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ASSOCIATION OF INDEPENDENT COMMERCIAL PRODUCERS, INC.

April 25, 2012

Robert D. Liodice
President and CEO
ANA
708 Third Avenue
New York, NY 10017

Dear Bob:

I was sincerely dismayed to read the ANA White Paper "The Found Money of State Commercial Incentives" and the supporting release circulated to the press and others this week. The spirit of our two Associations' ongoing collaboration was in no way reflected in such a surprise action, especially in light of the tone and "vigorous opposition" stated to a point-of-view expressed in a memo from my office to my membership some months ago.

However, in further reading your white paper it was made clear how ANA was led to the simplistic and naive conclusion stated in the paper; all of the acknowledgments and links to resources belong not to your members, but rather to third parties who have a vested interest in marketers holding the belief that they are not benefiting from available incentives, and that they are missing out on "found money" — after all, who doesn't like found money? - especially in an age where all marketers are trying to make their budgets go further.

The problem is there is no such thing as found money, except as a child under your pillow.

There are some overly sweeping comments in this paper and some erroneous conclusions that take the entire production decision-making and management process out of context, and further could make marketers feel taken advantage of.

There is a statement made:

> "Production incentive rebates belong exclusively to the advertiser, not to the production company or the agency. These rebates are assets associated with the advertiser and its trademarks and should be guarded like all other assets."

This point of view is in keeping with the concept that this is found money that belongs to the marketer—however, it is not in keeping with the notion that this is working money invested by States to draw employment and economic development to the corresponding region. Your paper does accurately say, "States base incentives on hiring as many locals and purchasing/renting as much as possible from local vendors." In fact, this is the entire foundation of all such programs. AICP has spent over a decade working with lawmakers and lobbying for such incentives. It is the legislator's sole objective to infuse money into local economies and stave off cost differentials that have drawn our membership to foreign markets to find efficiencies as marketing budgets shrink and creative expectations continue to rise. These credits are not "assets"—they are allocated public funds, earmarked to help producers mitigate economic factors that might deter hiring and expenditures associated with production in various States.

The statement referenced above is followed by a list of 15 items, virtually all of which are items that are budgeted for, controlled and paid by the production company. Yes, of course it is the marketer's money funding the job. However, they have contracted the production company to take full responsibility for these expenses and use the allocated budget to achieve the predetermined creative objectives. One of the factors that is often measured when developing and negotiating the budget (which is ultimately approved by the client as the contract price) is the existence of any incentive that may help production companies achieve both the creative goals within the (ever shrinking) financial parameters. So, while it goes without saying (although your paper rests on this fact many times) that the advertiser is funding the production, that funding in no way defines who the intended recipient of the tax credit should be.

There are a litany of detailed decisions that are made in producing a commercial (one of which is locale), all of which feed into one another to form the overall approach. Having sweeping statements regarding the "decision making" and "final approval" of where to shoot are not practical without the full view and understanding of all production factors such as availability of crew, equipment and talent—these are all part of many interdependent decisions that help to achieve the goals that production companies are engaged to achieve.

All of the entities acknowledged in your paper are supplying supporting information, are conducting webinars and are even involved in speaking at your upcoming Conferences to "educate" your membership. All have a vested interest in '"supplying services" to consult and manage the process of incentives for clients if clients were to believe that they should be entitled to these incentives.

It seems entirely counter to ANA's legacy and how it has operated to allow outside influences to shape policy, define positions and augment reality. In the past some of the most productive policies and initiatives have come from the discussion and meeting of the actual stakeholders—not with such third parties.

I hope that ANA might rethink how such important items which truly effect how your members perceive and manage their businesses are formulated.

I will make myself available to discuss this issue in greater detail at your convenience.

Sincerely,

Matt Miller
CC: AICP Membership

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