

Liquidators Win Ch. 11 Auction For Assets Of Hastings Parent

By **Vince Sullivan**

Law360, Wilmington (July 21, 2016, 7:07 PM ET) -- The parent company of Hastings Entertainment Inc. told a Delaware bankruptcy judge late Wednesday that a joint venture of liquidators had won an auction for the company's assets and will seek court approval to begin going-out-of-business sales at 124 stores.

In a notice of auction results, Draw Another Circle LLC said that a joint venture of Hilco Merchant Resources LLC and Gordon Brothers Retail Partners LLC had won the Wednesday auction and has pledged to liquidate more than \$105 million worth of merchandise at the company's locations. Draw Another Circle will receive at least 75 percent of the sale proceeds under a proposed agency agreement filed alongside the auction results.

The company told U.S. Bankruptcy Judge Kevin J. Carey earlier this week that it was expecting at least two other offers besides the bid of the Gordon Brothers-Hilco venture, which served as a stalking horse bid in the case. Attorney Christopher Samis of Whiteford Taylor & Preston LLC said at a Monday hearing that a going-concern bidder was conducting due diligence in anticipation of making a bid, and one other liquidator was also in the mix.

A sale hearing is scheduled for Friday morning before Judge Carey.

Draw Another Circle, which owns 124 stores under the Hastings Entertainment banner, began liquidation sales at its 39 MovieStop video rental locations before filing for Chapter 11 protection in June. The company also owns a sports memorabilia distributor called SP Images, which sells items licensed by Major League Baseball and the National Football League.

Much of the parent company's troubles arose as online retail and social media markets grew and eroded demand for physical media, the company said. Hastings, the largest of its three companies, lost \$16.6 million on \$401 million in revenue last year, and \$10.9 million on \$420 million in revenue the year before.

Draw Another Circle owed about \$70 million under a secured credit agreement with Bank of America NA at the time of its bankruptcy filing, as well as a \$10 million balance on a term loan with Pathlight Capital LLC. Another \$59 million is owed to unsecured creditors, including landlords and vendors.

As part of the Chapter 11 plan, Bank of America agreed to provide up to \$90 million to support the plan through a senior secured debtor-in-possession revolving credit arrangement. About \$22 million could be needed during the initial weeks of the Chapter 11 process.

The company's rapid sale plans have been criticized by the official committee of unsecured creditors, which questioned the speed of the case. The committee was concerned that such a quick sale process could cause prepetition secured lenders to push for a settlement without exploring better options that could increase recoveries for other creditors. The company said it conducted a prepetition marketing process, contacting 22 potential buyers and 10 investors, but didn't draw a firm offer.

Draw Another Circle representatives did not immediately respond late Thursday to a request for comment.

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 Matt Chiappardi and Jeff Montgomery. Editing by Brian Baresch.

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