CREATING OPPORTUNITIES • MANAGING INVESTMENT

MONACO FILMS

Be Part of the Story

A Tax Free Way to Finance Films

Get the Facts

www.monacofilmsllc.com

About Monaco Films

Monaco Films LLC principals have over 40 years of combined experience in theatrical productions within various levels of funding, ranging from conservative $500,000 television releases to budgets of $15M or more. The team has collectively overseen the production of more than 15 films.

The Principals' relationship with leading filmmakers and its diverse slate (of well-branded projects now in development), will bring profit and safety to the owners and investors in its portfolio.

Additionally, the team's structure guarantees break-even for the productions regardless of profits. Using a combination of Internal Revenue Film Incentives under Section 181 of the code, filming in states that provide tax credits available for the investors and other financial vehicles, there is significantly less risk of loss on a project. Finally, the production of story-driven projects that have distribution deals attached to them BEFORE production will maximize the profits for the investors.

Monaco Films LLC will assist the film partnerships in developing, producing and co-financing its mid-range budgeted motion pictures and television programs during a 3 to 5 year time frame. The average budgets will be between $3 million and $7.5 million. Targeted theatrical distribution in the U.S. will be achieved through major studios and mini-majors, as well as being distributed abroad through a team of highly reputable foreign sales agents.

Sales Projection

First, and most importantly, the sales projection is not a prediction of how much a movie is going to make. It is an analysis of how similar movies have performed in recent years. The actual performance of a movie depends on many factors.

Film Name	Production Budget	Theatrical Consumer Spending		
		Domestic Gross	Max Domestic Theaters	International Gross
Apollo 18	$5,000,000	$17,686,929	3,330	$8,830,890
Cabin Fever	$1,500,000	$21,158,188	2,105	$9,193,476
Decoys	$5,000,000	$84,733	55	$12,027
Diary of the Dead	$2,750,000	$952,620	48	$4,441,827
Haute tension (High Tension)	$2,850,000	$3,681,066	1,323	$2,754,196
Hostel	$4,800,000	$47,326,473	2,337	$34,914,637
Insidious	$1,500,000	$54,009,150	2,419	$45,861,736
Paranormal Activity	$450,000	$107,918,810	2,712	$86,264,224
Paranormal Activity 2	$3,000,000	$84,752,907	3,239	$92,759,125
Pathology	$8,000,000	$109,045	46	$3,161,929
Saw	$1,200,000	$55,185,045	2,467	$47,911,300
Saw II	$5,000,000	$87,025,093	2,949	$65,900,000
Saw III	$4,500,000	$80,238,724	3,167	$83,638,091
Saw IV	$4,500,000	$63,300,095	3,183	$72,459,599
Saw V	$4,500,000	$56,746,769	3,084	$61,463,009
Saw VI	$4,500,000	$27,693,292	3,036	$42,059,110
Teeth	$2,000,000	$347,578	16	$2,003,063
The Last Exorcism	$1,800,000	$41,034,350	2,874	$29,131,550
The Uninvited	$8,000,000	$28,596,818	2,344	$14,182,143
Unknown	$3,700,000	$26,403	6	$3,328,645
Median value	$4,100,000	$34,815,584	2,443	$32,023,094
Adjusted Projection, Based on Budget	**$3,000,000**	**$28,020,591**	**1,966**	**$25,773,113**
Average Value	$3,727,500	$38,893,704	2,037	$35,513,529
Maximum	$8,000,000	$107,918,810	3,330	$92,759,125
Minimum	$450,000	$26,403	6	$12,027
Standard Deviation	$2,063,624	$34,073,928	1,275	$32,313,656

Executive Summary

Monaco Films LLC | Movie State Projects

Here are some Investor broad strokes for the Section 181 Tax Deduction

- 100% of the motion picture costs are deductible in the same year of investment.
- 75% of the motion picture must be shot in the US to qualify for Section 181
- There is a $15 to $20 million dollar budget cap.
- There is no minimum film production budget cost.
- TV pilots, TV episodes (up to 44), short films, music videos and feature films all qualify for Section 181.
- Section 181 can be applied to active income or passive income.
- Investors can be either individuals or businesses.
- Section 181 is retroactive to 2004 and was just renewed as part of the 'Fiscal Cliff' Bill on early 2013.
- The motion picture corporation issues Schedule K-1's to the investors so they can take advantage of Section 181.
- The first 9% of gross revenue from the film is excluded from income under IRC Section 199.

Investment Objective & Strategies

The American Jobs Creation Act Of 2004 and the 2004 enactment of Section 181, marked an unprecedented change in U.S. policy toward the phenomenon known as "Runaway Production" for the film industry. Hollywood, like many American industries, had grown tired of the high cost of labor and taxes in the United States. Canada and other countries identified the potential financial benefit and took advantage by successfully luring American film & television production onto their soil, taking enormous amounts of production dollars with them. The government's reaction was to include Section 181 within the American Jobs Creation Act of 2004. Section 181 offers tax incentives for investors in independent film and television productions produced within the United States.

Put simply, Section 181 states that investment in a motion picture shot in the US is 100% tax deductible for the investor in the same year invested.

Under Section 181, an investor may deduct the money which is invested in a film or television production from his or her passive income earned in the same year. If the investor is actively involved in the operation of the production, he or she may deduct the amount of investment from all active income earned in the same year. Productions with budgets below $15,000,000 (up to $20,000,000) which have at least seventy-five percent 75% of its production

WHAT IT MEANS FOR INVESTORS

Tax rebates and incentives for money spent on film or television production within a particular state can be combined with the benefits of Section 181 allowing an investor (working with cooperative film producers) to greatly minimize his or her risk on what would ordinarily be considered a risky investment.

For example, if a tax payer is in the thirty-five percent (35%) tax bracket and a qualifying film is shot in Louisiana which has a state tax credit up to forty percent (40%), an investor has greatly reduced their risk. They would get the deduction of their federal taxes equal to their investment PLUS most states with incentives monetize the credits BEFORE production for up to 90% of the credit amount.

Continuing this example, if a film is shot in Louisiana with a budget of $1,000,000, the state would provide the production entity up to 40% of the entire budget in transferrable state tax credits. If the investor was not a resident of Louisiana, the state would monetize 90% of the credit to the production company before filming commenced. That would provide the investors a return of $360,000 ($1,000,000 x .40 x .90) before filming even began.

MARRIAGE of Government Sponsorship and Section 181

Combine the Section 181 federal tax break with a state film tax rebate benefit.

By coupling the two together, you can reduce an investor's risk by 50-100%. It does depend on how much the investor earns annually, how much they have invested in the movie, and where the movie will be produced. But, it is possible that an investor could invest in a motion picture and risk nothing.

Conservatively, the risk could be 50% of your investment. That means for investing $100,000 you are assured to recoup $50,000 in tax deductions and rebates. Depending on the math and the possible film pre-sales results in foreign territories, Investors could recoup 100% of their investment before the film is distributed.

Tax Code Compliance

The Tax Code allows investors in film production to deduct a substantial amount under Section 181 of the code. By utilizing what has been described as “perhaps the most generous business deduction in the Internal Revenue Code" investors are able to write-off a domestic film’s production costs against all categories of income.

While this program offers investors significant income tax savings, it is not a tax shelter, neither by its intent or the letter of the law. The program’s primary objective is to generate cash distributions from successful movie production, distribution & sales.

Limited Private Offering

Only a limited number of partnership units are available, paid for as follows:

1. Initial Cash Investment: $1,000
2. Subscription Note: $2,000

The note is full-recourse with interest at 3% per annum and a balloon payment at maturity, December 31, 2043. All subsequent interest is to be paid from Partnership cash flow will be accrued recourse to the Partner if cash flow is insufficient to pay the interest in subsequent years.

Tax-efficient Investment

Here's an example of the tax benefits for a California resident:

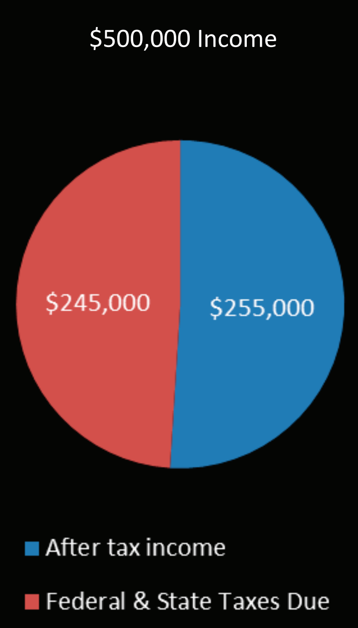
	Before Investment	After Investment
Ordinary gross income	$500,000	$500,000
Section 181 Production deduction	N/A	$450,000
Adjusted gross income	$500,000	$50,000
Federal & State tax rate	49%	49%
Taxes due	$245,000	$24,500
After tax income	$255,000	$325,500 (1)
Income Tax savings	$0	$70,500
State Tax Credits Passed to Partners	$0	$52,500 (2)
Net Income For Partners	$255,000	$378,000 (3)

(1) After Tax Income is calculated after all taxes and the Initial Cash of $150,000 is invested in the Domestic Film Project

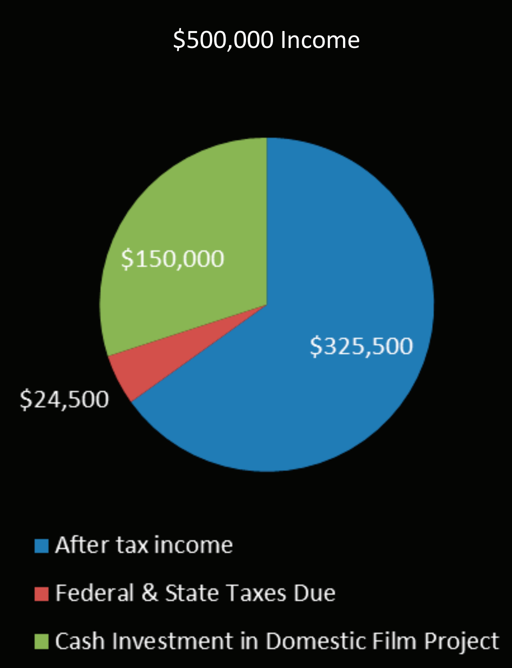
(2) State Tax Credits available for filming in Louisiana and many other states

(3) Net Income is derived from After Tax Income and State Tax Credits ($325,500 + $52,500)

Before Investment



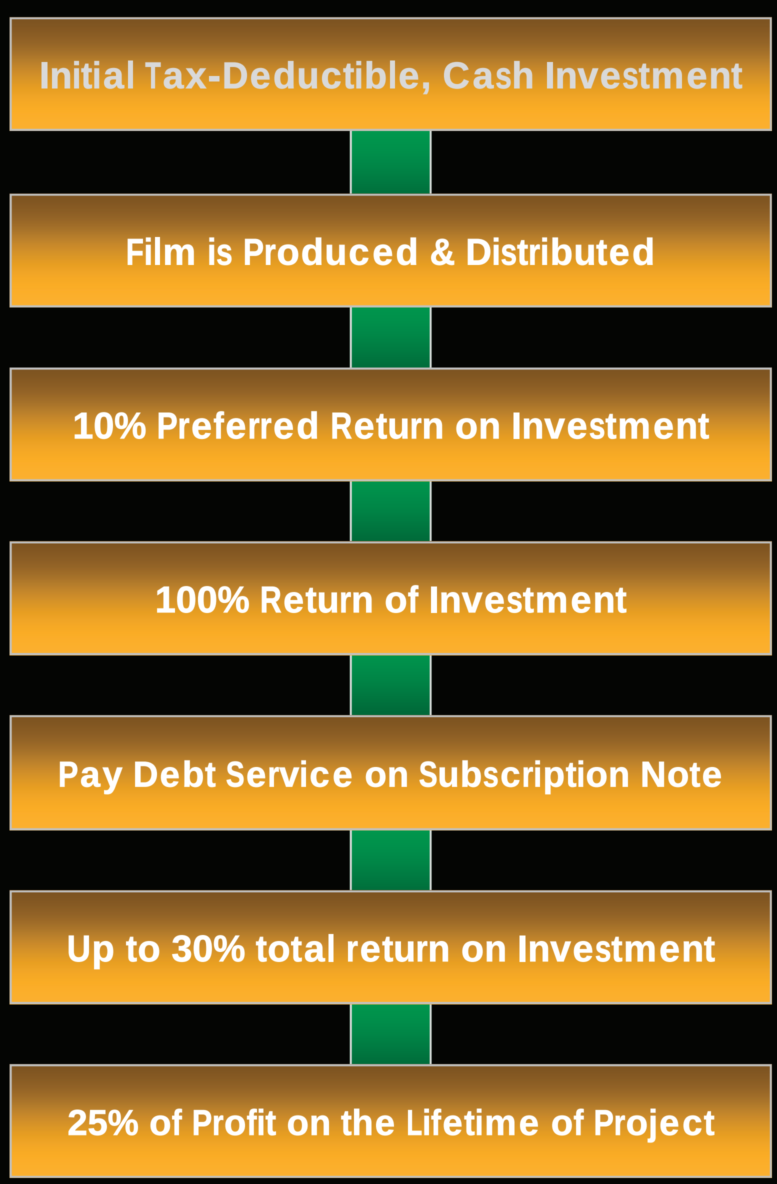
After Investment



Cash Distribution

In addition to the tax benefits, an investment in the Partnership should generate a cash return. Cash flow from film projects will be distributed in the following priority:

- Investors will receive a 10% Preferred Return on their investment
- Investors will receive 100% of net cash flow until return to Investors of Initial Cash Investment
- Pay debt service on Subscription Note.
- After return of Initial Cash Investment is returned, Investors will receive income as follows:
    - 75% Cash Flow until a 20% IRR is achieved, then
    - 65% Cash Flow until a 25% IRR is achieved, then
    - 50% Cash Flow until a 30% IRR is achieved, then
    - 25% Cash Flow once a 30% IRR is achieved on the lifetime of the project.



Optimized Financial Structure

Monaco Films' Managing Agent has made arrangements to collateralize the Subscription Note using zero coupon, tax-exempt municipal bonds, or other securities of similar quality.

The maturity value of these bonds is expected to equal the face value of the Subscription Note.

By collateralizing the Subscription Note, investors are able to effectively pay off the Subscription Note's principal from cash distributions and the maturity value of the zero — coupon bonds thereby reducing the likelihood of an additional cash investment.

How Can I Get Started?

Step One:
The investor reviews the private placement memorandum and determines into which movie(s) they want to invest. The minimum investment is $20,000.

Step Two:
The investor completes the subscription documents and indicates the amount of the initial investment.

Step Three:
The investor places their money into the General Partnership. And, as evidence of the holdings, the investors will receive executed copies of the subscription documents.

Frequently Asked Questions

What is Section 181?

Section 181 is an IRS tax code where an investor may deduct the money which is invested in a film or television production from his or her passive income earned in the same year. If the investor is actively involved in the operation of the production he or she may deduct the amount of investment from all active income earned in the same year.

What is the real benefit of this incentive?

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).

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

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 & economic interest in the film.

What is the investor's minimum investment?

The minimum investment is $20,000.

Can I spread my money over more than one movie?

Absolutely. You can place your money in as many movies as you wish. For example, you can invest $100,000 in a single movie or invest a minimum of $20,000 in several movies.

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

Like other tax issues, investors should consult with their professional tax advisors on any issues related to this new Federal tax incentive.

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

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).

Where can I find additional information regarding the producers and the IRS tax code?

Please contact or visit us at MonacoFilmsLLC.com to download more information.

When does Section 181 expire?

December 31, 2013.

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