

# Horror Films

Willinsky-Lloyd

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*Business Proposal*

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## The Company

*Willinsky - Lloyd* specializes in low budget horror movies, one of the hottest segments in the film industry. With budgets ranging between \$1-3 million, our goal is produce top quality projects at a low cost to maximize market share and minimize financial risk. This “common sense” business model increases the chances of recouping initial investments and creates an opportunity for “breakout” potential.

## The Team

*Cody Ruimy* has been a producer for 15 years with an emphasis in foreign distribution, the fastest growing market in the entertainment business. His creative team includes directors *Joe Conti* and *Roy T. Wood*; plus screenwriters *Mark Garbett* and *David Andrew Lloyd*.

*Conti* is a computer graphics specialist. His film *Bugs* has become one of the most popular features on the *Sci-Fi Channel*, and he has recently been tapped to direct another film through *Universal Studios*. *Wood* has recently finished *Disaster, the Movie*, an animated spoof generating tremendous industry heat. He has also been slated to direct a pending *Kevin Spacey* project.

*Lloyd* is an award-winning writer who recently inked a deal with *Fox Searchlight*. *Garbett* has optioned several horror/thriller scripts. His script *Reflections* is scheduled for productions this year, and he has currently been hired by *FA Productions* to rewrite one of their horror projects.

## The Films

*Willinsky - Lloyd* offers a variety of popular concepts to terrify and titillate their market, covering the spectrum from traditional horror to sci-fi/action. The purpose is to create widely marketable films that are fresh and original, while staying true to the nature of the genre.

To view our list of projects, please contact Mr. Lloyd at [WeKnowFunny@aol.com](mailto:WeKnowFunny@aol.com) to arrange a meeting. Serious investors only.

# The Market

Horror is a genre that never goes out of style. These films provide the best risk/reward ratio in the movie industry, and often enjoy box office success and video/DVD sales without major stars. They have lower budgets than other genres, and they have a loyal audience in the most desirable demographic (18-35 year old males).

# The Industry

Low-budget horror movies are a major economic force within the film industry. *The Blair Witch Project* grossed over \$200 million, *Saw* took in over \$100 million, and *Cabin Fever* has already grossed over \$60 million in all markets. All of these films were produced for under \$2 million

Global Box Office revenues for the entire industry is projected to grow US\$10 billion between 2000 and 2010 to US\$18 billion, according to Baskerville Communications. The National Association of Theater Owners (NATO) reported annual domestic ticket sales of \$7.5 billion by the end of the past decade, a 55 percent increase since 1990. Total admissions were 1.6 billion, an increase of 25 percent over the same period.

# Distribution

The producers will seek domestic and foreign distribution from independent companies that specialize in marketing low-budget films. Although the major studios have marketing muscle to saturate a greater share of the market, smaller independent distributors can often find a niche that may be overlooked by a larger entity. *Willinsky - Lloyd* will reach these distributors through their own personal contacts, and exposure in film festivals and film markets.

# Investment Opportunities

*Willinsky - Lloyd* is seeking a three-picture deal with a total budget between \$5-7 million. Investors may finance individual projects between \$1-3 million, but the multiple production slate will reduce budget costs on all projects and increase overall profitability by reducing financial waste.

## The Company

*Willinsky - Lloyd* specializes in low budget horror movies, one of the hottest segments in the film industry. With budgets ranging between \$1-3 million, our goal is produce top quality projects at a low cost to maximize market share and minimize financial risk.

While some producers are jumping into horror films to exploit a growing market, our “common sense” business model increases the chances of recouping initial investments and creates an opportunity for “breakout” potential. Our production team will cut costs to help recoup the basic budget, while excellent writing with superior directing will elevate the projects to another level, resulting in larger profits and even sequels.

## The Team

### ***Cody Ruimy - Producer***

*Ruimy* has spent 15 years in production, acquisitions, distribution and sales for *DreamFactory*, *Axiom Entertainment* (as COO/President) and *THF Picture Corp.*, where he negotiated their distribution deal with *Regent Entertainment*. He has a special strength in international sales and distribution, the fastest growing market in the entertainment business. Credits include *Liar's Poker*, *Extreme Honor* and *Wilbur Falls*, starring *Danny Aiello* and *Sally Kirkland*.

### ***Joe Conti - Director***

*Conti* is one of Hollywood's top CGI masters. His film *Bugs* has become one of the most popular features on the *Sci-Fi Channel*, and he has recently been tapped to direct another film through *Universal Studios*. His CGI credits include *Blackhawk Down*, *Die-Hard*, *Stuart Little*, *Courage Under Fire* and the exciting opening sequence from *Men In Black*.

### ***Roy T. Wood - Director***

*Wood* has recently finished *Disaster, the Movie*, an animated spoof so funny that *Motley Crue* begged him for a part in the film. The film opened in November 2006 through *Universal Studios*. He has also been slated to direct a *Kevin Spacey* project. His short *Wheelchair Rebecca* ranks as one of the top shorts on *Atom Films.com*, and his versions of *Celebrity Death Match* are legendary.

### ***Mark Garbett & David Andrew Lloyd – Screenwriters***

*Garbett* and *Lloyd* are both award-winning screenwriters. *Lloyd* has won the *KASA Award* and recently set up a project with *Fox / Searchlight*. *Garbett* has optioned several horror scripts, including the supernatural thriller *Reflections* scheduled to shoot this fall. He has been a semi-finalist in the *Nicholl Fellowship* and his horror script *Shadow in the Dark* made the Top 10 (from over 1,200) in the *International Screenwriting Competition*. Most recently, he was tapped by *FA Productions* to rewrite one of their horror projects.

# The Films

*Willinsky - Lloyd* offers a variety of popular concepts to terrify and titillate their market, covering the spectrum from traditional to sci-fi / horror. The goal is to create widely marketable films that are fresh and original, while staying true to the nature of the genre.

*To view our list of projects, please contact Mr. Lloyd at [Iknowfunny@aol.com](mailto:Iknowfunny@aol.com) to arrange a meeting. Serious investors only.*

# The Market

Horror never goes out of style. The genre provides the best risk/reward ratio in the film industry, and often enjoys box office success and video/DVD sales without major stars.

In April 2005, *The Amityville Horror* returned from the dead with a vengeance, taking in \$23.3 million to top the weekend box office with its gory update of the 1970s fright flick, and prompting *Yahoo* to write:

The movie [*Amityville Horror*] is the latest in a parade of successful horror remakes. With a built-in audience looking for scares and a string of hits such as *The Texas Chainsaw Massacre*, *The Grudge* and *Dawn of the Dead*, horror movies have become almost a sure-thing in Hollywood.

Horror movies also typically cost far less than other big studio films, whose average budgets top \$60 million. *The Amityville Horror* grossed more than its \$19 million budget in just the first weekend.

## ***The Horror Genre***

*Loyal Fan Base:* Horror movies have lower budgets than other genres, and they have a loyal audience in the most desirable demographic (18-35 year old males). They are now accepted “date” movies and films that moviegoers flock to see in groups. *The Amityville Horror* received mostly bad reviews, yet the under-25 crowd that makes up the genre's core audience rarely heeds the critics.

*Concept Driven:* Many of the most successful horror films did not even depend on star power to drive the film, including *The Ring*, *Jeepers Creepers*, *The Blair Witch Project*, *Cabin Fever*, *Boogeyman*, *Darkness Falls*, *House of 1000 Corpses* and *28 Days Later*.

*Sequels:* Furthermore, the genre has significant sequel / franchise potential. *Jeepers Creeper*, *The Ring*, *Saw* and *Cabin Fever* have all spawned sequels. The teen horror film *Ginger Snaps* had an extremely limited release in theaters, yet enjoyed such success on cable and rentals/sales that it spawned both a sequel and a prequel.

## ***Other Markets***

*International:* Horror films translate well overseas. *28 Days Later* grossed \$40 million internationally compared to its \$10 million budget. *Hide and Seek* brought in \$61 million internationally (\$58 million domestic) with a \$30 million budget, and *The Grudge* generated \$68 million internationally (\$178 million total) with a \$10 million budget.

*DVD / Video Sales:* Horror films also enjoy a booming direct-to-cable and video market. The \$1.5 million-dollar budget film *Session 9* grossed 373,000 in limited release, yet generated over \$2 million in DVD/VHS rentals alone. *Saw* has grossed over \$46 million in DVD sales alone, *The Ring* has grossed \$87 million in combined DVD/VHS sales, and *Boogeyman* grossed over \$26 million in DVD/VHS rentals.

\* Film box office & budget information culled from *imdb.com*, *studiosystemsinc.com*, *the-numbers.com*, and *leesmovieinfo.net*

# The Industry

Low-budget horror movies are a major economic force within the film industry. *The Blair Witch Project* grossed over \$200 million, and *Cabin Fever* has already grossed over \$60 million in all markets. Both were produced for under \$2 million. Other “breakout” films in the horror genre include:

- *Saw* (2004): \$1.2 million budget. Domestic Gross over \$55 million. DVD sales over \$46 million.
- *Darkness Falls* (2003): \$11 million budget. Domestic Gross over \$32 million.
- *House of 1000 Corpses* (2003): \$6 million budget. Worldwide Gross over \$17 million.
- *Cabin Fever* (2002): \$1.5 million budget. Domestic Gross over \$21 million.
- *The Grudge* (2004): \$10 million budget. Domestic Gross \$110 million.
- *28 Days Later* (2002): \$10 million budget. Worldwide Gross \$85 million.
- *Boogeyman* (2005): \$20 million budget. Domestic Gross over \$46 million.

Global Box Office revenues for the entire industry is projected to grow US\$10 billion between 2000 and 2010 to US\$18 billion, according to Baskerville Communications. The National Association of Theater Owners (NATO) reported annual domestic ticket sales of \$7.5 billion by the end of the past decade, a 55 percent increase since 1990. Total admissions were 1.6 billion, an increase of 25 percent over the same period. The top 10 countries house 80 percent of the world’s screen, while the United States, China and India account for 67 percent of the global screen count. Despite sharing the market with the expanding cable and home video industries, theatrical films continue to prosper.

Many large production companies started with the success of a single motion picture. Carolco was built on the success the *Rocky* and *Rambo* franchises, and New Line Cinema obtained their market share through the *Nightmare on Elm Street* series. Working independently, outside of the studio system, offers several advantages to the filmmaker:

- Opportunity to “bifurcate rights”: This means a filmmaker can license a project to separate domestic and international distribution entities to maximize earning potential. (By not cross-collateralizing the film, a poor performance in one market, such as domestic box office receipts, will not cancel out the healthy revenues received from a strong showing in another market, such as the international theatrical release.)
- Creative control: By avoiding the hierarchical structure of the studio, a filmmaker can insure that all the creative elements are preserved in the screenplay, casting and direction of the movie, producing a better product and thereby increasing the potential of realizing a profit.

- Reduced overhead: Independently financed motion pictures provide an opportunity to realize actual net profits, because the revenue is not allocated for overhead and other charges that seldom allow for profit realization.

### ***The Filmmaking Process***

The motion picture industry consists of two main activities: production and distribution. Production involves the development, financing and creation of a film. Distribution involves the licensing, physical reproduction, delivery, publicity and exhibition of a completed film.

Production consists for four phases. *Development* involves the purchasing or writing of the script, and outlining the preliminary plan, including budget, shooting schedule and financing structure. During *Pre-Production*, the cast and crew are hired, contracts finalized, and locations secured. (This phase typically lasts 2-3 months.) *Production* is when the film actually begins shooting, often called “Principal photography”. For a low-budget film, this phase usually lasts 3-4 consecutive weeks. When the filming is complete, and the project is “in the can”, the project enters into *Post-Production*, where a film editor assembles the various pieces of film. Opticals, music and sounds effects are added, and music soundtracks and picture are synchronized to produce the negative from which “release prints” are struck. Advertising trailers are also created during this phase.

### ***Theatrical Exhibition***

When a film appears in theaters, the distributor (sometimes the studio producing the film) receives a percentage of the box office receipts after the exhibitor deducts their operating costs (called “house nut”). The size of the percentage depends on the distributor’s strength, and the exhibitor’s desire to show the film. A major studio release usually has a 50/50 split, while independent films average 49 percent from the box office (up from 47 percent in 1997 and 45 percent in 1994).

Revenues derived from all other sources are driven by the success of the theatrical distribution, so a motion picture’s stay on the screen is important. Although studios have some power to keep a mediocre film in the theaters with greater resources for marketing and promotions, good independent films usually find their market because exhibitors will generally show any motion picture they think their customers will pay to see. Despite new technologies, theatrical exhibition is not likely to disappear during our lifetime. The intimate atmosphere is perfectly suited for dating and family outings.

### ***International Exhibition***

Much of the projected growth in the worldwide film industry comes from the international markets, as multiplexes continue to grow in Asia and Latin America. In 1998, an estimated 58 percent of all worldwide revenues for American films came from the United States, while 42 percent came from foreign sources. Over the past few years, the percentages have shifted slightly, with 56 percent from the U.S. and 44 percent from foreign venues.

### ***Other Sources of Revenue***

After an initial theatrical run, films continue to generate revenue through television and rentals. Television exhibition includes any over-the-air reception for viewers either through “free television” (national and independent broadcast stations) or a “fee system” (cable and satellite). While networks and independent television stations were a substantial part of the revenue picture in the 1970s and early 1980s, cable and direct TV have become far more profitable, particularly the pay-per-view segment, which rose 35 percent to \$741 million.

Home video continues to account for a large portion of motion picture revenues, including “rentals” and the “sell-through” market. According to Baskerville Communications, worldwide spending on DVD software presently exceeds \$9.1 billion, including \$4.7 billion in the U.S., compared to \$31.8 billion for VHS. By 2010, however, the ratio will be reversed, with worldwide spending on DVD of \$64.7 billion versus \$2.5 billion on VHS. By the end of the decade, DVD players will be in 625 billion households worldwide, including 94 million in the U.S.

# Distribution

The producers will seek domestic and foreign distribution from independent companies that specialize in marketing low-budget films. Although the major studios have marketing muscle to saturate a greater share of the market, smaller independent distributors can often find a niche that may be overlooked by a larger entity. They have expertise in handling smaller films, and tend to allow a film to find its audience slowly and methodically. By focusing their energy on fewer films, independent distributors can give low budget films the special handling they need.

A distributor, whether a major studio or an independent, can take from forty to sixty percent of the box office gross. Producers of independent films, however, will often seek an advance for distribution rights or an outright sale of the motion picture. The amount generated by such an advance is influenced by film festival recognition and the general perception of the film's value in the marketplace.

## *Film Festivals*

One of the ways the producers intend to gain exposure for the projects is through major film festivals, including Sundance, Toronto and Cannes. By allocating \$10,000 in the budget for publicity, the producers can hire a public relations firm, create promotional materials and finance applications for such film festival.

## *Film Markets & Screenings*

Another method of reaching distributors is through film markets, such as the International Feature Film Market (IFFM), the American Film Market (AFM) and the Cannes Film Market. These markets are attended by a substantial number of distributors and provide the opportunity to expose the projects to a broad spectrum of buyers including cable, video and foreign market distributors. In addition to festivals and film markets, screenings will be organized specifically for distributors by special invitation.

## *Profit Sharing*

After the exhibitors take their portion, and give the remaining revenue to the distributor, the distributor deducts the cost of prints and advertising (P&A) and takes their fee. The remaining revenue is passed onto the producers. From this sum, known as the Producer's Gross, any loans and deferrals are paid first. Then the investors recoup their initial investment, plus 15-25 percent. Any remaining revenue is known as the Producer's Net, and is split 50/50 between the producers and the investors.

# Investment Opportunities

*Willinsky - Lloyd* is seeking investments totaling \$1-3 million per project, or \$5-7 million to produce three pictures (and reduce the overall cost of the total endeavor). Investors recoup 125% of their original investment first, splitting any profits 50/50 with the producers thereafter

Once the capital has been raised, the film(s) should take just under one year to produce: Three months for pre-production (organization); one month for production (filming); four months for post-production (editing). Ideally, distribution will begin within a year of the film's completion, but this aspect of the process is always difficult to predict. If successful, the majority of the revenue from the film's domestic theatrical release will be realized within the first year of distribution. Ancillary and foreign revenues usually arrive the two years following domestic distribution, with revenue from home video potentially continuing thereafter.

## Risk Factors

Although investors have the potential of making huge profits in the movie industry, the business of producing and distributing low-budget films involves certain risks that are uncommon in most businesses. Such a venture is only suitable for persons who do not require liquidity in their investments and who are prepared to lose the entire investment.

No assurances can be given of the economic success of any motion picture. If produced, there is no guarantee that a distributor will undertake to distribute it. If distributed, there is also no guarantee that the film will make any money for the investors, as the success of the project depends on many intangible factors, including, but not limited to, public acceptance, which cannot be predicted. Therefore, investors should consider these factors carefully before making a decision to purchase any interest in the film project(s) offered herein.