

Hastings Owner May Get Going-Concern Bid At Ch. 11 Auction

By **Matt Chiappardi**

Law360, Wilmington (July 18, 2016, 10:23 PM ET) -- A Delaware bankruptcy court gave Draw Another Circle LLC, owner of media retail chains Hastings Entertainment Inc. and MovieStop LLC, the nod Monday to set the auction floor with a bid from liquidators, after hearing that at least two other suitors, one a going-concern bidder, were eyeing the company.

During a hearing in Wilmington, Draw Another Circle attorney Christopher M. Samis of Whiteford Taylor & Preston LLC said that another liquidating agency and at least one going-concern buyer were going through the diligence process and preparing to potentially bid on the company at a bankruptcy auction scheduled for Wednesday.

Those suitors will have to best a floor offer from a joint venture of Gordon Brothers Retail Partners LLC and Hilco Merchant Resources LLC to liquidate the company's inventory, approved by U.S. Bankruptcy Judge Kevin J. Carey on Monday, and if they do, the stalking horse bidders could get a \$1.4 million breakup fee, plus up to roughly \$500,000 in signage expenses.

While Draw Another Circle's official committee of unsecured creditors did not oppose the stalking horse offer or the prospect of a competitive auction, tension between the debtor and its creditors was evident in the courtroom Monday.

The committee expressed some concern that Draw Another Circle's court papers did not accurately reflect the actual bid protections the Gordon Brothers-Hilco joint venture would receive in the original version of the debtor's pleadings, saying it was "another case of the debtor saying one thing and doing another."

Several changes to provisions in the stalking horse bid protections were presented in revised papers presented to Judge Carey on Monday, and Samis said the disconnect was likely the result of how quickly the offer came together.

A sale hearing is schedule for Friday before Judge Carey in Delaware.

The creditors committee has previously criticized what it says is an inadequate post-petition marketing period for the debtor, and that the company was the subject of a "targeted or thoughtful" shopping before filing for Chapter 11, having been offered to potential buyers that are in Draw Another Circle's retail sectors.

Unsecured creditors worried that Draw Another Circle was moving through bankruptcy too quickly, and may not even raise enough money to pay its priority claims.

Draw Another Circle, which has assets that also include sports memorabilia distributor SP Images Inc., filed for Chapter 11 protection June 13, listing nearly \$140 million in debt and blaming the consumer paradigm shift to online shopping for its woes.

One of its assets, the MovieStop retail video chain, was already taken out of the lineup with going-out-of-business sales being run at all of its stores.

Draw Another Circle has acknowledged in court that finding buyers for the other chains in its portfolio is a long shot, noting that it was the only bidder when it bought the assets in 2014.

One of the company's other assets, Hastings, operates in more than 120 superstores across the Northwest, Midwest and Southeast. The centers buy, sell, trade and rent home entertainment products ranging from books to video hardware and videos to consumer electronics and recreational and lifestyle consumer goods.

SP Images distributes merchandise licensed by Major League Baseball, the National Football League and other sports enterprises.

Draw Another Circle LLC is represented by Christopher M. Samis, L. Katherine Good and Chantelle D. McClamb of Whiteford Taylor & Preston LLC and Cathy Hershcopf, Michael Klein and Robert Winning of Cooley LLP.

The unsecured creditors committee is represented by Bruce Buechler, Nicole M. Brown, Bruce S. Nathan and Eric Chafetz of Lowenstein Sandler LLP and Maria Aprile Sawczuk of Goldstein & McClintock LLLP.

The case is In re Draw Another Circle LLC, et al., case number 1:16-bk-11452, in the U.S. Bankruptcy Court for the District of Delaware.

Additional reporting by Jeff Montgomery. Editing by Bruce Goldman.