

David Pullman | The Pullman Group

It's Only Rock 'N Roll

by Christian M. Chensvold Christian@buyside.com

If scanning the prospectus of yet another oilfield services or regional bank has become about as exciting as reading a cereal box, then maybe you should try making a play for the Thin White Duke or the Soul Man.

The Pullman Group made a splash on the Street five years ago when it issued "Bowie bonds" based on the future royalties of rock legend David Bowie. Since then the firm has "securitized" James Brown, Marvin Gaye and the Isley Brothers.

"I only like to do things that are challenging," says founder David Pullman. "I always wanted to be an inventor and an innovator when I was growing up. My idol was Thomas Edison."

In 1997 Pullman had already had business dealings with Bowie's management. He learned the artist wanted to sell his catalog, though he later discovered that wasn't what Bowie really wanted. "That's when I came up with the idea to securitize all his back royalties. That was a \$55 million deal rated single A." After five years the bond is still rated single A by three ratings agencies and has shown a return of 7.9%.

Pullman is constantly meeting with the representatives of a huge number of artists who pitch him deals. But he considers himself very selective and is only interested in 'legendary' catalogs. That means no Britney Spears or N'Sync — at least until they prove they can stand the test of time.

When he finds a good fit, he analyzes the cash flow that comes from the assets, and strikes an exclusive deal buying the bonds as principal and reselling them in the market to insurance companies and institutions.

In early 2003 Pullman plans to issue his first retail product, since retail investors are showing real interest. "Retail really understands it the best; they really get what we're doing. It's intuitive: It's James Brown's catalog and you get an eight percent coupon and if it doesn't

work out you own the catalog. It's a no-brainer."

For investors who raise an eyebrow at the thought of putting millions of dollars into someone who once went on stage as an orange-haired, sexually ambiguous alter-ego named Ziggy Stardust, Pullman says his product is no riskier than bonds in a stodgy old economy company. "Entertainment and intellectual property is the future of world assets," he says.

Previously, investors have been able to invest only in managements and companies, but not in artistic assets. "And, as we've seen over the last year in this recession, just because a company has a great name doesn't mean it's safe from economic harm."

Even bonds in the oldest, most established companies have been downgraded, he says, while his have not. And during tough times people often look to entertainment even more for relief, he argues.

Pullman is currently looking into deals involving writers, film and animation libraries and TV syndication — even biotech royalties. "The possibilities are endless because we're going to continue to ride the wave of invention." His newest bond to be rated is a pool of 20th Century songwriters and artists from all genres of music.

Pullman's idea of securitizing Motown legends has spawned as many imitators as there are James Brown wannabes in karaoke clubs. "Everybody and their brother has tried to copy us and failed," Pullman says, citing Daiwa Bank, Bear Stearns and First Securities. "But intellectual property and copyrights are very complicated. We've spent millions of dollars creating documents... and people can't copy us because our deals are private, so they can't see what we did."

The Pullman Group is currently the plaintiff in a lawsuit against Prudential Securities, accusing the wirehouse of pulling out on a deal and then attempting to offer a competing product. Pullman says the suit is going well and is confident he will prevail. ■



David Pullman with James Brown.