

# *Furniture Today*

## **Robb & Stucky closing**

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### **Exec still hopes to save part of company**

**By Clint Engel -- Furniture Today, March 25, 2011**

A dramatic room setting in Robb & Stucky's Las Vegas store, which opened in 2008, shows the retailer's distinctive highend style and features furniture from Marge Carson and Century. TAMPA, Fla. — A U.S. Bankruptcy Court here approved the sale of high-end retailer Robb & Stucky to liquidators Hudson Capital and Hyperams last week in a deal likely to lead to the shutdown of the Top 100 company.



Liquidation sales at the retailer's 20 stores began on Friday.

But the fate of the retailer may not be sealed just yet, and a smaller Robb & Stucky could still emerge from the process with lender and liquidator approval. Dan Lubner, president of the Fort Myers, Fla.-based retailer's hospitality division and son of CEO Clive Lubner, said he had been working with two investor groups for an enterprise sale but "we just didn't have the time."

He said an order was submitted to the court by interested investors wanting to carve out a smaller, surviving operation. But the document was not immediately available in online bankruptcy court postings.

"My understanding is this would be subject to the approval of the lenders, the creditors' committee, and Hudson," Lubner said. He confirmed the investor was New York-based Kier Group, and added there was another investor group the company had been working with.

When asked about how many stores or which locations could be preserved, Lubner said he believes it is open-ended.

A representative of Kier did not return a call left at a New York number listed for the company.

Robb & Stucky, which has full-line and patio stores in Florida, Las Vegas, Plano, Texas, and Scottsdale, Ariz., filed for Chapter 11 bankruptcy protection Feb. 18. It struck what was then a tentative deal with Hudson and Hyperams to serve as the agent for liquidation, subject to better offers at the auction. But no better offers emerged.

### **Sale could yield \$31.5M**

According to the agreement, the bidder would have to pay 75.2% of the value of the inventory. John Young, senior managing director of consultant and turnaround specialist Conway Mackenzie in Houston, who was not involved in the Robb & Stucky case, estimated that the retailer's inventory would bring in about \$31.5 million to the estate under the agreement.

At the start of the sales Friday, Hudson estimated that the inventory had a retail value of \$90 million.

Hudson CEO Jim Schaye said it isn't clear how long the going-out-of-business sales will last, but said that once they're completed, the stores will be closed.

The retailer had unsecured creditor claims totaling more than \$60 million, according to a court document, and owed its largest unsecured industry creditors about \$8 million. It's unclear what unsecured creditors will recover. One supplier said he anticipates a recovery of pennies on the dollar.

Many Robb & Stucky customers, who had placed deposits of more than \$13 million with the retailer before the filing, are likely to come up short as well.

"This company deserves to be around and it's devastating that it came to this," Lubner said. "I don't think any of us believed it would happen. Several of the models we were building out were showing a profitable enterprise.

"And beyond the numbers, this is the most talented staff this industry has ever seen - from the designers who have won hundreds of interior design awards to the logistics to the support and the senior management, Clive Lubner and (President) Fred Berk," he said.

Bill Morrison, chief operating officer and chief financial officer for E.J. Victor, one of the retailer's largest unsecured creditors, attended the bankruptcy court auction, calling it "a difficult day."

"The Robb & Stucky management team tried every possible option to avoid liquidation," he said, adding that the retailer's team "has been highly regarded in our industry for many years and will be sorely missed.

### **Care about customers**

"They were concerned about the consequences for their customers, who submitted deposits in good faith, as well as the suppliers who have supported them for so many years. Unfortunately, they were not able to overcome the fact that their footprint of stores overlaps many of the hardest hit furniture markets in the country," Morrison said.

He said no one knows whether those markets have hit bottom yet, which makes it difficult to attract investors. "But it would be a great opportunity for any investor who guessed correctly that it was at the bottom."

With the retailer's exit, he said there will be opportunities in its markets for highend retailers, but the question is, "who will enter and how will they seize the opportunity?"

E.J Victor was listed as Robb & Stucky's third largest unsecured industry creditor with a claim of \$719,000.

Jim LaBarge, CEO of Marge Carson - the second largest unsecured industry creditor with a claim of

just over \$1 million - said he believes Robb & Stucky's primary lender, Bank of America, didn't give the retailer adequate time to put together equity investors for a goingconcern bid. The retailer did assemble an investment book to shop around, but that process often takes six to eight months, he said.

"I believe they are still looking at getting back in the marketplace in some locations, so I don't believe we've heard the last from Clive Lubner and team going forward," LaBarge said. "But who knows?"

As for the vendor recovery of claims, LaBarge thinks it's going to be pennies on the dollar and said he's "planning for the worst and hoping for the best." The manufacturer's main concern right now, he added, is with consumers who have been sold goods that are in its warehouse. He said he'd like to fulfill the orders to preserve Marge Carson's reputation and that of Robb & Stucky's, should a surviving entity emerge.

LaBarge said the potential loss to Marge Carson from its Robb & Stucky claim is "a big hit for us ... but we're going to survive and we'll get through this."

He said the Robb & Stucky downfall is "a sad moment for our industry," noting that the company has been a leader in visual display and customer service. And any big retail failure sends a negative message to the banking and financing communities, he added.

Overall, LaBarge said business at the high end is still not fabulous but has been getting better. "The biggest issue we see in the industry is more of a liquidity issue, the ability to get financing for business."

### **Vendors supportive**

Dan Lubner said he has been inspired by the support of Robb & Stucky's vendors - the unsecured creditors - both before and during the bankruptcy process.

He said that even now, the company remains committed to its vendors, clients and employees, and noted that Hudson is acquiring the inventory, not the company or the name.

"There's only one way there will ever be a company as great as Robb & Stucky and that's if and when Clive decides to rebuild it again," he said.

### **Robb & Stucky through the years**

- ▶ 1915: Founded by Virgil Robb and W.R. Lee in Fort Myers, Fla. Harry Stucky joins the company in 1917 and Lee leaves in 1925.
- ▶ 1979: Transformation to a high-end, interior design-driven retailer begins as Clive Lubner, current CEO, and the Mariner Group purchase the company.
- ▶ 1980-1995: Expands into Naples, Sarasota, Clearwater, Altamonte Springs, Fla., and into Phoenix.

- ▶ 1995-present: Expands, relocates and opens stores in Texas and in Las Vegas. Establishes a patio division and opens design centers in Florida.
- ▶ November 1996: Furniture/Today features Robb & Stucky in its America's Best Retailers series.
- ▶ 2006: Chain's revenues peak at \$273.7 million for the fiscal year ended in June.
- ▶ 2006: Acquires Home of Fine Decorators, specializing in high-end design services and operated under the Fine Design name in Florida. But the severe downturn in Florida's housing market and operating losses lead to its closing in February 2010.
- ▶ 2007-present: Closes smaller stores in Southlake and Northpark, Texas, and Coral Gables, Fla.
- ▶ 2008: Opens Las Vegas showroom, its last major expansion. Also launches a hospitality and resort division. But as business softens in Florida, the retailer closes the hospitality operation to focus on its stores.
- ▶ 2010: Revenue in its fiscal year ended in June is \$139.7 million.
- ▶ 2011: Rocked by economic turmoil and the housing bust in all of its markets, Robb & Stucky files for Chapter 11 bankruptcy protection on Feb. 18. On March 8, a court approves a sale of substantially all of its assets to liquidators, who begin a GOB sale on March 11. However, a company official continues to work with investors in an effort to keep at least a portion of the retailer in business.

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