



PRODUCTION MODEL OVERVIEW

Studio Capital Partners (SCP) is pleased to present strategies for increasing production investment value by offering more creative options and reducing costs without affecting processes. By simply applying time proven business principals SCP can significantly lower overall production costs while increasing production quality.

The described SCP model and case study examples are considered “living” documents. SCP is currently investigating supplemental operating and production tax strategies while further developing this model. Operating metrics such as state production incentives are dynamic but up to date for this presentation. The states of North Carolina and Georgia are used as production incentive examples for the case studies but other production incentive states and countries may be placed in the model.

The SCP model reformats legacy production methods by effectively reducing production, on-screen talent and content creation costs while increasing production options. Content owners and creators are able to realize more cost control through the efficiency processes described here while getting more value from their production dollars.

NO RISK INNOVATION: The production processes put forth by SCP are the same processes which have been used for decades. Production tax incentives and economies of scale are proven business principles and are simply applied to the production process.

CREATIVE QUALITY: Production incentives do not affect the on-screen content quality in any way; they create a straight cost discount. All the same quality of goods, services and personnel go into the production. Because these costs are incentivized they are simply less expensive at absolutely no sacrifice to content quality.

The model dramatically increases casting options for on-screen talent. SCP strategies also reduces budget “overage” stress by the fact that desired on set shooting options not in the original specs can possibly be achieved because of overall lower costs.

ACCRETIVE BENEFITS: The SCP model is not a “hit and run” cost cutting measure, it is an efficiency process. As the SCP process becomes integrated the client savings and benefits become accretive.

GENERAL PRODUCTION COSTS: The direct production costs and tax calculations in the accompanying case studies are conservative. Greater savings are anticipated in practice.

Q & A

Q: If shooting in a production incentive state, does the project use only on-screen talent from that state?

A: No. The case studies include casting in Los Angeles or NY *in addition* to casting from the production incentive state's talent pool. This *significantly increases* on-screen talent choices for creative.

Q: Can an SCP entity production use any director?

A: Many directors will work under the SCP model. The case studies budgeted equal directorial rates as offered by any traditional commercial production company. Occasionally, on any project, directors are unavailable due to scheduling or contractual conflicts. Many directors will work through the SCP production model as long as their key people are able to participate, their vision is supported and the content is attractive.

Q: Some directors we might want to use are signed exclusively with traditional commercial production companies; does this mean we can't use these directors?

A: Not necessarily. The director may want the work and make an exception, or his/her production company may wish to make a loan out arrangement to better the reel. SCP operates in a fluid manner; agencies and their clients will work outside SCP to accommodate specific projects that require a director who is exclusively signed with a traditional commercial production company. The SCP model is not mandatory so it gives the client and agencies the opportunity to pursue a specific director for any type of project while still reaping the overall financial benefits created by the SCP model on other projects. However, directorial talent is evolving towards the Hollywood studio model; directors more and more are working non-exclusively to keep their options open and using traditional production entities as representation or marketing vehicles.

Q: What types of production benefits from the SCP strategies?

A: The SCP strategies benefit many types of production, whether shot on location and/or in the studio. But if you need to shoot at a specific location like the Eiffel Tower, the production is subject to production incentives in France and SCP may not be an advantage. The four case studies describe commercials; but branded content, digital, web and interactive initiatives as well as episodic or single program productions also can benefit.

Q: As these strategies are still developing, where do you see changes occurring?

A: The case studies account for early stage economies of scale. SCP anticipates greater cost control with greater volume. As the SCP model grows, clients and agencies will have greater control of personnel, goods and service costs as well as greater input

towards state tax incentive legislation, reduced markups and a general increase in efficiencies. Other production spend areas such as post production and agency creative compensation were not included in the case studies or are still being investigated. These production cost elements can further drive efficiencies.

Q: How accurate are the SCP entity case studies?

A: SCP's professionals have extensive experience in all phases of the media production. SCP has been extremely conservative in its estimations. Reviewing the case study supporting documentation (available upon request) will indicate that tax calculations, certain logistical assumptions and costs were given reasonable "worst case" status.

