success. In fact, some of the most profitable and entertaining films are made independently for just a fraction of the average Hollywood production.

The following chart reflects the box office gross-to-budget ratios of other successful independent films and demonstrates how favorably they compare to the box office champion of the corresponding year:

	Box Office Goss (in millions)	Budget (in millions)	Ratio	
2005	Star Wars: Revenge of the Sith	380	113.0	3.4
	Crash	55	6.5	8.5
2006	Pirates of the Caribbean	423	225.0	1.9
	Little Miss Sunshine	60	8.0	7.5
2007	Spider Man 3	336	258.0	1.3
	Juno	143	7.5	19.0
2008	Iron Man	318	140.0	2.2
	Fireproof	33	0.5	66.0
2009	Transformers 2	402	200.0	2.0
	Precious	46	10.0	4.6
2010	Toy Story 3	415	200.0	2.1
	The Last Exorcism	41	1.8	22.8
2011	Harry Potter: Deathly Hallows 2	381	125.0	3.0
	Insidious	54	1.5	36.0

*all box office and budget figures are from Box Office Mojo and IMDB.com

comparative analysis

SIMILAR THEMED FILM COMPARISON

TITLE	RELEASE DATE	BUDGET	DOMESTIC BOX OFFICE	INTERNATIONAL BOX OFFICE
Apollo 18	9/2/11	\$5,000,000	\$17,687,709	\$7,875,215
Blair Witch Project	7/16/99	\$60,000	\$140,539,099	\$108,100,000
Catfish	9/17/10	N/A	\$3,237,343	\$242,271
Chronicle	2/3/12	\$12,000,000	\$60,865,000	\$36,400,000
Cloverfield	1/18/08	\$25,000,000	\$80,048,433	\$90,715,593
Devil Inside, The	1/6/12	\$400,000	\$53,196,551	\$15,500,000
Diary of the Dead	2/15/08	\$2,000,000	\$958,961	\$4,405,897
Fourth Kind, The	11/6/09	\$10,000,000	\$25,486,040	\$22,223,153
Last Exorcism, The	8/27/10	\$1,800,000	\$41,034,350	\$26,703,740
Paranormal Activity	9/25/09	\$15,000	\$107,918,810	\$85,436,990
Quarantine	10/10/08	\$12,000,000	\$31,691,811	\$9,628,095
[Rec]	11/23/07	\$1,500,000	N/A	\$32,492,948
Septem8er Tapes	1/21/04	\$30,000	\$2,200,000	N/A
Troll Hunter, The	6/12/11	\$3,500,000	\$253,444	\$3,906,234

THE LAST EXORCISM

Budget: \$1,800,000
Return: \$67,738,090

After a career spent helping the devout through prayer and trickery, Reverend Cotton Marcus invites a film crew to document his final fraudulent days as an exorcist. Soon his faith is truly tested when a desperate plea from the father of a possessed girl brings him face to face with the devil himself.



THE TROLL HUNTER

Budget: \$3,500,000
Return: \$4,159,678

A group of Norwegian film students set out to capture real-life trolls on camera after learning their existence has been covered up for years by a government conspiracy.



comparable films



ryan colucci

writer/director/producer

Ryan Colucci is an alumnus of the prestigious Peter Stark Producing MFA Program at USC. He received his BA in Film Studies and Production from Hofstra University, graduating Suma Cum Laude. Before that he pursued a degree in Accounting from Villanova University and spent a year at Cambridge University in England studying Economics and Political Science. He is a member of the Lambda Pi Eta Communications Honor Society as well as the Gamma Phi Business Honor Society.

He has over ten years of experience in the film industry, having worked in development for Artisan/Lionsgate (*Blair Witch Project*, *The Punisher*) and Disney (*Pirates of the Caribbean*, *Freaky Friday*). In the summer of 2011 he co-wrote and produced the sci-fi thriller *White Space* starring Holt McCallany, which is currently in post-production. Ryan also worked at Snoot Entertainment, where he was a producer on the CG-animated feature *Battle for Terra 3D*, which premiered at the 2007 Toronto Film Festival and was released through Lionsgate nationwide in May of 2009.

Ryan Colucci is teaming up with Warner Brothers Pictures to produce Terry Brooks' *Shannara* fantasy series (fifteen books in total). Terry is the fourth best-selling fantasy author of all time, behind only JRR Tolkien, JK Rawlings and CS Lewis. Along with Mike the Pike Productions, he is also producing George R.R. Martin's World Sci-Fi Award Winning *The Skin Trade*, a horror novella by the acclaimed NY Times #1 best-selling author from an anthology of the same name, also featuring stories by Stephen King and Dan Simmons.

Ryan started Spoke Lane Entertainment to produce a variety of genre fare for the publishing and film worlds. The first project out of his banner is the graphic novel *Harbor Moon*. Financed independently and produced by Spoke Lane, the werewolf spaghetti western debuted to rave reviews in April of 2011 through Shuster Award-winning publisher Arcana Studio. It was nominated for a Goodreads and Horror Comic Award for Best Original Graphic Novel. His follow-up graphic novels, *R.E.M.*, *Bulderlyns* and *Chasing Rabbits* are currently in production and look to make their debut in 2012 as part of a joint venture with Mike the Pike Productions. In the spring of 2011, Ryan directed the short film 4.2.3., a prequel to *R.E.M.* starring Cameron Richardson (*Alvin and the Chipmunks*) and Brian D. Johnson (*The Devil Inside*).



mark b. newbauer

producer

Mark... Mark B. Newbauer graduated from the renowned film and producer's track at Columbia College. His executive background includes his work as a wealth manager at a top-tier global wealth management firm where he attained his Series 7 & 66 licenses and helped structure creative solutions for C-level executives and entrepreneurs.

Newbauer formed Mike The Pike Films to package and produce projects with high production value, taking advantage of on-location resources, in-kind gifts and tax incentives to allow for maximum production value.

After more than a decade in the entertainment industry, Newbauer took his passion for both the art of filmmaking and the business sense necessary for a thriving brand, and launched Mike The Pike Productions, a full-spectrum entertainment firm with a focus in Feature Films and Graphic Novel Entertainment. Recently, Newbauer optioned the film rights to the World Fantasy Award-winning werewolf thriller, George R.R. Martin's *The Skin Trade*; and in 2011, he produced *White Space*, an effects driven sci-fi thriller starring Holt McCallany and Zulay Henao. In early 2012, Mike The Pike Productions acquired Saint James Films as a wholly-owned subsidiary. Saint James Films specializes in low-budget, entertaining genre films for the global marketplace.



jessee clarkson & nascent perspective studios

Production Design

Jessee Clarkson is an award nominated Production Designer & Art Director. With over a decade working on feature films, his extensive background includes model and miniature work, prop design and fabrication, special make-up effects, physical effects, set design and construction. He has worked in the art department on smash hits such as *The Dark Knight*, *Iron Man*, *Shutter Island*, *Watchmen*, *Road Trip* and *The Patriot*. He has designed several music videos including Janelle Monae's 'Tightrope', Broken Bells' 'The Ghost Inside' and Pic Vicious' 'Mirror Box'.

In early 2009, Jessee founded Nascent Perspective Studios to provide complete concept-to-construction scenery, props and physical effects to both independent and studio productions. His hands-on approach to design, an eye for extreme detail, rich color palettes and creative problem solving have insured that Jessee is now a sought after Production Designer. He recently wrapped production on the sci-fi thriller *White Space*, starring Holt McCallany. Also in post-production for Nascent Perspective is *The Proxy*, from Psychopia Films. Other projects designed by Jessee and Nascent Perspective include 'Tim Armstrong's Rock n' Roll Theatre' and the extended music video/short film for Lovett's 'Ghost of Old Highways', directed by Dan Bush.



dikran ornekian

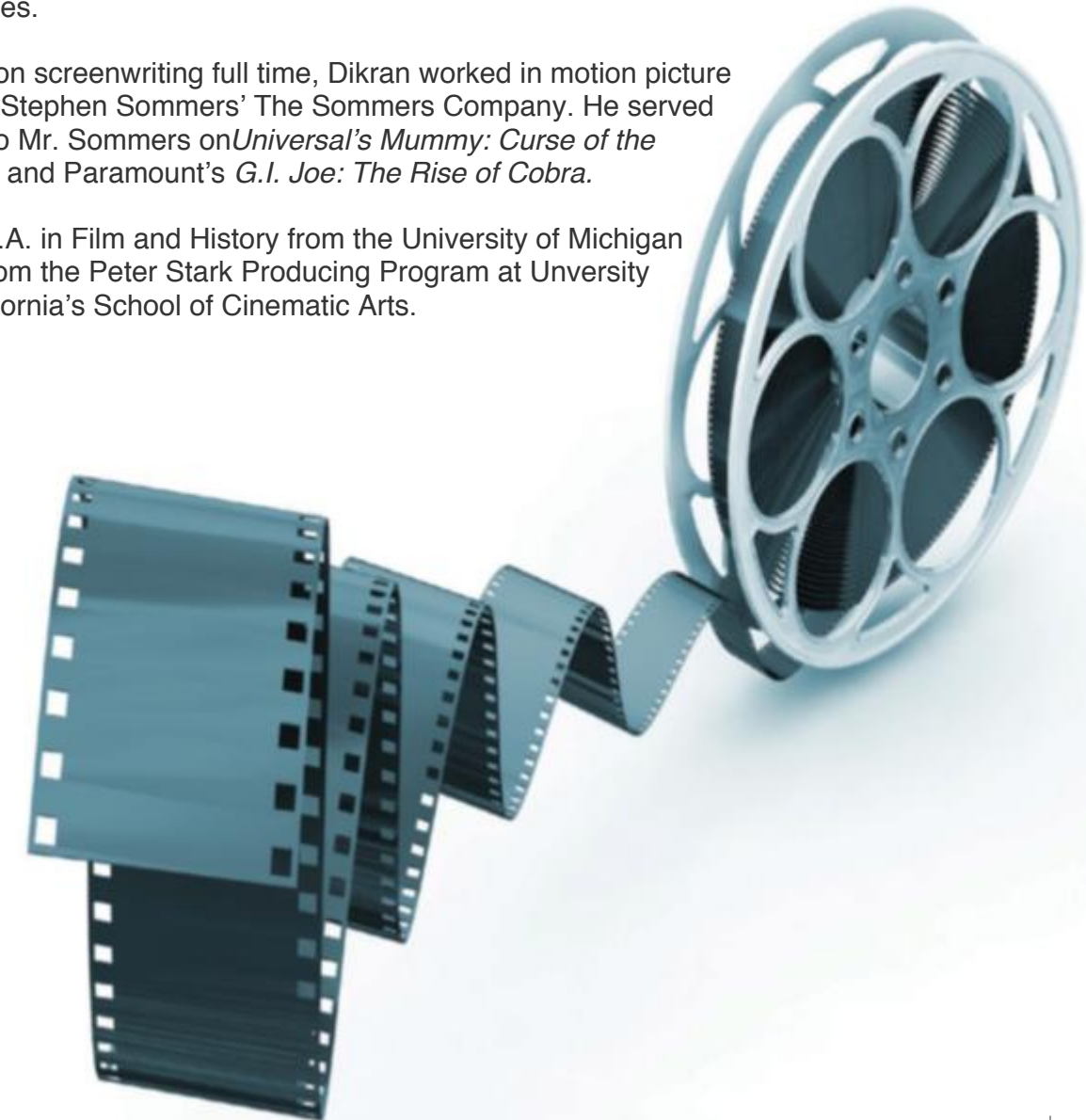
writer



A Los Angeles-based screenwriter, Dikran currently has projects in development with Inifinitum Nihil (Johnny Depp), Snoot Entertainment (*Battle for Terra*, *Bunraku*) Occupant Films (*The Wackness*) and Stone Village Pictures (*Lincoln Lawyer*). His script *The Ghost and The Wolf*, made the exclusive 2009 Black List, an annual ranking of Hollywood's best unproduced screenplays as voted on by top studio and film executives.

Before focusing on screenwriting full time, Dikran worked in motion picture development for Stephen Sommers' The Sommers Company. He served as an assistant to Mr. Sommers on *Universal's Mummy: Curse of the Dragon Emperor* and *Paramount's G.I. Joe: The Rise of Cobra*.

Dikran holds a B.A. in Film and History from the University of Michigan and an M.F.A. from the Peter Stark Producing Program at University of Southern California's School of Cinematic Arts.



Independent Film Industry

KEY INVESTMENT HIGHLIGHTS

- Favorable Market trends in the Motion Picture industry.
- Strong International projections due to subject matter.
- Decreased cost due to genre/style of shooting
- Strength of Production Team and proven track record in Film production.
- Not having to rely on theatrical distribution to become profitable.
- Tax considerations.

At one time the independent film industry referred to lower-budgeted films, financed and distributed on a small, guerilla-style basis and not affiliated with a studio. But today that definition has broadened as all the major studios have established their own thriving independent-style distribution labels – such as Fox Searchlight, Sony Picture Classics, Paramount’s Insurgent – to fully finance, partially finance or acquire smaller, filmmaker-driven films to compete with stand-alone independent distributors – such as Lionsgate Films. Traditional labels of ‘art house,’ ‘specialty’ or independent’ rarely apply as both mainstream and art house exhibitors show non-studio independent and studio-distributed independent-style films. In fact, four out of the five Academy Award Best Picture nominees in 2005 (*Capote*, *Brokeback Mountain*, *Good Night and Good Luck* and the Oscar winner *Crash*) were independently financed films.

Today, the challenge for independent filmmakers is to develop a solid project with commercial potential, locate a reliable source of independent financing, present a structure to financing sources which address their requirements and concerns, then successfully negotiate with the talent agencies, production staff, studios, and distribution entities to deliver the critical elements of the film.

There are between 50 and 80 major independent film production companies and as many as 1,200 small production companies. Based on the top 253 low budget films produced in 1996, the average 10-year gross was \$9 million, with the top 8 pictures grossing more than \$30 million each. Comparing these numbers to an average studio film costing at least \$34 million with average revenues of \$30 million, independent films may offer a more probable profitability scenario. Even low budget, independent films are able to routinely generate revenues in excess of \$2 million in all media categories.

High Quality and Low Production Costs

Through pre-existing relationships, a production budget of approximately \$500,000 can be maintained without sacrificing quality.

There are a number of creative ways to keep budgets low, yet still deliver a high quality product with meaningful talent. Production costs on independent films can be minimized by avoiding costly development expenditures and shooting on location instead of building expensive sets and sound stages. Also, independent films are generally released with relatively modest advertising, generating box office receipts through critical acclaim, free publicity and word of mouth.

The found footage genre lends itself to a lower budget with the use of non-stars and hand-held camerawork. The informal acting and style of filmmaking actually causes the viewer to feel a sense of ‘this could happen to me’ much more than a slick high budget production.

Multiple Distribution Channels

Distribution is vital to the success of a film since a film does not sell itself. The distributor ‘sells’ the film to the public. A domestic theatrical release generates income from the primary theater market and is often the determining factor in the value of the film in ancillary markets.

Those not familiar with the film industry might think that a major release in your local Cineplex is the only way to profitably distribute a film. But it’s just not true. There exist a multitude of channels for film distribution and producers are not beholden to theatrical revenues for a film to be successful.

Theatrical Distribution

The traditional way to see a movie has always been at the theatre. While there are different kinds of deals that could put an independent film into theatres, by far the most common is by selling to a studio (as *Napoleon Dynamite* did with Fox). One of the most effective ways of selling a film to a studio is through film festivals, like Sundance, Toronto, Tribeca, and Cannes.

Foreign Distribution

Overseas markets represent major sources of revenue for independent films. Independent films can make a return on investment by selling rights to foreign territories before they even obtain a domestic distribution deal. Foreign rights are traditionally sold through annual industry events called ‘markets’. Film markets like the American Film Market (AFM) in Los Angeles host hundreds of buyers from all over the world that purchase content for their territories

Home Video/DVD Market

According to Salomon Smith Barney Estimates, 30-50% of a film's revenues typically come from the video window. For Independent productions, this number can be as high as 60%, as the large majority go direct-to-DVD.

The cost of duplicating VHS and DVD is substantially less than the cost of producing prints and renting theater screens, so profitability is more readily achievable. Independent studios such as Lionsgate often create films specifically for straight to video, because the business model reasonably assures profitability.

Video On-Demand

Video-on-Demand (VOD) is becoming a strong component, if not the primary component, for specialty films. Home cable subscribers are spending \$5-10 to buy a film for VOD viewing, with about half of that price going to the cable system and half coming back to the distributor. VOD can generate as many as 200,000 buys on the high end for the sort of films released by companies in this sector, or as few as 5,000 for poor performers.

The most successful VOD revenue generator of 2009 was *The House of the Devil*. The film made just over \$100,000 at the box office with a P&A budget well under \$200,000, but has grossed over \$1.5 million on VOD.

Since then the market has only grown. VOD is now in 65.7 million US homes, which accounts for roughly 55.7% of TV homes (accordingly to MagnaGlobal). Last year there were approximately 7 billion views.

Also, the split between cable companies and studios is far more favorable than the one distributors receive from exhibitors. Theater owners usually divide profits 50-50 or 60-40, but cable companies typically allow distributors and their partners to pocket 70 percent of a film's VOD profits. In addition, the marketing costs are significantly reduced.

VOD breakouts from 2011:

Title	VOD Gross	Domestic Box Office Gross
<i>All Good Things</i>	\$6M	\$582k
<i>Margin Call</i>	\$4M	\$3.9M
<i>Black Death</i>	\$4M	\$22k
<i>13 Assassins</i>	\$4M	\$802k
<i>Melancholia</i>	\$2M	\$1.2M

As Internet commerce, video streaming and digital video continue to evolve, new markets are being opened to media purchasing. Subscription movie websites are growing in popularity. Additionally, iTunes and Netflix, a rent-by-mail internet DVD and streaming site, have emerged as an important distributor of original content.

Basic Cable

In addition to 'Pay' channels, there are more and more basic channels that must have original content. The Syfy Channel, USA Network and Comedy Central are just a few examples. At least 70 million households that subscribe to cable TV; EchoStar and DirecTV have over 17 million satellite TV customers. In addition, at least 25% of all subscribers pay for premium services.

Cable advances range from \$10,000-\$25,000 for an 18 month window on the Sundance Channel, up to \$5 million for major cable. HBO, with a film appetite of 400, will buy films for \$60,000, if they have already played theatrically or achieved results through DVD/VHS. Showtime has bought films for as high as \$350,000. Showtime also bought *The Believer*, a Sundance film, for \$750,000.

Networks/Syndicated TV

While most of the television buyers are now on cable, the broadcast network channels and the syndicated local channels are still viable markets for film.

Major networks compete with studios in producing their own shows and made-for-television movies. However, Studio released pictures are normally sold to Networks for viewing after the Theatrical, Home/ Video and Cable TV windows have been exhausted, thus providing another revenue stream.

Ancillary Markets

There are also much smaller markets for films, like airline movie showings, military service network screenings, etc... that make up a small part of distribution possibilities. These may generate smaller amounts of revenue, but for low budget films they still can make significant contributions to the bottom line.

Every filmmaker wants to be able to walk into a movie theater and see their film on the big screen. Though theatrical distribution remains one of the most profitable avenues, in independent cinema it is sometimes difficult to achieve. Filmmakers who keep an open mind will find many new distribution possibilities available to them.

Investing in films, particularly independent ones, is a risky venture. Each year there are hundreds of independently financed films put into production. There is no guarantee of success. Even the studios, spending hundreds of millions of dollars, are rolling the dice each time they produce a picture. There are certain things you can put into the equation, and experience, education, pedigree and content being produced are some of them. We cover all of those bases and limit our risk potential in the process.



Emerging Technology

LLC tax deductions and credits

the risk of film investment

The costs of producing motion pictures are often underestimated and may be increased by reason of factors beyond the control of the LLC or the Manager. Such factors may include weather conditions, illness of technical and artistic personnel, artistic requirements, labor disputes, government regulations, equipment breakdowns and other production disruptions. While the LLC intends to engage production personnel who have demonstrated an ability to complete motion picture projects within the assigned budget, the risk of a project running over budget is always significant and may have a substantial adverse impact on the profitability of any film.

The LLC believes the size of the budget for all stages of the film is sufficient. However, many motion pictures are produced utilizing far larger budgets and still experience cost overruns. The Manager, within its discretion, may secure a 'Completion Guarantee' from an established Film Bonding service for the film produced by the LLC. The cost of this bond shall be included in the budget for the film.

Thank you for your interest.

For more information on _____ on how to get involved, please contact:

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