

Lone Star's BI-Lo expects bankruptcy exit in May

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- * Expects to emerge from bankruptcy in May
- * Owner Lone Star backing re-emergence
- * Lone Star bought BI-Lo in 2005 from Ahold
- * BI-Lo filed for bankruptcy in March 2009

By [Megan Davies](#)

LOS ANGELES, April 29 (Reuters) - Supermarket chain BI-Lo LLC [LONESB.UL] said on Thursday it expects to exit bankruptcy in May, backed by its private equity owner Lone Star Funds, after it received court confirmation for a reorganization plan.

BI-Lo, which has 207 supermarkets and over 15,000 staff, filed for bankruptcy 13 months ago, just days before two loans were due to mature that were secured by the company's stores.

A weak economy and intense competition has weighed on the supermarket industry. Other grocers were forced into bankruptcy last year such as Bashas' Inc, Arizona's largest family-owned grocery chain and regional supermarket chain Penn Traffic Co.

A number of other retailers that have filed for bankruptcy in the recent economic downturn like Linens 'N Things, Eddie Bauer, or Circuit City have been forced to shut their doors, or sell their businesses, rather than reorganize on their own amid the U.S. recession.

"BI-Lo will emerge from bankruptcy financially stronger, with less debt, and as a more competitive company in the marketplace," said BI-Lo President and CEO, Michael Byars in a statement. About 75 percent of the company's stores are in markets where it ranks as the number one or two conventional grocer, according to company data.

Dallas, Texas-based Lone Star, a large private equity firm with \$24 billion of capital, bought BI-Lo in 2005 for \$660 million from Dutch supermarket group Royal Ahold ([AHLN.AS](#)) Ahold, according to Ahold's website. Ahold had owned the chain since 1977 according to its website.

"We saw the potential in BI-Lo from the beginning and continue to see it today, which is why we fought to protect the value of this investment," said Sam Loughlin, a Lone Star Funds representative, in an emailed statement.

BI-Lo's unsecured creditors had last year submitted a competing plan of reorganization to Lone Star's proposal.

The reorganization plan approved by the court includes a \$150 million equity investment by Lone Star and \$200 million in committed term loan financing from Credit Suisse, BI-Lo said. In addition, GE Capital will provide for a \$150 million revolving credit facility.

The United States Bankruptcy Court for the District of South Carolina confirmed the plan, BI-Lo said.

BI-Lo expects to have between \$40 and \$50 million of cash borrowings on the revolving credit facility immediately after emergence, it said in the release.

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