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[What Are Some Basics of Investor Motion Picture Financing?](#)

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Procuring and securing financial backing from investors constitutes the sine qua non of entertainment deals. In fact, lack or dearth of money is translated into death knell of the deal especially a motion picture project. Accordingly, it behooves project participants including investors underwriting a motion picture project and producers yearning the funding to prudently consummate the deal. This article presents some of the issues such deal participants should be wary of.

SOME OF INVESTOR'S CONCERNS IN A MOTION PICTURE DEAL

1. DILUTION OF INVESTMENT: Investor should be really concerned about the amount of investment and how other investments or contributions might dilute Investor' investment or return on such investment. To alleviate such legitimate concerns, Investor should demand representation and warranty and even indemnification from the Production Company for such dilution or loss.

2. CONTROL OVER BUDGET AND PRINCIPAL CAST: Investor should be extremely cautious as to the amount of budget. If the expected budget proves to be less than what the project needs in the midst of principal photography, the Investor might be called upon by producers to make up the difference. Investor, on the other hand, wary of losing investment ascertains there is no choice but to invest more. To alleviate such concerns, to a great extent, Investor should demand Completion Bond and Errors and Omissions insurance.

In addition, Investor needs to ensure the principal cast members reflect the ethos and professional portfolio such investor is amassing. If the principal cast members cannot be relied upon to draw movie goers based on their celebrity status or lack thereof, depending upon the investment amount, Investor should have authority not to invest, just walk away, or demand change of such cast members. To alleviate such concerns, Investor's investment should be contingent, among other things, upon Investor's sole unfettered approval of budget and principal cast members.



3. DISTRIBUTION OF THE MOTION PICTURE: Distribution of the picture, probably, is one of the most salient factors a sophisticated prudent investor should seriously consider before committing considerable resources to a project. In fact, lack of a distributor or proper business plan coupled with proper connections simply mean loss of the whole investment. Producing the picture is something and ensuring its proper effective distribution to the market is rather something totally different. Accordingly, it is highly advisable to ascertain plans to seek and secure proper effective distribution for the picture before committing any resources. In fact, Investor should seriously entertain a condition precedent, especially if the picture lacks the luster of top-notch cast, director or producer with a proven track record of financial success in film business.

4. RECOUPMENT OF INVESTMENT: Undoubtedly, investor's sole and most pressing salient concern is to ensure the money invested will be recouped. As always, the devil is in the details. How and when and if the recoupment ever occurs are the questions to seriously probe into and clarify. For instance, depending upon the number of investors and their respective negotiating strengths, the investor may secure different percentages of the money brought in from different media and territories.

Sometimes, production company would define recoupment as the initial investment PLUS some other percentage as an inducement for investor. In such circumstances, investor should be concerned about how and when the money comes in and when the investor receives it, if any. The bottom line is regardless of how many percentage the production company is offering, investor should always keep focus and attention on how, when and if the initial investment will be reasonably recouped based on the picture's financial artistic strength and its participants, among other things.

5. PROFIT PARTICIPATION: In addition to investor's recoupment of its investment with some interest, investor usually receives profit participation. Profit participation simply means sharing in the profits obtained after payments of some expenses. As a rule of thumb, investors are accorded the right to recoup their investment first, after payment of some deferrals from the picture's profits, then after full recoupment such investors participate equally with production company and most likely other profit participants in the picture's profits. Profits in this context usually mean the profits received by the production company and exclude receipt of any profits from distribution companies.

6. COMPLETION OF PICTURE: It is incumbent upon investor to ensure completion of picture does not require further investments even if the picture exceeds its estimated budget because of various foreseen or unforeseen reasons. To eschew this eventuality, investor should include several condition precedents including but not limited to conditioning any investment upon production company obtaining a [completion bond and Errors and Omissions insurance](#).



SALIENT CAVEAT

This article NEITHER supplants NOR supplements the breadth or depth of such esoteric topic. In fact, this article ONLY provides a rather rudimentary synopsis of such expansive esoteric subject matter.

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