# MGM studio prepares for prepackaged bankruptcy

Metro-Goldwyn-Mayer Inc. said Thursday that it has begun seeking its creditors' approval on a prepackaged bankruptcy plan in which they will exchange more than $4 billion in debt for equity in a new company that has rights to the James Bond franchise and the upcoming two-part movie series "The Hobbit."

Privately held production company Spyglass Entertainment, a co-financier of such recent films as "Star Trek" and "G.I. Joe: Rise of Cobra," will contribute some assets and merge two subsidiaries into MGM for a 4.69 percent stake in the company, according to the plan.

Creditors would hold 95.3 percent of the company after it exits from bankruptcy.

Only approved holders of secured debt as of Oct. 4 will be allowed to vote. The company declined to provide the list of creditors that can participate, but major creditors include Anchorage Advisors LLC, Highland Capital Management LP and billionaire investor Carl Icahn.

Voting continues until Oct. 22, when the company plans to file for bankruptcy and exit the court process in about 30 days.

After exiting bankruptcy, Spyglass co-founders Gary Barber and Roger Birnbaum will serve as co-chairmen and CEOs.

The move signals the end is near for a process that began late last year as the company struggled to right itself from a dearth of hit movies, the decline of DVD sales and an overwhelming debt burden brought on by its $5 billion purchase in 2005 by a group led by Providence Equity Partners, Texas Pacific Group, Sony Corp. and Comcast Corp.

It also clears the way for production to begin on "The Hobbit," the two-part movie based on J.R.R. Tolkien's novel, which MGM is set to make with Time Warner Inc.'s Warner Bros. The release of the first installment had been slated for December 2012 but the movie still hasn't gotten the official "green light" to begin shooting.

MGM also owns rights to the James Bond movie franchise and has a library of 4,000 movie and TV-show titles including such titles as "Rocky" and "Dances With Wolves."

By choosing bankruptcy over another sale, MGM is rejecting a $2 billion all-cash offer made last month by Indian conglomerate Sahara India Pariwar. MGM also walked away from an offer from Time Warner for $1.5 billion in cash.

Because MGM's creditors had given it a waiver on debt and interest payments since last October, the company has been able to preserve some cash. But it is unclear if it has enough to help pay for the big-budget "Hobbit" movies, or if it will need to clear the bankruptcy process first before raising new funds.

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