



CEO

INSIDE DALLAS BUSINESS

**THE
MAKING
OF A
MOVIE
MOGUL**



Andy Mitchell shocked the
entertainment world when he acquired
The Weinstein Co. last year.
His life is a true Hollywood story.


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MAKING OF A MOVIE MOGUL

Last summer, Dallas turnaround guru **Andy Mitchell** became the unlikely owner of The Weinstein Co. Here's a behind-the-scenes look at how the \$400+ million deal came together.

story by **BARRY SHLACHTER**
portraits by **SEAN BERRY**

Working from a shifting war room at the Montage Beverly Hills, Andy Mitchell edged achingly close to acquiring the bankrupt company of disgraced producer Harvey Weinstein and its trove of more than 250 films. An obscure private equity guy from Dallas, Mitchell then lobbed a stun grenade: His Lantern Capital Partners wanted a price reduction of tens of millions, saying it had been misled about financial claims against the studio. Both sides threatened lawsuits. Ninety-six objections to the sale were filed, with actor Bradley Cooper and director Quentin Tarantino declaring they would be cheated out of millions. But that wasn't where the drama began. Three months earlier, an investment group led by billionaire Ron Buckle made a \$500 million, pre-bankruptcy run at The Weinstein Co. There was speculation that Lantern was involved. When that deal fell through, The Weinstein Co. connected directly with Lantern. After marathon talks, claims, and counter-claims—not to mention threats to abandon the sale and lawyer up—Lantern in July 2018 prevailed in acquiring the studio out of bankruptcy.

EVERYONE

in Tinseltown wanted to know: Who was this intruder blazing in from Texas to buy The Weinstein Co.? It had been one of the most successful “mini-major” studios in North America, before more than 100 women stepped forward to accuse CEO Harvey Weinstein of sexual harassment or assault, launching the #MeToo movement.

Mitchell’s acquisition was a heckuva plot twist. Unknown in the industry, *Variety* and *Hollywood Reporter* were now routinely running his handout photo, which depicted a solidly built 43-year-old with slightly thinning black hair, strong features, and a sincere half-smile. One could imagine the ambitious dealmaker being cast in *Mad Men* as Don Draper’s all-too clever frenemy.

Mitchell’s reputation was made consulting and restructuring at PricewaterhouseCoopers, Houlihan Lokey, Cerberus, Ally, and Lantern, which he co-founded with Milos Brajovic in 2015. Investors give them free rein to unlock value in, say, a moribund zinc recycler or a troubled Las Vegas time-share hotel, by turning it around and, instead of selling for a neat profit, embedding tested executives to manage for the long haul as part of Lantern’s diverse portfolio.

“Andy is a quick read ... and doesn’t need a lot of data to make a decision,” says William Snyder, a veteran in the restructuring field. “He’ll never say, ‘Let me sleep on it.’” Crucially, Mitchell also has a knack of divining the other side’s “threshold for pain.”

Among his successes is Bluejack National, a neighborhood built on derelict golf links north of Houston that had been repurposed as hunting leases overrun with wild pigs. In a gamble, Lantern enlisted a pre-comeback Tiger Woods to design his first course. It worked. *Golfweek* recently called Bluejack the best residential golf community in Texas and ranked it No. 8 nationally.

HUMBLE BEGINNINGS

Mitchell distances himself from pedigreed Wall Street types who segued effortlessly from the Ivy League to prestigious MBA programs. In his first in-depth interview since the acquisition, he makes clear, “I didn’t come from money.”

Leonard Andy Mitchell was born into a close-knit, blue-collar household on Herndon Drive in Benbrook, a suburb of Fort Worth. His father Bill was a switchman for BNSF Railroad, his mother Alice an administrative assistant in Texas Christian University’s international student office.

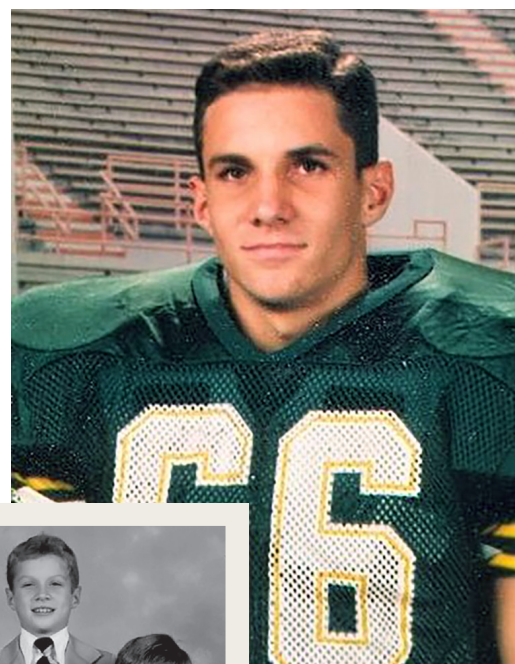
TCU would degree two of her three children and, after his retirement, her husband.

“Andy had more energy than a normal child,” Alice recalls. “If he gets an idea, he’s driven.

He wanted to play football when he got to Western Hills High School, but he was small and had never played. He worked out, drank protein drinks, ate raw eggs, and gave it 150 percent.” The coach told players after one game that they would have won “if every-one had shown as much heart as Andy Mitchell,” Alice recalls. “That meant a lot to him.”

Building his way up to 200 pounds, Mitchell played both linebacker and center almost entire games, until a senior-year concussion. “He was blindsided, helmet to helmet,” recalls teammate Jason Taraszki. “It was killing him, watching his friends on the field,” his mother says. “I had to trust he’d make the right decision.” He wanted to play over his doctor’s objections, she says, but teammates told him that if he suited up, “we won’t play.” And that was that.

After he was accepted by TCU, a friend’s mother point-



→ Mitchell played both linebacker and center at Western Hills High School, until he was blinded by a helmet-to-helmet hit that ended his football career.



← A young, bow-tied Mitchell, with his family. Says his mom: “Andy had more energy than a normal child.”

Images courtesy of LANTERN CAPITAL; portrait by SEAN BERRY (photographed on location at THE NETWORK BAR)

“The Weinstein Co. was one of the worst-managed companies I’ve ever seen. They had no financial controls, no legal controls. ... It was an ‘inmates ran the asylum’ type of scenario.”

ANDY MITCHELL / CEO, LanternCapital

edly told him he’d be miserable, insisting that as a “have not” he would never be welcomed by the private school’s “haves.” It was crushing advice for a 17-year-old, Mitchell says, but the woman was relentless. “You come from no money,” she told him. “You’re never going to get into a fraternity. Go to a state school.”

But TCU proved a perfect fit for the switchman’s son. His easy manner and quick grasp enabled him to navigate unfamiliar social strata, says Barbara Herman, TCU’s associate vice chancellor for student affairs. “Andy was unusually mature and really good at building relationships across any kind of boundary.”

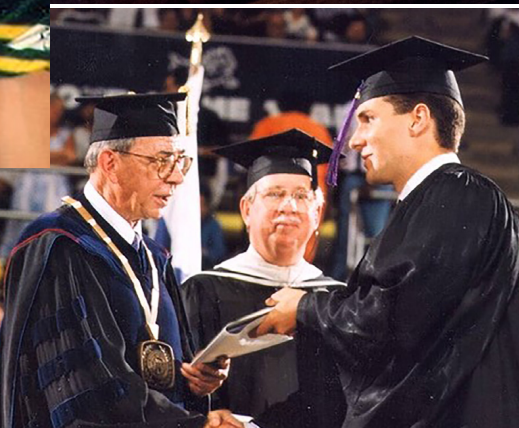
His mother’s job meant free tuition. Student loans covered room and board. Hanging drywall, bartending, parking cars, and waiting tables covered frat parties and gas for his beater Jeep. The 3.7 GPA, double major “accounting nerd” would record lecture notes, then play them back during chores and even while sleeping. There was another, less-driven side, however. Inspired by a scene in *Animal House*, Mitchell and a frat brother dressed in camo and repelled down the wall of Colby Hall, a women’s dorm.

As vice president of rush for the Interfraternity Council, Mitchell became so frustrated by campus government inaction that he impulsively ran for student body president. He won, but controversy followed. His then-girlfriend, interning at an ad agency, designed a professional-grade campaign poster that a printer produced for free. The loser claimed its value exceeded the \$80 spending limit. Mitchell admitted some errors, but the school paper endorsed him and the student tribunal upheld his victory.

His college experience proved the Western Hills mom wrong. According to Herman, Mitchell has returned to TCU to speak with prospective students from racially diverse,



Mitchell in 1998, picking up his business degree (double major in finance and accounting) from TCU, where he served as student body president.





Lantern's first film, *The Upside*, starring Bryan Cranston and Kevin Hart, grossed more than \$122 million in the first six months following its release.

working-class backgrounds to demonstrate that the school welcomes those who do not fit the rich-kid stereotype. Mitchell went on to marry a fellow Horned Frog, whom he met at a Chicago alumni event. "I bleed purple," he says.

A TURNAROUND OPPORTUNITY

When he first learned of the Weinstein opportunity in 2017, Mitchell was not only unfamiliar with Hollywood, he didn't quite know who Harvey Weinstein was. But Brajovic insisted: "There's a turnaround here." His business partner called the collapsing studio an ideal "DTC"—Lanternspeak for "Deep value investment in a Turnaround situation, with sufficient Control to achieve meaningful returns."

Brajovic, who grew up in Maryland, met Mitchell in 1999 at Lokey Houlihan, where the two were restructuring colleagues. They launched Lantern in 2015. (It had morphed from Lantern Asset Management, formed in 2010 by Mitchell and a private equity firm around a \$1 billion portfolio acquired from what had been GMAC.)

Hollywood considered Weinstein films to be tainted by the sex scandal, Mitchell says. But he refused to believe that Paddington Bear or Tarantino's works "would be boycotted by the whole world, that no one would ever watch them again." There were overlooked assets, too. "I'll be honest," Mitchell says. "We didn't see the value in the [intellectual property] until we were further in." These included exploitable franchise rights to *Knight Rider*, *Spy Kids*, *Children of the Corn*, *Scream*, and *Hellraisers*, as well as television's *Project Runway*.

Major players ignored the opportunity. "Potential buyers scattered," says Gene Del Vecchio, a former film marketing consultant who teaches at the USC Marshall School of Business and the author of *Creating Blockbusters*. "It's one thing to buy a healthy yet undervalued company, but The Weinstein Co. was snake-bit with scandal, lawsuits, layoffs, brain drain, and debt."

With the studio tottering, Lantern was rumored in the media to be joining an acquisition attempt with Burkle's group. Mitchell says he was taken by surprise in March 2018 when Burkle announced that Lantern was actively participating in an offer—publicly stated as \$500 million plus an \$80 million sex-victim fund. When Mitchell declared Lantern had not signed off on the deal, nor completed due diligence, the Burkle bid imploded. Two weeks later, The Weinstein Co. filed for Chapter 11 bankruptcy.

Lantern was approached by TWC's consultants to serve as the "stalking horse" bidder in a bankruptcy auction. Such a bidder sets the floor price—in this case \$310 million plus debt—and put up a \$15 million deposit. By Mitchell's calculation, sales to Netflix, American Airlines, prison systems, and others could hit several hundred million dollars over 10 years.

There was loose talk of a \$1 billion valuation, but would-be buyers wanted to cherry pick only highly profitable films like *Inglorious Basterds*. Lantern offered to buy all. With no qualified rival bid at the April 6 auction, Lantern won.

A WEB OF COMPLICATIONS

The June 7 sale closing came and went, amid legal action threatened by both sides, according to a blunt July 7 court filing by Robert "Bob" Del Genio, TWC's chief restructuring officer and lead dealmaker. Lantern's attorneys claimed that the "litigious and combative" negotiators for the company "materially misrepresented" financial obligations. Several times, Lantern vowed to quit talks and sue the company, Del Genio wrote.

Mitchell tells *D CEO* his thinking at the time was, "If they force us to lose money, I'll just go away." But, he says, "they realized there is no one else in the world" willing to do the deal.

Still, coming to terms was an ordeal. "Did I lose sleep? Absolutely. Did I call Bob in 4:30 in the morning? Absolutely.

"Every time Bob thought we were done, someone else would stick their head in," Mitchell says. "People who were owed \$1 were demanding \$1,000." A major studio made a huge claim, but it was essentially "double billing."

Other surprises surfaced. Before Harvey Weinstein "ever got in trouble, this was one of the worst-managed companies I've ever seen," Mitchell says. "They had no financial controls, no legal controls. I don't think the company ever made money. ... It was an 'inmates ran the asylum' type of scenario."

Capping hours of tense talks on June 20, Del Genio said



Lantern's holdings include Montage Kapalua Bay, a luxury hotel and residential development in Hawaii.



the \$46 million reduction Lantern requested was a “non-starter.” That night, Lantern halved it to \$23 million—but only if creditors shouldered more financial claims. Del Genio rejected it, saying it would mean \$40 million to \$50 million less for the company.

Mitchell and Brajovic got word while stopped at an L.A. traffic light. Was it only a temporary setback, or would the deal collapse like the Burkle offer had months before? “The news was motivating, because it furthered our pursuit for clarity, which as you can imagine, was a tremendous challenge on this deal,” Brajovic says.

After weeks of give and yank, the two sides agreed to a \$21 million price reduction and TWC’s consultants agreed to forgo \$1 million in fees.

Del Genio declined to be interviewed for this story, but his July 7 filing made clear that TWC had no alternative, because suing Lantern for breach of agreement would lead to a disastrous liquidation. Besides, he wrote, the company was “running out of time and money.”

In July 2018, TWC announced it had been acquired by Lantern for \$289 million. With assumed debt and funds set aside for unresolved claims, including those involving Cooper’s *Silver Linings Playbook*, the actual tab is estimated at about \$437 million. Still, Lantern landed the company for tens of millions less than Burkle’s publicly stated offer, and with far fewer liabilities.

AT WORK ON THE SEQUEL

In the year that has followed their big buy, Mitchell and Brajovic have hired new executives, found new headquarters space, and given TWC a new name: Lantern Entertainment, of which they serve as co-presidents. This past March they formed Spyglass Media Group, a joint venture with former MGM chief Gary Barber, who’s in charge of producing content.

Lantern’s first release, *The Upside*, starring Bryan Cranston and Kevin Hart, was a home run. Made for \$37 million, the film grossed more than \$122 million worldwide in the six months following its Jan. 11 release, according to Box Office Mojo. Lantern also struck a deal with NBCUniversal to bring *Project Runway* back to its Bravo unit from Lifetime.

Still, Lantern faces challenges ahead, warns USC’s Del

DIVERSE INVESTMENTS

Lantern Capital Partners takes on complicated business challenges and believes in being “an advocate for change rather than an antagonist for control.” Along with Lantern Entertainment, its portfolio includes:

American Zinc Recycling

A Pennsylvania-based recycler of electric arc furnace steel dust and producer of zinc-related products.

Bluejack National

A 755-acre private club and residential community north of Houston, anchored by the only Tiger Woods-designed golf course in the country.

Bright’s Creek

Investment in a luxury resort in North Carolina, with brand affiliations like a BMW off-road excursion experience.

GoodBulk

A dry bulk shipping platform created in partnership with a leading ship owner and operator, giving it access to off-market deals.

Montage Kapalua Bay

A 146-unit luxury hotel and residential development within the Kapalua Resort on the Hawaiian island of Maui.



Mitchell, with his family at the opening of Bluejack National, talked golf pro Tiger Woods into designing his first course.



Vecchio. “Is their task impossible? No. Is their success guaranteed? Not by a long shot,” he says. “Hopefully, their library of films and TV shows, along with new alliances of entertainment veterans, will provide enough capital and expertise to sustain them while they search for the next winner.”

Based on Mitchell’s track record, and sensibilities cultivated during his humble upbringing, a Hollywood ending could very well be in store for the former football player from Benbrook. **D**