

King – by this time I owed him tens of thousands of dollars – and I had no immediate prospect of paying the money back.

There was a long period during which I was seriously depressed. For most people, it is true, being managing director of Oppenheimer's London office would not count as failure. But I come from a large family that I wanted to impress: I *had* to be a success in their eyes. Moreover, I had behind me not only a precociously successful academic career but the experience, at the age of twenty-one, of responsibilities that would have been uncommon even among engineers twice my age. To be now marooned at Oppenheimer was almost a humiliation. I remember feeling that my life was drifting in no particular direction. I was thirty-three years old, I had no money and all my ventures had been failures.

It was then that Dimitri de Gunzberg, one of the principals of Bankers Trust International, proposed that I undertake yet another highly speculative venture with only the remotest chance of success: raising money for an animated film based on the bestselling book *Watership Down*. This, at last, was to be a venture that worked, and I was to find my vocation in what was for me a most unlikely walk of life – the movie industry.

## Chapter One

### Beginner's Luck

Eberts: *Watership Down* had reviews like no other book I can remember. In every kind of publication – newspapers, literary journals, women's magazines, men's magazines, special-interest magazines – there were reviews of *Watership Down*, and they were all raves. It was these reviews that persuaded me to take seriously Dimitri de Gunzberg's proposal that I help him raise money for the film.

Bankers Trust had already invested in a number of film projects and had lost money on most of them. The experience, however, had enabled Dimitri to make a few contacts in the film world, among them the producer of *Watership Down*, Martin Rosen. Martin had taken the project to Dimitri, and he in turn, probably thinking that it was time someone else lost money on movies, brought it to me at Oppenheimer. Initially, the idea was just to raise the development finance. Development, of which we will be talking a lot in this book, is the process by which one takes a film idea to the stage where it has a script, a cast, a budget and a director. With that package you can then go off and find the money to put the film into production.

In banker's terms, development financing is a venture-capital investment, and for me as a financier it is the most exciting part of the movie business. Indeed, the *Watership Down* proposal was akin to the kind of venture-capital projects I had seen before at Oppenheimer. The degree of risk was greater, but the sums of money involved were much less: to develop *Watership Down* we needed \$50,000, whereas, for example, when Jimmy King and I bought the option on the property in Germany we paid \$1 million.

Partly persuaded by Dimitri's explanation of how film development worked and partly grasping at yet another straw, I agreed to try to raise the \$50,000. I discussed it with my colleagues in London, but they were reluctant to get Oppenheimer involved and suggested that I take it to the chairman, Leon Levy. Leon was equally opposed. It transpired that



he had made an investment in films some years before and the experience had been both frustrating and unprofitable. He had put up the entire budget, \$250,000, for a film called *The Honeymoon Killers* - a critical success (it was said to be François Truffaut's favourite film) that took more than \$11 million at the box office. But Leon never got his money back, let alone saw a profit.

Leon is an intellectual, a highly successful banker, a renowned stock-market analyst, a man who can talk knowledgeably about the influence of taxation on world history and who has financed, out of his own pocket, archaeological digs in the Middle East. The fact that he had invested in a film that had cost very little and grossed relatively a great deal, but which still lost him money, was, for him, sufficient lesson not to meddle in a business that he clearly did not understand. When I took the *Watership Down* proposal to him, he turned me down flat. I don't know if I tried very hard to convince him. I was probably discouraged, having tried and failed in so many other areas. And I can't remember exactly how he handled it, although I do remember him saying it would be 'inappropriate' for Oppenheimer to get involved.

But Leon was very aware of my frustrations. I had spent a lot of time with him and had often told him of my sense of failure. I would say, 'Leon, I'm not happy in this job. I'm not successful. I feel as if I'm just not producing enough.' I wasn't being paid very much money at the time - the most I ever earned at Oppenheimer, including a substantial bonus, was \$32,000 - so it wasn't as if I was a huge drain on the company, but I certainly wasn't producing the goods and I felt guilty about that. The Protestant work ethic kept telling me 'You've got to be more useful to your employer.'

So Leon gave his blessing to the idea, no doubt proposed by me in some desperation, that I should try to raise the development money for *Watership Down* on my own. It would not cost Oppenheimer a penny - I would look for outside investors - and Leon was happy for me to do that as long as it did not interfere with my Oppenheimer work. I knew absolutely nothing about the film business; I had never read about films, and still don't (I couldn't read a book about old movies now even if I had no other book in the house), so I clearly did not know what I was embarking on.

Fortunately, I had Martin Rosen. He *did* know about films and he *did* know something about the movie business. He had been an agent with the William Morris Agency and had been a producer on Ken Russell's *Women In Love*. He even looked right for the part: a classic Jewish entrepreneurial type, with a good sense of humour, very bright and very

meticulous. As the producer, Martin was the man who was going to get the film made. I had nothing to do with the creative aspects, or the logistics, or the organization. I never even met the author of the book, Richard Adams. All I was going to do was raise the development money.

I sat down with a telephone and starting making calls. First I approached people I knew, like Jimmy King, who was given permission by Oppenheimer to put up some money as a private investor. Likewise Dimitri found some money through friends of his. The required amount was raised very quickly, from eight or ten people each investing, on average, \$5,000. Not one of them had any connection with the film industry. I had prepared a short memorandum which set out what the film was about, how the money was going to be spent and what the likely risks were. It was only three pages long and, although the financial technicalities were all properly set down, I had to declare that I knew little or nothing about the film business. In the event, although the results didn't turn out to be quite as I had imagined, my little memo wasn't too far wrong.

The deal structure was devised, although I did not know it at the time - believing it to be Dimitri's work - by a very experienced entertainment-industry lawyer, David Norris, who was later to become a key figure in Goldcrest. According to his scheme, once the package had been developed - i.e. the rights secured, storyboard prepared (animation films have storyboards as well as scripts) and budget finalized - we would find the production money from a third party. We estimated that we would need \$2.4 million. Part of that money would be used to pay back the \$50,000, with interest, to the investors and to pay a small fee - \$5,000 - to Dimitri and me. In addition, the development investors would get 10 per cent of the net profits of the film itself, and Dimitri and I would each get 10 per cent of their share - i.e. I would get 1 per cent, Dimitri would get 1 per cent, and the investors who put up the initial \$50,000 would get 8 per cent.

However, raising the \$2.4 million of production money proved to be more difficult than I had anticipated. Most private investors who have put money into movies have lost every penny, and the film industry is generally given a wide berth by the investment community.

Adding to my difficulties, although I did not then realize it, was the state of the British film industry at the time. In the mid-1970s a great deal of attention was focused on falling cinema admissions in the UK, the cut-back and closure of the UK production arms of the Hollywood studios, the reduction in British government subsidies to the National Film Finance Corporation (an agency that assisted the production of



British feature films) and the fall in profits of the handful of independent production companies then based in Britain. The conventional wisdom within the industry was that this was no time to put money into movies.

I had no idea of these problems. I would pick up the paper and read that in London four or five new films were released every Friday, Pinewood Studios was full, Shepperton was bursting at the seams and Twickenham was undertaking a rebuilding programme. It seemed to me, an uninformed investment banker, that the film business was in good shape. It never crossed my mind that raising film-production money was going to be difficult.

Fortunately, Martin Rosen, who had much more experience than I at this kind of thing, had already secured commitments from a couple of potential investors. Most importantly, he had received an indication of support from a company called Pearson, which at the time owned two thirds of Pearson Longman, which in turn owned Penguin Books, the publisher of *Watership Down*. Pearson Longman's then chief executive, Roger Brooke, who saw that there were potential spin-off benefits in the form of increased sales of the book, was prepared to put some money into the film. As Pearson also owned a controlling interest in the merchant bank Lazard, Martin and Roger had taken the idea to them. Clients of Lazard, as well as individual members of the Pearson family, together with the Pearson company, committed about \$1 million, which was 40 per cent of the total required. We were thus able to say to other potential City investors, 'Here are some reputable investors who are prepared in principle to commit production finance to this film.' It was the most persuasive point in our sales pitch.

I had written a prospectus setting out the sum to be raised, how it would be used, how it would be recouped, the element of risk and so on. It was short and to the point, and I am sure it wouldn't withstand the scrutiny of a good lawyer. At the same time I had drawn up a list of City institutions that made venture-capital investments: merchant banks, investment trusts, life assurance companies and others. I was then greatly assisted by a friend, Powell Cabot, who was working for Oppenheimer as a stockbroker, selling shares to institutional investors, mainly in the UK. Powell became intrigued by the idea of raising film finance. He had a wide range of contacts and, thanks to his door-opening telephone calls, I was immediately put in touch with the key investment managers at the institutions on my list.

Dimitri was doing much the same thing, and between us we probably called around 100 potential investors. If they agreed to consider the idea, I would meet with them, give them the sales pitch and leave them a

copy of the prospectus. But usually, at the mention of the word 'film', the answer would be no. They would not consider seriously an investment of this kind. Eventually, from all the names on our list, we were left with a mere handful of investors who had expressed a serious interest. Even then, people kept on dropping out, saying yes and then calling back to say no. Or saying yes, but... Or yes, if... Or they would suddenly reduce their interest from \$500,000 to \$250,000. It went on for weeks.

When I got close to selling the idea to someone, I would call in Martin Rosen. It wasn't my job to know about the film business; my job was to pitch the deal in terms that an investment manager would understand. If the investment manager was interested, he would naturally want to know more, and that's when Martin would come in. Martin was the expert, the man who could answer the detailed questions.

The \$2.4 million budget figure had been arrived at after many months of analysis by Martin and the director of animation, John Hubley. As a rule, a full-length animated film takes two to three years to make, and the animators' wages represent about 80 per cent of the total budget, with the rest going on materials, rights, producer's fees, repayment of the development costs and miscellaneous expenses.

We made it clear in the prospectus that there was no guarantee that we would recoup the \$2.4 million, for the film had not been promised a release in any market. Having no real idea what such a picture would sell for in, say, Japan, the United States or Germany, we sought advice from an experienced international film salesman, Charles Rosenblatt, and his associate, Arnold Kopelson (who was to win an Oscar in 1988 as the producer of *Platoon*). When the film was finished, Rosenblatt and Kopelson went to independent distributors around the world, showed them the picture and named a price. They closed deals in most of the important territories.

Distributors do not buy a film outright. They pay an advance against the revenues the film is likely to earn in their country. A distributor in Japan, for instance, might pay \$1.5 million, for which he would acquire the rights to the film for a specified number of years. If the owners of the cinemas in which the film is to be shown keep, on average, 60 per cent of the box-office takings, and if the print and advertising costs (prints of the film that have to be struck in order to show it simultaneously in many cinemas, and advertisements that have to be placed announcing the opening of the film) represent a further 15 per cent of the takings, then the film has to generate \$10 million at the box office in order for the distributor to recoup his \$1.5 million advance. Thus:



Box office	\$10,000,000
less cinema-owners' share	(\$ 6,000,000)
<b>Rental</b>	<b>\$ 4,000,000</b>
less print and advertising costs	(\$ 1,500,000)
<b>Distributor's gross</b>	<b>\$ 2,500,000</b>
less distribution fee	(\$ 1,000,000)
less advance to producer	(\$ 1,500,000)
<b>Distributor's net profit</b>	<b>nil</b>

In other words, in our example, in order for the distributor to break even, the box-office income has to be approximately seven times the advance.

While on this subject, it is as well to note that the money remaining after the cinema-owners (known as exhibitors) have taken their share is called the film rental. Rental figures tend to have wider use than do box-office figures in the film business, and they are the figures to which we most often refer in this book. The distribution fee, usually expressed as a percentage of film rental, covers the cost of the service provided by the distributor. In a typical distribution deal, the proportion of the takings returned to the producer increases as the film generates more income, so that the producer might receive, say, 30 per cent of the rentals up to a certain figure, 40 per cent of the next so many millions, and so on up to a maximum of, say, 60 per cent. The distributor negotiates a similar sliding scale of income distribution with the cinema-owners. The significance of this from the investor's point of view is that although it takes a long time for a film to reach break-even – and most don't get that far – there is a revenue threshold beyond which film investment can be very profitable. Hence, although most production finance comes from the established theatrical (i.e. cinema), television and video distributors – either directly, via their own production or co-production activities, or indirectly, via distribution advances and guarantees – there is always a steady, if small, stream of new money trickling into film production from outside. Investors are inspired by the example of such films as the independently financed and hugely profitable *Crocodile Dundee*.

I was later to learn that it is not necessary to have a finished product before selling a film to distributors. For example, producers can pre-sell a film on the basis of the script, the director, the budget and the cast. They might also have some artwork, either drawings or photographs, so that the distributor has a concept of the look and feel of the picture. If the distributor likes the proposal, he will guarantee to buy the film for a certain price, payable on delivery or by instalments during the course

of production. That guarantee is sometimes backed up by a letter of credit from the distributor's bank which the producers then use to get their own bank to provide financing to make the movie.

Pre-selling, which in the 1980s was to become a major source of production finance throughout the film world, is naturally a more difficult way of doing things, because you are selling a concept, not a finished product. It takes far more salesmanship and much better relationships with the distributor – and, very importantly, a much better track record – to sell from a script than it does to sell a finished film. Also, since you are asking the distributor to take a much greater risk, the terms that you can command are likely to be less favourable. On the other hand, pre-selling does have advantages: you are dealing with a dream, by comparison with which the finished film is, almost invariably, a disappointment. In certain cases you can actually do better with pre-sales than you can with the finished product. Sometimes you are caught between the two: 'Do I try to pre-sell the picture? Do I wait until the picture is partly finished, then try to sell on the basis of thirty-five minutes of footage? Or do I wait until the picture is fully finished?' It mostly depends on how urgently you need the money.

In looking for investors, and later for distributors, for *Watership Down*, two of our earliest disappointments were with Rank and EMI Films in the UK. In those days the two companies, through the Odeon and ABC cinema circuits respectively, dominated theatrical exhibition in Britain. They were also involved in film production, EMI being particularly active, producing such films as *The Deer Hunter*, *Warlords of Atlantis*, *Death on the Nile* and *Convoy*. Furthermore, both EMI and Rank were major distributors, being able, through their control of the cinema circuits, to compete with the London branch offices of the Hollywood studios. They were thus by far the most important companies in the British film business, and if you wanted to raise finance from industry sources, they were the people to whom you went.

With this in mind, I prepared a proposal which, despite my inexperience, I knew would be very attractive to them. I was dismissed with ill-disguised contempt by both companies. After that, and despite considerable efforts on my part, I never succeeded in persuading either Rank or EMI Films (which ceased to exist as an independent company in 1986) to put any money into any project in which I was involved – at last count, nearly fifty movies.

When *Watership Down* was finally finished and released in 1978, it proved very successful: the investors who put up the \$50,000 develop-



ment finance got their money back with interest, plus an additional \$450,000, making a total return of ten times their investment.

My financial reward was modest but gratifying. It was not as important to me, however, as the fact that, after a long string of failures, at last I had a success to my name.

## Chapter Two

# Bitten by the Bug

Eberts: It took more than three years to make *Watership Down*, from raising the money to releasing the film, but long before we knew that it was going to be a success I was captivated by the film business. It was a world in which I, with my banking skills, had something special to offer. It was different, and more interesting, than anything done by my Harvard contemporaries. It was something that no one else in the venture-capital world would touch. It was creative: the end result was something to which I could be committed. In addition to all of that, it was fun. I remember taking a telephone call from film producer Elliott Kastner, a man to whom I had never previously spoken in my life. Like many producers, Elliott would call anyone who was thought to be connected, however remotely, with money. There were two or three other people in my office at Oppenheimer as Elliott tried to convince me to help him raise the money for a picture that was to star Richard Burton and Liz Taylor. I repeated the words Burton and Taylor loudly enough for my colleagues to hear, and I remember thinking, 'Boy, this sure beats all that talk about p/e ratios, subordinated debt, equity finance and scrip issues.'

But the way wasn't open to me simply to throw myself into the film business. *Watership Down* was just a one-off. It taught me a lot, but it didn't make me a movie mogul. I was still a banker, still managing director of Oppenheimer.

I was, for example, very much involved with our German joint venture, which, having started off as a mutual fund (i.e. unit trust) sales company, had evolved into a tax-shelter financing operation.

Tax-shelter financing had a great impact on the movie business in the 1970s and early 1980s, and, as it was to play a significant part in the Goldcrest story, it is worth explaining the principle of it here. It was a system by which governments created special advantages for private, corporate or institutional investors to encourage them to put money into



## Chapter Three

## Looking For Projects

Eberts: Working from the office provided for us at Oppenheimer and Co. in the City, we started looking for properties that might be developed into films. An advisory group was set up, comprising Michael Walton of Electra House, Clive Gibson and Roger Brooke of Pearson Longman, Kaye Webb of Penguin, film director Robert Parrish and the lawyer Sam Lyons of Davenport Lyons, and we set about combing the Penguin backlist, the original idea being that we would choose film projects from properties to which Pearson Longman already owned rights. (This was to prove impractical as the Penguin library did not then have a lot of material that was suitable for contemporary audiences.) Apart from Robert Parrish, none of us knew the first thing about films, however, and it quickly became apparent that we didn't know what we were looking for. I also realized that not only is it hard to come up with ideas, but that ideas are not enough. There has to be passion: a real commitment to make an idea into a film. That kind of passion is the one thing that all good film-makers have in common. It is not much in evidence among bankers. I had, and have, lots of enthusiasm - boundless enthusiasm - but I do not have the artistic drive that compels a film-maker to make a motion picture. I rarely come up with a film idea of my own.

Clearly the thing to do was to marry my ability to raise money with the film-maker's passion to make pictures, making a clear distinction between the two functions. The first film-makers with whom I associated in this way were Tony Garnett and Ken Loach.

Garnett and Loach had achieved fame in Britain with their first full-length feature film, *Kes* (1969), as well as with a number of remarkable television plays, among them the celebrated production *Cathy Come Home* (1966). They were film-makers of proven ability, with a track record of bringing pictures in on budget (and small budgets at that), and whose work had a seriousness of purpose that was entirely admirable. They had acquired the film rights to a book called *Black Jack* by Leon Garfield.

As the exception that proved the rule, this happened to be a Penguin book. It was a children's adventure story set in eighteenth-century England which seemed to us to have wide appeal and we agreed to provide the funds for Ken Loach to write a script.

Our initial commitment was for the princely sum of £5,000, although this later rose to the giddy heights of £11,250. The film was eventually put into production, with funds supplied mainly by the National Film Finance Corporation, in September 1978. The budget was in the region of £500,000. Goldcrest got back its original investment, plus interest and a premium, making a total return of £14,600. We also had a 5 per cent share of the net profits. Unfortunately, this 5 per cent was to prove worthless. When the film was eventually released, in January 1980, it was a critical but not a commercial success. The film-makers had been unable to get distribution outside the UK because the story was seen to be too parochial - audiences in Germany, Japan or the US simply would not be interested. Also, Loach had shot it in such a realistic manner that the eighteenth-century regional accents were incomprehensible to anyone outside Britain (and to many inside Britain as well). Nevertheless, we had seen a positive return on our investment and we felt that we were doing pretty well.

I was never to work with Garnett and Loach again, but the next film-maker of my acquaintance, David Puttnam, was to become a long-term partner, and his importance to the Goldcrest story can scarcely be exaggerated. I had first met him briefly in late 1974, when we had completed the development financing for *Watership Down*. Two of his films, *Mahler* and *Stardust*, had been released that year and he was beginning to make a name for himself in the film industry. He was looking for production financing for *Bugsy Malone* and, hearing that I had successfully raised some money for a picture, came along to see me. Of course, at that time there was nothing I could do to help, as we were involved in development financing only, and, thanking me for my time, he went on his way. I didn't think much of it, but David has an extraordinary ability to keep in touch with people who might be useful to him, and in early 1977 he invited me to the première of the Ridley Scott film *The Duellists* in London. This time we had a more substantial conversation.

David Puttnam is a brilliant salesman and he is wonderfully perceptive: he knows what you want to hear. He sat there nervously fingering his beard, telling me that independent financing was crucial to the future of the business; that backing major directors and film-makers was the only way to achieve the kind of success ratio we had to have to survive as independent financiers; that I had been very astute in my handling of



*Watership Down*; and that it was an excellent idea that Goldcrest was to expand in this area. He said all the right things, in other words, and he said them in such a way that I didn't for one minute question his sincerity or his wisdom.

The film business is basically a business of selling ideas. Most often those ideas are impossible to put down in writing. They have to be described verbally and in a very persuasive, emotional style. David Puttnam can do that better than anyone else I have met. In addition, he has remarkably good instincts about talent. He can watch a poor film and identify the strengths of the writer or the director and say, 'This person has got something.' It is an ability that very few people have.

I did not know all this at the time, but I did appreciate that he stood out, far ahead of anyone else I had met in the industry. He was so clearly a man who knew what he was after, and was so obviously capable of achieving it, that he went to the top of the list of people with whom I wanted to do business. I plied him with questions, to educate myself, not to test him: how certain budget figures could be arrived at, how certain talent arrangements could be managed. On the details of how a film is made he was outstanding. But when I started talking about deals and financing, and about structuring profit participations and recoupment, and about selling off rights, he was not so experienced, maybe not even that interested. Naturally, I felt comfortable with that.

David's other remarkable ability is to make you feel that you are very important to him. Even though there are maybe twenty or thirty people around him at a reception or première, he is able to focus his attention on you without distraction - briefly, perhaps, but very convincingly. I remember on one occasion standing on the stairs of the theatre in which *Midnight Express* was being screened. David really was an important figure by this time and there were all sorts of people milling around congratulating him and vying for his attention. He was able to focus on me for just long enough - maybe fifteen or thirty seconds - for me to feel the impact, and to think, 'Well, David Puttnam knows who I am and what I do. He's interested, he's prepared to listen.' He did it very quickly, very effectively and then moved right on to the next person. That's a very important talent in the film business.

The downside with David is that you never feel intimate or completely at ease with him. You never feel that he's going to be a buddy. You find yourself very anxious to be in sync with him - it is a strange effect he has on almost everybody - but you know that you are not going to get close. He once told me, in an unusually intimate conversation, that he didn't really have any close friends; that, of all the film-makers with

whom he has worked over the years, not one could be relied upon to come to his rescue in a crisis or to help him in an unselfish way.

He is a consummate politician, a loyal partner, a shrewd adversary, a man of strongly felt likes and dislikes, outspoken and sometimes opinionated. But to this day I never know what he is really thinking, nor have I ever been able to predict how he would react. He is a puzzle. As John Boorman observed in his book *Money Into Light*, it is no accident that Puttnam's company is called Enigma Films.

Shortly after the opening of *The Duellists* in April 1977, by which time we had just made our first investment in *Black Jack*, David went to Hollywood to join a company called Casablanca Film Works. Some weeks later, I called on him and was able to spend a few minutes with him, but I got the impression that he was seeing me only out of courtesy and that he had no real interest in Goldcrest's providing development financing for any of his projects. At that time, he had no use for me.

But I didn't give up and, as luck would have it, David's relationship with Casablanca quickly soured. In 1978 he came back to England and I was one of the first people to give him a call.

One afternoon in June 1978, partly as a response to my constant prodding, he outlined the basic story of *Chariots of Fire*. The following day he sent me a brief written summary of the project. I was impressed by both the storyline and the eloquence with which David had presented it, and, although he had not worked out in his own mind - still less with the proposed writer, Colin Welland - exactly how the film was going to be structured, I immediately agreed to provide development funds. I was delighted that Goldcrest was going to be associated with a producer of Puttnam's stature. I had no idea, however, that *Chariots of Fire* was to be the film that would change all our lives and set Goldcrest on its extraordinary trail of Oscar success.

We eventually invested £17,700 in *Chariots*, but the initial commitment was only £5,000 and I remember being somewhat concerned at sending David £500 to pay for Colin Welland's flight to the States (where he was to do research into the life of Jackson Scholz) because no documentation had been signed between us. I was used to that way of working in the investment-banking business and, as the supervisor of a number of stockbrokers who did millions of dollars' worth of trades every day without signed agreements, I was accustomed to being bound as much by my word as by my signature on a contract. But I wasn't sufficiently familiar with the film business to take this relaxed approach. David, however, proved to be completely reliable, and I came to realize that



but for the purposes of selling to Hollywood that's what you have to say. Years later this tendency became almost an art form with my pitch for *The Name of the Rose*, a movie based on one of the most complex, subtle and erudite books ever to be a bestseller: 'medieval murder mystery in a monastery, Sean Connery'. That's all I said.

Studio executives in Hollywood can't concentrate on anything for more than a couple of minutes, so you have to do it.

Critics tend to look down on high-concept movies, but, although most of the films with which I have been associated would most comfortably fit into the low-concept category, I have no particular preference either way. What I like are true stories. I feel comfortable raising money for a story which is based on historical fact. *Chariots*, *Gandhi*, *The Killing Fields*, *The Emerald Forest*: they were all true stories. I have a hard time really believing in made-up stories. Also, early on, I found that people often expressed a greater interest if I could hang my pitch on a query like, 'Did you read the article in so-and-so?', or if I could attach it to some real, historical event which they could be expected to know about, or at least be interested in. In other words, the true story – the man looking for his son in the Amazon (*The Emerald Forest*), the journalist searching for his colleague in Cambodia (*The Killing Fields*) – was as good a hook as a high concept.

Now it takes quite a long time to explain what *Chariots of Fire* is about. It's about class, it's about anti-Semitism, it's about achievement, it's about the Church of England, it's about growing up, it's about universality life. It's about all sorts of things jumbled together which you cannot paraphrase in a few lines. By way of contrast, David Puttnam had at that time a second project for which I was trying to raise finance, *October Circle* – a story about a great cyclist who tries to escape from Eastern Europe. That's it – that's the whole story. Both projects were developed by David and both were earmarked for Hugh Hudson to direct, so when I went looking for money there was no doubt in my mind that *October Circle* was the main contender.

Early in 1978 we had put money into a project called *Breaking Glass*, the story of a New Wave singer's rise to stardom in London's music world. When the time came to look for production finance, we had gone, with producers Clive Parsons and Davina Belling, to Dodi Fayed, one of the principals of a company called Allied Stars, run at that time by producer Tim Burrill. Allied had agreed to finance the film and Goldcrest got back its original investment, £30,000, plus interest and a premium, making a total of £55,000. The transaction had been satisfactory for all parties and, when the *Chariots* script was nearly ready, towards the end

trust is a crucial element in the relationship between a financier and a film-maker.

Colin Welland got to work on the screenplay in June 1978 and worked with David for the next twelve months, producing a final draft at the end of 1979. What emerged was a very unusual project, one that was clearly going to be hard to finance through normal channels.

There is a body of conventional wisdom in the film business by which all of us are influenced to a greater or lesser degree. Two of its axioms are: first, that it is hard to finance a purely British picture – i.e. a picture whose subject matter can be understood only in the context of British society and culture; and second, that it is even harder to finance a period picture. With few exceptions, period pictures have proved disastrous at the box office. *Chariots* was both British and period. In addition, it had the kind of story which is very difficult to describe.

The chances of success in raising money for a film are in direct proportion to the ease with which you can tell its story. If it takes you half an hour, you have almost no hope of raising the money. If you can tell the whole story in a couple of lines, then you have a significantly better chance. In those days the terms 'high-concept' and 'low-concept' were not used, but today one would call a film whose story is easy to tell a 'low-concept' film, and a film whose story is difficult to tell a 'high-concept' film. High-concept films today are a lot higher in concept than their equivalents were ten or twelve years ago. Today a high-concept movie can be told in one sentence; for example *Lethal Weapon*: black/white buddy police story, Mel Gibson, Danny Glover, drugs ring, boom. The terminology came in only a few years ago, as a way of describing the kind of films that studios were interested in doing. When a studio head was asked by a reporter, 'Now that you've just become the head of XYZ studios, what sort of films do you want to make?', he could reply, quick as a flash, 'I like high-concept films.' In the early 1980s it was 'event films'; everyone wanted to make 'event films'.

When I used to go regularly – once every month or six weeks – to New York or LA to knock on doors and try to get someone to listen to a pitch, I would often make the projects sound more high-concept than they really were. I remember on occasions being very glad the film-maker wasn't there to hear me as I distorted his complex vision with a few, simple, descriptive strokes. *Local Hero*, for example, became a quirky comedy about a giant American oil company, which, in trying to buy a small Scottish village, is confronted by the apparently principled opposition of the stalwart villagers, who, in reality, are only stalling to push up the price. Of course, it's a far more complicated film than that,



of 1979, I went back to Allied Stars with both that and *October Circle*. I could tell Tim Burrill the story of *October Circle* in a couple of lines, but I had a terrible time explaining what *Chariots* was about. When I returned from the meeting, I said to David Puttnam, 'I think I did a lousy job on selling *Chariots*, but maybe I did a pretty good job on selling *October Circle* - I think we have a chance there.'

I had reckoned without David's powers of persuasion. David strongly favoured *Chariots* over *October Circle* and he immediately asked for a meeting with Tim Burrill. Soon after that meeting Allied indicated their interest in providing 50 per cent of the production finance. David then got in touch with his friend, and erstwhile partner, Sandy Lieberman, who was at that time head of production for 20th Century-Fox in Los Angeles. Sandy committed Fox to putting up the other 50 per cent. David Norris, the lawyer who had structured the first development finance deal on *Watership Down*, re-entered the story at this point, spending six months on behalf of Allied Stars, doggedly pursuing Fox to finalize the documentation and get the deal completed before shooting started in April 1980.

When the film went into production, Allied paid us back the £17,700 we had spent on development, with interest and a premium (making a total of £34,100) and we had a 7.5 per cent share of whatever net profits accrued to the finished film. In the event, this profit share was to be worth some £864,000 - a 5,000 per cent return on our investment. *Chariots of Fire*, more than any other project, vindicated my decision to quit Oppenheimer and move into development finance.

It is worth saying something more about the deal with Allied Stars, because originally we had a 10 per cent net profit participation and this was to be paid out of David Puttnam's share. If a film costs \$10 million and grosses \$80 million at the box office, after the deduction of the exhibitors' share, the distributors' fees and the print and advertising ('prints and ads.') costs, the revenue returned to the producer might be, say, \$15 million. The investors will then get their money back (\$10 million) with interest, leaving, say, \$3 million net. That \$3 million is normally referred to as the producer's share. It is the true profit accruing to the investment (see table opposite).

The producer's share is then split, typically 50 per cent to the people who put up the money in the first place, and 50 per cent to the producer and the rest of the people who made the picture, referred to as the talent. So of the \$3 million, \$1.5 million goes to the investors (i.e. they put up \$10 million, which they have recouped with interest, and they have made a clear profit of \$1.5 million). The other \$1.5 million goes to

Box office	\$80.0 million
Exhibitors' share	\$44.0 million
Rental	\$36.0 million
Distribution fee	\$11.0 million
Prints and ads.	\$10.0 million
Revenue returned to the producer	\$15.0 million
Cost of the film	\$10.0 million
Interest and other expenses	\$ 2.0 million
Producer's share	\$ 3.0 million

the producer and is divided up by him between, in most cases, the director, the writer and, where David Puttnam is concerned, a lot of the crew members. When an actor or director is said to have 'points' in a picture, it normally means that he or she is guaranteed a percentage of the producer's share.

In the case of *Chariots of Fire*, of the 50 per cent left to the producer, David Puttnam was already committed to giving Goldcrest 10 per cent, which left him with 40 per cent. He then paid out probably another 20-25 per cent to the writer, Colin Welland, the director, Hugh Hudson, and the trust fund he had set up for the crew, leaving himself in the end with between 15 and 20 per cent. This proved too great a sacrifice on his part. He came to me and said, 'Look, I've given away more than I had intended.' Could we, he asked, give him back a share of our 10 per cent? I agreed immediately. Of course, at that time we had no way of knowing what these percentages were going to be worth, but I felt that since he had been so generous with other people it would be unfair for us to hang on to the whole of our 10 per cent. We gave back 2.5 per cent, which, happily for David, proved to be worth nearly £280,000. It has to be said that, for a producer of his calibre and experience, David is very modest in his financial demands. Certainly, he regularly took less than half the fees he could get elsewhere when making films for Goldcrest.

(While on the subject of profit participation, I should point out that there is a difference between participating in the net, as outlined above, and participating in the gross. Gross participation is where certain profit shares are paid out before the investors have recouped their investment. If you have a superstar who is crucial to the film, and who is virtually going to guarantee a certain number of tickets - like Robert Redford or Clint Eastwood, or, in his Rambo character, Sylvester Stallone - then you offer him or her, in addition to a multi-million-dollar fee, a percentage of the gross. It is simply a further inducement to get the star to make



the movie. Naturally, taking money off the top in this way can significantly reduce the prospect of net profits for everybody else down the line.)

The success of *Chariots*, following its release in 1981, was to be enormously important in raising the profile of the film industry in Britain and was to make it a lot easier for producers to secure funds from hitherto sceptical financial institutions. It also helped raise the profile of British films abroad, especially in the United States, and was to open many doors for us that had previously been closed. *Chariots* was a breakthrough – that much was not media hype.

In October 1978, while finance was being raised for *Chariots of Fire*, *Watership Down* opened in London to rave reviews and I had my first experience of what it was like to be associated with a winner. The results were sufficiently encouraging to persuade the investors to agree to provide development money for Martin Rosen's next animated film, again based on a book by Richard Adams, *The Plague Dogs*. This was to be my first disaster. It was made for all the wrong reasons: it was emotionally right but financially wrong.

In my view it was actually a better, and more straightforward, story than *Watership Down*; it wasn't so metaphysical. It was about two dogs who are captured and put into a research station. They escape and are chased across the country, ultimately to be saved through their own efforts by swimming out to sea. But the project had two fatal flaws.

The first was that Martin Rosen chose to make a very sombre, very downbeat film. What came across on the screen was a tragic and depressingly bleak story, whereas in the book it is uplifting: the dogs achieve heroic stature by escaping, meeting a fox, almost being captured and finally getting away. In the end they were going to live. In the film they clearly drowned.

Second, we made a crucial business error. We had a guaranteed advance from Embassy Pictures to distribute the film in the US, and, on seeing part of the film – the first five or ten minutes, which were great – we felt that they should pay more. We tried to renegotiate the deal, but all Embassy did was shrug and give us the chance to take it elsewhere – which, stupidly, we did. We never got an advance for the film from anybody.

While the film was eventually to prove unsuccessful, at the time – our first investment was made in the autumn of 1978 – it gave Goldcrest a semblance of continuity and fitted in with our desire to be perceived as a reliable source of development finance for a family of producers, of whom Martin Rosen and David Puttnam were the first members. This

concept, to build up not only a portfolio of films but a portfolio of filmmakers, was to be one of Goldcrest's basic building blocks. It arose partly because the filmmakers I met all seemed to be anxious to have a home, a place to go, a company that understood them and looked after their interests. Since they were all very bright people – literate, intelligent and amusing – and had a touch of bohemianism which I found enjoyable and different from what I had had to deal with before, I was only too pleased to oblige. It also suited me because I wanted to be able one day to go to David Puttnam and say, 'David, we stick with our filmmakers. If you do this film with us, then on the next one, which may be much more difficult, you know we'll be there to help you get the job done.' In other words, if we could cultivate loyalty amongst the filmmakers we would stand a much better chance of having first look at all their new projects.

Although Goldcrest was not in the business of making or financing the production of films as such – our role was restricted to development only – finding such finance was obviously of central importance: unless the projects went into production we didn't get our money back. With their investments in *Breaking Glass* and *Chariots of Fire*, Allied Stars were becoming a major source of production finance, but we could not rely upon one company to finance everything. We had to look elsewhere. The studios don't have this problem; they have enormous revenues arising out of their distribution activities, and they are easily able to finance their own productions. For an independent company like ourselves, life is not so easy. Independent production finance comes from a wide variety of sources, and these sources keep changing, so that, for example, what was available in 1977–8 – say, tax-shelter finance – is not there now. Other avenues have opened up. The principal, and most reliable, sources are the independent distributors who advance money for the production of the film in return for the distribution rights in their territory. However, putting together a financial package from these sources is extremely complicated. Depending on the size of the film and the shortfall in your resources, you might have to put together two or three American distributors (a video distributor, a pay-cable distributor and a theatrical distributor) as well as fifteen or twenty distributors in the foreign markets. The more distributors you have, the more difficult it is to put the package together, because all the contracts have to be signed and sealed before you can start shooting. So on the one hand you are looking to raise as much money as you can and on the other you are



trying to limit the number of participants, if only so that you can get the documentation done.

In those days the system of pre-selling was less developed than it is today. (At the three main film markets, Cannes, Milan and Los Angeles, tens of millions of dollars' worth of such deals are now routine, and virtually an entire banking system has grown up, complete with discounted contracts, advances, loans and guarantees, in what used to be the rather prosaic field of international sales.) Nor were there reliable alternative sources. We were left trying to raise the all-important production finance on a film-by-film basis — an even more complicated job than raising development finance project by project. For these reasons, and encouraged by the success of *Watership Down*, the Goldcrest investors and I began toying with the idea of moving Goldcrest itself into production financing.

This made more than just business sense. On a personal level, it had become apparent that there was no way for me to make a living if all we were doing was investing fairly small amounts of money and earning fees and premiums. I couldn't feed my family on that. I couldn't even run my business on the \$25,000 contribution that Electra and Pearson were making to my overheads. As for my so-called consultancy work, it was a fiction: Goldcrest was now taking up all my time.

So, partly for business and partly for personal reasons, we started looking into the means by which we might secure our own production fund. At that point, I was introduced to a man who had a scheme of his own that looked as if it might achieve our objectives. His name was Jo Child.

## Chapter Four American Partners

**Eberts:** Depending on how you look at it, Van Galbraith should be either blamed or given credit for the next phase of Goldcrest's development. I had first met Van when I applied to him for a job when he and his colleague Dimitri de Gunzberg were setting up Bankers Trust International. While Dimitri was primarily responsible for introducing me to Martin Rosen and *Watership Down*, it was Van who, in the spring of 1977, had introduced me to Josiah H. Child Jr., a man who was to have a singular impact on my life and on Goldcrest over the next few years.

Jo, who had a number of entrepreneurial credits to his name, notably in real-estate investment, is a Boston Brahmin. The Brahmins are old-line New England families whose history goes back to revolutionary times. They are very conscious of their historical role in the founding of the USA and to this day wield, or are thought to wield, considerable influence. Jo was from one of these families, and, even if he wasn't aware of it, he displayed all the characteristics of their idiosyncratic, even eccentric, style.

While looking into real-estate investment opportunities involving the US government's Small Business Administration (SBA), an agency set up specifically to encourage small businesses, Jo came up with the idea of forming a Small Business Investment Company (SBIC), which would invest in the movie industry with funds obtained from the SBA. As the SBA had never before provided funds for investment in films, Jo knew from the outset that his campaign to get it to do so would be time consuming and expensive, and, looking for ways to defray the costs, he had spoken to a number of investment bankers, finally persuading E. F. Hutton, and in particular its head of corporate finance, Paul Bagley, to provide some of the start-up financing. Bagley made it clear, however, that Jo had to have someone on his team who had film-industry expertise, to add credibility to his application and to help him raise the capital. Jo had approached Van Galbraith and Van had sent him to me.