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Anschutz Banks On Debt To Control Regal Cinemas

By Matthew Doman and Anita M. Busch
Publication: [The Hollywood Reporter](#)
Date: Wednesday, January 10 2001

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Billionaire investor Philip Anschutz is making a run at the world's largest exhibition circuit, Regal Cinemas Inc., only months after taking control of rival exhibitor United Artists Theatre Circuit.

Acting through investment bank Salomon Smith Barney, Anschutz has built up a substantial holding of Regal's outstanding bank debt in preparation to make a bid for control

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ahead of a likely bankruptcy filing, according to banking sources in New York.

The Denver-based Anschutz, in conjunction with Los Angeles-based investment fund Oaktree Capital, is believed to have acquired more than \$345 million of

Regal's bank debt of slightly less than \$1 billion.

The company has another \$800 million in public debt, but investors in those securities have a weaker collateral position than the bankers.

The bank debt acquired by Anschutz and Oaktree is believed to split 80%-20% in Anschutz's favor. While the \$345 million of debt controlled by the two groups represents 35% of Regal's bank debt, it could transfer to a larger equity share under a planned financial restructure of the company.

It remains unclear whether Anschutz would be able to combine the 4,000-screen Regal circuit with UATC's 1,600 screens. Such a combination

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would dwarf Loews Cineplex Entertainment, the nation's second-largest theater circuit with 2,700 screens.

Regardless of any potential merger, both circuits are likely to shutter many screens as they scale back unprofitable theater properties.

As he did with UATC, Anschutz appears to be preparing to swap the bank debt for equity if Regal initiates a financial restructuring with a "prearranged" bankruptcy filing.

Such an arrangement would require agreement of Regal's other bankers and the company's board of directors. So far, only preliminary discussions have been held between the parties, sources familiar with negotiations said.

Investment firms Hicks, Muse, Tate & Furst and Kohlberg Kravis Roberts & Co. are the majority shareholders of Regal, but their ability to control the company is jeopardized by its inability to make interest payments on its debts.

Eight exhibitors — Carmike Cinemas, UATC, Edwards Cinemas, General Cinema, Silver Cinemas, Resort Cinemas of America, Mann Theatres and CinemaStar Luxury Theatres — have sought Chapter 11 bankruptcy protection amid the deepest economic crisis in exhibition in decades.

Analysts and investors expect that two more Chapter 11 filings are not far away: Regal and Loews Cineplex Entertainment Corp. are seen as likely to opt to complete their financial restructure with a voluntary bankruptcy filing.

Regal has defaulted on its bond facility after it missed payments of more

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than \$37 million last month (HR 12/4 and 12/18). Holders of Regal's senior subordinated notes can take legal action for nonpayment of the semiannual interest payment after a six-month period.

Anschutz's move suggests that investors will not wait that long for Regal to file Chapter 11.

Sources said Anschutz has not yet advanced plans to combine Regal and UATC if the Regal play is successful. The group is believed to regard both circuits as attractive investments in their own right and is wary of triggering concerns over a combined circuit's leverage with Hollywood studios, though sources said any merger would be premised on cost savings and greater internal efficiencies at the theater circuits — not on greater bargaining power with film distributors.

Regal executives did not return calls by press time. In recent weeks, they confirmed that a Chapter 11 filing is among options the company is considering as it struggles with its \$1.8 billion debt burden.

A diverse and entrepreneurial investor, Anschutz has strengthened his entertainment interests during the past year, acquiring an effective 55% controlling stake in UATC and investing in the Beverly Hills-based film, television and Internet production company Crusader Entertainment.

This week, Crusader signed a three-year first-look distribution deal with Paramount Pictures (HR 1/9).

Anschutz is chairman and president of the privately owned Anschutz Corp. and partial owner of Staples Center in Los Angeles, the NHL's Los Angeles Kings, Major League Soccer's Los Angeles Galaxy and the NBA's Los Angeles Lakers.

Anschutz ranked 11th on Forbes magazine's 2000 list of the world's richest people.

UATC CEO Kurt Hall declined comment on Anschutz's exhibition plans beyond his company but said the relationship with the group has been excellent since Anschutz first approached UATC during the summer.

"Clearly, their presence in our restructuring has been a good thing," Hall said. "Having an equity sponsor of Anschutz's quality is a very good thing."

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