

'Extreme Market Conditions' Drive Art Van Furniture To Ch. 11

By **Rick Archer**

Law360 (March 9, 2020, 11:10 AM EDT) -- Furniture retailer Art Van Furniture filed for Chapter 11 in Delaware bankruptcy court Monday, saying it is seeking a going-concern sale of about a quarter of its stores after "extreme market conditions" left it with limited liquidity and more than \$208 million in debt.

In a declaration filed Monday, the Michigan-based company said sales have been declining since 2016 in the face of increased competition, which, combined with increased expenses and unsuccessful attempts at expansion and internal changes, left it no choice but to enter bankruptcy with a plan to close down all but 44 of its 169 locations.

"Given continuously declining profitability and operational challenges over the past three years, and despite the best efforts of the company and its advisors to secure the capital necessary to preserve the entire business as a going concern, the company is simply unable to meet its financial obligations," CFO David Ladd said in the declaration.

Founded in 1959, Art Van currently operates 169 furniture and mattress stores in Michigan, Indiana, Ohio, Illinois, Pennsylvania, Maryland, Missouri and Virginia under the Art Van, Pure Sleep, Scott Shuptrine Interiors, Levin Furniture, Levin Mattress and Wolf Furniture names.

The company was acquired by Thomas H. Lee Partners LP in March 2017, funded by a sale-leaseback transaction with Van Art-owned stores. The Pennsylvania-based Levin and Wolf businesses were acquired in November 2017, the declaration said.

The company said it currently owes \$33.5 million on a prepetition credit facility and \$175 million on a prepetition term loan.

In the declaration, Ladd said the company has faced "extreme market conditions" in recent years, with serious competition from both online retailers and with chains such as Ashley HomeStore, Bob's Discount Furniture and Mattress Firm moving into its territory.

As a result, same-store sales have declined every quarter since 2016 and same-store revenues are down 27%, he said. At the same time, the company has been facing increased costs, including an \$8 million jump in tariff costs in 2019, he said.

Ladd said the company has also "suffered numerous operational challenges," including the loss of eight top executives, failed attempts to expand into the Chicago market and change its inventory mix and showroom layouts, and "significant strain" caused by attempts to combine the Levin and Wolf businesses.

Ladd said the company entered a liquidity crisis in January, and by early February it was no longer making vendor payments. He said the company began looking for a buyer, but at the end of February it went into default on its credit facility with Wells Fargo and began planning to liquidate.

He said in the course of the planning the company managed to negotiate an agreement with Robert Levin, the former owner of Levin Furniture, for the sale of 44 Levin and Wolf stores, preserving about

1,000 jobs. The remainder of the company's stores will close, he said.

"To maximize recoveries and minimize administrative expenses, the company announced and initiated a soft launch of the store closing sales on March 5, 2020, and seeks to expedite the remaining store closure sales in order to complete them within six to eight weeks," he said.

The company has retained Alvarez & Marsal North America LLC as financial adviser, according to the declaration.

Representatives of Art Van did not immediately respond to requests for comment Monday.

Art Van is represented by Gregory W. Werkheiser, Michael J. Barrie, Jennifer Hoover, Kevin Capuzzi and John C. Gentile of Benesch Friedlander Coplan & Aronoff LLP.

The case in In re: Art Van Furniture LLC et al., case number 20-10553, in the U.S. Bankruptcy Court for the District of Delaware.

--Editing by Alyssa Miller.

Update: This story has been updated with more details from the company's filing.