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TAX CREDITS: HOW DOES THIS AFFECT MY DECISION ON WHERE AND HOW TO PRODUCE A GAME?

Howard Donaldson
VP Studio operations
Disney Interactive Studios

Why Tax Credits – BC Example

Qualitative

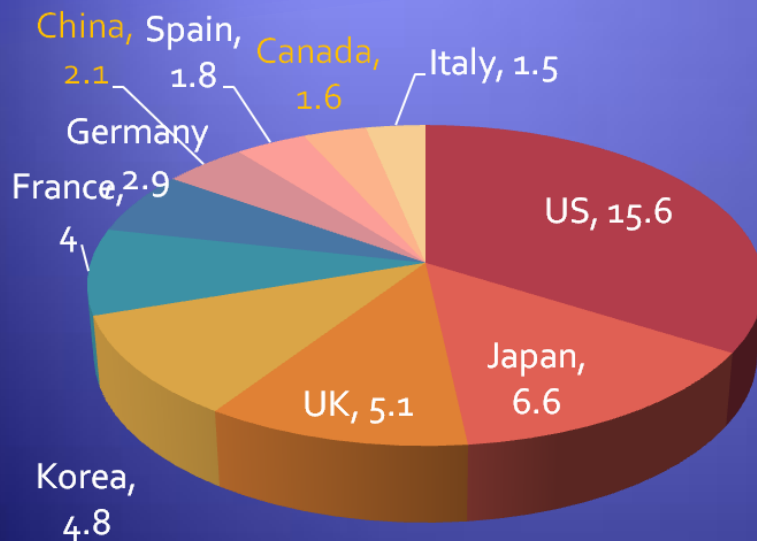
- ◆ Convergence with Film
 - ◆ Access to capital
- ◆ Competition for quality jobs
 - ◆ Employee/Company Mobility
 - ◆ Marque titles/Companies
- ◆ Favorable industry outlook
- ◆ Development economics
- ◆ Skills and Labour Supply
- ◆ Local Job Opportunities
- ◆ Digital Media Hub

Quantitative

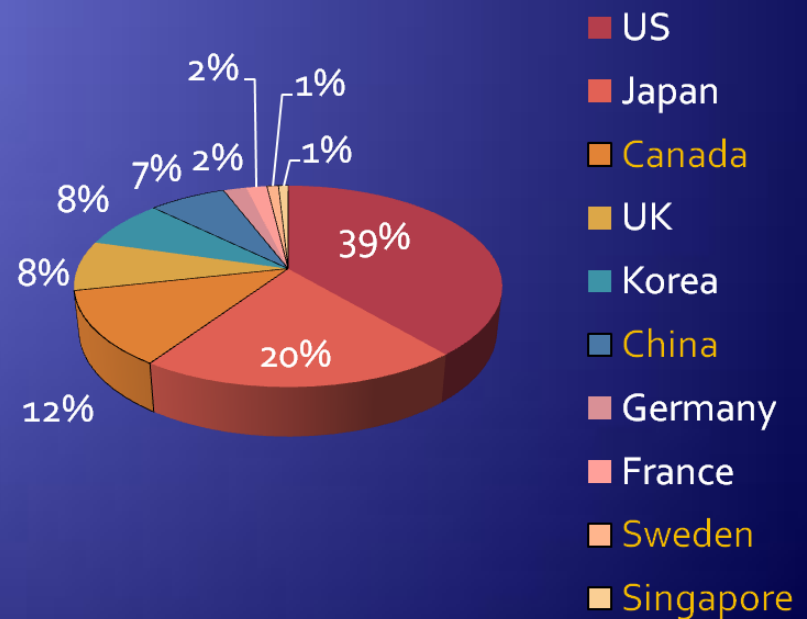
- ◆ Loss of jobs
- ◆ 5 yr Historical jobs growth 21%
- ◆ 5 yr direct jobs potential 5,000
- ◆ Ave salaries \$80K – 2X ave
- ◆ GDP \$520M
- ◆ 5 yr Prov tax revenue \$500M

Global Leaders in Video Games

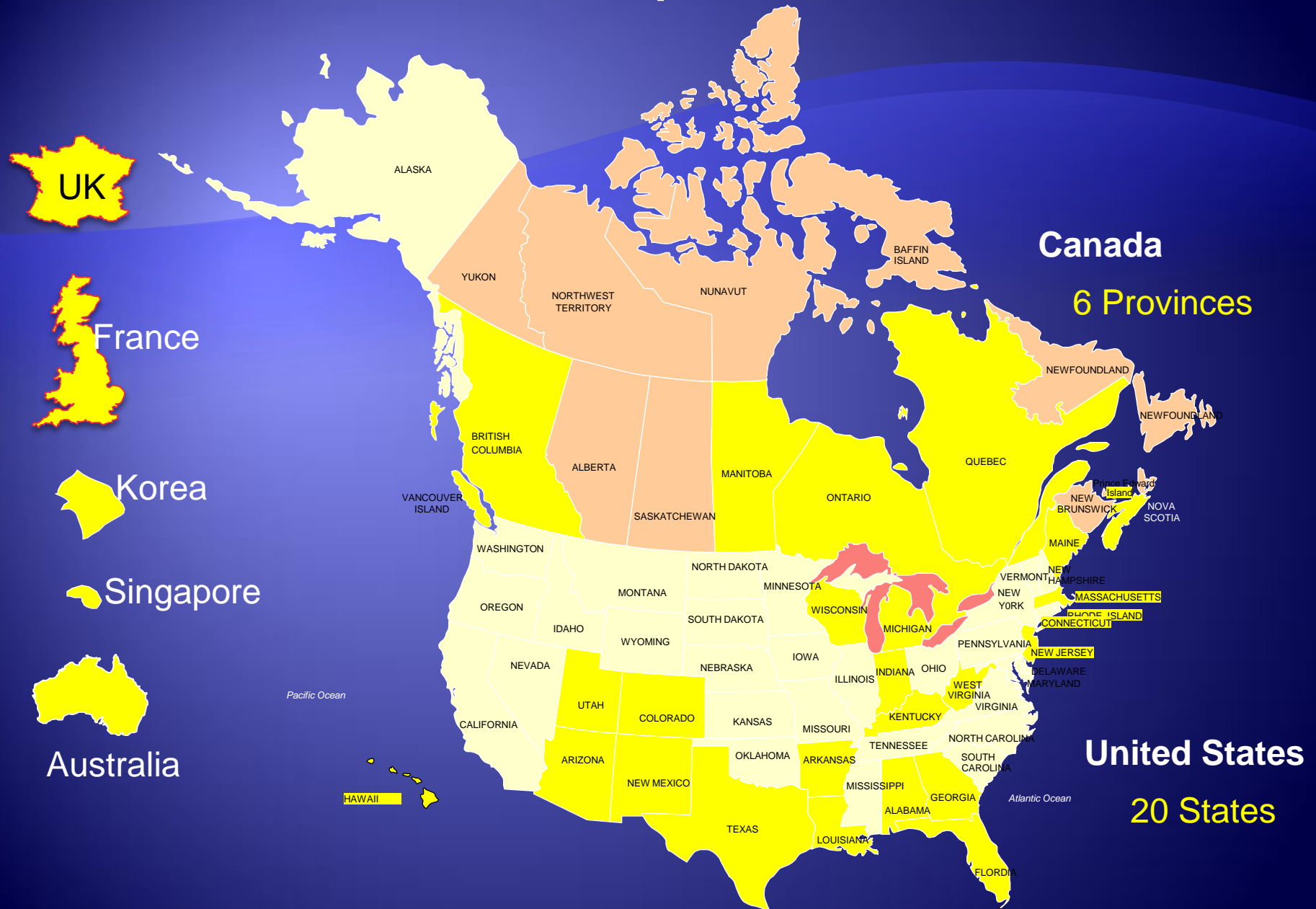
Top 10 – 2009 Sales (\$ Bil)



Top 10 – Development Staff



Worldwide Tax Credit Landscape



Tax Credits Landscape

	US	Canada	UK	France	Singapore	Korea
# Programs	20 states	6 Prov	Federal New	Federal	Federal	Federal
Incentives Range	3 - Labor 10% to 25% 17 – Cost 5% to 40%	Labor 17.5% to 50%	Cost Est 16%	Cost 20%	Training 100% Costs Negotiable	Training Salary subsidy
Other Programs	Jobs credit	SR&ED Jobs credit Invest cr Tx Holiday Training Recruiting	R&D Cultural test	Cultural test \$4M limit/yr	Max 3 yrs Cost 2/3 NA	>20 staff Corp tax holiday 5 yrs limit

Tax Credits Canada

	BC New	Quebec	Ontario	Manitoba	Nova Scotia	Prince Edward Island
Digital Media Labour Contract Refundable	17.5% Yes	37.5% 50% incl Yes	35%-40% 100% incl Yes	40% Yes	50% Yes	35% of 150% Yes
Fed SR&ED* -Corp -CCPC only -Refundable - CCPC/corp	20% exp 35%/20% Yes/No	20% 35%/20% Yes/No	20% 35%/20% Yes/No	20% 35%/20% Yes/No	20% 35%/20% Yes/No	20% 35%/20% Yes/No
Other Programs	Tx Holiday Invest Tx Cr	Invest cr Tx Holiday Training Recruiting	Jobs Credit Marketing <\$100K 3 yr limit	Max \$.5M/title	Max <25% exp Marketing <\$100K Regional Cr	2 yr limit

*-Credit on qualified R&D expenses only including direct labour, capital and OH factor

Tax Credits: Key Conditions

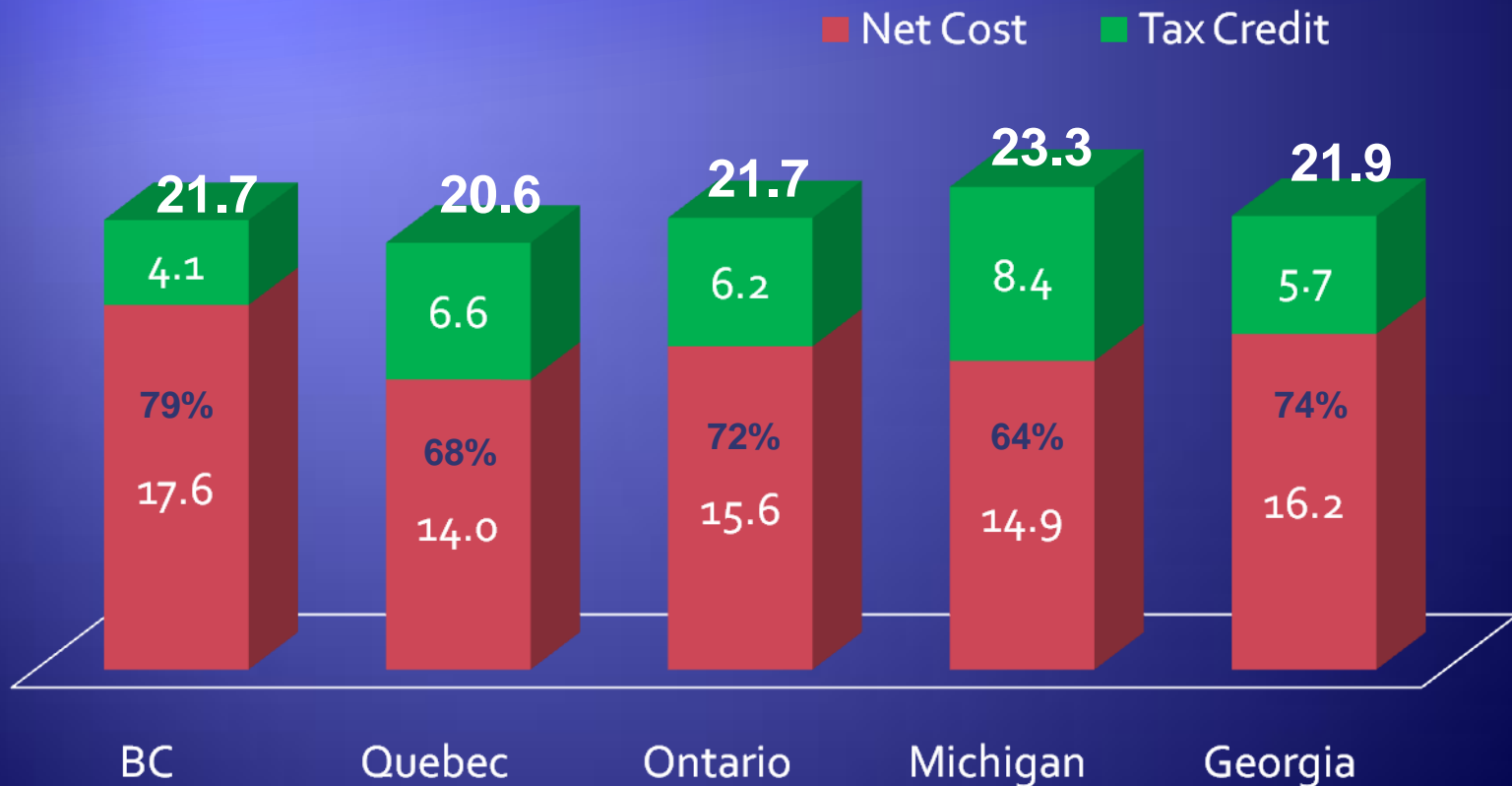
- ◆ Refundable or tax credit
- ◆ Expiry dates
- ◆ Project or company based
- ◆ Qualifying labour/expenditures
- ◆ Annual or end of project funding
- ◆ Caps, min, max, etc
- ◆ % of work in jurisdiction requirement

Risks

- ◆ Achievement of product goals
- ◆ Tax credit expiry; Commitment from gov't
- ◆ Project completion
- ◆ Change in government policy

Tax Credits: Financial Impact

PS3/Xbox 360 Dev Cost

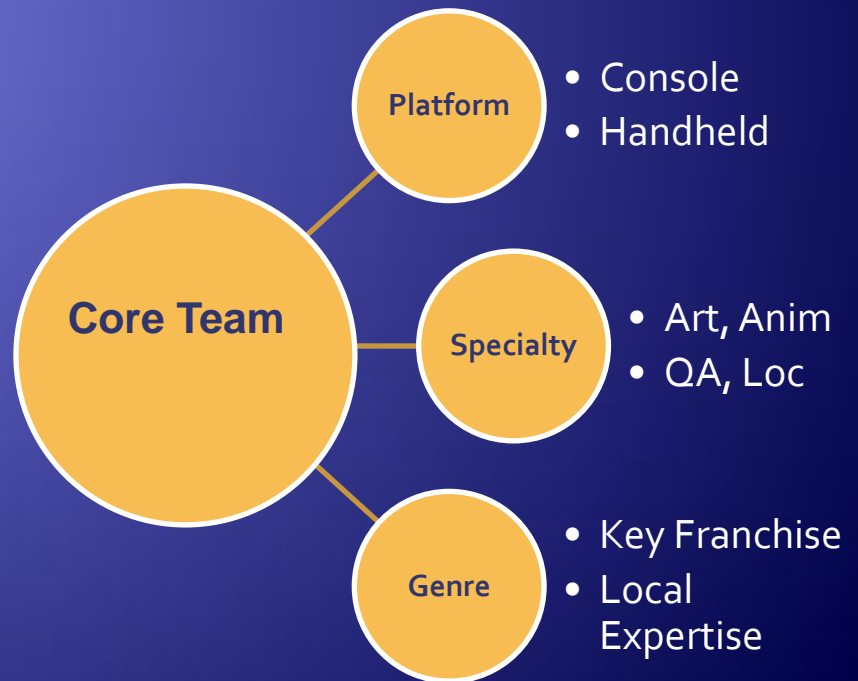


Re-evaluate Dev Strategy

One Team - One Location



Global Distributed Team



Key Decision Criteria

Qualitative Factors



Quantitative Factors

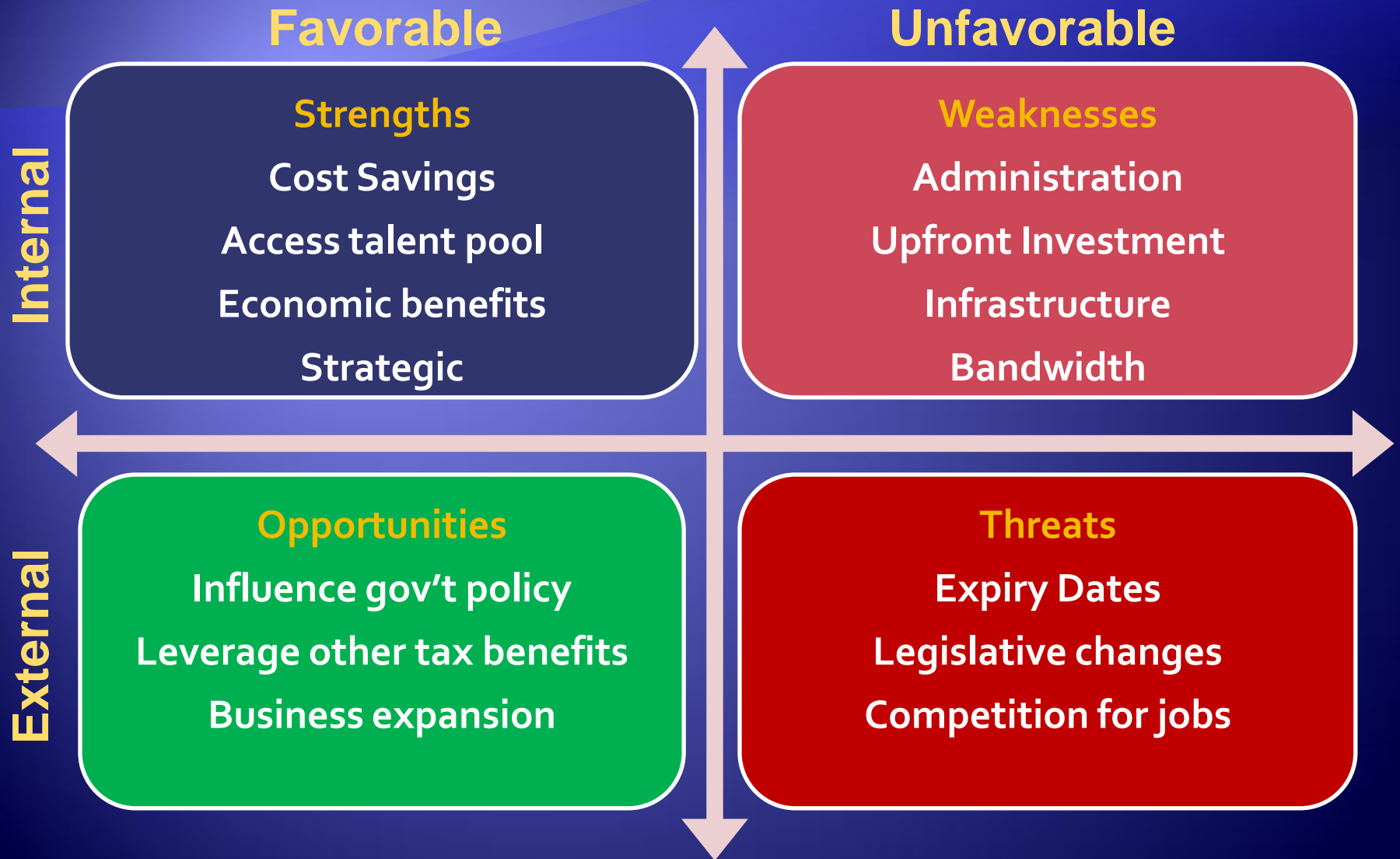


Benefits of Canada



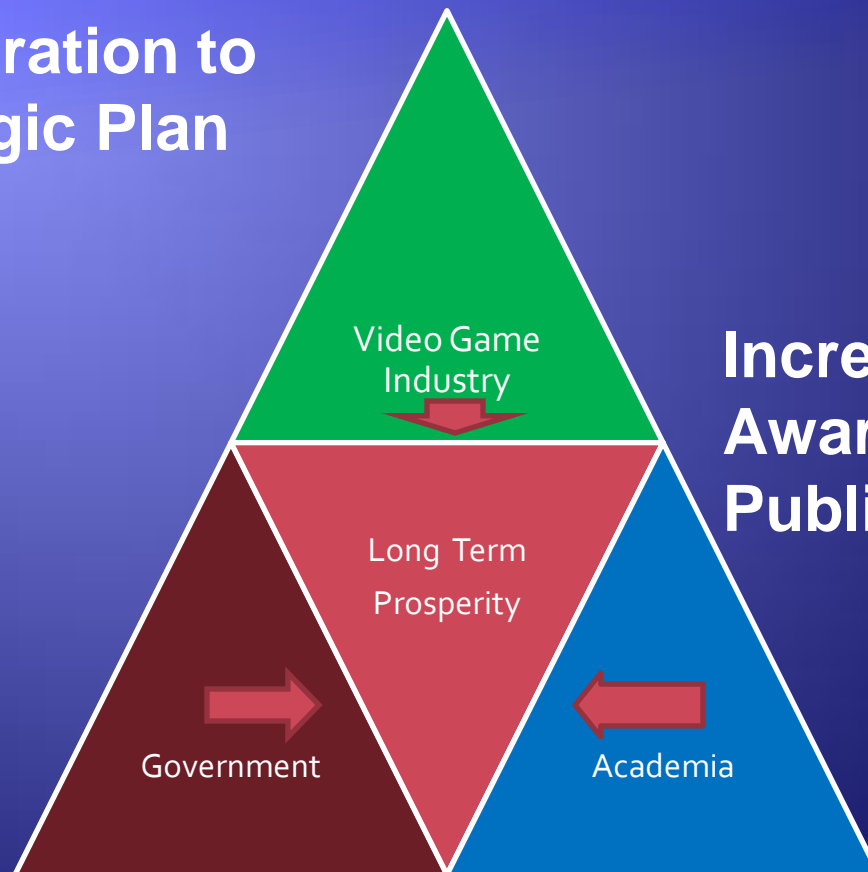
- ◆ Global leader in games development
 - ◆ High quality of talent pool
- ◆ Wealthy, wired, skilled and well educated
- ◆ Close proximity to US
- ◆ Supportive gov't policies
 - ◆ Favorable immigration, tax benefits
- ◆ High quality of living

SWOT Analysis



Long Term vision

3 way collaboration to
Create Strategic Plan



**Increased Industry
Awareness and
Public Relations**