



STRATEGIC INVESTMENTS IN FILMED ENTERTAINMENT

About

'Beluga Film Fund' is a private equity investment fund focusing on filmed entertainment. By means of a closed-end investment company and its subsidiaries the Fund will revolutionize film financing of independent genre films. The Fund, whose main target is to create value added for its investors, shall attract professional investors only – preferably those already familiar with the media & entertainment markets.

Some market information

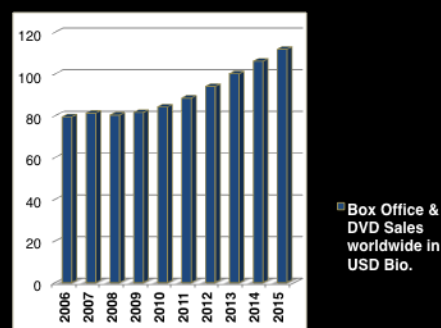
- The market of media & entertainment is a growth market. In particular, the sector of filmed entertainment will grow by 7% through 2015.
- Most independent films tend to be backed by family & friends' money rather than being properly financed. This results in poor incentives for producers and equity providers.
- Hollywood Studios act smart with respect to both film financing and film distributing; however they still produce much too expensively.
- In terms of box office income an USD 10m-production is likely to have the same chance of success as an USD 100m-production. Better spread the risk and make 10 films of USD 10m than just one of USD 100m.
- Real estate investors start building a property only when most of the space is sold or rented out. Why not apply the same procedure to film productions; sell first and start producing subsequently.
- When controlling the rights of a certain film it is sufficient to earn twice as much as you spent for production and distribution.

Fund of Films' guiding principles

- We finance development, production and distribution of English spoken genre films with a European touch, but for an international audience.
- We only choose "field-tested" stories having our scripts assessed by independent script analysts as well as by strategic marketing specialists with respect to the probability of commercial success.
- We finance slate of films the same way the big Hollywood Studios do. We avoid revenue sharing and therefore we strive to finance 100% of a film which, in turn, allows controlling the majority of the film-rights.
- We limit the range of production budgets to 5–20 Mio. EUR and start producing a movie only when the sales estimates predict an net income that exceeds the costs by 2.5x or more.
- All our films will be exploited worldwide by one of our Strategic Partners – the contracting partner for Sales & Distribution.
- We apply rigorous controlling tools to warrant no cost overrun at production and to ensure the revenue flow at point of sales.

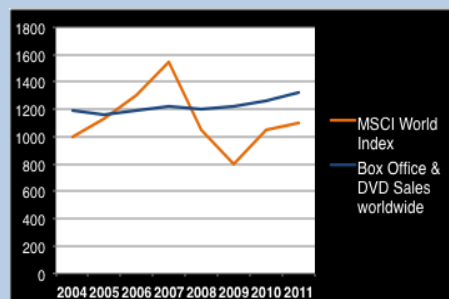
▪ We take advantage of subsidies whenever possible.
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Growth of Global Filmed Entertainment Market

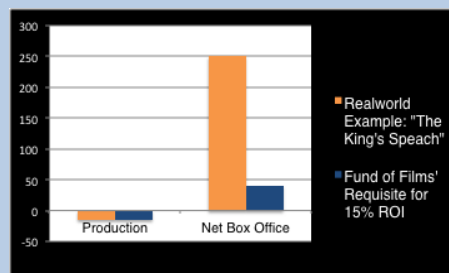


Source: PWC Study, "Global Entertainment and Media Outlook: 2006-2015"

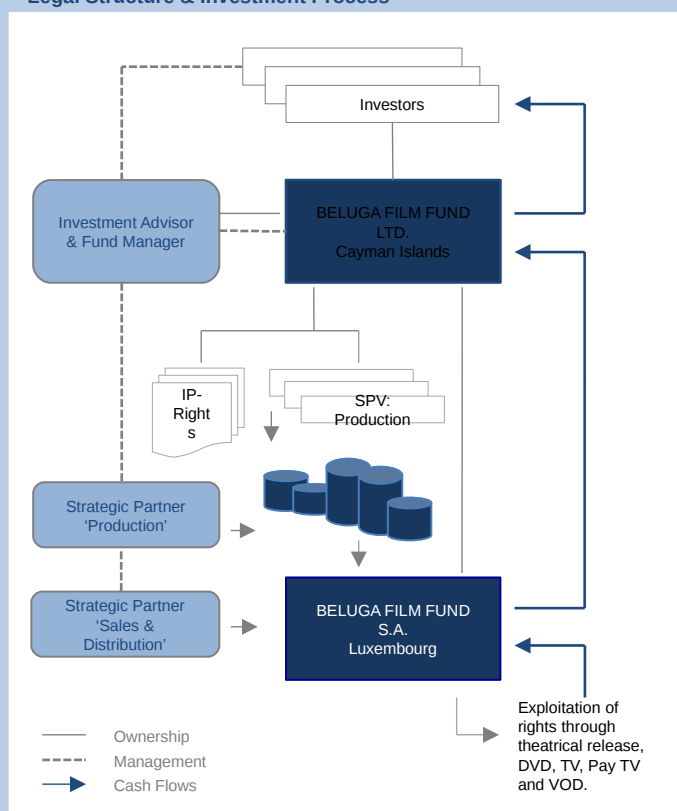
No Correlation: Sales of Filmed Entertainment vs. Global Equity Market



Cost / Income – Relation in USD Mio.



Legal Structure & Investment Process

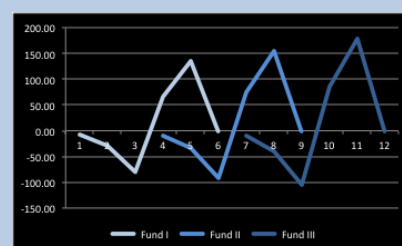


Structure follows Strategy

To best implement the planned strategy we chose a typical private equity structure, which involves a Cayman Islands-based closed-end Investment Company along with Special Purpose Vehicle (SPV) companies located in the corresponding territories for film production. Underneath the Cayman fund a 100% subsidiary company of Luxembourg jurisdiction will be interposed in order to exploit the IP-rights and to collect the royalties from the distributors.

Two Strategic Partners support and complete the Fund Manager's task by developing and producing slate of films (Strategic Partner 'Production') as well as by making these movies available to an international audience via territorial distributors (Strategic Partner 'Sales & Distribution').

The long-term strategy is to start with a size of € 75-80m for Fund 1 and to set up Fund 2 (larger in size but with similar risk-/return-profile) the moment Fund 1 starts recouping.



Practical information

Legal structure	Closed-end investment company
Tax structure	Off-shore private equity structure
Fund manager	Filmtrust Europa Ltd., George Town
Manager's investment	2 %
Reference currency	EUR
Fund size of Fund #1	EUR 75-80 Mio.
Investment focus	Financing of development, production and distribution of European-based films.
Number of films	1 slate of 4-6 films
Subscription fee / Back-end fee	3 % on commitments / 0 %
Minimum investment per shareholder	EUR 10 Mio.
Expected rate of return (IRR)	20-25 % p.a. (net of fees)
Management fee	2.5% on invested capital
Performance fee	10% of net profit above hurdle rate of 10% ROE
Leverage	Max. 40%
Duration of Fund #1	4-5 years

Organization

On launch date by Mid 2012 the fund manager will already have prepared a long list of film projects (packages) that consist at least of treatment, film budget, producer, director, cast and, most important, a sales estimate. It is then the Investment Committee's (I.C.) job to cross-check the investment proposals with the fund's Investment Guidelines and to evaluate the films to be developed, produced and distributed. The allocation of funds will be approved by the Board of Directors based on the decisions of the I.C. that is composed of the shareholders representatives, the Strategic Partners and one key member of the fund's advisory board.

The actual implementation of the investments from acquiring the author's rights of a book or story, over monitoring the film production through the exploitation of the film rights in international markets is the core function of Filmtrust Europa – the fund's designated Investment Advisor & Fund Manager.

Already committed, as a key member of the advisory board, is American producer and most successful female action film director worldwide Kathryn Ann Bigelow, the first and only woman in history to win the Oscar for best director with "The Hurt Locker", a war thriller for which she was simultaneously awarded with the golden statuette for best producer.