

Perry O. Artates
782 Lau'ie Drive
Waiohuli, Maui, Hawaii 96790

COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

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Rep. Tom Brower
Rep. Cindy Evans
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Rep. Clift Tsuji
Rep. Barbara C. Marumoto
Rep. Kymberly Marcos Pine

HB 1551

Support

Aloha Chairman Mckelvey, Co-Chair Choy & Committee Members,

For the record my name is Perry Artates of the Hawaii Operating Engineers Local Union No. 3. I ask for your support of HB 1551.

I'm here simply to preserve & protect our work in the Construction Industry. With our membership on the out-of-work list throughout this State of Hawaii climbs each day, each hour, & each minute; Unemployment runs out, No mercy from Lenders to foreclose your home, divorces, Physical and Substance abuse happens in the home and the list goes on & on.

But the one who really gets punished & crushed is our children whom witness the Breaking of their Ohana. They will never focus on their education while Dad or Mom is not working.

The way we interpret this Bill in the Construction Trades is about jobs, jobs, jobs. Innovative jobs as well.

If there is light at the end of the tunnel, this is it.

Please support HB 1551 and help bring back our Ohana.

I am

Perry O. Artates



Testimony of Clyde T. Hayashi
Director
Hawaii LECET
1617 Palama Street
Honolulu, HI 96817

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
Thursday, February 10, 2011
8:00 a.m., Conference Room 312

HB 1551 – RELATING TO TAX CREDITS

Aloha Chair McKelvey, Vice-Chair Choy, and Members of the Committee:

My name is Clyde Hayashi and I am the director of Hawaii LECET (Laborers-Employers Cooperation and Education Trust). Hawaii LECET (Laborers-Employers Cooperation and Education Trust) is a partnership between the Hawaii Laborers' Union, Local 368 and our union contractors.

I am submitting this testimony in **strong support** of the intent and purpose of HB 1551.

HB 1551 will provide needed incentives that will allow for an expansion and development of our important film industry, an industry with tremendous potential.

HB 1551 will allow for expansion of the film industry to a point that it will be have the infrastructure and facilities which will provide a much more attractive package to producers and film companies. This package added to the lure of our beautiful state will attract many more to film here.

As the film industry is built & expanded, construction opportunities and jobs will be created. This comes at a time when our industry is struggling. Our benches are filled with unemployed construction workers and our contractors are struggling to survive the awful construction downturn. We also expect a stable and growing film industry to continue to provide construction opportunities and jobs over the coming years.

HB 1551 will to help establish training programs so that Hawaii can provide the film industry with the trained, skilled workforce that it needs.

HB 1551 will help to provide a needed boost to our economy and create a stable film industry to which will benefit Hawaii over the coming years.

Thank you for the opportunity to submit this testimony.



WILLIAM JEFFERSON CLINTON

February 10, 2011

To Members of the House of Representatives and Senate of the State of Hawaii:

I have been asked to provide my personal support on behalf of HB 1551 (duplicate for SB 1550).

After reviewing the bill and working closely with Shangri-La, this is exactly the kind of credit, training program, commitment to build, and company affiliation (with Relativity) that the state of Hawaii needs to turn its economy around.

Currently, you have the lowest number of people employed by the film business of any state that has a credit/rebate program, and you have no structure to service this program. Each year, the number of people employed by your program decreases, and yet, more and more films are shot worldwide.

The proposed bill will lead to the employment of many people both in the construction of stages and in the entertainment industry as a whole, and it will create long-term sustainable jobs as the film industry dramatically expands. According to the comparative analysis used by every other state, the passage of this bill should increase the value of Hawaii's film-based economy from \$20 million to over \$800 million in the first year alone.

The Shangri-La/Relativity commitment to build the most environmentally friendly stages in existence, coupled with the economic benefits of this bill and Hawaii's timeless appeal, will make Hawaii the most attractive place in the world to shoot a film.

I hope that you will pass this bill and give your beautiful state the growth and employment it needs and deserves.

Sincerely,

A handwritten signature in cursive script that reads "Bill Clinton". The signature is written in dark ink and has a long, sweeping tail that extends to the right.

William Jefferson Clinton



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February 10, 2011

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William Jefferson Clinton



Ryan Kavanaugh, Founder and CEO, Relativity Media, LLC

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Ryan Kavanaugh, Founder and Chief Executive Officer of Relativity Media, LLC. I am here to testify in support of H.B. 1551, and the positive impact passing it will have on Hawaii's economy, employment opportunities and businesses as further explained on the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Ryan Kavanaugh
CEO and Founder
Relativity Media, LLC



Ramon Wilson, Executive Vice President, Business Development

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Ramon Wilson. I am Executive Vice President of Business Development at Relativity Media, LLC and have over 10 years experience in film and finance. I am here to testify in support of H.B. 1551, specifically as it relates to the benefits that it will bring to Hawaii, as further explained in the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Ramon Wilson
Executive Vice President, Relativity Media, LLC



Andy Meyers, CEO, Shangri-La Industries; President, Shangri-La Entertainment

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Andy Meyers, CEO, Shangri-La Industries; President, Shangri-La Entertainment. I am here to testify in support of H.B. 1551, and the opportunity it could afford us to build an environmentally friendly, state-of-the-art production facility in Hawaii, as further explained in the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Andy Meyers
CEO, Shangri-La Industries; President, Shangri-La Entertainment



Kenneth Halsband, President, Physical Production, Relativity Media, LLC

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Ken Halsband. I am President of Physical Production at Relativity Media, LLC and have over 25 years experience in film production. I am here to testify in support of H.B. 1551, specifically as it relates to making Hawaii the most attractive filming location in the U.S.A., as further explained in the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Kenneth Halsband
President, Physical Production, Relativity Media, LLC



S. RICHARD FEDRIZZI

President, CEO &
Founding Chairman

U.S. GREEN BUILDING COUNCIL
2101 L STREET, NW
SUITE 500
WASHINGTON DC 20037
202 828-7422
WWW.USGBC.ORG

February 7, 2011

Dear Honorable Members of the Hawaii State Legislature,

Thanks to your work and dedication toward sustainable building practices, the State of Hawaii has long been a leader of state governments in the design and construction of high performance green buildings utilizing the LEED Green Building Certification Program. This commitment to attaining LEED Silver rating for all state-owned and state-funded construction—including elementary and secondary schools—provides valuable incentives to promote environmentally friendly sustainable building practices—ensuring a vibrant economy and a breathtaking island for Hawaiians and Islanders for generations to come.

As the President, CEO and Founding Chair of the U.S. Green Building Council (USGBC), I write to you today to urge you to support HB 1551 (SB 1550) when it comes up for consideration in the House and Senate. HB 1551 reflects the kind of forward thinking policies that are needed to provide economic incentives to property owners, investors, managers and builders that will both revitalize Hawaii's economy and train her workers for the jobs that the new, green, clean, economy demands.

As a state with one of the highest unemployment rates in the nation and with the lowest number of people employed in the film business of any state which has a credit or rebate program, this legislation provides a real infrastructure and program to revitalize your economy and turn this industry around as more and more films are shot worldwide. In short, this will not only make Hawaii competitive in the film industry—but will help to place it in the forefront of the nation.

House Bill 1551 will better Hawaii by employing people in both the construction of stages and the entertainment industry as a whole. It will create long term sustainable jobs putting your unemployed to work as the film industry dramatically expands. According to the comparative analysis used by every other state, the passage of this bill should increase the value of Hawaii's film-based economy from \$20 Million to over \$800 Million in the first year alone.

Tom Forman, Chief Executive Officer, RelativityREAL

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Tom Forman. I am Chief Executive Officer of RelativityREAL and have over 20 years experience as a television producer. I am here to testify in support of H.B. 1551, specifically as it relates to television production activity RelativityREAL can bring to Hawaii, as further explained in the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Tom Forman

Chief Executive Officer, RelativityREAL



Production Finance Executive

Dawn Kealoha Darfus 307 Percy Street Natchitoches Louisiana 71457

Testimony presented before the Committee on Economic Revitalization & Business

Thursday, February 10, 2011, 8:00 AM

HB 1551—Relating to Tax Credits

Members of the Committee:

My name is Dawn Kealoha Darfus. I have over 25 years of experience in Film Production Finance, and am a member of Film Production Accountants IATSE Local 161. I am here to testify in support of H.B. 1551, specifically as it relates to the establishment of a film career advancement training program in Hawaii as further illustrated in the following pages.

I thank this Committee for the opportunity to present testimony on this matter.

Dawn Kealoha Darfus
Production Finance Executive
Member, IATSE Local 161

RELATIVITY



HB1551 / SB1550

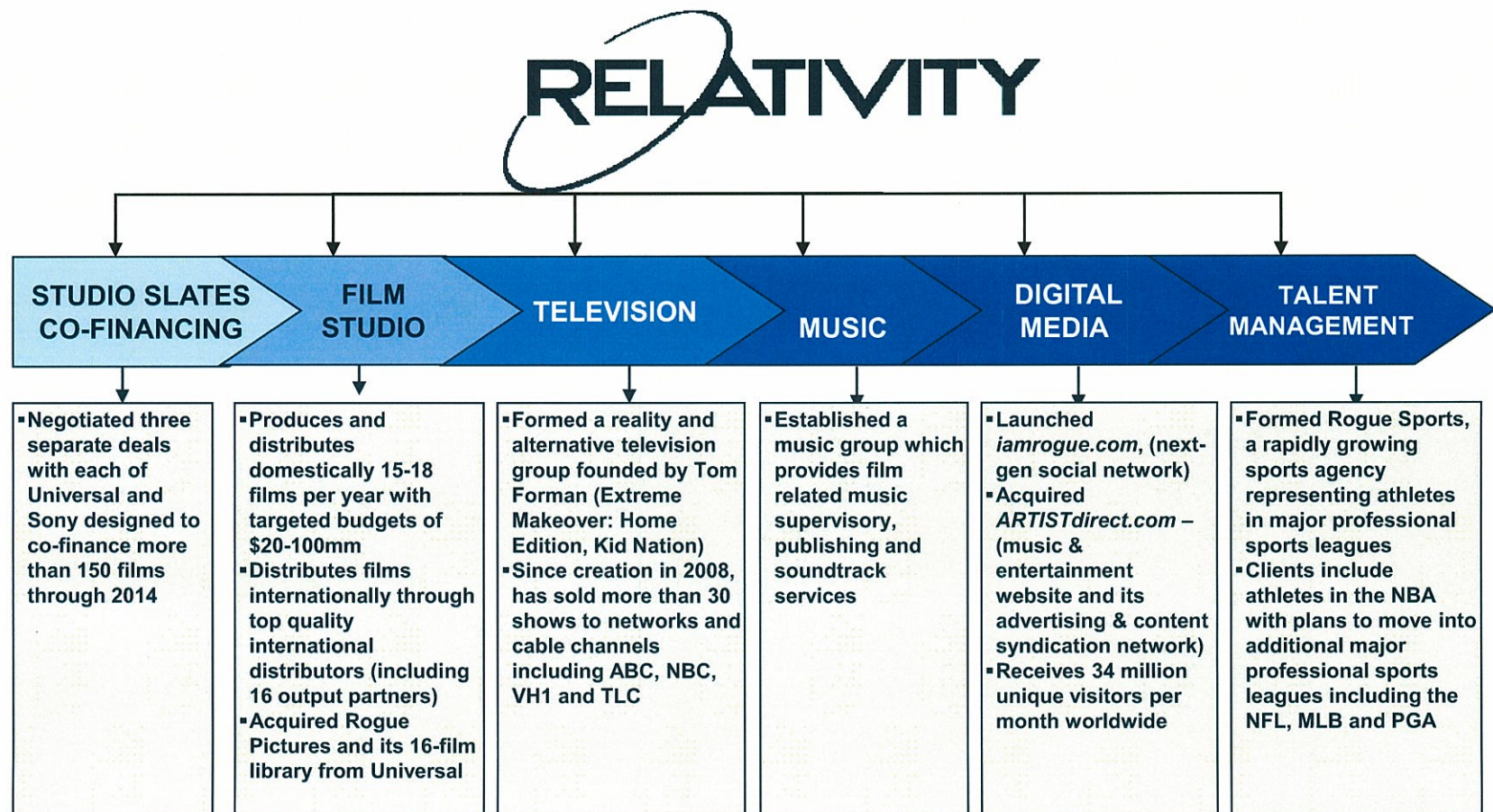
Presented to: Hawaii State Legislature

Date: February 10, 2011

Relativity Media Overview

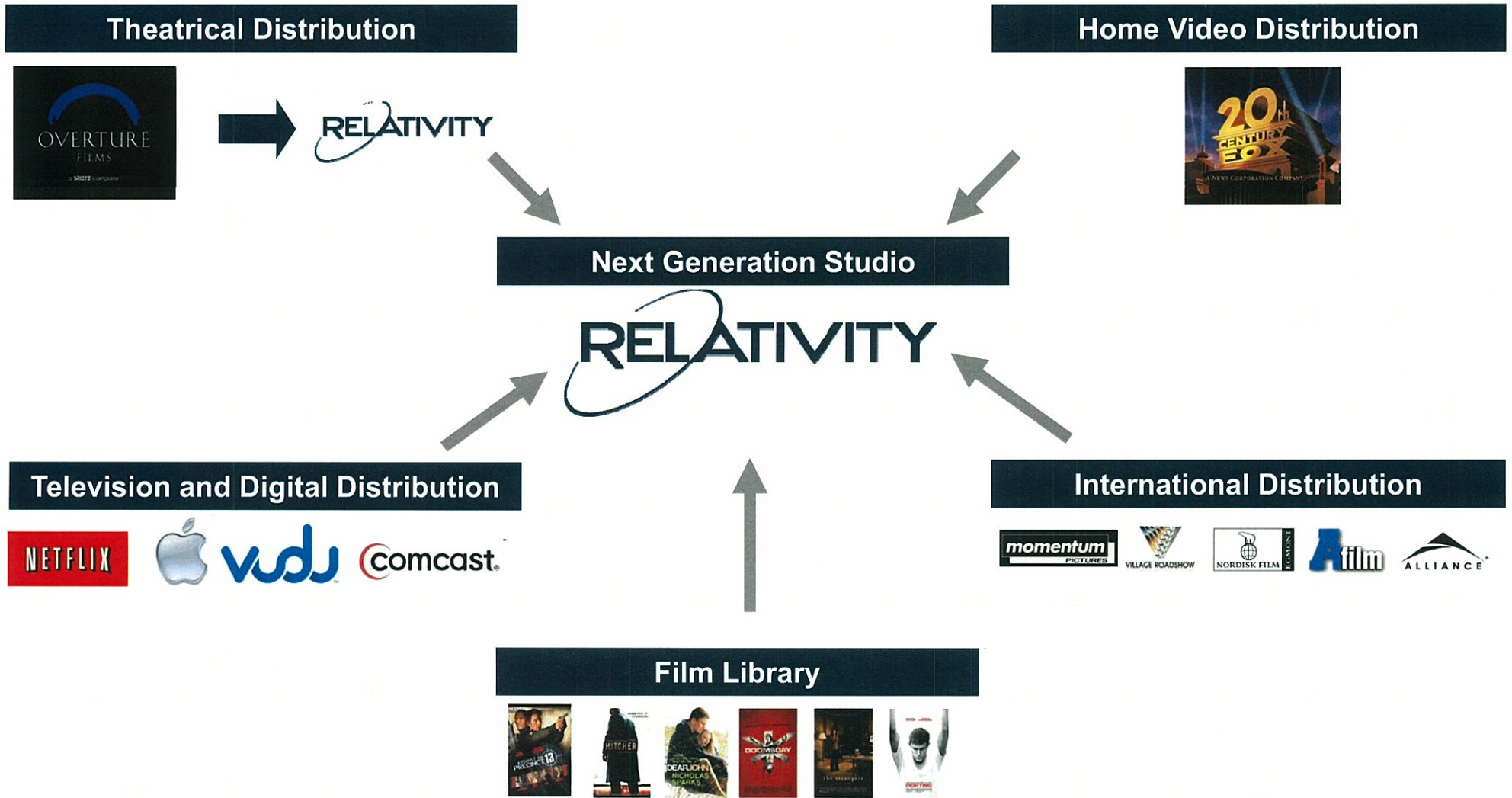
Overview

- Relativity Media, LLC (“Relativity”), led by principal and founder Ryan Kavanaugh, is a diversified next-generation media company and studio engaged in studio-level independent film and television production and distribution, co-financing major studio film slates, music, digital media and other related initiatives
- Relativity currently has approximately 150 employees and a management team comprised of talented media and entertainment business professionals with more than 250 combined years of industry and transactional experience from Hollywood studios, top-tier Wall Street investment banks, independent production companies, multi-billion dollar investment firms and leading talent agencies and law firms



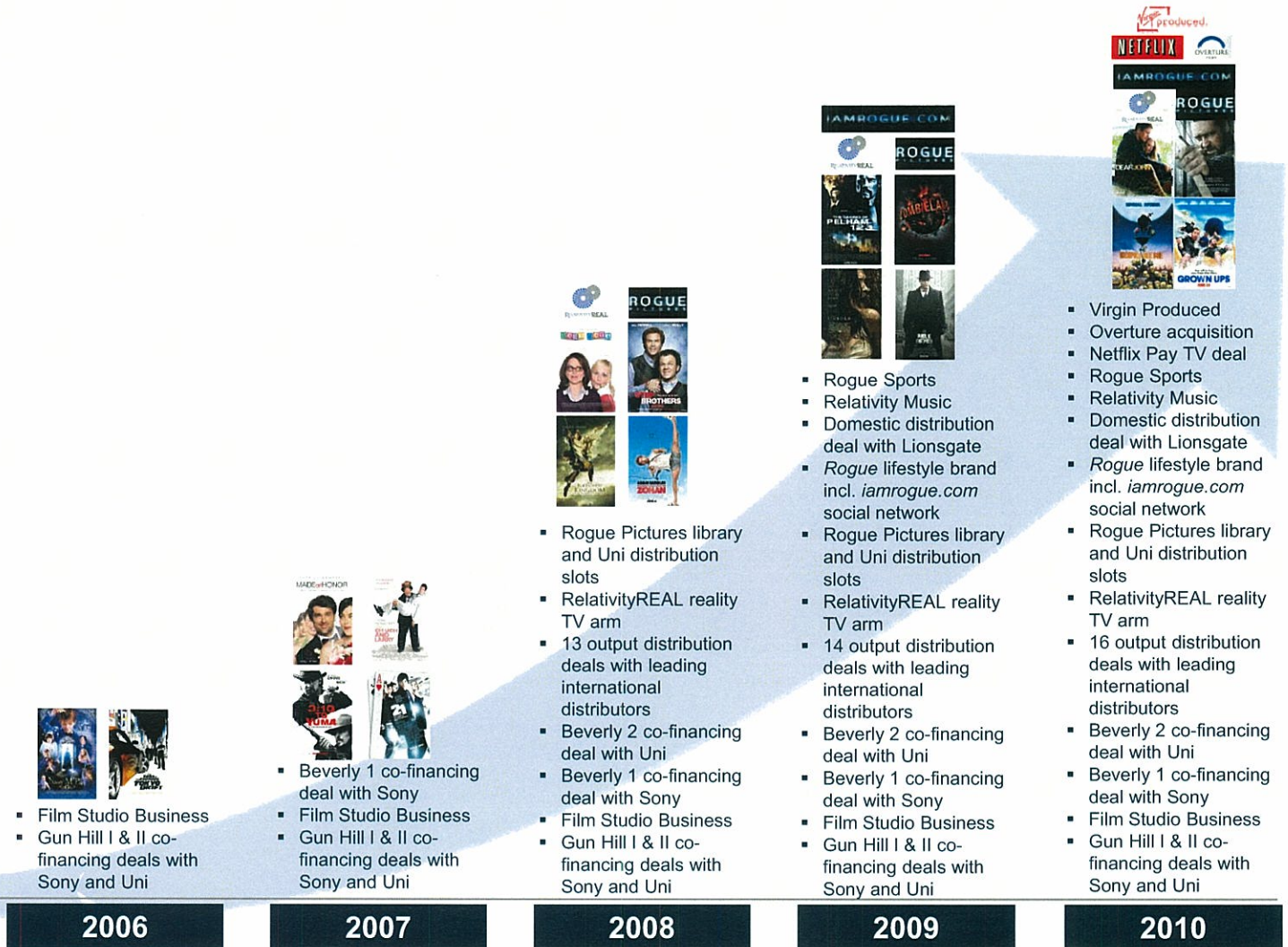
Operating Platform

- Relativity has become a full-scale studio capable of distributing up to 30 films per year



Explosive Growth

- Relativity's strong relationships and innovative business model have led to significant growth

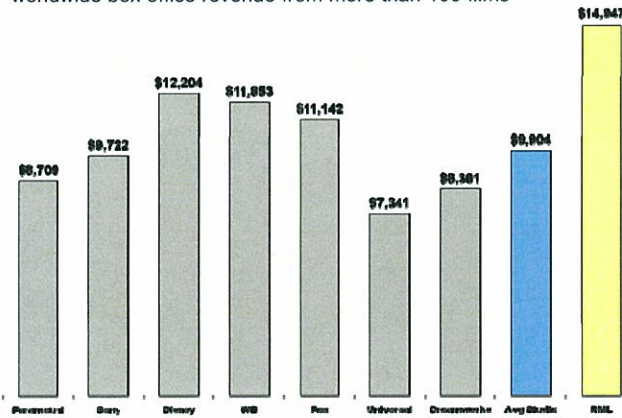


Premier Results

- Premier results are at the heart of Relativity's unparalleled industry leadership as a next generation studio and since 2006...

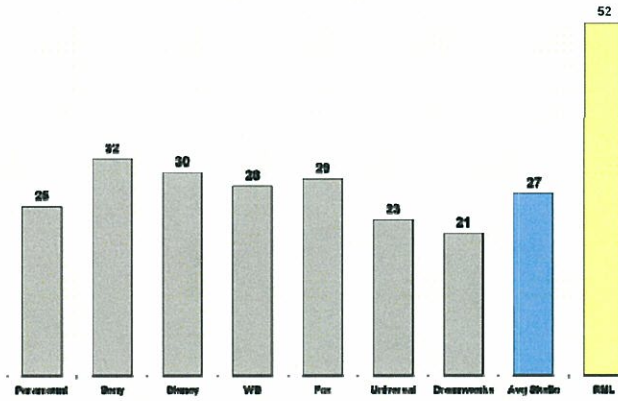
Total WWBO

...Relativity's films have generated more than \$14.9 billion in worldwide box office revenue from more than 100 films



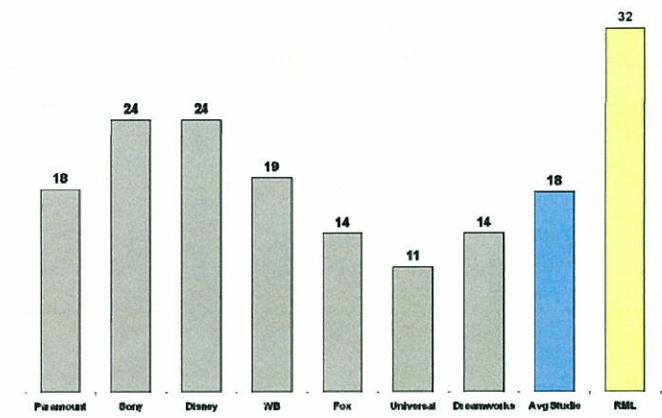
Films > \$100mm WWBO

...52 of its films have each generated more than \$100 million in worldwide box office receipts



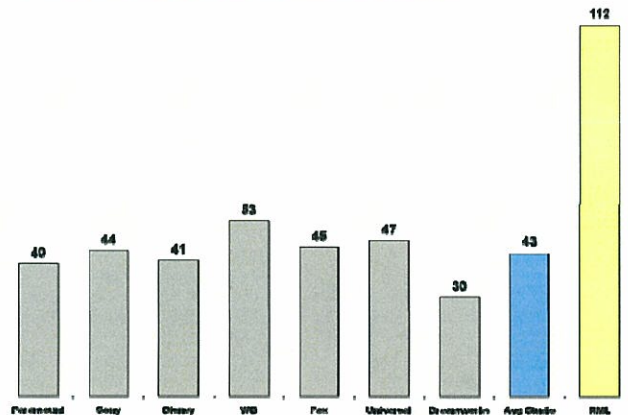
#1 DBO Releases

...32 of its films have been #1 box office releases



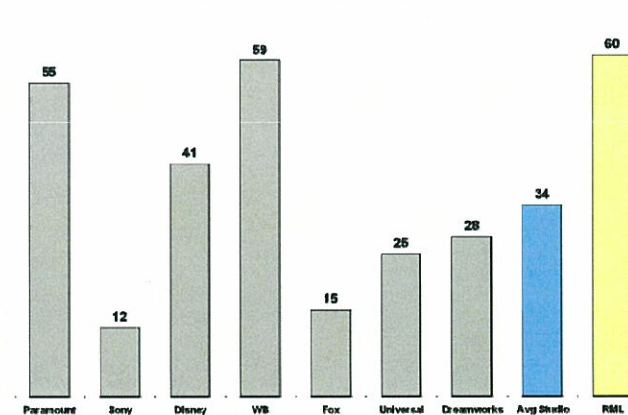
Top 10 DBO Releases

...112 of its films were top 10 box office releases



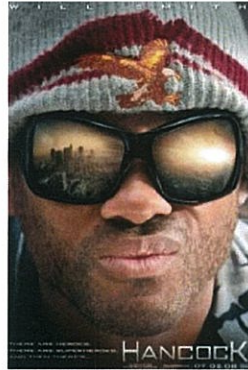
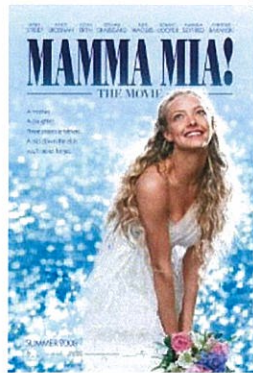
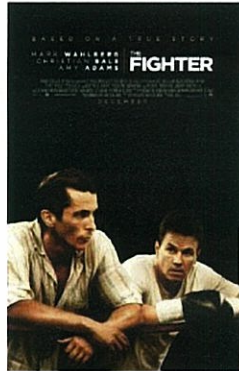
Oscar Nominations

...Its films have earned 60 Oscar nominations



Note: Data includes all films produced or financed by aforementioned studios since 2006

Relativity's Films



RELATIVITY

- **126 films** released
- **\$15.3 billion** in worldwide box office
- **\$7.2 billion** in production spend
- **6,300 days** of production
- **18,900 people** employed
- **11.3 million hours** worked
- **472,500** hotel nights
- **378,000** vehicle rental days

Relativity's Upcoming Releases

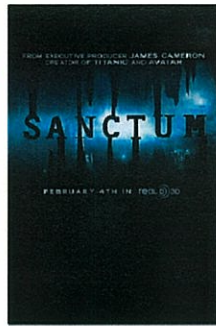
Productions / Acquisitions



The Fighter
(12/17/10 Wide)
Distributor: Paramount /
Relativity (PayTV)
Starring: Mark Wahlberg,
Christian Bale
Director: David O. Russell



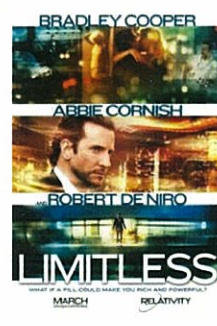
Season of the Witch
(1/7/11)
Distributor: Relativity
Starring: Nicolas Cage
Director: Dominic Sena



Sanctum (3D)
(2/4/11)
Distributor: Universal
Starring: Rhys
Wakefield
and Christopher Baker
Producer: James
Cameron

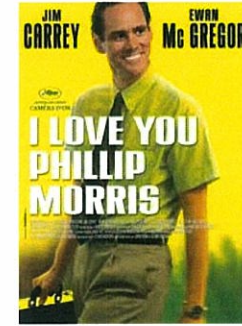


Take Me Home Tonight
(3/4/11)
Distributor: Relativity
Starring: Anna Faris,
Topher Grace and Teresa
Palmer
Producer: Brian Grazer

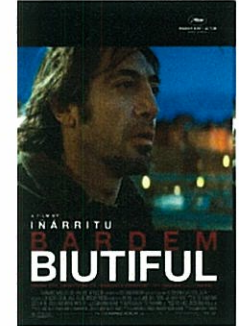


Limitless
(3/18/11)
Distributor: Relativity
Starring: Bradley
Cooper and Robert De
Niro
Director: Neil Burger

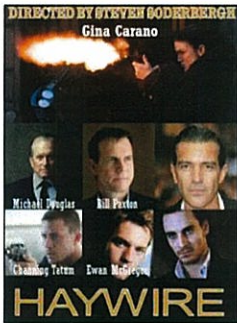
Rent-a-system Films



I Love You Phillip Morris
(12/3/10)
Distributor: Roadside Attractions
/
Relativity (PayTV)
Starring: Jim Carrey, Ewan
McGregor
Director: Glenn Ficarra, John
Requa



Biutiful
(12/29/10)
Distributor: Roadside
Attractions / Relativity
(PayTV)
Starring: Javier Bardem
Director: Alejandro Gonzalez
Inarritu



Haywire
(TBD 2011)
Distributor: Relativity
Starring: Gina Carano, Ewan
McGregor and Michael
Douglas
Director: Steven Soderbergh

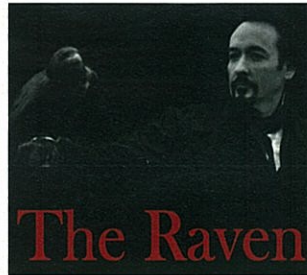
From the
Directors of:



The Farrelly Bros' Movie 43
(TBD 2011)
Distributor: Relativity
Starring: Hugh Jackman, Kate
Winslet, Gerard Butler, et al.
Director: the Farrelly Brothers,
Brett Ratner, et al.



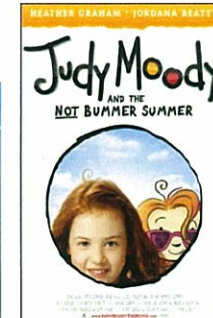
Immortals
(11/11/11)
Distributor: Relativity
Starring: Henry Cavill, Mickey
Rourke, Freida Pinto
Director: Tarsem Singh



The Raven
(TBD)
Distributor: Relativity
Starring: John Cusak, Alice
Eve
Director: James McTeigue



Shark Attack 3D
(9/2/11)
Distributor: Relativity
Starring: Sara Paxton,
Dustin Milligan,
Katharine McPhee
Director: David R. Ellis



Judy Moody
(2011)
Distributor: Relativity
Starring: Heather
Graham
Director: John
Schultz



Paranorman
(2013)
Distributor: Relativity
Starring: Kodi Smith-
McPhee
Director: Chris Butler

A Perfect Getaway Case Study: Video

Video

Budget Comparison – Hawaii vs Puerto Rico

37 Day Shoot

Hawaii		Puerto Rico (with 1 week of VFX plates in Hawaii)	
Above the Line (Writer, Producer, Director, Talent – salary and Travel/Living)	\$ 5,965,618	Above the Line (Writer, Producer, Director, Talent – salary and Travel/Living)	\$ 5,478,166
Extras	\$ 106,865	Extras	\$ 63,545
Production Staff	\$ 896,432	Production Staff	\$ 870,307
Art Department/Set Design	\$ 232,877	Art Department/Set Design	\$ 204,645
Set Construction/Set Dressing	\$ 997,429	Set Construction/Set Dressing	\$ 363,194
Special Effects	\$ 216,742	Special Effects	\$ 60,382
Property	\$ 337,081	Property	\$ 140,258
Picture Vehicles and Equipment	\$ 38,560	Picture Vehicles and Equipment	\$ 20,136
Makeup, Hair, Wardrobe	\$ 490,990	Makeup, Hair, Wardrobe	\$ 386,369
Set Operations, Lighting, Camera	\$ 1,918,676	Set Operations, Lighting, Camera	\$ 1,580,875
Locations	\$ 1,023,755	Locations	\$ 788,381
Transportation	\$ 1,771,105	Transportation	\$ 792,521
Production Sound	\$ 249,353	Production Sound	\$ 85,961
Below the Line Travel and Living	\$ 1,088,277	Below the Line Travel and Living	\$ 305,493
Second Unit/Aerial Unit	\$ 333,642	Second Unit/Aerial Unit	\$ 295,393
Production Film, Lab, Telecine	\$ 273,337	Production Film, Lab, Telecine	\$ 256,563
Post Production (Editorial, Music, Lab, VFX, Delivery)	\$ 1,361,390	Post Production (Editorial, Music, Lab, VFX, Delivery)	\$ 1,201,311
General Expenses	\$ 508,060	General Expenses	\$ 452,920
TOTAL (Above the Line, Below The Line, and General Expense)	\$ 17,810,189	TOTAL (Above the Line, Below The Line, and General Expense)	\$ 12,558,039

Why Are We Here?

Relativity Is Here To Discuss:

- Proposing film tax incentives that will make Hawaii competitive with film production hubs like Louisiana, Michigan, and New Mexico
- Building a state-of-art, environmentally conscious production facility that, coupled with tax incentives, will ensure Hawaii is always the first choice for film and television productions
- Creating a training program that prepares Hawaiians for the new, high-paying jobs that come with increased production



Relativity Is Prepared To:

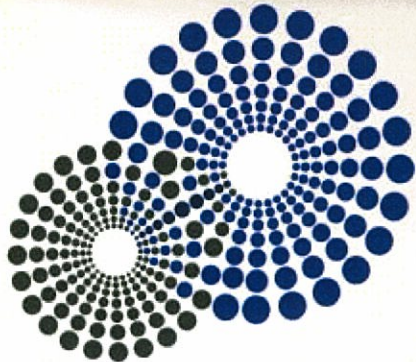
- Move our film and television projects to Hawaii
- Build the facility with Steve Bing and his Shangri-La Construction
- Help establish and support the training program

With your help, and your support of HB1551/SB1550, we'll create jobs and raise revenue for Hawaii

Video

Immortals Video

RELATIVITY REAL
RELATIVITY REAL

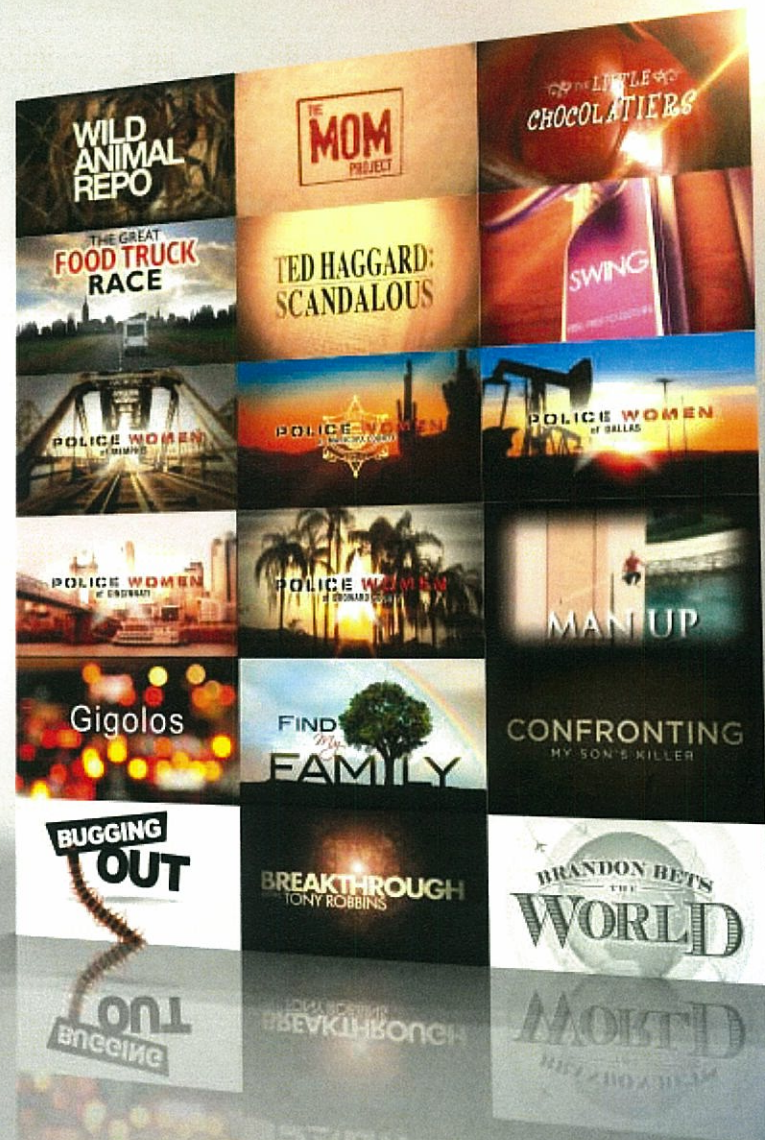


TELEVISION
PRODUCTION
IN HAWAII

TELEVISION PRODUCTION IN HAWAII

RELATIVITYREAL:

- **3,000** people employed
- **6 million** paid hours
- **1,600** shooting days
- **4,000** car and truck rentals
- **26,000** hotel nights/\$4mil
- **80,000** meals
- **\$1.3** million crew per diem



TELEVISION PRODUCTION IN HAWAII



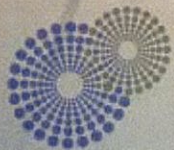
- **400+** original channels available on broadcast and cable TV

- Approx. **9,000** hours of programming/year

- **360,000+** hours of original programming EVERY YEAR

TELEVISION PRODUCTION IN HAWAII

- **\$20,000-100,000** spent/day at location.
And that's just one show!
- **Jobs: long term, predictable, stable**

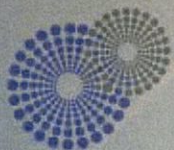


RELATIVITY REAL

TELEVISION PRODUCTION IN HAWAII

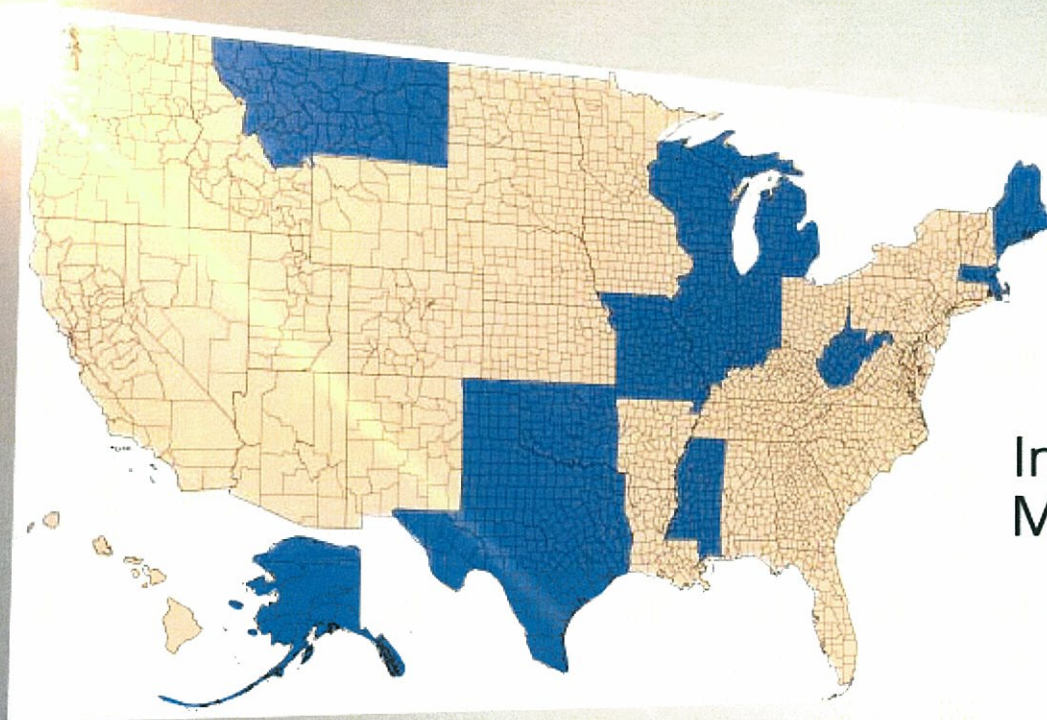
How will Television Production spend money in Hawaii?

- Field production
 - Outdoor locations
 - Sound stages
- Post production



RELATIVITY REAL

TELEVISION PRODUCTION IN HAWAII



- Unscripted television: **TWO THIRDS** of all original US production
- **Only 13 states offer incentives for unscripted productions:** Alaska, Illinois, Indiana, Maine, Massachusetts, Michigan, Mississippi, Missouri, Montana, Oklahoma, Texas, West Virginia, and Wisconsin.
- **None are production hubs**

Hawaiian Production Facility

Production Facility Utilization

EXAMPLE MONTREAL: Relativity works with Quebec Government to implement a solution

ACTUAL RESULT:

- Quebec increase their Film Tax Incentive
- Quebec gains five (5) films in 2010
- Relativity in films "Immortals" and spends \$100 mm in 2010
- Montreal becomes a competitive film center again
- Five (5) studios bid for control of a 7 stage complex
- Relativity grabs the stages to produce "Snow White" estimated spend \$150 mm
- Lack of stage space forces the other studios to look elsewhere
- The 7 stage complex is currently expanding

EXAMPLE HAWAII: Relativity wants to work with the state on a solution

PROPOSED SOLUTION:

- Increase to the Film Tax Incentive
- Bring Relativity's slate of Film and TV production to Hawaii

BUT THERE ARE NO LARGE SCALE STAGES

- Steve Bing's Shangri La Industries and Relativity are committed to build a large "green" sound stage complex with the goal of being the 5th LEED platinum building in Hawaii... one of less than 100 in the USA

Proposed Production Facility

- Currently, all over the world, studios are fighting for stage space. Relativity has a plan to solve this problem, create Hawaiian jobs and increase Hawaiian tax revenue.



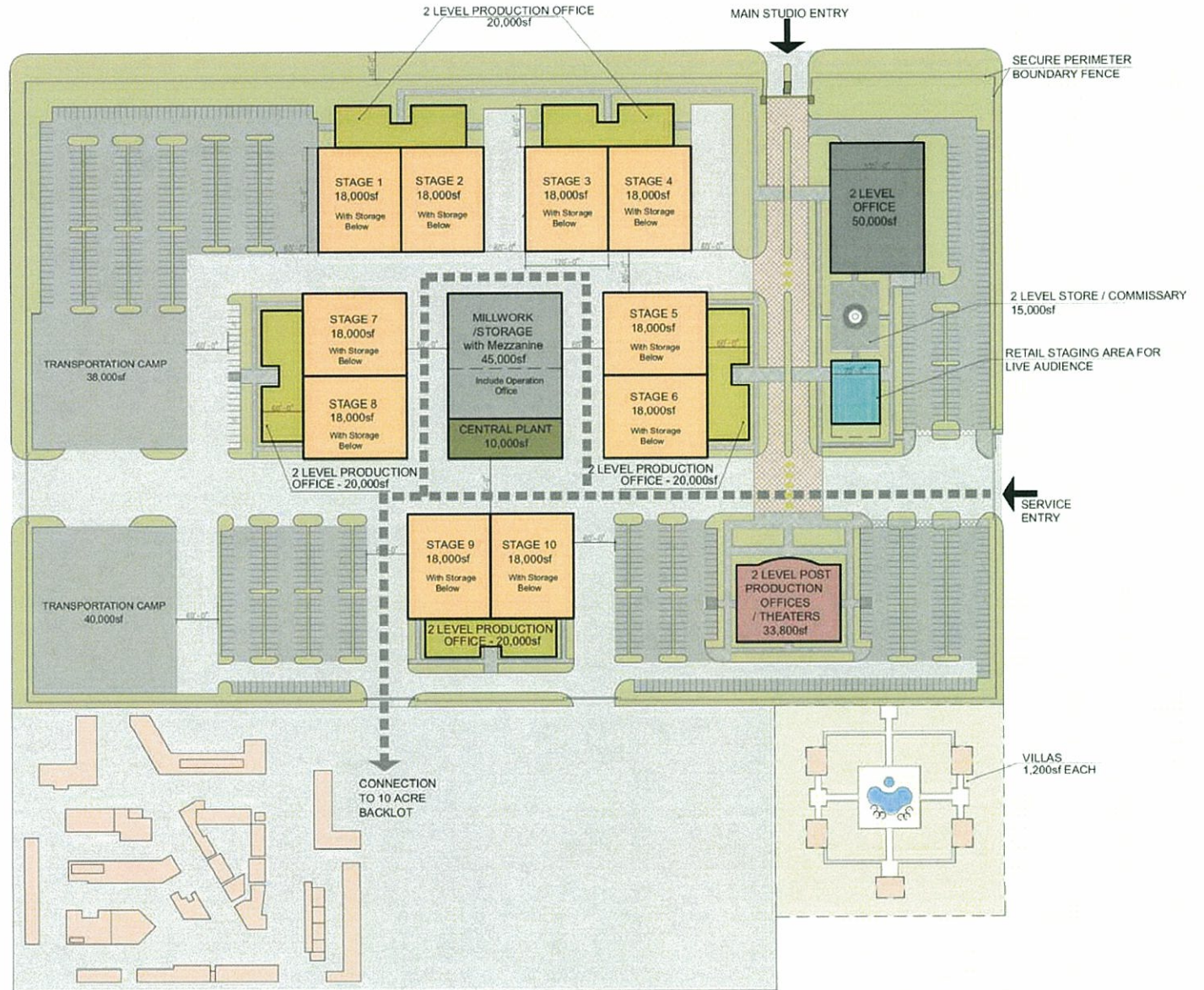
Production Facility – Blueprint

Relativity Media and Shangri-La are committed to building a green, state-of-the-art production facility

LEGEND

STAGES 10 X 18,000sf	180,000sf
PRODUCTION OFFICE 5 X 20,000sf	100,000sf
POST PRODUCTION OFFICE & THEATER	33,800sf
OFFICE	50,000sf
STORE & COMMISSARY	15,000sf
MILL SHOP & STORAGE	45,000sf
CENTRAL PLANT	10,000sf
PARKING	860 spaces

Total Site Area: 31 Acres
 Additional: 10 Acre Backlot
 Villas: 2 Acres
 Stages: 10 Stages



Production Facility – Green Aspects

- Steve Bing's Shangri-La Business Group, which calls itself America's leading Green Builder, is 100% on board to build out a state of the art, multi-stage production, post production and equipment facility
- Our proposed production facility will be
 - Environmentally friendly
 - The 5th LEED Platinum Certified building project in Hawaii (highest environmental rating available)
- It has been proven that a “green” facility of this size can achieve:
 - 61% less indoor water use than a code-compliant building
 - 51% less landscape water use than a typical building
 - 77% recycled construction/demolition waste
 - 35% recycled construction materials
 - 48% locally harvested and manufactured construction materials
 - 110% of its total energy needs with on-site solar
 - 400,000 kWh per year of clean, distributed renewable energy
 - 90% operating cost reduction from \$0.20 per square foot to \$0.02 per square foot

This facility can operate at breakeven (or even a profit) from day one as a result of Federal subsidy for “green” operations of \$0.02 to \$0.05 per square foot

Production Facility – Relativity Studio Assumptions

Production Mix and Economic Impact

Type of Production	Quantity	Budget per Production	Total Production Spend (\$mm)
Films	10	\$50mm (80% in studio)	\$400
Network TV Shows (22 episodes)	2	\$2.5mm	\$110
Cable TV Shows (10 episodes)	30	\$500k	\$150
Total Production Spend			\$660
Average Multiplier for States with Successful Tax Credits			1.70x
Total Economic Impact			\$1,122

Hangar 25 Video

Video

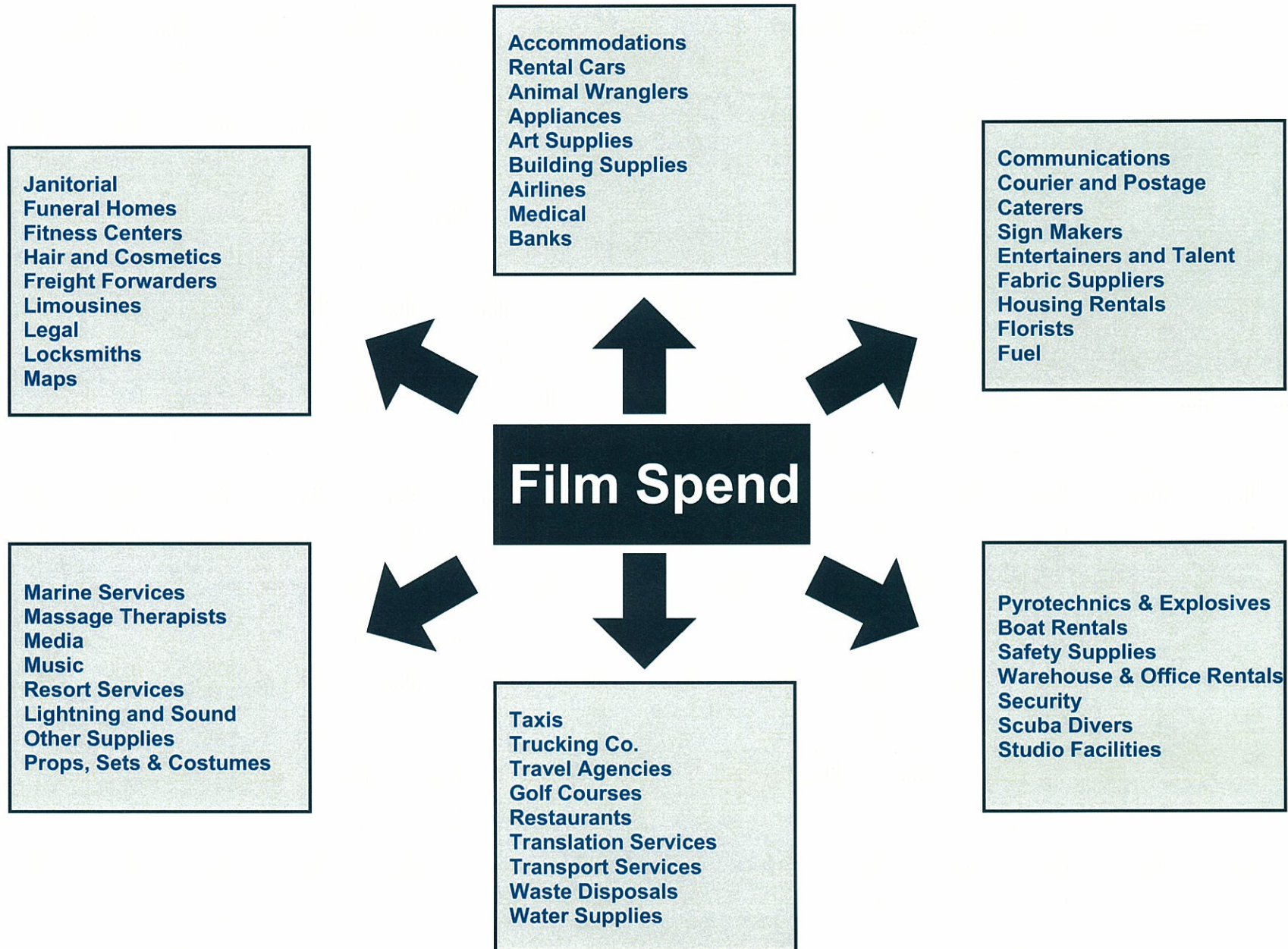
Proposed Amendment

Proposed Amendment to Hawaii Film Tax Credit

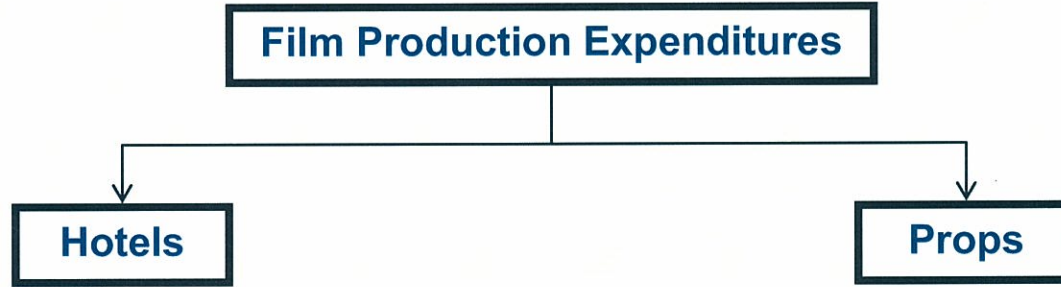
Summary of HB1551 / SB1550

- Establishes an assignable infrastructure tax credit of:
 - 25% in counties with population over 700,000
 - 40% in counties with population under 700,000
 - \$25mm cap
- Provides for an increase to the income tax credit for qualified productions to:
 - 35% for population over 700,000
 - 40% for population under 700,000
 - Removes tax credit caps
 - Make assignable
 - Provides an additional 5% bonus for special and visual effects and animation
- Provides the State with a fee equal to ½ of 1 percent of the production spend for the administration, monitoring, auditing and certification of the tax credit with a cap of \$75,000
- Allows for purchases and rentals not available in Hawaii to qualify for the tax credit if obtained through a resident production services company
- Exempts the 9.25% Transient Accommodation Tax for stays exceeding 30 days
- Establishes a local crew training program

Direct Spending Generated by Film Industry

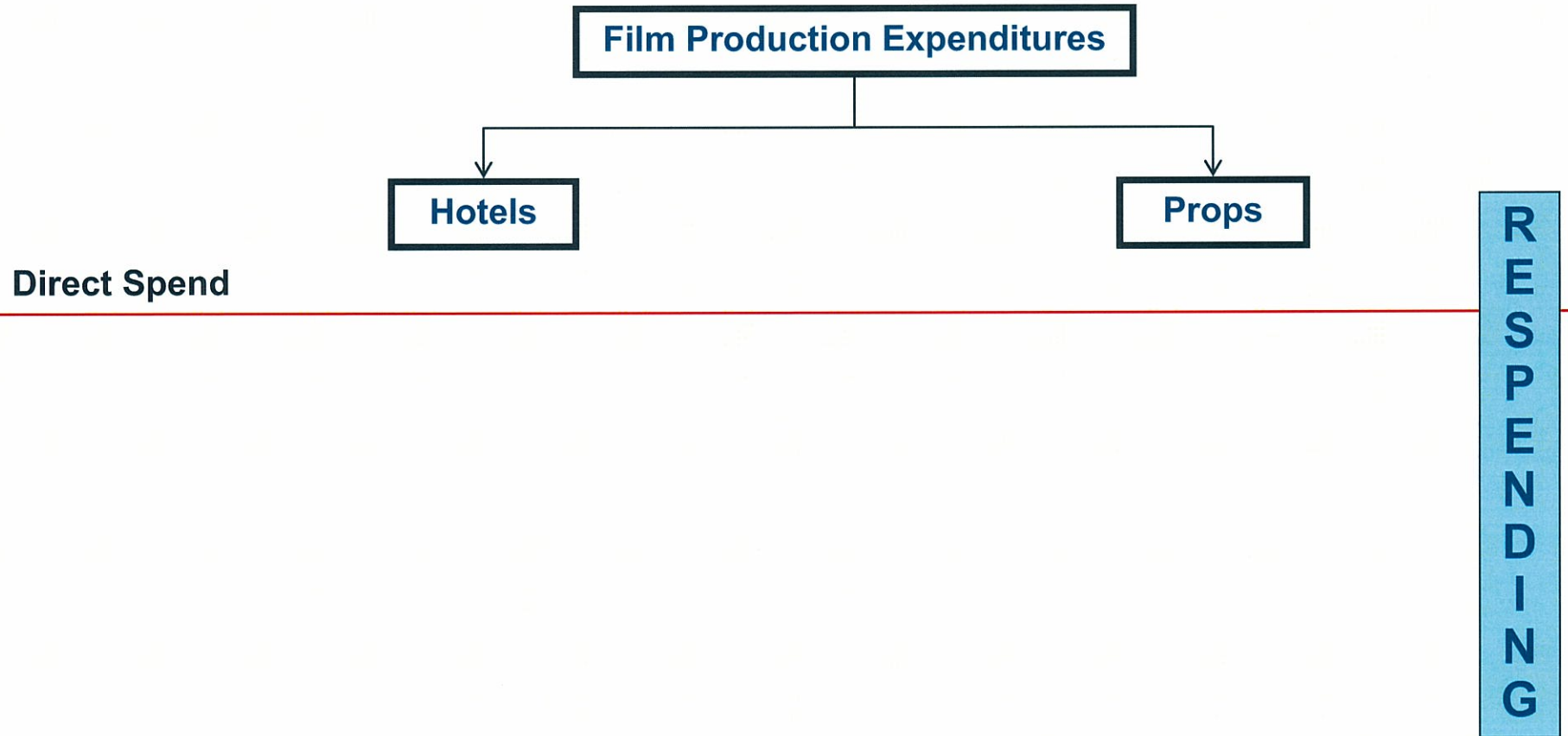


Economic Multiplier

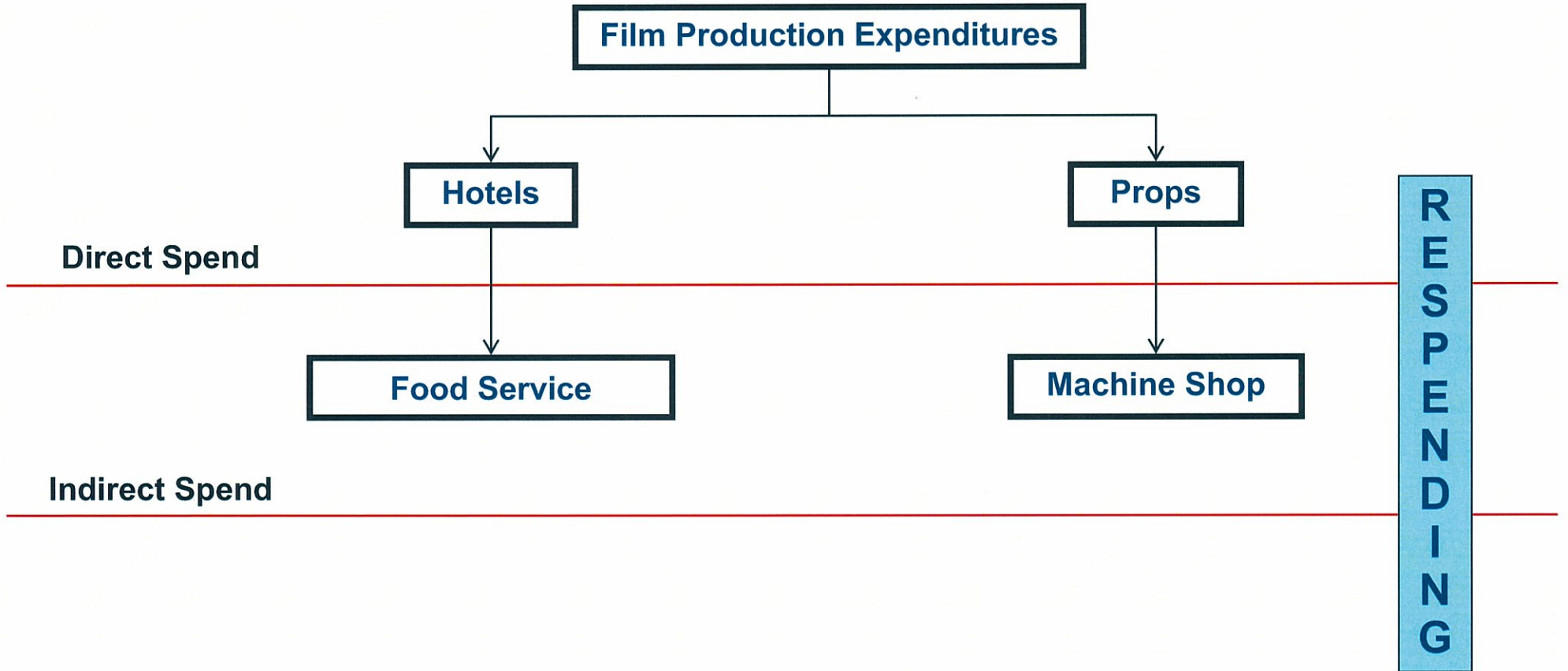


Direct Spend

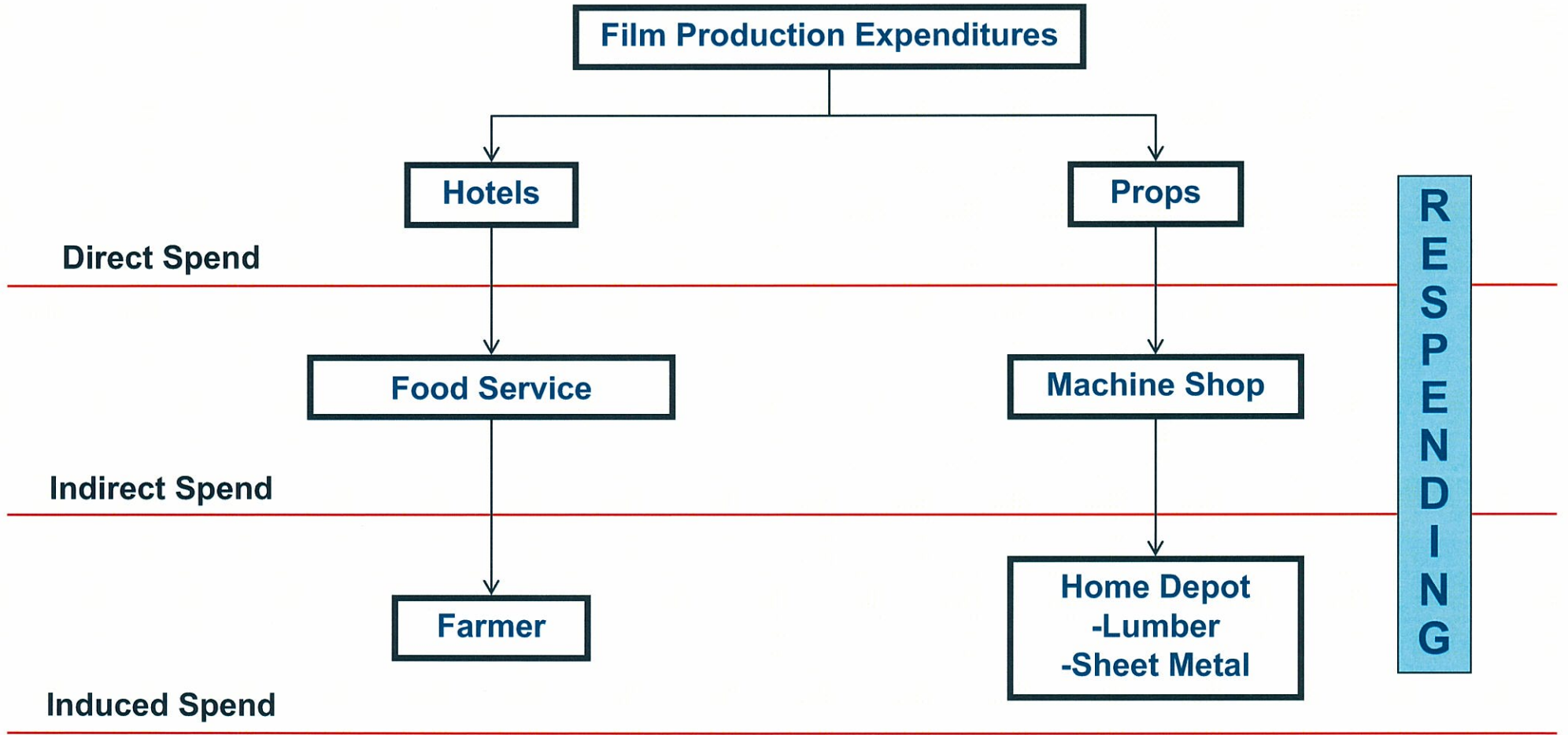
Economic Multiplier



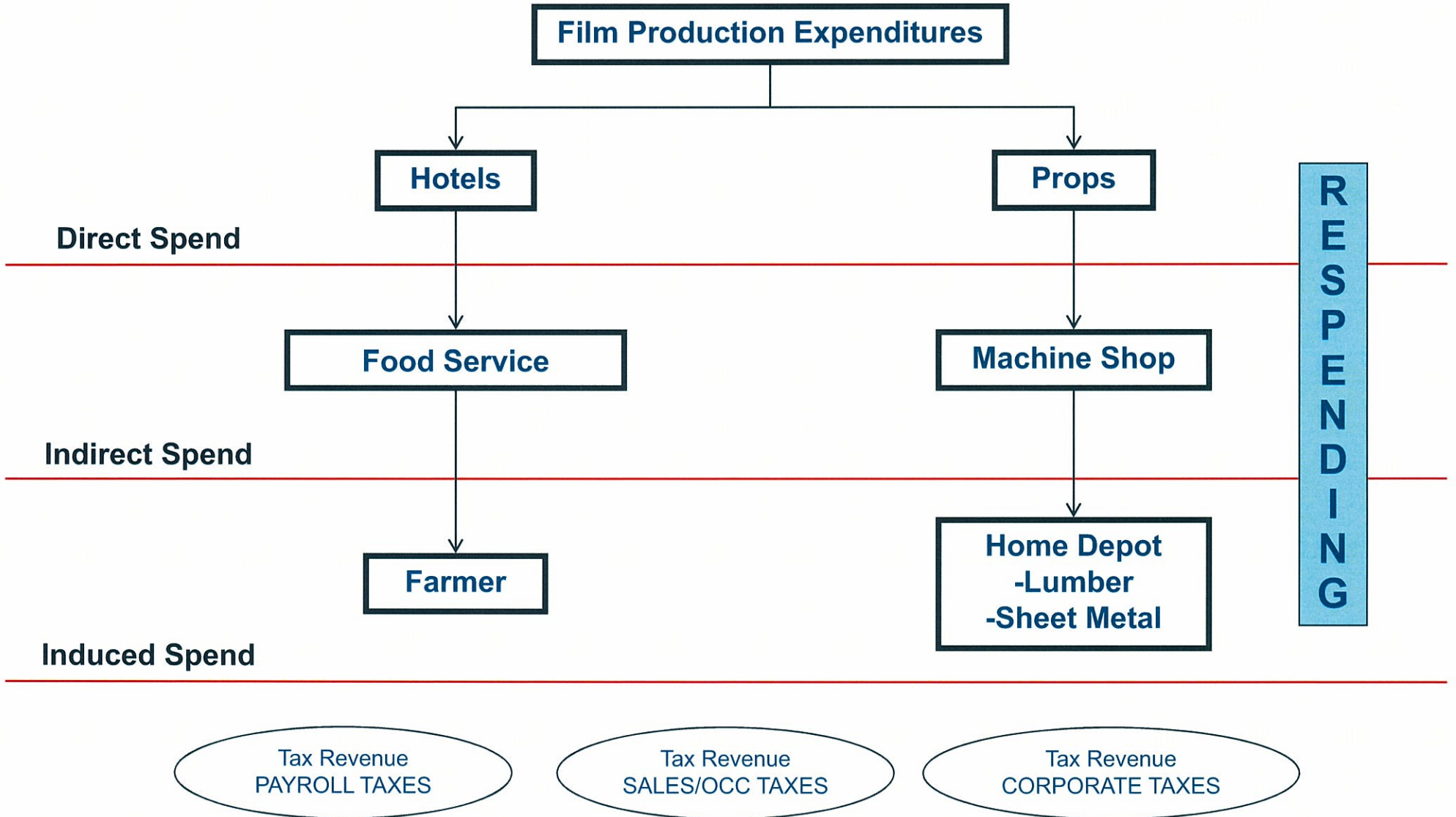
Economic Multiplier



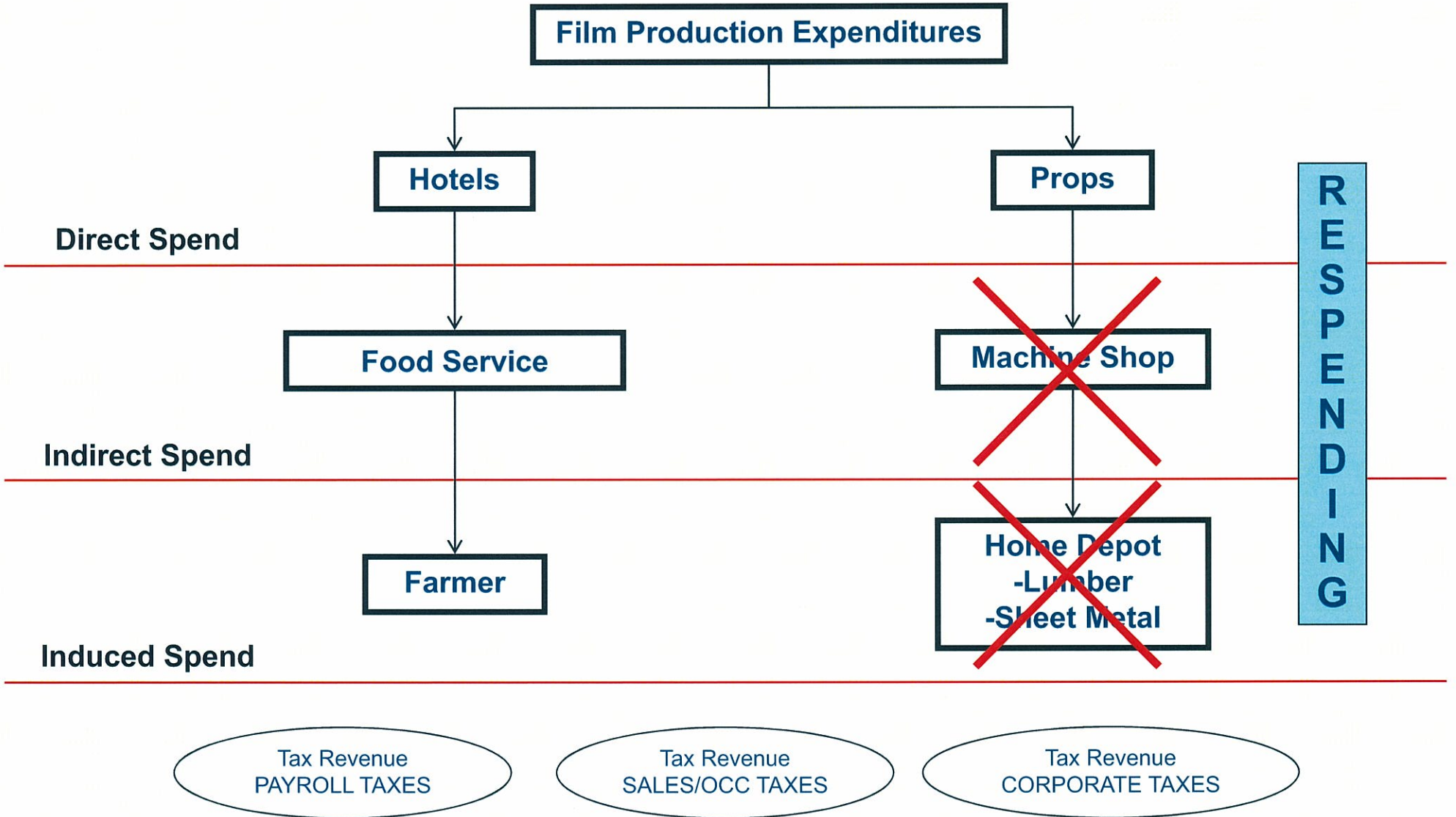
Economic Multiplier



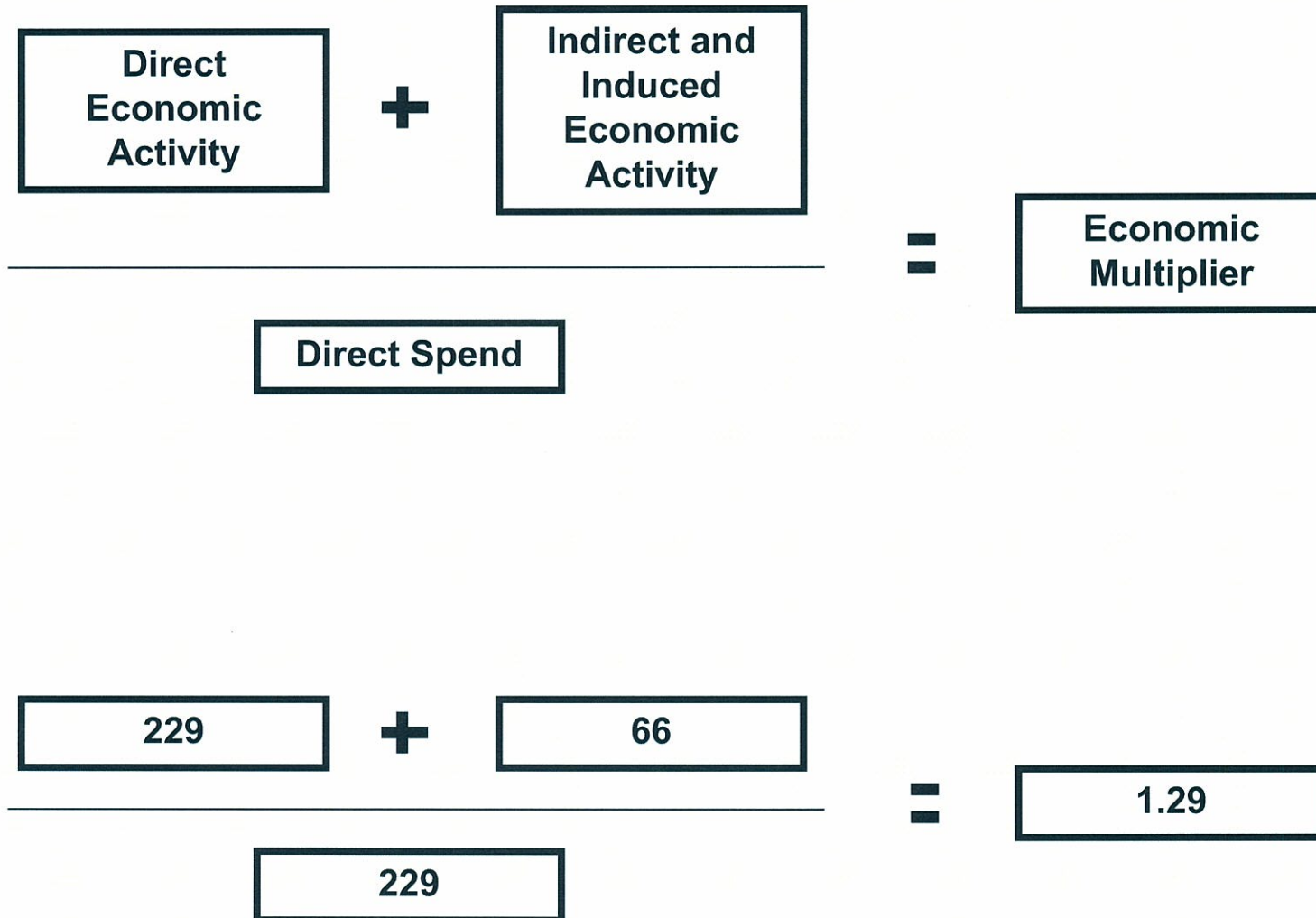
Economic Multiplier



Economic Multiplier



Economic Multiplier Calculation



Film Infrastructure Tax Credit

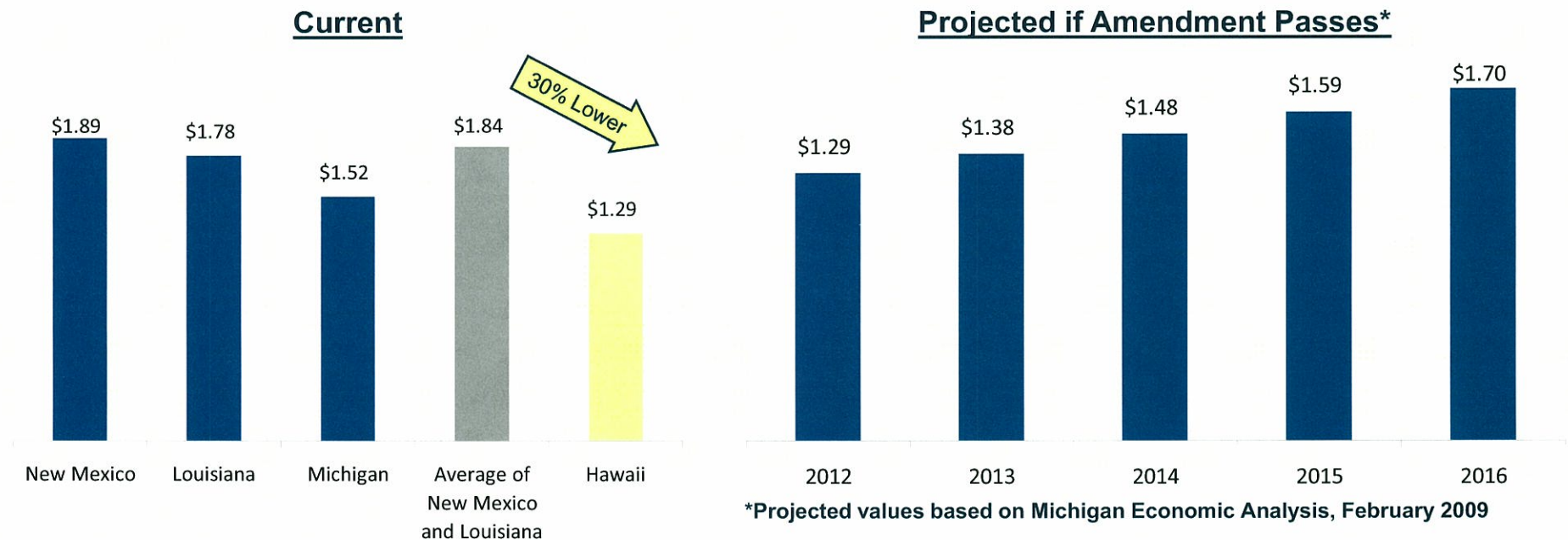
Proposal to Hawaii:

- Establish a nonrefundable infrastructure tax credit (sunsets on Jan. 1, 2016 and is capped at \$25MM per project) with a carry forward of up to 10 years of:
 - 25% for counties with population > 700,000
 - 40% for counties with population < 700,000

Benefit to Hawaii (if properly implemented)*:

- Increase in-state economic activity generated by each film production
- Create a “green”, state-of-the-art production infrastructure

Economic Multiplier of Film Production



Sources:

- (1) Economic and Fiscal Impacts of New Mexico Film Production Tax Credit
- (2) Louisiana Motion Picture Sound Recording and Digital Media Industries state of Louisiana Economic Development Baton Rouge, LA. Feb 2009

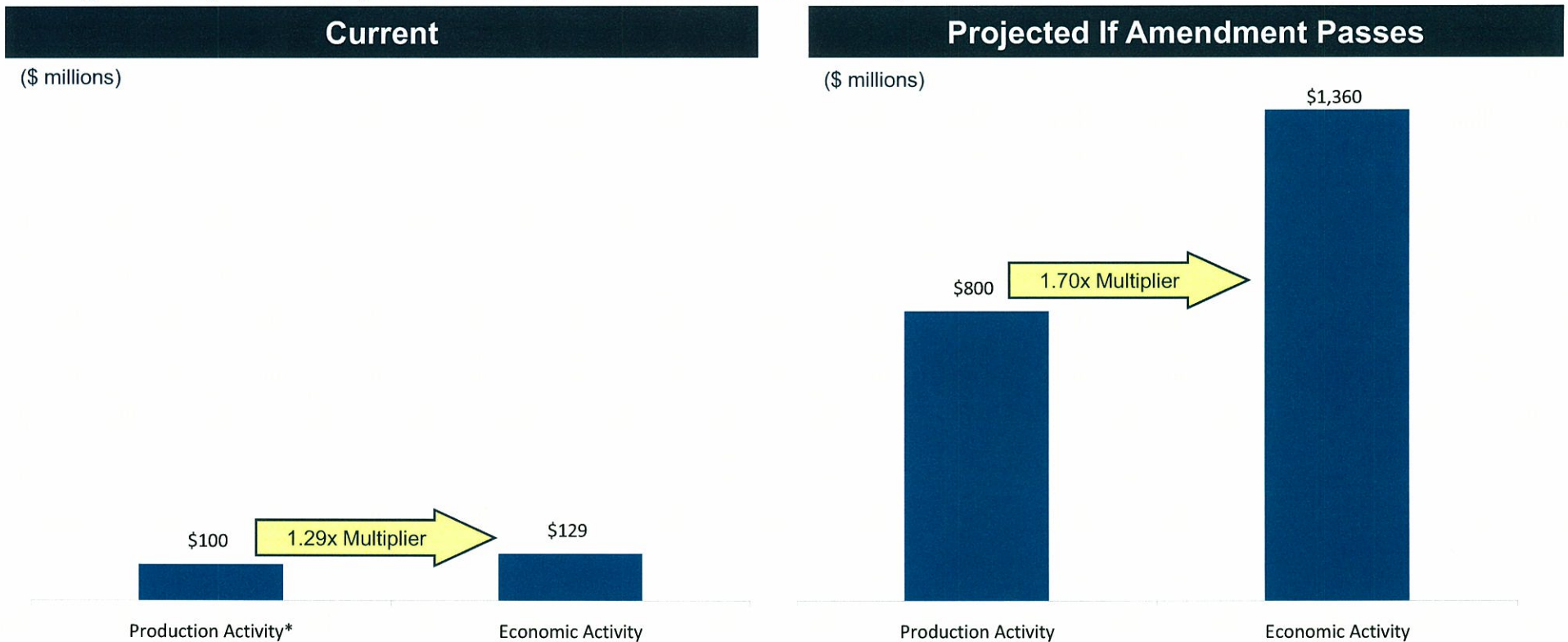
Film Production Tax Credit

Proposal to Hawaii:

- Increase the film production tax credit from:
 - 15% to 35% (5% bonus for computer aided effects and animation) for counties with population > 700,000
 - 20% to 40% (5% bonus for computer aided effects and animation) for counties with population < 700,000
 - Make fully assignable and remove cap

Benefit to Hawaii:

- Significantly increase production spend and economic activity



*2010 has been adjusted to normalize annual film production activity by excluding the anomalous film productions Battleship and Just Go with It

Administration Fee

Proposal to Hawaii:

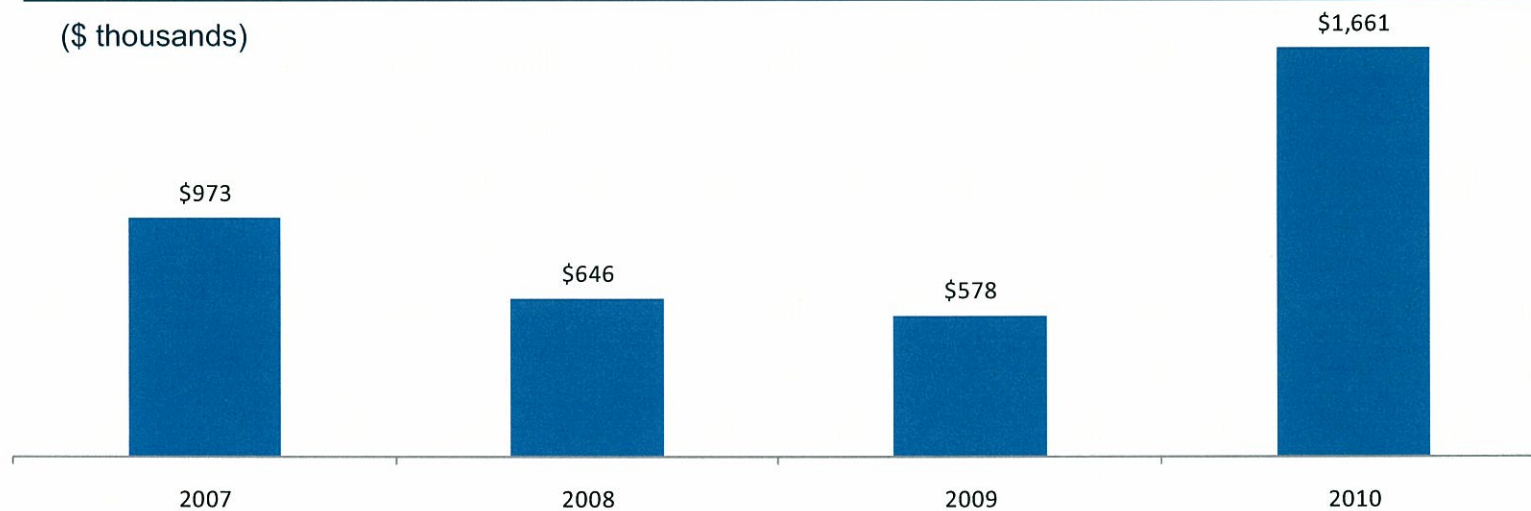
- Charge each production an administration fee of 0.5% of its qualified production spend (\$75,000 cap per production)
- Require a production audit by an independent C.P.A.

Benefit to Hawaii:

- No cost to state to operate the Film Tax Credit Program (cost est. at \$500k per year)
- Complete transparency of qualified production spend

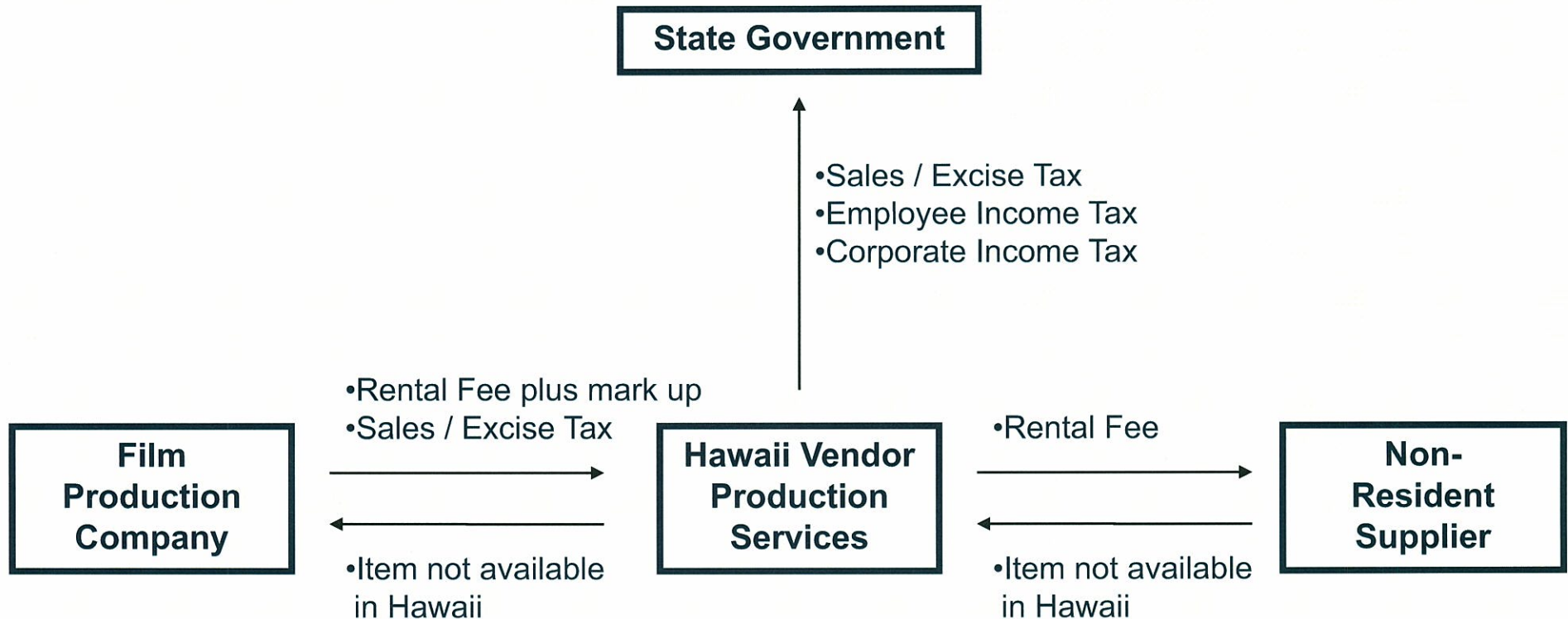
Estimated Administration Fee Based on Historical Production Spend in Hawaii

(\$ thousands)



Resident Vendor Production Services Allowance

- **Proposal to Hawaii:** Allow items not available in Hawaii to qualify for the film production tax credit if purchased / rented through Hawaiian production services companies
- **Benefit to Hawaii:** Create new tax-paying production services businesses to support increased film production activity

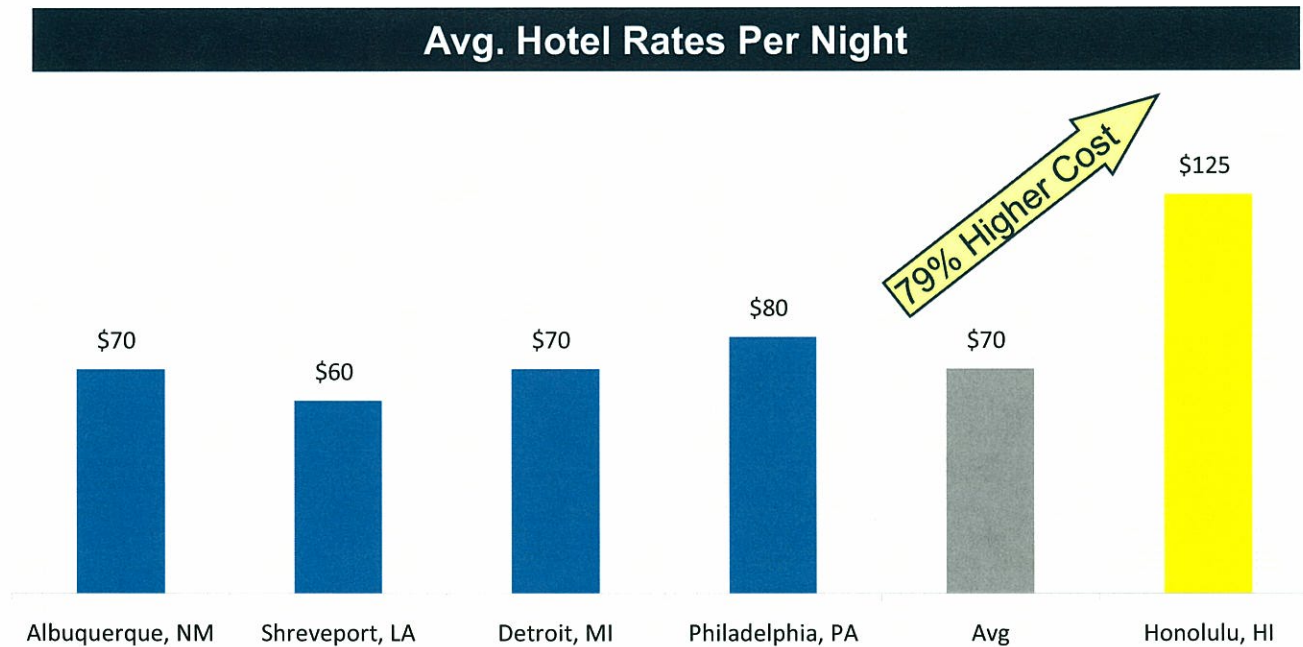


Transient Accommodation Tax

Proposal to Hawaii:

- Exempt the 9.25% Transient Accommodation Tax for stays exceeding 30 days

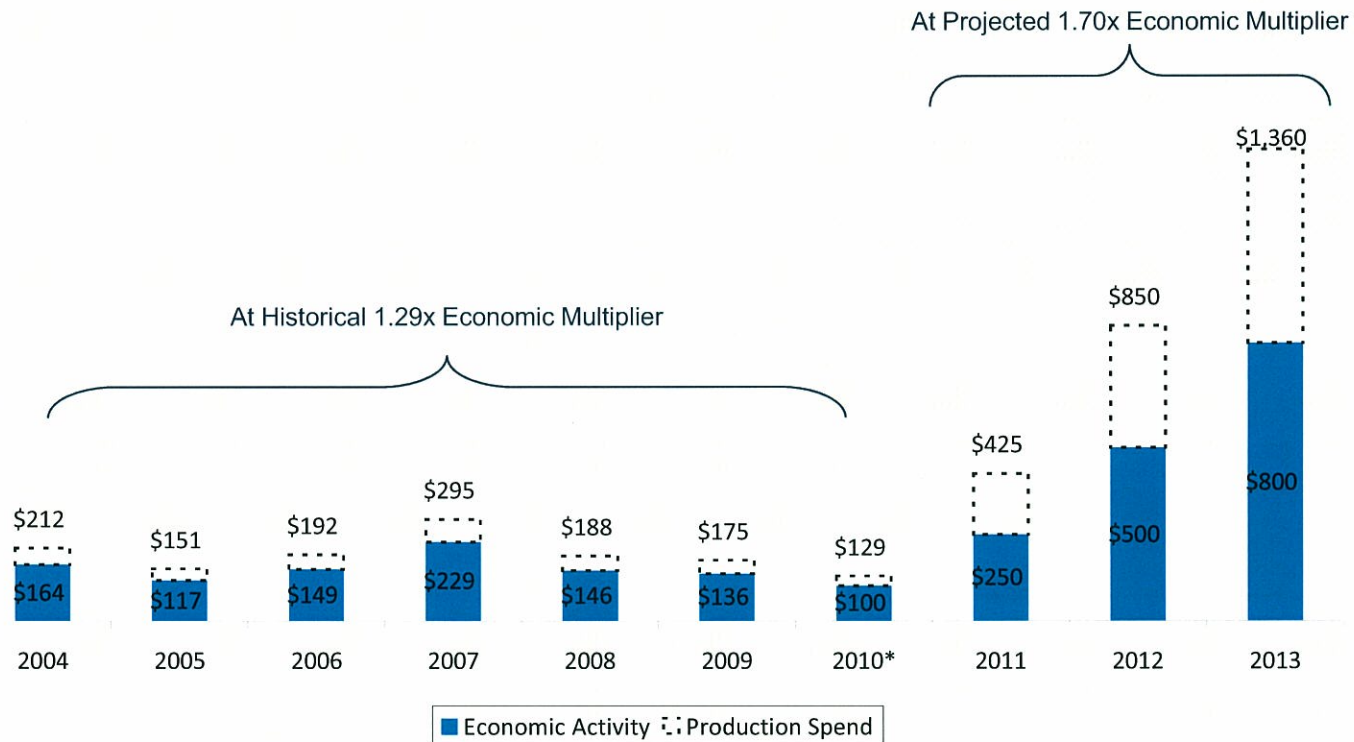
Benefit to Hawaii: Drive increased production and economic activity by making accommodation rates more comparable to other locations



Projected Hawaiian Film Production and Economic Activity

- If Hawaii improves its film incentive program, as outlined, it can increase the level of film production and economic activity significantly, based on the historical growth trends of other states which have improved their incentives

Annual Film Production Spend in Hawaii

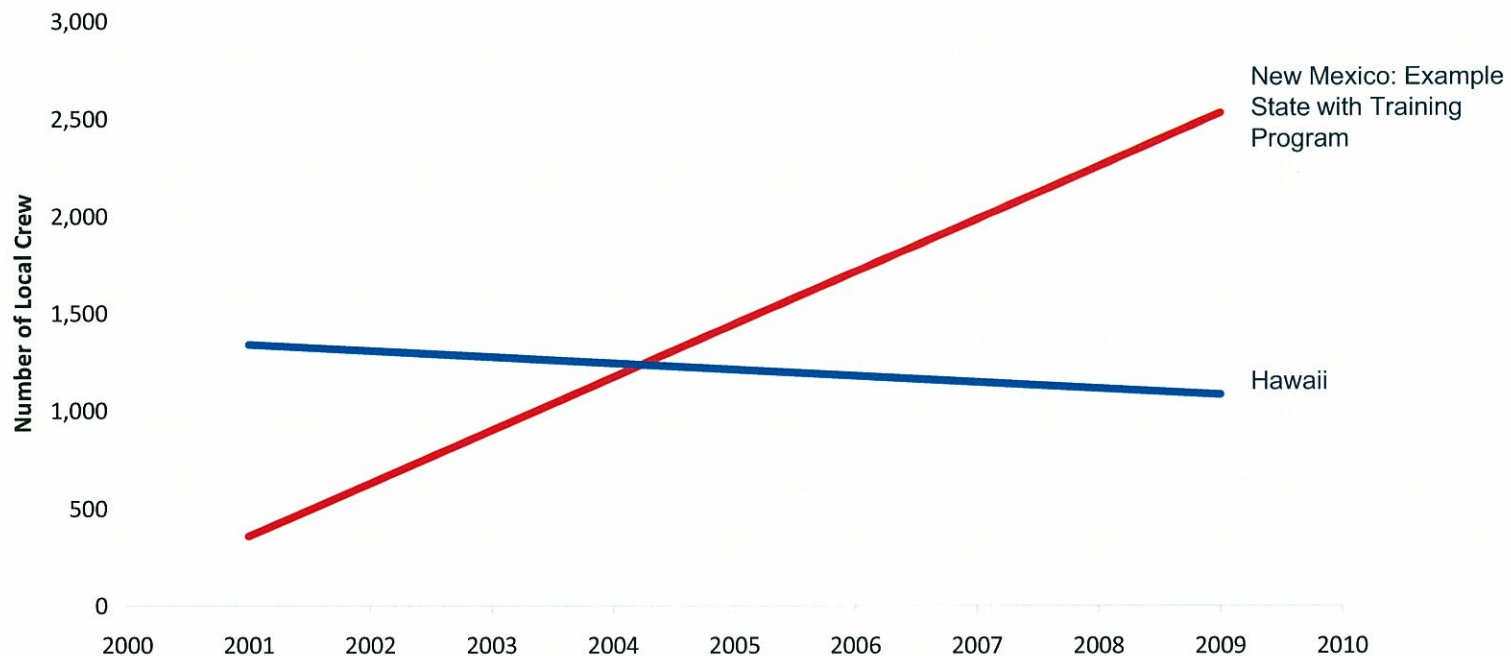


*2010 has been adjusted to normalize annual film production activity by excluding the anomalous film productions Battleship and Just Go with It

Film Advancement Career Training Program (FACT)

In order to compete with other Film Production Centers, it's a "FACT" that Hawaii needs to increase its crew base of set dressers, electricians, craft service, sound cable, contraction and office staff:

Local Crew Base Comparison



Source: US Bureau of Labor and Statistics

F.A.C.T. Training Program

Proposal to Hawaii:

- Establish a Film Advancement Career Training Program (F.A.C.T.) for State residents including a wage rebate of 50% of the first 900 hours worked

Benefit to Hawaii:

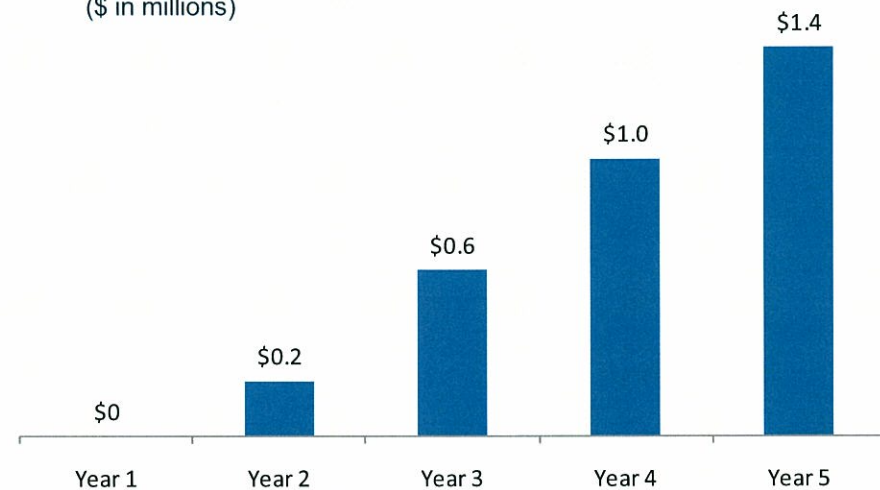
- Grow a permanent base of high wage, skilled film crew members at no cost to the state

F.A.C.T. Pays for Itself

- Increased State Income Tax
- Savings on Unemployment
- Worker's Comp Payments
- SUI Payments



Projected Net Revenue Generated by F.A.C.T.
(\$ in millions)



Video

Closing Video

Why Are We Here?

Relativity Is Here To Discuss:

- Proposing film tax incentives that will make Hawaii competitive with film production hubs like Louisiana, Michigan, and New Mexico
- Building a state-of-art, environmentally conscious production facility that, coupled with tax incentives, will ensure Hawaii is always the first choice for film and television productions
- Creating a training program that prepares Hawaiians for the new, high-paying jobs that come with increased production



Relativity Is Prepared To:

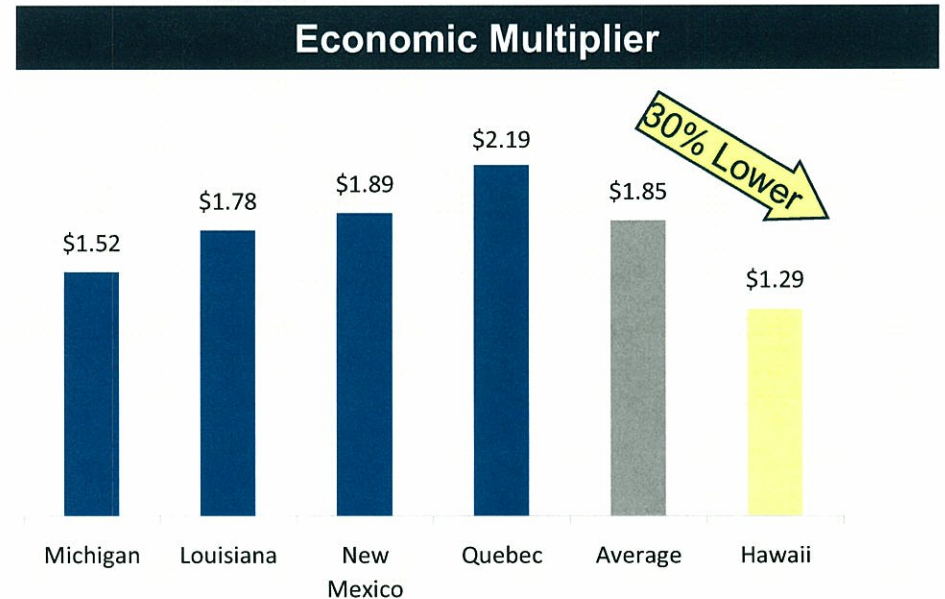
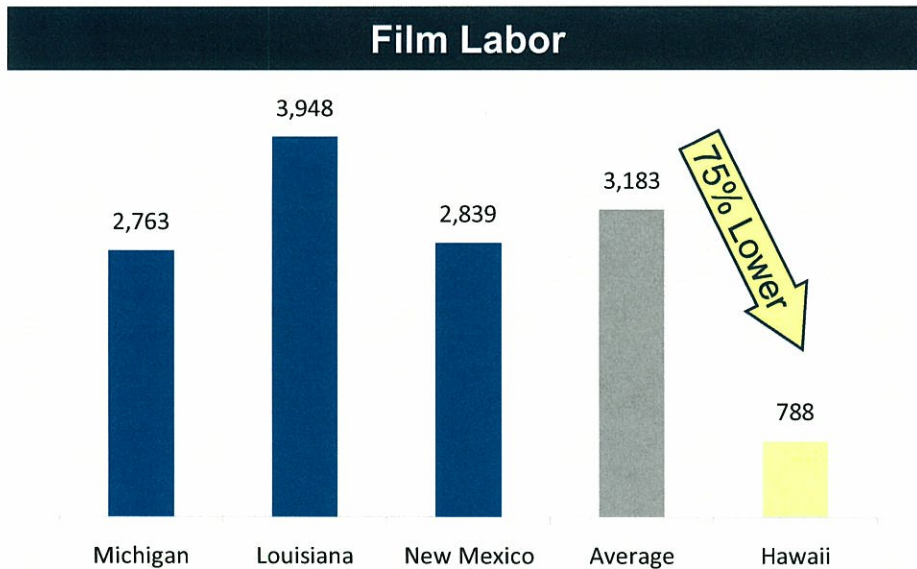
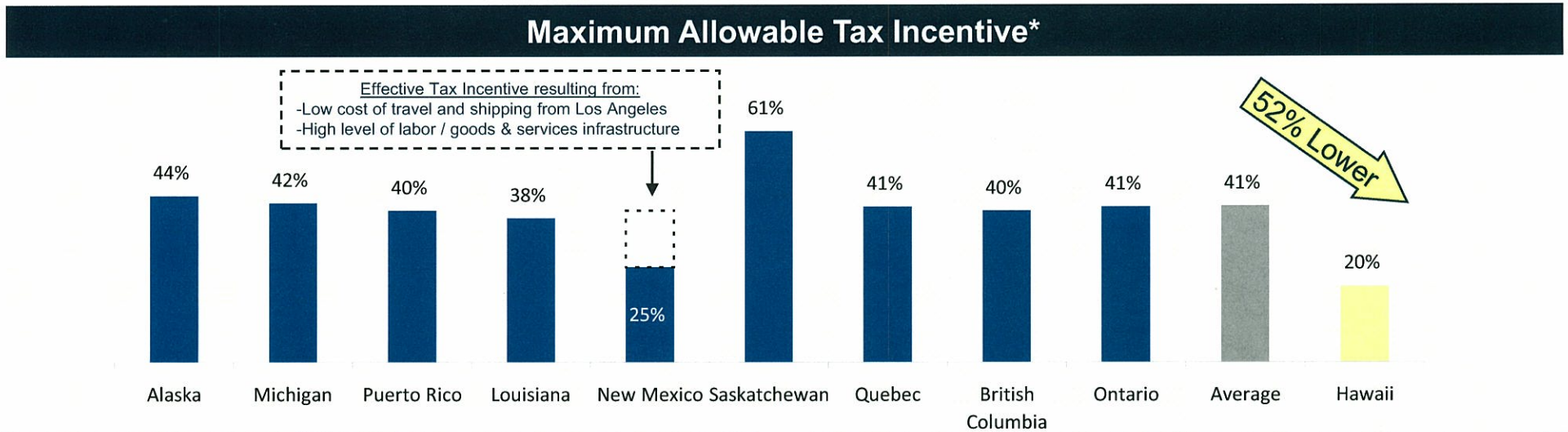
- Move our film and television projects to Hawaii
- Build the facility with Steve Bing and his Shangri-La Construction
- Help establish and support the training program

With your help, and your support of HB1551/SB1550, we'll create jobs and raise revenue for Hawaii.

Appendix

Comparative Film & TV Incentives

- Hawaii's tax credit needs to increase significantly in order to be competitive and drive increases in film labor / infrastructure and economic multiplier



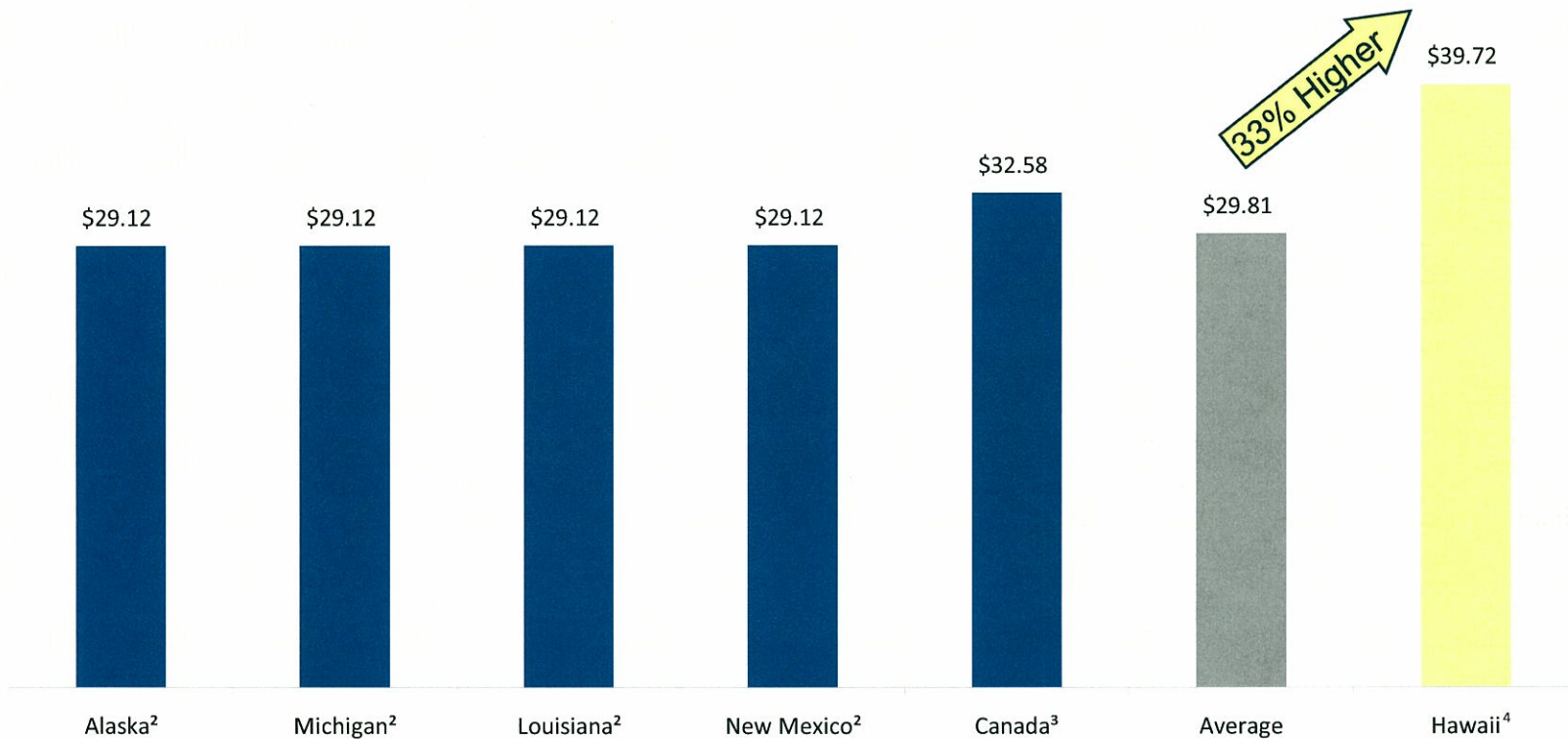
Source: Each respective film commission; Most recently available information from U.S. Bureau of Labor Statistics, Louisiana Motion Picture Sound Recording and Digital Media Industries, Economic and Fiscal Impacts of New Mexico Film Production Tax Credit, Michigan State University Center for Economic Analysis

*Includes total of maximum available local, federal and labor incentives

Comparative Film Labor Cost

- Even with an increased tax incentive and more labor, Hawaii still faces...
- ...Union film crew rates among the highest in North America

Average Hourly Film Crew Rate¹



Source: Entertainment Partners PAYMASTER 2010/2011 IATSE rates

- Footnotes:
1. Average hourly is based on the Prop Master / Key Grip / Gaffer Rates
 2. Covered under the AREA STANDARDS AGREEMENT: Non-Maryland Rates
 3. IATSE Quebec Agreement: Exchange Rate 1USD:0.9880CND
 4. Covered under the IATSE BASIC AGREEMENT

Comparative Hotel Rates

- Even with an increased tax incentive Hawaii still faces...
- ...Hotel / Accommodation costs among the highest in North America

Average Nightly Film Crew Hotel Rates



Source: Road Rebel

Comparative Filming Location Attractiveness

Filming Location Attractiveness

