



I. EXECUTIVE SUMMARY

A. General Overview

Every few decades a major new technology or market trend results in a wholesale leap in business opportunities for creators of American filmed entertainment. . In the 1930's and 1940's the introduction of sound and color photography necessitated a vast overhaul of Hollywood's infrastructure and talent pool. In the 1950's and 1960's the rapid penetration of television led to the growth of a huge new production industry. In the 1970's and 1980's, widespread consumer adoption of cable delivery and VCRs enabled film and television producers to more than double their revenue base in a few short years. Now, in the year 2001 rapidly accelerating overseas demand for filmed entertainment is driving a new wave of growth and profitability for American production companies. New distribution technologies like Internet streaming and direct-to-home satellite transmission have increased the number of channels available, and the need for content has increased accordingly. Although there are many established companies competing for the global entertainment dollar, the market is expanding so quickly that it has created abundant opportunities for new startups with sound niche strategies.

In March of 2001, Valencia Entertainment International LLC and SBI Inc. merged and the new company is ValCom, Incorporated (the "Company"), which was formed to profitably exploit these new global opportunities. The Company is a diversified company engaged in the development, financing and production of entertainment content for the worldwide audience. Using its successful 12-stage studio facility in Valencia, California as its base, the Company intends to focus its activities primarily on the creation of movie of the week films and television programs for global theatrical and television distribution, with a secondary focus on the burgeoning field of entertainment-oriented interactive media. The Company's objective is to build asset value by creating a library of wholly owned programs whose distribution rights will be exploited in all markets and all media. In addition, when the timing is appropriate the Company will establish divisions to exploit ancillary revenue opportunities generated by its programs in the merchandising, book and record publishing, new media, and merchandising industries.

VALCOM began with a dream to build a successful company in which all facets of production could feasibly be done under one roof. The doors to **VALCOM** opened for the first time in 1995 with hit shows like Paramount's 'JAG' and Disney's 'Mighty Morphin Power Rangers', not to mention numerous pilots being filmed at the facility.

The company **VALCOM** is subdivided up into five main divisions; Studio, Motion Picture and Television, Broadcast Television, Live Theatre and Rental Division. With the responsibilities of **VALCOM** broken down and delegated into these divisions, the company operates smooth and efficiently.



Each of these five divisions thrives and continues to grow. The stages are continually booked. Television programs and movies have been distributed around the world. Many more projects continue to be developed. The Company is a diversified entertainment company with the following operating activities:

Studio Rental

ValCom's business includes television production for network and syndication programming, motion pictures, however, revenue is primarily generated through the lease of the sound stages and production. ValCom's past and present clients in addition to Paramount Pictures include Warner Brothers, Universal Studios, MGM, HBO, NBC, 20th Century Fox, Disney, CBS, Sony, Showtime, and the USA Network. In addition to leasing its sound stages, ValCom also owns a small library of 143 films and 10 television shows, which is ready for worldwide distribution and several major television series in advanced stages of development. ValCom's Studio Division is composed of three properties: 920 South Commerce, 41 North Mojave which ValCom has 1/3 equity in the real estate of 7.5 acres, 160,000 square feet of commercial space, and the most recently acquired Burbank Studios with over 25,000 square feet of production facilities giving ValCom a total of 11 sound stages and a recording studio. Corporate offices are located at the Las Vegas Commerce facility which houses a state-of-the-art production studio, broadcast facilities, recording studios, animation and post-production.

Studio Equipment Rental

Studio equipment and rental - operating under the name Half Day Video, Inc., the Company supplies and rents personnel, cameras and other production equipment to various production companies on a short-term or long-term basis. Half Day Video has been servicing the Hollywood community for over 15 years.

Film & Television Production

The Company, in addition to producing its own television and motion picture programming, entered into a production agreement with entertainment industry billion dollar producer Jeff Franklin who also joins ValCom's Strategic Advisory Board. Franklin has brought in more than \$2 billion in domestic box office sales and with the addition of the film division.

Mr. Franklin is one of producers of the theatrical feature, "Casper" and is executive producer on "Kull, The Conqueror," "Cold Around The Heart," "Stuart Little," and "Stuart Little 2."

Animation

As part of **VALCOM's** strategy to develop into a true state-of-the-art vertically integrated production company it announced in August 2005 the merger with Digital Animation Media, Ltd. ("**DAM**"). **DAM** was formed in August 2004 through the merger of the TerraGlyph companies and Cambridge Animation Systems. TerraGlyph has been conducting business as an interactive games developer, animation production facility and independent producer of feature films, videos and television series for over 10 years. Cambridge Animation has been a leading developer of digital animation software since 1990 and markets its Animo animation software worldwide (www.animo.com).



The Company has expanded into the animation industry in a big way. It has entered into a partnership agreement with O Atlas Enterprises, Inc., owner of “New Zoo Revue”, which has aired in over 25 countries and over 80% of the U.S. television market. The Company intends to produce a 2 hour animated feature film, as well as 13 episodes for a television series using the latest animation technology.

Broadcast Television

Valcom currently owns 45% of KVPS Channel 8 in Palm Springs, California. We are currently in the process of acquiring an additional 5 full-power television permits, one being a major station in the southeast United States, and one of the top ten teleports in the country.

Live Theatre Division

The Live Theatre Division was launched in early 2006. The Division will focus on the production and operating of live shows, primarily in the Las Vegas market. The first production, a classic Las Vegas revue called Headlights and Tailpipes has been in production at the Stardust Hotel. We are currently moving the show to a major Las Vegas Property and are in the process of closing a sponsorship and aggressive marketing campaign for the launch of the new show. Additionally, Valcom is pursuing development of other shows including a show A-list Hollywood talent and a History of Motown Theatrical Show. All Las Vegas shows are being produced to be able to take each show out as a touring show.

Facilities — **VALCOM** is headquartered at 920 South Commerce Street in Las Vegas, Nevada less than one mile from the world famous Las Vegas “strip”. This 18,000 square foot multi-purpose facility houses management offices and administration, digital sound studios, post production suites, and two sound stages for motion picture and television industry.

The newest jewel in the **VALCOM** crown is **ValCom Burbank Studios**, one of Burbank's finest television production facilities, with three edit bays, two sound stages and over 15,000 square feet of production support. The Burbank Studios was the home of 'Jeopardy' and the 'Wheel of Fortune' post production for many years in addition to a past client base consisting of: HGTV, D.I.V., History Channel, Discovery, Food Network, Sony Pictures T.V., PAX, MTV, Disney Channel, HBO, ABC, CBS, NBC, Sci Fi, GSN, Comedy Central, VH-1, FOX Television, Lifetime, over a period of 12 years,"

ValCom Studios, located in downtown Las Vegas, Nevada just minutes from the Vegas “strip”. ValCom Studios is the only major studio complex in the booming production market of Las Vegas. This facility is managed by veteran studio developer Vince Vellardita.

B. The Business Approach

The Company's business approach is driven by a shared desire among its principals to create a viable alternative to the cumbersome and often inefficient business practices of Hollywood's major studios. In contrast to the studio process, the Company will be:



- **Project-driven.** The Company's investment and growth will occur on a strict "as-needed" basis, with projects initiated only when their commercial prospects are reasonably assured and the investment risk is minimized.
- **Economical.** Management will exercise rigorous control over the Company's costs, both at the corporate overhead level and the individual project level. Necessary expenditures will be made only where the expected financial returns on investment are attractive. The Company will refrain from engaging in costly bidding wars for talent or material.
- **Talent-friendly.** The Company's principals recognize that success in the filmed entertainment industry is driven largely by the ability to attract top quality creative talent. Management will draw upon its extensive relationships with talent and strive to create a culture that is attractive to and supportive of writers, directors and actors.
- **Responsive.** The major studios' size and numerous layers of bureaucracy can often make the project decision-making process slow and unwieldy. The Company will differentiate itself and keep costs down by streamlining this process. Management will take hands-on responsibility for personally reading scripts and evaluating projects quickly and minimizing the bureaucracy and "turnaround" time for making decisions. The Company's close collaboration with its producers will enable it to prevent catastrophic cost overruns such as those that occur with larger studio films.

C. The Management Team

The Company's management team is comprised of several highly experienced film and television production professionals, who among them have been involved with the production of numerous motion pictures, television programs, commercials and music videos. Their productions have ranged from low budget independent projects to major studio blockbusters with top-caliber acting and directing talent. They have managed or participated in sales and marketing, distribution, and all phases of the film and video production process, from development, pre-production, principal photography, post-production and directing and producing.

D. Marketing

The Company's management has deep and well-established contacts with film and television producers throughout North America. Established consultants are also available to assist the Company's early marketing efforts. The Company trades on the Frankfurt Stock Exchange under the symbol VAM as well as on NASDAQ under the symbol VACM