

Problem Overview

■ Consumer Perspective:

- New films on Video On-Demand (VOD) platform - when, where, and how they want them – at nominal costs – a legal alternative

■ Partner (Film Studio/Production Company and Mobile Network Operators) Perspective:

- Exploiting the substantial revenue generating opportunity from the mobile/wireless platform (connected smartphones and tablets) in its own right (rather than just as a freely bundled option with generic VOD and DVD release of each new film)
- Fully harnessing the unique and powerful mobile/wireless platform (connected smartphones and tablets) for optimally marketing new films, one-to-one; through demographic-based mobile PUSH film trailer/ad campaigns in partnership with Mobile Network Operators (in return for major revenue share) to drive significantly higher sales conversions on platform
- Combat piracy of new films by offering an immediate legal alternative at nominal cost
- Fully leveraging and monetising premium content – including association with advertising.

Unfair advantage

Do you have a scientific breakthrough, intellectual property, business-model innovation or a unique partnership?

- We have a business-model innovation in that we will work with Mobile Network Operators (in return for a 20% Revenue Share per film) to deliver a mobile PUSH film trailer/ad campaign to their age-demographic aligned network users and release each new film (independent and world/foreign films with A-list talent/stars) for rental on 4G/Wi-Fi Platform (connected smartphones and tablets) within territory. Driving significantly higher sales conversion rates as a result.
- We will create major and compelling business partnerships with Mobile Network Operators directly and/or work with telecom-data-as-a-service intermediaries such as Zeotap (<https://www.zeotap.com/>) to facilitate the mobile PUSH film trailer/ad campaign to their network customers.
- We create a MAJOR win-win outcome with partners per film: 50% Gross Profit Share with film's studio/production company, and 20% Revenue Share with Mobile Network Operators (MNOs), from the 4G/Wi-Fi Platform exploitation of each new film.
- We fulfil the film distribution on the 4G/Wi-Fi Platform (connected smartphones and tablets) via the OOYALA utility service provision, which is target-device independent (and where we will target iOS, Android, and Win 10 smartphones and tablets), offers full DRM (Digital Rights Management) for content protection, and offers geo-targeting, security, ad-serving, billing, analytics, and management.

Business Model: Per Film (With 8-12 New Film Releases Per Year Per Territory)

Film Rights Acquisitions For Territory	
NEW Films	
Any Genre - High Production Value – A-List Stars - Indie & World/Foreign Films – Any Source Territory – For Specific Distribution Territory – With Regional or Universal Audience Appeal	
Assessment & Analytics (360°)	Acquisition Timing (Early Phase: Script,Dev,Pre/1st-Mkt)
Video On-Demand (VOD) Territory-Specific Film Distribution Rights Component Secured	



Film Marketing Model
4G/Wi-Fi (connected Smartphones and Tablets)
Innovative 20% Revenue Share To MNOs (Mobile Network Operators) For Film Trailer/Ad PUSH Campaign To Network Users
Maximum Film Awareness Driving High Sales Conversions



Film Distribution Business Model		
4G/Wi-Fi (connected Smartphones & Tablets)		
Rental (Nominal Payment Mass Market Model)		
Pay-Per-View::Ad-Free	Pay-Per-View::Ad-Lite	Pay-Per-View::Ad-Heavy
80% Cinema Ticket No Ads	60% Cinema Ticket Ads at Start	40% Cinema Ticket Ads Every 20mins Through Film

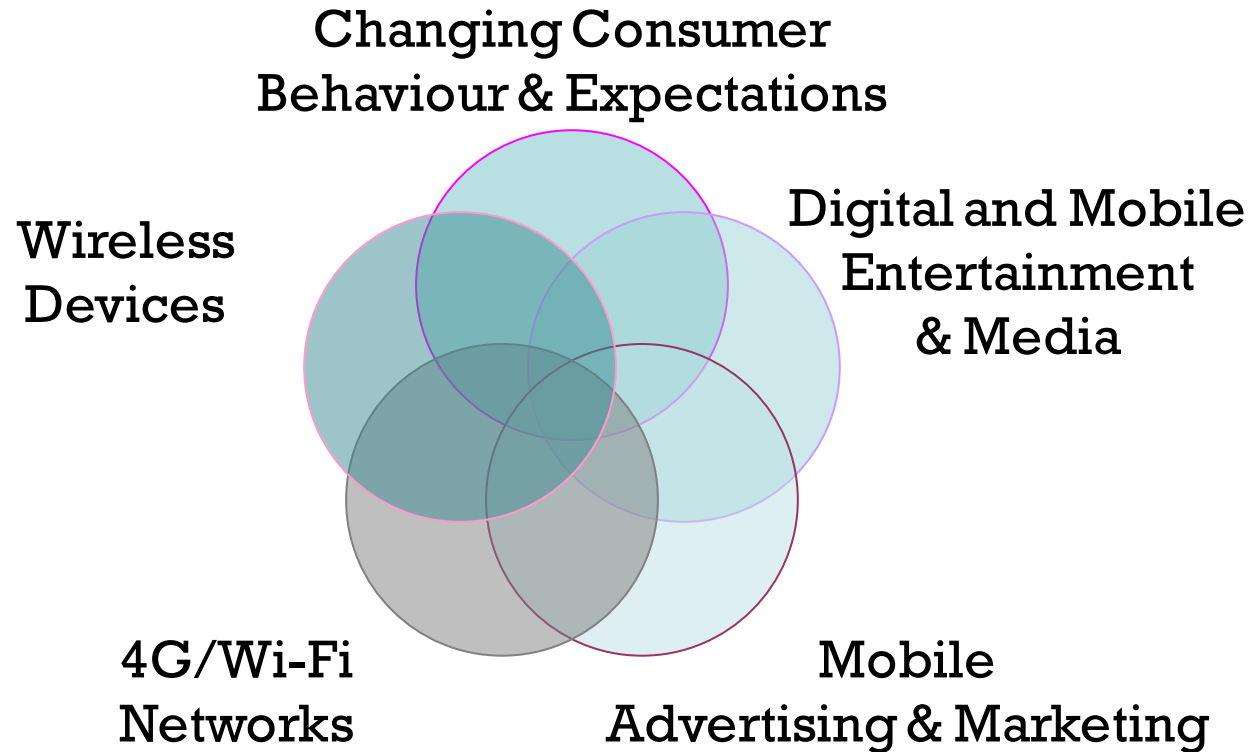


Film Distribution Fulfillment Model
4G/Wi-Fi (connected Smartphones and Tablets)
Utility Service Provision (OOYALA)
Smartphone/Tablet Platforms (iOS, Android, Windows 10)
Film Industry Trusted & Approved (incl. Full Digital Rights Management (DRM))
Video Streamed or Downloaded :: HD & DVD Quality Efficient – Secure – Time-limited - Auto-wiped
Distribution – Ad-Serving – Billing - Analytics - Management



Platform Gross Profit Sharing (Royalty) Rate With Film's Studio/Production Company
4G/Wi-Fi (connected Smartphones and Tablets)
50%

Leverage Intersection of Emerging Developments, Trends, and Opportunities



If your plan is successful, what economic or market benefit will the technology convey?

The economic benefit that the business-model innovation will convey, based on worst case scenario of just 5% of smartphone & tablet user base within territory renting film on 4G/Wi-Fi Platform following territory-wide film PUSH marketing campaign, includes:

Year	FY1	FY2	FY3
Sales Revenue	\$100 Million	\$503 Million	\$1,683 Million
Profit (EBITDA)	\$27 Million	\$154 Million	\$612 Million

What, if anything, has been proven?

- *Conventional* VOD operator, BFI Player (<http://player.bfi.org.uk/>), have their service based on OOOYALA, and proves its use case in this application area.
- A selection of film industry firms have reviewed the innovative business model, and confirmed they are very interested in our VOD marketing and distribution model.

How far is this from commercial scalability?

The OOOYALA platform is ready to commercially exploit, we simply research, acquire, and market initial films to release across all platforms. Where for the each territory we scale to eventually release 8-12 new films per year, and further onwards we simply replicate the business model for other target territories, beyond the initial US territory, such as Europe (Germany, France, UK, Spain), China, South Korea, and Japan.

What are the major things that could go wrong?

- Film owners/studios may not sell film distribution rights to Constellation - a new enterprise:
 - Constellation will mitigate above potential risk by having an executive team with long-standing experience and relationships within the global film industry – studios, production firms, master distributors/sales agents, and regional distributors across all platforms – i.e. film industry veterans.
- We acquire and distribute films that are a flop with audiences:
 - Our founding team have a combined 35 years leadership experience within the global film industry, across International - Film Financing, Film Production, Film Sales, and Film Distribution; films with A-list talent - directors, writers, producers, and actors/actresses.
 - Proving our expertise, the founding team have historically selected and represented commercially strong films that went on to achieve critical acclaim and success, including:
 - Berlin Golden Bear and Oscar nominated, MARGIN CALL (2011), directed by J.C. Chandor and starring Kevin Spacey, Paul Bettany, Stanley Tucci, Zachary Quinto, and Demi Moore
 - BAFTA nominated, THE MERCHANT OF VENICE (2004), starring Al Pacino, Jeremy Irons, and Joseph Fiennes
 - BAFTA and three times Oscar winner, CRASH (2004), directed by Paul Haggis and starring Matt Dillon, Sandra Bullock, Don Cheadle, and Thandie Newton
 - John Duigan's, HEAD IN THE CLOUDS (2004), starring Charlize Theron and Penélope Cruz
 - BAFTA winner, UNDERTAKING BETTY (2002), starring Brenda Blethyn, Christopher Walken, Alfred Molina, and Naomi Watts
 - European Film Awards nominated, TAKING SIDES (2001), starring Harvey Keitel, Stellan Skarsgård, and Moritz Bleibtreu
 - Cannes nominated, STRAYED (2003), directed by André Téchiné and starring Emmanuelle Béart
 - Emmy winner, NAPOLEON (2002), starring John Malkovich, Gérard Depardieu, Ludivine Sagnier, and Isabella Rossellini
 - Emmy nominated, AN ANGEL FOR MAY (2002), starring Tom Wilkinson
 - Goya winner, THE BRIDGE OF SAN LUIS REY (2004), starring Robert De Niro, Harvey Keitel, Kathy Bates, and Gabriel Byrne
 - Locarno Golden Leopard nominated, AIME TON PÈRE (2002), starring Gérard Depardieu and Hiam Abbass

- Genie winner, THE STATEMENT (2003), starring Michael Caine, Tilda Swinton, Jeremy Northam, and Charlotte Rampling
- LEGION (2010), starring Paul Bettany and Dennis Quaid
- THE SECRET OF MOONACRE (2008), starring Ioan Gruffudd and Natascha McElhone

Have theoretical models been created or validated?

Single Low Budget Film Scenario for US

		Notes
Film Production Value	\$10,000,000	Indie, World, or Foreign Film with A-List Talent
Distribution Territory	US	
4G/Wi-Fi: No. of Pay Per View (PPV) Film Rentals	18,260,000	A Worst Case 5% of (198.5 Million) Smartphone & (166.7 Million) Tablet Users in US
Average Cinema Ticket (Box Office) Cost	\$8.61	In US
Sales Revenue		
4G/Wi-Fi: Rental PPV (60% B.O. Price (Ad-Lite Variant))	\$94,331,160	\$5.17 4G/Wi-Fi Platform Film Rental Charge (with ads at start of film)
4G/Wi-Fi: Ad-Lite: Ad Sales Revenue	\$6,391,000	Ad-Lite: 5 Ads at Start of Film, \$0.07 Ad Revenue Per Impression (RPI), Passive Ads
Direct Sales Costs		
Rights Acquisition Costs (All Rights)	\$725,153	
MNO: 4G/Wi-Fi Rev Sharing	\$20,144,432	20% Mobile Network Operators (For PUSH campaign of film trailer to all their network users)
4G/Wi-Fi: Content Delivery Network (CDN) Costs	\$923,342	For 18.2 Million Rentals/PPV's on 4G/Wi-Fi Platform
4G/Wi-Fi: Payment Transaction Processing Fee Per Film	\$7,440,037	For 18.2 Million Rentals/PPV's on 4G/Wi-Fi Platform
Royalty Payments (VOD)	\$35,744,598	Royalty Rates: Theatrical (50%), TV (50%), Home Video (25%), VOD (50%)
Gross Profit	\$35,744,598	Worst Case Gross Profit for FLIK for One Low Budget Film

How long will it take to validate the viability of the technology, through experiments or otherwise?

The business-model innovation can be applied and validated from the first film release onwards. OYOYALA utility service fulfilment partner is ready and proven for VOD, and international film industry supply and delivery chain relationships are already in place.

Team

Who are you, and why are you qualified to lead this opportunity? What skills do you bring to this problem?

Kailesh Mistry, with experience across the domains of Innovation Management, Film, and Business – Technology – Identity Strategy; in addition to successfully leading the formation and establishment of new business initiatives such as the Media Centre Research Facility (a digital media research and production facility). While academic qualifications include a Master of Arts Degree in Design: Film & Identity and BSc (Hon) Computer Science.

Michael Cowan:

- Founder & CEO: Phoenix Worldwide Entertainment (2009): All Rights UK Distribution & International Sales, with over 50 films exploited, including 2012 Oscar-nominated MARGIN CALL
- Co-Founder & Joint MD: Spice Factory (1998): International Film Production & Sales, producing 55 films – award winners & featuring A-lists, production spend US\$550M+
- Co-Founder: Arclight Films: International Film Sales, including for Oscar-winner CRASH

What technical skills will your team need to add?

Technology
Distribution
Legal
Marketing
Finance

Address why you are uniquely qualified to solve this problem. People, who are key to your innovation, matter to us.

I am uniquely qualified to solve this problem as I have passion and experience across multiple disciplines, including the domains of Innovation Management, Film, and Business – Technology – Identity Strategy.

What is the role of every member of your current team?

- Founder and Chief Executive Officer + Chief (Film) Acquisitions Officer
- Founder and Chief Operating Officer

Are they all working toward mitigating your primary risks, or are they working on non-critical development that can be addressed later?

The former – on primary risk mitigation: business-model innovation viability, validation, and support.

Are they the best possible people for meeting your current milestones?

Yes: over 35 years combined experience across successful company start-up and development (e.g. Spice Factory: international film financing, production and sales (master distribution)), Film Acquisitions, Film Distribution, Film Business Affairs, Film Marketing, and Media & Entertainment Technology.

Are the founders thought leaders or associated with thought leaders in the field?

Co-Founder, Michael Cowan, is a thought leader in the field, with an Honorary Professorship and Degree from Libera Università di Scienze Umane e Neuroscienze (LIUM, Switzerland) in recognition for outstanding life achievements in cinema.

What critical people, who could address your key risks, are missing, and where can you find them?

Missing are:

- Chief Distribution Officer
- Chief Technology Officer
- Chief Financial Officer
- Chief Legal Officer
- Chief Marketing Officer

Can find them through founders' international and extensive industry networks and contacts

Milestones/Financials

It is important to understand your path to mitigating the technical risks you face. What technical milestones will this financing help achieve?

US\$ 1.5 Million Seed Stage Investment (for 45% Equity Share + Board Seat) will:

- Prove that the business-model innovation drives significant sales conversions and revenues from the 4G/Wi-Fi Platform (connected smartphones and tablets), following the mobile PUSH film trailer/ad campaign in partnership with MNO's to their network users.
- Foster and solidify partnerships with MNO's (Mobile Network Operators).
- Provide business-model innovation film release reference cases, to support similar innovation with partners in future film cases.
- Recruit core executive team.

What are your future milestones, and how much capital will you need to achieve each? What is the company status and burn rate at each of these milestones?

FY2: Milestone: scale up to release 8-12 new films a year within initial territory

- **NO** extra capital required, although follow-on capital from you or lined-up and interested venture capital investors (including some that originally backed LOVEFiLM – now Amazon Instant Video) are possible, if required.
- Company Status:
 - Early Stage: FY2
 - Month 24 Cash Balance: US\$ 228.6 Million
- Burn Rate: Upon Milestone Achievement: Month 24:
 - Month 24: Net Burn Rate: -39.6 Million (US\$) (i.e. a Negative Net Burn Rate)
 - Month 24: Gross Burn Rate: 102,000 (US\$)

Cash Balance and Burn Rates based on worst case scenario of just 5% of Smartphone & Tablet User Base in territory renting each new film on 4G/Wi-Fi Platform following territory-wide film marketing, and NO Series A investment

FY3: Milestone: Scale, via simple business-model innovation and operational replication, to other target territories such as Europe (Germany, France, UK, Spain), China, South Korea, and Japan

- **NO** extra capital required, although follow-on capital from you or lined-up and interested venture capital investors (including some that originally backed LOVEFiLM – now Amazon Instant Video) are possible, if required.
- Company Status:
 - Growth Stage: FY3
 - Month 36 Cash Balance: US\$ 1.019 Billion
- Burn Rate: Upon Milestone Achievement: Month 36:
 - Month 36: Net Burn Rate: -223.6 Million (US\$) (i.e. a Negative Net Burn Rate)
 - Month 36: Gross Burn Rate: 376,500 (US\$)

Cash Balance and Burn Rates based on worst case scenario of just 5% of Smartphone & Tablet User Base in territory renting each new film on 4G/Wi-Fi Platform following territory-wide film marketing, and NO Series B investment

What are your contingency plans if things don't go well?

- We have based our modelling and projections on a worst case scenario of just 5% of Smartphone & Tablet User Base within territory renting each new film on 4G/Wi-Fi Platform (our main revenue channel), following territory-wide mobile PUSH film trailer/ad campaign to MNO's network users (in return for a major 20% revenue share to them).
- Our progressive company mission, culture, and values – i.e. Identity - will be compelling enough to attract and retain the best team in the industry; plus the founders have a strong network base to draw upon.

What is your total and operating cash burn (the amount you're spending) per month, in case months stretch into years?

Total (Net) Burn: -22.0 Million (US\$) Per Month ([i.e. Negative Burn](#)): Across 36 Month Period

Operating Cash (Gross) Burn: 199,000 (US\$) Per Month: Across 36 Month Period

Market/Competition

Do you have a good understanding of the competitive landscape?

- There are many *conventional* VOD operators such as Netflix, iTunes Movies, Amazon, Hulu, etc. – but they offer generic delivery platforms with no real innovation on 4G/Wi-Fi Platform (and specifically connected smartphones and tablets) marketing in partnership with MNO's and/or telecom-data-as-a-service partners. Constellation will deliver an order of magnitude more sales conversions with our MNO revenue sharing marketing strategy per new film.

Are you comparing your company against technology competition in areas that matter to the end customer?

- What matters to end customers/consumers: new films on 4G/Wi-Fi Platforms (*new films when, where, and how they want them*), *immediately and at nominal costs* (three models: ad-free, ad-lite, and ad-heavy options, with 80%, 60%, and 40% of box office/cinema ticket costs respectively).
- Digital technologies will become increasingly pervasive across all segments of Entertainment & Media, as the industry's migration to digital technologies continues to accelerate. The ongoing migration to digital will occur and manifest itself across three parallel and interrelated change dimensions – each driven by the end consumer/customer:
 - Economic - Further acceleration and intensification of the migration to digital technologies among both providers and *consumers* of Entertainment & Media content and services.
 - Consumer Behaviour - The accelerating digital transformation will in turn reinforce and grow new consumption habits and “digital behaviours”, *as consumers seek (1) more control over where, when, and how they consume content, and (2) higher value from their entertainment and media choices.*
 - Advertising - As digital behaviours become more widespread and embedded, a new generation of advertising-funded revenue models will emerge, aiming to reflect and capitalise on the evolving *consumption habits* by delivering advertising that is ever more targeted and *relevant to the specific audience.*

Is your innovation addressing a need in a large enough market (over a billion dollars)?

Initial Market (US Illustration):

- In 2015, the overall Entertainment and Media market in the US will be worth over \$594 billion, and is forecast to reach \$723 billion by 2019, with the Filmed Entertainment market the largest in the world, by box office admissions.
- Total mobile internet advertising expenditure in the US is \$28.4 billion as of 2015, and is forecast to reach \$57.5 billion by 2018, for advertisers to reach consumers on tablets and mobile phones.
- The US has over 157 million 4G Mobile users which equates to around 50% penetration of population as of Dec 2014.
- By the end of 2016, over 198 million people in the US will use a smartphone, and this figure is forecast to rise to over 236 million by 2019.
- By the end of 2016, over 166 million people in the US will use a tablet, and this figure is forecast to rise to over 185 million by 2020.

Correspondingly, Constellation will:

- Exploit rapid growth in the Filmed Entertainment Market (including Digital and Mobile).
- Exploit major shift towards brand advertising spending on mobile, Ad-Heavy Variant = 40 Ads Average on 100min Film = US\$ 2.53 revenue per rental pay-per-view.
- Initially target US, Europe (Germany, France, UK, Spain), or China – all major film and smartphone & tablet user markets.
- Exploit this device evolution for the presentation of film content. Being device, standard, platform, and manufacturer independent. Adopting a provisioned utility service for the support of any capable existing or new device

How significant a step forward is represented by the technology or innovation?

Our business-model innovation will revolutionise film marketing and the revenue benchmark from 4G/Wi-Fi Platform.

What impact will it have on the competition?

- While there is ample high-quality film product from across the world constantly coming onto the market, competitors (i.e. *conventional/generic* VOD platform distributors') opportunity for acquiring *the best* Independent and World/Foreign Film products for the same territory will shrink, while Constellation's opportunity (as the VOD distributor of choice) will rapidly increase, as our win-win MNO-revenue-sharing business-model innovation and expertise offers an order of magnitude more return across our 4G/Wi-Fi platform - for the film products we invest in and represent.
- Reduce territory-based competitor's prominence over time, while making Constellation the leader within the territory it targets.

Why can't a competitor replicate your plan tomorrow?

- *Conventional* VOD operators such as Netflix, iTunes Movies, Amazon, Hulu, etc., have their core business model based on generically delivering films on their VOD platforms – with no real innovation and revenue-sharing model with MNO's and the smartphone and tablet platform as a special case.
- If competitors do exactly manage to replicate our business-model innovation, then the market and products-availability opportunity is large enough for multiple players to co-exist, and in any case, without negatively impacting on Constellation's revenue potential and goals.

To summarise, Constellation is NOT a film production company but an innovative Video On-Demand (VOD – 4G/Wi-Fi Platform) film marketing and distribution company.....

Constellation: is a content distributor, releasing the latest new feature films - **independent and world/foreign** high-production-value **films with A-list talent/stars**, to audiences across the Video On-Demand Platform, **including on 4G/Wi-Fi Platforms (connected smartphones and tablets) together with mobile film trailer/ad PUSH campaigns to mobile network users in revenue-sharing partnerships with Mobile Network Operators** – within the territory, significantly increasing the film's revenues (pay-per-view and ad-based).

