

BOOK NOTE

INDECENT EXPOSURE: A TRUE STORY OF HOLLYWOOD & WALL STREET.
By David McClintick. New York: William Morrow & Co., 1982. Pp.
560. \$17.00.

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Truth is not only stranger than fiction, but is also entertaining in David McClintick's account of the "David Begelman affair" and the ripples it sent through the entertainment, business and financial communities. The bi-coastal drama is in part the story of the incredible combination of arrogance and carelessness of a man who risked his considerable career and position¹ to embezzle a relatively small amount of money.² However, it is primarily a tale of "the corruption of power and arrogance. It is the corruption that inevitably pervades a large and glamorous institution when that institution is tightly controlled by a handful of people, and thousands upon thousands of other people are clamoring for entry."³

In February 1977, Cliff Robertson innocently questioned an IRS Form 1099 which he had received from the Columbia Pictures accounting department showing income to him of \$10,000 from Columbia during the previous year. In September of 1977, the routine inquiry led to discovery of Begelman's embezzlement of the sum supposedly received by Robertson. Columbia and the parent company suspended Begelman pending an investigation which eventually uncovered two additional thefts. He was reinstated as President of the Studio in late December 1977, although he was not reinstated in his position with the parent company. However, the furor of publicity and the reactivation of investigations by interested governmental bodies led to his resignation on February 5, 1978.

Following his resignation, Begelman was given a production deal as an independent producer which was potentially more lucrative

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¹ Begelman was President of Columbia Pictures, the motion picture studio, and of Columbia Pictures Television as well as Senior Executive Vice President and a Director of Columbia Pictures Industries Inc., the parent company.

² Begelman embezzled \$61,008 from Columbia Pictures by means of forged checks which had been issued to four actual but unsuspecting individuals and which in one instance was supported by a phony contract. In three instances he simply forged the payee's signature and in one he actually paid an architect for work done on his home. The first forgery was discovered when Cliff Robertson was sent an IRS 1099 tax form for \$10,000 he had never received.

³ D. McCLINTICK, INDECENT EXPOSURE: A TRUE STORY OF HOLLYWOOD & WALL STREET 514 (1982).

than his prior position. On May 17, 1978, David Begelman entered a plea of *nolo contendere* to the charge of felony grand theft before Burbank Municipal Court Judge Thomas E. Murphy. On June 27th he was fined \$5,000 and put on probation for a period of three years. A year later Judge Murphy unexpectedly reduced the charges from a felony to a misdemeanor, entered a not guilty plea to the reduced charges and dismissed them, revoking the remaining two years of probation.

David Begelman's thefts were not the first and will not be the last to occur in an industry where cash flows freely and management is sometimes more concerned with keeping talented employees happy than with monitoring their expense accounts. When the Hollywood community finally knew the details of the "Begelman affair," they seemed more shocked at his risk-taking than at the actual crime itself.

Begelman's crime and subsequent "punishment" served only as a catalyst for the story that McClintick has carefully documented for the reader. McClintick reveals the power struggle between Alan Hirschfield, Chief Executive Officer of Columbia Picture Industries Inc.⁴ and Herbert Allen Jr. "the most powerful member of Columbia Pictures Industries' board of directors."⁵ He also examines the incredible response of the board which led it

to believe that it could quietly investigate Begelman, quietly observe the legal niceties of quietly telling the SEC, and then restore Begelman to the studio presidency without anyone else's learning the details of what he had done, without a single executive or employee's getting upset, and without the press's spreading the whole affair across page 1.⁶

McClintick is well versed in the ways of Wall Street. With the insights gained from eleven years of investigative reporting for the Wall Street Journal, he presents a convincing thesis: the uniqueness of the Begelman situation lay not in the fact that he stole, but in that the board of directors of this public company did not care. By the time the reader reaches the Epilogue he will agree with McClintick's indictment that in the entertainment industry, "a radical power imbalance fosters overweening arrogance in some quarters,"⁷ and that among

⁴ Hirschfield was hired as President and Chief Executive of the Company by his friend Herbert Allen when Allen and Company bought control of Columbia Pictures in 1973. He and Allen hired Begelman to head the Studio.

⁵ D. McCLINTICK, *supra* note 3, at 58.

⁶ *Id.* at 514.

⁷ *Id.*

the people in control, although money is important because it provides power, power is the ultimate goal.

McClintick describes the board of directors of Columbia Pictures Industries Inc. as “not particularly distinguished, containing not a single independent lawyer, banker, or other voice staunchly independent of the corporation’s vested interests as represented by Herbert Allen, Matty Rosenhaus, and the others who tended to be loyal to them.”⁸ More remarkable than the apparent disdain that the board members showed for their responsibilities as representatives of the shareholders was their failure to recognize the real danger to the company of cavalierly handling the Begelman affair. Throughout a period of serious corporate crisis the board of directors functioned as if it were completely insulated from the exigencies of the situation. The board was fully appraised of its responsibilities under the “business-judgment rule” by its outside counsel, Robert Todd Lange, of Weil, Gotshal & Manges.⁹ While it is arguable that the board acted in what they believed to be the best interest of the Corporation, the chronology of events leaves one with the clear impression that their judgment as a group was clouded by internal bickering, personal animosities and self-interest.

Outside of the entertainment industry, the business world was generally shocked that the board would even consider reinstating Begelman as head of the Studio against the will of their Chief Executive Officer and the counsel of their attorneys. As Hirschfield and Lange had predicted, David Begelman’s reinstatement and the resultant press coverage directly spurred further inquiries by the SEC and the Burbank Police Department. What the general business community did not realize was that the issue of Begelman’s reinstatement could probably have been any issue, it just happened to be the one on which Herbert Allen threw down the gauntlet in his struggle with Alan Hirschfield.

There are very few “white knights” in this story. Although the author is clearly in Alan Hirschfield’s corner with regard to his handling of the Begelman situation, he notes that Hirschfield was not dissuaded from hiring Clive Davis to head Arista Records, Columbia’s phonograph record subsidiary, “even though Davis had been fired as head of CBS Records for misappropriation of funds and was under

⁸ *Id.* at 126.

⁹ “Under the [business judgment] rule, a corporate board of directors has considerable freedom in deciding any issue before it as long as the decision represents the board’s genuine ‘business judgment’ of what is best for the corporation.” *Id.* at 221-22.

federal indictment for income tax evasion.”¹⁰ “Hirschfield and Herbert Allen had decided they could overlook what they considered minor law violations in order to obtain Davis’ considerable talents as a record executive.”¹¹ Much the same argument was used by the board in defense of their decision to reinstate Begelman. Perhaps the least creditable performance by a minor actor in the Begelman drama was by Burbank Municipal Court Judge Thomas E. Murphy when he reduced and dismissed the charges against Begelman.

McClintick tells a good story well. However, his device of recreating entire conversations as if he has verbatim recordings is somewhat disconcerting knowing that this is impossible for even the best of interviewers. Nonetheless, as the pace of the story quickens, the reader becomes totally caught up in what is truly a fascinating and unpredictable sequence of events. The author saves the best for last, and one is amazed a final time when the Epilogue describes the Hollywood community’s response to the aftermath of the scandal: David Begelman moves on to head the MGM Studio and Cliff Robertson, the original innocent victim, is blacklisted for four years. *INDECENT EXPOSURE* is a cautionary tale for those who wish to wheel and deal or perhaps practice law in the “glamorous” entertainment industry.

¹⁰ *Id.* at 109.

¹¹ *Id.* at 71.