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NEWS ANALYSIS

T-3: Lights! Camera! Investors!

The latest entry in Schwarzenegger's signature flick has yet to open, but its producers are already in the black

Arnold Schwarzenegger said he'd be back. On July 2, the muscle-bound action star once again goes into cyborg mode to battle for earth's survival in *Terminator 3: Rise of the Machines*. But the real ride was getting this movie to the screen. At \$175 million, it's the most expensive film ever made outside a studio, and the guys who did it are a couple of impresarios who long ago mastered the first rule of producing action films: Make 'em big, make 'em splashy, and make 'em on someone else's dime.

This time, Mario Kassar and Andy Vajna may have outdone themselves. Before the studio they created, Carolco Pictures, collapsed under too many bombs in 1995, they produced such big-budget blockbusters as *Rambo* and *Total Recall*. Now, armed with the rights to *T-3*, the two lined up enough financing to guarantee themselves a \$5 million payday -- even if the movie doesn't sell one ticket.

Plus, they'll get a share of any profit and royalties from licensees such as Toyota ([TM](#)), whose new *T-3* Tundra truck is showcased in the film. Even more unusual: They'll retain the rights to make *Terminator 4*, *5*, or however many more sequels Schwarzenegger may have in him.

VOTE OF CONFIDENCE. For everyone else connected with the movie, except the 55-year-old Schwarzenegger, the project carries huge risks. Backers are counting on some leftover magic from 1991's *Terminator 2: Judgment Day*, which grossed more than \$514 million worldwide. "I was very skeptical. Does anyone still care about the Terminator?" asks Moritz Borman, CEO of German movie investor Intermedia Film Equities Ltd. Still, he put down \$20 million after a consumer survey he commissioned gave it the thumbs-up.

Others liked the idea, too. Sony Pictures Entertainment ([SNE](#)) paid \$75 million for most of the foreign rights, even though the producers had already collected \$20 million by selling the Japanese and German rights. Warner Bros. ([AOL](#)), eager to make sure no other producer could schedule *T-3* against its own summer blockbuster, *The Matrix Reloaded*, bid a steep \$50 million for the U.S. rights, while slashing its distribution fee.

Additional funding came from sponsors -- PepsiCo ([PEP](#)) paid \$1 million for the promotional rights in Russia -- and Intermedia, which agreed to cover any unmet expenses. "There is always money," says the low-key Kassar, "if you have the right project."

WAITING FOR THE CALL. Putting together that project started back in 1996. That's when Kassar and Vajna bought back half the *T-3* rights for \$8 million in Carolco's bankruptcy auction. Then they paid *T-2* producer Gale Anne Hurd \$7 million for the other half.