

## Bankrupt Eastern Outfitters Seeks OK For Liquidation Sales

By **Matt Chiappardi**

*Law360, Wilmington (April 5, 2017, 11:22 PM EDT)* -- Outdoor sporting goods retailer Eastern Outfitters LLC asked the Delaware bankruptcy court Wednesday to approve a plan to liquidate at least some of its 90 branded locations nationwide, with a joint venture of Gordon Brothers Retail Partners LLC and Hilco Merchant Resources LLC running the going-out-of-business sales.

While Eastern Outfitters, which operates through the brand names Bob's Stores and Eastern Mountain Sports, is planning to sell its assets to U.K.-based SportsDirect.com in a private transaction, the buyer can chose to close any number of the retailers' locations. Per the agreement with SportsDirect, it's the debtor that must facilitate the going-out-of-business sales, and Eastern Outfitters selected the Gordon Brothers and Hilco partnership after a competitive bidding process, according to court records.

Under the deal, the joint venture, referred to as "the consultant" in court papers, would receive 1.25 percent of the gross proceeds at the stores that are closing down.

"The debtors believe that the consultant's significant experience in handling store closures in the retail industry provides the best opportunity to maximize the value of the debtors' assets being liquidated," Eastern Outfitters said in its motion.

Court papers did not indicate how many or which locations would get the ax, but said SportsDirect would make a determination based on a combination of a particular store's performance and the lease with its landlord.

Eastern Outfitters filed for Chapter 11 protection in February, less than a year after its former parent company, Vestis Retail Group, went through a bankruptcy case in Delaware that saw Versa Capital Management acquire Eastern Mountain Sports and Bob's Stores for \$38 million.

In the new case, the debtor listed more than \$100 million in debt, citing continuing weakness throughout the entire retail sector as consumers migrate to online shopping and habits and tastes change.

The company said that it tried to find a going concern buyer before filing but no offers emerged, and was planning to run a bankruptcy auction with SportsDirect putting up a stalking horse credit bid based on \$29 million of second-lien debt and bridge loan the company had acquired before Eastern Outfitters filed for Chapter 11 protection.

The auction plans came under fire from unsecured creditors who argued the breakup and termination fees baked into the auction deal could wind up leaving the estate administratively insolvent, and chafed at avoidance actions, typically a lucrative source of recovery for unsecured lenders, being transferred to the buyer in the deal.

The sides hammered out a last-minute deal in March that had Eastern Outfitters agree to run a private sale with SportsDirect instead that reduced the risk of breakup fees upsetting the bankruptcy estate's wind down and left avoidance actions intact.

U.S. Bankruptcy Judge Laurie Selber Silverstein is scheduled to consider the sale at a hearing in Delaware on April 19.

Eastern Outfitters is represented by Norman L. Pernick, Marion M. Quirk and Katharina Earle of Cole Schotz PC and Robert G. Burns, Jennifer Feldsher, David M. Riley and Mark Dendinger of Bracewell LLP.

SportsDirect is represented by Dennis A. Meloro, Nancy A. Mitchell and Matthew L. Hinker of Greenberg Traurig LLP.

The committee is represented by Steven K. Kortanek, Patrick A. Jackson and Robert K. Manlove of Drinker Biddle & Reath LLP and Jay R. Indyke, Cathy R. Hershcopf, Richelle Kalnit and Sarah Carnes of Cooley LLP.

The case is In re: Eastern Outfitters LLC et al., case number 1:17-bk-10243, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Jeff Montgomery and Vince Sullivan. Editing by Catherine Sum.