

## Understanding production financing: A guide for producers

Production financing can be a complex aspect of film and TV production, but it's essential for turning your creative vision into a reality. In this insight, we'll break down the basics of production financing and provide a practical checklist and key takeaways for producers.

What is production financing?

Production financing refers to the various methods producers use to secure funds needed to produce their films or TV shows. This often involves obtaining loans or interim financing to cover production costs until milestone payments or tax credits are received at the end of the production cycle.

Key aspects of production financing

1. **Interim financing:** This type of financing acts as a bridge loan, allowing producers to borrow funds during production, which are repaid once the production is completed and milestone payments are received.
2. **Fully financed production:** When producers advise that their production is fully financed, it means they have secured enough funds from various sources to cover the entire production budget. This could include distribution advances, license fees, anticipated tax credits and other incentives.
3. **Covering shortfalls:** If financing sources do not cover 100% of the budget, producers often use strategies like reinvesting their own producers fees or deferring payments to cover the shortfall.

### Checklist for producers

To ensure a smooth financing process, use this checklist to prepare before approaching lenders:

1. **Budget preparation:**
  - Ensure your budget is detailed and covers all production costs.
  - Include a portion for producer fees and corporate overhead.
2. **Identify financing sources:**
  - List all potential financing sources, such as distribution advances, license fees, anticipated tax credits and private investments.
  - Ensure the legitimacy and credit worthiness of these sources.
3. **Organize documentation:**
  - Prepare all necessary financial statements and documents.
  - Ensure contracts and agreements with financing sources are in place.
4. **Lender research:**

- Identify banks and lenders experienced in entertainment financing.
  - Choose lenders based on their terms, interest rates and ease of working with them.
5. Plan for budget shortfalls:
- Have a strategy for covering any budget shortfalls, such as deferring payments or reinvesting producer fees.
6. Professional advice:
- Consult with lawyers and accountants experienced in production financing.
  - Seek advice from industry peers and networks.

### **Key takeaways for producers**

- **Be prepared:** Ensure your budget and financing sources are well-documented and legitimate. This preparation increases your likelihood of securing financing.
- **Choose the right lender for the right project:** Work with lenders who understand the entertainment industry and have experience with similar projects. Building a good relationship with your lender can facilitate smoother transactions.
- **Flexibility is crucial:** Be ready to adjust your financing strategy, including deferring payments or reinvesting your fees, to cover any shortfalls.
- **Get and stay organized:** Keeping your documentation and plans well-organized will make the financing process more efficient and reduce transaction friction.
- **Seek professional guidance:** Legal and financial professionals can provide valuable insights and help navigate complex financing arrangements.

By following these guidelines and being proactive, producers can effectively manage their production financing and ensure their projects are successfully funded from start to finish.

For more information on this topic, please reach out to the authors, [Jim Russell](#) or [David Steinberg](#).