

Some suppliers escape Kaiser Ch. 11 dive

By Edward Worden

NEW YORK, Feb. 15 -- The IOUs that Kaiser Aluminum Corp. accumulated right up to its Chapter 11 bankruptcy protection filing were formidable, but some scrap suppliers and others were given a heads-up and got paid before debts were frozen.

All were enrolled in ProfitGuard, a service that keeps its clients up to date on shaky or uncertain financial situations. Asked about Kaiser's list of creditors and amounts totaling \$905 million, an executive with the company said ProfitGuard saw the bankruptcy filing coming.

"The event came a little sooner than we had projected," said Craig Bonnell, vice president of Global Commercial Credit, which maintains the list of subscribers to its ProfitGuard alert service. Global Commercial Credit is a unit of United Capital Co., Bingham Farms, Mich.

"We had 25 clients that sold to Kaiser regularly," Bonnell said. "Those could have resulted in exposures of \$5 million to \$8 million. We have been watching Kaiser closely over the last few months and we issued warnings. When we got notice Tuesday morning (Feb. 12) that they filed, our staff called clients to get exposure reports. The amount came to just \$7,000."

Bonnell said the big aluminum producer was laboring under "horrible market conditions." Not only was there significant debt--State Street Bank & Trust Co., for one, is owed \$400 million--but Kaiser's liability for asbestos contamination and injuries continued to mount, and the portion not covered by insurance also grew.

Global Commercial Credit also watched Kaiser's common stock price sink to \$3 per share, 40 percent lower than its 52-week high. What action could the forewarned creditors take? According to Bonnell, a buyer that has become chronically past due can be placed on a "credit hold" and usually responds by making good in order to maintain relationships with suppliers.

"There are ways to go after it (an IOU) and in this environment it is cash that is oxygen to a business," he said. "A company can't allow unreceivables to go unmanaged."

Subject to bankruptcy court approval, Kaiser has been granted \$300 million in debtor-in-possession financing by Bank of America (AMM.com, Feb. 13).

Global Commercial Credit considered conditions in the metals industries so poor last year that it stopped accepting clients for its credit insurance division, which covered accounts receivable.

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