

# LONDON'S BRIDGE

## Hedge fund invests in Groundswell pics

By ANNE THOMPSON HOLLYWOOD

Groundswell Prods. CEO Michael London has closed a \$205 million financing deal with TPG-Axon Capital, a global investment firm with more than \$7.5 billion in capital invested in public and private markets around the world.

Groundswell plans to finance and produce four to five films a year over the next five years with budgets in the \$5 million-\$25 million range.

London, who founded the independent production and financing company in February 2006 with \$55 million in equity funding, also announced additions to his executive team, including the appointment of Peter



London

Herzig as chief financial officer and Cotty Chubb as exec VP of production.

"This is a huge step forward for Groundswell," London said. "The deal gives us a much larger pool of capital, but more importantly, it gives us a corporate partner with a strategic plan for building Groundswell's business over the long term."

London's Groundswell move coincides with a larger shift in the movie industry, with studio slate deals hitting speed bumps as movies like last summer's "Poseidon" failed to deliver for investors. Lower-budget indie films lacking backend gross giveaways offer a

potentially rosier financial picture for investors.

London will also hang on to 100% of Groundswell's homevideo rights. London's concept is to attract filmmakers who are frustrated by the studio system with a promise that they'll be able to shoot their vision of their movie.



Herzig

Groundswell's original equity partners, Lexington Film Funding and Crescendo Independent Film Fund, have transferred their interest into the new entity. "They served us in good stead," London said. "We got three movies made and got the company infrastructure up and running."

Groundswell financed and produced writer-director Rawson Marshall Thurber's "The Mysteries of

Pittsburgh," based on the Michael Chabon novel; Noam Murro's "Smart People"; and writer-director Tom McCarthy's "The Visitor," a co-production with Participant



Chubb

Prods. Miramax Films acquired "Smart People" last month. London's initial plan was to develop, finance and produce films and then shop them to distributors, thus retaining creative control. After a year, London was approached by Wall Street's Goldman Sachs, and he saw an opportunity to build a refined business model for Groundswell. "A bigger, better

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TPG-Axon founder Dinakar Singh

mousetrap," he said.

Many investors were interested in Groundswell's business plan and impressed by London's consistent track record of producing indie breakouts, including three films that cost in the teens and grossed more than \$80 million worldwide: Fox Searchlight's "Sideways," Fox 2000's "The Family Stone" and the Yari Film Group's "The Illusionist."

London wound up making his new deal with just the investor, TPG: Axon. "The money is there over the long haul," London explained. "It's a better structure."

Unlike the other producers who have raised Wall Street funding, Joel Silver and Ivan Reitman, London is not affiliated with a studio.

While he'll partner with studio specialty divisions on a case-by-case basis, he's also hoping that companies like Warner Independent Pictures and Fox Searchlight will come to him with partnership opportunities. While a glut of indie films are chasing limited distribution slots, London is confident he

will land them, partly because there are more new buyers.

Groundswell has no intention of heading into international sales or domestic distribution, London said. "I don't want to get in our own way," he said.

"Historically, we have found that many structures used to fund movies are not ideal for talent or investors," said T P G - A x o n founder Dinakar Singh. "The independent film world offers a unique investment opportunity at the moment, and we believe Groundswell has

an especially compelling business model that will reward investors and talent alike." Groundswell's new financing includes \$70 million in capital from TPG-Axon and \$135 million in debt from a syndicate of banks led by Comerica. Goldman Sachs assembled the financing package and Herzig advised on Groundswell's behalf.

The first film to be made under the TPG-Axon deal is Todd Louiso's "The Marc Pease Experience," starring Jason Schwartzman and Ben Stiller. Groundswell and Paramount Vantage are co-financing the film, which began principal photography March 12.

London cited "Marc Pease" as a model for the company's new focus on studio co-financing. "With all the new specialized distributors hungry for product, we think we can build a steady pipeline of quality movies that attract studio partners at an early stage," he said. Groundswell will continue to have the flexibility to fully finance films independently through foreign pre-sales and equity partnerships.

In addition to the Herzig and Chubb hirings, Groundswell's Julianna Farrell moves up from creative executive to VP.

Groundswell's goal is to mix low-budget films from up-and-coming talent with commercial genre fare and mid-range projects from established filmmakers. TPG-Axon Capital was founded in 2004.