



AN INTRODUCTION TO FILM FINANCE

SPECIAL THANK YOU TO THE COLORADO FILM OFFICE

PLEASE NOTE THIS DOCUMENT WAS ASSEMBLED AS A BRIEF INTRODUCTION TO FILM FINANCE. FILM FINANCE IS A COMPLICATED PROCESS THAT INVOLVES EXPERIENCED ENTERTAINMENT AND CONTRACT ATTORNEYS.

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Sources of Financing

There are different sources of money used to finance film production, and most films use a combination of each type.

Equity: A cash investment that requires that the investor owns a stake in the film and must be paid back before a profit can be made by the filmmakers. Equity usually comes from private investors.

Crowdfunding: Crowdfunding websites such as Kickstarter, IndieGoGo, Seed and Spark enable a large number of people to make financial contributions to a filmmaker's project. These funds are typically considered donations and the filmmaker has no obligation to repay this investment.

Foreign Pre-Sales: Agreements made with distributors in foreign territories around the world before the film is produced. The films attached cast, director, marketability and quality of script dictate its potential sale price in each territory. Pre-sales can be used as collateral for the filmmaker to take out a bank loan.

Tax Credits: Tax credits and rebates are issued by states and / or countries in which the production takes place. In exchange for the credit, filmmakers are required to meet minimum requirements such as the amount of money spent in state, number of local hires, use of local vendors, etc. These requirements, available funds and the amount a production can earn varies from state to state. Tax credits must be sold, transferred or traded in order to monetize them. Tax rebates, on the other hand, are given to the filmmaker in the form of cash (such is the case with Colorado's film program).

Debt Financing / Gap / Supergap Financing: Senior debt financing in the form of a loan against the film's unsold territories. A loan that exceeds 10-15% of the film's budget is called a supergap loan. Lenders, usually a private bank, will charge interest and a facility fee and expect to be paid back before equity investors. This type of financing is frequently last in order to cover the "gap" between equity, pre-sales, and credits.

Tips for Securing Different Sources of Financing

Equity

There is no direct course for finding a film investor. Equity can be accessed most easily by family, friends, or individuals interested in your cause. You can also research philanthropists or start-up investors in your area and try to break into those networks.

Crowdfunding

Crowdfunding has shown large success with small and larger budget films. There are many resources online; including the crowdfunding sites that help you achieve your fundraising goal. If it is too difficult to finance your entire budget with crowdfunding, consider raising a portion

of the funds online in order to create a sizzle reel or hire an experienced casting director to secure talent. Securing experienced talent early in the process will help to create access to more capital from other sources.

Foreign Pre-Sales

The foreign distribution market is ever-changing and can be tricky for a beginner to navigate. Ideally, you would find a foreign sales agent who believes in your project. Consider researching foreign sales agents of films similar to your project (usually found on IMDB) to understand the brand identity of different agents and sales companies.

Tax Credits

State or federal tax credits are generally not as hard to attain as other types of financing; however, they do require projects to be partially or fully financed. Tax credits and rebates are performance based and are typically paid after production is completed. Some banks or private lenders will lend against the anticipated rebate, but will charge interest in the process.

Debt Financing / Gap / Supergap Financing

Debt financing and commercial bank loans are generally the hardest to attain. The production will need to prove sufficient collateral to repay the loan, such as the reputation of the company or the talent attached. Hence, first-time filmmakers without commercial success would have a hard time attaining such a loan.

Packaging and Researching

How do you get anyone invest in your film? You can leverage your access to all types of film financing by putting together a package. While there is no strict formula to success, consider the following tips to strengthen the film you are trying to sell.

Build relationships with successful filmmakers

Try to build relationships with filmmakers in your community that are well known or have some commercial success. Other filmmakers can offer advice or exposure for you and your team. Use your community to get your production team noticed by entering film festivals, attending networking events, joining trade organizations, or working with well experienced crew on other projects.

Adhere to industry standards

Seek out non-biased advice from experienced filmmakers and be prepared to take any and all criticism, script notes, and tips.

Find a director with experience

Hiring an experienced director can help get access to more talent and industry contacts, which in turn can help your fundraising efforts.

Working with talent agencies

Do research to determine which agents or agencies would be most interested in your type of work. What types of projects does the agent get involved with? Have they worked with anyone you know? Try reaching out to junior agents within an agency who are actively looking for more clients.

Documentary Financing

Documentary financing can have all the elements as feature film financing, but, depending on your area of focus, you might find additional resources and grants. Try targeting philanthropists, aligning with non-profit organizations, corporations interested in a similar cause, or focus on fundraising in a community that might support your film's topic (i.e. sustainable living). Also, documentaries are ongoing and can be filmed as funding arrives.

The following websites have a list of additional funding opportunities for documentary and non-fiction filmmakers:

Film Independent (<http://www.filmindependent.org>)

Grant Space (<http://grantspace.org>)

No Film School (<http://nofilmschool.com>)

FilmDaily.tv (<http://www.filmdaily.tv/grants>)