GREEN HASSON JANKS | FALL 2016

ENTERTAINMENT REPORT

THE EVOLUTION OF NEW MEDIA

MAKING MONEY IN A WORLD WHERE DIGITAL STREAMING RULES

Green Hasson Janks &

Great things happen when people collaborate

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WELCOME

The entertainment and media industry is moving quickly, driven by technology and industry disrupters. We cannot predict the future, but we have assembled a stellar group of industry experts to share their knowledge and expectations on the topic of monetization and globalization. I am proud of my team's authorship of our 4th annual whitepaper, and found it to be an important read on where we are heading as an industry and as a profession.

I hope you will also find this whitepaper informative and thought provoking – it is part of our continuing efforts to provide value to the entertainment community. If you have ideas, feedback or your own story to share, please do not hesitate to contact me.

Ilan Haimoff
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EXECUTIVE SUMMARY

Streaming services have emerged as significant disrupters in the entertainment industry. With this in mind, the Green Hasson Janks 2016 Entertainment and Media Survey and industry expert interviews focused on global distribution rights and monetization within the context of a world where video streaming services are growing exponentially. Given the new environment, this paper explores what producers and talent need to do to maximize monetization in the digital space and prepare for the future.

STREAMING SERVICES HAVE RAPIDLY TRANSFORMED THE INDUSTRY

In the early days of streaming media, many entertainment leaders wondered if consumers would pay for content beyond their cable television channels — this was a cost that had already been accepted and was likely to continue, despite the options offered by subscription video on-demand (SVOD) services. Netflix was initially launched as a way to access the enormous amount of content that had already been viewed on television or in movie theaters, but Netflix has now become a leading source of new programming for consumers worldwide and gives content creators and talent a greatly expanded market for their talents — and a whole new world of monetization opportunities.

Triggers for the dramatic upsurge in digital media demand have included:

- **Millennials** came along and started using technology in a completely different way and demanding content for their phones and tablets.
- **YouTube** hit big, and instead of saturating the market, it sparked even greater demand for content in a wide array of niches.
- **Financial commitment** by major media companies to building out the digital space and creating companies like Amazon Prime, Hulu and an expanded Netflix.

This entirely new way of doing business by the SVOD services disrupted the traditional media business model.

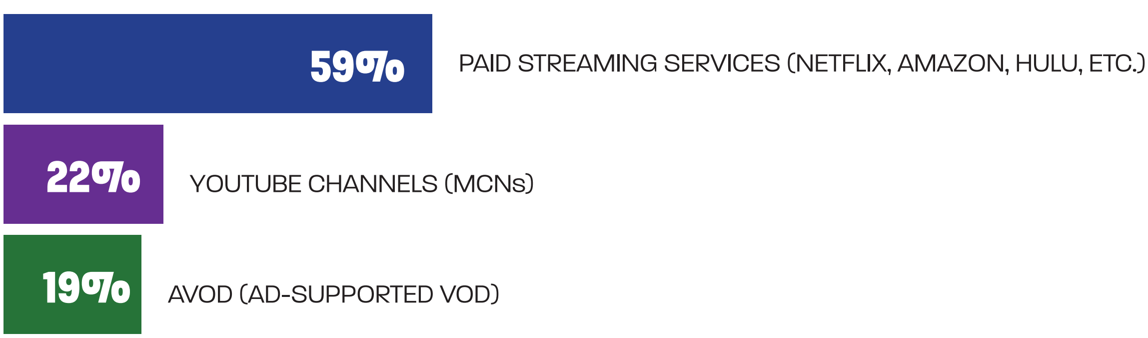
“In the next few years, I see demand for premium content outstripping supply, especially with TV series,” **Green Hasson Janks Senior Manager Peter Klass** says of this major trend. “There has been a continual shift in the SVOD distribution model as SVOD services turn away from licensing in favor of producing their own content.”

This sudden need for vast amounts of new content has led to a spending binge by the major SVOD players, which has some industry insiders fretting that the studios will not be able to compete in bidding for programming and that the “new” model is eliminating the backend profit participation structures.

A majority of survey respondents agreed that the industry is moving swiftly to streaming video, with 28 percent of respondents saying that the majority of content would be consumed via computers and 25 percent saying that the telephone or tablet would be dominant within the next three years. Just 47 percent said the majority of content would be consumed via television broadcast — a drop from 100 percent before the Internet, phones and tablets were invented in the not-too-distant past.

WHAT THE EXPERTS SAY

WHERE DO YOU SEE THE LARGEST OPPORTUNITIES FOR STREAMING MEDIA IN THE NEXT 3 YEARS?



SURVEY HIGHLIGHTS

53%

Percentage of respondents who think the majority of video content will be consumed via computers and telephones within the next three years

79%

Percentage of respondents who think Asia will be the biggest growth territory for streaming media in the future

59%

Percentage of respondents who think paid streaming services (Netflix, Amazon, Hulu, etc.) have the biggest opportunity to grow in the next three years

40%

Percentage of respondents who think license fees for non-exclusive content will fall as the streaming services switch to owning content rather than licensing

36%

Percentage of respondents who think major studios will create their own streaming platforms to compete with Netflix/Amazon

25%

Percentage of respondents who think more films will premiere on SVOD rather than in the theaters

50%

Percentage of respondents who think no new paid subscription streaming service will rise significantly in the marketplace

48%

Percentage of respondents who think the marketplace will move to more local language content as Internet Over-The-Top (e.g., Netflix) gathers steam

90%

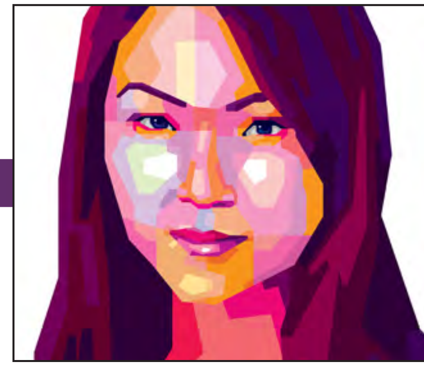
Percentage of respondents who find an IP acquisition agreement with a streaming video service provider to distribute content extremely or moderately desirable

SUBJECT MATTER EXPERTS

To supplement the survey responses from the 2016 Green Hasson Janks Entertainment and Media Survey, in-depth interviews were also conducted with industry insiders.

KEN BASIN
VP, U.S. BUSINESS AFFAIRS,
SONY PICTURES TELEVISION

PETER DEKOM
PRINCIPAL, PETER J. DEKOM,
A LAW CORPORATION



JESSIE KIM
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GREEN HASSON JANKS EXPERTS

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SENIOR MANAGER,
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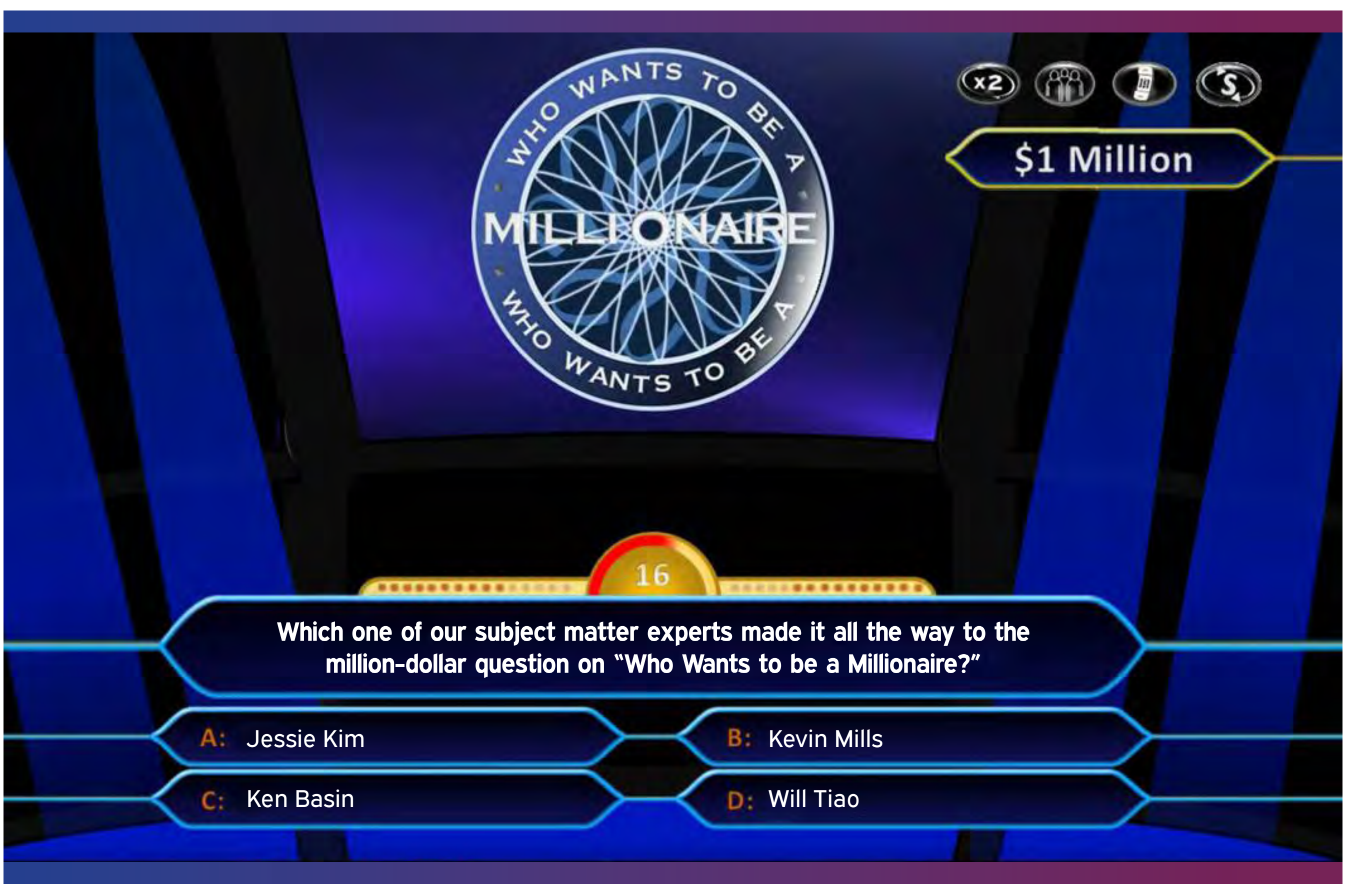
DAN LANDES
SENIOR MANAGER,
ENTERTAINMENT AND
MEDIA AUDIT PRACTICE

DO YOU KNOW THE ANSWER?



ANSWER: KEN BASIN

GLOBALIZATION

THE NUMBER OF PLAYERS MAY BE EXPANDING

Streaming services like Netflix, Amazon Prime, and Hulu are regarded as industry leaders, but **Content Licensing Consultant Steve Oxman** says, "Given its large stockpile of cash, I wouldn't be surprised if we see a major acquisition by Apple to get into the OTT TV and/or SVOD game, possibly of HBO or even Netflix."

Viviana Zarragoitia of Three Point Capital would add Spotify to the list. "Everyone uses it, and there's no reason they cannot do other types of content like behind-the-scenes features, concert films, documentaries, and more. I would start a film division if I worked at Spotify — since they have so many artists and so many rights, why not find new ways to exploit them?"

Oxman adds that the industry should "watch for services with smaller but loyal user bases like Vimeo to make ambitious plays."

Hulu has the potential to break out with the addition of Time Warner content as a result of its recent sale of 10 percent of the company to Time Warner. Hulu is also planning a live TV streaming launch in 2017.

Oxman warns that "a full kitchen of cooks at the ownership level is now even fuller (i.e., Disney, Fox, Comcast, and Time Warner), each with its own agenda, so it remains to be seen whether Hulu's nimbleness will be compromised. In the coming years, I expect there to be consolidation among the major studios, which could put one or more of those companies or their libraries up for grabs. As a result, any growing company that acquires these assets will have a substantial leg up in the digital content wars."

WHERE INDUSTRY GROWTH WILL BE

With digital largely eliminating the need for land lines, there will inevitably be growth in the developing world. Some areas may not even have electricity or running water, but they have phones. Statistically in Asia, there are three times as many people in India as in the U.S., and China's consumers use mobile phones more than the U.S. Green Hasson Janks survey respondents and experts agreed that Asia has the biggest potential for SVOD growth, with 79 percent pointing to it in the survey.

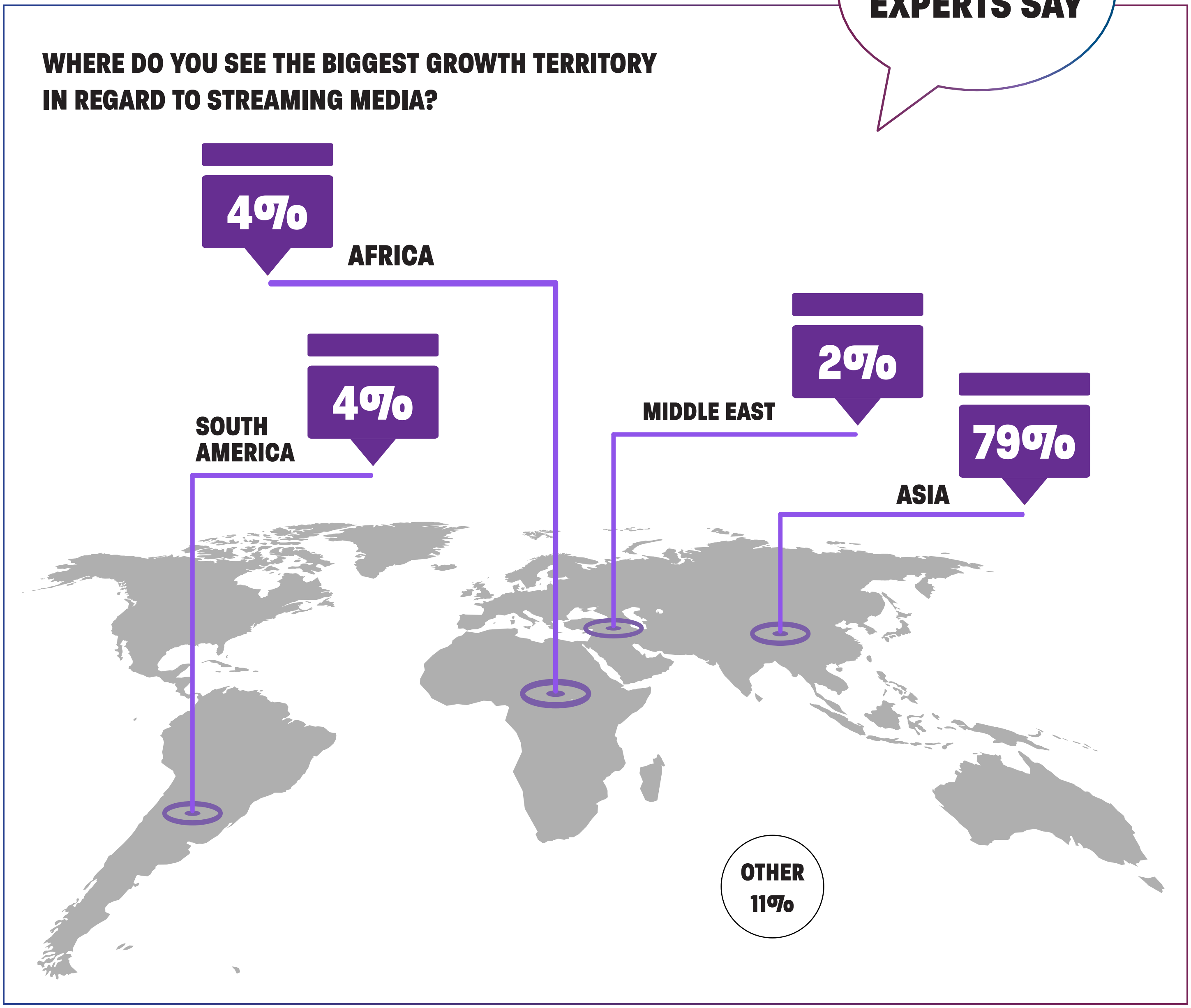
"China and India have huge potential," **RatPac Entertainment Producer Kasia Nabialczyk** agrees. "India is constantly investing money into building a stronger Internet infrastructure. In China, due to the government restrictions, instead of using global platforms, people use the Chinese equivalents: Amazon- Alibaba, YouTube- Youku, Google-Baidu, Twitter-Sina Weibo etc."

Will Tiao, producer at Formosa Entertainment, adds that "in Asia they are much more advanced than we are in this area. Most people in Asia consume content on their phones. They never really went to the traditional form. I see much more experimentation over there. They love a one-stop shop, so the digital channels are broad. It's about convenience."

Dan Landes, senior manager at Green Hasson Janks, believes that this mentality of experimentation and producing one's own content is key to future global expansion.

"Anyone with a green screen or a garage can produce content and share it on a global scale," he explains. "As long as they are considered a significant influencer (which is based on the number of followers someone may have), their content has an immediate global reach and is consumed by means outside of any production house or studio. In fact, in the not-so-distant future, most people will not even be consuming such content via computer, TV or theater — it will be in the palm of their hand via cell phone or tablet."

WHAT THE EXPERTS SAY



BARRIERS TO GROWTH

Barriers to digital growth can be economic and technological. Less than half of the world's population is online—caused mainly by factors such as lack of affordability, infrastructure and digital and language literacy, which is due in part to underfunded educational systems. This can be either a potential growth bonanza, or the possibility that capacity is being reached and the overall rate of growth of global Internet users may be slowing.

Oxman explains that "to increase accessibility and reignite growth, there will need to be substantial

BENEFITS AND CHALLENGES OF GLOBALIZATION

GREEN HASSON JANKS MANAGING PARTNER LEON JANKS SHARES HIS VIEWS ON GLOBALIZATION IN TODAY'S BUSINESS ENVIRONMENT

I've had a global view my entire career. I was born in South Africa, and I've been all over the world for business and pleasure. I realized very early on that the world would become one large market sooner or later. Well, "later" is here, especially in the entertainment industry where content can be spread worldwide in an instant.

Technology is the key to making the world ever-smaller. Data now flows at a tremendous pace. It is almost mind-boggling to think that centuries of trade have been surpassed in the 35 years since the birth of the Internet. Companies in every industry are re-thinking their organizational structures and marketing strategies.

Globalization is an equalizer, and smaller companies now have a path to selling goods and services anywhere, anytime. For example, Netflix created a subscription model for online streaming and had the opportunity to add customers in 190 countries for a fraction of the cost it would have taken 20 or 30 years ago. Companies like Facebook, Uber and Airbnb expanded their digital platforms globally, without even customizing for different markets.

Hollywood now regularly creates major global launches for films. For example, studios traditionally waited until after a movie's U.S. run to release overseas, with hopes that a weak U.S. box office could be offset by foreign sales since information wasn't disseminated as widely. Of course that has since changed, and studios are now faced with the challenge that global moviegoers can now see reviews almost immediately, so a movie that bombs in one market will much more likely bomb everywhere.

Globalization is part of our DNA at Green Hasson Janks. We are members of HLB International, a worldwide network of professional accounting firms and business advisors, which gives us global reach. This is essential in today's business environment, especially when it comes to serving the media and entertainment industry. Our international partners help us provide our clients with the global reach and expertise they need as they expand into foreign markets and compete on a global scale.

> ***"EVEN FOR THE GREATEST OF VISIONARIES, DISRUPTION AHEAD IS IMPOSSIBLE TO PREDICT."***
>
> **LEON JANKS**
> MANAGING PARTNER,
> GREEN HASSON JANKS

improvements in all of these areas, which will depend largely on conducive government regulation. The countries with the fewest barriers to growth are those where the costs of doing business (including taxation on providers) are relatively low, and where Internet freedom and privacy protection are relatively high. Among the countries in this category are the US, Japan, Korea, Germany and Russia."

Tiao notes that competition in Asia can also be a barrier. "iFlix is already dominant, so Netflix is struggling — they haven't adjusted their pricing model to local economic conditions in some countries, and they don't have as much content because they don't own rights for some areas," he expands. "With higher relative prices and less content, why wouldn't a consumer go with a local player?"

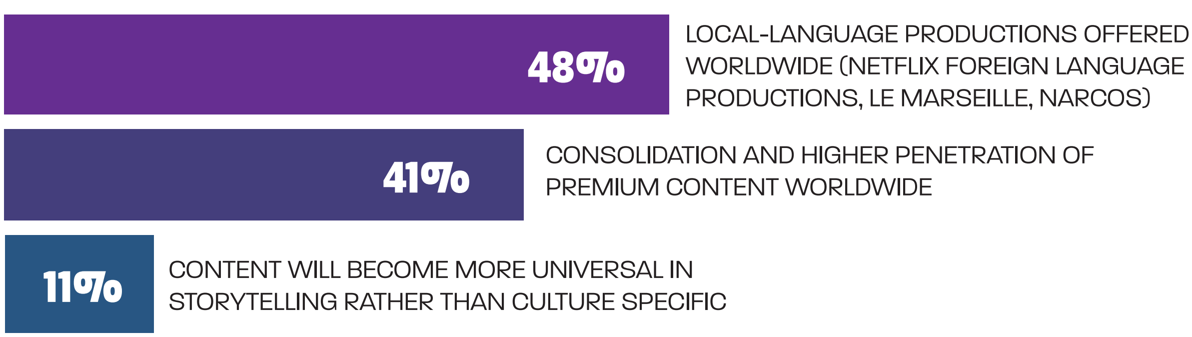
2016 Entertainment and Media Survey respondents agreed, with 48 percent saying there will be more local-language productions offered worldwide (e.g., Netflix foreign language productions, *Le Marseille*, *Narcos*).

Sony Pictures Executive Ken Basin says that for U.S. streaming companies, "it's about providing enough local language content to appeal to local customers, finding the right price points for that region and having credibility over local companies that have more established relationships with the local audiences."

Entertainment Attorney Peter Dekom describes another potential barrier to growth, saying, "China allows only 34 foreign theatrical films

WHAT THE EXPERTS SAY

AS GLOBALLY LINEAR TV IS BEING REPLACED BY INTERNET OVER-THE-TOP TV (ESPECIALLY WITH NETFLIX, WHO IS A GLOBAL PRODUCER AND DISTRIBUTOR OF CONTENT), HOW WILL THE MARKETPLACE CHANGE?



(never R-rated or above) — subject to severe censorship — to hit its screens every year; little films need not apply. Great content rises above barriers, but restrictive ratings can negatively impact foreign acceptability."

He also points to Europe, adding that "there is a growing possibility of the European Union (E.U.) mandating a single digital market; there will be a potentially devastating challenge to presales within the E.U. should that occur."

INTERNATIONAL TAX IMPLICATIONS

JASON BOOTH, TAX PRINICPAL AT GREEN HASSON JANKS, EXPLAINS HOW TAXING AUTHORITIES ARE WORKING TO CATCH UP TO THE DIGITAL ECONOMY.

One major step is aimed at addressing Base Erosion and Profit Shifting (BEPS), which refers to tax planning strategies that exploit gaps and mismatches in tax rules shifting profits to low or no-tax locations where there is little or no economic activity and resulting in little or no overall corporate tax being paid. The G20 and some other countries have agreed-upon guidance on how to address BEPS.

The question policy-wise though is how the countries will translate or implement such guidance into its domestic law. A likely outcome will be that every country will implement it slightly different from each other so companies will need to understand multiple regulations in multiple jurisdictions. Pre-BEPS, a company traditionally needed to have a physical presence in a country to be taxed, so digital downloads (being an action item of BEPS) is a key area that needs to be discussed and addressed. Bottom line is that the taxation of the digital economy is on the table for discussion and will be addressed in the near term.

MONETIZATION

THE CASE FOR "NETFLIX DEALS"

The business model for streaming services has been largely to pay a lump sum to content creators and talent for some or all of their rights. This has been a paradigm shift since the traditional entertainment model gave content creators and talent an opportunity to get a potentially huge payday if their project hit big.

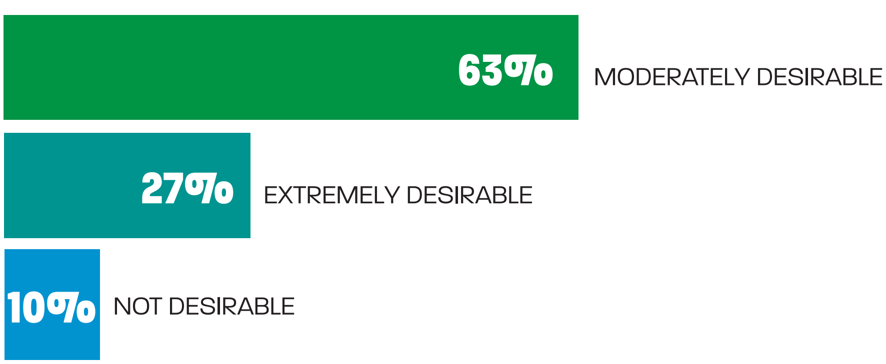
For some, the guarantee of being able to pay off investors with zero risk makes lump sum payments an attractive option. Others are struggling with the concept, especially when the lump sum does not exceed the project's budget. Despite this worry, 90 percent of survey respondents said that an intellectual property (IP) acquisition agreement with a streaming service provider to distribute content is extremely or moderately desirable.

Independent films, documentaries and content that appeals to a niche audience have had budgets that have always been difficult to recoup. For them, lump-sum payments can mean that the message and art gets out into the market and the creators make a profit.

"Amazon and Netflix are really aggressive in acquiring material and often offer very competitive prices," **Kasia Nabialczyk, producer at RatPac Entertainment**, explains. "They may ask you what your budget was and give you 125 percent of that.

WHAT THE EXPERTS SAY

WITH THE SHRINKAGE OF BACKEND REVENUES AND SHORTENING OF THE DISTRIBUTION WINDOWS, HOW DESIRABLE WOULD ENTERING INTO AN IP ACQUISITION AGREEMENT WITH A STREAMING SERVICE PROVIDER TO DISTRIBUTE YOUR CONTENT BE?



They take the risk out of the equation. This does not make sense for a big-budget studio movie, but it does for an independent movie — it's a way to guarantee a profit."

On the down side, 21 percent of survey respondents predicted that production budgets will drop due to the disappearance or contraction of traditional distribution platforms.

Streaming services make various types of deals, but Netflix is the only global player in terms of global rights. **Entertainment Consultant Steve Oxman** points out that "in addition to assuring content creators that their work will be made accessible to millions of subscribers, global SVOD deals such as those offered by Netflix offer immediate financial benefits in the form of large upfront license fees. These give the content's financial backers a return on their investment and increase the likelihood that they will want to invest in the creator's next project."

These deals can also simplify a project's financing substantially. Oxman explains that "the typical independent film financing structure would involve multiple backers who may or may not have different creative agendas, pre-buying distributors, and/or a bank loan and interparty agreement (which can complicate things immeasurably). A large acquisition fee from Netflix, however, can provide most or all of a project's financing together with a supportive and accommodating creative partner."

Ken Basin, vice president of U.S. Business Affairs at Sony Pictures, agrees, but notes that the benefits are more pronounced for very small producers, particularly those that generally otherwise avoid placing millions of dollars at risk via deficit financing of large-scale productions (e.g., Skydance Television, which produces Grace and Frankie for Netflix, or Scott Free Productions, which produced the Jean Claude Van Johnson pilot for Amazon). Basin argues that the calculus is different for such smaller companies with fewer executives, versus larger companies with more divisions and overhead to sustain.

"For a big company that can deficit finance, the cost-plus SVOD model means you are missing the upside of a potential bonanza on a breakout hit," he expands. "Plus, you have an in-house distribution team, and if you only sold to SVOD, you'd be putting those people out of work. If I am a large producer, I want to be diversified across a variety of different platforms and platform types. On the other hand, if I am Scott Free, I only want to be in a studio position with an SVOD buyer, and fall back into a non-writing producer position with a backend for anything that carries a deficit."

Peter Klass, senior manager at Green Hasson Janks, adds that "talent and investors may turn to entertainment experts to shed light on the methodology of the enigmatic upfront fees and buyouts offered by SVOD buyers. Potential 'gets' to make the deals more attractive for talent and creators are to have built-in escalators for later seasons, sharing of the propriety data of the SVOD service, unscrambling the basis of the backend buyouts and participation in sequels and spin-offs."

MAKING THE MOST OF THE STANDARD "NETFLIX DEAL"

For producers, a priority is getting paid — preferably up front. **Viviana Zarragoitia of Three Point Capital** notes that digital buyers like Hulu and Amazon might not distribute content in certain territories.

"I would also negotiate for any additional territories you can," she says. "Do your research and look at each one of the territories in the contract specifically and how long the rights last. At the very least, I want the Minimum Guarantee to exceed the budget so the investors get something back or an extra kicker at the end. At minimum, the producer's fee should be in the budget and there should be a kicker at the end upon delivery that makes up for the lack of backend participation."

Entertainment Attorney Peter Dekom is also in favor of Netflix deals.

"If there is a day-one upside generated from this type of sale, and my client has a solid piece of that markup, I'll take those deals day in and day out," he explains. "Where there isn't a built-in profit and you are dealing with controlled entities, negotiating imputed license fees is mission critical."

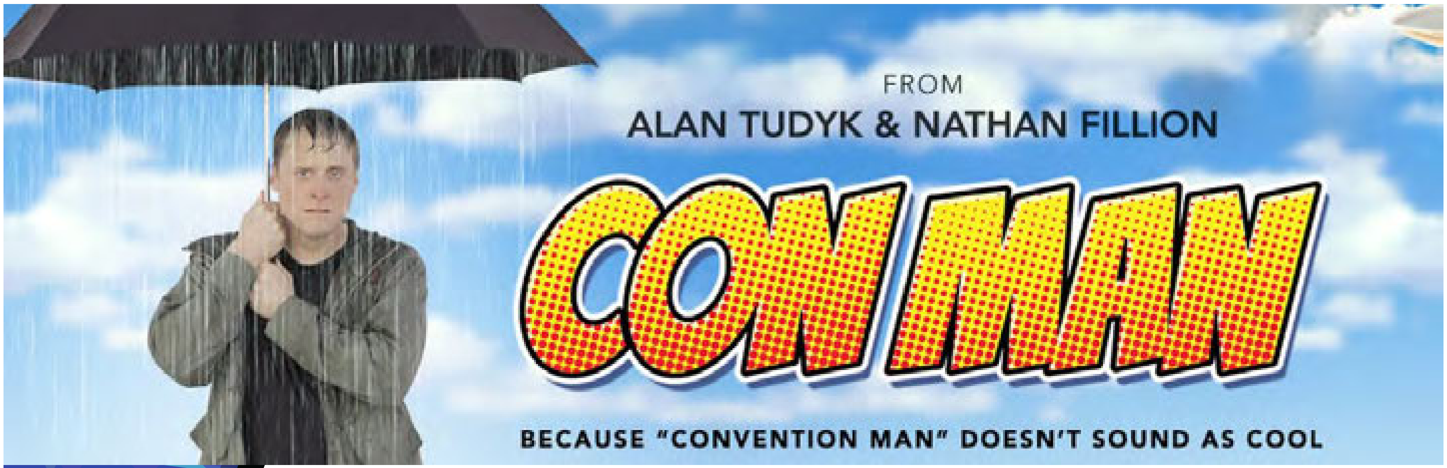
Peter Klass of Green Hasson Janks adds that "an added bonus for content creators and talent with backend in the television space is that the imputed license fees paid by the premium networks relative to the production costs are trending up to be more competitive with Netflix and Amazon."

Any deal has certain components. Basin notes that, for a studio content owner, the goal is to maximize revenue over territory, media, and time by selling the studio's copyrighted asset — its show — as many times as possible to as many buyers as possible. The challenge presented by the digital buyers, however, is that their appetites are so expansive in territory and exclusivity terms that studios need to look hard to find their profit centers. Basin explains that there are two approaches to dealing with this issue.

"First, you have to price in as much as possible in the initial sale, to make up for the other sales opportunities that a studio loses as a result of selling such expansive rights (with substantial holdbacks) to the first buyer," he says. "Second, you have to get creative in finding areas where those initial buyers might not have as much interest, but where you can still find value, like additional territories where the initial licensee does not or cannot operate."

For actors, "cash against first dollar gross" isn't viable anymore; that type of upside deal is rapidly disappearing across the board. In features — at least at the studio level — "net profits" are also not viable. The new structure includes box office bonuses and the true cash breakeven (CBE) with or without a specified distribution fee (10-20 percent) for top talent and rights holders. In television, there is the same battle for inclusion of revenues. Modified Adjusted Gross Receipts (MAG or MAGR) is net profits with a reduced distribution fee, and there will be some "big talent" breakthroughs in this TV standard upside definition.

CASE STUDY: HOW *CON MAN* GOT MADE



ENTERTAINMENT ATTORNEY KEVIN MILLS OF KAYE & MILLS, A BOUTIQUE LAW FIRM OFFERING ENTERTAINMENT, INTERNET, COMPUTER, ELECTRONIC AND GENERAL BUSINESS LEGAL SERVICES TO COMPANIES AND INDIVIDUALS, PROVIDED INSIGHT ON THE HUGELY SUCCESSFUL WEB SERIES CON MAN

CON MAN WAS CREATED BY ALAN TUDYK ALONG WITH NATHAN FILLION AND PRODUCER, PJ HAARSMA. BOTH TUDYK AND FILLION WERE PART OF FIREFLY, THE CULT-FAVORITE TELEVISION SERIES. CON MAN IS INSPIRED BY THAT SERIES AND IS TOLD THROUGH THE EYES OF A STRUGGLING ACTOR WHO STARRED AS A SPACESHIP PILOT ON THE FICTIONAL SPECTRUM, A CULT-CLASSIC SCIENCE FICTION SERIES. DIVISIONS AND OVERHEAD TO SUSTAIN.

"There is a whole new way of getting content made in today's entertainment world," Mills explains as he describes the process *Con Man* went through to get financed and monetized. "Alan Tudyk had the idea for the web series and worked with Nathan Fillion and PJ to get it made. Nathan had gone on after *Firefly* and had a big hit with *Castle*, so both he and Alan had the clout and social media presence to help get Con Man going. We went with an Indiegogo campaign to raise the initial money, and Vimeo had a deal with Indiegogo that we tapped into as well. We did the campaign to raise money for a pilot, but we ended up raising $3.2 million — the highest-funded web series and the fastest to get to $1 million. That was enough for us to film an entire first season of 12 webisodes."

The series was a hit on Vimeo, and the team re-cut and monetized the content in numerous ways.

"This was different from my previous television experience, which focused on getting the project sold and produced within the traditional format and then exploiting it as a series," Mills went on to say. "It's a much more flexible model now. For example, there is a motion picture under consideration that would be made out of the content from the original 12 episodes, plus there is a publishing deal for comic books, a motion book, a video game, Internet merchandising deals, merchandise sales at conventions and creation of traditional 22-minute versions for international sales. That's where I see the future of the industry — we need to think outside the box in terms of revenue. The ability to put the product in front of the consumer in different ways is valuable — how the consumer views it is up to them."

Season two of *Con Man* was picked up by Lionsgate. Mills describes this as the golden ring.

"We didn't need to make multiple deals to get subsequent seasons financed and moving forward," Mills expands. "The key was knowing exactly how much it would earn based on the multiple deals we struck on season 1. We knew how much we made on the back end and front end, so we had a model to work with which was valuable information for Lionsgate. We can now let them assist with all that and maximize earnings."

Some digital buyers (e.g., Netflix) buy out upside in their markets, but build in a markup for the producer that gives profitability on day one. Talent can negotiate for its share of that markup. The biggest battle when dealing directly with the network or entities that own networks (digital and traditional) are the imputed license fees for their controlled outlets. Today, despite "deficit" arguments, television at least breaks even in its first cycle based on global revenues.

"If the imputed license fees from these controlled entities do not make that highly probable, you will never achieve breakeven," Dekom notes. "Interest charges, if not limited, can defeat upside as well. Finally, soft money incentives (net of the cost of monetizing that sum) have to net against production costs directly (not simply be included in gross where a distribution fee is charged), and they have to be included."

An all-rights deal with a major distributor will often draw the biggest advance; however, according to Oxman, "Split-rights deals (i.e., licensing to multiple distributors in multiple mediums and/or territories) may prove to be more lucrative in the aggregate and give the filmmaker more optionality, control, and meaningful backend participation."

Oxman recommends that rights grants should be defined narrowly to avoid conflicts and holdbacks on other media: "For example, TV networks usually request 'catch up' rights, which allow viewers to watch the film or TV show on-demand through the broadcaster's website or app once it has aired. This grant could potentially overlap with streaming rights granted to VOD distributors, so the catch up grant should be limited and worded so as to avoid any conflicts."

Will Tiao, producer at Formosa Entertainment, suggests yet more ways to increase monetization.

"I am seeing a lot of producers using brand integration straight into the digital content," he says. "Also, I am seeing producers developing content for the web that can then be translated into more traditional media. It could start as a web series but then be cut into a half-hour or an entire movie from a whole season."

Green Hasson Janks Senior Manager Dan Landes adds, "The ability to distribute and consume content digitally on a global scale further provides additional opportunities for brand integration. Given the metrics that are available on digital platforms, brands can target their spending on specific geographic areas. For example, if metrics report that Coca-Cola is more popular somewhere like China, and Fanta is more popular elsewhere (for example, Australia), brands can target their integration to place a Coke can in the hand of Tom Cruise on all Chinese channels, and for the same clip make him drink a Fanta on all Australian Channels. This can enable brands to market more efficiently and effectively and increase spending where it counts to maximize ROI."

Another way to up the ante is by only selling rights to certain territories — retaining the rest for further exploitation by the content creator or talent. Another route is to put a time limit on deals. If rights expire in five or 10 years and revert to the content creator or talent, the material can be repackaged or relaunched for further profit.

Oxman advises content creators that "any rights that the distributor does not intend to exploit and/or have not been built into the license fee ideally should be retained. From the creator's point of view it is wasteful for an SVOD licensee to license theatrical rights to a film, for example, solely to take it off the table if it has no intention of exploiting those rights. Creators should try to reserve derivative rights (i.e., for sequels, prequels, remakes, and spinoffs), and ancillary rights such as merchandising rights and soundtrack rights. Keep in mind that in the future any number of unforeseen developments (e.g., renewed interest in the subject matter or the talent involved, new technological advances, etc.) could increase the value of the rights you held onto."

USING METRICS TO MAKE A CASE FOR BETTER DEALS

Streaming services base their monetary offers on what they think a given project will be worth in the marketplace. Content creators and talent have an opportunity to make a case for a better deal if they are armed with facts and figures.

One way to do this is by quantifying social media traffic.

"You should be looking at social media statistics," Nabialczyk says. "There are numerous websites now that list the best movies on streaming services. If the movie or show is highly rated, we can infer popularity. Armed with these statistics, they may be able to upgrade the deal for the next round."

Zarragoitia also recommends "analyzing social media data to see how often project-related information is shared on Twitter, Facebook and Instagram and use it to negotiate for a higher minimum guarantee or upfront fee."

According to Oxman, "Companies like Nielsen, Symphony Advanced Media and comScore are developing methodologies for obtaining information that they are making accessible to the public. SVOD providers like Netflix and Amazon, who are famously reluctant to disclose viewing figures, claim the results generated by

> ***"ONE OF THE UNIQUE FACTORS OF TODAY'S MARKETPLACE IS THE ABILITY TO USE SOCIAL MEDIA TO CONNECT WITH THE AUDIENCE AND BUILD HYPE..."***
>
> **DAN LANDES**
>
> SENIOR MANAGER,
> GREEN HASSON JANKS

these companies are still inaccurate; however, the companies assert that the results are becoming more and more precise, particularly in their tracking of time shifted viewing and the types of devices on which a given film or TV show is being watched."

Oxman also notes that "as these services improve, they give content creators the ability to track the performance not only of their work but also comparable works which could be invaluable at the negotiating table. In addition, filmmakers whose films have received a theatrical release can at least use box office figures as a point of reference when evaluating offers from SVOD services. Finally, I have heard of filmmakers regularly checking the reviews for their film on Netflix, coming up with a ballpark percentage (based on informal polling) of Netflix users who rate films, and extrapolating to get a very rough idea of how many views the film has had on the service. Obviously not the most scientific method but it shows what some creators have resorted to in light of SVOD providers' stinginess with their data."

Dan Landes of Green Hasson Janks adds, "One of the unique factors of today's marketplace is the ability to use social media to connect with the audience and build hype — one great example is how the movie *Deadpool* was able to generate significant hype through Instagram, Facebook and Twitter by having the cast and characters interact with fans and also provide comical stills of the *Deadpool* character commenting on current events, delivering babies, posing by the fire and of course directing the audience to see the movie after a good chuckle. Additionally, social media provides the fans with a way to feel involved with the production of the movie, and we are seeing a rise in demand for small production companies — specifically virtual reality companies specializing in 360-degree filming — to enable fans to enter the set and become fully immersed in the production process with their favorite talent."

SUMMARY OF NEGOTIATION POINTS

NEGOTIATE FOR ANY ADDITIONAL TERRITORIES YOU CAN

PUT A TIME LIMIT ON DEALS

NEGOTIATE A TERMINATION PROVISION

COLLECT AND USE SOCIAL MEDIA METRICS TO MAKE A CASE FOR A HIGHER PAYMENT

SELL RIGHTS AS MANY TIMES TO AS MANY BUYERS AS POSSIBLE

GET CREATIVE IN FINDING AREAS OR TERRITORIES WHERE BUYERS MIGHT NOT HAVE AS MUCH INTEREST

BUILD IN A MARKUP FOR THE PRODUCER AND TALENT THAT GIVES PROFITABILITY ON DAY ONE

KNOW THE IMPUTED LICENSE FEES

NARROWLY DEFINE RIGHTS GRANTS ON SPLIT-RIGHTS DEALS

CONSIDER BRAND INTEGRATION

DEVELOP WEB CONTENT THAT CAN THEN BE TRANSLATED INTO MORE TRADITIONAL MEDIA

EVALUATE WHETHER THE BUYER NEEDS THE THEATRICAL RIGHTS, DERIVATIVE RIGHTS AND/OR ANCILLARY RIGHTS

STREAMING COMPANIES AS PRODUCERS

Streaming services need a lot of content, and they need it fast. Their solution has been to produce their own content. They have major success across the board and introduced hit TV shows, documentaries and films.

Survey respondents were asked how the business model for content producers would be affected if streaming services like Netflix and Amazon continue to expand their own film and TV offerings exclusively on their streaming platforms, and 40 percent predicted that license fees for non-exclusive content will fall as the streaming services switch to owning content rather than licensing.

"The concept of the 'long tail' is being replaced by a much shorter, more vigorous 'stubby tail' revenue stream," Dekom notes. "That may cut interest carry costs by moving revenues earlier, but it also kills

CAN A FILM WIN AN AWARD WITHOUT A THEATRICAL RELEASE?

Critically acclaimed films like *Beast of a Nation* have had an initial release on SVOD with a limited simultaneous release in theatres and have still been considered for industry awards without being nominated for an Oscar.

"Traditionally people used to expect award contenders to be seen in theaters, but this will shift," **Kasia Nabialczyk, producer at RatPac Entertainment**, says. "Award voters are increasingly reliant on screeners of films and theatrical release will matter less as the focus will be about the quality of the film."

Since awards can add to a film's bottom line, **Steve Oxman, entertainment consultant**, advises to "keep in mind that the traditional model was to release a movie in theaters first, since a 'straight-to-video' release or TV premiere makes it impossible to win Oscars or Indie Spirit Awards. Many independent producers, however, are willing to sacrifice theatrical altogether in order to reach Netflix's 80 million-plus subscriber base and to receive an immediate payout. The analysis for creators is often driven by how much pressure there is to appease investors and a realistic assessment of the commercial/theatrical potential of the content at issue."

content that is not clearly first-tier product that can attract a strong audience in the earliest phases of production. Hence the demise of smaller indie films where theatrical is almost gone and the digital markets are highly selective. Being anywhere but that tiny section of the plus-side of the bell curve can be fatal."

SELLING CONTENT TO A DIVERSIFIED MIX OF BUYERS

Content creators, particularly smaller or independent studios, should have a game plan. Be objective and look at the universe of sellers and put together a responsible, diversified investment portfolio that includes:

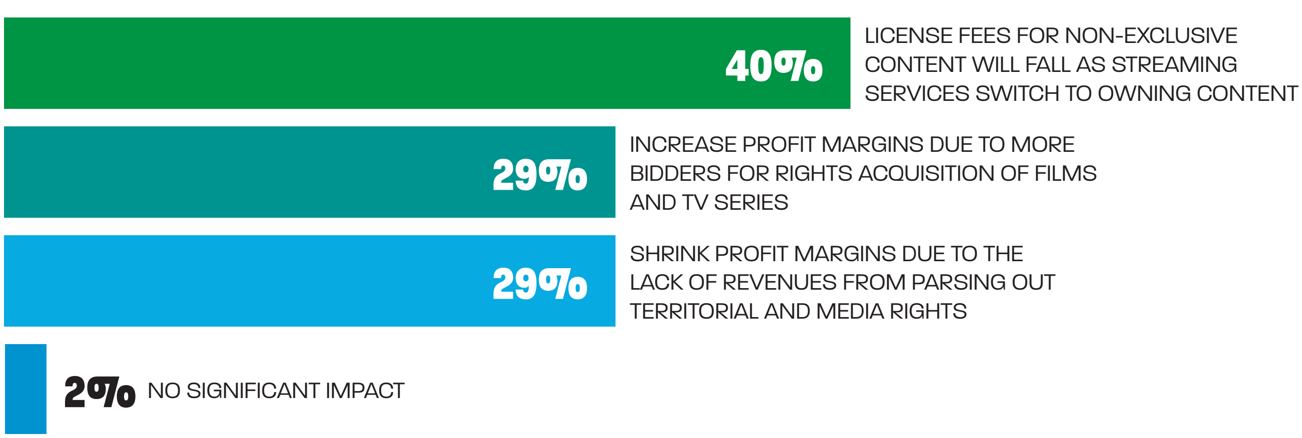
- High-risk, high-reward investments like broadcast network TV where deficits are high and the risk of loss is high, but in great success, there is a huge upside that will subsidize the rest of your business
- Midrange mutual funds like cable where deficits are lower and upside is lower
- Safer bonds like streaming services where so many rights and territories are being sold at once that content creators are in a cost-plus model and make a profit from the beginning

"As streaming services continue to expand their production, independent content producers should be thinking of a deal structure that will maximize the monetization of their content," **Peter Klass of Green Hasson Janks** adds. "The key drawback in deals with the SVOD buyers is that they do not typically allow the content creator to participate in the success of the film or television property. The minimum guarantee paid by the SVOD buyers often followed by a buyout of all rights including all media and territories, even if they sublicense those rights in certain markets, may have a modest built-in profit. However, there is a risk of missing out on participating in the windfall of revenues if the feature or show becomes a hit."

The industry is still reliant on big hits that help cover losses and overhead, so it might be dangerous to just sell to cost-plus buyers like streaming services. Basin advises that "you need a mix of buyers that spread out the risk/reward profile. [Selling across a variety of platforms] also gives you the opportunity to do the most creative, diverse, interesting work, by doing content tailored to all those different buyers."

WHAT THE EXPERTS SAY

AS NETFLIX/AMAZON CONTINUE TO EXPAND THEIR OWN FILM AND TV OFFERINGS EXCLUSIVELY ON THEIR STREAMING PLATFORMS, HOW WILL THIS AFFECT THE BUSINESS MODEL FOR CONTENT PRODUCERS?



“AS STREAMING SERVICES CONTINUE TO EXPAND THEIR PRODUCTION, INDEPENDENT CONTENT PRODUCERS SHOULD BE THINKING OF A DEAL STRUCTURE THAT WILL MAXIMIZE THE MONETIZATION OF THEIR CONTENT.”

PETER KLASS
SENIOR MANAGER, GREEN HASSON JANKS

LOOKING TO THE FUTURE

THE STATUS OF GLOBAL RIGHTS

A truism is that, "you are only as good as the deal you make coming in," so content producers and talent and their representatives are starting to look more closely at global rights. Giving away all global rights in perpetuity may not be the answer, and it might not even be possible.

"International boundaries take on new meaning in a mobile/digital world," **Entertainment Attorney Peter Dekom** notes. "Mandatory, current-technology geofiltering, where territorial rights are given to different regional distributors, may be required."

The European Commission (EC) has been particularly proactive in its attempts to facilitate growth in the digital space through regulation. For example, its Digital Single Market Initiative has sought to remove national barriers to online transactions in Europe; however, as **Entertainment Consultant Steve Oxman** points out, "Many fear that the EC's efforts could have the unintended consequence of actually reducing growth in the film and TV sector."

According to Oxman, "The current content licensing scheme in the E.U. depends on maximizing revenues by licensing on a territory-by-territory basis as opposed to a pan-European basis. At first the EC threatened to eliminate this system by prohibiting contractual clauses requiring licensees to 'geo-block' content (i.e., using technological measures to restrict access to content based on the geographical location of the user). The EC has since backed down on that stance but has continued to chip away at territoriality by allowing any resident of an E.U. country who is 'temporarily' present in another E.U. country to access content telecasted or streamed from his or her home country. Some worry that this exception to per country exclusivity could weaken the value of rights and thus lead to the reduction of license fees, which are critical in enabling film and TV producers to finance their content creation. Hopefully it will not create as slippery a slope as some are predicting."

Oxman adds, "of course, if the U.K. leaves the E.U. then exclusivity would remain intact in the U.K."

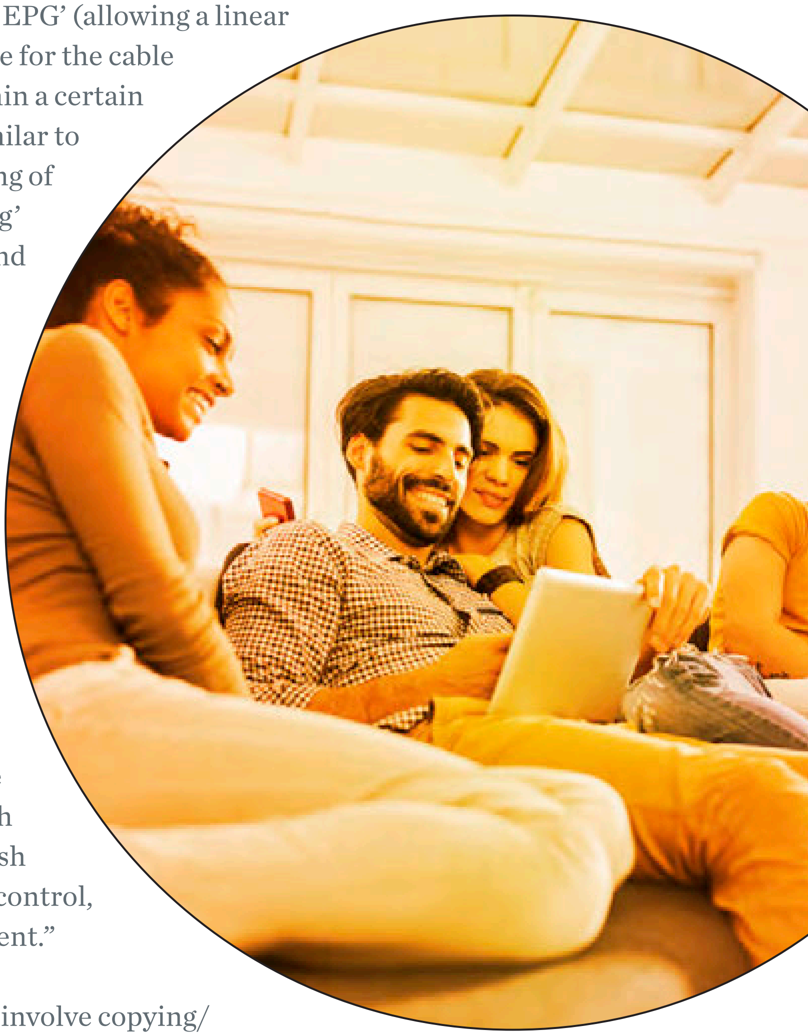
RIGHTS THAT MAY BE NEGOTIATED IN THE FUTURE

The industry is evolving swiftly, and new areas might land on the negotiating table. Content consumed under a streaming subscription, but which is pre-downloaded and made available later without an active Internet connection, may be an option. **Ken Basin, vice president of U.S. Business Affairs at Sony Pictures Television,** sees offline viewing as an area where rights may be negotiable in the future.

"That's the new frontier, and it's being explored right now," he explains. "Mobile is the most important use case for that. It's an advantage for streaming providers because they can potentially allow users to download things in the middle of the night, and level out their bandwidth consumption during peak viewing hours."

Producer Will Tiao adds that "there will need to be a technology solution to solve piracy. It affects everyone."

According to Oxman, "On-demand 'catch up' rights have been included in rights grants to linear TV broadcasters/channels for some time, but now those licensees are increasingly asking for additional types of on-demand or quasi on-demand rights, such as ‘Cloud DVR’ (allowing the user to record linear programming – or to view on-demand linear programming that has been automatically recorded – on a server in the cloud rather than to a DVR recording box in his or her living room), ‘Reverse EPG’ (allowing a linear viewer to look back in time on the electronic program guide for the cable provider and to view a copy of anything that was aired within a certain number of days prior), and ‘Start Over’ (a functionality similar to Reverse EPG but allows you only to go back to the beginning of a show that is in progress). Offline viewing and ‘side loading’ (which allows the user to record content on a set top box and transfer it to another local device for offline viewing) are also increasingly being requested by both linear TV and SVOD providers (offline viewing has long been employed by TVOD providers such as iTunes).”



Oxman believes that “Reverse EPG and Start Over push further towards VOD since they involve the automatic recording of content by the provider and granting the consumer access to the content retroactively on an on-demand basis (as opposed to traditional DVR functionality where the viewer selectively records content prior to airing). Cloud DVR recording is often user-initiated (as opposed to automatic), but even that gives the provider more ‘control’ or ‘possession’ of content than with traditional local DVRs. Offline viewing and side loading push towards EST since they give the user a greater measure of control, convenience and a certain degree of ownership of the content.”

Oxman continues by saying, “The above functionalities all involve copying/recording rights that enhance user convenience. I have seen several linear and digital licensees contend that one or more of these rights are already contained in their traditional Free/Basic/Pay TV/catchup or SVOD/VOD/EST rights grants (as applicable), but that is often subject to debate. Given the encroachment of SVOD/TVOD/EST on linear TV, over the next three years I see these types of rights increasing in value and thus more.”

PREDICTIONS FOR THE STREAMING INDUSTRY'S FUTURE

The future looks bright for SVOD. Many Millennials are "cutting the cord" and switching to "over-the-top" streaming services entirely.

"In the next few years we'll see the TV networks such as ABC, NBC and Fox join the main players in the SVOD space," **Producer Kasia Nabialczyk** says.

Green Hasson Janks Senior Manager Peter Klass predicts that "appointment TV will become just a niche of mostly older viewers."

Survey results were mixed, with 36 percent of respondents predicting that major studios will create their own streaming platforms to compete with Netflix, Hulu and Amazon, while 25 percent of respondents think more films will premiere on SVOD rather than in theaters.

"The broadcast networks are going to represent the next major expansion of streaming platforms," Basin speculates. "They will be buying content — sometimes exclusively for broadcast, sometimes for digital, and sometimes for both. The networks have the challenge of converting an older-skewing audience to a younger-skewing consumption pattern."

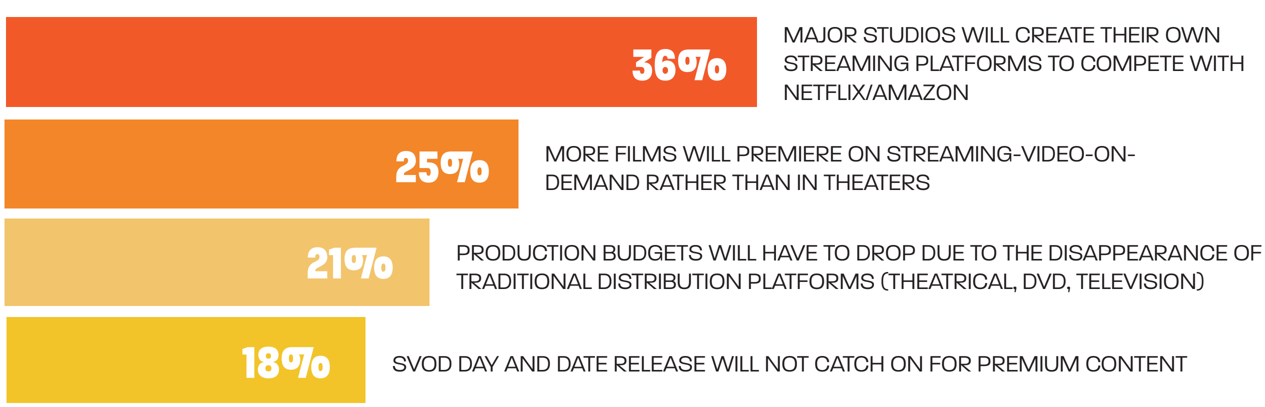
Dekom also suggests that the major players in the digital space in the next three years will involve "bundling with additional services — e.g., AT&T's acquisition of DirecTV, Verizon's purchase of AOL/Yahoo — may also drive new vectors in content delivery. Small niche players can survive only to the extent that they can embrace enough eyeballs through ad-supported, subscription-based or combination models."

Unfortunately, the digital distribution landscape is quickly changing and consolidating and many companies are not surviving this evolution. Oxman recommends that producers try to negotiate a termination provision that gives the producer the right to cancel the agreement if the licensee defaults on its obligations or goes bankrupt: "Attorneys should also build in protections (particularly with respect to termination and/or assignment) in the event that the licensee is acquired or merges with another entity."

Independent film productions also may not survive. While there are a few remaining niches for theatrical producers of indie fare like values/faith-based, urban or ethnic niche, some comedy, narrow niche children's content and horror, the market

WHAT THE EXPERTS SAY

AS NETFLIX RELEASES PREMIUM FILMS EXCLUSIVELY ON ITS STREAMING PLATFORMS, HOW WILL THIS AFFECT THE DISTRIBUTION AND MONETIZATION OF FEATURE FILMS?



VIRTUAL REALITY: THE NEXT FRONTIER?

As a new medium, virtual reality's impact is evolving rapidly with parameters that have yet to be defined. There are incredible new opportunities and responsibilities that virtual reality (VR) offers entertainment, media, and advertising companies. With over 7.2 billion mobile devices in the world (outnumbering people), mobile is by far the largest consumption device for VR today, with YouTube and Facebook being the most popular platforms for distributing 360 video. About six million VR headsets are projected to sell this year, and over 200 million by 2020.

In a recent interview with **Jessie Kim, co-founder and CEO of Prosper Virtual Reality**, she described virtual reality as an incredibly powerful new medium that is enabling the Experience Age, the next step in our evolution from the Information Age powered by the Internet. In the future, Virtual Reality, Augmented Reality, and Mixed Reality will converge to potentially eliminate the need for televisions, mobile phones, laptops and desktops and enable an entirely new way to consume content, work, socialize and scale experiences to the masses.

"There is no better way to connect with people than to transport them into your world," Kim says. "For the first time ever, we are able to scale experiences we create to anyone worldwide via their mobile phones or VR headsets. Over the next few years, mobile-based VR like Gear VR or Google Daydream will likely penetrate the masses in greater number than gaming PC-based VR, which tends to be at least $1,000 more overall."

Brands are funding most of content released, mostly in the form of 360 video which can be viewed on any device, including VR headsets. Depending on the distribution channel, the videos need to be edited differently to cater to different viewing methods and different viewing demographics.

"For example, we did Vayner Media & Anheuser Busch's first ever 360 video, which was edited for distribution on Facebook," Kim expands. "This was edited completely differently than our Samsung NBA piece, which was edited for distribution with Gear VR."

Brands are seeing ROI in millions of views of 360 video on Facebook, YouTube and Twitter, but new 360 video distribution platforms like Snapchat, Vrideo and Littlestar will gain popularity. They are leveraging VR to build hype around new products or simply to reinforce their brand identity and brand experience with customers. For example, Patron paid over $1 million for a 2-minute experience to bring viewers into their beautiful Tequila distillery.

Studios are leveraging VR mostly as companion pieces to big blockbusters to help build hype prior to a big release. It's not just movies. Netflix released a VR experience as a trailer for its *Stranger Things* series. Established directors are also developing and producing narrative and interactive content to introduce new characters to VR exclusively, such as Jon Favreau's Gnomes and Goblins.

"We'll see some VR exclusive content being released by the studios over the next few years," Kim says.

Currently, it's a VR arms race. Google, HTC (VIVE), Samsung, Sony, Facebook (Oculus) and soon Intel and Apple are competing to be the go-to hardware and content platform provider when VR is adopted en-masse. They are investing in walled gardens by paying content creators and games for exclusivity on their platforms (but also funding them to enable their launch).

"It'll be interesting to see how this shakes out," Kim notes. "I think that web VR holds a lot of promise due to democratization of access and will continue to enable VR on any phone and any low-cost headset."

VR has given rise to a new generation of experience makers and world builders.

"It's a very exciting time to be working with this experiential medium as we are helping define the rules and best practices for those who come after us," Kim expands. "However, the stakes are high, and our responsibility as VR pioneers is to not 'poison the well' and turn the masses away with bad VR experiences, despite the difficulty of creating content due to a lack of tools. For VR to continue to grow rapidly and emerge as a dominant medium, we need to collaborate and empower each other to create top quality VR experiences."

seems to be dying. Bankruptcies of producers and distributors in the indie world are all too common.

"Indies who raise money on the pledge of a theatrical release may be committing out-and-out fraud," Dekom says. "Not too far behind are companies that believe that they can compete in the film world — against majors — with mid-budget fare ($20 million to $60-$75 million). They are probably the next set of production/distribution structures to join that march to bankruptcy. Major studios with appropriate lower budget product (e.g., horror) can do well, but you need some pretty heavy production values to make sense."

Oxman adds, "I would also expect the explosion of growth in the virtual reality space to continue in the near term as the technology is refined and more resources are put into the development/production of VR content. Live VR streaming is still in an early stage but has the potential to completely revolutionize the broadcasting of sports and other live events."

Looking to the future, SVODs have the metrics on what's being watched, so they know what to produce. This erodes an independent studio's position and there is less and less incentive for them to buy outside product, especially for TV. For film, the SVODs will become the new studios, with in-house teams that make their own product.

"If I was an independent producer now, I'd look for a job at one of these SVOD services," **Viviana Zarragoitia, manager at Three Point Capital**, says.

Finally, according to Oxman, "SVOD services will offer more and more content for offline viewing. Amazon already allows its Prime customers to temporarily download certain content, and Netflix is expected to start doing so by the end of 2016. This functionality provides greater convenience/portability to users and has the added benefit of potentially decreasing bandwidth costs for the provider as content can be queued up to view at off-peak hours."

Oxman adds that "I think that widespread offering of offline viewing is being held back somewhat by the fact that many services still lack the rights to offer content on that basis, so initially the majority of content offered for offline viewing will likely be original programming."

HOW ENTERTAINMENT CAREERS MAY BE AFFECTED BY STREAMING GROWTH

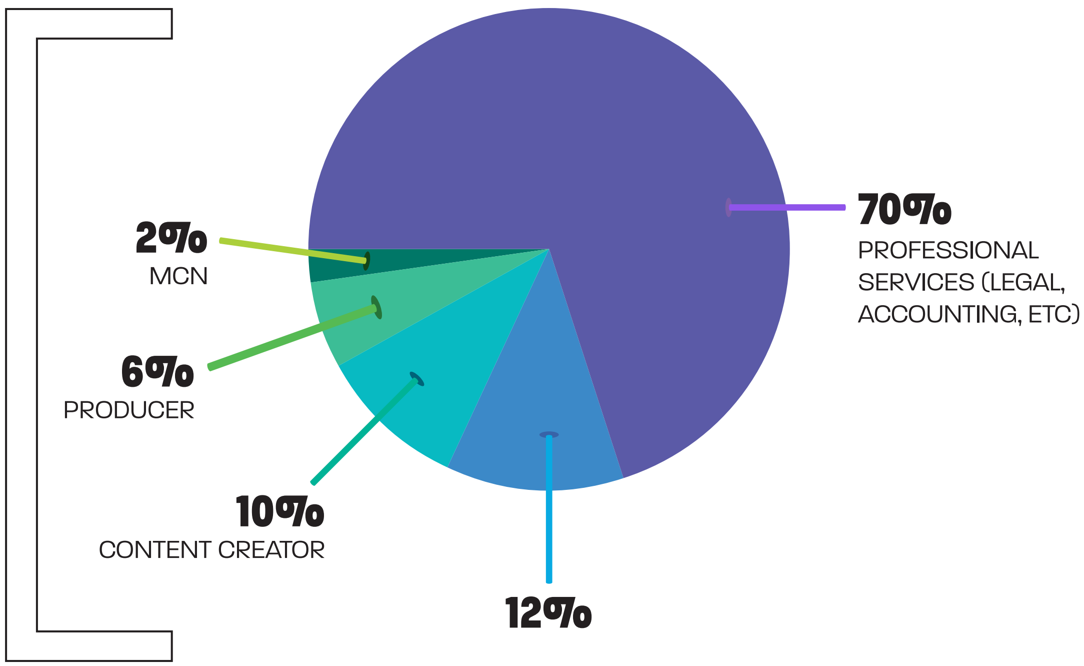
Kasia Nabialczyk, producer at RatPac Entertainment, has an interesting idea about how careers don't need to end due to the shift in the industry: "SVODs may also need producers to work for them. Theatrical releases can be very expensive and SVODs give producers more options."

Ken Basin, vice president of U.S. Business Affairs at Sony Pictures Television, agrees, saying, "The networks will be making an investment, and the producers and talent will take notice and go there."

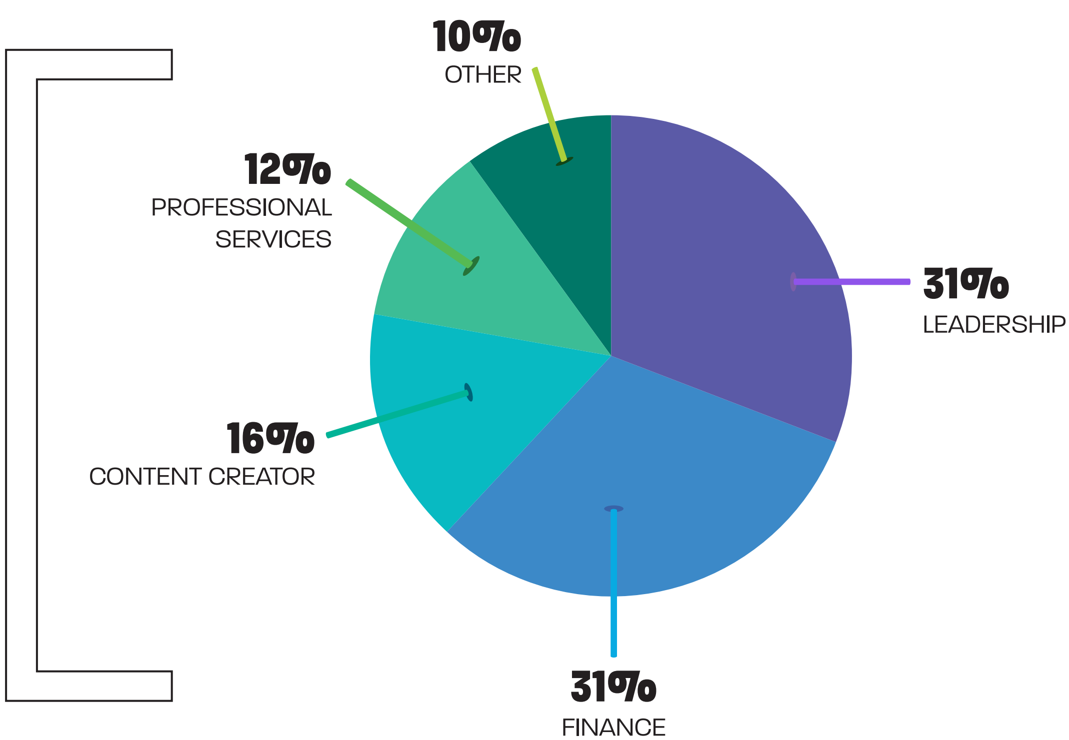
ABOUT THE SURVEY RESPONDENTS

This year's survey reflected a range of industry respondents, including studio executives, MCN executives, content creators, producers and professional services providers (legal, accounting, banking, venture capital, marketing, etc.) Survey respondents represented a variety of roles within their organizations, with most coming from leadership, finance, content creation and legal.

Respondents'
INDUSTRY SECTOR



Respondents'
ROLE



KEY TAKEAWAYS

STREAMING IS SWIFTLY BECOMING A DOMINANT FORCE IN THE MARKETPLACE. CONSUMERS WANT IT IN INCREASING NUMBERS, AND AS A RESULT, THE INDUSTRY IS GOING THROUGH A MAJOR SHIFT. THE TOP THREE SVOD SERVICES — NETFLIX, AMAZON AND HULU — ARE INCREASINGLY FOCUSED ON EXCLUSIVE ORIGINAL PROGRAMMING AND ARE BOOSTING THEIR ORIGINAL CONTENT SPENDING BUDGETS IN HOPES OF ATTRACTING NEW SUBSCRIBERS.

For content creators and talent, all-in-one "Netflix deals" can be very desirable, especially for independent productions, where the lump sum payment can eliminate budget risk and ensure profitability. The downside is that a lump sum payment gives away many (or all) rights and the creatives may potentially give away bonanza profits if their project is a hit.

There are numerous strategies for squeezing additional monetization out of a streaming deal. Limiting the number of territories in the deal and limiting the time of the deal can be very effective. Using social media and usage statistics can help make a case for additional money, and brand integration is emerging as a significant source of new/expanded monetization strategies. Being extremely careful in reading the fine print can result in a number of negotiating points. If any of this sounds daunting, get the advice of an experienced entertainment attorney or accountant.

53%

Percentage of respondents who think the majority of video content will be consumed via computers and telephones within the next three years

79%

Percentage of respondents who think Asia will be the biggest growth territory for streaming media in the future

There may be more streaming services coming up, either through diversifying services like Spotify or Vimeo or through acquisitions by major media companies looking to get into the space — for example, Apple is expected to use its hoard of cash to make a major acquisition in the near future. That makes monetization strategies even more important for content creators and talent. The fallout may be significant; however, independent films may not be independent anymore, with production of niche projects going largely to in-house SVOD producers.

Globally, Asia appears to have the greatest potential for growth, despite regulatory restrictions and censorship in China. India is a bright spot, with a huge population that is hungry for content. Netflix and Amazon, who lead the SVOD global expansion, are looking to local productions to solidify their presence with regional audiences.

The industry's future will continue to evolve swiftly, with Millennials steering the ship away from traditional media and straight into streaming services and virtual reality. Bette Davis could have been seeing this industry's future when she advised her friends to "fasten your seatbelts" in the film *All About Eve*.

59%

Percentage of respondents who think paid streaming services (Netflix, Amazon, Hulu, etc.) have the biggest opportunity to grow in the next three years

25%

Percentage of respondents who think more films will premiere on SVOD rather than in the theaters

MEET THE AUTHORS AND CONTRIBUTORS

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Peter Klass has more than 14 years of entertainment accounting experience. He specializes in contractual accounting for film and television programs with a focus on performing audits of production and distribution on behalf of profit participants. He also has consulted on entertainment litigations, profit sharing arrangements and settlement negotiations of audit claims.

Klass began his career at Green Hasson Janks in 2009. He currently oversees participation audits and consultations at various studios, including Paramount Pictures, Lionsgate, HBO and The Weinstein Company. Prior to joining Green Hasson Janks, Klass worked at Sony Pictures Entertainment, where he managed issuance of profit participation statements and coordinating worldwide third-party audits for creative talent and financiers.

Klass leads the Filmed Entertainment Sub-Niche at Green Hasson Janks and is a member of the Motion Picture and Television Fund. He co-authored the Firm's 2015 whitepaper, *New Media Trends: Consolidating to Meet Consumer Demands.*

Klass received his degree from the University of California, Los Angeles. He is a Certified Fraud Examiner and is a member of the Association of Certified Fraud Examiners.

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Dan Landes has more than nine years of public accounting experience and is a senior manager within the Firm's Audit Practice and helps lead the Firm's Media and Technology Sub-Niche. Landes provides accounting, auditing and general business consulting to a wide variety of companies and organizations that span multiple industries within the greater Los Angeles area, specifically within the media and entertainment industry.

Landes has been a guest lecturer at the UCLA Anderson School of Management, teaching Revenue Recognition. He also led a film production accounting seminar at California State University, Northridge, and has been a co-presenter in the 2015 and 2016 CalCPA Motion Picture and Television Industry: Accounting and Auditing Overview course. In addition to guest lecturing at universities, Landes also leads the Firm's recruiting efforts at the University of California, Santa Barbara, is one of the Firm's CPA Champions, is actively involved in the Firm's Mentoring Program, and has led various Firm trainings such as Financial Statement Preparation and Supervision and Review. He also co-authored the Firm's 2015 whitepaper, *New Media Trends: Consolidating to Meet Consumer Demands.*

Landes graduated from the University of California, Santa Barbara, where he received a Bachelor of Arts in Business Economics with a special emphasis in Accounting. After graduation, he worked at PricewaterhouseCoopers within their Consumer Products Auditing Practice and joined the Green Hasson Janks Audit Practice in 2009.

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Leon Janks has over 30 years of experience in the areas of audit and accounting, tax planning and general business consulting. He advises his clients on matters related to strategic planning, profitability, mergers and acquisitions and buying and selling businesses.

As managing partner, Janks helps create a culture of diversity, engagement and positivity at Green Hasson Janks and make it his priority to foster an office environment that encourages employees to grow and develop new ideas.

On a global scale, Janks represents Green Hasson Janks in HLB International (HLBI), a 100 countries network of accounting firms, and travels globally to attend conferences and meet with other international HLBI firm leaders.

He is a member of the board of directors and chairs both the Audit and Finance Committees for PriceSmart, a publicly held company in San Diego. He is also a member of the California Society of CPAs and the American Institute of Certified Public Accountants.

Janks is also a big believer in giving back to the community and is on the board of directors of the Jewish Federation and is the chairman of the Audit Committee. He also serves on the Board of Trustees for Milken Community High School.

Janks has a master's degree in Accounting and a bachelor's degree in Commerce.

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Ilan Haimoff has over 20 years of accounting experience and leads the Green Hasson Janks Entertainment and Media Practice. His specialty includes profit participation audits on behalf of talent, investors and co-producers at both the major and mini studios. Haimoff currently oversees participation audits at various studios as well as the royalty and litigation support department.

Prior to joining the Firm, Haimoff was the chief audit executive at large private companies where he oversaw company-wide anti-fraud programs and the execution of annual internal audit plans, including third-party audits. His public accounting experience includes internal audit experience for Big Four firms, and he has also worked on various forensic accounting, due diligence and other agreed-upon procedure engagements. He has written various articles and is a regular speaker focusing on internal controls, anti-fraud, profit participation and royalty.

Haimoff leads the Entertainment II ProVisors group and is a member of the Professional Advisory Committee of the Motion Picture and Television Fund, the Advisory Board to the Los Angeles Chapter of the Licensing Executive Society, the Beverly Hills Bar Association Entertainment Division, the California State University Chancellor's Advisory Council on the Entertainment Industry, the Institute of Internal Auditors, the Association of Certified Fraud Examiners and the AICPA.

Haimoff is a Certified Public Accountant (CPA), a Certified Internal Auditor, a Certified Fraud Examiner and Certified in Financial Forensics by the AICPA. He holds a bachelor's degree in accounting from California State University, Northridge.

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Jason Booth has over 11 years of experience in public accounting and specializes in international tax consulting assisting both U.S. companies with operations overseas as well as non-U.S. companies with various U.S. inbound issues.

Booth has extensive experience across a variety of industries including private equity, entertainment, real estate and technology. He first started his career in San Francisco before taking back-to-back overseas assignments first in Sydney, Australia and then in Munich, Germany. While overseas, Booth represented a Big Four accounting firm managing its U.S. Tax Desk and focused on U.S. international tax planning and transactional work (M&A and tax due diligence).

Since repatriating to Los Angeles, Booth continues to consult on both U.S. inbound and outbound tax planning and advises clients on an array of U.S. federal and international issues, including finance structuring, tax structuring, intellectual property planning, repatriation and foreign tax credit strategies, tax deferral strategies, cross-border M&A structuring and general tax compliance issues.

Booth received a Bachelor of Arts and master's in Taxation from the University of Washington. He has his CPA from the state of California and is a current member of the AICPA.

KEN BASIN
VICE PRESIDENT, U.S. BUSINESS AFFAIRS
SONY PICTURES TELEVISION

Ken Basin currently works as vice president of U.S. Business Affairs for Sony Pictures Television where he is responsible for dealmaking with talent, producers and licensees in support of Sony's broad slate of television programming (including scripted, unscripted, network, basic cable, premium cable, first-run syndicated and first-run digital programming). At Sony, Basin has served as the lead business affairs executive for the development and production of series such as *$100,000 Pyramid* (ABC), *S.T.R.O.N.G.* (NBC), *The Briefcase* (CBS), *Sneaky Pete* (Amazon), *Good Girls Revolt* (Amazon) and *The Dr. Oz Show* (first-run syndication).

PETER DEKOM
PRINCIPAL
PETER J. DEKOM, A LAW CORPORATION

Peter Dekom practices law in Los Angeles and was formerly "of counsel" with Weissmann Wolff Bergman Coleman Grodin & Evall and a partner in the firm of Bloom, Dekom, Hergott and Cook. Dekom's clients include or have included New York Times best-selling authors and Academy Award winners, including George Lucas, Paul Haggis, Clive Barker, Keenen Ivory Wayans, Jerry Bruckheimer, John Travolta, Ron Howard, Rob Reiner, Andy Davis, Robert Towne and Larry Gordon, among many others. He has been listed in Forbes among the top 100 lawyers in the United States and in Premiere Magazine as one of the 50 most powerful people in Hollywood.

JESSIE KIM
CO-FOUNDER AND CEO, PROSPER VR

Jessie Kim is the co-founder and chief executive officer for Prosper VR, a full-service creative studio and production company specializing in virtual reality content and robotics. The company is a builder and creator of cinematic and interactive VR experiences. Prosper VR has created cinematic VR, interactive VR and 360 video content for brands such as Anheuser-Busch, Samsung, Red Bull, Cushman & Wakefield and Disney. It built the patent-pending Rig Rover, which empowers filmmakers to expand their creative potential and create the smoothest moving experiences possible today. Kim previously worked as a Chief Strategy Officer at Enplug, Inc., a company that powers displays worldwide with its interactive app-based software.

KEVIN MILLS

ENTERTAINMENT ATTORNEY, KAYE & MILLS

Over the past 20 years, Kevin Mills' practice has encompassed all aspects of talent and artist representation and also the financing, production and distribution of entertainment product in the areas of feature film, television and new media. Mills has extensive experience in international television and film distribution and has studied international business transactions in London, England. Internet, computer and digital rights are an important aspect of Mills' services to his clients in both the general corporate and entertainment fields. He has also held senior business affairs positions with several studios, including Republic Pictures Corporation, Independent Artists Company, Hal Roach Studios and what is now Hallmark Entertainment.

KASIA NABIALCZYK

PRODUCER, RATPAC ENTERTAINMENT

Kasia Nabialczyk is a producer at RatPac Entertainment. She has been working with Brett Ratner since 2008, providing creative development, prep, production and post on numerous movie and TV productions. In 2015, Nabialczyk produced *In the Name of Honor*, a documentary about honor killings that got a Netflix release. She was also an executive producer on the feature film *True Crimes*, directed by Alexandros Avranas and starring Jim Carrey and Charlotte Gainsbourg. In addition to studying abroad in both Poland and Italy, Nabialczyk completed the Producing Program at the New York Film Academy and additional film programs at UCLA Extension.

STEVE OXMAN

ENTERTAINMENT CONSULTANT

Steve Oxman is an experienced entertainment attorney and business affairs executive. He is currently serving as a business affairs consultant advising media companies regarding domestic and international acquisition, distribution and exhibition of feature films, television programming and digital content. Prior to this he spent two years as vice president of Business and Legal Affairs at Miramax where he served as the #2 business and legal affairs executive at the company. Before Miramax, he spent five years at Twentieth Century Fox where he was senior counsel in Legal Affairs for distribution and acquisitions. Prior to Fox, Oxman served as senior vice president and head of Business and Legal Affairs at The Film Sales Company, a sales agency for independent films.

WILL TIAO

PRODUCER, FORMOSA ENTERTAINMENT

Will Tiao has worked as an actor, producer and writer/translator for TV, film and stage. His TV credits include *MADtv*, *Yes, Dear*, *Untold Stories From the ER*, *Mind of Mencia*, *The Winner* and the Internet series *Quarterlife*. He starred in and produced the award-winning short film *A Starbucks Story* as well as the independent dark comedy *Stan*. Tiao is best known as the writer, actor and producer of *Formosa Betrayed*, a feature film based on the true events surrounding Taiwanese democracy and independence activists in the 1980s. The film was released theatrically nationwide in North America and is now played in over 40 countries. In 2010, Tiao established Formosa Entertainment with his producing partner John Radulovic.

VIVIANA ZARRAGOITIA

MANAGER, THREE POINT CAPITAL

Viviana Zarragoitia oversees all loan closing and advisory services in the Film and Television Division of Three Point Capital. She previously worked at Lionsgate Entertainment for five years, starting in the Accounting Department and transitioning into the Profit Participation Group. While working in participations, she oversaw the preparation of multi-million dollar film and television distribution deals. She was then promoted to the group's Audit Division, where she managed film and television royalty audits of producers' profit participation statements. She previously worked in the accounting departments at Millennium Films and Bold Films.

GREEN HASSON JANKS EXTENDS ITS SINCERE THANKS TO ALL 2016 ENTERTAINMENT INDUSTRY SURVEY PARTICIPANTS

Green Hasson Janks

Founded in 1953, Green Hasson Janks is one of the oldest independent accounting firms on the west side of Los Angeles. Ranked as a top-20 largest accounting firm on the *Los Angeles Business Journal's* Book of Lists, the Firm has 13 partners and more than 130 staff members that serve over 3,000 clients. The Firm is a member of the American Institute of Certified Public Accountants (AICPA), the AICPA Governmental Audit Quality Center (GAQC), the California Society of CPAs and the California Association of Nonprofits (CAN) and the Public Company Accounting Oversight Board (PCAOB).

Green Hasson Janks is also an independent member of HLB International, a worldwide organization of professional accounting firms and business advisors represented in over 100 countries. This affiliation provides access to the subject matter experts of other member firms in most major cities around the world. Green Hasson Janks is the exclusive member firm of HLBI in Los Angeles County.

About Our Entertainment and Media Practice

The Los Angeles economy revolves around entertainment with more than 100,000 people working for companies that generate tens of billions of dollars for the local economy. With the surge of new media and digital technology, the entertainment and media landscape is no longer comprised of only film and television productions.

At Green Hasson Janks, we customize our services specifically for forward-thinking, entrepreneurial organizations and individuals within the entertainment and media industry. As one of the oldest independent accounting firms in Los Angeles, we have seen the evolution of the entertainment and media industry. We leverage our industry knowledge by providing assurance, tax, royalty and licensing audit, expert witness and litigation support and consulting services.

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