

Film finance | How to finance your film production?

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While at the Cannes Film Festival in May 2016, we could not help noticing that one of the hottest topics discussed by all film professionals in attendance was film finance, or lack thereof. Also, Crefovi film clients regularly ask for our input on this touchy subject. How to finance your film production nowadays? What are the best strategies to get your film funded and produced, in this day and age?

1. What do you need film financing for exactly?

The cost items for a film project are vast, both in numbers and sizes, and can be divided according to the various stages of filmmaking, as follows.

1.1. The idea

All films start with a moment of inspiration. Good ideas and story concepts are the foundation of any solid film project. Screenwriters usually have the initial idea or story but producers, who are in charge of raising money for a film project, frequently come up with ideas as well.

Ideas for films can be original or adapted from plays, novels or real-life events, which make up approximately half of all Hollywood films.

Ideas cannot be protected by copyright – or any other intellectual property right for that matter – because copyright subsists only in the tangible expression of ideas. This is referred to as the idea/expression dichotomy.

Therefore, film makers must take all adequate measures to protect their ideas and stories, by only divulging them after having taken some prior protective measures (such as having the recipient of the information relating to the idea sign a non-disclosure and confidentiality agreement) and/or by even subscribing to producer errors and omissions insurance and multimedia risk insurance which cover legal liability and defence for the film production company against lawsuits alleging unauthorised uses, plagiarism or copying of titles, formats, ideas, characters, plots, as well as unfair competition or breach of privacy or contract.

1.2. Development finance

The next stage in the development of a film project is to turn a rough idea or story into a final script ready for production.

Development money is the financial sum that you need to invest in your idea, until it is in a form suitable for presenting to investors and capable of attracting production financing. Development money is used, for example, to pay the writer, while the script is being written or re-written, as well as the producer's travel expenses to film markets to arrange pre-sales financing from investors, as well as location scouting and camera tests. It also covers the cost of administration and overheads until the film is officially in pre-production.

Producers typically pitch to secure the money for the development of the script, or, if they can afford it, put up development money themselves.

Indeed, development finance is the most expensive and financiers who put up development money typically expect a 50% bonus plus 5% from the producer's fees. Bonus payment is usually scheduled to be paid on the first day of principal photography (i.e. the shoot or production), along with the 5% of the producer's profits as the film starts to recoup.

1.3. Script development

Once development finance is secured, and once a story idea is firmly in place, the negotiation process between the screenwriter and the producer (or production company or film studio) begins.

The writer hires an agent who represents him and plays a critical role in ensuring that the writer's interests are represented in the negotiation process. The agent also ensures that the writer is paid appropriately in accordance with what the writer's intellectual property rights may be worth in the future.

The producer has an alternative, in order to move the film project forward on the script development front: either he can buy the rights to the story idea or the material (a novel or play) from which the script was adapted outright, or he can buy an option of the film rights. The first transaction is an assignment of copyright. Buying an option of the film rights means that the producer owns the right to develop the film but only for a certain amount of time, it is therefore an exclusive licence of copyright.

In either cases, the producer is the only person allowed to develop the film idea into a screenplay. He pays the writer in smaller, agreed-upon instalments throughout this period, and may also agree to pay such writer a significant higher amount for all film rights once shooting begins. After the terms are negotiated, the writer can finally start working on the screenplay.

The scriptwriter then enters into action and, if needed, may first write a screenplay synopsis, also called "concept". Unlike a "treatment", which is a narrative of everything that happens in a screenplay, a synopsis includes only the most important or interesting parts of the story. A synopsis is a short summary of the basic elements in your story. It describes the dramatic engine that will drive the story in no more than a few sentences.

If the producer likes the synopsis, then the writer will proceed onto drafting the treatment, which, as mentioned above, is a prose description of the plot, written in present tense, as the film will unfold for the audience, scene by scene. A treatment is a story draft where the writer can hammer out the basis actions and plot structure of the story before going into the complexities of realising fully developed scenes with dialogue, precise actions, and setting descriptions. The treatment is the equivalent of a painter's sketch that can be worked and reworked before committing to the actual painting. It's much easier to cut, add, and rearrange scenes in this form, than in a fully detailed screenplay.

The author's draft is the first complete version of the narrative in proper screenplay format. The emphasis of the author's draft is on the story, the development of characters, and the conflict, actions, settings and dialogue. The author's draft goes through a number of rewrites and revisions on its way to becoming a final draft, which is the last version of the author's draft before being turned into a shooting script. The aim of an author's draft is to remain streamlined, flexible and "readable". Therefore, technical information (such as detailed camera angles, performance cues, blocking, or detailed set description) is kept to an absolute minimum. It is important not to attempt to direct the entire film, shot-for-shot, in the author's draft. The detailed visualisation and interpretation of the screenplay occur during later preproduction and production stages.

Once you have completed your rewrites and arrived at a final draft, you will be ready to take that script into production by transforming it into a shooting script. The shooting script is the version of the

screenplay you take into production, meaning the script from which your creative team (cinematographer, production designer, etc.) will work and from which the film will be shot. A shooting script communicates, in specific terms, the director's visual approach to the film. All the scenes are numbered on a shooting script to facilitate breaking down the script and organising the production of the film. This version also includes specific technical information about the visualisation of the movie, like camera angles, shot sizes, camera moves, etc.

1.4. Packaging

Once the script is completed, the producer sends it to film directors to gauge their interest and find the appropriate director for his film project.

The director and the producer then decide how they want to film the movie and who they will employ to support them in achieving this result.

One common way to make the film project more commercial is to attach well-known stars to the script.

In order to turn the film into a proper business proposition, the producer must know how much the film will actually cost to be made.

Potential investors would want to know how the producer plans to raise the money and how the producer plans to pay them back.

Agents and agencies are the lifeblood of the film business. They structure the deals, they hold the keys to each and every gate and often make or break projects. Having strong relationships in this space, for a film producer, is as important as having a strong story on which to base your project.

Agency packaging refers to the fact that an agency will assist in one/all of the following: talent packaging, financing, sales and international representation. Keep in mind that agencies earn their revenue based on a 10 to 15 percent commission of their client's fees (not only talent, but also writers, producers, directors, etc) and therefore having an agency package an entire project as opposed to having them simply have a single member of their roster involved, will go a long way.

The underlying principle to remember is that agents are looking at each opportunity as a business transaction: regardless of the project, it still boils down to a decision based on the bottom line. As such, finding the right agency (the big agencies are not always the right fit for smaller projects) and incentivising agents by offering full packaging capacities will yield the best results both financially and strategically.

1.5. Financing

Filmmaking is an expensive business, and the producer must secure enough funding to make the film at the highest possible standards.

To obtain the investment needed to make the film, the producer must travel to, and meet with, potential

investors and successfully pitch his project.

The producer's lawyer will then draw up contracts to seal financing deals between the producer and investors or financiers. Indeed, there are departments of banks that specialise in film finance and offer film production loans.

The producer can also make money from pre-sales, selling the rights to the film before it has even been made. For example, during the Cannes film festival and market 2016, motion picture and television studio STX landed the big prize by plunking down roughly USD50m for international rights to Martin Scorsese's next film project, "The Irishman".

1.6. Pre-production

Once the financing is in place, the production company hires the full cast and crew and detailed preparation for the shoot begins.

A distinction is made between above-the-line personnel (such as the director, the screenwriter and the producers) who began their involvement during the film project's development stage, and the below-the-line "technical" crew involved only with the production stage.

It is worth noting that, in France, most film directors do not only direct but also produce, co-produce and almost always write the screenplays for their films. Therefore, their income is made up of a salary, as director-technician, to which is added a minimum guarantee as director and another minimum guarantee as screenwriter of the film, with or without additional screenwriters.

All heads of department are hired, such as the location manager, director of photography, casting director, script supervisor, gaffer, production sound mixer, production designer, art director, set decorator, construction coordinator, property master, costume designer, key makeup artist, special effects supervisor, stunt coordinator, post-production supervisor, film editor, visual effects producer, sound designer. The shooting script is circulated to all of them as pre-production begins.

The casting director, director and producer begin to identify and cast the actors.

Storyboards are made, out of the final script. They are used as blueprints for the film where every shot is planned in advance by the director and director of photography. They have a sequence of graphic illustrations of shots visualising a video production. Most high budget films will have a very detailed storyboard. Those storyboards can really smooth out the post-production process too, when it is time for editing.

The production designer plans every aspect of how the film will look and hires people to design and build each part.

All other heads of department also go through this planning process and hiring process, for their respective department.

Effect shots are planned in much more detail than normal shots and could potentially take months to

design and build.

1.7. The shoot or production

Filmmakers and producers must take a careful approach to green lighting the film project and moving forward with production, by requiring unanimous consent from producers, sales agents and board of directors of the film specially-incorporated company, before proceeding.

Shooting starts and funding is released, which is a key stage in filmmaking.

A large film production can involve hundreds of people, and it is a constant struggle to keep up with the shooting schedule and budget. Film productions are ran with strict precision. Production schedules are typically between 9 to 30 days, and you usually spend 12 to 14 hours on set, shooting from dawn to dusk. If film productions fall behind schedule, financiers and insurers may step in.

A 90 page script produced on a 24 day shooting schedule allows the director proper time on set, while keeping overall costs minimum – averaging under 4 pages per day.

The camera department is responsible for getting all the footage that the director and editor need, to tell the story.

Once lighting and sound are set up, and hair and make up have been checked, the shoot can begin.

Every special effect is carefully constructed and must be filmed with minimum risk of injury to cast and crew.

Production is a very intense and stressful process, especially for the producers and film director.

1.8. Post-production

Post production usually starts during the shoot, as soon as the first “rushes” – raw footage – and sound are available. As the processed footage comes in, the editor turns it into scenes and assembles it together, into a narrative sequence for the film.

The editor will read your script and storyboards, and look at the rushes, and from this information, cut the film according to their opinion of what makes the story better.

There are two ways of doing post-production:

- the old way, i.e. celluloid film way. Shoot film and edit, or splice film on film editing equipment. There are few filmmakers who edit this way today;
- the new way is the digital way. You get all your rushes digitised (if shot on film, you will need them telecined, or scanned to a digital format).

The normal schedule for editing a feature is 8 to 10 weeks. During this time, your editor will create different drafts of your film. The first is called the “rough cut”, and last is the “answer print”.

There are two conclusions to an edit, the first when you are happy with the visual images (locking picture) and the second when you are happy with the sound (sound lock).

Once the picture is “locked”, the sound department works on the audio track laying, creating and editing every sound.

Digital effects are added by specialist effects professionals and titles and credits are added.

The final stage of the picture edit is to adjust the colour and establish the final aesthetic of the film.

During that post-production phase, it is also usual to get:

- a digital cinema package – a hard drive which contains the final copy of your film encoded so it can play in cinemas;
- a dialogue script, so that foreign territories can dub or subtitle your film, which has the precise time code for each piece of dialogue so the subtitler or dubbing artist knows exactly where to place their dialogue;
- a campaign image (with titles and credits), which is the first thing a prospective distributor or festival programmer will see of your film and which should let the viewer know exactly what your film is about;
- a 90 to 120 second trailer that conveys the mood and atmosphere of your film, knowing that programming and distribution decisions will be often be based on the strength of your trailer.

1.9. Sales

While the film is still in post-production, the producer will try to sell it to distributors (if he has not already sold the rights at the financing stage).

Filmmakers and producers must have a pre-sales distribution and market strategy in place, that optimises back end profitability of the film. Targeting major film markets – Cannes, Berlin, Toronto, Sundance, Tribeca, Venice and emerging South by South West – is key to a successful B-to-B marketing strategy, while the same sales agent who packaged the film oversees the final sale.

The film sales world is split up as the domestic market and international market and there are specific sales companies for both specific markets.

Producers tend to work without sales assistance on the domestic deals as it is in the best interest of the producer to form these relationships and close the deal personally, to have an open door for future projects that will need similar distribution.

To help sell the film internationally to distributors, the producer secures the services of a sales agent and markets his film by sending it to film festivals. High profile screenings at top film festivals can be great to generate “clout” for the film.

The trailer is used to show buyers the most marketable aspects of the film.

Distributors are fickle in many senses. The business has changed (think of the [recent growth of video on demand streaming services](#)) and international versus domestic deals are becoming challenging. Indeed, being a distributor is still a risky business: if the film is a success, distributors only earn their commissions; while if it is a failure, they lose their minimum guarantees, prints and advertising expenses (P&A). This is why the best way to be a successful distributor, nowadays, is to be also the producer, or at least co-producer because you then earn money on the much higher residuals and international rights, compared to domestic theatrical rights only.

Finding the right distributor takes time. Example of boutique distributors are HBO, IFC, Magnolia, Focus Features or Miramax for broadcast, VOD and content streaming. The search process of the most appropriate distributor for your film project, will give you practice pitching it, as well as the ability to review many different sellers to gauge style, ability and creative fit.

Just as the agencies are self-motivated, so too are sales agents (international film brokers) and distributors (buyers and exhibitors) motivated by the bottom line economics of the deal. Yes, there are buyers and sellers who specialise in content-focused for the art-house driven markets, but they are becoming fewer and fewer.

1.10. Marketing

As the finishing touches are being made to the film, the distributors plan their marketing strategy to “sell” the movie to the public.

Knowing the audience is essential and the marketing team runs test screenings to see how the film is received.

Press kits, posters and other advertising materials are published, and the film is advertised and promoted. A b-roll clip may be released to the press, based on raw footage shot for a “making of” documentary, which may include making-of clips as well as on-set interviews.

1.11. Expedition

Cinema expedition, also called theatrical release, is still the primary channel for films to reach their audiences.

Indeed, box office success equals financial success.

Film distributors usually release a film with a launch party, a red-carpet premiere, press releases, interviews with the press, press preview screenings, and film festival screenings.

Most films are also promoted with their own special website separate from those of the production company or distributor.

For major films, key personnel are often contractually required to participate in promotional tours in which they appear at premieres and festivals, and sit for interviews with many TV, print and online journalists.

The largest productions may require more than one promotional tour, in order to rejuvenate audience demand at each release window.

1.12. Other windows

A successful run in cinemas makes the film a sought-after product, which can be sold through other more lucrative channels such as DVDs and games.

Since the advent of home video in the early 1980s, most major films have followed a pattern of having several distinct release windows. A film may first be released to a few select cinemas (limited theatrical), or if it tests well enough, may go directly into wide release.

A popular option, to develop the domestic sales potential of a film, is to have a first phase initial release on a limited theatrical platform, paired with a joint digital download release on iTunes and Amazon – sales are driven by major market theatre visits and digital downloads in smaller markets. The second phase release via VOD and pay cablers such as HBO, Showtime and potentially Hulu – sales are then driven by word of mouth built from first phase. This is often followed by a third phase, which pairs Netflix and Amazon Prime streaming with a wide DVD release to drive streaming view and build DVD purchases. Finally, in its fourth phase, the film builds upon steady sales and word of mouth audience reception, to gain network television sales and eventual syndication. In broadcasting parlance, syndication is the licensing of the right to broadcast television programs by multiple TV stations, without going through a broadcast network.

Next, the film is released, normally at different times several weeks (or months) apart, into different market segments like rental, retail, pay-per-view, in-flight entertainment, cable, satellite, or free-to-air broadcast television. Indeed, the film may be released in cinemas or, occasionally, directly to consumer media (DVD, VCD, VHS, Blu-ray) or direct download from a digital media provider. Hospitality sales for hotel channels and in-flight entertainment can bring in millions of additional revenues.

Indeed, today, residuals, or neighbouring rights, as those additional revenues are called, bring in most of the profit for the film, not theatrical rights. Those residuals are collected by collection agents, such as [Fintage House](#) and [RightBack](#), which adds transparency to the process of collecting revenues generated by the film.

The distributor rights for the film are usually sold for worldwide distribution.

The distributors and the production company then share profits.

As a film producer, you should “trust the shuffler but cut the deck”, by ensuring that you have an audit

clause inserted in the distribution agreement, which will allow you to audit the accounts of the distributor in order to check that all collected revenues, from all sources, are indeed included in the residuals statements that you received from such distributor.

It is worth noting that, in at least 10 countries from the European Union, including France, Germany, Spain, Belgium, distributors of pay-TV services and/or operators of VOD services are required by law to contribute to the funding of production, either through contributions to support funds or by means of direct investments in production. The arrangements are generally complimentary to and extend tax law provisions requiring contributions from exhibitors, broadcasters and video distributors: all distribution activities must contribute to the funding of production.

2. How do you finance a film nowadays?

First things first: have you made a business plan? Creating a business plan is almost as important as finding a terrific script. You need to prepare a plan of attack to get the money to shoot your film. Indeed, as a producer or filmmaker, you need to make creating a viable and realistic business plan your first priority. Many filmmakers create an outline business plan first, and then find a script that matches what they think they can raise.

2.1. The studio model

The strategy, here, is to get 3 to 5 films together of a similar genre, and approach investors with a slate of similar films. If one of these films is successful, it will pay off for itself and the other 2 to 4 other film projects on the slate.

While this strategy consisting in hedging your risks by having more than one egg in your basket sounds great, a reality check is necessary: do you really think that you can get more than one project together? You may want to collaborate with some like-minded filmmakers with similar projects.

2.2. Government funding

Many nations now have attractive tax and investment incentives for filmmakers. Individual state and country legislation enable producers to subsidise spent costs for production.

For example, Europe's MEDIA programme has twenty-odd programmes for media and filmmakers. You need to apply for the funding and lobby decision makers until you get your soft money.

Many European filmmakers design a business plan around the rules and regulations surrounding the MEDIA money. The same applies for soft money from other countries as well.

Another example is the UK government, which pumps tens of millions of pound sterling into British film every year (using National Lottery funds!). Following the heavily criticised demise of the UK Film Council, UK public money is now distributed by the [British Film Institute \(BFI\)](#). Film London has also

put in place a [Production Finance Market \(PFM\)](#), its annual two-day film financing event, run in association with the BFI London Film Festival. PFM encourages new business relationships, between UK filmmakers, producers and investors, attaching international sales companies and securing various forms of investments in companies and film projects.

As soft public money funds are always heavily oversubscribed and lobbied for by competing filmmakers and producers, you should not be over-reliant on getting government funding. In addition, those funds will impose restrictions, that could easily compromise your creative integrity.

2.3. Equity

Hard cash investments made to your film project by a single investor, a group of investors and personal investments from colleagues, friends and family.

Equity investments require that investors own a stake in the film (i.e. the operating structure, special purpose vehicle incorporated for that particular film project). They also must be paid back (typically on their principal investment plus 20 percent) before profit is seen on the side of the filmmakers and producers.

2.4. Tax finance

It's all about de-risking your film package.

Through its [Enterprise Investment Scheme \(EIS\)](#) and Small Enterprise Investment Scheme (SEIS), the UK government has created one of the world's best environments for de-leveraging the risk of investments made in small businesses up to 98 percent (depending on the investors profile). EIS is designed to support smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies.

Film projects are qualifying business for EIS and SEIS, however we heard that the European Commission has audited the UK EIS and SEIS schemes and only wants long-term UK small businesses to benefit from such schemes, ruling out special purpose vehicles incorporated for each film project. [With a Brexit in the works though](#), it is likely that EIS and SEIS will still be used to finance UK film projects, in the future.

To get all EIS or SEIS up and running, you need to get a strong business plan together with a budget and schedule. Fill in a few online tax forms and get your UK limited company registered for EIS. If you get stuck, phone a really nice lady in Wales who will make sure you secure the paperwork.

While investing in a film is seen as “sexy” by many private investors, the recent economic downturn, Brexit and the competitiveness of securing EIS and SEIS among filmmakers and producers, make investors shy and cautious. It may be worth speaking to UK film financiers, such as the Fyzz Facility ([now merged with Tea Shop](#)), who have a pool of private investors who are ready to invest, via gap funding (as this term is defined below in paragraph 2.6 (Gap financing)), through EIS and SEIS.

In France, [Sociétés de financement de l'industrie cinématographique et de l'audiovisuel \(SOFICAS\)](#) are

the equivalent tax-wrappers to EIS and SEIS. They are equity funds financed with tax-related money and are allowed to invest in both films and TV productions, on a selective basis. Their money comes from banks which are allowed to collect, from French tax resident private investors who want to pay less income tax in France. As SOFICAS want their money back, they tend to do mostly gap funding (as this term is defined below at paragraph 2.6), providing producers with the last (and most expensive) money. SOFICAS generally stand behind the distributors in the recoupment order. Only part of the SOFICAS money is invested in independent film productions. Each SOFICA can invest 20 percent of its money in foreign-speaking (qualified) co-productions, as long as the film's language matches the foreign co-producer's country's language. In 2015, SOFICAS invested Euros37m in 112 movies, 11 of which were majority foreign co-productions, mostly from British or Belgian producers. A top manager of SOFICAS for the media and entertainment sector in France, is [Back-up Media](#).

Tax incentives require a producer to hire a certain number of local crew employees, rent from local vendors and run payroll through local services. Tax credits are based on an application process and are often lengthy (12 to 18 months) and difficult (as they may involve a substantial amount of tedious paperwork) to procure.

For example, [UK film tax relief](#) ensures that, for film spending GBP20m or less, production companies can claim a cash rebate of up to 25 percent of qualifying expenditure. For films spending more than GBP20m, production companies can claim a cash rebate of up to 20 percent of qualifying expenditure. The UK film tax relief is largely responsible for the recent influx of international blockbuster movies into the UK: "Star Wars: the force awakens" (LucasFilm), "Avengers: age of Ultron" (Marvel Studios) and the latest James Bond film "Spectre" (EON) have all been shot in the UK, mostly out of Pinewood Studios.

In France, the [Tax Rebate for International Productions \(TRIP\)](#) concerns projects wholly or partly made in France and initiated by a non-French film production company. It is selectively granted by the French national centre for cinema, CNC, to a French production services company. TRIP amounts up to 30 percent of the qualifying expenditures incurred in France: it can total a maximum of Euros30m per project. The French government refunds the applicant company, which must have its registered office in France. "Thor" (Marvel Studios), "Despicable Me" and "the Minions" (Universal Animation Studios) and "Inception" (Warner Bros) have benefited from TRIP.

For French film productions, the [Crédit d'impôt cinéma et audiovisuel \(CICA\)](#) benefits French producers for expenses incurred in France for the production of films or TV programmes. The CICA tax credit is equal to 20 percent of eligible expenses – increased to 30 percent for films for which the production budget is less than Euros4m.

Certain tax credits are sellable, transferable and even trade-able based on the local legislation. US states such as New Mexico, North Carolina, Georgia, New York and Michigan offer the strongest solutions here.

It is really worth for film producers to organise a "competition" between various countries and territories as well, based on available tax rebates and government funding, before deciding in which country to produce and post-produce a film. Indeed, the UK and France are always in rivalry, Film France CEO Valerie Lepine-Karnik noting that "*last year (in 2014), American blockbusters spent more than*

Euros1.6bn in the UK, which is half a million more than the total amount of money invested in French domestic film production in 2014?.

2.5. Pre sales and co-productions

The strategy, here, is to sell your film cheap up front (pre-sales) and hook up with producers in other countries to secure soft public money in other territories. Indeed, by co-producing, you can take advantage of soft money otherwise not normally accessible to your film production.

Pre-sales agreements are pre-arranged and executed contracts made with distributors before the film is produced. These agreements are based on the strength of the project's marketability and sales potential in each given territory. A distributor will generate a value for your film project, given the script, the attached talent and crew, as well as the marketing approach, and then enable you to take out a bank loan using the pre-sales deal as collateral. Pre-sales can also result in direct payment (at a discounted rate) from the buyer themselves. Pre-sales investments require that the producer pay back the bank its loaned capital before profiting on their respective upside.

Both the UK and France have bilateral co-production treaties in place with certain countries such as:

- Australia, Canada, China, India, Israel, France, Jamaica, Morocco, New Zealand, Occupied Palestinian Territories and South Africa, [for the UK](#);
- and Algeria, Argentina, Australia, Austria, Belgium, Bosnia-Herzegovina, Brazil, Bulgaria, Burkina Faso, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Egypt, Finland, Georgia, Germany, Greece, Guinea, Holland, Hungary, Iceland, India, Israel, Italy, Ivory Coast, South-Korea, Lebanon, Luxemburg, Morocco, Mexico, New Zealand, Poland, Portugal, Palestinian Territories, Romania, Russia, Senegal, Serbia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, Venezuela, for France.

For example, Ken Loach's films, mainly produced in the UK, benefit from French funds through French production company Why Not since "Looking for Eric" in 2009. "Mr Turner" by Mike Leigh was co-produced by Diaphana.

Moreover, the [European Convention on cinematographic co-productions](#) applies for now, in both countries, although this will cease to be the case for the UK after Brexit.

While co-production can work, it can be difficult to set up co-productions and you will now have financial partners in various territories who will probably all want to exercise creative control. Also, you, the producer, will have to share any revenues generated by your film not only with the distributors, but also with your co-producers scattered in various countries.

2.6. Gap financing

With partial equity raised, you are then able to procure a loan from a bank or a private lender on the

unsold territories of the film (and additional elements of collateral, such as the intellectual property or corporate guarantees).

Gap financing is only available when other elements have been assembled and there is adequate security for the investor to “bridge” against.

2.7. Product placement

The strategy is to team up with brands and get cash for including their products on set.

For example, Heineken reportedly paid a third of “Skyfall” ‘s USD150mn budget to turn Daniel Craig’s James Bond into a lager drinker!

Not only do you get some of your film funding through product placement, but the product exposure the brand enjoys may have a far greater value than the cost of the product placement and is generally seen to be cheaper than comparative advertising on TV or print.

However, having a product placement in a film means that you will always be under the scrutiny of brand managers, which may hamper the film creative process. Moreover, few independent filmmakers have the polling power of James Bond! Brands will always want to know what the marketing strategy of your film is, before they invest in, or even allow their products to be used.

2.8. Crowdfunding

Crowdfunding (Kickstarter, IndieGoGo, Ulule, Kiss Kiss Bank Bank, etc.) is now a serious contender to raising finance for your film projects. It enables a contributions-based model for capital to be raised without selling equity.

For example, the “Veronica Mars” Movie project and Spike Lee’s latest film project “Da sweet blood of Jesus”, were all financed through Kickstarter in 2013. Spike Lee raised USD1.4m for his horror flick on contemporary vampires, not a negligible amount by any means.

The strategy is that you get some rewards (such as DVDs, t-shirts, sharing dinner with the famous film director) together and offer them to friends, family and fools, as well as to the crowd, hoping to entice them into making a contribution to your film project. The idea, here, is to build a community who adheres to your story.

Even the studio biggies are using crowdfunding nowadays: Charlie Kaufman, an American screenwriter, producer, director famous for writing “Being John Malkovich” and “Eternal sunshine of the spotless mind”, raised over USD400k for his new project Anomalisa.

This is crowding the pitch and makes it even tougher to get enough noise directed your way. Therefore, you need a really good business plan in order to successfully approach crowd funding.

2.9. Deferrals

The strategy is to get everybody to work and be paid later, out of profits if any. Indeed, producers are able to avoid nearly all costs on a project if they are able to negotiate a deferred deal.

Convince everyone that in order to get the film made now, you cannot wait for investment. In exchange, you offer up a percentage of the share of profit, meaning that everyone's salary could potentially increase depending on the success of the film.

Deferred agreements basically state that crew, cast, vendors, locations and services are all rendered upfront at no cost, until the film generates money upon release.

Deferrals may work but are reliant on the trust the producer has with his team. Often, deferrees are unpaid, even though the film goes on to commercial success. There is also the temptation to overstate the value of the deferment which can lead to bitter arguments if the box office returns do not meet expectations. Moreover, deferred financing is difficult because experienced cast and crew are unwilling to work under these types of structures.

2.10. Self-financed film projects

Self-financed movies mean you do not have to deal with investors. It also does mean that you have to be very careful with the money, which is yours.

For example, Tangerine's director, Sean Baker, shot his feature film entirely on 2 iPhones and went on to become one of the most hyped film directors in 2015, as Tangerine was reviewed by many critics as one of the best films of 2015. In an interview with Bret Easton Ellis in 2015, 45 years old Sean Baker confessed to still be heavily in debt and reliant on the goodwill and empathy of his parents, to make ends meet.

While getting your film done immediately with your own resources is an enticing prospect and very achievable in today's digital world, it is worth noting that most of these thousands of self-financed movies fail, mostly due to the fact that their scripts are not good enough. By going the self-financed indie route, filmmakers have side stepped the development cycle and no one has told them that their script sucks.

3. How do you make your film project stand out to financiers?

As mentioned in our introduction, it is tough to get films financed in today's market. Of course, a strong script, a great team with experience and a game plan for success are prerequisites, but that's not enough. The key factor to equity investors and debt lenders, is to remove risk, financial exposure and speculation – meaning, when are they going to start earning a return or their money back, and can you guarantee that? The more risk and speculation you remove, by utilising the steps below, the better chance you will have of securing capital in “hard money”.

3.1. Agencies

As mentioned above in paragraph 1.4. (Packaging) above, talent agencies are a difficult nut to crack. They are well-guarded, highly established and protected entities. They are the gatekeepers of taste, talent and possibility – and more than anything they are the lifeblood of the independent producer seeking to put projects together with financing.

Once you have a suitable piece of material, get an agent/agency excited about the project as well. The way forward is approaching the major five talent agencies – William Morris Endeavor, United Talent Agency, Creative Artists Agency, The Gersh Agency and International Creative Management – for the packaging of quality source material – script, paired with proven name talent – actors and directors, under the representation of a successful in-house sales agent.

As with most of the entertainment business, agents think in numbers – how much will my firm/I make from this deal? Incentivize the agency by offering them the ability to package the project – place multiple roles with their roster rather than just one or two roles – which gives them the ability to earn 10 to 15 percent of multiple deals across the board.

Furthermore, offer them the ability to have a first look opportunity for domestic sales representation – again, finding ways to incentivise. By packaging these elements early on, you will be able to bring strong talent to the project and gear up to be more ready to approach equity players.

3.2. Strength of team and experience

A first time producer/director/star is a tough sell for many in the film business. Sales teams are unable to project value (pre-sell), agents are unable to place large name talent (packaging) and financiers are unable to gauge project return on investment (ROI).

Therefore, your best bet is to find a director who has carried a project before, find an agency who is interested in packaging and will keep you/your project in the stratosphere of content that matters and you will be in a great starting position.

The team must bring a wealth of knowledge, experience and relationships to the production phase, in order to properly execute feature film's full production schedule. All the while, the producers and filmmaker must mindfully nurture the creative necessity, without neglecting the overall commercial nature of the film's back end.

If you have to utilise unknown talents to make your project, then surround them with experience on all fronts. An unknown star with a strong director, director of photography, producer and writer is a reasonable recipe.

3.3. Soft money options

With your packaged talent signed on, a strong team on board, and a well-developed script, you can now approach “soft money” options, i.e. tax incentives/pre-sales/debt financings.

Tax incentives offer a percentage of the in-state or in-country spend back in rebate form. This means that

you can bankroll/cash-flow this piece of financing to offset your investors' risk.

Pre-sales offer projections of value based on the elements you have brought together. This, in turn, also implies that you can bankroll/cash-flow this piece of financing to offset your investors' risk.

The same goes for debt options.

As a filmmaker or producer, you need to find ways to cover 50 cent or pence of every euro or pound your investor is putting up before the cameras even turn on.

Shoot in tax incentive rich states, with a strong pre-sold package, and with a great sales team onboard to execute. You can then reduce the level of speculation and guarantee a return of X percent, based on Y investment in a tangible timeline.

3.4. Plan of execution

With these elements onboard, make your investment proposal personable, professional and tailored to your investors specifics. Do not pitch high level equity film financing to first-time entertainment investors. Keep it simple, honest, and remind equity investors that while smoke and mirrors often run throughout the business, you are putting together a basic structure returning X percent on Y investment over Z timeline.

Lastly, look into completion/guarantor insurance guarantees, as a way to assure your equity investors that the project will be completed on time, schedule and budget, and with the elements they have agreed to finance. The liability is now removed via an insurance company and investors' return is partially guaranteed via tax incentives and additional soft-money.

Pitch smart, often and confidently knowing that you have done your homework and that the investment is well-structured for a return.

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