

Communication staves off disaster

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premiums, which not only cut into profits but severely hampered companies from hiring younger drivers.

"The insurance companies wouldn't cover the younger drivers coming into the industry because they had no safety record to speak of."

"It was a Catch-22. The young driver needed the experience to get insurance, but no one would insure them so they could get the experience."

"With that, and a shortage of drivers in general, I had 30 trucks and a third of those sat in the lot day after day. To make matters worse, I had to pay insurance on the trucks even though we weren't using them."

SO 10 MONTHS after moving from Lansing to Livonia in 1988 to be closer to his customer base, Brandt, trying to find breathing room amid the suffocation of deregulation, down time and debt, filed for legal protection from his creditors under Chapter 11.

There, the tedious mechanics of bankruptcy law allowed him the first crack at reorganizing the company so it could pay off its debts. Brandt declined to say how much the company owed.

"We knew before filing for Chapter 11 what we had to do. Instead of hiring drivers and paying all their benefits while providing equipment and fuel, we went with independent

contractors who own and operate their own 18-wheelers."

Such a move, Brandt said, slashed the company's monthly expenses from \$180,000 to \$40,000. Without the need to keep drivers on the payroll, personal benefits were eliminated as were the trucks, fuel bills and most of the insurance premiums.

In all, 30 drivers and 11 office personnel were dismissed, leaving Brandt and four employees to pick up the pieces.

BUT BEYOND reducing his staff, Brandt turned to more meticulous measures. A new telephone system saved \$2,000 per month, accounts receivable were reduced from 60 days to 30 to improve cash flow, and Brandt cut his salary in half. He was the only employee to see his paycheck reduced.

Communication lines were also opened.

"I came in here four months before the company filed for Chapter 11, and I was very skeptical about cash flow," said Mike Case, director of safety and personnel. "But when Harry came in and showed us how we could change things around, I looked at it as a challenge."

"Sure, it was a tough, but Harry's attitude was 'Let's knuckle down and see if we can't lick this thing stand-

ing.' Those that wanted to jump ship could, but I had this feeling everything would work out, and it did."

IF THERE was a single factor that Brandt could point to and say, "That saved the company," it was the foresight to inform all parties involved — creditors, customers, suppliers and employees — that there was hope.

"Certainly going into Chapter 11 carries with it a bad connotation and bad publicity," Brandt said. "So when I realized we were having all these problems, I sat down with everyone connected to the company and explained what was going on."

"I spelled out the situation, told people how we were going to fix it and kept them apprised as we went along with progress bulletins. I think that, more than anything, saved the company."

TOM SWARTXBAUGH, logistics supervisor for Frito-Lay in Allen Park, one of Sharco's largest clients, agreed.

"When Harry told me they were going into Chapter 11, I was very troubled. I didn't know whether they could still provide the equipment, keep it well maintained and still pay off claims."

"But what made us stick with them? It was really their strong at-

tention to personal service and the fact that they maintained contact with us on how they were doing. Harry was always a phone call away, and Sharco continued to meet our needs."

ON THE supplier end, Ken Dove, owner of H&C Truck and Trailer Repair in Detroit, which serves the Livonia area, said he was concerned payments would slip during court protection.

"I don't think it's the end of the world when a company goes into Chapter 11, but certainly you want assurances. Harry laid down a payment schedule, we accepted it, and we hung with them. They did everything they said they would."

Now that the company is out of Chapter 11, those who had been pushing for liquidation have been mollified by assurances of eventual full repayment, Brandt said.

And while running a profitable operation is tough, given the intense competition within the industry and the continuing scarcity of drivers, Brandt seems unperturbed by such dangers.

"We were down in the tunnel as far as you can go, but we came back. We proved to everyone that we could get the job done, but I think the best thing out of all of this is that people were willing to support us."

Surviving Chapter 11

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employees and revenues had dropped to \$900,000.

BRAVO KNEW when he took over the company that many of Uni Boring's creditors and suppliers were getting jumpy. But he also knew a Chapter 11 filing might cause the whole situation to spiral out of control, and there was the potential for losing a great deal of business.

But despite the doubts, Bravo "wanted to give it one last try." So eight years after he started with the company, he bought Kamin out for an undisclosed price, believed to be in the six-figure range.

Bravo began to shift the focus of the company from a supplier of machine tools for area shops to a supplier of precision tools for the Big Three automakers.

But saddled with equipment unworthy of the task and mounting debt, Bravo was more or less forced to seek Chapter 11 protection or risk a possible court-ordered shutdown and liquidation, he said.

UNDER THE protection of a federal court, Uni Boring was allowed to continue normal business operations. In turn, the company's cash flow began to improve because it could still receive sales revenues and yet be afforded relief from banks and the Internal Revenue Service.

"I treated bankruptcy as a war.

My plan was to sell the equipment we had and use the money to enter the precision machining industry. We saw a great deal of potential supplying the automakers directly with such parts as engine blocks, manifolds and cylinder heads."

Slowly the change in strategy began to pay off. By 1987, the company's revenues had climbed to \$5.2 million. The Big Three accounted for 90 percent of Boring's annual sales.

In time, the company made a name for itself, supplying Chrysler with the engine block for its upcoming Viper sports car, an automobile Motor Trend dubbed a "twin-turbo Stealth supercar."

In January, Ford presented Uni Boring with its Q1 Preferred Quality Award, an honor recognized as a mark of excellence.

BUT ALONG the way sacrifices had to be made. Employee salaries were cut by 10 percent in 1984, and another 10 percent 10 months later.

"When we went into Chapter 11, my feeling was, 'Gee, am I going to have a job next month?'" said Livonia resident John Hahn, a boring mill operator for the company since 1978.

"When the second pay cut came along I had more doubts, but for some reason I stuck with the company. It was tough, but Facundo always kept everyone informed of why things were happening and what he was doing to correct them."

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