



THE UNLIKELY COWBOY

INVESTMENT MEMORANDUM

JANUARY 1, 2000

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WHAT IS THE BEST INVESTMENT?

Gold. Real estate. Stocks. Movies. These are four things to invest money in. But which one has the best upside potential versus risk? The answer, you will be surprised to learn in the course of this memorandum, is movies. *Independent* movies, to be precise. There is simply no business with manufacturing capital entry requirements as low as motion pictures where the potential return can be as unlimited over the short, medium and long terms. The Writer's Guild of America defines "low-budget" features as movies with budgets of \$5 million or less. The focus of this memorandum will be on films that fall into this category. As the *average* movie in Hollywood today now costs \$55 million, this document will emphasize the incredible Return-On-Investment potential low-budget films can offer.

Let's let the numbers speak. Listed below are just a few independent movies:

<u>Title:</u>	<u>Total budget:</u>	<u>Worldwide gross:</u>
<i>Halloween</i>	\$ 320,000	\$ 90,000,000
<i>Night of the Living Dead</i>	114,000	40,000,000
<i>Friday the 13th</i>	650,000	80,000,000
<i>Sex, Lies & Video Tape</i>	1,200,000	110,000,000
<i>Sling Blade</i>	1,200,000	40,000,000
<i>Pulp Fiction</i>	7,000,000	225,000,000

Easily the most impressive and talked-about independent achievement in years is *The Blair Witch Project*. The directors scrounged \$35,000 together to make the film. As of August, 1999, the movie had grossed \$140,000,000 *domestically*.

We are currently in the best times ever for a low-budget independent feature to not only make a fantastic profit but also to receive proper recognition from the industry itself. The Academy Awards Best Picture for 1998 was *Shakespeare in Love*, an independent movie. In 1997, the \$200 million monster *Titanic* won Best Picture, however the four other nominations for that category were independent, low-budget movies. In fact, one of those nominated films, *The Full Monty*, could have been made nearly *150 times* for the budget of *Titanic* (and *The Full Monty* grossed well over \$100 million). In 1998, more than 50% of the Academy Award nominations went to independent films, and the independently produced *Shakespeare In Love* won for Best Picture.

This proves that the independent film market has a legitimate stronghold over the mainstream movie scene. People are no longer attracted strictly to huge stars or blazing special effects. What they want is a good story, a *unique* story. And they're just as willing to pay their \$9 admission to see an independent feature as they would for a \$100 million film with Harrison Ford. The difference, however, is that the independent feature will provide a much higher cost-to-return ratio than that high-budget film.

Let us not forget that beyond the immediate theatrical returns, there are many further outlets that will continue to bring money back into the investor's pockets for *years* after the film has left the theatres. Video rentals have been a mainstream business since the early '80s, and now the DVD revolution is sweeping the country. Though such a new technology, DVD discs are as cheap as VHS and very accessible. People are becoming smarter, pickier movie-watchers at home. They want the quality sound and picture they usually get in the theatre, and DVD provides this. Then there is cable, pay-per-view, and syndication on network television. These are only five of many further avenues in which to profit from a film long after it's out of the theatres—which can literally continue dividends for *decades*.

WHAT ABOUT THE RISK?

If the extent of your movie-making experience is no more than *going to see* movies, then there is an understandable hesitation to just jumping in and shelling out the money to fund an independent film. Aside from that, it is generally accepted by the public that movies are simply too risky. There is the chance that the movie will flop, and all the invested money will be lost. But consider why this is.

Titanic, the most expensive movie in history has also made more money than any movie in history. A few years ago, *WaterWorld* was released, costing nearly as much as *Titanic*. *WaterWorld* was a distinct failure at the box office. The media buzzed with the story, just like they do when any big-budget film with a big-budget star is rumored to be having trouble on the set. No matter what a person's background, everyone tends to talk around the dinner table about what movies are out and what's being made. The feeling generated that one just never knows what will work and what won't.

Because of the high-profile nature of the movie industry, all failures are promoted more blatantly than in other industries. A movie failure makes headlines in the paper, TV stations talk about it, rumors fly rampant. People in general, especially potential investors, are therefore more easily able to cite the failures and use such as a negotiating posture against the producer or as a reason why they must not invest. People lose fortunes in the stock market every day, but their stories don't make the six o'clock news. Investors who sink millions of dollars into building an office building only to file Chapter XI a few years later aren't mentioned on *Entertainment Tonight*. The fact is that there are many other "regular" industries out there that are just as, if not more, risky than filmmaking, but these failures simply fade away because the other industries are just not as high-profile as movies. Let's expand on this comparison.

THE APARTMENT BUILDING VS. THE INDEPENDENT MOVIE.

In terms of quantifiable potential if all went right that possibly could, what is the maximum amount of money a movie can gross compared to what can be made with a specific real estate investment? The following example will explore this question.

You build a 60-unit apartment building in a decent area, from the ground up, for \$3 million. Once built, you rent out your apartments to singles and couples for anywhere from \$500 to \$700 per month (average \$600) per unit for a total gross income of about \$432,000 per year. Now, from your gross, begin to subtract the costs of zoning permits, maintenance and improvements, supplies and staff to maintain the building, legal fees to evict bad tenants, property taxes and the rising cost of inflation, forcing you to invest even more money into your building so you can justify raising the rent (which you may be restricted to raise as little as 3% per year if you're under county rent control laws) in an attempt to increase your gross. Most of these fees and "overheads" continue indefinitely.

Now "build" a movie for only one million dollars, *total inclusive budget*. Since your movie is available at theatres nationwide, people can "rent" it anywhere for about six bucks (averaging student, child, senior and adult rates). According to a 1996 Survey of Public Participation in the Arts, conducted by the U. S. Bureau of the Census, 73 million people went to the movies at least once in 12 months. It would be an exaggeration to suggest that all 73 million people would pick *your* specific movie to go see; however, even if a mere *tenth* of them did, that would generate a gross of \$43,800,000 for your movie—over 100 times the income of the comparable real estate investment. Further, once your movie is made, and once it has been distributed, the revenue that pours in is pure profit, and now it need only be divided accordingly to those who invested. There is no upkeep to maintain the movie, whereas the apartment building will continue to demand a considerable chunk of your gross income to keep the paint from peeling and the electricity on.

Therefore, if we consider it as easy to build and market a movie as it is to build and market a building—just two different types of know-how—it makes a lot more sense to invest in movies than in real estate. But can it truly be *that* easy? What about all the "red tape" involved in making a film? Isn't it more stable to construct an apartment building? Well, just ask anyone who has had to go before the planning commission, get a variance or deal with a builder and/or construction workers, zoning permits...the list is endless. The coordination needed to make a film are much less stressful, and quite a bit more fun because you're being creative and adventurous. And when you're back around that dinner table, which conversation do you think will be the one people are more interested in: the one about building an apartment complex; or the one about making a movie?

THE BOTTOM LINE.

“What’s in it for me?” That is a fair and natural question. The individual benefits of investing in movies is this:

1. *Chance to earn high dividends.* As an example, you could be one of twenty people to invest \$50,000 in an independent feature, with a 2.5% cut of the gross after you recoup your original investment. If the movie only makes \$10 million, your total return will be \$300,000. It is quite realistic for the movie to be completed, marketed and distributed within one to two years. Unless you know about a secret stock that is about to split soon, there are few other industries that can turn \$50,000 into \$300,000 in under two years.
2. *Participation in an exciting process.* You may choose to invest your money and have nothing more to do with the film other than collect your royalty checks when they start coming in. Or you can be on the set everyday, join in the decision-making process, see what all the magic is about as the actors do their thing in front of the cameras on exotic locations. It’s up to you. And spending time on a movie set must certainly be more exciting than reviewing blueprints on a dusty construction site.

The legendary producer Roger Corman has made over 550 low-budget movies over the course of his 50-year career. He is arguably the most successful filmmaker of all time, and we are honored to have him on our production team. Mr. Corman has made a career of making movies that make money. He is considered an icon in the independent film industry, yet despite the momentum he has built for himself over the decades, he has consciously chosen to stick specifically with low-budget films. He has established his profitable niche, and he has a much easier time at it by not having to negotiate \$20 million contracts with megastar actors and over-the-top directors.

THE PITCH.

The number one purpose of this memorandum is, of course, to seek your financial support of our project. However, the rest of the material you are about to read through is going to prove to you, through a comprehensive examination of the project itself and the process of getting it made, that the producers have paid their dues, done their homework, and are prepared to tell a story people will *want* to see.

We ask you to consider that we would not put in so much time and effort in to such a large undertaking if we were not *100% confident and dedicated* that we can and will make a *quality* product, and a *profitable* product.

THE PROJECT

EXECUTIVE SUMMARY/PROPOSAL.

This proposal seeks financing for an independent feature film budgeted at \$5,000,000 (five million dollars).

THE UNLIKELY COWBOY is the story of a young man from the big city who finds himself swept into uncovering a conspiracy in a tiny mountain town when his estranged father, the Sheriff, is killed.

The story will be particularly appealing to today's "baby boomer" audience as well as young adults who make up a significant segment of the movie-going audience.

According to a detailed marketing analysis of *The Unlikely Cowboy* film script, there are many reasons why a film with its theme and story will be of interest to audiences:

The romantic aspect: A lifelong crush between the hero and his childhood sweetheart becomes a passionate and dangerous love affair. This will be an outstanding marketing hook for both male and female audiences.

The scenic beauty: The vast, real-life locations in *The Unlikely Cowboy* will appeal to older audiences, to a time when life was simpler.

The family bond: Audiences both young and old will identify with the rekindled relationship between father and son, as well as the young hero's quest to avenge his father's death.

This film is being produced by legendary filmmaker Roger Corman along with screenwriters Philip Zlotorynski and Chad Rogers. Mr. Corman has produced over 550 films over his more than fifty-year career and operates his own distribution wing under his company Concorde-New Horizons.

The Unlikely Cowboy
(Short Synopsis)
By Chad Rogers & Philip Zlotorynski

After growing up in Los Angeles, Adam Doppler hasn't seen his estranged father in 10 years. Now, fresh out of college and unsure of his future, the life-altering experience of his mother's death drives Adam up to the tiny mountain town of Hayfork, California. His father, Jim, is the Sheriff of the quiet county and is eager to see his only child again after so many years.

The two are reunited with a rough past catching up to them and the present looking strained but hopeful. But any future relationship between father and son is suddenly shattered when Jim is killed in a violent crash that shocks the sleepy town and deals Adam a blow from which he may never recover.

But Hayfork harbors a terrible secret, a secret that has taken from Adam the last chance he ever had of connecting with his father. A monster conglomerate from the big city has been using the town and its residents in a fantastic scheme to manufacture synthetic drugs at low cost for overseas trafficking. Now, with his world turned upside down, Adam begins to realize that the growing conspiracy is keeping the secret of the town locked up tight—and he is the only one who can expose the truth.

Racing against time, defying the now corrupt arm of the law and a group of locals who were once considered friends, Adam doesn't know whom he can trust to help him compromise the conspiracy and restore honor to his father's name. Even the childhood friend he has fallen in love with may be sleeping with the enemy. He is forced into his father's footsteps to take matters into his own hands.

Murder, greed, passion and deception- these are the ingredients for a nightmare from which Adam Doppler cannot awaken. There is no one who can help him, no one he can trust. But someone must find the truth, and the source of indemnity is going to come from the most unlikely hero...

THE UNLIKELY COWBOY

STATUS OF RIGHTS.

A final draft screenplay has been completed by Chad Rogers and Philip Zlotorynski. The work is wholly owned by Neptune Pictures (W.G.A. #750514). The rights are readily transferable to the Partnership.

FUNDING OF THE PROJECT/CO-FINANCING.

We expect to fund the film through sales of units in a *Limited Partnership*. We will simultaneously seek presales from selected pay cable and international markets at appropriate times to raise additional funds. Sales to the remaining territories and markets will occur after the film is finished.

The ideal budget is approximately \$5,000,000 (five million dollars). Our goal is to raise sufficient funds to reach our ideal budget, providing the opportunity to attract larger-name talent, hire a more skilled crew, and achieve higher production value with the use of multiple cameras, cranes, and Steadicam units. The budget will be raised through a Limited Partnership. *The Limited Partners will retain 50% equity in the net profits (and losses) of the Partnership after first recouping 100% of their investment.*

The Partnership's gross revenues shall be obtained by licensing the film's theatrical, pay television, free television, home video and music rights in territories both domestically and worldwide.

If one or more individuals are responsible for raising and/or contributing a significant budget amount, then he or she shall receive an "Executive Producer" credit on the film.

An Escrow Account will be established. Investments will be made into an interest-bearing account until such time as the amount necessary to begin (based on the budget top sheet) is raised and the production commences, or the money is returned in full with interest.

There will be various milestones that must be met before a percentage of the budget will be released to Neptune Pictures, the production company:

Pre-Production	15%
Prior to Principal Photography	45%
End of Principal Photography	30%
Laboratory Work is Complete	10%

PRODUCTION ASPECTS.

The Northern California town of Hayfork is a real-life location, located about 65 miles northwest of Redding, accessible by mountain highway and private airport. The town has a population of 2000, the seat of Trinity County. The film takes place entirely on location, and every scene and structure mentioned in the script already exists in real life. Minimal set dressing or construction will be required. Every location in the town and surrounding area has been pre-scouted by the producers, and permission has been *100% secured*, including nearly 200 acres of river, field and forest land owned by one of the producer's family.

After 8 weeks of pre-production (4 weeks on location), filming commences for 5 weeks in Hayfork, California (on a 6-day-per-week schedule). The best times for filming in Hayfork are after May and before September. (See Production Schedule.)

Additional location scouting and casting trips will occur before the anticipated principal photography date of June 2000. The tranquility and beauty of the natural locations will leave an indelible impression of a sleepy mountain town in the viewer's mind.

We intend to visually enhance the film with special film stock and filters as well as elaborate stunt choreography for the major action sequences. Some of the filming will use multiple cameras and Steadicam rigs which will allow for a higher level of production value and speed of production.

The cast size is approximately 20; the necessary crew will contain approximately 20-30 people.

Most of the equipment will be rented in the greater Sacramento area or in Los Angeles and transported to Hayfork for the duration of the production. Some of the necessary equipment may be discounted or free due to the filmmakers' connections within the entertainment industry.

The film will be shot in 35mm and transferred to video for non-linear editing on the AVID (a computerized editing system). After a final cut is complete, the original negative will be conformed and printed, resulting in 35mm theatrical exhibition film prints.

The Unlikely Cowboy Budget Top Sheet

Title: The Unlikely Cowboy
 Prod. Company: Neptune Pictures

Principial Photography: 30 Days
 In & Around Hayfork, CA

1100	Screenplay	\$	181,500
1200	Producer		259,142
1300	Director		83,119
1400	Cast		822,764
1800	A-T-L Fringe		92,819
TOTAL ABOVE-THE-LINE		\$	1,439,344
2000	Production staff	\$	158,395
2100	Extras		24,400
2200	Set Design		22,500
2300	Set Construction		62,550
2400	Set Dressing		88,096
2500	Props		28,050
2600	Special Equip. & Animals		13,700
2700	Wardrobe		68,983
2800	Makeup and Hair		28,950
2900	Set Operations		67,001
3000	Electrical		67,820
3100	Camera		96,676
3200	Production Sound		26,330
3300	Special Effects		2,000
3400	Location Expenses		261,695
3600	Location Transportation		172,634
3700	Overtime		79,000
3800	Production Film		52,718
4800	Production Fringe		16,500
TOTAL PRODUCTION		\$	1,434,132
5000	Editorial	\$	206,750
5100	Music		140,000
5200	Postproduction Sound		150,000
5300	Film Library		5,500
5400	Film/Audio/Video Stock		15,500
5600	Film Laboratory		128,957
5700	Video Post		34,000
5800	Postproduction Fringe		44,880
TOTAL POSTPRODUCTION		\$	725,587
7000	Administrative Expenses	\$	226,790
SUBTOTAL		\$	4,076,183
CONTINGENCY (10%)		\$	407,618
COMPLETION BOND (5%)		\$	203,809
EXEC. PRODUCER FEES		\$	312,390
GRAND TOTAL		\$	5,000,000

Principal Cast Wish List

Sheriff Jim Doppler

James Woods (*Ghosts of Mississippi, Citizen Cohn, Salvador, The General's Daughter*)

Scott Glenn** (*Silence of the Lambs, Backdraft, Silverado*)

Craig T. Nelson (*Poltergeist* film series, *Coach* TV series, *Ghosts of Mississippi*)

Lance Henriksen (*Millennium* TV Series, *Powder*)

Fred Dryer (*Hunter* TV Series, *Stray Bullet*)

Adam Doppler

Robert Sean Leonard (*Dead Poets Society, Swing Kids, The Age of Innocence*)

Joaquin Phoenix (*U Turn, Return to Paradise, 8MM*)

Deputy Ethan Barclay

James Whitmore (*The Shawshank Redemption, Planet of the Apes, The Relic*)

Harrison Young (*Saving Private Ryan, Primary Colors, Humanoids from the Deep*)

Michael Callan** (*The Magnificent Seven Ride!, Cat and the Canary, One Life to Live*)

Newton

Miguell Ferrer (*Robocop, Another Stakeout, The Stand*)

Scott Valentine** (*Family Ties* TV Series, *Killer Instinct, Paranoia*)

Ron Silver (*Blue Steel, Mr. Saturday Night, Timecop, Veronica's Closet*)

Deputy Billy Caldwell

Gil Bellows (*Ally McBeal, The Shawshank Redemption, Love and a .45*)

** Interested, awaiting financing

NOTE: This list is incomplete and is currently being revised to include suggestions for several other key roles.

DISTRIBUTION APPROACH.

Our film is free of studio overheads and large star salaries. *The cost to make the film will only be 10% (ten percent) of the average Hollywood film.* The beautiful real-life locations will give the film a look of 2 or 3 times its actual cost, which will help during the selling process.

Besides the traditional studio distribution arms (Disney, Warner Bros., Sony, Universal, Paramount, Fox) there are other U.S. distributors including Miramax, Sony Classics, Trimark, October Films, Fox Searchlight, Gramercy, New Line, MGM/UA, Lakeshore and Savoy who attend the film festivals and markets to buy independent films. Foreign distributors also attend as buyers. Unencumbered by the studios, independent producers make the best films so they can sell them to the highest bidding distributor. The producers of *The Unlikely Cowboy* have the added advantage to utilize the resources of co-producer Roger Corman's New Horizons Home Video distribution company to aid in foreign sales and worldwide distribution.

We expect to license the film to U.S. and foreign distributors at the most advantageous times for the Partnership. This licensing could occur immediately before principal photography, before the buyer has seen the film and when interest is especially high. Or licensing could occur once the film is finished. We do not expect to show the film during the editing process, as we want to build up a "bidding war" for the completed film.

We also plan to make efforts to secure a "negative pickup" deal with a distributor prior to the completion of production. In this case, the distributor will, upon delivery of the finished film, reimburse the Production Company for all or part of the production costs in exchange for certain distribution rights, *therefore guaranteeing immediate full or partial reimbursement to all investors.*

PRODUCTION SCHEDULE.

1 st week	Begin pre-production Casting Crew Allocation Location Scouting Lock production schedule Allocate equipment, props, costumes Begin set construction
6 th week	Casting completed Crew allocation completed Locations secured Equipment, props, costumes secured Begin rehearsal
8 th week	Begin principal photography Begin postproduction editing
12 th week	End principal photography
15 th week	Editor's cut completed
23 rd week	Director's cut completed
27 th week	Begin music score Final cut completed Begin sound editing Spot sound effects Spot music Order titles and opticals
32 nd week	Complete music score
33 rd week	Sound editing completed Mix sound Transfer sound to optical track Begin negative cutting
34 th week	Negative cutting completed Color timing
35 th week	Screen first trial composite answer print

APPENDIX A: THE PRODUCTION TEAM

ROGER CORMAN (PRODUCER)

The saga of independent filmmaker Roger Corman ranks as one of the most amazing motion picture success stories. Having produced more than 550 films and directed fifty others, his influence on American film goes far beyond his own energetic, creative low-budget movies. He is one of Hollywood's most gifted and masterful filmmakers.

Born in Detroit in 1926, and received a bachelor's degree in engineering from Stanford University in 1947. After a stint in the Navy, he took a job at 20th Century Fox and by 1949 was a story analyst at the studio. Disenchanted with studio protocol, he left Fox for England, where he did post-graduate work in modern English literature at Oxford's Balliol College. Upon his return to Hollywood Corman worked briefly as a literary agent.

In 1953, Roger Corman sold his first screenplay, entitled HIGHWAY DRAGNET, to Allied Artists and served as associate producer on the film. With the proceeds of the sale he made THE MONSTER FROM THE OCEAN FLOOR the following year, his first film as an independent producer, on the remarkable budget of \$18,000.

Corman began producing a wide array of low-budget features for American International Pictures; all were extremely successful. He tackled a variety of genres, from Westerns and gangster films to sci-fi, teen-age hot rod and rock 'n' roll movies. In 1957 alone Corman turned out nine films--some of which were completed in two or three days.

With this string of box office hits to his credit, Corman began to procure larger budgets. Throughout the 1960s, Corman's cycle of Vincent Price/Edgar Allan Poe horror films earned him international acclaim. When the French Film Institute honored him with a retrospective in 1964, Roger Corman became the youngest producer/director ever to receive such an accolade.

Always a trendsetter, Corman made the first "biker" movie with WILD ANGELS. Starring Peter Fonda and Nancy Sinatra, the film opened the 1966 Venice Film Festival to great acclaim. In 1967, THE TRIP, written by and starring Jack Nicholson, began the "psychedelic" film craze of the late 1960s.

In 1970, he founded his own production and distribution company, New World Pictures. New World rapidly grew into the largest independent motion picture distribution company in the United States. In addition to providing the public with such fast-paced entertainment as BIG BAD MAMA and EAT MY DUST, or cult films such as ROCK AND ROLL HIGH SCHOOL, New World soon became the independent leader in presenting high-quality foreign films to the American public, releasing Academy Award-winning films by Ingmar Bergman, Francois Truffaut, Federico Fellini, Akira Kurosawa, and Werner Herzog.

Noted for his keen ability to spot young talents, his most lasting legacy will undoubtedly be the legion of producers, directors, writers, and actors he has fostered, among them: Jack Nicholson, Francis Ford Coppola, Peter Fonda, Bruce Dern, Diane Ladd, Talia Shire, Peter Bogdanovich, Robert DeNiro, Martin Scorsese, Sally Kirkland, Ron Howard, Charles Bronson, Joe Dante, Jonathan Demme, Gale Ann Hurd, and James Cameron.

PHILIP ZLOTORYNSKI (DIRECTOR/SCREENWRITER)

Graduating with honors from California State University with a degree in film and television production, Philip Zlotorynski has been actively involved in the independent film world since 1995. During that year, under his production company Neptune Pictures, he produced and directed the action-adventure *The First Assignment*, his first of many collaborations with Chad Rogers.

In 1996, he produced and directed *DEAD*, a horror-comedy paying homage to the classic George Romero zombie films. Both films were acquired and are to be distributed by Sub Rosa Studios. In 1997 he wrote and directed the drama *The Seventh Day*, and last year he released the action-adventure *Thunderpoint*, which stars Chad Rogers and was also acquired for worldwide distribution. He also co-produced the action-adventure *Unforeseen Courage* for Quest Pictures, which is currently enjoying international distribution from Allied Entertainment Group. *The Unlikely Cowboy*, which they wrote together, marks the fifth collaboration between Chad Rogers and Philip Zlotorynski, continuing a long history of great success.

Philip is currently working as the head of the Trailer Department for Roger Corman at Concorde-New Horizons and has been slated to direct Concorde's next feature in mid-2000.

CHAD ROGERS (SCREENWRITER)

Majoring in Theatre and English at California State University, Chad Rogers developed his skills as both an actor and writer, focusing closely on character work. During his tenure Chad wrote and directed two of his own stage productions. His first love, however, has always been *film*. Halfway through college, Chad teamed up with Philip Zlotorynski, and the two have been making movies ever since, launching their own production company, Neptune Pictures.

Their first project was *The First Assignment*, which Chad co-wrote based on his novel, followed by the shorts *DEAD* and *The Seventh Day*, all directed by Mr. Zlotorynski. Their most recent collaboration has been *Thunderpoint*, co-written and produced by the two filmmakers. Under Philip's direction, Chad performed in the lead role while also serving as Stunt Choreographer.

An avid writer, Chad is polishing his latest screenplay, *The Invisible Man*, based on the classic novel by H.G. Wells, and is also outlining his next endeavor, *Gifted Hands: The Ben Carson Story*, adapted from the autobiography by Dr. Ben Carson and Cecil Murphey.

NEIL REICHLINE (DIRECTOR OF PHOTOGRAPHY)

A professional director of photography for over 20 years, Neil Reichline left UCLA with a MFA in Film Production and went on to shoot over 35 documentaries, including the Academy Award-winning *Number Our Days*. His work includes over 300 commercials for companies including GM, Chevrolet, Pepsi, El Pollo Loco, and the Fuji Network. He also shot the Showtime movie *Borrowed Life* for director Valerie Landsberg.

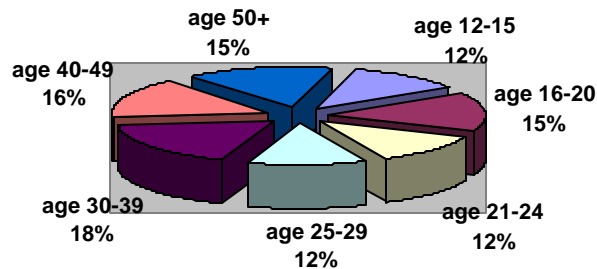
APPENDIX B: THE GENERAL MOVIE-GOING AUDIENCE

WHO GOES TO THE MOVIES?

According to the Motion Picture Association of America, 67% of all Americans over 18 years of age go to the movies, which means approximately 124 million of us are heading for the theaters and buying tickets that generate this industry's annual gross revenues of \$7.46 billion in ticket sales (in 1998). Naturally, some of us attend more often than others as you can see from the charts below:

Age Groups	Percent of Group	# of Movie Goers
18-24	82%	21,924,916
25-34	70%	30,013,200
35-44	68%	26,705,640
45-54	58%	14,629,390
55-64	40%	8,459,169
65-74	34%	6,156,230
75-96	19%	2,495,702

Percent of yearly movie admissions by age of movie-goer, 1998:



Source: Harold L. Vogel, Entertainment Industry Economics

Ticket Sales by age for 1996, as reported by the Motion Picture Association of America, reveal the spending power represented in each of these groups:

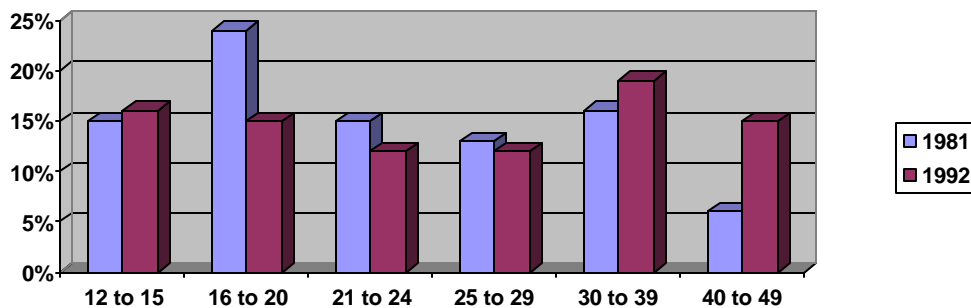
- 15% of all tickets were sold to the 16-20 year-old market, which spends approximately \$810 million annually.
- The 40-49 year old age group represents 16% of the overall market.
- The 30-39 year old market commands the highest portion of sales at 18%, representing approximately \$826.2 million at the box office.

AN AGING DIFFERENCE.

Looking at the general movie-going audience by demographic factors such as age, education and income reveal several emerging trends, which can be used in developing a marketing strategy and to identify a highly efficient target market for *The Unlikely Cowboy*.

Ticket sales by age for 1992, as reported by the Motion Picture Association of America and represented in the chart below, reveal the spending power commanded at the box office for each of these groups. Representing 15% of all tickets sold, the 16-20 year-old market spends approximately \$810 million annually, close to the 40-49 group, representing 16 percent of the overall market. While the 30-39 year old market commands the highest portion of sales at 18%, representing approximately \$826.2 million at the box-office.

Traditionally, the motion picture industry's primary marketing axiom maintained that 17-year-olds determined the success or failure of movies because of their high attendance at the crucial first weekend release. Since the late 1960s, teenagers have been the most reliable movie-going audience. But the drive-ins of those days are now bygone relics turned to swap meets, and the teens of that time are now middle-aged baby boomers. As this comparison chart shows, today, teens and young adults are vastly outnumbered by older boomers. And the movie tastes of these groups are very different, as are their reasons for attending a film. This represents an opportunity for *The Unlikely Cowboy* and its dramatic themes of coming to terms with death, family and with oneself.



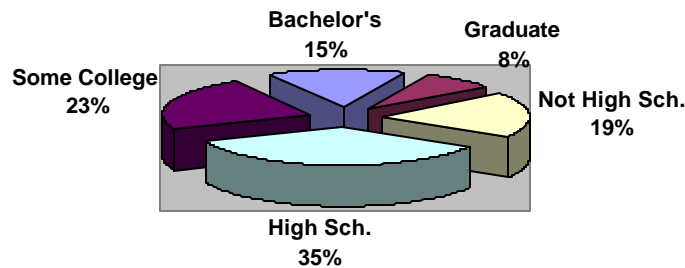
AN EDUCATED AUDIENCE.

Adults with at least some college education are most likely to attend movies, and this crowd wants more sophisticated fare than they can find on television.

According to the NEA 1996 Arts Participation Study, 81% of adults with a graduate degree attend movies, and 77% of those with Bachelor's degrees attend, whereas only 54% of high school graduates indicate attending. Falling in line with this trend, 71% of those with some college education indicate attending

movies. Interestingly enough, average hours of daily television viewing trend in a similar manner, with those holding graduate degrees viewing the least (2.1 hours), and those with some high school viewing the most (3.7 hours). Targeting a college-educated audience is extremely efficient, both as a core audience and as the opinion leaders others count on in selecting films.

As of 1995 calculations based on Census Bureau surveys of the 168 million Americans aged 25 or older, 23% indicate having some college (including associate's degrees), 15% hold a bachelor's degree (25.2 million), and 8% have completed graduate degrees (13.44 million).



STRATEGIES TO APPROACH TEENS.

Today, nearly half of teenagers go to the movies at least once a month, compared with just one in four adults. Because teens (those 12-20 years of age) make up such a large share of opening week audiences, they continue to be a prime target for movie marketers, representing 24% of all movie admissions in 1994. Moviemakers are now targeting a prime segment of the teen market to gain entry to the entire teen audience. New Line Cinema, Disney, and MGM have conducted focus group discussions among urban youth. This particular segment has been deemed key in developing the cultural cache not only needed to address American youth, but teens in overseas markets as well with forces such as MTV globalizing teen style and taste.

"If a movie develops good word-of-mouth among urban teens, it is practically designed for success." – Ivan Juzang, President MEE Productions, a research firm doing focus groups for Hollywood studios including Disney.

A GROWING "INDIE" AUDIENCE.

Over the last decade, independent films and independent directors have been achieving increasing monetary success and recognition. According to Golman Sachs Reports, in 1983 41.9% of U.S. movie releases were major studio products, whereas in 1993 the number of pictures released by major studios had shrunk to capture only 34.7% of the market share. During this same period consumer expenditures on filmed entertainment have more than doubled, reaching \$40 billion in 1994, according to Standard & Poor's analysis.

The growth in the numbers of film festivals and attendance at these festivals over the last 20 years is indicative of the increasing sophistication among moviegoers. While Hollywood has tried to address this sophistication, independents rely on their more daring artistic vision to infuse fresh angles into telling a story. Recent pictures without Hollywood size budgets, such as *The English Patient*, *Shine*, *Big Night*, *Breaking the Waves*, *American History X* and *The Full Monty* among others, have drawn successful box office audiences to stories with a more independent viewpoint.

Where there's an audience, there's money, and this growing indie audience is now being courted by Hollywood as a revenue source. Studio executives, agents and development people are now regular attendees of film festivals, as they hunt for material and talent. Hollywood is not the only corporate structure to show an interest in this expanding audience. The Independent Film Channel and The Sundance Channel are examples of how the industry is giving independent filmmakers additional vehicles for their pictures to be shown.

APPENDIX C: UPSIDE POTENTIAL

Income Projections Summary Over 3 Year period

Prepared 1/1/2000

U.S. BOX OFFICE	\$9,600,000
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	<i>BREAKEVEN</i>	<i>MEDIUM</i>	<i>HIGH</i>
<i>U.S. DISTRIBUTION</i>			
US Film Rental	4,800,000	9,000,000	17,500,000
Non Theatrical Rentals	80,000	150,000	200,000
Pay/Cable	400,000	750,000	2,750,000
	5,280,000	9,900,000	20,450,000
<i>less distribution fees 30%</i>	(1,584,000)	(2,970,000)	(6,135,000)
<i>less Prints & Advertising (P&A)</i>	(3,000,000)	(5,000,000)	(10,000,000)
	696,000	1,930,000	4,315,000
<i>HOME VIDEO ROYALTY</i>			
<i>no distribution fee</i>	700,000	2,500,000	5,000,000
<i>SOUND TRACK ROYALTIES</i>			
<i>no distribution fee</i>	90,000	200,000	400,000
<i>FOREIGN DISTRIBUTION</i>			
Foreign Film Rental	3,900,000	9,000,000	15,000,000
Foreign Television License Fees	600,000	800,000	2,500,000
Foreign Home Video Royalty	900,000	1,600,000	5,000,000
Foreign Pay/Cable	600,000	1,700,000	2,500,000
	6,000,000	13,100,000	25,000,000
<i>less foreign distribution fees 35%</i>	(2,100,000)	(4,585,000)	(8,750,000)
	3,900,000	8,515,000	16,250,000
GROSS REVENUES TO PARTNERSHIP	\$5,386,000	\$13,145,000	\$25,965,000
Film Cost	4,500,000	4,500,000	4,500,000
Deferments	0	0	0
Net Profit To Partnership	\$886,000	\$8,645,000	\$21,465,000
Investor's Share	\$443,000	\$4,322,500	\$10,732,500

Return on Investment

10%

96%

239%

Note: These are Hypothetical Projections for information purposes only.

No guarantee of net profits nor return of income can be made.

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