

Organization Name:  
Art Novo  
Registration Nr. 40003596959 (Latvia)  
July 17th, 2002

Contact:  
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Additional Information:  
[www.artnovofilmproduction.com](http://www.artnovofilmproduction.com)

Form of Business:  
Film Production

Areas of expertise:  
Filmmaking  
TV shows  
Education

Additional information available:  
an information memorandum  
a proposal ppt presentation  
a business plan /financials

Objectives:  
To become a significant part of the  
global movie industry.  
To establish a major film-making  
studio in Rīga, Latvia.  
To provide international film-makers  
with economical and unique venues.

Construction Project Pay-Back Period  
3 years

Funding Requirement:  
€375,000  
€150 million

Use of funds  
1. Feasibility studies and promotion  
2. Capital Expenses / Working Capital

Equity IRR for construction project:  
15 % budgeted

Investor IRR on equity base will depend  
on funding structure agreed.  
A comprehensive business and financial  
plan is currently not available.

This proposal refers to a project to build a modern, full-scale film production facility/studio in Latvia in the EU, and is addressed to institutions involved in and/or investing in film production. It seeks a strategic partner to build on an established industry.

**The Developer - Art Novo** is a privately owned film production company promoting the development of the international movie industry in Latvia by acting as a general contractor / marketing company bringing together leading Latvian companies, associations and institutions that provide services and education to the film production industry to provide one-stop shopping for its clients. Its services include providing all generations of actors and actresses, filmmaking equipment and gear (video cameras, lights, dolly tracks and camera cranes), office premises and filmmaking pavilions (green background) as well as arranging filming locations and set design and construction. Art Novo is networked with Russian and Indian film production companies to provide a wider range of services. Though Art Novo plans to offer international production companies venues, equipment and services for film production in Latvia, its **ultimate objective is to build a modern film studio in Rīga**.

**The Latvian Film Production Industry** enjoys the benefits of a rich and established history having both local technical expertise and the necessary talent. It is located in the cultural capital of Northern Europe which provides unique architecture and/or a multiple of beautiful natural surroundings for film venues in a stable, robust growing economy that uses the Euro and is a member of NATO.

**The Opportunity** Favourable Latvian tax laws, lower labour costs and experienced personnel help promote investment. There is also a possibility for EU financing. Geography plays a key role by providing excellent venues in Latvia itself, but allows Latvia to be a bridge between Western Europe/North America, and Russia/India. The promoters have established a team of professionals with local and international experience, as well as service providers to the film industry in Latvia. This sets the stage for a profitable business in a unique market.

**The Requirement** The Developer requires a strategic partner who will use the strengths of the Developer to build a modern film studio. **€375,000** is required in the first year for feasibility studies and promotion to develop a business plan that will build on existing operations and properly identify investor/partner requirements. It is expected that total project costs will be in the €150 million range, but may be completed in stages as the business develops.

**The Rewards** A 15% ROI is budgeted for equity invested, and 12% for loans for the construction project. The equity portion will include bonus provisions. Conditions are negotiable.

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## 1 FORWARD

This proposal refers to a project to build a modern, full-scale film production facility/studio in Latvia in the EU, and is addressed to institutions involved in and/or investing in film production. It seeks a strategic partner to build on an established industry and take advantage of the many benefits offered by the region, thereby making Latvia an attractive venue for film production not only for film production in Latvia itself, but for facilitating cooperation between Russian, European and other international film production and distribution companies.



The project is in the pre-development stage. Final costs and income will depend on partner, client and/or investor requirements. Fundamental requirements are well known to the developers and these fundamentals will be provided in the initial stages of the project. However, it is recognized that clients may have specific needs which will affect the project as a whole.

Total project costs are expected to be in the €150 million range. The plan includes four pavilions equipped with state-of-the-art 3D technology and conventional filming equipment, supporting technical and administrative buildings and a four-star hotel.

The project is divided into two distinct parts:

1. land acquisition and site development,
2. construction project.

Planning and development will be the first phase of the construction project requiring about one year. The first priority is to identify the strategic partner(s), clients and/or investors. Positive preliminary discussions have already taken place and feedback provided. This lays the basis for this project and current plans. However, detailed client/partner requirements need to be determined and costed, and the development and financial plan established. Concept designs are currently not part of the development plan within the first year, but may be introduced to the budget once client/partner requirements have been set. Three years are expected for the construction project, though this will depend on how business development progresses, since the construction program will be driven by client/partner requirements. The construction project itself is to be completed in phases to decrease risk and ensure proper development strategies. The number of phases will be identified in the detailed development plan, but construction or expenditures will not be started until there are contractual agreements with clients or partners.

Art Novo provides services to the film production industry. This project will greatly supplement Art Novo's capability and capacity. Hence income will be derived from the rental of facilities, provision of services and service contracts with film producers.

## 2 THE ORGANIZATION

Art Novo is a privately owned production company registered in Latvia in 2002 by its owner, Alvis Mengots (see Section 8 - Key Personnel) for the development of international movie industry projects in Latvia by acting as a general contractor uniting leading Latvian companies, associations and institutions that provide services and education to the film production industry to provide one-stop shopping for its clients in the film production industry.

The Art Novo mission is to become a significant part of the global movie industry.

Art Novo currently provides all generations of actors and actresses, film-making equipment and gear (video cameras, lights, dolly tracks and camera cranes), office premises and filmmaking pavilions (green background) as well as arranging filming locations. Art Novo also offers a variety of services to the film production industry including providing and managing creative and technical crews and resources, working with creative specialists (especially screenwriters, directors and actors from Europe and Russia) and running production and post-production processes and coordination, and set design and construction. Other services include project management and administration, and coordinating legal, financial, IT, transport and other related services.

Art Novo has the project management resources to complete the film studio project in Latvia.

Some Western film producers have expressed interest in cooperating with Russian film producers. Because of past experiences, Art Novo has established long term relationships with Russian movie industry leaders and developed a wide network of Russian movie industry players (actors, scenarists, cinematographers, marketing specialists, etc.). Art Novo boasts continuing good relations with many "Soviet Movie School" specialists, who continue to be successful and whose productions are highly appreciated in Russia and elsewhere.

Art Novo works with the Riga International School of Economics and Business Administration as well as Riga School of Arts and Crafts to provide special programs for the training of specialists for film production.

Though Art Novo currently offers international production companies currently existing venues, equipment and services for film production in Latvia, its ultimate objective is to build a modern film studio in Riga.

Art Novo appreciates and acknowledges the morale support of the Latvian Ministry of Culture and its National Film Centre of Latvia, and the Economics Ministry given to Art Novo in their letter of support received in a letter dated May 25, 2014.



#### Partner Companies / Organizations

Agreements are in place with the following companies and organizations to provide their services through Art Novo, or to develop expertise in development and educational programs to ensure the continued modernization of the industry.

- Filmu studija Rija,
- Cinevilla Studio,
- Rīgas Kinostudija,
- Platforma Filma,
- Filmu studija Deviņi,
- Rīgas Darbnīca decorations, restoration, furniture
- Studio "Centrums"
- Arkogints film cameras
- SDG Lighting
- TV- kino serviss dolly tracks and camera cranes
  
- Latvian Filmmakers Union
- Latvian Theatre Professionals Union
- "Dzintarkrasta filma" fund - Film Education and Production.
- Riga International School of Economics and Business Administration - film production industry studies and training
- Riga School of Crafts
- "Stylefoto" photo studio
- "Positive art" media production

Other organizations with which cooperation arrangements are being made:

- Latvian Academy of Culture

### 3 ABOUT LATVIA and ECONOMIC FACTORS

#### Latvia

Latvia regained its independence from the Soviet Union in 1991 and began the difficult process of converting from a planned to a free market economy. In the mid 90's, Latvia was experiencing the challenges of economic transition, including multiple banking crises, economic boycotts by Russia, unfamiliarity with western (particularly European) practices and politically-related development issues.

Latvia is a western state that abides by EU regulations, having joined the European Union and NATO in 2004. This provides a more stable and predictable foundation.



#### The Economy

Post economic crisis Latvia has enjoyed a stable and growing economy, a trend which continues following the adoption of the Euro on 1<sup>st</sup> January 2014. There remains a positive outlook and Standard & Poor's, recently changed long and short-term local and foreign currency sovereign credit ratings on Latvia from BBB-/A-3 to BBB/A-2, and Latvia's transfer and convertibility (T&C), as of March, 2014, the rating now stands at BBB+ and the (T&C) at AAA.

Latvia has benefited from its history with established traditions in banking, manufacturing, education and development that provide the foundations for future growth and development, but shares strong ties with both Russia and the west.

Latvia has favourable company tax rates of 15%. There are no restrictions on the repatriation of profits or the transfer of funds from the country. A cash rebate of up to 20% of the total eligible expenses spent is also available. Latvian tax laws favours investment and allow Latvia to compete favourably with "off-shore" companies.

For further information see <http://www.liaa.gov.lv/about/latvia-facts>.

### Advantages of working in Latvia

Latvia is in the European Union but borders the CIS and so is well positioned to serve both.

The Riga International Airport is a regional hub with convenient connections to the rest of the world and the immediate region. Distances to major cities are quite small: Tallinn - 310 km, Helsinki - 397 km, St. Petersburg - 570 km, Moscow - 917 km, Minsk - 475 km, Vilnius - 293 km, Kaliningrad - 385km, and all are accessible by road transport. Riga is a central location. The studio is close to the Airport which helps optimize and reduce travel time.

Low labour costs and a skilled labour force, as well as relatively inexpensive land provide a decided financial advantage of operating in Latvia.

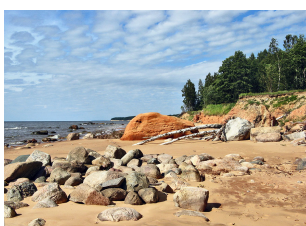
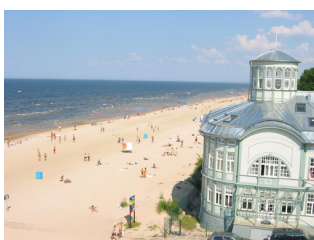
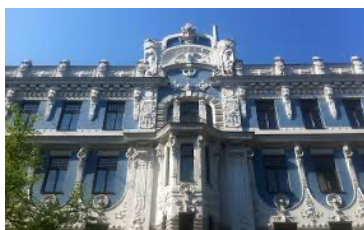
There is a possibility for EU financing, but the project will be based on private funding in the initial stages.

Local municipalities are enthusiastic about such projects because of their potential benefits to the local economy.

Latvia's nature and natural surroundings are a big asset which serve as a drawing card for industries such as film production.

Latvia has the 5<sup>th</sup> fastest Internet in the world (July 2013 data) with average peak broadband speed 140 % faster than the global average.

Latvian's unique architecture and landscapes can be used in wide variety of films.

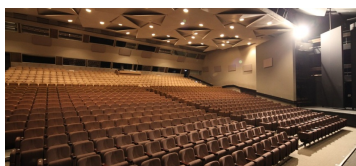




### Related industries in Latvia

Latvia has deeply entrenched tradition in the performing arts which include song, dance and live theatre. This provides the support for a highly professional and capable film production industry.

Riga boasts one of the top-class operas in Europe, the National Opera (<http://www.opera.lv/en/home>), while the National Theatre (<http://www.teatris.lv/lv/>) and Dailes Theatre (<http://www.dailesteatris.lv/>), amongst others, are part of the region's "Broadway of Northern Europe" having served Latvia for well for over 100 years, with Song and Dance Festivals (<http://www.dziesmusvetki.tv/en/>) having proven to be not only spectacular, but enduring. City festivals such as the annual Riga City Festival show how the high technical quality is even passed on to the community at large (<http://www.rigassvetki.lv/2013/home/startpage/en/>).



The National Opera

The Dailes Theatre

The National Theatre



Song and Dance Festivals

City Festivals

#### The film industry in Latvia

The first cinema opened in Riga in 1895, and is still in operation today. The first documentary was made in 1910 featuring the arrival of Czar Nicholas II in Riga. The first feature film was produced in 1913 followed by two the next year. The first sound film was produced in 1934. The Riga Film Studio was established in 1940. In 1957, actress, then director Dzidra Ritenberga received the Volpi cup at Venice Film Festival as the best actress in film Malva. Between 1961 and 1963, the Riga Film Studio Šmerlis pavilions were one of the largest in Northern Europe. In the coming years it produced about 10 feature films, as well as puppet and animated films, documentaries, science and educational films, and newsreels. Latvian animation began in the 1960s with films using appliqué technique. The 1970's brought the golden age of Latvian cinematography when numerous Latvian classics were produced, while the 1980's was the documentaries era. In 1989 the FELIX award for the Best European Documentary went to film Crossroad Street by Ivars Seleckis. During the last decade, Latvian features, short films and animated films have taken part in major film festivals including the Berlin Film Festival, Cannes Film Festival, Venice Festival, Annecy Animated Film Festival, Pusan Film Festival in Korea, Leipzig Festival, Amsterdam Documentary Film Festival, etc. Of note is that 50 animation professionals produced about 45,000 drawings for the 2004 Animated film The Triplets of Belleville (Canada/France) which was nominated for two American Film Academy Oscar Awards, including the nomination for the best film in this category.

Recently, the film industry has been adapting to the new reality of the market economy. There are around 25 – 30 active production companies working in Latvia, though some of them deal mainly with the production of commercials. Others are involved in contract work internationally. Our film professionals add to their skills participating in courses all over Europe, as well as in practical work when working as service companies for film productions from abroad.

<http://www.latfilma.lv/>

<http://filmriga.lv/en/brief-survey-of-latvian-film-industry>

<http://www.mediadesklatvia.eu/arhivs-media-programma/english/characteristics-of-the-film-industry-in-latvia/>

#### 4 TARGET MARKET

The current client base is the relatively modest but active home market and is to be expanded to include western film production companies who seek lower costs in an excellent venue with readymade talent and technical skills and experience. Positive preliminary discussions have been underway to confirm such interest.

Russian film producers are also very much at home in Latvia, and would be an important client base. Many movie professionals from Latvia are successful and well known in the CIS movie industry. These contacts will be exploited.

Western film producers will have the opportunity to network with their Russian counterparts if they wish to do so.

#### 5 THE COMPETITION

Art Novo unites most of the main Latvian filmmakers in Latvia under the Art Novo brand making Art Novo one of the leading filmmakers in Latvia. Because of Latvia's well-developed film-making industry, Latvia is a leading film production country in the Baltics.

#### 6 MARKETING AND SALES STRATEGY

Art Novo plans to be able to provide most of the facilities and equipment required for the film production industry by international clients. This will significantly reduce transport costs for those using Latvia as a venue.

Art Novo will market the following features:

- lower movie production costs in comparison to other studios located in Western Europe,
- convenient transport to or through the Riga airport,
- available facilities and equipment
- local talent and experience

The sales effort will be done through on a one-on-one contact basis by professionals from Art Novo to those in the international film-production community.

## 7 OPERATIONS

### Current Situation

**Specialization** - The main sectors serviced by Art Novo or subject areas addressed include:

- feature-length films
- shorts,
- animation,
- documentaries,
- commercials

**Available Facilities** - Pavilion facilities offered include:

- 1,000 m<sup>2</sup>
- 800 m<sup>2</sup>
- 600 m<sup>2</sup>
- 500 m<sup>2</sup>
- 300 m<sup>2</sup>

**Available Equipment** - The main film production equipment includes, but is not limited to:

- cameras
  - ARRI Alexa EV-1, sup.9, HS 120fps
  - ARRI Alexa XT
  - ARRI Alexa EV-1, sup.9
  - RED EPIC-X
  - RED ONE MysteriumX
  - Vision Research Phantom Miro LC320S
  - Canon C300
  - Canon 5D Mark III, body, EF Mount
  - ARRIFLEX 16SR 3 HS Advanced Gate: S16 - Ground Glass
  - ARRIFLEX 435 Xtreme Gate: N35 or S35 - Ground Glass, Arriglow
- cranes
  - jib                                3 - 13 m cranes
  - telescopic                        3 - 20 m cranes
- lighting systems
  - HMI                                up to 12,000 W
  - TUNGSTEN                        up to 12,000 W
  - FLUORESCENT
- sound systems

### Personnel resources

- producers / directors                - 600
  - operators (film)                        - 20
  - operators (TV)                         - 70
  - actors                                    - 1,200
  - make-up artists                        - 200
- Latvian Song and Dance festivals occur every four years and mobilize some 30,000 performers who are drawn from choirs and dance groups from around the country. These groups rehearse regularly and participate in smaller festivals in the region. This is a potential source of personnel.



#### General Requirements – New Studio

The location of the project is not site specific, and may be located anywhere that meets the requirements of the project. However, it is recognized that transportation is a major issue, and hence, the Art Novo studios will be very close to the Riga International Airport and Jurmala, Latvia's sea-side resort city close to the airport, ensuring adequate multi-level hotel accommodation. A total of 20 ha is required for the project. Front line services will be on the 10 ha adjacent to the Riga International Airport, while support facilities will be near-by.

The following buildings will be required:

- administrative building,
- a four-star hotel,
- A 1,000 x 1,000 m structure housing the following:
  - a 1,500 m<sup>2</sup> pavilion,
  - a 1,200 m<sup>2</sup> pavilion,
  - a 1,200 m<sup>2</sup> pavilion,
  - a 800 m<sup>2</sup> pavilion,
- and the following rooms / departments: technical room, cafeteria, maintenance department, costume rooms, make-up rooms, stage management room
- Mechanical building
- Carpentry building
- Props building
- Costume building
- Transport building

Space will also be provided for parking transport, regular parking and materials.

The facilities will be designed and supported to rely entirely on renewable energy.

Equipment will be supplied as per client requirements, but will include state-of-the-art 3D technology and conventional filming equipment.

The construction project can be divided into the phases and will depend on funding availability. However, the following phases will get the facility to the level of a working film production studio.

- 1) Planning and development
- 2) Administration building, utility infrastructure
- 3) Pavilion #1 with supporting rooms and infrastructure,
- 4) Hotel

### Film Studio Site

The site selected for the film studio is the Riga International Business Park <http://www.rigaibp.com/> (RIBP), which is immediately adjacent to the Riga International Airport, providing immediate visitor access.



The site developer, Harcourt Developments (<http://www.harcourtdevelopments.com/>), is a Dublin-based property development, management and investment company with a broad portfolio of international projects.



The development originally anticipated the building of over 100,000 m<sup>2</sup> of high quality offices and technology facilities with a hotel and medical clinic on the site providing an efficient and flexible use of space with ample secure car parking as well as excellent public transport connections. However, Harcourt Development's experience in studio design and construction in Ireland made it a perfect fit for Art Novo. The RIBP will be built with an emphasis on energy conservation and heat and power from green sources. There will be an embedded advanced thermal treatment (ATT) plant reducing the use of primary hydrocarbons for heat and power to a minimum, as well as providing the facility with its own power and heat source.

### **Harcourt Developments Experience - TITANIC STUDIOS**

The Titanic Studios at 110,000 sq ft on an 8 acre site, comprises one of Europe's largest film studios. Attracting producers such as HBO, Universal and Playtone, the set has welcomed international productions including 'Game of Thrones', 'Your Highness' and 'City of Ember'.

The Paint Hall, where the component parts of ships were once painted in climate controlled conditions, is a massive build-space in which a fully functioning film studio was developed as phase 1 of this project. Increased activity has helped spark fresh investment in infrastructure expansion, with two new sound stages being opened in 2012 (Phase 2). There are now plans for an additional phase to comprise approx. 100,000 Sq.Ft on an adjoining site in the Titanic Quarter.



#### **The Paint Hall**

Containing four 16,000ft<sup>2</sup> "cells" which are set out in a square and connected by an internal road and streets, each cell is 90ft tall and has one 3ft thick external "wall" that is actually a 75ft (23m) tall door. The cell ceilings suspended and therefore not external while the building cladding is "double-skinned" thereby reducing noise pollution.

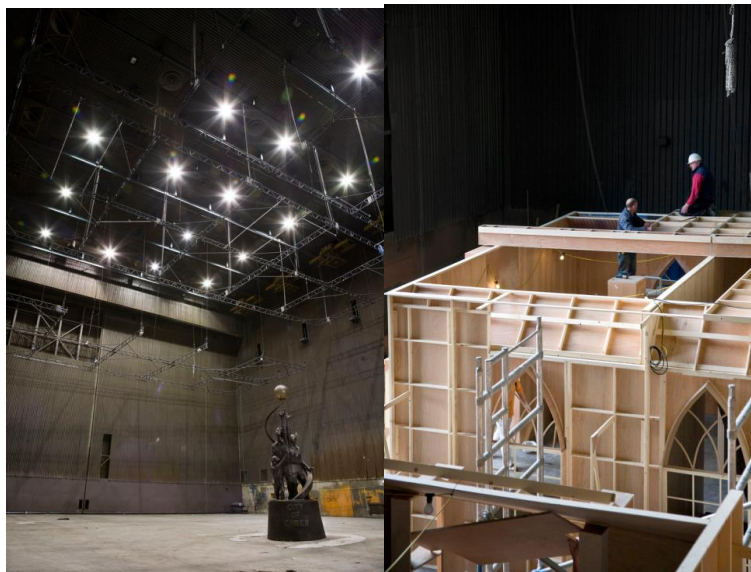
The facility also offers a suite of offices, toilets, five dedicated workshops, a "green room" and has its own internal electrical substation which provides 110v, 240v and 3 phase power to the whole building.

#### **New Stages**

The new Hurst and MacQuitty stages: The two large free-span spaces, with an eaves height of 43ft approximately, incorporate high performance acoustic fabric, high-level walkways and rigging gantries with power, lighting and internal environment options to suit the full spectrum of film production uses. The stages may be used as separate 21,000 sq ft entities, fully sound-proofed to allow filming in one stage, while construction can continue in the other.

The new stages have their own dedicated support block housing offices, media and ancillary facilities.





## 8 KEY PERSONNEL

**Alvis Mengots** has been the Owner and CEO of Art Novo since 2002. He is a film industry professional with a Master of Arts degree from the University of Moscow, and who acquired his academic training from the All-Union State Institute of Cinematography in Moscow, first at the operator level, then proceeding to his Masters and becoming a qualified film director. Some of his class-mates from his university days are now leading film producers in Russia, and an invaluable networking source. Alvis received much of his practical technical experience as a cinematographer or director of photography in more than 40 feature movies at the Riga Film Studio, and then assumed positions as the President of the Alpha Alliance advertising agency and then Director of TV35. He has served as a Vice-chairman of the Board of the Riga Film Studio and as a Board member of numerous film productions related funds. Alvis thus combines both management experience and a wealth of hands on technical experience.

**Ed Kalvins** is the owner and CEO of Technical Partners International Inc. of Canada and "TP Riga" SIA of Latvia, and is a Latvian-Canadian living in Latvia. He is a Canadian engineer with extensive Project Management and Engineering Management experience. Ed developed the PM-PROformance™ System, a hands-on project management system suitable for such projects. His 20 years' experience in Latvia provides for a deep understanding of local conditions, while his western background helps him relate to North American requirements. Ed's team provides the necessary construction related and project management services for the project.

**Robin De Morgan** is an independent investment banking professional and Chartered Accountant from the United Kingdom, with experience of property and infrastructure developments, both in the UK and internationally. He is the former CFO of the Hongkong Land Group and has worked closely with two separate merchant banking organisations on business development strategies and raising related funding. He has been closely involved in numerous development projects in Latvia and the Baltics, and is a trade development advisor for the Middle East Association having most recently lead a trade mission to Kurdistan and Iraq. Robin is helping market Art Novo services and represents Art Novo in England. Expected main contribution: assisting with project financing and attracting support in the UK.

**John Birchmore**, the owner of SHREW's Ltd. of the UK, has extensive experience commissioning start-up projects in the Baltics and Russia as well as the UK and acts as an advisor to UNDP and EBRD on development. His team provides the necessary technical expertise, particularly on environmental projects such as energy from waste cogeneration. Because of John's extensive business development work in Latvia, he is well connected to the Latvian business community in the UK. John is helping market Art Novo services and represents Art Novo in Scotland. Expected main contribution: Project development and CHP (combined heat and power) generation.

**Valters Kronbergs – Lawyer (Kronbergs & Čukste)**. LLB (Queen's University, Canada), BA Hons. (University of Toronto, Canada). Member of the Ontario and Latvian bar, who has been practicing law in Latvia since 1993. Specialist in Latvian real estate, construction, energy and utilities, transportation and corporate commercial law.

### Project Management

The Technical Partners project management team includes, but is not limited, to the follow::

**Anita Boldane** – BA - Economics (University of Rezekne, Latvia). EU certificate in Project Management. Project Group Manager. Engineering services specialist. Project coordination with municipal institutions.

**Maris Ozols** – BAsC (Mohawk College, Canada). Installations Engineer. General management, production, mechanical installations specialist. Equipment re-building, commissioning and Preventative Maintenance specialist.

**Alvis Līdums** – BA – Economics – Manufacturing, BA – Business Administration, MA – Public Administration (University of Latvia). Project Manager. Industrial Engineering and Project Management experience. Energy specialist.

**Pēteris Kurms** SIA „OTIC” (construction related services) will be responsible for coordinating all construction related services.

**Valers Mitins** – BSc - Civil Engineering (Riga Technical University, Latvia). Certified Structural Engineer. Structural design experience of metal, wood and monolith concrete constructions.

**Jānis Zvirbulis** – MSc - Electrical and Power Engineering (Riga Technical University, Latvia). Electrical Systems Design Specialist. Substation, air conduits, aerial cables and transmission line design; interior installations and lighting design; cogeneration station construction design.

The following personnel are candidates for positions on an employment or contract basis and will be engaged as funding is available for Art Novo. Current services presently provided by partner companies.

#### Operations/Administrative Management

**Inguna Gustava** MBA (Riga Business School, Riga Technical University), BA, MA – mathematics (University of Latvia) is an experienced general manager covering management, company budgets and financial control, staff recruiting and training, marketing and sales.

**Inese Mičule** - BA - Mathematics and Physics (University of Latvia), MBA (Riga Business School, Riga Technical University, Latvia). Financial executive. Experienced at the director level responsible for finance, sales or marketing in major consumer goods manufacturing companies

**Inga Mengote** - BA - (University of Latvia), MBA (RPIVA) – Management professional. Buildings and maintenance operations specialist.

**Ivars Grislis** – BSc - Mechanical Engineering (Riga Polytechnic Institute, Latvia). BA - Economics (Riga Polytechnic Institute, Latvia). Senior Engineer. Systems maintenance specialist

**Uldis Kurms** – BA (Riga Technical University). Logistics specialist.

**Indra Sproge-Kalvina** - BA - Management Studies (University of Latvia). Sales and customer service specialist.

**Henrik Mjoman** – Recruitment Specialist (*Prime Recruitment*). Experience in personnel recruitment and management training.

**Inese Tomasa** – MA Languages (University of Latvia). Tourism and hospitality industry specialist.

#### Film Production Industry Specialists

Film production technical specialists include personnel from partner companies, including:

**Vilnis Kalnaellis** – Producer and President of Latvian Film Producer Association. Graduated from the Petersburg Institute for Cinema Engineers in 1985. Participated in more than 300 festivals and received 35 national and international awards. In 2007 his production company Rija Films received the CARTOON nomination for the Best European Producer.

**Andrejs Ekis** - Movie producer and script writer. Graduated with a Master's degree in Cinematography and Film/Video Production from the Petersburg Institute for Cinema Engineers in 1987. Owner of the Cinevilla Studio.

## 9 DEVELOPMENT AND EXIT PLANS

Art Novo's long term goal is to become a significant part of the global movie industry. There is no exit plan.

The development plan is to expand on the services currently being provided to local clients and to meet the needs of international film makers.

Consideration will be given to entering into a joint venture with a developer.

Exit plans for strategic partners and/or investors will be tailored to their particular requirements.



### 10 FINANCES

Currently project main expenditures include:

- Real estate € 10 mil
- Construction € 75 mil
- Filming equipment € 65 mil
- Total €150 mil

It must be recognized that the project is in the pre-development stage and that both costs and income will depend on client/partner and or investor requirements. For the purposes of the preliminary budget, 15% interest will be calculated on equity investment, and 12% on loans. Equity investment will include provisions for bonuses, or be subject to adjustment.

Project financing will be divided into sections:

1. Land or real estate acquisition,
2. Construction project.

Total project costs are expected to be in the €150 million range, though the construction project is to be completed in phases. The number of phases will be identified in the detailed development plan, but construction or expenditures will not be started until there are contractual agreements with clients or partners.

One year is expected for development during which detailed client/partner requirements will be determined and costed, the development of the development and financial plan, and marketing. Concept designs are currently not part of the development plan, but may be introduced to the budget once client/partner requirements have been identified. Three years are expected for the construction project, though this will depend on how business development progresses, since the construction program will be driven by client/partner requirements.

The first phase of the construction project will be planning and is expected to require **€375,000**.

The following table reflects budgeted cash requirements:

Art Novo Cash Flow	Start	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12		
Phase 1	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Phase 01 Organizational Planning	0														0
Remuneration Total		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	
Legal expenses (preliminary)		0	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	9,000	
Marketing expenses (preliminary)		0	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	9,000	
Office and Expenses		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000	
Travel (car rental)		500	500	500	500	500	500	500	500	500	500	500	500	6,000	
Travel (International)		0	0	0	5,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	21,000	
Master File / Development Plan		0	0	0	10,000	10,000	10,000	0	0	0	0	0	0	30,000	
Financial Planning for Operations		0	0	0	4,000	4,000	0	0	0	0	0	0	0	8,000	
<b>Subtotal Expenses</b>	<b>0</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>38,000</b>	<b>35,000</b>	<b>31,000</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>		<b>281,000</b>
Contingency & Unexpected Costs (10%)		1,700	1,700	1,700	3,800	3,500	3,100	2,100	2,100	2,100	2,100	2,100	2,100	28,100	28,100
VAT @ 21% on Services														0	
VAT Paid		0	3,570	3,570	3,570	7,980	7,350	6,510	4,410	4,410	4,410	4,410	4,410		
VAT Recovery														0	
<b>Total VAT</b>	<b>0</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>7,980</b>	<b>7,350</b>	<b>6,510</b>	<b>4,410</b>	<b>4,410</b>	<b>4,410</b>	<b>4,410</b>	<b>4,410</b>	<b>4,410</b>		<b>0</b>
<b>Total Cash Outflows</b>	<b>0</b>	<b>22,270</b>	<b>22,270</b>	<b>22,270</b>	<b>49,780</b>	<b>45,850</b>	<b>40,610</b>	<b>27,510</b>	<b>27,510</b>	<b>27,510</b>	<b>27,510</b>	<b>27,510</b>	<b>27,510</b>		<b>368,110</b>
<b>Ending Cash Balance</b>	<b>0</b>	<b>-22,270</b>	<b>-44,540</b>	<b>-66,810</b>	<b>-116,590</b>	<b>-162,440</b>	<b>-203,050</b>	<b>-230,560</b>	<b>-258,070</b>	<b>-285,580</b>	<b>-313,090</b>	<b>-340,600</b>	<b>-368,110</b>		
<b>Total Cash Outflows per quarter</b>	<b>0</b>			<b>66,810</b>			<b>136,240</b>			<b>82,530</b>			<b>82,530</b>		<b>368,110</b>

A 15% ROI is budgeted for equity invested, and 12% for loans for the construction project. The ratio of equity to loans is yet to be determined. Conditions, of course, are negotiable and subject to the effect on the overall budget and financial picture.

Note that VAT is recovered during operations.

EU funding may be available for some aspects of the project.

Financial data is presented in the local Latvian currency, the Euro. Approximate exchange rates on Wednesday, 26 March, 2014 are:

- 1.00 EUR = \$1.5377 CAD
- 1.00 EUR = \$1.3784 US
- 1.00 EUR = £0.8324 GBP

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