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### FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 06/05/1996

To: LOS ANGELES

Attn: [redacted]

From: LOS ANGELES

NSD-3

Contact: [redacted]

extension 3701

Approved By: [redacted]

Drafted By: [redacted]

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6/5/96  
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(S) Case ID #:

[redacted]  
64A-LA-127602-D3 (Pending)

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(S)

Title: [redacted]

OO: LOS ANGELES

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Synopsis: Open source information pertaining to [redacted] and [redacted]

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Classification: This Document is classified ~~SECRET~~ in its entirety unless otherwise marked.

Details: Attached are open source computer data base check results regarding news media stories about [redacted] which were conducted for inclusion in this file. Additionally, [redacted] entry in the Who's Who In America 1996 is included.

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Open source information primarily concerns [redacted]

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[redacted] Case Agent [redacted] has requested that this matter be placed in a closed status at this time. ~~(S)~~

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(S) To: LOS ANGELES From: LOS ANGELES  
Re:  June 5, 1996

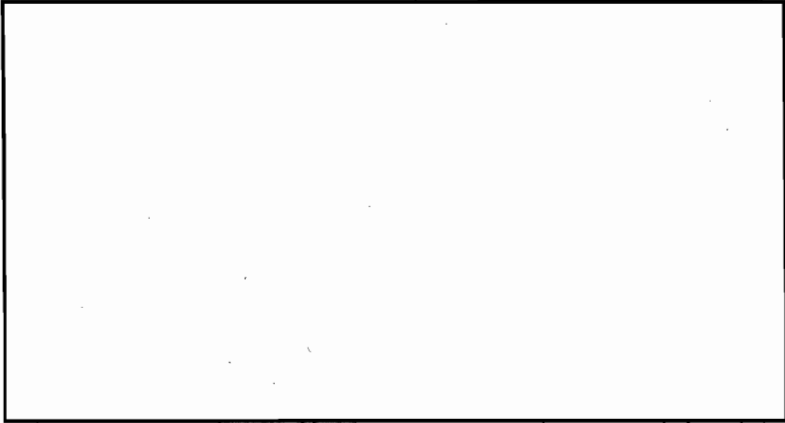
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1996 WHO'S WHO  
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THE NEW YORK TIMES, SATURDAY, MAY 18, 1985

OVER  
BEST  
ROOM

# Israelis Deny Knowing of Export Ban for Device Usable in A-Bomb

By THOMAS L. FRIEDMAN

Special to The New York Times

JERUSALEM, May 17 — Israel obtained the 800 electronic devices from the United States that can be used to set off nuclear bombs without knowing there were any restrictions on their export, according to the Israeli Defense Ministry and the man who owned the Israeli company that imported them.

"Israel was not aware of any ban on purchasing those devices," a Defense Ministry spokesman, Nachman Shai, said of the components, which are known as krytrons. "It purchased the krytrons without knowledge of any restrictions."

"Israel is prepared to return all of the krytrons it has in stock to the United States," he said. "We are ready to provide the Americans with any information they need. We truly want to remove any suspicions concerning Israeli involvement in this matter."

### Spokesman's Explanation

The Defense Ministry's explanation was supported by Arnon Milchan, the industrialist turned movie producer who owned the private Israeli trading company that imported the krytrons for Israeli defense manufacturers working on Government contracts. Israeli military officials never discuss details regarding the design, manufacture, components and export of Israeli-made weapons systems, and any discussion of these matters is subject to military censorship.

In a telephone interview from his home in the Tel Aviv suburb of Herzliya, Mr. Milchan offered an explanation

of his connection with the krytrons and said neither he nor any of his companies had been involved in illegalities.

He said he owned a wide array of chemical, agricultural and electronics trading and manufacturing companies in Israel, all held under the umbrella of Milchan Brothers. Although this company carries his family name and is privately held by him, Mr. Milchan, 40 years old, said that for the last 12 years he had had no involvement in running Milchan Brothers, and that all of its subsidiary concerns, including Heli Trading, which was responsible for importing the krytrons, were run by his local Israeli managers.

Mr. Milchan has devoted himself in the last decade to producing movies, such as "Absence of Malice," a film about journalistic libel.

### 'I Have Never Heard This Name'

"The first time I heard the word 'krytrons' was last Thursday," Mr. Milchan said, referring to May 9. "I was in Paris and about to go to Israel because my aunt had died. A man from Newsweek called me and asked what I could tell him about krytrons?"

"I told him, 'I have never heard this name before.'"

"He said: 'What do you mean? There is a grand jury in the United States investigating you about this.'"

"I told him that I had just arrived from Los Angeles and had been staying at the Beverly Hills Hotel, so how could I be under investigation there?"

Mr. Milchan added, "I told him that maybe one of the 30 companies I own around the world was buying or selling

these things, but I have not been involved in these businesses for 12 years."

Mr. Milchan said that when he arrived in Israel on Sunday night, he turned on television only to hear his name mentioned on the news in connection with a Newsweek article asserting that he was "implicated in the case" of a purported effort to smuggle krytrons from the United States to Israel.

### 'Started to Find Out'

At that point, Mr. Milchan said, he "started to find out what is a krytron."

Israeli radio broadcasters have on occasion mistakenly referred to the devices as "Krypton" — the name of the planet on which the comic-book hero Superman was born, and from which green kryptonite, a rock that could render him powerless, originated.

"I found out," Mr. Milchan said, "that a krytron was a small little gizmo which anyone can can go buy freely in the United States. You can use them for all kinds of things, including, incidentally, making cholent."

Cholent is a stew of beans, carrots, potatoes and beef that is a traditional Jewish dish prepared on Friday night for eating on the Sabbath. Mr. Milchan said that with a krytron timer a stove could be set to turn on automatically to heat up the cholent on the Sabbath, without anyone working to light the fire.

### Group of Small Companies

Mr. Milchan said that most of his companies in Israel were involved in agriculture-related businesses but that he had small companies that dealt in

aerospace, textiles, pharmaceuticals and fibers. Many of the companies are local agents for large international companies, he said. One of these small companies, Heli Trading, acted as an import broker for Israeli concerns seeking to acquire electronic components.

Heli Trading is managed for Mr. Milchan by Aryeh Amirav and Abe Kanyon. Acting as a purchasing agent for several Israeli military contractors, Heli wrote to Milco International Inc., Richard Kelly Smyth's trading consulting company in California, to obtain 15 orders of krytrons from 1979 to 1983. Mr. Smyth was indicted by a Federal grand jury in Los Angeles on Thursday on charges of illegally exporting krytrons to Israel.

### 15 Letters Cited

Mr. Milchan said: "If someone wanted to smuggle something, would he write to a company in the States for a formal correspondence 15 times for an export license? You smuggle once, you don't smuggle 15 times with an official letter asking for a license. Milco exported it with the wrong license. They used a general export license, and they should have used a specific license from the State Department."

Mr. Milchan said that all the krytrons were bought for the Defense Ministry and its contractors, but that only Heli Trading was involved in the actual purchases.

"The Government certainly was not involved in this," Mr. Milchan said. "Believe me, it was absolutely innocent."

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Painting in Century



# Egyptians and Israelis Agree On Terms for Improving Ties

By JUDITH MILLER

Special to The New York Times

CAIRO, May 17 — Egyptian and Israeli negotiators concluded three days of talks here today by agreeing to present to their Governments a package of measures intended to improve relations.

Israeli and Egyptian officials failed to agree on the fate of Taba, a 700-yard strip of beachfront land in Sinai that both sides claim.

Israeli negotiators argued that the issue should be submitted to non-binding arbitration, whereas Egypt insisted that Taba's fate be decided by binding

proved trade and tourism relations exchanges, are to take effect before the Taba issue is resolved.

Egyptian and Israeli officials said that if Israel agreed to submit Taba to arbitration, Egypt would be willing to return its Ambassador to Tel Aviv, a key Israeli demand. Egypt withdrew its Ambassador in September 1982 after Egyptians were outraged by what was viewed here as Israeli complicity in the massacre of Palestinians in refugee camps in Lebanon, by Christian Phalangists after Israel's invasion of

# U.S. Asks Israel to Account for Nuclear Timing Devices

By JOHN M. GOSHKO, *The Washington Post*

WASHINGTON—The United States has asked to inspect Israel's secret nuclear installations to verify that American-made timing devices, apparently obtained by surreptitious means, were not used in making atomic weapons or re-exported to other countries, U.S. and diplomatic sources said Tuesday.

If Israel is unwilling to permit such an inspection, the United States wants Israeli officials to come up with an alternative means of accounting for the estimated 500 to 600 devices.

Washington also has called on Israel to return all such devices still in its possession because they were never licensed for export, the sources said.

The devices, tiny switches known as krytrons, provide the precise timing necessary for nuclear explosions. They also are used in oil exploration and medical equipment.

According to the sources, Israel has not replied yet to the formal requests made by the State Department. They added that the situation has potentially very sensitive implications for U.S.-Israeli relations because the Israeli government was aware that U.S. policy forbids overseas sales of krytrons unless they are subjected to strict case-by-case review and licensed by the State Department.

Earlier this week, it became known that a federal grand jury in Los Angeles is investigating whether the devices were smuggled out of the country in violation of U.S. law. Under the Atomic Energy Act and the Export Administration Act, violators could receive a maximum 20-year prison term if it is proven that the devices were exported for the national security advantage of a foreign country.

It has been widely assumed for years that Israel has the capability to make atomic weapons. However, U.S. officials have said that Israeli secrecy has prevented the United States from learning whether Israel possesses such weapons.

Israel's refusal to submit to international controls and inspection also has meant that, despite its close ties to the United States, it is barred by U.S. nuclear non-proliferation rules from obtaining devices like krytrons that could be used in nuclear weapons development.

On Sunday, the Israeli Defense

Ministry, reacting to news of the grand jury investigation, acknowledged that it obtained a number of krytrons between 1979 and 1983 and still has a large stockpile. The ministry said the devices were used only in conventional research and development and in testing equipment and that none have been sent to other countries.

Sources familiar with the Los Angeles investigation said it centers on an Israeli businessman, Arnon Milchan, who allegedly worked with a Los Angeles firm to obtain the krytrons from their American manufacturer and transfer them to Israel.

The sources stressed that they cannot tell whether the investigation will find that U.S. laws have been violated or that the Israeli government was involved in illegalities.

"Nevertheless," one source said, "it's clear on the face of things that the Israeli Defense Ministry knew that it was receiving restricted goods without having followed the prescribed rules."

"What remains to be seen is whether the Administration or Congress will make a major issue out of this incident when it's dealing with Israeli aid or whether the matter will be soft-pedaled in exchange for an Israeli act of contrition."

Milchan, whose name is spelled Milchen by some sources, is well known in Israel for involvement in a variety of enterprises ranging from film production to international arms sales.

The sources said that in 1979, he established a connection with a Los Angeles firm called Milco International, which primarily does business in aviation consulting but also engages through subsidiaries in other activities, including acting as a broker for export sales.

In a telephone interview Tuesday, Gretel Siler, who identified herself as corporate treasurer of Milco, said Milchan was not among the owners of the privately controlled firm. Instead, she said, he had an arrangement under which he and the firm shared in the profits from export sales that he arranged.

Siler confirmed that as part of this arrangement, Milchan began in 1979 to arrange purchases of krytrons from EG&G Inc., a high-technology company.

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## COLUMN ONE

# A Mogul's Bankroll — and Past

■ Arnon Milchan has emerged as one of Hollywood's most powerful producers. His background is unusual: agribusiness and munitions.

By ELAINE DUTKA and ALAN CITRON  
TIMES STAFF WRITERS

In the controversial film "JFK," an Academy Award nominee for best picture, director Oliver Stone explores the shadowy machinations of a burgeoning military-industrial complex. It is a world in which the picture's executive producer, a jet-setting Israeli businessman named Arnon Milchan, has more than a passing acquaintance.

For decades, Milchan has successfully straddled two worlds—methodically carving out a position as one of Hollywood's most influential movie producers while continuing to manage an international web of companies in industries ranging from arms consulting to agribusiness.

Those dealings have nourished Milchan's movie career, providing him with the capital to get films off the ground, but they also have landed him in controversy. The 47-year-old producer—described in a 1989 Israeli newspaper story as "probably the country's largest armaments dealer"—has been linked to two international scandals.

The first, referred to as the South African Watergate, was a pro-apartheid propaganda campaign that shook that nation's government. The other concerned the shipment of devices, which could trigger nuclear explosions, to one of his Israeli companies.

Milchan has never faced charges of wrongdoing in connection with the cases, and such Ludlum-esque intrigue has not caused him any discernible problems in Hollywood. With a potential filmmaking bankroll of nearly \$1 billion and responsibility for nearly one-third of Warner Bros.' releases this year, he is regarded as moviedom's newest mogul.

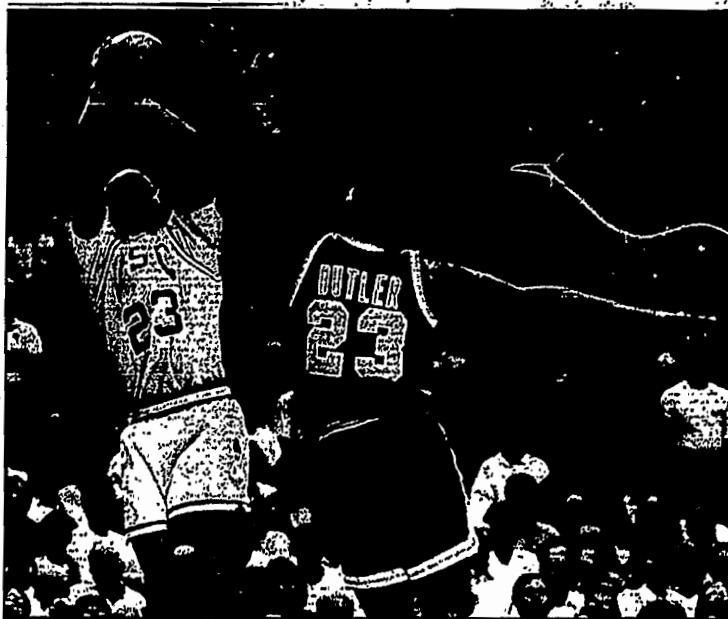
"No doubt about it, if Arnon didn't exist, fewer films would be made," said director Sydney Pollack, who was briefly a partner of Milchan's in the mid-1970s.

Milchan won mainstream credibility in the late 1980s, when he produced the back-to-back hits "The War of the Roses" and "Pretty Woman."

But his real clout came in early 1991, when his Regency Enterprises hooked up with three entertainment giants—America's Time Warner, French pay-TV leader Canal Plus and a German movie and TV company, Scriba & Deyhle, for the largest American-European entertainment joint venture ever formed.

Under the agreement, Warner Bros. will market and distribute 40 movies from the partnership. Milchan also is starting a record label, giving rise to speculation that his empire-building is not over. Ask  
Please see MILCHAN, A26

## Aiming Toward Victory



USC's Harold Miner shoots over UCLA's Mitchell Butler during first-half action at the Sports Arena. Miner had 29 points to again lead the No. 13 Trojans past the No. 4 Bruins, 83-79. C1

# Pact Will Allow Milken to Keep \$125 Million

■ Litigation: Imprisoned financier's family to retain up to \$400 million in proposed settlement of 150 suits.

By VICTOR F. ZONANA  
TIMES STAFF WRITER

NEW YORK—Imprisoned financier Michael Milken will retain a personal fortune of at least \$125 million under the proposed settlement of more than 150 securities and other civil lawsuits filed over the collapse of Drexel Burnham Lambert Inc., Drexel attorneys said Thursday.

The sum does not include an estimated \$300 million to \$400 million that Milken's wife, children and brother will be permitted to keep, ensuring that the Milkens retain their status as one of the nation's wealthiest families.

Many observers of the financial scene were astounded that the man who has shouldered much of the blame for the rigged markets and speculative excesses of the 1980s—and the resulting financial hangover in the 1990s—will emerge with a family fortune of perhaps half a billion dollars.

"It's the kind of thing that leaves you shaking your head," said Richard C. Leone, executive director of the 20th Century Fund, a public policy group, and a former managing director of the New York investment bank Dillon, Read & Co.

"We're supposed to severely punish people who do well for themselves by doing evil to others," he said. "That's part of the social contract."

Others took a more tolerant approach to the settlement of litigation that some legal experts say might otherwise have dragged into the next century.

"The moral algebra is very difficult," said financial historian and author Ron Chernow. "Do you assume that every dollar the Milkens amassed was ill-gotten? How do you assess the value of a 10-year prison sentence?"

Milken popularized the use of high-risk, high-yield securities when he headed the junk bond department at Drexel. In 1990, he  
Please see MILKEN, A19

# Dolphin Study Rejects Ban on Tuna Nets

By MICHAEL PARRISH  
TIMES STAFF WRITER

Training boat captains—not banning purse-seine nets—is the most practical way for tuna fishermen to protect dolphins in the Pacific, according to a four-year study released Thursday by the National Research Council.

The study, the most comprehensive government-sponsored analysis of the highly charged issue, found that no viable alternative exists to the nets, which resemble inverted umbrellas.

Environmentalists had hoped that the long-anticipated study would identify fishing methods that would protect dolphins while maintaining a healthy international tuna industry. Instead, the study  
Please see DOLPHINS, A22

# Drug Summit Leads to Only a Vague Pact

By DOUGLAS JEHL  
TIMES STAFF WRITER

SAN ANTONIO—President Bush and the leaders of six Latin American nations proclaimed a "new spirit of cooperation" in the war on drugs Thursday, but they disagreed publicly over how to proceed in an effort that they conceded is far from successful.

They also sought to reduce their reliance on Latin American armies to fight the war—a step that appeared to be a retreat from a three-year Bush Administration initiative.

The move came at the end of a two-day, seven-nation meeting here marked by blunt exchanges between Bush and Latin American leaders over whether the United States should do more to assist the anti-drug efforts.

The discord resulted in a watered-down pact, which Bush has dubbed the San Antonio Declaration. It was far less specific in outlining continuing anti-drug efforts than the Administration had hoped.

In one of the few points of agreement, the nations decided to form a delegation to travel to Europe and Japan to seek more worldwide cooperation, and—more important—economic support in the anti-drug efforts.

The leaders also agreed to step up efforts to restrict money-laundering in an accord that American officials said will require Colombia and other nations to pass new laws aimed at seizing drug profits.

And they agreed, without many specifics, to establish anti-drug training centers throughout the  
Please see DRUGS, A11

# Tax Plan Passes

■ Economy: Bush ag bill, which would raise elsewhere. A rival Re

By ART PINE, TIMES STAFF WRITER

WASHINGTON—The House Democratic alternative to the cuts, but the unusually leadership and virtually en

The Democratic measure adopted after the House vote to 168, to kill a rival Republican plan containing a streamlining of the economic package that Bush had asked Congress to pass by March 2 effort to combat the recession.

The Democrats' bill, which tures a tax credit for Americans financed by higher taxes on the rich, now goes to the Senate for consideration. The Finance Committee is expected to begin work Tuesday, although smaller, package.

Bush, who was attending an eight-nation drug meeting in San Antonio, Tex., quickly issued a statement reiterating that "no question" that he will support the Democratic bill.

"Instead of voting to give greater opportunities for Americans, [the House] voted to reduce the economy with a \$10 tax increase," Bush said, adding that about \$93 billion in tax cuts on the rich that would be paid for by tax cuts elsewhere.

The centerpiece of the Democratic bill is a temporary tax of \$200 per person, or \$400 per couple, for middle-income earners subject to Social Security withholding taxes. That would be available for only one year.

The measure would allow time home buyers to claim a paratory tax credit of up to \$10,000 in total and to use up to \$10,000 in total retirement account to make down payments. It also permits IRA withdrawals for educational or professional deductions for interest on loans.

Please see TAJ

# Buchanan Morality

By MICHAEL ROSS  
TIMES STAFF WRITER

ATLANTA—A funny thing happened to the "Buchanans" on their way to they stopped being Michael and became Confederates.

Slow to catch fire in the bid the Republican presidential nomination from George Bush is hitting its stride as the wative commentator retails the issues and the new uses to convey them to audience of Southerners.

In a sign of the shift, a highly publicized visit a week to a family grave in Mississippi, where a great father who owned slave fought for the Confederacy led.

Pat Buchanan has discov





# MILCHAN: Background in Munitions and Agribusiness

Continued from A26.

"Maintaining that strong feelings against apartheid make the subject painful for him, he acknowledged some involvement with the operation. "I worked with them; but I wasn't the money man," he said. "They asked, but I wouldn't do it."

Milchan contacted The Times once again last Thursday. In that interview, he categorically denied any involvement in any organization in South Africa. Evidence of his convictions, he said, is his next film, "The Power of One," which takes a strong stand against the country's separatist policies.

"I will fight the rest of my life against racism and apartheid," Milchan said.

Whatever the reality, Milchan's new business partners evidently find his past less important than their collective future.

"I know about things, but I also know there's a load of bull---- out there," Scriba & Deyhle partner Bodo Scriba said. Canal Plus' Chief Executive Officer Rene Bonnell said, "My only problem is with whether Milchan is a good producer. . . . His personal history I do not know."

Terry Semel, president of Warner Bros., acknowledges reading about Milchan's krypton involvement in the mid-1980s, but said he was unaware of a South African connection.

"There was a common rumble having to do with Arnon's arms dealing, but, frankly, we didn't look into it," he said. "We were making a movie deal with him, not buying a piece of his company. We didn't do any research into how he made his money. But, then, why should we? He's never been charged with any illegal activities, as far as we know, and we won't indict him on the basis of what might have been."

Milchan turned his attention to Hollywood in 1975 after producing films in Israel and England in the early part of the decade.

"Part of it was my love of movies," he said. "Part was that, since I was Jewish and living in a small country, making a movie seemed so intimidating, I've always been attracted to things a little scary."

His early years in the movie industry, Milchan recalls, were spent overcoming deep-rooted insecurity. The 1981 TV mini-series "Masada," which he produced with then-partner Pollack, provided a foothold. But the big screen still loomed large.

"In the beginning, I couldn't believe they were letting me make a movie. . . . If only they knew how much I didn't know," Milchan said. "Then I realized no one really knows. Nine out of 10 decisions made in this town are wrong."

Milchan has had his share of flops, including "Big Man on Campus," "Legend," and "Man on Fire." His reputation was considerably enhanced, however, when "The War of the Roses" became a Christmas 1989 hit and "Pretty Woman" was released a few months later. "Pretty Woman" became the No. 2 picture of 1990, eventually taking in more than \$350 million worldwide.

The producer's confidence undoubtedly was boosted again when American film writers and critics released a list of the top 20 movies of the 1980s—and his name was attached to three. Martin Scorsese's "King of Comedy," Terry Gilliam's "Brazil," and Leone's "Once Upon a Time in America."

"I'm not sure I have credibility yet," Milchan protested, shaking his head. "I'm still not as good as I want to be. . . . All I know is that my phone calls are returned much faster now."

Some see Milchan as a middleman or facilitator, pairing someone who buys with someone who sells. More, however, credit him with taste—taste he says is more in tune with that of the moviegoing public since the resurgence of "emotionally mature" films.

"Arnon makes movies, not deals," said "Pretty Woman" screenwriter Jonathan Lawton. "You will not see him running around signing every actor and writer in town to line up projects. When he finds a project he likes, he makes it. It's that simple."

Right now, the producer has three films in release, "The Mambo Kings" and "Memoirs of an Invisible Man," which open in Los Angeles today, as well as "JFK." A March opening is planned for "The Power of One."

Though not known as a hands-on producer, Milchan's artistic muscles, his colleagues say, have bulked up over the years.

"For most people who make money, making money eventually isn't enough," Pollack said. "I've seen Arnon turn from a pure financier to a producer, exercising creative judgment. Movies do for him what they do for us all. They're a way of avoiding a real job, an alternative to seeing through clear glass until the end of your life."

Milchan speaks with pride about going to the mat on

**'Arnon is like those old guys in Hollywood, hustling wheeler-dealers such as the Selznicks, the Kordas, the Zanucks, who had respect for artists. He uses the power of his position to make sure their films get made and doesn't assume money gives him the right to tamper with their work.'**

HENRY JAGLOM  
Director

1985's troubled but critically acclaimed "Brazil," taking on MCA President Sidney J. Sheinberg, who found the film long and artistically problematic. Rather than alter the movie to Universal Pictures' specifications, he sided with director Gilliam and offered to buy it outright.

Milchan and Gilliam next embarked on the ill-fated "The Adventures of Baron Munchausen."

In "Losing the Light," a new book about the making of the film, author Andrew Yule reports that their relationship deteriorated after Gilliam discovered that Milchan had pocketed a \$150,000 fee from 20th Century Fox for the rights to "Munchausen" without telling him.

Milchan says it was all a misunderstanding—that the \$150,000 was compensation for money he personally had laid out in developing the idea. If so, the director responded, he has no idea how the sum was spent. "It was something of a shock to discover that his concept of partnership wasn't the same as mine," Gilliam said in an interview with The Times.

In a business of ethical ambiguity, Milchan may be just another shade of gray.

"There are no memories in Hollywood," said Gilliam, another outsider who made good. "You can be stabbed in the back and, a year later, be in bed with the person. If you're successful, that's all that counts."

Stone is a case in point. He has built his career on skewering the military Establishment in films such as "JFK," "Born on the Fourth of July" and "Platoon." But he is about to embark on a long-term deal with Milchan nonetheless.

"I've heard the rumors, but, then, I've always had a penchant for larger-than-life pirates," the director said. "If Arnon comes from an arms or defense background, well, so did Rhet Butler. If those stories are true, I'm sure Arnon sees himself as a patriot."

Milchan, meanwhile, is ensconced on the Hollywood fast track, possessed of creative and financial control. With the resources of a studio and his foreign partners behind him, he no longer has to engage in "pre-sales"—selling off the rights to home video, cable and foreign theatrical markets—to cover the cost of producing his films.

"If you get a hit and don't own it, you're in the wrong business," he said—a truth he discovered after "Pretty Woman," when his take was far less than if he had financed it himself. "You've got to play the upside."

Under the terms of the deal with Warner Bros., Milchan, Canal Plus and Scriba & Deyhle will put up 50% of the money on some films, 100% on others. Milchan's European partners not only get movies for their TV outlets but become long-term players in Hollywood film production. Warner Bros. keeps all the distribution rights, except for French and German TV.

Though Scriba & Deyhle and Canal Plus now own equal shares of Regency, Milchan—who retains 51%—holds the real power by Hollywood standards: the ability to "green light"—give the go-ahead to those projects financed without Warner Bros.' help.

This lack of bureaucracy, insiders say, gives Milchan an edge over studio chiefs.

"Arnon's major advantage is that he can give you a quick yes or no," said producer David Matalon, a former head of TriStar Pictures who has worked extensively with Milchan. "Everyone else has to deal with committees and computer models that bear little resemblance to reality."

Teper, a friend of the producer's since they met at the gaming tables, sees Hollywood as yet another of Milchan's high-stakes games. "Arnon lost his appetite for baccarat," he said, "after he found there was more money to be made gambling in the movie business. In Hollywood, two out of 10 pictures make money. In Vegas—or at least at the roulette table—the odds are one in 38. He went for the better odds."

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