



Allen J. Schwalb
Star Partners

'The Color Purple' pays off in gold for Star Partners

It won't be too long before Orlando is home to any number of executives carrying business cards with a local address and another in California. Some debate how significant the film industry's local impact will be, but there's no doubt that show business will become a permanent fixture in Central Florida.

Predictably, there are many companies scrambling for a toe-hold in Hollywood east. However, one company in Winter Park already enjoys big-league status with the film industry, and has for many years.

Allen J. Schwalb's Star Partners has been structuring limited partnerships for the film industry for more than a decade out of his second-floor office on Park Avenue. Since 1983, his company has financed dozens of big-name films through private placement partnerships valued at more than \$250 million. The company now has about 15 people working in Winter Park and two additional offices in New York and Los Angeles.

Among many other popular releases, his private offerings have acquired and distributed a series of Academy Award-winning films such as "The Mission," "Little Shop of Horrors," "The Color Purple," "Round Midnight," "The Killing Fields" and "The Right Stuff."

His next investment package will be a public offering, aimed at smaller investors than before, he said. Like

previous partnerships, he structures the deal as a joint venture with a major movie production house. For example, in the upcoming offering, MGM/UA Communications Co. will finance the production of films and then sell a 50% interest to Star Partners once they are completed and ready for distribution.

"We won't finance the production of the film," Schwalb said, "because that is too risky. About 30 days before it is released, we buy in."

What Star Partners "buys" is a variety of lifetime income rights that covers movie theaters, cable TV, syndicated TV, video cassettes, records, merchandising, you name it. It's the aftermarket that often makes money for Star Partners when a film fades at the box office.

"We get huge amounts of money from our biggest flops," Schwalb says.

It's this characteristic of investing in movies, and the industry's well-known economic resiliency, that got Schwalb into the business in the first place.

He and his wife Nancy moved to Winter Park in 1969 from New York City hoping to build a future around Walt Disney's plans for Central Florida. From 1963 to 1969, Schwalb earned five masters degrees, primarily in engineering sciences plus an MBA from Rollins College. That background led him to consulting work with local high technology firms before he began

providing financial planning and investment management services for some of the executives he had met.

His interest in investing eventually led him to participate in the financing of the Broadway production of "Annie." From there, he marketed two investment programs that acquired the motion pictures "Excalibur" and "Superman II." His last private offering, a \$90 million deal barely nine months old, has investors 85% paid off to date with many, many years to go in the investment, he said. His original financing of "Annie" and the subsequent film rights turned out to be a big winner. An original partnership worth \$900,000 has returned \$50 million to investors.

Schwalb said he was never a film buff, merely an analytical investor who likes to apply the principles of systems sciences to his career.

"It was a very decided, analytical decision" to get into film financing, he said. "The motion picture industry makes money each and every year. Fluctuations in the economy have no effect. The industry had 33% growth throughout the Depression. We don't care if the stock market crashes."●