

Legal Update from Flagler Law Group



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March 2015

Family Christian Stores Bankruptcy Update

By Craig Gipson and Brian Flagler

The original bankruptcy plan presented by Family Christian Stores (FCS) is no longer on the table. The entity bidding to purchase FCS out of bankruptcy withdrew its bid on March 16.

As we reported in the [February 2015 Legal Update](#), FCS proposed a hurried sale under Section 363 of Chapter 11 of the Bankruptcy Code. The court received approximately 20 objections to the proposed sale, including from the U.S. Trustee and Official Committee of Unsecured Creditors. At issue was the prominent role of Richard Jackson, an owner and key player in the three organizations involved: (1) FCS; (2) FC Special Funding, the first secured creditor of FCS (and the only creditor likely to receive a significant amount of what it is owed); and (3) FCS Acquisition, the proposed buyer of FCS under the Section 363 sale. FCS Acquisition is no longer bidding to purchase FCS's assets under Section 363 and the bankruptcy will now proceed to reorganization.

At a hearing on March 19, the court approved FCS retaining an investment banker to manage a new sale process. According to counsel for FCS, the investment banker will attempt to identify a new potential "stalking horse" bidder (an interested buyer to begin bidding) within the next 30-45 days. FCS will then file another motion with the court outlining its new proposed sale process.

FCS would like to complete the sale by early June. The court previously set a hearing for April 14 to sort out the various objections to the Section 363 sale; FCS requested that the court maintain this hearing date to hear the new bid procedure motion which FCS will submit to the court. Once the investment banker identifies a new "stalking horse" bidder and FCS submits its bid procedure, the court and creditors will get their say as to whether FCS's revised plan is reasonable.



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