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Rock 'n' Roll Fashion Designer John Varvatos's Business Files for Bankruptcy

Menswear brand was digging out of trouble when coronavirus pandemic slammed retail



Designer John Varvatos in 2014.

PHOTO: DIMITRIOS KAMBOURIS/GETTY IMAGES

By [Peg Brickley](#)

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The namesake business of rock 'n' roll fashion designer John Varvatos, which had a store located at the former site of the legendary New York punk club CBGB, filed for bankruptcy with a loan from an affiliate of its private-equity owner, Lion Capital LLP.

John Varvatos Enterprises Inc., which specializes in rock-inspired men's fashion, has been hit by the coronavirus pandemic along with the rest of the luxury retail sector, and is left with more than \$100 million in debts it cannot pay.

Varvatos finance chief Joseph Zorda said in a filing with the U.S. Bankruptcy Court in Wilmington, Del., that the pandemic destroyed a successful effort to revitalize the ailing brand, a push that had produced double-digit sales increases at the start of the year. Store closures ended the turnaround, Mr. Zorda said.

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Most employees were already furloughed when the company filed for chapter 11 protection Wednesday, scraping by with online sales.

Now Varvatos is counting on a buyer stepping up to rescue it at a bankruptcy auction, where the floor price will be set by an affiliate of its owner, Lion/Hendrix Cayman Ltd.

Varvatos owes Lion/Hendrix Cayman nearly \$95 million, and Lion/Hendrix has agreed to finance a bankruptcy sale process while serving as stalking horse bidder, opening up the auction competition with a \$76 million credit bid, or an offer to cancel part of the debt.

A spokesman for London-based Lion, which acquired the majority of Varvatos in 2012, couldn't be reached for comment Wednesday on the chapter 11 petition.

Mr. Varvatos, 65 years old, founded the line in 1999 after stints at the Ralph Lauren and Calvin Klein fashion houses. At the time of the bankruptcy filing Wednesday his name was on two menswear collections, on licensed products such as eyewear and fragrance, and on 27 brick-and-mortar stores in the U.S., Canada and Mexico.



John Varvatos and Alice Cooper attending the opening of the line's Detroit store in 2015.

PHOTO: LOREEN SARKIS/GETTY IMAGES

The designer, a longtime friend of Alice Cooper, Iggy Pop and other musicians, sought to keep the rock 'n' roll spirit alive at his retail outlets. The Bowery store that was formerly home to

CBGB hosted performances by rockers ZZ Top, Ian Hunter, Alejandro Escovedo and others on the company's 10th anniversary.

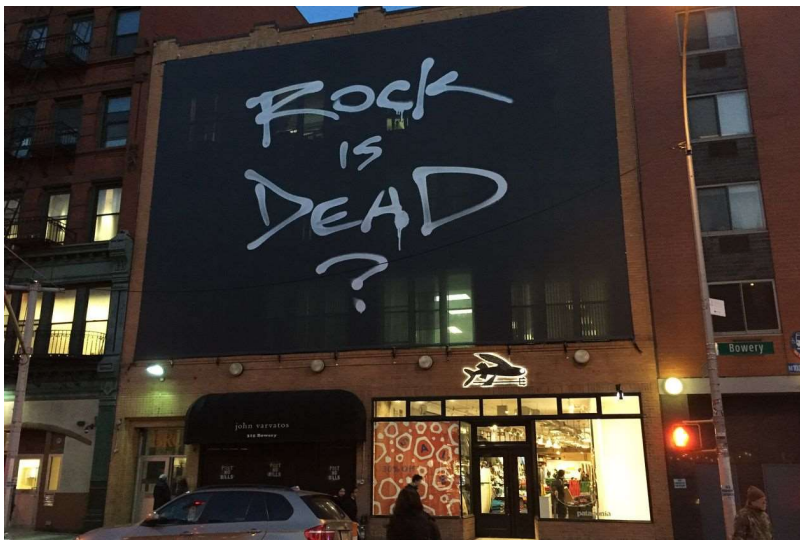
A spokeswoman for Mr. Varvatos couldn't be reached for comment.

Last year, the company tried to sell the designer's youth-oriented clothing line, John Varvatos Star USA, and get landlords to agree to cut rents and renegotiate leases. When those efforts didn't pan out, Varvatos focused on reviving the brand, with new fashions and a sales push, until the pandemic swept the globe.

Going into 2020, Varvatos was trying to dig out of financial troubles that it blamed on cost-cutting measures such as attempts to make the style more appealing to the mass market, which drove off some existing retail customers. Wholesale customers also began dropping the Varvatos line, court papers say. In 2018, Nordstrom Inc. removed some of the line from its department stores, causing Varvatos's profit to decline more than \$2 million.

In addition to the debt to Lion/Hendrix, Varvatos owes banks led by Wells Fargo Bank more than \$19 million, and it has unsecured debts of about \$26 million, court papers say.

MMG Advisors Inc.; law firm Morris, Nichols, Arsht & Tunnell LLP; and Clear Thinking Group LLC are advising Varvatos in bankruptcy.



A John Varvatos store in New York in 2016.

PHOTO: LEANNE ITALIE/ASSOCIATED PRESS

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