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Weinstein Co. Chaos: Bankruptcy May Be the Best Option Now

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Illustration by: Larry Jost

Whether Harvey's company sells assets piecemeal, comes to a settlement with the New York attorney general or auctions itself off, the value of the indie studio has taken yet another huge hit.

Is New York State Attorney General Eric Schneiderman the guy who finally drives The Weinstein Company into bankruptcy?

Ever since several dozen women came forward in October to publicly accuse Harvey Weinstein of rampant sexual misconduct, Weinstein's namesake indie studio has resisted a Chapter 11 filing. Instead, TWC has explored alternatives from seeking loans from private equity firms to pursuing a sale of the company and its nearly 300-film library, which is largely encumbered.

This weekend, a deal to sell TWC to an investor group led by Maria Contreras-Sweet was so close to coming to fruition that Schneiderman took the rare step of filing a Sunday lawsuit. The move makes Schneiderman a bit of a momentary power player upon his insistence that TWC executives like David Glasser not be rewarded from a sale. Instead, Schneiderman seeks restitution for Harvey Weinstein's victims and financial penalties against the company itself for allegedly facilitating his misbehavior.

"If the buyers are serious about turning the page and doing right by employees and victims, they can and will fix these problems with the deal," Schneiderman said during a Monday press conference.

Still, Contreras-Sweet, who is backed by a group of investors including Ron Burkle, seems uninterested in meeting Schneiderman's demands. A source close to the deal characterized it as all but dead and the chances of it being resuscitated as "very unlikely."

Despite the group's very aggressive \$500 million offer, said by a knowledgeable source to be \$175 million more than the next highest bidder and the only one that would take place in a pre-Chapter 11 scenario, there is no indication that

Contreras-Sweet and Burkle will emerge as a stalking horse bidder in bankruptcy. A rep for Contreras-Sweet declined comment.

"That would be their logical next step," says one of the bidders. "But they don't appear to be interested in that."

Instead, TWC could fight the lawsuit in an effort to salvage the deal. Schneiderman has pursued ambitious cases in the past ranging from fraud over Trump University to alleged misrepresentations by Exxon on the climate change front. While there may be room as other companies have done to challenge the New York AG's expansive interpretation of the state's executive law, TWC's pressing financial needs suggest the company won't have the luxury of time to pursue such legal clarity.

Besides, with Schneiderman's demand that TWC submit to ongoing supervision to ensure no more sexual misconduct, any eleventh-hour TWC buyer looking to strike pre-bankruptcy may be deterred from a transaction given the prospect of outside interference. TWC could stall for time by selling off one or all of its five finished film, which include *The Current War* and *Hotel Mumbai*, but unlike *Paddington 2*, which the company unloaded to Warner Bros. in November for a figure in the mid-\$20 million, the other films are seen as having minimal value.

"It would be for the privilege of writing a check to lose money," says one film financier.

Suddenly, bankruptcy has become the most likely outcome. If TWC's board once resisted the bankruptcy route because of the possibility a trustee would investigate malfeasance and pry through communications, the AG's lawsuit indicates such a probe is and will be happening anyway. And from a transactional standpoint, a sale of the company through the bankruptcy process offers upside in that corporate assets may be sold free and clear of claims and interests — potentially, a more lucrative option to Bob Weinstein and Glasser than submitting to Schneiderman's demands.

One way or another, whether TWC sells assets piecemeal, comes to a settlement with Schneiderman, or auctions off the company in bankruptcy, the value of the once prestigious film and television studio has taken yet another huge hit this week. One bankruptcy lawyer says some needed sunshine is likely on the way.

"Given the high-profile stakes and publicity this matter will certainly garnish, the U.S. Bankruptcy Court would be a fantastic tool to truly unravel the financial affairs of The Weinstein Co.," says Nick Iezza, a partner at Spiwak & Iezza, which specializes in creditor rights. "The minute bankruptcy is filed, the company's assets will begin being scrutinized."

A version of this story first appeared in the Feb. 14 issue of The Hollywood Reporter magazine. To receive the magazine, [click here to subscribe](#) [2].

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