

Questrom School of Business  
Boston University  
Entertainment Finance – Questrom FE 430  
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Class meeting time: Mondays 7:30 – 10:00 PM

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### **Course Overview:**

ENTERTAINMENT FINANCE examines financial structures and decisions in entertainment and media realms; including feature film, television, music, live performance, sports, digital media and related business endeavors. The course covers the various ways entertainment and media companies raise capital, budget capital, and manage return on investment to shareholders and other stakeholders. Students study business models within each segment to understand the financial, operational, and legal constraints and best practices under which media and entertainment firms operate.

### **Learning Objectives:**

Goals of the class include an understanding of the structure and business models of contemporary entertainment businesses, the use of capital in today's rapidly changing entertainment and media platforms, how to create a financial model of the business decision, and to understand the roles of the various financial professionals; producers, accountants, lawyers, operating within, and as consultants in the entertainment industry. The course will also explain the workings and organization of the varied media companies from studios to independents in all media. The ultimate goal of the course is to prepare students for their first job in entertainment finance.

Current business practices, trends and events will be discussed for limited, prescribed times at each and every class meeting, oftentimes based on instructors' hand-outs as assigned readings. Knowledge and discourse of these matters will be important to the students' success in learning about entertainment finance. All students will be expected to do all the readings and participate in the discussions.

### **Course Objectives:**

By the end of the course, students should be able to:

1. Understand the structure and business model of entertainment businesses.

2. Understand the sources and uses of capital in various entertainment businesses.
3. Understand how to create a financial model to arrive at a business decision.
4. Understand the roles of the various financial professionals within an entertainment business.

### Course Materials:

#### Required:

- (1) Vogel, H., *Entertainment Industry Economics*, 8<sup>th</sup> ed., Cambridge, 2011. (2007 7<sup>th</sup> ed. is also ok)
- (2) Ulin, J., *The Business of Media Distribution*, 2<sup>nd</sup> ed., Focal Press, 2013. (2010 1<sup>st</sup> ed. is also ok)
- (3) The business section of either Hollywood Reporter or Variety.
- (4) Hand-outs; reproductions of news article or trades pertinent to finance and changing media trends- (to be provided by instructors weekly).

### Grading:

Your grade will be based on the following components:

Homework including weekly topics	10%
Mid Term Financing	20%
Film Model Project and Model	30%
Class Participation	10%
Final Exam	30%
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Total	100%

The final exam will be closed book and closed notes. Rules of the exam: Students must leave any/all electronic devices, notes, books, and papers out of the room. The presence of a cell phone on a table or a desk or the floor nearby is presumed improper and in violation of the ACC. Students will not be able to leave to use the restroom and therefore should plan accordingly. The specific format will be discussed in class before the end of the semester. You must take the exam in class on the date listed in the syllabus. If you must miss the exam for medical or legal reasons, proper documentation will be required to justify the absence.

### Course Policies:

#### ACADEMIC CONDUCT

Academic integrity is an essential component of your education and future career, and honesty in your work cannot be overemphasized. Every member of the Questrom School of Business is responsible for becoming familiar with the School's academic conduct policy as described in the Academic Conduct Code booklet.

Make sure you fully understand and follow citation rules for your work on papers presentations, and projects (per Chicago Style: [http://www.chicagomanualofstyle.org/tools\\_citationguide.html](http://www.chicagomanualofstyle.org/tools_citationguide.html)), to avoid being called before the Academic Conduct Committee. If you have questions, ask the instructors. As a

reminder, plagiarism is the act of representing someone else's creative and/or academic work as your own, in full or in part. It can be an act of commission, in which one intentionally appropriates the words, pictures, or ideas of another, or it can be an act of omission, in which one fails to acknowledge/document/give credit to the source, creator and/or the copyright owner of those words, pictures or ideas. Any fabrication of materials, quotes, or sources, other than that create in a work of fiction, is also plagiarism. **Plagiarism is a serious academic offense and can result in probation, suspension or expulsion. Further: Violating the rules of an assignment is also academic misconduct. The easiest way to avoid any issues is to ask the instructors beforehand.**

Changes to topics in the syllabus and course materials may be made at the discretion of the instructors. However, the date of the final exam will not be changed.

#### ACADEMIC INTEGRITY PLAN

Assignments: Assignments will be handled by individual students including "topical assignments". Individual students will be expected to research and supplement course readings and lectures with short essay answers.

Exams/Quizzes: Results of exams will be fully accessible through individual meetings with instructors. Assessment of weekly assignments will be available in individual conference as well.

Class contributions: Students knowledge of current events and entertainment finance matters to be measured by their ability to answer questions posed by the instructors and their abilities/willingness to participate in open forum discussions.

Teamwork: Students will be encouraged to form (sometimes assigned) teams. Preparedness and understanding to be assessed through direct (individual) questions and discussion.

#### ATTENDANCE

The class will meet once a week for 2.5 hours in the evening. Attendance at all sessions (lectures, guest speakers, excursions) is mandatory. Students are expected to be punctual and there will be penalties for tardiness. Absences for documented legal, medical, or religious reasons will be excused at the discretion for the instructor, but communication, if at all possible, in advance of the absence is expected, and should be in writing.

#### ASSIGNMENT FORMATTING

All assignments should be typed, double-spaced and in 12 point Times New Roman font.

#### CLASS PARTICIPATION (WRITTEN AND VERBAL) – WEEKLY CURRENT FINANCE AND MEDIA TOPICS

Your weekly assignments are meant to solidify your understanding of each week's assigned reading, as well as industry news obtained from the trades, handouts, and from your internship.

Throughout the semester, you will be required to participate in class discussions concerning current industry developments and sample "case-studies" either from the industry trades or assigned reading. Your successful participation in these discussions depends greatly on your preparation. Completion of assigned reading and remaining up-to-date with trade magazines is essential.

#### MIDTERM PROJECT

This is a five-page case study and PowerPoint presentation, which should provide a brief analysis of the case facts and address each discussion question put forth in the assignment. While case facts are important, a good analysis will go beyond these basic facts and include your personal observations and concepts from readings, class discussion, and outside cited sources. Your interim report should include all of these items, and requires multiple sources. Teams of 2-3 students will be assigned. Separate teams will work on separate topics; there will be no cross-team work.

#### MODEL AND PRESENTATION

The final group presentation will consist of an in-depth strategic analysis of, and preparation of a detailed model analysis for an independent motion picture, television show or live event. Your presentation should also include a plan to continue, or begin, a positive market performance in the future, and outline the steps necessary to implement that plan. The presentation can include visual aids, handouts, or PowerPoint slides, but must be presented to the class in a (15-20 minute) presentation as well as a written summary. Teams of 2-3 students will be assigned. Separate teams will work on separate topics; there will be no cross-team work.

Grades for the final presentation will include both a team-wide and individual component as determined by the instructors.

#### FINAL EXAM

The final exam will be based on required readings, lectures, student presentation, guest speakers and industry news. It will consist of multiple choice questions and short essays. To adequately prepare for the exam students must attend each lecture (including guest speakers) and read all assigned readings. Anything covered in class meetings, speakers, or in the text throughout the semester is fair game for this exam. The exam will be in-class and closed-book (no notes or aids allowed, no electronic devices allowed).

All the above will be delivered directly (via in-class presentation, in written form, or by electronic delivery) to the instructors. This class will not make use of Blackboard, Turnitin, or any other such mechanisms.

**Please note that the dates of class may change due to holidays, mandatory student attendance at BU events and speaker availability. Make up classes may be scheduled due to the number of Mondays class is canceled and possible unforeseen travel schedules. Students will receive as much advance notice as possible.**

Academic Accommodations for students with special needs:

In keeping with University policy, any student with a disability who needs or thinks they need academic accommodations must call the Office of Disability Services at (617) 353-3658 or stop by 19 Deerfield Street to arrange a confidential appointment with a Disability Services staff member. Accommodation letters must be delivered to me in a timely fashion (within two weeks of the date on the letter and not later than two weeks before any major examination). Please note that accommodations will not be delivered absent an official letter of accommodation.

**SESSION SCHEDULE**  
**ENTERTAINMENT FINANCE**

#	<u>Topic</u>	<u>Detail</u>	<u>Reading</u>	<u>Objective of reading</u>
1	Overview of Entertainment and Media Industry	<p>Introduction and summary of the class.</p> <p>Description and summary of the different forms of media, different forms of distribution of media, and primary players / roles of companies, professionals, etc. in the entertainment and media industries.</p> <p>Description and summary of the different forms of financing utilized for development, production and marketing of entertainment content.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. How are motion pictures distributed and released?</li> <li>2. How is television defined and released?</li> <li>3. Why are windows of exploitation so important in the lifecycle of intellectual property?</li> </ol>	Ulin Chapter 1  Hand-outs	Understanding definitions; mechanics- How entertainment industry works
2	Detailed Discussion of Forms of Financing and Secured Transactions	Debt, mezzanine / gap, equity, soft money and secured transaction; taking and perfecting security interests and the various forms of collateral. Discussion of “chain-of-title” and rights issues.	No text reading except Hand-outs	Familiarity w/ forms of finance; legal and financial structure.  Similarities and differences
3	Financing and Distribution of Independent Motion Pictures	<p>Structured financing of independent motion pictures through some or all of the following: (a) equity financing; (b) “bankable” collateral, such as pre-sale contracts and production tax incentives; (c) “soft” collateral for gap financing; (d) pre-sale deposits, etc.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. What are the primary tenets of independent film financing?</li> <li>2. How does theatrical distribution work as a revenue stream?</li> <li>3. How important is theatrical distribution in the lifecycle of motion picture financial ultimates?</li> <li>4. How are film libraries monetized and accounted for</li> </ol>	Ulin Chapter 4 Vogel Chapter 3 Hand-outs	Understanding financing of independent motion pictures

		<p>in accordance with general accepted accounting principles?</p> <ol style="list-style-type: none"> <li>5. What do we mean by recoupment and waterfall analysis in structuring independent film financing?</li> <li>6. How did Relativity get to where it is today, and why is the Relativity bankruptcy so important to the industry?</li> <li>7. Why are film libraries so important as a revenue stream?</li> </ol>		
4	Studio Theatrical Distribution & Financing	<p>Overall studio financing, slate financing, and single-picture financing.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. Why was off-balance sheet financing so popular with Wall Street with regard to studio slate financing?</li> <li>2. What do we mean by a coproduction arrangement?</li> <li>3. What happened to the home entertainment business with respect to physical DVDs, streaming, and other ancillary methods of distribution?</li> </ol>	Ulin Chapter 3, Hand-outs	Studio financing & distribution
5	Television & New Media	<p>Financing, production and distribution of television content, including on-line content.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. How do we reconcile traditional television distribution with streaming services of Netflix, Hulu, and Amazon?</li> <li>2. How are subscription models monetized in today's streaming environment?</li> <li>3. What is the future of VOD and consumer acceptance thereof?</li> <li>4. What do we mean when we discuss syndication, digital, and barter economics?</li> <li>5. How do we think about today and tomorrow with respect to productions premiering on the internet?</li> <li>6. Why is television considered the new gold rush?</li> <li>7. How does television IP production and distribution differ from internet IP production and distribution?</li> </ol>	Ulin Chapters 6, 7 Hand-outs	Understanding Internet and TV Prod. & Distribution
6	Distribution of Content and Ancillary Markets	<p>Detailed discussion of the various forms of distribution for motion picture and television content, the costs and economics associated with each form and key issues involved in each form, including ancillary markets and goods.</p>	Ulin Chapters 2, 8, 4, 5, Hand-outs	Familiarity with forms of distribution, exhibition, and revenue streams

		<p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. What are the origins of intellectual property today?</li> <li>2. What is the development process and why is it a very risky proposition?</li> <li>3. Can secondary ancillary revenues make a difference in terms of monetizing ultimates of motion pictures?</li> </ol>		
7	Midterm Presentations	Each students presents his / her midterm presentation (all of which are graded).	No readings	
8	Music & Music Publishing	<p>Discussion regarding the various “split” rights (mechanical / publishing), financing and distribution of recorded music, revenue sources, performing rights society and recording contract economic issues.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. What are the primary elements of a production and/or artist agreement with a record label?</li> <li>2. Why is the ownership of music copyrights so important, and what revenue streams can be generated therefrom?</li> <li>3. Why has music streaming become such a cause celebre today with artists?</li> </ol>	Vogel Chapter 6 Hand-outs	Understanding production, distribution, revenue streams in music + ancillary revenue
9	Sports, Live Events & Videogames	<p>Financing Models for sporting and live events, including music. Financing and distribution of video games.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. Why are the NFL and NBA so important in valuation financial models for sports-based activities?</li> <li>2. Due to the significant decrease in CD music sales, how have artists and record companies made up that shortfall?</li> <li>3. How has the sale of physical video games been impacted by the proliferation of online gaming?</li> </ol>	Vogel Chapter 2 11, 12 Hand-outs	Revenue and finance in other realms of entertainment
10	Accounting / Participation Statements / Ultimates / Valuations	<p>Discussion regarding entertainment content accounting and participation statements; ultimates analysis and financing and content and company valuations.</p> <p><i>Class Preparation Questions:</i></p> <ol style="list-style-type: none"> <li>1. How are film and television IP monetized and commercially exploited through various windows of distribution in order to arrive at an ultimate valuation?</li> <li>2. Why is there always ongoing litigation with actors, directors, and other profit participants?</li> </ol>	Vogel Chapters 2, 5 Hand-outs	Accounting matters as relative to finance



		<p>3. How are film and television revenues derived, expensed, and/or capitalized?</p> <p>4. Why are cross-collateralization, distribution fees and expenses, and studio overhead at the center of accounting controversies?</p>		
11	Final Presentations	For Final Presentations students will be required to pick a subject and present an analysis of a company or issue relevant to financing today, which will include detailed financial statements, revenue projections, P&Ls, and cash flow.		
12	Final Exam			

NOTES:

- A. Reading assignments for each class will be assigned to correlate with the topic for the class session (from text books and news / trade articles/ hand-outs).
  
- B. Certain lectures will be supplemented with guest speakers with significant experience in specialized area. As is expected with any such guests, common courtesy (such as not eating) is expected.