

Atari Files Reorganization Plan to Exit Bankruptcy

by Joel R. Glucksman on October 4, 2013

Video-game maker Atari, Inc. has filed a reorganization plan in the U.S. Bankruptcy Court in Manhattan with the support of its French parent company Atari SA.

In its filing, the bankrupt game-maker said it intends to give unsecured creditors a recovery of as much as 25 percent, Bloomberg reports. The company had intended to break away from its parent company altogether - which has not posted a profit in 14 years - but has since decided to move forward with the support of Atari SA, which is sponsoring the restructuring plan.

"The plan effectuates a restructuring transaction under which the sponsor will make contributions to the estates sufficient to ensure a meaningful recovery to holders of general unsecured claims," the company said in its filing, according to Bloomberg.

The official committee representing unsecured creditors supports the plan, which will extend cash payments to unsecured creditors that are owed between \$5 million to \$7 million. Although these creditors are expected to receive a recovery of up to 25 percent, those who are owed more than \$7 million may see that amount reduced. In addition, parent Atari SA is waiving its right to any distribution on its \$309.5 million intercompany claims, according to court documents.

Atari is considered a pioneer of the home video-game console market and produced classic titles that include "Pong" and "Asteroids." The company as a whole manages more than 200 games and franchises. However, the once-popular game-maker filed for bankruptcy protection under Chapter 11 of the bankruptcy law in January, citing the growth of mobile games and PC gaming as a contributing factor to its declining sales. The company attempted to sell its assets through a bankruptcy auction, but failed to get qualified offers for its most popular assets.