

Draw Another Circle Gets Lease Sale, Exclusivity Nods

By **Jeff Montgomery**

Law360, Wilmington (September 6, 2016, 7:11 PM EDT) -- Hastings Entertainment parent company Draw Another Circle LLC won Delaware bankruptcy court clearance Tuesday to sell all unexpired leases at its 123 Hastings stores, mostly in the south and west, with an auction scheduled for Sept. 19.

The media retailer also received approval from Judge Kevin Carey for continued exclusive control of its Chapter 11, which has focused mainly on closing sales and business windups. Under the order, Draw Another Circle would stay at the helm until Nov. 25 for Chapter 11 filings.

“The debtors submit that this bidding process affords them a sufficient opportunity to pursue a robust sale that will maximize the value of the leases for the benefit of their estates,” the company said in a motion supporting the sale action.

The company auctioned off rights to sell its store contents in July, with stalking horse bidder Gordon Brothers Retail Partners LLC and Hilco Merchant Resources LLC winning the deal through a joint venture. Draw Another Circle expects the sale to yield about \$110 million, with about \$85 million of the total to be paid to the company.

Draw Another Circle plans to take bids for leases until Sept. 15, with sale hearings scheduled for Sept. 28 and Oct. 18, depending on the lease terms involved.

The Hastings Entertainment superstores operated by Draw Another Circle bought, sold, traded and rented home entertainment products, including books, music, software, periodicals, movies on DVD and Blu-ray, video games, video game consoles, and lifestyle and consumer electronics.

The internet, PCs and handheld devices steadily diminished Hastings' share of the market, however, eventually proving too much for the company and sending Draw Another Circle into Chapter 11 in mid-June.

Although the company told Judge Carey in a motion that Draw Another Circle has made significant progress, the company also said that it needs exclusive control of the case “to complete sales of their remaining assets, assess proofs of claim that will be filed in the debtors’ cases, and determine the appropriate next steps.”

In a separate development Tuesday, Draw Another Circle reported that it had settled a dispute with Banc of America Merchant Shares LLC for the remaining amounts due on an equipment purchase. BAMS

also processes credit and debit card transactions for the company, and sought a setoff allowing it to cover Draw Another Circle's equipment debt from amounts due to Banc of America for other services.

Draw Another Circle had objected to the setoff, but on Tuesday agreed that it would put \$182,186.22 in escrow for the bank's benefit.

Draw Another Circle also owns the MovieStop LLC chains and SP Images Inc., and arrived in bankruptcy with an active liquidation of the MovieStop business already underway. SP Images sold sports memorabilia and other items, mainly licensed by Major League Baseball and the National Football League.

Company attorney Christopher M. Samis of Whiteford Taylor & Preston LLP told Judge Carey that other issues up for hearing Tuesday, including an up to \$548,000 request for bonuses to help retain key employees, already had been resolved. The bonuses went to employees with titles such as "manager," "supervisor" and "vice president," but did not include company insiders.

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

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.

--Editing by Jack Karp.