

**Trustee Says Cornell Capital ‘Plundered’ Bankrupt Instant Brands**  
**WSJ Pro Private Equity**  
**Chris Cumming**  
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*A court-appointed lawyer said a \$345 million dividend recapitalization led to the Instant Pot maker's bankruptcy*

A trustee for Instant Brands' creditors accused private-equity firm Cornell Capital of looting the bankrupt kitchen-appliance maker through a dividend recapitalization, driving it into insolvency and costing its lenders millions of dollars.

On Wednesday Alan Halperin, appointed by a Texas bankruptcy court to recover money for creditors, sued the New York private-equity firm and more than 20 co-defendants, alleging they concealed information from Instant Brands' lenders and falsified financial records to obtain a \$450 million loan in 2021.

This payment accelerated Instant Brands' financial decline, according to Halperin's lawsuit, filed in the U.S. Bankruptcy Court for the Southern District of Texas. The company, best known as the maker of Instant Pot pressure-cookers, [filed for bankruptcy](#) last year.

"Cornell Capital plundered the company and left it insolvent," Halperin said in his complaint.

The lawsuit asks the court to void the dividend, undo other prebankruptcy asset transfers and award at least \$400 million to the creditors.

"We are aware of the complaint, which is baseless and without merit," said a Cornell Capital spokesman. "We intend to vigorously defend ourselves."

Along with the firm itself, the lawsuit names as defendants three Cornell Capital executives, including founder Henry Cornell, as well as Instant Pot inventor Robert Wang and several of the company's former managers and directors.

The Cornell Capital executives declined to comment. Instant Brands and the other defendants either didn't reply to requests for comment or couldn't be reached immediately.

Cornell Capital bought Instant Brands in 2019 and [combined it](#) with kitchenware company Corelle Brands, whose other lines include Pyrex cookware and Chicago Cutlery. When Instant Brands filed for bankruptcy in June 2023, it cited more than \$500 million in liabilities and seven consecutive quarters of declining sales.

According to the lawsuit, Instant Brands' owners had been misrepresenting and manipulating the company's finances for years before the failure. The trustee alleged the company's management and owners had also sought to conceal a government investigation into hundreds of reports of Instant Pot explosions or fires, some of which caused injuries.

According to the complaint, after acquiring Instant Brands for \$615 million five years ago, Cornell Capital's management quickly discovered that the sellers had inflated the company's finances. Cornell Capital calculated that it had overpaid by \$273 million as a result of these manipulations, the lawsuit says.

The lawsuit said Henry Cornell referred to Instant Brands' 2018 financials as "pure fluff," and a 2019 presentation to the company's directors "sarcastically applied a SURGEON GENERAL'S WARNING" to its financial results, cautioning that they "may be harmful to an accurate understanding of the business," the lawsuit said.

Cornell Capital threatened to sue Wang and the company's other co-founders, but in 2020 they reached a settlement that released the sellers from liability while massively reducing the value of the sale, the lawsuit said. Corelle Brands then filed an insurance claim for losses stemming from the false financials before the sale, the lawsuit says.

With Instant Brands in far worse financial shape than Cornell Capital had expected, the firm sought to make good its losses through a dividend recapitalization, the lawsuit says.

Often called div recaps, these are transactions in which a company owned by a private-equity firm borrows money to pay out a dividend to its owners. The tactic is controversial because it can weaken a company's finances for the benefit of the buyout firm. But it is increasingly popular: Private equity-owned companies took on \$43 billion in debt to pay dividends this year as of early August, according to industry researcher PitchBook Data.

In 2021, Instant Brands took out a \$450 million loan then paid out a \$345 million dividend, including \$200 million to Cornell Capital and its co-investors, the lawsuit said. Cornell Capital didn't disclose to lenders the inflated Instant Brands sale price, the settlement with the prior owners, or the government investigation into reports of product malfunctions, the lawsuit said.

About a year ago, private-equity firm Centre Lane Partners acquired the Instant Pot brand in a bankruptcy auction. None of the individuals or businesses sued by Halperin have any affiliation with the current Instant Pot business or with Centre Lane, said firm co-founder Quinn Morgan, who declined to comment on the lawsuit.