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BANKRUPTCY

Lenders Seek to Force Fyre Festival Into Bankruptcy

Through bankruptcy, lenders hope to install a trustee who can examine records and possibly recover money



William 'Billy' McFarland, organizer of the Fyre Festival, exits the U.S. Federal Court in Manhattan on July 1. Mr. McFarland was released on bail following his arrest on a fraud charge. PHOTO: BRENDAN MCDERMID/REUTERS

By Jonathan Randles

July 7, 2017 7:58 p.m. ET

People who lent money to Fyre Festival before it collapsed are now trying to force the company that ran the event into bankruptcy following the arrest of William “Billy” McFarland, the man behind the ill-fated music festival.

Hyped as “the cultural experience of the decade,” Fyre Festival was to be held in the Bahamas over two weekends in April and May featuring artists like Migos and Lil Yachty. But the festival proved to be a flop when attendees, some of whom paid thousands of dollars, arrived at the private party venue only to find a half-built festival ground, bad food and canceled musical acts.

The festival was quickly postponed and photos of festival attendees stranded on the island went viral on social media. Now lenders are hoping bankruptcy can help them figure out what happened to their money and if they can get any of it back.

“We look forward to finding out where the money went,” said Robert Knuts, a lawyer at Sher Tremonte LLP, who filed a petition Friday in New York against Fyre Festival LLC on behalf of three lenders who sunk \$530,000 into the event. Mr. Knuts said they are part of a larger group of more than 20 individuals who together lent more than \$4 million to Fyre Festival.

Through bankruptcy, these lenders hope to install an independent trustee who would have the ability to examine Fyre Festival’s records, Mr. Knuts said. A trustee would also be able to claw back payments the company may have made to other creditors and figure out if there are any sources of recovery, potentially through insurance.

Mr. McFarland, 25 years old, is the founder of Fyre Media, a company that developed a digital application to book artists and entertainers. He established Fyre Festival LLC in late 2016 to promote the music festival, court papers say. People overseeing Fyre Festival could challenge the attempt to force a bankruptcy. They have 21 days to respond to the bankruptcy petition.

Randall W. Jackson, a Boies Schiller Flexner LLP lawyer representing Mr. McFarland in the criminal case, declined to comment. Michael Levine, a lawyer who is representing Mr. McFarland in a separate civil lawsuit brought by a Fyre Festival investor, also declined to comment, saying in an email that he hadn't been aware of the petition and hadn't had time to review it.

In the three months since Fyre Festival went aground, lawsuits have been filed against Mr. McFarland and his partner, rapper Ja Rule, by vendors, investors, and concertgoers, some of whom paid as much as \$250,000 to attend. The festival was expected to feature performances by bands including Blink 182 and promised concertgoers a luxurious experience that didn't materialize.

Mr. McFarland was arrested last week on a fraud charge and released on bail. Authorities allege Mr. McFarland misrepresented Fyre Media's revenue and his own finances to investors. According to a criminal complaint, Mr. McFarland allegedly used false information to get at least two investors to invest \$1.2 million into his business.

If convicted, Mr. McFarland faces up to 20 years in prison.

—*Nicole Hong contributed to this article.*

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