



MASQUE

S T U D I O S U T A H

FINANCIAL INFORMATION



C A P I T A L R E Q U I R E D

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D E B T / E Q U I T Y



INITIAL SLATE OF FILMS TO COMMENCE:

NONSTERS	Cost: \$30,000,000
NONSTERS 2	Cost: \$40,000,000
THE RACE	Cost: \$25,000,000
THE HILL	Cost: \$15,000,000
SANTA'S MAP	Cost: \$15,000,000

TELEVISION SERIES TO COMMENCE:

CELEBRITY FACE OFF	Cost: \$6,000,000/240 Episodes
LADIES WHO LUNCH	Cost: \$2,600,000/26 Episodes

FILMS AND TELEVISION	\$133,600,000
STUDIO BUILD	\$106,398,388
DISCRETIONARY/ CONTINGENCY	\$10,000,000

TOTAL REQUEST:	\$250,000,000
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**Masque Studios Utah
Expense Pro-Forma**

Project Name: Masque Studios Utah
Date File Last Modified: 5/11/16
Print Date and Time: 10/11/16 7:19 AM
City: Park City, Utah

Building Grouping

Sound Stages Movies	96,000.00
Sound Stages TV	72,000.00
Sound Stage Support	80,650.00
Production Office	15,000.00
Animation	11,500.00
Retail	20,000.00
Masque Corporate	11,000.00
Masque Theater	25,000.00
Post Production	10,000.00
	341,150.00

Key assumptions:

Land			
Total Land Developed	AC	40,000	
Land Area (acres) Commercial/Industrial	AC	7.832	20%
Total Developed Land Area	AC	32.168	20%
Land Cost (per SF):	\$/SF	\$1.76	

Buildings

Sound Stage 1	SF	24,000.00	
Sound Stage 2	SF	24,000.00	
Sound Stage 3	SF	24,000.00	
Sound Stage 4	SF	24,000.00	
Sound Stage 5	SF	18,000.00	
Sound Stage 6	SF	18,000.00	
Sound Stage 7	SF	18,000.00	
Sound Stage 8	SF	18,000.00	
Production Office	SF	15,000.00	
Grip Warehouse	SF	15,000.00	
Electrical Warehouse	SF	15,000.00	
Post Production Mix Stage	SF	10,000.00	
500 Seat Theater with Conference	SF	25,000.00	
Masque Corporate	SF	11,000.00	
Prod. Design / Art	SF	20,000.00	
Mill & Special Effx's	SF	20,000.00	
Animation Facility	SF	5,000.00	
Animation Stage	SF	6,500.00	
Restaurant & Commissary	SF	10,000.00	
Retail Food Court	SF	10,000.00	
Main Entrance Guard Gate	SF	650.00	
Transportation Dept.	SF	10,000.00	
Total	SF	341,150	7.832 AC

Building Assumptions:

ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 Pre-Engineered Buildings
 Pre-Engineered Buildings
 ICF Block/Conventional Steel Framing
 ICF Block/Pre-Engineered Roof Structure
 Conventional Metal Framing
 Pre-Engineered Buildings
 Pre-Engineered Buildings
 ICF Block/Pre-Engineered Roof Structure
 ICF Block/Pre-Engineered Roof Structure
 Conventional Metal Framing
 Conventional Metal Framing
 Conventional Metal Framing
 Pre-Engineered Buildings

Cost Item	Owner Paid Items	Pro Forma	Cost Per S.F.	% of Subtotals	% of Totals	Variable	Constant
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Land Cost							
Land Cost Commercial Down Payment		\$26,136,000	\$76.61	100%	37%	\$15.00 \$/SF	32.17 acres
Land Cost Commercial Financed		\$0	\$0.00	0%	0%		
Commissions		\$0	\$0.00	0%	0%		1,742,400 = SF
Closing Cost		\$0	\$0.00	0%	0%		
Transfer Tax		\$0	\$0.00	0%	0%		
Subtotal Land Cost		\$26,136,000	\$76.61	100%	37%		

A&D Cost							
Engineering (grading, drainage)		\$320,000	\$0.94	2%	0%	\$0.94	per SF cost 341,150 total SF
Engineering (Site plan, UDOT, Utility)		\$87,000	\$0.26	1%	0%	\$0.26	per SF cost 341,150 total SF
Utilities Coordination		\$6,500	\$0.02	0%	0%	\$0.02	per SF cost 341,150 total SF
Survey Alta/Topo		\$65,000	\$0.19	0%	0%	\$0.19	per SF cost 341,150 total SF
Traffic Impact Study		\$15,000	\$0.04	0%	0%	\$0.04	per SF cost 341,150 total SF
Traffic Impact Study (Update)		\$2,500	\$0.01	0%	0%	\$0.01	per SF cost 341,150 total SF
Fire/Public Safety Impact Fee		\$0	\$0.00	0%	0%	\$0.00	From COUNTY DEVELOPMENT
Traffic Impact Fee		\$0	\$0.00	0%	0%	\$0.00	From COUNTY DEVELOPMENT
Drainage Impact Fee		\$0	\$0.00	0%	0%	\$0.00	From COUNTY DEVELOPMENT
Power Fees		\$450,000	\$1.32	3%	1%	\$1.32	Based on PNM Residual Credits to zero out UEC Fees
Water/Sewer Impact Fee:		\$250,000	\$0.73	2%	0%	\$7.200	Cost per 2" meter: \$45,000
Gas Supply Fee		\$150,000	\$0.44	1%	0%	\$0.00	
Fire Protection:		\$7,500	\$0.02	0%	0%	\$0	Based on 16% of project SF.
Storm Drain/Retention:		\$4,500	\$0.01	0%	0%	\$0	Based on 10% of project SF.
Site Work Offsite		\$1,149,984	\$3.37	8%	2%	\$1.00	per SF cost 1,149,984 total SF
Site Work Onsite		\$9,199,872	\$26.97	61%	13%	\$8.00	per SF cost 1,149,984 total SF
Off-Site Improvement Cost (outside of site cost)		\$45,000	\$0.13	0%	0%		Based on
Fencing (LF)		\$547,500	\$1.60	4%	1%	15000	Cost per linear foot: \$36.50
Sidewalk (SF)		\$227,500	\$0.67	2%	0%	6500	Cost per square yard \$35.00
Drive Entrances(EA)		\$55,500	\$0.16	0%	0%	3	Cost per Entrance: \$18,500.00
Work Order SAS, DW, SD(EA)		\$8,800	\$0.03	0%	0%	8	Cost per Each: \$1,100.00
Access Controls at Entrances (EA)		\$18,000	\$0.05	0%	0%	4	Cost per Each: \$4,500.00
Street Lights (EA)		\$172,500	\$0.51	1%	0%	115	# of streetlights/\$ per 1,500
Offsite Landscape (SF)		\$27,625	\$0.08	0%	0%	8500	per SF cost \$3.25
Asphalt (SF)		\$0.00	\$0.00	0%	0%	1120	Cost per SF: \$4.25
CMU Walls (LF)		\$181,250	\$0.53	1%	0%	1450	Cost per LF: 125
Inspection Fees (charged by city)		\$29,084	\$0.09	0%	0%	0.25%	Based on .25% of Site Work
Sales Receipts Tax		\$910,324	\$2.67	6%	1%	7.825%	NMGR T Bernalillo
Contingency Site work		\$1,114,475	\$3.27	7%	2%	8.0%	
Subtotal A&D Cost		\$15,045,414	\$44.10	100%	21%		per SF cost 341,150 total SF

Vertical Cost							
Architectural Design		\$1,780,095	\$5.22	5%	3%	\$5.22	6.00% per SF cost 341,150 total SF
Plan Review Fees		\$74,171	\$0.22	0%	0%	\$0.22	0.25% PerDevelopment Services-All buildings Mercantile
Permit Fees		\$74,171	\$0.22	0%	0%	\$0.22	0.25% PerDevelopment Services-All buildings Mercantile
Design Review Fees		\$29,668	\$0.09	0%	0%	\$0.09	0.10% PerDevelopment Services-All buildings Mercantile
Feasibility Study		\$50,000	\$0.15	0%	0%	\$0.15	
Space Design Consultant		\$120,000	\$0.35	0%	0%	\$0.35	

Acoustical Consultant	\$160,000	\$0.47	0%	0%	\$0.47				
Interior Designer	\$83,000	\$0.24	0%	0%	\$0.24				
Entitlement Consultant	\$120,000	\$0.35	0%	0%	\$0.35				
Utah Tax incentive Consultant	\$120,000	\$0.35	0%	0%	\$0.35				
Geo Tech	\$3,500	\$0.01	0%	0%	\$0.01	per SF cost	341,150	total SF	
Landscape Design Fees	\$69,000	\$0.20	0%	0%	\$0.20	per SF cost	341,150	total SF	
Legal and Zoning	\$15,000	\$0.04	0%	0%	\$0.04	per SF cost	341,150	total SF	
Real Estate Taxes (First Year) Estimate	\$25,000	\$0.07	0%	0%	\$0.07	per SF cost	341,150	total SF	
Site Signage	\$22,000	\$0.06	0%	0%	\$0.06	per SF cost	341,150	total SF	
Phase 1	\$1,500	\$0.00	0%	0%	\$0.00	per SF cost	341,150	total SF	
Site Security	\$18,000	\$0.05	0%	0%	\$0.05	per SF cost	341,150	total SF	
Security System	\$4,500	\$0.01	0%	0%	\$0.01	per SF cost	341,150	total SF	
Telephone Distribution	\$5,500	\$0.02	0%	0%	\$0.02	per SF cost	341,150	total SF	
Outdoor Central Signage	\$45,000	\$0.13	0%	0%	\$0.13	per SF cost	341,150	total SF	
Office Furniture	\$65,000	\$0.19	0%	0%	\$0.19	per SF cost	341,150	total SF	
Outdoor Furniture	\$25,000	\$0.07	0%	0%	\$0.07	per SF cost	341,150	total SF	
Wifi/Fiber Optic Distribution	\$15,000	\$0.04	0%	0%	\$0.04	per SF cost	341,150	total SF	
Appraisal	\$0	\$0.00	0%	0%	\$0.00	per SF cost	341,150	total SF	
Leasing commissions Outside Broker	\$0	\$0.00	0%	0%	\$0.00	per SF cost	341,150	total SF	
Leasing commissions Taxes	\$0	\$0.00	0%	0%	\$0.00	per SF cost	341,150	total SF	
Marketing	\$120,000	\$0.35	0%	0%	\$0.35	per SF cost	341,150	total SF	
Insurance General Liability/Premise (First Year)	\$12,500	\$0.04	0%	0%	\$0.04	per SF cost	341,150	total SF	
Insurance Builders Risk (12 months at 7200\$/MO)	\$86,400	\$0.25	0%	0%	\$0.25	per SF cost	341,150	total SF	
Site Maintenance (Landscaping Year One)	\$52,000	\$0.15	0%	0%	\$0.15	per SF cost	341,150	total SF	
Travel	\$83,200	\$0.24	0%	0%	\$0.24	per SF cost	341,150	total SF	
Accounting	\$20,000	\$0.06	0%	0%	\$0.06	per SF cost	341,150	total SF	
Sound Stage 1	\$1,752,000	\$5.14	5%	2%	\$5.14	\$73.00 per SF cost	24,000	total SF	
Sound Stage 2	\$1,752,000	\$5.14	5%	2%	\$5.14	\$73.00 per SF cost	24,000	total SF	
Sound Stage 3	\$1,752,000	\$5.14	5%	2%	\$5.14	\$73.00 per SF cost	24,000	total SF	
Sound Stage 4	\$1,752,000	\$5.14	5%	2%	\$5.14	\$73.00 per SF cost	24,000	total SF	
Sound Stage 5	\$1,314,000	\$3.85	4%	2%	\$3.85	\$73.00 per SF cost	18,000	total SF	
Sound Stage 6	\$1,314,000	\$3.85	4%	2%	\$3.85	\$73.00 per SF cost	18,000	total SF	
Sound Stage 7	\$1,314,000	\$3.85	4%	2%	\$3.85	\$73.00 per SF cost	18,000	total SF	
Sound Stage 8	\$1,314,000	\$3.85	4%	2%	\$3.85	\$73.00 per SF cost	18,000	total SF	
Production Office	\$1,650,000	\$4.84	5%	2%	\$4.84	\$110.00 per SF cost	15,000	total SF	
Grip Warehouse	\$975,000	\$2.86	3%	1%	\$2.86	\$65.00 per SF cost	15,000	total SF	
Electrical Warehouse	\$975,000	\$2.86	3%	1%	\$2.86	\$65.00 per SF cost	15,000	total SF	
Post Production Mix Stage	\$1,900,000	\$5.57	5%	3%	\$5.57	\$190.00 per SF cost	10,000	total SF	
500 Seat Theater with Conference	\$3,125,000	\$9.16	9%	4%	\$9.16	\$125.00 per SF cost	25,000	total SF	
Masque Corporate	\$1,375,000	\$4.03	4%	2%	\$4.03	\$125.00 per SF cost	11,000	total SF	
Prod. Design / Art	\$1,100,000	\$3.22	3%	2%	\$3.22	\$55.00 per SF cost	20,000	total SF	
Mill & Special Efx's	\$1,100,000	\$3.22	3%	2%	\$3.22	\$55.00 per SF cost	20,000	total SF	
Animation Facility	\$775,000	\$2.27	2%	1%	\$2.27	\$155.00 per SF cost	5,000	total SF	
Animation Stage	\$617,500	\$1.81	2%	1%	\$1.81	\$95.00 per SF cost	6,500	total SF	
Restaurant & Commissary	\$2,100,000	\$6.16	6%	3%	\$6.16	\$210.00 per SF cost	10,000	total SF	
Retail Food Court	\$1,100,000	\$3.22	3%	2%	\$3.22	\$110.00 per SF cost	10,000	total SF	
Main Entrance Guard Gate	\$61,750	\$0.18	0%	0%	\$0.18	\$95.00 per SF cost	650	total SF	
Transportation Dept.	\$550,000	\$1.61	2%	1%	\$1.61	\$55.00 per SF cost	10,000	total SF	
Subtotal	\$32,967,455	\$96.64	93%	47%	\$96.64	per SF cost	10,000	total SF	
Contingency Building	\$2,637,396	\$7.73	7%	4%	\$7.73	8.0% of shell and on-site costs			
Subtotal for Vertical Cost	\$35,604,851	\$104.37	100%	50%					
Tenant Improvement Cost									
Sound Stage 1	\$672,000	\$1.97	7%	1%	\$28.00	per SF cost	24,000	total SF	
Sound Stage 2	\$672,000	\$1.97	7%	1%	\$28.00	per SF cost	24,000	total SF	
Sound Stage 3	\$672,000	\$1.97	7%	1%	\$28.00	per SF cost	24,000	total SF	
Sound Stage 4	\$672,000	\$1.97	7%	1%	\$28.00	per SF cost	24,000	total SF	
Sound Stage 5	\$504,000	\$1.48	5%	1%	\$28.00	per SF cost	18,000	total SF	
Sound Stage 6	\$504,000	\$1.48	5%	1%	\$28.00	per SF cost	18,000	total SF	
Sound Stage 7	\$504,000	\$1.48	5%	1%	\$28.00	per SF cost	18,000	total SF	
Sound Stage 8	\$504,000	\$1.48	5%	1%	\$28.00	per SF cost	18,000	total SF	
Production Office	\$525,000	\$1.54	5%	1%	\$35.00	per SF cost	15,000	total SF	
Grip Warehouse	\$0	\$0.00	0%	0%	\$0.00	per SF cost	15,000	total SF	
Electrical Warehouse	\$0	\$0.00	0%	0%	\$0.00	per SF cost	15,000	total SF	
Post Production Mix Stage	\$450,000	\$1.32	5%	1%	\$45.00	per SF cost	10,000	total SF	
500 Seat Theater with Conference	\$1,875,000	\$5.50	19%	3%	\$75.00	per SF cost	25,000	total SF	
Masque Corporate	\$495,000	\$1.45	5%	1%	\$45.00	per SF cost	11,000	total SF	
Prod. Design / Art	\$200,000	\$0.59	2%	0%	\$10.00	per SF cost	20,000	total SF	
Mill & Special Efx's	\$0	\$0.00	0%	0%	\$0.00	per SF cost	20,000	total SF	
Animation Facility	\$75,000	\$0.22	1%	0%	\$15.00	per SF cost	5,000	total SF	
Animation Stage	\$97,500	\$0.29	1%	0%	\$15.00	per SF cost	6,500	total SF	
Restaurant & Commissary	\$550,000	\$1.61	6%	1%	\$55.00	per SF cost	10,000	total SF	
Retail Food Court	\$150,000	\$0.44	2%	0%	\$15.00	per SF cost	10,000	total SF	
Main Entrance Guard Gate	\$9,750	\$0.03	0%	0%	\$15.00	per SF cost	650	total SF	
Transportation Dept.	\$0	\$0.00	0%	0%	\$0.00	per SF cost	10,000	total SF	
Subtotal	\$9,131,250	\$26.77	93%	13%		per SF cost	65,000	total SF	
Contingency Building	\$730,500	\$2.14	7%	1%		8.0% of shell and on-site costs			
Subtotal for Tenant Improvement Cost	\$9,861,750	\$28.91	100%	14%					
Developer Fee/Const. Mgmt.									
Pre-Construction Fees	\$75,000	\$0.22	0%	0%		of shell and on-site costs			
Leasing commissions Inside Broker	\$0	\$0.00	0%	0%	\$0.00	6%	6.00%	rate/term/com	
Leasing commissions Tax	\$0	\$0.00	0%	0%	7.825%				
Construction Management Fees	\$4,332,401	\$12.70	25%	6%	5.0%	of shell and on-site costs			
Developer Fee	\$12,997,202	\$38.10	75%	18%	15.0%	% of hard costs (lnx 0.15		All Cost	
Subtotal Construction Costs	\$17,404,603	\$51.02	100%	25%					
Financing Fees									
Loan Documentation Fee/UCC/Closing	\$216,620	\$0.63		0%		0.25%			
Land Loan Closing Costs	\$0	\$0.00		0%					
Loan Closing Costs (appraisal, doc fees, title, etc.)	\$35,000	\$0.10		0%					
Land Loan Origination Fees	\$0	\$0.00		0%					
Appraisal	\$18,000	\$0.05		0%					
Construction Loan Origination Fees	\$0	\$0.00		0%	0.00%	loan rig fee	\$	63,839,033	loan
Mezzanine Loan Origination Fees	\$0	\$0.00		0%	0.00%	loan rig fee	\$	-	loan
Land Loan Interest	\$0	\$0.00		0%					
Interest (Construction Loan) (Assume 48 Month Max at Full Amount)	\$2,076,151	\$6.09	3%	\$86,648,015	5.50%			4	amt/rate/pct. out
Interest (on mezzanine loan)	\$0	\$0.00		0%	\$0	0.00%		100%	amt/rate/pct out

Subtotal Financing Costs:	\$2,345,771	\$6.88	3%		
Total Project Costs	\$106,398,388	\$207.51	100.00%		
	Amounts:	Pct		Equity	Sales
Equity assumption in Owner fees (Dev, CM & Comma)	\$0	0.0%	\$0.00	\$0	\$ -
Equity assumption by Owners Cash	\$0	0.0%	\$0.00		
4% Tax Credit (reduced by 8% for sale discount)	\$0	0.0%	\$0.00		
39% New Market Tax Credit (10% for sale discount)	\$0	0.0%	\$0.00		
Equity Capital	\$42,559,355	40.0%	\$1,773.31		
Loan assumption from Bank	\$63,839,033	60.0%	\$2,659.96		
Total Project Costs:	\$106,398,388	100%		\$0	\$0

Masque Studios Utah
Revenue and Investor Pro Forma

Revenue:			Pro Forma									
					SF		Term	Inside Comm Rate	Commission (Inside Broker)	Outside Comm Rate	Commission (Outside Broker)	Security Deposits
<u>Calculation of building Cash Flow(s):</u>			Rate									
Sound Stage 1	\$600,000	\$ 25.00			24,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 100,000.00
Sound Stage 2	\$600,000	\$ 25.00			24,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 100,000.00
Sound Stage 3	\$600,000	\$ 25.00			24,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 100,000.00
Sound Stage 4	\$600,000	\$ 25.00			24,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 100,000.00
Sound Stage 5	\$450,000	\$ 25.00			18,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 75,000.00
Sound Stage 6	\$450,000	\$ 25.00			18,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 75,000.00
Sound Stage 7	\$450,000	\$ 25.00			18,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 75,000.00
Sound Stage 8	\$450,000	\$ 25.00			18,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 75,000.00
Production Office	\$375,000	\$ 25.00			15,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 62,500.00
Grip Warehouse	\$375,000	\$ 25.00			15,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 62,500.00
Electrical Warehouse	\$375,000	\$ 25.00			15,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 62,500.00
Post Production Mix Stage	\$250,000	\$ 25.00			10,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 41,666.67
500 Seat Theater with Conference	\$625,000	\$ 25.00			25,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 104,166.67
Masque Corporate	\$275,000	\$ 25.00			11,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 45,833.33
Prod. Design / Art	\$500,000	\$ 25.00			20,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 83,333.33
Mill & Special Effx's	\$500,000	\$ 25.00			20,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 83,333.33
Animation Facility	\$125,000	\$ 25.00			5,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 20,833.33
Animation Stage	\$162,500	\$ 25.00			6,500.00		1	0.0%	\$ -	0.0%	\$ -	\$ 27,083.33
Restaurant & Commissary	\$250,000	\$ 25.00			10,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 41,666.67
Retail Food Court	\$500,000	\$ 25.00			20,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 83,333.33
Main Entrance Guard Gate	\$125,000	\$ 25.00			5,000.00		1	0.0%	\$ -	0.0%	\$ -	\$ 20,833.33
Transportation Dept.	\$162,500	\$ 25.00			6,500.00		1	0.0%	\$ -	0.0%	\$ -	\$ 27,083.33
Gross Scheduled Annual Income	\$8,800,000				223,000				\$ -		\$ -	\$ 1,079,166.67
Vacancy 10%	\$880,000											
Maintenance Fee	\$0	0.00%										
Management (1.5% Fee included in Maintenance Fee)	\$0	\$440,000										
Adjusted Gross Income	\$7,920,000											
Less: Finance Fees Debt Services Principle/Interest	\$5,055,712	5.00%					20 years					
Loan Percent of Cashflow (DCR)	1.74%	1.25% Min									Average Rents	\$39.46
Loan to Value (LTV)	44.33%	75.00% Max										
Loan to Cost (LTC)	60.00%	88.00% Max										
Effective Gross Income (EGI)	\$2,864,288											
Return On Intial Equity (ROIE)	#DIV/0!											
Less: Depreciation SLN Vertical Construction	-\$268,957											
Less: Depreciation SLN Horizontal Construction	-\$76,666											
Less: Depreciation SLN Equipment Construction	-\$246,544											
Taxable Income	\$2,272,121											
Federal Tax Rate @ 33%	\$749,800	Zero Due to Paper Lose										
NM State Tax Rate @ 4.9%	\$36,740	Zero Due to Paper Lose										
Gross Potential Income after Tax	\$2,864,288											
Return on Intial Equity	6.73%											

<u>Calculation of building sale(s):</u>		
SF	223,000	
Rental rates (NNN)	<u>\$35.52</u>	
Gross Potential Income	\$7,920,000	
Less: Finance Fees Early Termination	\$0	0.00%
Effective Gross Income	\$7,920,000	
Less: Operating Expenses	\$0	0.00%
NOI	\$7,920,000	
Cap rate:	<u>5.50%</u>	
Value	\$144,000,000	
Less: Commission @ 2% and Closing Cost @ 1%	\$139,680,000	
Gross Profit After Sale	\$75,840,967	
Return on Initial Equity	178.20%	
Value per SF	\$645.74	

<u>Calculation of building sale(s): Breakeven</u>		
SF	223,000	
Rental rates (NNN)	<u>\$35.52</u>	
Gross Potential Income	\$7,920,000	
Less: Finance Fees Early Termination	\$0	0.00%
Effective Gross Income	\$7,920,000	
Less: Operating Expenses	\$0	0.00%
NOI	\$7,920,000	
Cap rate:	<u>11.91%</u>	
Value	\$66,498,993	
Less: Commission @ 4% Based on Loan Assumption	\$63,839,033	
Gross Profit After Sale Based on Loan Assumption	\$0 Even	



PRO FORMA
INCOME STATEMENT

☒ Post-Production Expenses/Income
☐ Sound Stage Expenses/Income

	2017	2018	2019	2020	2021
Revenue					
Television					
1/2 Hour-12 episodes	\$ 1,098,000.00	\$ 1,098,000.00	\$ 1,098,000.00	\$ 1,098,000.00	\$ 1,098,000.00
1 Hour 24 episodes	\$ 2,916,000.00	\$ 2,916,000.00	\$ 2,916,000.00	\$ 2,916,000.00	\$ 2,916,000.00
Feature Films					
3 Films	\$ 11,412,500.00	\$ 11,412,500.00			
6 Films			\$ 17,825,000.00	\$ 17,825,000.00	\$ 17,825,000.00
Sound Stages	\$ 12,990,500.00	\$ 19,800,000.00	\$ 19,800,000.00	\$ 19,800,000.00	\$ 19,800,000.00
Total Revenue	\$ 28,417,000.00	\$ 35,226,500.00	\$ 41,639,000.00	\$ 41,639,000.00	\$ 41,639,000.00
Expenses					
Staff Payroll	\$ 1,155,752.00	\$ 1,190,425.00	\$ 1,226,137.00	\$ 1,262,921.00	\$ 1,300,809.00
On call staff payroll	\$ 493,200.00	\$ 493,200.00	\$ 493,200.00	\$ 493,200.00	\$ 493,200.00
Payroll Taxes	\$ 164,895.00	\$ 168,362.00	\$ 193,534.00	\$ 197,212.00	\$ 201,001.00
Employee benefits	\$ 412,238.00	\$ 433,533.00	\$ 498,349.00	\$ 507,821.00	\$ 517,577.00
Insurance	\$ 68,000.00	\$ 56,650.00	\$ 58,350.00	\$ 60,100.00	\$ 61,903.00
Interest Expense(or Sinking Fund)	\$ 1,277,138.00	\$ 1,277,138.00	\$ 1,277,138.00	\$ 1,277,138.00	\$ 1,277,138.00
Lease and CAM costs	\$ 186,005.00	\$ 186,005.00	\$ 186,005.00	\$ 186,005.00	\$ 186,005.00
Office expenses	\$ 30,000.00	\$ 30,900.00	\$ 31,827.00	\$ 32,782.00	\$ 33,765.00
Professional fees	\$ 150,000.00	\$ 150,000.00	\$ 100,000.00	\$ 105,000.00	\$ 110,250.00
Repairs and Maintenance		\$ 20,000.00	\$ 22,000.00	\$ 24,200.00	\$ 26,620.00
Telephone and Internet	\$ 20,000.00	\$ 20,600.00	\$ 21,218.00	\$ 21,855.00	\$ 22,510.00
Travel, housing and entertainment	\$ 260,000.00	\$ 267,800.00	\$ 275,834.00	\$ 284,109.00	\$ 292,632.00
Utilities	\$ 36,000.00	\$ 37,800.00	\$ 39,690.00	\$ 41,675.00	\$ 43,758.00
Total Expenses Post	\$ 4,253,228.00	\$ 4,332,413.00	\$ 4,423,282.00	\$ 4,494,018.00	\$ 4,567,168.00
Total Expenses Studios	\$ 1,616,160.00	\$ 4,095,436.00	\$ 7,962,936.00	\$ 7,962,936.00	\$ 7,962,936.00
Income from Operations	\$ 22,547,612.00	\$ 30,894,087.00	\$ 37,215,718.00	\$ 37,144,982.00	\$ 37,071,832.00
Other Expenses					
Depreciation and amortization (additional fund)	\$ 1,460,220.00	\$ 1,460,220.00	\$ 1,460,220.00	\$ 1,460,220.00	\$ 1,460,220.00
Debt Service	\$ 5,544,000.00	\$ 5,544,000.00	\$ 5,544,000.00	\$ 5,544,000.00	\$ 5,544,000.00
Property Tax	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Income Tax	\$ 11,790.00	\$ 11,790.00	\$ 11,790.00	\$ 11,790.00	\$ 11,790.00
Total Other expenses	\$ 8,016,010.00	\$ 8,016,010.00	\$ 8,016,010.00	\$ 8,016,010.00	\$ 8,016,010.00
Net Income	\$ 14,531,602.00	\$ 22,878,077.00	\$ 29,199,708.00	\$ 29,128,972.00	\$ 29,055,822.00



“NONSTERS” CGI Animation film:



- Far, far, below the surface of the Earth, deep down below New York City is a world that for hundreds of years has significantly affected ours. In this, dark, yet magical place, the greatest and most terrifying MONSTERS on earth were created here. All by one being, The Great Creator, ***The MONSTROCITER***. But long before any of the Monstrociter's final creations were released on Earth, a series of prototypes were discarded. These rejects came to be known as ***NONSTERS***. This is of tale how five rejects from another world meet one big human reject... common goal: Save the Planet from the ULTIMATE DOOMS DAY! It's a wonderful story of redemption, understanding and overcoming the hardest obstacle in life... YOURSELF!
 - Budget: \$30M
 - Animation technology example of Award-Winning Short: <https://vimeo.com/19475041>
 - Produced in Utah and South Africa with our in-house intellectual Animation technology
 - Utah tax credit 25%
 - First release on a slate of 4 CGI Animation films

***See Below for history of CGI-Animation pictures and revenue projections, along with our technology.**



Masque Studios Utah

Net Income Projection to Masque Studios

"NONSTERS" CGI Animation Film

January 17, 2015

Projected Net Revenues

	Worst Case @50%	Intermediate Case	Best Case @150%
	\$ 82,285,452	\$ 164,570,904	\$ 246,856,356
First \$60 million to investor			
	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000
Masque Studios Producer's Fee			
	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Concept Development Fee			
	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Net Cash Distributions			
	\$ 18,285,452	\$ 100,570,904	\$ 182,856,356
37.5% of Balance to Investor			
	\$ 6,857,045	\$ 37,714,089	\$ 68,571,134
31.25% of Balance to Masque Studios			
	\$ 5,714,204	\$ 31,428,408	\$ 57,142,611
31.25% of Balance to Concept Developer			
	\$ 5,714,204	\$ 31,428,408	\$ 57,142,611
Total to Investor			
	\$ 66,857,045	\$ 97,714,089	\$ 128,571,134
Total to Masque Studios			
	\$ 7,714,204	\$ 33,428,408	\$ 59,142,611
Total to Concept Developer			
	\$ 7,714,204	\$ 33,428,408	\$ 59,142,611



Masque Studios Utah

Net Revenues Projections: Based Upon Average CGI

Box Office Revenues

"NONSTERS" CGI Animation Film

January 17, 2015

Net Revenues Projections

Box Office Revenues

Opening Weekend @ 75%	\$	23,693,368
Thereafter @50%	\$	141,753,023
Total Net Box Office Revenues	\$	165,446,391
Distributor Fees @30%	\$	49,633,917
Prints and Advertising	\$	37,000,000
Net to Studios	\$	78,812,474

Source: <http://themovieblog.com/2007/economics-of-the-movie-theater-where-the-money-goes-and-why-it-costs-us-so-much/>

Source: <http://www.onlinemba.com/blog/film-industry->

subscriptions

@10% of retail sales	\$	59,868,469
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Source: <http://digitalcommons.lmu.edu/cgi/viewcontent.cgi?article=1203&context=elr>

Source: <http://online.wsj.com/news/articles/SB1160359>

Merchandising and Licensing

@5% of retail sales	\$	25,889,962
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Source: <http://www.awn.com/animationworld/licensing-101-how-create-additional-revenue-animation->

Total Projected Net Revenues

Box office revenues	\$	78,812,474
PPV, cable, downloads, etc.	\$	59,868,469
Merchandising and Licensing	\$	25,889,962
*Music	\$	-
Totals	\$	164,570,904

*Source data is unreliable



Masque Studios Utah

Gross Revenues Projections: Based Upon Average CGI

Box Office Revenues

"NONSTERS" CGI Animation Film

January 17, 2015

Gross Revenues Projections

Box Office Revenues

Domestic Box Office	\$	126,997,938
Foreign Box Office	\$	188,099,266
Worldwide Box Office	\$	315,097,204

Source: <http://boxofficemojo.com/genres/chart/?id=computeranimation.htm>

subscriptions

Factor: 1.9 x Worldwide Box Office	\$	598,684,687
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Source: <http://talk.payloadz.com/the-movie-digital-downloads-industry-earnings/>

Source: <http://www.inc.com/steve-blank/why-the-movie-industry-cant-innovate-and-the-result-is-sopa.html>

Source: <http://www.onlinemba.com/blog/film-industry-statistics/>

Source: [http://eprints.lse.ac.uk/27040/1/The_business_of_making_money_in_the_movies\(lsero\).pdf](http://eprints.lse.ac.uk/27040/1/The_business_of_making_money_in_the_movies(lsero).pdf)

Merchandising and Licensing

Total all movies (2012)	\$	49,300,000,000
Worldwide gross all movies (2011)	\$	30,000,000,000

Factor: 1.6433	\$	2
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	\$	517,799,235
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Source: <http://www.thewrap.com/movies/article/movie-and-tv-character-licensing-revenues-hit-493b-2012-97506>

Source: <http://talk.payloadz.com/the-movie-digital-downloads-industry-earnings/>

CD and Music Download Sales

*Music downloads (56%)	\$	-
*CD sales (44%)	\$	-
Total	\$	-

Source: http://en.wikipedia.org/wiki/Music_download

* Source data is unreliable

Total Projected Gross Revenues

Box office revenues	\$	315,097,204
PPV, cable, downloads, etc.	\$	598,684,687
Merchandising and Licensing	\$	517,799,235
*Music	\$	-
Totals	\$	1,431,581,126

* Source data is unreliable



Masque Studios Utah

CGI Animation Films: All-Time Domestic, Foreign and Worldwide Box Office Revenues
Through 2013 - 2014

Report Date: January 3, 2015

Source: <http://boxofficemojo.com/genres/chart/?id=computeranimation.htm>

	Domestic Box Office	Foreign Box Office	Worldwide Box Office	Opening
Shrek 2	\$ 441,226,247	\$ 478,612,511	\$ 919,838,758	\$108,037,878
Toy Story 3	\$ 415,004,880	\$ 648,167,031	\$ 1,063,171,911	\$110,307,189
Finding Nemo	\$ 380,843,261	\$ 555,900,000	\$ 936,743,261	\$70,251,710
Despicable Me 2	\$ 367,835,345	\$ 551,000,000	\$ 918,835,345	\$83,517,315
Shrek the Third	\$ 322,719,944	\$ 476,238,218	\$ 798,958,162	\$121,629,270
Up	\$ 293,004,164	\$ 438,338,580	\$ 731,342,744	\$68,108,790
Monsters, Inc.	\$ 289,916,256	\$ 272,900,000	\$ 562,816,256	\$62,577,067
Frozen (2013)	\$ 271,811,587	\$ 267,300,000	\$ 539,111,587	\$243,390
Monsters University	\$ 268,492,764	\$ 475,066,843	\$ 743,559,607	\$82,429,469
Shrek	\$ 267,665,011	\$ 216,744,207	\$ 484,409,218	\$42,347,760
The Incredibles	\$ 261,441,092	\$ 370,001,000	\$ 631,442,092	\$70,467,623
Despicable Me	\$ 251,513,985	\$ 291,600,000	\$ 543,113,985	\$56,397,125
Toy Story 2	\$ 245,852,179	\$ 239,163,000	\$ 485,015,179	\$300,163
Cars	\$ 244,082,982	\$ 217,900,167	\$ 461,983,149	\$60,119,509
Shrek Forever After	\$ 238,736,787	\$ 513,864,080	\$ 752,600,867	\$70,838,207
Brave	\$ 237,283,207	\$ 301,700,000	\$ 538,983,207	\$66,323,594
WALL-E	\$ 223,808,164	\$ 297,503,696	\$ 521,311,860	\$63,087,526
How to Train Your Dragon	\$ 217,581,231	\$ 277,297,528	\$ 494,878,759	\$43,732,319
Madagascar 3: Europe's Most Wanted	\$ 216,391,482	\$ 530,529,792	\$ 746,921,274	\$60,316,738
Kung Fu Panda	\$ 215,434,591	\$ 416,309,969	\$ 631,744,560	\$60,239,130
Dr. Seuss' The Lorax	\$ 214,030,500	\$ 134,809,816	\$ 348,840,316	\$70,217,070
Ratatouille	\$ 206,445,654	\$ 417,277,164	\$ 623,722,818	\$47,027,395
Tangled	\$ 200,821,936	\$ 390,973,000	\$ 591,794,936	\$48,767,052
Monsters Vs. Aliens	\$ 198,351,526	\$ 183,158,344	\$ 381,509,870	\$59,321,095
Happy Feet	\$ 198,000,317	\$ 186,335,291	\$ 384,335,608	\$41,533,432
Ice Age: Dawn of the Dinosaurs	\$ 196,573,705	\$ 690,113,112	\$ 886,686,817	\$41,690,382
Ice Age: The Meltdown	\$ 195,330,621	\$ 460,057,537	\$ 655,388,158	\$68,033,544
Madagascar	\$ 193,595,521	\$ 339,085,150	\$ 532,680,671	\$47,224,594
Toy Story	\$ 191,796,233	\$ 170,162,503	\$ 361,958,736	\$29,140,617
Cars 2	\$ 191,452,396	\$ 368,400,000	\$ 559,852,396	\$66,135,507
Wreck-It Ralph	\$ 189,422,889	\$ 281,800,000	\$ 471,222,889	\$49,038,712
The Croods	\$ 187,168,425	\$ 400,036,243	\$ 587,204,668	\$43,639,736
The Polar Express	\$ 183,373,735	\$ 124,140,582	\$ 307,514,317	\$23,323,463
Madagascar: Escape 2 Africa	\$ 180,010,950	\$ 423,889,404	\$ 603,900,354	\$63,106,589
Ice Age	\$ 176,387,405	\$ 206,869,731	\$ 383,257,136	\$46,312,454
Kung Fu Panda 2	\$ 165,249,063	\$ 500,443,218	\$ 665,692,281	\$47,656,302
A Bug's Life	\$ 162,798,565	\$ 200,600,000	\$ 363,398,565	\$291,121
Ice Age: Continental Drift	\$ 161,321,843	\$ 715,922,939	\$ 877,244,782	\$46,629,259
Shark Tale	\$ 160,861,908	\$ 206,413,111	\$ 367,275,019	\$47,604,606
Over the Hedge	\$ 155,019,340	\$ 180,983,656	\$ 336,002,996	\$38,457,003
Dr. Seuss' Horton Hears a Who!	\$ 154,529,439	\$ 142,608,575	\$ 297,138,014	\$45,012,998
Puss in Boots	\$ 149,260,504	\$ 405,726,973	\$ 554,987,477	\$34,077,439
Megamind	\$ 148,415,853	\$ 173,469,912	\$ 321,885,765	\$46,016,833
Hotel Transylvania	\$ 148,313,048	\$ 210,062,555	\$ 358,375,603	\$42,522,194
Rio	\$ 143,619,809	\$ 341,015,951	\$ 484,635,760	\$39,225,962
A Christmas Carol (2009)	\$ 137,855,863	\$ 187,430,783	\$ 325,286,646	\$30,051,075
Dinosaur	\$ 137,748,063	\$ 212,074,702	\$ 349,822,765	\$38,854,851

Chicken Little	\$	135,386,665	\$	179,046,172	\$	314,432,837	\$40,049,778	
Robots	\$	128,200,012	\$	132,518,318	\$	260,718,330	\$36,045,301	
Bee Movie	\$	126,631,277	\$	160,963,300	\$	287,594,577	\$38,021,044	
Cloudy with a Chance of Meatballs	\$	124,870,275	\$	118,135,851	\$	243,006,126	\$30,304,648	
Rango	\$	123,477,607	\$	122,246,996	\$	245,724,603	\$38,079,323	
Cloudy with a Chance of Meatballs 2	\$	117,043,089	\$	121,800,000	\$	238,843,089	\$34,017,930	
Bolt	\$	114,053,579	\$	195,926,415	\$	309,979,994	\$26,223,128	
Epic	\$	107,518,682	\$	160,371,040	\$	267,889,722	\$33,531,068	
Rise of the Guardians	\$	103,412,758	\$	203,528,912	\$	306,941,670	\$23,773,465	
Gnomeo and Juliet	\$	99,967,670	\$	94,000,000	\$	193,967,670	\$25,356,909	
Meet the Robinsons	\$	97,822,171	\$	71,510,863	\$	169,333,034	\$25,123,781	
Antz	\$	90,757,863	\$	81,000,000	\$	171,757,863	\$17,195,160	
Planes	\$	90,288,712	\$	129,500,000	\$	219,788,712	\$22,232,291	
Open Season	\$	85,105,259	\$	112,203,768	\$	197,309,027	\$23,624,548	
Turbo	\$	83,028,128	\$	199,542,554	\$	282,570,682	\$21,312,625	
Beowulf	\$	82,280,579	\$	114,113,166	\$	196,393,745	\$27,515,871	
Jimmy Neutron: Boy Genius	\$	80,936,232	\$	22,056,304	\$	102,992,536	\$13,832,786	
The Adventures of Tintin	\$	77,591,831	\$	296,402,120	\$	373,993,951	\$9,720,993	
Monster House	\$	73,661,010	\$	66,513,996	\$	140,175,006	\$22,217,226	
Barnyard: The Original Party Animals	\$	72,637,803	\$	43,839,084	\$	116,476,887	\$15,820,864	
Flushed Away	\$	64,665,672	\$	113,454,338	\$	178,120,010	\$18,814,323	
Happy Feet Two	\$	64,006,466	\$	86,400,000	\$	150,406,466	\$21,237,068	
Surf's Up	\$	58,867,694	\$	90,176,819	\$	149,044,513	\$17,640,249	
Escape From Planet Earth	\$	57,012,977	\$	13,962,977	\$	70,975,954	\$15,891,055	
Legend of the Guardians: The Owls of Ga'Hoole	\$	55,675,313	\$	84,398,077	\$	140,073,390	\$16,112,211	
Free Birds	\$	54,414,000	\$	-	\$	54,414,000	\$15,805,237	
TMNT	\$	54,149,098	\$	41,459,897	\$	95,608,995	\$24,255,205	
Hoodwinked	\$	51,386,611	\$	58,626,556	\$	110,013,167	\$12,401,900	
The Tale of Despereaux	\$	50,877,145	\$	36,070,820	\$	86,947,965	\$10,103,675	
Arthur Christmas	\$	46,462,469	\$	100,957,003	\$	147,419,472	\$12,068,931	
Planet 51	\$	42,194,060	\$	63,453,042	\$	105,647,102	\$12,286,129	
The Wild	\$	37,384,046	\$	64,954,469	\$	102,338,515	\$9,684,809	
Star Wars: The Clone Wars	\$	35,161,554	\$	33,121,290	\$	68,282,844	\$14,611,273	
Final Fantasy: The Spirits Within	\$	32,131,830	\$	53,000,000	\$	85,131,830	\$11,408,853	
\$	9	\$	31,749,894	\$	16,678,169	\$	48,428,063	\$10,740,446
Toy Story / Toy Story 2 (3D)	\$	30,702,446	\$	1,582,154	\$	32,284,600	\$12,491,789	
Space Chimps	\$	30,105,968	\$	34,728,996	\$	64,834,964	\$7,181,374	
The Ant Bully	\$	28,142,535	\$	27,038,594	\$	55,181,129	\$8,432,465	
Jonah: A VeggieTales Movie	\$	25,581,229	\$	34,002	\$	25,615,231	\$6,201,345	
Alpha and Omega	\$	25,107,267	\$	25,400,000	\$	50,507,267	\$9,106,906	
Mars Needs Moms	\$	21,392,758	\$	17,600,000	\$	38,992,758	\$6,914,488	
Astro Boy	\$	19,551,067	\$	20,335,919	\$	39,886,986	\$6,702,923	
Igor	\$	19,528,602	\$	11,218,902	\$	30,747,504	\$7,803,347	
Valiant	\$	19,478,106	\$	42,268,782	\$	61,746,888	\$5,914,722	
Happily N'Ever After	\$	15,589,393	\$	22,496,385	\$	38,085,778	\$6,608,244	
Arthur and the Invisibles	\$	15,132,763	\$	92,811,473	\$	107,944,236	\$0	
Everyone's Hero	\$	14,523,101	\$	2,104,087	\$	16,627,188	\$6,061,762	
Fly Me to the Moon	\$	13,816,982	\$	27,904,432	\$	41,721,414	\$1,900,523	
The Pirates Who Don't Do Anything	\$	12,981,269	\$	173,822	\$	13,155,091	\$4,251,320	
Hoodwinked Too! Hood vs. Evil	\$	10,143,779	\$	6,817,189	\$	16,960,968	\$4,108,630	
Doogal	\$	7,417,319	\$	19,273,924	\$	26,691,243	\$3,605,899	
Battle for Terra	\$	1,647,083	\$	4,482,446	\$	6,129,529	\$1,082,064	
The Ten Commandments (2007)	\$	952,820	\$	99,087	\$	1,051,907	\$478,910	
Delgo	\$	694,782	\$	-	\$	694,782	\$511,920	
Roadside Romeo	\$	55,202	\$	1,922,819	\$	1,978,021	\$41,770	
Space Dogs 3D	\$	14,408	\$	8,300,000	\$	8,314,408	\$14,408	
Kaena: The Prophecy	\$	8,593	\$	-	\$	8,593	\$2,173	
Last Flight of the Champion	\$	2,597	\$	-	\$	2,597	\$1,493	
Khumba	\$	1,029	\$	-	\$	1,029	\$1,029	
Total All CGI Animation Films	\$	13,461,781,399	\$	19,938,522,203	\$	33,400,303,602	\$ 3,348,662,664	
Average All CGI Animation Films	\$	126,997,938	\$	188,099,266	\$	315,097,204	\$ 31,591,157	



History

Character Matters Animation Studios has been operating since 1993. Initially involved in commercial advertising, the studio turned to long form character animation in 2005. Having completed several projects for international clients, we again refocused our operations with a view to the development of state of the art tools and methodologies with a long term view of enabling an extreme cost advantage in the production of world class animated feature film production. In 2010 we self-funded the production of “Hooked”, an animated short serving as a proof of concept of the tools and principles of production previously developed. With a key emphasis on look development, we studied existing products in order to understand in detail the key elements required for visual appeal, both in nature and application. With a cost baseline as a goal and using Pixar’s “Finding Nemo” as reference, we were able to combine the minimum subset of visual elements required for the creation of aesthetically pleasing underwater visuals. Exhaustive analysis of audience acceptance and the need to simplify rendering techniques, allowed for a 1reduction in the complexity of the required shader networks from thirty-six visual rules down to only six, the precise combination of which allowed for a successful look development within the cost framework allocated. The final product achieved a cost ratio of 1:70 in terms of cost per minute with a production/development budget of \$50 000.



To complete the proof of concept, we released “Hooked” virally in early 2011. The results were extremely exciting with over thirty-three million downloads, a current world record for virally distributed short form animation. Hooked was officially selected for a large number of international film festivals including the Toronto and Nantucket festivals where it was used as an opener for Pixar’s “Cars II” premiere.

MASQUE

STUDIOS UTAH

In order to extend our production model and test the development of toolsets birthed from the production of “Hooked”, we undertook the production of “Unsung Hero” in early 2014. Key objectives included the consolidation of the techniques previously developed with the addition of new methods of creating high density geometry. After further analysis of light behavior when interacting with complex and high frequency detail, we discovered that traditional techniques using texture maps could be significantly improved by the “brute force” application of geometry. This method introduced two key problems that required new solutions, firstly the enormous computational requirements involved and secondly the weighting of production towards the technical over the artistic in enabling such a process. Unsung Hero served as a development platform for the production of a toolset designed to overcome these limitations. Our artists can now use tablets to paint detailed geometric detail on to surfaces without the need for massive interaction with technical processes and by using a process called “instancing”, the computational overhead is dramatically reduced at the same time. Unsung Hero will have its premiere at the Berlin International Film Festival in February 2016 and will be commercially distributed shortly thereafter.





The Animation Market

Animation globally is entering a “Golden Era”. With a steady stream of hit feature films and dramatically increased interest in animation styles such as Anime and hybrid live-action/animation, acceptance of the format is consistent worldwide and with broad appeal across age groups. Animations lack of “cultural baggage” allows for entry into new emerging markets. Creativity and expansion within the market have led to a massive registration of patents for animation production. There is a huge demand for 3D animation across the globe, and most of the animation industry players such as Disney Enterprises Inc, Adobe Systems Incorporated, and Sony Corporation are trying to grab a share of the 3D market. The U.S. registers the maximum number of patents due to government support and the presence of industry giants such as Microsoft Corporation, Electronic Arts Inc, and Disney among others. The global animation and gaming market is expected to grow from \$122.20 billion in 2010 to \$242.93 billion by 2016. This represents a compound annual growth rate (CAGR) of 12.94% from 2011 to 2016.

A major driving force behind the animation market is government initiatives; whereas the gaming market is pulled up by greater penetration & accessibility to broadband internet. The lack of skills and piracy remain the restraining factors. Key issues in the industry today are consumers’ shift from buying to renting and dropping prices due to rise of freemium models. The overall animation and gaming market is segmented on the basis of animation and gaming sub segments. Animation includes e-Education, web designing, and animation entertainment. Furthermore, animation entertainment includes segments such as movies, Visual Effects (VFX), TV & Broadcast, and Direct to DVD. Movies are further divided into 2D animation and 3D animation. Gaming includes PC games, mobile games, console games, and online games. The global animation & gaming market is segmented into four geographies: North America, Europe, Asia-Pacific and Japan, and ROW (Rest of the world). North America forms the largest segment with about 42% of the overall share, followed by Europe; whereas APJ is the fastest growing region with an expected CAGR of 19.08% from 2011 to 2016.



Objective/Strategy

The process of animation production is essentially the merger of technical and artistic toolsets; success being determined by the intricate balancing act of two disparate disciplines. We have amassed an enormous number of man hours in the refinement and development of the process. However, further development requires a stable and self-sustaining platform. The “third leg of our stool” currently being sought after, is partnership from a business perspective. This would allow long term planning with a view to the creation and growth of a patent portfolio and an ongoing push into new and emerging formats such as hybrid live action/animation and virtual reality. Our cost/performance model is proven and we are determined to enter the global market with production that is value based, of impeccable production standards and highly profitable.

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CGI Animation Films: The top-ten highest grossing animated films per year from '2010' > '2016' by worldwide gross are as follows:

Source: <http://wikipedia.org>

2016

The 10 highest-grossing animated feature films first released in 2016 as of 19 of October 2016

Rank	Title	Distributor / Studio	Worldwide Gross
1	Zootopia	Walt Disney Pictures / Disney	\$1,023,623,796
2	Finding Dory	Walt Disney Pictures / Pixar	\$1,011,106,042
3	The Secret Life of Pets	Universal Pictures / Illumination Entertainment	\$858,366,317
4	Kung Fu Panda 3	20th Century Fox / DreamWorks Animation	\$519,881,355
5	Ice Age: Collision Course	20th Century Fox / Blue Sky Studios	\$405,846,013
6	The Angry Birds Movie	Columbia Pictures / Rovio Entertainment	\$349,153,284
7	Your Name	Toho / CoMix Wave Films	\$140,300,000
8	Storks	WB	\$133,760,780
9	Sausage Party	Sony Pictures Entertainment / Point Grey Pictures / Annapurna Pictures	\$133,238,213
10	Big Fish & Begonia	Beijing Enlight Media / Biantian (Beijing) Media	\$85,043,628

2015

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Minions	Universal Pictures / Illumination Entertainment	\$1,159,398,397
2	Inside Out	Walt Disney Pictures / Pixar Animation Studios	\$857,427,711
3	Hotel Transylvania 2	Columbia Pictures / Sony Pictures Animation	\$469,384,471
4	Home	20th Century Fox / DreamWorks Animation	\$386,041,607
5	The Good Dinosaur	Walt Disney Pictures / Pixar Animation Studios	\$331,645,120
6	The SpongeBob Movie: Sponge Out of Water	Paramount Animation / Nickelodeon Movies	\$324,201,378
7	The Peanuts Movie	20th Century Fox / Blue Sky Studios	\$246,233,113
8	Monkey King: Hero Is Back	tbd	\$153,020,000
9	Shaun the Sheep Movie	StudioCanal / Aardman Animations	\$106,031,284
10	The Little Prince	Paramount Pictures / Onyx Films, Orange Studio, On Entertainment	\$97,480,175

2014

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Big Hero 6	Walt Disney Pictures / Walt Disney Animation Studios	\$652,127,828
2	How to Train Your Dragon 2	20th Century Fox / DreamWorks Animation	\$618,909,935
3	Rio 2	20th Century Fox / Blue Sky Studios	\$500,188,435
4	The LEGO Movie	Warner Bros. / Animal Logic	\$468,760,692
5	Penguins of Madagascar	20th Century Fox / DreamWorks Animation	\$374,714,174
6	Mr. Peabody & Sherman	20th Century Fox / DreamWorks Animation	\$272,912,430
7	Stand by Me Doraemon	Toho / Shirogumi, Robot, Shin-Ei Animation	\$183,664,442
8	Planes: Fire & Rescue	Disney / DisneyToon Studios	\$151,165,787
9	The Nut Job	Open Road Films / ToonBox Entertainment	\$113,307,962
10	The Boxtrolls	Focus Features / Laika	\$108,255,770

2013

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Frozen	Walt Disney Pictures / Walt Disney Animation Studios	\$1,279,852,693
2	Despicable Me 2	Universal Studios / Illumination Entertainment	\$970,761,885
3	Monsters University	Walt Disney Pictures / Pixar	\$743,559,607
4	The Croods	20th Century Fox / DreamWorks Animation	\$587,204,668
5	Turbo	20th Century Fox / DreamWorks Animation	\$282,570,682
6	Cloudy with a Chance of Meatballs 2	Columbia Pictures / Sony Pictures Animation	\$274,325,949
7	Epic	20th Century Fox / Blue Sky Studios	\$268,426,634
8	Planes	Walt Disney Pictures / DisneyToon Studios	\$239,258,712
9	The Wind Rises	Toho/ Studio Ghibli	\$136,333,220
10	Walking with Dinosaurs	Reliance Entertainment/IM Global/BBC Earth/Evergreen Films/Animal Logic	\$126,546,518

2012

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Ice Age: Continental Drift	Fox / Blue Sky Studios	\$877,244,782
2	Madagascar 3: Europe's Most Wanted	Paramount / DreamWorks	\$746,921,274
3	Brave	Disney / Pixar	\$538,983,207
4	Wreck-It Ralph	Walt Disney Pictures / Walt Disney Animation Studios	\$471,222,889
5	Hotel Transylvania	Columbia / Sony Pictures Animation	\$358,375,603
6	Dr. Seuss' The Lorax	Universal / Illumination Entertainment	\$348,840,316
7	Rise of the Guardians	Paramount / DreamWorks	\$306,941,670
8	The Pirates! In an Adventure with Scientists!	Sony Pictures Animation / Aardman Animations	\$123,054,041
9	ParaNorman	Focus Features	\$107,139,399
10	Frankenweenie	Walt Disney Pictures	\$81,491,068

2011

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Kung Fu Panda 2	DreamWorks Animation	\$665,692,281
2	Cars 2	Pixar	\$559,852,396
3	Puss in Boots	Dreamworks Animation	\$554,709,226
4	Rio	Blue Sky Studios	\$484,635,760
5	The Adventures of Tintin	Nickelodeon Movies	\$373,993,951
6	Rango	Nickelodeon Movies/Blind Wink/GK Films	\$245,375,374
7	Gnomeo and Juliet	Touchstone Pictures	\$193,967,670
8	Happy Feet Two	Village Roadshow Pictures	\$150,406,466
9	Arthur Christmas	Aardman Animations/Sony Pictures Animation	\$147,419,472
10	From Up on Poppy Hill	Studio Ghibli	\$61,459,425

2010

The top-ten animated films by worldwide gross

Rank	Title	Distributor / Studio	Worldwide Gross
1	Toy Story 3	Disney/ Pixar	\$1,063,171,911
2	Shrek Forever After	Paramount Pictures / DreamWorks Animation	\$752,600,759
3	Tangled	Walt Disney Pictures	\$590,721,936
4	Despicable Me	Universal Pictures / Illumination Entertainment	\$543,113,985
5	How To Train Your Dragon (film)	Paramount Pictures / DreamWorks Animation	\$494,878,759
6	Megamind	Paramount Pictures / DreamWorks Animation	\$321,885,765
7	The Secret World of Arrietty	Toho / Studio Ghibli	\$145,570,827
8	Legend of the Guardians: The Owls of Ga'Hoole	Warner Bros.	\$140,073,390
9	Pokémon: Zoroark: Master of Illusions	Toho / OLM, Inc.	\$71,143,529
10	Doraemon: Nobita's Great Battle of the Mermaid King	Toho / Shin-Ei Animation	\$38,100,000



Section 181

How this Revised Provision Can Lower Production Budgets and Keep Film and Television Production in the United States.

In 2004, Congress enacted Section 181 of the Internal Revenue Code to create a federal tax incentive designed to combat runaway film and television production. In 2008, Section 181 was significantly expanded to cover larger productions.

This brochure is to help directors, producers and production executives understand how Section 181 can help reduce their film and television production costs when shooting projects in the United States.



Independent Film & Television Alliance

Domestic Film Production Incentive Program Revised Section 181 of the Internal Revenue Code



PRIMARY BENEFITS

Qualifying Film Expenses Immediately Deductible. Producers or active financial participants in qualifying film and television productions may elect to immediately deduct the cost of qualifying film expenditures in the year the expenditure occurs.

- Qualified film and television productions include any film or video tape production of a motion picture or television show whose costs would otherwise be required to be capitalized but for Section 181. Only the first 44 episodes, including the pilot production, of a television series are eligible under the law.
- In the case of a film co-produced by multiple investors, the deduction for qualifying expenditures must be allocated among the owners of the film in a manner that reasonably reflects each owner's proportionate investment and economic interest in the film.
- Qualified films do not include sexually explicit productions as defined in section 2257 of title 18 of the U.S. Code.

Qualifying Expenses Include the First \$15 Million of Expenditures. The proposal applies to the first \$15 million in production costs for qualifying film or television productions. This is a major expansion from the previous law which only

applied to productions with production costs under \$15 million.

- A higher expenditure cap of \$20 million applies to productions the aggregate costs of which are "significantly incurred" in: a) areas eligible for designation as a low-income community under the New Markets Tax Credit program,¹ or b) areas eligible for designation by the Delta Regional Authority as a distressed county or isolated area of distress.

- As defined by the New Markets Tax Credit program, qualifying low-income communities include any census tract if (a) the poverty rate for such tracts is at least 20%; or (b) (1) in the case of census tracts not located within a metropolitan area, the median family income for the tract does not exceed 80% of statewide median family income, or (2) in the case of a tract located within a metropolitan area, the median family income for the tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income. Information on qualifying communities can be found at: http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5
- A list of areas eligible under the Delta Regional Authority statute as distressed counties or isolated areas of distress can be found at: <http://www.dra.gov/about/maps.aspx>
- The IRS temporary regulations (T.D. 9312) outline two alternative tests to determine if costs are "significantly incurred" in



qualifying low-income areas. The first test is based upon production costs and establishes a 20% threshold for the test. It compares production costs incurred in first-unit principal photography that takes place in a designated area to all productions costs incurred in first-unit principal photography. This does not include preproduction, editing and post-production costs. The second test is based upon the number of days of principal photography. If at least 50% of the total days of principal photography take place in the designated area, the production will be deemed to satisfy the significantly occurred test.

Definition of Qualifying Production.

To qualify, at least 75% of the total compensation expended on the production must be for services performed in the United States.

- Qualifying compensation includes payments for services performed in the United States by actors, directors, producers, and other relevant production personnel. Compensation does not include participations and residuals.²

Tax Benefit Duration.

This revised domestic film production incentive program – covering the first \$15 million of costs of all productions -- will be in effect for qualifying productions commencing after December 31, 2008 and before January 1, 2012.



THIS HANDOUT IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE VIEWED AS TAX ADVICE WITH RESPECT TO YOUR PRODUCTION ACTIVITIES. FOR SUCH ADVICE, YOU SHOULD CONSULT WITH YOUR TAX ADVISOR.

¹ As defined in section 45A of the Internal Revenue Code.

² As defined in section 167(g)(7)(B) of the Internal Revenue Code

FREQUENTLY ASKED QUESTIONS

Q: What are the key changes to Section 181 that were enacted in 2008?



A: Section 181, was first enacted by Congress in 2004 to apply only to films with total production costs under \$15 million. In 2004, it was significantly modified so that the first \$15 million (\$20 million in the case of productions in certain low-income and eligible areas of the country) of all qualifying film and television shows may be immediately written-off for tax purposes. This now makes the incentive available for film and television productions of all sizes, small or large.

Q: When do productions need to commence to qualify for the new incentive?

A: The incentive, is one of a number of temporary tax provisions in the Internal Revenue Code which must be extended on a periodic basis. The current provision is in effect for qualified productions commencing after December 31, 2008, and before January 1, 2012.

Q: Can the immediate write-offs be taken in more than one year?

A: Yes, if an election is made to use the incentive, the immediate deduction takes place in the year the expenditure is incurred. Therefore, if production expenditures are incurred in more than one year, the immediate tax deduction will be taken in more than one year.

Q: When, where, and how does the "election" to immediately deduct the qualifying expenditures apply?

A: The election is to be made on the tax return for the taxable year in which the production costs are first incurred. The election must be made by the due date (including extensions of time) of such return.

Q: What tax form do I need to fill out to get the incentive?

A: Currently, there is no specific form to fill out. The IRS temporary regulations require that you declare in a separate statement that you are electing to utilize Section 181. The legislative history also states that: "deducting qualifying costs on the appropriate tax return shall constitute a valid election." Therefore, deducting the production costs (that would otherwise be capitalized) on your tax return will qualify as electing to take advantage of this incentive.

Q: Does it apply to all productions (e.g., big budget productions)?

A: Yes, as mentioned above, the immediate write-off provision now applies to the first \$15 million (or \$20 million in low income or distressed areas) of costs for all productions regardless of the aggregate cost of the project.

Q: What is the real benefit of this incentive?

A: This is a significant Federal tax incentive that allows producers of qualifying productions to take an immediate tax deduction for the full or partial costs of a production in the year the cost is incurred (as opposed to having to spread or amortize those costs over a period of years beginning after the film goes to market).

Q: How do I determine if it is beneficial to my production?

A: Since the new incentive is elective, producers can run numbers with or without the new incentive and determine whether or not to elect to immediately expense the production costs in the first year(s).

Q: Is the incentive transferable?

A: No. However, depending on the investment structure you choose, multiple parties may be able to properly allocate costs that could be immediately expensed.

Q: What happens in the case of a co-production or a film financed by multiple investors?

A: The \$15 million (\$20 million) threshold refers to the qualifying film. The benefits of the provision must be allocated among the owners of a film in a manner that reasonably reflects each owner's proportionate investment in and economic interest in the film.

Q: In order to qualify for the higher (\$20 million) deduction, what does it mean to require that a "significant" amount of the expenditures be incurred in an eligible area?

A: The IRS temporary regulations outlined two alternative tests to determine if the "significantly occurred" requirement is met. One test is based upon production costs and establishes a 20% threshold for the test. It compares production costs incurred in first-unit principal photography that takes place in a designated area to all productions costs incurred in first-unit principal photography. This does not include preproduction, editing and post-production costs. The second test is based upon the number of days of principal photography. If at least 50% of the total days of principal photography take place in the designated area, the production will be deemed to satisfy the significantly occurred test.

Q: How will other practical issues related to this broadened incentive be determined?

A: Like other tax issues, producers should consult with their professional tax advisors on any issues related to this new Federal tax incentive. In light of the new legislation, the Treasury and IRS may revise their temporary regulations, which may come in the form of Notices and Regulations. A number of groups that worked on this important legislative change are expected to continue working with the Treasury Department and the IRS to ensure the incentive fulfills its objective and provides the industry with meaningful tax relief.

Q: Are there other Federal tax incentives that may be valuable to film productions?

A: Yes, all US based productions continue to have other potential incentives including a 9% tax deduction from gross revenues for U.S. film and television production activities (Section 199). Producers should consult with their professional tax advisors for other tax incentives that may be available.

Independent ■
Film & Television
■■■ Alliance®



The DGA and IFTA have worked with a coalition of film industry organizations for over ten years to stem the tide of runaway production. The current effort focused on amending Section 181 to make the United States a competitive place for film and television production. Combined with the incentives that many states have enacted, DGA and IFTA believe that the federal incentive will serve as an effective tool to keep more television and film production in the United States.

Runaway Production Alliance Members:

Academy of Television Arts and Sciences
American Federation of Musicians
American Federation of Television and Radio Artists
Association of Independent Commercial Producers
Association of Talent Agents
The Caucus for Television Producers, Writers and Directors
Directors Guild of America
Film Musicians Secondary Markets Fund
Hollywood Post Alliance
International Alliance of Theatrical Stage Employees
Producers Guild of America
Independent Film & Television Alliance
International Brotherhood of Teamsters, Local 399
Recording Musicians Association
Screen Actors Guild
US Film Commission Caucus, Association of Film Commissioners International

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