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iPic theater chain files for bankruptcy protection and seeks buyer

Financially troubled iPic Entertainment, the luxury theater chain based in Boca Raton, said Monday it filed for Chapter 11 bankruptcy protection and will seek a buyer for the company as it overhauls its debts.



The moon rises over the iPic building in Delray Beach, (Michael Laughlin / Sun Sentinel)

In a statement, management said it intends to keep all of its theaters open and its employees on the job. Vendors also will be paid. The company previously announced it missed a \$10.1 million interest payment to a major creditor, lacked sufficient cash to pay its debts and warned a Chapter 11 filing might be imminent.

By phone Monday, founder and CEO Hamid Hashemi told the South Florida Sun Sentinel that his company's problem is "really purely a balance sheet issue we're trying to resolve."

iPic, which offers movies with in-theater dining and luxury seating at 123 screens in 16 cities, "is continuing with our development plan."

That plan, however, might well unfold under new ownership as the company has hired the Wall Street firm of PJ Solomon as its financial adviser.

Asked if any suitors have stepped forward to buy the company, Hashemi said: "It's a little too early. We've had a lot of interest. We've had a lot of inquiries." In its bankruptcy filing, iPic listed \$290.9 million in debts. Top unsecured creditors include the Yetter Coleman law firm, which is owed \$2.9 million, as well as Walt Disney Studios, SONY Pictures, Universal Film Exchange and Paramount Pictures.

News of the bankruptcy filing prompted investors in the company's stock to head for the exits as the price of iPic's common shares plunged by nearly 63 percent to 62 cents on the Nasdaq.

After an initial public offering last year, the shares had risen to a 52-week high of more than \$10. But they plunged to just over a \$1 a week ago after the company said it would miss a payment due July 1 and might have **to file for**

bankruptcy. Frequently, the shares of companies entering bankruptcy are ultimately canceled.

“Our brand is thriving and leads the industry in popularity, but our balance sheet needs to course correct,” Hashemi said in the company’s statement issued Monday. “Our theaters will remain open during this transition, our employees are being paid, as are our vendors and suppliers.”

In March, Hashemi said he planned on **opening iPics in Fort Lauderdale**, Sunrise and the Design District in Miami. Other active South Florida locations are in Boca Raton and North Miami Beach.

Monday, he blamed the company’s financial problems on delays in the build-out of iPic’s theater chain, including the opening of its **Delray Beach location** in March. Other problems, he said, included “the high cost of capital” and the depletion of funds “before the company was able to reach critical mass.”

Started a decade ago, the company’s business plan called for the construction of 25 locations in four to five years, but fell short of the mark.

“iPic was the first and only company building luxury theaters just 10 years ago ... before the industry took notice,” Hashemi said.

And after taking notice, bigger chains copied the concept and grabbed a sizable amount of the business, analysts say. That’s why some observers believe there won’t be much left for creditors once the bankruptcy case is resolved. iPic leases the buildings that house its theaters, and while the leases can have value during the Chapter 11, the company’s assets are limited. In its

own statement last week, iPic management said the company lacked sufficient cash and other assets to cover its debts.

Joseph Luzinski, senior managing director of Development Specialists Inc. of Plantation, a financial advisory firm, predicted the Alabama teacher pension funds that are iPic's main lenders can expect to take a "haircut."

"There are no illusions here," he said. "They're not getting paid in full." Neither will stockholders, who may be "wiped out," he said.

Hashemi said current management will remain in place to work with the Solomon firm and legal team who were hired to help iPic work its way out of trouble.

He said financing for the bankruptcy is being provided by the Retirement System of Alabama, one of the leading creditors to whom the missed interest payment was due in July.

IPic said it anticipates the bankruptcy process will conclude in 90 to 120 days.