Filmmakers and Financing
Praise for **Filmmakers and Financing**:

“An excellent, insightful guide to attracting financing for indie films. Louise Levison takes a sane, balanced approach to research, comparables and projections, achieving honest outlooks in business plans that are accurate and convincing to equity investors. An important tool for filmmakers and producers seeking innovative financing models.”

—Danny Glover, Actor/Director/Producer

“Thank you so much for all your help from the business plan to the emails and introductions. You have helped this film become what it is today.”

—Rob Cowie, Producer, *The Blair Witch Project*

“How to raise funds for independent films was the best-kept secret in Hollywood until Levison’s book was published.”

—Rick Pamplin, Producer/Director, The Pamplin Film Company

“If you are an independent filmmaker trying to raise any private financing for your film, you absolutely must read, absorb, and understand the material and advice in Louise’s book…. I tell all my clients to buy a copy, because they will continually use and refer back to it…. I do.”

—Harris Tulchin, Entertainment Attorney/Producer and Co-Author: *The Independent Film Producer’s Survival Guide*

“Need money for a movie? Here’s the road map every indie filmmaker needs to find it. It worked for me!”

—Paul Sirmons, Director/Producer, *The First of May* and former Florida Film Commissioner

“If Louise Levison’s *Filmmakers and Financing* were only about business plans it would be worth more than its cover price. In addition, Levison gives sage, savvy and clear introductions to every important aspect of film business—marketing, distribution, varieties of investors, financing options—it’s all here, including a sample business plan. This book is a ‘must have’ for any filmmaker’s bookshelf.”

—Morrie Warshawski, Consultant and Author of *Shaking the Money Tree*

“A ‘must have’ educational and reference tool to help you conquer current industry practices regarding finance, production and distribution. Louise has consistently delivered a plethora of information that is easy for a beginning filmmaker to understand, while at the same time very useful to the entertainment veteran. NO filmmaker’s library would be complete without it.”

—J. David Williams, Distributor, *Shiloh* and *The Omega Code*

“Levison’s book gives filmmakers an inspiring and coherent merger of plain English, film lingo, and traditional business-speak. It helped me create a straightforward and thorough business plan that ultimately raised $2 million for my new project.”

—Stu Pollard, Producer/Director, *Keep Your Distance*
For Leonard the Wonder Cat,
who has left us but continues to inspire . . . .
For Buffy and Angel, who inspire me every day.
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**Short Film**

Oscar eligible short film festivals
Foreword

Despite the near hero worship accorded successful independent film producers and studio executives, not one of them would be able to function without a strong backup team. The myth of the one-person band is just that—a myth. Without the talent and hard work of the lawyers, bankers, accountants, development personnel, and administrative staff—not to mention the literally hundreds of people involved in actually making the films—no independent producer could survive, much less succeed.

To marshal all the disparate talents involved in mounting a major film production, the most important element is a common vision of the ultimate end product. In the same way that directors need a storyboard to communicate their vision of what the film will look like, producers need their own version of a storyboard (that is, a business plan) to explain their objectives, hopes, aspirations, and, yes, even their dreams.

Gone are the days when a business plan was regarded as inappropriate for an artistic endeavor such as producing a film. These days, the risks are too large, the competition too intense, and the sophistication of investors too great to “leave the details until later.” Completion guarantees, discounted cash flows, letters of credit, foreign sales contracts, domestic distribution deals, internal rates of return, gross deals, rolling breaks, third-party participants’ security interest, bank discounting, residuals, cross-collateralization—all these terms, to name just a few, have become part of the regular vocabulary of today’s independent producers. Without a detailed business plan
to coordinate all these elements, it would be virtually impossible to produce a major film. So, dear independent producer, read on….

Jake Eberts

Jake Eberts has helped develop and finance films that have earned 64 Oscar nominations and received 27 Academy Awards. Among the films on which he has been Producer or Executive Producer are Chariots of Fire, Gandhi, The Killing Fields, Driving Miss Daisy, Dances with Wolves, A River Runs Through It, The Legend of Bagger Vance, The Education of Little Tree, Chicken Run, James and the Giant Peach, Open Range, Journey to Mecca, and The Illusionist.
To all the clients and students who have taught me as much as I have taught them.
To all the industry professionals who have generously given of their time in classes and seminars to share their knowledge.
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To my editor, Elinor Actipis, and everyone at Focal Press for their patience and understanding.
And last, but not least, to the late Leonard the Wonder Cat, my inspiration for the cat tales.
Introduction

Controlling Your Destiny

A business plan always evolves.

ROB FRIEDMAN
Partner, Summit Entertainment

WHY SHOULD YOU BUY THIS BOOK?

King Ferdinand of Spain appointed a group of consultants to advise him on Christopher Columbus’s enterprise for sailing to the Indies. This scholarly group of astronomers, mariners, and pilots pored over charts and graphs. They determined not only that the world was flat, but also that the ocean was too big to be conquered.

“Ergo,” they said, “if you try to sail to the Indies, you will fail.” But Columbus had done his homework and planned ahead. He replied, “I have researched my own charts and graphs, spoken to other sailors, and obtained years of technical experience that proves otherwise. I believe it can be done.” Columbus was the prototypical entrepreneur. He examined his proposed business venture, made forecasts regarding pros and cons and plunder versus expenses, and then he decided to move ahead.

Neither Columbus nor any of his friends or enemies knew that he would run into the Americas on his journey. Nevertheless, he seized his opportunity and took appropriate action. By keeping abreast of the situation on his ships, and the changes in the outside environment, he was able to make an informed decision. When he landed in the wrong place, Columbus looked at the opportunity, measured it against his goals, and decided that he had discovered a better place than he had originally intended.
Filmmakers and Financing

From the dawn of film—actually, from the dawn of time—there have been individuals who have wanted to do it their own way. People who are not content to live by the rules of others continually strike out on their own. Here we are in 2009. The world is in turmoil with terrorists and strange viruses, governments are changing, corporations are failing, and the number of independent filmmakers keeps growing.

A Constantly Changing Medium

My friend Jerry Quigg suggested calling this book sex, films, and investing. Good title. It is clear, informative, and to the point. All the elements for a book or a business plan are there. Your finest hour will come when an investor says, “What a sexy idea! It will make me money. How much do you want?” This book is sexy, too, in its own business-like way. It will bridge the gap for you between the passion of filmmaking and the day-to-day realities of creating a successful company.

As you read this, the motion picture business is changing right before your eyes. For four editions of this book, the big news in Chapter 4 on the industry was which company was buying Universal Pictures. That company has remained part of the NBC family since the third edition; however, the rest of the industry seems to be buying, selling, and making new alliances at a pace faster than ever before. Much of this is due to the continued growth and presence of the independent sector as well as the rapid application of new technologies to the film business. The “paradigm” (an in-vogue word meaning “pattern”) shift that has been predicted for over 20 years is taking place, and its overall business effects are debated constantly. What hasn’t changed is the audience. No matter how many products divide the finite viewing audience, theatrical motion pictures keep chugging down the track. Product is needed to fuel that engine, and you can be the one to provide it.

People go into independent filmmaking for many reasons. They are driven primarily by the subject matter, theme, or style of the pictures they want to make. I have talked to thousands of people who have told me what types of films they want to make. No two people have had the same vision, but they all share the same goal—to own their project and control it. Whether a filmmaker decides to make one film or many, it is up to him or her to understand how the business world functions. Of course, your goal may not be feature films
at all. Instead, you may focus on other types of films—direct-to-DVD, television, cable, or even cell phone films. All of these are important, and all the principles stated in this book apply equally to them; however, their business models differ from that of film.

With new opportunities appearing for the independent filmmaker, more and more people want their own companies. Books and articles have been written about the ins and outs of writing or finding the perfect script, how much it costs to make a film, finding the best location, and what camera to use. None of that information is in this book. The question before us is not how to make a film, but how to get the money.

You might argue, “But I’m making a film. This is different from other businesses.” The details of any business may differ from industry to industry and from segment to segment, but the principles are the same. Movies involve lots of people, all of whom expect to get paid. Raising money involves intermediaries such as agents, finders, and lawyers, who expect to receive a fee for what they do. And do not forget the investor, who hopes to see a return on his investment. All films need certain standard ingredients to get going and stay alive. To get the show on the road, you need to put together a business plan.

It is true that independent films have been made and found success without a business plan. Many more films without one, however, have not been funded and never see the light of day. No plan can guarantee the thrill of victory, but not having a plan could bring you closer to the agony of defeat. When you read about all those productions setting up shop with a large influx of capital, which of these scenarios do you believe?

**Scenario 1:** Louise, you’ve had such extraordinary success at Megalomaniac Studios that we would like to give you $100 million. Have fun and send us our share.

**Scenario 2:** Louise, you’ve had such extraordinary success at Megalomaniac Studios that we would like to explore the possibility of having you head your own company with $5 million in seed capital. Why don’t you get together with Victor Visionary and create a business plan? If we agree with your product analysis and the numbers look good, we’re in business.

Trust me (a famous Hollywood term): Scenario 2 is far more likely. Wealthy people do not throw around big bucks on a whim. An investor may say, “Louise, you have a great idea.” However, before
that impulse becomes a reality, much thinking and analysis will be
done. Someone will ask for—you guessed it—a business plan.

The purpose of this book is to show you how to make all that
thinking and analyzing into a coherent story. It is more than just
an outline, however. The standard business plan outline has not
changed for over 100 years. Open any book on business planning
and you will see the same types of headings: Executive Summary,
Company, Product, Markets, Sales, Finance.

What do you do next? This book will help you take the next
step to expound and polish your business plan within those guide-
lines. It specifies not only what you need to include, but also why
and how. I will give you samples—both good and bad—for writing
the individual sections of your business plan.

**Movies as a Business**

The biggest misconception about the movie business is that the
movie is more important than the business. Many of us tend to
think about filmmaking not as a business at all, but as an art
form; in that case, it would be called *show art* instead of *show
business*.

A movie is a form of art, but a very expensive one. Often
the most difficult concept for filmmakers is looking at the movie
as a commercial enterprise. The word *commercial* can be viewed
in two very different ways. When it comes to artistic endeavors,
many people give the word a negative connotation. The strict
definition is “prepared for sale,” but in many people’s minds, the
words “without regard to quality” are added to the end of that
definition. Looking at the term in the broader sense, however, the
filmmaker trades a seat at the film for someone else’s dollar (or
$4, $9, or $15, as the case may be). Whether this trade occurs at
a multiplex mall theater or at a video store, the buyer expects to
get value for the trade, and value is definitely in the eye of the
beholder.

*The Blair Witch Project*, which earned $300 million worldwide
and of which the business plan (yes, the filmmakers had one) called
for raising $350,000, was always considered a commercial project.
Audiences evidently liked it a lot; other filmmakers were more
critical. But the filmmakers made the film they intended to make
consistent with their vision and were successful in their effort. They
were innovative not only in the filmmaking but also in their use of
the Internet. The point is that they made a film that brought profit to themselves and their investors—the real meaning of the word commercial.

The definition of independent film depends on the speaker’s agenda. Filmmakers often want to ascribe exclusionary creative definitions to the term. When you go into the market to raise money from private investors (both domestic and foreign), it doesn’t matter if your film is a mini-budget production or a $75-million blockbuster. You are still finding your own financing. Sometimes filmmakers on panels declare that someone else’s film is not independent by being “a genre” or “in a specific genre” (i.e., horror, comedy, family)—this drives me crazy. In the end, esoteric discussions don’t really matter. We all have our own agendas. If you want to find financing for your film, however, I suggest embracing the broader definition of the term used in this book: An independent film is one made by those individuals or companies apart from the major studios that assume the majority of the financial risk for a production and control its exploitation in the majority of the world.

There are plenty of successful filmmakers who manage to find their own financing to do things their way—John Sayles, the Coen brothers, Jim Jarmusch, and Henry Jaglom, to name a few. They make films on whatever subjects please them. Their films may have a limited distribution, but the directors (who often are also the writers) have their own financing. They keep their budgets at levels comparable to the likely box office receipts for their film.

It seems to be a simple concept. If you produce a gizmo designed to lose money, you go out of business. Why would it be any different with a film? Many films lose money (ask the studios), but many films have success also. Film investors have a right to expect to earn back their money at least. Unfortunately, many auteur filmmakers find the concepts of creativity and attracting an audience mutually exclusive. If you suffer from this malady, try to reeducate yourself. Even relatives have their limits; they don’t want to lose money either. You are using other people’s money. Be respectful of it.

People Get the Money

A question frequently asked of me by students and clients is: “How much money have your business plans raised?” My answer is: “None. People raise money. Business plans are only a tool.” Three
of the best business plans I ever wrote are stored in drawers; they haven’t raised any money. In addition, although you may have the most well-written and well-presented business plan ever done, to raise the money you have to

1. Be ready to go ahead with the film.
2. Understand the contents of the plan.
3. Look until you find the money.

To be ready to get your project off the ground, you have to be focused on your goal. If you are arguing with your partners, are not ready to make decisions, or are unwilling to look for money, the quality of your business plan is immaterial. The biggest consulting firms down to the smallest ones have plans stored on shelves gathering dust, because the client was not ready to be serious about taking on partners or making changes. Business plans do not find money by themselves.

Once you track down your “prey” and deliver this terrific plan, you have to explain what it is all about—how it represents you. A plan is only a guideline with strategies and forecasts. You have to demonstrate to others that you can carry out the steps described within. Unless you understand every step of the plan—rather than just handing over a document written by someone else—you will not be able to do this.

Finally, are you adept at handling business in a professional and impressive manner? When all is said and done, the company is only a reflection of your demeanor and presentation. After all the numbers have been added up, investors are still betting on people. If they are unsure or wary about you, no checks will be written.

All consultants have clients whom they would like to keep hidden. Sometimes it would be ideal if the entrepreneur and the investor never met. Some clients like to argue with investors and generally have a take-it-or-leave-it attitude. I once had a client who actually said to an investor, “I’m doing you a favor by giving you this opportunity. Take it or leave it.” The investor left it.

How Does the Economic Climate Affect Financing?

As I will repeat continuously, this edition is being written in the middle of the 2009 recession. There is plenty of evidence that the people continue to go to the movies during periods of economic
stress. It is an escape, a chance to let out emotions in a safe envi-
ronment, and cheaper than vacations and other pursuits. However, it can be a very fluid situation.

Currently, the total box office is 12–14 percent above the same period in 2008. Likewise, the independent portion of that box office is about 10 percent for the same period. With a little research, you can find plenty of analyses on the subject of the recession to quote for your investors. If you are putting together a business plan in 2012, the entire economic picture may be different. A little research in the trades and major newspapers will give you plenty of analyses to quote for your investors.

**Can Anybody Do This?**

Developing a business plan involves the proverbial “10 percent inspiration and 90 percent perspiration.” In other words, anybody can do it. Unfortunately, I have found that most people lose interest when faced with the amount of research and work that is required. If you want to make your own films, however, this is part of the price of admission.

To find financing for your films, you do not have to be part of the business world, have an M.B.A., or be an accounting genius. This book will help you bridge the gap between right-brain creative thinking and left-brain math stuff. All you need is the desire to be in control—a powerful motivation.

**Hollywood Is Only an Attitude**

“Hollywood” is not a specific place. This book does not restrict the term filmmaker to those toiling in Burbank, Century City, or other areas of the southern California movie scene. Moviemaking is a worldwide event. The person in Cincinnati, Ohio, with a camcorder who aspires to make a documentary or a feature film is as much a filmmaker as her counterpart in Brisbane, Australia. Watch the film festival rosters and you will quickly see that there is a lot of movie-making going on outside of Los Angeles in places like Omaha, Boston, Orlando, Mexico City, Taipei, and Galway. My client Rick Pamplin, who owns Pamplin Film Company, lived and worked in Los Angeles for a number of years until reaching a different level of success in Orlando.
For most entrepreneurs, the idea of boiling down a vision into a neatly contained business proposal is as foreign as the notion of taking a job. Nevertheless, the recipe for success in today’s competitive business environment demands that we act as managers as well as artists. The most common blunder that entrepreneurs make is to assume that a business plan is a creative piece of fiction used to trick a bank officer into giving them money. Even worse is the assumption that creating a business plan is an interesting hobby for someone who has nothing else to do. The biggest mistake made by independent filmmakers is to see themselves not as businesspeople but as only artistes—creatures whose contact with the murky world of business is tangential to their filmmaking and unimportant. Nothing could be farther from the truth.

When a person has an original idea and develops it into a product, an entrepreneur is born—a person who has personal drive, creates an intimate vision, and is willing to take risks. Entrepreneurs want to make the decisions and be in charge of the show; they want to do what they want to do when they want to do it! I have never met an entrepreneur who was not convinced that he was right, who did not believe that the world couldn’t live without her film, and who did not want to control his own destiny. Independent filmmakers are the best kinds of entrepreneurs, because they want to push the edge of the envelope and seek new horizons. They are major risk takers.

Film investors are the biggest risk takers of all, however. They bet their dollars on an idea and help it become a reality—a contribution not to be taken lightly. Too often filmmakers believe that investors should donate their money and then quietly go away. Of course, this attitude is not unique to filmmakers. Most entrepreneurs feel that their ideas have more value than the capital needed to make them a reality. Think again, or you won’t see any cash.

**Rick’s Story**

Independent filmmaker Rick Pamplin has had his own film company since 1994. After selling scripts and projects to studios and major independents in Hollywood, and after teaching screenwriting, low-budget producing, and directing for 9 years, Pamplin moved to Orlando. “It wasn’t easy and most of my friends and
family thought I was crazy. At the time I had a wife and small child and no income. But in my heart I knew I was an independent filmmaker and believed in my talent and myself.” Unfortunately, such struggles can play havoc on a family, and eventually the Pamplins divorced.

“My first project was with a partner. Although we had a script, raised development money and attached talent, we could never get the film off the ground. We then raised money for a comedy concert film, *Michael Winslow Live*, by asking everyone we knew and everyone they knew for money.” The film was sold to the STARZ premium cable channels, Australian television and received American and European DVD deals. Their second project, *Hoover*, starring Academy Award–winning actor Ernest Borgnine, had a small theatrical opening and is now on DVD. A third project, *Magic 4 Morons*, was an award-winning instructional video, debuted on the Home Shopping Network, got a distribution deal, and reached several foreign markets.

Pamplin and Business Strategies then developed separate business plans for three feature films and set out to find production funding. “We had raised the money for our first three projects in a relatively short period. Raising money for independent films is a marathon, not a 100-yard dash, so you’d better be prepared for it. Luckily our business plans were solid, investors liked our packages, we signed Borgnine to a three-picture deal, which gave us credibility, and we have been able to raise development funds to sustain us during the lean years.”

Each of the projects attracted talent, development money, and endless meetings. A New York company, a Tampa, Florida, homebuilder, and a doctor all came to various stages of contracting for the financing, but the deals never closed. In June 2006, Pamplin and investor Harry Green signed deals for financing the three films. Unfortunately, a month later Harry, who also had also become a good friend, passed away unexpectedly. Following that, one of Green’s employees said he had an uncle who might be interested in investing, a fundraiser from Palm Beach called, a South African source got involved, and so on and so on. “Over the years we have reduced the budgets, raised the budgets, changed casts and constantly updated the business plan,” Pamplin said. Once again, as this book goes to press, the saga is unfinished. Pamplin has a crucial deal-signing meeting scheduled shortly after the book’s manuscript is set for printing.
I asked Rick if we should keep his story, knowing that his intention from the beginning was to show filmmakers that, like any business, getting a film made is 20 percent inspiration and 80 percent perspiration. His response was, “We have made four movies, all of which are in worldwide distribution and have won awards. We are a successful indie company. I have survived doing script doctoring, consulting and living as a frugal filmmaker. I just finished my first documentary feature, made a deal with a Los-Angeles-based distribution company and it has been released on DVD.”

“I’m still in the game, making the movies I want, controlling my destiny, and living my dream. Was it a good decision? YES. Would I do it again? YES. Did I ever imagine it would be this hard? NO.”

**WHY BOTHER WITH A BUSINESS PLAN?**

The business plan is the entrepreneur’s single most valuable document and his or her best safeguard for success. The majority of businesses that fail usually have paid little attention to proper planning. In Jake Eberts’s book *My Indecision Is Final: The Rise and Fall of Goldcrest Films*, he mentions several times that the company, which he founded, had no business plan. Although its first film, *Chariots of Fire*, won the Academy Award for Best Picture, the company (different from the one in operation today) did not succeed in the long run. Would Goldcrest have fared differently had the company had a business plan? No one can say for sure, but it is obvious from reading Eberts’s book that this group of very talented people had widely divergent professional and personal agendas. They also had very different business styles.

Whether you are making one film or several, you have to identify who you are, where you are going, and how you are going to get there. The business plan allows you to plot this path. It gives you the opportunity to develop a clear picture of the growth and bottom-line prospects for your film company. It also enables you to make more effective decisions, and it helps everyone follow the leader. When you have a clear course laid out, you have guideposts to follow that will show you where you are vis-à-vis your goals. While you may find this secondary to raising money, it really is a priority for fulfilling that goal.
The ideal length and depth of a business plan vary. You have something to accomplish and a specific path you must travel to accomplish it. The steps that you take along that path are defined in your plan. Before beginning any business, you want to know the nature of your goals and objectives, the desired size of the company, the products and/or services it will sell, its customers and market niche, the amount of revenue likely to flow, and its sources. When you think of a business plan, your first thought may be how to impress the investor. Before you worry about the bank or the distribution company or the wealthy investor, however, you have to make a personal business plan. For all of those people—and for yourself—you have to come up with an agreeable course of action, and you have to stick to it. This book will help you do that.

Is This Book for Someone Making One Film?

In a word, “Yes.” After five editions, people still call or email and ask me this question. Any movie proposal—whether for a single film or a company—that seeks to raise money from private investors needs a business plan. If you are doing a single film, the outline is exactly the same, except you have fewer numbers to project and there is no separate overhead. The results of one film will take you out three years, from the beginning of development to 80 percent of your revenues being returned. It is essential to remember that before going into business, you must find out for yourself whether business is your thing. One film is a business, and the producer (or executive producer) is the manager. You have the same responsibility to investors as if you were making four or five films. Reading this book will help you determine if a business is what you really want.

The Facts and Nothing but . . .

The structure of a business plan is standard, but the contents are not boilerplate. Each film has its own unique qualities. All plans must be substantive, promotional, and succinct, with a length generally about 20–25 pages for a one-film plan—that is, comprehensive but not too long. The business plan needs to contain enough information in a readable format that it excites, or at least impresses, potential investors. Perhaps even more important, however, is that
the plan clearly represents you and your ideas. Copying someone else’s plan is like copying someone’s test paper in school. You may give the right answers to the wrong questions.

A few years ago, a friend of mine wrote a business plan that was very professional and cleverly laid out. He found that he had to keep it under lock and key because other producers kept making copies of it. What they failed to recognize was the specialized nature of his company. It was structured to fund development money, not produce films. The payback to the investors is quite different with development money. The “borrowers” of the product were so enamored of the text and graphics that they were blind to the obvious: The business plan promoted a type of company that they did not plan to run. How they ever managed to explain the relatively lower return to investors we will never know.

**NEGOTIATION STANCES**

The first strategy that I suggest in negotiating with an investor is to leave the negotiation deal points out of the business plan altogether. By doing so, you keep yourself open for the best deal. Notice that the financial examples in the sample business plan in Chapter 11 do not show a breakdown for the split with investors. They simply show the pretax dollars available for sharing. How the interested parties decide on equitable shares will depend on the number of parties involved, the types of entities involved, and proposals not foreseen by this plan. Even if you have a limited liability company (LLC) or limited partnership (L.P.) (or any other offering memorandum) that specifies shares, you may find an investor who wants to put in all the money. In this case, he will probably want to negotiate one on one with you and your attorney. Several of my clients have had this happen.

I advise my clients to hold their cards close to the vest and to let the other person go first. Even though you have determined your needs and expectations in advance, a situation may arise that you had not anticipated. For example, one group that I worked with assumed in advance that they were looking for an investor in the company as a whole. I convinced them to forego detailing this investment share in their business plan. In the beginning, equity investors for the whole amount were hard to find, but the
Controlling Your Destiny

filmmakers knew several people who would invest in individual films. This option was better for them in the end. They kept control of the company, as there were no new partners, and they found the resources for financing features on an individual basis.

The Investor Wants How Much?

It is always perplexing for creative people who have put their hearts and souls into a project to give away 50 percent or more to an investor. A common complaint is, “I’m doing all the work. Why should he get 50 percent?” Your decision has to be based on whether the amount of investment money is worth giving the investor that large a share of the profits. I cannot answer this question for you. Your priorities and goals are part of this decision. A standard business plan ploy that seldom gets funded is the 70/30 or 60/40 split in your favor. There may be someone out there willing to take it—never say never—but chances are that you will give your business plan to a variety of people, so reserve the bargaining for the individual. If potential investors seem unsophisticated, you can try it. If you are lucky, they will only laugh. If you are unlucky, they will laugh while leaving the room. At least, the thought is not written in stone in your Executive Summary.

Specialized Financial Instruments

If your company is a limited partnership, LLC, or other private placement, the amount of ownership is set ahead of time in the prospectus. Many entrepreneurs think that the business plan and the prospectus are one and the same.

The business plan is a marketing and sales tool. It has to be factual. There will be additional explanations about what to include and what to say (or not) in each chapter of this book. Of course, the financial projects are forecasting the future. However, they need to be based on the best data that can be obtained from the most credible sources available.

Your private placement (PPM), which is the most usual form of legal document used when raising money from equity investors for film, is a nonpublic (not sold on the stock exchange) document that is your legal agreement with investors. It is separate from the business plan. The PPM includes arrangements for selling, discounts and commissions to dealers, subscription agreements, how monies
are to be distributed, and responsibilities and rights of company management and investors. You cannot write your own by pasting together wording from previous documents. I don’t care what your financial circumstances are. An attorney familiar with the format and the film industry must write this document. Otherwise, you run the risk of unintentionally opening yourself to accusations of fraud and future lawsuits.

Even if you plan to use one of these business structures, I recommend keeping the business plan a freestanding document. The business plan is part of the total package, and being able to circulate the plan separately could come in handy. You never know what opportunities may come your way.

ABOUT THIS BOOK

Whether you use this book as a step-by-step guide for writing a plan or as a test of your own ability to be in business, it will help you meld creative thought with business fundamentals. It has been written in language that is accessible to those who are not skillful with business jargon. Understanding business is not that hard.

Whether you want to take the time to learn about business, or even want to be bothered with the noncreative aspects of filmmaking, is another question, one that you will have to answer for yourself. What if, after reading this book, you decide you would be better off selling your script to a studio or directing for one? Have you wasted your money? No. You will have saved money by reading this book first. It is better to find out now, rather than several months or thousands of dollars down the road, that running a business is not for you.

Business Plan Outline

This book is best described as a movie within a movie. To find financing for your projects, you will have to describe how your production or company will function. Accordingly, this book describes how the business works as well as instructing you on how to put the business plan together.

The book is arranged so that the numbered chapters follow the steps of the business plan. They appear in the order that the sections of your plan should follow:
1. Executive Summary
2. The Company
3. The Films
4. The Industry
5. The Markets
6. The Markets, Part II: The Nontraditional Film
7. Distribution
8. Risk Factors
9. Financing
10. The Financial Plan

Note that the subheadings in these chapters do not have to appear in the business plan. This outline has been the stuff of business plans from time immemorial. Finally, a sample business plan for a fictional company appears in Chapter 11.

In addition, I’ve added Chapter 12, which deals with the distribution of short films. Unfortunately, this business plan format cannot be used for raising money as there are no data to show potential investors. However, it is important for you to know what avenues are open for making back some of the money invested in a short film.

No matter how independent you are, when writing your business plan, do not fool with tradition. You should make it as easy as you can for potential investors to read your plan. They are used to seeing the information in a certain way, so humor them. It is in your best interest not to be an auteur with your business plan. As you devise your plan section by section, you will find yourself being repetitious; likewise, you will find the chapters of this book somewhat repetitious. Think of the plan as a series of building blocks.

Goals of This Book

My goal in writing this book is to give you, the independent filmmaker, an introduction to the world of business and to provide a format to help you present yourself and your projects in the best possible light. People want to know who you are and what you will do. Dreams are good; the nature of an entrepreneur is to be a dreamer. Your plan will bring the dream and the reality together.

There are many filmmakers with projects who are struggling to obtain equity (partnership) dollars. Being able to see your project
from the investor’s viewpoint and being able to present it to the financial community in a recognizable form will give you a useful edge on the competition.

Throughout the book, I emphasize that this is your plan. When I write a business plan, it is always the client’s plan, and that person or group must understand it.

**ADDITIONAL INFORMATION ON COMPANION WEB SITE**

Focal Press has a companion web site for *Filmmakers and Financing*. It contains files with additional information (see the CD Contents at the front of the book) that can be downloaded to your computer. Don’t go to the files until you have gone through the book. The most important set of files is the Financial Section, which contains explanations and worksheets of my method of forecasting. I have used *Len’s Thrill*, one of the films in the Sample Business Plan in Chapter 11, for a step-by-step explanation. Other information included are sample synopses of well-known films, a list of sources for data information, and film festivals that meet the Academy of Motion Picture Arts and Sciences eligibility rules for short films. In addition, I will post updated information on the web site as economic, financing, and other significant factors change.