

MIDWAY GAMES: Liquidating Trust Makes Second Distribution

Troubled Company Reporter, Mar 04, 2011

Lee E. Buchwald, President of Buchwald Capital Advisors LLC, Liquidating Trustee for the liquidating trust of Midway Games Inc., reported that a second distribution in of approximately \$5.3 million was made on Feb. 11, 2011. This second distribution resulted in recoveries of 2.86% to Class 3A, and 4.33% to Class 3B. The initial distribution of \$24 million resulted in recoveries of 12.15% to Class 3A, and 18.41% to Class 3B. Accordingly, to date, Class 3A creditors have received a total recovery of 15.01%, and Class 3B creditors have received a total recovery of 22.74%. At least one more distribution is expected after resolution of outstanding claims issues and avoidance actions.

At a confirmation hearing conducted on May 21, 2010, Midway Games and its affiliated debtors confirmed a joint Chapter 11 plan of liquidation in their Chapter 11 cases, which are being jointly administered under case no. 09-10465 (KG) in the United States Bankruptcy Court for the District of Delaware. Creditors voted overwhelmingly to accept the plan, with Midway receiving acceptances from approximately 99% of claimants by dollar amount.

The effective date of the plan occurred on June 11, 2010. At that time, the Trust was established to handle distributions, the claims reconciliation process, prosecute avoidance actions and pursue other potential recoveries. Richards, Layton & Finger, P.A. has been retained as the trust's general counsel. Edward Neiger of Neiger LLP has been retained as special counsel to the Trust to prosecute the avoidance actions. In the months following the effective date, the Liquidating Trustee and its advisors have worked diligently to enable the Trust to make the substantial distributions described above.

The Liquidating Trustee attributes the ability to make such distributions to a number of factors. One significant factor is the Liquidating Trustee's negotiation of a successful resolution of all outstanding disputes with the purchaser of substantially all of the debtors' assets, Warner Bros. Entertainment, Inc. By the settlement, the Liquidating Trustee obtained court approval for the disallowance of over \$3.9 million of administrative claims filed by Warner. Additionally, per the settlement, Warner agreed to be liable for any distributions the Trust was required to make on certain disputed licensor administrative claims filed in an amount of over \$1.5 million.

Furthermore, the Liquidating Trustee has filed five omnibus objections to disputed claims. These objections have resulted in the disallowance or reduction of 125 proofs of claim accounting for the elimination of nearly \$8.6 million of claims. Also, the Liquidating Trustee continues to negotiate claim settlements with creditors outside of the formal claim objection process. These processes have resulted in the majority of claims filed in the debtors' Chapter 11 cases being either been allowed, reduced and allowed, disallowed or otherwise settled.

The Liquidating Trustee has also commenced nearly 150 avoidance actions. Initial settlements have included nearly \$270,000 to be

paid to the Trust, as well as reducing related claims filed against Midway by nearly \$400,000. Further, with the vast majority of the avoidance actions pending, the Liquidating Trustee believes that the Trust may receive additional recoveries and further reduce claims.

The Liquidating Trust urges creditors to monitor the Web site established by the trust -- <http://www.midwaytrust.com> -- to obtain updates and access to critical documents.

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About Midway Games

Headquartered in Chicago, Illinois, Midway Games Inc. (OTC Pink Sheets: MWYGG) -- <http://www.midway.com/> -- was a leading developer and publisher of interactive entertainment software for major videogame systems and personal computers.

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On July 10, 2009, Midway and certain of its U.S. subsidiaries completed the sale of substantially all of their assets to Warner Bros. Entertainment Inc. in a sale approved by the Court. The aggregate gross purchase price was roughly \$49 million, including the assumption of certain liabilities. Midway is disposing of its remaining assets.