



## M. Fabrikant can auction assets

by Shanon D. Murray Posted 04:36 EST, 30, Apr 2007

A Manhattan judge will allow bankrupt **M. Fabrikant & Sons Inc.** to sell its inventory and assets at auction.

The New York-based diamond cutter, along with distributor and subsidiary Fabrikant-Leer International Ltd., plan to sell third-party accounts receivable, inventory, Fabrikant's 27% interest in **Fabrikant-Tara International LLC** and miscellaneous assets.

The miscellaneous assets include the Fabrikant and M. Fabrikant & Sons Inc. trade names.

Bradley I. Dietz, Daniel Wallitt, and Joseph Stein III of **Peter J. Solomon Co.** are M. Fabrikant's financial advisers who are serving as its bankers for the auction.

Judge Stuart M. Bernstein of the U.S. Bankruptcy Court for the Southern District of New York in Manhattan set the auction for May 16, and the sale hearing for the next day, said debtor counsel Lee W. Stremba of **Troutman Sanders LLP** in New York.

Fabrikant hasn't yet identified a stalking-horse bidder, but has hopes to do so before the hearing, Stremba said.

And if not, he said, an active auction is still possible.

"Even without a stalking-horse bidder, we have hopes that a number of people would bid," Stremba said. "We always think that a [stalking horse] would increase the competitive atmosphere, but there are a lot of people who are doing due diligence."

If a stalking-horse bidder comes forth, it would receive bid protections including a 2% breakup fee and up to \$200,000 in expense reimbursement.

Court documents show that Fabrikant and Peter J. Solomon Co. have solicited offers from potential purchasers since before the diamond cutter filed for Chapter 11 on Nov. 17.

The proposals, however, did not maximize the value of the debtors' estate.

Similarly, Fabrikant said a sale is a better alternative to obtaining funding, another path Solomon has pursued.

Fabrikant has set reserve prices for various assets. If the highest bid is below the reserve price, the assets wouldn't be sold.

Fabrikant receivables would have to bring in at least \$10.2 million; FLI receivables, \$2 million; other receivables, \$3 million; Fabrikant inventory, \$21.4 million; FLI inventory, \$10 million; the FTI stock, \$1.4 million; and other assets, \$500,000.

Lenders would be able to credit bid. And if no bidders other than the lender topped the reserve price, they would win the assets without an auction for the credit bid.

A credit bid, however, can't top a stalking-horse offer.

Fabrikant filed for Chapter 11 on Nov. 17 in the Manhattan court, citing liquidity issues.