



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 Clark Hallren of Clear Scope Partners Before Commodity Futures Trading Commission

Mr. Chairman and Commissioners –

Thank you for the invitation to speak with you today. I am the Managing Partner of Clear Scope Partners, an entertainment advisory firm which provides strategic and financial advice to those operating or investing in the entertainment industry.

Prior to forming Clear Scope Partners in August of 2009, I was a Managing Director of JPMorgan Securities, part of JPMorgan Chase. During my 23 year career at JPMorgan and its predecessor companies, I focused exclusively on providing financial advice and capital to those who produce or distribute intellectual property, primarily theatrical films. While I was with the firm, JPMorgan was known as the dominant player in entertainment finance. Due primarily to my role at JPMorgan, I believe that I have seen or provided virtually every form of financing for intellectual property that has existed during the last quarter century. I estimate that I have played a key role in raising approximately \$50 billion dollars of financing and analyzed virtually every business strategy that has been contemplated. I have seen multiple cycles of investors enter or leave the industry including Texas oil money, Middle Eastern oil money, insurance backed financing, German tax based investments, investments from wealthy individuals and the latest round of financing from hedge funds. I have conducted business with each of the major studios that have existed during this time period and have been fortunate to serve as the lead financier for many high profile well known companies including MGM, United Artists and Steven Spielberg's DreamWorks in multiple phases of its history. I believe that my perspective on the industry is well grounded and long dated.

My focus with the products that are being considered by you for approval is simply to increase the sources of capital available to the entertainment industry. I believe this can be accomplished by allowing investors to manage the volatility that is inherent in the performance of theatrical films. The volatility experienced by many recent investors has caused a substantial withdrawal of capital from the industry. This has resulted in a meaningful reduction in the number of films that are produced on an annual basis and therefore has led to reduced employment opportunities and a reduction of film content export opportunities for the US in general. This is especially important as US produced content continues to be a top export of our country. My thoughts are echoed in a letter that I bring to you written by John W. Miller, a Vice Chairman of JPMorgan and manager

of JPMorgan 's Entertainment Industries Group. Mr. Miller, who is perhaps the best known and a highly respected film finance professional, also notes in his letter the objection by various entertainment industry insiders to the product being traded on the exchange being available to industry outsiders. He states, and I quote, "In recent years, studios have welcomed many risk mitigation techniques including allowing those interested in investing in the industry to invest on a "blind basis" by committing to co-invest in films that are within the absolute total control of the studio and are not identified or even exist at the time of the investor's investment commitment. This allows the studio a significant hedge in managing their investment in their film slates while maintaining complete control of the process." Mr. Miller continues by stating that having a hedging product such as the box office future contract will provide two key benefits. First, it would allow investors who buy into a "blind basis" transaction a method to manage their risk and thereby encourage continued and additional investment opportunities. Secondly, and perhaps more importantly, it would also allow investors to improve their investment opportunity by investing in individual films in which that have concrete and tangible information by which they can make informed investment decisions at the time of release of the films. I continue to believe that increased transparency is positive to creating greater investment opportunities in the film industry." End quote.

I agree with Mr. Miller's view and think that the box office future product can have a significant positive application in today's environment. I thank you for the invitation to be here today and look forward to answering any questions that you might ask.