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Betting It All (Literally) to Make a Dream Film

By REGAN MORRIS

With almost \$3 million riding on his latest movie, the producer Robert Newmyer has broken an unwritten rule of Hollywood film financing: always use other people's money.

Mr. Newmyer, 48, is no dilettante. He has had big commercial successes with "Training Day" and "The Santa Clause" and critical acclaim (generally much less profitable) with "Sex, Lies and Videotape." More recently, his Outlaw Productions produced "Mindhunters" and "The Thing About My Folks," which was shot on high-definition tape and cost about \$3 million (of somebody else's money) to make.

"It's so much easier to shoot on tape than it is on film," he said. "It gave me the idea, that wow, this could give me the opportunity to really become an entrepreneur again by making movies that otherwise would have cost a lot more money."

High-definition tape has improved in quality and has attracted filmmakers eager to avoid the high cost of film and processing.

Returns on investment for low-budget movies can be staggering. "My Big Fat Greek Wedding," for example, cost \$5 million to make and about \$20 million to distribute and grossed almost \$380 million worldwide, according to Paul Brooks, whose Gold Circle Films was an equal partner with HBO in financing the film.

With numbers like that, entrepreneurs will always be lured to Hollywood.

But great peril awaits them. Almost by definition, entrepreneurs flirt with disaster in whatever field they choose, but filmmaking is in a class by itself. Even restaurants, which have an unusually high failure rate, can hang on and build up a clientele or even reinvent themselves. Movies have one chance. The producers can always reshoot certain scenes and fiddle with the dialogue, but generally, they either make it or not.

Mr. Newmyer, the producer, is in the process of finding out whether he will make it. A Harvard Business School graduate and former real estate developer, he did not set out to finance "Phat Girlz" - a romantic comedy about a plus-size fashion designer who finds love and learns to accept herself when she wins a trip to Palm Springs - all by himself. Last year, several investors and studios expressed interest in backing the project, he said, and he had no qualms about putting his own money down to get the production started.

"That was a really reckless move, because once you start spending money in preproduction, you know you have to finish," he said. "Because if don't finish, you give up any chance of recouping."

Spending before raising money is a classic pitfall for entrepreneurs, says Andrew Zacharakis, chairman of the entrepreneurship division of Babson College in Wellesley, Mass. It often turns into an "escalation of commitment," he says, with the entrepreneur throwing in more and more money.

One reason Mr. Newmyer took the plunge was that he was convinced he had a winning formula. He loved the script by Nnegest Likké and signed her on to direct her first feature-length movie. He was also a fan of the comedian Mo'Nique Imes-Jackson, who stars in the film, and he was convinced she would be a hit.

The investors, he assumed from experience, would follow. Instead, they disappeared, put off by the box-office disappointments of three other so-called "urban films" aimed at black audiences - "Soul Plane," "The Cookout" and "Breakin' All the Rules."

Mr. Newmyer was caught in a bind. "I started selling my stocks, selling everything I had that was sellable," he said. "We kept shooting and the cost kept mounting. One potential partner after another started renegeing as one urban picture after another started tanking at the box office."

As the bills mounted, he mortgaged his homes in Los Angeles and Telluride, Colo. The \$3 million he poured into the project was a pittance compared with the \$100 million that Hollywood spends on average to make and market a film. Unfortunately, it was all his to lose.

Moreover, he was in an especially vulnerable position because "Phat Girlz" had no distribution deal. If he could get a bidding war going, he would be able to negotiate a favorable profit-sharing agreement. But there was always the possibility the film would go straight to video, which would probably wipe out at least two-thirds of his investment.

To protect himself, he cut costs. He persuaded most of the cast and crew to work free or for low pay in return for a share of future profits. And while he generally stays away from the set of a film, preferring to develop stories and financing through his production company, with "Phat Girlz" he often visited the sets in Los Angeles and Palm Springs, Calif.

Mr. Newmyer says his family has supported his venture, but also shared his fears.

"My wife and my kids are not all that thrilled about it," he said. "I do find it terrifying and I would say, in waves, I am feeling, experiencing phenomenal stress for the past five or six months. I will clearly stay on this track until we finish this movie, exhibit it and it's sold to a distributor."

As the urban film market crumbled and his debt deepened, some investors "smelled blood in the water" and made offers - all unfavorable, Mr. Newmyer said.

"Last year when I really needed to come up with the money, they felt there was a level of desperation that would force me to take in the money on really bad terms, on stupid terms," Mr. Newmyer said. "The structure being that their money was safe, my money was still risky and they were sharing the upside." In the end, though, he turned them down and kept financing the project.

"You would be surprised at the number of people who extend themselves and their credit and their health and their contacts and their life force in order to get their dream picture made," said Michael Donaldson, a lawyer and a lecturer on film financing at U.C.L.A.

But Mr. Newmyer has an answer to that: He does not particularly want to see the fruits of his labor plucked by the big boys. Typically, Hollywood studios pay production companies like his a straight fee for making a movie and then reap most or all of the profits if it is a big hit. Mr. Newmyer sees "Phat Girlz," which is now being edited, as an opportunity to own a picture and share profits only with the cast, crew and the distributor, when he finds one.

He rates his chances for success as strong, considering his industry contacts, Mo'Nique's fan base and perhaps best of all, a resurgence of the urban film market. African Americans are starring in some of the most popular commercial films of the year, like Will Smith's "Hitch" and "Diary of a Mad Black Woman," which was No. 1 at the box office in February.

Would Mr. Newmyer do it all over again? Yes, he said. "I think it was a smart bet. I have tremendous emotional faith in the picture."