

WHAT IS ON A SONGWRITER'S GROCERY LIST?

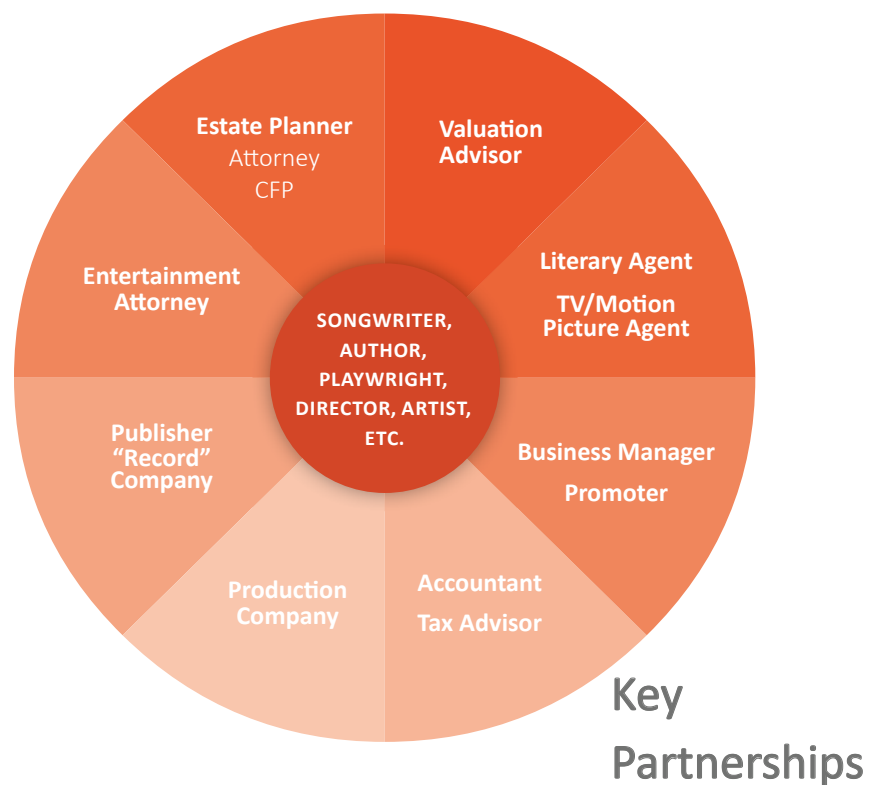
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One of the most successful songwriters from the 1960s and 1970s passed away recently, and our firm was asked to value the decedent's royalty interests in various creative assets for estate tax purposes. The natural starting point for the valuation was a review of the songwriter's most recent royalty statements. Upon delivery of these statements to us by the estate, we discovered the statements were littered with the songwriter's handwritten personal notes, grocery lists (which contained lots of greens, beans and sherry wine), and what we presumed to be coffee stains.

Our firm is frequently asked to value royalty interests in creative assets similar to the situation described above. While the numbers printed on the royalty statements are important and insightful, we have also found that discussions with the agents and advisors help to provide a more complete understanding of the creative assets under analysis. To produce the most reasonable and defensible valuation possible, it is common to interface with a network of agents and advisors as depicted in the graphic below. The number of discussions with these representatives varies considerably, depending on the stage of the songwriter's career and the materiality of earnings across each creative medium.

During these discussions, we discover important information that will influence the valuation, including but not limited to: (a) which are the highest-earning creative assets, (b) what, if any, new exploitations of the creative assets are anticipated, (c) are there any un-recouped advances associated with the creative assets that would limit future earning power, (d) ownership and remaining length of the associated copyrights, (e) terms of relevant contracts (e.g., length, profit participation percentages, royalty percentages, etc.), and (f) commission amounts charged by the various agents and advisors. These representatives are generally in the best position to also inform us if the artist has a library of unreleased material that could potentially provide incremental value to the royalty interests in creative assets that are already being monetized.

Those same factors that influence the valuation for songwriters remain relevant for similar types of professionals (e.g. academicians, actors, authors, directors, playwrights, producers, screenwriters, etc.). For example, discussions with a playwright's agents and advisors might disclose that a production at a first-class venue (e.g., Broadway) may be expected in the near-term, possibly resulting in a higher valuation.



Our firm has significant experience holding critical and efficient discussions with agents and advisors to procure information for the valuation. While we always prefer to have information delivered electronically, we are always willing to look through boxes of paper royalty statements covered with handwritten personal notes, grocery lists and coffee stains to provide a high level of service to our clients.

Empire Valuation Consultants is a national leader in business, financial and intangible asset valuations. Our professionals have a long and distinguished track record, working with many of the country's leading corporate, trust and estate and ESOP attorneys, entertainment agencies and financial planners rendering valuations for a wide variety of purposes. When clients demand an independent valuation that will withstand the highest levels of scrutiny, they rely on our proven capabilities.

REPRESENTATIVE ENGAGEMENTS

Author with \$10 million in annual contractual revenue from profit-sharing arrangements (estate planning purposes)

Playwright with \$300k in annual royalty income from five award-winning plays (estate tax purposes)

Directors, producers and actors with annual royalties and residuals from existing and to-be-produced films (estate planning and tax purposes)

Professors and economists with royalty income from textbooks in their fields of study (estate tax purposes)

Composer with annual royalties of \$1 million from several feature film scores (valuation performed for estate tax purposes)

Music catalog consisting of publishing rights for hits from the 1950s to present (corporate planning purposes)

Artist with annual income of \$100k from copyrighted materials and reproductions sold at various museums and online (estate tax purposes)

Songwriter with \$1 million in annual royalties from hits produced in the 1960s and 1970s (estate tax purposes)



Matthew Zappia, ASA, CPA is a Manager at Empire Valuation Consultants with over 10 years of broad-based advisory, audit, tax and valuation experience. Matthew also has significant experience with valuation assignments for authors, musicians, directors, producers, and other entertainment entities. These valuations primarily relate to literary works, movies, music rights and sports teams for some of the most recognizable entertainers from the 1940s through the current time. He previously worked at KPMG in their Valuation Practice in Chicago.

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