# Brief Overview of the Financing of an "Independent" Film/Documentary Project

## SECTION ONE
## The Indie Film

To begin with, what is an independently financed film, which in the film industry is often referred to as an "indie film"?

### Defining Indie Film

In today's world of film financing and production, the term "indie film" is so often used and misused that it's important to first simply define the multi-faceted phrase before diving into financing specifics.


'Indie film' literally means any project that is not financed by a studio (Fox, Disney, Sony, etc) or a mini-major (Lionsgate, Netflix, Amazon). Therefore, any project not receiving funding from the studios or mini-major falls into this category — which is the vast majority of the market today.

These projects receive the majority of their financing through a combination of tax incentives, pre-sales, licensing and private individuals looking to invest in motion picture deals.

By way of reference, there will be over 5,000 feature films produced in 2018 with the vast majority (70%) financed independently.

### The State of the Marketplace

The marketplace today is heavily reliant on three scenarios:

- **Equity driven financing structure —** whereby the majority of the finance plan is raised from private equity sources (private investors, high net worth individuals, family, friends, etc.)
- **Pre-sales driven structure** — whereby some/many of the films domestic and international licensing rights are pre-sold to enable a senior financier to cash flow the production.
- **International co-production/soft-money structure** — whereby the majority of the finance plan is raised from various international grant or arts programs and tax incentive regions.

Overall, one usually sees a diverse mix of each of these scenarios in roughly even proportions depending on the experience level of the producer, the budget size and often times the creative attachments (writer, director and on-screen talent).

## Best Practices

The simple rule of thumb today is that equity is the most challenging money to raise (as it's often the first money needed to make talent offers, requires finding a high net worth individual or group that wants to take on the filmmaking risk and repayment risk in a tremendously speculative nature*)*. Further, the rule of thumb with equity today is that more is needed for most (as in 90%+) film finance plans than ever before as the international pre-sales market continues to change (i.e. dry up).

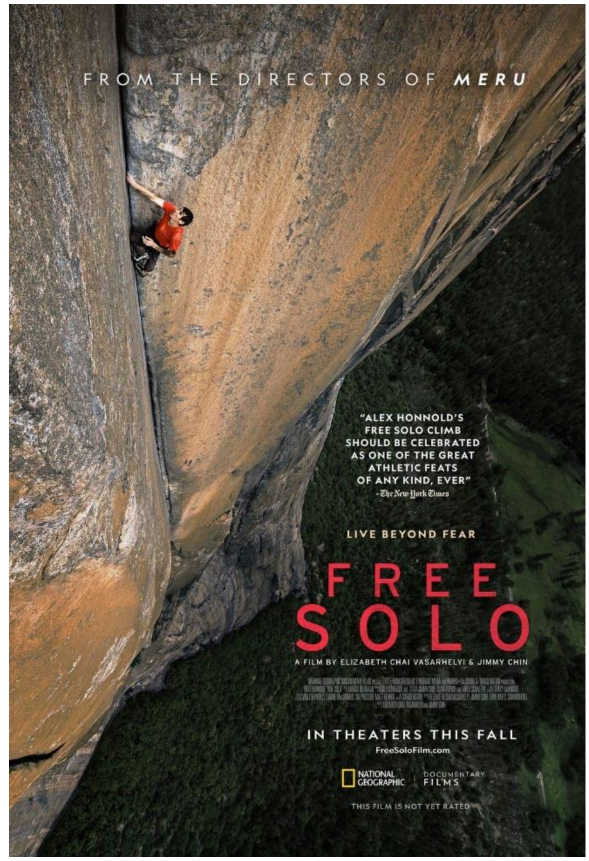

Over the last 5 years (and to some degree the last 3 have been exponentially accelerated), the SVOD platforms have gone truly global with Netflix and Amazon reaching 120+ countries worldwide have shaken up the traditional models of local and regional distribution around the globe.

Ten to 20 years ago, the robust European cities were willing and able to pay top dollar to pre-buy content for TV, cable and theatrical rights. But with the Netflix model of gobbling up premium content and content creators under lucrative deals, these buyers are left trying to reach consumers who are no longer viewing content on TV, cable or theatrically as they were said 10-20 years ago.

The reliance on equity has become an ever increasing reality as the 35% - 50%+ of a total budget that traditionally was able to be filled with pre-sales is no longer the case.

The most successful projects we see in today's marketplace are a combination of the following (although admittedly the 'science' of this equation is fungible based on the project specifics):

- 25% of the total budget in equity (first money in from private investors)
- 25% of the total budget from tax credits/rebates (domestic and international tax credit programs)
- 25% of the total budget from executed pre-sales (typically foreign pre-sales as most productions hold on to the domestic sale for potential upside after the film has been completed)
- 25% of the total budget in gap (defined as the risk taken in first position against the unsold territories not executed from the above pre-sales)




## The Main Takeaways

The bottom line is that in today's marketplace the sourcing of quality content, relationship building with top talent, agents and sales teams is required for a project to have a successful chance.

It's no secret that the landscape is ever evolving and that it has become tremendously challenging for equity investors to recoup given the significant risk they are taking on by having the base level position in a projects waterfall.

The best advice we offer to both early stage as well as seasoned producers, creatives and executives alike is that one should be spending an equal amount of time understanding, perfecting and transparently communicating the financing structure and relationships of a film finance and recoupment plan as they are on the creative elements.

The financing landscape continues to shift but with continual dedication to the structuring of the deals, a producer, creative, executive or sales team can overcome the challenges.

**NOTE:** This is a modified version of information accessed at this source: https://www.productionhub.com/blog/post/how-to-finance-an-independent-film-in-the-current-marketplace

# SECTION TWO
# The 3-Minute Video Scenario

**"I need a 3 minute video. How much will that cost?"**

Why one-size-fits-all solutions don't work

*"It's not the size of the grocery bag that determines the cost. It's what you put in it."*

You could walk out of the grocery store with a giant shopping bag. But if it's stuffed with ramen, pasta noodles and lettuce – that would have cost you very little compared to a tiny bag that contained filet mignon and caviar. This is similar to how video production is priced.

It's not the length of a video that's necessarily going to determine the price – it's what goes into making it, and also – who makes it. We all know a 30-second Superbowl commercial shot by a big-time director could cost millions of dollars to produce. We also know that a 2-hour film produced by a novice filmmaker could be done on a shoe-string budget. But generally speaking, how much a video is going to cost is dependent on what goes into these three buckets:

1. Pre-production
2. Production
3. Post-production

## Pre-Production

Pre-production, as the word implies, is all the work that happens before production begins. This is where meetings, concept development, research, emails, calls, scheduling, story-boarding and some script writing frequently occur.

Sometimes if it gets excessive and scripts need to be re-written or storyboards go out the window on a whim, we might need to bill beyond our proposal. But we always let our clients know in advance and the reason is super clear to all parties.

## Production

Production is typically the actual shoot – if it's a live action video. We'll explain what live action is in a separate article, but generally, it's where you see real people and real locations. This is the primary category our videos fall into with our clients – although increasingly, clients seem to want more and more animated videos too.

In production, the pricing is mostly dependent on how many days we're shooting, and what kind of crew members, talent and equipment need to be on set to make that shoot happen.

At times, if more than one person is speaking at a time or we're doing an outdoors shoot where noise levels can't be controlled, we'll have to include an audio operator. Other production costs could include makeup artists, actors, additional camera operators, additional lights, additional cameras, backdrops, green screens, studio or location rentals, teleprompters, steadicams and jibs. The list goes on, but what I've mentioned here is usually the extent of our extraneous costs.

## Post-Production

After we shoot what we need to shoot, we bring all the footage back to our office and begin the process of turning it into a video. This is called post-production.

Post-production primarily refers to editing, but before our editor can edit, he or she needs a roadmap in the form of a script. The script needs to reference what goes in what order, where to find interview sound bites, where to find b-roll (video that does not interview), whether there are any graphics, what kind of music to put in the background, etc…

In order to do this, we frequently need to send all of our interviews for transcription (with reference to time code every 15 to 20 seconds) and our writer needs to spend a good part of the day going through those transcripts and viewing the interviews again – before beginning to weave the story together.

In addition to editing, transcription and script writing, there's also the cost of purchasing royalty-free music, any stock footage or images, voiceovers, graphics or animation and increasingly – translation services. Many of our clients ask us to produce a video in English – and then produce that same video in Spanish or another language.

Animation is a whole 'nother subject. Depending on what kind of animation you're looking for – whiteboard, infographics, 3D, cartoon, etc… - a 100% animated video could actually be MORE expensive than a live action video. Typically, you can expect to pay $2500 to $3500 per finished minute for the animation alone – not including script writing, voiceover, music or pre-production.

**NOTE:** This is a modified version of information accessed at this source:

https://www.productionhub.com/blog/post/i-need-a-3-minute-video-how-much-will-that-cost