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Lights, camera, money? Financiers play growing role in movie making

BYLINE: Josh Chetwynd

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When Hollywood studios plan their next big movie, the main question has become: How do we pay for it? Increasingly the answer is with other people's money.

Studios are pairing with relatively unknown production and financing companies to help foot the skyrocketing cost of filmmaking. The average movie costs \$ 53.4 million, according to the latest figures from the Motion Picture Association of America. Films with big-name stars can easily top \$ 100 million (not including marketing expenses, which can add an additional \$ 40 million to the price tag). A few years ago, studios believed splitting costs with outside entities was a sign of weakness. Not anymore. Studios now are splitting costs with smaller production companies or other studios on about one-third of their films, estimates Gary Barber, a veteran financing executive. Universal Pictures, for example, is co-financing about 40% of its slate.

"It is a very tough business to make money in," says 20th Century Fox top executive Tom Sherak. "Anytime you can share the cost with a partner, it makes it much easier."

In fact, studios have looked for help for many of Hollywood's biggest upcoming films, including those with such heavy hitters as Jim Carrey, Brad Pitt, Arnold Schwarzenegger, Robert De Niro and Julia Roberts.

For most producers with money, co-financing with the studios allows them to be involved with Hollywood's largest productions when they don't have the money for large productions on their own. Bel Air Entertainment, for example, co-financed *Message In a Bottle*, with Warner Bros., and Village Roadshow has last weekend's high-profile, gangster-meets-shrink release of *Analyze This* with De Niro and Billy Crystal.

"Doing these films allows us to enter the studio movie market immediately" without the overhead it normally takes, says Village

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Roadshow Films Chairman Bruce Berman, whose company signed a deal to co-finance about 20 films with Warner Bros.

Usually these companies, which obtain lines of credit from banks or get funding from foreign partners, sign contracts to work exclusively with individual studios or to give the studios first crack at a given project the company develops. Bel Air and Village Roadshow, for example, have exclusive deals with Warner Bros. And Beacon Communications, a partner with Universal, gives that studio first shot at all of its projects.

Studios will do a lot to make these deals happen. To get into business with Regency Enterprises, one of the premier financiers and co-financiers of studio-level movies, 20th Century Fox spent an estimated \$ 200 million to buy a portion of the company.

For co-financiers, there is also a payoff. Unlike most producers without their own cash, these small companies aren't completely at the mercy of the studio. They can call at least some of the shots on the script, the film's budget and what stars and other talent will be selected. If a studio balks, co-financiers can step in and save a picture -- or, sometimes, take a project elsewhere.

Schwarzenegger was slated to star in and Ridley Scott (*Alien*, *Thelma & Louise*) to direct *I Am Legend*, an action film set in the Middle Ages. But the movie was about to be scrapped by Warner Bros. when its budget topped \$ 100 million last year. Steve Reuther of Bel Air Entertainment quietly picked up the *Legend* banner and will co-finance the film. Schwarzenegger is still expected to star; Rob Bowman (*The X-Files*) will direct.

Universal backed out of co-financing *13 Days*, a film about the Cuban missile crisis starring Kevin Costner, even though Beacon agreed to put up a majority of the estimated \$ 90 million budget. Unfazed, Beacon CEO Armyan Bernstein took it to Sony. The picture is tentatively set to begin shooting this summer.

"When you're putting up your own money -- taking significant financial risk -- you have a lot to say on the outcome of these films," Bernstein says. "Literally it took 72 hours to set up the project (at Sony). It was a great script, a perfect actor, and we brought 60% of the financing. What's not to like?"

During the past few years, Bernstein has become one of the biggest employers of big-name stars.

He played a central role in snagging Harrison Ford for the 1997 hit *Air Force One*, which was budgeted at \$ 90 million-plus. This year, he'll have Schwarzenegger in the action picture *End of Days* and Costner in *13 Days* and *For Love of the Game*. Denzel Washington is set for Beacon's *Lazarus* and *The Hurricane*. "Beacon's ability to bring financing to the table, in addition to their strong combination of business and creative acumen, clearly gives them an advantage," says Chris McGurk, Universal Pictures' president and chief operating officer.

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Co-financiers also get first shot at many of the hottest new screenplays.

"We are now buyers, so when scripts come to the marketplace -- when they go to Fox, Paramount or Universal -- we are now another company you send it to because we have money to buy," says Spyglass co-founder Roger Birnbaum.

Yet despite their financial might, co-financiers -- like the studios they deal with -- have a mixed track record when it comes to their finished products. Phoenix Pictures, which has been an important partner for Sony for nearly 3 1/2 years, has produced and co-financed everything from critically acclaimed *The People vs. Larry Flynt* to the recent box-office bust *Apt Pupil*.

"We've done all kinds of films -- some successful and some that didn't work," says Phoenix Chairman Mike Medavoy.

Regency, which is co-financing such upcoming Fox films as *Entrapment* with Sean Connery and fully financed winners like *L.A. Confidential*, has produced and bankrolled some misses, including *The Man Who Knew Too Little* with Bill Murray.

While the numbers of winners and losers they put together tend to be similar to the records that producers without money tally, the way they approach filmmaking is different, because their profits are dependent on sales of foreign rights. The studios keep the North American take.

"We now have to be sure a film is going to do well all over the world," Birnbaum says.

To that end, co-financiers look for "star power, a director with a pedigree, which is a big thing in Europe particularly, and, of course, a great script," says Mark Gordon, whose Mutual Film company co-finances movies with both Paramount and Universal.

One reason Gordon and partner Gary Levinsohn teamed with Universal on the upcoming film *Man on the Moon*, about the life of the late comedian Andy Kaufman, was that its star, Jim Carrey, had proved in *The Truman Show* that he could be a box office draw internationally in a relatively serious role. The film's director, Milos Forman (*The People vs. Larry Flynt*), also is beloved overseas.

The taste and judgment of the likes of Gordon will continually play an integral role in what big movies hit the local multiplexes. As long as studios strive to make a full slate of films, complete with big-budget movies, co-financing will be an important moviemaking staple. The reason: It allows moguls to see their logo at the start of Hollywood's grandest films -- without having to pay the whole price.

Financing movies

Some top co-financiers in Hollywood:

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* Beacon Communications:

Fast becoming a key player with big-budgeted, star-driven projects, Beacon did *Air Force One* with Sony and *A Thousand Acres* with Disney. Upcoming films star Arnold Schwarzenegger, Kevin Costner and Denzel Washington at Universal.

* Bel Air Entertainment: Formerly teamed with actor-producer Michael Douglas, Bel Air head Steve Reuther has jumped headlong into a co-financing deal with Warner Bros. Owned by Warner Bros. and French company Canal Plus, Bel Air is expected to do four to six pictures a year during the next five years.

* Icon Productions: . In January, actor-director Mel Gibson and partner Bruce Davey signed a three-year deal to produce and co-finance pictures for Paramount. It produced the recent release *Payback*, starring Gibson, and sold its foreign rights to Warner Bros.

* Lakeshore Entertainment: This financing, producing and international sales company is based at Paramount. Among notable upcoming projects it co-financed with Paramount are: *Runaway Bride*, starring Julia Roberts and Richard Gere (Disney also is involved, and *200 Cigarettes*, a teen ensemble drama. The company also financed and produced the Sony release *Arlington Road* with Jeff Bridges and Tim Robbins.

* Mandalay Pictures: Originally based at Sony, Mandalay co-financed *Donnie Brasco*, *Seven Years In Tibet* and *I Know What You Did Last Summer*. It moved to Paramount last March. One of the first projects it will help finance at its new home is *Sleepy Hollow*, starring Johnny Depp and Christina Ricci. It is budgeted at more than \$ 65 million.

* Mutual Film: This prolific company is co-financing films at Universal and Paramount. At Paramount, Mutual developed and partially financed *Hard Rain*. It will co-finance *Wonder Boys*, starring Michael Douglas, which began shooting this month. At Universal, Mutual helped pay for such recent movies as *Primary Colors*, *Virus* and upcoming film *Isn't She Great* with Bette Midler and Nathan Lane.

* Regency Enterprises: Last summer, Regency moved from Warner Bros., where it co-financed movies *Devil's Advocate* and *The Client*, to 20th Century Fox. In the past, Regency has completely paid for many financially and critically successful films such as *L.A. Confidential*. At Fox, the company is co-financing a number of high-profile films including *Entrapment*, starring Sean Connery, *Pushing Tin* with Billy Bob Thornton and John Cusack, and *The Fight Club* with Edward Norton and Brad Pitt. All are set for release this year.

* Phoenix Pictures: Run by Mike Medavoy, former chairman of Sony film label TriStar Pictures, Phoenix has been a valuable producing and financing resource for Sony for about 3 1/2 years. It also developed and covered \$ 8 million of the \$ 52 million-budgeted

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The Thin Red Line, which was released by Fox. Medavoy expects to co-finance about 10 films during the next 2 1/2 years.

* Spyglass Entertainment: Last year, Spyglass set up shop at Disney. The company's first co-financing projects at the studio are upcoming films *The Sixth Sense* with Bruce Willis and *Instinct*, starring Cuba Gooding Jr. and Anthony Hopkins.

* Village Roadshow Pictures: A subsidiary of an Australian conglomerate that also owns movie theaters, radio stations and theme parks, Village signed as a producing and co-financing partner for Warner Bros. a little more than a year ago. Village Roadshow helped pay for *Practical Magic*, featuring Nicole Kidman and Sandra Bullock.

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GRAPHIC: PHOTO, B/W, Todd Bigelow for USA TODAY; Big backer: Beacon CEO Armyan Bernstein works with Kevin Costner on the set of 'For Love of the Game.' Bernstein is one of the biggest employers of big-name stars, including Harrison Ford and Denzel Washington. "Doing these films allows us to enter the studio movie market immediately" without the overhead it normally takes. -- Bruce Berman, Village Roadshow Films chairman In the loop: Gary Levinsohn, left, and Mark Gordon of Mutual Film helped finance 'A Simple Plan' and other films.

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