

Portland Business Journal - October 2, 2006

<http://portland.bizjournals.com/portland/stories/2006/10/02/story6.html>

PORTLAND BUSINESS JOURNAL

ALL stories from the Portland Business Journal print edition are available online to print-edition subscribers ONLY. If you are already a print subscriber or you wish to subscribe, [click here to learn more](#).

BUSINESS PULSE SURVEY: [What is the biggest transportation priority in the Portland area?](#)

agiegerich@bizjournals.com | 503-219-3419

Turnaround expert brings order from company chaos

Portland Business Journal - September 29, 2006 by [Andy Giegerich](#) Business Journal staff writer

As a corporate turnaround artist, Edward Hostmann's career has provided a steady succession of been-there, fixed-that, scrapped-that stories.

Along the way, Lake Oswego-based **Edward Hostmann Inc.** helped rejuvenate a company started by an American business legend, seen the demise of a leading discount retailer and inhaled his share of coal dust.

Hostmann trekked into the coal realm during a 2003 case involving **Lodestar Energy**, of Lexington, Ky. Hostmann needed to quickly liquidate the company, but realized he didn't know much about the coal industry. So he quickly assembled a core of industry experts and locals who could offer an objective take on the company's problems.

After studying various liquidation tactics and analyzing which Lodestar pieces to save, Hostmann's company eventually recovered \$65 million.

The Lodestar work typifies Hostmann's charge: As one of Portland's few independent turnaround specialists, he assesses a business's chances of recovery. If the chances are good, he develops plans that stabilize the business or recover its assets at a minimum cost.

About three-quarters of his accounts consist of banks, including divisions of **Wachovia** and **Wells Fargo**, that hire him to protect their asset-based credit interests. The other 25 percent are companies that need an outsider's view. To achieve that, he can be either the world's nicest guy or the world's toughest guy.

"Ed is a very clear and direct thinker, yet is creative in his approach to solving problems," said Peter McKittrick, a Farleigh Witt PC attorney who's close to Hostmann.

Hostmann's approach isn't unlike that of a surgeon.

"It's like seeing a patient after an automobile accident. If they're bleeding profusely and you have to cut off the arm to save the body, then that's what you have to do," he said.

Hostmann's mission, depending on the severity of the damage, thus either becomes saving the company or maximizing the recovery to the stockholders.

Or, occasionally, making sure the company is actually legitimate. One Hostmann banking industry client asked him to look at a Memphis, Tenn.-based cotton company that was late on its debts.

One problem: The owner of the company, noting Hostmann's north-of-the-Dixie address, "wasn't going to let a Yankee" save the business.

Hostmann and the bank engineered a friendly turnover of the company, and went to visit the



Cathy Cheney

Edward Hostmann doesn't mince words when it comes to telling an ailing company what to do.

[View Larger](#)

owner. While waiting for their meeting, Hostmann saw a large set of keys hanging in a back room.

A Hostmann employee grabbed the keys, and the new company operators began touring the factory. In one newly unlocked room, Hostmann found several full burlap bags that appeared to contain cotton. They instead contained floor sweepings.

After an orderly liquidation of the outfit's real inventory, the company closed down. The lender took a \$7 million loss.

Hostmann has also worked on cases involving Symphony Health Care, which owned Portland's shuttered Woodland Park Hospital; **Beaver Coaches Inc.**; and appliance mainstay Tom Peterson's retail company, for which Hostmann served as a bankruptcy trustee.

Peterson is one of several prominent retailers with which Hostmann has worked. Sprouse Reitz, the Portland-based discount chain with a deep Oregon small-town footprint, faced financial woes after the 300-store chain "fell asleep in the 1960s and woke up in the 1990s," said Hostmann, who eventually oversaw a consensual liquidation.

The bad part: Some 3,000 people lost their jobs.

"What's sad is that it's usually management's fault," he said. "Those are the people I want to change."

To do so, he's frank, telling the managers they need to change their approach. It's an approach that has cost him many a job on the company side. "But I tell them they're fat, that they need to quit smoking and they need to lose weight," he said. "And if I don't get the job, I often get it three or four months later after the others can't deliver."

Hostmann works with between six to 10 companies a year. His company is profitable, mainly because it plays within its boundaries. Most cases involve loan balances between \$50 million to \$150 million; he'll take smaller cases if they're based in Oregon.

Hostmann's approach makes sense to McKittrick, who notes Hostmann's upbringing in the Philippines may have shaped his business philosophy.

"He's very well-read and knows a lot about current events and historical topics," McKittrick said.

Such skills helped when Hostmann fielded a call a year ago from MD Helicopter. The company had begun life as the **Howard Hughes Helicopter Co.** and was sold to **McDonnell Douglas** in the 1980s; **Boeing**, which had merged in 1996 with McDonnell Douglas, spun off the aircraft maker's commercial division into a separate arm and sold it.

But the buyer, who'd borrowed \$75 million, ran the company into the ground. Hostmann arrived and saw a great opportunity.

He called Patriarch Partners, a New York venture capital firm, to tell them that the company was solid despite the misadventures.

"I told them that if I was older, I'd buy the company," Hostmann said. "But I wasn't ready to retire."

Within 30 days, Patriarch bought the company, now called MD helicopter. The investment proved airtight: MD still produces quality notar, or no-tail, helicopters.

The story isn't typical for Hostmann: He's only seen two recovering companies he'd like to buy.

He has, however, co-opted other things from struggling companies.

"Most of the people working for me, I've hired from jobs I was involved with," he said. "I know they're good, because I've seen them under fire."

This article is for Paid Print Subscribers ONLY.

If you are already a Portland Business Journal subscriber please **create or sign into your bizjournals.com account to link your valid print subscription** and have access to the complete article.

Become a Print Subscriber



For immediate access to this article, as well as the most recent edition of Portland Business Journal online, become a print subscriber.

Welcome, Carrie Barnes

At this time, you do not have any valid, linked subscriptions.

- ➔ [Link Print Subscription](#)
- ➔ [Purchase or Renew a Subscription](#)

[Purchase a Print Subscription](#)

[Contact the Editor](#) [Need Assistance?](#) [More Latest News →](#)

[Subscribe or renew online](#)

All contents of this site © American City Business Journals Inc. All rights reserved.