

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11

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THQ INC., : Case No. 12-13398 (MFW)

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Debtor.¹ : Substantively Consolidated

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**STATUS REPORT OF THQ INC. WITH RESPECT TO WIND-DOWN OF THQ INC.’S
FOREIGN SUBSIDIARIES, CAUSES OF ACTION AND DERIVATIVE CLAIMS,
RESOLUTION OF CLAIMS AND IMPLEMENTATION OF THE PLAN**

THQ Inc. (“THQI”) hereby files this status report with respect to post-confirmation status of the wind-down of THQI’s foreign subsidiaries, prosecution of THQI’s causes of action, resolution of claims against THQI, and the implementation of THQI’s confirmed plan of liquidation.

BACKGROUND

1. On December 19, 2012 (the “Petition Date”), THQI and certain of its wholly owned subsidiaries (the “Debtors”) each filed a petition for relief under the Bankruptcy Code with this Court.

2. On July 16, 2013, the Debtors filed the Second Amended Chapter 11 Plan of Liquidation of THQ Inc. and its Affiliated Debtors [D.I. 925] (the “Plan”).² On July 17, 2013, the Court entered the Findings of Fact, Conclusions of Law, and Order Confirming Second

¹ The Debtor in this proceeding, along with the last four digits of its taxpayer identification number, is THQ Inc. (1686). The Debtor’s current mailing address is c/o FTI Consulting, 350 South Grand Avenue, Suite 3000, Los Angeles, CA 90071.

² All capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Plan.



Amended Chapter 11 Plan of Liquidation of THQ Inc. and its Affiliated Debtors [D.I. 929] (the “Confirmation Order”). The Plan became effective on August 2, 2013 (the “Effective Date”).

3. Pursuant to the Confirmation Order, the Debtors’ estates were substantively consolidated in accordance with sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code on the Effective Date. See Confirmation Order, at ¶ 7. THQ Inc. (“THQI”) is the authorized representative of the Debtors’ consolidated estate.

4. THQI has filed periodic status reports with the Court with respect to its post-confirmation activity. The most recent report was the *Status Report of THQ Inc. with Respect to Wind-Down of THQ Inc.’s Foreign Subsidiaries, Causes of Action and Derivative Claims, Resolution of Claims and Implementation of the Plan*, dated September 2, 2020 [D.I. 1810]. The following information provides a status update concerning THQI’s post-confirmation activity with respect to the wind-down and liquidation of the Foreign Subsidiaries (defined below), the status of implementation of the Plan, and the review, prosecution and resolution of Causes of Action and Derivative Actions, and resolution of Claims against the Debtors.

5. To date, THQI has made distributions on account of allowed general unsecured claims equaling approximately 56% of the aggregate unsecured claim amount.

WIND-DOWN AND LIQUIDATION OF THQI’S FOREIGN SUBSIDIARIES

6. As of the Petition Date, THQI owned 100% of the equity in THQ International GmbH, a Swiss company (“TIG”), which held certain direct and indirect subsidiaries (together with TIG, the “Foreign Subsidiaries”) that historically distributed the Debtors’ games in countries outside of North America and were involved in the development of video games. These Foreign Subsidiaries have not filed petitions for relief under the Bankruptcy Code with this Court or in any foreign jurisdiction.

7. On June 21, 2013, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Equitably Subordinating the Claims of their Foreign Subsidiaries or, in the Alternative, (II) Determining that the Foreign Subsidiaries Claims Should Be Estimated at Zero Dollars for Voting Purposes and the Debtors Should Not Be Required to Reserve for the Foreign Subsidiaries Claims* [D.I. 773] (the "Subordination Motion"). Pursuant to the Subordination Motion, the Debtors sought, among other things, to equitably subordinate the unsecured claims of the Foreign Subsidiaries to the claims of all other creditors.

8. After the Effective Date, on March 5, 2014, THQI filed the *Notice of Withdrawal of Motion Regarding Claims of Foreign Subsidiaries* [D.I. 1332] (the "Notice of Withdrawal"). Pursuant to the Notice of Withdrawal, THQI withdrew the Subordination Motion and submitted the following agreements between THQI and the Foreign Subsidiaries (collectively, the "Settlement Agreements"):

a. Agreement to Establish Liquidity Reserve for THQ International GmbH Pending Final Liquidations, dated February 22, 2014, by and between THQI and TIG on behalf of itself and on behalf of the following direct and indirect subsidiaries of TIG: THQ Italy, THQ Interactive Entertainment Espana SL ("THQ Spain"), THQ Korea, Ltd. ("THQ Korea"), THQ Software Development (Shanghai) Co., Ltd. ("THQ China") and THQ Japan K.K. ("THQ Japan");

b. Agreement to Settle and Satisfy Transfer Pricing Claims and Establish Liquidity Reserve for Subsidiaries Pending Final Liquidation (THQ France S.a.r.l.) ("THQ France"), dated February 27, 2014, by and between THQI and THQ France ("THQ France Agreement");

c. Agreement to Settle and Satisfy Transfer Pricing Claims and Establish Liquidity Reserve for THQ Entertainment GmbH (“THQ Germany”) Pending Final Liquidation, dated February 27, 2014, by and between THQI and THQ Germany;

d. Agreement to Settle and Satisfy Transfer Pricing Claims and Establish Liquidity Reserve for Subsidiaries Pending Final Liquidations, THQ (UK) Limited (“THQ UK”) and T.HQ (Holdings) Limited (“THQ Holdings”), dated February 27, 2014, by and among THQI, THQ UK and THQ Holdings (“THQ UK Agreement”); and

e. Mutual Release by and among the Debtors, on the one hand, and (i) TIG on behalf of itself and THQ Italy, THQ Spain, THQ Korea, THQ China and THQ Korea, (ii) THQ UK, (iii) THQ Holdings, (iv) THQ France, and (v) THQ Germany.

9. The Settlement Agreements (amended as noted below with respect to THQ France and THQ Holdings) provide, among other things, that the Foreign Subsidiaries will not receive any distributions from THQI on account of the Claims asserted by the Foreign Subsidiaries against THQI. Instead, THQI has established liquidity funds that each Foreign Subsidiary or its liquidator (as applicable) may draw from under certain conditions if that Foreign Subsidiary does not otherwise have sufficient cash to pay all its debts as they become due.

10. Following the finalized liquidation of TIG in February of 2020, all foreign entities have been fully liquidated under the laws of the relevant jurisdictions and THQI is no longer required to hold reserves for such entities. THQI received a \$396,000 tax refund in October of 2020. THQI additionally received a \$406,000 tax refund in late December 2020. THQI is not expecting any further material receipts and intends to execute a final distribution as soon as practical, but likely in Q1 of 2021.

IMPLEMENTATION OF THE PLAN

11. Attached as Exhibit A hereto is a schedule containing detailed information regarding the implementation of the Plan through November 30, 2020. Unless otherwise noted, the amounts provided in Exhibit A are estimates and intended to be used for information purposes only and, among other things, shall not in any way be deemed an admission as to the validity or Allowed amount of any Claim by THQI, a waiver of any objection to any Claim by THQI, or a representation as to the ultimate Claim, distribution and/or recovery amounts by THQI. The amounts set forth on Exhibit A do not take into account checks which have not been cashed.

Dated: December 31, 2020
Wilmington, Delaware

/s/ Jaime Luton Chapman

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EXHIBIT A

ADMINISTRATIVE CLAIMS, SECURED TAX CLAIMS, OTHER SECURED CLAIMS, AND PRIORITY NON-TAX CLAIMS:

Estimated Remaining Aggregate Claim Amounts: Approximately \$0 - \$0
Estimated Remaining Aggregate Distribution Amounts: Approximately \$0 - \$0
Estimated Recovery: 100%
Aggregate Amounts Distributed to Date: Approximately \$1,908,000

CONVENIENCE CLAIMS:

Estimated Remaining Aggregate Claim Amounts: Approximately \$0
Estimated Remaining Aggregate Distribution Amounts: Approximately \$0
Estimated Recovery: 30%
Aggregate Amounts Distributed to Date: Approximately \$198,000

GENERAL UNSECURED CLAIMS:¹

Estimated Aggregate Claim Amounts: Approximately \$132,249,000²
Estimated Aggregate Distribution Amounts (related to still unsatisfied unsecured claims): Approximately \$76,104,000 - \$77,426,000
Estimated Recovery: Approximately 57.5% - 58.5%
Aggregate Amounts Distributed to Date: Approximately \$76,461,000³

THQI CASH-ON-HAND:

Aggregate Cash on Hand: Approximately \$3,332,000

¹ The “high-end” distribution and recovery estimates for General Unsecured Claims reflect THQI’s estimated potential upside case based on cash on hand and the recently received tax refund, offset by currently known and estimated costs to perform a final distribution and effectuate the completion of the wind down. The “low-end” distribution estimate is assumed to be 1.0% lower than the high-end.

² While all unsecured claims have been reconciled, the total amount of unsecured claims may be reduced as a result of waived claims due to uncashed distributions pursuant to the Plan.

³ This amount reflects the actual cash distributions made to date. Such amount differs from the “Estimated Aggregate Distribution Amounts” above in that it includes certain one-time settlement payments of approximately \$2.5 million that were made on account of unsecured claims (that are now fully resolved), consistent with Court-approved settlements. In addition, the Estimated Aggregate Distribution Amounts exclude amounts distributed on account of claims that have since been eliminated due to uncashed checks and / or unresponsiveness to requests for address changes or tax information. Distribution amounts paid to these creditors prior to their expungement from the list of creditors are still included in the Aggregate Amounts Distributed to Date.