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AFM conference assesses film funding jigsaw

By Jeremy Kay

In the wake of Germany's Neuer Markt collapse, global television's retreat from film buying and the general economic downturn, independent production and distribution companies are being forced to reassess their business models and rely on a funding jigsaw from an ever broader and enterprising array of sources, a wide-ranging AFM financing conference heard yesterday.

Among other topics to surface during the conference, entitled The Future of Feature Film Financing: The CEOs, was whether a viable internet delivery platform could evolve and the thorny issue of video piracy. But it was the gloomy economic outlook that really dominated proceedings. In an earlier segment of the conference, senior bankers advised that while film financing was tough, there were opportunities out there as long as producers were prepared to be creative and hunt around for a deal that suited them.

"From an equity standpoint the trick is to find the bank money from pre-sales including domestic and the trick is how much you bank from pre-sale territories, how much soft money you bring and how much equity you put up and how much recoupment you will get from that equity," Bob Yari, a partner at the recently formed Stratus Film Company said. Banks have shown themselves increasingly wary of discounting pre-sales commitments, let alone lending money against territories left unsold on big budget productions. The result is that film companies have had to seek out alternative means.

"We are making careful selections and taking time to develop and use co-productions to minimize risk, be they European or Canadian co-productions or tax shelters," Daniel Diamond, president and CEO of Fireworks Pictures, said. Diamond's comments were echoed by Steven Paul, whose Crystal Sky sales and production outfit recently launched the Renegade Worldwide genre label, which is seeking to produce star-driven pictures under \$10m "with the idea that you take advantage of every tax break and co-production opportunity."

The co-production strategy is typified by *The Karate Dog*, a \$22m Jon Voight action-adventure that features on Crystal Sky's AFM market slate. It is set up as a UK and German co-production shooting in Canada with German cash, a UK sale and leaseback deal and Canadian tax breaks.

Eric Reid, COO of Lakeshore Entertainment Group, which has an annual slate of three to five pictures, said: "We are definitely looking at co-productions and when we started we would never do that it scared the hell out of us. We wanted to control the budget and felt we couldn't do that abroad, where working costs and practices are different." Reid added: "But shooting abroad is really one of the only way to take advantage of the soft money that's out there."

All three panelists agreed having a domestic distributor in place added credibility to the project and increased the likelihood of international sales. While the speakers also agreed that a workable internet distribution plan was inevitable there was uncertainty over the mechanics.

"I completely envision a marketplace where home entertainment is about menu-driven options," Diamond said. "What you find in a hotel is what you will see at home. However, if you throw it out into cyberspace there are many issues. Who can get it? We are already starting to see internet revenue streams but security and delivery are important issues."