

“You become a brand as soon as you sell one thing so you can either recognize and embrace it or you can deny it and pretend it’s not happening.”

– Taylor Swift

Dedication

To my honors thesis committee for their time devoted to this thesis project over the past year.

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What is the Optimal Pricing Model in
Securitizing the Revenue Streams of Famous Individuals?

A Thesis in Economics

by

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Abstract

This thesis looks to establish an optimal pricing methodology in securitizing the revenue streams of famous individuals, with an application to the singer/songwriter Taylor Swift. First the paper examines historical precedence in regards to entertainment industry and intellectual property securitizations. From musicians, authors, and athletes or telecommunications and pharmaceuticals, the breadth of examples highlights the flexibility in pricing such a highly distinctive asset with potentially volatile future cash flows. An examination of the assets associated with David Bowie, Madonna, and Michael Jackson to the Green Bay Packers, Boston Celtics, and Manchester United shows that the market for entertainment industry and intellectual property securitizations has evolved and changed over time, adapting to the idiosyncratic circumstances surrounding the securitizations. The thesis then builds the theoretical framework surrounding the valuation methodologies applied to the previously discussed historical cases. The six possible securities analyzed through these frameworks are bonds, equity, convertible securities, asset backed securities, futures, and options. As each model provides a unique component in regards to valuation and can offer different benefits to issuers, an optimal model is then constructed based upon the strongest aspects of each of the discussed models. The final model selected was for an equity type of security known as a royalty income trust. This paper argues that the royalty income trust model is best suited to singer-songwriter Taylor Swift. Swift's eight-year meteoric career and five worldwide chart-topping albums make her a prime candidate to test out the royalty income trust model. Providing Swift with the brand building capacity of equity and the legal protection of an asset backed security, the royalty income trust model seems to be the optimal choice not only for Swift but any major brand that has the potential for significant future revenue streams associated with it.

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Section I: Introduction

In October of 2006, a new country artist released her self-titled album *Taylor Swift* after moving to Nashville to pursue her dream of a music career. Country music's latest starlet would go on to conquer not only the country music world but become one of the music industry's most successful artists. Taylor Swift's ever growing stardom has grown and matured with the 25 year old over nearly the past decade. While there were concerns about the staying power of Swift's name in the music industry as she moved beyond her teen years, her gradual transition into the pop music genre along with her strong connection to her growing fan base allowed Swift to thrive with each new album.

With Swift's growing brand name, a diversification of revenue streams beyond album sales, tours, and merchandise has emerged. Endorsements and movie deals have taken advantage of Swift's strong brand name and growing fan base. Two very recent decisions on Swift's part have skyrocketed her fame to new highs. In removing her latest album from online streaming platform Spotify followed by her entire music catalogue, Swift guaranteed the first week success of her first pop album *1989*, making it the only album of 2014 to go platinum in its first week and the most successful album's first week since 2003. While Swift would miss out on royalties from the online streaming service, Swift in recent months put a great emphasis on artists acknowledging the value and worth of their music with services like Spotify belittling that value. Additionally, Swift has made a great effort to connect with fans in a variety of methods: via social media and even in person. Swift's personal touch not only enhances her connection with those specific fans, anyone made aware of Swift's acts of kindness have a greater respect for

the artist. These “pro-bono” type activities have significantly elevated her reputation and her goodwill as a brand.

This strong foundation and growth potential for Swift’s brand name makes the pop star an optimal choice for a securitized financial product. While Swift has amassed a great amount of wealth over the span of her career, there is still clear incentive for Swift to issue a security including further enhancement of her brand name, a unique opportunity to connect with fans in a large-scale manner through an issuance, and the potential for a further diversification of her income. There is also an incentive for investors to add a “Swift security” to their portfolios beyond her brand’s growth potential including low or negative correlations with other potential investments including the ten year US treasury, the S&P500, and other securities in the entertainment industry and the noncyclical nature of her income. While entertainment figures typically experience very irregular cash flows due to non-annual album launches, the specific case of Swift sees a general positive trend.

In order to create a security for investors to benefit from Swift’s future success, a specific pricing methodology must be selected in order to structure Swift’s revenue streams. To select the methodology, this thesis will revisit previous entertainment industry issuances and intellectual property securitizations in order to examine general industry trends in terms of a favorable methodology that fits the unique nature of this very niche application: from Michael Jackson, Madonna, and Telecom Italia to the Green Bay Packers and Manchester United. Upon an examination of historical precedence, an in-depth analysis of the more common pricing methodologies available will be conducted

in order to look at the general qualities needed to structure certain products such as equity, debt, futures, and options. This analysis will allow for a selection of the necessary aspects of the various pricing methodologies to apply to the specific case of Taylor Swift. Finally, a fundamental and financial analysis of the Taylor Swift brand will be conducted and a pricing methodology will be selected.

This thesis will prove that based on historical precedence, the pricing methodologies examined, and the issuer and investor perspectives of such a particular investment opportunity an equity type issuance would be optimal. The issuance would be specifically structured as a royalty trust, a separate legal entity that owns the rights to the royalties and can pass along earnings from the royalties to trust unit holders. While royalty trusts are very similar to equity in terms of how they are traded and their level of liquidity, the unique structure allows for greater flexibility in regards to the life of the security and to particular legal confines. The royalty trust would allow Swift the brand enhancement that comes with an equity issuance without the infinite life and the direct legal obligation if there was an equity issuance directly connected to her income.

This very niche area of the market has received limited attention in the United States but has been rather successful in European markets for a variety of industries such as telecommunications. These unique financial assets can provide an uncorrelated opportunity for investors. The noncyclical entertainment industry has a limited presence in the market but has a very strong growth potential with a variety of successful opportunities for investors. A great deal of research has been conducted in particular areas of alternative financing in regards to entertainment industry figures and general

intellectual property securitization. This thesis will tie together all of this segmented research that has been previously completed and through this larger scale analysis of alternative financing, a more optimal pricing methodology can be found to apply to future underwritings in this very niche industry.

Section II: Historical Precedence

The following portion of the thesis will examine historic cases of unique financing and securitization within the entertainment industry and in general cases of intellectual property (IP). In trying to establish an optimal securitization model, it is important to look at previous underwritings utilized as will be seen particularly in the realm of equity, private investment, and asset-backed securities (ABS). Historic examples will vary from the music industry with David Bowie, Madonna, and Michael Jackson to the world of sports with the Boston Celtics, Green Bay Packers, and Manchester United. In each of these cases, proceeds and incentives to enter these contracts also varied from tax benefits and diversification of income to pure desire to own certain assets and undergo certain deals. While this will all go towards a specific application in the case of Taylor Swift in the conclusion of this thesis, the variety of historic cases showcases not only the flexibility of methodologies available but also the variety of applications of these unique financings even outside the realm of the music and larger entertainment industry.

Bowie Bonds

This first historic case is one of the most well known issuances and entertainment industry deals. The Bowie Bonds were also the first successful security issued backed by an individual, something that previously was perceived as impossible. This case is critically important to the overall research question, as this was a successful securitization of a world famous musician, similar to Taylor Swift.

In 1997, British rock legend David Bowie changed the way individuals looked at securities. Based on future music royalties, Bowie issued what would become known as

“Bowie Bonds”. In reality these “bonds” were asset-backed securities (ABS): a financial instrument that derives its value from a specific set of assets. In the case of David Bowie, the assets were any future revenue streams he received from his music royalties. This process of transforming assets into securities is known as securitization. Similar to other securities, the Bowie Bonds can be structured in a variety of ways and can be traded just like any other security, as long as there are individuals willing to buy and sell the security (Sylva 1999).

These special securities are more aligned with derivatives than your standard equity and debt. Instead of the assets going directly to the buyer of the ABS, the assets would go through a special purpose vehicle (SPV) where the buyer of the ABS would then receive the rights to the future cash flows of the assets, which in the case of Bowie was the royalties. While SPVs have grown in their presence in the market, the Bowie Bonds were the first time these instruments were attributed to an individual (Sylva 1999).

Part of the reason the Bowie Bonds were easier to structure was due to how Bowie’s royalties were established. Throughout his career, Bowie mainly worked on his own, from writing the music to performing, so he had sole ownership of the music, allowing him to retain any and all revenue streams that may result. This also allowed Bowie to transfer ownership of the copyrighted material to whomever he wants. While songwriters automatically retain ownership of their work, typically these contracts have an expiration date when they are associated with a label. Additionally, the royalties were based on all music written and recorded prior to 1993 so there was a high level of predictability in the valuation with no need to predict how well audiences would perceive

Bowie's newer music. In the late 1990s, Bowie's contracts were about to expire (Sylva 1999).

Bowie's manager looked into various means his client would still be able to benefit from his contracts before expiration. The proper solution seemed to be an asset-backed bond, which would return to Bowie \$55 million. While the 7.9 percent fixed 15-year instrument was sold privately to Prudential Insurance Company, this development in the market was impressive and extremely important. The private sale was preferred due to fewer filings with the Securities and Exchange Commission (SEC) and upon expiration of the bonds, Bowie would regain his music copyrights upon the condition that all bond payments were made. In order to secure compensation for holders of the security, lines of credit were established and could be tapped into for financing if the royalty payments decreased so that bond holders would still receive their guaranteed payment. In addition to tax benefits for Bowie in this issuance, the value of the royalties were also set at the present value at the time of issuance so Bowie was able to gain more from investors than had he potentially waited a few years to issue the bonds (Sylva 1999).

Bowie's established reputation in the industry made him a great first time issuer for this very unique market. Investors could feel confident that they would most likely receive all of their promised payments. Bowie had been in the music industry for decades and all of his records sold in the millions so investors could feel quite confident that the security was a fairly sound investment. While the Bowie Bonds could be compared to a typical bank loan, one of the reasons that the issuance was favorable to a loan was based on how the value of the assets, his royalties, would be viewed. Even though a bank, in

regards to issuing a loan, may have concerns over the liquidity of the assets, David Pullman, the man responsible for structuring and issuing the Bowie Bonds, could give a more proper value to the royalties and get Bowie a higher return than possible through a loan (Sylva 1999).

Like any other investment, there were general concerns for market volatility especially for such a unique and new security. An example of this was seen in September 1998 when the market for Led Zeppelin bonds crashed due to market speculation and concern over a major decline of the Asian demand for classic rock, a time when there were various other problems in Asian economies. One of the very important pieces of the Bowie Bonds was not only the security of the line of credit to ensure all bond payments but also due to the fact that the royalties were global and a decline in one market could be balanced out with strong returns in other markets (Sylva 1999). Therefore in the case of Asia in the late 1990s, while there were many economic and financial problems in the region that would lead to reduced demand for entertainment, the economies and markets of countries like the United States were booming and could make up for the decline in other regions.

While there were many benefits to the securitization that Bowie undertook with his royalties, such as access to capital at a much lower rate and tax benefits, there were potential concerns with this specific case of securitization. Even though the case of Bowie's issuance proved to be fairly successful, there is a general concern of lack of interest of artists to enter these contracts due to lack of need for that much capital. From an investor's perspective, there may also be concerns with consistent cash flows from the

royalties and also the legal sensitivity of copyright ownership. There were many legal hurdles Bowie had to leap over in order to make the bonds a sound investment for investors to feel protected in case of bankruptcy and to also try and avoid that situation completely with a line of credit associated with the issuance. These specific legal issues will be explored further in the next portion of the thesis in a more detailed discussion of asset-backed securities and the Bowie Bonds (Fairfax 1999).

While the Bowie Bonds did not really hit major markets, having mainly been purchased by J.P. Morgan and Prudential, the deal opened up a brand new realm of possibilities for capital raising with intellectual property. Around the same time as the Bowie Bonds, Pullman arranged a similar issuance for a Motown song writing team who were responsible for major hits by Diana Ross & the Supremes and other famous Motown artists. Marvin Gaye also completed a securitization two years after Bowie for estate planning purposes. Beyond just Pullman, larger investment banks began structuring similar deals including Royal Bank of Scotland (RBS) who completed a structuring for London music entity Chrysalis Group plc, with the transaction worth around \$100 million. These securitizations were not just limited to the entertainment industry with some pharmaceutical companies also getting in on the trend (Holman 2009).

Although Bowie was not the first issuer of these securities, his issuance was one of the more famous cases that really highlighted an area of finance that was for quite some time very niche. In the early 2000s, volatile capital markets made these bundled securities seem much more attractive. There was particular growth in Europe due to increasing concerns for the economic future of Europe and rising debt levels of various

European nations. The securitizations locked in longer term financing and even though there were many risks associated with these issuances, the investments seemed relatively safer than anything else available in European markets (Capell 2002). While there was great interest in these issuances in the early 2000s following the Asian financial crisis and dot-com bubble, this surge of interest in issuances and investing has since diminished. The United States did not see this same level of interest in securitized instruments due to the fact that most corporations did not have to issue riskier, securitized assets. If anything it highlights the relative strength of the American economy and markets compared to Europe both then and potentially even today where continued economic woes still plague the region. Even though the idea behind the Bowie Bonds was particularly fascinating to investors at the time of issuance, now particularly following the 2008 crisis which was dominated by strange financial instruments, it seems investors would be much more cautious to any unique securitizations.

Other Music Industry Cases

As Taylor Swift is a music industry leader, it is important to note other important unique financial deals in the industry. The music industry, beyond David Bowie, is notorious for unique deals mainly focused on royalties, the main revenue stream for artists. Madonna's private equity deal with Live Nation and Michael Jackson's acquisition of music royalties of other artists present other financing opportunities potentially available for Swift.

In October 2007, pop star Madonna made the decision to leave her long time record label Time Warner for Live Nation in a \$120 million deal. The 10 year deal

included a \$17.5 million signing bonus, around \$55 million for advance payment for her next three albums, \$50 million in a combination of cash and equity to promote her concert tours, retaining 90% of revenues from her concert tours, and retaining 50% of income from licensing her image. While Madonna did have a successful career in the past, there was no guarantee that her later albums would be as successful especially considering the fact that Live Nation signed this contract when Madonna was 49 years old, well beyond the usual prime for a pop artist. In order to break even on the investment, Madonna would have to sell 45 million albums over the three albums, which in the age of free online music could be a challenging task to accomplish. Additionally, Time Warner still owns Madonna's entire music catalogue up to her more recent 2008 album. However, if Madonna's albums and concerts prove to be extremely successful, Live Nation would have made a great investment (Pitt 71).

There is clear incentive for Madonna to enter this contract. In terms of album sales, she is guaranteed around \$55 million for her albums, which is a particularly attractive deal with the current trend for album sales. While Madonna could pick up the loss from album sales with revenues from her tours, which typically sell very well, she would be guaranteed a decent amount of revenue on her next few albums. She would only give up a small portion of her largest revenue driver, concerts, while locking in value for her albums (Pitt 72-73). Madonna was able to leverage her lengthy, successful music career in this agreement, which was a huge risk for Live Nation. Most artists would not have the luxury to lock in such a great contract without the strong brand name and success of someone like Madonna.

It may seem extremely risky for Live Nation to take such a chance on Madonna mainly due to her age as opposed to a younger artist who has a stronger growth potential. While the deal could prove to be potentially profitable, more importantly it allowed Live Nation to expand their revenue streams from solely tour promotion. Having a huge star like Madonna agree to move from a large record label to Live Nation was more of a long-term strategic decision on the tour promoter's part. While there was a negative short-term impact on Live Nation's share price following the announcement of the deal, the potential long-term benefits make the risk and short-term costs worthwhile (Marshall 2013). Following the agreement with Madonna, Live Nation went on to sign other well-known artists in a "360 deal" including Alicia Keys and Lady Gaga. In Live Nation's 2008 announcement to try and sign 17 'A category' performers, Live Nation's share price rose 2.2%. Madonna has gone on to host very successful worldwide tours under her contract with Live Nation.

Following his death in 2009, Michael Jackson left much behind including the entire Beatles catalogue. Early in their careers, Paul McCartney and John Lennon signed a contract with Northern Songs that passed along ownership to over 250 Beatles songs. Northern Songs eventually became part of ATV Music Publishing, which owned around 4,000 songs. Beginning in 1982, Jackson went on a royalties purchasing frenzy and bought up the rights to countless popular songs including ATV Music Publishing in 1984 for \$47.5 million. Owning every Beatles song allowed Jackson to license any renditions of Beatles hits and while Lennon and McCartney would get a portion of the licensing deal, Jackson would receive the most on the deals and he was the only individual who

decided contract prices including licensing “Revolution” to Nike for \$500,000 in 1989 (Warner 2014).

This was a huge investment for Jackson that saw very immediate returns throughout the late 1980s and early 1990s. In 1995, Sony offered Jackson \$95 million for ATV Music, double the price he paid in 1984, and Jackson would retain complete ownership of ATV on top of 50% ownership of Sony’s massive music catalogue. Jackson’s 50% ownership stake 20 years later is worth around \$1 billion, proving to be another solid investment for Jackson that outlived him (Warner 2014). Jackson used his early earnings from his music career to invest in a long-term project with regular cash flows. Jackson had complete pricing control and invested in one of the strongest names in music: The Beatles. The partnership with Sony allowed Jackson to keep control of timeless music while acquiring access to new hits. Similarly to the case of the Bowie Bonds, a strong brand name in the music industry can be a safe and extremely profitable investment particularly in terms of royalties.

However, unlike with Bowie who issued his own royalties and had a clear financial purpose in doing so, Jackson’s purchase of the Beatles music royalties from a diversification perspective does not make a lot of sense. A large portion of his own personal income came from royalties from his own music. Part of Jackson’s motivation could have been solely the desire to own every Beatles song ever written but the Beatles catalogue is highly correlated with his own income. While the later deal with Sony did in fact double his initial investment, Jackson should have considered diversification. This diversification could have come in the form of special securities that utilized the royalty

payments as the underlying cash flows for the security, as seen with the Bowie Bonds. This could have been completed with either his own personal royalties or perhaps a portion of the 4,000-song catalogue he purchased from ATV Music.

Following the fallout of the 2008 financial crisis, there were few opportunities for major financial transactions. While complex financial instruments are the focal point in the blame game for the 2008 market meltdown, many funds looked to other complex financial instruments through securitization. This securitization specifically focused on intellectual property (IP) and spanned a large breath of industries: from television, film, and music to drug patents. This was also extremely beneficial to the companies who owned the property as they could spin off specific patents or units of their business for a larger amount than they most likely would have at market value. Similarly to the structure of the Bowie Bonds, the securitized IP products for music property were based on the stream of payment from royalties. However unlike in the case of Bowie, some of the music securitizations dealt with entire songbooks for a variety of artists. For instance, Crosstown Songs America's 8,000-plus-song book had a wide array of artists in the catalog: from Britney Spears to Tina Turner (Holman 2009).

Beyond purely music royalties, artists also have the rights to all other products legally associated with them and their music. For instance, Hilco Consumer Capital worked closely with the family of Bob Marley in a deal. Marley's brand contained any products associated with him including clothing and accessories. This takes into account any fees from the trademark on those products that regularly stream in as royalties do. Again, as the Bowie Bonds had royalties act as collateral on securities that were similar

to bonds, these securitizations functioned in the same form just with additional collateral through licensing fees from the trade mark associated with a specific artist. This also allows for corporations or private equity firms that own them to diversify their capital mix or portfolio. This could also be seen as cheaper access to capital than the rates they would have received elsewhere through loans or other more traditional financial products (Holman 2009).

Generally speaking, a variety of individuals in the entertainment industry have toyed with the idea of issuing an ABS based on the future revenue streams for their work. From musicians like Rod Stewart to authors like Toni Morrison, and numerous athletes, they have all considered and even issued these securities. Even larger entertainment entities have issued financial instruments to help support projects such as when Twentieth Century Fox in 1996 raised \$1 billion through bonds based on revenues from future films. Outside of Hollywood and into the world of sports, Newcastle United Football Club discussed a potential securitization of future ticket and merchandise sales (Sylva 1999).

Trends in the Industry: IP Securitization

As previously mentioned, royalties are a large portion of a musician's revenue. These royalties can also be considered intellectual property (IP). IP goes well beyond just the music industry and can be seen in practically every industry including telecommunications.

Securitization allows for easier access to needed capital for acquisitions or to pay off outstanding debt. There are numerous examples of firms taking part in these

securitizations including Dunkin' Donuts, Rampage, and Joe Boxer. This unique financing opportunity, while growing in popularity, also takes on a greater deal of risk, as the company would continue to leverage itself in the issuance. Even though this leverage could lead to potentially higher return for investors, particularly the private equity funds involved, with that leverage does come the inherit risk. Additionally, companies with high credit ratings typically do not issue ABS, which highlights the risks within this market, but investors are compensated for that additional risk with higher potential returns. Particularly, as relatively safer markets are quieter, riskier markets like the one for ABS benefit as investors look for greater returns. The added complexity of the securities makes it much more difficult for investors to fully comprehend what they are really investing in than with plan vanilla issuances like straight debt or equity (Holman 2009).

Outside of the realm of entertainment, securitization has found popularity in the telecommunications realm particularly in Europe. This is due to the fact that many European telecom firms are heavily indebted and their access to capital is limited. For this reason, ABS are an attractive, cheap financing option. One example is when Telecom Italia securitized future receipts of telephone bills (Capell 2002). In 1999, the Italian government passed a law, Law 130¹, requiring that all securitizations must utilize an SPV, which would require a financial institution to collect the payments from the underlying asset on behalf of the holders of the security. This separates any risks

¹ Law 130, introduced to the Italian legal system in 1999, formally introduced securitization to the Italian market. This spurred a massive increase in Italian securitized issues from 1999 to 2011, peaking in 2001 due to the dot-com bubble and 2009 due to the sub-prime mortgage crisis. Law 130 established Italy as the second most active market in Europe, following the United Kingdom (Loprete 2012).

associated with the security from the bondholders and puts all the risk on the financial institution. This had a negative impact on Italian corporations that often utilized securitization due to the favorable rating typically received for asset-backed securities (Unmack 2002).

Law 130 also required that securitization could only occur with current receivables not future receivables so many smaller corporations that would use the capital through securitizing future revenue streams were prevented from utilizing this capital raising metric. Telecom Italia, to go around this legislation, utilized various financial institutions in their umbrella group to service the securitization: BNP Paribas, Finanziaria Internazionale, and West LB. Companies that did not have immediate access to financial institutions as Telecom Italia did would have to completely pass along their assets to a third party in order to create the SPV which in cases where there are various receivables for the asset, it is important that the company itself is able to successfully “service” the revenue streams for the underlying assets (Unmack 2002). Similar to the structure of the Bowie Bonds, the Telecom Italia securitization utilized future cash flows from intellectual property to create an instrument that locks in a set amount of capital at the present based on investor expectations of the future of the underlying assets.

Prediction Markets

As with any investment, investing in the entertainment industry is heavily reliant on future expectations: from album and ticket sales to future endorsements, there is some degree of uncertainty. The following section will focus on just that: future expectations. Prediction markets are based on futures markets and have presently expanded to various

aspects of the entertainment industry, particularly film, television, and the celebrities who star in those programs. This is relevant to the overall examination in regards to Swift because investors are making projections on future performance and additionally, there have been cases in the entertainment industry in which this particular example has been seen.

Similarly to futures markets, prediction markets look to estimate the results of future events through aggregating the views of all market participants. Often times, contracts in prediction markets are binary where investors will for instance decide which candidate will win the presidential election or if the US economy will go into a recession at some point in the future. Typically, the contracts in prediction markets revolve around political or macroeconomic events but the market has developed and expanded into other realms. The results from these contracts have been fairly accurate in predicting future events and more efficient than polls or experts in some cases. One reason for this could be due to the fact that because money is associated with these contracts, individuals may feel more inclined to be honest as opposed to being randomly polled on the street. One area of uncertainty in terms of legislation with prediction markets is whether they should be considered gambling entities, in which case all state and federal gambling laws would impact them, or if they are closer to futures market. If the prediction markets are viewed more so as futures markets, they would actually fall under the realm of the Commodity Futures Trading Committee (CFTC) exposing them to a different set of legislations than if they were considered purely gambling entities (Ennis 2008).

Other prediction market contracts include “index” contracts, which pay out incrementally as the mean value, the market price, changes. This could be compared to the payoff for equity where as the price of the stock increases, the payoff for shareholders increases. A third type of contract is a “spread” which goes beyond a standard binary contract where a result needs to reach a certain threshold in order for the contract to payout. This could be compared to sports betting, particularly in football, which is why this market can be in some cases considered gambling. While the original markets mainly focused on political events, like the Iowa Electronic Markets, or economic events, these markets have expanded into the realm of entertainment through sports betting and even the success of movies and movie stars through the Hollywood Stock Exchange (HSX) (Wolfers 2004).

While sports betting is an industry that has existed for quite some time, the HSX is fairly unique from anything seen before. In using virtual currency, individuals on the site spend “Hollywood dollars” on different contracts for films and actors in order to predict how well a movie may do over its opening weekend, total box office returns, and predict whether certain actors or films will win major awards. A typical Initial Public Offering (IPO) prospectus on the site includes general information about the film plot, cast members, current stage of production, release date, and genre. The site has grown and now includes television shows and celebrities. Typically, the celebrities on the site have some experience in film or television. The value associated with different securities listed on the site defines their entertainment or brand value. The securities are derivatives, which derive their value from revenues the movie, show, or individual brings in under a

certain time frame as the contracts for films have expirations but those for individuals do not. Mutual funds have even been created on the site based on specific investment criteria and individuals can invest in these funds (Wolfers 2004).

Sports

Just like Taylor Swift and Madonna, sports teams have strong fan bases and hold their own place in the entertainment industry. While the entertainment industry generally has a great deal of volatility, sports teams typically have a more stable and consistent fan base as fans tend to remain loyal to their teams for life, even passing on that tradition to their children. This steadier fan base may explain why there have been more security issuances for sports teams as opposed to musicians but there is a trend emerging that also focuses on particular athletes as they begin their careers.

Long before David Bowie even entered the music scene, another entity in the realm of sports entered the financial markets in a seemingly less complicated fashion. The Green Bay Packers sold stock in the team franchise in 1923, issuing 1,000 shares at \$5.00 per share. Through legal changes in the status of the corporation, new issuances would occur in later years including in 1935 and 1950. Unlike in a standard corporation, individual investors were limited in how many shares they could own. In 1998, Green Bay issued shares for the fourth time in the team's history. Typically the use of proceeds would go towards stadium renovation and any other needed repairs that season ticket revenues were not enough to cover. Unlike other sports teams that have a steady pool of capital that can be tapped into for these expenses, Green Bay was not in this position and had to rely on capital raising methods. Originally, the issuance of stock was a way to

build a strong fan base, as the fans would have the opportunity to be directly invested in their team (Lascari 1998).

Due to regulation with the National Football League (NFL), investors in Green Bay had very limited benefits in their stock ownership. With the inability to make a profit on these shares, no tax benefit, and no legal protection with securities legislation, it may seem odd as to why someone would actually invest, if this could even be considered an investment. Shockingly enough, the 1998 issuance raised \$24 million for the football team (Lascari 1998). The main, and really only, reason for the successful capital raising was due to a strong fan base. The ability for a fan to have a stake in their favorite team does not need incentive of potential profit or protection from the SEC. While the choice to invest is not rational, devotion to a sports team or favorite artist cannot be explained by reason.

This strong devotion to team was highlighted in a more recent 2011 stock issuance where the team was looking to raise \$130 million to help renovate the stadium. Each share was valued at around \$200 still with a lack of profitability, dividends, or any legal protections however, shareholders would be invited to annual meetings at the stadium where they could play on the field, tour the locker room, and enjoy other perks. This could be comparable to the privileges enjoyed by Berkshire Hathaway shareholders who are invited to attend a special annual weekend filled with events in Omaha, Nebraska. The issuance of shares is also seen as preferable to using tax dollars from the American public to help renovate stadiums, a fundraising method used by most teams in the United States. There is also a strong sense of pride in owning shares with some fans

buying shares for their children or even putting titles like “NFL owner” on various social media outlets. Unlike other sports teams who were owned by a few wealthy individuals, the Packers stand alone as owned by the public and specifically their fans. This is again a strong source of pride and leads to greater support for the team as a whole (Associated Press 2011).

Similarly to Green Bay, the Boston Celtics also issued equity but unlike Green Bay, the shares were publically listed on the New York Stock Exchange (NYSE) under the ticker BOS. The Boston based National Basketball Association (NBA) team issued shares in 1986 and the offering accounted for 40% ownership in the team, with shares listing at \$17.50. As the shares were publically listed, shareholders reaped the benefits that come with ownership of any stock that is publically listed including securities protection, annual reports, and the possibility of a dividend, which was prohibited in the case of Green Bay. The dividend provided a clear opportunity to make profit, unlike in the case of Green Bay where the issuance was reliant solely on fan loyalty (Lascari 1998).

Revenue streams for the Celtics included home game tickets, television licensing deals, cable network deals, and any income from radio broadcasting. Very early on in the season, the Celtics could fairly accurately predict potential income and expenses for that season, with expenses mainly based upon player contracts. One issue for investors was the pattern of revenues, which was reliant on the time frame of the season. With a fiscal year ended September 30 and the season not beginning until November, the first quarter was marked by a majority of the team’s expenses and very little income as the season had

not really begun. While this is a clear risk in investing with a sports team, the Celtics still wanted to attract investors through the presentation of other investment opportunities the team undertook such as an acquisition of a larger stadium, allowing them to increase ticket sales along with ticket prices, and the purchase of a Boston based radio and television station (Lascari 1998). This would allow for a slightly more diversified revenue stream for the Celtics that was still connected to the team, allowing for future benefits to the core business.

After nearly two decades as a publically listed entity, a local private investment group, Boston Basketball Partners L.L.C, purchased the Boston Celtics. The small group of four managing board members consisted of local individuals who were raised as Celtics fans. This again touches back to the idea of loyalty to sports teams and was most likely a major reason for the group to make the purchase and bring the Celtics private again (NBA 2002). The non-regular revenue streams for the team, while completely understandable in the sports world, are not as comforting to investors. This irregularity is a major concern in most areas of the entertainment world, not just in sports. The uncertainty in the entertainment industry along with this irregularity substantially heightens risks for investors in this realm.

Capital raising efforts were also seen on the ice with the Florida Panthers. The National Hockey League (NHL) team launched an IPO of Class A Common Stock on the NASDAQ in 1996 under the ticker PUCK. While the 2.7 million-share issuance at \$10.00 per share was very similar to the Celtics, there was one major difference. Individual investors had to buy blocks of shares, with blocks equating to 100 shares. The issuance

successfully raised \$66.3 million with proceeds mainly going towards paying off debt in regards to franchise costs. About a year later, the company issued more equity under the ticker PAW, raising \$76.1 million with proceeds going towards the leisure and recreation portion of the brand along with funding for potential future acquisitions (Lascari 1998). Similarly to the Celtics, the Panthers were attempting to effectively utilize the capital in order to keep shareholders happy through a diversification of revenue that was still connected to the core portion of the business, the team itself.

The capital raised from the 1997 issuance led to a flurry of acquisitions particularly in the realm of resorts and the general leisure businesses in addition to the home stadium for the Miami Heat, an NBA team. One issue was the heavy focus on diversifying solely in the leisure space was not only potentially dilutive to current shareholders, as acquisitions could be paid for partly in equity, but also because the heart of revenue for the Panthers came from the actual team itself. Similarly to the Celtics, the Panthers costs were seen very early on in their fiscal year, as revenues would not come in until actual season play began. In addition to the inherent risks of investing in a sports franchise, other risks were presented to investors including fluctuations in potential profitability, future debt restructurings, and the potential sale of assets or operations in order to maintain needed capital levels to cover expenses. Unlike the Celtics, there would be no dividends paid to shareholders so there was a greater risk in not seeing any profit on this investment due to NHL bylaws that prohibits the payment of cash dividends. With the diversification of the business into leisure came risks inherent in those industries as

seen with the various lawsuits faced by the Panthers shortly following the initial capital issuance in 1996 (Lascari 1998).

The large number of acquisitions did not go unnoticed by shareholders particularly with the issuance of a report stating the Panther's shares were overvalued. The overvaluation came from the fact that the team was performing poorly and the other portion of the revenue streams was a large number of hotels. It seemed that the team owners, if their initial investments did well, would continue to make more acquisitions and investments in the leisure industry which was of great concern to investors, leading to a sharp drop in the share price (Lebowitz 1997). A large concern was that the team owners were not focusing on making the team better, which should have been their main goal, and instead were making outlandish purchases and investments in hotels and other leisure type businesses. While public companies will try to make efforts to appease investors, they must also remember that before making any creative financial decisions, they must ensure that the core business is solid particularly due to the fact that investors were not expecting much more than the returns from the team and any assets directly associated with the team.

In the world of baseball, the Cleveland Indians issued two classes of shares in 1998. Capital was desperately needed by the team in order to keep up with rapidly increasing costs. The IPO launched between \$14.00 and \$16.00 on the NASDAQ under the ticker CLEV. Unlike in the case of the Panthers and Celtics, emphasis was placed very early on to long-term performance of the team itself as opposed to quarterly financial returns to shareholders. The value of the brand was based not on a diverse

revenue stream but on how the team performed in season along with the talent and fans attracted to games and purchasing merchandise. All of those secondary factors were reliant on the Indians winning games (Lascari 1998).

In focusing on the long-term performance of the team, there would be no intention to pay dividends but instead those future earnings would be reinvested in the franchise to help improve the team as a whole. Class A shareholders would have one vote per share while Class B shareholders had 10,000 votes per share but the team's owner and chairman retained 99.88% control. Potential risks of serious injury or death of players was covered through insurance policies purchased by the team, something very common in the world of sports. While revenue streams were similar to other teams there was the additional stream from advertising, including on the radio, on the Indian's website, in game programs, and in the Indian's stadium. Similarly to the Panthers, the Indians made it very clear that in the future capital infusions may be needed in order to maintain all operations, which may lead to the sale of equity, diluting outstanding shares (Lascari 1998).

The \$60 million raised through the IPO was used to cover the quickly increasing costs associated with player salaries and stadium improvements. A major issue for investors is the fact that baseball does not see a great deal of growth: there are only so many tickets and hot dogs to be sold and only so much a team can do in terms of broadcasting contracts and deals. The Indians not only issued at a very bullish time in the market with dot-com stocks beginning to take off, the Cleveland team was also at the top of their game having just won the American League in the previous season. With little

growth in the stock, investors seeking returns could easily look into the countless dot-coms flooding the market. In terms of team performance, the main focus for investors in this case, there was not really much room for the Indians to improve, only room to decline (Veverka 1998).

While the Panthers put a great deal of emphasis on expanding revenue streams, the Indians were much more limited in their abilities to do so which may in fact have been a blessing in disguise. As a member of Major League Baseball (MLB), the Indians would need to go through rounds of approval from the MLB in order to expand into business areas outside of baseball (Lascari 1998). This limitation forced the Indians to maintain their focus on the core business: the team itself. While diversification is a great thing it seems that the Panthers went too far and their efforts caused more harm than good as seen through the various lawsuits and additional risk that came with the expansion into so many different, unique businesses.

Securitization in the sports world is not limited to the United States, as previously mentioned the Newcastle United Football Club considered a securitization of ticket sales. In 2012, Manchester United sold off a stake of their corporation in public shares in order to raise \$233 million through their listing on the NYSE under the ticker MANU. More than half of the shares came from the Glazer family, Americans who also own the NFL's Tampa Bay Buccaneers. The IPO range of \$16.00 to \$20.00 was above the final IPO price of \$14.00 per share but with 16.6 million shares issued, the club still raised a large amount of capital. The purpose for the capital raising was to pay off the large amount of debt the team had, \$622 million at the time of the offering. While Manchester United is

very well known in the world of soccer with a very strong fan base, there is no guarantee that the 134-year-old club would always perform well on the pitch. The uncertainty in the world of sports, particularly in soccer, was perhaps a strong reason for the club to price below the expected range as there was a strong possibility of seasons with poor performance, impacting profitability (Farrell 2012).

Two years after Manchester's IPO, the concerns for weak performance seasons lives on. The past two seasons have seen very weak performance from the team as management continues to try and improve the team's rankings through pouring a great deal of money into purchasing new players. Investors were well aware of this and in the span of 2 months in the fall of 2014, the share price fell 12 percent. Investors are not just focused on solely the team's winning percentage. In an earnings report in late September of 2014, the team reported revenues down 10 percent, most likely a reflection of the team's poor performance on the field. Two thirds of the team's revenues are derived from longer term broadcasting deals and sponsorship contracts so teams like Manchester United can survive some poorer seasons in the long run, but in the short run that performance can impact the investors' perspective of the value of the team (Stock 2014).

Fantex Holdings

The final historic example examined in this section is a very recent development in financial deals in the entertainment industry that goes well beyond what has been previously been done in sports: investing in individual athletes. While there is a clear issue with purchasing an equity ownership stake in an individual, this final section will examine ownership in the brand of an individual not in the individual themselves. This is

very important because in the final securitization of Taylor Swift it is her brand that she has established for herself that investors will allot financial capital towards in the hopes of future growth.

Fantex Holdings is devoted specifically to investing in the equity of individual athletes, allowing individuals access to a stake in the brand of newly signed professional athletes. While the amount of issuances is limited in number and only to American football players just entering the NFL, the development is still noteworthy.

Fantex hosts a private market where investors can invest in individual players just as investors would purchase stock in a company like Microsoft or Boeing. The players derive their value from the future value of their brand including player salary, any endorsements, and any other deals they may make throughout and after their career. Just as companies that list on exchanges like the NYSE or the NASDAQ, individual players would have an IPO and a formal prospectus for investors to look into all potential risks with their investment. However unlike investing in Microsoft, there are a great deal of larger risks associated with this market particularly the fact that if the player has enough of a bad injury, the whole value of their brand could be compromised. On the other hand, those risks are inherent in the entire entertainment industry. Additionally, as the market is limited solely to Fantex issuances, there is limited liquidity and market activity (Queenan 2013).

Before examining further how these specific securities work, it is important to understand that the shares traded on the Fantex exchange are not purely equity as is traded on the NYSE. The shares are actually convertible tracking stock so shareholders

do not have a direct relationship with the brand contract but instead with Fantex, which has a separate contract with the athlete. This means that shareholders will not own the brand itself but merely something meant to replicate the brand's growth or decline. Investing with Fantex would also give shareholders exposure to any risks associated with the corporation, including risks associated with any other Fantex issuance. So while investors are separated from risks associated with the specific athlete, they are exposed to a variety of systemic risks within the Fantex system. The tracking stock is linked to the economic performance of the brand and the purpose of the issuance in the first place is to enhance the overall value of the brand particularly because the athletes that are issuing are new athletes just going professional (Reuters 2014).

Just as any other securities, the issuance of Fantex tracking stocks file a formal prospectus with the SEC that outlines all potential risks for investors to be aware of. The prospectus also contains information on how the tracking stocks function and further insight on Fantex as a platform. There is also a section devoted to valuation, which is not as common in standard security issuances, but due to the unique nature of these issuances, Fantex and the SEC must have felt it necessary to dive into those details. In terms of brand valuation, Fantex looks to the potential for revenue growth for individual athletes, which includes performance on the field, appearance, personal background, any current endorsements, and their actions as individuals (see Exhibit A). All of these factors culminate together to give value to that individual as their own personal brand and the likelihood that companies would trust the individual as a sponsor or spokesperson. Factors involving performance on the field could impact future sports contracts, which

could then trickle into endorsements with major brands, impacting future cash flows for the individual. Even aspects such as their level of engagement on social media can have an impact on their valuation due to the fact that their actions on social media could have a very strong impact on their image, positive or negative (Securities and Exchange Commission 2014).

Fantex would move forward by taking the capital invested in a particular athlete and working to improve their brand image through investing in the athletes themselves. This “brand enhancement” could be done through the potential acquisition of new endorsement contracts but the athlete is not legally bound to have to take newly acquired endorsements through Fantex and the endorsements are not guaranteed to enhance the brand image and marketability of the athlete. The tracking stock is based on the income and assets of the athlete. The long-term goal for Fantex is to build out their own personal portfolio through the brands associated with their athletes, investments that would outlast the careers of the individual athletes (Securities and Exchange Commission 2014).

Just as corporations receive a large amount of capital through a security issuance, athletes with Fantex would receive a large initial amount of capital as well. In the contract with the athlete, there may be a clause that within a set amount of time following the contract signing, if the player is seriously injured or suffers a major medical condition, the brand contract can be terminated and the athlete would be required to pay back Fantex a larger amount than initially received. If the contract is honored, Fantex would receive an ownership stake in the athlete’s brand that is translated into the tracking

stock issued to individuals on Fantex's platform (Securities and Exchange Commission 2014).

The concept of purchasing ownership shares in an individual can seem questionable from an ethical perspective but what was once seen as a form of bondage has now been viewed as an investment in individuals and their future prospects. Beyond Fantex, other corporations have arisen recently that allow for the investment in individuals who will use the invested capital to further their education or begin a new business venture. Similarly to purchasing shares of a publically traded company, this investment will allow for investors to benefit from potential future profits of the individual they are providing capital to. In a more simplistic view, even when students take on loans to pay for their college education, this is seen as an investment in the individual and their future profitability (Schwartz 2015). This is very similar to the goal of Fantex which uses invested capital to help enhance the brand and image of the athletes on their platform.

Section III: Valuation Methodologies

This second portion of the thesis will examine potential pricing methodologies that could be used in the final application to Taylor Swift. The specific models examined are based on the previously discussed historic issuances, such as equity and asset-backed securities, and common financial instruments issued by firms or selected by investors, such as bonds, futures, and options. Each section will focus on the models themselves as well as positive and negative aspects to issuing the specific security. While one specific model in the following section cannot be completely applied to the case of Taylor Swift due to questions of the ownership structure of the security as well as the unpredictable cash flows, aspects from each of the pricing methodologies can be used in the final application.

Bond Pricing

The first securitization methodology to be examined is fixed income or bonds. The following section will break down the theoretical mechanics behind bond valuation as well as instances when bond pricing is the optimal choice for an issuer. Bonds are typically the easiest to calculate in comparison to other models and they do have potential benefits including tax deductible coupon payments and the issuer would retain complete ownership. However, the legal complexities associated with this contract including regular coupon payments and a proper assessment of credit make it rather difficult to completely fit Swift's particular issuance due to irregular cash flows typical of the entertainment industry. Even though the model would not be a perfect fit, aspects of the debt instrument will be useful in the final valuation.

One of the most commonly issued securities for capital raising purposes is fixed income or bonds. Bonds are debt instruments that firms may issue to raise capital without forgoing any ownership power in the process. Firms may choose to issue bonds over equity in a variety of instances including in bearish markets and for funding projects with regular cash flows. Additionally, depending on a firm's target capital structure and their current credit rating, bonds may be preferred. However, in increasing debt levels, firms are also increasing their leverage so this is important for firms to keep in mind when considering which capital raising metric is best for them.

In a more simplified form, bonds are priced as follows (1):

$$P_B = \frac{Par}{(1+r)^n} + C \cdot \left[\frac{(1+r)^n - 1}{r(1+r)^n} \right]_1$$

In this instance, the price of the bond (P_B) is dependent on the par or face value, the regular coupon payments (C), interest rate or Yield to Maturity (YTM) (r), and maturity (n). This methodology is essentially discounting the cash flows used to pay off the debt.

Typically, bond payments are made on an annual, biannual, or quarterly basis. Bond face values are usually \$100 or \$1,000 with a premium bond having a price above the face value and a discount bond having a price below the face value. This formula is an annuity and future value approximation and is a function of time along with the previously mentioned YTM, par value, and coupon payments. An annuity is a financial instrument that provides fixed payments over the life of the instrument, seen with the coupon payments, and future value utilizes interest rates to determine the value of money in the

future. The future value also gives insight as to opportunity cost for investors as they may receive a higher return from just leaving that same amount of money in the bank or in a safe government security without the additional risk the security provides. Compensating for risk with relatively higher return is a topic that will be discussed later on in the equity section. This approximation is used due to the fact that it is easier to analyze the cash flows particularly in the securitization of the revenue streams into this specific financial instrument. P_B is a function of supply and demand for the bonds in the market where investors will give a value to the bonds in the market based on the previously mentioned factors.

In putting this in the context of the Bowie Bonds, which will be elaborated on in a later section, the coupon payments would be the royalties as typically royalties will follow a regular pattern particularly for older songs that have established a trend over time. Coupon payments, as previously mentioned, are legally required and the revenues towards those payments must be regular and consistent in order to meet that legal requirement for the bonds so ideally royalties would be a perfect fit to cover those payments. This is very different from cases of equity as seen with many of the sports team examples previously discussed. Equity valuation, which will be examined in greater detail in the next section, focuses on all cash flows entering the entity and while consistent cash flows are not needed as in the case of bond coupon payments, regular cash flows tend to be more reassuring to investors in examining the financial soundness of the issuer.

The YTM is central to the value of the bond and reflects the level of risk associated with the issuer and in essence the security itself. Approximations of YTM (2) can be calculated as follows:

$$YTM_A = \frac{AI}{AP} \quad 2$$

Where AI = Average Income for the bond and AP = Average Price for the bond:

$$AI = C + \left(\frac{Par - P_B}{n} \right) \text{ and } AP = \frac{P_B + Par}{2} .$$

To properly assess the risk profile for the security, a debt security issued from a firm with a similar risk and industry profile can be examined. In analyzing the YTM of the issuance from a similar firm, also known as a comparable, a general pricing for the new issuance can be determined. This concept of comparable analysis will be further examined in the equity pricing section.

As mentioned previously, bonds are a very common capital-raising tool due to the growing market, ability to retain ownership, and the multiple instances in which debt can be issued. Multiple bonds can be issued at the same time or over a shorter span of time as opposed to equity in which most capital raising with equity occurs with the IPO and after firms can conduct secondary offerings but this is usually not preferred. Shareholders tend to be a bit more concerned when firms continue to issue equity not only because it is dilutive to current shareholders but it also raises flags of liquidity concerns. Additionally, coupon payments are tax deductible for firms as opposed to dividend payments, seen with equity, which are not.

While bonds can be extremely successful in helping a firm raise needed funds, a firm's credit rating is critical in the structuring of the security as the greater the risk profile the more investors need to be compensated through higher coupon payments. Additionally, as bonds are debt the more bonds issued, the higher levels of debt a firm has and, in turn, the more highly leveraged the firm is. Due to their higher seniority, bondholders have a legal obligation to receive payments and can sue when coupon payments aren't made as opposed to equity shareholders who do not have the same heightened level of legal protection. The regular, legally binding, coupon payments lend themselves to projects with regular cash flows in order to maintain those payments so bonds may not be optimal in funding projects with irregular cash flows or projects that will not see a payoff until much later in the life of the project.

Equity Pricing

Another commonly issued security by firms and also individuals in the entertainment industry is equity, or stocks. The flexible structure and potential brand enhancement through the issuance make equity a very attractive option for issuers. Equity is ideal in circumstances of brand enhancement and fans in particular could feel more connected to Swift as shareholders in her brand. Previous issuers of equity in the entertainment realm have been attracted to not only the brand enhancement aspect of equity but also the avoidance of a required credit rating along with being relatively cheaper than debt. However, an equity issuance passes along a portion of ownership from the issuer to investors as shareholders. As public entities, corporations are required to disclose all of their financials each quarter, there is no tax benefit on dividend payments,

and there is the concern about having an ownership stake in an individual. However, even with these potential concerns, valid insight can be gained from the equity model in specific application to Swift.

Stocks are ownership shares in a company, typically being traded in public markets like the NYSE or NASDAQ. Firms will receive all capital raised from equity solely in the initial offering of shares, an IPO, or in some instances a secondary equity offering (SEO). While firms cannot raise capital through equity often, the cases when equity is used often raises a larger amount of capital than with other security issuances like bonds. Equity is preferred when capital raising for projects with irregular or delayed cash flows, in bull markets, or when firms are unable to raise capital through loans or bonds. Certain firms may not be eligible for debt due to their credit rating and may have no choice but to forgo ownership shares in their company to raise funds. Additionally, companies with publically listed shares, also known as public companies, must follow regulations with the SEC including public quarterly and annual filings to enhance transparency for investors.

Equity, however, is much more flexible in nature, is lower in seniority rank so it does not have the same legal protections found with debt, and dividend payments are not required, as coupon payments are legally required with bonds. In this case, equity can be seen initially as cheaper than debt but overtime, equity may become more expensive if the share price rises and the firm is considering issuing dividends or buying back shares, as seen in Exhibit B with a sample Cost of Capital graph. The cost of debt, on the other

hand, is fixed over a set period time as it has a maturity date, typically in the 5-10 year span, while equity lasts as long as the company is public.

In the realm of equity, there are four basic valuation methodologies: market valuation, comparable companies analysis, precedent transactions, and discounted cash flow (DCF) analysis. Typically with these valuations methodologies, the valuation results are joined together with different weights placed on the various valuations, creating “spreading comps”. The spreading comps and the corresponding weights on each of the valuations will vary by case for instance, in one case the DCF may seem like a more accurate representation of the equity value so it will receive a greater weight in the spreading comps. Typically, market valuation and comparable analysis have lower valuation figures than precedent transactions and DCF analysis but explanations for this will be explored later on in this section.

In terms of valuation, market valuation is the easiest to calculate and is also known as the market capitalization, the number of shares outstanding multiplied by the current share price. Upon going public, the market valuation would be very simple to calculate for Swift. This can only work for currently public companies and is extremely market dependent, relying solely on market performance. Similarly, the comparable companies analysis looks to similar companies that are already public in determining the equity valuation. This includes a strong understanding of the business and financial profile of the target company including sector, goods and services produced, size, profitability, and growth prospects. Once a solid group of comparable companies are selected, various multiples and metrics are calculated for those companies in order to

create a spread, a range of valuations in order to properly value the target company (Pearl 15-16).

The previously mentioned market valuation is utilized in calculating the size of comparable companies in addition to enterprise value, all ownership interests in the firm from equity and debt holders. As there are already a large number of comparable public companies in the entertainment industry, it would be simple enough to compile the multiples of these already public entities. This would provide a more market-oriented insight into how realistically the Taylor Swift security would be viewed by investors and traders. Enterprise value consists of market valuation, total debt, preferred stock, and non-controlling interest, an ownership stake in which the investor has no say on company decisions. Any cash the firm has is subtracted due to the belief that any excess cash would go towards shareholders, in share buybacks or dividends, or in paying off debt. Other important metrics focused on size are sales, gross profit, earnings before interest taxes depreciation and amortization (EBITDA), EBIT, and net income. EBITDA and EBIT are particularly popular comparative metrics due to the fact that both do not take into account differing tax rates or capital structure, making it easier to compare different companies within the same industry. Based on the important size factors, profitability metrics are created including gross profit margin, EBITDA or EBIT margins, and net income margin, all relative to sales. Similarly to comparable bond valuation, companies with similar credit risk profiles are also important to look for in establishing strong comparable candidates (Pearl 32-35).

Upon complete analysis and formulation of comparable metrics, various multiples are created including Price-to-Earnings (P/E) ratios which takes the current share price divided by earnings per share (EPS), a multiple particularly insightful for mature companies with consistent earnings growth. There are also various enterprise value multiples including EV/EBITDA along with sector specific multiples. After all of these ratios and multiples have been calculated, a formal valuation can occur and serve as the basis for the final valuation. To derive the final implied share price, one can take the equity value multiplied by net income and divide by the number of shares outstanding. While comparable companies analysis is fairly straightforward, easily calculated, and very current, it is very reliant on the market, it can be difficult to find good comparable companies, there is not a great emphasis on cash flow allowing for a lower valuation, and this methodology does not fully take into account any target company-specific concerns, focusing solely on the industry and general market (Pearl 44-52).

Precedent transactions, similarly to comparable companies analysis, utilizes multiples and a variety of comparable transactions but in the realm of mergers and acquisitions (M&A) and restructurings. While not as prevalent as the comparable companies, enough precedent transactions have occurred in the entertainment realm that it would be possible to gather insight on market value for entertainment industry figures such as with Madonna and other Live Nation artists via the 360 deals. Under the precedent transactions analysis, there is a belief that the value of a company can be determined based on the purchase price a company was bought for. In this case, the comparable companies would be the ones acquired in these previous transactions but in

coming from such a different perspective than previously seen with the comparable companies analysis, other important factors need to be brought to mind. These factors focus on the concern that these transactions happened in different time periods with different market conditions and specific deal dynamics that could have impacted the final price. These dynamics include motivation for the transaction, the process of the sale, payment consideration, and the nature of the deal itself. The type of buyer will impact the sale price, for instance a strategic buyer, another firm, will typically pay a higher price than financial sponsors, for example a private equity firm, due to potential synergies from the deal. Synergies are potential reduced costs or increased benefits that could only be realized through the completion of the deal allowing for a premium associated with the final purchase price (Pearl 75-77).

The process of the sale will also impact the final price for the transaction. For instance, an auction process will see a higher price due to multiple potential buyers as opposed to a negotiated sale, which is limited to one buyer. Additionally, if the acquisition is a hostile takeover as opposed to a friendly sale the final price for the transaction tends to be higher. Finally how the transaction is paid for will impact the final price. There are three options with purchase considerations: all cash, all equity, or a mix of cash and equity. All stock transactions tend to have a lower valuation than all cash transactions because target shareholders would have equity ownership in both firms and expect an upside in the share price from the potential synergies realized with the deal (Pearl 77).

Similarly to the comparable companies analysis, multiples are created in order to determine a proper valuation. In the case of precedent transactions, there is a focus on the acquired companies such as offer price per share, which in cases of equity purchases includes an exchange ratio, the number of shares of the acquirer's stock in exchange for each of the target's stock. This exchange ratio is used in calculating equity value. In cases of cash in the purchase, the cash offer per share is also included in the equity value. The offer per share price is also used in various multiples to measure equity value, using EPS and net income, and enterprise value, using EBITDA, EBIT, and sales. As previously mentioned, there are also typically premiums found in these deals due to the synergies resulting from the deal. As this typically creates a higher valuation, various multiples account for this premium including the percentage of the price that was the premium and also synergy adjusted multiples. The premium percentage can be calculated as offer price per share divided by the closing share price prior to deal announcement. Additionally, the synergies-adjusted multiple can be compared to EV/EBITDA in order to reflect the difference the synergies have on the valuation. The final valuation is derived from the various multiples and ratios calculated (Pearl 89-93).

Just as seen with the comparable companies analysis, precedent transactions analysis is very market oriented and is fairly straightforward to calculate, as it is also a multiples valuation methodology. It is also fairly simple to compare the multiples across a variety of deals. Precedent transactions analysis also avoids having to make any assumptions about future performance for the company however the method is not perfect. It can be seen as potentially too market based and precedent transactions can be

based on deals that happened years before particularly if it is hard to find a good comparable. Additionally, many M&A deals involve private companies so it can be challenging to find the necessary target information in addition to any transaction information. The higher valuation may also not only be a result of the synergies but also acquirer expectations of future financial performance, which is the result of various assumptions made (Pearl 94).

The final equity valuation methodology commonly used is the DCF analysis. Unlike the previously mentioned market oriented methodologies, DCF utilizes fundamental valuation in order to determine an intrinsic value based on cash flows. This method would provide a more easily quantifiable figure due to reliance solely on cash flows and the financials of the issuer. While this may be more difficult in instances of newer artists, a more established artist like Swift that has years of proven success have the historical performance that would benefit more from this model than perhaps those newer artists. Additionally, this methodology is not comparative in nature and focuses solely on the target company. However, the DCF analysis requires assumptions to be made about future cash flows. The free cash flows (FCF) and terminal value, the remaining value beyond the projection years, are discounted by the target's weighted average cost of capital (WACC). FCF is cash generated by the firm after all operation and tax expenses are accounted for as well as any capital expenditure and working capital. WACC is reliant on the capital structure of the firm and takes into account firm specific and general market risk. In addition to projected cash flows, the DCF utilizes a variety of

assumptions through a sensitivity analysis in order to examine valuation under a variety of market conditions (Pearl 109).

WACC (3) is critically important to the DCF analysis and is written as follows:

$$WACC = \left(\frac{E}{D + E} \right) \cdot R_E + \left(\frac{D}{D + E} \right) \cdot R_D \cdot (1 - T_C) \quad 3$$

In WACC, $\left(\frac{E}{D + E} \right)$ = portion of equity in the capital structure, $\left(\frac{D}{D + E} \right)$ = portion of debt in the capital structure, R_E is the return on equity, R_D is the return on debt, and T_C is the tax rate, highlighting the tax deductibility of bond coupon payments. R_D can be calculated based on the YTM discussed in the previous section and R_E can be calculated using the capital asset pricing model (CAPM) as follows (4):

$$R_E = E(R_i) = R_F + \beta_i (E(R_M) - R_F) \quad 4$$

In this case R_F = a risk free rate, typically U.S. government securities of approximately the same maturity as the expected life of the target company, β_i = beta or the amount of covariance between the security and a market index, and $(E(R_M) - R_F)$ = a market risk premium or the difference between expected return from the market and a riskless security. CAPM combines level of risk and market conditions to give an expected level of return for equity (Pearl 124-129).

An important part of WACC is the capital structure and deciding how much equity or debt a firm wants to take on. This will vary by firm and change over time as

market and firm conditions change. Every firm has an optimal capital structure and while comparable companies can be looked to in their capital structure, the optimal structure is typically where WACC is lowest. Initially as a company takes on more debt, the tax deductibility of bonds makes bonds more attractive but as firms continue to issue and increase their leverage, there may be concerns of the financial soundness of the firm and WACC begins to increase (Pearl 125-126).

Once the FCF, terminal value, and WACC have been established, the present value of all the cash flows are taken and discounted by WACC in order to come to an intrinsic equity value for the firm. Using the previously mentioned sensitivity analysis, a range of values is established and the midpoint is typically used as the final valuation. Overall, the DCF model is cash flow based and is very fundamentally focused. The valuation is not impacted by market fluctuations, there is a great deal of flexibility, and there is no reliance on trying to track down comparable companies. However, the model is highly dependent on the assumptions made in regards to the future cash flows and also the terminal value. There is also no flexibility in the capital structure over the time span analyzed which may not be very realistic (Pearl 134-139).

The important thing to note is that alone, each of these methodologies is flawed but combined together in an overall analysis, great insight can be gained on the value of the target company. Equity valuation provides a lot of flexibility in terms of spreading comps. While equity does lead to loss in ownership in the firm, it is often a cheaper method to raise capital and can enhance the brand name of a company more so than a debt issuance.

Special Equity Valuations: Sports Teams

In building off of the previously discussed equity pricing, the following section will examine some specific equity pricing and valuation in respect to the sports team examples discussed in the previous portion of this thesis. This showcases a direct application to a similar entertainment industry case, in this specific instance the case of two sports teams. This highlights the flexibility of certain aspects of the equity valuation model based upon the particular industry of the issuer. While the metrics utilized for the sports teams are not exactly what would be used in the case of Swift, they provide insight into potential unique metrics that could be used for Swift.

While the previously discussed equity valuation is focused on actual companies, how were the historic examples described earlier valued using the same methodologies? Just as any other company, sports teams have revenues, costs, and are businesses in their own right. For example, with the equity issuance of the Boston Celtics, the team had a calculated value of \$875 million based on the team value on their arena deal at the time, including only arena debt. This could be seen as the Celtics market value. Based on official financial records for the team, metrics such as EBITDA can be calculated and the change in value was based upon the team's value compared with the last transaction price, similar to precedent transactions. As mentioned in the comparable companies analysis, certain sectors will have unique metrics that are utilized. In the case of the Celtics, metrics such as wins-to-player cost can be a good comparative metric when looking at other basketball teams or generally speaking other sports teams. Also unique to sports and perhaps to the entertainment industry is the value of a franchise or brand

particularly in driving revenue. This is another important comparative metric that could be used in this realm. These same metrics were used in a similar light with the NHL's Florida Panthers, another sports team previously discussed that issued equity in the 1990s (Forbes 2014).

Convertible Securities Pricing

Convertible securities, also known as “converts”, take on components of debt and equity, both of which were discussed in the earlier sections of this portion of the thesis. As a hybrid security, convertibles take on positive aspects of both debt and equity while having a bit of flexibility in regards to the structure. While this model has not been used in any similar issuance previously, the lower levels of regulation to comply with along with avoidance of a credit rating make the convertible an attractive option however, equity would need to be issued at one point from the issuer and the market is rather niche. Additionally, shareholders typically do not like convertibles due to how dilutive in nature they can be. However, this hybrid security can provide additional insight into the case of Taylor Swift due to how the product encompasses positive aspects of both debt and equity.

Converts are debt-equity hybrid securities that have bond and equity call option components. Essentially, converts function as bonds until the issuer's share price hits a certain point, known as the strike or exercise price. At this point, holders of the convert would be able to receive some ratio of shares for each security held. Upon maturity, converts can be settled in a combination of cash or equity if they are not converted while “in-the-money”. Converts are a very niche product but the market has grown in recent

years due to near zero interest rates and higher market volatility. Standard converts also have the tax benefit associated with coupon payments on bonds, unlike convertible preferreds which for tax purposes are more equity like. Typical issuers of converts are companies with more limited financing options, companies who have issued previously, or non-rated companies. The other additional benefit of converts is the fact that while they are debt like, issuers do not need to be rated in order to issue unlike in the case of bonds where an issuer must receive a credit rating. For this reason, many riskier firms typically issue converts but in recent years, many investment grade companies, such as AAA rated Microsoft, have entered the converts' realm. Due to their debt like nature, converts receive a higher seniority in the capital structure.

While there are many benefits and levels of flexibility with converts, including how lightly regulated the market is, that market is still very niche in nature and the issuer typically needs to be a public entity or plan to go public in the near future. Additionally, the share price is negatively impacted with the news of a convert issuance due to how dilutive in nature converts are and also because hedge funds utilize a convertible arbitrage strategy putting bearish pressure on the stock price. However if a call spread overlay (CSO) or capped call is utilized or if proceeds go towards a share buyback, the share price may actually rise with the issuance announcement.

Typical buyers of converts include hedge funds, traders, or big supporters of the issuer. Hedge funds will often utilize a convert arbitrage strategy that allows them to go "long" the convert and "short" the stock, in which they would earn money as the share price fell. Converts can also be traded just as any other securities and some investors

want to continue investing in specific names but want to diversify their exposure beyond just equity and debt. Individuals interested in converts like the downside protection with the debt portion of the instrument while being able to benefit from any potential equity upside. This can be seen in Exhibit B where regardless of where the share price for the company is, holders of converts will never do worse than both equity and debt but will also never outperform both equity and debt. Converts are a nice middle ground where investors are able to take advantage of the best aspects of both equity and debt.

The two main assumptions in pricing converts are stock price volatility and credit spread. Greater volatility increases the likelihood a stock will reach the conversion price and be “in-the-money”. The credit spread reflects the level of risk employed in terms of likelihood to default. This spread is based on a risk free rate or credit benchmark such as the London Interbank Offered Rate (LIBOR) and the greater the spread, the riskier the asset. These components are both utilized in the overall valuation of the convert: part bond and part warrant, derivative securities issued by the companies themselves. Further broken down, the value of a convert (5) is as follows:

$$B(V, F, T; c(t)) + \lambda C(V, T, F/\lambda; c(t))_5$$

In this case, V represents value of the firm’s current assets, F is the face value of the convert with $c(t)$ representing the coupon payments, and T as time to maturity. The second portion of the equation represents the warrant and specifically λF representing the exercise price. The warrant can also be considered a call on the issuer’s equity (Nyborg 1996). While converts do offer a level of flexibility and convenience, they are

also relatively much more complex than other securities and require the issuance of equity at one point in the life of the convert.

Pricing Asset Backed Securities: Bowie Bonds

The previously discussed Bowie Bonds are technically considered asset backed securities, even though they carry many of the components of a bond such as the regular coupon payments and the required credit rating. As this methodology was successfully applied to the case of David Bowie, the use of a similar structure in the case of Taylor Swift is very attractive. Even though there was previous success, Swift would lose access to whatever revenues are allocated to the security and the question of assigning a credit rating can prove to be a bit more complicated in this instance but Bowie and other artists successfully used this model in capital raising so it is important to consider this model.

While the Bowie Bonds seemed like a completely new and innovative idea, the structuring of the product itself was not. Similar to the products most famous for bundling home mortgages in the 2000s, the Bowie Bonds were constructed in a similar fashion. Typically, underwriters look to find assets that are easily identifiable, possible to determine their present and future value, and have little variation in the frequency of income to the assets. The issuer also must be able to survive without those revenue streams, as the issuer will lose that income over the life of the security. In the case of David Bowie, the assets were the future revenue streams from his music royalties. While there was only one source of revenue, Bowie's established reputation in the music industry relieved potential concerns about the stability of future income. Additionally, Bowie already had such a high net worth that he could live without the income of his

music royalties. The asset was moved from Bowie to a SPV in addition to the extra line of credit that could be tapped into if the revenue stream was not enough to pay investors what they were legally guaranteed. This extra guarantee makes the investor feel more secure about their investment and therefore is viewed more positively by rating agencies. The size of the line of credit may vary due to the variance in frequency of income to the underlying asset as well as the number of sources that income derives from. The larger the number of sources, the lower the risk as the revenue streams would be more diversified (Sylva 209-210).

As mentioned in the previously discussed background of the issuance, Bowie used royalties of his composed and recorded music prior to 1993 so the valuation would be based upon historic figures and required fewer assumptions than predicting future revenue streams. Had the royalties been based on Bowie's future music, there would be greater risk due to uncertainty in how the music would be accepted. However one problem with the royalties was that some of his music was published prior to the 1976 Copyright Act and fell under the 1909 Copyright Act. The slight issue with this was any of his music under the older legislation passed on royalties to Bowie's heirs upon his death. Bowie's lawyers went around this problem by having all heirs give up their ownership of the royalties to any of the music protected by the 1909 Act. While there would be some basis on historic performance, there is no guarantee his music would continue to do well. The only slight uncertainty would be in looking for potential variation in the royalties but more likely than not, the royalties would remain fairly constant over time. Also those royalties came from markets throughout the world

allowing for diversification of revenue and pooling of risk from potentially weaker markets in the future. This is extremely important due to the fact that investors were relying on payments from a single revenue stream so there was already a lack of diversification (Sylva 211, 223).

Something critically important in understanding the revenue breakdown is in understanding the components of the music royalties. An artist like David Bowie would receive income any time one of his songs played on the radio, was played on online stations, used in video games, on websites, used in film or television, in advertising, and of course when the music itself is bought and sold by individuals. Additionally, Bowie is not just an individual in this case, his royalties would continue to take in income as long as individuals purchased his music so even in the event of his death, the holders of the Bowie Bonds should have no concern over whether they would still receive payments on their securities. This is enhanced due the fact that the royalties were based on music released prior to 1993. Additionally enhanced technology was also beneficial to Bowie due to when his music was originally released. As music technology developed from vinyl and tapes to CDs and MP3s, the sound quality improved, giving consumers the opportunity to purchase those same songs but with a better quality (Sylva 211). While this new technology may have had a short-term benefit for Bowie in the 1990s and 2000s, it presents a whole new set of issues for artists today with individuals having easier access to free music through the Internet.

Another critically important piece to the structuring of the Bowie Bonds is the establishment of an SPV. As mentioned previously, the Special Purpose Vehicle, or SPV,

takes the asset underlying the security from the original holder of the asset. Typically, an SPV is a legal entity that can be a corporation, an owners trust, a limited liability company, or any other entity that allow the product to be structured. The purpose of the SPV is to isolate the asset from the original issuer so that while the issuer no longer has access to any income from that asset, all potential risk associated with the issuer is legally separated from the assets. While investors may still associate the assets with the issuer, legally there is no connection between the two entities. Typically the process of moving the assets from the issuer to the SPV is through a true sale: “a sale by the originator of its right, title, and interest in the asset which is to be securitized by the SPV,” (Sylva 220). This is mainly done for purposes of potential bankruptcy of the issuer throughout the life of the security. In the event of the issuer filing for bankruptcy and a true sale hasn’t occurred, the holders of the security issued through the SPV could potentially not receive any of the guaranteed payments and legally the investors would not be able to fight for those payments.

The establishment of a corporation for the SPV is often favored due to its flexibility and the potential to limit all activities to those necessary to fund the security. While there are limits to financial activity for the SPV, the entity can still hold some amount of debt as well as issue multiple securities to the capital markets to raise funds. Typically, individuals are more familiar with the structure of a corporation and the bankruptcy procedures that go along with it. However with that structure also comes specific taxes but this will vary based on the originator of the assets. There are also protective measures established with this structure in regards to bankruptcy. Similarly to

the true sale status, bankruptcy remote separates the SPV from the originator in time of bankruptcy. While this does not prevent bankruptcy from impacting the SPV, there is a legal cushion established in order to protect investors. These measures would have to be established early on in the charter of the SPV to be effective. The Bowie Bonds established the SPV as a corporation for tax purposes, bankruptcy, and for Bowie's estate planning, one of the main drivers for the issuance in the first place (Sylva 218-219).

The actual issuance of the Bowie Bonds followed the standards of any asset-backed security with a great deal of emphasis on all potential bankruptcy issues. Additionally, the securities must also be rated by accredited rating agencies where there is an analysis of all potential risk with the SPV and the security itself. This is all fairly standard practice for debt instruments. A component unique to this specific security class is the line of credit, or credit enhancement, that can be dipped into when income from the underlying assets fails to meet the required payments to investors. These credit lines are extremely important in the rating process and can come in two forms: internal and external. Internal credit enhancement comes from the original holder of the asset, in this case Bowie himself, or the corporation that serves as the SPV. The SPV could enter into financings to ensure the security makes all payments to investors and take on a limited amount of debt. The external line comes from a third party source and while it comes with an additional cost it can provide greater security to investors. To have a third party serve as the safety line of credit reduces the risk of the security compared to the same entity also serving as the additional credit line. At the time of the Bowie Bonds, rating agencies were hired to evaluate and give the official rating of a security. In the case of the

Bowie Bonds, Moody's Investors Services was selected and gave the security a 3A rating, which is considered investment grade. One of the main reasons for such a high rating was the guarantee from EMI, an A-rated record company, that the security would reach maturity (Sylva 227,229). Another important factor in the bond's high credit rating was due to the fact that Bowie no longer had a connection to the royalties that backed the securities. Had Bowie attempted to issue without the use of an SPV, he would not have been able to receive such a favorable rating therefore limiting the amount of capital he could raise in the issuance (Bloomberg 1). The Bowie Bonds were extremely reliant on the efforts as well as the financial stability of EMI because EMI owned the distribution rights to Bowie's music through a 15-year contract and could also act as an external line of credit. While Bowie's credit rating would eventually slip to just above non-investment grade or junk status by 2005 due to weaker than expected growth in the music industry, many of the musician ABS from Pullman initially received favorable ratings for the reasons previously mentioned such as James Brown's issuance in 1999 which received a A- rating, investment grade, from Fitch. Upon the maturity of the 15-year security, ownership of the royalties would return to Bowie however due to the bond's downgrade, the bonds were eventually called ending all payments to holders of the security (Sylva 229).

For bankruptcy purposes, ideally a third party should service the securities. This includes the monitoring of the securities themselves as well as ensuring all payments are made to investors. However, in involving a third party, there are tax implications and additional fees involved so this should be kept in mind with the charter of the SPV.

Futures Pricing

As previously discussed with the example of prediction markets, futures are driven by the expectations of investors for the value of an underlying asset at a later point in time. As this methodology has been commonly used in the entertainment industry, more so recently with exchanges like the Hollywood Stock Exchange, there is a strong argument for utilizing futures in the case of Taylor Swift. Futures could also be compared to the Fantex trading stocks that track the performance of the individual athletes without being directly invested in them. Typically futures are not held out until expiration as this would entail delivery of the assets and they are usually traded for short-term profit. The underlying assets can be a variety of things: from financial assets such as stock indices to agricultural commodities like corn or wheat.

Futures markets consist of two types of buyers: hedgers and speculators. Hedgers are the original investors in this market and are typically involved in the agricultural industry. They are called hedgers due to the fact that they would hold onto the contracts until expiration in order to lock in a price for the various agricultural commodities regardless of what happened to food prices in the market, using the futures as a “hedge”. Overtime speculators became involved in the market and are not interested in the underlying commodities and assets, merely wanting to make money off the buying and selling of the individual contracts. Speculators today make up the large majority of this market and provide liquidity through the large amount of trading. Futures markets typically involve a great deal more of capital than equity and debt markets as futures contracts involve a large amount of the asset with each individual contract.

The valuation of a futures contract involves two important steps: the value of the underlying asset followed by the value of the contract itself. The value of the underlying asset will vary depending on the specific type of asset: whether debt, equity, or even just royalties for instance. Once that value has been established, the value of the futures contract can be determined. As the futures contract is meant to determine a future price for the underlying asset, the valuation is therefore forward looking. The theoretical model known as the cost of carry model (6) is as follows:

$$f_{t,T} = (S_t - c)e^{r(T-t)} \quad 6$$

The forward value is determined by the current market value or price of the underlying asset, S_t , with c representing any regular payments made from the asset over the life of the contract such as coupon payments, the assumed interest rate over the time frame (r) over the life of the contract, $T - t$. In the case of a bond or any asset that provides additional payments, such as coupon or dividend, over the life of the contract, an implied yield would be calculated as part of the forward value of the asset. The implied yield value formula, also known as the Newton method of iteration (7), is seen below:

$$v'^{f'/d'}(c + ga'_n + 100v'^n) \quad 7$$

In the Newton method, v' is the future value of the yield, f' is the number of days from contract expiration before the next payment is due, d' is the number of days in the half year ending on the next payment, c being the amount of payment due at the next established date, g is the fixed half-yearly rate on the payments, n as the number of half

years between the next payment date and contract expiration, and a_n ' as a summation of v ' over n time (Frino 2014).

As discussed earlier, futures are a bit more complex with a limited time frame on the individual contracts. While the market for futures has expanded rapidly over time and is very liquid, the pool of investors in this market is rather limited due to the high level of entry costs associated with trading in the market. Additionally, futures tend to build off of other financial assets such as stocks or bonds so while futures would be extremely diversified and very forward looking, it is not really a capital raising metric for issuers and is more so a diversification tool for investors.

Black-Scholes Model Pricing

The Black-Scholes Options pricing model, while the most complex model and not a capital raising tool, utilizes the concept of constant volatility and probabilities which are particularly insightful in looking at the revenue streams of an entertainer. While realistically the Black-Scholes model would be more suitable in helping Swift in decision making scenarios, aspects of the model can be useful in the final valuation used due the how much volatility and risk comes with the entertainment industry particularly focusing solely on one person. Direct applications to the entertainment industry have even been seen particularly with television programming and the example of *Seinfeld*.

Similar to futures, options are based on other assets, typically financial assets that allow individuals to buy, or sell, the underlying asset at a set price at some point in the future. Options can be compared to a form of insurance that guarantees a price for a security and can also be utilized in a variety of different trading strategies. Again just like

futures, options are fairly limited in the individuals involved in the market due to the higher additional cost associated. However, even with this higher cost, options are still a fairly popular financial instrument that has its own benefits and risks.

Individuals planning to buy the underlying asset will buy a call option while individuals planning to sell the underlying asset or believe the underlying asset will decrease in price in the future will buy a put option. Call options are worthless if the underlying shares do not go above the strike price, therefore being “out-of-the-money”, and put options are worthless if the underlying share price does not fall below the strike price. Within the realm of options there are two very common types: European, where the option cannot be exercised until expiration, and American, where the option can be exercised at any point until and including expiration. Options are restricted to equity and publically traded shares are necessary for options to be utilized (Shinde 2012).

The Black-Scholes model was the first, popularized options pricing model. The model assumes the options are European, there is no arbitrage, and the model focuses on the following factors: current share price (S), strike price (X), volatility of the underlying stock (σ), time to expiration (T), dividends to be paid, and the risk-free rate (r). Below is the first derivative of the Black-Scholes pricing model (8) for calls and puts utilizing the factors just listed:

$$\begin{aligned}
 C_{call} &= S\phi(d_1) - Xe^{-rT}\phi(d_2) \\
 P_{put} &= Xe^{-rT}\phi(-d_2) - S\phi(-d_1) \\
 \text{where } d_1 &= \frac{\log(S/X) + (r + \sigma^2/2)T}{\sigma\sqrt{T}}, d_2 = d_1 - \sigma\sqrt{T}
 \end{aligned}$$

Based on this original equation, the following derivation can be taken: $\frac{dS}{S} = \nu dt + \sigma dX$

with ν as the average growth rate of the asset. Therefore, the change in the share price is dependent on the growth rate and volatility of the asset over time. It is for this reason that options are particularly valuable for high growth stocks with high betas. Of course high growth and volatility does come with both great risk and also great potential return (Shinde 2012).

Options, while a great tool for investors, are not typically useful for capital raising however, the use of the Black-Scholes model in non-traditional applications has grown due to the accountability of risk the model takes on. For example, options theory, particularly the Black-Scholes model was used to decide whether TV broadcasters should move forward on investing in a television program series. Based on minimum returns on investment (ROI) needed for television shows, the model was utilized partly because of the great level of risks that comes with starting a new television program. There is a great deal of initial costs when first investing in a television series and often only limited insight on how well the show will be perceived by audiences, impacting advertising revenues during the program. There are a variety of television program options including “scale”, projecting how long the show will last, “temporary”, pushing off high cost programs from airing in low rating times of the year, “kill”, a program with no future, and “switch”, potentially changing the time slot to reach a different demographic. The switch option was actually used for the NBC show *Seinfeld* when the show was pushed to Thursday nights (Bughin 2000).

The television-programming example of the non-traditional use of options showcases the flexibility of use of the model. While the model is flexible and has seen successful application in other areas, it is still reliant on the issuance of equity in terms of monitoring financial performance. Alone, similarly to futures, it is not a capital raising method but more so an investor tool or even a projection tool that can help in management decision-making. What makes this model so powerful and useful in a variety of ways is the focus on volatility and, therefore, the focus on risk. Depending on the industry, this attentiveness to risk can be extremely insightful and useful. What makes this model worth discussing is not in relation to capital raising capabilities, which are nonexistent in this case, but more so in attempting to truly quantify the value of something like an individual which will rely more on probability, which is in itself risk, than a typical corporation. The Black-Scholes model would be useful in conjunction with a typical security valuation model in order to unlock and fully understand the true overall value of the individual.

Methodology Summary

After an in-depth analysis of the most commonly used pricing methodologies, it is important to note which aspects of each model could prove to be helpful in the case of Taylor Swift. Beginning with fixed income, bonds are typically the most straightforward model. Bonds would allow Swift to forgo any financial disclosures in the capital raising process along with the tax deductibility associated with the regular coupon payments. An equity issuance would focus more on enhancing Swift's overall brand as she could directly connect with shareholders who would more likely be her fans. Additionally, an

equity issuance would not require Swift to receive a credit rating, is cheaper than debt, and there is flexibility in terms of the ownership structure. Convertibles also do not require a credit rating in certain instances and have a limited amount of regulation in regards to the overall convertibles market. The case of the Bowie Bonds with asset-backed securities also has a tax benefit and was successfully completed in the case of David Bowie. Futures are very liquid and the concept of future expectations for the expected performance of the asset is central to how a musician can move forward in planning albums and tours. The Black-Scholes Options model is also very liquid, flexible in nature, and touches on the volatility and probabilities needed to be taken into account with the future of Swift's career.

Based on a review of all the positive aspects of the discussed models, the flexibility and brand enhancement capabilities of equity would be the most suitable methodology to apply to the case of Taylor Swift. Specifically within the realm of equity, a royalty trust will be utilized. Similarly to the Bowie Bonds, royalty trusts legally separate specific revenue streams and put them into a legal entity known as an investment trust. These trusts are traded just as any equity type securities trade and are typically seen with natural resource projects. Shareholders typically are guaranteed a certain number of barrels of oil drilled in a quarter multiplied by the price of oil at the time as a dividend payment. The valuation in this case would be very similar to equity but legally the structure would be slightly different from a typical equity offering and only a specific portion of the revenue would be used in the valuation.

Section IV: Case Study with Taylor Swift

After a discussion of historical precedence and various valuation methodologies, the case study will culminate previous entertainment industry and intellectual property securitizations along with a unique valuation methodology to match this specific application to Taylor Swift. The use of the royalty trust will allow Swift the brand enhancement of equity without the direct legal obligation. Prior to the actual valuation, an analysis of Swift's career path and revenue streams will be conducted along with a discussion of incentives for both Swift as an issuer and investors for a security of this nature.

Taylor Swift Background

Just as any other investment in a firm, it is important to have a fundamental understanding of the investment. It is crucial for potential investors to have a complete understanding of Swift's career in order to fully comprehend future growth potential and why an investor would decide to invest in a "Swift security".

Now 25, Taylor Swift entered the music scene 9 years ago in 2006 when she moved to Nashville to pursue her career as a country music singer. Swift's first album, *Taylor Swift*, saw immediate success with hits like "Tim McGraw" and "Our Song". The singer songwriter hit major radio stations with "Teardrops on My Guitar" to establish herself as a musician to look out for. In 2008, Swift launched her second album, *Fearless*, which included megahits "Love Story" and "You Belong With Me", moving Swift further from the country genre towards pop music. 2009 marked Taylor Swift's first solo international tour and helped Swift join the ranks of the top artists in the music industry.

Swift's musical success continued with her most recent albums, *Speak Now*, *Red* and *1989*, with *1989* as the only album in 2014 to go platinum in its first week. This was a huge feat considering how free online music streaming and illegal music downloading has had such a negative impact on album sales over nearly the past two decades. As Swift's fan base has continued to expand over time, her income has reflected that growth: from endorsements and product lines to movie and television contracts, Swift has taken control of the music industry at the mere age of 25 (Fruci 2014).

Part of Swift's success on the album charts can be attributed to her unique sound and relatable songs. Over the span of Swift's music career, her sound and personal style have evolved from young country starlet to pop star. As early as her *Fearless* album, Swift's music was not solely country but had influences of pop, folk, and rock in her sound. With the evolution of music and the large variety available, particularly in terms of genre, this subtle mix of different sounds allows Swift to reach fans from multiple music genres. Additionally, Swift's message and song lyrics are extremely relatable to the largest music consumer base: high school, college, and 20-somethings. While there was concern that Swift would lose this connection with her fans as she grew older, her fans have seemed to grow with her and new fans have discovered a love for Swift. What has further enhanced Swift's public image is her strong connection and devotion to her fans, a concept that will be explored in greater detail when describing Swift's incentive to issue any securities (Fruci 2014).

Revenue Breakdown

The following cash flow analysis will examine all of Swift's revenue streams, trends in revenue streams, and future growth potential opportunities for Swift's brand.

Over the span of her nine-year career, Taylor Swift has grown and diversified her brand, reflecting rather positively on her revenue streams. Just as any other artist, Swift receives revenues from album sales, in store and digital, music royalties, tours, and all merchandise sold. Additionally, Swift has also partnered with various brands in endorsement deals including: L.E.I. Jeans, CoverGirl, American Greeting Cards, Elizabeth Arden, Sony, Keds, and Coke. Some of these endorsements include entire product lines, such as her two fragrances with Elizabeth Arden and her special line of shoes with Keds. Beyond product endorsement, Swift has also scored major film contracts including *Valentine's Day*, *Dr. Seuss' The Lorax*, and *The Giver*.

The success of her music has allowed her to expand her revenues with various endorsements and unique opportunities through movies and television programs. For this reason, her music is still a core portion of her revenues and Exhibit C clearly shows a breakdown of her revenues from the start of her career in 2006 up until the end of the most recent year, 2014. There is a clear increase in revenues in 2008 as she embarked on her first headlining tour with the *Fearless* album. Additionally, it is important to note that Swift typically launches albums at the end of October in even numbered years with tours initiating the following year. Depending on the length and schedule of the tour, the tour may finish right before the launch of her next album, as was the case in 2014 with the completion of the *Red* tour right before the launch of *1989*. This highlights one of the

larger issues within the entertainment industry, inconsistent cash flows. While album sales do decline over time, what is missed out in revenues from album sales is made up in tour revenues. As Swift has expanded her brand into other areas, diversifying her income, this inconsistency becomes less of an issue, as there is still an overall positive trend in revenues each year. A percentage breakdown over the three most recent years, 2012-2014, in Exhibit D clearly shows how in album launch years, even numbered years, album sales are at the core of revenue while the following year sees tour revenues as the core driver of revenues.

Unlike many musicians, Swift is very much in control of her finances. With her father, Scott Kingsley Swift a broker at Merrill Lynch, Swift has a trusted and knowledgeable team to handle the business portion of her ever-growing brand. Within the Taylor Swift brand exists multiple business entities responsible for various portions of Swift's business including her merchandise, Swift Merchandising, Inc., two production companies, Firefly Entertainment, Inc. and Taylor Swift Productions, Inc., touring buses, Nashville Wheels, her solely owned management company, 13 Management LLC, her brand itself, Taylor Nation LLC, and any personal investments including real estate and a private jet hanger at a Nashville airport (FINRA 2015).

Incentive for Issuance

While it is important to understand all the technical aspects of the actual securitization, the issuer must agree to the issuance. Taylor Swift has seen a successful career but a security issuance could help in regards to brand enhancement as well as income diversification.

Typically, firms will issue securities to raise capital for projects or change their capital structure, depending on the security issued. In the case of Swift, additional capital would most likely not be the driving factor in pushing for a security issuance. Perhaps raised funds could be used to take on additional projects that may not have been considered previously due to their costs. This could include more frequently releasing music, expanding tour locations, enhancing tours, or putting more capital towards Swift's various product lines. Additionally, Swift could potentially expand her current holdings, personal or professional, through acquisitions. This could potentially diversify her income. As previously discussed with Fantex Holdings, Swift could use the capital in ways to help further enhance her brand particularly in regards to her relationship with fans. This important and very close relationship will be elaborated further in this section but capital raising would not be the main incentive for Swift.

As previously mentioned in the background information section on Swift, she is known for her very close relationship with fans. Earlier in her career in an interview, Swift commented that she always ensured that at her concerts, she would walk through the crowds and interact with fans at least once. This is something that Swift has maintained even with her most recent *Red* tour, however in this instance she had a lot more security accompany her as compared to her first tour (Fruci 2014). Additionally throughout her tour, she will meet with fans after shows if a member of her team randomly selects them to do so, typically for their very creative "Taylor themed" outfit for the show. More recently, Swift has been very involved on various social media platforms, including Tumblr, a blogging site, Instagram, a picture-sharing platform, and

Twitter. She has directly commented and interacted with fans, showing her strong support and love of her fans, further enhancing her brand. Additionally, for the 2014 Holiday season, Swift sent personal holiday gifts to random fans and even loaned a fan \$1,989 to pay off some of her student loans, playing off the title of her most recent album *1989*. This enhanced interaction is something very unique as most celebrities are not as involved with the personal lives of their fans and Swift cannot directly financially benefit from these efforts.

In addition to her pro-bono acts for her fans, Swift also hosted listening parties at her various homes throughout the country months before the release of *1989*. This was a massive marketing effort that further fueled excitement for the album's release in the fall of 2014. Fans not only had early access to the new album but they met Swift, her parents, her cats, and enjoyed some of Swift's infamous baked goods. This created buzz very early on about the album and again highlighted the strong personal relationship between Swift and her fans (Fruci 2014). The purpose of focusing on all of these personal actions of Swift brings to attention the greatest incentive for Swift to issue a security: another way to interact with her fans. In fans having the opportunity to own part of the Taylor Swift brand, this would allow Swift to connect with fans on a whole new level and in a larger way than ever before. Additionally, in fans owning part of the Swift brand, they would have a direct interest in seeing Swift's continued success. Based on Swift's recent history, it seems she would be extremely willing to take advantage of any opportunity to connect and interact with her fans.

Another potential reason Swift would even consider the issuance in the first place would be due to her more positive view of the financial industry. As previously mentioned in the revenue breakdown section, Swift's father is a certified broker with Merrill Lynch. While many celebrities may have a more negative view of Wall Street and the larger financial community particularly after the 2008 Financial Crisis and 2011 Occupy Wall Street movement, Swift does not seem to have this negative view of the industry. Additionally, in an early interview Swift stated that had she not found success in the music industry, she would have followed in her father's footsteps and entered the world of finance. Having a more positive perception of the industry makes Swift much more likely to agree to any issuance particularly when she would have to work with financial firms in order to do so. Swift even recently announced plans to insure her legs for \$40 million prior to starting her *1989* world tour. The decision was made to protect Swift from losing everything if something were to cause her to not fully be able to perform. \$40 million seems a small price to pay to protect Swift's \$200 million career (Vanmetre 2015). While Swift is not the only artist who has insured part of her body, the decision was not only a diversification decision but also shows that Swift and her team would be open to unique financial opportunities to protect or possibly enhance the value of Swift's brand.

As previously mentioned, the issuance could serve to diversify Swift's income to some extent. This was a very common trend seen with some of the historical cases discussed in the first portion of this thesis. Depending on the issuance selected for Swift, the issuance could help to diversify her income such as with the Bowie Bonds where

Swift would lose access to a specific portion of her income in return for a set amount of capital at the initial date of issuance. Bowie's incentive to issue for tax purposes and estate planning would more likely be relevant for a celebrity further along in their career that may not be as readily able to launch another album or tour but as Swift is still very young at 25, this is not as much of a concern. However, if there were any concerns from Swift about the future of her music, something along the lines of a Bowie Bond or agreement that Madonna made with Live Nation would lock in a large lump sum of capital early on would be a more attractive option.

Incentive to Invest

While Swift must be properly persuaded to undergo an issuance, there needs to be a demand for the security. Investors have completely different objectives and goals in looking at investing in such a unique financial instrument.

Most individuals who are aware of Swift's growth and success in the music industry can see the impressive brand she has developed for herself. While Swift has truly made a name for herself in the industry, some may wonder the staying power of her name. Swift's growth as an artist and expansion into other realms of the entertainment industry highlights that Swift is not just a passing fad in the industry. There were many critical points in her career that could have seen an early end to her promising career, one of those points being with the release of one of her later albums, *Red*. Many had concerns that with Swift growing older, she would lose her relatable nature that was so critical to her early success. The *Red* album was Swift's first album away from her teen years and a great deal of the music and her personal style reflected that change. The album, tour, and

Swift's other endorsements and products continued to expand as her fans not only grew up with Swift but her fan base also expanded as she gradually began to move away from the country music genre. The most recent *1989* album is another testament to the rise of her stardom as the album was the only one to go platinum in its first week and was the best selling album since 2003. This is particularly powerful due to the general downward trend of music sales because of the presence of free alternatives on the Internet and also due to Swift's decision to not launch *1989* on free online music streaming service Spotify followed by removing her entire music catalogue from the music service (Fruci 2014).

Swift's rapid growth, against many obstacles, shows that Swift is a music industry icon who is not planning to leave anytime soon. This is reflected in the breakdown of revenues previously discussed and are also seen in Exhibit C where overtime there has been a strong upward trend in revenues. Another important aspect to notice on the revenue breakdown is the diversification of her income beyond just music and merchandise particularly in endorsements and movie contracts. These opportunities have only arisen due to how strong the Taylor Swift brand has become over time. If investors are looking for long term security with strong fundamentals, Swift's near decade of growing cash flows is exactly the kind of security investors would look for. Additionally, if Swift were to leave the industry or pass away, such as in the case of Michael Jackson, her brand itself would still be able to survive through royalties and any Swift associated trademarks.

Solely being a safe investment may not be enough for perspective investors as they would not only want strong, steady returns but also some level of diversification. In

looking specifically at correlation, returns on the S&P 500, the PowerShares Dynamic Leisure and Entertainment Portfolio Exchange Traded Fund (ETF), ten-year US treasuries, and Swift's album sales, there is very low and in some cases negative correlation. Swift's album sales in this case were used as a proxy as the success of Swift's music would have a direct effect on other portions of her business including revenues from her tours and endorsement deals. Additionally, due to limited public information available on music sales, the only figures available were global weekly album sales for Swift if her album was in the top 50 of albums sold in a particular week. The correlations are as follows (9):

(9) CORR	S&P500	ALBUMS	ETF	US BONDS
S&P500	100.00%	1.05%	88.16%	-2.13%
ALBUMS	1.05%	100.00%	2.90%	-34.38%
ETF	88.16%	2.90%	100.00%	-6.07%
US BONDS	-2.13%	-34.38%	-6.07%	100.00%

The correlation analysis shows very low positive correlation with the leisure and entertainment ETF and the S&P 500, representing no relationship in the movements over time with Swift's album sales, and a negative correlation with the 10-year US treasury. From an investor's perspective, this allows for further portfolio diversification, providing greater incentive to consider investing with Swift.

Potential Factors to Impact Security Price

Often with securities, it is important to note to some extent the factors that could potentially impact the market value of the security. While some factors are larger macroeconomic issues, systemic risks that are out of a specific issuers control, other

factors are very much issuer specific, nonsystemic risk. Both investors and Swift would need to have an understanding of potential factors that could impact the price of Swift's security.

In examining revenue streams of musicians, it is clear that revenues are typically not very diversified and there is often a domino effect based on the artists main product: their music. It is for this reason that it will be assumed in this section that album sales can serve as a proxy for the overall success of a musician. This is due to the fact that based on how well albums sell, this will impact the amount of fans that will attend concerts, buy merchandise, and support the artist in any additional endeavors, both in the music industry and beyond through various endorsements they may receive. For these reasons, the following econometric analysis of weekly album sales can provide some insight into factors that could impact the market value of a security issued by a musician.

In looking specifically at Taylor Swift, the following factors were examined in relation to Swift's weekly album sales: the number of weeks since the album launched, her relationship status in the recent past, specifically 6 months prior, 3 months prior, 1 month prior, and at that specific point in time, the number of albums Swift released prior to a specific album, personal consumption expenditures (PCE), Google trends in searching the term "Taylor Swift", if Swift won a Grammy or Country Music Award (CMA) in a particular week, and the week in the year. These factors focused on Swift specific factors, such as her relationship status and if she won specific awards, and also large macroeconomic factors through PCE. The model was run as follows:

$$\begin{aligned} \text{TSSALES}_t = & \beta_0 + \beta_1 \cdot \text{WEEKS_LN}_t + \beta_2 \cdot \text{RELATIONSHIP6M}_t + \\ & \beta_3 \cdot \text{RELATIONSHIP3M}_t + \beta_4 \cdot \text{RELATIONSHIP1M}_t + \beta_5 \cdot \text{RELATIONSHIPC}_t + \\ & \beta_6 \cdot \text{ALBUM_NUM}_t + \beta_7 \cdot \text{INCOME}_t + \beta_8 \cdot \text{GOOGLE}_t + \beta_9 \cdot \text{GRAMMY}_t + \beta_{10} \cdot \text{CMA}_t + \\ & \beta_{11} \cdot \text{WEEK}_t \end{aligned}$$

Based on the given model, it was found that Swift's relationship status, the specific week in the year, the number of weeks since the album launched, and if Swift won a CMA award seemed to have a statistically significant impact on her album sales. Macroeconomic factors did not play as large of a role due to the fact that albums are not terribly expensive and as a cheaper purchase, may be seen as a small "pick me up" (Fruci 2014).

The analysis of album sale trends can give some insight into what could impact the security rising in price or experiencing a sell off. Other non quantifiable factors could play a role in the market price for the security such as the previously discussed acts of kindness Swift has recently taken on to give back to her fans or how quickly a tour sells out. Additionally, while the econometric analysis found a negative relationship between album sales and Swift winning a CMA, in reality Swift winning any sort of award may more likely lead to a rise in the security price. The econometric model saw the negative relationship due to the fact that as album sales reduce over time, she would have most likely received an award like a CMA months after the album's launch in which case album sales would already be gradually declining on a weekly basis.

However, with any security there are inherit risks. As a figure in the entertainment industry, there is some concern about the longevity of her brand. While Swift has

survived some major hurdles in her career including being able to maintain and even expand her brand and music while growing older, there are general risks in the entertainment industry including irregularity of cash flows and the possibility of Swift just finishing her music career for a variety of reasons. In some instances, celebrities may receive bad press for rude behavior towards fans or other celebrities, be in the spotlight for scandals or even face a lawsuit. While Taylor Swift has been seen as a good girl in the music industry, even Swift's spotless reputation cannot save her from potential lawsuits.

One of Swift's trademarks is her favorite number, 13, drawn on her hand for many of her live performances. Recently well known clothing manufacturer Lucky 13 filed a lawsuit against Swift for unauthorized use of the brand's registered trademarks. While Swift has used the trademark for years, as it is not only her date of birth but also her lucky number, the jeans brand only recently launched the lawsuit. These more extreme circumstances, while rare, could very easily happen and had Swift already issued a security at this point in time, there may have been a negative impact on the market price (Harrison 2014).

Valuation Methodology Selection

As previously discussed following the analysis of all the general valuation methodologies that could be used, an equity product seemed to be the best fit for Swift but particularly a royalty trust. Similar to the Bowie Bonds, royalty trusts utilize SPVs to create a separate legal entity to move a specified set of revenue streams. This specific instance would differ from the case of the Bowie Bonds because the SPVs in a royalty trust are traded just as equity but providing Swift the same legal separation enjoyed with

the asset backed securities via the SPV. Shareholders in the trust would receive regular payments on a quarterly basis, similar to dividends. The source of the quarterly payments would be outlined for investors so while each payment may vary, the shareholder has a general idea of how much they could regularly receive from the security. While royalty trusts are a very particular type of equity product, the limited number currently active in the market are fairly liquid just as other standard equity securities as seen in Exhibit E with the comparison in trading volume of a royalty trust, BP Prudhoe Bay Royalty Trust, and blue-chip, large market capitalization equity security Microsoft. While a niche market, royalty trusts do experience a great deal of trading volume on a regular basis.

The selection of this methodology aligns with Swift's assumed goals in this issuance. Based on Swift's recent actions, she places great importance on her relationship with her fans and further enhancing any sort of direct connection with them in a variety of ways. This issuance would give Swift the unique opportunity to connect with fans in a whole new way and give each of them a stake in the empire they have supported for nearly a decade. Additionally, as in the case of many companies, the issuance could help to further enhance her overall brand name particularly in putting her name further in the public eye in a very positive fashion. Entering the financial markets would be a realm of society that Swift up to this point had not really come near, as is the case with most individuals in the entertainment industry.

This now becomes a question of why Swift would choose any sort of securitization to accomplish these goals as opposed to what she has previously done in interacting with fans in a very one on one fashion. The issuance would allow Swift to

reach out to fans in a very large way that she could not really accomplish through her current means, as there are only so many fans she can interact with on social media or send gifts to. The proceeds from the issuance could continue to support her current very individual efforts but also help with album production, in potentially gaining insight from fans that own the security and financially supporting the production of her albums, and perhaps even increasing the frequency with which Swift launches albums or individual singles. Additionally, the raised capital could help to expand her tours to new locations that may not have been financially beneficial for Swift to reach before, allowing her to interact with more of her fans throughout the world. Tours could also be further enhanced with more ornate costumes, sets, and special effects, features that are central to many of Swift's concerts. Swift could also further expand her product line, which would be more of a strategic business decision as opposed to focusing specifically on fans, but fans would have access to more merchandise.

Based on the overall goals of Swift, it would seem to be in her favor to select an equity type offering. While Swift would lose a portion of her revenue streams in the trust for the life of the security and have to publically disclose all business activity as a public corporation, equity would allow her to further enhance her brand more effectively than debt, is the cheapest financial instrument from an issuer's perspective at offering, allow her fans to connect as trust shareholders, have the ability to raise a large amount of capital at once, and she would not need a credit rating. Additionally, if Swift agrees to pass along 90% of her income from a specific revenue stream, she could potentially avoid double taxation and unlike equity, royalty trusts do not have an infinite life, typically

lasting only as long as the project whose revenue streams are financially supporting the SPV. While Swift would have to forgo some income, she could still maintain a majority ownership allowing her final say on all decisions in regards to her brand in addition to the more limited nature of the voting rights of trust shareholders as opposed to shareholders of a standard corporation. While there are some concerns in regards to loss in some of her revenues, Swift's revenue is currently so diversified that the security would be structured in a manner that would allow Swift to maintain access to a majority of her income.

While equity would prove to be favorable for Swift, there may be concern as to whether investors would be willing to buy equity as opposed to a debt instrument. The regular quarterly payments that shareholders would receive would be clearly outlined in terms of what specific portion of her revenue shareholders would be receiving. While this is not as regular as coupon payments on a bond, shareholders could potentially receive very high payments and Swift's growing brand and historic success would to some extent guarantee that shareholders would receive capital each quarter. Additionally, as the shares publically trade, investors could profit from the purchase and sale of the individual shares. Increased diversification in addition to continued growth in the core portion of Swift's brand, album sales, shows a very strong growth potential and could attract a great deal of investors once the shares are publically traded in the secondary market. Investors would be able to benefit from this strong growth potential as seen in Exhibit B with the sample cost of capital graph where there is a growth potential with equity that is not seen with the fixed, regular payments found with bonds. From a portfolio perspective, the current negative correlation discussed previously between the ten year US treasury and

her album sales could potentially become more positive if Swift were to issue a debt instrument while there was already a very weak positive correlation with equity instruments that were at near zero levels.

Due to the sole reliance on the image and success of a specific individual, there is a great deal of risks that investors would be taking on in this investment. This could be comparable to Martha Stewart Living Omnimedia, a corporation focused solely on the empire of television personality Martha Stewart. When Stewart was convicted of insider trading charges in 2004, there were concerns that her entire empire would crumble, including the share price of her publically traded corporation. Two years following the conviction and her brief time in prison, Stewart's empire return to profitability and the stock has not stopped trading since going public in October of 1999 (see Exhibit F). The share price did suffer following Stewart's conviction but the company did survive the public relations nightmare. While the stock is far from trading at its highest levels, Stewart was able to salvage her media conglomerate and image. The stock's relatively weaker performance could be due to how overvalued equity markets were particularly when Stewart took her company public along with the fact that while Stewart was able to salvage her image, she lacks the popularity she had earlier in her career in the 1990s. Even so, the equity focused solely on Stewart has lasted for over 15 years even with all the legal trouble she faced.

Final Valuation and Pricing Methodology Application to Taylor Swift

Upon selection of the royalty trust, the model will be applied to the assumed revenue streams associated with Swift over the span of her career, from 2006 through the

end of 2014 in addition to projections of cash flows for 2015 to 2025 based on historic growth rates.

The security would focus on the three more prominent portions of Swift's revenue: album sales, royalties, and tour revenues, allowing Swift to retain a majority of her income. Due to the two-year cycles in the release of a new album and its subsequent tour before the launch of another album, the product's source of revenue will rotate on a quarterly basis. In the quarter of an album launch, the revenues would be from album sales and this would continue on until the quarter when Swift begins to tour. This should ensure shareholders benefit from the largest portion of Swift's revenue each quarter, reducing some of the irregularity of the cash flows. In quarters where neither tours nor album sales provide revenues, shareholders would receive revenues from music royalties. This is beneficial in the instance of something happening to Swift where she no longer produces new music and shareholders would be able to at least benefit from her music royalties until the end of the security's life.

Based on the assumed revenue streams found in Exhibit C, projections for a ten-year period, from 2015 to 2025, were made. Due to the frequency in which Swift releases new music, once every two years or in even numbered years, the growth rate found in odd numbered years was used to project cash flows for 2015, 2017, 2019, 2021, 2023, and 2025 and the same was done with even numbered years for 2016, 2018, 2020, 2022, and 2024. The average growth rate was utilized in both cases to provide more conservative estimates. There was also an assumed expense rate of 30%, which would be used to pay for any management and staff costs. Additionally, there was an assumed cost

of \$500,000 for each year in which Swift either released an album or launched a tour. This figure represents production and promotion costs for a new album or tour. The revenues were broken down on a quarterly basis to represent the payment schedule for holders of the security and all of the capital flows were discounted by a WACC of 6.369%. In calculating WACC, the capital structure was assumed to be entirely equity and all market data utilized dates from October 2006, the start of Swift's music career, to February 2015. On an annual basis, the market, represented by the S&P 500, provided a 6.537% return. The 10-Year U.S. treasury was utilized for the risk free rate and due to the drastic fall of interest rates following the 2008 financial crisis, an average was calculated to provide a risk free rate of 0.96%. To calculate the beta, an average was taken for a variety of comparable companies and securities including the PowerShares Dynamic Leisure and Entertainment Portfolio ETF, Madison Square Garden Co, Live Nation Entertainment Inc, Viacom Inc, Martha Stewart Living Omnimedia Inc, British soccer team Celtic plc, Italian soccer teams Juventus Football Club S.p.A., S.S. Lazio S.p.A., and A.S. Roma S.p.A., and French soccer team Olympique Lyonnais Groupe Société Anonyme. The betas for each of these securities was calculated on a monthly basis from the previously mentioned date range in comparison to the S&P 500. Those betas were averaged providing a figure of 0.97 to be utilized in the WACC calculation.

While a variety of sensitivity analyses could be conducted to establish a valuation range, taxes were used in this specific sensitivity analysis. As previously mentioned, royalty trusts avoid double taxation if at least 90% of revenues are passed along to shareholders however as this is such a unique case, the complete avoidance of taxes may

not be guaranteed. For this reason, the model was run with a 0% tax rate and also a 35% rate. The overall valuation in the instance with taxes saw a value of \$96,137,776.88 while the valuation in the instance with no taxes saw a value of \$194,290,691.88. Realistically, the valuation would fall somewhere in this range based upon the actual tax rate imposed on the security. The complete valuation for both instances can be seen in Exhibits G and H. The number of shares outstanding would determine the final share price for the IPO.

Section V: Conclusion

Within less than a decade Taylor Swift has transformed from a young Nashville country singer to one of the most successful musicians in the world. Her star power and brand have expanded tremendously over the years and the 25 year old still has ways to go. Swift's strong historical performance along with her young age and great growth potential make her the ideal candidate to examine securitizing the revenue streams of a famous individual. Historical precedence showcases a variety of circumstances in which entertainment industry figures, sports teams, and intellectual property undergo securitizations based upon previous success and optimism for the future. The examples discussed had a variety of incentives for issuance along with varying circumstances surrounding the securitization, impacting the methodology applied in that specific instance. While each example was unique in its own way, every case provided insight into what an optimal methodology would be in terms of a universal application.

Similarly to the variety and breath of the historical precedence examples discussed, each of the valuation methodologies presented were unique and added a component to deciding upon an optimal model to apply to the case of Taylor Swift. The emphasis on further brand enhancement along with irregular cash flows highlighted equity as a preferred model to apply but each model discussed had aspects to be utilized in the final valuation. While it is not possible to own an individual as shareholders take ownership in public corporations, it is possible for individuals to benefit from a project with volatile cash flows. Royalty trusts, while typically used in cases of oil and gas exploration projects, culminated the strongest aspects of the various valuation

methodologies discussed. These high yield instruments legally separate the famous individual, in this case Swift, from the security while providing brand enhancement typically seen with equity.

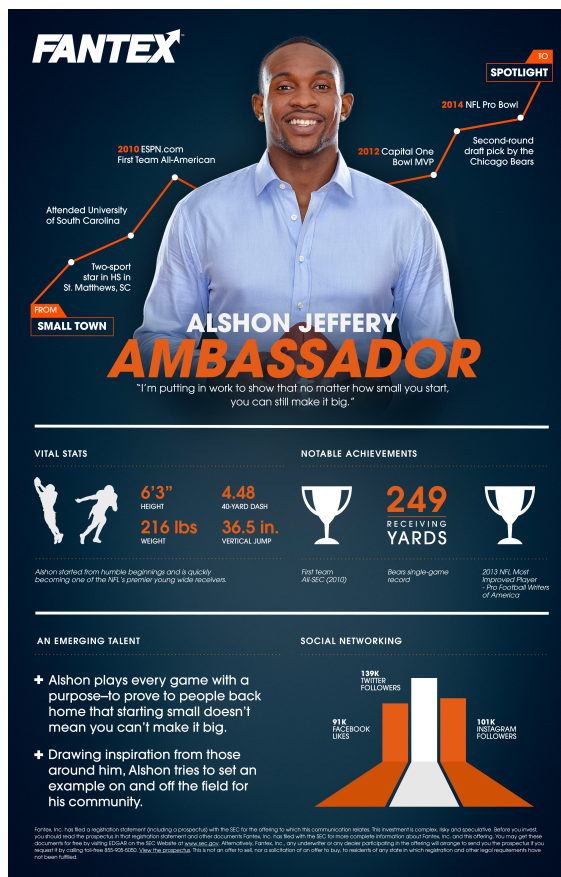
A complete fundamental and historical analysis of Swift and her brand give further insight into how a proper valuation would be conducted along with future projections for cash flows and the perspective of both Swift and investors in such a unique issuance. The royalty trust utilized in the case of Swift allowed investors to benefit from the largest revenue streams while providing a cushion for each quarterly payment and also allowing Swift to maintain some access to revenues received from her massive brand. While Swift is a very particular case, the methodology and overall valuation utilized could be applied to any entertainment industry figure, case of intellectual property, or brand with some historical performance to analyze.

While this thesis does bring together a very unique topic within finance that has been discussed in a very segmented manner, there is a larger issue addressed. This thesis was inspired by the power of a brand. There are some aspects of a brand that can be quantified, as seen with the revenues assumed, but brands also carry an intangible value that cannot easily be quantified and may live on long after its namesake. This power of brand goes well beyond the entertainment industry and can be applied to the standard corporations that typically utilize financial products however those corporations may not be fully aware of the power and value of their brand. The Taylor Swift brand inspires millions of fans to buy albums, concert tickets, and wear ornate costumes to shows. Brands have the power to move and inspire all of us each and everyday, sometimes

without us even realizing it. While the value of a brand may be difficult to completely quantify, there is still the ability to financially benefit from that intangible good. This thesis has looked to tap into that value on an entirely new level through the utilization of financial products.

Exhibits

Exhibit A: Infographic Breakdown of Fantex Valuation for Alshon Jeffery



Source: Fantexbrands.com

Exhibit B: Sample Cost of Capital Graph including Equity, Debt, and Convertible Securities

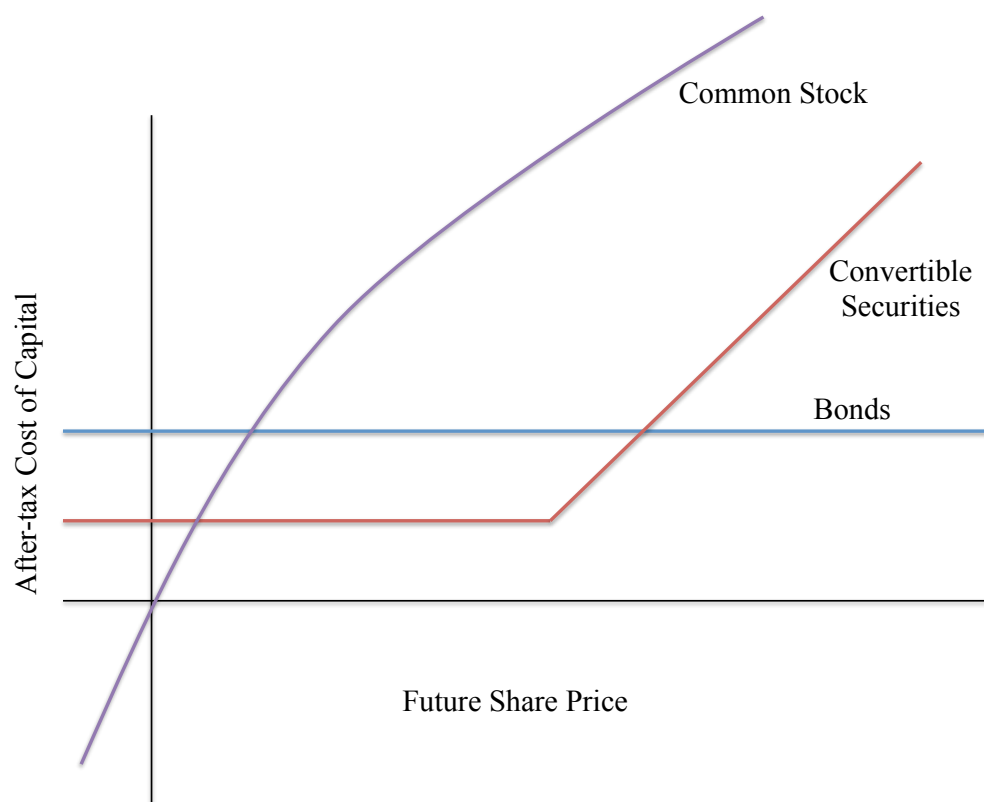


Exhibit C: Revenue Breakdown for Taylor Swift from 2006 until 2014. Please note that all figures are estimates based on publically available information

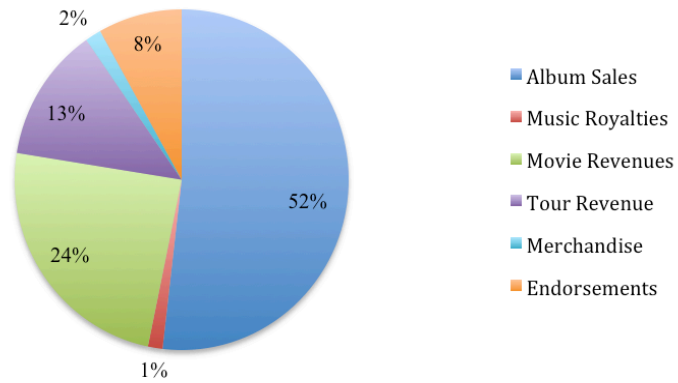
Revenues	2006	2007	2008
Album Sales	\$ 390,609.00	\$ 14,745,240.00	\$ 46,614,194.00
Music Royalties	\$ 39,600.00	\$ 39,600.00	\$ 204,000.00
Movie Revenues	\$ -	\$ -	\$ -
Tour Revenue	0	0	0
Merchandise	\$ 50,000.00	\$ 75,000.00	\$ 3,465,000.00
Endorsements	\$ -	\$ -	\$ 500,000.00
Total Revenues	\$480,209.00	\$ 14,859,840.00	\$ 50,783,194.00

Revenues	2009	2010	2011
Album Sales	\$ 70,226,579.00	\$ 66,053,370.00	\$ 11,197,588.00
Music Royalties	\$ 204,000.00	\$ 912,000.00	\$ 912,000.00
Movie Revenues	\$ 300,000.00	\$ 1,000,000.00	\$ -
Tour Revenue	\$ 31,500,000.00	31,500,000	\$111,553,527
Merchandise	\$ 6,930,000.00	\$ 6,930,000.00	\$ 21,803,390.00
Endorsements	\$ -	\$ 2,800,000.00	\$ 5,000,000.00
Total Revenues	\$ 109,160,579.00	\$ 109,195,370.00	\$ 150,466,505.00

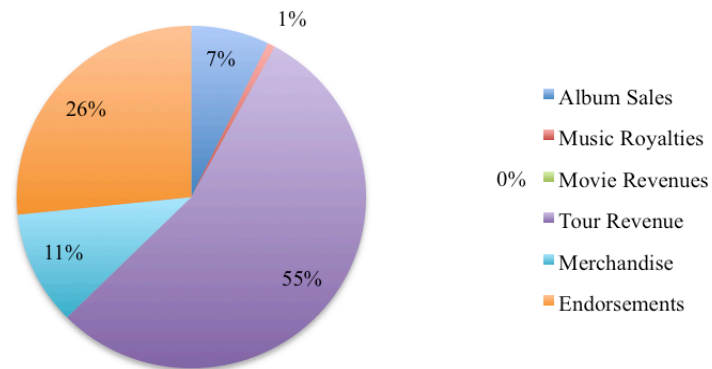
Revenues	2012	2013	2014
Album Sales	\$ 64,016,294.00	\$ 17,646,228.00	\$ 81,160,923.00
Music Royalties	\$ 1,740,000.00	\$ 1,740,000.00	\$ 2,300,000.00
Movie Revenues	\$ 30,000,000.00	\$ -	\$ 1,000,000.00
Tour Revenue	\$15,830,500	\$133,382,821	\$14,278,070
Merchandise	\$ 1,930,306.00	\$ 26,234,910.00	\$ 2,714,951.00
Endorsements	\$ 10,000,000.00	\$ 65,000,000.00	\$ 15,000,000.00
Total Revenues	\$ 123,517,100.00	\$ 244,003,959.00	\$ 116,453,944.00

Exhibit D: A percentage breakdown for revenues in 2012, 2013, and 2014 to highlight revenue drivers in years when albums are launched and the following year.

2012 Revenues



2013 Revenues



2014 Revenues

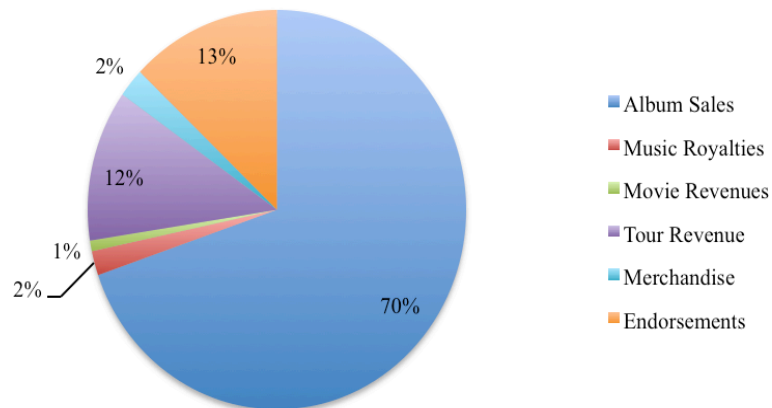
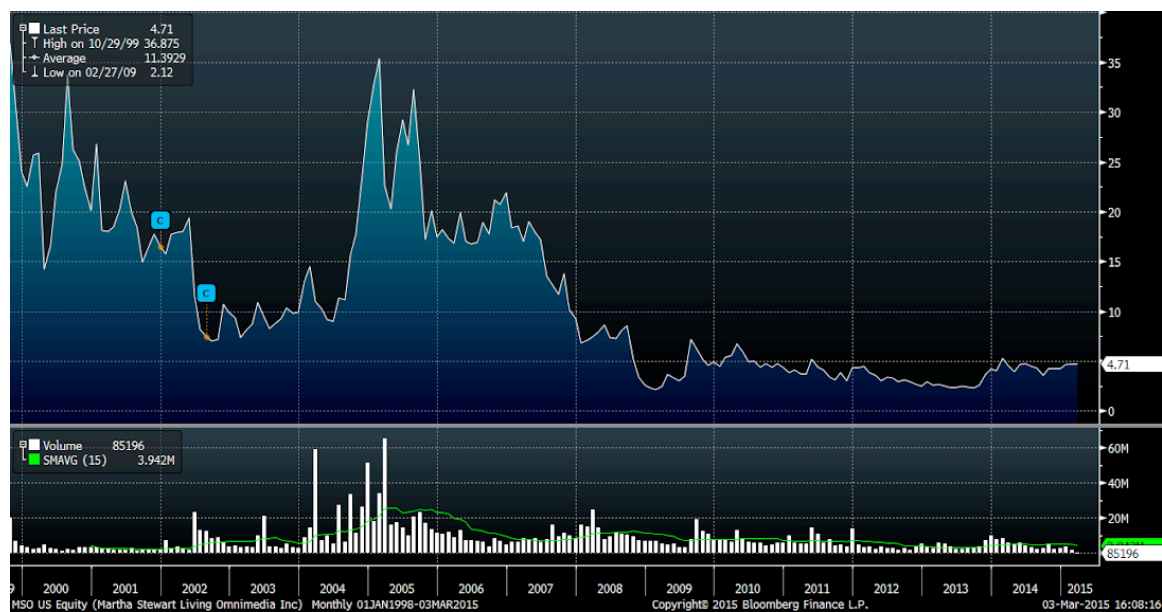


Exhibit E: Historic Stock Price Performance for Royalty Income Trust BP Prudhoe Bay Royalty Trust (Ticker: BPT) versus Microsoft Corporation (Ticker: MSFT)



Source: Bloomberg

Exhibit F: Historic Stock Price Performance for Martha Stewart Living Omnimedia (Ticker: MSO) from late 1999 to March 13, 2015



Source: Bloomberg

Exhibit G: Overall Valuation for the Royalty Income Trust assuming a 35% tax rate

Year	2006				2007				2008			
Quarter	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Album Sales	\$ 390,609.00	\$ -	\$ -	\$ 2,998,998.00	\$ 3,205,791.00	\$ 8,540,451.00	\$ 4,602,393.00	\$ 3,828,168.00	\$ 3,540,244.00	\$ 34,643,389.00	\$ -	\$ -
Tour Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Royalties	\$ 39,600.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ -	\$ -
Revenue for Security	\$ 351,548.10	\$ 8,910.00	\$ 2,699,098.20	\$ 2,885,211.90	\$ 7,686,405.90	\$ 4,142,153.70	\$ 3,445,351.20	\$ 3,186,219.60	\$ 31,179,050.10	\$ -	\$ -	\$ -
Expense Rate	30%											
Expenses	\$ 105,464.43	\$ 2,673.00	\$ 809,729.46	\$ 865,563.57	\$ 2,305,921.77	\$ 1,242,646.11	\$ 1,033,605.36	\$ 955,865.88	\$ 9,353,715.03	\$ -	\$ -	\$ -
EBITDA	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07	\$ -	\$ -	\$ -
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 123,041.84	\$ 3,118.50	\$ 944,684.37	\$ 1,009,824.17	\$ 2,690,242.07	\$ 1,449,753.80	\$ 1,205,872.92	\$ 1,115,176.86	\$ 10,912,667.54	\$ -	\$ -	\$ -
Net Income	\$ 123,041.84	\$ 3,118.50	\$ 944,684.37	\$ 1,009,824.17	\$ 2,690,242.07	\$ 1,449,753.80	\$ 1,205,872.92	\$ 1,115,176.86	\$ 10,912,667.54	\$ -	\$ -	\$ -
Operating Cash Flows	\$ 123,041.84	\$ 3,118.50	\$ 944,684.37	\$ 1,009,824.17	\$ 2,690,242.07	\$ 1,449,753.80	\$ 1,205,872.92	\$ 1,115,176.86	\$ 10,912,667.54	\$ -	\$ -	\$ -
Capital Expenditures	\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ -	\$ -	\$ -
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ (376,958.17)	\$ 3,118.50	\$ 944,684.37	\$ 1,009,824.17	\$ 2,690,242.07	\$ 1,324,753.80	\$ 1,080,872.92	\$ 990,176.86	\$ 10,787,667.54	\$ -	\$ -	\$ -

Year	2009				2010			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 14,978,008.00	\$ 15,024,477.00	\$ 11,235,005.00	\$ 28,989,089.00	\$ 10,142,234.00	\$ 2,179,546.00	\$ -	\$ 53,731,590.00
Tour Revenue	\$ -	\$ 2,310,000.00	\$ 2,310,000.00	\$ 2,310,000.00	\$ 3,465,000.00	\$ 3,465,000.00	\$ -	\$ -
Royalties	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00
Revenue for Security	\$ 13,480,207.20	\$ 2,079,000.00	\$ 2,079,000.00	\$ 2,079,000.00	\$ 3,118,500.00	\$ 3,118,500.00	\$ 205,200.00	\$ 48,358,431.00
Expense Rate								
Expenses	\$ 4,044,062.16	\$ 623,700.00	\$ 623,700.00	\$ 623,700.00	\$ 935,550.00	\$ 935,550.00	\$ 61,560.00	\$ 14,507,529.30
EBITDA	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 4,718,072.52	\$ 727,650.00	\$ 727,650.00	\$ 727,650.00	\$ 1,091,475.00	\$ 1,091,475.00	\$ 71,820.00	\$ 16,925,450.85
Net Income	\$ 4,718,072.52	\$ 727,650.00	\$ 727,650.00	\$ 727,650.00	\$ 1,091,475.00	\$ 1,091,475.00	\$ 71,820.00	\$ 16,925,450.85
Operating Cash Flows	\$ 4,718,072.52	\$ 727,650.00	\$ 727,650.00	\$ 727,650.00	\$ 1,091,475.00	\$ 1,091,475.00	\$ 71,820.00	\$ 16,925,450.85
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 4,593,072.52	\$ 602,650.00	\$ 602,650.00	\$ 602,650.00	\$ 966,475.00	\$ 966,475.00	\$ (53,180.00)	\$ 16,800,450.85

Year	2011				2012			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 6,351,263.00	\$ 1,019,320.00	\$ 482,678.00	\$ 3,344,327.00	\$ -	\$ -	\$ -	\$ 64,016,294.00
Tour Revenue	\$ 10,146,795.00	\$ 26,977,482.00	\$ 49,309,694.00	\$ 26,836,656.00	\$ 15,830,500.00	\$ -	\$ -	\$ -
Royalties	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00
Revenue for Security	\$ 9,132,115.50	\$ 24,279,733.80	\$ 44,378,724.60	\$ 24,152,990.40	\$ 14,247,450.00	\$ 391,500.00	\$ 391,500.00	\$ 57,614,664.60
Expense Rate								
Expenses	\$ 2,739,634.65	\$ 7,283,920.14	\$ 13,313,617.38	\$ 7,245,897.12	\$ 4,274,235.00	\$ 117,450.00	\$ 117,450.00	\$ 17,284,399.38
EBITDA	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 3,196,240.43	\$ 8,497,906.83	\$ 15,532,553.61	\$ 8,453,546.64	\$ 4,986,607.50	\$ 137,025.00	\$ 137,025.00	\$ 20,165,132.61
Net Income	\$ 3,196,240.43	\$ 8,497,906.83	\$ 15,532,553.61	\$ 8,453,546.64	\$ 4,986,607.50	\$ 137,025.00	\$ 137,025.00	\$ 20,165,132.61
Operating Cash Flows	\$ 3,196,240.43	\$ 8,497,906.83	\$ 15,532,553.61	\$ 8,453,546.64	\$ 4,986,607.50	\$ 137,025.00	\$ 137,025.00	\$ 20,165,132.61
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 3,071,240.43	\$ 8,372,906.83	\$ 15,407,553.61	\$ 8,328,546.64	\$ 4,861,607.50	\$ 12,025.00	\$ 12,025.00	\$ 20,040,132.61

Year	2013				2014			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 12,548,129.00	\$ 3,979,845.00	\$ 1,118,254.00	\$ -	\$ -	\$ -	\$ -	\$ 81,160,923.00
Tour Revenue	\$ 10,313,531.00	\$ 48,216,083.00	\$ 56,849,717.00	\$ 18,003,490.00	\$ 6,584,246.00	\$ 7,693,824.00	\$ -	\$ -
Royalties	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 575,000.00	\$ 575,000.00	\$ 575,000.00	\$ 575,000.00
Revenue for Security	\$ 9,282,177.90	\$ 43,394,474.70	\$ 51,164,745.30	\$ 16,203,141.00	\$ 5,925,821.40	\$ 6,924,441.60	\$ 517,500.00	\$ 73,044,830.70
Expense Rate								
Expenses	\$ 2,784,653.37	\$ 13,018,342.41	\$ 15,349,423.59	\$ 4,860,942.30	\$ 1,777,746.42	\$ 2,077,332.48	\$ 155,250.00	\$ 21,913,449.21
EBITDA	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 3,248,762.27	\$ 15,188,066.15	\$ 17,907,660.86	\$ 5,671,099.35	\$ 2,074,037.49	\$ 2,423,554.56	\$ 181,125.00	\$ 25,565,690.75
Net Income	\$ 3,248,762.27	\$ 15,188,066.15	\$ 17,907,660.86	\$ 5,671,099.35	\$ 2,074,037.49	\$ 2,423,554.56	\$ 181,125.00	\$ 25,565,690.75
Operating Cash Flows	\$ 3,248,762.27	\$ 15,188,066.15	\$ 17,907,660.86	\$ 5,671,099.35	\$ 2,074,037.49	\$ 2,423,554.56	\$ 181,125.00	\$ 25,565,690.75
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 3,123,762.27	\$ 15,063,066.15	\$ 17,782,660.86	\$ 5,546,099.35	\$ 1,949,037.49	\$ 2,298,554.56	\$ 56,125.00	\$ 25,440,690.75
Year	2015E				2016E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 9,555,441.06	\$ 9,555,441.06	\$ 9,555,441.06	\$ 9,555,441.06	\$ -	\$ -	\$ -	\$ 98,853,989.92
Tour Revenue	\$ -	\$ 159,876,780.59	\$ 159,876,780.59	\$ 159,876,780.59	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 2,240,909.09	\$ 2,240,909.09	\$ 2,240,909.09	\$ 2,240,909.09	\$ 1,847,451.60	\$ 1,847,451.60	\$ 1,847,451.60	\$ 1,847,451.60
Revenue for Security	\$ 8,599,896.96	\$ 143,889,102.53	\$ 143,889,102.53	\$ 143,889,102.53	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,662,706.44	\$ 88,968,590.93
Expense Rate								
Expenses	\$ 2,579,969.09	\$ 43,166,730.76	\$ 43,166,730.76	\$ 43,166,730.76	\$ 1,353,604.74	\$ 1,353,604.74	\$ 498,811.93	\$ 26,690,577.28
EBITDA	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 3,009,963.93	\$ 50,361,185.89	\$ 50,361,185.89	\$ 50,361,185.89	\$ 1,579,205.54	\$ 1,579,205.54	\$ 581,947.25	\$ 31,139,006.83
Net Income	\$ 3,009,963.93	\$ 50,361,185.89	\$ 50,361,185.89	\$ 50,361,185.89	\$ 1,579,205.54	\$ 1,579,205.54	\$ 581,947.25	\$ 31,139,006.83
Operating Cash Flows	\$ 3,009,963.93	\$ 50,361,185.89	\$ 50,361,185.89	\$ 50,361,185.89	\$ 1,579,205.54	\$ 1,579,205.54	\$ 581,947.25	\$ 31,139,006.83
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 2,884,963.93	\$ 50,236,185.89	\$ 50,236,185.89	\$ 50,236,185.89	\$ 1,454,205.54	\$ 1,454,205.54	\$ 456,947.25	\$ 31,014,006.83
Year	2017E				2018E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 5,737,004.64	\$ 5,737,004.64	\$ 5,737,004.64	\$ 5,737,004.64	\$ -	\$ -	\$ -	\$ 98,853,989.92
Tour Revenue	\$ -	\$ 124,036,310.57	\$ 124,036,310.57	\$ 124,036,310.57	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,568,784.19	\$ 1,568,784.19	\$ 1,568,784.19	\$ 1,568,784.19
Revenue for Security	\$ 5,163,304.18	\$ 111,632,679.51	\$ 111,632,679.51	\$ 111,632,679.51	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,411,905.78	\$ 88,968,590.93
Expense Rate								
Expenses	\$ 1,548,991.25	\$ 33,489,803.85	\$ 33,489,803.85	\$ 33,489,803.85	\$ 1,353,604.74	\$ 1,353,604.74	\$ 423,571.73	\$ 26,690,577.28
EBITDA	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 1,807,156.46	\$ 39,071,437.83	\$ 39,071,437.83	\$ 39,071,437.83	\$ 1,579,205.54	\$ 1,579,205.54	\$ 494,167.02	\$ 31,139,006.83
Net Income	\$ 1,807,156.46	\$ 39,071,437.83	\$ 39,071,437.83	\$ 39,071,437.83	\$ 1,579,205.54	\$ 1,579,205.54	\$ 494,167.02	\$ 31,139,006.83
Operating Cash Flows	\$ 1,807,156.46	\$ 39,071,437.83	\$ 39,071,437.83	\$ 39,071,437.83	\$ 1,579,205.54	\$ 1,579,205.54	\$ 494,167.02	\$ 31,139,006.83
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 1,682,156.46	\$ 38,946,437.83	\$ 38,946,437.83	\$ 38,946,437.83	\$ 1,454,205.54	\$ 1,454,205.54	\$ 369,167.02	\$ 31,014,006.83

Year	2019E				2020E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 7,414,866.11	\$ 7,414,866.11	\$ 7,414,866.11	\$ 7,414,866.11	\$ -	\$ -	\$ -	\$ 94,815,770.29
Tour Revenue	\$ -	\$ 112,089,487.23	\$ 112,089,487.23	\$ 112,089,487.23	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,318,333.18	\$ 1,318,333.18	\$ 1,318,333.18	\$ 1,318,333.18
Revenue for Security	\$ 6,673,379.49	\$ 100,880,538.50	\$ 100,880,538.50	\$ 100,880,538.50	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,186,499.87	\$ 85,334,193.26
Expense Rate								
Expenses	\$ 2,002,013.85	\$ 30,264,161.55	\$ 30,264,161.55	\$ 30,264,161.55	\$ 1,353,604.74	\$ 1,353,604.74	\$ 355,949.96	\$ 25,600,257.98
EBITDA	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 2,335,682.82	\$ 35,308,188.48	\$ 35,308,188.48	\$ 35,308,188.48	\$ 1,579,205.54	\$ 1,579,205.54	\$ 415,274.95	\$ 29,866,967.64
Net Income	\$ 2,335,682.82	\$ 35,308,188.48	\$ 35,308,188.48	\$ 35,308,188.48	\$ 1,579,205.54	\$ 1,579,205.54	\$ 415,274.95	\$ 29,866,967.64
Operating Cash Flows	\$ 2,335,682.82	\$ 35,308,188.48	\$ 35,308,188.48	\$ 35,308,188.48	\$ 1,579,205.54	\$ 1,579,205.54	\$ 415,274.95	\$ 29,866,967.64
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 2,210,682.82	\$ 35,183,188.48	\$ 35,183,188.48	\$ 35,183,188.48	\$ 1,454,205.54	\$ 1,454,205.54	\$ 290,274.95	\$ 29,741,967.64

Year	2021E				2022E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 7,569,103.94	\$ 7,569,103.94	\$ 7,569,103.94	\$ 7,569,103.94	\$ -	\$ -	\$ -	\$ 98,855,229.78
Tour Revenue	\$ -	\$ 132,000,859.46	\$ 132,000,859.46	\$ 132,000,859.46	\$ 5,369,748.21	\$ 5,369,748.21	\$ -	\$ -
Royalties	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,373,656.61	\$ 1,373,656.61	\$ 1,373,656.61	\$ 1,373,656.61
Revenue for Security	\$ 6,812,193.54	\$ 118,800,773.52	\$ 118,800,773.52	\$ 118,800,773.52	\$ 4,832,773.39	\$ 4,832,773.39	\$ 1,236,290.95	\$ 88,969,706.81
Expense Rate								
Expenses	\$ 2,043,658.06	\$ 35,640,232.05	\$ 35,640,232.05	\$ 35,640,232.05	\$ 1,449,832.02	\$ 1,449,832.02	\$ 370,887.29	\$ 26,690,912.04
EBITDA	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 2,384,267.74	\$ 41,580,270.73	\$ 41,580,270.73	\$ 41,580,270.73	\$ 1,691,470.69	\$ 1,691,470.69	\$ 432,701.83	\$ 31,139,397.38
Net Income	\$ 2,384,267.74	\$ 41,580,270.73	\$ 41,580,270.73	\$ 41,580,270.73	\$ 1,691,470.69	\$ 1,691,470.69	\$ 432,701.83	\$ 31,139,397.38
Operating Cash Flows	\$ 2,384,267.74	\$ 41,580,270.73	\$ 41,580,270.73	\$ 41,580,270.73	\$ 1,691,470.69	\$ 1,691,470.69	\$ 432,701.83	\$ 31,139,397.38
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 2,259,267.74	\$ 41,455,270.73	\$ 41,455,270.73	\$ 41,455,270.73	\$ 1,566,470.69	\$ 1,566,470.69	\$ 307,701.83	\$ 31,014,397.38

Year	2023E				2024E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 6,906,991.56	\$ 6,906,991.56	\$ 6,906,991.56	\$ 6,906,991.56	\$ -	\$ -	\$ -	\$ 97,844,744.98
Tour Revenue	\$ -	\$ 122,708,885.75	\$ 122,708,885.75	\$ 122,708,885.75	\$ 5,102,450.23	\$ 5,102,450.23	\$ -	\$ -
Royalties	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,527,056.40	\$ 1,527,056.40	\$ 1,527,056.40	\$ 1,527,056.40
Revenue for Security	\$ 6,216,292.41	\$ 110,437,997.18	\$ 110,437,997.18	\$ 110,437,997.18	\$ 4,592,205.21	\$ 4,592,205.21	\$ 1,374,350.76	\$ 88,060,270.48
Expense Rate								
Expenses	\$ 1,864,887.72	\$ 33,131,399.15	\$ 33,131,399.15	\$ 33,131,399.15	\$ 1,377,661.56	\$ 1,377,661.56	\$ 412,305.23	\$ 26,418,081.14
EBITDA	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 2,175,702.34	\$ 38,653,299.01	\$ 38,653,299.01	\$ 38,653,299.01	\$ 1,607,271.82	\$ 1,607,271.82	\$ 481,022.77	\$ 30,821,094.67
Net Income	\$ 2,175,702.34	\$ 38,653,299.01	\$ 38,653,299.01	\$ 38,653,299.01	\$ 1,607,271.82	\$ 1,607,271.82	\$ 481,022.77	\$ 30,821,094.67
Operating Cash Flows	\$ 2,175,702.34	\$ 38,653,299.01	\$ 38,653,299.01	\$ 38,653,299.01	\$ 1,607,271.82	\$ 1,607,271.82	\$ 481,022.77	\$ 30,821,094.67
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 2,050,702.34	\$ 38,528,299.01	\$ 38,528,299.01	\$ 38,528,299.01	\$ 1,482,271.82	\$ 1,482,271.82	\$ 356,022.77	\$ 30,696,094.67

Year	2025E			
Quarter	Q1	Q2	Q3	Q4
Album Sales	\$ 7,296,987.20	\$ 7,296,987.20	\$ 7,296,987.20	\$ 7,296,987.20
Tour Revenue	\$ -	\$ 122,266,410.81	\$ 122,266,410.81	\$ 122,266,410.81
Royalties	\$ 1,702,257.31	\$ 1,702,257.31	\$ 1,702,257.31	\$ 1,702,257.31
Revenue for Security	\$ 6,567,288.48	\$ 110,039,769.73	\$ 110,039,769.73	\$ 110,039,769.73
Expense Rate				
Expenses	\$ 1,970,186.54	\$ 33,011,930.92	\$ 33,011,930.92	\$ 33,011,930.92
EBITDA	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Depreciation	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Interest	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 2,298,550.97	\$ 38,513,919.41	\$ 38,513,919.41	\$ 38,513,919.41
Net Income	\$ 2,298,550.97	\$ 38,513,919.41	\$ 38,513,919.41	\$ 38,513,919.41
Operating Cash Flows	\$ 2,298,550.97	\$ 38,513,919.41	\$ 38,513,919.41	\$ 38,513,919.41
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 2,173,550.97	\$ 38,388,919.41	\$ 38,388,919.41	\$ 38,388,919.41

Valuation: \$96,137,776.88

Exhibit H: Overall Valuation for the Royalty Income Trust assuming a 0% tax rate

Year	2006				2007				2008			
Quarter	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Album Sales	\$ 390,609.00	\$ -	\$ -	\$ 2,998,998.00	\$ 3,205,791.00	\$ 8,540,451.00	\$ 4,602,393.00	\$ 3,828,168.00	\$ 3,540,244.00	\$ 34,643,389.00		
Tour Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Royalties	\$ 39,600.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 9,900.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00		
Revenue for Security	\$ 351,548.10	\$ 8,910.00	\$ 2,699,098.20	\$ 2,885,211.90	\$ 7,686,405.90	\$ 4,142,153.70	\$ 3,445,351.20	\$ 3,186,219.60	\$ 31,179,050.10			
Expense Rate	30%											
Expenses	\$ 105,464.43	\$ 2,673.00	\$ 809,729.46	\$ 865,563.57	\$ 2,305,921.77	\$ 1,242,646.11	\$ 1,033,605.36	\$ 955,865.88	\$ 9,353,715.03			
EBITDA	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07			
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
EBIT	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07			
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Net Income	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07			
Operating Cash Flows	\$ 246,083.67	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,899,507.59	\$ 2,411,745.84	\$ 2,230,353.72	\$ 21,825,335.07			
Capital Expenditures	\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00			
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Capital Flows	\$ (253,916.33)	\$ 6,237.00	\$ 1,889,368.74	\$ 2,019,648.33	\$ 5,380,484.13	\$ 2,774,507.59	\$ 2,286,745.84	\$ 2,105,353.72	\$ 21,700,335.07			

Year	2009				2010			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 14,978,008.00	\$ 15,024,477.00	\$ 11,235,005.00	\$ 28,989,089.00	\$ 10,142,234.00	\$ 2,179,546.00	\$ -	\$ 53,731,590.00
Tour Revenue	\$ -	\$ 2,310,000.00	\$ 2,310,000.00	\$ 2,310,000.00	\$ 3,465,000.00	\$ 3,465,000.00	\$ -	\$ -
Royalties	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00
Revenue for Security	\$ 13,480,207.20	\$ 2,079,000.00	\$ 2,079,000.00	\$ 2,079,000.00	\$ 3,118,500.00	\$ 3,118,500.00	\$ 205,200.00	\$ 48,358,431.00
Expense Rate								
Expenses	\$ 4,044,062.16	\$ 623,700.00	\$ 623,700.00	\$ 623,700.00	\$ 935,550.00	\$ 935,550.00	\$ 61,560.00	\$ 14,507,529.30
EBITDA	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Operating Cash Flows	\$ 9,436,145.04	\$ 1,455,300.00	\$ 1,455,300.00	\$ 1,455,300.00	\$ 2,182,950.00	\$ 2,182,950.00	\$ 143,640.00	\$ 33,850,901.70
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 9,311,145.04	\$ 1,330,300.00	\$ 1,330,300.00	\$ 1,330,300.00	\$ 2,057,950.00	\$ 2,057,950.00	\$ 18,640.00	\$ 33,725,901.70

Year	2011				2012			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 6,351,263.00	\$ 1,019,320.00	\$ 482,678.00	\$ 3,344,327.00	\$ -	\$ -	\$ -	\$ 64,016,294.00
Tour Revenue	\$ 10,146,795.00	\$ 26,977,482.00	\$ 49,309,694.00	\$ 26,836,656.00	\$ 15,830,500.00	\$ -	\$ -	\$ -
Royalties	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 228,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00
Revenue for Security	\$ 9,132,115.50	\$ 24,279,733.80	\$ 44,378,724.60	\$ 24,152,990.40	\$ 14,247,450.00	\$ 391,500.00	\$ 391,500.00	\$ 57,614,664.60
Expense Rate								
Expenses	\$ 2,739,634.65	\$ 7,283,920.14	\$ 13,313,617.38	\$ 7,245,897.12	\$ 4,274,235.00	\$ 117,450.00	\$ 117,450.00	\$ 17,284,399.38
EBITDA	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Operating Cash Flows	\$ 6,392,480.85	\$ 16,995,813.66	\$ 31,065,107.22	\$ 16,907,093.28	\$ 9,973,215.00	\$ 274,050.00	\$ 274,050.00	\$ 40,330,265.22
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 6,267,480.85	\$ 16,870,813.66	\$ 30,940,107.22	\$ 16,782,093.28	\$ 9,848,215.00	\$ 149,050.00	\$ 149,050.00	\$ 40,205,265.22

Year	2013				2014			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 12,548,129.00	\$ 3,979,845.00	\$ 1,118,254.00	\$ -	\$ -	\$ -	\$ -	\$ 81,160,923.00
Tour Revenue	\$ 10,313,531.00	\$ 48,216,083.00	\$ 56,849,717.00	\$ 18,003,490.00	\$ 6,584,246.00	\$ 7,693,824.00	\$ -	\$ -
Royalties	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 435,000.00	\$ 575,000.00	\$ 575,000.00	\$ 575,000.00	\$ 575,000.00
Revenue for Security	\$ 9,282,177.90	\$ 43,394,474.70	\$ 51,164,745.30	\$ 16,203,141.00	\$ 5,925,821.40	\$ 6,924,441.60	\$ 517,500.00	\$ 73,044,830.70
Expense Rate								
Expenses	\$ 2,784,653.37	\$ 13,018,342.41	\$ 15,349,423.59	\$ 4,860,942.30	\$ 1,777,746.42	\$ 2,077,332.48	\$ 155,250.00	\$ 21,913,449.21
EBITDA	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Operating Cash Flows	\$ 6,497,524.53	\$ 30,376,132.29	\$ 35,815,321.71	\$ 11,342,198.70	\$ 4,148,074.98	\$ 4,847,109.12	\$ 362,250.00	\$ 51,131,381.49
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 6,372,524.53	\$ 30,251,132.29	\$ 35,690,321.71	\$ 11,217,198.70	\$ 4,023,074.98	\$ 4,722,109.12	\$ 237,250.00	\$ 51,006,381.49

Year	2015E				2016E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 9,555,441.06	\$ 9,555,441.06	\$ 9,555,441.06	\$ 9,555,441.06	\$ -	\$ -	\$ -	\$ 98,853,989.92
Tour Revenue	\$ -	\$ 159,876,780.59	\$ 159,876,780.59	\$ 159,876,780.59	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 2,240,909.09	\$ 2,240,909.09	\$ 2,240,909.09	\$ 2,240,909.09	\$ 1,847,451.60	\$ 1,847,451.60	\$ 1,847,451.60	\$ 1,847,451.60
Revenue for Security	\$ 8,599,896.96	\$ 143,889,102.53	\$ 143,889,102.53	\$ 143,889,102.53	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,662,706.44	\$ 88,968,590.93
Expense Rate								
Expenses	\$ 2,579,969.09	\$ 43,166,730.76	\$ 43,166,730.76	\$ 43,166,730.76	\$ 1,353,604.74	\$ 1,353,604.74	\$ 498,811.93	\$ 26,690,577.28
EBITDA	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Operating Cash Flows	\$ 6,019,927.87	\$ 100,722,371.77	\$ 100,722,371.77	\$ 100,722,371.77	\$ 3,158,411.07	\$ 3,158,411.07	\$ 1,163,894.51	\$ 62,278,013.65
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 5,894,927.87	\$ 100,597,371.77	\$ 100,597,371.77	\$ 100,597,371.77	\$ 3,033,411.07	\$ 3,033,411.07	\$ 1,038,894.51	\$ 62,153,013.65

Year	2017E				2018E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 5,737,004.64	\$ 5,737,004.64	\$ 5,737,004.64	\$ 5,737,004.64	\$ -	\$ -	\$ -	\$ 98,853,989.92
Tour Revenue	\$ -	\$ 124,036,310.57	\$ 124,036,310.57	\$ 124,036,310.57	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,671,849.73	\$ 1,568,784.19	\$ 1,568,784.19	\$ 1,568,784.19	\$ 1,568,784.19
Revenue for Security	\$ 5,163,304.18	\$ 111,632,679.51	\$ 111,632,679.51	\$ 111,632,679.51	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,411,905.78	\$ 88,968,590.93
Expense Rate								
Expenses	\$ 1,548,991.25	\$ 33,489,803.85	\$ 33,489,803.85	\$ 33,489,803.85	\$ 1,353,604.74	\$ 1,353,604.74	\$ 423,571.73	\$ 26,690,577.28
EBITDA	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Operating Cash Flows	\$ 3,614,312.92	\$ 78,142,875.66	\$ 78,142,875.66	\$ 78,142,875.66	\$ 3,158,411.07	\$ 3,158,411.07	\$ 988,334.04	\$ 62,278,013.65
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 3,489,312.92	\$ 78,017,875.66	\$ 78,017,875.66	\$ 78,017,875.66	\$ 3,033,411.07	\$ 3,033,411.07	\$ 863,334.04	\$ 62,153,013.65

Year	2019E				2020E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 7,414,866.11	\$ 7,414,866.11	\$ 7,414,866.11	\$ 7,414,866.11	\$ -	\$ -	\$ -	\$ 94,815,770.29
Tour Revenue	\$ -	\$ 112,089,487.23	\$ 112,089,487.23	\$ 112,089,487.23	\$ 5,013,350.91	\$ 5,013,350.91	\$ -	\$ -
Royalties	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,580,897.68	\$ 1,318,333.18	\$ 1,318,333.18	\$ 1,318,333.18	\$ 1,318,333.18
Revenue for Security	\$ 6,673,379.49	\$ 100,880,538.50	\$ 100,880,538.50	\$ 100,880,538.50	\$ 4,512,015.82	\$ 4,512,015.82	\$ 1,186,499.87	\$ 85,334,193.26
Expense Rate								
Expenses	\$ 2,002,013.85	\$ 30,264,161.55	\$ 30,264,161.55	\$ 30,264,161.55	\$ 1,353,604.74	\$ 1,353,604.74	\$ 355,949.96	\$ 25,600,257.98
EBITDA	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Operating Cash Flows	\$ 4,671,365.65	\$ 70,616,376.95	\$ 70,616,376.95	\$ 70,616,376.95	\$ 3,158,411.07	\$ 3,158,411.07	\$ 830,549.91	\$ 59,733,935.29
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 4,546,365.65	\$ 70,491,376.95	\$ 70,491,376.95	\$ 70,491,376.95	\$ 3,033,411.07	\$ 3,033,411.07	\$ 705,549.91	\$ 59,608,935.29

Year	2021E				2022E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 7,569,103.94	\$ 7,569,103.94	\$ 7,569,103.94	\$ 7,569,103.94	\$ -	\$ -	\$ -	\$ 98,855,229.78
Tour Revenue	\$ -	\$ 132,000,859.46	\$ 132,000,859.46	\$ 132,000,859.46	\$ 5,369,748.21	\$ 5,369,748.21	\$ -	\$ -
Royalties	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,831,218.83	\$ 1,373,656.61	\$ 1,373,656.61	\$ 1,373,656.61	\$ 1,373,656.61
Revenue for Security	\$ 6,812,193.54	\$ 118,800,773.52	\$ 118,800,773.52	\$ 118,800,773.52	\$ 4,832,773.39	\$ 4,832,773.39	\$ 1,236,290.95	\$ 88,969,706.81
Expense Rate								
Expenses	\$ 2,043,658.06	\$ 35,640,232.05	\$ 35,640,232.05	\$ 35,640,232.05	\$ 1,449,832.02	\$ 1,449,832.02	\$ 370,887.29	\$ 26,690,912.04
EBITDA	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Operating Cash Flows	\$ 4,768,535.48	\$ 83,160,541.46	\$ 83,160,541.46	\$ 83,160,541.46	\$ 3,382,941.37	\$ 3,382,941.37	\$ 865,403.67	\$ 62,278,794.76
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 4,643,535.48	\$ 83,035,541.46	\$ 83,035,541.46	\$ 83,035,541.46	\$ 3,257,941.37	\$ 3,257,941.37	\$ 740,403.67	\$ 62,153,794.76

Year	2023E				2024E			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Album Sales	\$ 6,906,991.56	\$ 6,906,991.56	\$ 6,906,991.56	\$ 6,906,991.56	\$ -	\$ -	\$ -	\$ 97,844,744.98
Tour Revenue	\$ -	\$ 122,708,885.75	\$ 122,708,885.75	\$ 122,708,885.75	\$ 5,102,450.23	\$ 5,102,450.23	\$ -	\$ -
Royalties	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,694,655.41	\$ 1,527,056.40	\$ 1,527,056.40	\$ 1,527,056.40	\$ 1,527,056.40
Revenue for Security	\$ 6,216,292.41	\$ 110,437,997.18	\$ 110,437,997.18	\$ 110,437,997.18	\$ 4,592,205.21	\$ 4,592,205.21	\$ 1,374,350.76	\$ 88,060,270.48
Expense Rate								
Expenses	\$ 1,864,887.72	\$ 33,131,399.15	\$ 33,131,399.15	\$ 33,131,399.15	\$ 1,377,661.56	\$ 1,377,661.56	\$ 412,305.23	\$ 26,418,081.14
EBITDA	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Operating Cash Flows	\$ 4,351,404.68	\$ 77,306,598.02	\$ 77,306,598.02	\$ 77,306,598.02	\$ 3,214,543.65	\$ 3,214,543.65	\$ 962,045.53	\$ 61,642,189.34
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 4,226,404.68	\$ 77,181,598.02	\$ 77,181,598.02	\$ 77,181,598.02	\$ 3,089,543.65	\$ 3,089,543.65	\$ 837,045.53	\$ 61,517,189.34

Year	2025E			
Quarter	Q1	Q2	Q3	Q4
Album Sales	\$ 7,296,987.20	\$ 7,296,987.20	\$ 7,296,987.20	\$ 7,296,987.20
Tour Revenue	\$ -	\$ 122,266,410.81	\$ 122,266,410.81	\$ 122,266,410.81
Royalties	\$ 1,702,257.31	\$ 1,702,257.31	\$ 1,702,257.31	\$ 1,702,257.31
Revenue for Security	\$ 6,567,288.48	\$ 110,039,769.73	\$ 110,039,769.73	\$ 110,039,769.73
Expense Rate				
Expenses	\$ 1,970,186.54	\$ 33,011,930.92	\$ 33,011,930.92	\$ 33,011,930.92
EBITDA	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Depreciation	\$ -	\$ -	\$ -	\$ -
EBIT	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Interest	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Operating Cash Flows	\$ 4,597,101.94	\$ 77,027,838.81	\$ 77,027,838.81	\$ 77,027,838.81
Capital Expenditures	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Net Working Capital	\$ -	\$ -	\$ -	\$ -
Change in Net Working Capital	\$ -	\$ -	\$ -	\$ -
Capital Flows	\$ 4,472,101.94	\$ 76,902,838.81	\$ 76,902,838.81	\$ 76,902,838.81

Valuation: \$194,290,691.88

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