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Bankruptcy Judge Approves RNDC Sale of 17-State Control Business for $14.5 Million

The deal moves the wine and spirits distributor deeper into liquidation under Chapter 11, with employees expected to join Martignetti.

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Republic National Distributing Co. moved deeper into the breakup of its business after a federal bankruptcy court approved the sale of its Control States operations to Martignetti Companies and allowed the company to continue seeking creditor support for its Chapter 11 plan.

The U.S. Bankruptcy Court for the Southern District of Texas approved the sale on Sept. 18. Court filings show the deal covers RNDC's brokerage assets serving 17 states and calls for Martignetti to pay $14.5 million in cash, plus the cost of eligible inventory and the assumption of certain liabilities. The inventory piece was estimated at about $2 million as of July 31.

The sale is a key step in the dismantling of RNDC, which once ranked among the largest wine and spirits distributors in the country. The company filed for Chapter 11 protection on July 26. It said then that it would use the process to pursue additional sales and conduct an orderly wind-down of operations that could not be sold. The filing was not aimed at reorganizing the business and preserving its former national distribution network.

That distinction matters for the beverage alcohol industry because RNDC has been a large operator in the three-tier system that links producers, distributors and retailers. As its markets and distribution rights move to other companies, suppliers and retailers in wine, spirits and other beverage categories may face changes in operating partners, commercial terms and route-to-market arrangements. In control states, where parts of the alcohol system are overseen by public authorities, a change in private brokerage and distribution relationships can also affect supply planning, margins and brand agreements, although the precise impact will vary by market.

According to court records, RNDC told the court it needed to complete the Martignetti transaction or another market sale during the week ending Sept. 25 to maintain minimum liquidity needed to keep operating. The company said the Control States transaction was its most advanced sale and the only one it expected could close within that period.

Martignetti had been pursuing the business for months. The companies announced in May that they had reached an initial agreement for RNDC's Control States operations in Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia and Wyoming. RNDC later told the court that worsening liquidity kept it from closing the transaction outside bankruptcy, pushing the deal into the Chapter 11 process.

Bankruptcy filings state that RNDC's investment banker, Lazard, contacted more than 50 potential buyers during the sales effort and signed confidentiality agreements with more than 25. Martignetti submitted the only actionable proposal to buy the Control States business as one package, according to those filings.

RNDC estimated that its bankruptcy estates would receive more than $11 million in net proceeds from the deal after payments to nondebtor sellers and transaction expenses. Court documents also say all employees tied to the Control States business are expected to transition to Martignetti.

The sale adds to other transactions that had already reduced RNDC's footprint before and around the bankruptcy filing. RNDC previously completed the transfer of 11 markets to Reyes Beverage Group in May, including Arizona, Colorado, Florida, Louisiana, Maryland, Oklahoma, South Carolina, Texas, Virginia and Washington, D.C. The Hawaii portion of that transaction was still subject to regulatory approvals when the deal was announced as completed. RNDC also completed a June transaction with Columbia Distributing involving key brand distribution rights in Oregon and Washington.

When RNDC filed for Chapter 11, it said transactions completed before the filing had preserved more than 5,000 jobs. The company's current effort is now centered less on operating a broad national network and more on selling remaining assets, winding down unsold businesses and distributing value through the bankruptcy process.

The next major court date is Oct. 22, when the Houston bankruptcy court is scheduled to hold a combined hearing on final approval of RNDC's disclosure statement and confirmation of its Chapter 11 plan. The hearing is set for 1 p.m. Central time. Creditors have until Oct. 9 at 4 p.m. Central time to file most proofs of claim.

RNDC filed its first amended plan and amended disclosure statement on Sept. 10. The court conditionally approved the disclosure statement that same day, allowing the company to begin soliciting votes and moving the case toward confirmation.

The proposed plan includes settlements with RNDC's ownership groups that would contribute $50.25 million in cash to the bankruptcy estates and eliminate certain claims held by those parties. Those settlements remain subject to the bankruptcy process and court approval.

If the plan is confirmed, the case would move further away from day-to-day operation of RNDC's remaining businesses and more fully into asset disposition, claims resolution and distributions to creditors. That would formalize a shift already visible in recent months as distribution rights and operating territories once held by RNDC moved to other companies.

Not every business tied to RNDC is part of the Chapter 11 case. Court filings say National Distributing Co. is not a debtor. RNDC also said its joint ventures in New York, Illinois, Ohio, Michigan, Indiana and Kentucky were excluded from the bankruptcy filing, while its Alaska joint venture was included.

The pace of the case now turns on whether RNDC can finish its remaining transactions and wind-down work on schedule before the Oct. 22 confirmation hearing. For alcohol suppliers, wholesalers and retailers, the bankruptcy is not only a financial restructuring in court. It is also reshaping who controls distribution relationships in a number of markets across the United States, with potential effects on product flow, sales coverage and supplier alignment as the former RNDC network is sold off rather than rebuilt.