WSJ
11-16-71

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Wall Street Journal (1923 - Current file); Nov 16, 1971;
ProQuest Historical Newspapers The Wall Street Journal (1889 - 1994)
pg. 20

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Firm Sees Hefty Special Charges, Write-Offs From Transaction; Talks Are Held With Creditors

By a WALL STREET JOURNAL *Staff Reporter*

LOS ANGELES — Leisure Group Inc., a maker of recreation and other outdoor products, said that it sold its Yard-Man division and that it completed a major recapitalization

The sale of the Yard-Man division, which manufactures a line of lawn-mowers, lawn tractors and snow-removal equipment, to a unit of Montgomery Ward & Co. will result in substantial special charges and write-offs, Leisure Group indicated. Marcor Inc owns Montgomery Ward.

Stephen E. Hinchliffe Jr., chairman of the financially troubled concern, said the sale of Yard-Man and the previously announced agreement to sell the company's Ben Pearson Archery division to Brunswick Corp. are "key elements in the company's plan to correct its financial problems."

Total of $14 Million

Mr. Hinchliffe said the combined price of the divisions exceeds $14 million, but he declined to specify each division's price.

The Leisure Group chairman added that special charges of up to $1.5 million will result from the sale of the Yard-Man and Ben Pearson divisions and that another $12 million in goodwill associated with the sale of Yard-Man also will be written off. The company previously reported it had a special charge of $942,000 resulting from the sale of its Planet Jr. farm implement line in May.

Mr. Hinchliffe said Leisure Group is negotiating an agreement with its creditors committee to make an immediate payment from the proceeds of the sale of the two divisions to reduce its past-due trade debt of about $10 million by about $3.5 million and to retire the remainder over several years.

Outlining the recapitalization, the company said it offered seven-year warrants to purchase its common stock at $2 a share to certain parties, whom Mr. Hinchliffe wouldn't identify, in return for their acquisition of Yard-Man division trade creditor claims. Yesterday, Leisure Group was traded over the counter at $2.625 bid, $2.875 asked, up 12½ cents. The company estimated that warrants don't cover more than 700,000 shares. Leisure Group presently has 3,092,000 shares outstanding.

The company added that holders of its $13.5 million 7% convertible subordinated notes have agreed to exchange $9.5 million of notes for 7% noncumulative convertible preferred stock and that the company has reduced the conversion prices of the remaining $4 million of subordinated debt.

Payout Waived

Leisure Group further said that dividends on its preferred stock and interest on the convertible subordinated debt have been waived for two years. The $9.5 million of preferred stock is convertible into and has the voting power of 3.8 million shares of common. The remaining $4 million of subordinated debt is convertible into an additional one million shares.

Mr. Hinchliffe said the effect of these transactions will be "a substantially improved financial position." And he observed that bank borrowing had been reduced to about $6 million from $15 million. He also disclosed that Leisure Group has entered into a new one-year loan agreement with its banks.

Commenting on Leisure Group's fourth quarter, ended Oct. 31, Mr. Hinchliffe said the company continued to experience losses as a result of its substantially reduced level of operations. But he said results for the fourth quarter and for the fiscal year won't be available at least until the middle of next month.

For the nine months ended July 31, the company reported a loss of $4.3 million before a special charge of $346,000, representing a loss of $942,000 from the sale of the Planet Jr. line less federal income tax recovery of $596,000. Net loss for the nine months was $4.7 million.

Mr. Hinchliffe said that "although the company would be resuming full-scale operations over the next several weeks, it could be six to nine months before the company is on a fully profitable basis." He added that "following the sale of Yard-Man and Ben Pearson, the company's annual sales will be reduced from approximately $67 million to $40 million."