



# THE FILM ENTREPRENEUR:

A Newsletter for Independent Filmmakers and Investors

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## CANNES FESTIVAL 2016: SIGNIFICANT INDIE MARKET

### THE MARKET

American companies were busy buying finished films in contrast to the international distributors who were focused on pre-buying films at the 69<sup>th</sup> annual Cannes event. The French Marché (“market”), which precedes the festival, is one of the two most important international film markets along with the American Film Market in the U. S. They both attract buyers and sellers from every country and are indicators of the future for the film business. “The current drivers of the independent market are clearly the U.S .domestic buyers, the SVOD platforms, China and on the international side especially, the studios themselves,” said Bill Johnson of Lotus Entertainment. Both buyers and sellers commented about the availability of good titles and stars. “More than ever before, you’re going to see a lot of stuff get picked up just based on promos,” The Orchard Executive V.P. Paul Davidson said. “People are not going to travel 14 hours and not come back with something.” Television and film companies compete for the same talent, and “with TV locking them into longer-term contracts, they get taken off the market for a longer amount of time,” Laura Walker of AG Capital told the wrap.com.

Grabbing much of the attention on the buying side was STX Entertainment. The relatively new company, which made its initial appearance at CinemaCon, paid \$50 million for global rights to Martin Scorsese’s *The Irishman* inspiring Anne Thompson to create my favorite headline of the 12 days: *Why STX Spent \$50 Million on a Scorsese Movie That Doesn't Exist.* (<http://www.indiewire.com/article/cannes-2016-martin-scorsese-50-million-stx-market>). The company’s other purchase was a prebuy for Aaron Sorkin’s *Molly’s Game* for a more moderate \$9 million.

On the digital side, distributors liked Amazon's support of their need to sell films in their territories before streaming begins. By opening the festival with Woody Allen's film *Café Society* the festival changed its rule against showing films intended to skip theatrical and go directly to streaming. Amazon, as they did at CinemaCon, participated on a panel to explain their goals. "Amazon is willing to work with distributors to support their distribution efforts in any given territory," said The Exchange CEO Brian O'Shea, who reported a strong response to the documentary *Gleason* that Amazon and Open Road will release in the US. Amazon's "charm offensive" (Jeremy Kay's apt term) was in contrast to Netflix's acquisitions team which was there without Chief Content Officer Ted Sarandos. At last year's Cannes, he was booed after saying that Netflix would not distribute theatrically in France due to the requirement to wait 36 months before television or other ancillary outlets. He disputes *The Hollywood Reporter's* claim that his company received a "chilling reception;" however, it is no surprise that filmmakers, distributors and exhibitors would feel lukewarm toward a company dedicated to skipping the theatrical release window and going directly to streaming with no backend for anyone.

Besides a total of 1,426 screenings, including 985 features of which 790 were premieres. 1,050 additional projects were being offered to buyers, bringing the total number of films on sale to 3,450. Four thousand producers were part of the market, an 11 percent increase over 2015. Attendees totaled 11,900, a new record for the market. Chinese badge holders this year (total 494 participants), up 32 percent from 2015. There also were notable increases from Brazil which was up 39 percent (total 147 participants). Growth in numbers could also be seen across Asia and Latin America, with Italy increasing significantly.  
([http://www.filmfestivals.com/blog/cannes\\_market\\_dailies](http://www.filmfestivals.com/blog/cannes_market_dailies))

## THE FESTIVAL

The 69th annual Cannes Film Festival was held May 11<sup>th</sup> to 22<sup>nd</sup>. Australian director George Miller was the President of the Jury for the main competition which consisted of 21 films, out of the 1,869 submitted. The 49 winning titles represented 28 countries. As with other major festivals, there were a number of familiar names among the selections, such as Xavier Dolan, Cristian Mungiu, Olivier Assays, Pedro Almodovar, Jean-Pierre, Luc Dardenne and Park Chan-Wook. Director Ken Loach won his second Palme d'Or for *I, Daniel Blake*. Accepting the award for his record 13<sup>th</sup> Competition entry, the 79-year-old filmmaker said, "We must give a message of hope, we must say another world is possible. He previously won in 2006 for *The Wind That Shakes The Barley*. Only eight other directors have won it twice.

Director Andrea Arnold's Jury Prize for *American Honey* was her third. The other two were *Red Road* and *Fish Tank*. Defending the repeating of prizes for some filmmakers over the years, Artistic Director Thierry Fremaux told *The Hollywood Reporter*, "Every film we pick up is because of the film and what the film means in terms of schedule, programming and selection. ' Of course, they also say the same thing at Sundance and every other festival when the same people seem to get the awards year after year.

The topic of women in the festival and at the market was ongoing during the 12 days. Fremaux told screendaily.com that 20 percent of festival films were by female filmmakers. “There just aren't enough female filmmakers to justify higher representation at the festival.” Better math shows that the percentage of women actually was 14 percent. Asked about the judging of women’s films, Miller said, “Without going into specifics, I don’t remember going to a film and assessing if a woman was in it or not. We were looking at other issues.” There were only three female directors in competition — Arnold, Nicole Garcia (*From the Land of the Moon*) and Maren Ade (*Toni Erdmann*). The Un Certain Regard section featured the work of five additional female helmers and showcased a younger crop of talent overall. Whatever has been said, and however you calculate the ratios, it is clear that there still is an attitude problem in the industry.

While *Café Society* opened the festival, there was no closing night film. The festival organizers decided to rescreen the Palme d’Or winner instead. Before the press conference, Festival President Pierre Lescure and Fremaux gave the floor to French entertainment workers and students who protested against the government’s attempt to toughen labor laws for audiovisual, film and culture “industryites.”

### **AND THE CANNES FESTIVAL PRIZE GOES TO...**

<b>AWARD</b>	<b>FILM</b>	<b>WINNER</b>
<b>Main Competition</b>		
Palme d’Or	<i>I, Daniel Blake</i>	Ken Loach
Grand Prix	<i>It’s Only the End of the World</i>	Xavier Dolan
Best Director (tie)	<i>Graduation</i> <i>Personal Shopper</i>	Cristian Mungiu Olivier Assayas
Best Actress	<i>Ma’Rosa</i>	Jaclyn Jose
Best Actor	<i>The Salesman</i>	Shahab Hosseini
Best Screenplay	<i>The Salesman</i>	Asghar Farhadi
Jury Prize	<i>American Honey</i>	Andrea Arnold
Camera d’Or (first feature)	<i>Divines</i>	Uda Benyamina
Honorary Palme d’Or	-	Jean-Pierre Léaud
Short Film Palme D’Or	<i>Timecode</i>	Juanjo Gimenez
Special Mention	<i>The Girl Who Danced With The Devil</i>	Joao Paulo Miranda Maria
Ecumenical Jury	<i>It’s Only the End of the World</i>	Xavier Dolan
<b>Un Certain Regard</b>		
Un Certain Regard Prize	<i>The Happiest Day in the Life of Olli Mäki</i>	Juho Kuosmanen

Jury Prize	<i>Harmonium</i>	Koji Fukada
Best Director	<i>Captain Fantastic</i>	Matt Ross
Screenplay	<i>The Stopover</i>	Delphine and Muriel Coulin
Special Jury Prize	<i>The Red Turtle</i>	Michael Dudok de Wit
<b>Critics' Week</b>		
Grand Prix	<i>Mimosas</i>	Oliver Saxe
Visionary	<i>Album</i>	Mehmet Can Mertoğlu
Society of Dramatic Authors and Composers (SACD) Prize	Diamond Island	Day Chou
<b>Partner's Awards</b>		
Gan Foundation Support for Distribution	<i>One Week and a Day</i>	Sophie Dulac
Canal Plus Best Short	<i>L'enfance D'un Chef</i>	Antoine de Bary
Sony CineAlta Discovery	<i>Diamond Island</i>	Davy Chou Claire Maugendre
<b>Director's Fortnight</b>		
Art Cinema	<i>Wolf and Sheep</i>	Shahrbanoo Sadat
SACD (French-language film)	<i>The Together Project</i>	(Solveig Anspach
Europa Cinemas	<i>Mercenaire</i>	Sacha Wolff
<b>FIPRESCI (International Critics Sidebar)</b>		
Competition Film	<i>Toni Erdmann</i>	Maren Ade
Un Certain Regard Film	<i>Dogs</i>	Bogdan Mirică
Critics' Week film	<i>Raw</i>	Julia Ducournau
<b>Cinéfondation Student Films</b>		
First Prize	<i>Anna</i>	Or Sinai
Second Prize	<i>In The Hills</i>	Hamid Ahmadi
Joint Third Prize	<i>A Nyalintás Nesze</i> <i>La Culpa, Probablement</i>	Nadja Andrasev Michael Labarca



## HOME ENTERTAINMENT DIGITAL SPENDING CONTINUES TO GROW

Consumer spending on home entertainment was stable for the first quarter of 2016 compared to the same period in 2015, but outperformed the box office in that period. Notably, consumers have purchased more than seven million 4K UHD TVs to date in the brief period since the product came to market, sparking strong demand for content for the next generation TVs.

Among the highlights for first quarter 2016:

- Total U.S. home entertainment spending was nearly \$4.6 billion for the first quarter, flat over the same period 2015 and outpacing the box office value on video release by nearly 10 percentage points.
- 4K Ultra HD players launched in the U.S. market and were quickly purchased.\*\* With 26 4K Ultra HD Blu-ray releases available in the first quarter, 4K Ultra HD discs experienced impressive sales with consumers buying more than 80,000 discs in their first weeks of launch. This number is two times that of Blu-ray Discs sales in its first weeks of launch.
- More than 1.5 million 4K Ultra HD TVs sold in the first quarter, up 210 percent, bringing the total number of sets sold to date exceeding seven million.
- VOD platforms continued to grow in the period, up seven percent for the quarter, and reversing the downward trends seen in early 2015.
- Subscription VOD (SVOD) had strong growth with a 19 percent rise for the first quarter over the first quarter of 2015.
- EST growth slowed to four percent in the quarter due to a smaller slate of new releases but continues to see robust catalog growth.
- HDTV penetration is now approaching the number of U.S. households. The DEG estimates that nearly 95 percent – 104 million - of all U.S. homes have at least one HDTV. All Blu-ray playback devices (including set-tops and game consoles) are in more than 84 million U.S. households\*\*\*.

\*\* With only one manufacturer in the market place, the DEG cannot report sales figures.

\*\*\* This is a restatement adjusting for duplication rate and cross-device ownership calculations for all Blu-ray Disc set-top players and game consoles. 🟠

## FAIR USE IN THE AGE OF SOCIAL MEDIA

Forbes.com has an education article by Oliver Herzfeld and Marc Aaron Melzer on copyright fair use in social media. Here is their introduction, but I recommend reading the entire article. It is something with which we all have to (or should) wrestle, but there are few final court rulings.

“Almost everyone knows that it is a violation of law to copy other people’s works of authorship without the owner’s permission or a valid fair use exemption. But the number of social network users has exploded (estimated to exceed two billion people worldwide) and, at its core, social media is all about sharing content. So the question arises: to what extent has the evolution of social media expanded the permissibility of posting content created by third parties beyond the traditional limits of fair use? This article will review several recent fair use cases and identify key takeaways and lessons learned.”

<http://www.forbes.com/sites/oliverherzfeld/2016/05/26/fair-use-in-the-age-of-social-media/?linkId=24907533#1d12de4926cd> 

## COMINGS AND GOINGS

Donald Tang’s Tang Media Partners (TMP) has acquired a majority stake in **IM Global**, which is also partnering with Chinese tech giant Tencent on a TV production venture. Fortunately, Stuart Ford will continue as IM Global CEO under a new multi-year employment deal, as well as serving in a similar capacity in the TV venture. Ford started IM Global in 2007. Donald Tang is now the executive chairman of the IM Global board. Based in Los Angeles and Shanghai, TMP is active in the development, financing, production and distribution of content focused on the intersection of China and Hollywood. Ford told *Variety* that IM Global is not a traditional film company but a content hub. It is aligned somewhere between the business’ traditional North American base and burgeoning foreign markets in Latin America and Asia that are fueling the entertainment industry’s growth. “These investors have gotten their head around Hollywood content and production, and they now understand and want to be a player in the global business. They know that we understand the value of all sorts of content and how it fits into the growing spider web of digital distribution platforms globally.”

**DreamWorks Animation** is going full studio with its purchase by Comcast Corporation for \$3.8 billion. DWA will become part of the Universal Entertainment Group by the end of the year, assuming the deal is approved by federal regulators (presumably the Federal Trade Commission and Department of Justice). Universal will have to wait to distribute DWA’s films until the end of 2017 when the animation company’s distribution agreement with 20<sup>th</sup> Century Fox ends. Although DWA CEO and co-founder Jeffrey Katzenberg bid a farewell to Cannes at this year’s market, he will become chairmen of DreamWorks New Media (Awesomeness TV and NOVA), as well as a consultant to NBCUniversal. There still are at least four films already filming or in post, so we will have those animation revenues in my independent sector box office report for a couple of years.

Chinese media mogul Bruno Wu and Producer Larry Kasanoff have unveiled a new joint venture to develop and finance film projects for the worldwide market. Named **Threshold Global Studios**, the company is a partnership of Kasanoff's Threshold Entertainment Group and Wu's Seven Star Works. Their project will be an \$80 million film, *Tetris the Movie*, an adaptation of the iconic video game. The film is described as an "epic sci-fi thriller." The partners say it will be an official China-U.S. co-production, with a Western and Chinese ensemble cast. Shooting is expected to take place in China in 2017. Kasanoff told *deadline.com*, it is "not at all what you think; it will be a cool surprise." The film is seen as the first part of a trilogy. "Threshold Global will make cross-cultural movies for the global market," Kasanoff and Wu said in a joint statement.

Kino Lorber is launching a theatrical distribution label, **Silk Road Cinema**, dedicated to award-winning arthouse films from India, Pakistan and the rest of South Asia. The distributor is partnering with New York and Mumbai-based independent director-producer Shrihari Sathe to curate the collection and collaborate on distribution strategy. Silk Road Cinema will release around six titles a year throughout North America, in theatres and across all other platforms, starting with five titles acquired by Sathe and Alan McAlex's 3 Monkeys. "As a festival juror for South Asian films, my eyes were opened to the sophistication and originality of many talented emerging filmmakers who have been overshadowed by cliché driven dominance of Bollywood," Lorber said. "These are international arthouse films in the best sense and deserve wider exposure at prestige festivals, arthouse theatres and in all media for smart, adventurous film lovers."

*Spider-Man* director Sam Raimi and German filmmaker Florian Henckel von Donnersmarck have partnered with Jackie Chan's Sparkle Roll Media to create a joint venture film company in China called **Allegory Films**. The new company, which will finance pictures in the \$30 million to \$80 million range, was announced at a signing ceremony at the Beijing International Film Festival. The partners said in a statement that Allegory will focus on Raimi and Donnersmarck's directing projects, as well as other director-driven projects for the duo to produce. According to a regulatory filing in China, the company will produce two films a year. Beijing Cultural Investment Holdings, the principal financial backer of Sparkle Roll Media, has committed \$150 million towards the venture and an additional financing round is expected to raise the production resources to \$500 million.

Producer Chris Bender has left Benderspink, which he founded with J.C. Spink, to form **Good Fear Film + Management**. Bender will continue to focus on producing film and television as well as repping directors, writers and actors. Among the more than 30 films with which he was involved at Benderspink are the franchises *The Hangover* and *American Pie*, as well as *We're The Millers* and the company's current release, *Criminal*. ■

## NUMBERS! NUMBERS! NUMBERS!

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

FILM	DISTRIBUTOR	REVENUE	COST
		thous. \$	thous. \$
<i>Bronze, The</i>	Sony Pictures Classics	616	3,500
<i>Compadres*</i>	Lionsgate Premiere	3,128	3,000
<i>Darkness, The *</i>	High Top Releasing	10,099	4,000
<i>Fifty Shades of Black</i>	Open Road	11,686	6,000
<i>Grandma</i>	Sony Pictures Classics	6,980	600
<i>God's Not Dead 2*</i>	Pure Flix	20,680	5,000
<i>Green Inferno, The</i>	High Top Releasing	7,193	6,000
<i>Hello, My Name Is Doris*</i>	Roadside Attractions	14,202	1,000
<i>Kapoor &amp; Sons-Since 1921*</i>	Fox International Prod.	2,607	5,200
<i>Lady in the Van, The*</i>	Sony Pictures Classics	10,003	5,500
<i>Lobster, The*</i>	A24	2,263	4,500
<i>Love and Friendship*</i>	Amazon/Roadside Att.	4,397	3,000
<i>Meet the Blacks*</i>	Freestyle Releasing	9,077	900
<i>Neerja</i>	India's Fox Star Studios	1,586	1,950
<i>Perfect Match, The</i>	Lionsgate	9,669	5,000
<i>Race</i>	Sony Pictures Releasing	19,115	5,000
<i>Room</i>	A24	14,678	6,000
<i>War Room</i>	Sony Pictures Releasing	67,790	3,000
<i>Witch, The</i>	A24	25,139	3,500

\*Still in North American distribution as of May 31, 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.
<i>Big Short, The</i>	Paramount	70,260	28,000
<i>Boy, The</i>	STX Entertainment	35,820	10,000
<i>Brooklyn*</i>	Fox Searchlight	38,323	10,000
<i>Choice, The*</i>	Lionsgate	18,730	10,000
<i>Criminal*</i>	Lionsgate/Summit	14,709	31,500
<i>Danish Girl, The</i>	Focus Features	11,106	15,000
<i>Divergent Series, The: Allegiant*</i>	Lionsgate/Summit	66,166	110,000
<i>Eddie the Eagle *</i>	20 <sup>th</sup> Century Fox	15,701	23,000
<i>Everybody Wants Some!</i>	Paramount	3,400	10,000
<i>Eye in the Sky*</i>	Bleeker Street	18,386	13,000
<i>Forest, The</i>	Gramercy	26,583	10,000
<i>Gods of Egypt*</i>	Lionsgate	31,153	140,000
<i>Hateful Eight, The</i>	The Weinstein Co.	54,117	44,000
<i>Kung Fu Panda 3*</i>	DreamWorks Animation	143,165	120,000
<i>London Has Fallen*</i>	Focus Features	62,513	60,000
<i>Mother's Day*</i>	Open Road	32,216	25,000
<i>Norm of the North</i>	Lionsgate	17,017	18,000
<i>Revenant, The</i>	20 <sup>th</sup> Century Fox	183,638	135,000
<i>Risen</i>	Sony Affirm	36,880	20,000
<i>Spotlight</i>	Open Road Films	45,056	20,000
<i>Triple 9</i>	Open Road	12,639	20,000
<i>Young Messiah, The</i>	Focus Features	6,420	18,500

\*Same references as Low-Budget Table

## LARGE FORMAT FILMS

FILM	DISTRIBUTION	REV.	COST
		thous. \$	thous. \$
<i>Apollo 13: The Imax Experience</i>	IMAX	1,737	n/a
<i>Beautiful Planet, A*</i>	IMAX	1,633	n/a
<i>Born To Be Wild 3D*</i>	Warner Bros./IMAX	24,704	n/a
<i>Bugs!</i>	SK Films, Inc.	18,114	9,000
<i>Deep Sea 3D</i>	Warner Bros.	46,190	1,000
<i>Galapagos: The Enchanted Voyage*</i>	IMAX	18,557	7,000
<i>Ghosts of the Abyss</i>	Buena Vista	17,041	13,000
<i>Haunted Castle</i>	nWave	13,652	n/a
<i>Hubble 3D*</i>	Warner Bros.	51,670	n/a
<i>Island of Lemurs: Madagascar*</i>	Warner Bros.	10,637	n/a
<i>James Cameron's Deepsea Challenge</i>	DisruptiveLA	236	n/a
<i>Jerusalem 3D</i>	National Geographic	7,880	n/a
<i>Journey to the South Pacific*</i>	IMAX/MacGillivray	7,130	n/a
<i>Magnificent Desolation</i>	IMAX	34,109	3,000
<i>NASCAR 3D</i>	Warner Bros./IMAX	21,337	10,000
<i>Ocean Wonderland 3D</i>	3D Entertainment	11,035	3,000
<i>Roving Mars</i>	Buena Vista	10,408	1,000
<i>Sea Monsters 3D: A Prehistoric</i>	National Geographic	23,746	n/a
<i>Sea Rex: Journey to a Prehistoric</i>	3D Entertainment	6,097	n/a
<i>Space Station 3D*</i>	IMAX	93,205	1,000
<i>Thrill Ride</i>	Sony Classics	18,795	9,000
<i>To the Arctic 3D*</i>	Warner Bros.	14,445	n/a
<i>T-Rex: Back to the Cretaceous</i>	IMAX	53,347	14,500
<i>U2 3D</i>	National Geographic	10,362	13,000
<i>Under the Sea 3D*</i>	Warner Bros.	35,023	n/a
<i>Wildest Dream: Conquest of Everest</i>	National Geographic	898	n/a
<i>Wild Parrots of Telegraph Hill</i>	Shadow	3,058	n/a
<i>Wild Safari 3D</i>	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](mailto: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](http://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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