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### **MGM/UA signs partner for rebuilding program; partnership to help fund Rocky V, James Bond movies**

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MGM/UA signs partner for rebuilding program

Partnership to help fund Rocky V, James Bond movies

Despite the pending deal to sell its assets to Pathe Communications for \$1.31 billion, MGM/UA Communications Co. is going ahead with a rebuilding program bolstered by a financial commitment from a Winter-Park, Fla.-based investment group. Star Partners III Ltd. was organized this year to help finance MGM/UA's ballyhooed rebuilding plan.

The rebuilding program was announced to shareholders in January by Jeffrey C. Barbakow, chairman and chief executive officer of the Culver City-based movie company. He said that a new focus "on building (its) operating entities" was the order of the day. MGM/UA, a \$876.5 million (1989 operating revenues) company, had budgeted to produce 15 films during the next several years.

If all goes as planned, the rebuilding program will get a shot in the arm from Star Partners, a \$50 million to \$75 million limited partnership.

The Star Partners III prospectus has just been released. The offering is scheduled to close in August. Seeking to sell 5,000 units at \$1,000 per unit, the offering boldly claims "unlimited profit potential and limited risk," according to a letter signed by Allen J. Schwalb, general partner of Star Partners.

A network of regional and local brokers are handling the offering. None of the major Wall Street houses are involved.

Star Partners III will co-finance Rocky V, an unnamed James Bond film and at least three other MGM/UA films slated to start filming by 1991. Star Partners III could inject between \$41.20 million and \$61.8 million (82.4 percent of total raised through the offering) into those and other MGM/UA productions. The offering includes provisions to co-finance two more films, with an option to buy into other projects.

"Basically, the limited partnership is a capital formation tool that many of the studios have used before," said Joseph M. Harvey, securities analyst at Shrewsbury, N.J.-based Robert A. Stanger & Co., which specializes in limited partnerships. "How cheap or expensive the capital is to MGM/UA depends on how well the movies do after production."

Rebuilding MGM/UA into a major movie production company again is a tall order. Failed 1989 bids by Qintex Australia Ltd. and media mogul Rupert Murdoch to buy MGM/UA put the studio into a production freeze frame. Analyst Jeffrey Logsdon, of Los Angeles-based Seidler Amdec Securities Inc., estimated that it would cost \$300 million a year for each of two years to get MGM/UA back to major studio status in both production and distribution.

"The partnerships are a way for publicly traded MGM/UA to finance their movie productions without loading up their balance sheet with debt," said Harvey.

Rebuilding is an even bigger challenge for Barbakow these days. Yet another suitor, Beverly Hills-based Pathe Communications, has offered to buy the company for \$1.31 billion on or before October 23.

As part of the much-publicized deal, Pathe has already placed \$200 million into escrow. It is due to make a \$53 million escrow payment for