

# **“Lights, Camera, Action....Profits?” Investing in the Independent Movie Industry**

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**“I remain just one thing, and one thing only, and that is a clown. It places me on a far higher plane than any politician.” - Charlie Chaplin**

Investors are always seeking the most rewarding venture with upside potential and minimal risk. Few businesses offer as low a capital entry requirement as the motion picture industry. The potential return can be unlimited over short, medium and long terms. To illustrate, the movie *My Big Fat Greek Wedding* was rejected by many major studios and produced as an independent film for approximately \$1.5 million. The film went on to generate over \$200 million domestically, even before it was released to home video or foreign distribution. There are thousands of examples of similar small budget movies, where the return was at least three times that of securities listed on any of the U.S. exchanges.

Reviewing recent data on 253 low budget features (less than \$1.5 million production costs), the average gross of each picture was over \$9.01 million of the theatrical income. A feature released on DVD typically generates an additional 40-50 percent of income. Further revenue is generated through cable releases and pay-for-views in hotels and resorts. Syndication, the selling of a movie to many of the thousands of individual television stations across the world, is a medium that can extend the potential income stream for up to another 15 years.

Worldwide, society is fast becoming one of a leisurely lifestyle. Homes are filled with technologically advanced audio-video equipment. Companies, such as Netflix, are constantly creating new ways to provide for easier access to movie viewing. A person can now order DVDs through the mail, watch a movie via the internet, or stream content to hand held devices, such as cell phones or tablets. Despite the economic difficulties of the 2008-2009 era, movie revenues during that same time period increased significantly.

Smaller budget, independent films offer the investor an opportunity to contribute to a unique project. There are a number of ways that investors can find films in which to invest. Film producers can be found through independent production company websites or by making an in-person connection by attending a film festival. There are film trade journals, such as *Variety*, that can provide basic and valuable information about future film projects. Websites, such as [Filminvestorsnetwork.com](http://Filminvestorsnetwork.com), can also aid investors in selecting investment opportunities.

Most independent film projects are structured as Limited Partnerships or Limited Liability Companies. It is possible to invest in these entities and only be responsible for those monies invested, and not be accountable for any other debts or obligations. If and when profitable, investors are repaid their initial investment before any other monies are distributed. Once investors have recouped their capital, revenue sharing agreements are set in place to divide the remaining proceeds.

Investors need to conduct proper due diligence, as they would for any investment. The producers and production companies should be researched thoroughly. The primary reason independent films fail is the inability to secure theatrical distribution. Choosing an investment that is backed by companies with strong financial ledgers, past successes, and good connections within the industry is an absolute necessity to mitigate risk.

TPI has conducted significant due diligence for our clients and has established a working relationship with Hollywood based, IndieVest. IndieVest guarantees domestic theatrical distribution for all of their productions. They have an exceptional team with a history of success in the industry. Accredited investors have an opportunity to purchase membership and investment packages starting at a minimum of \$50,000. In addition to the potential for profit, there might be tax advantages that typical equity investments do not possess. Opportunities also exist to attend industry gatherings, visit production studios, and to have one's name included in the credits.

Investing in the movie industry is a long-term commitment and has the potential to be both exciting and profitable. Please feel free to contact us at TPI if you have any questions or interest in discussing this alternative investment opportunity for your diversified portfolio.