**FINANCE GLOSSARY OF TERMS**

1.  Accredited Investor – a person with either (1) a minimum net worth or (2) an annual income of over  a certain amount, as defined by the Securities Exchange Act of 1933 (USA)

2.  Back End – net receipts or profits generated by the film that is payable to Equity participants.

3.  Chain of Title – the series of legal documentation that establishes proprietary rights to a film.

4.  Completion Guarantee – insurance taken out by the production company guaranteeing that the film will be completed on time.

5.  Corridor – a small percentage of the first dollar gross received by the production company that is earmarked to a specific recipient.

6.  Debt – funding provided to the production of the film that must be paid back with interest at a stipulated maturity date before any others are paid back.

7.  Deferments – amounts payable to talent, the director, the producers and other production personnel in exchange for their services, that such individuals contractually agree to postpone receiving until the film begins generating gross receipts.

8.  Discounting – the process by which a Producer monetizes a commitment from a creditworthy distributor to pay a Minimum Guarantee (or MG) upon the delivery of the completed film.

9.  Distribution Fee – fee contractually charged by a distributor to the gross receipts it collects from the commercial exploitation of a film.   
10. Equity – funding provided to the production of the film that is only paid back if there is sufficient

10. Back End Deal - after all other financiers have been repaid their contributions, interest and fees. Equity financiers provide the risk capital.

11. Financier – any party that provides funding to the production of the film.

12. Gap Financing – loans provided to finance the production of a film that is secured by estimated Minimum Guarantees expected from the sale of the completed film to Sales Territories that are currently unsold.

13. Minimum Guarantee – a cash advance payable to the Producer by the Distributor in exchange for the exclusive rights to distribute a film in contractually stipulated media in a stipulated Sales Territory.

14. Monetize – to convert a contract to pay funds at a future date into cash right now.

15. Pass Through Entity – a tax term for an entity whose taxable income or net operating loss is allocated to its owners, according to the terms of that entity’s organizational documents and reported on such owners’ individual tax returns.

16. P&A – Prints And Advertising, which are the largest component of direct costs that a distributor incurs to release a film in all markets. It is recouped by the distributor from the gross receipts it collects from the commercial exploitation of a film, after the distribution fee is charged.

17. PPM – is a Private Placement Memorandum; this is the document used to communicate the terms of the equity offer to accredited Investors and must, by rule of law, contain all material disclosures about the risks of investing so that the potential investors have all of the information needed to make an informed decision.

18. Pre Sale – the licensing of the distribution rights to a film in a specific Sales Territory to a distributor before the film is completed.

19. Premium – a fixed charge that equity investors generally require the production company to pay on their investment before the production company shares in the Back End.

20. Profit Participation – an Equity participant’s share of the Back End.

21. Profit Participation Statements – monthly, quarterly or annual accounting statements provided by distributors or sales agents summarizing the gross receipts, fees, direct expenses, un-recouped minimum guarantees and net receipts.

22. Projected Return On Investment – measures the percentage of the expected aggregate return to the equity financiers as of the date the last of the projected gross receipts generated by the film.

23. Recoupment – repayment of amounts contributed to the financing of a film.

24. Sales Territory – a pre-defined geographical area covered by a specific distributor.

25. Service Deal – production financing provided to a film by production and post production vendors in the form of deferred payment for production/post production goods and services used in a film’s production until the film begins generating gross receipts.

26. Soft Money – financing provided to the production of a film in the form of tax incentives , i.e. tax credits and tax deductions.

27. Waterfall – the contractual repayment of and profit distributions to all the financial contributors to the production of a film, by order of priority.