New York University
Stern School of Business

C55.0020

Film and Television Distribution and Finance    Spring 2005
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Time: Tuesdays 4:55-6:10

Course Description

This course is designed to give business and film students a basic understanding of how the production of feature films and cable and broadcast television films and series are financed. The course will explore the players who invest in production, why they are investing, and how these transactions are accomplished. The course will cover the basic elements of these transactions: copyright exploitation, distribution, and the flow of funds. The course will examine examples of "real world" transactions involving bank financing of feature films, distributor and producer co-productions and co-financings, cable television financings, and the funding of series for broadcast television.

The film and television businesses are now at a crossroads as a result of the deployment of digital technology. The old business models are being challenged on a daily basis. While the current models will continue in the short run, we will explore how the companies in the industry are attempting to adapt and what their businesses must look to in the future. How do you make money when your models are breaking down?

We will look at each topic presented from the current standpoint and analyze the problems presented for the future. The goal is that by the end of the course, you will be able to analyze a specific case as well as present a future business model. Each class will have readings and questions to be addressed. Sometimes questions will be answered in in-class discussions; others will be addressed in short one page homework assignments.

Reading Material

The basic texts for the course are “The Biz” by Schuyler Moore and “Entertainment Industry Economics” (Fifth Ed.) by Harold Vogel. There will also be additional material and cases handed out and/or posted on Blackboard.
Assignments

1. There will be three one-page homework assignments and one in-class negotiation session. These are described more fully in the course outline and will be graded by check plus, check, or check minus. They will be part of the class participation grade.

2. There will be an open book take home final exam.

3. There will also be a team project, highlights of which will be presented in class. The class will be divided into six teams:

   - Disney - Disney studio (Disney, Touchstone, and Miramax films); ABC; ABC Family Channel
   - TimeWarner - Warner studio (Warner Bros., New Line); WB; HBO; Time Warner Cable; AOL
   - Viacom - Paramount studio (Paramount, Paramount Classics); CBS; UPN; MTV; Nickelodeon
   - Fox - Fox studio- (20th Century Fox, Fox Searchlight); Fox network; Fox Cable; DirecTV
   - Universal - Universal studio (Universal, October Films, Polygram); NBC; USA Networks
   - Sony - Sony studio- (Columbia Pictures, Sony Classics); Sony Electronics

Over the course of the semester, we will be discussing the effect of the issues raised by digitization on the distribution of feature films and television programs. Hopefully, it is not too late for the studios to take action to avoid what happened to their music divisions. Your team is in charge of strategic planning for the distribution of its studio’s films, cable, and broadcast TV programming in the digital world.

Deliverables:

- Your team will submit a paper that is approximately ten pages discussing your analysis and recommendations to your management. Class presentations will be approximately 20 minutes and your slides should present highlights or summaries of your proposal.
• Since there is no right answer, be creative in your plans. The analysis is more important than the actual result.

• Among the questions to answer:
  1. What has your company done so far?
  2. What is your company’s current position on protecting its copyrights?
  3. Where does it fit in the current debate?
  4. Where will this media fit in the existing distribution windows?
  5. What new markets would you look to?
  6. What are the financial implications on your company and its divisions and the financing of your films?

Grading

40% of the grade will be based on the final exam.
40% of the grade will be based on the team project.
20% of the grade will be based on class participation.
  Class participation includes your individual performance in class, including your participation in the in-class negotiation, as well as timely handing in your one page homework assignments

Course Outline

January 20th: Introduction

  General overview of the course
  The industry at a crossroads
  The players

January 27th: Basic Issues Relating to Copyrights

  The digital dilemma and how it affects the business model
  Current Copyright Law
    Idea/expression dichotomy
    First sale doctrine

DRAFT SYLLABUS. PLEASE CHECK LATER FOR UPDATES!
Fair use
Digitization
Laws
Consumer and industry response

Read: 1. Moore chapters 14 and 15

2. “Copyright & Digital Media in a Post-Napster World"
   http://cyber.law.harvard.edu/publications

3. Not required- for additional readings you may want to check the following website: Managing the Digital Enterprise
   http://digitalenterprise.org/index.html

February 3rd: The Distribution of Feature Films- Markets and Windows

Sequential distribution patterns, the relative size of the markets, and the significance of each window to a film’s overall revenue.

We will discuss the effect of the internet on release patterns and look at the home video window by examining NetFlix

Read: Vogel Chapters 2, 3 and 8
   NetFlix-read 10K

Assignment Due: Hand in a one page paper that answers the following question: Do you think file sharing on the internet should be treated the same way as making copies on VCRs?

February 10th: The Flow of Funds in the Distribution of Feature Films

Exhibitor rentals, distribution fees and expenses, license fees, and participations
How does digitization affect distribution revenues?

Read: Moore chapters 11 and 13
   Vogel chapter 4

Review and be prepared to discuss the flow of funds example which will be posted on Blackboard
**February 17th: The Role of Pay Cable Television in Film and Television Production and Distribution**

Pay cable-original production and acquisition of films-output deals
Investing in independents and buying libraries
New sources of revenue-home video, syndication, and SVOD

**Read:** Vogel Chapter 7

**Assignment Due:** Hand in a flow of funds analysis based on assumptions to be posted on Blackboard

We will discuss the outline of your projects due on March 2nd

**February 25th: Basic Deal Structures for Feature Films Part 1-The Studios**

The basic studio production finance and distribution deal
The negative pick up
Co-productions and co-financing
Basic accounting and tax principles

Be prepared to answer these questions as we review all of the deal structures:

- Who owns the rights?
- Who takes the risk?
- Analyze rewards
- How will digital distribution affect these transactions?

**Read:** Moore chapters 2, 9-12, 23

**March 2nd: Basic Deal Structures for Feature Films-The Independents**

The role of the lenders in financing production-examination of the budget, copyright issues, bankruptcy risks
Co-production and co-financing

**Read:** Moore chapters 5-8

Review cases posted on Blackboard and be prepared to answer the following questions: Who owns the rights? Who takes the risk? What are the rewards?
**Assignment Due:** Hand in outline of team project

**March 9th:** Basic Deal Structures for Feature Films-The Independents

Co-production and co-financing continued
We will analyze and discuss transactions that will be posted on Blackboard.

**Assignment Due:** Hand in a one page paper that analyzes some of the benefits and risks to the producer of the posted transactions.

We will break into teams and discuss the project outlines

**March 23rd:** Basic Deal Structures for Feature Films-The Independents

We will conduct in class negotiations of two transactions.

**Assignment Due:** Details of the cases and the negotiations to be announced.

**March 30th:** Financing the slate
An in-depth look at some examples of this type of transaction, including limited partnerships, participant financing and the role of insurance

Read: TBA

**April 6th:** Broadcast Television
An examination of the changing models caused by digitization. What are the reactions of the studios, networks and advertisers?

Review for presentations

**April 13th and 20th:** Project Presentations

**April 27th:** Final Exam due