

EARLY EDITION

SUNDAY

The Dallas Morning News

By ANURADHA
RAGHUNATHAN
Staff Writer

Not all businesses are groaning about the economic downturn.

The story of gloom has a flip side - it's a tale of a boom. Some businesses are thriving like never before.

Pawnshop operators are seeing an increase in foot traffic. Bankruptcy lawyers are swamped with calls. Buyout firms are picking their way through the corporate carnage, looking for bargains.

Restructuring finance providers are busy arranging for loans either to help companies through a bankruptcy process or infuse them with new life. Distressed-debt traders are swooping in to snap up troubled debts at deep discounts.

It's a law of nature that is reasserting itself in this economy: One sector's

distress is another sector's gain.

"These are the countercyclical businesses - they go up when the rest of the economy goes down," explains Dr. Bernard Weinstein, director of the Center for Economic Development and Research at the University of North Texas.

While business is good in good times, it's even better in bad times, business owners say.

Money to be made

There's money to be made in these corporate funerals. Just ask Byron Clark, a Plano-based consultant who specializes in liquidation and asset-evaluation.

He is a man in demand today - as he moves from one bankruptcy scenario to another.

He is shepherding a company called Golf America, a high-end golf accessories retailer, through the unwinding process.

"I was in the middle of an auction, working with three liquidators," says Mr. Clark referring to three weeks of work in Delaware recently.

He's been appointed chief operating officer and president of Golf America. And as part of the job, he has arranged for the sale of \$37 million worth of golf shirts, caps and high-end clothing. Golf America stores around the country - including a location in Grapevine Mills mall - are busy conducting their "going out of business" sales.

"It is the sign of the times," says Mr. Clark.

Soon he will move from asset sales to negotiations with landlords relating to leases for the 37 Golf America locations. And then there's the trademark sale.

For now, "I am cleaning up accounts payables and receivables," he says.

Companies going through the bankruptcy process typically call in external liquidation consultants like Mr. Clark because it's easy to under-price inventory in a distressed market.

"If the companies do [the sales] themselves, people may take advantage of the situation," says Mr. Clark.

Consultants like Mr. Clark are paid anywhere from \$175 to \$300 an hour for their work. And there's plenty more ahead.

Mr. Clark is watching the Christmas season with interest. Disappointing retail sales could send yet another wave of new business his way.

Rise in lending activity

But nothing can really move in this market without cash.

Companies that are going out of business need money to get out of business - a process called "debtor in possession" financing.

Companies that are attempting to restructure need money in the form of turnaround financing. And companies that have managed to haul themselves out of bankruptcy need money through exit financing.

Lan Haverfield, senior vice president at CIT Business Credit, arranges for all of these loans.



LAWRENCE JENKINS/Staff Photographer

Byron Clark is a Plano-based consultant who helps manage the liquidation of businesses after bankruptcy.

"We fund companies during good times and bad times - but we see more opportunities during poor economic times," says Mr. Haverfield.

For instance, CIT is the lead agent in a \$195 million revolving line of credit provided to Houston-based Sterling Chemicals, which is going through the bankruptcy process.

In these economic times, lenders generally provide what are called asset-based loans. These are higher-risk loans where the lenders back the loan with inventory, receivables or machinery. If the borrower fails to pay, the lender can then seize the assets.

"The poor economy translates into a very healthy pipeline of business for asset-based type of loans," says Mr. Haverfield.

At CIT, restructuring financing alone has gone up 25 percent in the last year. The lender is scouting buyout publications and tapping into the lending network to identify companies that he can lend to.

And even as the asset-based lenders revel in the opportunities, professionals like Mr. Clark from Plano are back in the loop. They are called in to evaluate assets before lenders make the loan.

Since the start of this year, Mr. Clark has sized up inventory

a variety of businesses - including a cranberry business and an eye-wear company.

"We stay pretty busy on valuations," says Mr. Clark.

"Lenders will call us in before they do the loan. We will also monitor the loans during the course of the year at different times. If you want to work, there is work."

But even as these professionals welcome the increased work volumes and the accompanying profits, they are aware that this is not going to last. As soon as the economy begins to recover, crazy workloads will become normal workloads.

The bankruptcy boom may continue for a while, experts say, but that will eventually slow down too.

Other professionals are already preparing themselves for what is to come.

"When I look out - three or four years - the distressed companies will go through their cycles and clean up their balance sheets," says Mr. Luton, the research analyst in the distressed debt market. "Corporations will get their houses in order. Business may get tougher for us as the economy recovers."