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## MOVIES

Wednesday, August 23, 2006 · Last updated 5:36 p.m. PT

### Tom Cruise's star likely to shine on

By GARY GENTILE  
AP BUSINESS WRITER

LOS ANGELES -- While the messy divorce between Tom Cruise and Paramount Pictures won't sink Cruise's career, it still points to a sea change in an industry that has tolerated celebrity misdeeds as long as they didn't hurt the bottom line.

The 14-year relationship between Cruise's production company and Paramount exploded Tuesday after Summer Redstone, chairman of Paramount parent Viacom Inc., said Cruise's recent behavior, such as jumping on Oprah Winfrey's couch and aggressively advocating Scientology, was "creative suicide." Redstone said such displays cost the studio up to \$150 million in lost ticket sales for Cruise's last film, "Mission: Impossible III."

Redstone may have been basing some of his reaction on the fact that negative public perception of Cruise has soared in the past six months in the closely watched Q Scores, which rate celebrity popularity. They indicate that negative perception of Cruise jumped nearly 100 percent since mid-2005, while positive perception fell about 40 percent.

"He's definitely at his low point in terms of consumer appeal, among both males and females," said Henry Schafer, executive vice president of Marketing Evaluations Inc., the Q Scores company.

Whether that means moviegoers are spurning his films is a different matter, says film producer Peter Guber, who has worked with Cruise in such movies as "Rain Man" and a "A Few Good Men."

"One would have to believe he will remain luminous in the near term," said Guber, chairman of Mandalay Entertainment Group and host of AMC's "Sunday Morning Shoot-out."

"He didn't go out and kill somebody. He didn't drive drunk. He didn't beat up his wife," Guber said. "I think he will remain a top star in the business and command a great deal of attention and bring in a great deal



This undated file photo, originally supplied by Paramount Pictures, shows Tom Cruise in a scene from "Mission: Impossible III." Summer Redstone, whose company owns Paramount Pictures, said the studio would sever its 14-year relationship with Cruise's film production company because "his recent conduct has not been acceptable to Paramount." Redstone estimated that Cruise's off-screen behavior cost his latest movie, "Mission: Impossible III," \$100 million to \$150 million in ticket sales, even as he praised the film as "the best of the three movies" in the action series. (AP Photo/Paramount Pictures, Stephen Vaughan)

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## AP HEADLINES

Tom Cruise's star likely to shine on (August 23)

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of revenue."

The public is notoriously fickle when it comes to movie stars, although Cruise has sustained broad popularity longer than most.

And Cruise does not face the same kind of challenge confronting Mel Gibson, who spouted anti-Semitic remarks after being stopped for drunk driving.

"It's probably going to take more time to get back to where he was in consumer popularity," Schafer said of Cruise. "If he comes out in the next year or so with a big hit movie, that will help."



The acrimonious split comes at a time when studios are slashing costs, especially the kind of huge paychecks that stars such as Cruise have commanded, even for production deals. Paramount was reportedly paying his company, Cruise/Wagner Productions, \$10 million dollars a year to develop new projects.

Studios are no longer the private domains of moguls who often inserted a "morals clause" into star contracts and could scuttle a career based on bad behavior.

Now, studios are part of huge public media conglomerates under enormous pressure from profit-obsessed shareholders.

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Stars are also under intense scrutiny by celebrity-driven tabloids and Web sites. Recently, a studio executive openly chastised Lindsay Lohan for late-night carousing that delayed production of her latest film.

Still, Cruise will likely continue to star in films for Paramount, even as his company vacates the Paramount lot and raises private financing. Cruise/Wagner has several films in development at Paramount as well as other studios.

Cruise himself was never under contract to Paramount as an actor and has appeared in films for other studios over the years, including "The Last Samurai" for Warner Bros. in 2003.

Wednesday, Cruise's representatives said the star had told Paramount weeks ago that he would not renew his Paramount deal.

"Paramount made a firm offer for a new term of years," said his attorney Bertram Fields.

That offer was for far less than what Cruise/Wagner had been receiving to pay for overhead and development costs, Fields confirmed.

But he said Cruise had told Paramount he was more interested in starring in films going forward rather than producing them and needed less money to renew.

Fields said he and other advisors recommended Cruise and his partner, Paula Wagner, reject the offer because of a change in attitude among Paramount executives toward the pair.

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"I felt there was an atmosphere of hostility and this was a place he would never get a fair shake," Fields said. "I think he was about to communicate that position and Paramount found out about it, panicked and decided to get out before he did."

Paramount spokesman Carl Folta declined to comment Wednesday beyond Redstone's remarks.

Wagner said Tuesday that her company has secured independent financing from two hedge funds.

Studios, seeing profits shrink as box-office flattens and DVD sales decline, are trying to dump the long-held economic system in Hollywood that led to stars earning paychecks north of \$20 million.

"Studios see things are slowing down and they can no longer afford to make big movies" and agree to lucrative deals for actors where, in some cases, "the star makes more than the studio at the end of the day," said media analyst Harold Vogel.

"Mission: Impossible III" made \$393 million in worldwide ticket sales and is sure to be a big seller on DVD. And Wagner points out that the collaboration between Paramount and Cruise/Wagner Productions has produced \$2.5 billion worth of business.

But "Mission: Impossible III" made less money than the first two films of the series, despite general agreement that it was the best of the trio by far.

"I do think the film underperformed in the domestic market considering this was the best of all `Mission Impossibles,'" Guber said. "But to say that's a reason to pull the plug on the whole relationship does strain some credibility."

Cruise and Wagner will likely have no trouble raising money to finance their own films.

Hedge funds are sitting on about \$1.7 trillion in cash according to one estimate, and fund managers are searching for places to invest.

Funds have invested about \$5 billion in films over the past several years and that figure is expected to rise to \$50 billion in the next five years or so, said Andrew Schneider of HedgeCo Networks, which tracks hedge funds.

Simon Franks, chairman of Redbus Group, a private equity group, said he would be happy to invest in a Cruise/Wagner production.

"Most actors are overvalued, but Cruise is one of the few who is undervalued," Franks said. "He's never had a failure, so you'll get a high return on average investment."

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