

Mandalay's on Par for 20-film deal

By Josh Chetwynd

Mandalay Pictures, a newly formed entity created by Peter Guber and Canada's Lions Gate Entertainment, has signed a five-year deal with Paramount Pictures to develop and produce 20 pictures for distribution by the studio.

The deal, which had been

expected, creates a company that effectively replaces Guber's Sony-based Mandalay Entertainment, which he formed when he exited his post as chairman of Sony in 1994 (HR 3/9). Mandalay Entertainment will cease to exist once the new company kicks off when Guber's deal with Sony ends.

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Guber

Sources said Guber has negotiated an early end to the deal, which was to conclude in 2000. The company has six films left with Sony, the last release due in November.

The new deal closes any speculation that Mandalay would move to Warner Bros., Guber's former home as a producer.

Guber, Mandalay Entertainment vice chairman Paul Schaeffer and president Adam Platnick will own Mandalay Pictures along with LG Pictures, a subsidiary of Lions Gate Entertainment, a publicly held company. Mandalay in 1997 sold its television operations to Lions Gate. Mandalay Pictures will be based on the Paramount lot, and it is unclear what Sony plans to do with Mandalay Entertainment's lavish offices.

The new company's total production slate is valued at more than \$800 million over the five years. Under the terms of the deal, Paramount will market and distribute all of Mandalay's feature films — except in seven territories where Mandalay has pre-existing deals: Constantine/KirchGroup (Germany), Entertainment Film (United Kingdom), Cecchi Gori (Italy), Village Roadshow (Australia and Greece) and soon-to-be announced partners in France and Japan.

Lions Gate will finance a maximum of 10% of each film produced, according to company's chairman and CEO Frank Giustra, with Paramount and the seven territorial partners covering the balance of each film's cost. Paramount will also cover print and advertising costs for the productions. Lions Gate Films, another subsidiary of Lions Gate Entertainment, will not be affected by the new company. It will continue to make its own films, largely lower-budget art house fare.

Sources said Mandalay is also in talks with several European banks to bring additional financing to the table.

In a unique aspect of the deal, profits earned by Guber, Schaeffer and Platnick will be recouped in the form of Lions Gate Entertainment Corp. stock rather than cash.

At the corporate level, the new entity will be overseen by an executive committee comprising



Platnick



Schaeffer

Guber, Schaeffer and Platnick, along with four members from Lions Gate, including LG Pictures president Peter Strauss. But the day-to-day activities will be run by Guber along with Schaeffer — who will focus on corporate and legal issues — and Platnick, who will take care of development and production of the company films.

It is anticipated that the Mandalay Entertainment team, including Todd Black, president of production, will continue with the company.

For Paramount, the deal provides a steady supplier of films that can bring financing to the table. Under its former incarnation as Mandalay Entertainment, Guber, Schaeffer and Platnick made such films as "I Know What You Did Last Summer," which to date has grossed more than \$100 million; "Seven Years in Tibet," starring Brad Pitt; and "Donnie Brasco" with Al Pacino and Johnny Depp.

Upcoming releases from Mandalay include "Wild Things," starring Kevin Bacon, Matt Dillon and Neve Campbell; "Deep End of the Ocean," featuring Michelle Pfeiffer, Whoopi Goldberg and Treat Williams; "Les Misérables"; and a sequel to "I Know What You Did Last Summer." All those films will be released through Sony.

"I'm thrilled at our new partnership with Lions Gate," Guber said. "Frank Giustra's entrepreneurial spirit and business acumen will provide Mandalay Pictures with a unique resource to allow us to grow our company to its next level."

"It's a real honor to be associated with the talented people at Paramount Pictures," Guber and Platnick said in a statement. "We have the deepest regard for (Viacom Entertainment Group chairman) Jon Dolgen, (Paramount movie chairman) Sherry Lansing and their highly professional production, marketing and distribution teams. Paramount has always been a dynamic studio with a remarkable reputation for working with filmmakers and talent. We are excited about the opportunities this agreement presents and the many projects we will be bringing." ★

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