

# Screen Finance

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## Wall Street banks circling putting together prints-and-advertising funds for Hollywood

By Tim Adler

Wall Street is circling putting together prints-and-advertising funds to pay for the marketing costs of Hollywood movies.

Eight banks including Goldman Sachs, Citigroup and Deutsche Bank are investigating P&A funds.

The banks have become interested in P&A funding after realizing how far down the recouping waterfall they were pushed during the gold rush when Wall Street invested US\$12 billion in Hollywood slate financing.

The studios by contrast were collecting distribution fees of around 10% regardless of the financial success of a movie.

Wall Street and other investors now want to be at the top of the recouping waterfall too. There have

been half-a-dozen attempts to raise prints-and-advertising funding over the past six months.

"Institutional investors are now coming into P&A," said Alexander Burns, managing partner of marketing fund Cyan Pictures Capital. Burns was speaking at the recent Winston Baker Film Finance Forum East conference in New York.

However, you need deep pockets to be a player. Hollywood spends US\$5.5 billion each year marketing its movies. Metro-Goldwyn-Mayer spent US\$75 million promoting *Valkyrie* in January. A mini-major like Lionsgate spends US\$35 million on a 1,500-print release.

Golden Sand Entertainment, a Los Angeles-based P&A fund,

has raised US\$200 million in marketing funding. Golden Sand has arranged marketing spend for projects budgeted between US\$8.5-18 million.

Michael Mansour, president of Golden Sand, said that P&A funding makes a lot of sense in terms of last-in, first-out when it comes to recouping.

But Isaac Palmer, managing director of media investment bank MESA, warned that returns from P&A funding are still based on performance risk, and therefore it's still possible to lose money despite being first in the recouping waterfall.

Burns agreed, "P&A looks like a safer investment but it can be

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## New York spreads payments over three years

By Tim Adler

New York is spreading out its tax credit repayments over three years rather than one.

The move, which has been backdated to April, is designed to save New York State money.

But producers are bound to be dismayed by the decision, which means they have to pay more interest on money they have borrowed against getting the tax credit within one year.

The tax credit is worth 30% of below-the-line costs.

Pat Kaufman, executive director of New York State Governor's Office for Motion Picture and Television Development, shrugged off the changes, saying they had left a "handful" of producers out of pocket. Kaufman was speaking at the recent Winston Baker Film Finance Forum East conference in New York.

But Anthony Gudas, managing member of Tax Credit Finance, said that a lot more productions have been caught out by the

change than New York is prepared to admit.

Kaufman pointed out that historically, New York has always spread out its payments. It was only in the last 2008/09 financial year that payments were accelerated to within 12 months.

The state of New York currently attracts US\$1.7 billion worth of production each year. Nearly 80 projects have begun shooting since April alone.

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