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**OPERATIONS**

A quick look at how McCulloch Corp.'s problems have affected its employees:

**Tucson:** Corporate headquarters, about 200 employees laid off Jan. 4; about 35 have been recalled, 25-35 in distribution and about 10 at corporate headquarters.

**Lake Havasu City:** About 300 employees, who handle engine die casting, machining and plating operations, laid off; none recalled.

**Hermosillo, Son.:** About 1,100 workers, primarily in assembly, laid off; 75 have been recalled, with 300 more possible in the next few weeks.

# McCulloch tries to avoid bankruptcy

## The chain saw maker recalls 25 of the 200 workers laid off here last week.

McCulloch Corp., which laid off about 1,750 employees last week, including 200 in Tucson, will petition for Chapter 11 reorganization in Tucson federal court today to help stave off involuntary bankruptcy proceedings.

The chain saw maker's move follows a Chapter 7 involuntary bankruptcy filing against the company by its suppliers.

"The three vendors who took that action have been very supportive of us," said Michael D'Appolonia, McCulloch's president and chief executive officer. "We expect Amado Transportation, for example, to continue to be our primary transportation provider."

Meanwhile, McCulloch, which has discontinued its leaf blower and string trimmer product lines, recalled 25 to 35 workers here to staff its distribution warehouse after it reached a financing agreement Friday with one of its key lenders.

"This particular agreement will provide adequate funding to have some level of operations over the next few weeks," said D'Appolonia. "We hope to work out a longer-term agreement with the lender for a more extended period of time."

The company's layoffs came after its major creditor, Chicago-based Heller Financial, refused to give McCulloch additional funding for its reorganization.

At the time, the decision to lay off was made "out of concern that we would not be able to meet our payroll obligations," said D'Appolonia.

In a Dec. 22 letter to employees, the company acknowledged it had not been profitable since 1988.

The finance agreement struck Friday gives the company the ability to "resume limited operations."

D'Appolonia wouldn't divulge the details of the financial agreement but said the company has been trying to renegotiate its debt for several months.

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*cc: Mktg Dept. Dale Hines Linda Rosario } rfs - POK*

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Limited assembly operations will begin at its Hermosillo plant Friday, a company press release said. Operations at the Lake Havasu City plant, which handles engine die casting, machining and plating operations, could resume in early February, contingent on future financing.

D'Appolonia blamed the financial problems on "intense competition in the power equipment industry, which has negatively impacted profit margins."

The financing agreement with Heller also allows the company to provide laid-off workers with health coverage through the end of the month, he said.

Possible company moves include selling some or all of its operations, identifying other lenders and selling selected surplus assets.

In April 1997, the company moved about 75 production jobs from Tucson to Hermosillo. It also consolidated corporate operations here. Those changes followed a 1995 downsizing that cost about 400 Lake Havasu City jobs.

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