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Bankrupt Blockbuster to be Sold

A federal bankruptcy court judge has decided that movie rental chain Blockbuster is to be sold to avoid liquidation. This followed a protracted day of negotiations among its many creditors that include hedge funds, small unsecured creditors, major Hollywood movie studios and investor Carl C. Icahn. They finally agreed to common terms and conditions for the sale after an entire day of discussions.

Blockbuster filed for Chapter 11 bankruptcy in September last year has been locked in disputes since. The company prefers to be sold and was hoping bankruptcy judge Burton R. Lifland would approve an offer from a group of senior bondholders led by hedge fund Monarch Alternative Capital to buy the movie chain for \$290 million. Blockbuster hoped that that would lead to other higher offers. But other creditors did not see it that way. Movie studios contended that the terms of the proposed sale were not favorable to them. About 40 other creditors objected to the sale including the US Treasury overseeing the bankruptcy that prefers the company to be liquidated.

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Everything came to a head on the day when lawyers for opposing sides argued loudly in the hallways of the bankruptcy court but finally came to a consensus. For several hours, lawyers for the bondholders and studios presented their views before Judge Lifland who frequently interrupted them. At one point, after more than a dozen lawyers and others had come before him to express their concerns about the deal, Judge Lifland asked “Does anybody else need more comfort?” Finally, it was agreed by all parties that should the bondholders be allowed to buy over Blockbuster, it would not be authorized to push the movie company into Chapter 7 liquidation from Chapter 11 presently.

In addition, the studios and other creditors would get more money upfront for what they were owed and would receive a share of any offer above the \$290 million bid. Blockbuster owes several movie studios including heavyweights like Twentieth Century Fox, Warner Bros. and Paramount about \$100 million in administrative fees.

If the sale for Blockbuster goes through, the studios would immediately receive about 24% of their dues. Unsecured creditors can expect up to \$7.5 million of the roughly \$40 million they are owed in addition to a share in any higher bid.

If you are contemplating filing for bankruptcy for yourself personally or your business, call us at (813) 200 4133 for a free consultation.

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