

“ARBITRAGE”

Investment Overview

OPPORTUNITY

[ar·bi·trage] noun : the purchase of the stock of a takeover target, especially with a view to selling it profitably to the raider

ARBITRAGE is a feature-length theatrical film starring Al Pacino, Drake, and Eva Green that begins production March 21, 2011 in New York City.

Investment in the picture provides the possibility of significant return on equity (ROE) with limited downside risk.

The filmmakers have assembled an Academy-award winning cast and crew poised to deliver a successful aesthetic and financial outcome.

CAST



Al Pacino



Eva Green



Michelle Monaghan



Susan Sarandon



Drake



Edgar Ramirez

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CAST / FILMMAKER CREDITS

“Robert Miller” – Al Pacino

(“You Don’t Know Jack,” “Ocean’s Thirteen,” “The Insider,” “Heat”)

“Jimmy Grant” – Drake

(Multi-award Platinum recording artist, feature-film debut)

“Ellen Miller” – Susan Sarandon

(“Wall Street: Money Never Sleeps”, “The Lovely Bones,” “In The Valley of Elah”)

“Julie Cote” – Eva Green

(“Casino Royale,” “The Golden Compass,” “Camelot”)

“Brooke Miller” – Michelle Monaghan

(“Due Date,” “Gone Baby Gone,” “Mission Impossible III”)

“Det. Michael Gower” – Edgar Ramirez

(“Carlos,” “Che: Part One,” “Vantage Point”)

Writer / Director – Nicholas Jarecki

(“The Outsider,” “The Informers,” “Tyson”)

INVESTMENT OVERVIEW

ARBITRAGE, LLC is seeking an equity investment of \$2.7MM.

Funds will be required for 18 months, starting January 10, 2011.

Investors will recoup their equity plus a 25% preference.

After preference, investors receive 30% of all ongoing revenues.

FUNDS USE AND CAPITAL STRUCTURE

Funds sought will be used to capitalize production of “Arbitrage.”

The total cash budget of the film is \$9,642,846

6.95MM has already been raised.

Funds will come from the following sources:

<u>Source</u>	<u>USD</u>
Bank Loan	6,142,846
Jarecki Cash Equity	500,000
“Zappos” Branding	300,000
Investor	2,700,000
<u>TOTAL</u>	<u>9,642,846</u>

PRODUCTION VALUE

ARBITRAGE will be photographed in the highest-tier New York locations, including the centerpiece “mansion” location, the famous “Ben Sonnenberg” house on Gramercy Park, often called “the finest private home in Manhattan.”

Other locations, like the “Mudd Club” loft and the “Falcon” will be of comparable value. These locations will be provided by the director at no charge.



UNIQUE COMPETITIVE ADVANTAGES

The total equity pool is 3.5MM

A product placement arrangement has been secured with zappos.com for inclusion of their box in the picture. Zappos will provide 300k in a non-recoupable payment, reducing the total equity pool to 3.2MM.

The film's director, Nicholas Jarecki, will personally invest 500k into the same equity pool and on the same terms with the equity investor.

Jarecki will also defer all writing / directing fees (estimated at 350k), as well as provide the "mansion" location, loft, and plane locations at no charge (estimated value: 450k)

Total contributions from Jarecki have a use value of approximately 1.6MM

PROFORMA FINANCIALS

Equity investors will receive a 25% preferred return on their investment as well as 30% of ongoing revenues. A mini/max draft P&L below shows a healthy return based on reasonable, demonstrable assumptions:

REVENUE		Low	High
FOREIGN SALES			
Foreign Sales Closed		4,387,000	4,387,000
Foreign Sales Remaining		3,465,000	4,422,000
Total Foreign Sales		7,852,000	8,809,000
DOMESTIC (net)		2,250,000	4,250,000
NY TAX CREDIT		1,950,000	1,950,000
Total Revenue		12,052,000	15,009,000
Less Production Loans		(6,694,875)	(6,694,875)
		5,357,125	8,314,125
Less Costs			
Marketing Fee		(75,000)	(75,000)
Distribution Expenses		(80,000)	(80,000)
Foreign Sales Fee (some already paid from deposits)	7.5%	(309,141)	(380,916)
Guild Residuals	5.6%	(565,712)	(731,304)
Foreign Withholding Tax	1.0%	(78,520)	(88,090)
Collection / Accounting Fees	0.6%	(43,186)	(48,450)
		(1,151,559)	(1,403,759)
Total Revenue net of Sales Costs		4,205,566	6,910,366
Equity Investment		(3,200,000)	(3,200,000)
Gross Profit		1,005,566	3,710,366
Equity Preferred Return	25%	(800,000)	(800,000)
Net Profit		205,566	2,910,366

THE DEAL / RECOUPMENT

Production budget is 9.64MM

Bank loans and deposits will net 6.14MM to production

Zappos will net 300M to production

Equity will provide 3.2MM

Recoupment schedule and order is as follows:

Participant	Amount	Notes
Debt Provider ("Bank")	\$6,142,846	First, to any debt provider that funds a portion of the Approved Budget until they have received their principal plus interest
Private Equity	\$4,000,000	Second, to Financier's recoupment of the Financing Amount, plus a preferred return of 25% thereon.
Deferral Recipients		Third, to the payment of all deferrals granted to third parties (e.g. actors, producers, director.) Amounts still in negotiations
Profit Participants		Fourth, all remaining sums shall be divided pro rata, pari passu.

Equity investment will be out for approximately 18 months (blended)

Base ROE is projected at 19.5% per annum

SALES PLAN

Graham King's GK Films has pre-sold the picture for theatrical release to the top-tier film distributors in over half the countries of the world, including: Germany, Spain, France, and 10 other central territories.

After shooting begins, sales will continue. By the end of 2011, distribution will be secure for the rest of the world, with the United States sold by mid-2012.

Foreign (non-US) sales to date total \$4.39MM.

Projected remaining foreign sales range between \$3.46-4.42MM

US sales will be made after premiere at a festival (Cannes, Toronto, Sundance) or in private screenings.

US sales are estimated between \$2.5-4.5MM

CLOSED SALES DATA FROM GK FILMS

Territory	Client	Original Projected MG	Actual
Iceland	Myndform	\$5,000	\$7,500
India/Pakistan/Sri Lanka	Italia	\$15,000	\$25,000
Portugal	Pris	\$35,000	\$35,000
China	DDDream	\$30,000	\$45,000
Switzerland	Ascot	\$75,000	\$100,000
Taiwan	SSG	\$60,000	\$100,000
Turkey	Pinema	\$75,000	\$100,000
Greece/Cyprus	Italia	\$90,000	\$150,000
Middle East	Italia	\$100,000	\$150,000
Bulgaria	SPI	\$300,000	\$350,000
Scandinavia	Svensk	\$325,000	\$350,000
Spain	Tripics	\$375,000	\$375,000
CIS/Baltic States	MGN	\$325,000	\$400,000
Brazil / Mexico	Swen inc Mex	\$450,000	\$575,000
France	Metropolitan	\$575,000	\$575,000
Germany ex Switzerland	Wild Bunch	\$1,150,000	\$1,050,000
TOTAL		\$3,985,000	\$4,387,500

“THE BET”

The success of the equity investment is conditioned solely on the following:

Will the remaining foreign sales come in near target numbers?

Will US sell for near our projections?

If the answers are yes, the investor profits substantially. The success of remaining sales are primarily conditioned on the quality of the ultimate picture (as well as GK's strong relationships with foreign distributors).

As the picture is bonded to the budget, it cannot go over-budget without the approval of investors and the bond company (which rarely, if ever, will approve this idea). Thus, downside risk is limited.

NOT YOUR AVERAGE FILM DEAL

Typically, studios finance production by themselves, or use outside capital to finance their slates in asymmetric deals.

Independent productions most often must finance their entire budget with equity investment, and hope to sell their film at a festival upon completion.

Our structure provides foreign sales, tax credits, product placement, and bank loan backing to cover 71% of the production's costs, with only a 29% equity gap.

The bank does not participate in any upside above low interest charges (LIBOR +4%).

We received Minimum Guarantees (MG's) from our foreign distributors, thus we need not worry about expenses or profit sharing in the various territories.

US has enormous upside potential through an MG or Gross Corridor arrangement (where the distributor advances significant P&A) – and US can be decided upon later.

RISK MITIGATION

Substantial foreign sales have already been made.

The draft P&L shows a break-even at \$1.25MM in US sales.

DVD value on the title and cast alone is estimated at \$1.5-2MM.

If the sky falls, foreign sales are half of estimates, and the picture is disastrous, loss is strongly capped.

DUE DILIGENCE

The foreign sales results and remaining estimates are attached to this document. The terms of each contract are detailed in the attached “Finance Plan: Exhibit A.”

We can provide our distributor agreements for verification.

The budget is also attached, and will be bonded by Film Finance, Inc., the world’s largest completion guarantor.

PRODUCTION PERSONNEL

Producers / EPs:

Laura Bickford (Oscar-nominee: “Traffic,” “Che,” “Duplicity”)

Robert Salerno (Oscar-nominee: “A Single Man,” “21 Grams”)

Kevin Turen (“The Fields” – new Sam Worthington picture)

Brian Young (“The Runaways”)

Camera / Design:

Yorick Le Saux (“I Am Love,” “Swimming Pool,” “Carlos”)

Beth Mickle (ISA-nominated: “Drive” – new Carrie Mulligan picture)

CONTACT

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