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# Boscov's survival chances may vary

## As a federal bankruptcy judge weighs the future of Boscov's Inc., the distressed department store chain's survival chances may vary considerably under competing ownership bids.

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As a federal bankruptcy judge weighs the future of Boscov's Inc., the distressed department store chain's survival chances may vary considerably under competing ownership bids.

"It looks like Boscov's is going to survive in some form. It might be like a poodle that's been to a barbershop, but it could survive," said Howard Brownstein, a principal at Nachman Hays Brownstein Inc., a Philadelphia-area turnaround firm.

"The question is, does it deserve to stay in business and can people make money on this?"

Boscov's, which filed for bankruptcy protection in early August, is the target of rival efforts for control between at least two parties — a Philadelphia private equity firm and a group led by the Reading-based chain's former CEO, Al Boscov. The successful bidder's prospects could hinge on things shoppers may hardly notice, but would help restore financial balance. A hearing is scheduled Monday in U.S. Bankruptcy Court in Delaware.

Boscov's, which operates stores at the Mall at Steamtown and in Wilkes-Barre, closed 10 of its 49 locations after declaring bankruptcy. Stores in Scranton, Wilkes-Barre and Hazleton remain open. The chain reported debt of $479 million as of early May, against assets of $538 million, and the feeble retail climate stirs curiosity about how Boscov's might continue and how the owners would obtain financing during the ongoing credit crisis.

"The company is disintegrating badly and sales are terrible," said Howard Davidowitz, a New York City retail consultant and investment banker. "Can anybody get financing, including the Boscov family, to continue this business? The banks aren't even lending to each other."

Versa Capital Management Inc., the Philadelphia firm that bid $11 million to acquire Boscov's, recently was one of the buyers of Bob's Stores, a money-losing chain sold last month by TJX Cos., parent of retailers TJ Maxx and Marshalls.

"Versa is a very experienced investor in troubled companies," Mr. Brownstein said. "They've raised huge funds from investors for this purpose, and they have a good track record."

Efforts to reach Greg Segall, Versa's managing partner, and Mr. Boscov were unsuccessful, but one analyst who is following the situation said the chain's chances would be better under Mr. Boscov.

"You need the best possible person with the best track record and that's Al Boscov because he's proven he can win in good and bad times," said Burt Flickinger, managing director Strategic Resource Group, a New York City retail consulting firm. "The Wall Street firms have had too high a learning curve to turn around Main Street retailers."

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Private equity firms typically take over companies by adding debt to the acquisition's balance sheet, slashing expenses and employment and selling the business at a profit after several years.

The new operator, though, likely will attempt other cost-cutting and cash-building moves.

"If Versa has an educated idea on how to make Boscov's a more profitable entity, it probably includes concessions" from mall property owners and vendors, said Holly Guthrie, a retail analyst at Boenning & Scattergood Inc., a Philadelphia-area financial services firm.

"There are other areas within stores that they could realize additional revenue from leasing space" to retail tenants, such as cosmetics merchants. If Versa is successful, it could make out financially even if the chain is liquidated, Mr. Davidowitz said.

"Boscov's owns a lot of very valuable real estate," he said. "They may think, 'We could have a very handsome return even if everything comes apart.' "

Boscov's continuing operations could be easier if its mountainous liabilities are reduced during the bankruptcy court's valuation of the company's worth.

"That debt may not stay on the books," Mr. Brownstein said. "If Boscov's is only worth $400 million, then $100 million (in debt) is going to get wiped out."