

## **KB TOYS: Closing Stores, Cutting Jobs Amid Fierce Competition**

**Troubled Company Reporter** , Nov 21, 2007 ( Source: TCR)

KB Toys Inc. is removing nearly 300 employees from its workforce and is closing more than 100 stores as it faces fierce competition with other big toy retailers, a writer at BerkshireEagle reports.

Citing company figures, BerkshireEagle relates that 122 of KB's 566 stores will be having "closing sales" on the shopping day after Thanksgiving. The other stores, including KB's two Berkshire-based operations, will have the usual Black Friday sales, the source adds.

In 2005, KB emerged from chapter 11 bankruptcy protection after the U.S. Bankruptcy Court for the District of Delaware confirmed its Plan of Reorganization.

The Plan, jointly proposed by the Debtor and its Official Committee of Unsecured Creditors, was based on a plan funding agreement between the Debtor and PKBT Funding LLC, an affiliate of Prentice Capital Management LP.

Pursuant to that agreement, PKBT agreed to invest \$20 million in thereorganized KB Toys and provide a seasonal over-advance credit facility of up to \$25 million in exchange for 90% of the common stock and 100% of the preferred stock of the reorganized company. The remaining common stock was agreed to be held by a trust for the benefit of the unsecured creditors of those KB Toys entities being reorganized under the Plan of Reorganization.

Headquartered in Pittsfield, Massachusetts, KB Toys Inc. -- <http://www.kbtoys.com/> -- is a combined mall-based and online specialty toy retailer operating more than 1,300 stores in four formats within all 50 states, the District of Columbia, the American Territory of Guam and the Commonwealth of Puerto Rico.

The company along with its affiliates filed for chapter 11 protection on January 14, 2004 (Bankr. Del. Case No. 04-10120). The chapter 11 filing resulted in nearly 600 store closures and 4,000 layoffs. In March 2004, KB Toys sold its KBToys.com Internet business to an affiliate of D. E. Shaw, which renamed the company eToys Direct. Joel A. Waite, Esq., at Young, Conaway, Stargatt, & Taylor, represented the toy retailer in its restructuring efforts. When the Debtors filed for protection from their creditors, they listed consolidated assets of \$507 million and consolidated debts of \$461 million.