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November 15, 1996 Volume 10, Number 18

WRT Energy's Oil - Slick?

Examiner's Report Forthcoming

by Debra J. Brennan

There is an inordinate amount of gossip about some of the financial transactions behind the Chapter 11 petition of WRT Energy Corporation, a Texas corporation engaged in the business of exploration, drilling and production of oil, gas and other petroleum products. There are creditors believing that the alleged misappropriations of cash and property are worse than originally considered. Notwithstanding the rumors of foul play, the oil fields are considered to have great value, particularly the West Cote Blanche Bay Field.

In the immediate future the court will be receiving the report of the Examiner, Jason Searcy, an attorney from Texas. And many believe and hope that the appointment of a Trustee is the next necessary step in order to unravel the truth. Back in April of 1996, the court authorized WRT to retain Jefferies & Company as its financial advisor, to analyze,

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NeoStar Announces Auction of Assets

Desparately Sought Credit Solution

by Debra J. Brennan

NeoStar Retail Group, Inc., the parent company of Babbage's and Software Etc., is the nation's leading chain of consumer software specialty stores. Forced to file a petition in Chapter 11, due to weak store sales, NeoStar hoped to put its DIP lending facility in place, and stock the shelves for the holidays. Unfortunately, the costs of the Chapter 11 took an incredibly deep cut into the cash, and the trade credit stiffened.

The company was engaged in discussions with Leonard Riggio, a director and stockholder of NeoStar, concerning possible financial support, such as a subordinated debtor-in-possession financing or a credit enhancement arrangement. NeoStar's DIP lenders, its trade creditors and Riggio were unable to reach any agreement on the terms of the financing transaction. NeoStar's Chairman, Thomas G. Plaskett, stated that the

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Plaid Clothing Sells It All

Court Approval Sought for Sale to Hartmarx

Debra J. Brennan

What evolved from an idea of an investment group based in the United Arab Emirates, has, through several acquisitions, led to a business with annual sales of over $260 million in the fiscal year preceding the filing of the Chapter 11 petition. Plaid and its subsidiaries operated ten separate manufacturing facilities located in eight different states, two distribution centers, two general offices, an executive office and showroom space in New York City, a main office and showroom for the Youthwear Division, and four small sales offices. At its peak, Plaid, through its subsidiaries, had over 4,000 employees.

Plaid acquired the operations of J.Schoeneman, Inc. and the Palm Beach Company, Inc., both leading manufacturers of men's tailored clothing. However, there were problems with the technological capabilities of both companies, and production inefficiency led to

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WRT Energy, *from page 1*

structure, negotiate and effect the sale of all of WRT's assets. Public data was supplied to forty entities in the oil and gas exploration and production industry. After receiving five letters of interest, WRT determined that the proposal from DLB Oil & Gas, Inc. and Wexford Management LLC was the highest and best offer. Not incidentally, DLB and Wexford are significant bondholders of WRT's 13 7/8 Senior Notes due 2002. Termed a "stalking horse" proposal, which WRT feels should be protected by the court, WRT is seeking approval of the plan and a quick resolution of the case.

The plan provides for unsecured creditors to receive publicly traded stock in a recapitalized WRT, capital would be contributed to a reorganized WRT pursuant to a stock rights offering in an amount sufficient to pay administrative and pre-petition priority claims and certain secured claims, and working capital would be made available for WRT's future business operations. Will this plan be confirmed? The segregation of the creditors' claims may prove problematic when the debtor seeks consensus for confirmation of the plan.

A press release has already been issued, as if this is a done deal. Whoa, not so fast, as this may be a horse of another color. There are serious allegations of misappropriations and many questions surrounding WRT. There are very diligent unsecured creditors in this case who are not going to look the other way. In fact they are not even going to blink.

As an aside, WRT states in its motion that all creditor constituencies in this case have expressed varying degrees of anxieties as to WRT's now proceeding promptly with a proposal of a plan. The variety of degrees range from high anxiety to extreme anxiety.

Doug Heller, a partner of Heller Hickox Dimeling Schreiber and Park, a buy-out firm specializing in gas and oil turnarounds, and the firm which acquired Gulfstream Resources Inc. out of Chapter 11, remains interested in this case. Heller said that his firm provided an alternate reorganization plan to the management of WRT, and he said, "We will continue to watch the case, and hope to provide and pursue what we believe is a more viable plan of reorganization for the company."

This appears to be an ideal opportunity for a Trustee to come in and straighten out a very difficult situation. To think otherwise may be naive.

NeoStar, *from page 1*

company was required to use its cash resources faster than anticipated, due to the costs of the Chapter 11 filing and it was unable to achieve sufficient levels of trade credit upon acceptable terms.

NeoStar, now in default under the terms of its current DIP financing, failed to find viable financing alternatives, and the company has announced its plans to auction its assets. Plaskett said that NeoStar is in the process of seeking Bankruptcy Court authorization to proceed with the auction plan. He also said that NeoStar was in discussions with its DIP lenders concerning financing during the auction process. Vendors are being notified to stop shipping new inventory. Plaskett said the shortfall in trade credit resulted in the default under the company's DIP credit facility. Due to the default, the DIP lenders are no longer obligated to make additional advances under the DIP credit facility.

Personnel in the Babbage's stores in Montgomery Mall, Bethesda, Maryland, and in Laurel Centre Mall in Laurel, Maryland both expected to be open for the holidays, but it was not known if the stores would be fully stocked. No new shipments of merchandise are expected. With very little preparation, store personnel were told it was over. Were they surprised that it all happened so quickly? You bet.

Something went awry in what had seemed like a typical Chapter 11 filing for a retailer with 650 stores, employing 5000 people in 49 states What happened so quickly to NeoStar? There was a channel shift, the super stores got all of the business, and there was a major downturn in the computer software business.

According to Howard Davidowitz, a retail analyst, with Davidowitz & Associates in New York, "NeoStar set the new world's indoor record; they received a line of DIP financing, burned through the whole thing and disappeared over night." Davidowitz says that NeoStar avoided several years of hand-wringing, lawyers' fees, investment bankers' fees and the entire period of time in which people eat off the carcass. Davidowitz said, "There is literally no difference between the NeoStar case and Merry-Go-Round, except that this was quick." He said that Riggio was brilliant. "They probably begged him to put up more money, to keep it all going a little longer, and he wouldn't." These stores were truly a flash in the pan, on a mega-mall scale.

Plaid, *from page 1*

a business restructuring in 1993.

In an attempt to increase its sales, Plaid opened factory outlet retail stores. During 1995, 21 factory outlet stores were in operation throughout the United States. Plaid attempted to acquire Gruppo Finanziario Tessile S.p.a., one of the largest manufacturers of men's and women's clothing in the world. However, after spending $14 million, the takeover attempt failed. Together with poor operational results and excessive inventories after the restructuring, Plaid filed for Chapter 11.

Subsequent to the filing, Richard C. Marcus, who had been the Chief Executive Officer of Plaid in 1994, resigned and William V. Roberti was hired as Plaid's President. The debtor then divided its businesses and operations into four components, which proved successful. The company downsized to only three active manufacturing facilities and one distribution facility. The debtor also decided to proceed with only three of its licenses, Burberrys, Evan-Picone and Claiborne. Finished goods inventories from the summer of 1995 through May of 1996 were reduced by about 63 percent. The debtor closed and liquidated all of its retail stores and its Youthwear Division.

Even with all of its reducing overhead and costs, availability levels continued to deteriorate and sales were weak due to both the wariness of customers that there would be a liquidation and orders would not be filled, and extraordinary bankruptcy-related expenses. After some emergency credit from Burlington Industries, Inc., the company decided to sell all of its assets.

The debtor determined that the bid by Hartmarx Corp., of Chicago, was the strongest in that it would result in the debtor receiving more value than what would have been received in an organized liquidation, and the bid substantially minimized the level of administrative expense claims.

Hartmarx, once the premier men's clothier in America, is now one-fifth its peak size. Homi Patel, President and Chief Operating Officer of Hartmarx said, "Synergistically, this business fits very well with several of our other businesses and it is our intention to leverage the assets and strengths of both Hartmarx and Plaid to build even stronger franchises for the various brands." His expectation is for "a seamless transfer of assets."

Research Report

Who's Who inToday's Man, Inc.

by Nancy L. Wolfe

Today's Man, Inc. and its affiliates filed a voluntary petition to reorganize under the protection of Chapter 11 on February 2, 1996 in the District of Delaware. The New Jersey-based company cited decreasing sales caused by pressures in the retail market and a desire to restructure its credit lines as its reasons for filing. Company officials stated that they would drastically reduce operating costs and streamline their major departments. Simultaneously, the company announced that it would not open additional new stores in 1996. At the time of filing, Today's Man listed assets of $108.7 million and liabilities of $77.6 million. David Feld, the Chairman, Chief Executive Officer and largest shareholder of the company, also filed for personal bankruptcy protection in a bankruptcy court in New Jersey.

The company was founded in Pennsylvania in 1971 by David Feld and was known as Feld & Sons until 1992 when it changed its name to Today's Man. It is a leading operator of menswear superstores that specialize in good quality brand name and private label tailored clothes, accessories and sportswear offered at low prices. By January of 1995, Today's Man operated 35 superstores in the Philadelphia, Washington, D.C., New York and Chicago areas as well as an outlet in Florida. In February 1996, it closed seven of the Illinois stores in an effort to concentrate on improving results in its strongest stores. Later, it closed three additional underperforming stores, leaving a total of 25 operating store. Also in February, Today's Man announced that, as part of its marketing strategy, J. Baker Inc. Shoe Corp. of America would open shoe departments in nine of the Today's Man stores.

In March, the Bankruptcy Court formally approved a $20 million debtor-in-possession (DIP) financing facility for Today's Man with CIT Group/Business Credit, Inc.

In September 1996, the Court extended the debtor's exclusive period to file a reorganization plan to December 2, 1996. Today's Man officials said that the company is looking for third parties to take part in the reorganization plan. Previous reports mentioned The Men's Wearhouse as possibly having an interest in Today's Man.

Results for the third quarter of 1996, ending November 2, 1996, showed the company with $44.6 million in sales—a 19% overall decrease compared with $54.9 million for the third quarter last year. Today's Man officials say the decrease is due partly to its elimination of 10 weaker stores earlier in the year. The good news was that, for the second consecutive quarter, the debtor listed an operating profit— $11,000 for the third quarter. Net loss for the quarter was $750,100, including $796,400 in reorganization costs.

For the nine months ending November 2, 1996, Today's Man sales decreased 24% from the same period last year. Comparable store sales for the third quarter increased .5%, but decreased 12% for the nine month period.

The Debtor

Officers of Today's Man include **David Feld**, the company's founder and Chief Executive Officer; **Burt Chapman**, Vice President, Marketing and Sales; **Frank E. Johnson**, Vice President and Chief Financial Officer; **Leonard Wasserman**, Executive Vice President; and **Larry Feld,** Vice President, Store Development.

Blank, Rome, Comisky & McCauley in Philadelphia represents the debtor. Partners **Howard Glassman, Raymond Shapiro** and **Regina Stango Kelbon** lead the firm's efforts in the case. Other bankruptcy clients include the debtor in the second Braniff case, the creditors' committee in Bill's Dollar Stores, and the creditors' committee in Magic Restaurants.

The **CIT Group/Business Credit, Inc.** in New York provides debtor-in-possession financing to the company.

Schulte Roth & Zabel in New York City represents the CIT Group. Partners **James Peck, Mark Neporent** and associate **Mark Broude** are in charge of the case. The firm has also represented the secured creditors in Ernst Home Center, the creditors' committee in Rockefeller Center Properties, and various parties in Olympia and York.

Ernst & Young is the financial advisor to the debtor. Partner **Peter Schwab** works on the case in the Chicago office. In New York, partner **Mike Eisenband** handles the case along with Senior Manager **Brian Fox**. They are both with Ernst & Young's Special Services Group.

MWW/Strategic Communications, of East Rutherford, New Jersey, provides public relations and financial relations counsel to the debtor.

The Official Committee of Unsecured Creditors

Members of the committee include **After Six Ltd., Bank of New York, Barclays Bank PLC, Intercontinental Branded Apparel, Marzotto (USA) Corp., NationsBank, N.A.** and the **Feiss Co.**

The creditors' committee is represented by **Siegel, Sommers & Schwartz** in New York City. Partner **Lawrence Gottlieb** handles the case along with partners **Eric Haber** and **Cathy Hershcopf**. The firm has also represented the creditors' committees in Allied Stores, Herman's Sporting Goods and Bergner, P.A.

Young, Conaway, Stargatt & Taylor in Wilmington, Delaware is co-counsel to the creditors' committee. Partner **Laura Davis Jones** is in charge of the case. Other bankruptcy clients the firm has represented include the debtors in Color Tile, Columbia Gas System, Inc., and Continental Airlines.

Deloitte & Touche in New York City is the financial advisor to the committee. Partner **Holly Felder Etlin** of the Reorganization Services Group is in charge of the case.

The Trustee

In the office of the United States Trustee for Region 3, **Patricia A. Staiano** is the U.S. Trustee.

The Judge

The presiding judge is the Honorable **Helen S. Balick** in the District of Delaware.

Tracking

FoxMeyer

McKesson Corp. announced the completion of its acquisition of the health care distribution business of FoxMeyer Drug Co. Alan Seelenfreund, McKesson's Chairman and Chief Executive Officer said, "This is an exciting opportunity for McKesson, it brings us a step closer to our goal of leadership in health care management. The transaction allows us to use our considerable financial strength and expertise with information technology, and to leverage our strategic initiatives over a broader customer base. From this position, McKesson will strengthen its ability to effectively market products on behalf of manufacturers through retail and institutional channels."

McKesson paid about $23 million in cash to the debtor, paid off about $500 million in secured debt and assumed an additional $75 million in other liabilities. McKesson acquired assets consisting primarily of accounts receivable and inventories of approximately $650 million, customer contracts and fixed assets. FoxMeyer, headquartered in Dallas, employed approximately 2,200 people, who will become part of the McKesson workforce. FoxMeyer operated in 21 states and the District of Columbia.

Phar-Mor

Phar-Mor, Inc. announced the results for its first quarter of fiscal 1997, the thirteen weeks ended September 28, 1996. Sales were $264.6 million compared to $254.8 million for the comparable 13 weeks of the prior year, an increase of 3.8 percent. Comparable sales for the month of September compared to September in the previous year showed an increase of 7.8 percent. The company is introducing a new prototype store which includes a new grocery department of about 12,000 square feet. For the two stores already remodeled into the new prototype, one in Bethel Park, Pennsylvania and one in Allentown, Pennsylvania, the sales volume increased 31 percent in a one month period over the previous year and there was a 9.7 percent improvement in comparable gross profit dollars. Phar-Mor and ShopKo Stores, Inc. have submitted documents for review by the S.E.C., and the companies anticipate a vote on their merger proposal by their respective shareholders by the end of the year.

Best Products

Best Products Co., Inc. signed an enhanced deal to sell substantially all of its retail-related assets to an investor group comprised of Jubilee Limited Partnership III (an affiliate of the Schottenstein family), Bernstein Financial Group, LLC, Alco Capital Group, Inc. and The Nassi Group, LLC. Best's Chief Executive Officer Daniel H. Levy said "We believe the agreement may allow the Chapter 11 case to be completed on an expedited basis. Unfortunately, business realities made it impractical for the investor group to continue operating a portion of Best Products' stores as originally planned." Going-out-of-business sales are expected to begin within the next few weeks in the company's remaining 88 Best stores and 11 Best Jewelry stores in 17 states.

Approximately 3,500 full-time employees and 2,000 part-time employees will be affected.

Barney's

There are reports that both Saks Fifth Avenue and the Neiman Marcus Group are both seriously seeking either a merger or acquisition of Barney's. Apparently both of the American retailers are expressing more serious bid preparation than any of the international firms which have shown interest in Barney's. In order to view Barney's financial data, any potential partner or owner must sign an agreement of silence. Sakds Fifth Avenue signed the agreement. Dickson Concepts, a Hong Kong operation with stores in Asia and London, bid $350 million for the company, which apparently was not enough for the Pressmans, but provides a semblance of value for the vying operations.

Hayes

Hayes Microcomputer Products announced that revenue and net income declined during the quarter ended September 30, compared with the same period a year earlier. However, the company's gross margins, and net inventory improved significantly during the quarter. For the first nine months of 1996, the company lost $419,000 on revenues of $201.2 million versus a loss of $10.7 million on revenues of $197 million during the first nine months of 1995. Joseph Formichelli, Hayes President and CEO said, "The September quarter was an important rite of passage in creating the Hayes comeback. It was

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Calendar

15th Annual Bankruptcy Conference
November 21-22, 1996
Four Seasons Hotel
Austin, Texas
Contact: The University of Texas School of Law
(512) 475-6700
Fax (512) 475-6876

Basics of Bankruptcy and Reorganization
November 21-22, 1996
The PLI Training Center
810 Seventh Avenue at 53rd Street
New York, New York
Contact: Practising Law Institute
(800) 260 4PLI
Fax (800) 321-0093

ABI Winter Leadership Conference
December 5-7, 1996
Westin Mission Hills Resort
Rancho Mirage, California
Contact: Kristi Mumford
(703) 739-0800

Stetson University College of Law 21st Annual Bankruptcy Seminar
December 6-7, 1996
Sheraton Sand Key Resort Hotel
Clearwater Beach, Florida
Contact: Jan Majewski
(813) 562-7830

3rd Annual Conference on Distressed Debt
December 9-10, 1996
The Helmsley Park Lane Hotel, N.Y.
Contact: The Strategic Research Institute
Jonathan Moore (800) 599-4950

INSOL International 5th World Congress -Understanding International Insolvency
March 23-26, 1997
Sheraton New Orleans
Contact Richard A. Gitlin
Hebb & Gitlin
One State Street
Hartford, Connecticut 06103
(203) 240-2720
Fax (203) 278-8968

Special Report

Profile: Equitable Bag Co., Inc.

by Nancy L. Wolfe

Case No. 95-00577

U.S. Bankruptcy Court, District of Delaware

The Honorable Peter J. Walsh, presiding

Filed: May 18, 1995

Plan approved: June 14, 1996

Time in bankruptcy: 13 months

Counsels to the Debtor:

Theodore LaPier, Berlack, Israels & Liberman, New York

James L. Patton, Jr., Young, Conaway, Stargatt & Taylor, Wilmington, Delaware

Counsels to the Creditors' Committee:

William H. Sudell, Jr., Morris, Nichols, Arsht & Tunnell, Wilmington, Delaware

Chaim J. Fortgang and Scott K. Charles, Wachtell, Lipton, Rosen & Katz, New York

Background

The Equitable Bag Company originated in New York in 1919 as a manufacturer of paper bags for retail stores. The company successfully used direct marketing to become a leading supplier of bags to department stores and branched out into flexible plastic packaging used in store displays and mailing services. In 1935, Equitable Bag purchased a paper mill in Texas and began manufacturing custom color and embossed paper. In the 1970s and 1980s it started to produce plastic bags for retail use. The company grew to employ 937 workers in its headquarters in Long Island City and plants in Texas and Kentucky.

Equitable Bag was a privately held family business until 1988 when it was sold to Triangle Industries (currently Triarc). The company underwent various changes in management, incurred high debt and suffered profit losses at a time when the retail market was already weak. These events led to a prepackaged bankruptcy in 1994 from which it emerged in about two months. A new group of investors subsequently purchased the company's debt, but it sagged under the weight of the increased costs of raw materials plus credit borrowings, and finally slid once again into bankruptcy.

Bankruptcy

Equitable Bag, along with its subsidiary EBC Services Corp., filed the current bankruptcy in May 1995, only months after emerging from the first bankruptcy. It listed assets of $140.7 million and liabilities of $106.1 million at the time of filing. The majority of stock was owned by Cede & Co., based in New York.

Jonathan Canno, grandson of Equitable Bag's founder, had been executive vice president for sales and marketing and, after nearly resigning, came on board as president, chief executive officer and member of the board to help pull his family's former company out of bankruptcy. He brought back former employees who had left or been laid off and worked to lure former customers back to the company as well as to acquire new ones. As he tells it, the hardest issues to deal with were laying off over 200 loyal employees as the company downsized and securing new financing essential to its emergence from Chapter 11. As CEO, he had to take on all sorts of roles he had no experience with, he says. "Debt was something new to me," Canno explains, adding that the family had always operated the company free from debt.

The Plan

In June 1995, the Court approved Equitable Bag's $40 million debtor-in-possession financing with Foothill Capital Corp. and the following month the company reached agreement with its creditors' committee on a reorganization plan. Equitable Bag initially forged an agreement with the Newcastle Group, also a bag company, to restructure through a merger and financing agreement. That deal was later eclipsed when Equitable Bag reached an agreement with its creditors on an amended organization plan that would replace a management consulting arrangement with a corporation owned by Newcastle with The Belet Group, Inc., a turnaround company based in Newport Beach, California.

The final plan, approved by the Court on June 14, 1996, provided that $50 million of 11percent senior notes will be exchanged for one million shares of preferred stock with a liquidation preference of $25 per share and 88 percent of the common stock of the newly organized company. In addition, pre-petition trade vendors and other unsecured creditors would recieve 50 cents on the dollar payable over five years or over three years for those offering favorable credit terms to Equitable Bag. As part of its restructuring, Equitable Bag moved its executive headquarters from Long Island City, New York to Manhattan and its general offices to Florence, Kentucky.

Canno credits Jacques Belet with finding and arranging the financing that led Equitable Bag to its emergence from Chapter 11, leaving Canno freer to handle other matters. "I couldn't have done it without him, " Canno says. He also offers kudos to his attorneys at Berlack, Israels & Liberman whom he said did a "spectacular job" throughout the process.

Except for the $40 million revolving line of credit for working capital, Equitable Bag emerged from its time in Chapter 11 debt free and ready to pick up its place in a market where it had been a leader for 77 years. Canno and Belet said in a joint statement that Equitable Bag would not only be out of bankruptcy but would now be "in a solid position to grow and dominate the market." Despite the hardships, Jonathan Canno says he found the experience a rewarding one personally because he was working to resurrect a company that had been in his family for three generations.

Worth Reading

Courts, Judges and Professional Organizations on the World Wide Web

by Debra J. Brennan

If you are searching for bankruptcy courts and official bankruptcy information including bankruptcy rules for a given jurisdiction, many bankruptcy courts are now using the World Wide Web to offer procedural guides, local rules and bankruptcy statistics. Most of those courts that have set up their own home pages also list office locations, hours, phone numbers, fees and amendments to local rules.

Some courts which currently operate a home page with general bankruptcy information include the Eastern and Western Districts of Arkansas (http://www.wlj.com/bankr.txt); New Mexico (http://www.nmcourt.fed.us/bkdocs); Alaska (http://www.touchngo.com/lglcntr/usdc/bnkrptcy/bnkrptcy.htm); Kansas (http: www.solgate.com/~usbcsys/); Idaho (http://home.rmci.net/uscourts/); the Eastern District of Pennsylvania (http://www.microserve.net/legal/notice6.html) and the Southern District of Oregon (http://hunt.com/legal/form.htm) provides an on-line proof of claim filing form.

Both the American Bankruptcy Institute (http://www.abiworld.org) and the Commercial Law League of America (http://bankrupt.com/clla/whatsnew.html), the two organizations serving bankruptcy professionals offer web sites filled with information for practitioners in the field of troubled companies and bankruptcy, and these sites may also be of interest to those parties to a bankruptcy or to a legal action with implicit bankruptcy issues or problems.

Most interesting at the ABI Library, a choice at the home page, is a newsletter of insolvency issues, which includes four articles written by different attorneys. Also included is membership information, news headlines, legislative news and ABI conferences. Although some court opinions are available here, the judges' opinions are old, the most recent dated May, 1996.

The Commercial Law League has a most interesting section about "What's Going on in Washington," and a detailed report about the National Bankruptcy Review Commission. There is also information regarding the organization and its membership.

Judge Alan Jaroslovsky, a U.S. bankruptcy court judge in Santa Rosa, California, has his own home page. (http://home.aol.com/Judgejaro) The most useful information for those attorneys or debtors seeking information about him is a listing of local procedures and the latest cases decided by the judge. A short biographical sketch may be helpful, to learn that the judge has no comment on his marital status and that his hobby is car racing.

The judge welcomes viewers by saying, "Welcome to the Santa Rosa Bankruptcy Court. Your litigation experience will be enjoyable and fruitful if you learn our procedures and present your case as succinctly as possible."

Most incredibly, when you click on the line that says "Click here to see the judge in action" you don't see the judge raising his gavel, but instead you see a picture of a Budweiser sign with a Mazda racing car under the picture. If you continue on the home page you can find a listing of the SCCA San Francisco 1996 championship points standing, which places the judge in third. What this has to do with your fruitful experience in bankruptcy court is a bit of a stretch, but if giving the judge a human face is appropriate, well, it's all in good fun.

The Internet can be most useful in a large law suit, where many creditors or parties are involved and where vast information needs to be supplied to large numbers of people within a very short time. Trustees and creditors' committees will make good use of the World Wide Web as more people depend on it as a source of information. Most important, court officials can efficiently use modern technology to communicate. And streamlining any litigation experience is positive.

Tracking, *from page 4*

our first full quarter following our emergence from a Chapter 11 reorganization. We focused all our energy on improving our gross margins by becoming a more efficient designer and manufacturer." Dennis C. Hayes, the company's founder and Chairman of the Board said, "During the past quarter, we moved all of our general purpose modem products up to the new 33.6 kbps standard. We also were the first modem manufacturer to announce its support of the emerging 56 kbps Internet access speed. As we continue to focus on new access speeds, remote access servers and multimedia conferencing, Hayes is poised to capture a meaningful share of the emerging Virtual Workplace market."

Bidermann

Two Bidermann Industries U.S.A., Inc. subsidiaries, Cluett, Peabody & Co., Inc. and Bidermann Tailored Clothing Inc., have been sold and combined to form a new company, Cluett Designer Group. Cluett Designer Group will market and sell clothing under licensed Yves Saint Laurent and Burberrys brand names. The new company received $15 million in funding from The CIT Group, to be used to fund the asset purchases and for working capital purposes. Both the Yves Saint Laurent name and Burberrys should help Cluett Designer group achieve its expected net sales of $40 million in its first year of operation.

Ames

Ames Department Stores, Inc. reported third-quarter net income of $421,000 compared with last year's third-quarter net loss of $4.9 million. Net sales for the third quarter were $516.9 million compared with $501.6 million in the prior year's third quarter. Comparable store sales for the quarter increased 1.2 percent, while comparable-store sales for the year to date decreased 0.5 percent.

Special Report

Workout Professionals in the Nation's Major Banks

Bank *	Senior Workout Officer	Counsel	Senior Real Estate Workout Officer
Chase Manhattan Bank New York, NY	Glenn R. Meyer, Portfolio Executive (212) 270-1745 phone (212) 661-8396 fax	Lawrence Chanen	John McDonagh, Managing Director
Citibank N.A. New York, NY	Nancy L. Shanik, Vice President (212) 559-5545 phone (212) 793-0642 fax	Robert Cotton	Pat Goldstein
Bankamerica Corp. San Francisco, CA	Frank A. Somers, Group Exec. V. P., Special Assets (213) 228-2895 phone (213) 228-2158 fax	Jill Sturtevant	James Pitblado, Sr. Vice President
J.P. Morgan & Co., Inc. New York, NY	Michael Gibbons, Managing Director (212) 648-7065 phone (212) 648-5005 fax		
Nationsbank Corp. Charlotte, NC	Marvin Schiebout, Sr. Credit Policy Executive (704) 386-1730 phone (704) 386-6976 fax	Michael Karas	Brian Tracey, Sr. Vice President
First Union National Bank of North Carolina Charlotte, NC	H. Leon McGee, Sr. V. P., Portfolio Management (704) 374-4307 phone (704) 383-5031 fax	Retains outside counsel	H. Leon McGee, Sr. Vice President
First National Bank of Chicago Chicago, IL	James J. Maley, Sr. Vice President (312) 732-2557 phone (312) 732-1775 fax	David Thompson	James J. Maley, Sr. Vice President
Bankers Trust New York Corp. New York, NY	A. Whitman Marchand, Managing Director (212) 250-5447 phone (212) 669-1575 fax	Retains outside counsel	Alexander Johnson, Managing Director
Banc One Ohio Columbus, OH	Paul W. Leming, Group Manager (614) 248-5841 phone (614) 248-6438 fax	Joseph Giampapa	Paul Leming, Group Manager
Bank of New York New York, NY	Mark Slane, Sr. Vice President (212) 635-7254 (212) 635-7290	Retains outside counsel	

* *Listed in order according to the amount of total assets. Source for ranked list: Sheshunoff Information Services, Inc.*

Gnome de Plume

Pull Up a Chair

by Christopher Beard

Like most professionals, bankruptcy people speak in tongues. They say things like "The 341 meeting has been scheduled for Friday" and "The creditor made an eleven, eleven B election." But bankruptcy is not about dissecting the nuances of Code provisions. It's about money. It's about business viability. It's about business judgment.

I live in Washington, DC, where a frequent cocktail party conversation subject is the personal economic sacrifice being made by people, invariably including most of those participating in the discussion, who have forsaken the wealth and riches of a career in private enterprise to devote themselves to the welfare of mankind through government service. Lucky us. In pursuing such unselfish goals, government employees seldom have the opportunity to prove their worth.

But in the coming months some bankruptcy judges will get a chance to show their stuff. Christmas is coming, and this will be the second Christmas season in Chapter 11 for a number of big retailers. Each of the companies is in critical condition, and each situation is different. In January the vital signs will be mixed, at best. In each case the bankruptcy judge will have to decide whether to continue to sink what's left of the creditors' money in the business or liquidate the company and give them back the balance.

Will the courts address the problem or duck it? Can those judges pull the trigger? If so, do they know a viable business when they see one? They can talk the talk, but can they walk the walk?

These are a few of the judges who'll have to step up.

John J. Wilson. Wilson is the judge in Clothestime, a chain of nearly 600 stores selling women's apparel when it filed on December 8, 1995. Clothestime has continued to lose money since. If Christmas is a bust, what's the future for this retail apparel chain?

Burton R. Lifland. Judge Lifland has Bradlees, the giant Northeastern discount chain, which filed on June 23, 1995. It competes with Wal-Mart and Kmart. Now Kmart is healthier, and Target is coming. Many creditors are still smarting from the beating they took when Lifland overindulged Eastern Air Lines. Will history repeat itself?

James L. Garrity, Jr. Judge Garrity has the Caldor case, another Northeastern discount retailer which had 163 stores when it filed on September 18, 1995. Caldor hasn't changed its game plan since the bankruptcy. If this Christmas stinks, what's to like about more of the same program?

Peter J. Walsh. Walsh is the bankruptcy judge handling Edison Brothers, a nationwide specialty retailer of fashion apparel and footwear, which filed on November 3, 1995. There's been nothing but bad news since the filing, but, unlike the other retailers in Chapter 11, it has lots of cash. Will debtors continue to file big cases in Wilmington if that court starts leaning on debtors?

Tough decisions. A lot of dough. And a test for the entire bankruptcy process. After two Christmas seasons in Chapter 11, it would be an outrageous abuse of creditors for the judge to keep investing their money in a failing retailer unless he believes there's a reasonable chance of success. The court should never allow another disaster like Merry-Go-Round in which management blew $236 million in net worth and wiped out the equity and unsecureds without ever stabilizing the business.

Stay tuned. Pull up a chair. Big cases. Big money. Marquee judges. Tough choices. Probable disasters.

Christopher Beard is the publisher of Turnarounds & Workouts

Future Issues:

- *What is the Real Deal in Best Products?*
- *Are Caldor and Bradlees Ready for the Holidays?*
- *WRT Energy - The Examiner's Report*

Recent Filings

County Seat, Inc. filed for Chapter 11 protection in the District of Delaware on October 17, 1996. The company operates retail clothing stores. Accounting services are provided by **Arthur Andersen & Co.** Attorney to the debtor is **Gregg M. Galardi** of Wilmington, Delaware.

Gibson's Discount Centers, Inc. filed for Chapter 11 protection in the District of Delaware on October 23, 1996. The company owns and operates discount department stores. Attorney to the debtor is **William H. Sudell** of Wilmington, Delaware.

All For A Dollar, Inc. filed for Chapter 11 bankruptcy protection in the Eastern District of New York on October 25, 1996. The company operates retail close-out stores. Accounting services are provided to the debtor by **Mottle McGrath Braney & Flynn.**

Allegiant Physician Services, Inc. filed for Chapter 11 protection in the Northern District of Georgia on October 29, 1996. The company, through subsidiaries, provides recruiting, staffing and related services to hospitals. Accounting services are provided to the debtor by **Ernst & Young.**

Novatek International, Inc. filed for Chapter 11 protection in the District of Maryland on October 25, 1996. The company manufactures and sells a proprietary building components system and sells medical test kits. Accounting services are provided to the debtor by **McGladrey & Pullen.** Attorney to the debtor is **Jeffrey A. Liesemer** of Washington, D.C.

Cashtek Corp. filed for Chapter 11 protection in the Southern District of New York on November 6, 1996. The company develops and markets debit card cashless wagering systems. Accounting services are provided to the debtor by **Dalessio, Millner & Leben.**

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