



# How Columbus Discovered Europe

The independent financing of Ridley Scott's \$45 million "1492" was a feat of entrepreneurial derring-do nearly as impressive as Columbus's journey.

BY

Todd Coleman

**GIVING NEW MEANING TO CONQUERING TERRITORIES.**



IT IS A DECEPTIVELY PLEASANT DAY ON THE CROISSETTE as Ridley Scott's financial A-team—attorney Nigel Sinclair, CAA agent John Ptak, and French producer Alain Goldman—sit down for a sunny lunch at the Gaumont villa, high in the hills overlooking the yacht-dazzled waters of Cannes. Across the table are two of the most powerful film executives in Europe—Nicolas Seydoux and Patrice Ledoux, president and general manager, respectively, of Gaumont, the largest production-distribution-exhibition company in France.

The goal of the meeting is to reassure the French studio that *this* film—not the *other* Columbus movie, produced by the maverick father and son team Alexander and Ilya Salkind, which was announced this morning in the trades—is going to be *the* Columbus film. This one has Gérard Depardieu—perhaps the biggest non-English-speaking movie star in the world—not to mention Ridley Scott, the director of *Blade Runner*, *Alien*, and the festival's closing-night film, *Thelma & Louise*. It is a film worthy of the 500th anniversary.

A dull roar—the table and all of Cannes look up, stunned, as a promotional bombing fleet of 28 biplanes drones forward, trailing banners that will eventually span the length of the harbor: TIMOTHY DALTON IS CHRISTOPHER COLUMBUS IN A GEORGE P. COSMATOS FILM: "CHRISTOPHER COLUMBUS—THE DISCOVERY." Conversation is muted for a full five minutes as the longest credit roll in history passes by. Scott's men look at one another in silence: This is war.

ACTUALLY, THIS IS JUST ONE MORE BATTLE IN THE long, arduous campaign to finance Ridley Scott's historical epic, *1492: Conquest of Paradise*—at \$45 million, probably the largest purely independent movie ever made. The story of its financing, like Columbus's own twelve-year battle for foreign funds, is a lesson in politics, business savvy, and bullheaded persistence and a transatlantic journey into an exotic new world of feature-film finance.

Scott had rarely worked outside the studio system when he and Goldman decided—against the advice of many and after every studio had turned them down—to mount *1492* independently: Sharing producer credit, maintaining creative control, and, once the film was completed, owning the negative. But the odds against them were long.

The film was budgeted at around \$49 million, an unheard-of amount for an indie feature, and yet there was no equity or glue money, no godfather or corporate entity to shepherd it along: The only assets were the film itself and whatever talent could be attracted to it—on a contingent, not pay-or-play, basis. The project also had a deadline that was, in effect, a kill date—Columbus Day 1992—as well as a rival Columbus movie competing for the same fi-

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financial resources . . . and all this during a worldwide recession.

But Scott's eyes were fixed on a star—Gérard Depardieu—and when the French actor came on board in February 1991, the film suddenly became credible. The first battle could now begin.

AMERICAN FILM MARKET, MARCH 1991. THE PRODUCERS have planned a surprise attack on the market, with no advance warning that a Ridley Scott movie with Gérard Depardieu as Columbus will be available in Suite 444 of Loews Santa Monica Beach Hotel for presales. Foreign buyers are ecstatic, lining up to hear Scott pitch the project himself and, later, to negotiate presale guarantees with Goldman and fellow Frenchman Patrick Wachsberger of Odyssey Distributors, Ltd., the L.A.-based foreign sales company handling worldwide sales.

The Salkind project, which is caught off-guard, isn't being sold at the market, leaving *this* Columbus free to lock up the best deals with the strongest distributors in each territory. Each presale contract represents a dollar





amount that the producers will be able to bank—they hope—using the guarantees (of money to be paid on delivery of the film) as collateral to borrow against for the production budget. Iceland, itself a nation of sailors, is the first country to sign on, and by the end of the market, \$15 million worth of contracts—30 percent of the budget—have been signed.

THE SUCCESSFUL PRESALES STRATEGY AT the AFM is only one part of a larger, three-prong attack conceived at a planning meeting in Beverly Hills in late February. The primary architects of the plan are two new members of the team, CAA's Ptak (a recent émigré from the William Morris Agency who brought with him old client Depardieu and new client Scott) and attorney Sinclair of Sinclair Tenenbaum & Co., Inc.

Both Ptak and Sinclair are highly experienced film-finance packagers, pioneers in a new kind of funding phenomenon: A-level, major-release pictures that combine the indie financing techniques of the '80s (banking against foreign and domestic presales) with emerging coproduction opportunities and government grant programs. The basic financial plan for *1492* is a combination of

three elements not usually found together: Traditional foreign presales to major territories, a strong U.S. distribution deal from a major studio, and a French-Spanish-U.K. coproduction that would give access to state subsidies and enhanced distribution deals in Spain and France. Odyssey is to handle international sales, Ptak will do the North American deal and devise the overall strategy, and Goldman will set up the coproductions, with Sinclair finding a bank to lend against contracts and his firm pulling together and managing the interrelationships of every deal on behalf of the production. At least, that is the plan.

Ptak finds the majors less than enthusiastic about what they perceive as an expensive 15th-century history lesson starring a foreign actor not well-known to U.S. audiences. (This is before the success of *Green Card*.) Other obstacles include a Salkind lawsuit—later dropped—claiming Scott is using their ideas for his version, and the fact that only U.S. rights are available. (This would be less of a problem today; now studios often prefer split-rights deals, which allow them to distribute more films at less risk.)

In Paris, meanwhile, Goldman, the film's official French coproducer, is assembling various Spanish and French elements—ac-

tors, locations, technicians, etc.—to ensure that the film will qualify as an official "French" film in France and an official "Spanish" film in Spain. Nationality status will give the production access to government grants and subsidies designed to help the local film industries and can triple the film's television value in France, by meeting content quotas designed to reward domestic product over foreign (i.e., Hollywood) product.

Applying for nationality status is exhausting and highly political, with a level of government involvement (and paperwork) that would be shocking to most Americans. Luckily, Depardieu is buddies with the French Minister of Culture, Jack Lang, and he introduces Lang to Goldman and Scott. Lang, who sees *1492* as a prototype for a new kind of A-level French movie, becomes an enthusiastic supporter of the film, making phone calls and introductions across Europe and giving the project its first financial grant.

Nationality status is much easier to achieve in England, especially with Scott as the U.K. coproducer. Though there are no grant monies or financial incentives involved, there is one crucial advantage to English nationality status: It allows the film to be shot in





English (the language that travels best worldwide) and still remain within the coproduction treaty network.

In Spain, the Spanish coproducer of *1492*, Pere Fages, is told that the project is too American, in spite of the many weeks of shooting planned in Spain, the hiring of Spanish crews and actors (including Spanish star Fernando Rey), and the inherently Spanish nature of the story. Worse yet, the Quinto Centenario, the state agency overseeing the 500th-anniversary celebrations, has given its blessing and, more important, its boats (scale replicas of the *Niña*, *Pinta*, and *Santa Maria*) to the Salkind film.

The loss of the Spanish boats is a major blow, and a meeting is called in London to re-strategize in preparation for Cannes. A decision is made to order boats from Bristol, and the priority now shifts to closing a firm U.S. studio deal and getting it *before* the Salkinds, who already have reached a tentative agreement with Universal.

French giant Gaumont has meanwhile been tracking the film with increasing interest, and after a chance encounter between Scott, Depardieu, Goldman, and the top Gaumont execs at the César Awards (the French equivalent of the Oscars), a meeting is set up in Paris for Goldman and Gaumont's Ledoux. Goldman calmly presents a price for French rights to the film, a portion of which (about \$1 million) must be paid up front and is nonrefundable.

Two days later, Goldman has a deal, and Gaumont becomes the first European company to come on board as a partner. The total amount, reportedly around \$8 million, is all the more amazing because the film has not yet been designated an official French coproduction; its value in France will be considerably lower if nationality status is not given. With this first infusion of real capital, the film can now begin preproduction, opening an office at England's Pinewood Studios and ordering the boats.

FOR PTAK, THE CANNES FESTIVAL IS ONE long *1492* meeting. It is 3 A.M., and he is still on the phone to L.A., racing against time to close a U.S. studio deal with new Paramount chief Stanley Jaffe (producer of Ridley Scott's *Black Rain*). At four, Ptak is on the floor, scribbling notes on Hotel Majestic stationery. On a conference call with him are Goldman and Sinclair, also at Cannes, Scott in New York, just-hired Brandon Tartikoff on the Paramount lot, and Jaffe on his car phone. Ptak finishes the handwritten deal memo and faxes it to L.A. The next day, the Paramount deal (for approximately \$10 million, with a start date in September)

hits the trades: Another battle won.

With Paramount and Gaumont now on board, Wachsberger has no trouble closing the remaining territories for what has now become a triple-A picture. All financing appears to be falling into place, both in terms of presale and coproduction deals, except for one area.

IT IS THE WORST BANKING PERIOD SINCLAIR has ever seen. The prominent film lenders of the past decade—Guinness Mahon, British and Commonwealth Merchant Bank, and Credit Lyonnais—are in full retreat, licking their wounds from bad corporate debt, bad management, and/or bad luck in the entertainment business. While many banks would like to get involved with this film and with Scott, they are terrified by the numbers—\$45 million is fine for a corporate line of credit, but for one movie?

What is most difficult is finding a bank that will lend against coproduction contracts, since their value is contingent on receiving nationality approval, something that cannot happen until the film is completed.

The entire team gathers at the Hotel du Cap to welcome Scott, who has arrived for the final three days of the festival to promote *Thelma & Louise*. The casual dinner turns into a six-hour meeting.

Attorney David Norris of Marriott Harrison now huddles with former protégé Sinclair to create a new strategy. Instead of trying to bank a full \$45 million as planned, why not bank \$20 million (against all the foreign contracts *except* France and Spain) and then renegotiate with the distributors to cash-flow the difference with advances against completion? The idea is unusual for an independent film—distributors usually won't cash-flow a project unless they own it, since they have no security if the film is abandoned. But the plan works. It does complicate the process, however; now all 30 contracts will have to fall into place at the same time before funding can begin.

In a final coup, Goldman is able to convince French media lender Sodete/UFGA to cash-flow the Gaumont guarantee and, eventually, all government grants and coproduction contracts from Spain and France. Since Sodete is owned by important European banks with strong ties to government agencies, the governments would be far more likely to fulfill their contracts.

The September start date has to be moved back to November, and Scott now returns to London to focus on the actual production of the film. Goldman returns to Paris, and Sinclair and Ptak head to L.A. for the next campaign: The bank and bond wars.

THE L.A. OFFICE OF JAPANESE-OWNED DAIWA Bank Ltd. now signs on as the lead bank to cover all non-Sodete lending. Daiwa agrees to lend \$10 million of the \$22 million needed, and a syndicate of banks—then-named NMB Bank of Amsterdam (now called ING Bank) and the London office of Germany's Berliner Bank Ag.—is pulled together to cover the rest.

In August, with cathedrals being constructed in Costa Rica and ships in England, the money is quickly running out, with no bank deal yet signed. The start date is moved back once again, to December 2, 1991, and this time it has to stick, or else there is a risk of missing the crucial 1992 release date. At the last minute, Ptak persuades Paramount to kick in half of its guarantee (\$5 million) as an advance, and Goldman likewise convinces Sodete to advance monies toward escalating preproduction costs. Meanwhile, a new line producer must be found, and Scott finds himself longing for the deep-pocket security of a studio production.

Sinclair and the L.A. team are in daily negotiations with Daiwa to try to close the bank loan, arguing that the collateral (the contracts) is sufficient to cover the budget and that the specific deal points of each contract are being met. With the recession spreading worldwide, the value of many territories is a continuing source of debate, with the bank sometimes discounting contracts to 60 percent or 30 percent of their gross value (and in the case of two countries, 0 percent).

The Completion Bond Company (CBC) gets involved in late September, analyzing the overall level of risk of the production to decide whether it is willing to bond the movie (i.e., to guarantee the bank that the film will be completed and delivered for the exact amount the bank is financing). The bond company is especially concerned about the French and Spanish government contracts; if a government defaults, what will you do—sue Spain? The filming of ships at sea is another high-risk area, but equally treacherous is trying to meet the film's worldwide release date, with simultaneous openings planned in seven different languages around the world.

The CBC now has a foot-high stack of contracts—in three different languages—to sort through, with no time for translations. Besides the time pressure (the Salkinds are already shooting), there is huge money pressure from Sodete, Paramount, and Gaumont, who have taken great risks in advancing monies without security, and who are now eager for the reassurance of a signed completion guarantee. Almost everyone has been working for free for over a year, and most of the principals now defer their fees against unbanked collateral in order to help bond the picture.





Exactly one month away from principal photography, the final budget is determined (at around \$45 million), and the bond company believes there is a \$3 million shortfall between the bonded budget and the actual cost. The next three weeks are spent working the numbers, with the bank and bond company trying to reduce, defer, or lay off line items in the budget and the producers and their representatives trying to get a higher discounted percentage on the value of the contracts, plus even greater deferrals of fees, etc.

With source money in three different currencies—dollars, francs, and pesos—and expenditures in pesos, dollars, and Costa Rican colons, currency issues become important, especially when dollars need to be spent in pesos, pesos in colons, etc. “Hedge contracts” are bought to lock in current exchange rates to protect against currency fluctuations.

Meanwhile, Goldman isn’t sleeping much. He spends his days with the bank and the bond people, his nights on the phone to Sodete, Gaumont, and the production office. Every day of the past three weeks he hoped would be the closing. But you can’t wait for a closing; you have to make it happen.

FRIDAY, NOVEMBER 22, 1991. SEVENTEEN people sit around the conference table at Sinclair Tenenbaum, wondering, “Is this really the closing?” Others stand by on the phone: Line producer Iain Smith in London, Richard Fowkes at Paramount, and, in Spain, Scott himself. Sinclair and Ptak lay down the ground rules: Nobody leaves the room until the deal is done . . . or there is no picture.

The shortfall has been reduced to \$1 million. The goal of the meeting is to find it, so that the bond company can sign off on the guarantee, the bank can close the financing, and the money can be wired. Everyone present has already stretched, compromised, given to the bone.

Sinclair turns to the bank’s lawyer, Katherine Goodman, the keeper of the purse. “What do you need in order to fund tomorrow? Who do you need it from?” He goes around the room, matching problems with solutions.

The first round of concessions comes from the sheer pressure of being here, the energy of facing people, not documents. The mood slowly begins to change. Post-production houses and labs get surprise calls, are asked to reduce or defer their costs until after delivery. Distributors

change their deals at the last minute.

Ptak and Sinclair play good cop/bad cop. Sinclair takes people out of the room, “persuades” them; Ptak then smoothes things over. People split into groups, consult in the hallway, return with an offer, another compromise: If you’ll do this, we’ll . . .

A slow sense of euphoria, as people realize, perhaps for the first time, that this film might actually happen. . . . They shake hands, some in tears. There is a feeling that something more than commerce has happened here.

TWO DAYS BEFORE THANKSGIVING, FIVE days before the start of principal photography, the first production funds are wired to Spain.

A British director and French producer, with the help of a Hollywood agent and lawyer, will make an international release that somehow isn’t “foreign,” a mainstream movie with over three quarters of the budget coming from outside the U.S. A new kind of European-American film is born. ■

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