

In The News

Alamo Drafthouse Files For Bankruptcy, Permanently Closes Downtown Austin Theater

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KUT 90.5, Austin's NPR Station

Alamo Drafthouse has filed for Chapter 11 bankruptcy protection, the company said in a statement Wednesday. The movie theater chain also announced its flagship location at the historic Ritz theater in downtown Austin will be permanently closing due to the financial hit from the coronavirus pandemic.

"It is difficult to imagine Alamo Drafthouse without The Ritz," the company said. "For the past twelve and a half years, The Ritz represented what Alamo Drafthouse theaters could be, beginning with the triple feature opening night lineup."

The chain of theaters, founded in Austin in 1997, has entered into an agreement to sell its assets to a group of new creditors, giving the company "much-needed incremental financing to stabilize the business during the pandemic," Alamo said in a statement. That group includes company founder and ex-CEO Tim League.

The movie chain's theaters closed nationwide last March, but some have since reopened with COVID-19 protocols in place and following local guidelines.

"Because of the increase in vaccination availability, a very exciting slate of new releases, and pent-up audience demand, we're extremely confident that by the end of 2021, the cinema industry – and our theaters specifically – will be thriving," League said.

He said these were "difficult times" for the company and difficult decisions had to be made.

These are hard times for movie theaters. Forced closures last year due to COVID-19 increased safety costs to reopen, and the lack of new movie releases to attract customers have hit the industry hard. Large chains AMC and Regal Cinemas recently dodged bankruptcy with a combined \$1.3 billion in new investment.

The bankruptcy filing gives Alamo some protection from creditors. Chapter 11 can be an opportunity for companies to unload costly or unprofitable parts of their business, according to Jay Ong, a bankruptcy attorney and managing shareholder for the Austin office of Munsch Hardt Kopf & Harr.

But there are a lot of downsides, like changing a company's public perception after declaring bankruptcy. "There can be an adverse impact, at least for some types of businesses, and at least the perception of a potential loss of public confidence in that company," Ong said.

League's involvement in the investment group may allay some Alamo fan fears that not too much will be different. The company has created a beloved institution in Austin. It has expanded coast to coast and has spawned many imitators. It has weathered scandal and not lost much of its cache here, but there could be a concern for its more remote locations.

Two other Alamo theaters are permanently closing: the New Braunfels and Kansas City locations. The company will be reevaluating other location leases while under bankruptcy protection and is ending plans to expand in Orlando.

To read the full article, [click here](#).

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