



as I take an after dinner stroll through the streets of Baltimore.

Recall the age-old poker adage “the more a player talks, the more likely they’re bluffing?” I should have employed this wisdom here but, instead, I was drawn in by this incredible, limited time opportunity only available to high-net-worth individuals.

I find myself encountering a seemingly endless array of individuals who proclaim to know all about these transactions and the tremendous wealth they generate. I ask each, “Have you personally done this?” Each answers “no” and refers me to someone who purportedly has. Lather. Rinse. Repeat.

My favorite moment during this sequence was a guy who indicated he would provide documentation from a leading bank with irrefutable proof of the legitimacy of this financial vehicle.

Within an hour I receive a document and a phone call. “Did you get the bank info?” he asks.

“No, I just got a one-page pdf with some typing on it.”

“That’s it,” he replies. The pdf was a poorly written series of random thoughts with no bank logo or any representative’s signature.

The next email I received was from my attorneys directing me to the FBI’s scam page. The approach these guys were using was almost textbook.

HAY CARUMBA! ES UN DOCUMENTO FRAUDULENTO!

My next stop on tour is Costa Rica. I receive a call about a wealthy investor who wants to leverage \$20 million in a bank account at HSBC in Costa Rica to create a letter of credit that we can monetize and use to fund the production. All we need is an exit lender to receive the letter of credit. “Sounds good,” I say, “I’ll get my guys on it.”

I contact a colleague who is an officer at one of the top 30 banks in the U.S. and set up a meeting. I call one of my business partners to see if he can redirect himself to the meeting. “I’m in jeans, is that all right?” he asks.

“We’re in the movies, dress however you want!” I respond.

An hour later we’re in the meeting and the bank likes what they initially hear about the project and we provide our pro formas

▼ *Fiasco: Part of the actual Costa Rica document.*

HSBC 

ISSUING BANK: HSBC

LETTER OF CREDIT# 1-092-89002

APPLICANT: QL

BENEFICIARY: WI

DATE OF ISSUE: March 4, 2010

AMOUNT: USD 20,000,000.00 (TWENTY MILLION UNITED STATES DOLLARS)

TERM: ONE (1) YEAR, ONE (1) MONTH AND ONE (1) DAY

EXPIRATION DATE: March 5, 2011

WE, THE HONG KONG AND SHANGHAI BANKING CORPORATION, HEREBY OPEN OUR UNCONDITIONAL IRREVOCABLE, FREELY TRANSFERABLE, CALLABLE, ASSIGNABLE AND DIVISIBLE LETTER OF CREDIT IN FAVOR OF WELLS FARGO BANK, N.A. OF ONE FRONT

**YOUR SUCCESS IS BASED ON
RELATIONSHIPS, UNDERSTANDING
PEOPLE'S MOTIVATIONS, TRUSTING YOUR
READS AND HONORING YOUR WORD**

meeting he declares, “I love this project. You’ll have a commitment letter from us Monday morning.”

This is when things start going south. As I read the twelve clauses in the commitment letter the following Monday, my eyes went wide when I discovered clause 10

and other financial documentation. At the end of the meeting they request a copy of the letter of credit, so I call the financier and he agrees to send it to the bank and my legal team.

Three hours later I’m at a poker game and receive two calls within five minutes of each other. The first is the lawyer. He’s checked out the document with the international desk at HSBC. The document’s a fraud. The control number is invalid. The language is not consistent with other letters of credit. The officers’ names on the bottom aren’t authorized to issue the document. Even the name of the entity on the document isn’t the officially registered name in Costa Rica.

The second call is from the proposed exit lender, sharing their due diligence, which produced the same sad results.

THE INFAMOUS CLAUSE 10

Our third proposal from the team we’re working with to develop financing involves a funding group that normally finances commercial construction projects. They are interested in diversifying into the entertainment industry and have reviewed 60 projects. *Life on Tilt* is one of the four they have selected to fund. Good news for us! They issue a letter of intent, which I sign and then wire the nominal due diligence fee.

One of the requirements is we have to come up with \$2 million, after which they would put up \$18 million. We needed to come up with our portion within two weeks. I dial for dollars and am fortunate to secure a commitment. Two weeks later I’m in L.A. to meet with one of their partners, who has flown in from Dallas. At the end of the

required us to provide a financial guarantee for the proceeds. This is not a minor oversight. It would cost us about \$2.7 million to satisfy this requirement.

This rises above the level of a rounding error.

We spend the next several days working out more plausible arrangements. The funding group offers an option that would satisfy clause 10 for \$700k and they relax some of the other terms on the deal. We seem to be back in the ballpark so we set up a call with the lawyers to work through the fine print.

During the call, a principal of the funding group says, “Once Tilt Productions becomes part of the XXX family, we’ll ...” blah, blah, blah.

None of us heard the rest of his sentence.

My lead lawyer jumps in. “What does ‘once Tilt Productions becomes part of the XXX family’ mean to you?” The principal goes on to explain that Tilt would become a subsidiary of the funding group.

“Like f@k it will,” I respond. The rest of the call is unproductive. I receive an email with some new information from this group a few days later, but I simply respond we’re exploring other funding options and thank them for their interest.

Strike three.

Now it’s time to regroup and move forward without this financing team. I’m not sure if it was their fault or not, but the trust was gone. And, without that, it’s time to cash in your chips and find another game. ♠

Next issue...going broke, then back in the chips...another poker/movie parallel.

