

Perils of Todd-AO

"Oklahoma!" Has Delighted More Movie-Goers than Investors

By DAVID A. LOEHWING

THE motion picture "Oklahoma!" which was the first made in the new wide-screen process known as Todd-AO, now is going into the sixth month of its run at the Rivoli Theatre in New York City. Its backers expect the film, which is grossing a comfortable \$30,000-\$35,000 a week, to stay at the Rivoli at least until Christmas-time. "Oklahoma!" also is playing to packed houses at road-show prices (\$2.50 top) in a half-dozen other U.S. cities. Critics in Chicago, Detroit, San Francisco and Miami Beach, in particular, have greeted the picture with acclaim, and the public has responded in kind. According to its distributors, Magna Theatre Corp., it will be running in 20 additional houses by July 1. In addition, Magna has received a handsome offer for the foreign rights to the CinemaScope version; if it is accepted, Laurie, Curley, and Ado Annie will delight audiences throughout the world.

Such glad tidings are in striking contrast to the lack of enthusiasm displayed by the investment community toward anything remotely connected with Todd-AO. For example, "Oklahoma!" participation certificates, which once changed hands at \$650 each, sold at approximately \$265 last week. Magna's \$100 par debentures are trading at slightly over 80, and have been as low as 75. Magna common, which reached a high of 23 early last summer, today brings barely a sixth of this price, and one of the company's biggest investors has liquidated all of his holdings. Even stately old American Optical Co., which developed Todd-AO and makes most of the studio and theatre equipment, has suffered marketwise, despite the fact that its sales and earnings scored a substantial advance last year. What went wrong with Todd-AO (*Barron's*, July 25), and what the future may have in store, add up to a fascinating financial story which yet may turn out to have a happy ending.

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The tale began with a Broadway showman named Michael Todd, who was one of the original promoters of Cinerama, the first of the wide-screen systems. Todd felt that Cinerama could be improved upon and interested American Optical in the technical side of the project. For financing, Todd called on movie executive Joseph Schenck, chairman of the board of United Artists Theatre Circuit, Inc. Together, they set up Magna, with George Skouras, president of UATC, at its head. Eventually, after spending some \$3.8 million, this team came up with what was christened the Todd-AO process. Its principal elements are a huge, "bug-eye" lens with

"We have in Todd-AO the only screen medium that can make the movies superior to home entertainment."

— George Skouras, president,
Magna Theatre Corp.

extreme wide-angle propensities; 70-millimeter film; a broad, deeply curved screen; and a six-track, ultra-high fidelity, stereophonic sound system. Todd, who wanted a sure-fire story to launch the process, found it in "Oklahoma!"

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The picture was produced by Rodgers and Hammerstein at a cost of \$6 million. To finance this undertaking, as well as the development of Todd-AO, Magna issued \$6 million worth of 6% sinking fund debentures and borrowed an additional \$2.5 million. It also sold 2,321,000 shares of common stock, most of which were purchased by the original backers at prices ranging from five cents to \$1.50 per share; about 31% is owned by United Artists Theatre. The bonds, privately placed through Kuhn, Loeb & Co., were made more appealing by the issuance of 6,000 "Oklahoma!" participation certificates, one to each purchaser of \$1,000 worth. One-quarter of the net return to Magna from the film is to be distributed to those who hold the certificates.

A second company, Todd-AO Corp., was set up to sell the equipment and act as a licensing agency. It receives five cents from every admission paid in the U.S. and Canada to see a movie in Todd-AO, and 3½ cents from each admission paid abroad. The entire \$3.8 million development cost is charged to it. American Optical, which advanced \$1.2 million of this money, owns 37½% of its stock. Magna, which put up \$2.6 million, holds the other 62½%. The two parent companies have equal voting control, however.

Last summer, in Hollywood, newspapermen and other interested parties were shown rushes of "Oklahoma!" in the new film medium at a small theatre set up for the purpose on the R.K.O. lot. They were tremendously impressed, both with Todd-AO and the artistic quality of the production. Word got around quickly that something exciting was about to happen in the motion picture business. Speculators started to bid up the price of Magna shares, and, since only a small number were on the market, their rise for a time was spectacular.

Then came the opening in New York City and, in the style of an old-fashioned screen

melodrama, disaster. Somehow, both nature and man conspired against the enterprise. On the first count, a heavy blow was dealt Todd-AO by the flood which inundated New England last fall in the wake of Hurricane Diane. American Optical's plant in Southbridge, Mass., badly damaged, could not furnish sufficient equipment for printing the film. Consequently, the print used for the New York premiere was defective; it had so many scratches on it that some spectators at the opening got the impression the Oklahoma cornfield scenes were shot in a snowstorm.

The man-made misfortunes were of several kinds. For one thing, a sharp slump in theatre attendance set in around the time "Oklahoma!" reached Broadway. For another, there was the unfortunate handling of the opening itself, which is still a source of controversy among the backers of the film. On this score, Mike Todd these days is fairly vituperative. The first mistake, in Todd's opinion, was to insist on holding the premiere on schedule when it was discovered that the print was defective. (Elemental tactics of showmanship, he says, dictated a delay.) He also cites the use of a "traveler," or curtain, placed before the screen, which muffled the first, overpowering effect of the hi-fi sound system, as well as the use of near-white paint on the theatre walls, which tended to wash out the colors on the screen.

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Worst of all, in Todd's opinion, was the way in which the press relations for the opening were handled. Although the press preview was held on a Monday morning, critics were asked to delay their reviews until after the full-dress premiere Wednesday evening. Meanwhile, additional previews were being held for theatre owners whom Skouras hoped to sell on the idea of installing the Todd-AO system; to all intents and purposes, these were open to the public. Some of the newsmen, therefore, rushed into print with their reviews, and New Yorkers had the unusual experience of reading the verdict of the critics before the formal premiere was held. Nor was the consensus overly cordial.

In a rage, Todd publicly announced his intention of selling his interest in Magna "for any price I can get." True to his word, he offered his shares to a number of prospective buyers at quotations well below the going price. The market promptly reflected the heavy selling; Magna stock fell to less than half of what it had been quoted before the premiere. Ten days later, Todd finally disposed of his 268,000 shares at 4½ to a syndicate headed by Allen & Co. Magna bonds and "Oklahoma"

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