The Virgin Islands Consortium

Sears, Owner Of Kmart, Files For Bankruptcy. The Company Is Not Expected To Survive.

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Sears, the owner of Kmart, which is one of the largest retailer in the U.S. Virgin Islands of everything from appliances, clothing, toys, and other goods, early Monday announced that it had filed for bankruptcy protection.

The news is significant for the territory in a number of ways: If the retailer winds up shutting down altogether, which is expected, Virgin Islanders employed there would be out of work. But with change comes new opportunities, and the closure could make room for a similar retailer, perhaps a Walmart.

As part of the Chapter 11 bankruptcy filing, which includes a reorganization plan, Sears has negotiated a $300 million loan from Wall Street lenders to help keep its shelves stocked and employees paid.

The company said it was still negotiating with Sears C.E.O. Edward S. Lampert's hedge fund, ESL Investments, for an additional $300 million loan. According to The New York Times, Mr. Lampert will step down as Sears chief executive, but will remain the company's chairman. Three other Sears executives will serve in a newly created role, the office of the C.E.O., overseeing daily operations, Sears said.

“ESL invested time and money in Sears because we believe the company has a future,” Mr. Lampert said in a statement on Monday.

Sears has lost about $5.8 billion in the last five years, and over the past decade, it shut more than a thousand stores. Ten years ago, Sears employed 302,000 people. Today, roughly 68,000 people are employee at Sears and Kmart. The company's total bank and bond debt stood at about $5.6 billion in late September.

Sears was founded shortly after the Civil War and was known as Roebuck & Company. It built a catalog business that sold Americans the latest dresses, toys, build-it-yourself houses and even tombstones. In their heyday, the company's stores, which began to spread across the country in the early 20th century, were showcases for must-have washing machines, snow tires and furniture, according to The Times.

But with the rise or Amazon and mega retailer Walmart, Sears could not keep up, and its foray into the digital era was a failure.

About 100,000 retired Sears employees still receive pensions, which are expected to emerge largely unscathed in the bankruptcy, The Times said. As the company was bleeding cash and selling off assets in recent years, federal regulators required Mr. Lampert to inject cash into the pension plan. Other benefits for retirees like life insurance, however, could be in danger.

Source: The New York Times.