



CINEMA SICAR



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CINEMA SICAR is a regulated investment scheme dedicated to international films.

CINEMA SICAR, through its fully owned film **production company Grand Duchy Films**, invests in a limited number of movies with high commercial potential. Films targeting **global distribution** forms the core of the portfolio.

GRAND DUCHY FILMS invests in films at each stage of their lifecycle : **development, production and distribution**. This approach ensures adequate risk diversification.

The Sicar team combines experience in the film industry and financial expertise. Key European producers and movie industry professionals support the active management of the fund. They open the gates to access the deal flow.

This Innovative film financing model offers a new approach that maximizes investors returns. We lower budget & costs thanks to the European tax incentives and subsidies (cost decrease from 25% to 50%). We also optimise the revenues/budget ratio and return on investment.



A film is a valuable and profitable asset

Movies generate **sizeable cash flows** at each phase of their lifecycle. These start from the development fee, then the international sales during production and with the distribution (cinema ticket sales, DVD retail sales, VOD and TV broadcasting) until the copyright is definitively sold after. With most of the revenues known in advance thanks to contractual arrangements, a movie can easily be **valued at its fair value**.

The film industry is facing many changes with a growing demand for films:

- ★ In terms of broadcast support (Cinema, TV, Sat, Internet, ...);
- ★ In terms of device (Smart Phones, Tablet, Computers, ...);
- ★ In terms of audience in Cinema (\$32,6bn revenues in 2011, up 5,6% over five years).

The SICAR will anticipate the upcoming reforms, especially when TV and Internet will soon merge:

- ★ Less investment from TV and a greater equity needs from the industry.
- ★ Digital platforms (SVOD, iTunes, Internet) overtaking TV and DVDs purchases;
- ★ Cinema Admissions decreasing and “home cinema” expanding.

Closing period : may 2015
Fund Target size : € 75 million

Management Fees : 1,5% per annum
Performance fees : 10% with high watermark

Movie financing takes place in 3 steps:

- (1) development of the original idea & preparation for the shooting;
- (2) production (i.e. making the movie);
- (3) distribution: international sales & local distribution (theatres, DVD, TV, VOD,...).

FILM DEVELOPMENT

10% of the fund's asset (number of investments : 20)

Developing a film consists of writing the film script with authors and directors, then to find the main cast. Last, we evaluate the film's budget, sales potential and financing options.

Grand Duchy Films will finance **30% to 75% of the film development budget** alongside experienced producers, directors & scriptwriters.

RETURNS

Grand Duchy Films will recoup its investment with a **25% premium** as soon as the film goes into production. Also the fund will have **5% of the film copyright** with a first look deal to invest in the film production.

FILM PRODUCTION

40% of the fund's asset (number of investment s: 10)

Production transforms the script into a film that the audience can enjoy in cinema, on DVD, TV or VOD. During production, the film begins to be sold by the sales agent.

Grand Duchy Films will **finance +/- 30% of the film budget** alongside international distributors (sales company) and producers in order to control the budget and the quality of the film during the shooting and the post production.

RETURNS

Grand Duchy Films will recoup **first** its investment with a **20% premium on each international sale** and also the fund gets **copyright on the film** (+/- 30%, pari passu).

FILM DISTRIBUTION

50% of the fund's asset (number of investments : 15)

To distribute a film, a distributor must pay the rights to exploit the film in a specific territory through each media (cinema, TV, VOD, DVD, ...). The distributor also advances the promotional costs to market the film in his territory.

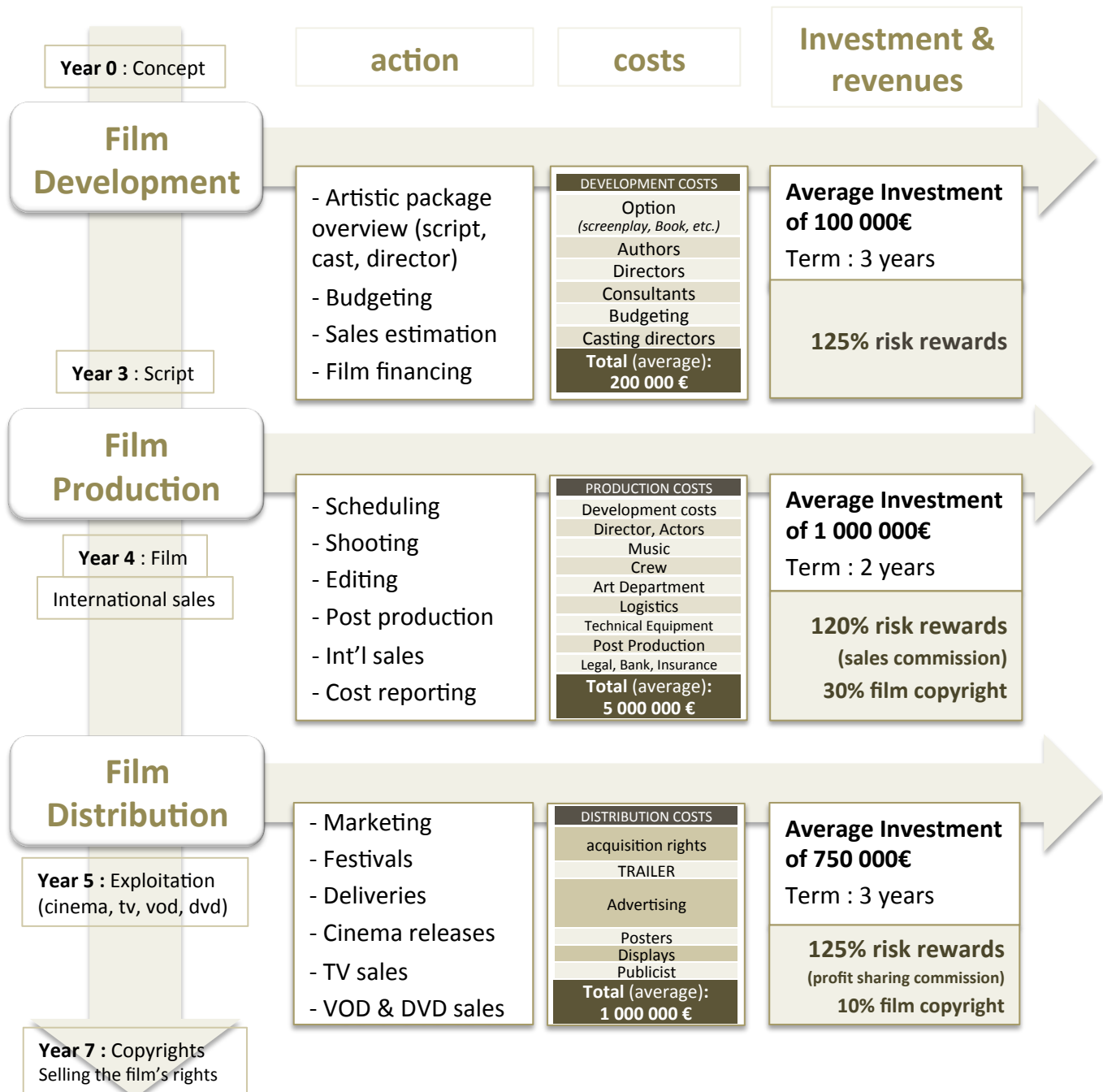
Grand Duchy Films will finance alongside distribution companies up to 90% of the film's **distribution budget** in France, Benelux, Germany and UK.

RETURNS

Grand Duchy Films will recoup first it's investment with a **20% premium** on each film's revenues (tickets sales, dvd/vod sales, TV sales, ...). Also the fund will get, when applicable, **10% of the film copyright**.

Investing at one, two or each of a movie's lifecycle allows to optimise the controls performed at each of these. It also enables to maximise profits whilst limiting risks.

GRAND DUCHY FILMS can invests in films at each stages of their lifecycle (development, production and distribution). This approach optimizes revenues.



As an active advisor and arranger, involved in all stages of the movies' lifecycle, GRAND DUCHY FILMS aims at:

- Creating a first class rights' portfolio (the fund's assets);
- First rank cashing in of films' revenues;
- Strengthening financial independence, ensure transparency and cost controls by direct investment.

Our fund is highly selective & proactive

We will analyse scripts, budgets, costs and contractual arrangements to commit only to the most secure and profitable investments.

Premium casting
& talents

Lower Budget

Optimal
Breakeven

Investment main policy

- **Working with premium talent:** As in any private equity fund, selecting the production team is essential. Our fund aims to work with independent professionals having proven their capabilities in leading projects to profitable success. We focus on directors and actors based on their track records and their notoriety : they secure international revenues and also answer at the audience's needs.
- **Adequate film budget:** as for any company a key objective is to control costs and to improve traditional efficiency ratios. Financing Tier 2 budget movies with a sales potential and premium talent allows the fund to raise European subsidies into the film financing and to halve production costs.
- **Optimal revenues:** Financial and commercial criteria are dominant. The fund analyses the projects considering their commercial potential on the International market. On the main European territories (France, Germany, UK, Benelux) we will anticipate each segment of exploitation (cinema box-office, TV, DVD/VOD) in order to advance the local promotional costs and recoup the investments in first position on tickets sold, DVD/VOD revenues and TV sales.

Film development

- **Selection criteria :** experience of team (actors, directors, scriptwriters); originality, marketability and quality of the script.
- **Fund actions :** script evaluation, casting approval, budget evaluation (feasibility)

Film production

- **Selection criteria :** budget level, financing structure and estimation of the international sales revenues (based on the film genre, cast, budget, similar films...).
- **Fund actions :** cost control, marketing supervision and film quality.

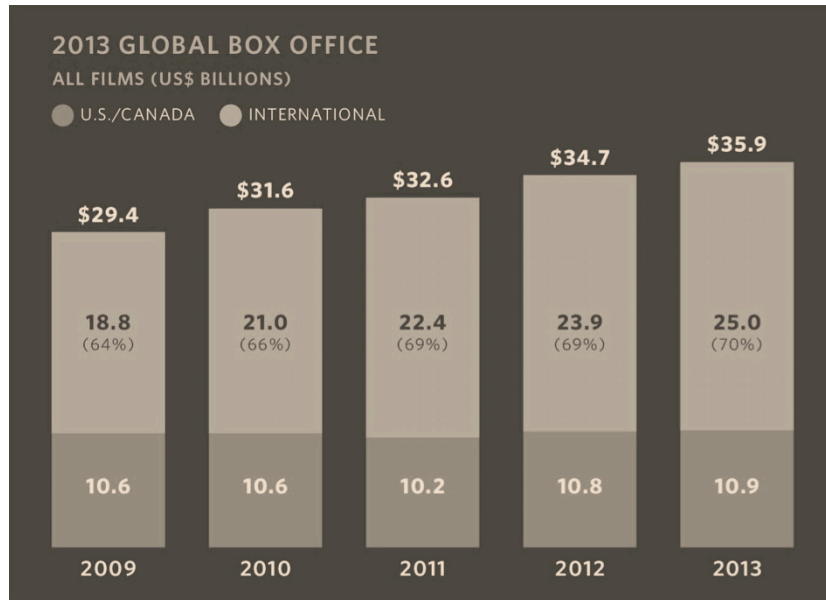
Film distribution

- **Selection criteria :** evaluation of the distribution revenues on each media and marketing costs evaluation.
- **Fund actions :** supervision of the distribution budget & marketing strategy.

Traditional film financing models oblige producers to sell all their rights. As a result, the film (as an asset) is indebted and this makes it impossible for investors to recoup their investment. By investing directly in the project from the very beginning, our fund optimizes profitability for all the investors... and **each investment will be recouped in first position at each revenue phase.**

The film industry is constantly expending

The film industry is growing, due to an increasing demand for content and broadcasting means. Global box office for all films released in each country around the world reached **\$35.9 billion in 2013**, up 4% over 2012's total (up 22% over five years ago).



Film budget (in €)	4.000.000	8.000.000
Average English speaking films sales amount in 2012		
EUROPE	2.110.500	4.368.000
ASIA/PACIFIC RIM	1.242.500	2.397.500
NORTH AMERICA	700.000	1.067.500
LATIN AMERICA	458.500	878.500
EASTERN EUROPE	472.500	857.500
OTHERS	229.250	497.000
Total PRESALES (€)	5.213.250	10.066.000
<i>Maximum investment</i>	<i>2.000.000</i>	<i>4.000.000</i>

New markets are emerging (Asia, South America) and new technologies (video on demand) offer new revenues and strengthen the film production. The European film production industry is strong and sustainable.

The European Union remains the most important market (number of film produced, tickets sold, TV Sales, DVD/VOD consumption). Countries such as France, Germany & UK are leading the way.

Luxembourg, the heart of European Films.

Internet and Video-On-Demand services have revolutionised the film distribution; it has now entered into the global mass retail world. **Luxembourg leads the way**, with global players such as iTunes Europe or Amazon operating from the country.

More recently, the newly elected government has re-emphasized the Luxembourg long-term commitment towards the movie industry and its very favourable business environment.

Luxembourg, is today the perfect country to set up co-production, to develop a rights acquisition policy and to finance films internationally.

500+ films produced, sold and distributed

The SICAR has been designed thanks to the association of European producer and distributor David Grumbach and Luxembourg investment fund expert Christian Denizon.

The management team is composed of international consultants that represent top European producers, sales agents and distributors who have been successful over the last 25 years.

The Fund enables this dynamic team to enlarge their commercial success by **proactively** creating a **union of experience and a network** that will develop, produce and distribute films such as our previous films : **PULP FICTION, CHOCOLAT; MULHOLLAND DRIVE, LIFE IS BEAUTIFUL, BUENA VISTA SOCIAL CLUB, TWILIGHT, AMERICAN PIE, QUARTET**



David Grumbach



CEO of BAC FILMS.

BAC Films is one of the leading European labels for over 25 years, BAC Films specializes in the development, financing, production, and distribution of cutting edge films from around the world.



Christian Denizon



CEO of FINEXIS SA, a regulated Luxembourg management company for investment funds & companies.



Jani Thiltges



Producer at Samsa Film (Luxembourg) and In Good Company (Berlin), Head of Studies at EAVE, Member of the Board of the European Film Academy. Jani is an expert in film development and European films.



Gerry Salucci



Relationship manager of PADDOCK Fund Administration SA, a regulated Luxembourg central administration company for investment funds & companies

ADVISORY BOARD

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Christian Baute,



Partner and Producer at Headline Pictures. Headline is producing international films such as “*Quartet*” directed by Dustin Hoffman.



Mathieu Robinet,



COO of BAC Films, Mathieu is a specialist in film international sales evaluation and film financing.



Patrick Quinet



CEO of Artémis Production and Tax Shelter films funding in Belgium. Patrick is also the president of the Belgian producer's association.



Claude Waringo



CEO of Samsa Film in Luxembourg and President of Luxembourg's film academy, Claude is a specialist in European co-production.



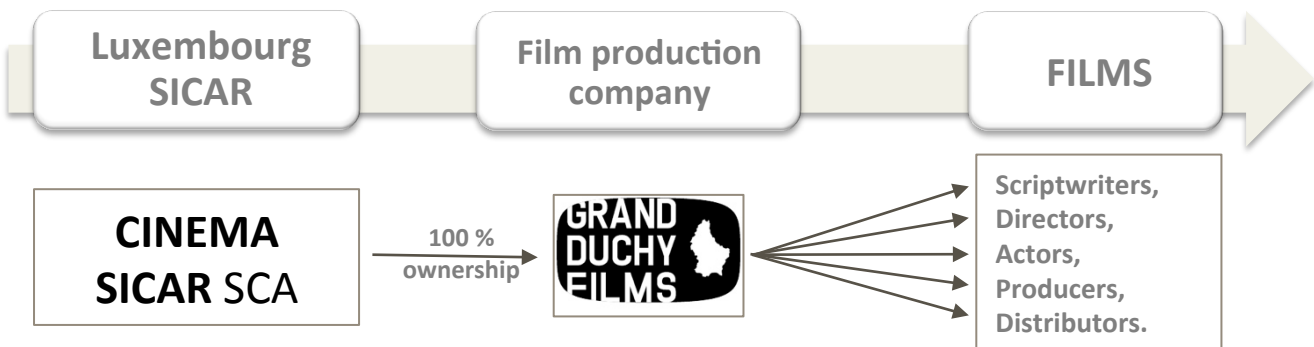
Eric Chinchon



CEO of MEBS Luxembourg, specialized in risk management and fund accounting he focuses on advising major international asset management and financial groups in governance matters.

CONSULTANTS

The fund will also work with several consultants. They will evaluate projects and will bring an amazing deal flow such as **Erica Motley**, formerly the Vice President of International Acquisitions at United International Picture in London, she is now a film consultant in USA.



Governance

Rights over a movie are not financial securities; it is not legally possible for a fund to invest directly in movies, which is why we have set up the production company named GRAND DUCHY FILMS.

The company is established in Luxembourg and is managed by ourselves. We apply the investment strategy aiming at investing in about 45 movies over 3 years, maximum, targeting superior risk-reward patterns. The fund's requirement of transparency and reporting from its underlying investments will in turn be provided to the investors of the Cinema SICAR.

Investing in the movie sector provides direct access to the movies financed by the fund: besides legal and financial information sent by the fund, a letter is sent to investors every six months. Moreover, the fund can organize meetings with the actors and directors, and also offers invitations for premieres and festivals.

The management team pools sector-specific skills as well as management experience, they will be proactive with the film project team (project selection, scenario, casting, international sales evaluation, marketing costs optimization,...).

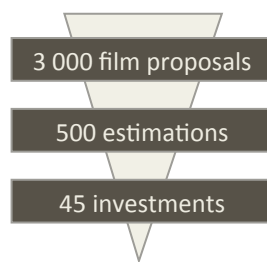
Grand Duchy Films generates a vertical integration strategy by controlling film production and film distribution activities.

GRAND DUCHY FILMS' investments, thanks to its investment policy, will become low-risk and recoupable at each stage of a film cycle in first position on each film revenues.

Thanks to an experienced team sharing the same vision, the funds turns into a unique film group creating synergies and a proactive international network.

Equity investment in films are today hardly profitable but financing actors, directors, producers and distribution companies allows to :

- Have a higher risk-diversification;
- Optimize control over each movie lifecycle (development, production, international distribution, domestic exhibition) and maximise profits;
- Ensure transparency in the financial accounting processes;
- Create a valuable rights' portfolio .
- Automatic liquidity of 2 to 5 years for a movie.



KEY selection points.

- International films
- Global audience
- Films with established directors & actors
- Medium films budget
- Market potential analysis
- ROI per investment > 20%

CLASSIC financing model & recoupment position:

- ① Bank loan / gap financing: 20%
- ② International distributor 30%
- ③ **Investors 35%**
- ④ Producer's investment 5%
- ⑤ Subsidies 10%

GRAND DUCHY's financing model & recoupment position:

- ① **Investors (grand duchy films) 35%**
- ② presales 20%
- ③ producer's investment 10%
- ④ Subsidies 35%

- **Upstream investment in order to structure the film financing;**
- **Amount invested answers the industry needs and gives advantages to each player that have the same interest;**
- **GRAND DUCHY recoup in first position and gives the best access in the waterfall revenues for its investors. We also gets copyrights;**
- **The film is less indebted (less presales, no gap financing), and European subsidies are maximized : the breakeven is much lower.**

- **Having access to a profitable and specific asset class;**
- **Retaining rights to the film;**
- **Increasing revenues;**
- **Access to a share of executive producer revenues.**

contacts

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