

Weinstein Co. Is Just the Latest of Ron Burkle's Hollywood Follies

By Gene Maddaus



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Last October, Ron Burkle was in Brazil for the wedding of his friend Guy Oseary, with whom he co-founded Ashton Kutcher's tech fund. It was a star-studded affair, with Oseary's management clients Madonna and U2 in attendance. Burkle was seated at a table with a group of women when the conversation turned to Amazon Studios.

Roy Price had been forced to resign the week before under a cloud of sexual misconduct allegations, and the company had let it be known that it was looking for a female replacement. Some at the table saw it as a sign of real progress, but others noted that the new studio head would still be reporting to senior executives and the Amazon board — most of whom were men. That gave Burkle an idea.

What if, he thought, a company was actually run by women? That germ of an idea prompted him to make a bid for the beleaguered Weinstein Co. — which was imploding due to Harvey Weinstein’s sex scandal — and install a female-led board. It was viewed by some in the industry as an unorthodox and controversial gambit coming from a man whose dating habits have long been tabloid fodder. “He’s the one who’s still going to be pulling the strings,” says one top studio executive. “Who’s he kidding?”

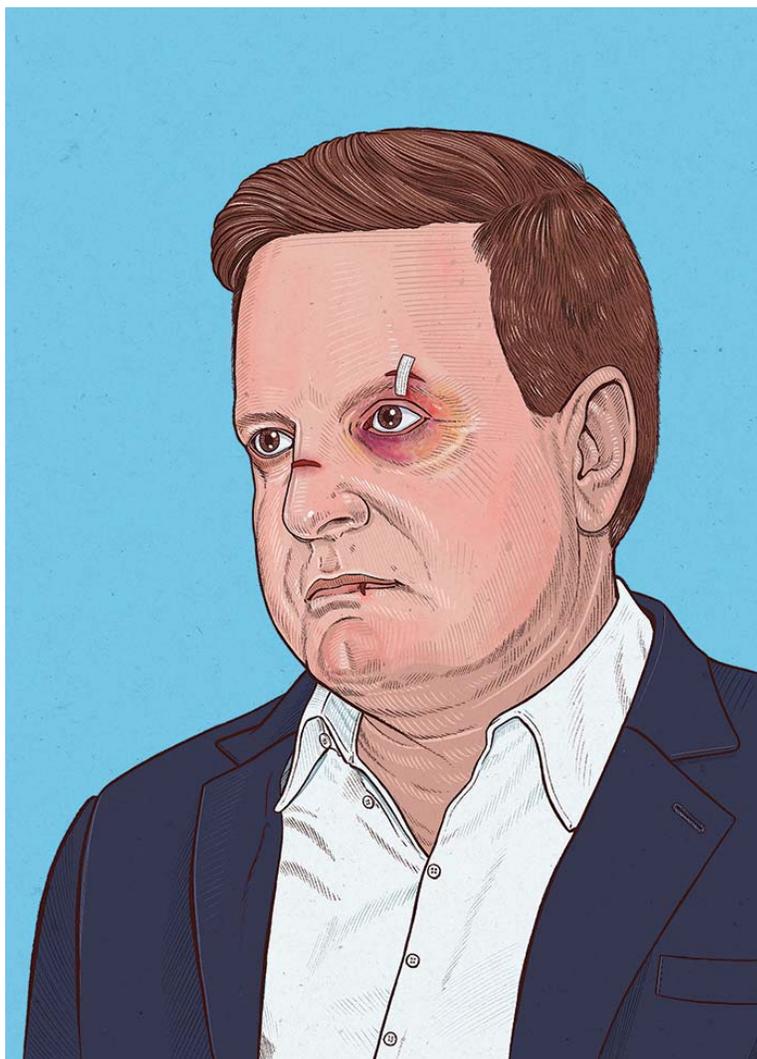
Burkle’s attempt to buy the Weinstein Co. almost came together. But after a wild negotiation that seesawed between success and failure several times, the deal finally collapsed last week in the eleventh hour.

For Burkle, it was only the latest Hollywood foray to end badly. The billionaire entrepreneur, who built his fortune in the supermarket business before turning to private equity, has for the past two decades invested heavily in an array of entertainment ventures, generally coming out battered in the end.

He hooked his ladder to some high-profile Hollywood figures, including Weinstein, Ryan Kavanaugh and Michael Ovitz, who in time each fell from grace.

“I think Burkle was better off staying with the industries he knew,” says Gene Del Vecchio, a professor at USC’s Marshall School of Business and the author of “Creating Blockbusters.” “Hollywood is extremely visible. You like to be able to see the movies you helped fund on the screen. You like to wine and dine with celebrities, and that’s all extremely enticing. But it’s a place where you lose money if you have to rely on other people’s competence.”

Burkle is known as a shrewd investor, and even in cases that ended in rancor and recrimination, he managed to turn a profit. In 2011, he supplied a reported \$200 million investment in Kavanaugh’s Relativity Media, which was then desperately in need of funds to release the film “Immortals.”



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Burkle's Yucaipa Cos. was in a strong negotiating position, and secured its investment with significant collateral. Kavanaugh publicly inflated Burkle's involvement in the company, sources tell Variety, and Burkle was out of the deal by 2013. When Relativity went bankrupt two years later, Burkle was one of the few investors who did not lose money.

Burkle also was a major investor in Al Gore's youth-oriented news channel, Current TV, which never attained the viewership to take off. The channel sold to Al Jazeera in 2013 for \$500 million and was shut down.

Among the bitterest Hollywood ventures was Burkle's ill-fated investment with Ovitz. The money man sunk \$33 million into two websites, CheckOut.com and TalkCity.com, both of which tanked. The deal ruined their relationship, and in 2005, Burkle sued Ovitz for fraud.

"Every day I wake up, knowing I'm still Ron Burkle, not Michael Ovitz, and every day Michael Ovitz wakes up knowing he's still Michael Ovitz," he said in a statement at the time.

In 2013, he helped launch Three Lions Entertainment, which aimed to create branded TV specials. The company was sued the following year for allegedly failing to pay CBS \$2.45 million, and has since shut down.

Then, of course, there was Weinstein. In 2010, Burkle teamed up with the high-flying movie mogul on a bid to buy back Harvey and Bob Weinstein's onetime studio Miramax Films. The sale did not go through, but the two became friendly. They traveled to Cannes together, and Burkle ended up investing in a dozen or so Weinstein Co. films. Burkle's son works for the Weinstein Co., in acquisitions. This all led to suspicion, when Burkle made his bid for the Weinstein Co., that Harvey Weinstein was somehow behind it. (There is no evidence he was.)

Among Burkle's detractors, there's a view that his interest in entertainment is largely a function of fueling his social life. He was famously a longtime supporter of Bill and Hillary Clinton. He hangs out with musicians and celebrities, including Leonardo DiCaprio and Madonna. He has invested in a modeling agency and has dated models. He is an owner of the Pittsburgh Penguins hockey team and of London-based Independent Talent Group, which some call "the CAA of Europe." He also owns a majority stake in Soho House, the chain of members-only clubs in the U.S. and Europe. A major movie company would be the jewel in the crown.

"From Ron's standpoint, there's a trophy-asset aspect of owning a Hollywood studio that is appealing," says Lloyd Greif, an investment banker who has known Burkle for years.

Burkle has been around the Hollywood milieu for a long time. His Beverly Hills mansion — Greenacres — was built by silent star Harold Lloyd. His office, at Sunset Boulevard and Doheny Drive, was once home to David Geffen's production company, and Howard Hughes used to frequent the screening room there.

His supporters also say he has good taste in films, and brings the same aesthetic sense that he has employed in restoring architectural works.

In the Weinstein Co., Burkle saw an opportunity to buy a distressed asset and turn it around. He teamed with Maria Contreras-Sweet, an industry outsider and the former head of the Small Business Administration, and Lantern Capital and made a pitch to bring on female investors.

“He saw a troubled asset and he saw an angle, which was the female-board routine,” Greif says. “That not only made them a differentiated buyer, but also the preferred buyer. He played that card all the way through.”

His bid — \$275 million in equity, plus \$225 million in assumed debt — represented a chance to acquire a real studio at a relatively modest price. But many were skeptical that the deal made sense.

“In the entertainment industry, you don’t see a lot of companies coming back from the dead,” Del Vecchio says. “What you see is them floundering and floundering again, in and out of bankruptcy, and there’s no path forward.”

The Weinstein Co. library — 277 films, plus TV shows including “Project Runway” — is valuable, but Burkle seemed to see more upside than anyone else. According to a source familiar with the transaction, Burkle bid about \$100 million more than the second-highest bidder. (Burkle’s side disputes this, saying the gap was closer to \$30 million.) The Burkle group was also the only bidder willing to acquire the company without going through bankruptcy.

For the deal to pencil out, the Weinstein Co. would have to not only survive but flourish. Burkle’s right-hand man, Ira Tochner, was a skeptic throughout the negotiations, sources tell Variety, frequently questioning whether Yucaipa would see an adequate return.

According to Eric Schneiderman, the New York attorney general, Burkle again put his confidence in the wrong person: David Glasser. Sources say he hoped to make the veteran Weinstein executive his CEO. As Schneiderman put it at a press conference, Glasser is not a woman. He was also accused of enabling Harvey Weinstein’s abuses, which Glasser adamantly denies. Schneiderman insisted that he not be allowed to run the new company.

In the end, the real surprise was not that the deal fell through — it was that it hadn’t fallen through earlier. But Burkle may yet be back with a bid to acquire the Weinstein Co. assets in bankruptcy.

Says Greif: “You can assume you haven’t heard the last from Ron.”