

Film Production Services Co. Hits Ch. 11 With Sale Plans

By **Rick Archer**

Law360 (November 5, 2024, 5:51 PM EST) -- A film production services company owned by embattled private equity firm 777 Partners has filed for Chapter 11 protection in Delaware with \$88.9 million in liabilities, blaming the COVID-19 pandemic, Hollywood strikes and its owner's legal and financial troubles.

Film Finances Inc. and three affiliates filed for bankruptcy on Monday, seeking a sale in Chapter 11 with an opening bid from its prepetition lenders.

"The debtors believe these measures will facilitate a seamless transition into a strong, well-capitalized future," CEO Peter Coleman said in his Chapter 11 declaration filed Monday.

According to its filings, Los Angeles-based FFI was founded in 1950 and provides "completion guarantees" to film producers and financiers. In accordance with its guarantees, it reviews budgets and timelines, monitors production and provides other services to insure the completion of film projects, it said.

The company has three subsidiaries — Rainbow Production Services, Rainbow Digital Services and EPS-Cineworks — that rent film equipment and provide post-production services, it said.

It said its primary debt is a \$69.5 million senior secured loan, plus \$16.9 million in claimed federal and California tax liability and approximately \$2.5 million in unsecured claims.

According to its filings, the tax liability stems from the August 2022 sale of its subsidiary Reel Media by 777 Partners, which had jointly purchased FFI with London-based 600 Partners in 2019.

In his declaration, Coleman said FFI had "limited participation" in the sale. He said it received a \$72.6 million promissory note and equity interest in a 777 Partners-owned aircraft but no cash.

"Without the proceeds from the Reel Media sale, the company has been unable to pay the attendant tax liabilities and support the debtors' loan obligations," he said.

Prior to this, the company had been squeezed by pandemic lockdowns, and after that it faced the production shutdowns caused by the 2023 strikes by the Screen Actors Guild and the Writers Guild of America, he said.

"These events were occurring against the backdrop of 777 Partners LLC's own financial and legal challenges, which prevented them from providing the working capital that could have helped the debtors during this period," he said.

Miami-based 777 Partners is facing **multiple civil lawsuits**, including a New York **federal suit** alleging it pledged \$350 million of assets as collateral for a loan even though it knew the assets either didn't exist or had been pledged to another lender. It is also reportedly facing a U.S. Department of Justice investigation for violation of money laundering laws.

He said FFI attempted to find a buyer for its rental and post-production businesses during a

"momentary uptick" in rental business performance in August 2022, but the sale fell through in the face of the looming 2023 strikes.

The company reached out to its lenders in December 2023, and over the next several months negotiated a deal to seek a sale in Chapter 11, with the lenders forming an entity to provide a stalking horse bid to set a floor for an asset auction, he said.

In a Tuesday announcement, the entity, named Film Services International LLC, said the sale is expected to conclude within 60 days and that it plans to keep the management team of the companies intact.

According to its filings, the company will be seeking permission to take out \$8 million in debtor-in-possession financing, \$3 million of that to be drawn on immediately on an interim basis.

The company has retained Roth Capital Partners as its financial advisor.

Representatives of FFI did not immediately respond to requests for comment Tuesday.

FFI is represented by Ericka F. Johnson and Steven D. Adler of Bayard PA and David L. Neale and Krikor J. Meshefejian of Levene Neale Bender Yoo & Golubchik LLP.

The case is In re: Rainbow Productions Services LLC et. al., case number 1:24-bk-12564, in the U.S. Bankruptcy Court for the District of Delaware.

--Editing by Alex Hubbard.