

# Boscov's likely to keep all 39 stores

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The Boscov's department-store chain is performing well less than a year after its owners filed for bankruptcy protection.

Meanwhile, the bankruptcy proceedings for the company based in Exeter Township, Berks County, continue to wind through the court system.

Attorney Scott M. Esterbrook, who represents the family group that owns the

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chain, said that from his understanding Boscov's is beating its sales projections despite the bankruptcy and poor economy.

Esterbrook didn't have specific sales figures, and Boscov's officials referred questions to CEO Albert R. Boscov, who did not return several phone calls.

But the company reported a record \$26 million in profits in December. And earlier this month Boscov told The Times Leader newspaper in Wilkes-Barre that sales are up 4 percent this year and 6 percent in May.

"The No. 1 reason they're doing well now is because of customer loyalty, and Al says that all the time," Esterbrook said.

Before it filed for Chapter 11 bankruptcy Aug. 4, Boscov's had problems staying stocked because it had trouble getting the money to pay its vendors, and companies were reluctant to sell to the chain.

The family group led by former CEO Albert Boscov and his brother-in-law, Edwin Lakin, bought the chain's assets in a sale that closed Dec. 4. Esterbrook said Boscov's stores are all fully stocked now, and Boscov was quoted in Wilkes-Barre as saying that all stores are being replenished with merchandise.

Under Chapter 11 bankruptcy, the chain is being reorganized under court supervision.

As far as the court system is concerned, there are actually two companies involved in

the proceedings: the old owners, BSCV Inc.; and the family group. To complete that sale, the family group put up \$300 million, which Esterbrook said was mostly made up of bank loans and family investments.

BSCV doesn't yet have an official plan or timeline for coming out of bankruptcy. Once that plan is filed, it has to be approved by the federal bankruptcy court in Delaware district.

### Paying creditors

It's also unclear how much BSCV will be able to pay its creditors, but company CEO Michael J. Hughes said he expects a document showing that information to be filed soon.

A Feb. 6 court filing estimated that BSCV owed at least \$100 million to suppliers of goods and services, but Hughes said that number's probably not correct and that it's not clear what the right figure is.

Hughes estimated that the old owners will have between \$13 million and \$20 million available to pay its creditors. That money would be distributed to creditors on a pro rata basis, which basically means each creditor would get some of the money it's owed.

Bankrupt companies usually can't pay their creditors back in full, he added.

"It would be highly unusual that creditors receive 100 cents on the dollar," Hughes said.

For instance, the company owes Reading-based Turner Knit Products about \$900 for cleaning cloths, and Turner isn't expecting much back.

"If we get \$100, I guess we'll be lucky," said Dolores Turner, assistant to the president. "We'll get something and be satisfied. Let's put it that way."

Turner added that her company has sold to Boscov's since the bankruptcy filing and has had no problems getting paid.

### Public investment

The chain now has 39 stores in Pennsylvania, Delaware, Maryland, New Jersey and New York.

Esterbrook said the family group plans to keep all those stores open. And several public entities have stepped forward to loan money to Boscov's so it stays afloat.

The state of Pennsylvania secured \$35 million in federal loans for the company.

According to The Republican & Herald newspaper in Pottsville, that money will be funneled to Boscov's through Blair, Butler, Cambria, Lackawanna, Lebanon and Schuylkill counties. Each county will provide about \$5.8 million in state-guaranteed federal loans for the chain, the newspaper said.

In New Jersey, the city of Vineland has agreed to guarantee \$2.7 million in loans.

Sandra Forosisky, Vineland's director of redevelopment, said the loan would help the city because Boscov's is an anchor of the city's 87-space Cumberland Mall.

The mall had a lot of vacancies when Boscov's built its store there in the early

1990s, she said, and several stores such as Old Navy, Aeropostale and the Gap followed.

"We believed that if he would go under now, it would devastate our mall," Forosisky said, referring to Albert Boscov. "For Vineland, it was an easy decision. He really is the lifeblood of our mall."

The state of New Jersey is backing a \$1 million loan to the chain, and Atlantic County decided this month to start the process of guaranteeing another \$1 million, according to The Press of Atlantic City. Two public hearings will take place before Atlantic County's guarantee is final, which county Freeholder Thomas Russo expects to happen by summer's end.

Russo said that at first, he opposed the loan because taxpayers shouldn't be on the hook for business' mistakes.

"When you go into business, you go into business," he said. "You take your chances."

But Russo said officials in Egg Harbor Township, Atlantic County, feared the impact on the township's Shore Mall if the Boscov's store in the mall closed.

If Boscov's defaults on the loan, the worst that will happen is that Atlantic County will lose out on \$120,000 in federal Community Development Block Grants each year for 10 years, he said. That result wouldn't be as bad as Boscov's closing at the Shore Mall and leading to other store closures there, Russo said.