



Investing in the VIP Lifestyle

For some, buying into a nightclub, a movie, or a racehorse isn't about making a profit; it's about making the scene.

Like norm from cheers, Steve Starker has a place where everybody knows his name. It's a nightclub called Trust in Manhattan's meatpacking district—swanky dark-wood-and-glass affair frequented by guys in designer glasses and voracious women from the publishing world. No matter how big the crowd or how long the line outside, Starker always gets a corner table and never has to wait for service. That's because he's not just some schmuck who wanders in for a crantini. He co-owns the place. Two years ago, knowing full well there were great odds he'd lose every cent, Starker plowed some savings into Trust when a friend approached him with the plans. In fact, a new bar or club has a brutal one-in-two chance of going under within three years. But Starker, who runs a brokerage firm and keeps a two-level humidior next to his desk, couldn't have cared less. "I don't want to call it an ego thing, but it was a lifestyle choice," he explains. "You walk in and you feel like you belong. You bring your clients around and they're impressed, because it's not just any bar—it's your bar." Such is the allure of "velvet-rope investing"—sowing money into risky ventures like restaurants, nightclubs, movies, racehorses, and record labels so you can step into the bright light they afford. Those who do so have to be strong-stomached and deep-pocketed, since the majority of expeditions into this investment territory never return, so to speak. But when was the last time pork bellies or mutual funds got you photographed standing next to Cameron Diaz on a red carpet? Showbiz is one of the more obvious targets for velvet rope investors. Neil DeSena, a 40-year-old New Yorker in finance, invested a healthy chunk in the 2004 indie release *Shooting Livien* as a way of breaking out of his desk-job rut. "I thought it was a cool way to meet different people, see things you would never see before," he says. Buying into Hollywood doesn't necessarily have to be expensive, either. A cheap entrée is to be some of the "last money in"—one of the signers who help carry a project across the finish line. That's when producers, desperate for cash, are more than happy to take your measly \$10,000.

"I WILL BEAT THE CRAP OUT OF THESE GUYS BEFORE I LET THEM PUT MONEY INTO THIS," SAYS ONE FINANCIAL ADVISOR.

Broadway is another popular avenue down which to roll the dice. Matt Jacobs, a 29-year-old real-estate developer, started investing in theater last year. He took a spanking for "several tens of thousands" on a play that closed in just 11 days. But having put in only money he wouldn't miss, Jacobs can afford to shrug off the hit with some financial philosophizing: "I could have blown that same amount of money on Global Crossing." He says, referring to the Nasdaq broadband disaster.

In any case, it's not a loss if you get what you're really attempting to buy. Marvin Tien, 30, a director of business development for an L.A.-based media company, has sunk thousands into an independent record label called Ropeadope. "The upside in this case is more than just money," he says. "It's a way to connect directly to your own interests." In other words, it's about the music, man. And the music scene. "You get to go to the shows, you get to hang out," says Tien. "For anyone who's interested in the business, its unparalleled access."

No velvet-rope racket is as sexy as the nightclub and restaurant business. Which is why celebrities back their hummers up to them to dump cash in. These businesses typically don't want huge single investors—they prefer dozens of smaller ones, because each investor repre-



Making risky financial bets just so you can sip Dom with Jay-Z is all well and good, but you might want to balance your investment long shots with something safe, sensible, and boring, like bonds. As you learned back in Econ 101, a bond is basically an IOU: You lend money to the government or a private company, and it promises to pay you back the principal plus interest after a fixed amount of time. There are three kinds of bonds: short-term (maturing in one to five years), intermediate (five to 12 years), and long-term (12 or more years). In general, the longer you can twiddle your thumbs, the higher the interest rate you'll get. But when deciding which vintage is right for you, consider your long range plans. For instance, if you're scheduling home ownership in five years, you want short-terms for the bump in cash. (Another strategy is to play bonds like stocks, buying and selling them before maturation as interest rates rise and fall.) Bond issuers include the federal government (treasuries), state and local governments (municipals), and corporations (corporate). T-notes, backed by Uncle Sam, are the safest, but their rates of return are correspondingly poky and the interest is taxable. Munis are the next best thing, and you often won't have to pay taxes on them. At the far end of the risk-reward scale are corporate— nice big interest rates, bigger risk of defaults. (Investor services like Standard & Poor's and Moody's, which issue credit ratings, can give you the skinny on virtually every bond out there.) And if you really can't resist being a dice-rolling cowboy, there's always high yield bonds, a.k.a. junk bonds, usually issued by distressed companies (e.g. airlines) or cash strapped start-ups. They're a crapshoot, but as Jay-Z surely told you, sometimes you've got to let it ride. —Jonathan Sabin



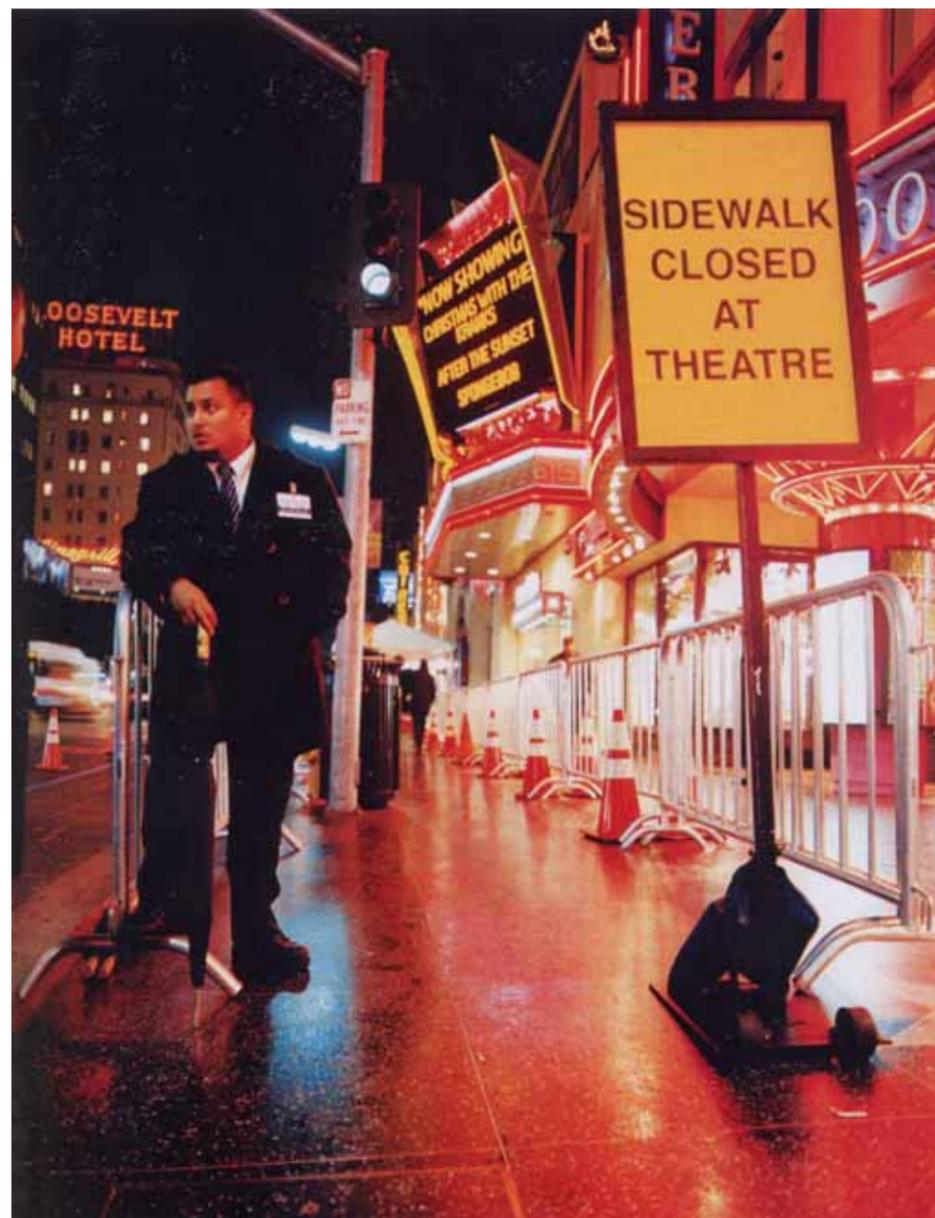
sents another network of friends and associates who can be coaxed in to fill the registers. But despite the ownership by committee, every investor gets the royal treatment. If you had helped bankroll event producer Noel Ashman for his Manhattan club NA, for example, you'd be blowing past the plebeians lined up outside to join your fellow co-owner Chris Noth for a birthday toast to Chloe Sevigny with P. Diddy, Sean Lennon, and model Petra Nemcova—and all her model friends.

Typically, as little as \$25,000 can get you a stool with your name on it, and once word goes out that you're a patron of the party scene, other opportunities will find you. "I get one a week put in front of me," says Steve Starker, the Trust Funder. "A couple of guys were just trying to get me to go In with Denzel Washington and Lenny Kravitz on Kos," another new Manhattan spot.

Before you throw your lot in the lime-light, be prepared for some friendly words of warning from your financial adviser. "I will take these guys to the gym and beat the crap out of them before I let them put money into something like this," says Even Bell, managing partner with Bell and Company, an accounting firm that organizes finances for members of the \$3 million-to-\$5 million- income club, including several actors. "The chance of even recouping your money is just minimal. I wouldn't even call it investing."

But every party has its pooper. Besides, there's always that outside, outside chance you'll get the Glory and the capital gain. Imagine if you'd been one of the prescient investors who bought a slice of the 2004 indie champ Napoleon Dynamite, which cost

\$200,000 to produce but earned \$40 million at the box office. On the modest end of the win-win spectrum, there are guys like Steve Moffitt, a 28-year-old financial analyst in New York who last November invested a mere \$5,000 to buy a tenth of a racehorse named Down the Hill. Moffitt has already made his nut-back. But, he maintains, "the real motivation was that it was a totally different experience. Watching a race when it's your horse having some skin on the game, sitting in the owner's box on race day it's fun."



"CLIENTS ARE IMPRESSED, BECAUSE IT'S NOT JUST ANY BAR -- IT'S YOUR BAR." SAYS STEVE STARKER, WHO RUNS A BROKERAGE FIRM AND CO-OWNS A NIGHTCLUB.

famousfliers

Boldfaced names also have a taste for sexy investments. But sometimes they'd be better off sticking to their day jobs.

DAVID LETTERMAN

Co-owner, Buddy Rice racing team. Won the Indy 500 last May, capping a year in which Rice topped the IndyCar rankings, earning close to \$2.7 million.

ASHTON KUTCHER

Co-owns Dolce Enoteca e Ristorante with Wilmer Valderrama and Danny Masterson. Currently considered the No. 2 celebrity restaurant in LA behind Justin Timberlake's Chi. Robbed twice in September.

JAY Z

A lead investor in the \$300 million purchase of the New Jersey Nets, a team lingering at the bottom of the NBA standings.

STEVEN SPIELBERG

Invested \$6 million in Dive!, a pair of submarine-themed restaurants in LA and Las Vegas. Both venues are now sunk.

EDGAR BRONFMAN JR.

After the liquor heir bought MCA in 1995 for \$5.7 billion and Polygram music in 1998 for \$10.4 billion, he sold the Seagrams empire to Vivendi in 2000 and lost billions.

ROBERT DE NIRO

Co-owns the Tribeca Grill along with Sean Penn, Christopher Walken, Bill Murray, among others. After 9-11, the restaurant fed rescue workers, transformed booths into beds-and lost nearly \$1 million.

BONO

He and the Edge invested \$8 million in a Dublin hotel in 1992. By 2003, it had reportedly lost around \$9 million.

BRITNEY SPEARS

Opened NYLA in New York in June 2002. Five months later —after food poisonings, health-code violations and a stabbing —she pulled out. Creditors are seeking unpaid debts of \$350,000.