

Bad Species

Log Line: Has technology advanced too far?

Festival Synopsis: After analyzing the modern human race, a demented serial killer realizes that modern social technology and technology in general has influenced us in a way that is detrimental to our survival and it induces a rage that makes him kill.

Synopsis: Feeling that society has lost its way as a result of modern social media, a demented serial killer decides to teach the younger generation a lesson, and in the process cleans the world of the nimble minded masses. He lures his victims by systematically placing cell phones in public places and calling it until someone answers. They in turn become the next victim.

The Setting: Rural College Town Pennsylvania.

The Players:

Professor Jennings, Local college professor. The most popular professor on campus.

Lannie, a beautiful young girl caught in the middle of a serial killer's revenge

Maggie, a beautiful young girl caught in the middle of a serial killer's revenge

Geek, College IT Project Manager who gets intrigued by a string of serial killings

Williams, Misfit student caught in the middle of a serial killer's revenge.

www: Psychotic serial killer who is convinced he has been summoned to this world to clean it of the bad species.

Det. Logan, a smart young detective trying to solve a string of murders committed by a serial killer.

Agent Devlin, Senior FBI agent trying to solve serial murders.

CAST:

(Additional Casting Call During Preproduction)

Professor Jennings- Ronald Quigley

Lannie- Name Talent

Maggie- Name Talent

Brandon- Name Talent

Det. Logan- Adam Ward

Agent Devlin- Name Talent

Note: Name Talent will be hired on a per day basis at slightly above SAG scale approximately \$3K to \$5K per day and usually shot out in 3 to 5 days

There will be several other actors hired and they will fill the parts of the victims. Most will be shot out in two to three days. When casting these parts we will be looking for a few young actors on the up tick who could possibly sign a major deal in the near future, thus bringing name value to our project. Most will be signed at SAG ultra low budget scale. All other victim parts will be hired as Non union Talent

BAD SPECIES MOVIE

VISION / MISSION

The recent rise in the popularity and legitimacy of "Independent Films" has allowed the production of many low and medium budget films, which are now successfully competing with multi-million dollar studio films, which often tend to fail at domestic and foreign box offices. It has become clear in this age of the independent film making that quality, originality, combined with an interesting story told in a stylish entertaining manner, will find an audience. With such a small initial investment, even relatively modest returns will generate significant profits. With the ever increasing number of movie screens in the U.S., and with the ever expanding ancillary markets of DVD, cable TV, pay-per-view, video-on demand, the internet, and international distribution, along with sustained critical acclaim for independent film as a genre, the opportunities for a film like "Bad Species" have never been better.

97% of people between the ages of 15 to 30 own a cell phone and most have a facebook page. No one has incorporated the modern social media and the technology that goes with it into a psycho thriller. We believe the we are ahead of the curve. The market is wide open. " exponentially growing crowds are signing on to facebook twitter and cell phone plans daily.

Filming of " Bad Species" in the Pittsburgh Pennsylvania area will take full advantage of the Pennsylvania tax credits and the film friendly atmosphere that the Pittsburgh area provides.

While "Bad Species" will capitalize on all of the above benefits, this film will also have the advantage of being a much sought after sci-fi/thriller/horror production. Horror has traditionally maintained a large following which has shown a willingness to accept small independent films outside the Hollywood mainstream. "Bad Species" is designed to target this audience. As you will see in the following pages, "Bad Species" is a favorable film investment opportunity due to a high quality, exciting screenplay; a strong, experienced production staff, high quality production values achieved at low cost; financial structure favoring the investors; market atmosphere amenable to low budget independent films and the possibility of a high return on investment.

FOREIGN DISTRIBUTION AND PRE-SALES

International distribution has changed dramatically through the years. Trends, financial complications and saturation of product have caused the market value of American films to fluctuate. Nevertheless, even with a "platform" U.S. theatrical release, which assists international sales, the revenues from international distributors can come in well over \$5 million. These dollars would guarantee recouping the investment and Aside from the success of the picture at the Box Office, the "name star" will significantly increase the international sales revenue of the picture.

Additionally, the foreign revenue of the picture can come in the form of pre-sales. However, it is more advantageous to pursue pre-sales once the "name star" is attached. These pre-sales can be an effective way to begin generating revenue for the picture. Certain territories such as Asia (excluding Japan), Latin America and Africa is generally considered "low paying." However, more prominent territories such as the European countries and Australia can be lucrative sources of pre-sales revenue.

PROJECTIONS

This picture projects a production budget of \$300K which includes a 3 "name star fee of \$50K - 80K Although the name stars will be in a non starring role the will bring value when seeking distribution The investment of \$300K will be noted with an increase of 30% for a "platform" release, raising its value to \$400k. This amount will be labeled as the "negative cost" to be recouped before profits are distributed according to industry standards. For this type of release the picture is expected to gross 7 million at the Box Office, which is a realistic projection.

Furthermore, in the case of a "limited" theatrical release, the funds that the distributor invests in prints and advertising will increase the actual cost to \$500K. However, at a mere 200 screens and a respectable marketing campaign this amount can be reached in the Box Office within two weeks of the release date, with an overall Box Office gross of 10 million or more. These are very modest estimates; the actual Box Office potential for this film can be substantially higher (below you will find a Market Research table indicating realistic possibilities for this film). With this kind of performance at the Box Office, the estimated worldwide sales from DVD/video and television are expected to reach 5-7 million or more. These estimates can be substantially higher depending on the film's performance at the Box Office. Even without a theatrical release this film is expected to generate worldwide sales of 4 million, more than enough to recoup all "negative" costs and bring a generous return to the investors. Therefore, the minimum expected profit would be \$1 million after recovering the initial \$300K. In conclusion, the percentage of profit from DVD/ video sales and the Box Office that will come back to the investor can start at 10% and go as high 50%, or more, depending on the level of their participation. This is after the initial investment has been repaid, which is an extremely generous return comparatively.

FRANCHISING

Horror/Thriller pictures are the cornerstone of franchises. Most horror films have built an audience that is faithful and will come back for a second or third installment of the story. "Bad Species" is a perfect candidate for creating a following and a sequel.

MARKET RESEARCH

The Horror genre is a specialized section of the entertainment business. For many years the model has been: low budgets with wide distribution. The result: high revenues. Market research has proved that American audiences are always willing and able to be "scared" by the silver screen. In the case of "Bad Species", the projected budget \$300k makes the picture an able competitor in the theatrical stable. Most horror films show an average 1:2 ratio (negative costs:box office gross), making them one of the most profitable ventures in the entertainment industry. Listed below are ten horror films that have been released in the past several years:

TITLE/ YEAR / BUDGET / BOX OFFICE GROSS*

Halloween (1978)	\$325,000	\$47,754,000
Friday the 13th (1980)	\$700,000	\$39,754,000
Nightmare on Elm Street (1984)	\$1,800,000	\$25,520,000
Scream (1996)	\$15,700,000	\$38,048,637
Know What You Did Last Summer (1998)	\$17,000,000	\$72,219,395
The Blair Witch Project (1999)	\$1,000,000	\$140,530,114
Stir of Echoes (1999)	\$13,000,000	\$21,133,000
Bats (1999)	\$6,500,000	\$10,149,023
Final Destination (2000)	\$23,000,000.00	\$53,302,314.00
House of 1000 Corpses (2003)	\$7,000,000.00	\$12,583,510

*Box Office gross only includes the theatre receipts in the U.S. The actual gross can double once video sales, TV sales and foreign box office numbers are factored in. The films in this table were produced independently and released through the studio system. Release dates, budget and box office gross information was gathered from www.imdb.com and www.showbizdata.com, both industry standard research sources.

THE BIRTH OF AN INDEPENDENT FILM

Feature-length motion pictures are financed, produced, and released either by studios, which have the capacity to distribute their own motion pictures, or by independent producers, who will ultimately rely on studios and/or independent distributors for the marketing and distribution of their films.

THE RISE OF INDEPENDENT FILMMAKING

In the past decade, the structure of the business has changed radically, while the steps involved in the process of filmmaking have not. In the past, the development, packaging, financing, and production of a film were conducted in-house at the major studios. Now, each activity is more often accomplished by

stand-alone business entities; that is, by the modern independent producers and production companies. Several factors have contributed to this new producing landscape, a chief one being the relative inefficiency of the vertically integrated motion picture manufacturer. Studios have found it far more economical to hire creative and technical professionals on a film by-film basis rather than keep them on permanent staff. Consequently, a whole community of independent film professionals willing and able to participate in the independent manufacture of feature films exists. These professionals are generally available on very favorable terms. As a result of this new production landscape and of the economics of modestly budgeted films, the craft guilds and unions almost uniformly have provisions in their basic agreements lowering the floors for wages and benefits to accommodate these films and to encourage the independent producer. Therefore, an independent producer can realize economies in production that the studios could not begin to approach. Studios have extreme and constant upward pressure on their budgets from talent, technical professionals, and service providers. Because of their high costs of internal manufacture, studios have turned to independent producers to fill their distribution demand.

THE DIGITAL TIDAL WAVE

How Technology Has Disrupted the Film Business and Created Independent Opportunity It can be confusing to try to contemplate, in an orderly fashion, all the ways in which digital technologies have and will continue to change the film business. In 2003, Big Horse Incorporated was commissioned to study the landscape of digital capture of film projects for a multinational corporation. The results of that study showed that lower-budget films were increasingly turning to digital technologies wherever possible.

The result of the report was that Last Act Entertainment can tell its client that we could produce an independent film for approx. \$300K that would have the look and feel of a \$5 Million movie made by a Studio. This why every Major Studio buys thousands of independent films yearly - production value that the Studios are not equipped to match. The tidal wave is upon us. Key areas of the business are already disrupted.

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Digital Filming means less cumbersome equipment, smaller crews, greater shooting latitude in content capture, and lower cost.

It also means that the content, the digital assets are much more easily turned to various purposes right from the source. Multiple potential program elements can be turned from "out-takes," and the like with very little extra effort compared to the past.

Digital Editing means that speed to market, workflow, and effects generation are all contained within the digital assets, and can be much more easily married to the "filmed" content.

And, if the principal photography (see below for definition) capture was digital, then the original production material does not have to be "digitized," all is already digitized. EI Digital Exhibition in theaters means lower cost prints, at \$1200 each, minimum, to \$2500 each, the cost of traditional prints for 1000 screens is \$1.2 million to \$2.5 million.

Digital exhibition, when it reaches critical mass, will eliminate a key cost barrier. Beaming by satellite, FedExing, or digitally piping the content to the venue opens doors of opportunity to companies that currently have to carefully consider the viability of releasing their film in theaters.

Digital Devices Everywhere means that a proliferation of new digital media distribution partners (such as Verizon, AT&T, and Google) are and will be riding on the tidal wave. The control of channels to the customer is being and will continue to be disrupted, enabling broader marketplaces in which the content of Production Company and consumers can meet in transactions. Additionally, according to a Pew/Internet & American Life Project report dated July 25, 2007: "57% of internet users have watched videos online and most of them share what they find with others." In the era of YouTube and portable multimedia phones, if you can please an audience then they in turn can become your ambassadors. Digital technologies mean opportunity for Production Company.

FROM CONCEPT TO SCREEN - THE PROCESS OF AN INDEPENDENT FILM

The production of a feature-length motion picture usually involves a series of creative and business steps and decisions, which, as they move along the continuum, begin to operate in a more and more simultaneous fashion. An independent producer or production company may come into the process at any stage or may be involved from the beginning.

THE STEPS OF THE PROCESS:

Conception of the story

Development and writing of the screenplay

Packaging development

Financing

Pre-production

Principal photography

Post-production

Distribution and marketing

Completion of these processes can take anywhere from six months to a year or more, from conception to theatrical release.

THE STORY

During the first phase, the writer, producer or production company can conceive, develop or acquire a literary property. This may be an original screenplay written "on spec" by a writer, a book, a play, a news article, or an event. This is the "development" phase. Once the production company or producer has an approved screenplay, the film enters the "packaging" stage.

Packaging and Further Development During this phase, the producer will usually prepare a budget for the production of the film. This budget includes the cost of acquisition of the story and development activities, as well as the personnel and materials for principal photography and post-production. The script and packaging stages are collectively and individually referred to as the "development" of the motion picture, sometimes causing confusion as to precisely which stage a film has reached. But this kind of confusion and sliding scale use of terms abounds in the motion picture industry, describing processes which often overlap and which will occur through pre-production until the beginning of principal photography. Principal photography refers to the point when the cameras actually start to roll.

FINANCING

When the company has the script and the "package," it goes about providing for the financing. Because of the complex nature of melding creative and business endeavors, and because of the high costs associated with producing films, stages often overlap. The developing, packaging, and financing of a picture may occur simultaneously at various times. The financing of a picture can be achieved from within the industry:

1. In the form of production funds directly from the domestic or foreign distributor(s) in exchange for rights to distribute the finished film; or
2. A "bankable" distribution contract, which is then discounted by a bank or other lender.

Both of these "pre-sale" methods require budgets and casts, which can support and protect these contracts, and are usually not suitable for most independent filmmakers. When they are viable for a film in question, they usually result in significant financing costs, which will divert funds from ending up "on the screen." Financing can also be arranged with private investors in forms as various as:

*LIMITED PARTNERSHIPS;
LIMITED LIABILITY CORPORATIONS;
REGULAR CORPORATIONS;*

This stage may be funded from the producer's or the production company's funds, or from investors or a studio desiring the rights to the emerging film. Once the producer has a feeling for what it will cost to produce the film, he or she may go about assembling a creative and business team (a "package"), perhaps including actors, director, and other personnel crucial to making a viable film and business venture.

. AND OTHER VEHICLES

Financing can be fully from private equity or a blend of both industry and private investment funds. Pre-Production Once financing is achieved, the film is ready for preproduction. As pre-production draws to a close, more and more technical and artistic staff is brought on to prepare the picture for the shoot, under the control of the production company.

PRODUCTION

Principal photography, the actual shooting of the film, can generally take anywhere from three weeks to three months. It is a grueling period of manufacture in which the company creates the film negative, the dialogue, and the primary special effects that will comprise the film.

POST-PRODUCTION

After principal photography is completed, post-production ensues, though in many pictures it too may be simultaneously pursued. During post-production, the printed scenes are chosen, the producer and director agree upon cuts, the scenes are selected and matched together by the editor(s) for continuity of story, special effects are added, sound is matched, music is recorded or matched, and the whole is brought together to make the movie. This process can take from four to six months, and sometimes longer. Digital editing enables a company to manage workflow and create effects more easily, increasing speed to market because all parts are contained within the digital assets and can be much more easily married to the "filmed" content. Distribution (Release) At this point, a film is ready for release to the public. Depending on the following, a distributor may feel the need to enhance the film, to "sweeten" its soundtrack, add further or more high profile music, and even schedule re-shoots or additional critical scenes.

FACTORS INCLUDE:

THE PRODUCTION METHODOLOGY:
HIGH RESOLUTION 35MM FILM
LOWER RESOLUTION 16MM FILM
HIGH RESOLUTION DIGITAL VIDEO
LOWER RESOLUTION VIDEO
THE FILM'S BUDGET FOR:
SOUND
DIALOGUE REPLACEMENT
MUSIC
SPECIAL EFFECTS
TRANSFER AND PRINTS

During the following two to four months, locations are selected, final casting is completed, sets and costumes are built or bought, and the shooting schedule is fine-tuned. The result of all of this effort, completed through post-production, is a negative from which prints will be struck for release to theaters. Whatever is the case, whether a film is completely ready for release or merely needs enhancing, from here it goes into distribution in a fashion commensurate with its target markets and its audiences.

SALES AGENT / DISTRIBUTORS

Before, during and after the film is completed Peter Lugosi Films will represent our film at most of the major markets:

January	SUNDANCE Film Festival - Park City NATPE (Television) - Las Vegas
February	EUROPEAN FILM MARKET - Berline (concurrent with the BERLIN FILM FESTIVAL)
March	FILM MART - Hong Kong
April	MIPDOC (Documentary) - Cannes MIPTV (Television) - Cannes
May	MARCHE DU FILM - Cannes (concurrent with the CANNES FILM FESTIVAL)
June	CINEVEGAS - Las Vegas
July	VSDA (Video) - Las Vegas
August	VENICE FILM FESTIVAL - Venice

September TORONTO INTERNATIONAL FILM FESTIVAL

October MIPCOM (Television + DVD) - Cannes

November AFM - Los Angeles

"Last act Entertainment" will also shop the film to all of the Major Studios to satisfy their insatiable demand for World Wide Theatrical Release and Television Programming.

How your investment is assured a return of 50-100% for Film & Television production in the United States
(This summary is not to be construed as a securities offering and is intended for research and information purposes only)



If you are an individual Investor, Private Equity Firm, Hedge Fund, HNW Investor, Asset Manager, Fund Of Fund, Or Regional Company and are looking for a high-yield, absolute-return alternative investment that also can generate substantial Federal and State Tax Incentives, Credits, Cash Rebates, while at the same time be part of a structured film finance opportunity that can offer an absolute return of 50-100% on capital before revenues, offer long-term multiple exit strategies, and liquidity options, then continue reading.

MINIMIZING INVESTOR RISK with United States Film Subsidies

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 and 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.

SECTION 181: You've heard of farming subsidies. A few years back savvy film lobbyists created subsidies for the film industry. As they outlined the dangers of runaway film production to Canada, Eastern Europe and Australia, Congress passed legislation that resulted in Section 181 of the IRS Tax Code.

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 completed within the United States qualify under Section 181. Investors can be either individuals or businesses.

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.
- There is no expectation for film distribution or film completion.
- The motion picture's corporation issues Schedule K-1's to the investors so they can take advantage of Section 181.

WHAT IT MEANS FOR INVESTORS:

Tax rebates and incentives for money spent on film or television production within a particular state combined with the benefits of Section 181 allow 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 Michigan which has a tax credit up to forty percent (40%), an investor will be eligible to recapture seventy five percent (75%) of their investment in a qualifying production. This recapture can be realized before the film is released and/or makes its first dollar. In today's economy this type of investment assurance is hard to come by.

GOVERNMENT SPONSORSHIP: State Film Incentives passed onto Investor

In addition to the Section 181 tax deduction, the motion picture can be filmed in a state with rebates or transferrable tax credits. If the film Producers elect to do so, they can pass this

subsidy onto our investors upon release of the rebate. As an example, if a \$1,000,00.00 movie shoots in New Mexico and spends every penny in the state (or, through a pass through corporation that pays state taxes) the state of New Mexico will issue a 25% tax rebate, worth approximately \$250,000.00, that can be sold for a little less than face value. That check can then be passed onto the investors. This is a considerable risk minimization for the Investor. With state film incentives alone, the investor is only risking 75 cents (average) on the dollar if the project is produced in New Mexico...or 60 cents on the dollar if produced in Michigan. In essence, the investor risks 50 to 75 cents on the dollar and the government is picking up the balance on a delayed time table. There are currently 38 states in the United States that have some type of tax credit or rebate plan. Here is a current List of [State Film Incentives](#) with updated information provided by Entertainment Partners.

MARRIAGE of Gov't Sponsorship and Section 181:

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

By coupling the two together you can reduce an investor's risk by 50-100%. Think about that. It does depend on how much the investor earns annually, how much they've 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 \$100,000.00 you are assured to recoup \$50,000.00 in tax deductions and rebates. Depending on the math and the possible film pre-sales to foreign territories, Investors could recoup 100% of their investment before the film is distributed.

Here is an example. The movie needs 2,000,000. Investor X wants to invest 1,000,000 into the film. Their annual income is 5,000,000 and they have 10M in assets. Their annual taxes are approximately 1.75 M (35% tax bracket) and they have absolutely no tax write-offs to take advantage of. If they invest \$1,000,000 they'll be risking \$650,000.00 investment in the motion picture, and will have saved themselves approximately \$350,000 in federal income taxes. So, that means the investor is risking 65 cents on the dollar. But, wait! The movie is going to shoot in the state of Michigan. Michigan will give you a 40% rebate. They'll kick in an extra 2% if you shoot it in one of the numerous Special Economic Zones they have throughout the state. So, you shoot in Detroit and spend \$1,000,000 in Michigan. That means they'll grant you a 42% tax rebate on your gross spend in Michigan, minus tax rebate broker fees. That's around \$400,000. This rebate can then go to the investors. Investor X will now be getting approximately \$750,000 in tax deductions and rebates from the Federal Government and the State of Michigan for their \$1,000,000 investment in the motion picture. Under this scenario, Investor X's actual risk is less than 30 cents on the dollar. And the upside is the investor will receive revenues from world-wide distribution sales and licenses of the motion picture. Additionally, 9% of the future gross revenues from each Section 181 qualified project is non-taxable under Section 199.

NOTE FOR INVESTORS:

The first thing you as an investor want to know is how an entrepreneur will protect your money. Once that issue is addressed then you want to hear about profits and exits. Investors invest for a variety of reasons, but a unifying concept for all investors is simple. Many Investors are fearful of losing their money. Tax rebates and incentives for money

spent on film or television production within a particular state combined with the benefits of Section 181 allow 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 Michigan which has a tax credit up to forty percent (40%), an investor will be eligible to recapture seventy five percent (75%) of their investment in a qualifying production. This recapture could be realized before the film is even released and/or makes its first dollar. In today's economy this type of investment assurance is hard to come by.

PRODUCER'S STATEMENT:

"Investing in our motion picture projects includes a level of safety investors haven't experienced before in the entertainment industry. We've taken the time to research the Section 181 tax legislation and we've hired a consultant who can explain how your investment is 100% tax deductible. We've gone through the steps to make sure the IRS will recognize your deduction. How many investments in this market and in this economy can promise that a significant portion of your money is completely protected? After reviewing the information on this website, we will be happy to share with you how we're going to make an exceptionally good movie with attractive profit potential"