

## FTD's \$18 Million Gifts.com Sale Approved, Others Delayed

By **Vince Sullivan**

Law360, Wilmington (July 31, 2019, 9:08 PM EDT) -- Bankrupt flower and gift retailer FTD Companies Inc. received court approval Wednesday in Delaware for an \$18 million sale of its Personal Creations business line — topped by its Gifts.com website — while an auction for its two remaining units was being held in Chicago.

During a hearing in Wilmington, debtor attorney Genna Ghaul of Jones Day said the stalking horse offer from PlanetArt LLC had not been challenged ahead of a planned auction, and that the transaction would preserve the jobs of at least two-thirds of the employees of the Personal Creations business line and would continue most vendor relationships.

"We believe the PlanetArt asset purchase agreement represents the highest and best offer for the business," Ghaul told the court.

The sale hearing of two other business lines — the Gourmet Foods and floral units — originally scheduled for Wednesday was adjourned to Aug. 9, Ghaul said, as the auction for those two asset groups had been rescheduled for Wednesday.

Under court-approved stalking horse bids, Gateway Mercury Holdings LLC, an affiliate of private equity firm Nexus Capital Management LP, set the floor bid for the company's North American and Latin American floral business at \$95 million, while Farids & Co. LLC — a conglomerate with holdings that includes Edible Arrangements — made a baseline offer of \$5 million for FTD's gourmet food unit.

The most valuable asset in the Personal Creations line is the website Gifts.com.

The official committee of unsecured creditors raised concerns about the bifurcation of the sale hearing, saying all parties had intended to handle the three transactions together, and the split complicated the handling of the sale's proceeds.

Committee attorney Jason R. Adams of Kelley Drye & Warren LLP said the personal creations sale order called for the proceeds of the individual transaction to be paid directly to FTD's post-petition lenders, which are owed about \$95 million for its debtor-in-possession financing. The concern was that the DIP order requires the lenders to carve out \$15.5 million to fund a wind-down budget and expenses associated with filing a Chapter 11 plan after the sales close, he said.

He suggested the language sending the money to the lenders be removed from the sale order and be dealt with at the Aug. 9 hearing. If the provision is left in, he asked that it be conditioned on disgorgement rights so the committee could claw back the sale proceeds if the lenders didn't meet the carve-out commitment.

U.S. Bankruptcy Judge Laurie Selber Silverstein said she would allow the provision to stand in the sale order and preserved the unsecured creditors' rights to ask for the money back if needed.

"I'm not going to put it into the order ... but I'm not ruling it out for a future date," Judge Silverstein said of the disgorgement rights. "Hopefully we'll never get there because we're going to have the [other] sales which will hopefully be very successful."

FTD and 14 affiliates sought Chapter 11 protection in Delaware bankruptcy court in early June, with more than \$220 million in debt and plans to break up and sell the enterprise.

The company, which traces its roots to the 1910 launch of a nonprofit "flowers-by-wire" telegraph network, blamed many of its troubles on failures to focus on the company's long-term stability. Adding to FTD's troubles was a poorly managed absorption of former competitor Provide Commerce and its affiliates following a \$430 million acquisition in 2014.

That acquisition brought over assets that include Pro Flowers, Gifts.com and Shari's Berries, which were split into the debtor's three main business lines.

FTD and its affiliates are represented by Daniel J. DeFranceschi, Paul N. Heath, Brett M. Haywood and Megan E. Kenney of Richards Layton & Finger PA, and Heather Lennox, Thomas A. Wilson, Brad B. Erens, Timothy W. Hoffmann, Genna Ghaul and Caitlin K. Cahow of Jones Day.

The official committee of unsecured creditors is represented by Jennifer R. Hoover and Kevin M. Capuzzi of Benesch Friedlander Coplan & Aronoff, and Eric R. Wilson, Jason R. Adams, William S. Gyves, Lauren S. Schluskel and Maeghan J. McLoughlin of Kelley Drye & Warren LLP.

The case is In re: FTD Companies Inc. et al, case number 19-11240, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Jeff Montgomery and Rose Krebs. Editing by Adam LoBelia.

*Correction: An earlier version of this story incorrectly identified a member of the committee's counsel team. The error has been corrected.*