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AntiqueLand seeks Ch. 11

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AntiqueLand USA Inc., once one of Austin's fastest growing private companies, has filed for Chapter 11 bankruptcy protection as it sags under as much as \$10 million of debt.

The 6-year-old company, which quickly became the largest owner of antique malls in the country through its unique approach of consolidating existing shops, is trying to reorganize \$7 million to \$10 million of debt in U.S. Bankruptcy Court in Dallas.

Those involved say the reorganization promises to be complex. AntiqueLand operates 16 locations throughout the United States, including one in Central Texas. Many of the locations are covered by AntiqueLand subsidiaries, forcing the company to file 13 separate bankruptcy petitions May 17.

The largest creditors include several individual and institutional investors. In all, AntiqueLand owes money to about 3,000 parties. About 2,500 of the company's creditors are antique dealers, plus AntiqueLand is indebted to more than 100 employees and about 100 utilities, according to court filings.

In 2001, AntiqueLand was rated as the seventh-fastest growing private company in Central Texas by the Austin Business Journal. Between 1998 and 2000, AntiqueLand's annual revenue jumped from \$2.4 million to \$7.9 million.

According to court documents, AntiqueLand intends to use the bankruptcy process to restructure its long-term debt, close profit-draining locations in Texas and Indiana, and devote more capital -- such as advertising and renovation dollars -- to profitable locations. AntiqueLand has told the Bankruptcy Court that since 1999, rent at some of its malls has risen more than 50 percent even though industry growth has slowed, and the company has declined to pass those added costs to mall tenants.

AntiqueLand also hopes the bankruptcy process will buy some time to deal with several lawsuits and legal issues.

"This reorganization is a proactive strategy intended to put favorable issues behind the company and allow us to focus on our core business operations and most successful locations," President and Chief Financial Officer John Orton says in a statement.

"It is unfortunate that litigious parties and inflexible leases with above-market rents have forced us into this situation, but we now have the breathing room that we need to move the company forward."

One of the biggest issues facing AntiqueLand now is whether it will be able to keep its current, elaborate financial structure. AntiqueLand is asking the court for permission to skirt a bankruptcy rule that requires a Chapter 11 company to close its prebankruptcy bank accounts and open new ones. Given the complex financial system in place, AntiqueLand says having to do that would jeopardize its ability to emerge from bankruptcy.

AntiqueLand has hired Dallas attorney Stephanie Curtis of The Curtis Law Firm PLLC to guide it through the bankruptcy process. AntiqueLand soon might hire six more bankruptcy experts or lawyers to assist with corporate and litigation matters, according to an affidavit filed by Orton. AntiqueLand was started in 1998 by Orton, a former finance executive at Dell Inc., and

Courtland Logue Jr., former chairman and CEO of Austin-based pawn shop giant EZCorp Inc.

During AntiqueLand's early days, the two entrepreneurs told the Austin Business Journal that about 5,000 antique malls operate in the country, but no other company manages more than five properties, leaving the market wide open to consolidation.

The process of building a company by buying several existing companies and administering them from a central location is referred to as a "rollup." Two other well-known Central Texas companies that grew through the method, American Plumbing and Mechanical Inc. and Southwest Recreational Industries Inc., recently filed for bankruptcy protection.

"I wouldn't say rollups are inherently problematic," says Eric Taube, a bankruptcy attorney at Austin law firm Hohmann Taube & Summers LLP. "Sometimes they work by cutting overhead expenses. Other times, it can be tough to coordinate and integrate several systems, and things get out of control."

Seven of AntiqueLand's retail outlets are in Texas, including one in Round Rock. The other malls are in California, Florida, Indiana, Kansas, Oklahoma and Ohio. Sales topped \$25 million last year, according to court filings, bringing more than \$10 million in revenue to AntiqueLand.

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