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ArchBrook Laguna Holdings Files for Chapter 11 Bankruptcy Protection in New York

ArchBrook Laguna Holdings LLC and several affiliated companies - ArchBrook Laguna New York, LLC; ArchBrook Laguna, LLC; ArchBrook Laguna West, LLC; Expert Warehouse, LLC; Lehrhoff ABL, LLC; and Chimerica Global Logistics, LLC - voluntarily filed for chapter 11 bankruptcy protection in New York City. The companies plan to use the bankruptcy filings to sell substantially all of their assets pursuant to a bankruptcy auction, which they have asked the bankruptcy court to schedule for August 8, 2011. In a press release announcing the filings, the Chief Financial Officer of ArchBrook Laguna Holdings provided the following explanation for the bankruptcies:

After careful consideration of all available alternatives, we determined filing chapter 11 was a necessary and prudent step and in the best interests of our creditors. Furthermore, all signs indicate that an open sale process is the most value-maximizing alternative in these circumstances, and we are hopeful that the process will result in continued operation of the underlying business under new ownership. Our operations will not be impacted during chapter 11 and our customers will continue to receive the highest quality service that they have come to expect from the Company.

The companies, which are headquartered in Carlstadt, New Jersey, "operate as a procurement and distribution intermediary between production companies and end retailers using state-of-the-art logistical services." The list of products carried by the debtors (referred to as a "line card") includes a wide variety of computers, consumer electronics, and white goods (major appliances) from manufacturers such as Acer, Dell, Garmin, LG, Monster, Panasonic, Pioneer, Samsung, Sharp, Tom Tom, Toshiba, Bissell, Black & Decker, Brother, Cuisinart, DeLonghi, Emeril, Fuego, Haan, Hamilton Beach/Proctor Silex, Hoover, and Norelco. The largest category of products for the companies is computers, which is expected to account for approximately 44% of 2011 sales. In court filings, the companies reported over \$800 million in revenues in 2010.

The ArchBrook companies also sell to a wide variety of retailers, including national retailers (such as Wal-Mart, Best Buy and Costco), e-commerce retailers (such as Amazon.com and Gilt.com), broadcast/home shopping retailers (such as HSN and QVC), and rent-to-own chains (such as Rent-A-Center and Ace Furniture). Court filings report that sales are more diversified across these retail categories, with no category constituting more than 20% of revenues. The companies employ 267 people and reported consolidated assets of \$246 million against consolidated liabilities of \$176 million (both as of March 31, 2011).

In explaining the reasons for the bankruptcy filings, the companies stated in court filings that the successful operation of their businesses "depends upon the availability of ample liquidity to assure the Debtors can procure sufficient inventory." According to the companies, a series of factors - including a glut of obsolete and excess inventory, an unsuccessful roll-out of a \$15 million new warehouse logistics system, and a \$7 million overadvance under their pre-petition credit facility resulting from the miscalculation of the "Aggregate Borrowing Base" - "effectively erased the remaining availability under the pre-petition credit facility, placed additional demands



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on the Debtors' ability to manage cash flow properly, and ultimately prompted the liquidity crisis that necessitated" Friday's filings.

The companies are represented in the bankruptcy cases by, among others, Akin Gump Strauss Hauer & Feld LLP as legal counsel, Macquarie Capital (USA) Inc. with respect to the sale process and by Hawkwood Consulting LLC, whose founder Stephen J. Gawrylewski is Chief Restructuring Officer of the Company

A copy of ArchBrook Laguna Holdings LLC's chapter 11 voluntary petition is embedded on our blog: <http://blog.ch11cases.com/2011/07/archbrook-laguna-holdings-files-for.html>. For copies of other significant bankruptcy court filings from this case, please visit the following links:

- [Debtors' Motion, Pursuant to 11 U.S.C. §§ 105, 363, 364, 365, 503 and 507 and Fed. R. Bankr. P. 2002, 4001, 6004, 6006, 9008 and 9014, for Entry of \(I\) an Order Approving \(A\) Bid Procedures, \(B\) Notice of Sale, Auction, and Sale Hearing, \(C\) Assumption Procedures and Related Notices; and \(II\) an Order Approving the Sale of Substantially All of the Debtors' Assets](#)
- [Debtors' Motion for Interim and Final Orders \(A\) Approving Postpetition Financing, \(B\) Authorizing Use of Cash Collateral, \(C\) Granting Liens and Providing Superpriority Administrative Expense Status, \(D\) Granting Adequate Protection, \(E\) Modifying Automatic Stay, and \(F\) Scheduling a Final Hearing](#)
- [Declaration of Daniel J. Boverman Pursuant to Local Bankruptcy Rule 1007-2 in Support of First Day Pleadings](#)
- [Debtors' Motion for Entry of Interim and Final Orders \(A\) Authorizing Debtors to Pay Prepetition Claims of Distribution Network Vendors and Third-Party Warehouses; \(B\) Authorizing the Debtors to Grant Administrative Expense Priority to All Undisputed Obligations for Merchandise Ordered Prepetition and Delivered Postpetition and Satisfy Such Obligations in the Ordinary Course of Business; and \(C\) Scheduling a Final Hearing](#)

To access copies of all major court filings from these bankruptcy cases, please visit: http://www.chapter11cases.com/ArchBrook-Laguna-Holdings-LLC_c_27153.html