

Sears Holdings confirms Chapter 11 filing; Eddie Lampert resigns as CEO
Monday, October 15, 2018 05:21:06 AM (GMT)

- The company and certain of its subsidiaries have filed voluntary petitions for relief under Chapter 11 of the bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.
- The company expects to move through the restructuring process as expeditiously as possible and is committed to pursuing a plan of reorganization in the very near term as it continues negotiations with major stakeholders started prior to today's announcement.
- Holdings has received commitments for \$300M in senior priming debtor-in-possession financing from its senior secured asset-based revolving lenders and is negotiating a \$300M subordinated DIP financing with ESL Investments, Inc.. ESL is the company's largest stockholder and creditor, and Edward Lampert is ESL's chairman and CEO. Subject to Court approval, the DIP financing is expected to improve the company's financial position immediately and support its operations during the financial restructuring process.
- Holdings has filed a number of customary motions with the Court seeking authorization to support its operations during the restructuring process and ensure a smooth transition into Chapter 11. The company intends to continue payment of employee wages and benefits, honor member programs, and pay vendors and suppliers in the ordinary course for all goods and services provided on or after the filing date.
- The company's Sears and Kmart stores, and its online and mobile platforms, are open and continue to offer a full range of products and services to members and customers. Holdings' services and brand businesses will also continue to operate as usual. Customers should expect Holdings' loyalty programs, including the Shop Your Way membership program, and the Sears and private label credit card rewards programs, to continue as normal. The company is committed to working with its vendors and other partners to help maintain inventory levels and ensure timely product delivery.
- **Strategic Actions**
 - **Holdings intends to reorganize around a smaller store platform of EBITDA-positive stores.** The company believes that a successful reorganization will save the company and the jobs of tens of thousands of store associates. Holdings is currently in discussions with ESL regarding a stalking-horse bid for the purchase of a large portion of the company's store base. There can be no assurance that any transaction will be consummated or on what terms any transaction may occur. Additionally, **Holdings expects to market and sell certain of the company's assets over the coming months.**
 - **Holdings will also close 142 unprofitable stores near the end of the year.** Liquidation sales at these stores are expected to begin shortly. This is in addition to the previously announced closure of 46 unprofitable stores that is expected to be completed by November 2018.
- **Leadership and board changes**
 - Holdings has enacted a series of leadership and board changes in support of the continued transformation and restructuring process:
 - **CEO Transition: Edward Lampert has stepped down from his role as CEO of the company, effective immediately.** He will remain chairman of the board. The company's board has created an Office of the CEO, which will be responsible for managing the company's day-to-day operations during this process. The Office of the CEO will be composed of Robert A. Riecker, CFO; Leena Munjal, Chief Digital Officer, Customer Experience and Integrated Retail; and Gregory Ladley, President of Apparel and Footwear.
 - **Formation of Restructuring Committee:** The board has formed a special committee that will oversee the restructuring process and have decision making authority with respect to transactions involving affiliated parties. The Restructuring Committee consists solely of independent directors and includes Alan J. Carr, Paul G. DePodesta, Ann Reese and William Transier.
 - **Appointment of Chief Restructuring Officer:** Mohsin Meghji, Managing Partner of M-III Partners, has been appointed Chief Restructuring Officer. Meghji is a nationally recognized U.S. turnaround professional with a track record of revitalizing companies experiencing financial, operational or strategic transitions to maximize value for stakeholders. He has joined the company's senior management team and will help lead the company's restructuring efforts, reporting to the Restructuring Committee.

- Additional information is available on the company's restructuring website at restructuring.searsholdings.com. For Court filings and other documents related to the court-supervised process, please visit <http://restructuring.primeclerk.com/sears>, call (844) 384-4460 (for toll-free domestic calls) and +1 (929) 955-2419 (for tolled international calls), or email searsinfo@primeclerk.com.
- M-III Partners is serving as restructuring advisor and Lazard Frères & Co. LLC is serving as investment banker to Holdings.

Reference Links:

- [Sears Holdings Initiates Processes To Accelerate Strategic Transformation And Facilitate Financial Restructuring](#)

Industries: Retail (Department & Discount)

Primary Identifiers: SHLDQ-US

Related Identifiers: SHLDQ-US

Subjects: Corporate Actions, Management Changes, Restructuring

Related Stories:

- [Sears Holdings files for Chapter 11 bankruptcy in White Plains, New York - WSJ](#)