

Blockbuster Investment

By Reg P. Wydeven
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I think it's no secret that I love movies. I would love to be a movie buff, but like *Seinfeld's* George Costanza, I'm not sure what you have to do to become a buff.

I've always loved going to movies. I remember seeing 'Star Wars' at the drive-in and being blown away by the special effects. I literally sat on the edge of my seat watching Indiana Jones being chased by the rolling boulder while fleeing from the cave in 'Raiders of the Lost Ark.' I remember not going anywhere near water for months after seeing 'Jaws.' Also, I refuse to watch 'Old Yeller' again since I saw it for the first time in 1978.

While I often can't remember where I parked my car at the mall, I seem to be able to remember most scenes and even lines from many of the movies I've seen. But if I really want to be considered a movie buff, I should put my money where my mouth is. Thanks to the Cantor Exchange, now I can.

Cantor Fitzgerald, a financial services firm that offers traditional investments such as bond trading and investment banking, is set to introduce the Cantor Exchange, a website where registered users can trade Domestic Box Office Receipt (DBOR) Movie Futures. Cantor Fitzgerald expects to receive final regulatory approval from U.S. Commodity Futures Trading Commission for the Cantor Exchange next month.

Through the Cantor Exchange, movie buffs like myself can wager how well a movie will do financially. For example, if I'm betting the Star Trek sequel will be a blockbuster, I can buy Box Office Contracts for the movie. These contracts value the expected DBOR, which is the U.S. and Canadian movie theater ticket sales, between the film's release and the end of the fourth weekend after release. The data is tracked and compiled by Rentrak Theatrical or Nielsen EDI and are later published for the public in Variety magazine.

Each Box Office Contract represents 1/1,000,000th of the box office receipts for that movie. Therefore, a \$1,000,000 change in revenues causes a \$1.00 change in the value of the contract. So, if Cantor Exchange set the expected DBOR for Star Trek II at \$300 million and it took in \$350 million, I made \$50 for each contract I bought.

Conversely, if I thought the 'Laverne & Shirley' movie starring Jennifer Garner and Jessica Biel was going to tank, I could sell futures contracts in the film. If the box office receipts are less than projected, I will also make money. Accordingly, Cantor Fitzgerald expects movie production companies to sell futures contracts in movies they have financed in order to hedge their position.

So if Box Office Contracts were around when Kevin Costner's post-apocalyptic sci-fi flick 'Waterworld' was released, most investors would have lost, as it had a \$175 million budget, but only grossed \$88 million. Alternatively, investors in 'The Blair Witch Project' would have cashed in, as it was practically a home movie with an original budget of around \$25,000 but had over \$140,000 in box office sales.

Investors can trade futures for a movie six months before its release. As my fellow Trekkies know, the sequel comes out June 29, 2012, so I will be wagering on big 4th of July weekend sales. Because I'm betting the movie will do well, I'm hoping my investment will live long and prosper.