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'American Idol' Producer Wants Out Of Manhattan Lease

By **Vince Sullivan**

Law360, New York (June 17, 2016, 5:48 PM ET) -- "American Idol" producer AOG Entertainment Inc. is seeking court permission to reject a long-term lease on office space in Manhattan, saying it has no use for the space since the show was canceled and the company declared bankruptcy.

In a motion filed this week, AOG asked to reject the lease for the 28th floor of 900 Third Ave., saying it has been subletting the space to another tenant and the landlord has agreed to let the new tenants assume the remainder of the lease. AOG first leased the space from 900 Third Ave. LP in December 2011 with an agreement running through 2023. The company made \$3.7 million in improvements to the space, of which \$1 million was reimbursed by the landlords.

"The debtors have determined that the lease is no longer beneficial to the estates and should be rejected as of the effective date of this motion," AOG said in the court filing.

The subtenant is paying rent in excess of the \$1,112,945 per year that AOG was paying, so there would be no harm to 900 Third Ave. LP in rejecting the lease, since the new tenant is already subletting the space, the motion said.

AOG Entertainment, through its subsidiary CORE Media Group Inc., produced the popular reality show that aired on the Fox network from 2001 until April of this year. As viewership dwindled in recent years, sponsors and advertisers began leaving the show and the company spent more money trying to make the show popular again, compounding its money troubles.

When the last episode aired in the beginning of April, AOG was unable to reach agreements with its creditors and was forced into Chapter 11 on April 28. In court papers, CORE President and CEO Peter Hurwitz said earnings from the show dropped \$15 million in 2014 compared with the previous year; revenue in 2015 decreased by \$35.6 million. The company listed assets of between \$100 million and \$500 million in its Chapter 11 petition.

Its debt neared \$400 million by the petition date, the overwhelming bulk of which is made up of term loan bank debt. About \$3 million is owed to one of the show's creators, Simon Fuller, for profit-sharing advances. Fuller's demand for payment cut short negotiations with lenders for a restructuring agreement and forced the company to seek court protection.

Under a proposed restructuring support agreement, lenders Crestview Media Investors LP and Tennenbaum Capital Partners LLC, would help deleverage the company's capital structure by \$385 million and inject \$18 million of new money into the business.

Representatives for AOG and 900 Third Ave. LP did not immediately respond Friday to requests for comment.

The debtors are represented by Matthew A. Feldman Paul V. Shalhoub and Andrew S. Mordkoff of Willkie Farr & Gallagher LLP.

900 Third Ave. LP is represented by Howard Kingsley of Rosenberg & Estis PC.

The case is In re: AOG Entertainment Inc, et al., case number 16-11127, in the U.S. Bankruptcy Court for the Southern District of New York.

--Editing by Patricia K. Cole.

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