

DELOREAN LOSES \$975,000 CLAIM

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Author: Associated Press

John **DeLorean** fraudulently mixed personal funds with those of the **DeLorean** Motor Co. and is not entitled to a **claim** of \$ **975 , 000** of the bankrupt company's money, a federal bankruptcy judge ruled Tuesday in Detroit.

U.S. Bankruptcy Judge Ray Reynolds Graves ruled there was "a clear showing that (**DeLorean**) commingled corporate funds with his personal funds. There is no credible evidence that this commingling was disclosed to or authorized by the board" of **DeLorean** Motor.

DeLorean , 59, is on trial in Los Angeles on charges of conspiring to distribute \$22 million worth of cocaine in a bid to salvage his bankrupt auto firm in Northern Ireland. (See story, Page 14C).

Lawyers for the former General Motors Corp. executive had argued that **DeLorean** had a secured **claim** to \$ **975 , 000** of **DeLorean** Motor assets, and that **DeLorean** 's **claim** to the money took precedence over those of the company's unsecured creditors.

But Graves ruled **DeLorean** 's **claim** invalid, saying he failed to keep his personal accounts separate from **DeLorean** Motor's corporate account and improperly transferred "corporate funds to entities having no relation" to **DeLorean** Motor Co.

GRAVES RULED that **DeLorean** 's commingling of funds "constitutes a badge of fraud," and that he made payments to himself of about \$900, **000** , also "constituting a badge of fraud."

The ruling was "what we wanted," said Sheldon Toll, an attorney representing David Allard, bankruptcy trustee of **DeLorean** Motor.

The unsecured creditors have claimed **DeLorean** used \$9.3 million, intended for development of the stainless steel, gull- winged sports car his company built, to pay off a loan he used to buy Logan Manufacturing Co., a Utah company that manufactures snow-grooming equipment.

Graves' ruling "is very important for the course of future suits by Mr. Allard" aimed at recovering the unsecured creditors' money, Toll said. "That's one hump we're over."

DELOREAN HAS TRIED to sell Logan Manufacturing, but Graves ruled Jan. 18 that Logan's major financial transactions must obtain court approval.

A May trial date has been scheduled to decide whether Logan Manufacturing's assets belong to **DeLorean** or to the bankruptcy estate.

DeLorean Motor Co. filed in October 1982 for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code, just days before **DeLorean** was arrested on drug charges.

DeLorean Motor petitioned successfully in December 1983 to convert the case to a Chapter 7 bankruptcy, in which all the company's assets would be liquidated.

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