HOW TO FUND A FEATURE FILM

I. Non-recourse loans from family and friends.

This is money advanced to you without any enforceable promises by you; whatever you are representing regarding profit or percentage of return is hypothetical and not enforceable in a court of law. In other words, both you and your lender know that that if the deal goes south there is no expectation that the "loan" will be paid back.

This is usually the easiest money to find, assuming you can convince friends and family of your good cause; this money is often the seed capital for what becomes a larger project or company.

II. One or two active partners with money.

This is the partnership route, with you providing the creative end of things and your partners providing money and sharing decision-making authority with you. This is a general partnership, not a limited one where the money from investors can create securities challenges. These are partners will expect a return on their investment if it is successful. They are fully exposed to liabilities and debts of the partnership. If they wish, these partners are entitled to be meaningfully involved in the day-to-day operations.

III. Studio (in house)

This approach gives the studio control of the project; the studio (major or mini-studio) finances development, production, and distribution and is typically the producer of the film. You will be given some money and credit but likely will have little direct involvement.

IV. Studio (packaged project)

With this business model you are the producer and you finance acquisition rights, development and rewrites, and the rest of it, and then you package the project for sale to a studio. The studio will agree to finance production with you as producer with specific oversight rights. You will get credit, money and some degree of control, while the studio finances production and distribution. Studio will have take-over rights if production goes over budget and generally decides on most key elements, including personnel.

V. Negative Pick-Up

Here you are the producer (again); but this time you pre-sell distribution rights to one or more distributors and you then use these distribution contracts as collateral to finance production of the film. Since banks lend at a discount you are likely going to have to oversell the budget to secure full financing. Alternatively, you can obtain a gap insurance commitment to make up for any shortfall.

VI. Exempt offering

You prepare a business plan and a private placement memorandum, and offer shares in the project to investors. Since the investors must be protected from liability and debts of the venture, they must be passive investors; as passive investors their investment interests or shares are considered securities. Legal documentation and federal and state registration usually costs around $10,000 but then you can legally solicit for money for the project. See www.privateplacementadvisors.com for more information.