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## Sullivan & Cromwell Aids Colony's \$70M Recap Of LodgeNet

By **Liz Hoffman**

Law360, New York (March 29, 2013, 8:23 PM ET) -- Real estate private equity firm Colony Capital LLC has acquired LodgeNet Interactive Corp. through a \$70 million recapitalization and a new \$358 million long-term loan, installing new management and paving the media company's path out of a quick prepackaged bankruptcy.

The transaction wipes out existing preferred and common stockholders and installs Colony as LodgeNet's new owner, with 100 percent of its shares. The purchase price and new credit facility are both sized up from an original plan sketched out in December, which called for a \$60 million equity infusion and a \$346 million, five-year term loan.

The Sioux Falls, S.D.-based company did not name the bank behind its new loan, but in a securities filing said the debt carries a 6.75 percent interest rate. It also comes with standards bank covenants, including a cap on total leverage and a minimum reserve to cover interest payments, that will be tested quarterly starting next year.

A New York bankruptcy judge approved the plan on March 7, and the transaction closed on Thursday. As of Feb. 28, the company had \$282 million in assets and \$481 million in liabilities.

With fresh capital, a revamped debt structure and a new partnership with DirecTV Group Inc., one of its biggest content providers and creditors, LodgeNet is looking to right its ship. The company provides custom content for hotels and hospitals, whose closed-circuit entertainment systems and captive audiences are worth millions of dollars to distributors and advertisers.

"We are confident that the combination of LodgeNet's new management team, the company's improved financial flexibility and the previously announced strategic partnership with DirecTV will significantly benefit customers, partners, employees and all stakeholders in the months and years ahead," said Colony principal Richard Nanula, who was installed as LodgeNet's new chairman.

Among the changes are a new focus on computer, tablet and mobile screens, and giving hotels more flexibility to select their own programming, with a focus on branding opportunities, the company said.

The money also comes with some management changes. New LodgeNet chairman Nanula is currently chairman of Miramax and a former chief financial officer at The Walt Disney Co. and biotech company Amgen Inc. Michael Ribero, a former marketing executive at Hilton Hotels Inc. and Eastern Airlines and current board member of the Tropicana Las Vegas Hotel and Casino, will be its new president and CEO.

Colony isn't usually a media investor, but its portfolio of hotels and casinos offers a potentially large pool of potential customers for LodgeNet. Colony owns outright or has stakes in seven gaming companies, including the Hilton hotel and casino and the Tropicana in Las Vegas and Groupe Lucien Barriere, Europe's biggest casino operator, which it created in a 2004 roll-up.

The investment firm also owns outright, or owns the debt of, hundreds of hotels worldwide, from budget U.S. hotels to luxury beachfront Mediterranean resorts. Last year, it spun a junior lender position to a majority equity one in Extended Stay America Inc., also out of bankruptcy.

Colony was represented by Alexandra Korry (M&A) and Andrew Deitderich (restructuring) of Sullivan & Cromwell LLP and by Liner Grode Stein Yankelevitz Sunshine Regenstreif & Taylor LLP. Guggenheim Securities LLC served as financial adviser.

Weil Gotshal & Manges LLP partner Gary Holtzer served as restructuring counsel to LodgeNet, and Minnesota-based Leonard Street and Deinard PA acted as corporate counsel. Miller Buckfire & Co. LLC, FTI Consulting Inc. and Moorgate Securities LLC served as financial advisors.

Akin Gump Strauss Hauer & Feld LLP advised the lenders, and CDG Group LLC served as placement agent.

The bankruptcy case is In re: LodgeNet Interactive Corp., case number 1:13-bk-10238, in the U.S. Bankruptcy Court for the Southern District of New York.

--Additional reporting by Maria Chutchian. Editing by Rebecca Flanagan.

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