

Judge Approves Dempsey Purchase of Tully's Coffee

DONNA GORDON BLANKINSHIP, Associated Press

SEATTLE (AP) — The auction for the beleaguered Tully's Coffee chain concluded Friday in federal bankruptcy court, with a judge approving the sale to an ownership group led by actor Patrick Dempsey.

Dempsey — dubbed "McDreamy" in the hospital drama "Grey's Anatomy" — had claimed victory last week after bidding concluded, but a company that teamed up with Starbucks to make an offer for Tully's filed an objection.

AgriNurture Inc. had said it was still willing to proceed with its combined bid with Starbucks Corp. of about \$10.6 million. The bid from Dempsey's company, Global Baristas LLC, was for \$9.2 million.

At a hearing Friday afternoon, Judge Karen Overstreet said the Jan. 4 auction was fair and no mistakes had been made.

Dempsey said he was "thrilled that we prevailed."

"I've been deeply humbled by the outpouring of support from the city of Seattle and am very proud to be a new business owner in this amazing city," he said in a statement. "We have a lot to accomplish over the next few months and years, and I am excited to now call Seattle my second home."

Starbucks spokesman Zack Hutson said the company respected the judge's decision.

Starbucks had wanted to buy about half of Tully's 47 shops in Washington and California and turn them into Starbucks stores, while the rest of the company would keep the Tully's name under the ownership of AgriNurture, which is based in the Philippines.

One reason Tully's owner TC Global Inc. didn't pick the Starbucks-AgriNurture deal was the complicated relationship Tully's has with Green Mountain Coffee Roasters Inc. Green Mountain owns the wholesale side of Tully's brand, which includes coffee in bags and single-serve packs that are sold in supermarkets and other stores.

Green Mountain preferred to keep the chain of coffee shops intact and operating under the Tully's name.

Lawyers for Tully's and its creditors also expressed concern about what would happen to some company contracts, including a multi-million dollar commitment to people who bought prepaid coffee cards.

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At the conclusion of Friday's hearing that lasted several hours, Overstreet said the auction and the arguments presented by all sides were intricate, but it was not her job to second-guess the decision made by Tully's executives to accept Dempsey's bid.

"Was it complicated? Yes. Did it produce a fantastic result for this case? Yes it did," Overstreet said.

TC Global filed for Chapter 11 bankruptcy protection in October, citing lease obligations and underperforming stores. It has more than 500 employees.

CEO Scott Pearson said the sale, which is expected to close by the end of January, was a "step forward" for the company.

"I think the best part of it is we're taking care of our creditors and our employees and actually giving something back to our shareholders," Pearson said.

Dempsey has said he believes there is room in Seattle for Tully's and the much larger Starbucks, which is also based there.

After winning the auction last week, Dempsey made an appearance at a Tully's near Pike Place Market, shaking hands with workers and greeting customers before visiting other stores.

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