

Can Tax Driven Investment Under Section 181 Provide Immediate ROI of 100-140% To HNW Investors?

By Yuri Rutman

Structured Film finance using tax credits and section 181 writeoffs offers many innovative structured finance deals that offers a potentially high yield investment, tax credits, an immediate ROI. It follows a disciplined and strategic risk minimization strategy and multiple exit scenarios catering towards high net worth investors, including recent sellers and ex-CEO's of multi-billion dollar corporations, real estate developers, hedge fund managers, private equity funds, and alternative investors.

There is a lot of international private equity right now that's chasing entertainment and film Investments. But smart money can become dumb money very quickly if they don't understand the risk modeling and hedging techniques that are mandatory to insure success.

A whose who of prolific billionaires and other Hollywood investors include Fred Smith, the CEO of Federal Express, Norman Waitt, the Co-Founder of Gateway Computers, Jeff Skoll Of Ebay, Todd Wagner and Marc Cuban. Marc Turtletaub of The Money Store, Roger Marino Of EMC Corp, former Chicago bulls co-owner Jim Stern, Sidney Kimmel Of Jones Apparel Group, Minnesota Twins owner Bill Pohlada; Real Estate Developers Tom Rosenberg, Bob Yari, and Steve Samuels ; and, financiers Robert Sturm, Sheikh Waleed Al Ibrahim, Michel Litvak, Zeid Masri of SilverHaze Partners, Michael Singer, Mark Esses, David Larcher, Michael Goguen, Richard Landry, Michael Reilly, Rafael Fogel, Philip Anschutz , and others,

The capital investments and appetite for films are coming from Dubai, Bahrain, Chicago, Wall Street, Silicon Valley, Russia, Hong Kong, and even China. Everyone wants to bankroll a successful movie or ten movies.

Investors are able to realize immediate returns on their investment between 100-120% before profits from Section 181 Federal tax writeoffs allowing 100% deductions, and, tradable tax credit incentives similar to what real estate syndicators and investors utilize from Federal Historic Preservation Credits and other incentives.

That's why so many dot comers, billionaires, and real estate guys are financing films. The structure is almost like developing a large commercial real estate project. Except in this case they can earn an instant ROI of 100-125% before profits, a hedge of revenues from several films, additional liquidity if we do an exit IPO, and see their names as credited producers in movie theatres, tv, DVD's, etc. And if a film gets into the Cannes Film Festival, Sundance, Toronto, etc, the international travel perks are also in the mix.

In a typical film finance situation an investor puts up anywhere between 50-100% of the financing on a film's budget depending on his tax credit needs as well as the size of the

film. Most films under 4 million are 100% financed as is the case of successful movies like "SAW", "NAPOLEAN DYNAMITE", "WOLF CREEK", and numerous others.

For his investment, and depending on where a film is shot, he is eligible for a tax credit on the entire amount as well as a Section 181 writeoff. If he is putting up 100% of the budget on a \$5 million dollar film, he is getting an immediate return of approximately \$6 million dollars in tax credits and tax write offs if its shot in Illinois (20%). Some states offer 30%, Puerto Rico offers 40% that's tradable back to U.S residents.

A model can be based on 100% financed films under 4 million, and 50%-60% financed films over that, with the deficit being covered by distribution advances. In some instances, a \$5 million dollar film is set up, investors put in \$3 million, pre-sales are \$2 million, and an investor still gets tax credits on the \$5 million, plus a Section 181 write off on his entire investment, plus international profits, plus an option to convert his investment into public liquidity through a reverse merger or an IPO on the London AIM. Multiply this by 5 or ten films in different budgets, genres, and tradable tax credits, and the potential for varying returns, distribution channels, markets, and long term library potential is enormous.

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