

# VARIETY

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## **RAISING COIN CREATIVELY** **Financing's the biggest indie hurdle**

**By Elizabeth Guider, Denise Martin**

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If an SRO crowd of 500 is any indication, every indie producer could use more money to make movies. And cobbling it together in today's tooth-and-nail indie environment is a producer's biggest hurdle and most time-consuming challenge.

That, at least, was the overwhelming consensus from a pair of AFM seminars Friday on the state of film financing. On the plus side, the tone of both panels was more upbeat than the economic climate would suggest: Panelists indicated a number of ways to access cash and a number of pitfalls to avoid.

The first panel was centered on "the financiers and facilitators" and the second on the CEOs who actually raise the money and get the movies made.

In the first panel, moderator Lewis Horwitz, prexy of the Lewis Horwitz Organization, told the room of potential producers that bank loans and gap financing just aren't enough anymore in today's tight climate.

In the second panel, moderator Stephen Saltzman, a partner in the entertainment law firm of Akin Gump, argued that despite depressed foreign markets there were "silver linings" in the biz. Panelists Steven Paul, prexy-CEO of Crystal Sky Entertainment, and Fireworks prexy Daniel Diamond said that this is actually "an opportune moment" to be in the biz because realism has set in and everyone is now back down on the same level playing field.

They pointed to the fall in license fees from European broadcasters as perhaps the single most negative development in the biz. However, they added that once the global advertising market turns around, that falloff in revenues from TV stations abroad should be stemmed, or even reversed. Paul, Diamond and a third panelist, Lakeshore chief operating officer Eric Reid, argued that money was still out there -- in the form of national tax shelters, co-production partners and the U.K. lease-back scheme. And given how depressed individual and corporate stock portfolios are these days, the number of U.S. fund managers and single individuals who want to invest in the movie biz has grown considerably. "They all seem to have \$50 million and need to place it in three months," Reid cautioned, however. Paul warned the audience to make sure the potential investor "could pay for lunch" before deciding whether he was a bona-fide movie benefactor.

All three producers on the second panel said their business models had become more complex but also more rigorous over the last couple of years.

All three are still managing to produce a slate of films each year, of various types and budgets: Reid's Lakeshore has six in the works, Paul's Crystal Sky has 14 and Diamond's FireWorks has four.

They typically try to interest a Hollywood studio, which usually takes all domestic rights, but retain international distribution themselves.

They all lamented the fact that star salaries continue to rise, whatever the economic conditions, but were adamant that producers always need to get the most appropriate acting talent possible for any given project.

On the first panel, Steve Fayne, another partner at Akin Gump, agreed that transactions have become more complex, requiring more time and a number of local subsidies. To illustrate, he noted that a \$5 million pic for which he is negotiating funding is "already over budget from legal fees alone. They haven't even started shooting yet!

"And the situation is only getting worse," he added. Bennett Pozil, manager at Natexis Bank Populaires, advised AFM-goers to read the product guides and scout the floors for which sales agents the bankers' respect. He likened his job to being "The Bachelor" of sales agents. We eliminate on behalf of producers until we get down to the final two. "The question, actually, has become, Is it harder to sell or to collect?" he joked.

Frank Hubner, CEO of German-based funders Apollo Media, said the risk goes both ways. While his company financed this year's Sundance World Cinema audience winner "Whale Rider," he's also had his share of missteps. "Like any producer, we have hits and flops. Here in the U.S., for example, 'Extreme Ops' was a flop, so, you know, shit happens."

Horwitz chimed in, telling producers to pay special attention to where they plan to distribute their film and then to "conform the actors and the script to that country."

On a upbeat note, John Hardy, managing director of Matrix Film Finance, said that money is free-flowing in the U.K. since TV no longer qualifies for the same tax relief afforded films. "There are actually many more investors now than there were," he said. Bob Yari, a partner in Stratus Film, said the key for producers is to strike a balance between the bankers, gap financing and how much equity to put up. But he cautioned against too many cooks. Producers eager to sign away rights to multiple territories beware: "The more you give away in advance, the less profit potential you have," Yari said. If questions from the floor are a good barometer, fledgling indie producers are increasingly aggressive about seeking out help for their projects: Two female filmmakers volunteered to take whichever panelist to lunch if they would share some added advice on how to proceed in the biz.

So it was probably a good thing that audience members received magic wands at the end of the discussion. Horowitz, determined to end things on a positive note, concluded by saying, "All you need is a little magic."