NewsRoom

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Kaufman submits rival reorganization plan for NYC Opera

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An entity backed by New York opera enthusiast Gene Kaufman has submitted a reorganization plan that includes higher payouts for unsecured creditors of New York City Opera Inc. than under a rival plan.Kaufman counsel Arthur J. Steinberg of King & Spalding LLP said Friday, Nov. 6., that Judge Sean H. Lane of the U.S. Bankruptcy Court for the Southern District of New York in Manhattan likely would schedule a combined disclosure statement and confirmation hearing where both restructuring proposals would be considered.Kaufman's New Vision for NYC Opera Inc. on Oct. 19 filed a reorganization proposal, while the debtor's official committee of unsecured creditors and NYCO Renaissance Ltd., a nonprofit led by Roy G. Neiderhoffer, a New York hedge fund manager, had filed their own plan for NYC Opera on Oct. 5.The two plans both aim to put the debtor on stage for a full season running from fall 2016 to spring 2017. Kaufman's plan calls for a 23-performance season initially and NYCO Renaissance's plan 36 performances.Under the Kaufman plan, the nonprofit debtor would hold its performances at New York City Center in midtown Manhattan. NYCO Renaissance has proposed four productions at the 1,100-seat Frederick P. Rose Hall, also the home of Jazz at Lincoln Center, with the remainder in the 200-seat theater at St. Jean Baptiste on Manhattan's Upper East Side.NYC Opera has yet to fully study the plans, let alone take a side."We have not had a chance to fully vet this with our special committee or board," debtor counsel Nicole Stefanelli of Lowenstein Sandler LLP said. "We are not running this show at all. We are very much a spectator in this." She added the debtor would not file a plan of its own.Steinberg said he was not sure whether New Vision and NYCO Renaissance would negotiate a joint plan. NYCO Renaissance counsel Gerard Catalanello of Duane Morris LLP, however, said there would be no negotiations, explaining there are "two very different visions for the New York City Opera."Catalanello said his client believes its plan goes beyond the economics of a reorganization plan. "It's pretty clear that our plan has a very strong artistic vision. This case isn't about just dollars and cents," he said.Nevertheless, New Vision in its disclosure statement argued its plan was more likely to succeed, pointing to the planned hiring of current New Orleans Opera conductor Robert Lyall as NYC Opera's new artistic director and Kaufman's willingness to contribute $2 million of his own money to support the reorganized debtor.The NYC Opera case began as a liquidation, but NYC Opera opted for the reorganization route after receiving a total of $7.61 million through four bequests, including a $5.5 million bequest from the estate of late arts enthusiast Pierre DeMenasce.Some $6.41 million of the bequests is unrestricted, meaning the opera producer can use the funds as it sees fit. An additional $500,000 would be set aside for new opera productions, and the remaining $700,000 would establish an endowment fund to purchase costumes and stage sets.Before the reorganization avenue opened up though, NYCO Renaissance and Kaufman both submitted bids to purchase the debtor's assets. The New York nonprofit on Jan. 22 selected a $1.25 million all-cash bid from NYCO Renaissance over Kaufman's $1.5 million all-cash offer, two days after an eight-hour in-court auction.Under both bidders' plans, administrative creditors (owed $110,000 to $222,723) and holders of other priority claims, which include those for severance payments or wages ($209,419 to $1.18 million), would be paid in full. Priority tax and secured creditors would be made whole, though neither plan estimates the claims.Both plans would give the Pension Benefit Guaranty Corp. a $4 million allowed claim.Under the Kaufman plan, the PBGC would receive a cash distribution and a $350,000 note for an estimated recovery of 8.7% to 12%, resulting in a distribution of between $348,000 and $480,000.The NYCO Renaissance plan would pay the agency between 6.44% and 10.8% on its claim, resulting in a distribution of $257,600 to $432,000. The payout would consist of a $250,000 note issued by the reorganized debtor and a pro rata distribution of the estate's assets.Under New Vision's plan, general unsecured creditors, owed $21.05 million to $25.42 million, would recover an estimated 7% to 11% through a cash payment and the issuance of a $1.5 million note. NYC Opera's obligations on the note would be dependent on it obtaining $6.41 million in bequests.NYCO Renaissance's plan would pay unsecured creditors an estimated 4.72% to 10.01% through a $1.15 million note and a pro rata distribution of estate assets. Issuance of the note would be conditional on NYC Opera receiving at least $5 million in bequests.Terms of the PBGC and creditor notes in both plans would be fleshed out in plan supplements.The Kaufman plan creates two creditor classes not in the NYCO Renaissance plan: unsecured convenience creditors and deposit creditors owed for prepetition ticket payments. The former, owed $20,000 to $40,000, would be paid 60 cents on the dollar, while the latter, owed $300,000, would be paid in full in cash.New Vision and NYCO Renaissance would fund their plans with $208,000 of cash; operating income; investment income from $4.8 million in prepetition endowment funds; cash contributions; and the bequests.James J. Vincequerra of Duane Morris is also counsel to NYCO Renaissance.Sean Southard, Fred Stevens and Maeghan J. McLoughlin of Klestadt Winters Jureller Southard & Stevens LLP represent the creditors' committee, which comprises the American Federation of Musicians and Employers' Pension Fund, the American Guild of Musical Artists and New York City Ballet Inc.

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