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NYCO Renaissance nears NYC Opera win

Andrew Hedlund

NYCO Renaissance Ltd. is set to prevail in a race to acquire New York City Opera Inc. 's assets.

Debtor counsel Nicole Stefanelli of Lowenstein Sandler LLP said the debtor's decision to pursue NYCO's \$1.25 million all-cash offer was announced on the morning of Thursday, Jan. 22, in a telephonic hearing. The \$1.5 million all-cash bid of local opera enthusiast Gene Kaufman was the other offer on the table following a Tuesday auction.

A sale hearing scheduled for Thursday afternoon before Judge Sean Lane of the U.S. Bankruptcy Court for the Southern District of New York in Manhattan was adjourned.

"The debtor believes the NYCO Renaissance proposal is more thorough and a better proposal for continuing the debtor's mission," Stefanelli said. She added the closing date for the sale is uncertain, but an evidentiary sale hearing will likely be held in the next couple of weeks.

NYCO counsel James Vincequerra of Duane Morris LLP said the winning bidder feels "very good about having the debtor in our corner" and "our chances are very good of having the support of the [official] committee [of unsecured creditors] moving forward."

Kaufman's attorney, however, maintains the debtor went with the wrong offer.

"We think that the debtor's conclusion was an error, and we plan on opposing [it]," Arthur Steinberg of King & Spalding LLP said. "We participated in an auction that concluded with us being the highest bidder. The terms of the auction were clearly spelled [out], and we played by the rules set by the debtor at the auction."

NYC Opera had two separate bids walking into the auction. One was from stalking horse NYCO for \$510,000 — \$10,000 cash upfront and annual payments of \$50,000 for 10 years. The other was from Kaufman, who offered a bid of a \$500,000 note and \$50,000 in cash.

NYCO's victorious bid was the result of a nearly eight-hour auction process, with NYCO and Kaufman both increasing the offers each made before heading to court.

NYCO Renaissance, which was labeled the stalking-horse bidder at a Dec. 22 bidding procedures hearing, first revised its bid to include \$150,000 in cash, a \$500,000 five-year purchase note and a \$200,000 premium. After the parties calculated the bid with the applicable discount factor, the total bid was valued at \$776,000.

Kaufman then came forward with a bid of \$300,000 cash, a \$250,000 purchase note and a pledge to cover \$2 million in operating shortfalls for the first two years the reincarnated opera company did business. After the discount rate was factored in for Kaufman's bid, the value was \$513,000, excluding the shortfall guarantee.

In the end, both bidders stripped away all the financing engineering and decided to go with simple, all-cash final bids — \$1.5 million from Kaufman, \$1.25 million from NYCO Renaissance.

NYC Opera filed for Chapter 11 on Oct. 3, 2013, after it raised only \$1.5 million through an online campaign out of the \$7 million it needed to finance its 2013-14 season. It later auctioned costumes, props, wigs, equipment and about 60 musical instruments, along with other assets.

Founded in 1943, the opera's mission is to "inspire audiences with innovative and theatrically compelling opera, to nurture the work of American artists and young singers, and to build new audiences through affordable ticket prices and extensive outreach and education programs," court papers said.

Kenneth Rosen of Lowenstein Sandler also is debtor counsel.

Sean C. Southard, Fred Stevens and Maeghan J. McLoughlin of Klestadt & Winters LLP are counsel to the creditors' committee. Southard and Stevens could not be reached for comment.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=100051068891>

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