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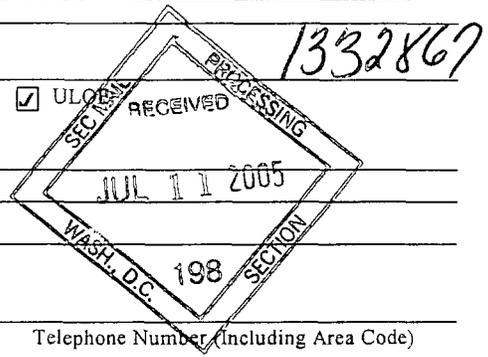
FORM D
NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

Name of Offering (check if this is an amendment and name has changed, and indicate change.)

Ranch House Pictures, L.L.C.

Filing Under (Check box(es) that apply): Rule 504 Rule 505 Rule 506 Section 4(6) ULOE

Type of Filing: New Filing Amendment



A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (check if this is an amendment and name has changed, and indicate change.)

Ranch House Pictures, L.L.C.

Address of Executive Offices (Number and Street, City, State, Zip Code)

120 Second Street, Floor 3, San Francisco, CA 94105-3601

Telephone Number (Including Area Code)

415-227-0880

Address of Principal Business Operations (Number and Street, City, State, Zip Code)

(if different from Executive Offices)

Telephone Number (Including Area Code)

Brief Description of Business

Company formed to finance and produce a feature film.

PROCESSED

Type of Business Organization

- corporation
- limited partnership, already formed
- other (please specify):
- business trust
- limited partnership, to be formed

JUL 13 2005
THOMSON
FINANCIAL

Actual or Estimated Date of Incorporation or Organization: Month Year Actual Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction)

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Aaron Tudisco

Business or Residence Address (Number and Street, City, State, Zip Code)

120 Second Street, Floor 3, San Francisco, CA 94105-3601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Stokes McIntyre

Business or Residence Address (Number and Street, City, State, Zip Code)

120 Second Street, Floor 3, San Francisco, CA 94105-3601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Christopher Hall

Business or Residence Address (Number and Street, City, State, Zip Code)

120 Second Street, Floor 3, San Francisco, CA 94105-3601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Krya Ivanoff

Business or Residence Address (Number and Street, City, State, Zip Code)

120 Second Street, Floor 3, San Francisco, CA 94105-3601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes No
 Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? \$ 20,000.00
3. Does the offering permit joint ownership of a single unit? Yes No
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

<input type="checkbox"/> AL	<input type="checkbox"/> AK	<input type="checkbox"/> AZ	<input type="checkbox"/> AR	<input type="checkbox"/> CA	<input type="checkbox"/> CO	<input type="checkbox"/> CT	<input type="checkbox"/> DE	<input type="checkbox"/> DC	<input type="checkbox"/> FL	<input type="checkbox"/> GA	<input type="checkbox"/> HI	<input type="checkbox"/> ID
<input type="checkbox"/> IL	<input type="checkbox"/> IN	<input type="checkbox"/> IA	<input type="checkbox"/> KS	<input type="checkbox"/> KY	<input type="checkbox"/> LA	<input type="checkbox"/> ME	<input type="checkbox"/> MD	<input type="checkbox"/> MA	<input type="checkbox"/> MI	<input type="checkbox"/> MN	<input type="checkbox"/> MS	<input type="checkbox"/> MO
<input type="checkbox"/> MT	<input type="checkbox"/> NE	<input type="checkbox"/> NV	<input type="checkbox"/> NH	<input type="checkbox"/> NJ	<input type="checkbox"/> NM	<input type="checkbox"/> NY	<input type="checkbox"/> NC	<input type="checkbox"/> ND	<input type="checkbox"/> OH	<input type="checkbox"/> OK	<input type="checkbox"/> OR	<input type="checkbox"/> PA
<input type="checkbox"/> RI	<input type="checkbox"/> SC	<input type="checkbox"/> SD	<input type="checkbox"/> TN	<input type="checkbox"/> TX	<input type="checkbox"/> UT	<input type="checkbox"/> VT	<input type="checkbox"/> VA	<input type="checkbox"/> WA	<input type="checkbox"/> WV	<input type="checkbox"/> WI	<input type="checkbox"/> WY	<input type="checkbox"/> PR

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<input type="checkbox"/> IL	<input type="checkbox"/> IN	<input type="checkbox"/> IA	<input type="checkbox"/> KS	<input type="checkbox"/> KY	<input type="checkbox"/> LA	<input type="checkbox"/> ME	<input type="checkbox"/> MD	<input type="checkbox"/> MA	<input type="checkbox"/> MI	<input type="checkbox"/> MN	<input type="checkbox"/> MS	<input type="checkbox"/> MO
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(Check "All States" or check individual States) All States

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(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$ 0.00	\$ 0.00
Equity	\$ 1,980,000.00	\$ 20,000.00
	<input checked="" type="checkbox"/> Common <input type="checkbox"/> Preferred	
Convertible Securities (including warrants)	\$ 0.00	\$ 0.00
Partnership Interests	\$ 0.00	\$ 0.00
Other (Specify _____)	\$ 0.00	\$ 0.00
Total	\$ 1,980,000.00	\$ 20,000.00

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	1	\$ 20,000.00
Non-accredited Investors	0	\$ 0.00
Total (for filings under Rule 504 only)		\$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505		\$
Regulation A		\$
Rule 504		\$
Total		\$ 0.00

4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input type="checkbox"/>	\$ 0.00
Printing and Engraving Costs	<input checked="" type="checkbox"/>	\$ 200.00
Legal Fees	<input checked="" type="checkbox"/>	\$ 5,000.00
Accounting Fees	<input checked="" type="checkbox"/>	\$ 1,000.00
Engineering Fees	<input type="checkbox"/>	\$ 0.00
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/>	\$ 0.00
Other Expenses (identify) <u>Postage, FedEx</u>	<input checked="" type="checkbox"/>	\$ 100.00
Total	<input checked="" type="checkbox"/>	\$ 6,300.00

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the “adjusted gross proceeds to the issuer.”

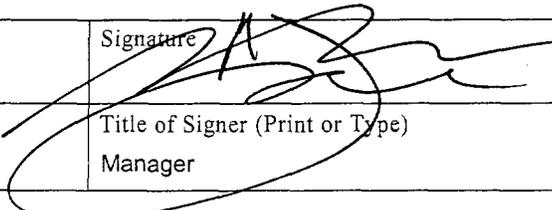
\$ 1,973,700.00

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees	<input type="checkbox"/> \$ 90,000.00	<input checked="" type="checkbox"/> \$ 804,500.00
Purchase of real estate	<input type="checkbox"/> \$ 0.00	<input type="checkbox"/> \$ 0
Purchase, rental or leasing and installation of machinery and equipment	<input type="checkbox"/> \$ 0.00	<input checked="" type="checkbox"/> \$ 847,200.00
Construction or leasing of plant buildings and facilities	<input type="checkbox"/> \$ 0.00	<input type="checkbox"/> \$ 0.00
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input type="checkbox"/> \$ 0.00	<input type="checkbox"/> \$ 0.00
Repayment of indebtedness	<input type="checkbox"/> \$ 15,000.00	<input type="checkbox"/> \$ 0.00
Working capital	<input type="checkbox"/> \$ 0.00	<input type="checkbox"/> \$ 0.00
Other (specify): <u>Food, travel, dispensibles</u>	<input type="checkbox"/> \$ 0.00	<input checked="" type="checkbox"/> \$ 217,000.00
.....	<input type="checkbox"/> \$	<input type="checkbox"/> \$
Column Totals	<input type="checkbox"/> \$ 105,000.00	<input checked="" type="checkbox"/> \$ 1,868,700.00
Total Payments Listed (column totals added)	<input checked="" type="checkbox"/> \$ 1,973,700.00	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) Ranch House Pictures, L.L.C.	Signature 	Date 06/23/05
Name of Signer (Print or Type) Aaron Tudisco	Title of Signer (Print or Type) Manager	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

NON-DISCLOSURE AGREEMENT

The undersigned "Receiving Party", understands that the undersigned "Disclosing Party", will disclose proprietary information, including but not limited to Ranch House Pictures L.L.C. Private Placement Memorandum and related subscription documents, which are related to Disclosing Party's business, which to the extent previously, presently, or subsequently disclosed to the Receiving Party is hereinafter referred to as the "Proprietary Information" of the Disclosing Party.

In consideration of any access the Receiving Party may have to the Proprietary Information of the Disclosing Party, and other good and valuable consideration, the Receiving Party hereby agrees as follows:

1. The Receiving Party agrees (i) to hold the Disclosing Party's Proprietary Information in strict confidence and to take all reasonable precautions to protect such Proprietary Information (including, without limitation, all precautions the Receiving Party employs with respect to its own confidential information), (ii) not to divulge any such Proprietary Information or any information derived therefrom to any third person, (iii) not to make any use whatsoever at any time of such Proprietary Information except as agreed to in writing by the parties to this Agreement, and (iv) that the Proprietary Information is the intellectual property of the Disclosing Party, all rights reserved. Any employee of the Receiving Party given access to any such Proprietary Information must have a legitimate "need to know" and shall be similarly bound in writing. Without granting any right or license, the Disclosing Party agrees that the foregoing clauses shall not apply with respect to any information that the Receiving Party can document (a) is (through no improper action or inaction by the Receiving Party or any affiliate, agent, consultant or employee) generally available to the public, or (b) was known and documented by it prior to receipt from the Disclosing Party.
2. Except to the extent required by law, neither party shall disclose the existence or subject matter of the negotiations or business relationship contemplated by this Agreement. This Agreement will apply only to disclosures made within one year of the date of this Agreement. However, the obligations hereunder with respect to any disclosure made within that period will continue for a two (2) year period thereafter.
3. The Receiving Party acknowledges that monetary damages may not be sufficient remedy for unauthorized disclosure of the confidential information and that the Disclosing Party shall be entitled, without waiving any other rights or remedies, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction, including but not limited to any legal fees associated with the enforcement of this agreement.
4. This Agreement shall be governed by the law of the State of New York without regard to the conflicts of law provisions thereof. This Agreement supersedes all prior discussions and writings and constitutes the entire agreement between the parties with respect to the subject matter hereof. No waiver or modification of this Agreement will be binding upon either party unless made in writing and signed by a duly authorized representative of each party and no failure or delay in enforcing any right will be deemed a waiver.

In witness whereof, the parties have executed this Agreement as of _____ 2005.

Disclosing Parties:

Receiving Party:

Aaron Tudisco, Stokes McIntyre,
Christopher Hall
and/or Ranch House Pictures L.L.C.

Confidential Private
Placement Offering Memorandum

Memorandum No. _____
For the exclusive use of:

(Name of Prospective Investor)

RANCH HOUSE PICTURES L.L.C.

A California Limited Liability Company

\$1,980,000

of

Limited Liability Company Interests (Units)
Offered in 99 Units of \$20,000 Per Unit

Unless Extended, Offering Terminates On June 16, 2006

Ranch House Pictures L.L.C. is a California Limited Liability Company, with the purpose of financing, producing, owning, distributing and otherwise exploiting a feature film (see "BUSINESS PLAN - Film Description").

Minimum Purchase - One (1) Unit (\$20,000)
Except that under limited circumstances the Manager
has the discretion to sell fractional Units.

	Offering Price	Commissions	Proceeds to LLC
Unit Price	\$ 20,000	\$ 0	\$20,000

THE OFFER AND SALE OF THE LIMITED LIABILITY COMPANY INTERESTS (UNITS) DESCRIBED HEREIN ARE NOT BEING REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE'S SECURITIES ACTS IN RELIANCE UPON AVAILABLE EXEMPTIONS FROM SUCH ACTS' REGISTRATION REQUIREMENTS. UNITS PURCHASED HEREUNDER MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF BY AN INVESTOR UNLESS SUCH UNITS ARE SO REGISTERED OR IN THE OPINION OF THE MANAGERS' COUNSEL EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS ARE AVAILABLE. TRANSFER OF UNITS IS ALSO SUBJECT TO RESTRICTIONS IN THE OPERATING AGREEMENT. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION AND NO SUCH COMMISSION HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED PURCHASE OF THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK.
(See "REQUIRED NOTICES - Risk Factors")

Aaron Tudisco, Stokes McIntyre, Christopher Hall, and Kyra Ivanoff – Managers
120 Second Street, Third Floor
San Francisco, CA 94105-3601
415/227-0380

Date of Memorandum: June 16, 2005

NOTICE

For the convenience of Prospective Purchasers, certain terms used in this Memorandum are defined in the Definitions section located in the forepart of the Operating Agreement (Exhibit "A"). Such defined terms will appear in the Memorandum with initial capital letters (see "OPERATING AGREEMENT").

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(Ranch House Pictures L.L.C. Subscription Documents
accompany this Memorandum in a separate packet.)

I. SUMMARY OF OFFERING

A. LLC Objectives

Ranch House Pictures L.L.C. intends to finance and produce one (1) feature film (“Motion Picture” or “Picture”) with an estimated production budget of \$1,980,000. Deferments may be used in conjunction with the Offering proceeds. In addition, the Limited Liability Company (LLC) may engage in distribution activities for such Picture through a joint venture or otherwise, so as to:

- a) provide a reasonable return on investment for the LLC’s Members; and
- b) reduce the downside risk to investors by financing, producing and owning a low budget feature film.

There is no assurance that such objectives will be attained (see “RISK FACTORS”).

B. LLC Manager

The Managers for the LLC are Aaron Tudisco, Stokes McIntyre, Christopher Hall, and Kyra Ivanoff, whose address is 120 Second Street, Floor 3, San Francisco, California 94105-3601(see “BUSINESS PLAN - Operations and Management”).

C. LLC Management

The Managers will be responsible for the management of the LLC (see “OPERATING AGREEMENT”). The Managers may be supported in its LLC management activities by appropriate staff and consultants.

D. Description of Film Project

If the Offering is funded (i.e., net proceeds after offering and organization expenses plus pre-sales, if any, equal the budget of the Film), the LLC intends to produce and arrange for distribution of a single feature film based on a specified and existing film property, (i.e., the Screenplay entitled *Valley of the Sun*. *Valley of the Sun* is a lighthearted comedy about two generations and worlds colliding when a son, who is searching for direction in life after leaving his career in the adult film industry, decides to move in with his parents in their retirement community. The Picture is expected to receive an MPAA rating of “R” (see “BUSINESS PLAN”).

E. Compensation to Managers

The Managers will waive receipt of any compensation relating to the activities of the LLC in the nature of LLC and management fees. The Managers have reserved their rights, however, to be reimbursed out of the Offering Proceeds for expenses incurred in connection with the LLC and certain other valuable consideration will be paid to the Managers for their services in connection with the production of the Picture (see “OFFERING INFORMATION - Managers and Affiliate Compensation”).

F. Prior Performance

The LLC has no prior operating history.

G. Debts and Other Commitments

The LLC has an outstanding debt to Kyra Ivanoff in the amount of \$15,000, which is secured by the screenplay.

H. Investor Suitability

Units will only be sold to investors who meet the Offering's investor suitability standards as set out below (see "REQUIRED NOTICES - Investor Suitability Standards").

I. Allocation of Distributions Profits, Losses and Credits

Percentage participation payments will be made to Members out of Distributable Cash. Because of tax considerations the Managers must maintain at least a one percent (1%) interest in LLC revenue at all times. Thus, for this Offering, ninety-seven percent (97%) of Distributable Cash will be paid to the Members and three percent (3%) of Distributable Cash will be paid to the Managers until the Members achieve Recoupment (i.e., specially defined as 110% of their Original Invested Capital), except that the purchaser(s) of the initial five (5) units (e.g. \$100,000 investment) shall be entitled to recoup an additional twenty percent (20%) of their investment. Subsequent to Investor Recoupment, and for the balance of the life of the LLC, the Managers and the Investor group (Members) will share Distributable Cash, if any, on a 50/50 basis. Tax deductible losses (expenses) will be allocated ninety-nine percent (99%) in favor of the Members throughout the existence of the Members' participation interests in the LLC's Distributable Cash (see "OPERATING AGREEMENT" and "BUSINESS PLAN - Budget", "Managers Compensation" and "Allocations and Percentage Participations"). NO TAX DISCUSSION OR OPINION REGARDING THE INDIVIDUAL TAX CONSEQUENCES FOR ANY INDIVIDUAL INVESTOR IS PROVIDED HEREIN.

J. Offering Terms

Limited Liability Company Units are being offered hereby in Units of **\$20,000** each, payable in cash upon Subscription. The minimum purchase per Subscriber is **one (1) Unit (\$20,000)**, except that in limited circumstances the Managers have the discretion to accept purchases of fractional Units from qualified investors (see "REQUIRED NOTICES-Investor Suitability Standards"). The Offering will terminate on **June 16, 2006** unless, in the discretion of the Managers, the Offering is extended up to one year from the end date of the Offer.

K. State Date of Organization and Termination

The LLC is a California limited liability company formed April 28, 2005. The existence of the LLC shall continue until dissolved pursuant to the terms of the Operating Agreement. Upon termination of the LLC, the proceeds from the sale of all LLC assets will be distributed in accordance with the terms of the Operating Agreement (see "OPERATING AGREEMENT").

L. Risk Factors and Conflicts of Interest

Investment in the LLC involves various risks including certain Federal income tax risks, risks associated with the lack of liquidity of the investment, risks associated with the motion picture industry and various potential conflicts of interest (see "REQUIRED NOTICES - Risk Factors" and "Conflicts of Interest").

M. Tax Ruling

The Managers do not intend to apply for a ruling from the IRS regarding the LLC's tax status as a limited liability company, and no discussion of the tax consequences of an investment in this Offering are provided in this memorandum. PROSPECTIVE INVESTORS ARE URGED TO OBTAIN TAX ADVICE SPECIFIC TO THEIR OWN INDIVIDUAL CIRCUMSTANCES FROM A TAX ADVISOR OF THEIR CHOOSING.

II. REQUIRED NOTICES

A. Federal and State Notices

THERE IS NO PUBLIC MARKET FOR THESE UNITS AND, BECAUSE THERE ARE EXPECTED TO BE ONLY A LIMITED NUMBER OF INVESTORS AND SINCE CERTAIN RESTRICTIONS RELATING TO INVESTOR SUITABILITY AND IMPOSED BY THE OPERATING AGREEMENT EXIST AS TO THE TRANSFERABILITY OF UNITS, NO ASSURANCES CAN BE GIVEN THAT SUCH A MARKET WILL DEVELOP. THE UNITS MAY NOT BE RESOLD WITHOUT REGISTRATION OR QUALIFICATION UNLESS AN EXEMPTION IS AVAILABLE WITH THE APPROPRIATE GOVERNMENTAL SECURITIES AGENCIES. IN ADDITION, SUCH UNITS WILL NOT BE TRANSFERABLE EXCEPT UNDER CERTAIN LIMITED CONDITIONS SET FORTH IN THE OPERATING AGREEMENT. CONSEQUENTLY, UNITS SHOULD ONLY BE CONSIDERED FOR PURCHASE AS LONG-TERM INVESTMENTS (SEE "REQUIRED NOTICES - RISK FACTORS" AND THE "OPERATING AGREEMENT").

THIS LLC IS A NEW VENTURE IN A HIGH RISK BUSINESS, AND INVESTORS WHO CANNOT AFFORD A HIGH RISK INVESTMENT, WHICH MAY BE LOST IN ITS ENTIRETY, ARE ADVISED AGAINST AN INVESTMENT IN THE LLC.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE AND ARE SET FORTH ONLY IN THIS OFFERING MEMORANDUM, THE OPERATING AGREEMENT ATTACHED HERETO, AND THE SUBSCRIPTION AGREEMENT REQUIRED TO BE SIGNED BY EACH INVESTOR/MEMBER. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM HAS BEEN OBTAINED FROM SOURCES DEEMED RELIABLE BY THE MANAGERS AND WHERE APPROPRIATE SUCH SOURCES HAVE BEEN CITED.

THE IRS MAY, AS TO CERTAIN MATTERS DISCUSSED IN THIS OFFERING MEMORANDUM, INTERPRET INCOME TAX STATUTES AND REGULATIONS IN A MANNER DETRIMENTAL TO THE LLC AND ONE OR MORE OF ITS MEMBERS. SHOULD THIS HAPPEN, A MEMBER'S INCOME TAX RETURN MAY BE AUTOMATICALLY ADJUSTED BY THE IRS, THE MEMBER MAY HAVE TO LITIGATE THE MATTER AT CONSIDERABLE EXPENSE OR THE MEMBER MAY HAVE TO SUBMIT TO AN AUDIT OF SUCH MEMBER'S INDIVIDUAL INCOME TAX RETURN THAT MIGHT CAUSE OTHER TAX CONSEQUENCES NOT ASSOCIATED WITH THE LLC.

THE CONTENTS OF THIS OFFERING MEMORANDUM ARE NOT TO BE CONSTRUED AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT SUCH INVESTOR'S OWN ATTORNEY, ACCOUNTANT OR BUSINESS ADVISOR AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THIS INVESTMENT. ALL FINAL DECISIONS REGARDING

SALES OF UNITS WILL BE MADE BY THE MANAGERS WHO RESERVE THE RIGHT TO REVOKE THE OFFER AND TO REFUSE TO SELL TO ANY PROSPECTIVE INVESTOR, IF, AMONG OTHER THINGS, THE PROSPECTIVE INVESTOR DOES NOT MEET THE SUITABILITY STANDARDS HEREINAFTER SET FORTH (SEE "REQUIRED NOTICES- INVESTOR SUITABILITY STANDARDS").

NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM SHOULD BE RELIED ON IN CONNECTION WITH THE OFFERING OF THESE UNITS EXCEPT FOR THIS OFFERING MEMORANDUM AND THE STATEMENTS CONTAINED IN IT. NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS OFFERING MEMORANDUM AND SUPPLEMENTAL LITERATURE REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE LLC OR THE MANAGER. NO PERSONS, EXCEPT THE MANAGERS OR THEIR AGENTS HAVE BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR TO GIVE ANY INFORMATION, WITH RESPECT TO THE OFFERING OF THE UNITS OR THE PROPOSED OPERATIONS OF THIS LLC, EXCEPT THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION CONTAINED HEREIN SUBSEQUENT TO THE DATE HEREOF.

ANY DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS OTHER THAN AS SPECIFICALLY SET FORTH HEREIN, IS UNAUTHORIZED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY STATE OR TO ANY PERSON IN WHICH OR TO WHOM SUCH AN OFFER OR SOLICITATION WOULD NOT BE PERMITTED BY LAW.

B. Blue Sky (State) Notices:

1. **NEW YORK:** These securities are being offered in reliance upon on the interpretation of private offerings and G.B.L. art 23-A § 359-(c) ("The Martin Act") contained in People v. Landes 84 N.Y. 2d 655 (1994), or other available New York transaction exemptions. No specific legends are required.
2. **CALIFORNIA:** These securities are being offered in reliance upon Cal. Code §25102(f) or other available California transaction exemptions. No specific legends are required.
3. **TEXAS:** These securities are being offered in reliance upon Tex. Rev. Civ. Stat. art. 581-5(T) or other available Texas transaction exceptions. These securities have not been registered under any securities law and may not be transferred and/or sold with registration.

4. **ARIZONA:** These securities are being offered in reliance upon A.R.S. §44-1843.02 or other available Arizona transaction exemptions. These securities have not been registered under the Arizona Securities Act and may not be transferred and/or sold with registration.

NOTE WITH REGARD TO TO FOREIGN INVESTMENTS:

1. THE LIMITED LIABILITY COMPANY INTERESTS (UNITS) DESCRIBED HEREIN ARE NOT REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR ANY OTHER COUNTRIES' LAWS AND MAY NOT BE SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT.
2. NO DISCUSSION OR OPINION REGARDING THE CONSEQUENCES FOR ANY INDIVIDUAL FOREIGN INVESTOR IS PROVIDED HEREIN, NOR MAY ANY ADVICE REGARDING FOREIGN INVESTMENT BE INFERRED. PROSPECTIVE INVESTORS ARE URGED TO OBTAIN LEGAL ADVICE SPECIFIC TO THEIR OWN INDIVIDUAL CIRCUMSTANCES FROM A LEGAL ADVISOR OF THEIR CHOOSING.
3. ACCEPTANCE OF YOUR SUBSCRIPTION IS EXPRESSLY CONDITIONED ON YOUR WILLINGNESS TO MAKE CERTIFICATIONS REGARDING YOUR QUALIFICATION UNDER APPLICABLE U.S. AND FOREIGN SECURITIES LAWS.

C. Investor Suitability Standards - Who Should Invest

1. **Introduction** - Investment in the LLC involves a certain degree of risk and is a suitable investment vehicle for those persons or entities of substantial financial means who have no need for liquidity in this investment. The success of the Offering depends on many factors beyond the control of the LLC and the Managers. Although the intent of the Managers and the purpose of the LLC is to secure substantial economic gain for all of the LLC's Members, Unit Holders may sustain a loss of their investment (see "REQUIRED NOTICES - Risk Factors").

In addition, transferability of these Units is restricted under the terms of the Operating Agreement and also under federal and state securities laws. There is no public market at present, nor is there likely to be one in the future, for these Units. These Units have not been registered under the Securities Act of 1933, as amended, and the Units cannot be sold unless they are either subsequently registered under that Act or an exemption from such registration is available. Transfers of Units generally will be subject to the requirement that any transferee meet the investor suitability standards as defined below. Also, transferors of Units may suffer adverse income tax consequences and NO DISCUSSION OR OPINION RELATING TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THIS OFFERING IS PROVIDED HEREIN. Thus,

Prospective Purchasers should fully understand the consequences of such illiquidity and they should have the financial means sufficient to sustain them through the risks associated with a speculative, illiquid, long-term investment.

2. **General Investor Suitability Standards** - Each individual Subscriber must meet the following general investor suitability standards and will be required to represent the following by signing the Subscription Agreement:
 - a) such Subscriber has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in this LLC;
 - b) such Subscriber has the basic means to provide for his or her current needs and personal contingencies, has no need for liquidity in this investment and has the ability to bear the economic risks of this investment, including loss of the investment;
 - c) such Subscriber is acquiring the Units for his or her own account for a long-term investment and not with a view towards the resale or distribution thereof and has no present intention of selling or granting any participation in, or otherwise distributing, the Units;
 - d) such Subscriber's overall commitment to investments is not disproportionate to his or her net worth and the investment in these Units will not cause such overall commitment to become excessive; and
 - e) such Subscriber has read and understood this Memorandum and all accompanying Exhibits.
3. **Accredited Investors** - An unlimited number of Accredited Investors may be accepted as Unit Holders in the LLC by the Managers. Accredited investors include the following:
 - a) those with a net worth (jointly with spouse and including home furnishings and automobiles) of \$1 million dollars;
 - b) persons with an individual income in the two prior years and an estimated income in the current year in excess of \$200,000 or joint income with spouse of \$300,000;
 - c) corporations or other entities with at least \$5 million in total assets;
 - d) certain institutional investors (see the SEC's Regulation D);
 - e) certain tax exempt organizations with assets in excess of \$5 million dollars;
 - f) any director, executive officer, general partner or manager of the issuer of the securities being offered or sold, or any director, executive officer, general partner or manager of a

general partner of the issuer;

4. **Non-Accredited Investors** - No more than 35 Subscribers who are classified as non-Accredited investors will be accepted as Unit Holders in the LLC by the Managers. Non-Accredited investors are those who meet the general investor suitability standards listed above, who do not meet the Accredited investor standards as deemed above and for this Offering must have a net worth (exclusive of home, home furnishings and personal automobiles) of at least **\$200,000** (if purchasing one Unit) or the investment in the LLC does not represent more than **10%** of such non-accredited investor's net worth.
5. **Acceptance of Subscription by Managers** - The investor suitability requirements referred to above represent minimum requirements for Prospective Purchasers but do not necessarily mean that participation in the LLC constitutes a suitable investment or that the Subscriber's subscription will be accepted by the Managers. All Subscription Applications and Agreements submitted by Subscribers will be carefully reviewed by the Managers to determine the suitability of the Subscriber for this Offering. The Managers may in their sole discretion refuse acceptance of any Subscriber as a Unit Holder in the LLC.

If any representation made by a Prospective Purchaser or other party acting on such person's behalf misleads the Managers as to the financial or other circumstances of a particular Prospective Purchaser, or if, because of any error or misunderstanding as to such circumstances, a copy of this Memorandum is delivered to such Prospective Purchaser, the delivery of such copy of the Memorandum shall not be deemed to be an offer and such Memorandum must be returned to the Managers immediately.

6. **How to Subscribe** - An Investor who meets the qualifications set forth above may subscribe for Units. All Investors must complete the Subscription Application and Agreement and follow the special instructions printed on the cover page thereof. Completed Subscription Application and Agreements should be delivered as specified therein. Payment for subscriptions must be made at the time of subscription. By executing a Subscription Application and Agreement, the Subscriber agrees to be bound by the terms of the Operating Agreement and authorizes the Managers to serve as the subscriber's attorney-in-fact for certain purposes (see "OPERATING AGREEMENT"). The Operating Agreement is set forth in full as Exhibit "A" of the Offering Memorandum.

D. Risk Factors

Investment in the LLC involves various risks relating both to the nature of the financing vehicle (a limited liability company) and the movie industry itself and such investment is therefore suitable only for persons or entities with the financial capability of making and holding long-term investments. Prospective Purchasers should consider the following factors, among others, before making a decision to purchase interests:

1. LLC Risks

- a) **Reliance on Management** - All decisions with respect to the management of the LLC will be made exclusively by the Managers. The success of the LLC will, to a large extent, depend on the quality of the management of the LLC. (see "BUSINESS PLAN – Operations and Management"). Although the Managers believe that they have the necessary business and motion picture experience to supervise the management of the LLC, there can be no assurance that they will perform adequately or that LLC operations will be successful. Unit Holders will have no right or power to take part in the management of the LLC. Accordingly, no person should purchase any of the Units offered hereby unless such Prospective Purchaser is willing to entrust all aspects of the management of the LLC to the Managers and has evaluated the Managers' capabilities to perform such functions.
- b) **Limited Transferability** - It is not anticipated that a public trading market will develop for the Units offered hereby. Unit Holders may not, therefore, be able to liquidate their investments in the event of an emergency. In addition, Units may not be readily accepted as collateral for loans. Also, the Managers may not permit an assignee of Units to become a substituted Member. Consequently, the purchase of Units should be considered only as a long-term investment.
- c) **LLC Status** - The LLC will not apply for an IRS ruling that it will be classified as a partnership, rather than an association taxable as a corporation, for Federal income tax purposes, and no discussion or opinion regarding tax matters is provided herein. The IRS may, upon audit, determine that for tax purposes, the LLC is an association taxable as a corporation. Further, there is the possibility that the Treasury could amend its regulations, and if such action were retroactive, the tax status of the LLC might be adversely affected. The Managers would cause the LLC to vigorously contest any contention by the IRS that the LLC constitutes an association taxable as a corporation. In the event the LLC is treated for tax purposes as an association, the effective yield on an investment in the Units could be reduced because certain of the tax benefits associated with the Offering would not be available.
- d) **Tax Considerations** - In evaluating the purchase of Units as an investment, a Prospective Purchaser should consider the tax risks thereof, including (i) the possible reallocation of net income and net loss and credits; (ii) the tax liability resulting from a sale or other disposition of such Purchaser's Units, or a sale or other disposition of the Picture, including income, a portion of which may be taxed at ordinary income rates; (iii) the risk that the LLC will be treated as an association taxable as a corporation for

Federal income tax purposes; (iv) the possibility that the deductions taken by the LLC in a taxable year might not be allowed in such year or that certain expenses may be required to be capitalized; (v) the risk that a Purchaser's tax liability may exceed such Purchaser's share of cash distributions for a particular tax year; (vi) the possibility that an audit of the LLC's information returns may result in the disallowance of the LLC's deductions, and in an audit of such Purchaser's tax return; and (vii) possible adverse changes in the tax laws and their interpretation. No discussion or opinion relating to tax issues associated with an investment in this Offering are provided in this Memorandum, thus prospective investors should seek the advice and counsel of their own tax advisors.

- e) **Managers' Conflicts of Interest** - The Managers are not required to render exclusive services in connection with the Picture or the LLC. Consequently, the Managers may render services in connection with other business projects, including entertainment projects, during any or all phases of production or distribution of the Picture. In addition, in order to close the Offering, individual Managers may become purchasers of LLC Units, in which case that Manager will also be an LLC Member/Investor. Such a dual role may create unforeseen conflicts, however, the Managers represent that they will use their best judgment to act in the best interests of the Member/Investors in the conduct of the LLC's business.
- f) **Loss Of Limited Liability** - The Operating Agreement provides that no Member or Unit Purchaser shall be personally liable for any of the debts, contracts or other obligations of the LLC or for any losses thereof, beyond the amount subscribed for by each Member in the LLC plus such Member's share of the undistributed LLC income. The Operating Agreement further provides that the Members and Unit Purchasers will not have any right to take part in, or interfere with, the control of the business of the LLC (see "OPERATING AGREEMENT").

Notwithstanding the foregoing, in the event any Unit Purchaser does take part in the control of the business of the LLC, or is for any reason deemed to have taken part in such control, such Unit Purchaser may incur personal liability for all debts and obligations of the LLC. In addition, a Unit Holder who has received in part or full a return of such Unit Holder's contribution, nevertheless remains liable for any sum, not in excess of such return with interest, necessary to discharge the LLC's liability to creditors who extended credit, or whose claim arose, before such return. Unit Holders may also be required to return to the LLC any distributions determined to be conveyances which operate a fraud upon LLC

creditors.

- g) **Indemnification** - The Operating Agreement provides that under certain circumstances each Manager will be indemnified by the LLC for any liabilities or losses arising out of such Manager's activities in connection with the LLC. Indemnification under such provision could reduce or deplete the assets of the LLC.

2. Movie Industry Risks

- a) **Competitive Industry** - Some segments of the motion picture industry are highly competitive. In the production phase, competition will affect the LLC's ability to obtain the services of preferred performers and other creative personnel. The LLC will be competing with the producers of other films in arranging for distribution in all available markets and media. In the distribution phase, competition will limit the availability of such markets and media required for the successful distribution of the Picture. The Picture will be competing directly with other motion pictures and indirectly with other forms of public entertainment. The LLC will compete with numerous larger motion picture production companies and distribution companies which have substantially greater resources, larger and more experienced production and distribution staff and established histories of successful production and distribution of motion pictures.
- b) **Commercial Success** - Many films are released each year which are not commercially successful and fail to recoup their production costs from United States theatrical distribution. Foreign and ancillary markets have, therefore, become increasingly important. Although both foreign and ancillary markets have grown, neither provides a guarantee of revenue. Licensing of a motion picture in the ancillary markets is particularly dependent upon performance in domestic theatrical distribution. If a motion picture is not an artistic or critical success or if, for any reason, it is not well-received by the public, it may be a financial failure.
- c) **Production** - Particularly as produced by independent filmmakers, each motion picture is a separate business venture with its own management, employees and equipment and its own budgetary requirements. There are substantial risks associated with film production, including death or disability of key personnel, other factors causing delays, destruction or malfunction of sets or equipment, the inability of production personnel to comply with budgetary or scheduling requirements and physical destruction or damage to the film itself. Significant difficulties such as these may materially increase the cost of production or may cause the entire project to be abandoned.
- d) **Audience Appeal** - The ultimate profitability of any motion picture depends upon its audience appeal in relation to the cost of its production and distribution. The audience appeal of a given motion

picture depends, among other things, on unpredictable critical reviews and changing public tastes and such appeal cannot be anticipated with certainty.

- e) **Premature Abandonment** - The production or distribution of the Picture may be abandoned at any stage if further expenditures do not appear commercially feasible, with the resulting loss of some or all of the funds previously expended on the development, production or distribution of the Picture, including funds expended in connection with the development of the Screenplay and the pre-production of the Picture.
- f) **Cost Overruns** - The costs of producing motion pictures are often underestimated and may be increased by reason of factors beyond the control of the producers. Such factors may include weather conditions, illness of technical and artistic personnel, artistic requirements, labor disputes, governmental regulations, equipment breakdowns and other production disruptions. While the LLC intends to engage production personnel who have demonstrated an ability to complete films within the assigned budget, the risk of a film running over budget is always significant and may have a substantial adverse impact on the profitability of the Picture.
- g) **Distribution** - The profitable distribution of a motion picture depends in large part on the availability of one or more capable and efficient distributors who are able to arrange for appropriate advertising and promotion, proper release dates and bookings in first-run and other theatres. There can be no assurance that profitable distribution arrangements will be obtained for the Picture or that the Picture can or will be distributed profitably.
- h) **Long Term Project** - The production and distribution of a motion picture involves the passage of a significant amount of time. Pre-production on a picture may extend for two to three months or more. Principal photography may extend for several weeks or more. Post-production may extend from three to four months or more. Distribution and exhibition of motion pictures generally and of the Picture may continue for years before LLC Gross Revenues or Distributable Cash may be generated, if at all.
- i) **Foreign Distribution** - Foreign distribution of a motion picture (i.e., outside the United States and Canada) may require the use of various foreign distributors. Some foreign countries may impose government regulations on the distribution of films. Also revenues derived from the distribution of the Picture in foreign countries, if any, may be subject to currency controls and other restrictions which may temporarily or permanently prevent the inclusion of such revenue in Gross LLC Revenues.
- j) **Investor Last In Line** - A motion picture typically goes from the

producer to the distributor who in turn may send it to territorial sub-distributors, who send it to theatrical exhibitors. The box office receipts generated by a motion picture travel this same route in reverse. The exhibitor takes a cut and sends the balance to the sub-distributor, who takes a cut and sends the balance to the distributor, who takes a cut and sends the balance to the producer. The problem for the private investors with this system is that such investors, who have had their money at risk for the longest time, are at the tail end of the box office receipts chain. Thus, if the LLC, in negotiating a distribution deal, has to rely heavily on a participation in some defined level of the Film's revenue stream, revenues to the LLC and thus Purchasers of Units are likely to be the last in line to benefit from such a revenue stream, if any.

- k) **Industry Changes** - The entertainment business in general, and the motion picture business in particular, are undergoing significant changes, primarily due to technological developments. These developments have resulted in the availability of alternative forms of leisure time entertainment, including expanded pay and basic cable television, syndicated television, video cassettes, video discs and video games. Revenues from licensing of motion pictures to such media will vary from year to year relative to each other. The level of theatrical success remains a critical factor in generating revenues in these ancillary markets. It is impossible to accurately predict the effect that these and other new technological developments may have on the motion picture industry (see "MOTION PICTURE INDUSTRY OVERVIEW").

E. Conflicts of Interest

The Managers may be subject to various conflicts of interest in managing the LLC. These conflicts may include:

1. **Receipt of Fees and Other Compensation by the Managers** - LLC transactions may result in the reimbursement of certain expenses and in the payment of percentage participations in several stages of the Picture's revenue to the Managers. The Managers have a certain amount of discretion with respect to decisions relating to such transactions (see "OFFERING INFORMATION Manager and Affiliate Compensation" and the definitions of "Distributable Cash" and "LLC Gross Revenues" in the "OPERATING AGREEMENT - Glossary").
2. **Non-Arm's Length Agreements** - All agreements and arrangements relating to compensation between the LLC and the Managers will not be the result of arm's length negotiations. Therefore, they may not be as favorable to the LLC as agreements which were the result of arm's length negotiations.
3. **Competition For Time And Service** - Each Manager may be an officer and/or director of other organizations during the course of the Offering or the

production and distribution of the Picture. Accordingly, conflicts of interest may arise in managing the affairs of the LLC and other such entities with respect to allocating time between such entities and the LLC. Competition with the LLC for the time and service of common managers, officers, directors and/or shareholders may occur. Each Manager will devote such time to the affairs of the LLC, as he/she, within his/her sole discretion (exercised in good faith), determine to be necessary for the benefit of the LLC.

4. **LLC Competition** - The LLC may compete in the future with other affiliated limited liability companies or partnerships managed by an individual Manager. The Manager may become the manager of other limited liability companies or the general partners of limited partnerships in the future which may have the same or similar investment objectives as the LLC. Producers who may contract to develop motion pictures for such limited liability companies or partnerships managed or formed by the Manager may be some of the same individuals who are acting in the capacity of a producer for the Motion Picture. Such relationships may create conflicts of interest. Under such circumstances, the Manager will exercise its discretion, in good faith, in allocating film projects among such entities based on availability of funds and specific criteria of the entities for such motion picture projects.
5. **Lack of Separate Representation** - The LLC and the Managers may not be represented by separate counsel or other professionals with regard to their respective business interests. The attorneys, accountants, professional managers and other professionals who perform services for the LLC may also perform similar services for the Managers and future entities managed by the Managers.
6. **Distributors** - With respect to the Motion Picture invested in, financed and produced by the LLC, a motion picture distribution company may act as the Distributor and, thereby may have control over many aspects of the exploitation of such Motion Picture. Such a Distributor will receive a fee measured by some or all of the proceeds derived from exploitation and distribution of the Motion Picture, notwithstanding that the LLC has not recouped its investment, and, therefore, a Distributor's interest in such exploitation may be different from that of the LLC.

F. Fiduciary Duty of the Managers

1. The Managers are accountable to the LLC as fiduciaries and are required to exercise good faith and integrity in handling LLC affairs. The rights, duties and obligations of, and limitations on, the Managers are set forth in the Operating Agreement. The Managers have broad discretionary power, under the terms of the Operating Agreement and under the California Corporations Code Section 17000, et seq. (aka Beverly-Killea Limited Liability Company Act), to manage the affairs of the LLC with the assistance, if desired, of consultants or others retained for the account of the LLC or the Managers. Generally, actions taken by the Managers are not subject to vote or review by the Unit Holders, except to the

limited extent provided in the Operating Agreement and under California law (see “OPERATING AGREEMENT”).

2. Courts have held that persons in a position similar to a limited liability company member may institute legal action on behalf of such members and all similarly situated members (a class action) to recover damages from a persons acting in a capacity similar to a limited liability company manager for violations of such manager’s fiduciary duties, or on behalf of a limited liability company (derivative action) to recover damages from a third-party where the manager has failed or refused to enforce certain rights or obligations. In addition, members (a) may have the right, subject to procedural and jurisdictional requirements, to bring limited liability company class actions to enforce their rights under Federal and/or state securities laws, and (b) may be able to recover any losses suffered in connection with the purchase of Units from the Managers which result from a violation of the registration requirements or anti-fraud provisions of such laws.
3. The Manager’s beneficiaries, trustees, employees, designees or nominees may not be liable to the LLC or the Unit Holders for certain acts and omissions to act, since provision has been made in the Operating Agreement for indemnification of the Manager and certain other parties except for liability arising by reason of their gross negligence, willful misconduct or breach of fiduciary obligation. In the opinion of the Securities and Exchange Commission indemnification for liabilities arising under the Securities Act of 1933 is against public policy and therefore unenforceable.

Since the foregoing summary involves a rapidly developing and changing area of law, any Unit Holder who believes that a breach of fiduciary duty by an individual Manager has occurred should consult with his or her counsel. It should be noted, however, that the cost of litigation against the Managers for breach of fiduciary obligations may be prohibitively high and that any judgment obtained which exceeds the Managers’ net worth may not be collectible since the Managers are not bonded for such purposes. The investment decision to invest or not to invest in this Offering should be based on the judgment of a Prospective Purchaser as to the investment factors described in this Offering Memorandum rather than in reliance upon the value of the right to bring legal actions against or to control the activities of the Managers.

III. BUSINESS PLAN

VALLEY OF THE SUN

BUSINESS PLAN

LLC Managers: Stokes McIntyre, Aaron Tudisco, Christopher Hall, and Kyra Ivanoff

Proprietary & Confidential

NOTICE: The information contained herein is the proprietary information of Ranch House Pictures, L.L.C., and is to be kept strictly confidential. This Business Summary is being distributed for informational purposes only and upon request. The furnishing of this information does not constitute, and should not be construed as, an offer or solicitation for the sale of securities in any state. No such offering will be made except in accordance with all applicable federal and state securities laws.

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EXECUTIVE SUMMARY

Ranch House Pictures, L.L.C. is an independent motion picture production company formed in 2005 for the sole purpose of developing, producing and exploiting the worldwide distribution rights to the feature film tentatively titled *Valley of the Sun*. The company is seeking investment capital totaling \$1,980,00 to produce the motion picture and the general operating expenses specifically related to the motion picture.

Described as *The Full Monty* meets *Cocoon*, *Valley of the Sun* is a lighthearted comedy certain to hold resonance with our primary target audience, the "Baby Boomers" (age 40-59), the largest percentage of moviegoers (2004 Market Research Report). When the motion picture is completed, Ranch House Pictures, L.L.C. intends to license the worldwide distribution rights to one or more established distribution companies.

Two recent examples of successful comedic motion pictures with analogous budgets prove that these type of films can see sizeable financial success and as a result a strong return on their investment: Distribution rights to *Garden State* (\$2.5 million budget), a coming-of-age comedy with mid-level stars, were acquired in 2004 by Fox Searchlight and Miramax for a reported \$5 million. The film went on to generate domestic theatrical revenue of \$26 million and in the first 11 weeks of video release an additional \$20 million. Another example in 2004, *Napoleon Dynamite* (\$400,000 budget), was sold to Fox Searchlight for \$4.5 million. The film generated \$44 million in domestic theatrical revenue and \$43 million in video.

Ranch House Pictures, L.L.C. is managed by a creative team with varied backgrounds and qualifications in the motion picture industry:

Director, Stokes McIntyre, has broad experience as a proficient storyteller with a fresh and innovative awareness. With a clear understanding of what it takes to direct a film within the independent industry and its parameters, Stokes has a strong, creative vision for *Valley of the Sun*. Producer, Aaron Tudisco, has over 7 years combined studio experience at 20th Century Fox and Lucasfilm, Ltd. He brings a strong proficiency in story development and production management. Producer, Christopher Hall, has over 7 years of hands on physical production experience on a range of feature films of similar size and budget. As a Line-Producer/Production Manager, Christopher's last three films came in on budget and premiered and secured distribution deals at the Sundance Film Festival, in 2001, 2002 and 2003.

With an experienced management team, strong screenplay with a timely theme, and a cast that holds name recognition among our target audiences, we believe we have the ingredients for commercial success.

FREQUENTLY ASKED QUESTIONS

Below are a listing of the most frequently asked questions with regards to the Motion Picture creation process, and how this process relates specifically to *Valley of the Sun*. Following each question, we've noted on where one may find the related answers in the following Business Summary sections.

- **What is the subject/content/story of the film?** (*Business Description*)
- **What type of actors can I expect to see cast in the film?** (*Why Invest in Valley of the Sun*)
- **What is the tentative production schedule?** (*Production*)
- **Who are the Director and Producers? What previous projects have they done and how were they received?** (*Operations and Management*)
- **What is the target audience of the film?** (*Market Strategies*)
- **How does a film like this generate revenue?** (*Distribution Channels*)
- **What are your plans for obtaining distribution?** (*Distribution Approach*)
- **What is the budget for the film?** (*Financial Statements*)
- **Who will manage my money and how do I know it will be proficiently managed?** (*Why Invest in Valley of the Sun*)
- **Do investors receive credits on the film?** (*Why Invest in Valley of the Sun*)

BUSINESS DESCRIPTION

A “fish out of water” telling of a young man searching for direction in life is a theme found in many other films in the marketplace. However, when that young man is an ex-adult film star and he’s thrown into a retirement community in the Arizona desert, suddenly this conventional tale is told in an unconventional style and watching these two worlds and generations collide becomes a heartwarming and hilarious tale.

THE STORY - Valley of the Sun

In a town where celebrities come dime a dozen, no one is more readily recognized in Hollywood than adult film star VICK VELOUR. But for a man who literally slipped into the industry, Vick is lost in the spotlight, and desperate for a new direction.

On the day of his 30th birthday, Vick decides that enough is enough and walks naked off the set of his latest film. Distraught and alone, Vick, preferring now the name he was born with, ANDY TAGGERT, wanders the streets of LA and is eventually picked up by state paramedics and placed in a mental ward for examination. With no one to turn to for help, Andy calls his estranged parents, GENE and MARVA TAGGERT, to come and pick him up. Luckily for him, they know nothing of his *real* film career.

When Andy returns with his parents to their home in Happy Valley, Arizona, he is amazed to discover they now live in a retirement community in the middle of the desert. However, Andy takes advantage of Happy Valley’s slow pace to allow him anonymity and the chance to figure out what new direction to take his life. After all, no one among Happy Valley’s citizenry should recognize the face of Vick Velour...should they?

Enjoying the solace among Happy Valley’s residents, Andy befriends two of the town’s most unconventional citizens, MILTON and T.J., and quickly learns that the town itself is searching for something; physical and emotional revitalization. As Andy casually offers advice to his two new friends, word quickly spreads of Andy’s gift and seniors flock to him for insight. Andy quickly discovers that he’s more than just an ex-porn star, but an inspiration for the weary imagination. Ultimately freeing Happy Valley from its boring routine, Andy reminds those around him to live life as they did in their youth, and in return he learns that in order to move ahead and happy in life, one must first accept the past.

The story ends up being both optimistic and comedic, with a redemptive protagonist we all grow to love.

THE MOTION PICTURE INDUSTRY

The motion picture is one of the most exciting forms of entertainment in the world. Given its ability to capture the hearts and minds of an entire society and a legacy of living on long beyond its time of initial exhibition, it comes as no surprise that even in times of great recession and economic duress, patrons, while passing on life’s other pleasures, rarely pass on enjoying the movies. It is this very thrill, coupled with the potential for financial success that makes the participation in the business of motion picture production and distribution such an enticing opportunity.

STUDIOS vs. INDEPENDENTS

Historically, the major studios financed, produced and distributed the vast majority of American motion pictures. The Majors (Walt Disney Company, Twentieth Century Fox, Metro Goldwyn-Mayer, Paramount Pictures, Sony Pictures Entertainment, Universal Studios, DreamWorks SKG, Warner Brothers, etc.) generally have their own production and distribution facilities. Today, however, as the Majors have become part of larger diversified corporations, they have become more cautious, careful to develop their content for the broadest audience possible. As audience markets have grown over the last few years and media channels expanded, a large number of Independent film production companies and distributors have stepped in to supply a larger percentage of the motion pictures released, filling a void untapped by the studios. As a result of the rise of the Independents, distribution is no longer limited to films with the broadest possible audience appeal; more specific audiences are sought and profitably exploited by gearing toward specific demographics or gender segments.

PRODUCTION

The Motion Picture Industry consists of two principal components: Production and Distribution. Production encompasses the financing, development, and physical creation of feature and short length motion pictures. Distribution involves the global promotion and marketing of said motion picture in a variety of media, including theatrical, home video and television exhibition.

Ranch House Pictures, L.L.C. intends to commence production on the feature film *Valley of the Sun* in August, 2005, using the following production phases:

- a) DEVELOPMENT
- b) PRE-PRODUCTION
- c) PRODUCTION (principal photography)
- d) POST PRODUCTION

DEVELOPMENT

Ranch House Pictures, L.L.C. optioned the script *Valley of the Sun* in 2004 from a writing team based in New York. Over a period of 14 months the producing team meticulously “work-shopped” the script to refine the story structure, dialogue and thematic intentions. This was achieved by performing table reads with talented actors in front of various audiences and soliciting feedback. The producing team also brought in Anna Meiners, a comedy writer from the highly respected Groundling’s comedy troupe in Los Angeles, to perform various comedic and stylistic passes on the script. During this time, director Stokes McIntyre was selected to participate as an artist in residence at the Montalvo Arts Center, a highly selective artist in residency program in Saratoga, California. Stokes spent several months developing his directorial vision of the motion picture at Montalvo and also made several trips to Sun City, AZ with the rest of the producing team to scout various locations and commence relations with the Arizona Film Commission and various Arizona based department heads.

PRE-PRODUCTION

Upon raising the total production budget, Ranch House Pictures, L.L.C. will, in addition to the Hotbed office located in San Francisco, open an additional office in Sun City, Arizona, to prepare for the Production of the motion picture *Valley of the Sun*. During the pre-production

they will be busy performing a number of pre-production duties: contracting local personnel in Phoenix, continuing to scout and contract locations, refining the shooting schedule, securing local vendors, and making additional preparations for the start of filming. In addition, a number of various key members will be hired, including: Casting Director, Location Scout, Cinematographer, Editor, Production Manager, Costume Designer, Production Designer, etc. The producing team will also begin with the assistance of a casting director, to cast the roles of the story and plan rehearsals prior to the first day of shooting.

PRODUCTION

Valley of the Sun will be photographed in color on 35mm film stock, with a 28 day shoot in Arizona and 2 days in Los Angeles.

POST-PRODUCTION

Upon completion of principal photography, Stokes and the picture editor will assemble the rough cut in an editing facility in San Francisco. Upon approval of the rough cut, test screenings will be organized in San Francisco and Los Angeles and the film may possibly be re-edited based on compelling feedback from our test audiences. The picture will then be locked and sent for post production sound, most likely, at the renowned Skywalker Sound facility in Marin County where sound designer Dug Winningham (*Panic Room, Fight Club, Cast Away*) and sound mixer Brandon Proctor (*The Ring, Star Wars: Episode II*) will work on the film. When finished, the film will then be sent to Pacific Title in Los Angeles for titles to be prepared for movie exhibition.

At this point, the film will be prepared for entry to a number of festivals and film markets to secure a distribution deal with a Distributor.

DISTRIBUTION CHANNELS

Prior to 1985, feature motion picture revenue was almost entirely derived from theatrical distribution. Today, much of the world is undergoing a communications revolution; new ancillary movie markets (home video, cable, pay-per-view, etc.) have been growing so rapidly that they are no longer just subsidiary markets to the basic theatrical market but have become basic markets in themselves. Even more so, with the advent of newer computer-based technologies, direct digital-delivery of motion pictures via satellite and the internet are expected to increase dramatically over the next several years, creating an accelerated demand for original motion pictures that are capable of delivering to ever increasingly specialized audiences.

The ability to exploit a movie in many markets diminishes investment risk and increases earning potential. Years ago, a motion picture's main source of revenue was derived from theatrical box office (nearly 90% in 1990). However, in recent years, the advent of newer and faster growing ancillary channels shifted some of that revenue share. According to a report from the Film Arts Foundation, in 2005 just 30% of a film's revenue will derive from theatrical; the remaining 70% will come from the ancillaries.

The release of a film in the domestic theatrical market marks just the beginning of a distributor's revenue opportunity for that film. When *Valley of the Sun* is completed, Ranch House Pictures,

L.L.C., plans to exploit all revenue sources for *Valley of the Sun* through the following worldwide distribution channels:

- a) Theatrical Exhibition
- b) Home Video/DVD Rental and Sales
- c) Cable and Pay Per View Television
- d) Commercial/Network Television
- e) Soundtrack and Merchandise.

THEATRICAL EXHIBITION

Theatrical exhibition is the traditional market for the initial presentation of the motion picture. Theatrical attendance has exceeded one billion paid-admissions annually since 1976. With over \$9 billion in domestic theatrical revenue (6031 theaters and 36,652 screens), domestic and international theatrical distribution is still one of the largest channels of motion picture revenue generation. According to the National Association of Theatre Owners, the average price of admission in 2004 was \$6.21.

VIDEO/DVD RENTAL AND SALES

Domestic home video rights follow domestic theatrical. The home video market is continuing to see a rapid growth each year. With costs coming down, and an increase in spending on Home Video/DVD, the impact of the home rental and sales market in the specialty arena is massive. Between January and March of 2004, Americans spent \$1.78 billion at the theatrical box office. In the same period they spent over two and a half times that on the purchase and rental of DVD's and videocassettes (New York Times, 04/04). According to the U.S. Bureau of Census, there are over 22,000 establishments in the United States dedicated to renting and selling home video cassettes and DVDs, not including the growing trend of internet purchase and rental arenas of companies like Amazon, Borders, Netflix and Walmart.

In the specialty arena, where smaller films are dwarfed by the studio's massive marketing spending, a motion picture often performs better in the Video/DVD market where the product can get an even stance on a video shelf. As is also the case, viewers that aren't willing to take a chance on non-studio fare in the theater, tend to be more willing in the video arena as rental prices are lower than the cost of a theater ticket. The following are prime examples of films with comparable budgets to *Valley of the Sun* who have gone on to exceed their theatrical box office take with their Home Video/DVD release.

Memento, released in 2000 with a budget of \$5 million, generated:

- \$25.5 million in domestic theatrical revenue
- \$37.9 million in domestic video rentals

Pieces of April, released in 2003 with a budget of \$300 thousand, generated:

- \$2.36 million in domestic theatrical revenue
- \$8.5 million in domestic video rentals

Swingers, released in 1996 with a budget of \$200 thousand, generated:

- \$4.5 million in domestic theatrical revenue

- \$10.2 million in domestic video rentals

Garden State, released in 2004 with a budget of \$2.5 million, generated:

- \$26.7 million in domestic theatrical revenue
- \$19.4 million in domestic video rentals (*after only 11 weeks of release in 2005*)

CABLE/SATELLITE AND PAY PER VIEW (PPV) TELEVISION

Cable/Satellite and PPV have grown steadily over the past ten years, accelerating with the ongoing addition of subscriber based services. According to the FCC, the number of non-broadcast channels (HBO, SHOWTIME, THE INDEPENDENT FILM CHANNEL, THE SUNDANCE CHANNEL, etc.) has grown from slightly more than 100 in 1994 to more than 350 in 2004. Over 94 million households subscribe to Cable/Satellite and have access to PPV programming. Cable television networks usually license pictures for initial exhibition commencing six to twelve months after initial domestic release. PPV, which usually will license the motion picture sooner than the networks, is paid for upon the user's demand.

COMMERCIAL NETWORK TELEVISION

In the United States, broadcast networks (ABC, CBS, NBC, FOX, UPN, etc.) license motion pictures for a limited number of exhibitions during a period that usually commences two to three years after a motion picture's initial theatrical release. It is not anticipated that there is a market for independently produced low-budget features on network television except in the case of extremely successful pictures, or in the event pictures are made-for-television. Distributors also license the right to broadcast a motion picture on local, commercial television stations in the United States, usually for a period commencing five years after initial theatrical release of the motion picture.

SOUNDTRACK

Sometimes one of the most lucrative aspects to an independent motion picture's revenue stream is the sales generated from its soundtrack. Recent soundtrack success with independent films such as *Napoleon Dynamite* and *Garden State*, both generating huge sales figures from iTunes and traditional brick and mortar stores, demonstrate that a soundtrack release has become a very important piece to a motion picture investment. Ranch House Pictures, L.L.C., has set aside a sizable amount of the post production budget to hire a music supervisor and put together an exciting soundtrack to accompany *Valley of the Sun*.

MARKET STRATEGIES

According to the Motion Picture Association of America (MPAA), 72% of the US population over 12 years old will attend at least one movie in 2005. So, with over 185 million people willing to pay for product, who will *Valley of the Sun* attract? We've identified one primary and two secondary audiences below:

BABY BOOMERS (primary audience)

Baby Boomers (40-59), 76 million people strong, are the primary target audience for *Valley of the Sun*. Accounting for 31% of all movie goers (MPAA), this, the largest demographic group today, is also the fastest growing due to their longer life span. As a result, many in this group are experiencing the physical and emotional changes that come with getting close to retirement. The producing team believes this demographic will find a positive "stand up and cheer" connection with the "refusing to act your age" theme our story tells.

GENERATION X (secondary audience)

Generation X (25-39), comprising 29% percent of all moviegoers (MPAA), is the first of our secondary audience's. Gen X is a freethinking and open minded demographic. Although they are younger than our intended primary audience, and may not initially identify with the ensemble cast in the retirement community, they will certainly find a connection with the movie's protagonist; a young character who questions his current path in life, and searches for a new route to happiness.

IKES (secondary audience)

Ikes (60+), another of our secondary audience's, comprise 8% of total moviegoers (MPAA). They are of retirement age and have already been through the physical and emotional experience our protagonist has been through: hitting mid-life. Told from the point of view of this audience group, the environment of our story is one most of them will be quite familiar. If they themselves are not living within a retirement community, they certainly will all know a parent, friend or relative who is living or has lived in one.

MPAA RATING

Founded in 1945, the MPAA is a voluntary rating system used in the motion picture industry to offer parents guidance on what movies they want their children to see and not to see. The criteria that are reviewed by the rating board are theme, violence, language, nudity, sensuality, drug abuse, and other elements. Part of the rating flows from how each of these elements are treated on screen by the filmmaker. The Rating Board can make its decision by what is seen on the screen and not by what is imagined or thought.



An "R" rating signifies that the rating board has concluded that the film rated contains some adult material. Parents are urged to learn more about the film before taking their children to see

it. An “R” may be assigned due to, among other things, a film’s use of language, theme, violence, sex or its portrayal of drug use. Some examples of films which have received an R rating are:

The Full Monty (1997), Rated R for language and some nudity.

Lost in Translation (2003)), Rated R for language and some nudity.

Sideways (2004), Rated R for language, some strong sexual content and nudity.

Valley of the Sun will contain mature themes and situations, which suggests the film will receive a rating of “R”, in accordance with the guidelines of the MPAA. An “R” rating positions our product to fit solidly within the Baby Boomer demographic.

DISTRIBUTION APPROACH

FILM FESTIVALS & MARKETS

Traditionally, the two most effective ways of selling a product to potential distribution companies are Film Festivals and Markets. Cannes, Toronto, Sundance and AFM are a few of the most important festivals and markets in the world, in terms of acquisitions. All serious buyers attend these festivals looking for product, and with them, come the expectant and enthusiastic attention of the media. Distributors particularly love festivals because they can instantly see how an audience and critical mass respond to a movie. Filmmakers also love festivals because if their movie is strong, Distributors, who are forced to view the movie for the first time together, can create such a frenzy of interest resulting in a bidding war.

Given the production schedule of *Valley of the Sun*, the following is a chronological calendar of the top tier worldwide festivals and markets to which we feel our movie would best stand a chance at being presented and sold to distributors.

CALENDAR OF FESTIVALS AND MARKETS WORLDWIDE

May, 2006	Cannes Film Festival & Market Seattle International Film Festival
June, 2006	Independent Film Project/LA Film Festival
August, 2006	Edinburgh International Film Festival
September, 2006	Toronto International Film Festival Deauville Festival of American Film Venice International Film Festival Telluride International Film Festival
October, 2006	New York Film Festival MIFED – Italy
November, 2006	American Film Institute Film Festival American Film Market (AFM)
January, 2006	Sundance Film Festival Rotterdam Film Festival/CineMart
February, 2006	Berlin International Film Festival
March, 2006	South by Southwest Film Festival

While acceptance into a film festival is merit-based, it definitely helps to have relationships with festival directors and programmers to make sure a project gets the full consideration it deserves. Producer Christopher Hall, while attending the 2004 Sundance Producer's Conference

established a relationship with Sundance Festival Director Geoff Gilmore, who is interested in seeing *Valley of the Sun*. As we move closer to production and into the post-production phase, we will continue to build upon this relationship in order to best get our film into a festival.

THE SALES TEAM

Selling a film at a festival and market has become an extremely specialized process and consequently it takes a team of experienced professionals to orchestrate that process properly. Getting into a major festival immediately attracts distributor interest. A team will be hired expressly to sell *Valley of the Sun* and to negotiate the deal. That team is likely to consist of a publicist, a producer's representative and an entertainment attorney.

A publicist works to make sure that a film and its filmmakers receive as much press as possible. Distributors take careful note of how much "buzz" a film and its team can generate. After a publicist is hired, we will attempt to hire a producer's representative, who has well established relationships with Distributors to come on board to get the film into the Distributor's wanted list. If a bid is offered for the film, an entertainment attorney who specializes in film sales will be brought on board to negotiate the deal with the Distributor.

THE DISTRIBUTOR'S ROLE

- a) **The role of a Distributor is to take on a number of many responsibilities: Negotiate terms with exhibitors (i.e. the movie theater chains)**
- b) **Make physical prints of the film and deliver these prints to theaters for exhibition**
- c) **Advertise and promote the film to the public**
- d) **Monitor and collect from Exhibitors the distributor's share of the box office receipts**

Prior to paying receipts to Ranch House Pictures, L.L.C., the Distributor will deduct fees (distribution fees) for their costs incurred. These fees are negotiated on a film-by-film basis and vary greatly depending upon a variety of factors, including the market in which a film is being released, the overall demand for a film, and the previous track record of the producers and talent involved in a film. Distribution fees are typically 30 to 35% for domestic theatrical, 40% for foreign theatrical, 25% for the outright sale of foreign rights and 25 to 35% for home video, pay cable and syndication sales.

Ranch House Pictures, L.L.C. intends to sell *Valley of the Sun* to one or a number of Distributors for all territories and markets through a distribution agreement. A typical distribution agreement grants the Distributor the exclusive right to distribute the motion picture either worldwide or within particular regions from which the distributor is able to retain as a distribution fee a certain pre-negotiated percentage of the revenues generated by the motion picture.

Each Distributor has specific demand for certain types of films. Ranch House Pictures, L.L.C., has compiled a list of "first tier" Distributors with which we have already engaged in discussions regarding the Film's distribution rights. The companies on this list have had a history of

distributing similar product to *Valley of the Sun*.

In addition to our “First Tier” Distribution list, Christopher Hall, during the 2004 Sundance Producers Conference (a selective conference in Sundance, Utah), pitched *Valley of the Sun* to a number of additional Distribution company heads. Ranch House Pictures, L.L.C., considers these vital relationships and will continue to nurture them.

OPERATIONS AND MANAGEMENT

RANCH HOUSE PICTURES LLC, MANAGERS

Stokes McIntyre – Producer / Director

Stokes McIntyre is a principal and one of the visionary leaders of San Francisco based film production company Hotbed Media. Stokes received his Masters of Fine Arts from the Academy of Art in 1999. He has directed over 50 commercials and industrials receiving numerous awards for his efforts, including a National Addy Gold Award. Stokes has also directed numerous short films including *Despacio*, which received an Honorable Mention at the Academy of Art, and his most recent short films, *Reconocer*, and *Capri* which screened at a number of festivals, including the Perth International Film Festival and the Atlantic Film Festival. Both of these films were signed by Atomfilms and Amaze Films for internet, TV and DVD distribution. Stokes received a fellowship from the Montalvo Artist Residency to focus on *Valley of the Sun*.

Aaron Tudisco - Producer

Aaron began his career in Motion Picture story development at 20th Century Fox Studios in Los Angeles. With an additional turn at Jodi Foster's production shingle, Egg Pictures, Aaron returned to San Francisco in 1999 to take up with Industrial Light + Magic. He is currently an Associate Production Manager in Development, Story and Editorial at Lucasfilm, Ltd., where he concentrates on feature development and acquisition. Aaron has a strong sense of what makes a good story, and even more importantly what is relevant in the marketplace. *Valley of the Sun* will be his 2nd co-production with director Stokes McIntyre. Their first, the live-action short entitled *Capri*, received critical raves on the festival circuit and was eventually acquired for distribution by both Atomfilms, a division of Shockwave and Amaze Films.

Christopher Hall – Producer

Christopher got his start in the film industry in 1992 when he was cast in *Forrest Gump* with a principal role, playing Alabama governor, George Wallace. For the past seven years, he has been a Line Producer, Production Manager and an Assistant Director on feature films, commercials, documentaries and music videos. Christopher Line-Produced/Production Managed three films that have premiered and secured distribution deals at the Sundance Film Festival: *Dopamine* (2003), *Technolust* (2002) and *Haiku Tunnel* (2001). Additional film production credits include *The Matrix 2&3*, *The Watcher*, *Woman on Top*, *Hurlyburly*, *What Dreams May Come*, *Bicentennial Man* and *The Deep End*. Music video production credits include for such artists as Jewel, Frou-Frou, Metallica, Chris Isaac, Smash Mouth and Sixpence None The Richer. Christopher's physical production experience on independent and studio pictures has given him the experience of how to do things efficiently without creative compromise while working in the constraints of a limited budget. Christopher brings a strong creative vision, hands on production experience and an entrepreneurial business sense to the project.

Kyra Ivanoff – Consultant

With over a decade of experience in a variety of facets of the Entertainment industry, Kyra Ivanoff brings an incredible level of guidance and mentorship to Ranch House Pictures, L.L.C. Having produced commercials for such national brands as Honda, Subaru, Apple and Cisco, Kyra will be a valuable advisor with regards to a wide array of production issues. Having also

worked in the marketing and public relations department of MGM/United Artists, Kyra brings to the team an incredible rolodex of key contacts in the world of distribution that *Valley of the Sun* will undoubtedly benefit from.

ADDITIONAL ANTICIPATED TEAM MEMBERS

Sunny Siebel, Casting Director (Arizona)

With over 20 years experience in the industry, and contacts to prove it, Sunny has grown to become the most highly touted Casting Director in Arizona. Sunny has worked with some of Hollywood's most imaginative and original Directors, including David O. Russell, Jim Jarmusch, Stephen Frears and Ethan and Joel Coen. Her film credits include: *Raising Arizona*, *Dead Man*, *The Grifters* and *Flirting with Disaster*.

Greg Camp, Composer

The Cat in the Hat, *Austin Powers: Goldmember*, *The Sweetest Thing*, *Shrek* and *How the Grinch Stole Christmas* are just a few of the films on which Greg Camp has been hired to write songs. Greg however, is probably better known as the songwriter and guitarist for the highly acclaimed band Smash Mouth, who have just finished their fifth album. **Universal Pictures**, **New Line Cinema**, **Columbia Pictures**, **20th Century Fox**, **DreamWorks** and **Paramount Pictures** have all contracted Greg as a songwriter/composer on their films and soundtracks.

Dug Winningham, Post Supervisor

Prior to relocating to Brooklyn, NY, Dug Winningham spent several years in the bay area employed at Skywalker Sound, a division of Lucas Digital Limited. His credits in supervising editorial and/or sound design include: *The Hunted*, *Panic Room*, *Artificial Intelligence: AI*, *Cast Away*, *The Legend of Bagger Vance* and *Fight Club*

Brandon Proctor, Sound Technician and Mixer

Brandon Proctor got his start over 8 years ago as a re-recording mixer at Skywalker Sound, a division of Lucas Digital Limited. Since then, he has quickly risen among the talented ranks at Sky Sound and is considered by many to be a rising star in the industry. Among his many credits as a sound technician and re-recording mixer include: *The Ring*, *Punch Drunk Love*, *Windtalkers*, *40 Day and 40 Nights*, *Requiem for a Dream*, and *Star Wars: Episode II – Attack of the Clones*.

Doug Freeman, Production Designer

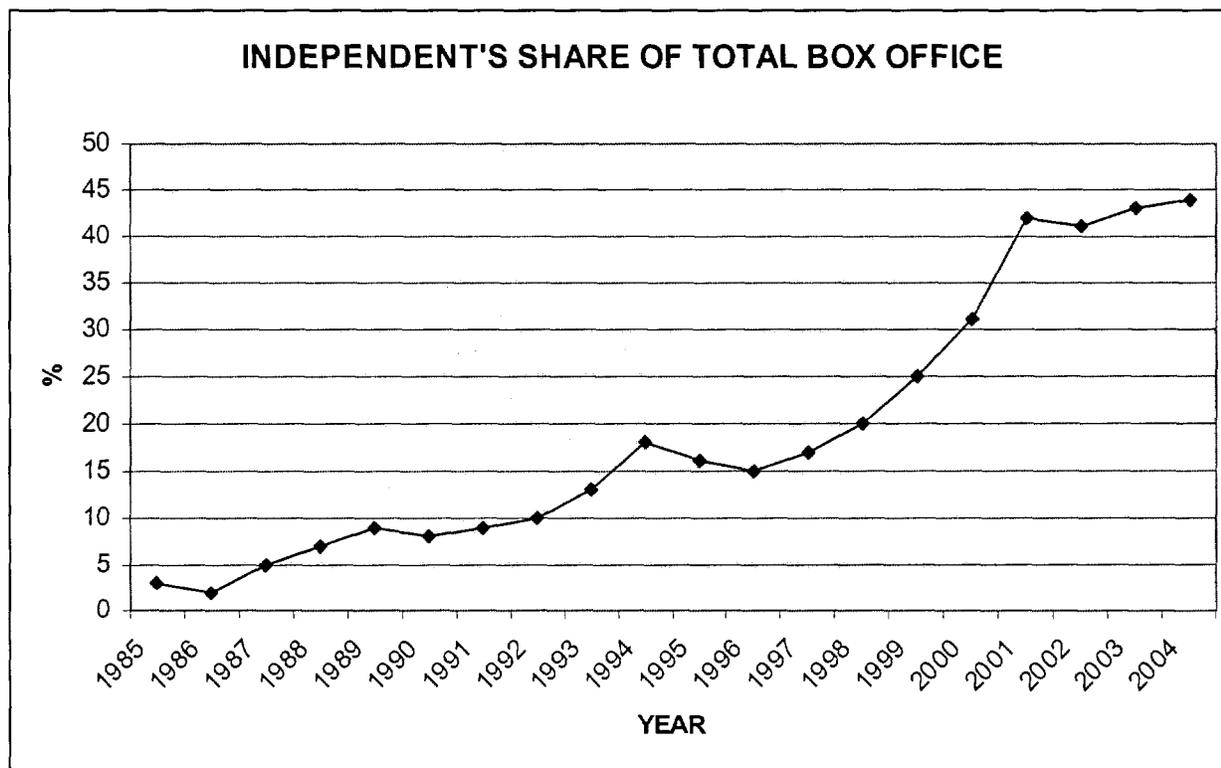
Doug Freeman started his art career with George Lucas on *American Graffiti*. His many film credits include *Towering Inferno*, *Magnum Force* and *Trek IV*. Most recently he art directed the new CBS television pilot *Deviant Behavior*, produced by the creators of *C.S.I* and *C.S.I Miami*. Doug has Production Designed and Art Directed hundreds of national and international commercials for Pepsi, Ford, Sony, Panasonic, Nike, Coca Cola, U.P.S., Mercedes and McDonald's.

WHY INVEST IN INDEPENDENT FILM?

“Supply-and-demand equations are returning,” according to Jared Underwood, senior vice president, Comerica Entertainment Group. “There are fewer sellers, and buyers are a bit stronger. [What’s more] it tends not to be element dependent. It’s more about the material and a filmmaker’s vision. For smaller indie movies, under \$3 million, there’s a large number of buyers in place as well as international buyers.” (Variety, 6/3/04)

A GROWING MARKET SHARE

Of total US domestic theatrical gross in 2004 (\$9.3 billion), 17% of the revenue generated came from Independent projects. That’s nearly \$1.6 billion of theatrical revenue alone. Yes, the Studio system has plenty of money to compete in the motion picture marketplace, but the fact remains that motion pictures with high production and marketing costs, often entail greater risks at seeing a financial return than lower cost pictures. According to the MPAA, the average negative cost of a studio feature motion picture in 2001 was \$47.7 million. Low and medium budget pictures produced by the Independents (typically somewhere between \$1.5 million and \$10 million), have less difficulty recouping their monetary investment. It comes as no surprise then that as the movement in the marketplace moves toward independently produced material that the studio theatrical market share also declines. The following table depicts the growing market share of Independent box office revenue through 2004 (IMDB, 2004)



Independent films continue to fulfill a clear need of the public’s thirst for innovative cinema. Recurrently considered the pioneering and rebellious side of the motion picture medium, the Independent sector of the industry continues to push the envelope with regards to content and

style. Films such as *Garden State*, *American Splendor*, *Napoleon Dynamite*, *Monster*, *The Station Agent*, *Memento*, *Thirteen*, *Pieces of April*, *Camp*, *Secretary*, *Lovely & Amazing*, *Real Women Have Curves*, and *Rodger Dodger* all were films with authentically original voices, helmed by producers that were persistent in funding their projects. And produced on small budgets, these projects proved themselves many times over in financial returns. These success stories are clear indicators of a strong market for films with fresh perspectives and new talent.

WHY INVEST IN *VALLEY OF THE SUN*?

Given the abundance of Independent film in the marketplace, what is it about our product that makes it stand out? Over the next several pages, we'll describe in detail the following factors for success that we believe Ranch House Pictures, L.L.C., has created for its investors and how by using these factors, we plan on making *Valley of the Sun* a profitable venture.

A HILARIOUS AND HEARTWARMING STORY

With the belief that all great motion pictures begin from great stories, there is great reason as to why the Production Team and Director have exhaustively spent a majority of their time developing and refining the script of *Valley of the Sun*. With compelling characters, unique situations and an original storyline, the business believes that the strength of the script alone will have a tremendous impact of spreading and generating strong word of mouth traffic to see the product in the theater. Yes, the subject matter of *Valley of the Sun* is bold and daring, but the Managers believes that the comedic tone taken with the subject matter will help us draw attention to the Film and allow us to command the audience's attention in the specialized distribution marketplace.

A BRANDED AND NOTEWORTHY CAST

Given the older characters in the script, we feel our product will yield exciting opportunities for talented, yet often underused senior actors. In utilizing actors/actresses with proven public recognition and appeal, those patrons who are unaware of what the motion picture storyline is about will still be drawn simply to see an actor/actress who they are interested/familiar in. For our 8 principle speaking roles, we've begun discussions with a number of A-list casting directors to come on board and assist in the casting process. For our non principal speaking roles, we've hired Sunny Siebel, an Arizona native, who has a quite extensive credit list to her name: *Raising Arizona*, *The Grifters*, *Flirting with Disaster*, etc.

A DIRECTOR WITH A STRONG VISION

Holding the reins of the primary creative vision and telling of the story, the Director's role is a vital one. And while this will be Stokes's first feature film as a Director, it is not his first time behind the camera. 7 years experience as a commercial and industrial Director has proven him to be an innovator and an original. As a principal of San Francisco based Hotbed Media, Stokes has directed over 50 commercials and industrials, and received numerous awards for his efforts along the way, including an East Bay Addy's "Best of Show" and an AAF "Honorable Mention". Stokes has also directed numerous short films including *Despacio*, which received an "Honorable Mention" at the Academy of Art, and his most recent short films, *Reconocer* and *Capri*, were both signed by Atom Films and Amaze Films for worldwide distribution. In an industry where production companies rise and sink daily, Stokes' reputation, execution and knowledge of how to efficiently run a show without compromising the overall production level and vision, have kept Hotbed Media profitable.

AN EXPERIENCED AND EFFICIENT PRODUCING TEAM

Being an independent entity, Ranch House Pictures, L.L.C., has the benefit of working without heavy studio management and overhead, which often inundates the bottom line of many feature films. Producers Aaron Tudisco and Christopher Hall bring a combined 14 years of both studio

and on-location production experience resulting in varied management techniques certain to maintain strict financial oversight of the production. Both solve production issues with creative solutions and not by throwing money at the problem. Having both previously worked with Director Stokes McIntyre on several projects will undoubtedly help them in predicting and solving issues before they arise.

When the pre-production phase of the project commences, Christopher and Aaron will co-manage the production of *Valley of the Sun*, Christopher initially in Los Angeles to better manage casting and creative hiring and Aaron initially in San Francisco to manage preparatory scheduling and production ramp-up. Then, during the production phase, both producing partners will relocate on location (Phoenix and Los Angeles) to manage day to day operations.

With careful consideration in keeping all cash flow transparent, money in the production will be managed and accounted for in two different ways: Cast and crew payroll will be managed by the highly respected 3rd party company, Entertainment Partners. And with regards to daily cost reports and the overall balance sheet while shooting, an experienced and licensed Production Accountant will be hired to run the show.

COST SAVING STRATEGIES

Without compromising quality and creative vision, the Producers have identified several cost saving strategies that will assist the business in effectively getting the most out of every investor dollar: which include carefully scrutinizing the production schedule to avoid potential costly overtime, working closely with the local offices of AFTRA and SAG and to take advantage union incentives and contracts for low budget films, partnering with the Arizona and Phoenix film offices and to take advantage of incentives these groups offer, seeking national product placement for the senior specific items, designating a point person for all Sun City relations, whose job will be to keep the the Sun City Board of Directors and Maricopa County community a co-operative partner of our production, and finding alternative ways to compensate extras and enlisting volunteers whenever possible.

ON SCREEN PRODUCING CREDIT FOR INVESTORS

As additional incentive for Investors in *Valley of the Sun*, the Producers have created an on screen credit system to hand out to Investors that participate within certain thresholds. It is detailed as follows:

- EXECUTIVE PRODUCER – for those with investments of \$500,000 and above
- CO-PRODUCER – for those with investments of \$250,000 to \$499,999 and for those contributing the initial \$100,000 in investment funds
- ASSOCIATE PRODUCER – for those with investments of \$100,000 to \$249,999

BUDGET

Referred to as the “negative cost” of making a film, the budget is the total cost estimated to produce the finished print of *Valley of the Sun*. This budget covers all out-of-pocket expenses for the overall development and production of *Valley of the Sun*. (see “Critical Assumptions” page that follows for expenses not included in this budget).

STORY & RIGHTS	44,935
PRODUCER'S UNIT	60,000
DIRECTOR'S UNIT	36,792
CAST/CASTING (EXPENSES)	267,908
DEVELOPMENT	10,687
TOTAL ABOVE-THE-LINE	\$ 420,322
PRODUCTION STAFF	177,637
EXTRA TALENT	17,126
CRAFT SERVICE/CATERING	67,636
ART DIRECTION	28,834
SET DRESSING	56,066
PROPERTY/LOCATIONS	118,428
WARDROBE/MAKE-UP/HAIR	68,972
LIGHTING	79,971
CAMERA/GRIP	161,647
PRODUCTION SOUND	34,847
TRANSPORTATION	96,049
LIVESTOCK	4,500
OFFICE/ FACILITIES / SUPPLIES	32,395
PRODUCTION FILM / LAB	64,131
SECOND UNIT /PICK-UPS	9,650
VIDEO PRODUCTION	24,376
TOTAL BELOW-THE-LINE PRODUCTION	\$ 1,042,265
FILM EDITING	68,656
MUSIC	54,000
POST-PRODUCTION SOUND	82,409
POST-PROD. FILM & LAB	65,940
MAIN & END TITLES	15,000
TOTAL BELOW-THE-LINE POST PRODUCTION	\$ 286,005
LEGAL EXPENSES	24,100
INSURANCE	37,700
POST GENERAL EXPENSES	34,871
PUBLICITY/FESTIVALS/DISTRIBUTION	31,880
CONTINGENCY	120,000
TOTAL BELOW-THE-LINE OTHER	\$ 248,551
TOTAL ABOVE-THE-LINE	\$ 420,322
TOTAL BELOW-THE-LINE PRODUCTION	\$ 1,042,265
TOTAL BELOW-THE-LINE POST PROD.	\$ 286,005
TOTAL BUDGET	\$ 1,997,143

CRITICAL ASSUMPTIONS REGARDING THE BUDGET SUMMARY

- All numbers are in US Dollars
- All top sheet assumptions are based on the budget dated 4/4/05 (4th pass)
- Budget based on 107-page script revised on April 4, 2005
- Budget assumes 5 day weeks with the option of working a sixth day if needed
- 30 shooting days:
 - 28 days in the area of Phoenix, AZ
 - 2 days in the area of Los Angeles, CA
- Director fee is included
- Budget includes out of town “Principal” cast fees at Screen Actors Guild Scale for “Basic Codified Agreement”
- Out of town “Principal” cast includes 6 actors from out of the Phoenix area
- Budget includes local principal cast fees at Screen Actors Guild Scale for “Low Budget Agreement” The Low Budget Agreement requires a total budget of less than \$2,000,000, shooting entirely in the USA and an initial theatrical release. If these criteria are not fulfilled additional costs may be incurred.
- Budget includes limited actor’s perks (auto rental, parking, star trailers, etc.)
- Budget includes no “overscale” allowances for talent
- Budget assumes shooting 145,000 feet of 35mm film
- \$25,000 is all-inclusive for music licensing and rights
- Post-production scheduled for 20 weeks in San Francisco Bay Area
- All crew will work as independent contractors for prep and will be paid through payroll for all shooting days
- A 6% contingency is based on a budget of \$2 million U.S. dollars
- Budget includes no Union Fringes for any department
- Development office rental in San Francisco is not included in this budget
- LLC five year maintenance costs are not included in this budget
- Budget includes housing for traveling crew

IV. OFFERING INFORMATION

A. Terms of the Offering

1. **Description of Units** - Units offered are interests in a California limited liability company. Such Units are being offered pursuant to federal and state transactional exemptions from the securities registration requirements and are thus restricted securities. No Unit will be assignable or transferable (except for certain gifts or upon death) without the consent of the Managers. A Unit may be transferred only after certain securities law requirements are satisfied, and the Managers may impose applicable investor suitability standards with respect to any transferee (see “REQUIRED NOTICES - Risk Factors” and “Investor Suitability Standards”).
2. **Terms of Purchase** - The purchase price for each LLC Unit (“Unit”) consists of a **\$20,000** cash payment (or the bartered equivalent thereof in the form of products, services or facilities). The Minimum purchase per investor is **one (1) Unit (\$20,000)**, except that in the discretion of the Managers qualified investors may be allowed to purchase fractional Units (see “REQUIRED NOTICES - Investor Suitability Standards”).
3. **Subscription Requirements** - Each person desiring to become a Unit Holder must complete, execute, acknowledge and deliver to the Manager the executed copies of the Subscription Materials accompanying this Offering Memorandum. By executing the Subscription Agreement, the subscriber or Prospective Purchaser is agreeing that, if the Subscription Agreement is accepted by the Managers, such subscriber will become a Unit Holder and will be otherwise bound by the terms of the Subscription Agreement and associated Operating Agreement.

The Managers reserve the right, in their sole discretion, to reject any Prospective Purchaser’s subscription in whole or in part and to allocate to any Unit Purchaser less than the number of Units applied for by such Purchaser (with a refund of any unused portion of the Unit Holder’s investment). Subscriptions will be rejected for failure to conform to the requirements described in this Offering Memorandum, insufficient documentation, incomplete financial statements or financial information, over-subscriptions to the Offering, or such other reasons as the Managers determine to be in the best interests of the project. A subscription may not be revoked, canceled or terminated by the Prospective Purchaser.

4. **Holding of Subscription Funds** - Funds received from accepted Prospective Purchasers for Units will be placed in a segregated, interest-bearing bank account, until the investment closes (e.g. all 99 units have been sold), except however, the initial \$100,000 invested shall be used prior to the closing date for pre-production costs. Because the initial funds are at greater risk the Managers are providing these initial investors certain additional rights which include credit in the form of “co-producer” and recoupment of an additional twenty percent (20%) of their investment. It is contemplated that the Offering will Close not later than

June 16, 2006 unless extended by the Managers in their sole discretion, or fully subscribed at an earlier date, but in no event will the Offering extend beyond one year from the end date of the Offer. If the Offering is not fully subscribed by **June 16, 2006** (or by **June 16, 2007**, if the Offering is extended) the Managers may elect to accept the remaining Units and conclude the Offering. If they do so, the Managers will lend, obtain loans, purchase such Units or otherwise obtain funds (e.g., through foreign pre-sales) sufficient to insure that the Picture is completed. If the Managers elect not to accept the remaining Units, none of the Units will be sold, and all funds received as subscriptions will be promptly refunded to the subscribers in full with interest, except any portion of the initial \$100,000 invested which has been used for pre-production costs as described above. The remaining funds will only be released (from the special account set up to hold such funds during the Offering), for use by the Managers on behalf of the LLC when the Total Film budget (as set forth in "BUSINESS PLAN – Budget") has been secured by any combination of the above mentioned funding methods.

B. Estimated Use of Proceeds

1. The Proceeds of this Offering will be used to pay the expenses associated with the organization and management of the LLC and the conduct of the Offering and to finance the production of the Picture as well as possibly a portion of the films' marketing and promotion. (See "BUSINESS PLAN – Budget")

C. Allocations and Percentage Participations

1. **LLC Gross Revenues** - The total amount of revenue received by the LLC from all sources for LLC activities, including, but not limited to, distributor advances and all distribution, exhibition and exploitation of the Picture, along with all forms of contingent compensation paid to the LLC as a result of the exploitation of the Picture in all markets and media, but not including any monies due to be paid to any co-financing entity.
2. **Distributable Cash** - All funds received by the LLC from LLC activities ("LLC Gross Revenues") minus (a) all operating expenses of the LLC, including, if any, all remaining unreimbursed offering expenses and expenses incurred by the LLC in connection with the distribution and exploitation of the Picture and the ancillary rights thereto; (b) such reserves as the Managers deem necessary in accord with good business practice to cover future LLC expenses; (c) all costs of production of the Picture which have not been supplied by the LLC, by a completion guarantor or by any pre-sales or other similar agreements (such as, for example production funds obtained through loans); (d) any deferrals or third-party percentage participations granted by the Managers for products or services provided in connection with the financing, production or distribution of the Picture; or (e) any distributions necessary to fund income tax liabilities of Members.
3. **Member/Investor Recoupment** - Percentage participation payments will be made to Members out of the Picture's revenue stream, as defined above. Because of tax

considerations the Managers must maintain at least a 1% interest in LLC revenue at all times. Thus, ninety-seven percent (97%) of Distributable Cash will be paid to the Members and three percent (3%) of Distributable Cash will be paid to the Managers until the Members achieve Recoupment (i.e., specially defined as 110% of their Original Invested Capital), except that the investor(s) of the initial \$100,000 shall be entitled to recoup an additional twenty percent (20%) of their investment.

4. **Final Percentage Participation Ratio** - Subsequent to Investor Recoupment, and for the balance of the life of the LLC, the Managers and the Investor group will share Distributable Cash, if any, on a 50/50 basis. The Managers plan to make quarterly distributions to Members of Distributable Cash beginning at the end of the first full calendar quarterly period following the release of the Film by the motion picture distributor. However, if in the judgment of the Managers there is an insufficient amount of Distributable Cash at the end of any given quarterly period to justify the preparation of investor checks in small amounts, such funds will be held over until sufficient amounts are available. Distributions of Distributable Cash may vary in amount depending on the amount of distributions the LLC receives from film distributors and the amounts to be deducted from such LLC Gross Revenues as per the definitions of such terms (see "OPERATING AGREEMENT - Glossary" and "REQUIRED NOTICES - Risk Factors").
5. **Allocations Of Net Losses** - The LLC will allocate net loss for each fiscal year ninety-nine percent (99%) among the Members and one percent (1%) to the Managers until the Members' capital accounts have been reduced to zero. Thereafter all losses will be allocated to the Managers. On dissolution of the LLC, all items of income and loss will be allocated first to the Members' capital accounts as set forth below and other credits and deductions to the Members' capital accounts will be made before final distributions are made. The LLC will make the final distributions to the Members and Managers in an amount equal to their positive capital account balances, thereby adjusting each Members' and Managers' capital account to zero.
6. By signing the Subscription Agreement, each Member consents to the methods described above and set forth in the Operating Agreement by which allocations of net income, net loss, tax credits and other items are made as an express condition to becoming a Member. In general, that portion of all items of income, gain, loss, deduction or credit allocable to the Members as a group for any year shall be allocated among them in the same proportion as the number of Units owned by each bears to the total number of Units issued and outstanding and owned by Members during the applicable year, unless otherwise required by law. Net income and net loss of the LLC will be allocated at the close of each fiscal year.

D. Managers and Affiliate Compensation

The following summarizes the form and estimated amounts of compensation, fees and Percentage Participations to be paid to the individual Manager and Affiliates. Such items have not been determined by arm's-length negotiations (see "OPERATING

AGREEMENT”). Other than as set forth herein, in the Operating Agreement and in the BUSINESS PLAN – Budget section of the Offering Memorandum, no other compensation or remuneration in any form is to be paid to the Managers or Affiliates.

a) Organization Fee

The Managers have waived any right to receive an LLC Organization Fee for services rendered in connection with the organization of the LLC.

b) Reimbursement of Expenses

The Managers have, and will during the course of this Offering, advance necessary funds for LLC organizational and offering expenses and the Managers will be reimbursed for such expenses out of the Gross Offering Proceeds.

c) Management Fee

The Managers have also waived any right to an LLC Management Fees for their activities and services relating to the management of the LLC.

d) Interest in Distributable Cash

The Managers will have a three percent (3%) interest in Distributable Cash until the Members achieve Recoupment (110% of their Original Invested Capital, except that the investor(s) of the initial \$100,000 shall be entitled to recoup an additional 20% of their investment), and then a fifty percent (50%) interest in Distributable Cash for the balance of the life of the LLC.

e) Interest In Tax Items

The Managers will have a one percent (1%) interest in LLC Losses and tax deductions for federal income tax purposes throughout the life of the LLC.

f) Film Budget Items

For his contributions as a Producer, Christopher Hall will be paid \$30,000 out of the Film’s budget, for his contributions as a Producer. Aaron Tudisco will be paid \$30,000 out of the Film’s budget, for his contributions as Producer. For his services as Director of the Film and for his contributions to the Screenplay *Valley of the Sun*, Stokes McIntyre will be paid \$30,000 (Please note that the Director item in the budget includes additional expenses for direction unrelated to this fee.). Some or all of these fees may be deferred or waived at the discretion of the Managers.

No other compensation in any form shall be paid to the Managers or any of its Affiliates, except as set out above. At the conclusion of the LLC, however, all property rights and ancillary rights in the Motion Picture shall revert to and be distributed to the Managers.

E. Plan of Distribution of Units

1. **The Offering** - The Offering will continue until the earlier of: (i) the date on

which 99 Units have been sold and the Subscribers are accepted by the Manager; or (ii) the final termination date of the Offering, (i.e., June 16, 2006, or June 16, 2007 if extended). In the event that subscriptions do not reach the 99 Unit Minimum (and sufficient funding from other sources is not raised), the Offering will not close, and all subscriptions will be returned to Subscribers in full, with interest, except any portion of the initial \$100,000 invested which has been used for pre-production costs as previously described. (see "OPERATING AGREEMENT").

2. Subject to availability, there is no limit on the maximum number of Units that may be purchased by any Investor. However, the minimum purchase per Investor is one (1) Unit (\$20,000), except that in the discretion of the Managers qualified investors may be allowed to purchase fractional Units. Each Subscriber will be required to comply with the minimum purchase requirement and Investor Suitability Standards of his or her state of residence or, if such Investor's state of residence does not impose such standards or the LLC's standards are more strict, the minimum purchase requirement and the Investor Suitability Standards imposed by the LLC (see "REQUIRED NOTICES - Investor Suitability Standards").
3. The full purchase price for each Unit is payable in cash or in bartered products or services at the time of subscription. A subscription is not subject to termination by the Subscriber. The Units are being offered on a "best efforts" basis through the Managers. The Managers may sell Units in the Offering so long as its activities are in compliance with Rule 3a4-1 of the Securities and Exchange Act of 1934. Thus, no transaction-related compensation will be paid to such individuals or entities for issuer sales. The Managers and its Affiliates are prohibited from directly or indirectly paying or awarding any fees, commissions or other compensation to any person engaged by a prospective purchaser for investment advice as an inducement to such advisor to advise in favor of the purchase of Units.
4. The Units are offered subject to the right of the Managers to reject, in whole or in part, any subscription and subject to the approval of certain legal issues by Securities Counsel and the satisfaction of certain other conditions. Purchasers of Units at Closing will be admitted as Members not later than 15 days after the release from the segregated bank account of the gross proceeds of the Offering to the LLC. Offers to purchase Units will be accepted or rejected by the Manager within 30 days after their receipt and, if rejected, associated funds will be immediately returned, except the initial investment of \$100,000. If the Managers reject a subscription, the funds tendered with that subscription will be returned to the subscriber within 10 days after the rejection, along with notification of rejection and interest earned on such funds, if any.

V. MOTION PICTURE INDUSTRY OVERVIEW

This motion picture industry overview provides background information regarding the motion picture industry generally, for persons who may not be familiar with such matters. The information set forth in this overview may or may not apply to the specific project described in this Memorandum.

A. General

The theatrical motion picture industry in the United States has changed substantially over the last three decades and continues to evolve rapidly. Historically, the “major studios” financed, produced and distributed the vast majority of American-made motion pictures seen by most U.S. moviegoers. During the most recent decade, many of the motion pictures released have been produced by so-called independent producers even though some of the production financing for such pictures and distribution funds have been provided by the major studio/distributors. In recent years, independently produced movies make up more than half of all films released theatrically.

The following general description is a simplified overview of the complex process of producing and distributing motion pictures and is intended to be an aid to investors in understanding the motion picture business. This overview does not describe what will necessarily occur in the case of any particular motion picture.

B. Production of Motion Pictures

During the film-making process, which may take approximately 12 to 24 months from the start of the development phase to theatrical release, a film progresses through several stages. The four general stages of motion picture production are development, pre-production, principal photography and postproduction. A brief summary of each of the four general movie production stages follows:

C. Development

The development phase of a motion picture is typically initiated by a movie producer or an independent film production company. In the development stage, underlying literary material for a motion picture project is acquired, either outright, through an option to acquire such rights or by engaging a writer to create original literary material. If the literary material is not in script form, a writer must be engaged to create a script. When the literary material is acquired and the story refined, the producer will seek tentative commitments from a director, principal cast and other creative personnel to further build up the production team. The script must be sufficiently detailed to provide the production company and others participating in the financing of a motion picture with enough information to estimate the cost of producing the motion picture. The producer then prepares a production schedule and budget to provide a framework with which to raise the necessary financing. Projects in development often do not become completed motion pictures

D. Pre-Production

After a movie has been financed and approved for production, the project enters the pre-

production phase. During pre-production, which can typically take three to four months, the producer(s) contracts for additional creative and production personnel, further refines the shooting schedule, establishes locations, secures any necessary studio facilities or stages, exercises any options to purchase the source material or script, finalizes the budget, secures various customary insurance policies and otherwise prepares for the start of physical filming of the production.

E. Principal Photography (Production)

Principal photography is the process of filming a motion picture and is the most costly stage of the production of a motion picture. Principal photography usually takes one to five months and may take more for some projects. Bad weather at locations, the illness of a cast or crew member, disputes with local authorities or labor unions, a director's or producer's decision to re-shoot scenes for artistic reasons and other often unpredictable events can seriously delay the scheduled completion of principal photography and substantially increase its costs. Once a motion picture reaches the principal photography stage, it usually will be completed.

F. Post-Production

During the post-production stage, the editing of the raw footage and the scoring and mixing of dialogue, music and sound effects tracks take place, and master printing elements are prepared. This phase can last anywhere from three to six months, depending on the complexity of post work required.

G. Distribution of Motion Pictures

Motion picture revenue is derived from the worldwide licensing of a motion picture: (a) for theatrical exhibition; (b) for non-theatrical exhibition (viewing in airplanes, hotels, military bases and other facilities); (c) to pay television systems for delivery to television receivers by means of cable, over-the-air and satellite delivery systems; (d) to commercial television networks; (e) to local commercial television stations and (f) for reproduction on video cassettes (and video discs) for home video use. Revenue is also derived from licensing "ancillary rights" to a motion picture for the creation of books, published music, soundtrack albums and merchandise. A picture is not always sold in all of these markets or media.

The timing of revenues received from the various sources varies from film to film. Typically, theatrical receipts from United States distribution are received approximately 90% in the first twelve months after a film is first exhibited and 10% in the second twelve months. Theatrical receipts from the rest of the world are typically received 40% in the first year following initial theatrical release, 50% in the second year and 10% in the third year. Home video royalties are typically received 80% in the first year following theatrical release and 20% in later years. Pay and cable license fees are typically received 65% in the third year, 25% in the fourth year and 10% in the fifth year following theatrical release. The majority of syndicated domestic television

receipts are typically received in the fourth, fifth and sixth years after theatrical release if there are no network television licenses and the sixth, seventh and eighth years if there are network licenses. The markets for film products have been undergoing rapid changes due to technological and other innovations. As a consequence, the sources of revenues available have been changing rapidly and the relative importance of the various markets as well as the timing of such revenues has also changed and can be expected to continue to change.

Expenses incurred in distributing a motion picture are substantial and vary depending on many factors. These factors include the initial response by the public to the motion picture, the nature of its advertising campaign, the pattern of its release (e.g., the number of theatres booked and the length of time that a motion picture is in release).

The following is a brief summary of each of the sources of revenue of motion pictures and the distribution/licensing process associated with such sources:

H. United States Theatrical Distribution

In recent years, United States theatrical exhibition has generated a declining percentage of the total income earned by most pictures, largely because of the increasing importance of cable and pay television, home video and other ancillary markets. Nevertheless, the total revenues generated in the United States theatrical market are still substantial and are still likely to account for a large percentage of revenues for a particular film. In addition, performance in the United States theatrical market generally also has a profound effect on the value of the picture in other media and markets.

Motion pictures may be distributed to theatrical markets through branch offices. Theatrical distribution requires the commitment of substantial funds in addition to a motion picture's negative cost. The distributor must arrange financing and personnel to: (a) create the motion picture's advertising campaign and distribution plan; (b) disseminate advertising, publicity and promotional material by means of magazines, newspapers, trailers ("coming attractions") and television; (c) duplicate and distribute prints of the motion picture; (d) "book" the motion picture in theatres; and (e) collect from exhibitors the distributor's share of the box office receipts from the motion picture. A distributor must carefully monitor the theatres to which it licenses its picture to ensure that the exhibitor keeps only the amounts to which it is entitled by contract and promptly pays all amounts due to the distributor. Distributors will sometimes reach negotiated settlements with exhibitors as to the amounts to be paid and such settlements may relate to amounts due for several pictures.

For a picture's initial theatrical release, a United States theatre exhibitor will usually pay to a distributor a percentage of box office receipts which is negotiated based on the expected appeal of the motion picture and the stature of the distributor. The negotiated percentage of box office receipts remitted to the distributor is generally known as "film rentals" and is typically characterized in distribution agreements as a portion of the distributor's "gross receipts". Such gross receipts customarily diminish during the course of a picture's theatrical run. Typically, the distributor's share of total box office receipts over

the entire initial theatrical release period will average between 25 to 60 percent depending on the distributor; the exhibitor will retain the remaining 75 to 40 percent. The exhibitor will also retain all receipts from the sale of food and drinks at the theatre (concessions). Occasionally, an exhibitor will pay to the distributor a flat fee or percentage of box office receipts against a guaranteed amount. Pay television and new home entertainment equipment (such as video games, computers and video cassette players) offer a more general competitive alternative to motion picture theatrical exhibition of feature films.

Major film distributors are often granted the right to license exhibition of a film in perpetuity, and normally have the responsibility for advertising and supplying prints and other materials to the exhibitors. Under some arrangements, the distributor retains a distribution fee from the gross receipts, which averages approximately 33% of the film's gross receipts, and recoups the costs incurred in distributing the film. The principal costs incurred are the cost of duplicating the negative into prints for actual exhibition and advertising of the motion picture. The distribution deal usually provides that the parties providing the financing are then entitled to recover the cost of producing the film. However, bank financed productions will typically require that the bank be paid back its principal, interest and fees out of first monies to the distributor.

The amount film distributors spend on prints and advertising is generally left to the discretion of the distributor. In some instances, however, the producer may negotiate minimum expenditures or ceilings on such items.

I. Foreign Theatrical Distribution

While the value of the foreign theatrical market varies due to currency exchange rate fluctuations and the political conditions in the world or specific territories, it continues to provide a significant source of revenue for theatrical distribution. Due to the fact that this market is comprised of a multiplicity of countries and, in some cases, requires the making of foreign language versions, the distribution pattern stretches over a longer period of time than does exploitation of a film in the United States theatrical market. Major studio distributors usually distribute motion pictures in foreign countries through local entities and the distribution fees for such entities usually vary between 35% and 40% depending on the territory or financial arrangements. These local entities generally will be either wholly-owned by the distributor, a joint venture between the distributor and another motion picture company or an independent agent or sub-distributor. Such local entities may also distribute motion pictures of other producers, including other major studios. Film rental agreements with foreign exhibitors take a number of different forms, but they typically provide for payment to a distributor of a fixed percentage of box office receipts or a flat amount. Risks associated with foreign distribution include fluctuations in currency values and government restrictions or quotas on the percentage of receipts which may be paid to the distributor, the remittance of funds to the United States and the importation of motion pictures into a foreign country.

J. Home Video Rights

Since its inception, the home video market in the United States has experienced substantial growth in the last decade, although leveling off and even decreasing

somewhat in the most recent years. Certain foreign territories, particularly Europe, have seen an increased utilization of home video units due to the relative lack of diversified television programming, although those circumstances have been changing also. Consequently, sales of video cassettes have increased in such markets in recent years. Although growth in this area may be reduced because of an increase in television programming in such foreign territories, receipts from home video in these markets can be expected to continue to be significant.

Films are generally released on home video six to nine months after initial domestic theatrical release of the picture, but before the exhibition of the picture on cable/pay or network television.

K. United States Television Distribution

Television rights in the United States are generally licensed first to pay television for an exhibition period following home video release, thereafter to network television for an exhibition period, then to pay television again, and finally syndicated to independent stations. Therefore, the owner of a film may receive payments resulting from television licenses over a period of six years or more.

L. Cable and Pay Television

Pay television rights include rights granted to cable, direct broadcast satellite, microwave, pay per view and other services paid for by subscribers. Cable and pay television networks usually license pictures for initial exhibition commencing six to twelve months after initial domestic theatrical release, as well as for subsequent showings. Pay television services such as Home Box Office, Inc. ("HBO") and Showtime/The Movie Channel, Inc. ("Showtime") have entered into output contracts with one or more major production companies on an exclusive or non-exclusive basis to assure themselves a continuous supply of motion picture programming. Some pay television services have required exclusivity as a precondition to such contracts.

The pay television market is characterized by a large number of sellers and few buyers. However, the number of motion pictures utilized by these buyers is significantly large and a great majority of motion pictures which receive theatrical exhibition in the United States are, in fact, shown on pay television.

M. Network Television

In the United States, broadcast network rights are granted to ABC, CBS, NBC or other entities formed to distribute programming to a large group of stations. The commercial television networks in the United States license motion pictures for a limited number of exhibitions during a period that usually commences two to three years after a motion picture's initial theatrical release. During recent years, only a small percentage of motion pictures have been licensed to network television, and the fees paid for such motion pictures have declined. This decline is generally attributed to the growth of the pay television and home video markets, and the ability of commercial television networks to produce and acquire made-for-television motion pictures at a lower cost than license fees previously paid for theatrical motion

pictures.

N. Television Syndication

Distributors also license the right to broadcast a motion picture on local, commercial television stations in the United States, usually for a period commencing five years after initial theatrical release of the motion picture, but earlier if the producer has not entered into a commercial television network license. This activity, known as “syndication,” has become an important source of revenues as the number of, and competition for, programming among local television stations has increased.

O. Foreign Television Syndication

Motion pictures are now being licensed in the foreign television market in a manner similar to that in the United States. The number of foreign television stations as well as the modes of transmission (i.e., pay, cable, network, satellite, etc.), have been expanding rapidly, and the value of such markets has been likewise increasing and should continue to expand.

Producers may license motion pictures to foreign television stations during the same period they license such motion pictures to television stations in the United States; however, governmental restrictions and the timing of the initial foreign theatrical release of the motion pictures in the territory may delay the exhibition of such motion pictures in such territory.

P. Relicensing

The collective retained rights in a group of previously produced motion pictures is often a key asset, as such pictures may be relicensed in the pay and commercial television, home video and non-theatrical markets, and occasionally may be re-released for theatrical exhibition.

Although no one can be certain of the value of these rights, certain older films retain considerable popularity, and may be relicensed for theatrical or television exhibition. New technologies brought about by the continuing improvements in electronics may also give rise to new forms of exhibition which will develop value in the future.

Q. Other Ancillary Markets

A distributor may earn revenues from other ancillary sources, unless the necessary exploitation rights in the underlying literary property have been retained by writers, talent, composers or other third parties. The right to use the images of characters in a motion picture may be licensed for merchandising items such as toys, T-shirts and posters. Motion picture rights may also be licensed for novelizations of the screenplay, comic book versions of the screenplay and books about the making of the motion picture. The soundtrack of a motion picture may be separately licensed for soundtrack records and may generate revenue in the form of mechanical performance royalties, public performance royalties and sheet music publication royalties.

VI. MISCELLANEOUS PROVISIONS

A. Reports to Unit Holders and Others

The Managers will prepare and distribute to the Members such financial reports as are required under the California Limited Liability Company Act, as well as under other applicable law. Managers will furnish to the Members, upon reasonable request and no more than quarterly, a report regarding the status of the Offering and a breakdown of the LLC expenditures.

B. Financial Statements

Ranch House Pictures L.L.C. is a newly formed limited liability company thus, no financial statements exist for the entity.

C. Pending Legal Proceedings

The Managers are not aware of any pending or threatened legal proceedings to which they or the LLC are or may be parties to and which is materially relevant to this Offering or its participation herein.

D. Tax Consequences

No discussion or opinion is provided in this Offering Memorandum relating to the tax consequences for any individual investor's investment in the Offering. ALL PROSPECTIVE INVESTORS WITH QUESTIONS OR CONCERNS REGARDING SUCH INDIVIDUAL TAX CONSEQUENCES SHOULD CONSULT WITH A TAX ADVISOR OF THEIR OWN CHOOSING.

E. Access To Additional Information

Prospective Purchasers are urged to read this Offering Memorandum and the attached Exhibits carefully and to have the documents reviewed by an investment adviser. To the extent possible, the Managers will answer any questions that Prospective Purchasers, or their advisors may have, and will attempt to provide any additional documentation to verify the statements included herein.

The Managers will keep at the principal place of business of the LLC adequate books of account of the LLC, and each Unit Holder and his or her authorized representatives will have at all times, during reasonable business hours, free access to and the right to inspect and copy such books of account.

NOTICE

**PROSPECTIVE PURCHASERS OF UNITS IN
RANCH HOUSE PICTURES L.L.C. SHOULD
COMPLETE THE ACCOMPANYING
PACKET OF DOCUMENTS ENTITLED
“RANCH HOUSE PICTURES L.L.C.
SUBSCRIPTION DOCUMENTS”**

EXHIBIT "A"
LIMITED LIABILITY COMPANY OPERATING AGREEMENT

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF RANCH HOUSE PICTURES L.L.C.
(A California Limited Liability Company)**

THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT (herein called the "Operating Agreement" or "Agreement") is entered into as of the date set forth below, by and between Aaron Tudisco, Stokes McIntyre, Christopher Hall and Kyra Ivanoff (the "Managers") and the Members pursuant to the Offering Subscription Agreement executed by such Members.

WITNESSETH: NOW THEREFORE, it is agreed as follows:

**Article I
GLOSSARY**

The following terms, when used in this Agreement, (capitalized herein and in the accompanying Offering Memorandum) shall have the respective meanings assigned to them in this Article unless the context otherwise requires:

"Above-the-Line": The portion of a film's budget that covers major creative elements and personnel, (i.e., those which are creatively unique and individually identifiable). These are primarily story acquisition, screenplay rights, script development, writer, executive producer, producer, director and principal members of the cast. The phrase "above-the-line" refers to the location on the film budget of the specific expense item/person.

"Accredited Investor": (see the definition of "Accredited Investors" under the sub-heading "Investor Suitability Standards" in the "REQUIRED NOTICES" section of the accompanying Offering Memorandum.)

"Act": California Corporations Code Section 17000, et seq. (aka Beverly-Killea Limited Liability Company Act), as amended from time to time.

"Advertising Costs": The cost of preparing and producing Advertising for the Motion Picture.

"Advertising": The creation and dissemination of promotional materials and the conduct of promotional activities including, without limitation, cooperative advertising, institutional advertising, national advertising and trade advertising in whatever form or media.

"Affiliate": Any person or entity directly or indirectly controlling, controlled by or under common control with this LLC or its Managers.

"Agreement": This written agreement as between all of the Members and Managers and relating to and regulating the affairs of the LLC and the conduct of its business in any manner not inconsistent with law or the Articles of Organization, including all amendments thereto. Such term shall refer to this Agreement as a whole, unless the context otherwise requires. This Agreement is incorporated into the accompanying Offering Memorandum as Exhibit "A".

“Allocations”: Designations of Member and Managers’ shares of LLC income, loss, credits, deductions and/or other financial or tax items in the manner described in the Operating Agreement.

“Amortization”: The method of allocating the cost of an intangible asset over time for purposes of offsetting (deducting) such cost from revenues the asset helps to produce.

“Articles”: The Articles of Organization for the LLC originally filed with the Department of State of the State of California, including all amendments thereto or restatements thereof and such term shall mean the Articles as a whole unless the context otherwise requires.

“Associate Producer”: The individual or individuals who are designated by the Managers to receive the Associate Producer credit for the Picture for significant services to the LLC or those who have invested \$100,000.00 to \$249,999.00 USD in the LLC.

“Assumptions”: Circumstances that are assumed to be factual for purposes of projecting the hypothetical results of an investment in the LLC.

“Bankrupt” or **“Bankruptcy”**: With respect to any person, being the subject of an order for relief under Title 11 of the United States Code, or any successor statute or other statute in any foreign jurisdiction having like import or effect.

“Below-the-Line”: Film budget items relating to the technical expenses and labor (other than above-the-line) involved in producing a film, (i.e., relating to mechanical, crew, extras, art, sets, camera, electrical, wardrobe, transportation, raw-film stock, printing and post-production).

“Blue Sky”: Relating to state securities law compliance matters as opposed to federal securities law.

“Capital Account”: Unless otherwise provided in the Operating Agreement, the amount of the capital interest of a Member or Manager in the LLC consisting of that Member or Managers’ original contribution, as (1) increased by any additional contributions and by that Member or Managers’ share of the LLC’s profits and (2) decreased by any distribution to that Member or Manager and by that Member or Managers’ share of the LLC’s losses. Each Capital Account shall be maintained strictly in conformity to the requirements of Treasury Regulation § 1.704-1(b)(2)(iv).

“Capital Contribution”: (Same as “Contribution”).

“Capital Transaction”: Any sale of portions of LLC property or any interest therein (not including the sale of all or substantially all of the LLC property) and other similar transactions which in accordance with generally accepted accounting practices are attributable to capital.

“Closing Date” or **“Closing”**: The date on which the Units offered hereby (or at least the Minimum number of Units offered) are fully subscribed for and accepted by the Managers and the Capital Contributions made pursuant to the Offering are released from the segregated, interest-bearing bank account established by the Managers for holding the Subscriber funds.

“Code”: The Internal Revenue Code of 1986, as amended. All references herein to sections of the Code shall include any corresponding provision or provisions of succeeding law.

“Company”: Ranch House Pictures L.L.C., a California limited liability company (same as “LLC”).

“Contribution”: Any money, property, or services rendered, or a promissory note or other binding obligation to contribute money or property, or to render services as permitted under the Act, which a Member contributes to the LLC as capital in that Member’s capacity as a Member pursuant to an agreement between and among the Members and Managers, including an agreement as to value (same as “Capital Contribution”). The aggregate amount of Capital Contributions of the Unit Holders in the Offering shall be \$1,980,000.

“Co-Producer”: The individual or individuals who are designated by the Managers to receive the Co-Producer credit for the Picture for significant services to the LLC, those who have invested \$250,000.00 to \$499,999.00 USD in the LLC, or the investor or investors of the initial \$100,000.00 (first 5 units) in the LLC.

“Counsel to the Managers”: Steven Masur, Masur & Associates, LLC, 101 East 15th Street, New York, NY 10003.

“Creative Talent”: Screenwriter, Producer, director, actors and others who participate in the creative process relating to the Film’s production.

“Deferments”: or **“Deferrals”**: Arrangements for the deferral of some or all of the costs of goods and/or services provided by the suppliers of such goods and/or services so that the payments are not a production cost but rather are paid out of specified LLC receipts before or after Recoupment.

“Depreciation”: Income tax deductions allowed by the Code in recovering the cost of a tangible asset over time.

“Dissociation Event”: With respect to any Member, one or more of the following: the death, retirement, withdrawal, resignation, expulsion, bankruptcy or dissolution of a Member, or occurrence of any other event which terminates his or her continued Member or Manager Percentage Interest in the LLC, or as otherwise provided in the Act.

“Distributable Cash”: All cash reserve and funds received by the LLC from LLC activities (“Gross LLC Revenues”) minus (a) all operating expenses of the LLC, including, if any, all remaining unreimbursed Offering expenses and expenses incurred by the LLC in connection with the distribution and exploitation of the Picture, including any distributor and/or sales agent fees, and the ancillary rights thereto; (b) such reserves as the Managers deem necessary in accord with good business practice to cover future LLC expenses; (c) all costs of production of the Picture which have not been supplied by the LLC or by any pre-sales or other similar agreements (such as, for example production funds obtained through loans); (d) any deferments or third-party percentage participation commitments made by the Managers; (e) any and all loans owed; and (f) any required distributions to fund income tax liabilities of Members.

“Distribution”: The transfer of money or property by the LLC to its Members or Managers without consideration. The term “Distribution” shall not include any payments to the Managers in the form of management fees, organization fees, production fees, selling fees or reimbursement for goods or services provided to the LLC.

“Distributor”: The person(s) or entities operating between the producer and exhibitor of motion pictures who obtain rights to the film, release it, and send such film to exhibitors, sometimes through sub-distributors. A Distributor will typically be involved in the promotion of a film.

“Economic Interest”: A person's right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive distributions from, the LLC, but does not include any other rights of a Member or Manager, including without limitation, the right to vote or to participate in management, or except as provided in the Act, any right to information concerning the business and affairs of the LLC.

“Executive Producer”: The individual or individuals who are designated by the Managers to receive the Executive Producer credit for the Picture for services rendered in the organization and funding of the LLC, in the preparation and execution of this Offering and/or in otherwise arranging for the production of the Picture, or those who have invested an amount greater than \$500,000.00 USD in the LLC.

“Financial Projections”: Good faith estimates (based on reasonable assumptions) of the future financial results of the LLC and its activities relating to the production, distribution and exploitation of the Picture.

“Gross Proceeds of the Offering”: The aggregate total of the Original Invested Capital of the Members and Managers.

“Gross LLC Revenues” or **“Gross Revenues to the LLC”**: The total amount of revenue received by the LLC from all sources for LLC activities, including, but not limited to, distributor advances and all distribution, exhibition and exploitation of the Picture, along with all forms of contingent compensation paid to the LLC as a result of the exploitation of the Picture in all markets and media, but not including any monies due to be paid to any cofinancing entity (same as “LLC Gross Revenues” and “LLC Gross Receipts”).

“Information Rights”: The right to inspect, copy or obtain information and documents concerning the affairs of the LLC as provided in the Act and in Paragraphs 6.3 and 6.4 of the Agreement.

“Interest”: The entire ownership interest of a fully admitted or substituted Member or Manager in the LLC at any particular time, including the rights of such Member or Manager to any and all benefits to which a Member or Manager may be entitled as provided in the Agreement including (i) the management rights to participation in the management and affairs of the LLC as provided in the Act, Articles and the Agreement, and (ii) the economic rights to share in income, gains, losses, deductions, credit and to receive distributions as provided in the Agreement, together with the obligations of such Member and Manager to comply with all terms and provisions of the Agreement.

“IRS”: The Internal Revenue Service.

“Issuer”: The entity which is issuing the securities (the LLC interests or Units) offered hereby, (i.e., Ranch House Pictures L.L.C., a California limited liability company).

“LLC Gross Revenues”: (Same as “Gross LLC Revenues” or “Gross Revenues to the LLC”).

“LLC Net Receipts”: (Same as “Distributable Cash”).

“LLC”: Ranch House Pictures L.L.C., a California limited liability company (same as “Limited Liability Company” and “Company”).

“Mail”: Unless otherwise provided in the Operating Agreement, first-class mail, postage prepaid, unless registered mail is specified. Registered mail includes certified mail.

“Majority-In-Interest”: That group of Members and Managers whose interests in the LLC amount to more than fifty percent (50%) of the LLC's: (1) voting power, (2) capital, or (3) shares of distributions and allocations.[this term is only used with respect to voting power in this agreement, and actually where it is used, it is not used as a defined term]

“Management and Voting Rights”: Those rights of a Member and Managers described in Article III of the Agreement as they may be limited in this Agreement, the Articles and the Act.

“Managers”: Those persons or entities elected by the Members of the LLC to manage the LLC.

“Member”: A person who (1) has been admitted to the LLC as a Member in accordance with the Act, Articles and Operating Agreement, or an assignee of an interest in the LLC who has become a Member pursuant to the Act, Articles and Operating Agreement; and (2) who has not resigned, withdrawn, or been expelled as a Member or, if other than an individual, been dissolved (same as Unit Holder).

“Member of Record”: A Member named as a Member on the list maintained in accordance with provisions of the Act.

“Members' Capital Contributions”: The amount invested by each Member in the LLC.

“Members' Percentage Interests”: The ratio of each LLC Member's Capital Contribution to the total LLC Members' Capital Contributions.

“Membership Interest”: A Member's rights in the LLC, collectively, including the Member's economic interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the LLC provided by the Act.

“Motion Picture”: The original film production entitled *Valley of the Sun*, in whatever format or form such film may be reproduced and/or exhibited (same as “Picture”).

“Net Profits” and “Net Losses”: The “Net Profits” and “Net Losses” of the LLC shall be the net income and net losses, respectively, of the LLC determined in accordance with the principles of Section 1.704-1(b)(2)(iv) of the Treasury Regulations. For purposes of

computing Net Profits and Net Losses, the “book” value of an asset shall be substituted for its adjusted tax bases, if the two differ (in accordance with the principles of Section 1.704-1 (b)(2)(iv) of the Treasury Regulations) but otherwise Net Profits and Net Losses shall be determined in accordance with federal income tax principles.

“Net Proceeds of the Offering”: Gross Proceeds of the Offering less expenses incurred and to be paid by the LLC in connection with organizing the LLC and in offering Units to Prospective Purchasers.

“Net Receipts”: (Same as “Distributable Cash”).

“Offering Memorandum”: The accompanying securities disclosure document which is required to be furnished to Prospective Purchasers of Units pursuant to the federal and state securities laws. Ranch House Pictures L.L.C. Offering Memorandum is dated June 16, 2005.

“Offering”: The offer and sale of Units in the LLC made in reliance on Regulation D, promulgated by the Securities and Exchange Commission.

“Officer”: Any person elected or appointed pursuant to paragraph 3.7 of this Agreement.

“Operating Agreement”: (Same as “Agreement”).

“Organizational Expenses”: Expenses paid or incurred in connection with the organization of the LLC. Such expenses must be amortized and therefore deducted over a 60-month period. Included are legal fees for services incident to the organization of the LLC, such as negotiation and preparation of the Operating Agreement and preparation and filing of the LLC's Articles of Organization, accounting fees for establishing the LLC's accounting system and necessary LLC filing fees.

“Original Invested Capital”: The amount in cash or fair market value of property contributed to the capital of the LLC by the Unit Holders and the Managers, if any such Manager contributions are made.

“Percentage Participation”: The interests of persons or entities negotiated and/or designated by the Managers and/or entitled under the provisions of the Agreement to receive a specific percentage of a particular fund or portion of the Picture's revenue, (e.g., of Distributable Cash, or of the Managers' share of Distributable Cash).

“Percentage Interest”: Percentage Interests shall be determined, unless otherwise provided herein, in accordance with the relative proportions of the Capital Accounts of Members and Managers, effective as of the first day of the LLC's fiscal year but with all distributions under paragraphs 5.3, 5.4, 5.5, 5.6, and 5.7 hereof to be deemed to have occurred on such day immediately prior to determination of Percentage Interest of a Member or Manager. For voting purposes, the percentage of a Member or Manager's interest may be adjusted from time to time pursuant to the terms of this Agreement. (Current lists containing the Percentage Interest of Managers and Members available upon request.)

“Person”: Individuals, general partnerships, limited partnerships, other limited liability companies, corporations, trusts, estates, real estate investment trusts and any other association or entity.

“Picture”: (Same as “Motion Picture”).

“Pre-Production”: The earliest phase of production, encompassing writing, polishing and breaking down the script, hiring or obtaining letters of intent from creative personnel, including the director and principal cast establishing shooting locations and shooting schedules, preparing the budget and such other steps as are necessary to prepare for the actual commencement of photography. It may be expected that the pre-production stage of the Picture will extend from 1 to 6 months. Principal photography follows the pre-production stage.

“Pre-Sale Financing”: Funds obtained in addition to the proceeds of the Offering in the form of cash advances or guarantees paid by domestic or foreign distributors, pay or cable television systems, video cassette producers, television syndicators, and/or bank loans obtained by using such cash advances or guarantees as collateral.

“Producer”: Those individuals or entities designated by the Managers to receive the Producer credit for their work in connection with the production of the Picture.

“Production Cost Deferments”: Arrangements for the deferral of some or all of the costs of goods and/or services provided by the suppliers of such goods and/or services so that the payments are not a production cost but rather are paid out of specified LLC receipts before and/or after Recoupment.

“Production Money LLC”: (Same as “LLC”).

“Profits”, “Losses” and “Credits”: The net income, net loss or credits of the LLC, respectively, as determined for Federal income tax purposes.

“Prospective Purchasers”: Persons or entities who or which receive copies of the Offering Memorandum and are considering investing in the Offering.

“Proxy”: A written authorization signed or an electronic transmission authorized by a Member or the Member's attorney-in-fact giving another person the power to exercise the voting rights of that Member. “Signed”, for this purpose, means the placing of the Member's name on the proxy (whether by manual signature, typewriting, telegraphic or electronic transmission, or otherwise) by the Member or Member's attorney-in-fact. A proxy may be transmitted by an oral telephonic transmission if it is submitted with information from which it may be determined that the proxy was authorized by the Member, or by the Member's attorney-in-fact.

“Recoupment”: The designated point at which investors in the LLC are paid a specified percentage of their invested capital. Recoupment for purposes of this Offering is defined as 110% of the Members' Original Invested Capital, except that the investors of the first 5 units in the LLC shall be entitled to recoup an additional 20% of their investment, which amount shall come from the Managers' share of Distributable Cash.

“Registered Office”: The office maintained at the street address of the agent for service of process of the LLC in California.

“Regulations”: Unless the context clearly indicates otherwise, the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Internal Revenue Code of 1986, as amended.

“Release Print”: The final version of the Picture ready for distribution to exhibitors, (i.e., the composite print made for general distribution).

“Return of Capital”: Any distribution to a Member or Manager to the extent that the Member or Manager’s capital account, immediately after the distribution, is less than the amount of that Member’s or Manager’s contributions to the LLC as reduced by prior distributions that were a return of capital.

“Screenplay”: The written dialogue and scene descriptions collectively entitled *Valley of the Sun*.

“Securities and Exchange Commission”: The federal agency responsible for regulating the sales of securities including passive-investor limited liability company interests. Such agency may also be referred to herein as the SEC.

“Subscription Agreement” or “Subscription Application”: A document included as part of the separate packet accompanying the Offering Memorandum and entitled “Ranch House Pictures L.L.C., Subscription Documents” which each person desiring to become a Unit Holder must complete, execute, acknowledge and deliver to the Managers before being accepted by the Managers as a Unit Holder.

“Syndication Expenses”: Expenses paid or incurred in connection with the issuing and marketing of interests in the LLC, including brokerage fees, selling commissions, Blue Sky filing fees, legal fees of the Issuer for consultations relating to the requirements of the applicable federal and state securities laws and for tax advice pertaining to the adequacy of tax disclosures in the Offering Memorandum, accounting fees, if any, for preparation of financial projections to be included in the Offering materials and printing/binding costs of such Offering materials. Unlike other expenses, Syndication Expenses may not be deducted currently or amortized over a period of time (in contrast to Organizational Expenses).

“Tax Matters Partner”: The designated Manager or Member who, as required by the Tax Equity and Fiscal Responsibility Act of 1983, is to serve as the primary liaison between the LLC and the IRS with regard to LLC tax matters and proceedings before the IRS. For the LLC, the Tax Matters Partner is Aaron Tudisco.

“Unit Holder” or “Unit Purchaser”: An investor in the LLC. One who purchases one or more Units and has thereby obtained a pro rata share in the LLC. (Same as “Member”).

“Unit”: A ratable interest in the LLC of a Unit Holder. Ninety-nine (99) Units worth a total of \$1,980,000 are being offered hereby at \$20,000 per Unit with a minimum purchase requirement of one (1) Unit (\$20,000). Under limited circumstances, the Managers have the discretion to sell fractional Units.

“Vote”: Includes authorization by written consent.

“Withdrawal”: Includes the resignation or retirement of a Member as a Member.

“Written” or “In Writing”: Includes facsimile and telegraphic communication.

Article II FORMATION MATTERS

2.1 Formation of Limited Liability Company – On April 28, 2005, Christopher Hall acted as an organizer to form a limited liability company pursuant to the Act and, for that purpose, caused Articles of Organization to be executed and filed with the California Secretary of State.

2.2 Filings – The Managers shall execute, file, record and publish all certificates (including, at the option of the Managers, this Agreement), notices, statements and other instruments required by law for the formation and operation of the LLC as a limited liability company in all jurisdictions in which the LLC conducts business. Each Unit Holder agrees to execute promptly all certificates and other documents consistent with the terms of this Agreement deemed necessary by the Managers for such qualification.

2.3 Limited Liability Company Name – The name of the LLC is “Ranch House Pictures L.L.C.” The business of the LLC shall be conducted under, either said name, or such modification or variations thereof as the Managers may determine from time to time.

2.4 Principal Office – The Managers’ address to which all mail should be directed is 120 Second Street, Floor 3, San Francisco, CA 94105-3601, however substitute or additional places of business may be established at such other locations as may, from time to time, be determined by the Managers.

2.5 Term of LLC – The term of the Company commenced on April 28, 2005, the date of filing of the Articles of Organization with the Department of State of the State of California and shall continue in full force and effect until dissolution pursuant to this Agreement, the Articles of Organization or the Act.

2.6 Name, Address and Designation of Managers and Members – The names and business address of the Managers are as follows:

Aaron Tudisco, Stokes McIntyre, Christopher Hall and Kyra Ivanoff
120 Second Street, Floor 3
San Francisco, California 94105-3601.

The names and business addresses of the Members are set forth in Schedule 2.

2.7 Registered Agent – The Company’s registered agent in the State of California shall be the Secretary of State of the State of California. The Company may change the registered agent from time to time by amending the Articles of Organization pursuant to the Act.

Article III PURPOSES AND POWERS

3.1 Purposes of the Limited Liability Company – The purpose and character of the business of the LLC is to engage in the financing, production, ownership, distribution and other exploitation of the

single feature film tentatively entitled *Valley of the Sun* and the exploitation of the ancillary and subsidiary rights to the Picture produced.

3.2 Powers of the LLC – Such business purposes as set forth in 3.1 shall include the doing of any and all things incidental thereto or in furtherance thereof. Without in any way limiting the generality of the foregoing statement, the LLC may own, operate, sell, transfer, convey, license, mortgage, exchange, exploit or otherwise dispose of or deal with property of every nature whatsoever and engage in any activities in furtherance of said purpose as are not prohibited by law.

The LLC purposes set forth in 3.1 hereof may be accomplished by taking any action which is permitted under the Act, and which is customary or directly related to the acquisition, ownership, development, improvement, operation, management, financing, selling, leasing, exchanging, exploiting, or other disposing of property of any nature whatsoever; provided, however, that nothing contained in this Section 3.2 or elsewhere in this Agreement shall obligate the Managers to take any action on behalf of the LLC if the Managers deems such action inappropriate or not reasonably necessary to accomplish LLC purposes.

Article IV CONTRIBUTIONS AND CAPITAL

4.1 Capital Contributions by Members – Each Member shall contribute to the LLC the amount of such Member's Capital Contribution. The LLC intends to offer for subscription Units, priced at \$20,000 per Unit (payable as provided in Section 4.3), and each investor who subscribes for at least one (1) Unit (or an approved purchase of a fractional unit in the sole discretion of the Managers) will acquire an interest in the LLC subject to the provisions of Section 4.3 of this Agreement. The Capital Contributions described herein shall constitute the full obligation of the Members to furnish funds to the LLC. No additional funds or other property shall be required of any Member. The Capital Contributions may be used by the Managers for any LLC purpose.

4.2 Capital Contribution by Managers – As its contribution to the Capital of the LLC, the Managers shall contribute the time, effort and expertise in organizing and forming the LLC, and in managing the LLC during the term of its existence. The Managers are contributing such services in exchange for its interest in Distributable Cash. The Managers will have a 1% interest or more in the aggregate Capital Contribution of the LLC at all relevant times.

4.3 Cash and Property Contribution by Unit Holders – The Contributions of the Unit Holders shall be an amount equal to the value of funds and property actually received from the private sale of Units, which will represent a 97% interest in Distributable Cash prior to first Recoupment and an ongoing interest as defined elsewhere herein (shared pro rata among Members). Pursuant to the above stated percentages, each Unit Holder shall be entitled to a pro rata interest in all profits, losses, credits and cash distributions of the LLC. The minimum contribution for each Unit Holder is \$20,000, except the Managers, in their discretion, may accept purchases of fractional Units.

4.4 Withdrawal of Capital – Other than as provided in this Agreement, no Member shall have the right to withdraw such Member's Capital Contribution to the LLC or to receive any return of a portion of such Contribution.

4.5 Interest – No Member or Manager shall be paid interest on any Capital Contribution to the LLC.

4.6 Liabilities of Managers for Contributions – The Managers shall not be personally liable for the return of any portion of the Contributions of the Unit Holders; the return of those Contributions shall be made solely from LLC assets. The Managers shall be required to restore any deficit in its own Capital Accounts on dissolution of the LLC. However, except as specifically provided in the preceding sentences, the Managers shall not be required to pay to the LLC or any Unit Holder any deficit in any Unit Holder's Capital Account on dissolution or otherwise. Under the circumstances requiring a return of any Capital Contribution, no Member or Manager shall have the right to demand or receive property other than cash except as may be specifically provided for in this Agreement.

4.7 Capital Accounts – An individual Capital Account shall be established and maintained in accordance with the principles set forth in Treasury Regulations under Code Section 704 for each Member and Manager strictly in conformity with the requirements of Treasury Regulation § 1.704(b)(2)(iv). Each Member and Manager's Capital Account will be credited with such Member and Manager's Capital Contribution and each Member and Manager's Capital Account shall be further credited and debited, as the case may be, to reflect such individual Member or Manager's share of LLC distributions, income, losses and all related tax items such as gains, losses, deductions, credits and depreciation recapture. In the event that any Member or Manager shall at any time have a negative balance in such Member or Manager's Capital Account, such negative balance shall not constitute a debt owed by such Member or Manager to the other Members or Managers or the LLC (except as provided in paragraph 4.6 for the Managers). No interest shall be paid on Capital Accounts.

Article V ALLOCATIONS OF NET PROFITS AND LOSSES

5.1 Allocation of Net Profits – All Net Profits of the LLC for a Fiscal Year after taking into account the Special Allocations of Gross Receipts and Syndication Costs provided for in Section 5.3 hereof shall be allocated in the following order of priority:

5.1.1 First, to the Managers, until the cumulative profits allocated pursuant to this Section 5.1.1 for the current and all prior fiscal years are equal to the cumulative losses allocated pursuant to Section 5.2.2 hereof for all prior years.

5.1.2 Second, 97% to the Members and 3% to the Managers, pro rata in accordance with their LLC Percentage Interests, until the cumulative profits allocated pursuant to this Section 5.1.2 for the current and all prior years are equal to the cumulative losses allocated pursuant to Section 5.2.1 hereof for all prior years.

5.1.3 Third, to the Members, pro rata in accordance with their LLC Percentage Interests, until the cumulative profits allocated pursuant to this Section 5.1.3 for the current and all prior fiscal years are equal to the cumulative special allocation of Syndications Costs to the Members pursuant to Section 5.3.2 hereof for all prior years.

5.1.4 Fourth, 97% to the Members and 3% to the Managers, pro rata in accordance with their LLC Percentage Interests, until the cumulative profits allocated to the Members pursuant to this Section 5.1.4 for the current and all prior fiscal years equals 110% of their Original Invested Capital.

5.1.5 The balance, if any, shall be allocated in accordance with the formula set forth below at Section 6.1.

5.2 Allocation of Net Losses – All Net Losses of the LLC for a Fiscal Year after taking into account the Special Allocations of Gross Receipts and Syndication Costs provided for in Section 5.3 hereof shall be allocated in the following priority:

5.2.1 First, 1 % to the Managers and 99% to the Members, pro rata in accordance with their Member Percentage Interests, until the Members' Capital Accounts have been reduced to zero.

5.2.2 The balance, if any, to the Managers.

5.3 Syndication Costs – Syndication Costs shall be allocated to the Members pro rata in accordance with their LLC Member Percentage Interests.

5.4 Accounting Policy; Fiscal Year – For tax purposes, the fiscal year of the LLC shall be the calendar year. Statements showing the Gross LLC Revenues and Distributable Cash, if any, shall be furnished, and all distributions by the LLC shall be made, to Members, Managers, Creative Talent and others entitled thereto no less frequently than annually during the term of the LLC, with each such statement being furnished to each profit participant not later than seventy-five (75) days after the end of each such annual period, and distributions made not later than seventy-five (75) days after the end of each such annual period.

5.5 Books and Records – The Managers shall cause to be kept at the office of the LLC a current list of the full name and last known business or residence address of each Member and of each holder of an Economic Interest in the LLC, together with the contribution and the share in Profits and Losses of each Member and holder of an Economic Interest.

Article VI DISTRIBUTIONS

6.1. Distributions – Distributions of Distributable Cash for any given fiscal year shall be made in the following order of priority:

6.1.1 First, 97% to the Members and 3% to the Managers, *pari passu*, on a pro rata basis until the Members will have received cumulative distributions pursuant to this Section 6.1.1 for the current and all prior fiscal years equal to 110% of the Members' Original Invested Capital.

6.1.2 Second, subsequent to Recoupment and for the balance of the life of the LLC, the Managers and the Members will share Distributable Cash, if any, on a 50/50 basis. However, the purchaser(s) of the initial 5 units in the in LLC shall be entitled to 97% of the Managers' share of Distributable Cash until they have received an additional amount equal to 20% of their Original Invested Capital. (e.g. a total recoupment of 130% of the Member's Original Invested Capital.)

Amounts distributed pursuant to this Section shall be allocated among the Members in accordance with Member Percentage Interests.

6.2 Distributions for a Fiscal Year – Distributions for a fiscal year shall include Distributions made through March 15 of the next succeeding fiscal year.

Article VII
MANAGEMENT OF THE LIMITED LIABILITY COMPANY

7.1 Election of Managers – The election of the Managers to fill the initial position or vacancies shall be by the affirmative vote of a majority in interest of the Members. Item 4(m) of the accompanying Subscription Application and Agreement provides that by completing such application and by signing it, the Prospective Purchaser is authorizing his or her vote to be cast by proxy held by the individual Aaron Tudisco for the election of Aaron Tudisco, Stokes McIntyre, Christopher Hall and Kyra Ivanoff to fill the initial Managers positions of the LLC pursuant to the Act.

7.2 Management Powers of the Managers (Generally) – The Managers shall have full and exclusive control of the management and operation of the business of the LLC and shall be responsible for making all creative and business judgments, determinations, and decisions affecting LLC affairs except as otherwise specifically provided herein.

7.3 Specific Power and Authority of Managers – The Managers shall have, subject to any limitations imposed elsewhere in this Agreement, the power and authority on behalf of the LLC to do or cause to be done any and all acts deemed by the Managers to be necessary or appropriate in connection with the management and operation of the business of the LLC. Without limiting the generality of the foregoing, the Managers may at any time, in their sole discretion and without further notice to, or consent from, any Unit Holder:

- (i) Open and maintain bank checking accounts on behalf of the LLC and to designate signatories on such accounts, provided that the funds of the LLC may not be commingled with funds owned by or held on behalf of the Managers or any limited liability company, partnership or other entity in which either has an interest;
- (ii) Enter into agreements on behalf of the LLC with motion picture or television studios, distributors or other third parties pursuant to which the LLC in exchange for such studio's, distributor's or other third parties' assistance in financing, producing, distributing and/or otherwise exploiting the Picture; such distribution agreements may include but are not limited to flat fee arrangements, negative pickup deals or an outright sale of the Picture;
- (iii) Apply a portion of Capital Contributions to marketing and distribution of the Film whether or not the Maximum funding of the Offering is achieved;
- (iv) Modify the budget of the LLC's Picture to adapt to changing contingencies, so long as in the judgment of the Managers such budget changes improve the LLC's ability to produce a better Film;
- (v) Enter into co-financing, co-production or pre-sale agreements with other production entities, thereby permitting the LLC to expend fewer dollars on such a film than if such film was produced solely by the LLC;
- (vi) Enter into agreements on behalf of the LLC which provide that persons providing financing, rendering services or furnishing literary material or other materials or facilities in connection with the development, production, distribution or other exploitation of the Picture shall receive as salary or other compensation, deferred amounts or a percentage participation in LLC revenue;

(vii) Choose locations for shooting the LLC's movie other than planned locations disclosed in the Offering Memorandum;

(viii) Transfer any property of the LLC on such terms as the Managers shall determine;

(ix) Borrow money for LLC purposes or on behalf of the LLC on such terms as the Managers shall determine, pledge any assets or rights of the LLC as security for such borrowing and pay back the principal and interest on such loans out of Gross Offering Proceeds;

(x) Otherwise deal in any reasonable manner with the assets of the LLC in connection with the management and operation of the business of the LLC.

7.4 Authority to Execute Agreements on Behalf of LLC – In connection with the foregoing, it is agreed that any instrument, agreement or other document executed by the Managers, while acting in the name and on behalf of the LLC shall be deemed to be an action of the LLC as to any third parties (including the Unit Holders as third parties for such purposes).

7.5 Time Devoted to LLC – The Managers shall devote to the LLC's affairs such time, on a non-exclusive basis, as the Managers, in its reasonable discretion, shall deem appropriate.

7.6 Other Business – Any Member or Manager shall have the right to engage in or possess any interest in other business ventures of any kind, nature or description (including without limitation, motion pictures and television projects which may compete with the Picture) whether or not in competition with the LLC. Neither the LLC nor any other Member or Manager shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom.

7.7 Agreements with Members and Others – The Managers shall not enter into (on behalf of the LLC) any agreements with Members or any person related to the Managers unless such agreements are on terms and conditions which the Managers might reasonably conclude are not less favorable to the LLC than the terms and conditions likely to result from “arms-length” negotiations with unaffiliated third parties. For the purposes of this subsection, the term “unaffiliated third parties” shall mean third parties in which the Managers has no material direct or indirect financial interest.

7.8 Managers as Tax Matters Partner – The Manager, Aaron Tudisco or his designated representative is designated as the Tax Matters Partner of the LLC as that term is used in Section 6231 (a) of the Code and regulations thereunder. Such Manager, acting as Tax Matters Partner, may enter into one or more agreements with the IRS with respect to the tax treatment of any LLC income, loss, deductions or credits and, to the extent permitted under the Code, may expressly agree that such agreement shall bind the other Managers and Members of the LLC.

7.9 Withdrawal or Assignment – Without the written consent of a majority of the Unit Holders, the Managers shall not have any right to withdraw or retire from the LLC, or to assign, sell, or otherwise dispose of its interests in the LLC.

7.10 Indemnification – The Managers and their representatives or agents and the Managers' Counsel shall be held harmless and be indemnified by the LLC for any liability, loss (including amounts paid in settlement), damages or expenses (including reasonable attorney's fees) suffered by virtue of any acts or omissions or alleged acts or omissions arising out of such person's activities

either on behalf of the LLC or in furtherance of the interests of the LLC and in a manner believed in good faith by such person to be within the scope of the authority conferred by this Agreement or law, so long as such person is not determined to be guilty in a final adjudication of criminal conduct, gross negligence or gross misconduct with respect to such acts or omissions.

Such indemnification or agreement to hold harmless shall only be recoverable out of the assets of the LLC, including insurance proceeds, if any. Notwithstanding the foregoing, indemnification of the Managers or their representatives or agents by the LLC for liability imposed by a judgment arising from or out of violation of state or federal securities laws shall not be made.

7.11 Rights and Obligations of the Unit Holders

(a) No Participation in Management – The Unit Holders shall not participate in the management of the business of, or transact any business for, the LLC and shall have only such rights and powers as a Unit Holder as are expressly provided herein or provided by applicable law.

(b) Liability – No Unit Holder shall be personally liable for any of the debts, contracts or other obligations of the LLC or any of the losses thereof, except to the extent of such Unit Holder's Capital Contribution, plus such Unit Holder's share of undistributed LLC income if any. When a Unit Holder has rightfully recovered the return in whole or in part of such Unit Holder's Capital Contribution, such Unit Holder shall nevertheless be liable to the LLC for a period of one year thereafter for any sum, not in excess of such return with interest, necessary to discharge such Unit Holder's liability to all creditors who extended credit or whose claim arose during the period the contribution was held by the LLC. No Unit Holder shall be required to contribute any amounts to the LLC except as provided for in this Agreement.

(c) Unit Holders May Not Bind LLC – No Unit Holder shall have any power to represent, sign for or bind the Managers or the LLC.

7.12 Reports to Members and Others – The Managers will prepare and distribute to the Members such financial reports as are required under the California Limited Liability Company Act, as well as under other applicable law. Managers will furnish to the Members, upon reasonable request and no more than quarterly, a report regarding the status of the Offering and a breakdown of the LLC expenditures.

7.13 Meetings

(a) Meetings of Members may be held at any place, either within or without the state of California, selected by the person or persons calling the meeting or as may be stated in or fixed in accordance with the Articles of Organization or this Operating Agreement. If no other place is stated or so fixed, all meetings shall be held at the principal executive office of the LLC.

(b) A meeting of the Members may be called by any Manager or by any Member or Members representing more than 10 percent of the interests of Members for the purpose of addressing any matters on which the Members may vote.

(c) Notice and other matters relating to such meetings shall be accordance with the provisions of the Act.

7.14 Fiduciary Duties of Managers – The fiduciary duties Managers owe to the LLC and to its Members are those of a partner to a partnership and to the partners of the partnership.

Article VIII

ASSIGNMENT OF INTERESTS IN THE LIMITED LIABILITY COMPANY

8.1 Restrictions On Transfers – Notwithstanding anything to the contrary contained in this Agreement, interests in the LLC may not be assigned, sold or otherwise transferred if such assignment, sale or other transfer is prohibited by law or is not effected in compliance with all applicable federal and state securities laws and regulations or would result in a termination of the LLC for tax purposes (unless such transfer is by operation of law).

8.2 Assignment of the Interest in the LLC of the Managers – The Managers shall have the free and unrestricted right to assign all of their interest in the proceeds of and Distributions from the LLC, or any part thereof. Said assignee, however, shall not become a Manager without the consent of the Managers and by Unit Holders who own more than 50% of the outstanding Units. Such assignment shall not relieve the Managers of their obligations hereunder.

8.3 Rights of Assignee – An assignee, legal representative or successor in interest of a Unit Holder shall be subject to all of the restrictions on a Unit Holder provided in this Agreement. An assignee of a Unit Holder's interest, or a portion thereof, who does not become a substituted Member in accordance with the provisions below shall have no right to an accounting of LLC transactions, to inspect the LLC'S books, or to vote on any of the matters on which a Member would be entitled to vote. Upon the giving of notice of the assignment to the other Members and the Managers, such an assignee shall be entitled to receive only the share of LLC profits or other compensation by way of income, or the return of the assignor's contribution, to which the assignor would have been entitled.

8.4 Substitution of Assignee – An assignee of all or any part of a Unit Holder's interest shall become a substituted Member only if (a) the Managers consent thereto in writing (and the Managers may withhold such consent in its discretion) and (b) each of the following conditions is met:

(i) The assignee shall consent in writing, in a form prepared by or satisfactory to the Managers, to be bound by the terms and conditions of this Agreement;

(ii) The assignee shall pay any expenses of the LLC in effecting the substitution;

(iii) The assignment shall be effected in compliance with all applicable federal and state securities laws and regulations; and

(iv) All requirements of the Act including amendment of this Operating Agreement shall have been completed by the assignee, the assignor and the LLC, as the case may be.

8.5 Allocations and Distributions – All assignments shall become effective for distribution and allocation purposes at the close of the calendar month in which the Managers are notified of such assignment. All cash distributions required to be made or made after the date the assignment is effective shall be made to the transferee. Income or loss for the year shall be allocated to the transferor and transferee based on the ratio of months each was considered to be the Member of Record in the LLC.

8.6 Incapacity, Death, Bankruptcy of a Unit Holder – In the event of the incapacity (i.e., judicially determined incompetence or insanity), death or bankruptcy of a Unit Holder, the executor, trustee, guardian or conservator, administrator, receiver or other successor in interest of such Unit Holder shall have all the rights of such Unit Holder for the purpose of settling or managing such Unit Holder's affairs and such power as such Unit Holder possessed to assign all or a part of such Unit Holder's interest (subject to the Managers' approval) and to join with the assignee in satisfying the conditions precedent to such assignee's becoming a substituted Member.

The incapacity, death, or bankruptcy of a Unit Holder shall not dissolve the LLC. Each Unit Holder's estate or other successor in interest shall be liable for all obligations of such Unit Holder. In no event, however, shall such estate, legal representative or other successor in interest become a substituted Member as such term is used herein, except in accordance with the above.

8.7 Further Assignments – An assignee of all or any portion of the interest of a Unit Holder in the LLC pursuant to the terms hereof, who desires to make a further assignment of such interest, shall be subject to all the provisions of this Section to the same extent and in the same manner as such Unit Holder making an initial assignment of such Unit Holder's interest in the LLC.

8.8 Removal of a Manager – Any or all Managers may be removed, with or without cause, by the vote of a majority in interest of the Members at a meeting called expressly for that purpose. Any removal shall be without prejudice to the rights, if any, of the Manager(s) under any contract of employment. Upon the effectiveness of such removal, the Members may by the consent of a majority of the Unit Holders and the remaining Managers, if any, may elect a successor Manager to continue the business of the LLC, or continue the business of the LLC with the remaining Managers acting in that capacity.

8.9 Incapacity or Death of a Manager – In the event of the withdrawal, incapacity, or death of a Manager, the remaining Managers, if any, may continue the business of the LLC alone, or, at his or her option may appoint a successor Manager. If no remaining Managers exist, new Managers may be named by Unit Holders who own more than 50% of the outstanding Units.

Article IX AMENDMENTS

9.1 Amendments – This Agreement may be amended only with the written consent of the Managers and such Unit Holders as own two-thirds (2/3) of the outstanding Units. No amendment which is not approved in writing by such Members and Managers, however, shall change the purpose of the LLC, modify the term of the LLC, change the LLC to a general partnership, reduce the liabilities, obligations or responsibilities of the Managers, increase the liabilities or commitments of the Unit Holders or change the provisions of this Agreement requiring the unanimous consent of the Unit Holders to continue the business of the LLC.

Article X DISSOLUTION, WINDING UP AND LIQUIDATION

10.1 Events of Dissolution – The LLC shall be dissolved upon the earlier occurrence of any of the following: (a) at the time specified in the Articles of Organization, if any; (b) upon the happening of events specified in the Articles of Organization, if any; (c) by the vote of a majority

in interest of the Members, (d) upon the occurrence of a Dissociation Event, unless the business of the LLC is continued by a vote of a majority in interest of the remaining Members within 90 days of the happening of the event, or (e) by decree of judicial dissolution pursuant to the Act.

10.2 LLC Continuation – The LLC shall not be dissolved by the death, withdrawal, retirement or incapacity of a Manager, provided the business of the LLC is continued by a remaining or successor Manager pursuant to a right to do so stated in the Agreement, which right is hereby granted.

10.3 Winding Up

(a) In the event of dissolution as provided above (including in the event that Members do not elect a successor Manager and continue the business of the LLC as provided above), the business of the LLC shall be wound up, and the assets distributed as provided herein. The winding up of the affairs of the LLC and the distribution of its assets shall be conducted by the Managers who are hereby authorized to do any and all acts and things authorized by law for these purposes. Upon the dissolution and the completion of winding up of the LLC, a Certificate of Dissolution shall be filed with the Secretary of State of the State of California pursuant to Section 17356 of the Act.

(b) In the event of the removal, death, incapacity, withdrawal or bankruptcy of the Managers, the winding up of the affairs of the LLC and the distribution of its assets shall be conducted by such person or entity as may be selected by such Unit Holders as own at least a majority of the outstanding Units, which person or entity is hereby authorized to do any and all acts and things authorized by law for these purposes. In winding up the affairs of the LLC, property may be sold and a Member may, if such Member desires, purchase such property for the fair market value thereof.

10.4 Liquidation

(a) Upon liquidation of the LLC, all assets of the LLC (except for the remaining rights associated with the Film itself) shall be liquidated and distributions shall be made to Members and the Managers in accordance with their positive capital account balances. Net profits and net losses resulting from transactions in connection with liquidation shall be allocated to each Member and Manager's capital account as set forth in Article V hereof. If upon liquidation, Managers have a deficit capital account, such Managers must restore the amounts of such deficits to the LLC. Upon the Dissolution of the LLC all property rights and ancillary rights in the Motion Picture shall revert to and be distributed to the Managers.

(b) After dissolution and liquidation, all remaining assets of the LLC shall be paid in the following order: (i) to third party creditors (including any lending bank), in the order of priority provided for by law; (ii) to the Managers for reimbursement of any unreimbursed expenses advanced by such Managers or other amounts owed to such Managers by the LLC; (iii) to the Members in accordance with their ending Capital Account balances.

(c) If all of the Members and Managers shall so determine, payments on dissolution, or any other LLC distributions, may be made in whole or in part in kind.

Article XI MISCELLANEOUS PROVISIONS

11.1 Notices – Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party to whom the same is directed or three (3) business days after deposit in the United States mail, registered or certified, postage and charges prepaid, addressed to each Member or Managers, as applicable, at the applicable address specified by such Member in the Subscription Agreement. A Member may change such Member's address for purposes of notice by a writing sent in accordance with this Section to the Managers.

11.2 Power of Attorney – Each Unit Holder, upon execution of an Offering Subscription Agreement and approval of the Managers, hereby makes, constitutes and appoints Aaron Tudisco as such Unit Holder's true and lawful attorney, with full power of substitution, for such Unit Holder and in such Unit Holder's name, place, stead and benefit, to sign this Agreement, and subject to any applicable consent requirements contained in this Agreement, to sign, execute, certify, swear, acknowledge, file and record any other documents, instruments and conveyances as may be necessary or appropriate to carry out the provisions or purposes of this Agreement or which may be required of the LLC by law in California, or any other applicable jurisdiction, or by federal or state securities laws or other applicable laws, including, without limitation, amendments to or cancellations of the certificate and fictitious business name statements.

The foregoing grant of authority is hereby declared to be irrevocable and a power coupled with an interest and shall survive the death, incapacity or bankruptcy of any person hereby giving such power and the transfer or assignment for the whole or any portion of the LLC interest of such person; provided, however, that in the event of a transfer by a Unit Holder of all of such Unit Holder's Units, the foregoing power of attorney of a transferor Unit Holder shall survive such transfer until such time, if any, as the transferee shall have been duly admitted to the LLC as a Substitute Member.

11.3 Severability – If any provision of this Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality, and enforceability of the remaining provisions, or of such provision in any other jurisdiction, shall not in any way be affected or impaired thereby.

11.4 Applicability of California Law – This Agreement, and the application or interpretation hereof, shall be governed, construed and enforced exclusively by its terms and in accordance with the laws of the State of California without regard to its principles of conflict of laws.

11.5 Arbitration – Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement or any breach or alleged breach hereof shall be determined and settled by arbitration in California, pursuant to the rules then in effect of the American Arbitration Association, and any such determination or settlement shall be enforceable pursuant to the applicable provisions of the laws of the State of California. Any award rendered shall be final and conclusive upon the parties and a judgment thereon may be entered in the highest court of the forum (state or federal) having jurisdiction. An arbitrator shall be selected according to the procedure provided for under the commercial arbitration rules of the American Arbitration Association.

11.6 Headings – Headings at the beginning of each Article and Section of this Agreement are solely for the convenience of the readers and are not intended to control or influence in any manner the meaning of the specific language provided thereunder.

11.7 Entire Agreement – This Agreement, the accompanying Offering Memorandum, Non-Disclosure Agreement and the Subscription Agreement executed contemporaneously herewith contain the entire agreement between the Members and Managers relating to the subject matter hereof and all other agreements relative hereto which are not contained therein are terminated. Amendments, variations, modifications or changes herein may be effective and binding on the Members and Managers by, and only by, setting the same forth in a document duly executed and consented to by the holders of two-thirds (2/3) of the Interests owned by Unit Holders and Managers and any alleged amendment, variation, modification or change herein which is not so documented shall not be effective as to any Member or Managers.

11.8 Successors – This Agreement shall be binding on and inure to the benefit of the respective successors, assigns and personal representatives of the parties hereto, except to the extent of any contrary provision in this Agreement.

11.9 Consents and Agreements – Any and all consents and agreements provided for or permitted by this Agreement shall be in writing and a signed copy thereof shall be filed and kept with the books of the LLC.

11.10 Attorney's Fees – If any legal action or arbitration or other proceeding is brought by any party hereto for the enforcement of this Agreement or as a result of an alleged breach, default or misrepresentation in connection with any of the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and other costs incurred in such action or proceeding, in addition to any other relief in which the party may be entitled.

11.11 Waiver of Claims – Each Member is hereby urged to obtain the advice of independent counsel regarding all matters relating to this investment. To the extent that a Member chooses not to obtain separate legal representation on matters relating to the affairs of the LLC, such Member or Members hereby knowingly and willingly agree to waive any claims against the Managers' Counsel based on such Counsel's advice to his Managers clients as it relates to the LLC.

11.12 No Injunction – The parties hereto agree and acknowledge that in the event of a breach of any party hereto of any obligation hereunder, the damage caused any other party shall not be irreparable or otherwise so sufficient as to give rise to a right of injunctive or other equitable relief, and the parties hereto acknowledge that their rights and remedies in the event of any such breach shall be limited to the right, if any, to recover damages in an action at law or arbitration hereunder and shall not include the right to enjoin the development, financing, production, distribution or other exploitation of the Picture hereunder.

11.13 Cure – No party shall be liable to any other party for damages of any kind arising out of or in connection with any breach of this Agreement occurring or accruing before the breaching party has had reasonable notice of and opportunity to cure such breach.

11.14 Person – As used herein, the word “person” means any person, firm, partnership, association, corporation or other entity.

11.15 Counterparts – This Agreement may be executed in counterparts by each of the Members and Managers, all of which taken together shall be deemed one original.

Article XII
PURCHASER REPRESENTATIONS AND INDEMNIFICATION

12.1 Representations of the Unit Holder – Each Unit Holder hereby represents and warrants to the LLC and all Members and the Managers that the following statements are true: (a) Such Unit Holder is a bona fide resident of the state set opposite such Unit Holder's name on the signature page of the Subscription Agreement in that: (i) if a corporation, partnership, trust or other form of business organization, it has its principal office within such state; (ii) if an individual, such individual's principal residence is in such state; and (iii) if a corporation, partnership, trust or other form of business organization which has organized for the specific purpose of acquiring Units in the LLC, all of its beneficial owners are residents of such state.

(b) Such Unit Holder acknowledges the receipt of Ranch House Pictures L.L.C. Confidential Private Placement Offering Memorandum dated June 16, 2005, has thoroughly read such Offering Memorandum and understands the nature of the risks involved in the proposed investment; such Unit Holder has been advised that the Managers are available to answer questions about the purchase of Units in the LLC and such Unit Holder has asked any questions of the Managers which such Unit Holder desires to ask and has received answers from the Managers with respect to all such questions.

(c) Such Unit Holder is experienced and knowledgeable in business and financial matters in general and with respect to investments similar to the investment in this LLC and such Unit Holder is capable of evaluating the merits and risks of investing in this LLC, or such Unit Holder has obtained qualified and experienced independent advice with respect to evaluating the merits and risks of such Unit Holder's investment in this LLC and the purchase of such Units which such Unit Holder has relied on in making such investment decision and such Unit Holder can afford to bear the economic risk of this investment.

(d) Such Unit Holder recognizes that the LLC is newly organized and has no history of operations or earnings and is of a speculative nature.

(e) Such Unit Holder understands that no state or federal governmental authority has made any finding or determination relating to the fairness for public investment of the Units offered by the LLC and that no state or federal government authority has or will recommend or endorse these LLC interests.

(f) Such Unit Holder recognizes that prior to this Offering there has been no public market for the Units offered by the LLC and it is likely that after the Offering there will be no such market for the Units; and in addition, such Unit Holder understands that the transferability of the Units is restricted and that such Unit Holder cannot expect to be able to readily liquidate such Unit Holder's investment in case of emergency and that such Unit Holder may have to continue to bear the risk of holding the Units for an indefinite period.

(g) Such Unit Holder is making such investment for such Unit Holder's own account and not for the account of others, and is not buying with the present intention of reselling, transferring or subdividing all or any portion of the Units purchased and presently intends to hold the same until the Picture is made and exploited.

(h) In the absence of either an effective registration statement covering the Units under the Securities Act of 1933 and any applicable state securities laws, or an opinion of counsel satisfactory to the Managers that registration is not required pursuant to said Act and securities laws, such Unit Holder may not sell such units.

(i) Such Unit Holder has the net worth and has or anticipates the income set forth in the Subscription Agreement, signed and submitted by such Prospective Purchaser.

(j) Such Unit Holder is financially able to comply with such Unit Holder's obligations hereunder; and such Unit Holder has adequate means of providing for such Unit Holder's current financial needs and possible contingencies exclusive of such Prospective Purchaser's investment in the LLC.

(k) Such Unit Holder understands that the IRS may disallow some or all of the deductions or losses to be claimed by the LLC and that the IRS may attempt to treat the LLC as an association taxable as a corporation which could have an adverse economic effect on the Members by (i) taxation of the LLC as a corporation resulting in double taxation of income to the Members and no flow-through of losses and (ii) substantial reduction in yield, if any, of the Members' investment in the LLC.

(l) Such Unit Holder is aware that the Managers and their Affiliates may engage in businesses which are competitive with that of the LLC, and such Unit Holder agrees to such activities even though there may be conflicts of interests inherent therein.

12.2 Indemnification – Each Unit Holder shall and does hereby agree to indemnify and save harmless the LLC, the Managers, the Managers' Counsel and each other Unit Holder from any damages, claims, expenses, losses or actions resulting from (i) a breach by such Unit Holder of any of the warranties and representations contained in this Section or (ii) the untruth of any of the warranties and representations contained herein. If such warranties and representations are either breached or are not true, the Unit Holder who breached such warranties and/or representations, shall, at the election of the Managers, be subject to a rescission of such Unit Holder's rights or interests in the LLC.

[Signature page to follow]

IN WITNESS WHEREOF, the undersigned have executed the Agreement as of the date set forth below:

Aaron Tudisco

Stokes McIntyre

Christopher Hall

Kyra Ivanoff

EXHIBIT "B"
CHAIN OF TITLE DOCUMENTS

OPTION AND LITERARY PURCHASE AGREEMENT

June 18th This **OPTION AND LITERARY PURCHASE AGREEMENT** ("Agreement") dated 2003 ("Effective Date") when countersigned by you, will confirm the agreement between Aaron Tudisco and Stokes McIntyre ("PURCHASER") and Jon K. Langston and Peter Tannenbaum (each a "WRITER") for the acquisition of that original screenplay entitled Valley of the Sun (hereinafter called 'the Literary Property'). As used herein, the reference to PURCHASER includes PURCHASER's assignees.

I. **OPTION.** In consideration of PURCHASER's effort to produce the literary property, WRITER hereby grant to PURCHASER a six (6) month (Duration of Option) exclusive and irrevocable option coupled with an interest to acquire any and all motion picture allied and ancillary rights in order to develop and produce an original motion picture based on the Literary Property (the Picture) and exploit the Picture and all rights acquired herein ("Option"). The initial option period shall commence on the date of WRITER'S and PURCHASER'S execution hereof ("Option Period"), and may be extended for 4 total 6 month periods ("Extension Period") by the giving of written notice ("Renewal Payment"), and payment of an additional amount not to be less than or exceed \$2500 per additional Option, ("Additional Option Monies") at any time prior to the expiration of the prior Option Period.

- a) **Option Price.** The initial option price shall be \$2500 as full and complete payment of the Option. This amount and all Additional Option Monies is applicable towards the Purchase Price.
- b) **Option Reversion and Turnaround right:** If PURCHASER does not timely exercise the option and pay the option price, the option shall automatically terminate and any and all Rights in the Work shall immediately and automatically revert to WRITER without any obligation or payment to PURCHASER. WRITER shall retain all money previously paid to him under the Agreement. If the option is timely exercised and the minimum purchase price paid (\$40,000), but PURCHASER does not commence pre-production of the Work within three (3) years from the purchase date of the literary property, WRITER shall have a turnaround right to reacquire the Work upon reimbursement to PURCHASER of any and all expenses incurred by PURCHASER pursuant to development, production and all other costs duly related to the Work. If PURCHASER decides not to exercise the option under this Agreement at any time prior to the expiration of the Term or decides not to extend such option, PURCHASER agrees to notify WRITER of such decision as soon as reasonably possible, but in no event later than the applicable option deadline.

II. **ACQUISITION AND COMPENSATION:** If PURCHASER timely exercises its option by sending in writing to Writer informing Writer of same within Option Period and pays the Purchase Price during the option period, including any extension, the following terms shall apply:

- a) The WRITER shall assign, grant, transfer to PURCHASER all rights to produce an original motion picture including remakes and sequels, television long-form and series rights, 7,500 word promotional publishing rights, and ancillary rights thereto through multiple distribution channels and the right to sublicense the foregoing rights.

b) The PURCHASER, shall pay WRITER a purchase price of three percent (3%) of the film's final production budget, with a floor of \$40,000 and with no ceiling ("Purchase Price"), no later than the commencement of physical production

c) In addition to the aforesaid Purchase Price, WRITER shall receive future compensation as follows: With regard to any Production produced that is based in whole or in part on the original Work, Author shall be entitled to receive payments in accordance with industry standards and in good faith, upon commencement of principal photography of any such remake, sequel, television and/or cable production, at which time the terms will be agreed upon in writing by Author and Producer.

d) **PARTICIPATION.** PURCHASER shall pay WRITER a percentage participation of three percent (3%) of one hundred percent (3% of 100%) of the net profits (including all allied rights and exploitation of ancillary markets) of each motion picture and television program or series based on the Literary Property if WRITER receives sole or shared Screenplay credit. The definition of WRITER'S net profit participation shall be the same as the net profit participation granted to PURCHASER.

e) **EMPLOYMENT OF WRITER:** WRITER shall prepare two re-writes at the Purchasers direction without any further compensation. Producer shall have no obligation to employ WRITER for any subsequent rewrites or polishes. Any work created by WRITER for such a rewrite shall be a work for hire and all rights to WRITER's work shall be owned by Producer or his assignee.

f) All of the sums set forth as compensation in this paragraph are for the total amount of monies payable by PURCHASER. Unless WRITER instructs PURCHASER otherwise, said sums shall be payable fifty-five percent to Jon K. Langston and forty-five percent to Peter Tannenbaum.

III. **REPRESENTATIONS AND WARRANTIES:** Each WRITER hereby represents and warrants that: (a) WRITER has the sole, exclusive and unencumbered ownership of all rights of every kind and character throughout the world in and to the Literary Property and (b) the Literary Property was written solely by and is original with WRITER (c) neither the Literary Property nor any element thereof infringes upon any other literary property; (d) the production or exploitation of any motion picture or other production based on the Literary Property will not violate the rights to privacy of any person or constitute a defamation against any person, nor will production or exploitation of any motion picture or other production based thereon in any other way violate the rights of any person; (e) WRITER owns all rights in the Literary Property as specified hereinabove free and clear of any liens, encumbrances, claims or litigation, whether pending or threatened, (f) WRITER has full right and power to make and perform this Agreement; and (g) the Literary Property has not previously been exploited as a motion picture, television production, play or otherwise, and no rights have been granted to any third party to do so. WRITER hereby indemnifies PURCHASER against any loss or damage (including reasonable attorneys fees) incurred by reason of any breach or claim of breach of the foregoing representations and warranties. The term "person" as used herein shall mean any person, firm, corporation or other entity.

IV. **RIGHTS ACQUIRED:** The foregoing option covers the sole, exclusive, perpetual and worldwide motion picture, television and allied and incidental rights in the Literary Property and any and all screenplays or other adaptations thereof, whether heretofore or hereafter written by

WRITER or any other person, including theatrical, television (whether filmed, taped or otherwise recorded, and including series rights) cassette and other compact devices, sequel, remake and advertising rights (including 7,500-word synopsis publication rights), ; all rights to exploit, distribute and exhibit any motion picture or other production produced hereunder in all media now known or hereafter devised; all rights to make any and all changes to and adaptations of the Literary Property; merchandising, sound track, music publishing and exploitation rights; the right to use WRITER'S name in and in connection with the exploitation of the rights granted hereunder, and all other rights customarily obtained in connection with formal literary purchase agreements, as referred to in Clause 9 below. WRITERS will not exercise or dispose of, or permit the exercise or disposition of any rights reserved under this Agreement for a period of one (1) year after the domestic theatrical release of the motion picture based upon the Literary Property (herein the Picture).

V. **RIGHTS RESERVED:** Writer reserves exclusively only the following rights in and to the Work: (a) Print Publication Rights, subject to customary limited 7,500 word usage by Producer for advertising and publicity purposes and not for sale or resale; (b) non-dramatic Audio Recording Rights; (c) Live Stage Rights; (e) Radio Program Rights.

VI. **EXECUTION OF ADDITIONAL DOCUMENTS:** WRITERS each agree to execute any and all additional documents or instruments, including a short form option agreement (Exhibit A) and a short form assignment for purposes of recording in the Copyright Office (Exhibit B), and to do any and all things necessary or desirable to effectuate the purposes of this Agreement. If such short form assignment is undated, PURCHASER is authorized to date such short form assignment and to file the same in the Copyright Office immediately upon exercise of the option herein granted. If WRITER fails to do anything necessary or desirable to effectuate the purposes of this Agreement, including, but not limited to, renewing copyrights and instituting and maintaining actions for infringement of any rights herein granted to PURCHASER under copyright or otherwise, WRITER hereby irrevocably appoints PURCHASER as WRITER's attorney-in-fact with the right, but not the obligation, to do any such things and renew copyrights and institute and maintain actions in WRITER's name and behalf, but for PURCHASER's benefit, which appointment shall be coupled with an interest and shall be irrevocable.

VII. **CREDIT:** In determining whether WRITER is awarded sole, shared or no writing credit, reference shall be made to the principles of the WGA credit arbitration rules. Although PURCHASER is not a WGA signatory, and WRITER is not a member of the WGA, to the extent possible, the principles of the WGA credit arbitration rules shall be followed by the parties. In the event of a credit dispute, the arbitrator of such a dispute shall follow the WGA credit rules to the extent they do not conflict with the rules of AAA arbitration.

Subject to the foregoing provision, Purchaser agrees to accord WRITER credit on the positive prints of the motion picture substantially as follows.

STORY BY: Jon K. Langston WRITTEN BY: Jon K. Langston and Peter Tannenbaum

Such credit shall also be provided in paid advertising, subject to any distributors and customary exclusions for award, congratulatory and similar ads. Subject to the foregoing, the presentation of such credits shall be determined by PURCHASER. Any casual or inadvertent failure by PURCHASER, or any failure by any third party, to comply with the provisions of this clause shall not be deemed to be a breach of this Agreement. In the event of a failure or

omission of PURCHASER'S obligations under this clause, it is expressly agreed that WRITER's sole remedy shall be to seek damages in arbitration, and that in no event shall WRITER be entitled to obtain any injunctive or other equitable relief or undertake any legal efforts to restrict PURCHASER's right to exploit the Literary Property.

VIII. **ASSIGNMENT:** PURCHASER has the right to assign this Agreement or any part hereof to a third party motion picture company or motion picture production company upon the terms and conditions set forth in this Agreement, and any such assignment and transfer shall be made specifically subject to the terms and conditions and payments of this Agreement, regardless of whether or not PURCHASER becomes or remains involved in the production of the literary Property as producer or otherwise.

IX. **NOTICES:** All checks and notices from PURCHASER to WRITER shall be sent to WRITER by mail at the following address:

Jon K. Langston
153 Norfolk Street, #5H
New York, NY 10002

Peter Tannenbaum
421 East 9th Street, #E4
New York, NY 10009

All notices from WRITER to PURCHASER shall be sent to the PURCHASER at the following address:

Aaron Tudisco
6338 Broadway Terrace
Oakland, CA 94618

with a courtesy copy to:

Gregory Rutchik, Esq.
The Arts and Technology Group
2250 Bay Street, No. 210
San Francisco, CA 94123

All notices shall be deemed given upon receipt by the party to whom they are addressed or upon deposit in the ordinary course of the U.S. mail by the method specified above.

X. **MORE FORMAL AGREEMENT:** Until such time as a more formal agreement may be executed incorporating all of the foregoing and additional detailed representations, warranties and other provisions customarily included in such formal literary purchase agreements, this Agreement shall be binding upon and more to the benefit of the parties hereto and their successors, representatives, assigns and licensees.

XI. **RIGHT TO ENGAGE IN PREPRODUCTION:** During said Option Period or extension thereof, PURCHASER shall have the right (at its own expense) to engage in preproduction with respect to a motion picture or other production intended to be based on the Literary Property.

XII. **FORCE MAJEURE:** "Force Majeure" means any fire, flood, earthquake, or public disaster; strike, labor dispute or unrest; embargo, riot, war, insurrection or civil unrest; any act of God, any act of legally constituted authority; or any other cause beyond PURCHASER's control which would excuse PURCHASER's performance as a matter of law. If by reason of force majeure, PURCHASER'S performance hereunder is delayed, hampered or prevented, then the option period provided herein (and any performance by PURCHASER) shall be extended for the amount of time of such delay or prevention up to a maximum of six months.

XIII. **ARBITRATION:** Any controversy or claim arising out of or relating to this Agreement or any breach thereof shall be settled by arbitration in accordance with the Rules of the American Arbitration Association under the laws of the State of California. The parties select expedited arbitration using one arbitrator, to be a disinterested attorney specializing in entertainment law, as the sole forum for the resolution of any dispute between them. The venue for arbitration shall be San Francisco, California. The arbitrator may make any interim order, decision, determinations, or award she/he deems necessary to preserve the status quo until he is able to render a final order, decision, determination or award. The determination of the arbitrator in such proceeding shall be final, binding and non-appealable. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The prevailing party shall be entitled to reimbursement for costs and reasonable attorney's fees.

XIV. **MISCELLANEOUS.** This Agreement may only be modified by a writing signed by both parties. Waivers are only effective if in writing by the party to be charged.

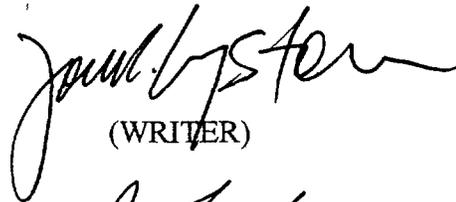
AGREED TO AND ACCEPTED.



(PURCHASER)



(PURCHASER)



(WRITER)



(WRITER)

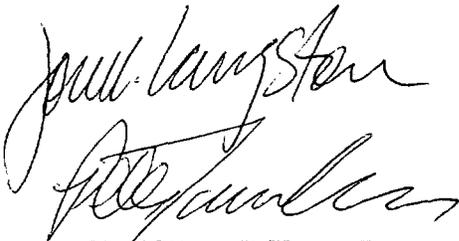
EXHIBIT "A"
SHORT FORM COPYRIGHT ASSIGNMENT

KNOW ALL PERSONS BY THESE PRESENTS that, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned Jon K. Langston & Peter Tannenbaum ('Assignors') do hereby sell, grant, convey and assign unto Aaron Tudisco & Stokes McIntyre (Purchaser/Assignee"), his successors, assigns and licensees forever, all right, title and interest including but not limited to the exclusive worldwide Motion Picture and allied rights of Assignor in and to that certain literary work to wit: that certain original screenplay written by entitled Valley of the Sun ('Literary Property'), and all drafts, revisions, arrangements, adaptations, dramatizations, translations, sequels and other versions of the Literary Property which may heretofore have been written or which may hereafter be written with the sanction of the Assignors.

This instrument is executed in accordance with and is subject to the Agreement (the 'Option/Acquisition Agreement') between the undersigned and the Assignee dated as of ___ 2003 (Date of Agreement) relating to the purchase of certain rights in the literary Property, which rights are more fully described in said Option/Acquisition Agreement.

Dated this _____ 2003 (Effective Date of Agreement).

ASSIGNORS:



ACKNOWLEDGMENT

THE STATE OF NEW YORK

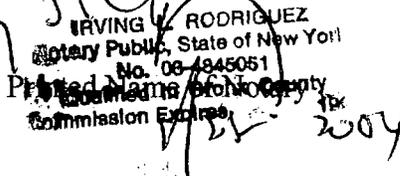
} ss. *New York*
COUNTY OF

This instrument was acknowledged before me on the 18th day of 2003, by WRITERS of the above named screenplay and assignor for this document and they are known by me to be the persons represented.

Notary Public in and for the State of New York

(Notary Seal)

My Commission Expires



IRVING L. RODRIGUEZ
Notary Public, State of New York
No. 08-4845051
Printed Name / Print County
Commission Expires 12/2004

As of August 26, 2003

Anna Meiners
Address:

Re: **VALLEY OF THE SUN**

Dear Anna:

When countersigned by you, this letter will constitute the agreement between Aaron Tudisco and Stokes McIntyre ("Producers") and you ("Consultant") regarding Consultant's services in connection with a theatrical feature motion picture project currently entitled "VALLEY OF THE SUN. We hereby agree as follows:

1. Producers hereby hire Consultant to provide two written drafts of consulting services with respect to the Picture. Any and all results and proceeds of Consultant's services hereunder (the "Work") shall be considered a "work made for hire" as such term is defined under U. S. copyright law, and Producers shall be the author of the Work and shall own the copyright and any and all other rights, title and interests of every kind and nature, without limitation as to time or territory, in and to the Work. In addition, to the extent, if any, the foregoing is insufficient to transfer title to the Work to Producers, Consultant hereby assigns any and all rights, title and interest in and to the Work to Producers.
2. In full consideration for Consultant's services and the Work, Producers agree to pay Anna Meiners two thousand five hundred dollars (\$2500.00) upon the commencement of physical production of the motion picture. The Consultant will also receive a percentage participation of one-half percent of one hundred percent (1/2% of 100%) of the net profits (including all allied rights and exploitation of ancillary markets) of each motion picture and television program or series based on the Literary Property. The definition of Consultant's net profit participation shall be the same as the net profit participation granted to Producers.
3. Producers shall have any and all rights necessary to use the Work in any manner. However, Producers shall be under no obligation to use the Work or any part thereof in any way.
4. Consultant acknowledges and agrees that any identification of Consultant in connection with the Work shall be at Producer's sole discretion.
5. Consultant warrants and represents that Consultant has the full right and authority to enter into and perform this Agreement, and that, other than material supplied to Consultant by Producers, (i) the Work shall be original with Consultant, (ii) no person other than Consultant created, collaborated or participated in the creation of the Work, (iii) the Work shall not infringe the copyright, or violate any other right, of any person or party whatsoever, and (iv) the Work shall not be libelous or otherwise unlawful in any respect.

6. Consultant agrees to indemnify and hold harmless Producers from any and all claims, expenses, causes of action and liabilities (including without limitation attorneys' fees and costs) arising out of any claim or demand which if sustained would constitute a breach of Consultant's warranties, representations and agreements set forth in this Agreement.
7. Consultant shall execute any and all instruments that may be necessary or proper to confirm Producer's ownership of the Work. If Consultant fails or is unable to execute any such documents or instruments, Consultant hereby appoints Producers' as Consultant's attorney-in-fact to execute such documents or instruments. Producers' rights under this paragraph constitute a power coupled with and interest, and are irrevocable. Upon execution of this Agreement, Consultant will execute the Short Form Assignment attached hereto as Exhibit "A" and the Certificate of Authorship attached hereto as Exhibit "B".
8. Producers shall be the sole owner of any and all rights in and to the results and proceeds of Consultant's services and Producers shall have the sole and perpetual right to use, exploit, advertise and exhibit the foregoing in any and all media, whether now known or hereafter devised, throughout the world in all languages, as Producers in its sole and unfettered discretion shall determine. The rights herein granted include the right of Producers, in its discretion, to make any and all changes in, additions to and alterations of the Work. To the fullest extent allowable under any applicable law, Consultant also hereby expressly waives or assigns to Producers any and all rights which Consultant may have, either in law, in equity, or otherwise, or which Consultant may claim to have as a result of any alleged infringement of the so-called "moral rights of authors" with respect to any use of the Work by Producers.
9. If Producers breach any of its obligations under this Agreement, the damage, if any, caused Consultant shall not be irreparable or sufficient to entitle Consultant to injunctive or other equitable relief. Consultant's rights and remedies shall be limited to the right, if any, to obtain damages at law, and Consultant shall not have any right in such event to terminate or rescind this Agreement or any rights granted to Producers hereunder or to enjoin or restrain any use or product of any use of the Work by Producers and/or any of Producers' rights hereunder.
10. This Agreement, regardless of its place of execution, shall be construed, interpreted and enforced in accordance with the laws of the State of California applicable to agreements executed, delivered and to be performed within such state.
11. This Agreement (and the attached exhibits) contain the entire understanding of the parties hereto. No modification hereof shall be binding unless in writing and signed by both parties.

Please confirm your agreement to the foregoing by signing in the space provided below.

PRODUCERS

By: _____
Aaron Tudisco

dated: _____

By: _____

dated: _____

Stokes McIntyre

AGREED TO AND ACCEPTED BY:

CONSULTANT

By: Anna Meiners dated: 9-17-03

Anna Meiners

EXHIBIT "A"

ASSIGNMENT

KNOW ALL PERSONS BY THESE PRESENTS: That for good and valuable consideration, receipt whereof is hereby acknowledged, the undersigned, Anna Meiners ("Consultant"), has granted to Aaron Tudisco and Stokes McIntyre ("Producers"), and its heirs, representatives, successors and assigns forever, all rights, including allied and ancillary rights, in all media throughout the world in perpetuity, in and to any and all proceeds of Consultant's services for Producers in connection with the project presently entitled "VALLEY OF THE SUN" based upon material owned by Producers, including all contents thereof, all present and future adaptations and version thereof, and the theme, title and characters thereof, and in and to the copyright thereof and all renewals and extensions of such copyright.

IN WITNESS WHEREOF, the undersigned have executed this Assignment this 17 day of September, 2003.

A handwritten signature in cursive script that reads "Anna Meiners". The signature is written in black ink and is positioned above a horizontal line.

Anna Meiners

EXHIBIT "B"

CERTIFICATE OF AUTHORSHIP

I, Anna Meiners, hereby certify that I am rendering services as an employee of Aaron Tudisco and Stokes McIntyre ("Producers") in connection with the development of a theatrical feature film project presently referred to as "VALLEY OF THE SUN" based upon the story/screenplay written and created by Jon K. Langston and Peter Tannenbaum & Aaron Tudisco and Stokes McIntyre and owned by Producers, pursuant to a written agreement dated as of the 17 day of Sept, 2003, in performance of my duties thereunder and in the regular course of my employment as an "employee for hire," as such term is defined under United States copyright law, and that Producers is the author of any and all results and proceeds of my services and entitled to the copyright therein and thereto, with the right to make such changes therein and such uses thereof as it may determine as such author.

IN WITNESS WHEREOF, I have hereto set my hand this 17 day of Sept, 2003.



Anna Meiners

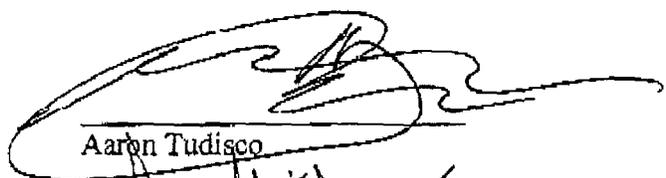
KNOW ALL MEN BY THESE PRESENTS:

1. ASSIGNMENT: For the sum set forth in Clause 7, below, and other good and valuable consideration, the undersigned, Aaron Tudisco and Stokes McIntyre (jointly and severally "Assignor") do hereby sell, grant, convey and assign to Ranch House Pictures, L.L.C. ("Assignee") all of Assignor's right, title and interest in and to:
 - (a) That certain original literary material entitled *Valley of the Sun* written by Jon K. Langston and Peter Tannenbaum (jointly and severally "Writer"), including literary or dramatic material based upon said literary material or upon which said literary material is based and the Rewrite (defined below) (collectively the "Property"), but not including any revision, adaptation, sequel, translation or dramatization or other version of the Property other than the Rewrite; and
 - (b) Any and all agreements of any kind pursuant to which Assignor may have heretofore acquired any right, title or interest in or to the Property (collectively "Agreements"), including, specifically, but without limitation, that certain executed Option and Literary Purchase Agreement dated as of June 18, 2003 between Assignor and Writer pursuant to which Writer granted Assignor the exclusive option ("Option") to purchase motion picture and allied rights in and to the Property that certain letter agreement dated August 26, 2003 between Assignee and Anna Meiners and pursuant to which Meiners was employed by Assignor to render certain writing services in connection with a rewrite of the Property ("Rewrite"); and
 - (c) Any and all warranties, indemnities and undertakings whatsoever acquired by Assignor with respect to the Property.
2. WARRANTIES: Assignor hereby represents and warrants:
 - (a) That Assignor has full and complete right, title and interest in and to the Property and has not sold, granted, conveyed or assigned any of Assignor's right, title or interest in or to the Property or to any of the Agreements to any person, firm or corporation other than Assignee;
 - (b) That, to the best of Assignor's knowledge, there are no liens or encumbrances on the Property and that no claims, proceedings and/or litigation exist or are pending with respect to the Property;
 - (c) That Assignor has the right to enter into this Agreement; and
 - (d) That all sums payable by Assignor prior to the date hereof pursuant to the Agreements have been paid.

3. **INDEMNIFICATION:** Assignor shall indemnify assignee, its successors, assigns, licensees and officers, and hold them harmless from and against any and all claims, liability, losses, damages, costs, expenses (including but not limited to attorneys' fees), judgments and penalties arising out of, resulting from, based upon or incurred because of the breach by Assignor of any warranty made by Assignor hereunder.
4. **ASSUMPTION OF OBLIGATIONS:** Assignee hereby assumes and agrees to be bound by all obligations of Assignor that accrue after the date hereof pursuant to the Option.
5. **FURTHER DOCUMENTATION:** Assignor shall execute, acknowledge and deliver to Assignee, or shall cause the execution, acknowledgment and delivery to Assignee of such further documents and instruments as Assignee shall deem necessary to effect the intent and purpose of this Agreement. If Assignor fails or is unable to execute any such documents or instruments, after Assignor's receipt of written notice from Assignee, Assignor hereby appoints Assignee as Assignor's attorney-in-fact to execute such documents or instruments, provided that these documents and instruments shall not be inconsistent with the terms and conditions of this Agreement. Assignee's rights under this paragraph constitute a power coupled with an interest, and are irrevocable.
6. **ORIGINAL COPY:** Assignor shall deliver to Assignee an original executed copy of the Option.
7. **CONSIDERATION:** As consideration in full for this Assignment and for all rights granted to Assignee herein Assignee shall pay Assignor the sum of \$40,000, which represents complete reimbursement for sums paid by Assignor to ("Writer") pursuant to the Option, receipt of which is hereby acknowledged;
8. **ASSIGNMENT:** Assignor may, not assign this Agreement to any person, firm or corporation. Assignee may assign this Agreement and the rights and services granted herein, together with the results and proceeds thereof, and the representations and warranties contained herein, to any person or entity.
9. **GOVERNING LAW:** This Agreement shall be construed in accordance with the laws of the state of California and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, licensees and assigns.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the 16th day of June 2005.

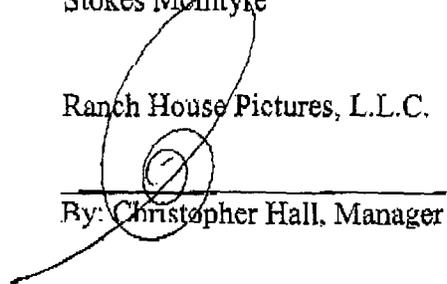


Aaron Tudisco



Stokes McIntyre

Ranch House Pictures, L.L.C.



By: Christopher Hall, Manager

Ranch House Pictures L.L.C.
SUBSCRIPTION DOCUMENTS

Ranch House Pictures L.L.C.

SUBSCRIPTION DOCUMENTS

SUBSCRIPTION INSTRUCTIONS

Should you wish to purchase Units in Ranch House Pictures L.L.C., please complete the following documents. Purchases made on behalf of a corporation should be accompanied by an executed copy of the Certificate of Corporate Resolution (included). Purchases made on behalf of a partnership, limited liability company or a trust should be accompanied by a copy of the partnership agreement, operating agreement or the trust agreement authorizing such purchases.

PURCHASER QUESTIONNAIRE: (page 3) Respond in full to all of the information requested and sign page 7.

SUBSCRIPTION APPLICATION AND AGREEMENT: (page 8) Please complete the required information, date, and provide appropriate signatures on page 12.

CERTIFICATE OF CORPORATE RESOLUTION: (page 13) If purchase is being made on behalf of a corporation, please fill in blanks on page 12 and have the Corporation's Secretary sign on page 13.

IRS FORM W-9: Each subscriber must complete and execute the "Request for Taxpayer Identification Number and Certification" (IRS Form W-9), which accompanies the Subscription Documents.

MAKE CHECK PAYABLE TO: **"Ranch House Pictures L.L.C."**

SEND CHECK/DOCUMENTS TO: Ranch House Pictures L.L.C.
 ATTN: AARON TUDISCO
 120 Second Street, 3rd floor
 San Francisco, CA 94104

Ranch House Pictures L.L.C.

PURCHASER QUESTIONNAIRE

The Offering of limited liability company interests ("Units") in Ranch House Pictures L.L.C. is being made pursuant to the exemptions provided by Sections 3(b) and 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), Regulation D promulgated thereunder and applicable state exemptions from securities registration in the states in which Units are being offered. One of the requirements of securities regulations is that the persons involved in the offering and sale of the relevant securities must have reasonable grounds to believe that the purchaser either alone or together with such purchaser's Purchaser Representative, if any, has such knowledge and experience in financial and business matters that such purchaser is capable of evaluating the merits and risks of the prospective investment.

The purpose of this Questionnaire is to assist in complying with the above requirements. By signing below, you agree that the Managers may present this Questionnaire to such parties as it deems appropriate in order to be assured that the offer and sale of Units to you will not result in violation of the available exemptions from registration under the Act or any applicable state securities laws. Otherwise your answers to this Questionnaire will be kept strictly confidential.

If you are acting as agent for a corporation, partnership, limited liability company, trust or any other entity, any reference to the term "you" shall mean such corporation, partnership, trust, or other entity.

Please complete this Questionnaire as fully as possible, sign and date. PLEASE PRINT OR TYPE. IF THE ANSWER TO ANY QUESTION IS "NONE" OR "NOT APPLICABLE," PLEASE STATE THIS.

I. INDIVIDUALS

Please complete the following if you are investing as an individual:

Name

Date of Birth

Marital Status

Permanent Home Address

Home Telephone Number

Social Security Number

Citizenship

Name of Employer

Nature of Business

Position

General Duties

Business Address

Business Telephone Number

Are you acting for your own account?

Yes () No ()

If you are not acting for your own account, please complete the following:

(1) Capacity in which you are acting (Agent, Trustee, or otherwise):

(2) Name, address, and telephone number of person(s) you represent

(3) Please attach evidence of authority

II. CORPORATIONS OR OTHER ENTITIES

Please complete the following if you are investing as a corporation, partnership, trust, or other entity:

Name of corporation, partnership, trust or entity

Employer Identification No.

Business Activities

State and Year of Organization

Fiscal Year

Business Address

Business Telephone Number

Has the corporation, partnership, trust or entity been formed for the specific purpose of making the investment contemplated herein?

Yes () No ()

Has the corporation,
partnership, trust, or entity
been in existence for less than
90 days prior to the date
hereof? Yes () No ()

III. ALL PURCHASERS

All purchasers should initial the appropriate spaces either in Section A or in Section B, depending on whether you qualify to invest as an "Accredited Investor" (Section A) or as a "Non-Accredited Investor" (Section B). Then, all purchasers should complete Sections C and D.

A. Accredited Investor Status

1. **Individual Subscribers**—The undersigned hereby certifies that he/she is an accredited investor because (initial one or more of the following):

___ a. He/she had individual income (exclusive of any income attributable to spouse) of more than \$200,000 in each of the last two full calendar years, or joint income with spouse of more than \$300,000 in each of those years, and he/she reasonably expects to have an individual income of more than \$200,000 in the current calendar year, or joint income with spouse of more than \$300,000 in the current calendar year.

(Please note that "income" does not refer simply to gross income or total revenues. Income for a particular year may be calculated by adding to your adjusted gross income as calculated for Federal income tax purposes any deduction for long term capital gains, any deduction for depletion allowance, any exclusion for tax exempt interest and any losses of a partnership allocated to you as a partner.)

___ b. He/she has a net worth as of the date hereof (individually or jointly with spouse), including the value of home, furnishings and automobiles, in excess of \$1,000,000.

___ c. He/she is a director, executive officer or manager of the LLC.

2. **Subscribers Other Than Individuals**—The undersigned hereby certifies that it is an Accredited investor because it is (initial one or more of the following):

___ a. A bank as defined in Section 3(a)(2) of the 1933 Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Securities Act, whether acting in its individual or fiduciary capacity.

___ b. A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.

___ c. An insurance company as defined in Section 2 (13) of the 1933 Securities Act.

___ d. An investment company registered under the Investment Company Act of 1940, as amended, or a business development company as defined in Section 2(a)(48) of that same act.

___ e. A small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

___ f. It is a trust or estate in which a purchaser and any of the persons related to such purchaser as specified in subparagraphs (3)(iii) or (3)(v) collectively have more than 50% of the beneficial interest (excluding contingent interests).

___ g. It is a corporation or other organization of which a purchaser and any of the persons related to such a purchaser as specified in the subparagraphs (3)(iii) or 3(iv) collectively and beneficial owners of more than 50% of the equity securities (excluding director's qualifying shares) or equity interests.

- _____ h. It is a private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940.
- _____ i. It is an entity in which all of the equity owners are (1) a bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the Issuer, a self-employed individual retirement plan, or individual retirement account), any organization described in Section 501(c)(3) of the Internal Revenue Code which has total assets of not less than \$5,000,000 according to its most recent audited financial statement, any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than \$14,000,000, and any wholly-owned subsidiary of the foregoing institutional investors), or (2) persons listed in subparagraphs (c)(i) through (v) and (c)(vii) through (xi).

B. Non-Accredited Investor Status

Initial all appropriate spaces in this part to indicate the basis upon which you qualify as a non-accredited investor for purposes of Regulation D.

The undersigned hereby certifies that he/she is a qualified non-accredited investor because he/she is an individual or entity other than an Employee Benefit Plan, a Keogh Plan or IRA having either (initial one or more of the following):

- _____ 1. If purchasing a single Unit (\$20,000), a net worth (exclusive of home, home furnishings and personal automobiles) of at least \$200,000; or
- _____ 2. A net worth at least ten (10) times greater than the amount for which the investor has subscribed.

C. Other investor Suitability Information

- 1. Are you aware that the proposed Offering of Units requires your capital investment to be maintained for an indefinite period of time? Yes () No ()
- 2. Please indicate below the general, business or professional education and the degrees received by you (or, if the Purchaser is a corporation, partnership, trust, or other entity, by the person completing this Questionnaire on its behalf).

<u>School</u>	<u>Degree</u>	<u>Year Received</u>

- 3. Please describe your principal business activities or the business activities of the corporation, partnership, trust, or entity during the last five years.

D. Investment Experience:

- 1. Frequency of investment in market securities: often (); occasionally (); seldom (); never ().
- 2. Frequency of investment in commodities futures: often (); occasionally (); seldom (); never ().
- 3. Frequency of investment in options: often (); occasionally (); seldom (); never ().
- 4. Frequency of investment in securities purchased on margin: often (); occasionally (); seldom (); never ().
- 5. Frequency of investment in illiquid securities: often (); occasionally (); seldom (); never ().

6. Please indicate any previously purchased securities, sold in reliance on private offering exemptions from registration under the 1933 Act, within the past 3 years.

<u>Year</u>	<u>Nature of Security</u>	<u>Issuer</u>	<u>Business of Issuer</u>	<u>Total Amount Invested</u>

7. Indicate in the space provided below any additional information which you think may be helpful in determining that your knowledge and experience in financial and business matters is sufficient to enable you to evaluate the merits and the risks of investing in the restricted securities offered pursuant to the Memorandum of which this forms a part.

I hereby acknowledge that the foregoing statements are true and accurate to the best of my information and belief, and that I will promptly notify the Managers of any changes in the foregoing answers. I further acknowledge that I have requested and hereby authorize the above-named individual to act as a Purchaser Representative in connection with the evaluation of the merits and risks of a prospective investment by the corporation, partnership, trust, entity, or me in the LLC and that I have read and understood the Purchaser Representative Questionnaire delivered to you herewith.

IN WITNESS WHEREOF, I have executed this questionnaire this ____ day of _____, 200 ____.

Place of Execution: _____

Signature

Printed Name

Title, if Applicable

Ranch House Pictures L.L.C.

SUBSCRIPTION APPLICATION AND AGREEMENT

Aaron Tudisco, Manager
Ranch House Pictures L.L.C.
120 Second Street, 3rd Floor
San Francisco, CA 94104

Dear Aaron:

- A. I hereby make application for the number of Ranch House Pictures L.L.C. limited liability company interests ("Units") set forth below, which are being offered in Ranch House Pictures L.L.C., pursuant to the Confidential Private Placement Offering Memorandum ("Memorandum") associated with such Offering and dated as of **June 16, 2005**.
- B. I am herewith tendering payment for the subscribed for Units by delivering a check payable to **Ranch House Pictures L.L.C.**, in the amount of \$ _____ (\$20,000 per Unit) or an approved purchase of a fractional Unit).

I understand that the offering of Units will terminate on or before **June 16, 2006**, unless extended by the Managers. In the event that my subscription is not accepted all documents and funds delivered by me will be returned promptly to me without deduction. Upon receipt of such funds I will forthwith return the Memorandum to the Managers. In the sole discretion of the Managers, less than the full number of Units subscribed for by me may be accepted, whereupon the excess funds tendered by me will be returned promptly.

It is understood that this subscription is not binding unless and until it is accepted by the Managers. I also understand and agree that my subscription for Units shall not be deemed binding upon the Managers until the funds paid by me clear and are credited to the special segregated interest-bearing account set up by the Managers to hold Subscriber funds.

- C. I acknowledge that either (a) I have not utilized the services of a "Purchaser Representative" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended); or (b) if I have utilized the services of a Purchaser Representative, such Purchaser Representative's identity is disclosed in my purchaser Questionnaire. Such person(s) disclosed assisted me in evaluating my investment as contemplated herein and I have been advised by my Purchaser Representative, if any, as to the merits and risks of the investment in general and the suitability of the investment in particular. My purchaser Representative, if any, has confirmed to me in writing in the past, present, or future material relationship, actual or contemplated, between the Purchaser Representative and any entity or its affiliates described in the Memorandum.

I acknowledge that I have received, read, understand, and am familiar with the Memorandum, including all attachments and exhibits thereto and hereby agree that all of the terms and conditions set out in such Memorandum are incorporated herein by reference as if included within this Subscription Application and Agreement.

I further acknowledge that, except as set forth in the Memorandum, no representations or warranties have been made to me, or to my advisors, by the Managers or by any person acting on behalf of the Managers, with respect to the proposed business contemplated by the LLC, the deductibility of any item for tax purposes, and/or the economic, tax, or any other aspects or consequences of a purchase of Units, and that I have not relied upon any information concerning the Offering, written or oral, other than that contained in the Memorandum.

I further acknowledge that I have received, completed, and returned to the Managers the Purchaser Questionnaire relating to my general ability to bear the risks of an investment in the LLC and my suitability as a Purchaser in the Offering, and I hereby affirm the correctness of my answers therein.

- D. I further represent and warrant to the Managers and its Counsel as follows:
1. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in this LLC;

2. I have the basic means to provide for my current needs and personal contingencies, have no need for liquidity in this investment and have the ability to bear the economic risks of this investment, including loss of the investment;
3. I am acquiring the Units for my own account for a long-term investment and not with a view towards the resale or distribution thereof and have no present intention of selling or granting any participation in, or otherwise distributing, the Units;
4. My overall commitment to investments is not disproportionate to my net worth and the investment in these Units will not cause such overall commitment to become excessive;
5. I have read and understood the Memorandum and all accompanying Exhibits; and
6. I am either:
 - a. An individual whose net worth (jointly with spouse and including home furnishings and automobiles) is at least \$1 million dollars; or
 - b. An individual with an income in the two prior years and an estimated income in the current year in excess of \$200,000 or joint income with spouse of \$300,000 [for individuals, "income" shall mean your adjusted gross income as reported on your Federal tax returns increased by (i) any deduction for long term capital gain, (ii) any deduction or depletion, (iii) any exclusion for interest, and (iv) any losses allocated to you as an individual]; or
 - c. An individual whose net worth (exclusive of home, home furnishings and personal automobiles) is at least \$200,000 or the investment in the LLC does not represent more than 10% of my net worth or
 - d. A corporation, partnership, or other organization (an "entity") in which either
 - (i) Each shareholder, partner, or equity owner (as appropriate) individually satisfies the net worth or income standards set forth in the foregoing clauses (a) or (b); or
 - (ii) The organization is (A) an institutional investor as defined in Rule 501(a)(1) of the Securities and Exchanges Commission, (B) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, or (C) an organization described in Section 501 (c)(3) of the Internal Revenue Code with assets in excess of \$5,000,000.
7. In addition to the representations and warranties made in the preceding subparagraphs (1) and (2), I am a resident of (or the purchasing entity that I represent is domiciled in) the state or states noted in the preceding Purchaser Questionnaire and indicated below. I hereby acknowledge by date and my signature below that I have read, understand, and acknowledge the Legend(s) and/or Purchaser Representation(s), if any, that apply to such state(s) as set out in "Blue Sky Regulations or Multi-State Securities Law Notices" below.
8. I have been represented by such legal and tax counsel and others, each of whom has been personally selected by me, as I have found necessary to consult concerning this transaction, and such representation has included an examination of applicable documents and an analysis of all tax, financial, recording and securities law aspects thereof. I, my counsel, my advisers, and such other persons with whom I have found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate both the information set forth in the Memorandum and the risks of the investment, and to make an informed investment decision with respect thereto.
9. With respect to the tax aspects of my investment, I am relying solely upon the advise of my own personal tax advisors, and upon my own knowledge with respect thereto.
10. By signing the Subscription Agreement, I hereby specifically consent to the methods set forth in the Operating Agreement and Memorandum by which allocations of net income, net loss, tax credits and other items are made as an express condition to becoming a Unit holder.
11. The Managers have made available to me, my counsel and my advisors, prior to the date hereof, the opportunity to ask questions of, and to receive answers from, its principals and their representatives concerning the terms and conditions of the Offering and access to any information, documents, financial statements, records and books (i) relating to the LLC, the Managers, the business, the Offering and an investment in the Units, and (ii) necessary to verify the accuracy of any information furnished to me. All materials and information required by either me, my counsel,

my advisors, or others representing me, including any information required to verify any information furnished, have been made available and examined. I have been advised that the books and records of the Managers as such relates to the LLC will be available upon reasonable notice for inspection by purchasers during reasonable business hours at the LLC's principal place of business.

12. I understand that the Units have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), nor pursuant to the provisions of the securities or other laws of any other applicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) of the 1933 Act, Regulation D promulgated thereunder, and the laws of such jurisdictions. I am fully aware that the interest subscribed to by me is to be sold to me in reliance upon such exemptions based upon my representations, warranties, and agreements. I am fully aware of the restrictions on sale, transferability, and assignment of the Units, and that I must bear the economic risk of my investment in the Units for an indefinite period of time because the Units have not been registered under the 1933 Act or an exemption from such registration is available.
 13. My execution and delivery of this Subscription Application have been duly authorized by all necessary action. I will not transfer or assign this Subscription Application or any of my interest herein without complying with the procedure set forth in the Memorandum. I am acquiring the Units hereunder for my own account and not for the account of others and for investment purposes only and not with a view to or for the transfer, assignment, resale, or distribution thereof, in whole or in part. I have no present plans to enter into any such contract undertaking, agreement or arrangement.
 14. I agree that I shall not cancel, terminate or revoke this Application or any agreement of the undersigned made hereunder and that this Application shall survive the death or disability of the undersigned, except as provided in Section B of this Application, or pursuant to the laws of the applicable jurisdiction.
 15. I am aware that the Managers have limited experience and that the Units are speculative investments involving a high degree of risk.
 16. I recognize that a certain amount of flexibility in such a program is necessary and I understand that the Managers have reserved, and I hereby specifically authorize a considerable amount of discretion to be exercised by the Manager in numerous matters relating to the Offering and LLC as described in the Memorandum and the Operating Agreement.
 17. I understand and agree that as a condition to any subscription for Units and as set forth in the Operating Agreement, I hereby appoint Aaron Tudisco as my true and lawful attorney, with full power of substitution, to sign the Operating Agreement in the form attached to the Memorandum as Exhibit A, and assume all rights and responsibilities set forth therein. My ownership interest in the Company shall be governed solely in accordance with such Operating Agreement, the Company's Articles of Organization and the California Corporations Code Section 17000, et seq. (aka Beverly-Killea Limited Liability Company Act), as amended from time to time.
 18. The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction.
 19. I understand the meaning and legal consequences of the foregoing representations and warranties, which are true and correct as of the date hereof and will be true and correct as of the date of my purchase of the Units subscribed for herein. Each such representation and warranty shall survive such purchases.
- E. I hereby agree to indemnify and hold harmless the Managers and its affiliated persons including the Managers' Counsel from any and all damages, losses, costs, and expenses (including reasonable attorney's fees) that they, or any of them, may incur by reason of my failure, or alleged failure, to fulfill any of the terms and conditions of this subscription or by reason of my breach of any of my representations and warranties contained herein.
- F. All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned at my address set forth below and to Ranch House Pictures L.L.C., ATTN: AARON TUDISCO, Manager, 120 Second Street, 3rd Floor San Francisco, CA 94104.
- G. Notwithstanding the place where this agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of the state of New York.

H. This agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties.

I. **MULTI-STATE ("BLUE SKY") SECURITIES LAW NOTICES:**

In addition to the representations and warranties made in the preceding paragraphs, I am resident of (or the purchasing entity that I represent is domiciled in) the state or states noted in the preceding Purchaser (or Purchaser Representative) Questionnaire and indicated below. I hereby acknowledge by date and my signature below that I have read, understand, and agree with the legend(s) and or purchaser representation(s), if any, that apply to such state(s) as set out below. I affirm that I understand that some state exemptions do not require legends and purchaser representations.

1. **NEW YORK:** These securities are being offered in reliance upon on the interpretation of private offerings and G.B.L. art 23-A § 359-(c) ("The Martin Act") contained in People v. Landes 84 N.Y. 2d 655 (1994), or other available New York transaction exemptions. No specific legends are required.
2. **CALIFORNIA:** These securities are being offered in reliance upon Cal. Code §25102(f) or other available California transaction exemptions. No specific legends are required.
3. **TEXAS:** These securities are being offered in reliance upon Tex. Rev. Civ. Stat. art. 581-5(T) or other available Texas transaction exceptions. These securities have not been registered under any securities law and may not be transferred and/or sold without registration.
4. **ARIZONA:** These securities are being offered in reliance upon A.R.S. §44-1843.02 or other available Arizona transaction exemptions. These securities have not been registered under the Arizona Securities Act and may not be transferred and/or sold without registration.

IN WITNESS WHEREOF, I have executed this Subscription Application this ____ day of _____, 20____.

Individuals:

Entities:

Name

Name of Entity

Signature

Signature and Title

Name of Joint Tenant or
Tenant-in-Common, if any

Resident State

Signature of Joint Tenant or
Tenant-in-common, if any

Domicile State

TO BE COMPLETED BY ALL APPLICANTS:

of Units

Street Address

Telephone Number

Price per Unit is \$20,000,
payable in full, to "Ranch
House Pictures L.L.C."
upon subscription

City and State

Social Security Number

Paid \$ _____ in cash

Name and Address of Purchaser
Representative, if any:

APPROVED AND ACCEPTED this ____ day of _____ 200____.

Ranch House Pictures L.L.C.

By _____
Aaron Tudsico, Manager

(If a Purchaser Representative has been used, this Subscription Application must be accompanied by an executed Purchaser Representative Questionnaire.) **EACH SUBSCRIBER MUST ALSO COMPLETE AND EXECUTE THE REQUIREST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION (IRS FORM W-9) WHICH ACCOMPANIES THESE SUBSCRIPTION DOCUMENTS.**

CERTIFICATE OF CORPORATE RESOLUTION

The undersigned, Secretary of _____ (the "Corporation"), a corporation, does hereby certify that said corporation is duly organized and existing under the laws of the State of _____; that all franchise and other taxes required to maintain its corporate existence have been paid when due and that no such taxes are delinquent; that no proceedings are pending for the forfeiture of its Certificate of Incorporation or for its dissolution, voluntarily or involuntarily; that it is duly qualified to do business in its state of incorporation and is in good standing in such State; that there is no provision of the Articles of Incorporation or by-laws of said corporation limiting the power of the Board of Directors to pass the resolutions set out below and that the same are in conformity with the provisions of said Articles of Incorporation and by-laws; that the Secretary is the keeper of the records and minutes of the proceedings of the Board of Directors of said corporation and that on _____, 200__, the following resolutions were duly and legally adopted in writing by the unanimous consent of all Directors, which unanimous consent was and is in the form required by and in conformity with the by-laws of the corporation and by law and that the same have not been altered, amended, rescinded or repealed and are now in full force and effect.

RESOLVED: that the Corporation purchase _____ Units (interests in Ranch House Pictures L.L.C.), for the price and upon the terms described in the associated Offering Memorandum dated **June 16, 2005** and

FURTHER RESOLVED that _____, who holds the office of _____ with the Corporation be authorized, directed, and empowered to execute such instruments and documents as may be required in connection with the purchase of such Units including, but not limited to a Purchaser Questionnaire, Subscription Application, and such further and additional documents or instruments required in connection with such purchase.

The undersigned does hereby certify that the following person is the officer of the Corporation authorized to act and sign in accordance with the foregoing resolution:

Name

Office

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said Corporation and have attached hereto the official seal of said Corporation, on this _____ day of _____, 200__.

(Corporate Seal)

Secretary