TFE **THE FILM ENTREPRENEUR:**

A Newsletter for Independent Filmmakers and Investors

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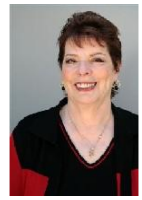

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BOX OFFICE SLOW OUT OF THE STARTING GATE

Domestic revenues through June for both independent films and the total box office are running slightly behind last year. The total North American grosses for the independent film segment were $1.4 billion, 3 percent behind last year's total of $1.45 billion. In comparison, the total box office at $5.56 billion was 1 percent behind 2015 for the same period.

The primary reason for the independent variance is a $309 million difference for films earning $100 million or more. In both years, there was a film from DreamWorks Animation. In 2015, however, there were two live action films that grossed over $100 million in the first half: *Mad Max: Fury Road* and *Insurgent*. For both studios and the large independent companies, franchises have not performed as well as in past years. Both *The Hunger Games* and *Twilight* franchises suffered from franchise fatigue (see *TFE* December 2014.). In addition, once the initial film had come done well, salaries and special effects tended to drive the budgets for the sequels much higher with *Twilight*'s ranging from $37 to $120 million and *The Hunger Games'* ranging from $75 to $160 million. Both *The Divergent Series* films (*Insurgent* and *Allegiant*) had a $110 million budget. The former had grossed $130 million by June 2015, while the latter has grossed a little more than half that amount at $66.2 million to-date.

It remains to be seen, whether or not we have to adjust to a new normal for the box office. First, we will have to wait a year or two to see the effect of the increasing multiplatform choices for viewing movies. Netflix's hijacking of some of our most prolific filmmakers takes their films out of the traditional distribution model. Amazon, on the other hand, has promised to give most of their feature films a 90-day domestic box office release; but, we may never know the total streaming revenues for their films. Secondly, Relativity Media appears to be coming back to life despite a few continuing disputes. The company, including its international releasing division, plan September 2016 U.S. releases for Before *I Wake* and *Solace* on 9/2/ and *Masterminds* on 9/30. *The Disappointments Room* currently is scheduled for November, and *The Tribes of Palos Verdes* and *Kidnap* in December. Thirdly, it is important to note that, for the first time in five years, China's box office also saw a slowdown with the second quarter of 2016 running nearly five percent behind the same period in 2015.

Clearly, there always will be an audience for independent films; but that audience also is increasingly more discerning. Many have pointed to the ongoing costs of a night out as making movie hesitate before going to the movie theater. A bigger influence, however, may be the continuing growth in social media. No one has to wait anymore to come for my favorite coffee shop to get an opinion on a film. "A movie cannot hide from anyone once it's opened because of social media," Paul Dergarabedian, Senior Media Analyst for comScore told *The Associated Press*. "That's a double-edged sword. It's great if you have a great movie. Then that can help your box office. If you don't and you can't deliver the goods, the audience will bust you on it immediately." ◙

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LOS ANGELES FILM FESTIVAL

Taking place June 1-9, 2016, the 21st edition of the LA Film Festival showcased new independent films, TV, emerging online content and filmmaker-driven studio titles. The LAFF fosters valuable alliances and working relationships between independent artists and the film industry. Signature programs include the Filmmaker Retreat, Coffee Talks, Master Classes, the Spirit of Independence Award, Fast Track (a film financing market) and Diversity Speaks. Film Independent, which will have Arclight Cinemas as its partner for the 2017 edition, moved the fest from the downtown to ArcLight Cinemas around the city. Among the filmmakers with the 42 competition films, 87 percent were first-and-second-timers, 43 percent women and 38 percent people of color. "With all the talk about diversifying Hollywood," said Festival Director Stephanie Allain, "The L.A. Film Festival provides proof that talented filmmakers with new voices are out there, they just need a platform and that's what we're providing. One of the more satisfying aspects of this job is watching new directors blossom in the spotlight."

AND THE PRIZE GOES TO . . .

AWARD	FILM	WINNER
JURY		
U.S. Fiction	*Blood Stripe*	Remy Auberjonois
Documentary	*Political Animals*	Jonah Markowitz, Tracy Wares
World Fiction	*HEIS* (chronicles)	Anaïs Volpé
Nightfall	*Beyond the Gates*	Jackson Stewart
Best Short Fiction	*The Beast*	Daina Oniunas Pusić

Best Short Doc	*The Gatekeeper*	Yung Chang
L.A. Muse	*Namour*	Heidi Saman
AUDIENCE		
Best Fiction	*GREEN / is / GOLD*	Ryon Baxter
Best Documentary	*Political Animals*	Jonah Markowitz, Tracy Wares
Best Short	*Into Darkness*	Rachida El Garani
Best Web Series	*Instababy*	Rosie Haber

MPAA'S CHRIS DODD ON THE RISE OF THE GLOBAL FILM INDUSTRY

(Excerpt from his talk which can be found at http://pro.boxoffice.com/mpaas-chris-dodd-rise-global-film-industry/

Even in an increasingly digital world, the cinema experience remains the backbone of the global film industry, entertaining audiences while producing real economic benefits. Consider 2015's record worldwide box office that grew by 5 percent and generated $38 billion. More than $27 billion of that total came from the growth of the international marketplace, where Europe saw a 9.6 percent increase in total box office receipts and China's grew a staggering 49 percent to reach $6.8 billion. But even more than the box office return, it is the growth in the number of cinemas around the world that has demonstrated their continued dominance. In the midst of the digital revolution, the number of cinema screens worldwide grew 8 percent last year to over 152,000. Across the European Union, audiences flocked to their local cinemas more than one billion times. Spain, in particular, saw the number of cinema admissions grow by 7.5 percent. What this means is that there is audience demand for high-quality, well-told stories able to transcend cultural and linguistic differences. Creators and film studios are responding to this call and working with their partners in other nations in increasing numbers to meet that demand.

QUOTABLE

"The combination of Lionsgate and Starz brings significant scale to our portfolio of content and distribution assets and will enable us to compete successfully in today's rapidly evolving global entertainment marketplace," said Lionsgate Chairman Mark Rachesky on Lionsgate's agreement to acquire cable network Starz for $4.4 billion.

ESSENTIAL FACTS ABOUT THE VIDEO GAME INDUSTRY

(Excerpts from the 2016 ESA Annual Report for Year 2015)

"Video games are the future. From education and business, to art and entertainment, our industry brings together the most innovative and creative minds to create the most engaging, immersive and breathtaking experiences we've ever seen. The brilliant developers, designers and creators behind our games have and will continue to push the envelope, driving unprecedented leaps in technology impacting everyday life for years to come."
—Michael D. Gallagher, president and CEO, Entertainment Software Association

Who is Playing?

• 63 percent of U.S. households are home to at least one person who plays videogames regularly (3 hours or more per week)

• The average gamer is 35 years old (27 percent under 18 years; 29 percent 18-35 years; 18 percent 36-49 years; 26 percent 50+ years)

• 59 percent of gamers are men, and 41percent are female

• The most frequent female game player is on average 44 years old, and the average male game player is 35 years old

• Women age 18 or older represent a significantly greater portion of the game-playing population (31 percent) than boys age 18 or younger (17 percent)

• There is an equal distribution of female video gamers in age: 50 percent 35 and under and 50 percent older than 35

How do we play?

• 48 percent of households own a dedicated game console

• The average number of years that gamers have been playing video games: 13

• The average age of the most frequent game play is 38

• Of the most frequent game players, 60 percent are males and 40 percent are women

• 48 percent of the most frequent game players play social games

• 52 percent of the most frequent gamers feel that video games provide more value for their money than DVDs (23 percent), music (15 percent) and going to the movies (10 percent)

TOP SELLING VIDEO GAME SUPER GENRES 2015 *

Genre	Percentage	Genre	Percentage
Shooter	24.5	Racing	4.1
Action	22.9	Strategy	3.8
Sport Games	13.2	Family Entertainment	3.6
Role-Playing	11.6	Casual	0.9
Adventure	7.7	Other Games/Compilations	0.8
Fighting	6.7		

*Ranked by units sold

Source: NPD Tracking Service

TOP SELLING COMPUTER GAME SUPER GENRES 2015 *

Genre	Percentage	Genre	Percentage
Strategy	36.5	Flight	0.6
Casual	25.8	Racing	0.3
Role-playing	18.7	Family Entertainment	0.3
Shooter	6.3	Sport Games	0.2
Adventure	5.9	Children's Entertainment	0.1
Action	4.1	Arcade	0.1
Other Games/ Compilations	1.3		

*Ranked by units sold

Source: NPD Tracking Service

TOP 20 SELLING VIDEO GAMES OF 2015*

RANK	TITLE	ESRB RATING
1	Call of Duty: Black Ops III	Mature
2	Madden NFL 16	Everyone
3	Fallout 4	Mature
4	Star Wars Battlefront 2015	Teen
5	NBA 2K16	Everyone
6	Grand Theft Auto V	Mature
7	Minecraft	Everyone 10+
8	Mortal Kombat X	Mature
9	FIFA 16	Everyone
10	Call of Duty: Advanced Warfare	Mature
11	Batman: Arkham Knight	Mature
12	Lego: Jurassic World	Everyone
13	Battlefield Hardline	Mature
14	Halo 5: Guardians	Teen
15	Super Smash Bros.	Everyone
16	The Witcher 3: Wild Hunt	Mature
17	Dying Light	Mature
18	Destiny: The Taken King	Teen
19	NBA 2K15	Everyone
20	Metal Gear Solid V: The Phantom Pain	Mature

*Ranked by units sold

Source: The NPD Group/Retail Tracking Service (http://www.theesa.com/wp-content/uploads/2015/04/ESA-Essential-Facts-2015.pdf)

NUMBERS! NUMBERS! NUMBERS!

LOW-BUDGET INDEPENDENT FILMS ($9.0 M and under)

FILM	DISTRIBUTOR	REVENUE	COST
		thous. $	thous. $
Bronze, The	Sony Pictures Classics	616	3,500
Compadres	Lionsgate Premiere	3,128	3,000
*Darkness, The **	High Top Releasing	10,754	4,000
Fifty Shades of Black	Open Road	11,686	6,000
Grandma	Sony Pictures Classics	6,980	600
*God's Not Dead 2**	Pure Flix	20,748	5,000
Green Inferno, The	High Top Releasing	7,193	6,000
*Hello, My Name Is Doris**	Roadside Attractions	14,415	1,000
Kapoor & Sons-Since 1921	Fox International Prod.	2,607	5,200
*Lady in the Van, The**	Sony Pictures Classics	10,021	5,500
*Lobster, The**	A24	7,622	4,500
*Love and Friendship**	Amazon/Roadside Att.	12,145	3,000
Meet the Blacks	Freestyle Releasing	9,096	900
Neerja	India's Fox Star Studios	1,586	1,950
Perfect Match, The	Lionsgate	9,669	5,000
Race	Sony Pictures Releasing	19,115	5,000
Room	A24	14,678	6,000
War Room	Sony Pictures Releasing	67,790	3,000
Witch, The	A24	25,139	3,500

*Still in North American distribution as of June 30, 2016. Revenues are from boxoffice.com and boxofficemojo.com. Negative costs (production prior to prints and ads) are approximate, based either on industry estimates, and published interviews with filmmakers or personal conversations with filmmakers.

MORE NUMBERS! NUMBERS! NUMBERS!
HIGH-BUDGET INDEPENDENT FILMS (Over $9.0M)

FILM	DISTRIBUTOR	REV.	COST
		thous. $	thous.
Boy, The	STX Entertainment	35,820	10,000
Brooklyn	Fox Searchlight	38,323	10,000
Choice, The	Lionsgate	18,730	10,000
Criminal	Lionsgate/Summit	14,709	31,500
Danish Girl, The	Focus Features	11,106	15,000
Divergent Series, The: Allegiant	Lionsgate/Summit	66,184	110,000
Eddie the Eagle	20th Century Fox	15,789	23,000
Everybody Wants Some!	Paramount	3,400	10,000
*Eye in the Sky**	Bleeker Street	18,645	13,000
Forest, The	Gramercy	26,583	10,000
*Free State of Jones**	STX Entertainment	11,066	50,000
Gods of Egypt	Lionsgate	31,153	140,000
*Hologram for the King, A**	Roadside Attractions	4,203	30,000
*Kung Fu Panda 3**	DreamWorks Animation	143,467	120,000
London Has Fallen	Focus Features	62,524	60,000
Mother's Day	Open Road	32,493	25,000
Nice Guys, The	Warner Bros.	35,218	60.000
Norm of the North	Lionsgate	17,017	18,000
Risen	Sony Affirm	36,880	20,000
Triple 9	Open Road	12,639	20,000
Young Messiah, The	Focus Features	6,420	18,500

*Same references as Low-Budget Table

LARGE FORMAT FILMS

FILM	DISTRIBUTION	REV.	COST
		thous. $	thous. $
Apollo 13: The Imax Experience	IMAX	1,737	n/a
*Beautiful Planet, A**	IMAX	2,431	n/a
*Born To Be Wild 3D**	Warner Bros./IMAX	24,759	n/a
Bugs!	SK Films, Inc.	18,114	9,000
*Deep Sea 3D**	Warner Bros.	46,207	1,000
Galapagos: The Enchanted Voyage	IMAX	18,557	7,000
Ghosts of the Abyss	Buena Vista	17,041	13,000
Haunted Castle	nWave	13,652	n/a
*Hubble 3D**	Warner Bros.	51,689	n/a
*Island of Lemurs: Madagascar**	Warner Bros.	10,652	n/a
James Cameron's Deepsea Challenge	DisruptiveLA	236	n/a
Jerusalem 3D	National Geographic	7,880	n/a
*Journey to the South Pacific**	IMAX/MacGillivray	7,134	n/a
Magnificent Desolation	IMAX	34,109	3,000
NASCAR 3D	Warner Bros./IMAX	21,337	10,000
Ocean Wonderland 3D	3D Entertainment	11,035	3,000
Roving Mars	Buena Vista	10,408	1,000
Sea Monsters 3D: A Prehistoric	National Geographic	23,746	n/a
Sea Rex: Journey to a Prehistoric	3D Entertainment	6,097	n/a
Space Station 3D	IMAX	93,212	1,000
Thrill Ride	Sony Classics	18,795	9,000
To the Arctic 3D	Warner Bros.	14,445	n/a
T-Rex: Back to the Cretaceous	IMAX	53,347	14,500
U2 3D	National Geographic	10,362	13,000
*Under the Sea 3D**	Warner Bros.	35,048	n/a
Wildest Dream: Conquest of Everest	National Geographic	898	n/a
Wild Parrots of Telegraph Hill	Shadow	3,058	n/a
Wild Safari 3D	nWave	16,621	4,500

* Same references as Low-Budget table

NEED MONEY FOR A MOVIE? DON'T GO IN EMPTY-HANDED. HAVE A BUSINESS PLAN.

The benefit of using a reliable business plan to raise financing for a film is that it allows the investors and the filmmaker to gauge the potential success of a film. A polished business plan with projections based on the worldwide results of other films and with clear explanations about the industry, markets and production personnel attached to the film is far more effective than an incomplete document that leaves prospective investors wanting more information. Contact Louise Levison at louisel@earthlink.net to find out how you can put her 27 years of experience as a Film Business Consultant to work creating a business plan for your film.

Levison, the President of Business Strategies, is a highly respected financial consultant in the entertainment industry, specializing in creation of film business plans. Her clients have raised money for low-budget films including *The Blair Witch Project*, the most profitable independent film in history, and for companies raising as much as $300 million. She is the author of *Filmmakers & Financing: Business Plans for Independents*, currently in its revised and expanded seventh edition (Focal Press, 2013). The sixth edition of the book continues to be available in Mandarin from www.hindabook.com in Beijing, China. Levison also is editor of the online newsletter *The Film Entrepreneur: A Newsletter for the Independent Filmmaker and Investor*. Among other clients' projects are *The Prophet (Kahlil Gibran's)*, *Unlimited* (Nathan Frankowski), *Burning Bodhi*, *The Redemption of Henry Miller*, *Emoticon ;)*, *Moving Midway*, *Redemption Road*, *Haunted* (2012), *The First of May*, *The Open Road*, *Aluna*, *Yak: The Giant King*, *Visual Acoustics: The Modernism of Julius Shulman*, *My Father and the Man in Black* and *Michael Winslow Live.* Among her corporate clients are Danny Glover's Louverture Films (2008 nominee for Best Documentary Academy Award *Trouble the Water*), The Pamplin Film Company (*Hoover*), Hurricane Film Partners, LLC and Tokuma International Ltd (*Shall We Dance*, *Princess Mononoke*). Levison is an Instructor in the Extension Program at UCLA. She also has been a Visiting Professor at the Taipei (Taiwan) National University of the Arts, Chapman University (Orange County, CA) and the University of Montana (Missoula). Levison has presented seminars and/or been on panels at festivals and markets around the world. (Additional information is available at http://www.moviemoney.com).

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