Los Angeles Times

cc

Tuesday, March 6, 2018

latimes.com/news

Weinstein Co. deal collapses in yet another twist, pushing studio closer to bankruptcy

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The $500-million deal for an investor group to acquire Harvey Weinstein's former movie and TV studio has collapsed — again — in yet another twist in the chaotic saga of Weinstein Co.

Three sources close to the investor group, led by former Obama administration official Maria Contreras-Sweet, said Tuesday that it found at least $50 million in undisclosed liabilities on the New York company's books.

The surprise debts, which would have significantly increased the purchase price of the assets, torpedoed negotiations, said the knowledgeable people, who were not authorized to speak publicly.

"All of us have worked in earnest on the transaction to purchase the assets of the Weinstein Company," Maria Contreras-Sweet, a former head of the Small Business Administration who was leading the investment group, said in a statement. "However, after signing and entering into the confirmatory diligence phase, we have received disappointing information about the viability of completing this transaction."

"As a result, we have decided to terminate this transaction."

Weinstein Co.'s board fired back in its own statement, saying it was

The deal, announced March 1, had been backed by billionaire Ron Burkle.

"transparent about its dire financial condition" and had acted in "good faith" in the hope that a deal could be reached. "We regret being correct that this buyer simply had no intention of following through on its promises," the statement said.

The latest development increases the likelihood that Weinstein Co., founded in 2005, will file for bankruptcy protection in a matter of days as the studio runs out of cash. The scuttling of the deal casts additional uncertainty over the fate of the company's estimated 130 employees in New York and Los Angeles.

The board said that while it explores alternatives it will "continue to pursue an orderly bankruptcy process to maximize the company's value."

The abandoned deal would have put a female face on a company that has been besieged by sexual harassment and assault accusations against Harvey Weinstein. The bidders had vowed to install a mainly female board of directors and rebrand the studio.

The mogul was forced out of the company he co-founded with his brother, Bob, after dozens of women accused Harvey Weinstein of sexual misconduct starting in October. He has denied all allegations of nonconsensual sex.

The implosion of the talks comes less than a week after Contreras-Sweet's group, backed by billionaire Ron Burkle and Dallas private equity firm Lantern Capital, announced that it had reached an agreement in principle to buy Weinstein Co., subject to a 40-day closing period.

The bid was worth $500 million, consisting of the assumption of $225 million in debt and $275 million to invest in a new female-focused studio, according to people familiar with the terms.

The agreement was reached after a last-ditch meeting between the investor group and Weinstein Co.'s board of directors at the office of New York Atty. Gen. Eric Schneiderman, who had criticized the planned sale last month.

The bidders took some steps to address Schneiderman's concerns, promising to set aside a $90-million fund to compensate Weinstein's accusers. That fund would've consisted of $50 million from the sale of unreleased Weinstein Co. movies, plus money from insurance policies and a $10-million line of credit.

But a key stumbling block emerged in recent days. A source familiar with the deal said Weinstein Co.'s recently discovered undisclosed liabilities included $27 million in residuals and profit participation and $20 million in accounts payable. There was also a $17-million debt outstanding in connection with a commercial arbitration award.

Schneiderman's office expressed disappointment at the outcome.

"We'll be disappointed if the parties cannot work out their differences and close the deal," Schneiderman spokeswoman Amy Spitalnick said in a statement. "Our lawsuit against the Weinstein Company, Bob Weinstein and Harvey Weinstein remains active and our investigation is ongoing."

Previous news releases pronouncing the death of the sale have been eyed skeptically by outside bankers and Hollywood executives, who described the statements as negotiating tactics. Contreras-Sweet and Burkle's most recent move, though, appears to be the clearest sign yet that Weinstein Co. will be forced into bankruptcy protection five months after the Weinstein scandal erupted.

"This time, I don't think it's posturing," Los Angeles investment banker Lloyd Greif said. "People don't like surprises, and the key word in all of this is 'undisclosed.' I don't think this is coming back together."

Contreras-Sweet's offer for the company, which represented a fortuitous chance for survival for the studio, first came to light in November. Banking sources and Hollywood executives were immediately skeptical that the offer would be taken seriously, noting Contreras-Sweet's lack of experience in the entertainment industry. Burkle also had past ties to the Weinsteins. In 2010, the investor teamed with Harvey and Bob Weinstein in a failed attempt to buy Miramax, the brothers' previous company, from Disney. Burkle also invested in movies with the Weinsteins.

What followed was a months-long bidding process that has been characterized by false starts and declarations of both victory and defeat that turned out to be premature.

Contreras-Sweet and Burkle appeared close to buying the company in early February, but the talks hit a major roadblock after the New York attorney general sued Weinstein Co. and its co-founders for "egregious violations" of civil rights and business laws. Schneiderman blasted the proposed sale, saying any deal would have to adequately compensate victims, protect future employees and not enrich people he said were complicit in Harvey Weinstein's alleged abuses.

Schneiderman singled out then-Chief Operating Officer David Glasser, who

Schneiderman said failed to adequately deal with Harvey Weinstein's alleged abuses.

Deal talks rekindled after Weinstein Co.'s board of directors abruptly fired Glasser on Feb. 16. However, the negotiations again fell apart when the board — which includes Bob Weinstein — accused the prospective buyers of failing to provide much-needed financing to keep the studio afloat.

Schneiderman brought the parties together at his office last week to salvage a sale and prevent certain bankruptcy, which would leave Harvey Weinstein's accusers in line behind a long list of secured creditors waiting for payment.

The two sides triumphantly announced their agreement in principle Thursday night after the 12-hour meeting, in which they seemed to hash out their financial differences. That agreement now appears to be gone.

If other buyers remain interested in the company, they probably will come to the table only in the event of a bankruptcy, which would clear the assets of liabilities. Previous bids came from Santa Monica studio Lionsgate, New York production company Killer Content, Miramax owner BeIN Media and private equity firms Shamrock Capital Advisors and Vine Alternative Investments.

Contreras-Sweet said Tuesday that the group will consider acquiring Weinstein Co. assets that may become available in the event of bankruptcy proceedings.

"I remain committed to working to advance women's business ownership in all sectors and to inspire girls to envision their futures as leaders of important companies," Contreras-Sweet said in her statement.