BUSINESS EXCLUSIVE

Sears suppliers are getting lowball cash offers for receivables

By Lisa Fickenscher

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Getty Images

The Sears bankruptcy has made suppliers to the retailer skittish — and some investors are looking to make a buck off the situation.

A group of distressed-debt purchasers has been floating lowball offers for the receivables of vendors who sold clothing, jewelry and home goods to Sears ahead of its Chapter 11 filing, sources told The Post.

One of the so-called claims-trading firms, Cherokee Debt Acquisition, for example, sent letters this week to a number of Sears vendors offering to buy their receivables for 55 cents on the dollar.

In return, Cherokee was dangling "an immediate cash payment," according to one such letter The Post reviewed.

Most offers this week range from 55 cents to 70 cents — sharply below rates that would more typically fall in "the high 80s," admits Adam Stein-Sapir of Pioneer Funding Group, a claims-trading firm.

The bids are for merchandise that was shipped to Sears within 20 days of its Oct. 15 bankruptcy filing — goods that typically would be paid in full under a Chapter 11 reorganization.

The rub this time is that Sears to date has only secured $300 million to keep the lights on, claims traders say. While the retailer is in talks to secure another $300 million, it was recently burning through $220 million a month, court papers show.

Last year, Toys 'R' Us vendors had expected to get paid in full after the toy giant filed for Chapter 11. Instead, they got 22 cents on the dollar after the toy retailer staged a surprise liquidation a few months later.

"Toys 'R' Us was a game changer for people in our industry — we are definitely more cautious now," Stein-Sapir said, also claiming that "more vendors than usual are interested in these offers."

Nevertheless, some critics said the uncertainty around Sears has created a situation that's ripe for exploitation.

"These currently low offers are attempting to exploit the fear of administrative insolvency," said Sean Southard, a bankruptcy attorney with Klestadt Winters.

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