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Big Brands To Hit Bankruptcy In 2025 So Far

By **Yun Park**

Law360 (August 29, 2025, 5:39 PM EDT) -- When packaged-foods giant Del Monte filed for bankruptcy this summer with $1.23 billion in debt, it became another iconic brand to seek relief in bankruptcy court, joining public-facing names such as Claire's and Hooters of America.

Del Monte Foods Corp. II Inc., a titan in canned peaches and green beans, sought Chapter 11 in New Jersey on July 1 after last year's liability management deal failed to ease its $1.23 billion debt burden. The company cited its heavy debt load, rising interest rates, and cooling post-pandemic demand as key factors in its struggles.

Del Monte now plans to sell its assets under a restructuring support agreement backed by most of its secured creditors. A Chapter 11 auction is scheduled for Nov. 12, followed by a sale hearing on Nov. 20. The court has also approved $912.5 million in financing to support the company as it seeks a buyer.

A number of other high-profile consumer brands have filed for bankruptcy this year, including genetic testing company 23andMe, Italian dining chain Bertucci's, home goods retailer At Home, balloon purveyor Party City and Canada's more than 350-year-old Hudson's Bay.

Macroeconomic impacts from COVID-19 and higher rates have played a major role in these brand bankruptcies, along with recent policy changes under the new U.S. administration. John Sparacino of McKool Smith, who has more than 30 years of experience in bankruptcy practice, also cited shifting consumer habits and the decline of brick-and-mortar retail as key pressures.

"Obviously, there's a lot to changing consumer preferences," Sparacino said in an interview with Law360. "It's remarkable how quickly sometimes things can flip overnight. It wasn't very long ago that Forever 21 was the hot brand, and they were opening stores everywhere. Now they're dying on the vine."

"It's hard to shed those spaces and those liabilities and those leases," he added.

Sparacino said that lingering COVID-19 effects, including supply chain disruptions and operational missteps, have strained businesses, and that industry-specific challenges from tariff and policy changes have added further pressure across sectors from retail to renewable energy and manufacturing.

Law360 reviewed the most prominent brand bankruptcies filed so far this year.

Claire's

The parent company of jewelry chain Claire's filed for Chapter 11 protection in Delaware on Aug. 8 for the second time in seven years, with $690 million in funded debt and plans to close its stores.

Claire's Holdings LLC said its shift to e-commerce faltered because the model didn't fit its business, and that it had lost customers due to rising prices, driven by increasing costs and tariffs.

A Delaware bankruptcy judge on Aug. 21 gave interim approval for a $22.5 million debtor-in-possession facility from a private holding company that plans to buy the majority of the Claire's U.S. stores through an asset purchase agreement.

The DIP lender is AWS Claire's LLC — an entity owned by a buyer group led by Ames Watson LLC — and it's planning to buy at least 795, and up to 950, stores for $104 million in cash, a $36 million note and some other benefits, according to court documents.

Claire's will return to court on Sept. 9 for a second-day hearing, during which it will seek final approval of the DIP motion and conditional approval of a disclosure statement that would allow it to solicit votes on a Chapter 11 plan.

Claire's, which currently has about 2,300 brick-and-mortar stores in the U.S., previously initiated a bankruptcy filing in 2018 with $2.1 billion in debt. It emerged from that bankruptcy after shedding unprofitable leases and $1.9 billion of its debt, and went on to become profitable for several years, according to the declaration.

The case is in re: Claire's Holdings LLC, case number 1:25-bk-11454, in the U.S. Bankruptcy Court for the District of Delaware.

Hooters of America

Restaurant chain Hooters of America filed for Chapter 11 bankruptcy on March 31 with plans to shed company-operated locations and exchange its $380 million in funded debt for equity.

Hooters is seeking approval for its proposed Chapter 11 plan; however, the plan is facing objections from the Office of the U.S. Trustee and a creditor called Lags Equipment, which helped the debtor open a number of restaurants in Florida. The U.S. Trustee said there were outstanding issues with the plan injunction and release provision.

Hooters filed a Chapter 11 plan disclosure statement in early May outlining the terms of its restructuring, which include the sale of a majority of company-owned restaurants and the liquidation of the remaining company-owned locations.

The Texas bankruptcy court in May allowed Hooters to tap the last $30 million of its $40 million Chapter 11 DIP loan after it agreed to escrow disputed royalty revenue to quell Lags Equipment's objection.

The case is In re: Hooters of America LLC, case number 8:25-bk-80078, in the U.S. Bankruptcy Court for the Northern District of Texas.

Joann Inc.

Joann filed for Chapter 11 protection on Jan. 15, carrying $615.7 million in debt, after it got confirmation of a prepackaged plan in an earlier bankruptcy case in April 2024.

The company faced unexpected inventory issues after emerging from the previous bankruptcy, according to a first-day declaration by Joann's interim CEO Michael Prendergast. Combined with a sluggish retail economy, these challenges led Joann into "an untenable debt position," the declaration said.

The debtor's Chapter 11 wind-down plan received approval on July 10 without opposition from any party in interest.

Joann earlier obtained permission to shut down about half of its 800 prebankruptcy store locations, and the court later permitted the sale of Joann's assets to GA Joann Retail Partnership LLC — a subsidiary of GA Group — along with Wilmington Savings Fund Society and the company's prepetition term loan agent. The sale will enable GA Group to fully repay Joann's existing asset-based loans and first-in, last-out loans, as well as to submit a $105 million credit bid to cover the prepetition term loan.

The debtor also announced plans to close the remainder of its stores and wind down operations, after failing to draw bids from any potential buyers that planned to keep the stores open.

The case is In re: Joann Inc., case number 1:25-bk-10068, in the U.S. Bankruptcy Court for the District of Delaware.

Forever 21

Forever 21's U.S. operating company, F21 OpCo LLC, filed a Chapter 11 petition March 16 in Delaware bankruptcy court with $1.58 billion in secured debt, and received the court's permission to shutter more than 300 stores.

U.S. Bankruptcy Judge Mary F. Walrath on June 24 approved Forever 21's Chapter 11 plan to liquidate the fast-fashion retailer's remaining assets, which improved recoveries for unsecured creditors.

Under the revised plan, holders of general unsecured claims will receive a pro rata share of 70% of the net proceeds — significantly higher than the maximum 6% initially proposed — plus 70% of certain remaining funds after the liquidation process, and 100% of recoveries from unencumbered assets, including avoidance actions.

On May 12, the judge approved Forever 21's plan disclosure statement, after the debtor said it had not found a going-concern buyer and would likely liquidate its remaining assets.

The debtor previously filed for bankruptcy in 2019, after facing declining sales and its efforts to expand internationally failed. The brand was then sold for $81 million to F21 OpCo, a consortium of landlords and a retail brand management firm.

The case is F21 OpCo LLC et al., case number 1:25-bk-10469, in the U.S. Bankruptcy Court for the District of Delaware.

Rite Aid

Rite Aid Corp. hit bankruptcy for a second time in New Jersey on May 5, less than a year after getting its previous reorganization plan confirmed, this time bringing with it more than $2.1 billion in debt and plans to sell or close 1,200 stores in 15 states.

After exiting bankruptcy last year, the company had a harder time than anticipated; its operations involve both a pharmacy service and a front-end business, and the latter suffered as vendors didn't relax payment terms and letters of credit did not bring in the liquidity it expected, according to a declaration.

The New Jersey bankruptcy court on May 21 approved a transfer of millions of prescriptions and dozens of stores to CVS, Walgreens and other pharmacy businesses. In June, the court gave the debtor permission to sell its California-based ice cream brand, Thrifty Ice Cream, to a company owned by the billionaire co-CEOs of Monster Energy for $19.2 million.

The court also granted Rite Aid's request for a stay of a number of pending appeals related to the earlier case, including one seeking to overturn the confirmation of the previous Chapter 11 plan.

Rite Aid plans to propose a new Chapter 11 plan, after reaching an agreement on Aug. 21 with a prescription drug supplier McKesson Corp. that would sponsor the debtor's reorganization plan. The company is hoping for a confirmation hearing on Oct. 17.

The case is In re: New Rite Aid LLC, case number 3:25-bk-14861, in the U.S. Bankruptcy Court for the District of New Jersey.

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