



U.S. COMMODITY FUTURES TRADING COMMISSION  
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

**Commodity Futures Trading Commission**

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## Statement

### **Statement by Alice Neuhauser of Complete Rights Management Before Commodity Futures Trading Commission**

Thank you Chairman Gensler and Commissioners for inviting me to testify today. My name is Alice Neuhauser.

I have been involved in business entertainment for over two decades. During that time, I have usually had some involvement in film financing, from managing two \$100 million revolving credit facilities to single picture financings for some of the biggest independently financed pictures, including **Terminator 2** and **Cliffhanger**. I have managed film financings for pictures ranging in budget from \$2 million to over \$100 million, the vast majority of which were released through standard studio distribution arrangements, including approximately 14 pictures in the last four years. In the course of that time, I have worked with studios, banks, independent financiers, international distributors, completion bond companies, and other entities critical to the financing of production of motion pictures.

In addition to film financing, I have looked for opportunities with businesses ancillary to, or which support, film production. The most successful of those ventures was the development of the Raleigh Manhattan Beach Studios in Manhattan Beach CA. This film and television production facility was built in 1998 and was the first full-service production facility in Los Angeles in over 50 years. The facility was built on 22.5 acres and includes 14 sound stages, eight production buildings, a commissary, a four-story an office building, and a parking garage.

Establishing a new business model, we took the real estate development mall model and adapted it to the entertainment industry. So, instead of a Macy's taking a long term lease as an anchor tenant in a new large-scale mall, we signed 20<sup>th</sup> Century Fox Television to a five-year term as anchor tenant for Fox's television producer David Kelley where he shot his shows "Ally McBeal," "The Practice," and "Boston Public." In the real estate world, a five-year lease would not have been considered long; however, due to the economics of entertainment, this was a workable length for establishing the necessary debt service for obtaining our construction loan. Since that time, the studio facility has been continuously filled, with a variety of network and cable television shows, as well as major studio film productions. The studio is currently home to Marvel Studios, which was the base for the filming of this year's hit "Iron Man 2" and where

Marvel intends to film “Thor,” “The First Avenger: Captain America,” and “The Avengers.”

Over the years, usually at the request of various lenders including GECC and JP Morgan Chase, I have been retained by various distressed entertainment companies on a workout basis to either restructure or sell the assets of those companies. Generally this involves determining how best to exploit the existing assets in the various distribution channels on a worldwide basis or packaging the assets and marketing them for sale and identifying potential buyers.

As a result of my livelihood being inextricably linked to the on-going business of film production, I have been interested in the opportunity that trading in box office futures might offer to the film community. There are certain similarities between building construction and film production. Both require a significant amount of upfront capital with a long lead time to completion. Financing can have some similarities as well, with pre-selling, in the form of office space leases for construction and output deals with foreign distributors or pay television providers for film production. The industry has been pretty successful in developing ways of mitigating the risks inherent in production: from buying weather and cast insurance to obtaining a completion bond to guaranty completion and delivery of completed product.

However, unlike the building construction model where the completed product might take a little while to fully lease-up, generally the building has the same utility two years after completion as it does on the day it is completed. This is not the case for film production. Generally, the theatrical performance of a picture will determine its final ultimate value. International box office, pay television license fees, DVD sales and downstream television revenues are all impacted by the initial US box office performance. With ever-increasingly substantial investments in production and distribution costs, the US box office performance becomes ever more important.

While the ability of box office futures contracts to hedge some of that performance risk doesn't change the final ultimate revenues of a given picture, it does provide the financiers, whether studio, lender, P&A investor, etc. the opportunity to alter the actual financial outcome of their investments. Just as this has been a useful tool for grain producers who are subject to the whims of the marketplace (such as when yields are greater than expected), so it can provide risk mitigation for those investors in the value chain of film production and distribution.

I would like to see the opportunity for this hedging tool to be made available to those parties who are interested.

I thank you for the opportunity to speak to you today.