

Reclusive investor threatens Time Warner growth plans

Business EXCLUSIVE

By HILARY KRAMER

You may not have heard of Bill Huff, the most hated man in the cable-TV business. But you can bet Time Warner has.

This week, Time Warner CEO Richard Parsons announced that his company was interested in acquiring bankrupt cable operator Adelphia.

But first, Parsons has to get past Huff, a battle that could make Michael Eisner's bouts with Comcast's Brian Roberts look like an undercard event.

Huff is the intensely private founder of W.R. Huff Asset Management, the New Jersey-based investment boutique that specializes in buying pieces of bankrupt companies.

Huff has used his holdings here and abroad to hold up numerous deals, according to members of the Wall Street community, virtually none of whom were willing to comment on the record for fear of retaliation.

"Bill Huff is the most powerful man in the cable world," said a managing director of an investment bank who has sparred with the vulture investor.

"Nobody else comes close — not even Brian Roberts."

Right now, Huff's firm is one of the top-two largest bondholders for the nation's fifth-largest cable operator, Adelphia, which recently submitted the largest bankruptcy financing in American history. The \$8.8 billion reorganization remains to be approved by the bankruptcy courts

as well as the creditors committee, which is chaired by Huff.

The other large bondholders, New York-based Blackstone Group, opposes the plan and instead backs a sale that could fetch as much as \$20 billion.

The problem for Time Warner and other potential buyers is that Huff will blockade any auction. That's because if the reorganization plan succeeds, Huff and his allies become majority owners of Adelphia.

Critics say Huff, whose clients include prominent pension funds from the state of Louisiana to the New York City police, usually gets his way.

"Huff... threatens buyers, sellers, management, bankers, creditors and investors," said the investment banking managing director.

Huff has done this before, becoming the leading shareholder of two of Britain's largest cable companies: NTL and Telewest.

When Telewest's reorganization failed to go as planned, Huff dragged his heels to make the company's restructuring

one of the longest in British history.

But Huff's persistence paid off. He and his fellow bondholders received 98.5 percent of the reorganized company.

Huff could do the same with Adelphia, forcing Time Warner to wait, then pay above-market prices before taking ownership of the company.

The pitbull investor is unlikely to be scared by the size of his foe, say people familiar with his habits. Huff markets in intimidation, rarely appears in public and prefers to do his negotiating through middlemen.

"Huff is a tall, huge, heavy-set guy. No one ever sees him — he

sends out these mindless drones with attack orders. The last thing he wants them to do is to think — the job of the drones is to report back to him and then he makes all decisions," said a former executive at one of Huff's investments.

Huff refused to comment for this story, as did officials from the two cable operators.

Despite his attempts to remain private to the press, Huff's tough tactics are certainly well known on Wall Street.

Huff even took on noted leveraged buyout shop Kohlberg, Kravis and Roberts in a battle for Bruno's supermarkets. Huff filed lawsuit after lawsuit against KKR to recoup his money from the deal gone sour.

Bankers found Huff to be so unreasonable during this transaction that a senior banker on the deal made T-shirts that read, "Huff 'huffed' and puffed" to blow the deal down."

Although restructuring is generally difficult and intense, competitors say that Huff's tenacity isn't always motivated by watching out for his fund investors.

"With Bill Huff, it's about power and control and not always about economics," said two hedge fund managers familiar with Huff's approach.

Despite his methods, Huff does have admirers.

"Had [Huff] not been in Telewest running the place, the asset would never have done so well. He's incredibly shrewd, smart, diligent, tough — but will run over anybody," said one of the hedge fund managers.

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