

Bankruptcy Update

Expert Analysis

Entertainment Cases: iHeartMedia, Cumulus Media, The Weinstein Company

This issue of the Bankruptcy Update focuses on recent restructurings in the media and entertainment sector. The column delves into the bankruptcy proceedings of iHeartMedia, Cumulus Media and The Weinstein Company.

iHeartMedia

On March 14, 2018, radio broadcast conglomerate iHeartMedia and its affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. District Court for the Southern District of Texas. (Bankr. S.D. Tex. Case No. 18-31274).

The media and advertising company is the largest radio station owner in the U.S. operating 849 radio stations across the country. The debtors operate across multiple platforms including online, mobile, digital and social media, podcasts, live concerts and events, syndication, music research

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services, and independent media representation.

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to the commencement of the bankruptcy cases, the debtors reached a restructuring support agreement with holders of approximately \$10 billion of the debtors' outstanding senior debt obligations as well as its equity sponsors, Bain Capital Investors and Thomas H. Lee Partners.

The proposed restructuring transaction contemplates that holders of the company's senior secured debt comprised of a term loan and five series of priority guarantee secured notes would receive 94 percent of the equity in the reorganized debtors and 100 percent of the equity of non-debtor affiliate Clear Channel Outdoor Holdings. Holders of the company's 2021 14 percent senior notes and three series of legacy unsecured notes would receive 5 percent of the equity in the reorganized debtors and \$200 million of new secured debt while the equity sponsors would receive the remaining 1 percent of the equity in the reorganized debtors.

The proposed restructuring scheme was immediately met with opposition from Wilmington Savings Funds Society, FSB as the indenture trustee for certain legacy unsecured notes. The indenture trustee argues that pursuant to an alleged "springing lien" contained in the applicable notes indenture, the legacy noteholders claims are now secured. On March 21, 2018, Wilmington Savings Fund Society filed

an adversary proceeding against the debtors seeking an equitable lien, among other relief.

Cumulus Media

On Nov. 29, 2017, major radio broadcaster Cumulus Media and its affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. District Court for the Southern District of New York. (Bankr. S.D.N.Y. Case No. 17-13381)

The debtors own and operate 446 radio stations across 36 states and the District of Columbia and provide syndicated content to approximately 8,000 radio stations through their Westwood One platform. Between 1998 and 2013, Cumulus Media engaged in a \$5 billion expansion that left the company struggling to develop the management and technology infrastructure required to integrate the acquired assets and to support and manage its expanding portfolio. Meanwhile, the company experienced declining revenues every year from 2012 forward. The company believed its turnaround efforts were hampered by its overleveraged position and began exploring balance sheet restructuring options in 2015.

The debtors entered Chapter 11 armed with a restructuring support agreement with holders of approximately 69 percent of their term loan debt. The restructuring support agreement laid out a framework for the debtors' plan of reorganization whereby they intend to extend the maturity on \$1.3 billion in secured

debt and exchange their remaining debt for new equity in the company. Secured creditors would receive 83.5 percent of new equity while unsecured noteholders and other unsecured creditors would receive the remaining 16.5 percent of new equity. The debtors filed the initial version of their plan of reorganization and accompanying disclosure statement on Dec. 9, 2017.

The debtors' disclosure statement (as amended) was approved on Feb. 2, 2018, but the hearing provided a preview of potential confirmation objections by the official committee of unsecured creditors and an ad hoc cross-holder committee whose members hold both secured term loan debt and unsecured senior notes. Both constituencies filed statements in advance of the hearing outlining potential confirmation issues, including concerns over the company's enterprise valuation. The court established a discovery schedule in advance of confirmation and tentatively scheduled a confirmation trial to take place April 12-20, 2018.

Weinstein Company Holdings

On May 19, 2018, The Weinstein Company Holdings and affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the District of Delaware seeking refuge from the scandals surrounding co-founder Harvey Weinstein. (Bankr. D. Del. Case No. 18-10601)

Facing mounting litigation and employee departures, the debtors entered Chapter 11 seeking to

effectuate a going concern sale of substantially all of their assets. The debtors' assets include intellectual property, distribution rights, and cash stream from their film library, television productions, and portfolio of unreleased films.

The debtors filed a motion to sell substantially all of their assets with Lantern Asset Management acting as a stalking horse bidder. Lantern's stalking horse bid includes a cash purchase price of \$310 million together with an assumption of certain liabilities. The debtors are seeking approval of stalking horse protections including a break-up fee of 3 percent of the purchase price and expense reimbursement capped at 1 percent of the purchase price. The proposed sale timeline includes an April 30, 2018 deadline to submit competing bids and auction on May 2, 2018.

In the interim, the debtors obtained a \$25 million DIP financing facility from Union Bank NA to fund their operations under Chapter 11, with \$7.5 million available on an interim basis at the outset of the case. The proposed financing drew opposition from FPF Lending, who offered a competing financing package on potentially better financial terms. Ultimately, the court authorized the debtors to move forward with the Union Bank DIP facility on an interim basis after the Union Bank agreed to reduce certain DIP fees.