

Morgan Stanley, HSBC Settle Tops Grocery Dividend Awards Suit

Bloomberg Law

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September 8, 2025

[\[Link\]](#)

Private equity units of Morgan Stanley and HSBC agreed to terms to settle a trustee's claims accusing the investors of rendering grocery chain Tops Friendly Markets insolvent while paying themselves \$375 million in dividends.

Morgan Stanley Investment Management Inc. and HSBC Equity Partners USA LP, along with a trust established for creditors of Tops Holding II Corp., said in a joint letter to the US Bankruptcy Court for the Southern District of New York that they reached a deal in principle to resolve a 2020 suit filed to claw back "massive, illegal dividends."

The court should hold in abeyance any decisions it may have reached on dueling motions for summary judgment while the settlement is documented and executed, the parties said in their Sept. 5 letter. Terms of the deal weren't disclosed.

Trustee Alan Halperin [filed](#) his suit roughly two years after Tops won approval to reorganize in Chapter 11.

The complaint alleged that a group led by Morgan Stanley's private equity unit, which acquired the New York-based grocery chain in 2007, loaded the company up with debt and funded large dividends while ignoring employee pension liabilities over the course of six years before selling the business.

The private equity investors "bled a once-thriving regional grocery chain dry," Halperin alleged.

The deal comes nearly three years after the bankruptcy court [declined](#) to [dismiss](#) the bulk of Halperin's suit against the banks and certain individual defendants with Morgan Stanley. A federal district court last year [declined](#) the defendants' bid to appeal, putting the parties on track for a high-stakes bankruptcy court showdown.

The trustee is represented by McKool Smith PC. Morgan Stanley is represented by O'Melveny & Myers LLP. HSBC is represented by Greenberg Traurig LLP.

The case is [Halperin v. Morgan Stanley Investment Management Inc.](#) , Bankr. S.D.N.Y., No. 20-08950, letter filed 9/5/25 .