



Insights: Perspectives

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It's not every day that you hear a Bankruptcy Court judge call a case outcome "absolutely amazing" and flags it as unique in his 18 years on the bench. But that's exactly the result that Kilpatrick Townsend's **David Posner** and **Gianfranco Finizio** achieved for their client, the official committee of unsecured creditors of Gold's Gym (GGI Holdings, LLC, *et al.*).

Founded in 1965 by Joe Gold in Venice Beach, California, Gold's Gym is one of the largest networks of company-owned and franchised fitness centers in the world. It is a global icon with nearly 700 locations serving approximately 3 million people across six continents.

Alas, Gold's Gym was no match to the Covid-19 pandemic and it filed for chapter 11 bankruptcy protection on May 4, 2020, with \$100 million in debt.

Gold's Gym entered bankruptcy intending to pursue a pre-negotiated plan sponsored by its majority equity holder, which would have provided the paltry sum of \$225,000 to its unsecured creditors who were owed more than \$25 million. Once the Kilpatrick Townsend team was selected to represent the official committee of unsecured creditors, its overriding objective was to prevail upon the other parties to market-test the pre-negotiated plan to uncover Gold's Gym's full market value.

While it's always very difficult to convince a debtor to pivot from a pre-negotiated plan because the debtor

wants the bankruptcy process to be over quickly and often doesn't see an alternative, the team's arguments were so convincing that its proposal for a market test was adopted by all parties through negotiation and without the court's intervention.

The result of the market test was a \$100 million bid from RSG Group USA, a subsidiary of German fitness company RSG. This winning bid had \$42 million in incremental value compared to the pre-negotiated plan – including \$30 million for unsecured creditors. Even though this amount is projected to allow full recoveries for all unsecured creditors, the case is still pending and unsecured creditors may still file additional claims.

Gianfranco Finizio applauds the "gold standard" result in this case, noting that in his entire career this is only the second time where unsecured creditors are likely to be fully compensated.

Judge Harlin Hale, who presided over the case and confirmed the \$100 million sale of Gold's Gym to RSG Group USA, noted that selling "a company like this in the midst of a pandemic" is "absolutely amazing."

In addition to Partners David Posner and Gianfranco Finizio, the Kilpatrick Townsend team responsible for this outstanding outcome includes Partner **Patrick Carew** and Associates **Kelly Moynihan** and **Blaine Adams**.

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