

New York Housewares Retailer Gracious Home Seeks Rebirth

Retailer hopes to emerge from chapter 11 protection and resume selling housewares from one Upper East Side store and online



Liquidation sales were held at a Gracious Home store on the Upper West Side in New York City on November 27, 2016. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

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Feb. 1, 2017 3:37 p.m. ET

0 COMMENTS

After filing for bankruptcy and permanently [closing all but one of its stores](#), Gracious Home is at a crossroads.

The New York retailer, which has all but shut down since its [December bankruptcy filing](#), hopes to emerge from chapter 11 protection and resume selling housewares from one Upper East Side store and online. Such a plan requires the backing of a buyer or investor, which Gracious Home doesn't yet have. Company leaders and advisers say the first step toward drawing such a white knight is reviving Gracious Home's e-commerce business. Tuesday, the company won bankruptcy-court approval to start drawing on a \$3 million loan that will help it acquire the new inventory it needs to do just that.

Counting on a revival of the more than 50-year-old company are employees and creditors owed between \$10 million and \$50 million, as well as shoppers drawn to its selection of home goods like bedding, cookware, cashmere throws and crystal vases.

“I’ve been working on how to restart the business, keep it going and drive it forward,” Chief Executive Robert Morrison told a New York bankruptcy judge Tuesday.

Mr. Morrison and another Gracious Homes representative declined to comment for this article.

Gracious Home was founded on the Upper East Side in 1963 by Cuban immigrant Natan Wekselbaum and his brother David. The family-owned business expanded its footprint throughout the city, where Steven Berenson, David’s son-in-law, said it stood as “a beacon of light and security.”

“It lost some of that—only by circumstances,” Mr. Berenson added.

Gracious Home previously filed for chapter 11 protection in 2010. In court papers, it blamed the collapse of the housing market for declining sales. An investment group purchased the company out of bankruptcy.

But the retailer found itself in trouble again, struggling to compete against online and big-box competitors. In early July, weekly sales dropped to \$680,447, a 26% decline from the same time in 2015, according to internal sales figures reviewed by The Wall Street Journal.

And issues were brewing with lender [Signature Bank](#), which in May declared Gracious Home in default on its loan. As a result, the lender tightened its borrowing terms, eventually accelerating repayment, Mr. Morrison said in court filings. Gracious Home says this forced it to delay rent and other payments, making it tough to purchase new inventory.

A representative of Signature Bank, which recently transferred the Gracious Home loan to a new lender, wasn’t available to comment. In prior court filings, however Signature Bank has called Gracious Home’s description of the dispute “revisionist history” and denies that it is responsible for the retailer’s “longstanding business problems and defaults.”

Under a deal reached in November to give the retailer breathing room on the loan, Gracious Home said it had to hire a new officer to help it restructure. At an employee meeting that month, company leaders were optimistic about plans to find a new lender and take the business forward, according to people familiar with the meeting. Leaders emphasized the company wouldn’t be going out of business, these people said.

Within several weeks, however, Gracious Home filed for chapter 11 protection with the goal of “right sizing” itself, court papers say. Since the Dec. 14 filing, Gracious Home has used the bankruptcy process to permanently close three of its four stores—one on the Upper West Side, one in Chelsea and one on the Upper East Side. Mr. Morrison said in court that the company laid off all but about two dozen of its employees, who court papers say numbered 111 at the time of the bankruptcy filing.

“The business has been effectively closed,” Gracious Home adviser Adam Rosen said Tuesday in bankruptcy court.

Efforts to attract a buyer or investor depend upon restarting operations, according to Mr. Rosen, of the investment firm B. Riley & Co. “[Gracious Home] would have significantly more value if it restarted than it would today as a closed operation,” he said in court.

The company’s hopes of revival were given a boost Tuesday, when Judge Mary Kay Vyskocil granted its request to draw \$1 million of a \$3 million loan. Without the funding, Gracious Home advisers warned the court that the company wouldn’t survive beyond the next two weeks.

Gracious Home lawyer Joseph DiPasquale on Wednesday told The Wall Street Journal that the financing will allow the retailer to buy new inventory. He added that Gracious Home hopes to resume online sales in March.

“It’s a very positive step for the company’s survival going forward,” he said.

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