

Ch. 11 Auction Drives Videology Inc. Sale Price To \$119M

By **Rose Krebs**

Law360 (July 17, 2018, 7:21 PM EDT) -- A Delaware bankruptcy judge on Tuesday approved the \$119 million sale of advertising software company Videology Inc. to a marketing technology company at a price driven up about \$72 million by a competitive auction between two bidders.

During a hearing in Wilmington, U.S. Bankruptcy Judge Brendan L. Shannon approved a sale order for stalking horse bidder Amobee Inc., a global marketing company and subsidiary of Singapore Telecommunications Ltd., or SingTel, to purchase the company at a significantly increased price from what it offered to pay in May. The judge called the auction results "welcome and extraordinary."

After the July 13 auction, in which 58 bids were submitted, according to the debtor, Amobee Inc. emerged as the winner with its bid of \$118 million, over British broadcasting company ITV Ltd. .

"It turns out that July 13, Friday, can be a very lucky day," said Irving E. Walker of Cole Schotz PC, counsel for the debtor.

The stalking horse bid was \$45 million in cash, subject to some adjustments, with the auction increasing that price by \$72.3 million, Walker said.

"You have my attention," Judge Shannon chimed in.

Amobee's purchase includes a cash component of \$117.3 million subject to adjustments projected to be about \$16.1 million for a total of \$101.2 million in cash, according to a declaration by Videology Chief Financial Officer Kenneth Tarpey.

"It is what I would call the perfect process," Walker said. "It kind of is a beautiful reminder of what value this court provides to companies in distress."

Videology hit Chapter 11 in May, with company representatives saying the transformation of television and video advertising wasn't moving fast enough for Videology to meet its financial obligations. The company mines a range of consumer and demographic data sources using proprietary methods to tailor advertising packages that are delivered across a variety of outlets

A longer-than-expected transition of its business from narrowly focused "legacy" media sales, such as television stations or networks, to clients seeking audience data for automated platforms that deliver

advertising across multiple outlets, such as television and internet, led to its financial troubles, company representatives said.

In early 2018, Videology sought to delay payments to some trade creditors, spooking one of its largest clients, which then put a hold on any payments to the company. Complicating the picture were lender moves to take control of the company's bank accounts as a result of the default, allowing the lenders to determine which invoices were paid.

Videology listed about \$76 million in unsecured debt and outstanding secured debt of about \$11 million, along with interest obligations on other secured debt facilities.

Seth Van Aalten of Cooley LLP said the committee supports the sale and both bidders "came to play, and obviously the results speak for themselves."

Shannon noted that there are some cure objections that may still need to be handled by the court. A tentative hearing was set for Aug. 9, but the debtors indicated that the matters may be able to be settled prior.

Closing on the sale is pending review of any antitrust issues by the federal government.

"I am a big fan of moving forward promptly to get to a confirmed plan," Judge Shannon said. "The sooner that this case emerges, at least experience teaches, the more of the tremendous result that's been achieved will be enjoyed by those stakeholders who are entitled to it. So in terms of mechanics, process and getting to a plan, if you have ideas about getting there promptly, I'm all ears."

The debtor's counsel indicated that it will discuss with the committee moving forward with a Chapter 11 plan.

Videology is a privately held, venture-backed company whose investors include Catalyst Investors, Comcast Ventures, Pinnacle Ventures and Valhalla Partners.

The debtor is represented by Patrick J. Reilley, G. David Dean and Irving E. Walker of Cole Schotz PC.

Amobee Inc. is represented by Gregory W. Fox and Alessandra L. Simons of Goodwin Procter LLP, and Morgan L. Patterson and Matthew P. Ward of Womble Bond Dickinson LLP.

The committee of unsecured creditors is represented by Christopher M. Samis, L. Katherine Good, and Stephen Brett Gerald of Whiteford, Taylor Preston LLC, and Michael Klein, Evan M. Lazerowitz, Max Schlan, and Seth Van Aalten of Cooley LLP.

The case is In re: Videology Inc. et al., case number 1:18-bk-11120, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Jeff Montgomery and Vince Sullivan. Editing by Stephen Berg.

Correction: An earlier version of this story misidentified Cole Schotz PC. The error has been corrected.