

# A business where the feature film is really 'an advertisement for DVD'



**MALCOLM PERRY**  
PRODUCTION CEO  
**TRADE TALK**

**BUSINESS LUNCH:** Monk McQueen's is a 10-minute walk from Insight Film Studios' Strathcona-Manitoba offices. Kirk Shaw, who founded the production firm in 1990, makes the trip most Thursdays for the Indian-plate special. Today, a Monday, he has the \$89 seafood hotpot — halibut, old time salmon, clams and vegetables in a ginger-onion-sauce-broth-to-broth.

He's not flogging or jinxing himself as he nurses a left shoulder and right elbow bruised in an Insight hockey team's 8-2 loss to the rival Brightlight Pictures' squad. It was defenceman Shaw's first game in five years, and he took hits from two players he believes were former NHL stars. When the word "ringer" was mentioned, he grinned ruefully and said: "I wasn't going to bring that up. You obviously know I [Brightlight co-principal] Shawn Williamson was."

Still, the on-air discomforts were less pain compared to what he's taken from the soaring Canadian dollar. The financial travailing amounted to \$400,000 in recent weeks, he said — a heavy blow even given the \$100-million-worth of production Insight should complete this year. That total is up sharply from last year's \$120 million, and \$80 million in 2005. But Shaw doesn't bank on the growth trend leading to \$200 million in 2008.

Instead, he expects to maintain this year's volume. And rather than have the on-fire loonie burn more holes in his pocket, Shaw says: "I think I have to recreate and rebuild the company."

Step one took place in August, when he incorporated Insight Film Releasing with Tim Brown as president.

With the rising dollar "forcing us to become a distributor," Shaw says the releasing firm's first job is to get more revenue out of Canada and not miss any of the new revenues from windows like pay television. It will also undertake the selling of Insight productions into foreign markets.

That means that, for a typical \$5 million picture, the releasing firm will retain the \$400,000 in commission and \$100,000 in marketing expenses. Insight hitherto paid L.A.-based distributors to handle \$3 million in a film's non-North American revenues. Two-thirds of remaining the \$3 million in revenue will come from U.S. sales and the other third from tax credits.

Shaw says the benefit will be better foreign deals with strategic partners in Britain, France, Germany and Korea.

Insight will also raise up to \$2 million from selling seed shares to its 345 staff and 300 core members (the only shareholder today is Shaw's wife Stacey). Half of a further \$50-million equity financing has been offered, Shaw says, on route to a \$50-million raise, underwriting a fifth two years. At that point, he'd be a more significant studio and player.

Such significance should be enhanced by Insight's growing volume of independent theatrical releases. Insight and Quebec-based Remstar's *Battle for Seattle* played at the Ridge Theatre Wednesday after premiering at the Toronto Film Festival, where Shaw signed a \$2-million U.S. distribution deal with L.A.-based ThinkFilm.

While it still makes \$2-million-to-\$5-million movies for television, theatrical releases on Insight's roster are:

- The \$10-million Christmas in Wonderland, starring Patrick Swayze, slated for a 1,000-screen release Nov. 9;



Kirk Shaw says he'll recreate and rebuild his \$100-million-a-year Insight Film Studios to ensure clear sailing ahead.



Beside the renovated 1912 Lumberman's Building, Robert Fung says his Sallent Group "takes the life-cycle clock back to zero."

■ The \$6-million *Twisted*, starring Laurence Fishburne, set for spring 2008;

■ The \$15-million *White She Was Out*, starring Kim Basinger, for fall 2008.

A half-dozen such films are slated for 2008, and Shaw says he's "starting at a couple of \$10-million features."

With a cast that includes **Charlie Theron** and **Woody Harrelson**, writer-director **Smart Howard**'s *Seattle* in Seattle is based on notes spurred by a 1999 World Trade Organization meeting. Shaw says making it taught him how to budget, finance and sell bigger films — including waiting at least two years to get your invested capital back.

As for getting the pictures, "You can't just tell an agency to do it all," Shaw says. "You've got to get involved and talk to the buyers yourself."

In retrospect, he figures he could have made a better deal with ThinkFilm by preparing a package to show how *Battle*'s political-social themes should appeal to an audience of college

students, activists and union members, especially in an election year, and how its stars will likely appear on major TV talk shows.

It also showed him the hazards of budget creep.

When the production cost \$1.2 million over its original \$6 million, Shaw said it had "moved 1.5. Break-even returns came nowhere." "So we are still upside-down, and will have to wait 'til we get the DVD [revenue]."

That is the vital movie, especially since Shaw says: "Releasing a feature film is really an advertisement for DVD." Big distributors, like annually Vancouver-based Lions Gate Entertainment, may realize three times the return from DVD sales than from the same screenings. Even for smaller shops like ThinkFilm, the gain can be double.

After rambling about leaving town earlier this year, Shaw says: "I prefer to work here." Still, he has \$10-million-worth of production under way in

Budapest, having been guided to that locale by Vancouver-based producer **Larry Sagar**. He's also weighing an option in Bulgaria, and "testing the waters" by shooting a television movie in Australia, which recently began offering producers 25-per-cent tax credits. That situation aside, he's there "because the film needs a good beach. If we were shooting in May, we might use Tofino."

The picture is destined for the U.S., of course. Its title: *Malibu Shark*.

■ **ROBERT FUNG** should have it all a middle initial. He still stands for "heritage," because that has characterized the Sallent development firm's president since he left General Pacific to found it in 2001.

His first acquisition was the now-23-year-old Alhambra on Gastown's Maple Tree Square, where Sallent has its offices. When city workers resume their duties, Fung should be able to start renovating the 26,000-square-foot structure into "what will still be one of the city's oldest but also most modern buildings."

Into the nearly 50,000-square-foot Flack Block, where \$15 million, including hard costs of \$2 million, will add a fifth floor and totally renovate a "substantially vacant" building that housed "a pawnshop, bootie cars and groups" when Fung paid \$2.5 million for it in 2005.

"It was technically an office block, but the city had a broad definition," Fung said, smiling.

He was standing across Richards Street from the Lumberman's Building, which he bought vacant for \$4 million in 2005. Closer to the Central Business District and in better physical condition than most of Sallent's Gastown-centered projects, the building still broadly fits Fung's aim of "beating new life into vacant, obsolete buildings, and bringing in a new population that appreciates them."

The mass folk who'll occupy 29 live-work condos in the 1907 Fazio Block at Hastings and Carroll Street. Demolition began this week for an 18-unit annex where similar units will fetch \$600 per square foot. Sensitive to gentrification charges from Downtown Eastside residents, he said Sallent projects "round out the community... [and] the street for a new neighborhood."

Referring to such renovations as "taking the life-cycle clock back to zero," Fung said the 1921-built Lumberman's Building is "beyond our business plan of taking some of our best heritage inventory and turning it into fully modernized character space."

That saw the Tall advertising agency take two floors to service six clients as taxis, Mini automobiles and Vipers, of which the latter certainly reflects Fung's new-life-for-old ethic. Stage 3 Media took the basement and two above-ground floors, leaving four for other corporate hipsters to lease.

Even so, such custom activity could not occur until the long-drafted downtown office market reopened its vigors. Today, less than a dozen such buildings are available, Fung said, and he is targeting half of them.

Sallent's \$15-million development of Beatty Street's 1912-built Bowman Building saw 38 condos left sell in the \$500-to-600-per-square-foot range. The project was nominated for an Urban Design Institute award Wednesday — so far for a dozen such buildings.

Reaching further from Maple Tree Square, Fung said: "We're not fixed on heritage." Sallent's Varsity project on the old theatre site is a new structure that Fung said architect **Tom Staniszewski** designed to "merge" between the adjacent ultramodern Royal 14 development and traditional West 10th Avenue. And negotiations with the City of New Westminster should see the Trapp Building, which long housed an Arny & Navy store, retain only its Columbia Street facade with a new up-to-18-floor tower behind.