**Restaurant & Retail Blood Bath-Loading on the Debt**

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*“Private equity has been a curse on retail.”* Howard Davidowitz, chairman of a consulting and investment banking firm commenting on how the lack of steady income streams make it quite difficult to service the debt taken on in private equity deals. Wall Street Journal, January 11, 2017. One of Sun Capital’s portfolio companies, Limited Stores, announced that all of their 250 stores would close in part because of its heavy debt load in January2017

*“Retailers cannot support large debt loads…add to that the possibility of a decrease in the value of other collateral, such as real estate, and the successful execution of a retail-leveraged buyout maybe almost impossible."*  Perry Mandarino, “Retail’s Real Estate Glut is Growing,” Bloomberg Businessweek, April 23, 2018 commenting on how huge leveraged buyouts such as Toys R Us are dumping enormous amounts of retail commercial space on to the marketplace

*“Competition may have brought down Toys ‘R’ Us Inc. But the debt that three Wall Street firms heaped on the company when they took it private—and the way the ownership group was constructed—left the retailer without a fighting chance.”* Miriam Gottfried and Lillian Rizzo, “Mountain of Debt Felled Toys ‘R’ Us, The Wall Street Journal, September 20, 2017

*“Led by chairman and founder John Grayken, Lone Star has followed the private-equity business model: Borrow money to buy a company and load it with debt. Use the debt to pay yourself and -- with interest rates at rock bottom -- issue more debt and pay yourself more.”* Eliza Ronalds-Hannon, Bloomberg, November 10, 2017 explaining how Southeastern Grocers, which owns Winn-Dixie, Harveys, Fresco y Mas and other stores, owned by John Grayken’s Lone Star Funds, vacuumed out at least $800 million in dividends and fees since 2012. Under an enormous debt load funded with PIK notes, Southeastern filed bankruptcy in March 2018.

*“We are very excited to be partnering with Freeman Spogli, a knowledgeable investor with a long and successful track record in the specialty retail industry. Freeman Spogli recognizes the special relationships we have with our customers, vendors and employees and we believe our affiliation with Freeman Spogli will help us to continue the growth of the H.H. Gregg franchise.”* Former H.H. Gregg chairman & CEO Jerry Throgmartin in regards to the leveraged buyout of the Indianapolis, Indiana electronics and appliance chain in January 2005 by Los Angeles based Freeman Spogli. H.H. Gregg filed bankruptcy in March 2017

*“Another company that the private equity concept ruined.   If interest costs were made nondeductible under tax reform, private equity firms were less likely to be able to operate and ruin companies. What private equity companies do is a legal excess of the capitalist system.    The essence of the capitalist system is to create economic wealth.    What private equity companies do is to destroy economic wealth and fill the pockets of their investors.”* Alec Pentek, comments section on the potential bankruptcy of Toys ‘R’ Us, The Wall Street Journal, September 15, 2017. Toys ‘R’ Us was a 2005 $6.6 billion LBO by Bain Capital, KKR & Co. and Vornado Realty. In 2016, it still had $5.4 billion in junk bond debt, and $0.86 of every dollar they made has gone to service debt.

*“They were after the dollars and evidently came out quite well…they couldn’t sustain the additional debt they put on…they broke my heart.”* Mervin Morris, 96 who founded Mervyn’s Department Store chain in 1949. In 2008, the chain was acquired by Sun Capital Partners, and Cerberus Capital Management. Just four years after the private equity firms paid themselves a $200 million debt-funded dividend, Mervyn’s filed bankruptcy and shut down 175 locations and shed 18,000 jobs. Bloomberg, March 17, 2017

*“The depletion of their coffers put the company on a dangerous path that ultimately led to this instant bankruptcy filing”* A group of unsecured creditors June 2017 bankruptcy filing claiming that Payless Shoe Corporation which filed bankruptcy in April 2017 was saddled with too much debt, in addition to the $382 million in took on in the 2012 leveraged buyout, Payless filed bankruptcy in April with $838 million in debt—but $350 million was syphoned out in debt funded dividends and advisory agreements for the private equity firms, according to court papers.

*“Ever since the first private buy-out, we've been drowning in debt. Only people who benefiting (beside Smith family) were very top execs who got to sell all their options for over $100 a share. Then, Texas Pacific Group and Warburg Pincus did a dividend recap that allowed very small number of top execs to sell some of the tiny amount of stock private equity firms left for company. When recession hit, everything was tightened. No raises, lower bonus potential, but no one was going to hit plan anyway. Company "hyped" buy-out by present owners as real win for company. Not true. Just more debt…A lot of folks spending more time looking for new job during the day looking for a new job instead of getting their work done. We have so much debt, no way to ever go public. Don’t think we can make debt payments coming due…I have been here a long time and used to think the world of Neiman Marcus. We were the best!! But ever since the first buy-out, things have gone downhill…”* Online comment by executive of Neiman Marcus commenting on the state of the luxury retailer [www.glassdoor.com](http://www.glassdoor.com), March 23, 2017. It’s first leveraged buyout occurred in 2005 by Texas Pacific Group and Warburg Pincus when it only had $250 million in long term debt. It was sold a second time in 2013 for $6 billion to Ares Management and Canada Pension Plan Investment Board. By the end of 2017, Neiman Marcus was saddled with more than $4.7 billion in debt. The company used $600 million in PIK toggle bonds in 2013 to finance buy-out. By April 2017, Neiman Marcus was borrowing more money to make interest payments on its debt.

Since 2010, according to S&P Global Market Intelligence unit LCD, more than $90 billion in leveraged loans and high-yield bonds were sold for private equity owned retailers to make dividend payments and advisory agreements to their investors. Yet retail is a cyclical business, leaving little room for errors, and if the companies are saddled with too much debt, they can easily collapse. A textbook case of moral hazard, private equity titans frequently ladle on the debt to extract management fees and debt funded dividends. The numerous bankruptcies of retail companies owned by private equity clearly illustrate the downside of the private equity model. Bankruptcy is just not limited to private equity firms. Perfumania, the publicly traded mall-based retailer headquartered in Bellport, N.Y.,which specializes in selling brand name and designer fragrances with 226 stores, filed bankruptcy in August 2017 with more than $199 million in debt. In February 2018, Bon-Ton Stores Inc., the York, Pennsylvania based retailer and one of the largest regional department stores in the U.S. with 260 stores, announced it would file bankruptcy and immediately close 42 of its stores in the Northeast and Midwest. More than 20 retailers filed bankruptcy in 2017 where more than 4,000 stores were closed.

 Not all retailers are doing badly. Amazon has bet heavily on retail by acquiring Whole Foods. Apple Stores are backed. Even private equity backed retailers such as Canada Goose are doing well.

**Detrimental Debt of Private Equity in Retail-Heavy Debt Crushes Retailers**

**Retailer Private Equity Number of Stores Bankruptcy Debt/**

**LBO Date Sponsors Headquarters Date\* Liabilities**

Aeropostale Sycamore Partners 154 5/2016 $100 to

Teen retailer New York $500 million

2013

Aerosoles Palladin Consumer 78 9/2017 $109 million

Women’s shoe chain New Jersey

2014

American Apparel Monarch Alternative 193 11/2016 $100 to

Teen retailer California $500 million

2015

American Restaurant Versa Capital 93 9/2004 Chapter 22

Steakhouses California 1/2009 $100 to $500

2008 Million

AMF Bowling Goldman Sachs 262 9/2001 Chapter 22

Bowling alleys Code Hennessey Virginia 11/2012 $216 million

1996/2004

Anchor Blue Sun Capital 117 5/2009 Chapter 22

Clothing chain California 1/2011 $100 to $500

2003 million

A&P Markets Yucaipa Partners 296 7/2015 $1 billion

Waldbaums, Pathmark New Jersey

Food Emporium, Super

Fresh, Food Basics

Grocery chain

2009

Applebee’s Acon Investments 175 5/2018 $100-$500

RMH Franchise Holdings Nebraska million

2012

Ashley Stewart Gordon Brothers 168 3/2014 $10-$50

Plus size women’s clothes New Jersey million

2010

Bachrach Sun Capital 79 5/2009 Chapter 22

Retail clothing Illinois/California 4/2017 unknown

2005

BCBG Max Aria Guggenheim 570 3/2017 $460 million

Glitzy fashion house California

2013

Berean Christian JMH Capital 26 6/2009 $6.5 million

Christian retailer Ohio

2006

Bertucci’s Levine Leichtman 59 4/2018 $119 million

Brick oven pizza Massachusetts

2015

Betsey Johnson LLC Castanea Partners 63 4/2012 $4 million

Fashion brand Steve Madden New York

2007

Big 10 Tires Sun Capital 104 4/2009 $35 million

Tire retailer Alabama

2006

Blue Tulip Highland Capital 24 1/2009 $1 to $10

Gift retailer New York million

2006

Borders Books U.K. Risk Capital 45 11/2009 $6 million

Retail bookseller Valco Capital United Kingdom

2007

Brookstone Osim, Temasek 260 4/2016 $500 million

Specialty retailer J.W. Childs New Hampshire

2005

Buffets Restaurants Caxton-Iseman 396 1/2008 Chapter 33

Restaurant chain Sentinel Capital Minnesota 1/2012

Largest in U.S. Ovation Brands Texas 3/2016 $60 million

2000

Charlie Brown Trimaran Funds 54 11/2010 $50 to $100

Bugaboo Creek Castle Harlan New Jersey million

Steakhouses

2005

Charlotte Russe Advent International 545 2/2018 $214 million

Peek Kids/fashion brand California Debt-for-

2009 Equity swap

Charming Charlie TSG Consumer 375 12/2017 $205 million

Mall retailer Hancock Park Ass. Texas

2004

City Sports Highland Capital 26 10/2015 $39 million

Sporting goods Massachusetts

2008

Claire’s Stores Inc. Apollo Global 7,500 worldwide 3/2018 $2 billion

Fashion accessories Illinois

2007

Colorado Group Affinity Equity 470 4/2011 $400 million

Diana Ferrari, Jag Australia

Williams, Mathers

Fashion retailer

2007

Countrywide PLC Apollo Global 1,500 4/2009 $525 million

Real estate agency Oaktree Capital United Kingdom

2007 Alchemy Partners

Cole Haan Apax Partners 268 *Death row*

Footwear retailer New Hampshire *Debt house*

2013

Crunch Fitness Angelo Gordon 22 5/2009 $85 million

Fitness centers New York

2006

David’s Bridal Leonard Green 300 *Death row* $760 million

Wedding services Clayton Dubilier & Pennsylvania *Debt House*

 Rice

2012

Deb Shops Thomas H. Lee 295 6/2011 Chapter 22

Teen retailer Cerberus Capital Pennsylvania 12/2014 $270 million

2011 Guggenheim, Credit Suisse

DirectBuy Bayside Capital 100 11/2016 $200 million

Home furnishings club Indiana

2007

Dots LLC Irving Place Capital 400 1/2014 $100 million

Women’s clothing Ohio

2011

Dreams PLC Exponent PE 266 2/2013 $58 million

Bedding retailer AXA Private Equity United Kingdom

2008

Drug Fair Group Sun Capital 31 3/2009 $100 to $500

Pharmacies New Jersey

2005

Eastern Outfitters Versa Capital 86 2/2017 $96 million

Bob’s Stores Connecticut

Eastern Mountain Sports [EMS]

2016

Edcon Holdings Ltd. Bain Capital Unknown 9/2016 $1.8 billion

Country’s largest clothing retailer South Africa debt for equity

2007 swap

Eddie Bauer Golden Gate Capital 370 *Death row* $450 million

Outdoor Sports retailer Washington *Debt house*

2009

Everything But H2O Bear Stearns 70 2/2009 $35 million

Swimsuits JP Morgan Florida

2006

Fairway Group Sterling Capital 15 5/2016 $387 million

Manhattan grocery New York

2007

First Quench, U.K. Vision Capital 1,300 10/2009 Unknown

Wine retailer England

2007

Fitness Holdings Int’l Hancock Park unknown 6/2001 Chapter 22

Fitness equipment California 10/2008 unknown

2001

Focus Ltd. Cerberus Capital 178 5/2011 $396 million

Home Improvements United Kingdom

2007

Fortunoff NRDC Equity 20 2/2009 $142 million

Luxury retailer New York

2008

Fredericks

of Hollywood Harbinger Group 94 4/2015 $100 to $500

Women’s lingerie California million

2013

Fresh & Easy Yucaipa Partners 159 10/2013 Chap 22 $100-

Grocery chain California 11/2015 $500 million

2013

Friendly’s Sun Capital 400 10/2011 $100 to

Casual restaurants Massachusetts $500 million

2007

Garden Fresh Sun Capital 130 10/2016 $175 million

Souplantation, California

Sweet Tomatoes

Casual restaurants

2005

G.I. Joe’s Gryphon Invest 31 3/2009 $100 to

Sporting goods Oregon $500 million

2007

GNC Holdings Apollo Global 6,000 *Death row* $1.4 billion

Health-products Ares Pennsylvania *Debt house*

2003/2007 Ontario Teachers

Golfsmith OMERS Private 85 9/2016 $500 million

Golf-gear retailer First Atlantic Texas

2012

Gordmans Stores Sun Capital 58 in 22 states 3/2017 $100 to

Discount stores Nebraska $500 million

2008

Guitar Center Bain Capital 250 4/2014\* $1.6 billion

Musical instruments California

2007

Gymboree Bain Capital 1,344 6/2017 $1.1 billion

Children’s clothes California

2010

Haggen Comvest Parters 164 9/2015 $10 to $50

Supermarkets Washington million

2011

H.H. Gregg Freeman Spogli 220 3/2017 $100 to

Appliances, electronics Indiana $500 million

2005

Ignite Restaurants J.H. Whitney 135 6/2017 $197 million

Joe’s Crab Shack

Brick House

Tavern & Tap Texas

Restaurants

2005

IMO Car Wash JP Morgan 900 3/2009 Default

Car Wash The Carlyle Group United Kingdom Carlyle 2009

 TDR Capital Germany

2004/2006/2009/2014 Roark Capital

Jane Norman Ltd. Kaupthing Bank unknown 6/2011 $223 million

Women’s retailer United Kingdom

2005

J. Crew Texas Pacific Group 575 *Death row* $2 billion

Preppy retailer Leonard Green New York *Debt house*

2011

KB Toys Bain Capital 460 12/2008 $100 to

Toy stores Prentice Capital Massachusetts $500 million

2000

Last Call Guarantor Cerberus Capital 101 12/2013 Chapter 22

Fox & Hounds, Champs Texas 8/2016 $100 million

Bailey’s Sports Grille

Restaurants

2014

Lillian Vernon Sun Capital unknown 2/2008 $1 to $100

Catalog retailer Virginia million

2006

Linens N’ Things Apollo Global 589 5/2008 $700 million

Home-furnishings New Jersey

2006

Loehmann’s Whippoorwill 38 12/2013 Chapter 33

Discount clothing New York $100 million

2011

Logan’s Roadhouse Kelso & Co. 256 8/2016 $300 million

Retro style restaurants Tennessee

2010

Marbles/Brain Store Amzak Capital 37 2/2017 $10 to $50

Puzzles and games Trivest Capital Illinois million

2014

Marsh Sun Capital 120 5/2017 $100 to $500

Supermarkets Indiana million

2006

Mexx The Gores Group 315 12/2014 unknown

Fashion retail chain Netherlands/Canada

2011

Neiman Marcus Texas Pacific Group 71 *Death row* $5billion

Luxury retailer Warburg Pincus Texas *Debt house*

 Ares Management

 Canada Pension

2005/2013

Orchard Brands Golden Gate Capital not available 1/2011 $725 million

Appleseed’s Massachusetts

Over 55 retailer

2005

Organic Avenue Weld North 10 10/2016 $1 to $10

Organic juices KKR New York million

2013

Maplin Electronics Rutland Partners 211 2/2018 $139 million

Electronic stores Montagu United Kingdom

2014

Mervyn’s Cerberus Capital 175 7/2008 $500 to

Department stores Sun Capital California $1 billion

2004 Lubert-Adler

Movie Gallery Inc. Sopris Capital 4,800 2/2008 Chapter 22

Video Chain Rental Aspen Advisors Oregon 2/2010 $540 million

2005

Mrs. Fields Cookies Capricorn 1,250 8/2008 unknown

Cookie stores California

2000

Nine West Sycamore Partners 800 4/2018 $1.5 billion

Shoes and clothing Leonard Green, Lion New York

2014 General Atlantic

Pacific Sun Wear Golden Gate Capital 601 4/2016 $100 to

Surf wear clothes California $500 million

2016

Payless Shoes Golden Gate 3,500 4/2017 $1 billion

Major shoe retailer Blum Capital Kansas

2012

Peacocks Management MBO 661 1/2012 $1.2 billion

British retailer Goldman Sachs United Kingdom

2005

Performance Sports Kolberg & Co Unknown 10/2016 $500 to

Bauer hockey gear, etc. New Hampshire $1 billion

2008

PetSmart BC Partners 1,500 *Death row* $8.1 billion

Large pet supplier Quebec Pension Arizona *Debt house*

2015

Perkins & Marie Castle Harlan 600 11/2011 $441 million

Callenders Tennessee

Restaurants

2005

P.F. Chang’s Centerbridge Ptnrs 400 *Death row* $360 million

Chinese bistros Arizona *Debt house*

2012

Phones 4U BC Partners 560 9/2014 $1.01 billion

Cell phone retailer Providence Equity United Kingdom

2011

Quiznos Subs CCMP/JPMorgan 2,100 3/2014 $400 million

Gourmet sandwiches Avenue Capital Colorado

2006

Radio Shack Cerberus Capital 1,500 3/2017 Chapter 22

Electronics stores Standard General Texas $143 million

2015

Real Mex Sun Capital 200 10/2011 $100 to

Acapulco, Chevys Farallon/KKR

El Torito

Restuarants California $500 million

2006

Republic Change Capital 121 2/2013 unknown

Teen clothing retailer Texas Pacific Group United Kingdom

2005/2011

Riley’s Ltd. Greenhill Capital 159 3/2009 unknown

Snooker & Pool Club J.O. Hambro United Kingdom

2007

Robbins Brothers Weston Presidio 14 3/2009 $50 to $100

Engagement rings 49% stake California

2004

Rockport Shoes Berkshire Partners 60 12/2017 Debt swap

Comfort shoes New Balance Massachusetts 5/2018 $287 million

2015 Charlesbank

Rue21 Apax Partners 1,179 5/2017 $832 million

Teen clothing Pennsylvania

2013

Sbarro MidOcean 800 3/2014 Chapter 22

Pizza restuarants Ohio $140 million

2007

Sears Canada ESL Partners 225 6/2017 unknown

Department stores Michael Dell

2004 David Geffen Canada

Six Flags Generation Partners 20 8/2009 $2.4 billion

Theme Park [partial ownership] Texas

2009 RedZone Capital

Southeastern Grocers Lone Star Funds 700 2005 Chapter 33

Bi-Lo, Brunos 3/2009

Winn-Dixie 3/2018

Fresco y Mas $1

Harveys Florida to $10 billion

2005

Sports Authority Leonard Green 450 3/2016 $1.1 billion

Sporting goods Colorado

2006

Sportsmans Seidler Equity 23 3/2009 $452 million

Sporting goods 25% stake Utah

2008

Stage Stores Bain Capital 600 [33 states] 6/2000 $445 million

Specialty retailer Texas

1988

Steve & Barry’s TA Associates 276 7/2008 $500 to

Celebrity retailer 50% stake New York $1 billion

2006

The Limited Sun Capital 250 1/2017 $100 to $500

Womens apparel Ohio million

2007

Tops Markets LLC Morgan Stanley 170 2/2018 $1.2 billion

Supermarkets New York

2007

Toys R Us Bain Capital 1,600 9/2017 $5.3 billion

Toy stores KKR, Vornado New Jersey

2005

Toys R Us Bain Capital 100 2/2018 unknown

U.K. Toy Stores KKR, Vornado

2005

Travelodge Dubai Int’l Capital 500 2/2012 $450 million

Budget Hotel Chain Goldman Sachs United Kingdom Debt swap for

2006 Avenue Capital, Golden Tree equity

True Religion TowerBrook Capital 140 7/2017 $535 million

Designer blue jeans California

2013

Uno Restaurants Centre Partners 200 1/2010 unknown

Pizza restaurants Massachusetts

2005

Vitamin World Inc. Centre Lane Partners 334 9/2017 $23 million

Health supplements The Carlyle Group New York

2015

Wet Seal LLC Versa Capital Mgmt 504 in 47 states 1/2015 Chapter 22

Teen apparel retailer California 2/2017 $10 to $50

2015 million

Wickes Furniture Sun Capital 43 3/2008 $50 million

Furniture chain Illinois

2007

**Big Business for Banks-Glowing Research for Toys “R” Us 2010 IPO Debacle-Conflicts of Interest Alive and Well-Beauty Contest and Bake-Off**

*“I so want the bank to get this deal.”* Citigroup analyst Kate Shane writing to supervisor before pitching the bank to bring Toys “R” Us public in 2010

*“I would crawl on broken glass dragging my exposed junk to get this deal…My whole life is about posturing for the Toys “R” Us IPO.”* Needham & Company analyst commenting on his desire to get into the potentially lucrative IPO

Glowing research to gain investment banking business to underwrite IPOs is alive and well on Wall Street, particularly for PE titans who seek to cash out of their privately held companies by dumping them on public markets.

 As LBOs go, Toys “R” Us is another wall of debt. A $6.6 billion 2005 LBO by KKR, Bain Capital and Vornado Realty Trust, by 2014 the debt load on the company balance sheet is over $5 billion. The Wayne, New Jersey toy retailer is drowning in debt; by 2014 the debt load is 8 times its cash flow, the same amount it was during the 2005 LBO. In March 2014, Toys “R” Us announced a $1 billion loss for 2013, its worst performance since 1987. In 2013 sales at U.S. stores fell 5 percent, and dropped 3.3 percent internationally. Its debt is now distressed, and trading at steep discounts.

 Nevertheless, bringing debt laden PE portfolio companies is big business for Wall Street, and helps bring home those astronomical bonuses. Though Wall Street banks were fined hundreds of millions of dollars for analysts corruption with investment bankers on bring companies public during the dot.com boom and bust, which I documented extensively in my first book The Pirates of Manhattan, investment bankers are still willing to go to any length to get investment banking business—even when the IPO did not come off for Toys “R” Us in 2010.

In 2003, banks were fined hundreds of millions for having supposedly independent analysts from participating in IPO pitches which comprised their supposed independent research of an investment’s potential value.

However, in America and on Wall Street memories are short. In December 2014, The Financial Industry Regulatory Authority (FINRA) fined 10 banks for allowing their equity research analysts to help pitch investment banking business for the Toys “R” Us IPO—a planned 2010 IPO of the house of debt toy retailer, giving favorable research in hopes of earning the IPO business. Finra fined a total of $43.5 million to ten firms. As usual, no one goes to jail, nor does anyone either admit or deny any wrongdoing.

**FINRA Fines for Offering Glowing Stock Research on debt laden Toys “R” Us to Win Investment Banking from KKR, Bain Capital & Vornado Realty-December 2014**

 **Investment Bank Total Fine**

**Barclays Capital $5 million**

 **Citigroup $5 million**

 **Credit Suisse $5 million**

 **Goldman Sachs $5 million**

 **JP Morgan $5 million**

 **Deutsche Bank $5 million**

 **Merrill Lynch-Bank of America $5 million**

 **Morgan Stanley $4 million**

 **Wells Fargo $4 million**

 **Needham & Company $2.5 million**

**Toys ‘R’ Us**.-**Bain Capital, KKR & Co. and Vornado Realty Trust**

*“Apparently, this Christmas, Toys ‘R’ Us intends to deliver not only ‘children their biggest smiles of the year’ but insiders too.”* U.S. Bankruptcy Trustee Robert Van Arsdale, commenting in court papers filed in November 2017 where Toys ‘R’ Us filed papers to seek approval to pay between $16 and $32 million in executive bonuses to senior leaders at the company after it had filed bankruptcy in September 2017. Just before seeking bankruptcy protection, Toys ‘R’ Us disclosed it paid $8.2 million to executives in retention bonuses. CEO David Brandon received a $2.8 million bonus according to court papers. Brandon could receive a cash bonus/reward as much as $12 million in 2017 if the court approves the additional bonuses up to $32 million the company is requesting.

*"It defies logic and wisdom, not to mention the Bankruptcy Code, that a bankrupt company would now propose further multi-million dollar bonuses for the senior leadership of a company that began the year with employee layoffs and concludes it in the midst of the holiday season in bankruptcy," she argued in her filing. "Apparently, this Christmas, Toys "R" Us intends to deliver not only 'children their biggest smiles of the year' but the insiders, too."* The bankruptcy court trustee Judy Robbins, a Justice department attorney who represents the interest of creditors, had argued that the proposed bonuses were excessive and were little more than retention bonuses meant to keep the executives from jumping ship due to uncertainty about the company's future. U.S. Bankruptcy Court Judge Keith Phillips approved the incentive bonuses in December 2017. Conversely, in February 2018, Toys R Us announced it would close an additional 200 stores affecting about 4,500 workers and offer no severance for hourly workers. When Toys “R” Us filed bankruptcy in September 2017, it had 11,150 full-time employees, and 21,300 part-time according to the bankruptcy filing.

*“Toys ‘R’ Us had U.S. revenue of $7 billion and, even toward the end, a 14 percent share of the toy market, but there was no math that made the $400 million debt payments look sustainable…it’s become clear that that Toys ‘R’ Us didn’t only have a improvident amount of debt—it also had a debt structure as complex and precarious as a Jenga tower, which obscured the company’s tenuous finances. But gravity always wins in the end.”* Susan Berfield, Eliza Ronalds-Hannon, Matt Townsend, and Lauren Coleman-Lochner, “How Toys ‘R’ Us Became Private Equity’s Biggest Mistakes,” Bloomberg Businessweek, June 11, 2018

The 2005 $7.5 billion LBO of the Wayne, N.J. based 68 year old toy retailer, with 1,800 stores world-wide by Bain Capital, KKR & Co. and Vornado Realty Trust was another house of debt.

A classic case of financial engineering, the financiers helped the financing of the buyout by putting about 500 of its U.S. stores into two corporate entities that became the retailer’s landlords. This arrangement allowed the company to eventually sell an additional $2 billion in debt—all backed by rent payments—while conversely saddling the company beyond its means.

By the time of its September 2017 bankruptcy filing, the company was down to 1,600 stores and roughly 800 of those were in the U.S.

In 2016, Toys ‘R’ Us was saddled with over $5.4 billion in debt, much of it high yield junk bonds which Fitch rates deep in junk at triple-C. Since the original LBO in 2005, the company has paid $3.7 billion to serve its debt pile. For every dollar the company took in operating earnings in 2012, $0.86 went to service debt. For thirteen years, Toys ‘R’ Us paid an incredible $400 million a year in interest payments.

A classic case of hubris—the former CEO John Eyler invested hundreds of millions of dollars to make U.S. stores look less like impersonal warehouses, and spent $36 million to create a 192 acre corporate campus in Wayne, N.J. which was named the Global Resource Center. Eyler oversaw the creation of its flagship store in New York’s Times Square, complete with a 60-foot Ferris wheel, a life-size Tyrannosaurus rex, a Barbie dollhouse bigger than a Manhattan apartment. The store never made any money, but when Eyler left after the private equity takeover in 2005 at age 58, he received a $65 million payout.

A house of debt, Toys ‘R’ Us reported over $1 billion in losses in March 2014. In 2015, the company continued to slash costs, yet overall sales fell to $2.29 billion, down from $2.44 billion a year earlier. Over the past decade, a string of executives have tried to turn around the debt laden Toys ‘R’ Us around and failed. Toys ‘R’ Us bonds due in 2017 traded at $0.83 on the dollar in 2016, and 2018 bonds traded at $0.73 on the dollar. In 2017, it swapped debt due in 2017 and 2018 for longer-term debt and a higher interest rate, and is expected to due the same for additional $400 million bond due in 2018. In 2017, it retained Kirland & Ellis LLP; a go-to law firm known for its efforts in helping clients restructures their finances. But company problems are enormous, stores are dirty, cluttered, and too big, inventory is everywhere, dated branding, disheveled shelves, junky floors, dirty restrooms, dispirited staff and so on. So much for the private equity model. After servicing their debt, company has no cash to reinvest in the business. It filed bankruptcy in Virginia on Monday, September 18, 2017. It's one of the largest retail bankruptcies of all-time, outranked only by filings from Kmart in 2002 and Federated Department Stores in 1990. Bankruptcy wiped out at least $1.4 billion in equity, but PE firms vacuumed out cumulative fees of $470 million according to Bloomberg. $0.84 of every dollar earned went to debt payments, roughly equated $400 million for interest alone. In 2018, Toys ‘R’ Us announced it would close 20% of its U.S. stores, putting roughly 4,500 employees out of work, blaming its disappointing holiday season. While inside executives were awarded incentive bonuses in December 2017, in February it announced it would close another 200 stores affecting 4,500 employees—where no severance would be offered to hourly employees.

**Aeropostale Inc.-Sycamore Partners**

Teen clothing retailer filed bankruptcy in May 2016 following a path led by other mall based specialty retailers. In an unusual turn, Aeropostale is taking on Sycamore in a court battle, claiming the private equity firm engaged in moves to drive the retailer into bankruptcy. Sycamore Partners is Aeropostale’s largest lender and one of its largest suppliers.

**Aerosoles (Aerogroup International)-Palladin Partners**

Boston’s Palladin Partners acquired the Edison, New Jersey-based Aerosoles which specializes in women’s shoes in 2014. Palladin Partners provided the equity, and Wells Fargo Bank, N.A. and THL Credit, Inc. provided the debt. The company, founded in 1987 was once part of the storied Kenneth Cole Productions empire, is known for its comfortable flats and wedges. When it acquired the business, it had 125 stores, sold its wares in 30 countries Aerosoles brand is also sold on Amazon, home shopping networks and well-known department stores. When the company filed bankruptcy in September 2017 in Wilmington, Del., court papers disclosed Aerosoles had $73 million in assets, $109 million in debt and liabilities. With the bankruptcy, it announced the immediate closure of 74 of the 80 remaining stores.

**A&P (Great Atlantic & Pacific Tea Co.)-Yucaipa Partners**

Billionaire PE financier Ronald Burkle acquired control A&P of the oldest supermarket chain in the U.S. with a $490 million financing package in 2010 after A&P’s first trip to bankruptcy court. The company, which employed 28,000 employees was founded in 1859 and once had 4,200 stores. Loaded down with a workforce which is 90% union and 35 collective bargaining agreements, company saddled with enormous benefit costs which were unsustainable. Amid high costs, inability to compete and declining profitability, A&P which was burning through $14 million in cash, filed second bankruptcy in July 2015.

**Applebee’s/ACON Franchise Holdings RMH Franchise Holdings-Acon Investments**

ACON Franchise Holdings is a platform company established in December 2012 by private equity firm Acon Holdings headquartered in Washington DC, owning RMH Franchise Holdings, Inc. RMH is the second biggest operator of Applebee’s franchises in the U.S. It completed four acquisitions of Applebee’s franchise restaurants and ACON Franchise Holdings is now the second largest franchisee in the Applebee’s system, operating 175 restaurants across 15 states. RMH has restaurants in Alabama, Arizona, Florida, Illinois, Indiana, Kansas, Kentucky, Missouri, Mississippi, Nebraska, Ohio, Oklahoma, Pennsylvania, Texas and Wyoming. Headquartered in Lincoln, Nebraska, company filed bankruptcy in May 2018 in Delaware with debts between $100 and $500 million.

**AMF Bowling Worldwide**-**Goldman Sachs, Code Hennessey & Simons, Cerberus Capital, Credit Suisse**

AMF Bowling Worldwide, headquartered in Mechanicsville, Va. is the world’s largest operator of bowling alleys running 262 bowling centers across the U.S. and employing 7,000. AMF has a long history of financial engineering. In 1996, Goldman Sachs led a $1.37 billion LBO of AMF with businessman William Goodwin. Goldman flipped the company back onto public markets in 1997 in an IPO. A dog performer, AMF was delisted from NYSE three years later and went into bankruptcy in 2001. Chicago’s PE firm Code Hennessey & Simons acquired AMF in 2004 in for $670 million LBO, where $250 million of the purchase price was financed by selling real estate in a sale-leaseback arrangement. AMF made its second trip to the bankruptcy court in November 2012 with debts of $216 million and blamed heavy debt load, high fixed costs and declining revenues. In 2013, new company to be merged with Bowlmor whose owners include affiliates PE firms Cerberus Capital and Credit Suisse.

**Ashley Stewart-Gordon Brothers Group**

The retailer based in Secaucus, New Jersey was founded in 1991 and once employed about 1,750 employees with 168 stores nationwide. Gordon Brothers Group acquired the plus-sized woman’s clothing retailer in 2010 when former parent company Urban Brands filed Chapter 11. Ashley Stewart filed bankruptcy in March 2014 closing 27 stores immediately and proceeded to auction off the rest by April 2014.

**ATA Airlines.-Matlin Patterson.**

A regional US airline controlled by Matlin Patterson, which was once the largest charter airline in the U.S. filed for chapter 11 bankruptcy protection in 2008 with assets between $100 and $500 million, and debts/liabilities between $100 and $500 million according to bankruptcy filings.

**BCBG Max Azria Group Inc.-Guggenheim Partners**

This fashion brand, a long term favorite of red-carpet celebrities such as Kate Winslet, Victoria Beckham and Alicia Keys, is headquartered in Vernon, California. With 570 boutiques worldwide which included 175 in the U.S., the glitzy fashion house founded by designer Max Azria in 1989, opened its first boutique in 1992. BCBG—short for the French expression “bon chic, bon genre” acquired the design house of Herve Leger in 1998. Guggenheim Partners has been an investor in the company since the beginning, and in 2006 it arranged $200 million loan for BCBG. In 2015, Guggenheim took an equity for debt swap taking control of the company, leaving Azria and his wife with only 20 percent of common shares of the company. The company which employs 4,800 let go of 123 people in early 2017 and started to close 120 stores. In March 2017, with $459 million in outstanding debt, BCBG Max Azria Global Holdings filed bankruptcy in the Southern District of Manhattan.

**Bennigan’s and Steak & Ale Restaurants**-**John Kluge**

Owned by billionaire John Kluge’s PE firm Metromedia, Bennigan’s filed Chapter 7 bankruptcy closing 150 locations in 2008. GE Capital was a major lender.

**Bertucci’s-Levine Leitchman Capital Partners**

Los Angeles based Leichtman Capital Partners was owner of Bertucci’s an owner and operator of Bertucci’s, an Italian restaurant chain which once had 100 locations from New England to Virginia, and operated for more than 30 years. Last round of financing was provided by CIT Financial, NYSE:CIT, a financial holding company and bank—which itself filed bankruptcy in 2009 after losing $2 to $3 billion in taxpayer TARP funds. Bertucci’s filed bankruptcy on April 15, 2018 with more than $119 million in debt.

**Betsy Johnson LLC-Castanea Partners**

The New York fashion store company was acquired by Boston’s Castanea Partners in LBO 2007 and filed Chapter 11 bankruptcy in April 2012 closing the majority of its 63 stores and the dismissal of 350 employees The fashion brand, whose intellectual property rights have been owned by Steve Madden since 2010, announced that it would still sell clothing to Saks Fifth Avenue, Bloomingdales and Nordstrom.

**Borders (United Kingdom) Ltd.-Valco Capital Partners**

The U.K. division of Borders books in 1998, set up independently in 2007. In September of 2007, Luke Johnson’s private equity firm Risk Capital Partners acquired Borders for a reported $31 million. In July 2009, Borders became owned by distressed debt-private equity firm Valco Capital Partners (Hilco U.K. Ltd). In November 2009, Borders filed bankruptcy (administration). The 45 store group, with 1,150 employees.

**Brookstone Holdings Corp. J.W. Childs, Osim International, Temasek Holdings.**

Brookstone Holdings, the Merrimack, NH based retailer of gadgets such as massage chairs and travel electronics with 250 stores across the U.S. was private in a LBO in 2005 for $440 million by J.W. Childs, Osim International and Temasek Holdings. Brookstone missed interest payment on $125 million of debt in September 2013. In April 2014 Brookstone filed for bankruptcy where creditors included KKR. In a June 2014 bankruptcy auction, Chinese private equity firm Sailing Capital and a Chinese conglomerate teamed up to buy Brookstone out of bankruptcy for $173 million.

**Buffets Restaurants-Sentinel Capital, CI Capital Partners and Food Management Partners**

Buffets, headquartered in Eagan, Minnesota was a publicly traded restaurant chain which operated 403 buffet style restaurants in 38 states before it was acquired in a 2000 LBO for $665 million by New York based PE firms Sentinel Capital Partners and Caxton-Iseman Capital Inc. The chain operated brands such as Old Country Buffet, Ryan’s, Tahoe Joe’s Famous Steakhouse and HomeTown Buffet and once employed twenty-five thousand people. The deal was called “the buyout of the year” by Buyouts magazine. A highly leveraged deal, PE titans siphoned out enormous dividends funded with additional debt. Buffets first filed for Chapter 11 in January 2008, blaming a slowing economy, high food and energy costs instead of debt load. It emerged in the first quarter of 2009 after bankruptcy with its debt load significantly reduced. Buffets filed second bankruptcy in January 2012 and closed about 16 percent of its restaurants. The restaurant chain, owned by Food Management Partners filed its third bankruptcy in March 2016 closing 166 restaurants, with only 151 restaurants remaining. In September 2016, Zio’s Restaurant Company, an operator of 16 Italian restaurants with 875 employees and headquartered in Hollywood, Texas and also operated by Food Management Partners, filed bankruptcy announcing that it would close 5 restaurants.

**Castle Holdco 4 Ltd (Countrywide plc.) Apollo Global Management, Oaktree Capital and Alchemy**

Castle Holdco 4 Ltd., a leading real estate broker (estate agent) in the United Kingdom was acquired in a February 2007 LBO for $1.87 billion by Apollo Global Management and Oaktree Capital Management. It is the U.K.’s largest real estate agency employing 11,300 nationwide with more than 1,500 offices. A highly leveraged LBO, $1.17 billion of the purchase was financed with new debt. *Castle* *Holdco 4 Ltd. filed for bankruptcy (administration) in April 2009 with undisclosed liabilities. After a spin through bankruptcy/administration, company was dumped/floated again on the London Stock Exchange in March 2013.*

**Charlie Brown Steakhouse, Bugaboo Creek Steak House,** **Office Restaurants****Trimaran Capital** **& Castle Harlan**

Trimaran Capital acquired the New Jersey based owner of 86 unit restaurant chain CB (Charlie Brown) Holdings from Castle Harlan in a secondary buyout in 2005 for $150 million. CB Holdings had locations in Massachusetts, Maine, NH, NY, Georgia, Georgia, Maryland, Delaware, Pennsylvania, Rhode Island and Connecticut. In the fall of 2010 CB Holdings filed bankruptcy, putting 2,000 people out of work. In March 2011, a bankruptcy judge allowed the sale of remaining 12 Bugaboo Steak House units for $10 million.

**City Sports Inc.-Highland Capital Partners**

Boston based athletic gear marketer retailer was acquired by Massachusetts’s Highland Capital Partners in 2008. The City Sports chain was founded in 1983 had 816 employees and 26 stores scattered in the Northeast as well as Washington, D.C. and Maryland. City Sports, Inc. filed bankruptcy in October 2015, in blaming the weather instead of poor business execution and debt load. In November 2015, unable to find a buyer, City Sports announced that it intended to liquidate all 26 stores. Sports Authority, the nation’s largest sports retailer in the U.S. owned by private equity firm Leonard Green & Partners, filed bankruptcy in February 2016 over its debt woes in the 2006 $1.3 billion LBO.

**Claire’s Stores-Apollo Global Management**

In 2007, at the height of the LBO boom, Apollo Global took the jewelry chain Claire’s Stores private in a $3.1 billion LBO. Claire’s Stores targets women from 3 to 35, and operates more than 2,800 stores in North America and Europe, totaling 7,500 stores/facilities worldwide. The Hoffman Estates, Illinois based company has been piercing young girls ears and women since 1978.Saddling the company, which has joint ventures with celebrity pop stars such as Katy Perry, with more than $2.3 billion in debt, Claire’s stores has struggled under Apollo’s stewardship. The company has not been profitable since 2007 LBO. In 2016 the New York private equity titan ramped up its financial engineering of Claire’s Stores, when Bloomberg reported in June 2016 that Apollo was purchasing up distressed debt of the company, a similar desperate yet often profitable strategy they have used to try to salvage other debt bloated portfolio companies such as Caesars Entertainment, Momentive Performance Materials and realtor Realogy. In August 2016, Apollo Global was squeezing its bondholders more. It’s bonds have dropped to $0.57 on the dollar, and the New York investment firm is asking its bondholders to swap $800 million in debt for smaller new loans. It has 7,500 locations worldwide, and employs roughly 17,000 In March 2018, Claire’s, which had 10,000 employees in the U.S, of whom 6,400 were part-time would file bankruptcy on March 19, 2018.

**Colorado Group-Affinity Equity Partners**

Affinity Equity Partners acquired the Colorado Group in a hostile takeover for $430 million in 2007. Owned by Hong Kong based Affinity Equity Partners, the Colorado Group operated 470 clothing and footwear stores in Australia and New Zealand, operating the Diana Ferrari, Jag outlets, Williams the Shoemen and Mathers footwear outlets. At the time, the company employed 3,800. In April 2011, the chain, which owed more than $400 million to a syndicate of 18 lenders, defaulted and was placed in administration (bankruptcy).

**Comet-OpCapita**

PE firm OpCapita acquired the U.K. 240 store electrical store chain in 2011 for a nominal sum of $3.3 million. In November 2012 Comet filed administration, throwing 6,500 people out of work.

**Deb Shops-Cerberus Capital, Guggenheim Partners and Lee Equity Partners**

Lee Equity Partners, the investment firm of Thomas H. Lee first bought the Philadelphia based fashion chain with 295 stores operating in 44 states during the LBO mania in 2007 for $395 million. Deb Shops once employed 4,000 full and part-time employees. Debt holders Cerberus, Guggenheim, Credit Suisse and Lee converted debt into equity after first bankruptcy of Deb Shops in 2011. The 337 store chain filed its second bankruptcy (Chapter 22) in December 2014.

**Dots LLC-Irving Place Capital (Bear Stearns)**

An Ohio-based discount retailer of women’s clothing with 400 stores was acquired for an undisclosed price in 2011 from founder Bob Glick by New York private equity firm Irving Place Capital (Bear Stearns). The retailed targeted shoppers from 25 to 35, and operated in the Midwest, East and Southeast regions in the U.S. Dots, which employed about 3,500 filed for bankruptcy in January 2013 in U.S. Bankruptcy Court in Newark, New Jersey with more than $100 million in debt. Company blamed quality of merchandise it sold and planned to immediately close 36 stores.

**Dreams PLC-Exponent Private Equity & AXA Private Equity**

Dreams PLC, one of Britain’s largest bedding retailers with 266 stores and employing more than 2,000 employees was acquired in a 2008 LBO for $355 million (222 million pounds) from company founder by Exponent Private Equity and AXA Private Equity. In 2013, under debt load, Dreams went into administration (bankruptcy) and was scooped up in a fire sale by Boca Raton, Florida based PE firm Sun Capital for $58 million (33 million pounds).

**DWW Deutsche Woolworth GmbH**-**Argyll Partners Ltd.**

The German Woolworths was acquired by private equity firm Argyll Partners Ltd for an undisclosed amount. In April 2009 it filed insolvency (bankruptcy).

**Eastern Mountain Sports (EMS), Bob’s Stores & Sport Chalet-Versa Capital Management**

Versa Capital Management acquired Eastern Mountain Sports, Bob’s Stores and Sport Chalet in a private equity roll-up into a parent company Vestis Retail Group LLC. Eastern Mountain Sports is a seller of outdoors and camping gear, and apparel with 69 stores in twelve eastern states which Versa acquired in 2012. Bob’s Stores is a footwear retailer headquartered in Meriden Connecticut with 35 stores acquired from TJX companies in 2008 in an LBO. In 2014, Vestis acquired Sport Chalet a 50 store sports retailer headquartered in La Canada Flintridge California with stores in Arizona, California, Nevada and Utah. Company filed bankruptcy in April 2016 joining other private equity retailers City Sports and Sports Authority which also filed bankruptcy in 2015 and 2016

**Edcon Holdings Ltd.-Bain Capital**

In 2007, at the top of the first private equity bubble, Mitt Romney’s private equity giant Bain Capital pumped at least $580 million of equity into Edcon Holdings which is South Africa’s largest clothing retailer. Bain acquired the Johannesburg based retailer for 25 billion rand, roughly $1.8 billion Edcon’s brands in South Africa include Edgars, Jet and CAN. In September 2016 Edcon, suffering under its debt load, Bain Capital, after almost a decade of ownership ceded control of the company in a debt-for-equity swap where mutual giant Franklin Templeton of San Mateo, California will emerge as Edcon’s largest shareholder. Other major shareholders include the Harvard University Pension Fund and South African lenders Barclays Africa and FirstRand Ltd.’s First National Bank. A director of Edcon, John Tudor, a principal of Bain Capital with an MBA from Harvard Business School also served on the board of another Bain Company, The Guitar Center which also imploded into a debt-for-equity swap in 2014 with Ares Management. See Guitar Center

**Eddie Bauer (Everest Holdings)-Golden Gate Capital**

Eddie Bauer is the outdoor clothier and another Wall Street cash cow. Emerged from first bankruptcy in 2005 then flipped back unto the public markets on the NASDAQ: EBH. Taken private in 2007 by Sun Capital and Golden Gate Capital for $268 million and assumption of $328 million in debt. Company struggled with its debt and filed bankruptcy a second time in January 2009. The company lost nearly a half billion dollars in the three years. No problem for private equity. In April 2014, Golden Gate Capital, arranged $225 million in covenant lite loans—to fund a dividend payment to its sponsor. In 2017, Eddie Bauer is drowning in debt.

**Everything But Water*-* Bear Stearns (JPMorgan Chase)**

In 2006, Bear Stearns plopped down an undisclosed amount to purchase this apparel retailer in 2006 based in Florida, which sells swimwear in 70 stores in 26 states Claiming it was hurt by economic conditions, it filed bankruptcy in 2009 with $58 million in assets and $35 million in debt/liabilities.

**Fairway Group Holding Corporation (NASDAQ: FWM)-Sterling Investment Partners**

Sterling Investment Partners acquired the New York City based upscale grocer for wealthy Manhattanites in 2007 LBO from the Glickberg family. Fairway has stores in New York, New Jersey and Connecticut. *Sterling recaptured most of its investment in debt fueled dividends and the 2013 IPO (NASDAQ: FWM) which raised $177 million at $18 a share for a nationwide expansion. For additional financial engineering, Fairway went public under the JOBS Act, but company was not new company. Reminiscent of the dot.com meltdown, Fairway’s shares shot up 33% on the first day of trading.* Fairway which was founded in 1930 but never reported a profit as a public company after the IPO. *By January 2015 shares were down to $3.15 a share, a 82% loss. Dropping like a rock, in May 2016 Fairway filed bankruptcy wiping out shareholders such as Vanguard*. In July 2016, Fairway was taken over by a consortium led by another private equity firm, Blackstone Group’s GSO Capital Partners. Though equity holders got wiped out, Sterling made all of its money back selling shares in the IPO, dividends and management fees over the years.

**First Quench Retailing Ltd.** **(FQR)-Terra Firma & Vision Capital LP**

U.K. retailer of liquors and spirits, once the largest independent retailer with 1,200 stores. First acquired by the PE arm of Japanese bank Normura Holdings for $357 million in 2000, then sold to PE firm Terra Firma in 2002 for an undisclosed amount. In June 2007, Vision Capital LP, another PE firm acquired the liquor retailer for $492 million LBO. *Company fell into bankruptcy (administration) in October 2009. All stores have been closed.*

**Floors-2-Go-Alchemy Partners LLP**

U.K.’s largest wood and laminates retailer, based in Birmingham, England was taken private in 2007 for $52.4 pounds. *Floors-2-Go was placed in administration (bankruptcy) in August 2008.*

**Foxtons Ltd-BC Partners**

A British real estate agency owned by BC Partners handed over the keys to Foxtons in 2010 when the company could no longer manage its debt. In March 2012 BC reacquired the company, and by March 2013 it was talking to bankers about bring the agency public.

**Fresh & Easy-Yucaipa Partners**

Billionaire Ron Burkle, through his Yucaipa Companies acquired the California and Arizona based southwestern grocery chain from British multinational retailer Tesco in 2013 in bankruptcy, after Tesco invested more than $2 billion in the chain and flopped. Burkle, who counts the California Public Employees Retirement Fund [CalPERS] as a major investor, agreed to take the failed grocery chain off of Tesco’s hands, even when he reportedly knew the chain was in a free fall. Burning through cash. Company filed bankruptcy a second time in May 2016, after Burkle borrowed money from Tesco but put no money of his own into the deal. Fresh & Easy fired thousands of people in the second bankruptcy, leaving company more than $150 million in debt. Burkle who also owned a piece of the Great Atlantic & Pacific Tea Co., saw that grocery chain also go into bankruptcy in October 2015. Now both companies are being sold off in small chunks or being liquidated. Former suppliers, employees and others have filed lawsuits in 2016. against Burkle, for alleged fraudelant transfers of real estate out of Fresh & Easy in 2014 worth approximately $40 million, which has not been available to pay claims of roughly $169 against the bankruptcy of Fresh & Easy.

**Friendly’s-Sun Capital Partners**

The family restaurant and ice cream parlor, was acquired in 2007 by Sun Capital for $337 million. With a total of 380 restaurants across the eastern United States, Friendly’s once employed 10,000. Friendly’s filed for bankruptcy in September 2011. Using the bankruptcy to rid itself of its debt, it also sought to rid itself of pension obligations for nearly 6,000 employees.

Immediately after Friendly’s entered into bankruptcy, another Sun Capital affiliate announced its intention to acquire the restaurant chain. Bankruptcy Judge Kevin Gross approved the sale in a “credit-bid” sale when no other offers came forward over two months. Sun Capital got to hold unto Friendly’s and wipe out a $75 million loan. A key part of Friendly’s restructuring was to shift the liability of the pension plan to the Pension Benefit Guarantee Corporation (PBGC). Generally, the PBGC does require companies to fund pensions they can no longer afford. But the PBGC said it will fight Friendly maneuver, where it accused Sun Capital of fraud and exploiting the bankruptcy process to abandon its pension obligations.

**Garden Fresh Restaurant Corp (Souplantation & Sweet Tomatoes).-Sun Capital Partners, Cerberus Capital Management**

Souplantation was founded in San Diego in 1978, and the company Garden Fresh was formed in 1983, which would also blend in Sweet Tomatoes. The restaurants are self-service outlets for soups, salads, and fresh-baked foods such as pizza, bread, pasta and deserts. Florida based Sun Capital, which also owns Friendly’s and Boston Market invested Garden Fresh in 2005. Garden Fresh filed bankruptcy in Wilmington, Delaware in October 2016. The company blamed its struggles on declining sales, increased costs in wages; rising employee benefit costs as well as steep rents and leases. Company filed bankruptcy with more than $175 million in debt, with major debt holders included debt divisions of private equity titans Cerberus, Cortland Capital and Apollo Global Management, according to court papers. Debtors will shed millions of debt in bankruptcy, increased liquidity and through sleight of hand, make the company profitable, and Cortland Capital, the stalking horse bidder, is scheduled to taking over the company in bankruptcy, wiping out Sun Capital equity position entirely. In January 2017, Garden Fresh announced it would sell its assets to Cerberus Capital.

**General Wireless (formerly RadioShack Corp). Harbinger Capital, GE Capital & Cerberus Capital Management LP**

The national electronic retailer founded in Boston in the 1920s took off when interest in electronic gadgetry accelerated in the 1970s and 1980s. RadioShack grew to 7,000 stores but failed keep up with the times. Salus Capital Partners LLC which is an affiliate of Philip Falcone’s PE firm Harbinger Capital gave RadioShack a $250 million term loan in October 2013 with a $585 million line of credit from GE Capital. New York based Cerberus Capital was also a lender to troubled RadioShack. From a share price of $76 in November 1999, company spiraled into bankruptcy in February 2015. Renamed and rebranded General Wireless Operations, in March 2017, the company with 5,900 employees filed bankruptcy a second time (Chapter 22), and said it would immediately close 200 of its stores, and revaluate options on the remaining 1,300.

**GNC Holdings, Inc.-Thomas H. Lee, Apollo Global Management, Ontario Teachers, Ares Management**

Pittsburg, Pennsylvania based American company that sells health and nutritional related products. Taken over in its first leveraged buyout by The Thomas H. Lee in the late 1980s, took it public and then sold it to Royal Dutch Numico in 1999. In 2003, the company was sold to Apollo Global Management in another LBO, and sold it to Ontario Teacher’s Pension Plan and Ares Management in 2007. Company has been plagued with various lawsuits, in 1998 GNC was accused of purposely running franchises out of business so corporation could retain corporate control, and in 2004 other lawsuits followed. They refloated the company in 2011 NYSE:GNC. In October 2015, the Attorney General of Oregon filed a lawsuit against GNC for knowingly selling ingredients picamilon and BMPEA in their products, ingredients banned by the Food and Drug Administration. In December 2017, GNC went through a debt for equity exchange. With a massive debt load, company’s future is questionable. In May 2018, major shareholders of this house of debt include Fidelity, Vanguard, Blackrock and UBS.

**Golfsmith International-OMERS Private Equity**

The company operates 109 Golfsmith stores in the U.S., and 55 Golf Town stores in Canada. Company was founded in 1967 by Carl and Barbara Paul out of their home in Edison, New Jersey. The company provided custom-made clubs and opened their first store in Austin, Texas in 1972. The company operated primarily as a catalog business, and in 2002 private equity firm First Atlantic Capital purchased majority stakes in the business. Company was merged with Canada’s Golf Town in 2012, and was taken over by Canadian private equity firm OMERS, part of the Ontario municipal employees pension fund.. With $500 million in assets and $500 million debt load, company filed bankruptcy in Delaware in September 2016, announced that it would sell existing stores and possibly liquidate altogether. In October 2016, Dick’s Sporting Goods won the company in a bankruptcy option, planning to keep open 30 of the existing 90 locations.

**Guitar Center**- **Bain Capital & Ares Management**

A giant retailer in the musical instrument business, Guitar Center represents about 28% of the entire musical instrument industry. Bain acquired music retailer at the top of the boom in 2007 LBO for $2.2 billion, of which $1.56 billion in debt. Moody’s issued a B2 on Guitar Center’s debt in October 2007. Guitar Center has been losing money since the buyout, Bain Capital never made money, rating agencies continued to downgrade debt. A house of debt, In March 2014, unable to meet its debt load, Bain handed over majority control to Ares Management in a debt for equity swap, leaving Bain a minority owner with most of its investment vaporized. Swap involved $401 million in PIK note junk bonds at 14.09 interest.

**Gymboree Corp. Bain Capital**

In 2010, Boston based Bain Capital acquired San Francisco based children’s retailer Gymboree Corp, which specializes in preschool market, with 1,300 specialty retailer stores in the U.S., Puerto Rico and Canada in a $1.8 billion LBO. The Boston based Bain was so convinced that the children’s apparel retailer was recession-proof, they outbid rival private equity shop Apollo Global Management. The chain had a 700 unit play business that served as a marketing vehicle in 36 countries which included Mexico, Dominican Republic, Colombia, Brazil, China, India, Saudi Arabia. By 2015, then CEO Mark Breitbard, in trying to avoid financial Armageddon at Gymboree mortgaged its distribution division to raise cash. In 2016, the retailer sold off Gymboree Play and Music to Zeavion Holding for $127 million, a longtime Bain Capital investor in hopes of online and store improvements. Financial engineering also began, Bain was buying Gymboree bonds which were trading at $0.20 on the dollar struggles was struggling with more than $1.1 billion in debt. By January 2017, the company lost $325 million. The $350 million equity check Bain cut for Gymboree was essentially worthless. On a Sunday in early June, Gymboree filed Chapter 11 bankruptcy in U.S. Bankruptcy Court in Richmond, Virginia were general unsecured creditors will be offered nothing. Hoping to slice more than $900 million of its debt to survive, Gymboree announced it would close 375 of its 1,300 stores. Rivals such as Children’s Place Inc. and Gap Inc. have better advantage going forward as they have lighter debt loads.

**Habitat UK**-**Hilco UK Ltd**

United Kingdom retailer, owned by PE firm Hilco UK Ltd. filed bankruptcy/administration in June 2011.

**H.S. of Delaware LLC-American Capital**

A child’s clothing line designer with a line from Tori Spelling, the clothing designer and retailer that the actress partnered with to launch her Little Maven line of kids’ clothes, filed for Chapter 7 bankruptcy in June 2011. A portfolio company of American Capital Ltd, it had less than $3,500 in assets and $39.3 in debt/liabilities.

**Ignite Restaurant Group Inc.-J.H. Whitney, Golden Gate Capital**

In 2006, New Canaan, Connecticut based private equity firm J.H. Whitney purchased 120 Joe’s Crab Shack restaurants in a carve-out from Houston-based Landry’s Restaurants, Inc. (NYSE: LNY) for $192 million. Headquartered in Houston Ignite Group owned 112 Joe’s Crab Shack restaurants, and 25 Brick House & Tap chain restaurants, which was founded in 2008. Chain operated in 31 states, but Texas was the company’s largest market. J.H. Whitney brought the company public again in 2012, (NASDAQ: IRG), raising $83.8 million. In addition, J.H. Whitney also collected a $1 million fee in the termination of a management agreement. In 2013, in a typical private equity roll-up, Ignite acquired another restaurant chain, Romano’s Marconi Grill which had 210 units for $55 million. Weighed down with debt of more than $121 million, Ignite unloaded its 150 location Romano’s Macaroni Grill to Redrock Partners LLC in 2015 for a mere $8 million, a horrendous loss. Stock and revenue dropped like a rock. Company was delisted by Nasdaq Stock Exchange in March 2017. In June 2017, company filed bankruptcy and was slotted to be taken over by another private equity firm Kelly Cos. of San Diego for around $50 million.

**IMO Car Wash-JPMorgan, The Carlyle Group, TDR Capital**

The world’s largest car wash company was started in Germany in 1965, and operates 900 sites in in 14 countries, which included 323 in Germany and 280 in the United Kingdom and 100 in the United States. JPMorgan bought IMO in a 2004 LBO for 350 million pounds and sold it to The Carlyle Group in 2006. In 2009, Carlyle lost control of the company to creditors which took over the company. In 2014, U.K. based private equity firm TDR Capital took over the company. In 2017, the company was sold to Roark Capital Group, an Atlanta based private equity firm which controls companies such as Arby’s, Carl’s Jr., Auntie Annie Pretzels, Carvel Ice Cream, Cinnabon and other consumer brands.

**J. Crew-Leonard Green and Partners, Texas Pacific Group**

J. Crew, the preppy fashion retailer went through its second LBO in 2011 for $2.8 billion by Leonard Green and Partners, Texas Pacific Group and J. Crew chairman Millard “Mickey” Drexler is another house of debt with some of its bonds trading -71% below what they were in 2014. *In November 2013, J. Crew issued $500 million in PIK toggle note debt to pay shareholders a dividend*. Sweating under a heavy debt load and an ongoing sales 10% sales slide, in June 2015 J. Crew announced that it was slashing 175 jobs at its New York headquarters along with a $341 million write-down to reflect the deterioration of J. Crew’s brand value. In 2016, TPG slashed the value of its stake in J. Crew by more than 80%, wiping out roughly $400 million.

 *By 2017, J. Crew was issuing more debt to make interest payments and had only $150 million cash on hand with a $2 billion debt load. At least $560 million of the debt is coming due in 2019*. With more financial engineering, Mr. Drexler and his fellow directors performed complicated financial maneuvers that put the company’s brands and intellectual properties out of reach of creditors in the event of default. A house of debt, Drexler stepped down as CEO in June 2017. It also announced a debt for equity exchange in the same month, to reduce its heavy debt load which essentially wipes out private equity investment.

**KB Toys-Bain Capital**

Toy store chain went private for $300 million LBO with Bain Capital in 2000, where Bain purchased the company for only $18 million in equity, borrowing the rest. Company sold to Prentice Capital, various dividend recapitalizations sunk the company. KB Toys filed bankruptcy in 2008.

**Last Call Guarantor-Cerberus Capital**

In 2013 Last Call Guarantor was acquired by Cerberus Capital in the company’s first bankruptcy. The operator of 48 Fox & Hound restaurants, 23 Champps locations and nine Bailey’s Sports Grille units filed a Chapter 22 bankruptcy, the second bankruptcy was filed in Wilmington, Delaware in August 2016, and announced it would close 25 restaurants.

**Linens ‘N Things**-**Apollo Global Management**

Apollo bought Linens ‘N Things Inc. for $1.3 billion in 2005 LBO. Blaming the housing crisis and credit crunch put strains on Linens ‘N Things that couldn’t be overcome, and the company barely made it out of year two of Apollo’s nine-year plan, filing for bankruptcy in May 2008 and wiping out $650 million of Apollo’s equity.

**Loehmann’s**-**Istithmar & Whippoorwill Associates**

A 92 year old discount off-rack retailerwhich once operated 48 stores in thirteen states with locations in California, the Midwest, the Northeast, Florida and Washington, D.C. Acquired by Istithmar, a PE firm owned by Dubai World in 2006 LBO for $300 million and Loehmann’s filed for bankruptcy in November 2010. Emerging from bankruptcy, private equity firm Whippoorwill Associates and other investors acquired company which employs 1,600 in 2011. Company filed third bankruptcy in December 2013.

**Logan’s Roadhouse-Kelso & Company**

A chain of 230 restaurants founded in 1991 in Lexington, Kentucky. The chain uses retro style decorations, provides free buckets of peanuts. In 2006 the company was sold to Bruckmann, Rosser, Sherrill & Co., Canyon Capital Advisors and Black Canyon Capital for $86 million. Headquartered in Nashville, TN, the company was sold to Kelso & Company in 2010. Operating 230 company owned and 26 franchised Logan’s Roadhouse, the company which struggled with heavy debt, and struggling sales filed bankruptcy on August 8, 2016 and announced it would close 21 restaurants.

**HHGregg-Freeman Spogli & Co.**

Electronics and appliance retailer based in Indianapolis Indiana employing roughly 5,000 employees was taken private by Los Angeles based Freeman Spogli & Co. in a 2005 LBO for an estimated buyout of about $310 million. Family members were able to cash out. Freeman Spogli flipped the company back on public markets in June 2007 (NYSE:HGG), raising $121 million and gradually increased store count to 220, extending multi-state franchise from Ohio to Alabama. Freeman Spogli still retained 49% of the business. Like other private equity deals, such as Leonard Green who once owned the bankrupt Sports Authority H.H. Gregg partnered with Lucas Oil Stadium, the home of the Indianapolis Colts, where at the south gate of the field was the home of a 26,000 H.H. Gregg showroom. Former CEO Robert Riesbeck had once been CFO of Sun Capital Partners H.H. Gregg sponsored several drivers of the Andretti Autosport Team, sponsoring drivers Carlos Munoz and Marco Andretti. No matter, H.H. Gregg stock, which traded as high as $30 a share in 2010, was delisted from the New York Stock Exchange in March 2017. On March 6, 2017 company filed Chapter 11 bankruptcy. On April 7, 2017 H.H. Gregg announced it would close all of its 220 locations, lay off 5,000 employees and liquidate the company. All H.H. Gregg stores were closed permanently on May 25, 2017.

**Maplin Electronics-Rutland Partners**

In 2014, U.K. based PE firm Rutland Partners purchased Maplin Electronics, an electronics, computer components and gadget store franchise with 211 stores for roughly $120 million [85 million pounds], much less than previous owner PE firm Montagu had paid $344 million for the franchise in 2004 Rutland Partners hired PWC to sell the business, but company was so indebted Australian insurer removed trade indemnity insurance in the fall of 2017 because firm was so indebted. With 2,335 employees, Maplin filed bankruptcy [administration] in February 2018 $139 million in debt.

**Mervyn’s LLC-Sun Capital, Cerberus Capital & Lubert-Adler**

The 59 year old department store retailer was taken private by Sun Capital, Cerberus Capital and Lubert-Adler in 2004 for a $1.2 billion LBO. Mervyn’s, which was acquired from Target, fell into bankruptcy in 2008. 30,000 people lost their jobs. LBO was funded with $800 million borrowed against the real estate. Classic private equity asset stripping, new arrangement treated parent company as a tenant instead of a partner. Financiers extracted $400 million in dividends from the real estate division, mainly by raising rents from $90 to $172 million annually. Under massive rent increase, Mervyn’s, a 59 year old retailer, collapsed into bankruptcy in 2008. In 2012, Sun Capital and Cerberus agreed to cough up $166 million to settle allegations that the structure of the deal led to bankruptcy.

**Mexx-The Gores Group**

Los Angeles based PE titan The Gores Group acquired a Netherlands based Dutch fashion chain in 2011 for an undisclosed amount from the Liz Claiborne. With 315 stores worldwide, Mexx had a strong fashion presence in Canada, with 95 corporate owned stores , many of them located in Quebec. In December 2014, a judge in the Netherlands declared the company bankrupt.

**Movie Gallery Inc.**-**Sopris Capital and Aspens Advisors**

The company, based in Wilsonville, Oregon and owner of the Hollywood Video collapsed into bankruptcy twice first in 2008 after digesting its debt-propelled $1.2 billion purchase of Hollywood Entertainment in 2005 and again in February 2010 after being acquired by private equity firms Sopris Capital and Aspen Advisors.

**Mrs. Field Cookies**-**Capricorn Investors**

The cookie retailer traces its origins back to 1977, when founder Debbi Fields opened her first cookie store in California. In 2000, in a roll up, Capricorn acquired TCBY Enterprises for $140 million, acquiring 3,000 locations that sold the yogurt. It now has more than 950 franchised locations in the U.S. and 23 foreign countries. The company filed for bankruptcy in August 2008.

**Neiman Marcus- Texas Pacific Group, Warburg Pincus, Ares Management, Canada Pension Plan**

The upscale retailer and luxury department store has gone through two large leveraged buyouts. It was first taken over by Texas Pacific Group and Warburg Pincus in 2005 for a leveraged buyout of $5.1 billion. A classic case of Wall St. saddling companies will billions in risky debt. In 2005 Neiman Marcus only owed $250 million in debt—by 2017, the company was saddled with more than $5 billion in debt. In 2008, when the credit crisis hit, Neiman did not want to spook its suppliers by drawing down its credit line to make enormous interest payments, instead it issued new debt to cover nine months of interest payments till October 2009. *In 2012, using $150 million loan from its asset revolving line of credit and cash on hand, financiers vacuumed out a $443 million debt funded dividend in 2012. Company sold to Ares Management and Canadian pension plan in 2013 for $6 billion. In this overleveraged deal, private equity financiers used $600 million in PIK toggle notes to finance the 2013 buyout*. In 2016 Neiman lost $406 million on sales of $5 billion. Those investors lost all their equity in the deal. A house of debt, Neiman issued new debt in 2017 to cover interest payments through Oct. 14, 2017. With more than $5 billion in debt, the company reported a net loss of $24.9 million in the first quarter of 2017—compared with a quarterly profit of $3.8 million a year earlier.

**Nine West Holdings, Inc.-Sycamore Partners, Leonard Green, Lion Capital and General Atlantic**

In 2014, Sycamore Partners, a private equity firm founded in 2011 purchased The Jones Group of New York for $2.2 billion where Citigroup, Morgan Stanley, KKR, Bank of America, Wells Fargo and Jefferies provided debt to purchase Jones Group who owned fashion brands Nine West, Ann Klein, Givenchy, Gloria Vanderbilt, Bandolino and Jones NY. The forty year old brand of Nine West, known for its original Manhattan street address saw its junk bond 8.25 percent notes due in 2019 plunge to 11 cents on the dollar in January 2018. With $1.5 billion in debt, Bloomberg on January 24, 2018 reported that Nine West would likely file bankruptcy before its March 15, 2018 interest payment comes due. Sycamore Partners also owns other consumer brands such as Staples, the Belk department-store chain and Talbots. In the end, in a June 2018 bankruptcy auction, Authentic Brands Group Inc., a portfolio company owned by Leonard Green, Lion Capital and General Atlantic, walked away as the new owner of Nine West Holdings Inc. brand and intellectual property for $340 million.

**Orchard Brands-Golden Gate Capital**

Appleseeds Clothing, of Beverly, Massachusetts and Draper and Damon of Irvine, Calif. were acquired in a MBO/LBO in 2005 by Golden Gate in a secondary buyout from Halpern, Denny & Co. and Housatonic Partners. The multi-channel marketer of apparel and home products primarily served men and women age 55 and older. Appleseeds Clothing had seven brand locations located across the U.S. and once employed 4,200 employees. In a series of transactions in 2007, the private equity owners of the debtors orchestrated an acquisition and dividend recapitalization that allegedly caused the debtors’ insolvency.  At the time of the transactions, the debtors were wholly owned subsidiaries of non-debtor Orchard Brands, which, in turn, was indirectly owned by certain private equity funds.  Through a series of transactions, Orchard Brands agreed to acquire an unrelated corporation pursuant to a leveraged buyout.  As part of this leveraged buyout, the private equity funds used the transaction to facilitate a dividend recapitalization whereby the debtors borrowed $710 million, secured by all of the debtors’ assets, and contemporaneously distributed a dividend of $310 million to the private equity funds.  Pursuant to the dividend recapitalization, the private equity funds realized an immediate return on their investment without having to sell their equity stake through a merger, sale, public offering, or the like Appleseeds Clothing filed bankruptcy in 2011 with more than $725 million in debt. At the time of bankruptcy filing, Orchard Brands employed 4,260 people. Golden Gate was subsequently sued over its profiting of more than $310 million payout in 2007. According to the Wall Street Journal, in 2011 Golden Gate and the creditors of the catalog retailer reached a settlement.

**Oreck Corporation-American Capital, GSC Group & Black Diamond Capital**

Nashville based vacuum cleaner founded by David Oreck which became known for its television commercials which comically portrayed him using his vacuum cleaners being so powerful that they would suck the toupee off his head, or pick up a bowling ball off the floor. Acquired by American Capital Securities in 2003 LBO which sucked out dividends with additional debt. Taken over in another LBO by PE firm GSC Group—that went bankrupt in 2010. Black Diamond Capital Management, of Greenwich, Conn. and LaSalle, Ill., bought Oreck out of bankruptcy in 2011. Under heavy debt load, Oreck filed bankruptcy again in May 2013.

**Pacific Sun Wear of California -Golden Gate Capital**

Anaheim, California based Pacific Sun Wear, the teen retailer that is based upon California’s skate board, surfing and snowboarding culture, received a loan from San Francisco based Golden Gate Capital in 2011 when it then had 800 locations. After closing 150 stores and putting two of Golden Gate Capital members on its board. A public company loaded with debt due to its acquisitions, CEO Gary Schoenfeld pocketed $2.46 million in 2015. Amid declining sales, and competition from online, the company filed bankruptcy in April 2016 where Golden Gate will take control of the company in a debt for equity swap and inject another $20 million.

**Payless Inc. Shoes-Golden Gate Capital and Blum Capital**

Headquartered in Topeka, Kansas, Payless, the nation’s shoe retailer which employed more than 22,000 people. With over 4,666 stores in 30 countries acquired from Collective Brands in a corporate breakup by Golden Gate Capital and Blum Capital Partners in October 2012. In March 2014, Golden Gate and Blum Capital saddled Payless balance sheet with more debt with $665 million in new financing to refinance existing debt and pay out a dividend. Financiers siphoned out more than $350 million in a dividend recapitalization, debt-funded dividends from Payless—bringing tremendous financial stress to the company while it shuttered stores to pay off debt. With all of this debt, Payless filed bankruptcy in April 2017. It immediately announced it would close 400 stores. In May 2017, it announced it would close another 408 stores, bringing the total closed to over 800. Richard Blum, the private equity financier who owns San Francisco based Blum Capital, is married to U.S. Senator Dianne Feinstein. Senior lenders, in exchange for debt forgiveness of 40% of $838 million in funded debt, will own 91% equity stake in the company, while junior lenders will receive 9% of the company. Financiers to take over the company include Blackstone’s GSO Capital Partners, Alden Global Capital LLC, Axar Capital Management, Credit Suisse and Octagon Credit Investors LLC.

**Peacocks-Management Buyout**

The famed British retailer with more than 661 locations and 10,000 employees was taken private in a management buyout for 404 million pounds in 2005. Goldman Sachs arranged for 110 million in PIK notes to finance the buyout, offering a sky high 17.2% annual interest rate, selling them to U.S. hedge funds, Och-Ziff and Perry Capital. Debt ballooned to more that 750 million pounds and filed administration (bankruptcy) in January 2012.

**PetSmart-BC Partners,** **La Caisse de dépôt et placement du Québec**

In 2015, British PE firm BC Partners purchased Phoenix, Arizona based PetSmart in 2015 PetSmart was taken private in a $8.7 billion LBO by BC Partners, La Caisse de dépôt et placement du Québec and StepStone which was one of the largest LBO’s in 2016. One year later, using proceeds from the $4.3 billion term loan used to finance the buyout, BC Partners vacuumed out an $800 million dividend according to Forbes and LeveragedLoan.com. On top of that, it purchased e-commerce retailer for $3.4 Chewy.com to compete with By 2018, PetSmart, which has 1,500 stores nationwide is swimming with more than $8.1 billion in debt and at risk of default, and bankruptcy.

**Performance Sports Group-Kohlberg & Company**

Performance Sports Group (NYSE:PSG),based in Exeter, New Hampshire, is an athletic company which owns Bauer sports equipment, Easton baseball bats, Cascade, Mission and other athletic companies owned by private equity firm Kohlberg & Company after being carved out of Nike in 2008. Easton baseball and Bauer hockey brands have histories that go back to the 1920s. Performance, was flipped back onto public markets in 2014 but saw its share price plummet to -75% below its initial IPO price in 2016. In late October 2016, weighed down with more than $609 million in debt, Performance Sports Group filed bankruptcy. In December 2016, Performance Sports Group Ltd asked the Wilmington, Delaware bankruptcy judge to pay roughly $5 million in bonuses, including additional compensation of $3.5 million depending upon the price the athletic equipment make fetches at auction. In January 2017, company was sold to its largest investor, Sagard Capital, and Toronto based investment fund Fairfax Financial for $575 million.

**Perkins & Marie Callender’s Inc.-Castle Harlan**

Castle Harlan acquired the Memphis, TN owner/franchiser of 600 restaurants in 2005 for $245 million in cash. Founded in 1958 as a pancake house in Ohio, Perkins had 12,350 full and part time employees in restaurants in the Midwest, Florida, Pennsylvania and Canada. The restaurant chain filed for bankruptcy in 2011 with $289 million in assets and $441 million in debt. The Memphis TN based company said it would close 58 restaurants as part of the restructuring. Funds managed by Wayzata, a PE firm located in Wayzata, Minnesota who owned debt in the firm are positioned to take the restaurant chain over.

**P.F. Changs Chinese Bristro-Centerbridge Partners**

In 2012, Centerbridge Partners purchased the Scottsdale, Arizona based Chinese restaurant chain with more than 400 locations worldwide for roughly $1.1 billion. With more than $360 million in debt, in March 2018 company debt was downgraded to junk Caa category, which means the chain has a high risk of default and/or bankruptcy.

**Phoenix Brands LLC-Lincolnshire Management, Inc.**

Stamford, Conn. consumer products company behind Ajax cleaners and Fab laundry detergents and controlled by PE firm Lincolnshire Partners filed for bankruptcy in May 2016. The company outsourced virtually all of their production to third parties and blamed competitors such as Proctor & Gamble Co. for its economic woes.

**Phones 4U- Providence Equity Partners & BC Partners**

British PE Firm BC Partners acquired mobile phone retailer Phones 4U in a secondary buyout from Providence Equity Partners for $976 million (610 million pound) LBO in 2011. BC Partners vacuumed out a $320 million (200 million pound) dividend recap for itself in the fall of 2013. BC Partners extracted all of their entire investment on the company in 2011, still with an ownership stake. Saddled with $1.016 billion (635 million pounds) in debt, Phones 4U collapsed into bankruptcy (administration) in September 2014, immediately closing 362 of its 560 stores, throwing 1,697 people out of work.

**Quiznos-CCMP Capital Partners (formerly JPMorgan Chase)**

J P Morgan Partners and its successor CCMP Capital acquired 49% of Quiznos for $585 million in March 2006, while the founding Schaden family kept 51% it is PE firm CCP Equity. LBO in 2006 was $925 million, $850 million in debt A high nosebleed valuation, which would make debt load hard to service. The Denver based sandwich chain and maker of toasted subs, with roughly 3,500 stores struggled with $850 million in debt in 2011.In January 2012, to avoid bankruptcy, Quiznos handed over the keys to New York private equity firm Avenue Capital to erase some of the debt. In late 2013, Quiznos missed a major interest payment. By end of 2013 Quiznos was down to 2,100 stores. Filed bankruptcy in March 2014 with $570 million in debt.

**REDgroup-Pacific Equity Partners**

REDgroup Retail at one time accounted for 20% of Australia’s $1.6 billion book market, and might have been Australia’s version of an Amazon success story, owning Borders and Angus & Robertson in Australia. Acquired by Borders USA the operations of Australian and New Zealand in March 2007, it acquired A&R Whitcoulls in 2008. Rebranded REDgroup, debt payments climbed from $9.4 million in 2008, to $24.1 million in 2010. It breached bank loan covenants in 2010, and filed administration (bankruptcy) in 2011.

**Republic-Texas Pacific Group**

A British fashion retailer within 121 stores and a portfolio company of Texas Pacific Group acquired in June 2010 LBO for $480 million (300 million pounds), in a secondary buyout from Change Capital. Its target audience was adolescents aged 16 to 25, and its large presence was mainly in the north of England. TPG is no stranger to British retail, as it previously owned part of the giant U.K. retailer, Debenhmas. In 2013, Republic collapsed into bankruptcy (administration) putting 2,500 jobs at risk.

**Regal Cinemas-Kohlberg Kravis Roberts & Hicks Muse, Tate & Furst**

In 1998, The movie theater business was captivated two of the nation's largest and savviest LBO shops, Kohlberg Kravis Roberts & Company and Hicks, Muse, Tate & Furst joined forces to form the world's largest chain of movie theaters agreeing to buy Regal Cinemas Inc., the nation's second-largest chain, for $1.2 billion in cash. In 2001, the Knoxville, Tenn. based Regal filed bankruptcy in Nashville. It was the eight major cinema chain to file bankruptcy in the 1999-2001 period.

**Riley’s Ltd-Greenhill Capital Partners & J.O. Hambro Capital Management**

The snooker and pool club business in the United Kingdom with 159 sites, acquired by Greenhill Capital Partners and J.O. Hambro Capital Management in July 2007 for $61 million LBO. It filed a prepackaged bankruptcy (administration) in March 2009 which resulted in the closure of 30 locations and loss of 200 jobs.

**Robbins Brothers-Weston Presidio and Dorset Capital**

In January 2005, Weston Presidio and Dorset Capital acquired 49% interest in the engagement ring retailer which brands itself as “The World’s Largest Engagement Ring Store.” Claiming the recession caused a decline in the company’s high-end items, it filed bankruptcy in March 2009 with debts/liabilities of $77 million. In a switcheroo that only private equity financiers seem capable of, ten Robbins Brothers stores in California, Dallas were sold to and now being operated by an affiliate of Weston Presidio under the Robbins Brothers name and trademark.

**Rockport Shoes-Berkshire Partners, New Balance, Crescent Capital, Charlesbank**

Rockport Shoe was spun out of sportswear giant Adidas AG in 2015 by Berkshire Partners and New Balance. Company was founded in 1971 in Massachusetts. Rockport brands include footwear brands Cobb Hill, Aravon and Dunham. Company acquired a number of new stores under private equity management, had 27 stores in the U.S., and another 33 in Canada, though sold shoes in more than 60 countries. Big shoe seller in stores like Macys. First shoe to drop, Berkshire lost company in a debt for equity swap in December 2017 to Crescent Capital Group LP which injected additional equity in the company. No matter, with at least $287 million in debt/liabilities, Rockport filed bankruptcy in May 2018—where Charlesbank—the private equity firm birthed at Harvard, would likely take over Rockport for $150 million.

**Rue21 Inc.-Apax Partners & BNP Paribas**

Apax Partners and BNP Paribas took over the once hot Warrendale, Pennsylvania based teen retailer after it went through its first bankruptcy in 2002. Financiers took company public in 2009, Rue21 (NASDAQ: RUE), retaining a 30% equity stake.At the time, Rue21 was one of the hottest stocks on Wall St. It grew to a total of 1,179 stores nationwide. Apax took Rue21 private again in 2013 for $1.1 billion, putting $270 million down, while JPMorgan, Bank of America and Goldman Sachs guaranteed the financing with additional debt. Under a debt load of more than $1 billion, with sales falling as much as 56 percent, its bonds were trading as low as 18.6 cents on the dollar. The bonds traded as high as 87 cents on the dollar in 2015. Desperate to get a good spin on the troubled retailer, Rue21 held meet, greet and autograph signing with actress-singer Liz Elias and Miami Heat NBA player Justice Winslow at the Miami International Mall in Miami, Fla. in October 2016. In May 2017 under its massive debt load, Rue21 filed for bankruptcy. As usual with private equity bankruptcies, a wave of pain is guaranteed for landlords, suppliers and other business partners that operate with the company.

**Sbarro-Mid Ocean Partners**

Mid Ocean Partners acquired Sbarro in a January 2007 LBO for $417 million. The ubiquitous fast food pizza chain, which dotted shopping mall food courts from Athens Georgia to Athens Greece, operated more than 1,000 stores in 40 countries. Sbarro filed for bankruptcy in 2011 with $486 million in debt. In 2014, the Melville N.Y. based pizza chain filed bankruptcy again (Chapter 22) even after slashing its debt to $130 million compared to $400 million debt first bankruptcy. Closed 155 of the 400 restaurants it owns in North America.

**Sears Canada-ESL Partners, Michael Dell, David Geffen**

ESL Partners is a Greenwich, Connecticut based hedge fund and private equity firm run by billionaire Edward Lampert who owns stakes in retail companies. In 2004, ESL splashed out in purchased Kmart and merged it with Sears creating Sears Holding Company. Media has often called Lampert the ‘next Warren Buffett” due to large concentrated bets. Sears Canada which has 225 stores in and employs some 17,000 people, was spun off of Sears Holding in 2012 listing the company on the Toronto stock exchange, but ESL still had a 45.3% stake in Sears Canada and Sears Holdings held another 12 percent of the company. *Lampert is not afraid of financial engineering with massive debt. More than $600 million was paid out to Sears Canada shareholders in 2012 and 2013. Lands’ End the catalog clothing company was once a part of Sears Holding until April 2014. Before Sears pushed Land’s End out the door in April 2014, it loaded up Land’s End with a $515 million credit facility so that it could pay Sears Holding a $500 million dividend*. Investors in ESL Partners include billionaires David Geffen, Michael Dell, the Tisch family [Loews Corp] and the Ziff family [Ziff-Davis]. Under a cash crunch, Sears Canada filed bankruptcy in June 2017, saying it would close 44 of its stores and lay off 3,000 employees.

**Six Flags Entertainment Corp-Generation Partners & RedZone**

The popular theme/amusement park owner based in Grand Prairie, Texas with 20 locations throughout the U.S. was partly owned by private equity firm Generation Partners. The company stock cratered and was delisted in the New York Stock Exchange in 2009. In June 2009, claiming it was hurt by economic slowdown, company filed bankruptcy with over $2.4 billion in debt.

**SkyMall LLC-Najafi Companies**

In January 2015, SkyMall, the catalog retailer and published headquartered in Phoenix, Arizona filed bankruptcy. Owned by several private equity firms, you found SkyMall catalogs in the back seat on 88 percent of domestic airline flights in the United States.

**Sleep Innovations-Catterton Partners**

In the fall of 2005, Catterton Partners acquired a controlling stake in Sleep Innovations, a West Long Branch, N.J. mattress maker. Company filed for bankruptcy in October 2008. In October 2012, Sleep Innovations changed hands again being acquired by LBO firm Sun Capital Partners.

**Southeastern Grocers LLC-Bi-Lo, Bruno’s, Winn-Dixie, Harveys, Fresco y Mas Supermarkets-Lone Star Funds**

The South Carolina supermarket chain Bi-Lo was acquired by Lone Star Funds from Dutch grocery giant Ahold in a 2005 LBO for $660 million. The grocer filed bankruptcy in 2009, blaming a drop in consumer spending. In 2011, Bi-Lo Lone Star announced it was acquiring Florida based Winn-Dixie supermarkets for $560 million, after Winn-Dixie filed bankruptcy in 2005. The company, which operates under the parent name of Southeastern Grocers operates stores in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina and South Carolina.In September 2013, Lone Star announced it was paying itself a dividend with additional debt, and Bi-Lo sold $475 million in PIK toggle notes debt to fund a debt financed dividend. Now based in Jacksonville, Florida, supermarket chain is fifth largest in the country, with 700 stores and 50,000 employees the company’s parent name is Southeastern Grocers and operates Harveys and Fresco y Mas chains as well. In February 2018, Bloomberg reported that Bi-Lo LLC, reported it would file bankruptcy again. Even with third bankruptcy under its belt on this portfolio company, Lone Star Funds will probably come out ahead having paid itself $800 million since 2012, along with the management fees. On March 27, 2018, Southeastern Grocers LLC, the Florida-based parent filed bankruptcy again, with debt/liabilities between $1 and $10 billion. Plans are to immediately close 200 stores.

**Sports Authority-Leonard Green & Partners**

In 2006, Englewood, Colorado based sports equipment and apparel retailer with 450 stores, once the largest sporting goods retailer in the United States, was taken private in a $1.3 billion management led buyout by Leonard Green & Partners LP. The LBO was financed with more than $750 million in debt. A high profile LBO, Sports Authority owned the naming rights to the Denver Broncos stadium, named Sports Authority Field at Mile High

It skipped its $21 million interest payment due January 2016 on a $300 million secured term loan. Standard & Poor’s in the same month downgraded Sports Authority credit rating from a B- to D and also did the same downgrade for the term loan the company took out for $300 million due in 2017. Sports Authority was saddled with more than $1 billion in debt in early 2016, and laid off 100 employees in its corporate headquarters to deal with its debt woes. On March 2, 2016, The Sports Authority filed bankruptcy due to its debt woes, and immediately announced plans to close or sell 140 of its stores. Dozens of suppliers to the beleaguered company demanded that the company stop selling their consigned goods—roughly $85 million worth of shoes and other gear off the shelves of the insolvent retailer. One creditor, Asics America Corp., is owed more than $23 million. In the summer of 2016, going-out-of-business sales at Sports Authority were at full throttle, selling its intellectual property rights to rival Dick’s Sporting Goods for a mere $15 million, while bankers fought over cash from its last operating days.

More than 14,000 people lost their jobs when Sports Authority closed, yet four executives requested $2.85 million in bonuses to help to shut the chain down. However Judge Mary Walrath during a hearing in Wilmington, Delaware turned the executives down saying, "I think it’s just inappropriate to pay senior executives a bonus when all the employees are losing their jobs.”

Boston based City Sports another athletic gear marketer retailer was acquired by Massachusetts’s Highland Capital Partners in 2008. The City Sports chain was founded in 1983 had 816 employees and 26 stores scattered in the Northeast as well as Washington, D.C. and Maryland. City Sports, Inc. filed bankruptcy in October 2015, in blaming the weather instead of poor business execution and debt load. In November 2015, unable to find a buyer, City Sports announced that it intended to liquidate all 26 stores.

**Sportsman’s Warehouse-Seidler Equity Partners**

An outdoor sporting goods retailer, Seidler Equity Partners acquired 25% stake in Midvale, Utah based company in November 2008 for undisclosed amount. Claiming drop in income because of economy, company filed bankruptcy in March 2009 with debt of $452 million. Seidler Equity Partners LP acquired the company a second time in August 2009 according to Bloomberg. In October 2012 Seidler arranged for refinancing on a loan to pay shareholders a $123 million dividend. With more financial engineering, Sportsman went public in April 2014 NASDAQ: SPWH with Goldman Sachs and Credit Suisse as underwriters helping dump company shares on T. Rowe Price, Franklin Resources and Fidelity.

**Stage Stores, Inc.-Bain Capital**

A Texas retailer named Specialty Retailer, Inc. was acquired by Mitt Romney’s Bain Capital in 1988 for $300 million with $10 million invested by Bain and $290 million in junk bond financing arranged by junk bond king Michael Milken. In 1992, the first attempt to bring company public in an IPO fails. In 1993 company refinances debt and extracts $80 million for Bain and its investors. In 1996 company changes name to Stage Stores, goes public for $16.50 a share. By 1997, Bain has sold all of its shares at $34.88 and left the Stage Stores board, making a $175 million profit. In 2000, Stage filed for bankruptcy with $445 million in debt.

**Steve & Barry’s-TA Associates**

In late 2006, Boston based PE firm TA Associates invested roughly $320 million for a half stake of the 276 store retailer Steve & Barry’s. headquartered in Port Washington, N.Y. Half of the funds went into the business, have went to co-founders Barry Prevor and Steve Shore. Once one of the hottest retailers around, Steve & Barry’s launched A-list clothing lines with celebrities such as Sex and the City actress Sarah Jessica Parker, big-wave surfer Laird Hamilton and tennis star Venus Williams. Amid liquidity crisis in 2008, Steve & Barry’s filed bankruptcy in July 2008.

**Streetbroadcast-Apax Partners**

The U.K. based lamp post and street advertising business and a portfolio company owned by Apax Partners in 2006 filed administration/bankruptcy in March 2009.

**Thornburg Mortgage** **MatlinPatterson LLC**

Thornburg Mortgagewas a large provider of jumbo mortgages based in Santa Fe, New Mexico. Private equity investor MatlinPatterson LLC along with other investors injected $1.35 billion in bailout distressed debt in March 2008 to help the mortgage company keep out of bankruptcy. Principals David Matlin and Mark Patterson were on the Thornburg board. Once one of the largest mortgage providers in the country along with Washington Mutual and IndyMac Bank, Thornburg filed bankruptcy in May 2009 with $24.4 billion in assets and $24.7 billion in debt/liabilities. MatlinPatterson reportedly lost $450 million in a little over a year.

**Tim Hellas-Wind Hellas Telecommunications**-**Apax Partners & Texas Pacific Group**

Company was Greece’s third largest mobile phone operator taken private in a carve-out $2 billion (1.6 billion euro) LBO by London’s Apax Partners and Texas Pacific Group in a June 2005 from Telecom Italia. In January the PE duo completed a follow on LBO acquiring Q-Telecom, the fourth largest Greek mobile phone operator from Info-Quest S.A. for $468 million (360 million euro). Company had little debt before buyout. Major banks including JPMorgan Chase, Deutsche Bank, Lehman Brothers and Merrill Lynch assisted in the mammoth debt package calling it “Project Troy.” Sponsors extracted huge dividends through financial engineering through complex securities known as convertible preferred equity certificates, where PE titans cashed out a huge premium 35 times their par value—extracting 975 million euro. After they pulled an auction for the Greek mobile company, Apax Partners and TPG Capital conducted a dividend recapitalization, receiving almost EUR900 million, according to a 2006 Dow Jones story. In 2007, the Weather Group, an Italian communications company purchased the company, but the company was insolvent leaving creditors holding debt that could not be paid back. Company filed for bankruptcy in the fall of 2009 under lax British bankruptcy laws called a “pre-pack”. The largest bankruptcy in British corporate history orchestrated by one 33 year old man, Matthew Tippetts. Apax and TPG reportedly made a 375% return on their investment in two years, siphoning out more than $1.6 billion in profits. Ongoing story, the liquidators of Hellas Communications , the successor of Tim Hellas located in Luxembourg are suing TPG and Apax for systematically piling on debt, extracting management and consulting fees and improper distributions for themselves, calling it one of the worst abuses in the private equity industry. An additional fraudulent transfer is being heard against the transfer as well by Martin Glenn, a judge in federal bankruptcy court in New York in September 2015, which overseas cross-border insolvencies. The judge referred to emails and other material which that the actions of Apax and TPG knowingly put the business under huge pressure with additional debt to take money out of their investment.

**Tops Markets LLC-Morgan Stanley**

In 2007, the Williamsburg, N.Y. company which operates about 170 supermarkets in New York, Pennsylvania and Vermont under the Tops name was taken private by Morgan Stanley’s private equity arm for $310 million, buying it from Ahold. Morgan Stanley would saddle the company with $725 million in total debt, using nearly $350 million to pay Morgan Stanley debt-funded dividends. Company employs 14,000 people, most of whom belong to unions. In 2009, debt plunder began, Morgan Stanley sold $275 million in debt to pay off some of its loans, and pay itself a $105 million dividend. In 2012, Tops issued $460 million in new debt to repay notes it took out in 2009, and 2010, and sucked out another $100 million debt funded dividend. In May 2013, seven months before the management buyout, Tops issued an additional $150 million in new debts in in risky PIK toggle notes with its third sponsored dividend with junk bonds and Morgan Stanley sucked out an additional $142 million in debt funded dividends. In February 2018, company filed bankruptcy with $1.2 billion in debt, keeping in mind that Morgan Stanley bought the company in 2007 for just $310 million.

**Trans World Airlines-Carl Icahn**

In 1985 junk bonds fueled PE financier Carl Icahn built a stake in TWA and eventually took the airline private in 1988 LBO, sucking out the original $400 million he put into the company. TWA eventually files bankruptcy twice, a chapter 22 first time in January 1992, and a second time in June 1995. TWA no longer exists.

**Travelodge-Permira, Dubai International Capital, Goldman Sachs, Golden Tree Asset Management, Avenue Capital**

Budget hotel company with more than 500 locations based in the U.K. was acquired in a secondary buyout from U.K. based PE firm Permira in 2006 for over $1 billion, after financial engineering with sale lease back of real estate from Permira. Piling debt upon more debt and thinking good times never end, Travelodge almost collapsed into bankruptcy 2012 under enormous debt load of $1.6 billion. Goldman Sachs and other PE firms took over company in a debt-for-equity swap, forcing Dubai to hand over the keys. Never considered a long-term investor, in 2015 Deutsche Bank was looking to sell the company third time to Boston’s PE firm Advent International, for about $1 billion.

**True Religion Apparel, Inc. & J. Jill Inc. (NYSE:JILL)TowerBrook Capital Partners**

Los Angeles based jeans company employing 1,900 was started in 2002 by Jeffrey Lubell and his former wife, Kym Gold. As a teenager growing up in Brooklyn, Mr. Lubell would bleach bell-bottoms and embellish jeans with leather and denim patches, according to True Religion’s Web site. He says of the company’s name: “There’s only one real religion and that’s people, and all the people in the world wear jeans.” In 2013, TowerBrook Capital Partners purchased the Southern California high end jeans and denim retailer in a LBO for $835 million. Once a high growth company which sold designer blue jeans for as much as $400 a pair, its wares fell out of fashion, closing 30 stores and reducing workforce. On July 5, 2017, True Religion Apparel Inc. filed for Chapter 11 bankruptcy in the District of Delaware, hoping to erase as much as $350 in debt. Goldman Sachs, Waddell & Reed and Farmstead Capital Management will take over the company in a debt-for-equity swap. Citizens Bank will provide $60 million debtor-in-possession financing.

 Another portfolio company of TowerBrook Capital which has cycled through the private equity meat grinder and hitting the skids is J. Jill Inc., the Quincy Massachusetts women’s clothing retailer with 270 stores across the U.S founded in 1959. In 2009, San Francisco based Golden Gate acquired the retailer from Talbots for around $75 million. Golden Gate later sold a majority stake of J. Jill to Arcapita, a Bahrain based private equity firm. In 2015, TowerBrook acquired the company for an estimated $400 million—where Golden Gate made five times its original investment.

 In March 2017, TowerBrook was brought public by Bank of America/Merrill Lynch, Morgan Stanley, Jefferies, Deutsche Bank, RBC, UBS and Wells Fargo NYSE:JILL, selling shares to the public at $13 a share. TowerBrook unloaded 12.4 million shares of J. Jill in March and April at $12.09 a share, netting an excess of $152 million. By October 2017, J. Jill management painted a bleak picture, blaming sluggish sales and traffic on product and marketing calendar issues, and shares tumbled to $5.20, losing 55% of its IPO price. Mutual funds holding on to this dog include Federated, Putnam, Transamerica, Voya and BlackRock.

**Uno Restaurant Holdings, Inc.-Centre Partners**

Owner of Boston based Pizzeria Uno, Centre Partners, which acquired the restaurant chain of 200 restaurants in 2005 LBO with assumption of its $142 million in debt. Uno employs more than 5,500 people at company owned sites, and thousands more at franchised locations filed bankruptcy in January 2010.

**Waterford Wedgewood plc.*-*Lazard Alternative Investments**

Lazard acquired this luxury manufacturer of china, porcelain and glassware in December 2007, investing $73 million. Claiming a worldwide downturn of luxury goods, Waterford filed bankruptcy in January 2009, thirteen months after it was acquired. In March 2009, KPS Capital Partners, a New York based private equity firm announced it was acquiring Waterford Wedgewood for an undisclosed amount.

**Wet Seal LLC-Versa Capital Management**

The Irvine, California based teen retailer filed bankruptcy a second time in February 2017 in Wilmington, Del. after it had previously filed bankruptcy there in 2015. Court papers said Wet Seal had 399 full time employees, and 1,357 part-time employees. Versa bought the company for $7.5 million in cash in 2015. It announced that it would close all of its 170 stores. It blamed online shopping and declining mall traffic. In bankruptcy, Wet Seal reported assets between $10 and $50 million, and debts/liabilities between $50 and $100 million

**Vitamin World-The Carlyle Group, Centre Lane Partners**

Private equity firm Centre Lane Partners acquired Vitamin World from Nature’s Bounty for about $25 million in late 2015 from The Carlyle Group, who owned Nature’s Bounty. Company had entanglement issues from its former owner Nature’s Bounty as it controlled point-of-sale system, inventory control and other logistic systems vital to the operation of the 334 store chain. With 1,500 employees Vitamin World filed bankruptcy in September 2017, immediately announced it would close 51 stores, then another 124 stores, and by late 2017 was looking at total liquidation. In December 2017, Chinese dairy products maker Feihe International Inc. agreed to acquire Vitamin World for $28 million. Feihe is the largest domestic-brand baby formula supplier in China, and registered for an initial public offering on the Hong Kong stock exchange this year, according to bankruptcy court papers. The company had traded on the New York Stock Exchange until 2013, when it was taken private in a leveraged buyout by its chief executive and Morgan Stanley Private Equity Asia.