Production Incentives Update

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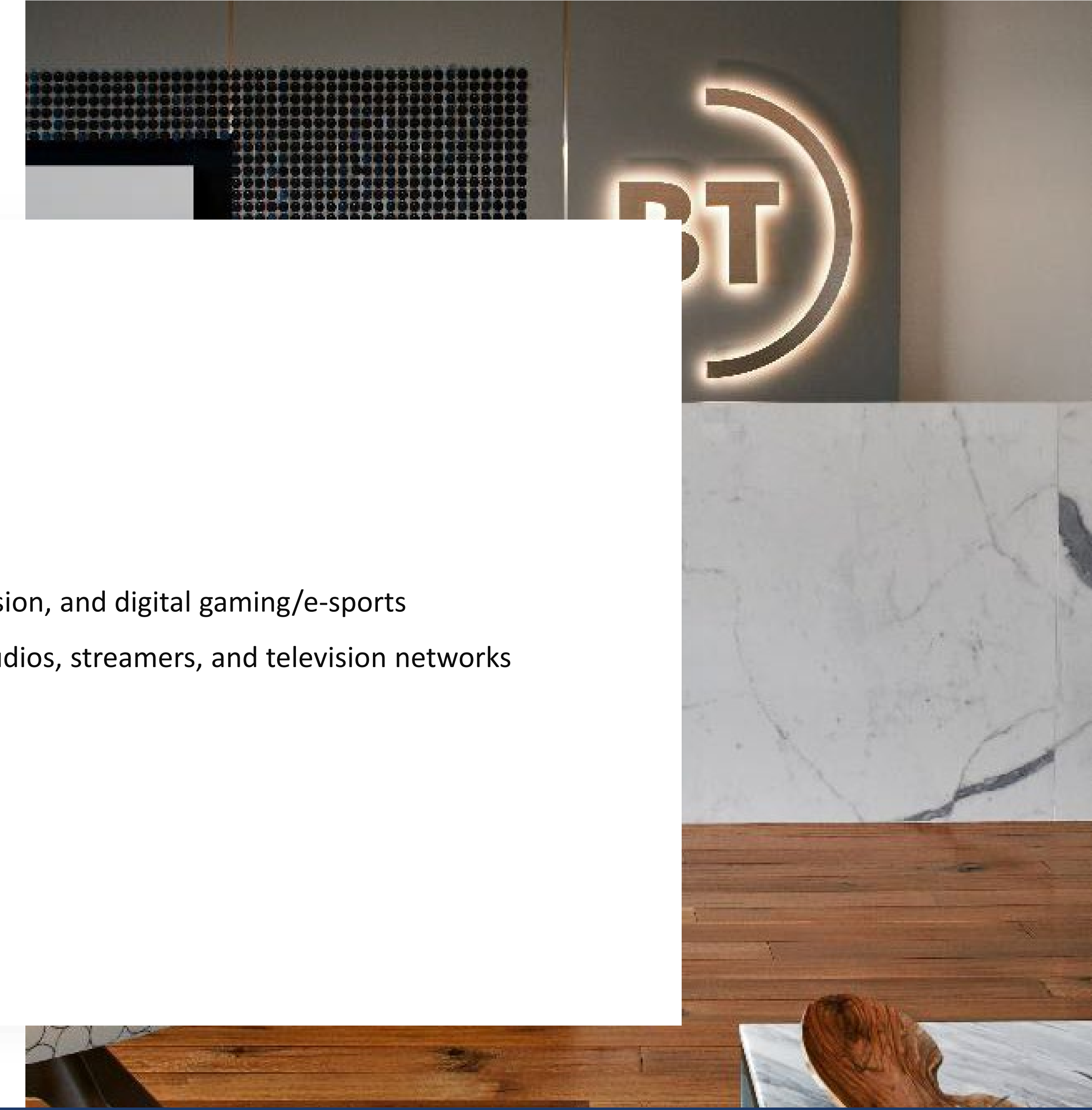
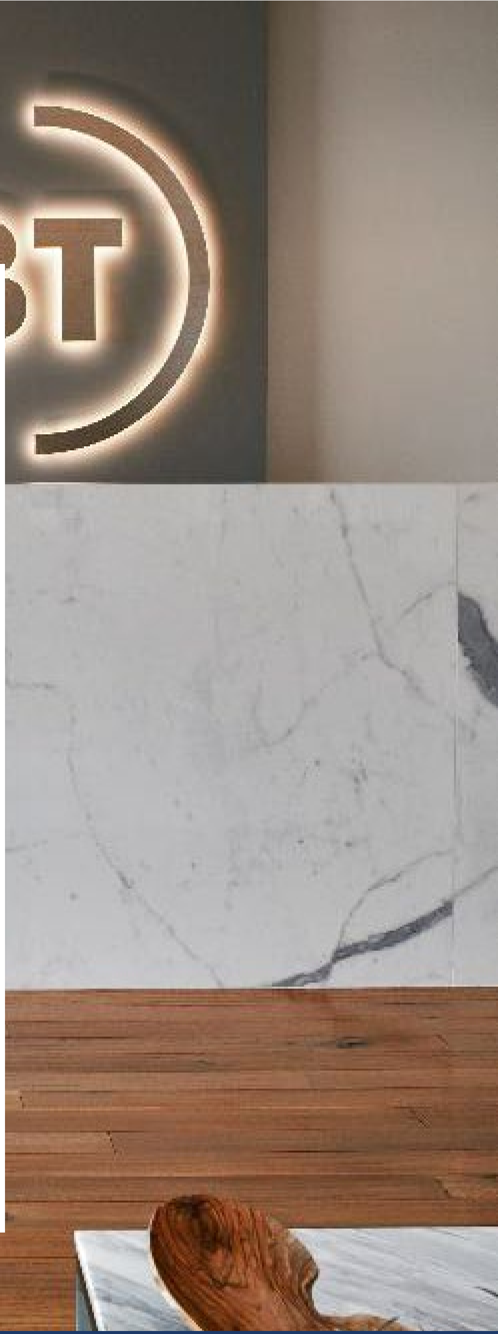
Who is Bennett Thrasher?

1. Top 65 accounting firm formed by former Big Four partners
2. Full suite of tax, audit and advisory services
3. Industry focus on media/entertainment, including film, television, and digital gaming/e-sports
4. Currently represent substantial majority of motion picture studios, streamers, and television networks
5. Offices in Atlanta, Denver and Dallas
6. Part of worldwide affiliations (LEA Global; DFK International)



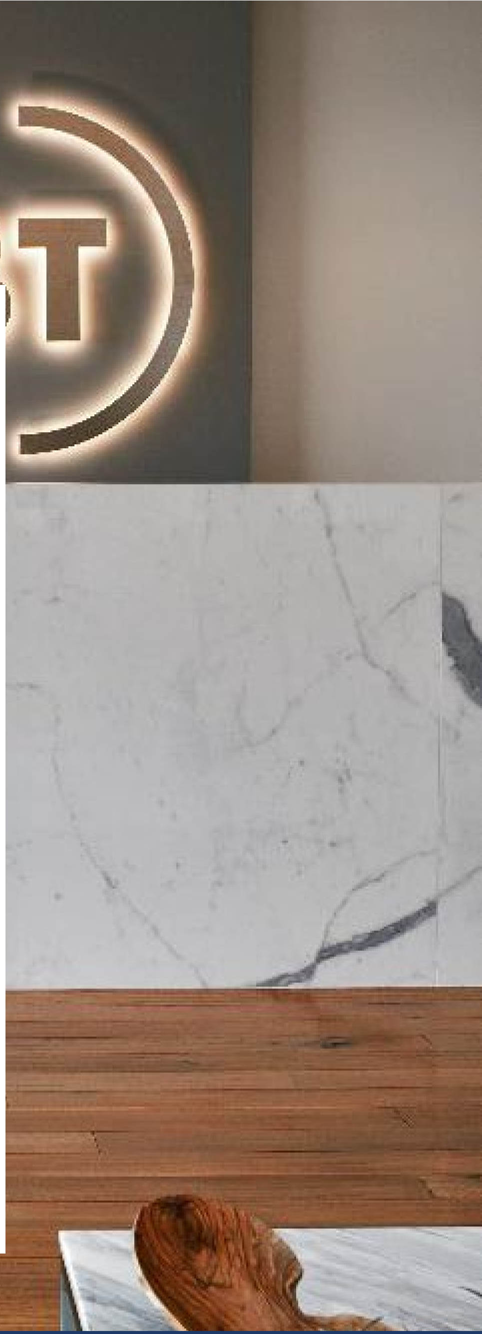
Overview of Production Incentives

1. Tax Credit; Refundable Tax Credit; Rebate; Transferable Tax Credit
2. Program may have sunset date, annual cap, or per project cap
3. Rates may differ for resident versus nonresident labor
4. Credit for above the line compensation may be limited
5. May be uplift in rate for filming in rural locations
6. Publicity for state may be required or create uplift in rate
7. May be set asides for independent film production
8. May have diversity or workforce development requirements or uplifts
9. Applications may be first come first served or by competitive process
10. 23 states have production incentives



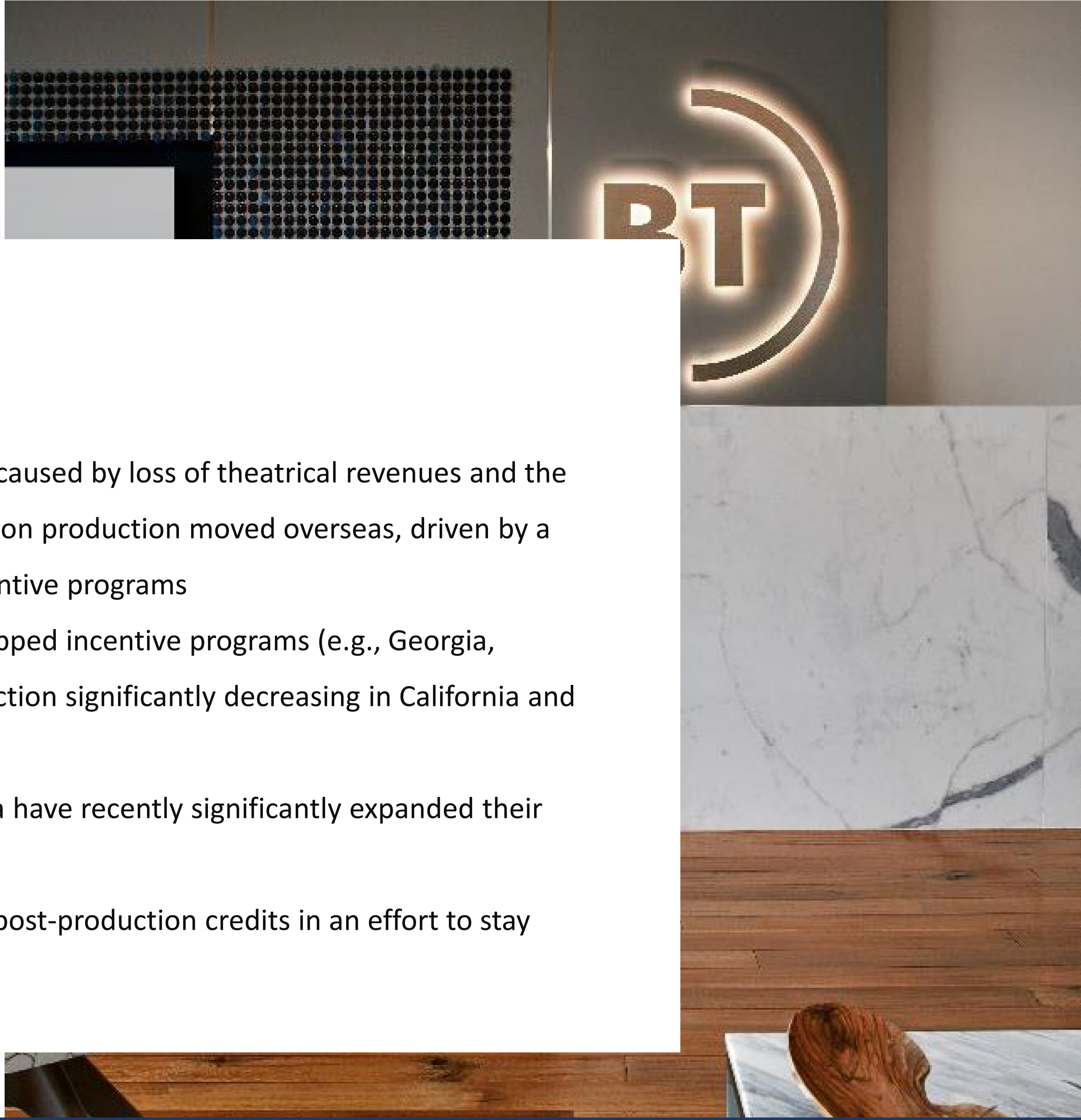
How Incentives Drive Investment

1. Direct entertainment spending in Georgia in 2007 was approximately $200 million
2. After enactment of enhanced Georgia film tax credit in 2008 , direct investment grew to a peak of **$4.4 billion** in FY 2022; currently closer to $2 billion
3. FY 2022 economic impact was $8.55 billion; creating over 59,000 jobs (Olsberg SPI Economic Impact Study 2023)
4. Created massive collateral infrastructure investment, with over 7 million square feet of dedicated sound stages, including Trilith/Marvel Studios, Assembly/NBCUniversal Studios, Eagle Rock Studios, Great Point/ Lionsgate Studios Tyler Perry Studios, and many more
5. Created huge increase in enrollments in Georgia educational institutions, including the Georgia Film Academy, Creative Media Industries Institute at Georgia State, MFA programs at University of Georgia, Emory University, etc.



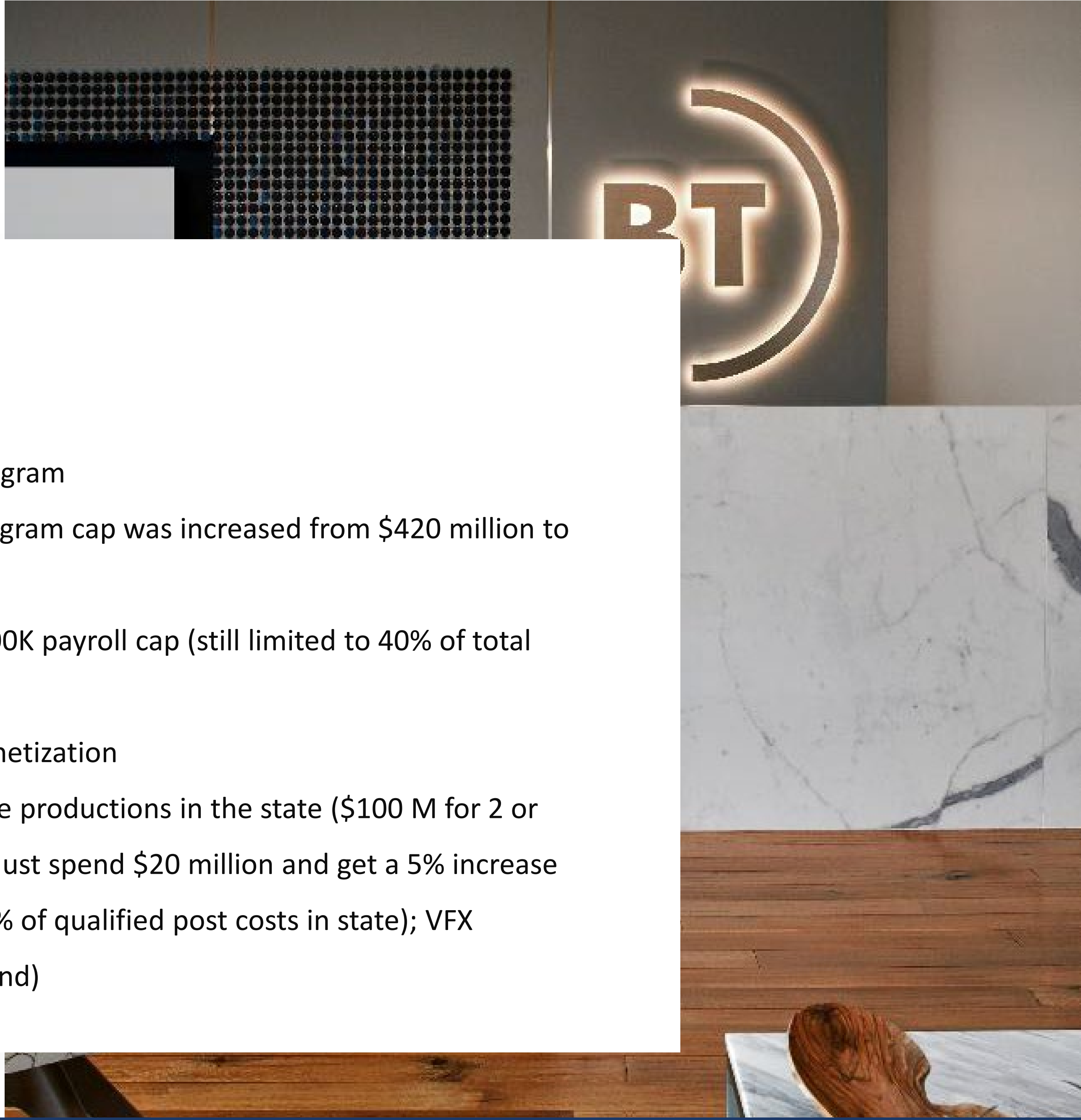
Recent Developments

1. Following COVID-19, labor strikes, and disruptions to the industry caused by loss of theatrical revenues and the advent of streaming platforms, a significant portion of film/television production moved overseas, driven by a strong dollar, competitive workforce costs, and strong foreign incentive programs
2. In addition, strong incentives in other US states with large or uncapped incentive programs (e.g., Georgia, Massachusetts, New Mexico, New Jersey, Illinois) has led to production significantly decreasing in California and New York
3. In an effort to stem the loss of production, New York and California have recently significantly expanded their production incentives
4. Georgia has also had to revamp its regulatory regime and expand post-production credits in an effort to stay competitive



Georgia Update

1. Following a state audit of the incentive program in 2020, the state enacted new mandatory film tax credit legislation in 2021
2. Mandatory audit procedures significantly slowed monetization of the credits from 6 months to 1-2 years
3. Mandatory audit procedures were also perceived to have increased qualified cost disallowance rates
4. In an effort to fix the problem, the state convened an entertainment industry advisory group
5. This group, which includes the MPA, various studios, Bennett Thrasher, and the Georgia Screen Entertainment Coalition advised comprehensive revisions to the audit program, including reduced record-keeping, sampling scaling with budget size, improved statistical error projection methods, and other fixes.
6. Georgia also recently passed legislation modernizing certain definitions and allowing better administrative controls by the Georgia Film Office
7. Georgia also recently reinstated its stand-alone post-production credit

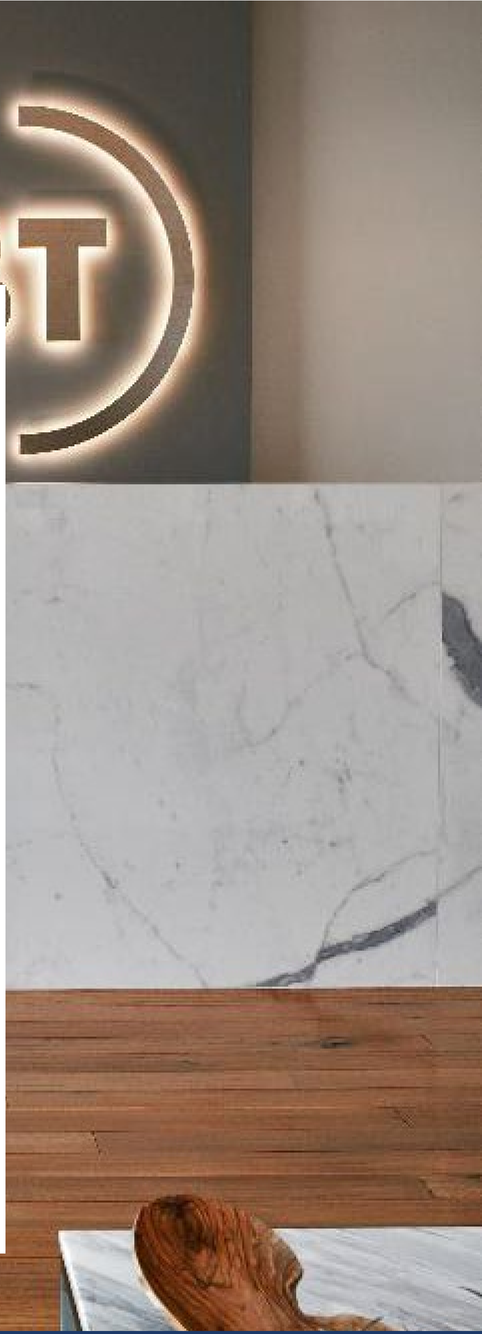


New York Update

1. New York recently made major expansions to its film tax credit program
2. Program funding was extended from 2034 to 2036; the annual program cap was increased from $420 million to $700 million
3. Expanded credit for above the line compensation by removing $500K payroll cap (still limited to 40% of total budget)
4. Removed multi-year payout to single year to decrease time to monetization
5. Created Production+ program under which studios making multiple productions in the state ($100 M for 2 or more projects get an extra 10% credit/Independent productions must spend $20 million and get a 5% increase
6. Lowered threshold for post-production and VFX credit ($1M or 75% of qualified post costs in state); VFX threshold reduced from 20% to 10% in state or $500K or more spend)
7. Requires diversity plan/.5% of credit workforce development fee

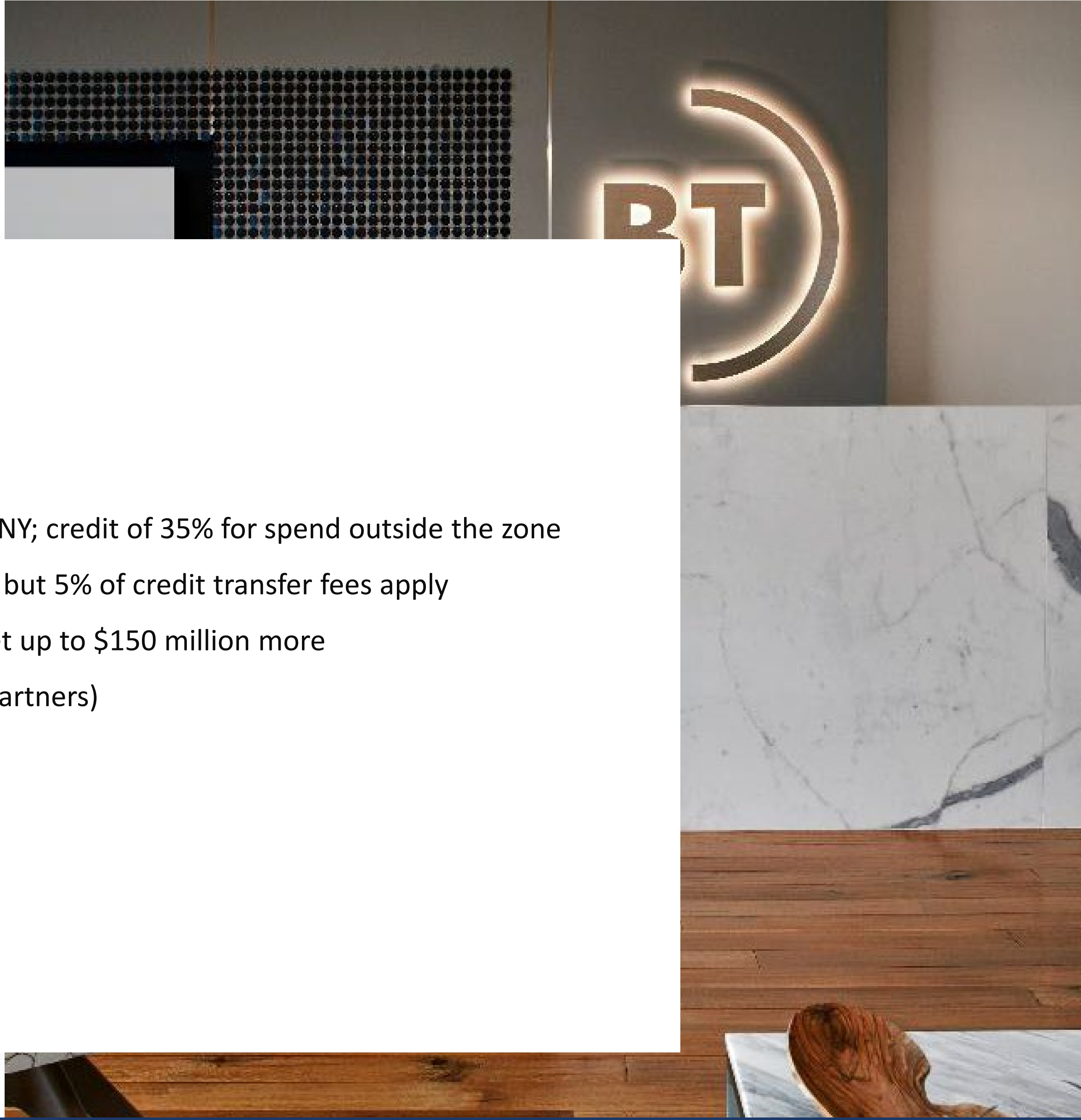
California Update

1. In an effort to stop the loss of productions, Governor Newsom signed SB 132, which allows CA film tax credits to become refundable starting July 1, 2025
2. However, the amount that may be refunded in a single year is capped and the payout is over 5 years so the effective annual refundability rate is 18% of the excess credit
3. There is also legislation backed by the Governor to significantly expand the film credit program (SB630/AB1138)
4. Under the legislation, the annual program cap would increase from $330M to $750M through 2029-2030 and the base credit rate would increase from 20% up to 35% (out of zone credit from 25% to 40%)



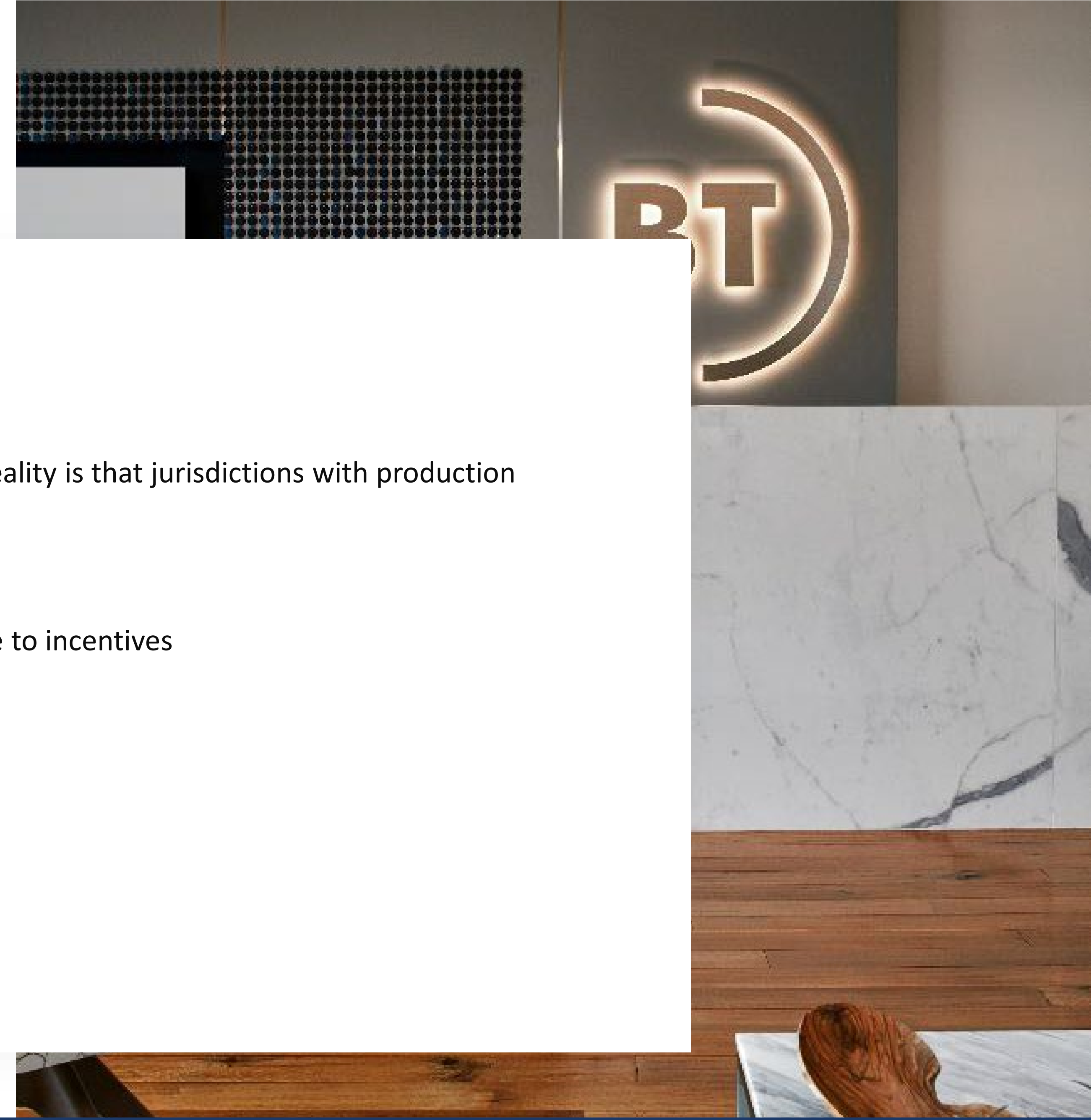
New Jersey

1. New Jersey has expanded its film tax credit program through 2039
2. The base credit is 30% for projects in the 30 mile union zone from NY; credit of 35% for spend outside the zone
3. Credit is fully transferable to corporate income/gross receipt taxes but 5% of credit transfer fees apply
4. There is a $450 million annual program cap, but studio partners get up to $150 million more
5. Above the line compensation capped at $750K ($500K for studio partners)
6. $1M spend or 60% of expenditures in state floors



Conclusions

1. Despite how much certain economists hate film tax credits, the reality is that jurisdictions with production incentives are able to attract the most productions
2. Entertainment is a strategic business for nations/states
3. Production is a highly transportable business that is very sensitive to incentives
4. The ROI on production incentives depends on what you measure
5. The ideal incentive has the following characteristics:
   - No sunset date
   - No annual program caps
   - No per project caps
   - No ATL comp limitation
   - No resident preferences
   - Quickly and easily monetizable



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We Look Forward to Hearing From You!

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