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# turnarounds & workouts

**News for People Tracking Distressed Businesses**

May 1, 1997

Volume 11, Number 8

## **Whyte Goes to Jay Alix**

### **Bettina M. Whyte Leaves Price Waterhouse for NYC**

*by Debra J. Brennan*

It is big news in the turnaround world when a person with the expertise of Bettina Whyte leaves a major accounting firm for a major turnaround firm. The reward to the Jay Alix firm for adding the industry expertise of Whyte to its ranks is more prestige for its already dynamic turnaround business.

Formerly, Whyte was the National Director of Business Turnaround Services for Price Waterhouse LLP, where she spent seven years leading turnarounds of underperforming and financially troubled companies.

According to Jay Alix, the founder of Jay Alix & Associates, "In the turnaround business, there is no substitute for hands on experience. I have watched Bettina's work for many years. She has established an outstanding track record of successful

*continued on page 2*

## **A Success Story**

### **Brauns Fashions in Trend**

*by Sarah Hall*

Brauns Fashions, Inc., based in Minneapolis, Minnesota, is a regional retailer of women's fashions that used to operate 221 stores in 22 states, primarily located in the Midwest and Pacific Northwest. Just a year ago, the company was in default of financial covenants, same store sales were down, and losses were mounting. Last July the company filed for Chapter 11 bankruptcy protection, announcing it planned to emerge in 120 days and pay its creditors in full.

Just a few months later, for the nine months ended November 30, 1996, same store sales in 170 continuing stores increased seven percent. Operating income was up 666 percent. On December 2, Brauns officially emerged from bankruptcy, creditors were paid in full, and Norwest Bank agreed to provide a \$10 million post-petition revolving

*continued on page 2*

## **Big Out-Of-Pocket Debt**

### **Pocket Communications Owes \$1.5 Billion**

*by Debra J. Brennan*

The Federal Communications Commission (FCC) announced that it would suspend the installment plan by which a group of communications companies were paying the government for licenses auctioned off last year for a new class of wireless telephone technology known as Personal Communication Services. The new personal communications networks offer conventional cellular service, plus advanced data features through a single hand-held telephone.

This is the second time that the government held such an auction. The first time, in 1984, the FCC auctioned personal communications licenses that were bid on and purchased by AT&T, Sprint and Bell Atlantic. And the FCC raised \$7.7 billion. The second time, the FCC wanted to include smaller companies, and the bidders were allowed

*continued on page 2*

**Whyte, from page 1**

turnarounds in very complex situations and in industries such as health care, retail aviation and financial services, that are continuing to undergo radical change. She understands the landscape . . . her skills and savvy are an outstanding addition to our professional roster."

Whyte's background includes acting as interim crisis manager of a billion dollar NYSE diversified health care corporation providing physician management, hospital billing, managed care and the management of clinics and HMOS; advising the management of a national computer retailer on a successful turnaround and sale of the business; and development of a comprehensive business plan and loan renegotiation strategy that kept a \$300 million waste management company out of Chapter 11 bankruptcy.

She has also been named as operating trustee to lead reorganizations in a range of domestic and international companies in a variety of industries, including manufacturing, transportation, high tech, oil and gas, and distribution companies.

Whyte is a certified insolvency and restructuring accountant. She has an MBA in finance and accounting from Northwestern University and a BS in industrial economics from Purdue University. She is a Fellow of the American College of Bankruptcy, serves on the Governing Board of the Education Foundation of the Commercial Finance Association, and is on the Board of Directors of the Association of Insolvency Accountants.

She has conducted seminars for bankers, lawyers and corporate officers on the topics of workouts, lender liability and reorganization. Prior to Price Waterhouse, Whyte was a partner with Peterson & Co. Consulting.

Whyte is looking forward to joining the New York office of Jay Alix & Associates in the beginning of May 1997. She said that her new position will, "give me the opportunity to do what I do best, namely, revitalizing and renewing value in troubled and underperforming companies through operational and financial restructuring."

Al Koch, the managing principal of Jay Alix & Associates said, "Bettina Whyte is a marquee name in the turnaround and restructuring industry. She has a large following and a great track record, and Bettina will be a terrific addition to the firm's capability to serve troubled companies."

**Brauns, from page 1**

credit facility through March 1999. For the four-week period ended March 29, 1997, same store sales were up 35 percent. Brauns now has 174 stores, having opened four new stores in March 1997.

What is going on? A call to Herbert D. Froemming, President, Chief Operating Officer, and former turnaround consultant for five years, answered the question. He reported that the company entered Chapter 11 extremely well prepared and with the specific goal to close unprofitable stores. The day after filing, letters went out to over 40 landlords notifying them their leases would be rejected and, to an additional 35 landlords, that their leases needed to be renegotiated.

In addition, before filing, the company had determined an ambitious new merchandising plan. To improve gross margins, the company increased the inventory makeup of imported merchandise from 15 to 50 percent. The company is now importing higher quality proprietary merchandise, at a lower cost. With its sophisticated computer system, Brauns tracks store sales on a daily basis. The company can now wait until a fashion trend develops in its stores, and quickly supplement initial inventory levels.

To improve its merchandising focus, Brauns has emphasized wardrobing, or "mix and match." The company is targeting the market with a typical customer in mind, a 39 year-old working woman, called "Mary," who due to time constraints, frequents only a few clothing stores. To increase such a customer's loyalty, the company has an in-store "frequent-buyer" program. For every \$500 of merchandise bought, the customer receives a \$50 voucher. Brauns has also hired an outside professional to enhance the interior layout and the visual presentation of the stores.

The company plans to open another eight stores in 1997, paying careful attention to area demographics. Brauns is rightfully proud of its current performance, and its five months performance under Chapter 11, wherein it paid creditors 100 percent, and where landlords agreed to its proposition of an immediate payout on total claims of 25 cents on the dollar, rather than being paid fully over time. Everything looks great. The company has cash in the bank, and on April 18, NASDAQ removed the "Q" from Brauns' stock symbol.

**Pocket, from page 1**

to pay ten percent immediately, and the agreement to make quarterly interest payments over ten years. The FCC expected to collect \$10 billion in the second round. However, the interest payments have created problems for the smaller companies, and many may default on their payments as they try to obtain financing for the license fees.

Pocket Communications, Inc. is one of those companies that currently owes \$1.4 billion for its licenses. In Pocket's case, when the company failed to pay principal and interest due LCC International, Inc. under a \$0.9 million note agreement, Pocket then filed for Chapter 11 bankruptcy protection. LCC is one of the largest providers of radio frequency engineering and network design services and products to the international wireless telecommunications industry. As of March 31, 1997, LCC's aggregate balance sheet and contract cost exposure with respect to Pocket was \$9.6 million. According to management at LCC, the company has ceased providing engineering and program management services in all markets on the Pocket engagement, and LCC continues to do business with NextWave Telecom, Inc., another small company in the same situation, on only an advanced cash payment basis. NextWave, together with eight other personal communications services companies have recently asked the FCC for permission to make interest payments on an annual rather than quarterly basis.

When Pocket filed for Chapter 11 bankruptcy protection, the company said its immediate needs were to satisfy short-term financing requirements and to initiate a restructuring plan. Pocket said that even though the company had secured commitments for more than \$646 million in financing to build out its personal communication services networks, the company has had to postpone an initial public offering and debt offering until the financial market for personal communication services stocks improves.

Will Pocket be able to keep its licenses and discharge the debt to the FCC? That is the so-far unanswered, but most interesting question that will emerge from this bankruptcy case. And the answer to that question will be one which the Court must decide soon. An entire industry of small personal communication services businesses will be awaiting that answer, as well as the FCC.



# Research Report

## Who's Who in Fretter, Inc.

By Nancy L. Wolfe

On September 24, 1996, Fretter, Inc. and seven subsidiaries filed for Chapter 11 bankruptcy protection in Cleveland, Ohio. Its subsidiaries include Fretter Auto Sound, Inc.; Haney's, Inc.; Fretter Warehouse Co., Inc.; Fretter Acquisition Co., Inc.; Fretter Finance, Inc.; Fretter Retail Services, Inc.; and Fred Schmid Appliance & TV Co. Fretter's affiliate, Dixons U.S. Holdings, and nine subsidiaries had previously filed for Chapter 11 on December 5, 1995 in the U.S. Bankruptcy Court of the District of Delaware, Wilmington.

Fretter, Inc. was a large volume retailer of home entertainment products, consumer electronics and appliances in the Midwest. The Michigan-based company began as a consumer electronics retailer in 1953, growing to include over 100 stores around the country by 1993. Later, it operated over 200 retail stores in 22 states under different names. Fretter existed in a highly competitive market, going up against national chains, discount retailers, and other stores that share the market.

In 1993 Fretter acquired Dixons U.S. Holdings from a British company, Dixons P.L.C. Dixons ran a chain of 135 consumer electronics, appliance and home entertainment stores through its subsidiaries, Silo, Inc. and Yes. Silo and Yes filed for Chapter 11 along with Dixons and they are no longer affiliated with Fretter.

Prior to Fretter's filing, all of the Silo retail stores had closed and the company had ceased doing business. With the bankruptcy of Dixon and closing of other Fretter-owned stores, Fretter was left in shaky economic condition, with 50 stores in six states. The company lost more than \$188 million in its fiscal third quarter ended December 1995. It had lost \$1.1 million in the same period the previous year.

By the fall of 1995, Fretter began pulling out of unprofitable markets. In May 1996, the company announced a record loss of \$222 million on sales of \$502.3 million for the fiscal year ending January 1996. The losses were mainly attributable to the problems suffered by Dixon. Despite efforts to turn around its

remaining businesses, the debtor was unsuccessful and began liquidating its assets. In September 1996, Fretter filed for Chapter 11 in Cleveland, where it owns valuable real estate. That same month, Dixons said it had asserted more than \$100 million in claims against Fretter and its affiliates. In January 1997, the Court extended Fretter's exclusivity period to June 30, 1997.

### The Debtor

Officers of the company at the time of filing included **Ernest L. Grove, Jr.**, Chair; **John B. Hurley**, President and Chief Executive Officer; and **Dale B. Campbell**, Executive Vice President and Treasurer.

Lead bankruptcy counsel to Fretter is **Jones, Day, Reavis & Pogue**. Partner **David S. Kurtz** in the Cleveland office heads the firm's efforts in the case. He is assisted by associates **Sean D. Malloy** in Cleveland and **Timothy R. Pohl** and **Kathleen M. Boege** in Chicago. The firm has also represented the debtors in Federated Department Stores, Inc., Elder-Beerman Stores Corp., Fruehauf Trailer Corp. and The Clotheshime, Inc. as well as the creditors' committee in MobileMedia Communications, Inc. and Edison Brothers Stores, Inc.

The firm of **Strobl & Borda P.C.** in Bloomfield Hills, Michigan is counsel to the debtor for real estate litigation issues. Shareholders **Timothy A. Fusco** and **Michael E. Thoits** handle the case.

**Richards, Layton & Finger** in Wilmington, Delaware is special counsel to the debtor for issues relating to the Dixon/Silo case. Partner **Thomas Ambro** handles the case for the firm. He is assisted by associate **Hillary A. Steinberg**.

The firm of **Mayer, Brown & Platt** in Chicago represents Michigan National Bank, the major secured creditor in the Fretter case. Partner **Lawrence K. Snider** is in charge of the case. He is assisted by associate **Kenneth Noble**.

B.T. Commercial Corp., Fretter's other lender, is represented by the firm of **Rudnick & Wolfe** in Chicago. Partner **David N. Missner** handles the case.

**Keen Realty Consultants** in Great Neck, New York and **Doppelt & Co.** in Cleveland are co-real estate advisors to

the debtor. Vice President **Raymond Edwards** handles the case for Keen and **James A. Morton** is in charge at Doppelt.

### The Official Committee of Unsecured Creditors

The members of the creditors' committee are: **Admarketing; Marketing Essentials, Inc.; Standard Forms; Transport Drivers, Inc.; and Universal International.**

**Carson Fischer, P.L.C.**, in Birmingham, Michigan is the lead bankruptcy co-counsel to the committee. Partner **Joseph M. Fischer** heads the firm's efforts in the case along with partner **Robert A. Weisberg**. They are assisted by senior associate **Lawrence Lichtman**. The firm also represents the creditors' committee in American Speedy Printing Centers, Inc. and is special counsel to Fruehauf Trailer, Inc.

**Benesch, Friedlander, Coplan & Aronoff, PLL** in Cleveland, Ohio is co-counsel and local counsel to the committee. Partners **Pete Elliott**, **William Schonberg** and **H. Jeffrey Schwartz** work on the case. They are assisted by associate **Jeffrey M. Levinson**. The firm has also been local counsel for the trade creditors' committee in Elder Beerman Stores, counsel to the Committee of Physician Claimants in Dow Corning and counsel to the debtor in Industrial General Corp.

**Jay Alix & Associates** of Southfield, Michigan supplies accounting and financial advice to the creditors' committee. Jay Alix principal **Harvey E. Schatz** handles the case.

Counsel for the Dixon/Silo entities is **Young, Conaway, Stargatt & Taylor** in Wilmington, Delaware. Partner **Laura Davis Jones** handles the case for the firm. She is assisted by associate **Robert S. Brady**. The firm also represents the debtors in Marvel Entertainment Group, Smith Corona Corp. and Anchor Glass.

### The Trustee

**Dean Wyman** in the Office of the U.S. Trustee in Cleveland, Ohio handles the case.

### The Judge

The judge is **The Honorable Pat E. Morgenstern-Clarren** in the Northern District of Ohio.



## Tracking

### House of Fabrics

House of Fabrics, Inc. reported its second consecutive quarter of profitability, following the company's emergence from Chapter 11 in August 1996. For this fourth quarter, the company reported net income of \$405,000 compared to a net loss for the same period one year ago of \$45.8 million. Sales for the quarter were \$73.4 million, compared with \$95.5 million for the corresponding period last year. The company is operating 93 fewer stores this year and reports a 3.9 percent decline in same-store sales.

Chief Executive Officer Donald L. Richey said, "We are realizing the benefits of initiatives that have been executed as part of the company's reorganization plan. These initiatives include the closing of a number of unprofitable and underperforming stores and reducing selling, general and administrative expense."

### Bullet Cougar

Bullet-Cougar Golf Corporation concluded a \$2 million secured financing with its lender, the final phase of which was approved by the Bankruptcy Court. Robert M. Freedman, the company's President and Chief Executive Officer said, "These funds will substantially assist us as we purchase new material, build our slate of new products, and re-establish improved service to our valued retail customers." Bullet-Cougar Golf is headquartered in Santa Ana, California. The company is a full-line manufacturer and distributor of golf equipment and accessories, which include clubs, bags and golf balls.

### El Paso Electric

The U.S. Bankruptcy Court in the Western District of Texas, Austin Division, has found that the Central and South West Corporation owes El Paso Electric Company \$25 million for payment of termination fees pertaining to the 1993 failed agreement and plan of merger which had provided for a merger between the two companies.

Under the terms of the plan of reorganization, \$20 million of proceeds from the litigation with Central and South West Corporation will be distributed by El Paso Electric to its former common and preferred shareholders. There is still the remaining issue of "interest-carry costs," to be determined at a later date. El Paso

alleges that such costs equal an additional \$18 million. Central and South West is considering further legal options. Central and South West Corporation is a public utility holding company based in Dallas, Texas.

### Gander

Gander Mountain, Inc. announced net income of \$1.2 million for the quarter ended September 30, 1996, compared to a loss of \$1.4 million for the same period one year earlier. The company sold its catalog business and several of its retail stores. Gander Mountain, Inc. is a specialty merchandiser serving the outdoor recreation market. The company provides functional outerwear, footwear and equipment for the hunting, fishing and camping enthusiast.

### Barney's

Saks Holdings, Inc. and Isetan Company Limited announced that they agreed to the terms of a proposed joint plan of reorganization for Barney's Inc., and its subsidiaries, and they intend to seek the approval of Bankruptcy Court. Under the terms of the proposed plan, Saks would acquire 100 percent of the stock or substantially all of the assets of the Barney's debtors for a consideration of approximately \$290 million. The reorganized company would enter into leases with Isetan for its three flagship stores. It is estimated that under this proposed plan, unsecured creditors would receive approximately twenty cents on the dollar. Isetan stated that they agree to the proposed plan despite the fact that Isetan would experience a significant loss on its emergency loans to Barney's and affiliated companies totaling nearly \$200 million.

### Apple Computer

Apple Computer, Inc. announced financial results for the company's second fiscal quarter ended March 28, 1997. Revenues for the quarter were \$1.6 billion, compared to \$2.1 billion in the quarter ended December 27, 1996 and \$2.2 billion in the quarter ended March 29, 1996. International sales accounted for 49 percent of total revenues in the current quarter.

Two large charges of a non-operating nature were taken during the quarter. One was a charge of \$375 million for the write-off of in-process research and acquisition of NeXT Software, Inc. And the

# Calendar

## Chapter 11 Business Reorganizations

May 8-10, 1997

Renaissance Washington Hotel  
Washington, D.C.

Contact: ALI-ABA

1-800-CLE NEWS

Fax: (215) 243-1664

## ABI Annual Spring Meeting

May 15-18, 1997

Grand Hyatt

Washington, D.C.

Contact: ABI

(703) 739-0800

## TMA Legislative Conference

June 8-10, 1997

J.W. Marriott Hotel

Washington, D.C.

Contact: Joseph Karel (312) 857-7734

Fax: (312) 857-7739

## The Worldwide Reorganization and Restructuring Conference

June 10-11, 1997

Fordham Law School, New York

Contact: ABI (703) 739-0800

## Western Mountains Bankruptcy Law Institute

June 26-29, 1997

Jackson Lake Lodge, Jackson Hole, WY

Contact: (770) 535-7722

## Turnaround Management Association

October 24-28, 1997

The Breakers Hotel

Palm Beach, Florida

Contact: Joseph Karel (312) 857-7734

Fax: (312) 857-7739

## ABI Winter Leadership Conference

December 4-6, 1997

LaCosta Resort & Spa

Carlsbad, California

Contact: ABI (703) 739-0800

*A listing of calendar events may  
also be found at the InterNet  
Bankruptcy Library  
<http://bankrupt.com/conf.html>*

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# Special Report

## Profile: Olympia & York Developments Ltd.

by Maris M. Wicker

Case No. 92B-42701

U. S. Bankruptcy Court

for the Southern District of New York

The Honorable James L. Garrity, presiding

Total time in bankruptcy proceedings: 4 years, 4 months

O & Y Dvlpts. Ltd (the parent co.) Canadian filing: 5/14/92

O & Y Water Street Finance Corp. Chapter 11 filing: 5/7/93

2 Broadway Associates L. P. Chapter 11 filing: 6/20/95

O & Y World Financial Centre Finance Corp. filing: 7/13/95

Canadian plan approved: 2/5/93

Plan for O & Y USA and related entities confirmed: 9/20/96

### Background

Beginning with a tile importing business after immigrating to Toronto from Tangiers in the late 1950's, the Reichmann family led their business to become, as Olympia & York Developments Ltd., the world's largest property developer by the late 80's. By 1991, O & Y had assets of \$24.3 billion and reported equity of \$2.1 billion. One of the largest commercial landlords in Manhattan, O & Y's holdings also included high-rise office buildings throughout Canada and the United States. The star in O & Y's crown was New York's World Financial Centre, which became successful against the odds of the early 1980's recession. Reichmann brother Paul, the force behind the business, was so trusted in the financial world that he reputedly sealed deals with a handshake.

O & Y's projects were financed primarily with debt, but it seems that only those at the top knew how much. The characteristic secrecy shrouding the Reichmann empire resulted in lenders involved in specific projects frequently being unaware of the company's total financial picture, including O & Y's obligations related to other projects. By the early 1990's, the Reichmann's magic touch began to corrode for several reasons. The global economy was in a decline, which caused a severe recession in commercial real estate markets and in turn diminished O & Y's critical cash flow from real estate. At the same time, O & Y's cash demands soared due to its obligations related to the development of the London Dockland's Canary Wharf project, which, at the time, was the largest development undertaken in Europe. Finally, O & Y's non-real estate holdings, including forest products and energy, were in recession and thus unable to produce cash that might have eased the company's real estate cash flow crisis.

### Bankruptcy

Unable to restructure its debt, Olympia & York Developments Limited, the parent company headquartered in Toronto, filed for bankruptcy in Canada in 1992. In early 1993, the Canadian court approved a plan of compromise which generally permitted secured creditors to enforce their rights against their collateral. At the time of the Canadian bankruptcy, O & Y U. S. was taking "pre-Chapter 11" steps. In a September 1992 meeting with creditors, O & Y announced a restructuring plan that would focus the company on several "core" properties and dispose of remaining properties.

Other efforts resulted in the cancellation of a \$20 million debt held by a Hong Kong billionaire in exchange for controlling interest in a Manhattan property, and the transference of another Manhattan property to noteholders. New York City showed its interest in O & Y's viability by granting a tax concession in the form of three, rather than two, tax installment payments. Nevertheless, O & Y U. S. properties filed for Chapter 11 beginning in 1993. The high profile proceeding included the appointment of former Secretary of State Cyrus Vance as an examiner, in which capacity he worked towards a proposal for corporate governance of O & Y U. S. One of the many issues pounded out in these bankruptcy proceedings involved a dispute between two creditors, Battery Park Holdings, Inc., headed by the Bronfman family of Toronto, and Apollo Real Estate Investments, run by financier Leon Black, over the value of each entity's holdings in the World Financial Centre. After proposals and counter-proposals, a settlement was reached.

### The Plan

The Plan calls for a group led by Brookfield Properties, which is controlled by the Bronfman family, to assume control of the reorganized company, World Financial Properties L.P. An investment group led by Apollo Real Estate Advisors and called Metropolis Realty Trust, Inc., will assume control of two other Manhattan properties formerly part of the Reichmann empire. On a final note, before the conclusion of the bankruptcy proceedings, the tenacious Paul Reichmann led a consortium of investors to purchase the Canary Wharf complex in London from the banks that had assumed its ownership pursuant to the development's bankruptcy proceedings.



# Worth Reading

## Bankruptcy Procedure

Author: Rosemary E. Williams

Publisher: Clark Boardman Callaghan

Contact: 1-800-221-9428 Fax: 1-847-948-7005

Hard cover (5-ring binder) - to be updated annually

Price: \$150.

by: Debra J. Brennan

As stated in the introduction to this book, "The purpose of this book is to assist parties and participants in the bankruptcy process in prosecuting and defending litigative matters in Bankruptcy Court with maximum effectiveness and minimum cost." This book is a guide to:

1. The factors and strategies to consider before seeking relief from the automatic stay.
2. The benefits and detriments to objecting to the confirmation of a reorganization plan.
3. The practical benefits and legal consequences to objecting to the discharge of a debtor and the dischargeability of particular debts.
4. The procedures for applying for and objecting to an application for reimbursement of expenses.
5. The most effective methods for obtaining meaningful participation in the development of a Chapter 11 disclosure statement and reorganization plan.

While other bankruptcy books may focus on theory or are of primary interest to practitioners already familiar with litigation, this book delves into the "nuts and bolts" of bankruptcy litigation and is easily understood by attorneys whose practice includes rather than is limited to, the area of bankruptcy. The book covers determining what remedy to assert, what pleading must be filed, what that pleading should look like, how the pleading must be filed, what notice must be provided, how service may be accomplished, what questions the clients and any witnesses must be asked, how an order should be drafted and how that order may be enforced.

This book may be helpful to attorneys who are not bankruptcy specialists. With the use of this book, they can accept representation in bankruptcy matters with increased confidence. Experienced bankruptcy practitioners can incur fewer non-billable hours of research and will be able to turn more bankruptcy litigation over to paraprofessionals. It may also be useful to credit managers who could use their internal staffs rather than employing outside firms.

Rosemary E. Williams founded two successful law firms representing debtors and creditors in state and federal litigation and in reorganization and liquidation bankruptcy proceedings. She is the author of several treatises and practice manuals on bankruptcy, foreclosure of real estate, and bankruptcy-related family law problems. Williams founded the Houston Bankruptcy Forum and is a member of the American Bar Association, the Texas Trial Lawyers Association, the College of State Bar of Texas, and the Women's Association of Certified Professional Accountants. She received her J.D. from the South Texas College of Law and is licensed to practice in California and Texas.

In addition to the book, there are available the Bankruptcy Procedure Forms on disk. For \$50, a 3.5" disk is available in WordPerfect\* or Microsoft Word\* file format, providing over 150 forms that one can customize for a personal bankruptcy practice.

\* - registered trademark

## Tracking, from page 4

company also recorded a charge of \$155 million to increase reserves to cover the costs of restructuring activities previously announced by the company. The company's current quarter loss from operations was \$186 million.

Apple's Chairman and Chief Executive Officer, Dr. Gilbert F. Amelio, said, "While the operating results are disappointing, we made significant progress toward executing our strategic plans during the quarter. We're executing a plan to reduce annual operating expenses by \$500 million. We've completed the NeXT acquisition, paving the way for delivery of our modern OS, code-named Rhapsody."

## Jayhawk

Jayhawk Acceptance Corp. filed a proposed plan of reorganization that has yet to receive Bankruptcy Court approval. Jayhawk proposed to continue its business operations and pay its creditors in full with its primary lender being repaid in monthly installments, with the balance due in 1998.

The company anticipates that because of its Chapter 11 filing and its net loss for 1996 of \$49.7 million, its independent auditors will express doubts about the company's ability to continue as a going concern.

## Hamburger Hamlet

Koo Koo Roo, Inc. and Hamburger Hamlet Restaurants, Inc. announced that the Bankruptcy Court approved the purchase of 14 Hamburger Hamlet locations for approximately \$11.45 million, consisting of \$9.70 million in cash and 150,000 share of restricted common stock. The Hamburger Hamlet restaurants are located in California and the Washington, D.C. area. Koo Koo Roo currently operates 28 locations, most of which are located in California.

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or subscribe to the T & W Newswire  
by sending a subscription message to:  
[listserv@bankrupt.com](mailto:listserv@bankrupt.com)  
Both services are free.

# Special Report

## Nation's Largest Real Estate Auctioneers

*Firms with real estate sales over \$35 million for the year ending December 31, 1996*

Company	Sales Volume*	Contact	Recent Representative Clients
Sheldon Good & Co. Chicago, IL Tel. (312)346-1500 Fax (312) 346-1233	\$500 million	Steven L. Good President	Citicorp Mortgage Bank of America Northern Trust Co. John Alden Life Insurance
Koll-Dove Global Disposition Services Foster City, CA Tel. (415) 571-7400 Fax (415) 571-5293	\$500 million	Reynolds Potter Senior VP	Key Corp. American Express Fleet Bank Wells Fargo
Larry Latham Auctioneers, Inc. Scottsdale, AZ Tel. (602) 998-1168 Fax (602) 945-3151	\$329 million	Larry W. Latham Chairman	Dept. of Housing & Urban Dev. U.S. Customs U.S. Treasury Federal Deposit Insurance Corp.
Kennedy-Wilson, Inc. Santa Monica, CA Tel. (310) 314-8400 Fax (310) 314-8516	\$196 million	William J. McMorrow CEO	Financial Companies Developers Banks
MB Valuation Services, Inc. Stamford, CT Tel. (203) 348-0088 Fax (203) 869-6966	\$150 million	Robert S. MacDonald SVP	Manufacturing Warehouses
Michael Fox Auctioneers Baltimore, MD Tel. (410) 653-4000 Fax (410) 653-4069	\$95 million	William Z. Fox Chairman	Amphenol Nations Bank Sara Lee AT & T
J.P. King Auction Group Gadsden, AL Tel. (205) 546-5217 Fax (205) 543-8036	\$90 million	J. Craig King President	Financial Institutions Developers Corporations Individuals
Schrader-Westchester Auction Company Champaign, IL Tel. (217) 352-6000 Fax (217) 352-9048	\$76 million	Randall E. Pope President	Martin Oil Company Commonwealth Edison Private Banks
David Kaufman & Company Chicago, IL Tel. (773) 693-3200 Fax (773) 693-3206	\$62 million	David M. Kaufman President	Banks FDIC Pension Funds
Fisher Auction Co., Inc. Pompano Beach, FL Tel. (954) 942-0917 Fax (954) 782-8143	\$36 million	Louis B. Fisher, III CEO	Federal Deposit Insurance Corp. General Services Administration Barnett Bank

\* Figures are self-reported by the listed companies.



# Gnome de Plume Newt Notes

by Christopher Beard

You've got to like Bob Dole's moves. I have lots of bright friends who spend all their time sorting through troubled situations looking for opportunities. They're ecstatic when they find one good deal. Bob Dole left the Senate, joined Verner, Liipfert, Bernhard, McPherson & Hand, a first-rate national law firm with a major Washington presence, and within one month in the private sector he's making a new type of distressed loan with extraordinary prospects, Newt Notes.

Making loans to marginal borrowers is not new. Making sweetheart loans to needy politicians by partners in Washington law firms is new. Bob Dole made Newt Gingrich a \$300,000 unsecured ten percent loan due in eight years to pay a House Ethics Committee assessment. No curtails. No collateral.

Newt Gingrich is a troubled situation. His stock is way down. Only 12 percent of people think the Speaker of the House is doing a good job. After payment of the assessment he probably has a negative net worth. Apparently Newt transferred many of his assets to his wife. She may love Newt, but it's an open secret she isn't interested in putting up the family savings to save his political skin.

Not only is there no collateral but the rate is lousy. Maybe you could find someone else to make the loan, John Gotti, for instance, but not at ten percent.

How did Newt do it? What's he got? Newt has stroke. Major stroke. Current stroke. Verner Liipfert sells access. Verner Liipfert doesn't need Newt's mounted head in it's lobby to get the word around. The story that Newt has a loan from Bob Dole he can't pay off was on the front page of every daily newspaper in the country. Will Newt's staff return Verner Liipfert's calls? Will they listen attentively to Verner Liipfert client problems? I figure the firm will make back the \$300,000 with three associates working three months on new business. It works for them.

You thought the Democrats would jump all over this idea and derail the deal? To begin with, Democrats are antsy about any money issue. They've been selling cookies at outrageous prices to their wealthy friends. Unprepared for the ploy, the Democrats sent out their junk yard dog, David E. Bonior of Michigan, to comment. They needed a spokesman with some polish. And Bonior is a scary guy. He was confused and started growling before he started thinking. So much for that opportunity to lay another torpedo into Newt.

There's a huge market for these loans. Politicians whine all the time that they're underpaid, but they always return. And they always need money. And loans work better for the money guys anyway. Politicians are likely to forget you made a campaign contribution last year. They won't forget about a bullet loan. And it's cheaper. It'll cost you a lot more in tickets for dinners and cocktail parties than the interest rate differential on \$300,000 to maintain a Washington relationship.

Business Week had a different take on the deal. It suggested that "the loan to Gingrich will prompt members of Congress to avoid doing favors for Dole's firm for fear people would suspect undue influence." You think? As the football coach says, always give the coverage man a head fake. You don't have to break stride, and, you never know, some guy may buy into it.

*Christopher Beard is the publisher of Turnarounds & Workouts*

## Future Issues:

- *Who's Who in Marvel Entertainment*
- *Regional and Local Bankruptcy Accounting Firms*
- *Petrie Retail -Implementing Reorganization*

## Recent Filings

**Grossman's Inc.** filed for Chapter 11 bankruptcy protection on April 7, 1997 in the District of Delaware. The company sells lumber, building materials and home-improvement products. Accounting services are provided to the debtor by **Ernst & Young**. Attorney to the debtor is **Laura Davis Jones of Young, Conaway, Stargatt & Taylor of Wilmington, Delaware**.

**Appletree Companies, Inc.** filed for Chapter 11 bankruptcy protection on April 4, 1997 in the Eastern District of Virginia, Norfolk Division. The company manufactures fresh and frozen sandwiches, including hamburgers and hot dogs. Attorney to the debtor is **James R. Sheeran, of Norfolk, Virginia**. Accounting services are provided to the debtor by **Coopers & Lybrand**. Appletree Companies' wholly owned subsidiary, **America's Foods, Inc.** also filed for Chapter 11.

**Pocket Communications, Inc.** filed for Chapter 11 bankruptcy protection on March 31, 1997 in the District of Maryland. The company provides wireless telecommunications services. Accounting services are provided to the debtor by **Arthur Andersen & Co.**

**The Singing Machine Company** filed for Chapter 11 bankruptcy protection on April 11, 1997 in the Southern District of Florida. The company distributes and markets electronic karaoke audio equipment. The company also produces and markets karaoke audio software including compact discs and video and audio tapes. Accounting services are provided to the debtor by **Millward & Co.** Attorney to the debtor is **Robert C. Furr of Furr & Corten, PA of Boca Raton, Florida**.