

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

KUSHNER LOCKE CO

CIK: **842009** | IRS No.: **954079057** | State of Incorpor.: **CA** | Fiscal Year End: **0930**
Type: **8-K** | Act: **34** | File No.: **001-10661** | Film No.: **1697492**
SIC: **7812** Motion picture & video tape production

Mailing Address
11601 WILSHIRE BLVD
21ST FLOOR
LOS ANGELES CA 90025

Business Address
11601 WILSHIRE BLVD 21ST
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LOS ANGELES CA 95202
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report: August 3, 2001

THE KUSHNER-LOCKE COMPANY

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of
incorporation or organization)

0-17295

(Commission
File Number)

95-4079057

(IRS Employer Identification No.)

11601 Wilshire Boulevard, 21st Floor

Los Angeles, California

(Address of Principal Executive Offices)

90025

(Zip Code)

(310) 481-2000

(Registrant's telephone number, including area code)

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Item 5. Other Events.

Effective as of August 3, 2001, The Kushner-Locke Company (the "Company") entered into Amendment No. 7 ("Amendment No. 7") to its Limited Forbearance Agreement (the "Limited Forbearance Agreement"), dated as of January 11, 2001, as amended by Amendment No. 1 dated as of January 29, 2001, by Amendment No. 2 dated as of February 27, 2001, by Amendment No. 3 dated as of March 30, 2001, by Amendment No. 4 dated as of May 4, 2001, by Amendment No. 5 dated as of June 1, 2001 and by Amendment No. 6 dated as of June 29, 2001, with its lenders and The Chase Manhattan Bank ("Chase") as Agent and as Fronting Bank for the lenders with respect to its Credit, Security, Guaranty and Pledge Agreement, dated as of June 19, 1996, among the Company, the Guarantors named therein, the lenders named therein (the "Lenders") and Chase (as such agreement has been amended from time to time, the "Credit Agreement").

Amendment No. 7 extends the forbearance period under the Limited Forbearance Agreement until 5:00 p.m., Eastern Standard Time, September 19, 2001 or until the earlier occurrence of certain termination events (the "Forbearance Period"), including the commencement of involuntary bankruptcy proceedings against the Company by any other creditor of the Company, the attempt by any other creditor of the Company to execute a judgment against any asset of the Company, the commencement by the Company of voluntary bankruptcy proceedings, the payment by the Company of any interest or principal to any holder of the Company's subordinated debt, a change in control of the Company, a change in the management of the Company, the Company's failure to properly fund its employee benefit plans, the Credit Agreement becoming null and void for any reason other than by action of the lenders, or the failure of the company to timely comply with any term or covenant of the Limited Forbearance Agreement.

Amendment No. 7 permits Chase to draw one hundred percent (100%) of any amounts in the Company's existing accounts with certain Lenders in excess of \$1,200,000 at the end of each week during the Forbearance Period and apply such amounts toward payment of the Company's outstanding obligations under the Credit Agreement.

Item 7. Financial Statements and Exhibits.

Exhibit 10.76 Amendment No. 7 dated as of August 3, 2001 to Limited Forbearance Agreement dated as of January 11, 2001 among The Kushner-Locke Company, its subsidiaries, the Lenders party to the Credit Agreement and The Chase Manhattan Bank, as Agent and Fronting Bank for the Lenders.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 3, 2001

THE KUSHNER-LOCKE COMPANY

By: /s/ DONALD KUSHNER

Donald Kushner
Co-Chairman of the Board and
Co-Chief Executive Officer

AMENDMENT NO. 7 TO
LIMITED FORBEARANCE AGREEMENT

AMENDMENT NO. 7 dated as of August 3, 2001 (the "Amendment"), to Limited Forbearance Agreement dated as of January 11, 2000, as heretofore amended (the "Forbearance Agreement") among THE KUSHNER-LOCKE COMPANY (the "Borrower"), its subsidiaries (the "Guarantors", and together with the Borrower, the "Credit Parties"), the Lenders party to the Credit Agreement defined below (the "Lenders") and THE CHASE MANHATTAN BANK (formerly known as Chemical Bank), as Agent and as Fronting Bank for the Lenders (the "Agent").

The Borrower, the Guarantors, the Lenders and the Agent are parties to a Credit, Security, Guaranty and Pledge Agreement, dated as of June 16, 1996, as amended (the "Credit Agreement").

As set forth in Section 1 of the Forbearance Agreement, Defaults and Events of Default under the Credit Agreement have occurred and are continuing. In order to allow the Borrower additional time to prepare for the proposed sale of its film library and related accounts receivable and to explore various restructuring options, the Borrower has requested that the Agent and the Lenders amend the Forbearance Agreement to (i) extend the Lenders' agreement to forebear from applying collections in respect of the Credit Parties' receivables to repayment of the Loans, (ii) release an additional portion of such collections to fund operating expenses of the Credit Parties and (iii) make certain other modifications to the Forbearance Agreement.

The Agent and the Lenders have agreed to the foregoing requests, all on the terms and subject to the conditions hereinafter set forth.

Accordingly, the parties hereby agree as follows:

1. Defined Terms. All capitalized terms not otherwise defined herein are used as defined in the Forbearance Agreement.

2. Amendments to Forbearance Agreement. Subject to the satisfaction of the condition precedent set forth in Section 3 hereof, the Forbearance Agreement is hereby amended effective as of the Effective Date (as hereinafter defined) as follows:

(a) The reference to "August 8, 2001" as the Stated Expiration Date set forth in Section 2 of the Forbearance Agreement is hereby amended to be "September 19, 2001."

(b) The Disbursement Schedule attached as Exhibit A to the Forbearance Agreement is hereby replaced in its entirety with the Disbursement

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the date and year first above written.

BORROWER:

THE KUSHNER-LOCKE COMPANY

By: /s/ Donald Kushner

Name: Donald Kushner

Title: Co-CEO

GUARANTORS:

KL PRODUCTIONS, INC.
POST AND PRODUCTION SERVICES, INC.
TWILIGHT ENTERTAINMENT, INC.
KLF GUILD CO.
KLTV DEVELOPMENT CO.
KUSHNER-LOCKE INTERNATIONAL, INC.
KL INTERACTIVE MEDIA, INC.
DAYTON WAY PICTURES III, INC.

By: /s/ Donald Kushner

Name: Donald Kushner

Title: Co-CEO

KLC/NEW CITY
By its General Partner
THE KUSHNER-LOCKE COMPANY

By: /s/ Donald Kushner

Name: Donald Kushner

Title: Co-CEO

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LENDERS

Executed in
New York, New York

THE CHASE MANHATTAN BANK (formerly
known as Chemical Bank), individually
and as Agent

By: /s/ MARY ELLEN EGBERT

Name: Mary Ellen Egbert
Title: Managing Director

NIB CAPITAL BANK N.V. (formerly known as
De Nationale Investeringsbank N.V.)

By:

Name:
Title:

By:

Name:
Title:

COMERICA BANK -- CALIFORNIA

By:

Name:
Title:

FAR EAST NATIONAL BANK

By:

Name:
Title: