BIG SCORE PRODUCTIONS

THE BUSINESS PLAN FOR

"BIG SCORE"
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EXECUTIVE SUMMARY

OVERVIEW OF COMPANY
Big Score Productions is a Limited Liability Corporation, consisting of the General
Partners and the Limited Partners. The Company is an independent motion picture
production company assembled from creative and business professionals with a
common goal of producing the feature length, independent film "Big Score."

THE PROJECT
"Big Score" is a motion picture budgeted to be produced at $500 thousand dollars,
and for theatrical exhibition in the United States and abroad. The film falls into the
category of two genres, these being blah blah blah and stuff. The Production Company desires to hire name talent for roles in the picture, thereby
adding to the film's commercial value and audience appeal.

THE INDUSTRY
The U.S. box office totaled $5.3 billion in 1995. Analysts project a $20 billion
worldwide box office for films in 1996, growing to $30 billion by 2001. The market
for independent films has expanded tremendously in the last few years with
worldwide grosses of one billion dollars in 1995.

THE MARKET
The strategy of making films in well-established genres has been proven time and
time again to be a smart and sound choice for production. In 1997, children/teen
films (a.k.a. blah blah blah films) and stuff, debuting for the first time at
the American Film Market amongst those companies registered by AFMA, composed
31% of the total number of films. As the world moves away from pictures containing
violence and graphic content, the marketplace needs films that blah blah blah tize
stuff content.

DISTRIBUTION STRATEGY
The motion picture industry is highly competitive with much of a film's success
relating to the skills of its distributor's marketing strategy. As an independent
producer, Big Score Productions intends to negotiate with a distributor, either an
independent distributor or a studio. To maximize the Company's bargaining power,
the distribution negotiation will begin just prior to, or after the completion of,
principal photography. This strategy increases the potential profit the film may earn.

INVESTMENT OPPORTUNITY AND FINANCIAL HIGHLIGHTS
Big Score Productions seeks capital to fund the motion picture production of "Big
Score." Big Score Productions proposes to secure all its moneys from venture
capitalists and private investors. Using a conservative, selective revenue projection,
and an assumption of general industry distribution agreements, the Company
projects gross revenue of approximately $2.4 million with a net producer/investor
income of $585 thousand for "Big Score."
THE COMPANY

Big Score Productions was formed from a creative team of industry professionals, who have banded together to produce the feature length motion picture, "Big Score." The Company intends to move the film from the process of development, into pre-production and production, through post-production and into distribution.

Since Big Score Productions has begun with a collection of industry professionals from a variety of production backgrounds, it has an advantage in creating a potentially successful motion picture. The advantages to this are clear:

Development -- The script is highly regarded in the film industry as being the basis for a successful picture. It has been said in the industry that, "You can make a bad movie from a great script, but you cannot make a great movie from a bad script." "Big Score" is a coming-of-age tale that blah blah blah tizes blah blah blah life and traditional values. The script is both innovative and familiar in the telling of its story.

Genre -- "Big Score" falls into a genre that has traditionally been highly successful for the motion picture industry, and that moves away from the violent and graphic tendencies of movies today. Blah blah blah films and blah blah blah s have a broad audience base, and are generally well received by the viewing public.

Release -- Since the film caters to a broad based audience, it is intended for an initial theatrical release, which will then translate into greater financial revenues in other media for the picture. This also means that the film will have a greater chance to earn more money in the foreign marketplace.

Experience -- Since the creative team behind "Big Score" has extensive experience within the industry, it plans to utilize the contacts it has to produce the film far below what a similar film would cost inside the studio system. By having an "independent" status, Big Score Productions can freely reap the benefits of resources available to independent productions; some of these benefits include discounts in film stock, camera packages and film processing rates to name a few.

This experience means that while the film's costs will be kept well below industry average, the production value, or the look of the film, will be far above what one would expect from a film produced for five hundred thousand dollars. This means that the investors will benefit from a motion picture, which has the appearance of costing more than it actually does. Distributors will be likely to offer an advance on the film, or be willing to negotiate a better distribution fee.
MANAGEMENT AND ORGANIZATION

One can say that a company is only as good as its leadership, and then only as good as the vision that the leadership exhibits and places into action. Here then is the management team for Big Score Productions:

James Doe, Jr., Writer, Producer, Director
Here is a man who has really done it all, a real candlestick maker. After graduation from the university of Hard Knox in Tennessee he rose to the limelight with such works as blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah

Billy Raaaye, Producer
Mr. Raaaye began producing at the Hullaballu Theatre in Van Nuys, CA blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah 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Producer and Assistant to the Executive Director. During her time in New York, blah blah blah.
FILM PROJECT

SYNOPSIS
blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah blah.

NOTES FROM THE DIRECTOR:
"Big Score" is a fictitious story based on true events whose blah blah blah blah blah blah blah blah blah Also, during the shooting of the film, my company, Big Score Productions, will select a young person from the local community to apprentice in whatever area of production his/her skills and desires dictate. It is my hope that, in sharing the storytelling skills of filmmaking, we will encourage others to tell stories of their own someday.
THE INDUSTRY

The U.S. box office in 1995 totalled $5.3 billion, about the same level as 1994. Due to the growth in international demand, U.S. motion picture distributors generated more than $18.3 billion in worldwide revenues in 1995, up 6.2% from 1994. Analysts project a $20 billion market, driven in part by the growth in the U.S. box office, up 13% in the first six months. It took seven years for the movie business to grow from $10 to $20 billion for a $30 billion market by 2001.

MOTION PICTURE PRODUCTION

The business of the motion picture industry may be broadly divided into two major segments: production and distribution. Production involves the development, financing and making of motion pictures. Distribution involves the marketing, licensing, promotion, physical reproduction of prints, and the delivery and exhibition of completed motion pictures.

The studios, the largest companies in this business, are generally called the "majors" and include such companies as MCA/Universal, Sony Pictures (which includes Columbia/Tri-Star), Walt Disney Company (which includes Touchstone Pictures and Hollywood Pictures), Paramount, Twentieth Century Fox and Warner Bros.

With a large corporate structure making production decisions and a large amount of corporate debt to service, the studio aims the majority of its films at mass audiences. The producers and directors are to make these films on a schedule imposed by studio executives, who may be influenced by needs other than making quality films or even a profit. Thanks to skyrocketing star salaries (witness Jim Carey, who was paid $20 million dollars for starring in "Cable Guy") and fancier special effects, the average studio film cost $34.3 million in 1994, which is the last year figures are available from the Motion Picture Association of America (the same organization responsible for the ratings system used for feature films and television). In addition, the studios often demand changes to the script that result in the final product having a more homogenous feel, often at a cost that is detrimental to the filmmaker's vision, and the overall appeal of the film to its audience. In the last few years, the studios have increased production spending. Studio blockbusters typically cost upward of $100 million dollars or more, e.g., "Batman and Robin," "Starship Troopers" and "Waterworld." The industry has a guideline that states a picture must generate two and one-half to three times its costs just to break even.

A phenomenon that has always existed within the motion picture industry, but that has really skyrocketed with the advent of technology is the independent film scene. The entertainment industry is in a boom. With the increase in cable systems and channels, and the invention of digital satellites, a five hundred channel universe, the Internet, and a host of other new technologies, distributors and programmers require more content to fill consumers' appetites. Since the studios produce and distribute an average of twelve to twenty films per year per studio, a programming void exists that independent producers have been able to fill.

Mike Leigh's film, "Secrets and Lies," distributed by October Films, is an independently produced film, receiving a total of five Academy Award nominations
from the Academy of Motion Picture Arts and Sciences, and as of March 11, 1997, grossing over $9.4 million from domestic box office alone. Indeed, the 1997 Academy Awards has been called the year of the independents, since only one major studio is represented among the five best picture nominees.

The market share of both independent production and distribution companies has grown over time, spurred by the "mega" profits of such low-budget films as Miramax's "The Crying Game" and Gramercy's "Four Weddings and a Funeral." In September, "Trainspotting," with a budget of $2.3 million, is still in worldwide release with a total box office to date of over fifty million dollars.

It is interesting to note that the studios have not entirely ignored the independent scene. In fact, sensing that the independent market is a viable source of additional revenue, a few studios have even opened "independent" production and distribution arms charged with the task of helping to feed the distribution pipeline, and therefore add to the corporate coffers. Twentieth Century Fox has Fox Searchlight, responsible for releasing the independent film "The Brothers McMullen," that achieved a domestic box office gross of ten million dollars. Sony Pictures has Sony Classics, which released "Across the Sea of Time." The film had a domestic box office cumulative of $8.8 million. One of the first independent studios to create an independent distribution company (even though at the time, it was itself considered an independent distributor) was New Line Pictures. Fine Line Features is the division of New Line largely responsible for the huge success of the $28.7 million dollar grossing "Shine."

**DISTRIBUTION AND EXHIBITION**

**THEATRICAL DISTRIBUTION**

The distribution of a motion picture involves the licensing of the picture in both the U.S. and Canada, and the foreign marketplace. The distributor will license the following rights: theatrical exhibition; non-theatrical, e.g., educational markets, museums, et cetera; home video (including laser disc, DVD and CDv); cable (free and pay), pay-per-view; video-on-demand; and television (terrestrial and satellite). Additional ancillary markets include merchandising, e.g., games, toys, clothing, and music or soundtrack rights.

Even though the major studios have long-standing relationships with the large theatre chains and video stores, exhibitors and video companies will "book" the films that people desire to see. Public demand for a specific motion picture product may translate into profit for a film. Even if a film is not profitable in the domestic arena, often times, it may recoup its costs and earn a gross profit in the foreign market.

**FOREIGN EXHIBITION**

Much of the projected growth in the worldwide film business comes from the international markets, which grew 11.7% in 1994 versus 9.3% in the domestic windows. International distributor revenues may well climb over $3 billion in the next few years. Distributors and exhibitors keep finding new ways to grow the box office revenue pool. The growth of multiplexes in Europe is being followed by more screens in Asia and Latin America. Other factors are the privatization of television stations
overseas, the introduction of director broadcast satellite services and increased cable penetration.

What is noteworthy is the fact that in the major European territories typical television license fees surpass video license fees. In Germany, Italy, France and England, a license fee for feature films may be one and one-half to three times the amount paid by a video distributor for the same picture. The revenues for foreign television sales and pay TV in 1995 were $2.9 billion.

**INDEPENDENT FILMS**

Accurately measuring the size of the independent segment of the film industry is difficult. Traditionally, the definition of an independent film is one that is financed by a source other than a studio. All films sold by independent distributors are by definition independent. These films are tracked annually by research organizations. What is difficult to ascertain are the number of films distributed by the studios that were actually financed by third parties. This number appears to be growing as studios, like other large corporations, deal with the realities of a troublesome economy. Studios have been establishing relationships with production companies for whom they subsidize part of the production financing or only pay for the prints and advertising (P&A) expenses. Some analysts have estimated that the independent share of total films produced in the United States may be 85%, but this number cannot be proven statistically with the current data.

blah blah blah and Associates, a research firm in California, estimates a $547 million worldwide box office for independent films in 1994. In its analysis, the firm lists Miramax, Gramercy and Sony Classics with their parent studios. Since these companies acquire and distribute independently financed productions, adding in their grosses to the total, we see a $1 billion worldwide box office in 1994, up from $848 million in 1993. Due to the average time frame of two years for a film to accumulate the bulk of its revenues, 1995 figures will not be available at the time of this writing.

Sales reports for the markets outside the United States are made every year by the members of the American Film Marketing Association (AFMA), a Los Angeles-based trade organization that specializes in independent English-language movies for sales overseas. In 1995, the AFM's survey showed sales of $1.4 billion in those markets. The reports for 1996 show an increase of approximately $200 million, as the organization states that the revenues for the international independent market topped $1.65 billion.
THE MARKET

Independent films are finally getting the respect that they deserve. With the enormous success of this market segment, some independent companies such as Miramax have become well-financed divisions of studios. Studios can then capitalize on the success of the "independent" distribution arms attached to them, while the "independent" distributors maintain a level of autonomy within the corporate structure. The independent distributors are then free to produce and distribute those films that have smaller budgets, which can then be placed into niche markets.

Many independent films are marked by a noted abundance of blah blah blah. In the early nineties, even until recently, independent filmmakers marked their entrance into the film industry with films that contained a high level of blah blah blah content, e.g., Quentin Tarantino's "Reservoir Dogs" or Robert Rodriguez's "El Mariachi." A film entitled "Bound," distributed by Gramercy in the Fall of 1996, was noted for its lesbian theme and excessively blah blah blah scenes.

American society, and other countries around the world, are calling for the media to be responsible in its depiction of violence and graphic content, even going so far as to require distributors and programmers to label and/or edit content here in United States. A recent example of this occurrence is the Motion Picture Association of America's (MPAA) TV ratings system. The ratings system developed when the United States Congress basically gave broadcasters and programmers a mandate that they were to patrol themselves or the government would intervene. This intervention would mean that Congress would adopt some form of censorship, which of course is what the entertainment industry does not desire.

Knowing they have a greater chance of distribution for their films, independent filmmakers have responded to the call of the marketplace by producing other types of entertainment for nationwide and international release. Independent producers know that such genres as blah blah blah s and blah blah blah films offer an alternative for film production. At the 1997 American Film Market, children/teen films (a.k.a. blah blah blah films) and blah blah blah s composed 31% of the total films appearing at the market for the first time (amongst those companies officially registered by AFMA).

"Big Score" is a film that falls into both the blah blah blah and the blah blah blah categories. This translates into a broad market appeal, even though the film is a smaller independent production. This means that the film has a greater chance in distribution, since it is a type of film that appeals to a large segment of the population. "Big Score" is the type of film that blah blah blah can watch together, or that blah blah blah can enjoy by themselves. The picture's thematic elements revolve around a young man coming of age, and the strength of mid-western blah blah blah life. These values readily translate into every day experiences that many people understand, which can be the basis for an audience's immediate identification with a film.

The past few years have seen a resurgence of independent filmmakers. Smaller production companies and distribution companies are gearing up and independent
production is growing even as of this writing. In addition, speciality theatres are also on the rise. Most low-budget features get their initial theatrical release in these venues, which attract adult and college audiences. While previously most of them stayed in the specialty circuit, low-budget films are being moved into the main stream mall theatres for general audience consumption. All these developments serve to increase the chances for a well-made, low-budget film.

As an independent production company, Big Score Productions has advantages over a studio system. The production team is in control of the script, which means that any changes to the script do not need to be reviewed by committee, losing valuable time in the process, but can be implemented immediately. This quick response time is necessary to a production, because in production, with each wasted minute costing a production company approximately a thousand dollars, time and money have direct correlation. Another significant advantage that Big Score Productions has is the fact there is inherently less risk involved in investing in a smaller film. When the negative cost (the actual price paid up to and through the completion of the film negative, which is then used in the process of creating release prints shown in theatres), overhead, and P&A costs are factored in, a studio's picture must gross two and one-half the films budget just to recoup its cost. Therefore, a film costing fifty million dollars would have to make $125 million to break even. By the same standard of comparison, a film budgeted in the five hundred thousand dollar range need only gross $1.25 million to recoup its cost. This is a number more readily achieved in domestic and international distribution.
**DISTRIBUTION STRATEGY**

The motion picture industry is highly competitive, with much of a film's success depending on the skill of its distribution strategy. As an independent producer, Big Score Productions expects to negotiate with a distributor. To maximize the Company's bargaining strength, and the producers' & investors' potential profit, Big Score Productions will begin negotiations with distribution companies just prior to, or soon after, the completion of principal photography. Distribution companies, generally, choose to view a film before they decide whether or not they will choose to invest their energies and resources in the film. What this system does create is an opportunity for a truly exceptional film to be the source of a bidding war amongst distributors. The independent film "Swingers" was made for approximately two hundred and fifty thousand dollars, but Miramax paid a reported five million dollars for the worldwide distribution rights to the picture. It is important to remember is that the film was completed and then shown to distributors via film festivals. Big Score Productions is in no way saying that "Big Score" will earn such a high sum before it is even placed into theatres. "Swingers" is an exception and not the rule. The Company is saying, however, that it expects to make a quality motion picture that people will enjoy, thereby increasing the chances of the film's success.

Distributors license the film to exhibitors (theatre owners), both domestic and foreign, for a percentage of the gross box office dollar. The best possible initial release for a feature film produced domestically is in theatrical, i.e., in a theatre. Not all films earn the esteem that a theatrical release will garner. A theatrical release does, however, drive the price for the rest of media (home video, pay television, etcetera) releases upward. For a picture in initial release, the exhibitor will split the revenue derived from the ticket purchases ("box office gross") with the distributor. The percentage of those moneys derived from this and then remitted to the distributor is known as "film rentals," and will customarily diminish over the length of time a film is playing. Depending on the distribution agreement, the producers/investors are entitled to a percentage of film rentals, after the distributor recoups its distribution fee, P&A expenses and distribution expenses.

The other media for the picture are calculated in a similar fashion, in that a home video company, e.g., Blockbuster, will pay an amount to the distributor for the rights to stock its video stores with the title. From this amount of money the distributor will deduct its distribution fee, advertising costs and other distribution expenses in order to recoup its costs. The producers/investors then receive their agreed upon revenues as per the distribution agreement.

As with theatrical releases and home video, so is it with television (cable, pay, pay-per-view and free) and ancillary rights. The sum total of those moneys received by the distributor from the exploitation of all rights that it is entitled to exploit per the agreement are called the "distributor's gross."

For the most part, every distribution agreement is different, though there are similarities common to all. The distributor receives a distribution fee, which is the distributor's percentage of the profits it will receive from gross dollar one. The distributor is then entitled to recoup its marketing costs and its distribution
expenses. The remaining sum is due to the producer/investor, and is generally called the producer's gross or the net sum.

The reality of the marketplace is that the motion picture business is highly speculative. On the average, films lose money or they merely earn their budgets back. A large part of this phenomenon may be attributed to distribution companies over-spending on the marketing and distribution expenses of a film. These expenditures are then deducted from the gross profit of the film, though after the distributor takes its distribution fee. Therefore, the picture's profit is already diminished by the distributor's share, and then hit with expenses that make it hard for a film to earn a profit.

Independent producers and production companies that have insight into distribution companies are at an advantage when negotiating for a film's distribution agreement. It is in the best interest of Big Score Productions, and hence the investors, for the Company to seek a distribution advance against revenues, or to seek a negative pick-up, from a distribution company. The former means that in exchange for the rights to "Big Score," a distribution company pays the Company a sum of money upfront. Portions of this money can then be used to recoup those moneys expended in the production process. While many distributors do not pay advances on features, it is an important strategy for a producer to know and utilize when speaking with distributors. A negative pick-up means that a distributor pays for the actual cost it took to create the negative of the picture. This cost factors in development, pre-production, production and post-production. Depending on the distribution agreement, the relationship can end there with the distributor buying the producer out, or the producer can then share in net proceeds from the film once the distributor has recouped its distribution fee, negative pick-up price, marketing and distribution costs.

There is an active market for completed motion pictures with virtually all studios and independent companies seeking to acquire completed films. These acquisitions are influenced by the film's elements, i.e., quality of story, cast members, production values, and how many other films of similar genre or theme are already being, or have been distributed by the distributor in the past.

Independent distributors have an advantage in releasing low-budget films, because they have the experience and patience necessary to handle the slower "platform" method of release. A platform release strategy encompasses opening a film in a few cities, eventually building on a film's notoriety, and adding more cities to the picture's schedule. Positive word of mouth, festival success and strong reviews all add to a film's platform. "Sling Blade," and many other smaller films, have benefited greatly from this type of release strategy. "Sling Blade," released by Miramax, started in a few cities, and as it gained popularity (even winning an Oscar for Best Screenplay adapted from another medium), it grew to more cities and theatres. The film that started as a smaller "art house" film grew into a mainstream hit, playing multiplexes about the country.

Studios on the other hand, have extensive resources with which they can finance a number of prints, and have guaranteed exhibition of their product. This means that a
film can be seen by large numbers of people at any given time. This also means that if the film fails at the box office, it becomes much harder for it to recoup its costs in the other areas of rights exploitation, as the film is seen as having been a failure in the marketplace. A film's success or failure at the box office can directly affect its success in all other arenas. Another advantage to the studio distribution system is that as the studios merge with larger corporate conglomerates, they often add arms of television stations and cable systems, witness Time Warner, which owns Warner Bros., which owns the independent network the WB. Time Warner also owns Ted Turner's media empire, including CNN, Turner Pictures and New Line Cinema. Viacom owns Paramount Pictures, which owns UPN (the United Paramount Network). Viacom owns Spelling Entertainment (Aaron Spelling's company) and Blockbuster Entertainment.

Each system, whether it be studio or independent, offers advantages and disadvantages as regards the distribution strategy for "Big Score." Whether or not Big Score Productions will negotiate with an independent distributor or a studio depends on which distributor will offer the film the strongest release pattern, platform or wide, with as many people seeing the film as possible. This must be balanced with the film's potential profitability, thereby ensuring the producer/investor a return on their investment.
INVESTMENT OPPORTUNITY AND FINANCIAL HIGHLIGHTS

Investment in the film industry is highly speculative and inherently risky. There can be no assurance of the economic performance of any motion picture since the revenues derived from the production and distribution of a motion picture depend primarily on its acceptance by the viewing public, which is a factor that cannot be predicted. The commercial success of a motion picture also depends on the quality and acceptance of other competing films released into the marketplace near, or at the same time, general factors such as prosperity of the economy, and other tangible and intangible factors.

Every studio, has at one time in its history, counted on a film's success only to have the film perform poorly in the marketplace. There are no guarantees in the film business of a motion picture's profitability. In fact, there is the very real possibility that a picture may never turn a profit for either the distributor, the producers or the investors. There are, however, ways to stack the deck in favor of a film's success.

A producer is already ahead of most others by having a solid, quality script with an interesting story. This gem of a script then has the very real chance of attracting name talent, i.e., that talent that is known by the viewing public. Not every role (character) contained within a script is played by name talent. It does help an independent film's chance of success if one or two actors in the picture are recognizable to the general audience. Another way an independent producer is able to incline a film toward success is to ensure that the production value of the film is high. In essence, the concept of production value is based upon the principle, "It takes money, to make money." An independent producer spends his budget wisely to ensure that the film's final look says quality, and a job well done.

FINANCING PLAN

Big Score Productions proposes to secure all production financing from equity partners via limited partnership investment. With production funding in place from independent investors, the Company can negotiate the most advantageous distribution deal. Management can choose to wait until principal photography has started to talk to distributors so that they will be able to view the professional quality of the film; for a new company this is highly beneficial. This strategy allows the maximum amount of flexibility in a rapidly changing marketplace wherein the availability of product is in constant flux.

Many factors affect the financial projections for a film. A film's commercial appeal is the most important factor in determining its financial success, followed closely by the agreement with the distributor. Being able to self-finance the production of a film puts the Company in the strongest position to control the quality and costs of the film along with striking the best financial arrangements with the various distribution channels.

Again, one of the most important requirements of any independent film producer is to secure the best distribution deal for the film with a distributor who will commit financial resources and secure a favorable distribution release pattern. This is key to a film's success, because when a distributor commits moneys to the prints and
advertising budget for to a film, it desires to see the picture be a success, thereby attaining a profit. The distributor does this by securing enough screens for the film to ensure that enough members of the viewing public pay admission price for the picture (Box Office receipts). As with any business, when revenue exceeds costs, there is profit.

**RETURN ON INVESTMENT**

It was Will Rogers who said that, "The only thing more important than the return on my investment is the return of my investment." Big Score Productions is confident that it will create a motion picture that audiences will enjoy, thereby reaping the financial rewards of doing so. The Company cannot guarantee that the film will be profitable, or even earn back its budget, but will stand behind its commitment ensuring that the most reasonable distribution deal possible will be sought and executed.

The Company proposes to payback the film's investors (limited partners) in the following way:

(i) From the Producer's Gross Income, the Company will cover any and all outstanding production expenses not covered by the production budget, for example, deferred pay of talent salaries or other such costs.

(ii) After the deduction of any deferred fees or outstanding expenses, the Producer's Gross Income will go directly to the limited partners proportionate to (pro rata) each individual investment. Moneys will be disbursed to each limited partner at the same time (pari passu) as all other limited partners.

Accounting statements from distribution companies are generally handled on a quarterly basis for the first two years of the distribution agreement, and thereafter semi-annually for a period of two years. Accounting statements are then handled on an annual basis. Generally, the distribution company is responsible for providing statements and paying any sums due to the production company within sixty days of the close of the quarter. The Company will provide the limited partners with accounting statements and payments due and owing, if any, within sixty days of the receipt of those statements and moneys from the distributor.

(iii) Once each limited partner has recouped his/her initial investment, then any additional moneys earned will be divided between the producers and the limited partners on a fifty/fifty basis.
ASSUMPTION FOR FINANCIAL TABLES

Distributor's Gross Profit -- The total sum of gross revenues the distributor receives from all financial sources worldwide, before its recoupment of any expenses. A typical revenue disbursement for films is (i) the distributor deducts its distribution fee; (ii) expenses for prints and advertising (P&A) are then paid back; (iii) any additional distribution costs incurred by the distributor are recouped.

Producer's Gross Profit -- The net sum of money due to the producer/investor after the distribution company has deducted its fee and any and all costs incurred in the distribution and marketing of the film from gross revenues. Producer's Gross Profit is also sometimes called the Producer's Net.

The Production Cost or Budget -- The Production Cost covers only those expenses incurred which leave the Company with a master print of the film. All marketing costs are included under P&A, and are the responsibility of the distributor.

Producer/Investor Recoupment -- This term represents projected revenue after the distributor's fees and expenses have been deducted.

1. Table 1 reflects domestic theatrical grosses for independent films that were at the blah blah blah Film Festival. In terms of notoriety for, and determination of, an independent film's chances for a domestic theatrical release, blah blah blah may be called the most important United States festival at which to premiere. Though the film festival does not guarantee a theatrical release for a well-received film, it does provide a platform for distributors to gauge a film's viability in the marketplace, since the festival is heralded by the industry as the place to find the next commercially viable independent picture. Notwithstanding the foregoing, there are other festivals in which a film can premiere and still earn recognition from critics and distributors. Cannes is an excellent example of one such type festival, as are the Berlin and Amsterdam film festivals.

2. Table 2 reflects projected sales income by territory for those films in budget ranges of approximately $1 to $3 million, and $3 to $6 million dollars.

3. Using Table 2 as a basis, Table 3 projects the amount of potential revenue and income Big Score Productions predicts the motion picture "Big Score" will earn. Several factors, any one of which can drive a film's earning potential upward or downward, must be remembered when attempting to project potential film revenues. The projections are by no means a hard and fast rule, and are not to be taking as anything more than reasonable estimations. Since any numbers a film earns are in the end determined solely by the public's acceptance and willingness to see any one film, it is difficult to say with certainty exactly how much a film is worth in the marketplace.

Table 3 begins with the domestic territory (the United States & Canada) and estimates the expected range of theatrical rentals, home video and television revenues which will be earned by the distribution company (Distributor's Gross Income). The table then reduces the Distributor's Gross Income by an industry
average distribution fee of 25%. This amount is then further reduced by the
 distributor’s costs for P&A. The net sum payable to the producer/investor is the
 Producer's Gross Income.

The foreign territory projections assume that even though "Big Score" is being
 produced for a budget of five hundred thousand dollars, the finished film, if it was
 produced within the parameters of the studio system would cost close to three
 million dollars, if not more. Therefore, the projected revenue per territory is based
 upon the numbers used in Table 2. In general, the "lows" correlate directly to the
 "lows" in Table 2. Being conservative, the "highs" in Table 3 are reduced by one-half
 the high number for Films Budgeted At $3 million in Table 2. In those cases for Table
 3 where either the low or high number for a territory has been reduced below, or
 raised above, the numbers in Table 2, it is due to distributor source material that has
 proven to be a more accurate reflection of potential revenue from that territory.

On average, the distribution fee a distributor charges for distributing a film
 internationally may be slightly higher than its domestic counterpart. Therefore, Table
 3 reflects a thirty-five percent distribution fee. P&A expenses, and sub-distribution
 expenses, are generally handled by the specific buyer in the territory for which the
 rights to the picture are being licensed for, e.g., a German distributor will pay for its
 own P&A costs. The domestic distributor receives a fee for the specific right being
 licensed to the buyer, plus a percentage of the net due to it after the buyer recovers
 its costs (a royalty payment). Typical Distribution Expenses (calculated at 35%) are
 the expenses incurred by the distributor in taking a film to the many international
 markets (e.g., the American Film Market, Cannes, MIFED, London Screenings, et. al)
 for the sale or license of the rights to the picture to international buyers or clients.

4. Table 4 shows the number of major studio features produced in 1993, and
 compares them to the number of independent films produced in the same year.
 Independents lead the studio system in both the Theatrical Feature category and the
 Direct-To-Video category.

5. Table 5 reflects the gross yield of independent films when compared to other
 types of investments.

6. Using a pie graph, Table 6 shows the percentage of revenue derived from the
 international theatrical, home video and television rights and the exploitation
 thereof.