

## Vestis Retail Group, LLC, DIP

**1/16//2019** – The Court filed a notification that the effective date of the Plan of Liquidation is January 16, 2019. The Disclosure Statement provides that the projected recovery for general unsecured creditors is between 0.6% and 0.9% of allowed claims, which totaled \$206 million.

**Analyst:** Dave Silverman, (800) 789-0123, Ext. 119.

Debtor:	<b>Vestis Retail Group, LLC, DIP (VRG Liquidating, LLC)</b>	
Status:	<b>Chapter 11</b>	<b>Actively following case</b>
U.S. Bankruptcy Court: <b>District of Delaware (Delaware)</b> Address: 824 N Market St, Wilmington, DE 19801		
Filing Date:	<b>April 18, 2016</b>	Estimated assets: \$0 - \$50.0 million
Case No. :	<b>16-10971</b>	Estimated liabilities: \$100 million - \$500 million
Judge	<b>Honorable Christopher S. Sontchi</b>	
Attorneys for Debtor and DIP: <b>Robert S. Brady</b> Young, Conaway, Stargatt & Taylor, LLP 1000 North King Street Wilmington, DE 19801 302-571-6600 Fax : 302-571-1253 Email: <a href="mailto:bankfilings@ycst.com">bankfilings@ycst.com</a>  <b>Jaime Luton Chapman</b> Young Conaway Stargatt & Taylor, LLP 1000 West Street, 17th Fl. P.O. Box 391 Wilmington, DE 19899-0951 302-571-6600 Email: <a href="mailto:bankfilings@ycst.com">bankfilings@ycst.com</a>		Attorneys for Creditors Committee:  <b>Jay R. Indyke</b> Cooley LLP 1114 Avenue of the Americas New York, NY 10036 212-479-6000 Fax : 212-479-6275 Email: <a href="mailto:jindyke@cooley.com">jindyke@cooley.com</a>  <b>Cathy Hershcopf</b> Cooley LLP 1114 Avenue of the Americas New York, NY 10036 212-479-6000 Email: <a href="mailto:chershcopf@cooley.com">chershcopf@cooley.com</a>
<b>U.S. Trustee</b>  <b>United States Trustee</b> 844 King Street, Room 2207, Lockbox #35 Wilmington, DE 19899-0035 302-573-6491		

<b>Key Dates in Chapter 11 Case, Comment and Date</b>	
Motion for Interim authorization of DIP Facility	4/18/2016
Interim approval of DIP Facility	4/19/2016
Committee of Unsecured Creditors Appointed	4/27/2016
Final approval of DIP Facility and Asset Purchase Agreement	6/1/2016
Section 341 Creditors Meeting (rescheduled)	6/6/2016
Final orders approving Asset Purchase Agreement and also sale of assets	6/21/2016
General bar date	7/7/2016
Formation of Eastern Outfitters, LLC	7/19/2016
DIP Facility matures	8/18/2016
Deadline to assume or reject unexpired leases	11/14/2016
Plan of Liquidation and Disclosure Statement filed	1/11/2017
Court requests revisions to Plan and Disclosure Statement	1/12/2017
Motion to extend exclusivity periods	3/13/2017
Hearing to set deadline for filing administrative expense claims	3/22/2017
Extension of exclusivity periods	4/4/2017
Deadline to file administrative expense claims	4/14/2017
Exclusive period to file a Plan	6/12/2017
Exclusive period to solicit Plan acceptances	8/14/2017
Order confirming Plan of Liquidation	1/9/2019
<a href="#">Effective date of Plan of Liquidation</a>	1/16/2019

<b>Affiliated Entities</b>
Vestis Retail Group, LLC, a Delaware limited liability company
Vestis Retail Financing, LLC, a Delaware limited liability company
EMS Operating Company, LLC, a Delaware limited liability company
Vestis IP Holdings, LLC, a Delaware limited liability company
Bob's Stores, LLC, a New Hampshire limited liability company
EMS Acquisition LLC, a Delaware limited liability company
Sport Chalet, LLC, a Delaware limited liability company
Sport Chalet Value Services, LLC, a Virginia limited liability company
Sport Chalet Team Sales, LLC, a Delaware limited liability company

<b>40 Largest Unsecured Creditors as Listed by the Company in its Petition</b>			
<b>Creditor</b>	<b>Amount</b>	<b>Creditor</b>	<b>Amount</b>
NIKE USA INC.	\$7,343,453.19	VALASSIS DIRECT MAIL, INC.	\$594,136.63
UNDER ARMOUR, INC.	\$2,716,369.94	WOLVERINE OUTDOORS, INC.	\$591,535.50
APTOS CANADA, INC. APTOS, INC.	\$2,250,801.53	NEW BALANCE ATHLETIC SHOE	\$561,148.61
WOLVERINE WORLD WIDE, INC.	\$1,913,523.99	IMPEX INC.	\$527,114.35
LEVI STRAUSS & CO.	\$1,693,416.27	QUIKSILVER/ROXY	\$504,648.05
NORTH FACE	\$1,622,648.14	BILLABONG	\$500,245.40
ACCELL NORTH AMERICA INC	\$1,376,998.42	OBOZ FOOTWEAR LLC	\$482,019.99
CARHARTT	\$1,212,185.10	KEEN, INC.	\$474,817.87
MARMOT MOUNTAIN INTERNATI	\$1,180,145.19	CONFLUENCE WATERSPORTS	\$469,524.72
ONEILL SPORTSWEAR	\$1,056,991.01	SHOCK DOCTOR INC –MCDAVID	\$437,359.29
THE TIMBERLAND COMPANY	\$1,014,004.45	COLUMBIA SPORTSWEAR CO.	\$435,666.75
KUHL CLOTHING	\$917,367.76	LEE/VF JEANSWEAR, INC.	\$427,576.43
PRANA, INC.	\$852,934.05	BLACK DIAMOND EQUIPMENT,	\$396,901.95
BRAVO SPORTS-PULSE SCOOTERS	\$810,472.11	HANESBRANDS INC.	\$390,413.12
EASTON BASEBALL/SOFTBALL INC	\$797,707.30	CHIPPEWA BOOT CO.	\$387,229.91
SKECHERS USA, INC.	\$769,227.07	OSPREY PACKS, INC	\$380,709.61
REEF	\$676,838.10	HI-TEC SPORTS USA, INC.	\$377,456.00
POLAR MAX/LONGWORTH IND	\$632,176.59	ELECTRA BICYCLE COMPANY	\$375,904.76
ASICS AMERICA CORPORATION	\$606,880.71	WOODMAN LABS INC.	\$368,752.61
ADVANCED SPORTS INC.	\$600,084.80		



## Members of the Committee of Unsecured Creditors

Nike USA, Inc.  
Under Armour Inc.  
Wolverine Worldwide, Inc.  
Levi Strauss & Co. Inc.

VF Outdoor, LLC  
Regency Centers, L.P.  
CVS Pharmacy, Inc.

## Current Events

**1/16//2019** – The Court filed a notification that the effective date of the Plan of Liquidation is January 16, 2019. The Disclosure Statement provides that the projected recovery for general unsecured creditors is between 0.6% and 0.9% of allowed claims, which totaled \$206 million.

**1/9/2019** – The Court entered an order confirming the Plan of Liquidation.

**4/4/2017** - The Court approved the extension of the exclusive periods within which the Debtors may file a Chapter 11 Plan of Liquidation and solicit acceptances thereof, through and including June 12, 2017 and August 14, 2017, respectively. The existing exclusivity periods were set to expire on March 14, 2017, and May 15, 2017, respectively. The Court noted that the exclusivity periods were automatically extended until the date of the hearing.

**3/16/2017** – The Court set April 14, 2017 as the deadline for filing administrative expense claims.

**3/13/2017** - The Debtors filed a motion to extend the periods within which they may file a Chapter 11 Plan of Liquidation and solicit acceptances thereof, through and including June 12, 2017 and August 14, 2017, respectively. This follows the Court's request to revise the previously filed Plan and Disclosure Statement. The existing exclusivity periods were set to expire on March 14, 2017, and May 15, 2017, respectively. A hearing on the exclusivity motions is scheduled for April 4, 2017. The Court noted that the periods within which to file a Plan and solicit acceptances are automatically extended until the date of the hearing.

**2/23/2017** - The Debtors filed a motion to set the deadline for filing requests for allowance of administrative expense claims. A hearing to consider approval of this motion was set for March 22, 2017. If granted, the deadline to timely file administrative expense claims will be April 14, 2017.

**1/12/2017** - The Court requests that the Debtors and the Creditors Committee revise the Plan of Liquidation and Disclosure Statement.

**1/11/2017** – The Debtors filed a Plan of Liquidation and Disclosure Statement. The Disclosure Statement provides that claims related to leases which were assumed by the Debtor will be paid in full. The projected recovery for other general unsecured creditors is between 0.5% and 0.7% of allowed claims, which totaled \$206 million. The Court scheduled the confirmation hearing for March 1, 2017. We previously reported the formation of Eastern Outfitters, LLC, a holding company which is continuing the operations of Eastern Mountain Sports and Bob's Stores (see entry dated 7/19/2016), as well as the sale of all of the Sport Chalet stores. The proposed plan relates to a liquidating trust which contains only the residual assets of the former Vestis Retail Group, LLC.

**12/15/2016** - The Debtors filed a motion to extend the periods within which they may file a Chapter 11 Plan of Liquidation and solicit acceptances thereof, through and including March 14, 2017, and May 15, 2017, respectively. The existing periods were set to expire on December 14, 2016 and February 14, 2017. A hearing on the exclusivity motions and to approve the Disclosure Statement is scheduled for January 18, 2017. The Court noted that the periods within which to file a Plan and solicit acceptances are automatically extended until the date of the hearing.

**8/23/2016** – The Court entered an order extending the exclusive periods within which the Debtors may file a Chapter 11 Plan and solicit acceptances thereof, through and including December 14, 2016, and February 14, 2017, respectively.



**8/16/2016** – The Debtors made a motion to extend the exclusive periods during which they may file a Chapter 11 Plan and solicit acceptances thereof through and including December 14, 2016 and February 14, 2017, respectively.

**7/19/2016** – Versa Capital Management, LLC announced the formation of Eastern Outfitters, LLC, which will “continue the restructured and recapitalized operations of Eastern Mountain Sports and Bob’s Stores. EMS and Bob’s will operate as business units of Eastern Outfitters, LLC, a new holding company with over \$400 million in annual multi-channel revenue that will be headquartered in Meriden, CT, with the senior management team under the leadership of CEO Mark Walsh.” The Company stated that Eastern Outfitters is an affiliate of Versa Capital Management, LLC.

In its order approving the Asset Purchase Agreement (see entry dated June 21, 2016), the Court stated that the transaction is free and clear of all claims, liens, rights, interests, and encumbrances. The Court also authorized the assumption of executory contracts and unexpired leases.

**6/21/2016** – The Court entered a final order approving the Asset Purchase Agreement under which Vestis BSI Funding II, LLC will purchase the remaining operations of Bob’s Stores, EMS, and the eCommerce sites from the Debtor as a going concern. Vestis BSI Funding II, LLC is advised by Versa Capital Management, LLC, which also controls the Debtor, Vestis Retail Group, LLC. The Court also issued a final order authorizing the sale of all of the Sport Chalet stores, eight EMS Stores, and one Bob’s Store.

**6/6/2016** – The Court entered an order establishing July 7, 2016 as the deadline to file a proof of claim for claims that arose prior to the petition date, including requests for allowance and payment of claims under section 503(b)(9) for goods delivered and received by the Debtors in the 20 days prior to the petition date. Claims arising from the rejection of an unexpired lease must be filed on or before the later of: (i) 30 days after the entry of an order approving the rejection; or (ii) July 7, 2016.

Additionally, the Court extended the deadline to assume or reject unexpired leases to the earlier of: (i) November 14, 2016; or (ii) the confirmation date of a Chapter 11 Plan.

**6/1/2016** – The Court issued a final order authorizing the Debtors to access the \$125 million DIP Facility provided by Wells Fargo Capital Finance, LLC. As we previously noted, availability under the DIP Facility is limited by items including a roll-up of amounts outstanding under the pre-petition revolver, and also a minimum excess availability requirement. The Debtors’ budget projects that availability will be about \$10.0 million for the weekly period ending June 4. The DIP Facility is scheduled to mature on August 18, 2016, at the latest. The Court also issued a final order authorizing the Debtors to enter into an Asset Purchase Agreement under which the Debtors will purchase the remaining operations of Bob’s Stores, EMS, and the eCommerce sites as a going concern. A hearing to approve the transaction is scheduled for June 20.

**5/31/2016** – The Debtors and the Unsecured Creditors’ Committee reached an agreement to cancel the auction of the remaining operations of Bob’s Stores, EMS, and the eCommerce sites as a going concern. The transaction will be completed as a private sale, rather than through a court-supervised auction, and the original stalking horse bidder (a unit of Versa Capital Management) will be declared the successful bidder. Reports indicate that the agreement is intended to save on the expense of an auction after failing to find a bidder willing to pay more than the original stalking horse bid. A hearing is scheduled for June 20. Separately, a hearing on final approval of the DIP Facility was continued, and is scheduled to start on June 1. Finally, the Section 341 meeting of creditors was rescheduled to June 6, 2016.

**5/19/2016** – The Court issued a notification that the hearing on final approval of the DIP Facility was adjourned until May 25, 2016. The hearing was originally scheduled for May 16, 2016. The Court previously authorized the Debtors to access the DIP Facility on an interim basis, pending final approval, in an order issued on April 19, 2016. Interim borrowings under the \$125 million DIP Facility provided by Wells Fargo Capital Finance, LLC are limited to: (i) 110% of all cash disbursements which appear in the Debtors’ budget, through the date of a final order, (ii) \$12.0 million for letters of credit, and (iii) interest and other costs.

**5/16/2016** – The Debtors filed a motion to extend the period during which they can assume or reject unexpired leases to the earlier of: (i) November 14, 2016 or (ii) the confirmation date of a Chapter 11 Plan. The original 120-day assumption/rejection period currently expires on August 16, 2016.

**5/2/2016** – The Debtors retained A&G Realty Partners to manage the sale of 58 Sport Chalet retail store and office and distribution center leases. The firm is currently accepting bids on the leases, which



range from 12,000 sq. ft. to 50,000 sq. ft. and are located in located in Arizona, California, and Nevada. Bids are also being accepted for the Sport Chalet corporate office building in La Canada, CA, and also for distribution facilities in Ontario and Van Nuys, CA, which range from 12,000 sq. ft. to 326,000 sq. ft.

4/27/2016 – The United States Trustee filed a notice of the appointment of the Unsecured Creditors' Committee. The members of the Committee include: Nike USA, Inc., Under Armour Inc., Wolverine Worldwide, Inc., Levi Strauss & Co. Inc., VF Outdoor, LLC, Regency Centers, L.P., and CVS Pharmacy, Inc. Motions were entered for the appearance of Cooley LLP as counsel to the Committee.

The Court issued a notice that the Section 341 Meeting of Creditors will be held May 26, 2016, at 2:00 pm, in the J. Caleb Boggs Federal Building, 844 King Street, Wilmington DE 19801.

**4/22/2016 – Creditntell's** evaluation of documents filed in the Chapter 11 case revealed the following. The Debtors claim that the amount outstanding under the secured third lien term loan significantly exceeds the principal amount of the obligation. *The principal amount of the obligation is \$40.0 million, but the Debtors claim that the amount outstanding was \$65.3 million as of the petition date, of which \$24.8 million is characterized as a termination fee.* The term loan was originated on January 7, 2016 in the amount of \$10 million, and it was subsequently increased by \$30 million to a total principal amount of \$40 million. The \$24.8 million termination fee is described as being based on "amounts which are (*or would be*) payable on account of interest through the maturity date (February 19, 2020).....The termination fee becomes immediately due and payable upon the occurrence of an event of default resulting from the Debtors' commencement of bankruptcy cases prior to February 19, 2020." The administrative agent under the third lien term loan is Vestis BSI Funding II, LLC, which is advised by Versa Capital Management, LLC, and which will serve as the stalking horse bidder under an asset purchase agreement. (Note - The underlining and italics are provided by **Creditntell**). Additionally, the formation meeting for the Committee of Unsecured Creditors will be held April 26, in Wilmington, DE, and the US Trustee made a request to schedule the Section 341 Meeting of Creditors for May 26, 2016.

**4/19/2016** – The Court authorized the following:

- Interim access to the \$125 million DIP Facility provided by Wells Fargo Capital Finance, LLC. Interim borrowings are limited to: (i) 110% of all cash disbursements which appear in the Debtors' budget, through the date of a final order, (ii) \$12.0 million for letters of credit, and (iii) interest and other costs;
- Continuation of store closing sales, on an interim basis; and
- Administrative expense priority status for postpetition delivery of goods ordered prepetition

Hearings on: (i) final approval of the interim orders, and (ii) bidding procedures related to the sale of the Company are scheduled for May 16.

**4/18/16** – Under an asset purchase agreement, Vestis BSI Funding II, LLC will serve as a stalking horse bidder to acquire substantially all of the Debtors' assets (the remaining operations of Bob's Stores, EMS, and the eCommerce sites) as a going concern. Vestis BSI Funding II, LLC is advised by Versa Capital Management, LLC, and is the administrative agent under a \$40 million third lien term loan, dated January 7, 2016. The purchase price for the assets will consist of: (i) a cash payment of \$1.5 million, (ii) forgiveness of \$35.0 million in existing debt (a credit bid), (iii) payment of outstanding DIP Facility obligations, and (iv) payment of other debt. The auction schedule anticipates the following deadlines:

- Preliminary bids – June 10
- Qualified bids – June 14
- Auction - June 17
- Sale Hearing - June 22

The Debtors filed a motion for interim approval of a \$125 million DIP Facility to be provided by Wells Fargo Capital Finance, LLC, the agent under the prepetition \$180 million revolver. The DIP Facility is scheduled to mature on August 18, 2016, at the latest. Interim borrowings will be limited to: (i) 110% of all cash disbursements which appear in a DIP budget ([click here, see red box in budget](#)) through the date of a final order, (ii) \$12.0 million for letters of credit, and (iii) interest. As part of a roll-up, cash receipts will be applied to pay obligations under the prepetition revolver (yellow box in the budget), until they are paid in full, which the Company projects should be after six weeks. The green box in the budget shows anticipated remaining borrowing availability under the DIP Facility at the end of each week.



The Debtors estimate that as of the petition date, unsecured claims totaled \$98 million. The debtors stated that “If leases are rejected during the cases, the amount of unsecured claims could increase significantly.”

The Debtors’ filed a motion for an order confirming the administrative expense priority status of undisputed obligations for postpetition delivery of goods ordered prepetition. A hearing on first day motions, including interim authorization of the DIP Facility, is scheduled for April 19, 2016.

Store closing sales at 47 Sport Chalet Stores, eight EMS Stores, and one Bob’s Store commenced on April 16, 2016 and will terminate on June 30, 2016, under an agreement with Hilco Merchant Resources, LLC and Gordon Brothers Retail Partners, LLC.

**The following is a summary of Creditntell’s Chapter 11 filing alert on April 18, 2016:**

As reported in our January 19, 2016 alert, liquidity appeared to tighten at all three of the companies operated by Vestis Retail Group, LLC, including Sport Chalet, LLC, Bob’s Stores LLC, and EMS Operating Company, LLC (EMS). (Vestis is controlled by Versa Capital Management, Inc.)

We also recently reported the following developments:

- January 4, 2016 - Sport Chalet's headquarters building to be sold or leased
- April 6, 2016 - Vestis issued a statement indicating it is considering strategic alternatives.
- April 16, 2016 - Sport Chalet stated that the Company is closing all its stores and its website

Today, Vestis Retail Group, LLC, Sport Chalet, LLC, Bob’s Stores, LLC, and EMS Operating Company, LLC filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court in the District of Delaware. The proceedings have been assigned the following case numbers:

Vestis Retail Group, LLC	16-10971
Bob's Stores, LLC	16-10972
EMS Operating Company, LLC	16-10974
Sport Chalet, LLC	16-10977

**Excerpt from Vestis Statement:**

*“As part of its ongoing strategic review process, Vestis Retail Group, LLC, the parent company of Eastern Mountain Sports, Bob’s Stores and Sport Chalet, today announced a series of steps that will collectively provide a stronger financial foundation for the Company. These steps focus on supporting the long-term success of EMS and Bob’s while efficiently winding down Sport Chalet.*

*.... Sport Chalet began store closing sales on April 16, 2016, at all of its locations, while EMS and Bob’s began closings at a total of just nine locations (eight EMS and one Bob’s) where real estate costs are unfavorable and have prevented the store from achieving sufficient profitability. The balance of the EMS and Bob’s lease portfolio will be evaluated for efficiencies as part of the Company’s broader efforts to strengthen its financial performance.*

*To achieve its financial objectives, Vestis earlier today initiated voluntary reorganization proceedings under Chapter 11 of the U.S. Code and proposed the sale of EMS and Bob’s to funds advised by Versa Capital Management, LLC, which would acquire substantially all of the remaining assets of the Company. The agreement with Versa, which will be subject to court approval, seeks to position EMS and Bob’s to maximize future opportunities. The Company also expects to use the reorganization process to best address legacy liabilities dating back to before EMS and Sport Chalet were first acquired.*

*Vestis expects to complete the proposed sale in mid-Summer.... In the interim, the Company expects to operate its go-forward EMS and Bob’s stores and eCommerce sites as usual and to continue store closing sales at other locations as planned. The Company expects to pay suppliers in the normal course of business for all goods and services delivered from today forward.*



*Vestis has secured a commitment for up to \$125 million in debtor-in-possession financing from its existing lender, Wells Fargo Capital Finance, LLC, which combined with cash from existing operations will help ensure the Company is able to meet its financial obligations throughout the process.*

*At the completion of the process, the combination of EMS and Bob's will continue to operate an approximately \$400 million multi-channel retailer.*

*Commenting on the developments, Mark Walsh, Chief Executive Officer of Vestis, said, "When Vestis first acquired EMS and Sport Chalet, each company faced significant operational challenges and was on the verge of liquidation. We have made significant progress in stabilizing the businesses and improving overall performance across all our brands. As a result, EMS and Bob's are now delivering solid performance but have been burdened by limited financial flexibility due, in part, to the unique competitive pressures facing Sport Chalet. After reviewing a variety of strategic alternatives, we determined that the best path forward is to separate the businesses and confront the challenges that have been hindering our overall progress. "*

## **Store Closing Details:**

### **Sport Chalet:**

- All Sport Chalet stores remain open and will run store closing sales for the next several weeks.
- The Sport Chalet eCommerce website is no longer selling merchandise effective April 16th, 2016.
- Sport Chalet gift cards, rewards certificates and store credits will be honored in Sport Chalet stores through April 29th, 2016. The Company stated, "Customers who are unable to visit us before this date are invited to transfer gift card balances to a gift card from one of our sister stores, Eastern Mountain Sports or Bob's Stores through July 29th, 2016. Additional information is available at [www.SportChalet.com](http://www.SportChalet.com)."
- Customers are encouraged to pick up any equipment that had been left for repair and to return any rental equipment before April 29th, 2016.

### **EMS and Bob's:**

- EMS locations identified to close: Christiana (DE), Dulles (VA), Foxborough (MA), Moorestown (NJ), North Brunswick (NJ), University of Pennsylvania (Philadelphia, PA), Warwick (RI) and West Hartford (CT)
- Bob's location identified to close: South Portland (ME)

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