Wall Street Bets On Entertainment Idols' Earning Power

By Bruce Orwall
Staff Reporter of *The Wall Street Journal*

09/26/97

On rock 'n' roll's steady journey from rebellion to respectability, the next stop is Wall Street.

Rock star David Bowie took the first step down that road earlier this year, raising $55 million by selling securities backed entirely by the anticipated flow of royalties from his records. Now two of Wall Street's largest financial institutions are moving to expand that experiment by making plans to offer similar deals to many other rock stars and the rest of the entertainment community.

Nomura Asset Capital Corp. on Monday will announce the creation of an entertainment-lending division, which the company hopes will make as much as $1 billion in its first year with unusual loans to musicians, actors and studio executives.

Nomura won't disclose its clients, but people familiar with the plans say that rocker Rod Stewart is among the entertainment-industry heavyweights who have already committed to loan agreements. The loans are to be repaid by future revenue streams such as music royalties or television syndication fees. As Nomura has done in the real-estate business, individual loans will be bundled into groups, transformed into asset-backed securities and then sold to investors. To make sure it reaches the right people, Nomura has entered a partnership with Irving Azoff, a recording-industry executive who manages the Eagles and other acts. In addition, the company recently recruited veteran Los Angeles entertainment banker Irene Romero as a consultant and hired Casey Wasserman, grandson of former MCA Inc. Chairman Lew Wasserman.

To launch its new business in the proper style, Nomura will throw a bash for entertainment-industry financial managers at the House of Blues in Los Angeles. Nomura Asset Capital's resident, Ethan Penner, the driving force behind the novel loans, is slated to sing "Born to Be Wild" in a duet with the heavy-metal star Ozzy Osbourne before making his financial pitch.

At the same time, Bear, Stearns & Co., a unit of Bear Stearns Cos., is seeking to make similar deals. Senior Managing Director Lisbeth R. Barron said that several transactions are currently being discussed, both in the recording and film industries. While Nomura says it will be the principal investor in the loans it makes, Bear Stearns intends to raise the money from third-party investors.

Trend-setters in the entertainment industry began to mull the possibilities of such loans this year after Prudential Insurance Co. of America purchased all $55 million of Mr. Bowie's 10-year notes. Some hooted at first; but Mr. Bowie, known as an innovator in the music world, turned out to be just as forward-thinking in the financial world. The Bowie bonds were rated a desirable single-A-3 by Moody's Investors Service, and soon other entertainers were contemplating ways to replicate his gig.

At Nomura, Mr. Penner's aim is to take the basic notion and crank it up like a Fender amplifier. Rather than offering individual securities based on each entertainer's future prospects, he wants to group large numbers of loans into diversified portfolios. Mr. Penner pioneered that practice in the real-estate world, although more recently it has been applied to other arenas, such as aircraft leases.

Nomura was originally criticized for taking on too much risk in the real-estate transactions, but that has faded recently as the market became more accepting of those offerings. It plans to make more than $10 billion in new origination loans this year.

Prudential Insurance Buys Entire David Bowie Debt Deal

02/10/97

NEW YORK (Dow Jones)--Prudential wasn't kidding when they said they wanted a piece of the rock.

In fact, they wanted all of it.

Prudential Insurance Co. spokesman Rick Mathews confirmed Monday that the financial services firm has purchased in entirety a recent $55 million issue of 10-year notes backed by future record royalties of British rock star David Bowie.

The bonds were purchased for Prudential's general account, where the money of life insurance policy holders is invested.

"There are certain guarantees that mitigate the risk,' Mathews said, noting the bonds carry an investment-grade rating.

The guarantees, which Mathews wouldn't specify, reportedly include backing by EMI Records, which recently signed Bowie to a new $30 million contract for the right to distribute the aging crooner's records.

The Thin White Duke is paying a 7.9% interest rate to investors.

The private placement of the bonds, which are rated single-A-3 by Moody's Investors Service, closed last week.

-Cecile Gutscher