[redacted]HE WALL STREET JOURNAL.

VOL. CCVII NO. 81 ★★ EASTERN EDITION FRIDAY, APRIL 25, 1986 PRINCETON, NEW JERSEY 50 CENTS

Property Damage

Syndicator Craig Hall Struggles to Shore Up Real-Estate Empire

His Highly Leveraged Deals Suffer as Inflation Ebbs, And So Do Some Lenders

The Story of a Dallas Tower

By LAURIE P. COHEN
Staff Reporter of THE WALL STREET JOURNAL

DALLAS—Craig Hall's 1985 Christmas party attracted a standing-room-only crowd of more than 800 in one of this city's poshest hotels.

"There were hors d'oeuvres from all over the world, and everybody who's anybody was there," recalls Ralph Neely, a former lineman for the Dallas Cowboys. "I told Craig, 'Now you know what an all-pro quarterback feels like.' "

Four months later, Mr. Hall also knows what being sacked feels like. His $3 billion financial empire, which includes two savings and loan associations, a controlling interest in an oil company, 10% of the Dallas Cowboys and extensive real-estate holdings, is crumbling. Once the nation's largest private real-estate syndicator, with lenders and investors clamoring to get in on his deals, Mr. Hall now is said to be having trouble raising money. He is entreating creditors to grant extensions on hundreds of millions in debt to avoid the bankruptcy courts.

Mr. Hall's troubles already have contributed to at least two big thrift-institution failures and could lead to more. Federal Home Loan Bank Board examiners camped in Mr. Hall's Dallas office for weeks earlier this year poring over records. Last month, the agency called a meeting of Hall real-estate lenders in Los Angeles.

Bank Involvement

"If the Hall organization goes into the tank, you'll have major problems with the Federal Savings & Loan Insurance Corp., S&Ls and many banks," says Kenneth Leventhal, an accountant and real-estate specialist assisting Mr. Hall.

His problems could hurt some big banks, such as RepublicBank Corp., Bankers Trust and Michigan National. And many of Mr. Hall's 7,000 private investors, ranging from executives like American Airlines chairman Robert Crandall to middle managers who had to borrow to invest, could be stuck not only with investment losses but also with burdensome tax liabilities.

The case could even represent the beginning of a chain of big defaults by real-estate syndicators and developers, with dire ramifications for the thrift and financial industries, real-estate experts say. It reflects the Gospel-like faith many aggressive real-estate tycoons like Mr. Hall put in the inevitability of inflation. But now that sharply lower oil prices have cooled many once-torrid markets in the Southwest and West, real-estate price rises aren't there to bail Mr. Hall and others out.

Comeback Plan

Mr. Hall says he realized in December that his problems were becoming serious. Since then he has been scrambling to restructure more than $600 million in personal, corporate and partnership debt. He is pressuring lenders to accept smaller payments, reduced interest rates and five-year extensions. He has sought bankruptcy-court protection for one of his partnerships and gained breathing room by filing usury lawsuits against a lender on several properties. He paid off a $1.5 million note on his house in January, hoping to insulate it from creditors.

He has a comeback plan, and he argues that if he can buy enough time, inflation and rising property values will be back to rescue him. His objective, he says, is to "solve problems and work in the best interests of all parties. I don't want to run away from problems. I'm concerned about the lenders as well."

But many real-estate and financial experts see little hope for a successful bailout. "Craig Hall is only trying to rearrange the deck chairs on the Titantic," contends David Siciliano, the president of RPR Properties Inc., the real-estate investment unit of Rauscher Pierce Refsnes Inc., a Dallas securities concern. "His deals are predicated on some very aggressive assumptions that weren't ever likely to pan out."

Starting Early

Just last fall, the 36-year-old Mr. Hall looked like the latest financial Wunderkind. He had made a quick $5.5 million in the takeover battle for Cluett, Peabody & Co., acquired a controlling interest in May Petroleum Inc. and collected $8.6 million by buying stock in First Federal of Michigan and later selling it to the company. When he announced plans last August to get more involved in the takeover game, Wall Street took notice.

Mr. Hall, a college dropout who got into real estate at age 18 by investing $4,000 in an Ann Arbor, Mich., rooming house, is a workaholic who is often on the job 18 or 20 hours a day. A few years ago he abandoned a cruise in Acapulco in search of a phone, found one in a restaurant—and stayed to buy a piece of the restaurant. Last fall, on a camping trip with other real-estate executives on the East Texas estate of Dallas developer Trammell Crow, Mr. Hall opened his sleeping bag to find a phone placed there as a joke. (His wife did it.)

Despite his stake in the Dallas Cowboys, he isn't much of a football fan. He has been known to sit in his box, watch a

Please Turn to Page 13, Column 1

What's News—

Business and Finance

PACKWOOD UNVEILED new proposals to revive the troubled tax-overhaul effort. The Senate Finance chairman's plan would eliminate all tax deductions for individuals but cut their top rate to 25%. It also would keep most tax breaks for businesses and cut their top rate to 33%. Panel members, however, are still pessimistic about tax revision.

(Story on Page 3)

* * *

Kidder Peabody's directors approved GE's offer to buy about 80% of the securities firm for about $600 million, sources said. Kidder Peabody shareholders were expected to approve the takeover yesterday.

(Story on Page 3)

* * *

Bond prices tumbled for the third day in a row amid worries that the Japanese are reducing their U.S. bond holdings because of the dollar's slide. The dollar rebounded, though traders called it a technical correction.

West Germany and Japan signaled that they don't plan to take further steps to stimulate their economies, despite pressure from the U.S.

(Stories on Pages 37 and 31)

* * *

AT&T proposed steep rate cuts on long-distance service that will mostly benefit business customers. The move will increase pressure on its smaller long-distance competitors to offer similar reductions.

(Story on Page 2)

* * *

Fannie Mae and Freddie Mac acted to curb inflated housing appraisals. The two big suppliers of mortgage money took the steps to prevent borrowers from defaulting on overvalued property.

(Story on Page 2)

* * *

Texaco's profit rose *2.5% in the first quarter, while Standard Oil's tumbled 26%. Pennzoil, which posted a similar earnings drop, reacted coolly to a weeks-old plan to settle its legal battle with Texaco.*

(Stories on Page 4)

* * *

Britain canceled plans to sell Land Rover after months of political controversy. GM had tried to acquire the BL division earlier this year.

(Story on Page 30)

* * *

Ford Motor posted a 7% drop in first-quarter profit due to higher costs from new products and marketing programs. Sales rose 12%.

(Story on Page 5)

* * *

The Senate rejected a series of Democratic amendments that would have increased domestic spending in fiscal 1987. Republicans sought an alternative plan that would be closer to Reagan's tax and defense priorities.

(Story on Page 4)

* * *

Capital Cities/ABC posted a modest operating profit for the first quarter, instead of an expected loss. The company cited strength in its non-television network operations.

(Story on Page 10)

* * *

U.S. efforts to penalize the Japanese for allegedly selling computer chips in the U.S. at unfairly low prices cleared another hurdle.

(Story on Page 6)

* * *

ITT Corp. reported a 3.9% rise in first-quarter profit from continuing operations, citing strong growth in its insurance and finance units.

(Story on Page 7)

* * *

Manville agreed to give creditors the final say in any board appointments, ending the last big hurdle to the company's reorganization under bankruptcy law, sources said.

(Story on Page 5)

* * *

Markets—

Stocks: Volume 146,560,000 shares. Dow Jones industrials 1831.72, up 2.11; transportation 811.46, off 2.33; utilities 186.86, off 0.77.

Bonds: Dow Jones 20 bonds 91.26, off 0.11.

Commodities: Dow Jones futures index 124.98, up 0.61; spot index 129.37, up 0.46.

World-Wide

THE COMMON MARKET AGREED to an exchange of data on terrorism.

The ministers said the 12-nation group would exchange information with non-member nations, including the U.S., on terrorist suspects and methods of operation. In Tripoli, Libya threatened to take "appropriate measures" against the Common Market for sanctions imposed upon Libyan diplomats. Hours later a bomb exploded and heavily damaged a British Airways office in London used by American Airlines. Britain said there wasn't any evidence linking the blast to retaliation for the U.S. air strike on Libya. (Related story on Page 54)

Britain said another Libyan was arrested and will be deported within two days along with 21 others detained this week for alleged subversion.

* * *

An independent counsel was appointed by a U.S. appeals panel to investigate criminal allegations that a Justice Department official misled Congress during a 1983 management scandal at the EPA. Meese had requested the appointment, but he rejected demands that a broader criminal probe be conducted. (Story on Page 6)

* * *

Meese was asked by five Democrats on the Senate Judiciary Committee to request an independent counsel to investigate whether former White House official Michael K. Deaver, currently a high-paid lobbyist, violated conflict-of-interest law. (Story on Page 2)

The White House said Deaver receives a copy of Reagan's detailed schedule daily. Deaver is among "some others" outside the government who receive the agenda, which doesn't contain confidential data.

* * *

A U.S. appeals court in Atlanta ruled that some "unadmitted" aliens in the U.S. aren't entitled to due process of law. The decision by the court, which had ruled that 1,834 Cuban detainees awaiting deportation aren't covered by the 14th Amendment's protection of legal rights, may help keep those immigrants imprisoned in Georgia.

* * *

NASA announced *that the remains of the seven Challenger astronauts will be flown Tuesday to Dover Air Force Base in Delaware from Kennedy Space Center. All the remains have been identified. The astronauts were killed in the Jan. 28 explosion of the space shuttle.*

* * *

Reagan met with GOP leaders to discuss his plan to seek additional Western action on terrorism at the seven-nation economic summit in Tokyo. The president is schedueld to leave today for Indonesia and Japan, where the summit is to begin May 4.

* * *

Vermont Royster was named by Reagan as a recipient of the Presidential Medal of Freedom. The longtime editor and columnist of The Wall Street Journal was cited for his "contributions in the fields of journalism and communications." Others named include Sen. Barry Goldwater and actress Helen Hayes. (Story on Page 54)

* * *

Rebels in Afghanistan have received an initial shipment of 200 sophisticated Stinger missiles from the U.S. and have begun using the weapons against Soviet-backed Afghan forces, a private U.S. group said. Meanwhile, Afghan warplanes bombed rebel positions in southeastern Afghanistan. Heavy casualties were reported.

* * *

A royal Mayan burial tomb was found in Belize, an archeologist from the State University of New York at Albany reported. The tomb, which was discovered March 15 at the ancient Mayan city of Nim Li Punit, contained 39 ceramic vessels and other artifacts dating to about A.D. 700. It is considered "an especially significant" find.

* * *

The U.S. is proposing to include AIDS on the list of "dangerous contagious diseases" that are grounds for barring entry to the U.S. by immigrants, refugees, tourists and students. The Centers for Disease Control said it would be "anomalous" to exclude AIDS from the list.

* * *

Weinberger discussed a tentative $4 billion economic and military aid package for Pakistan with Islamabad's defense secretary. The two officials also held talks about the Soviet occupation of Afghanistan and other issues, U.S. aides said.

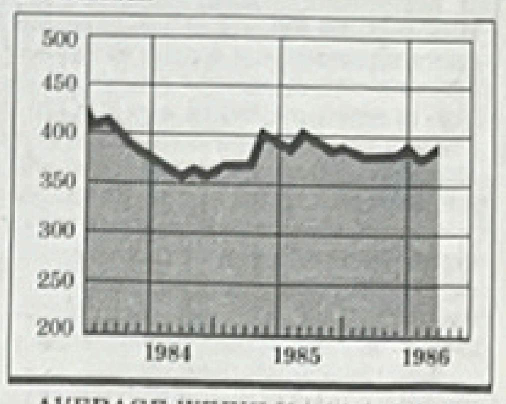
* * *

Papandreou reshuffled the Greek cabinet, appointing a former general as minister of public order following widespread criticism over the April 8 shooting of a Greek steel magnate. The prime minister also gave up the defense portfolio and named new education and industry ministers.

* * *

Died: Wallis Warfield Simpson, 89, duchess of Windsor, in Paris, of pneumonia. . . . **Robert L. Moore,** 90, co-founder of Sheraton Hotel Corp., in Concord, Mass.

Unemployment Claims



AVERAGE WEEKLY initial claims for state unemployment rose in March to 393,000 from 384,000 the preceding month, the Commerce Department reports.

The Kielbasa Kid Packs a Sausage, Slays Clevelanders

Skits by Two TV-Show Hosts Win Fans, High Ratings; A Mess on 'Fallacy Island'

By CLARE ANSBERRY
Staff Reporter of THE WALL STREET JOURNAL

CLEVELAND—Robert White, a noted brain surgeon here, tries not to miss any operation performed by Ben Crazy. He never knows what surgical feats will occur. Recently, Dr. Crazy made an incision in the stomach of a patient—and out popped a snake.

It is the sort of medical mayhem that has made Dr. Crazy a household favorite here for two decades—even though he may not be the city's surgeon of choice.

Dr. Crazy is really Charles "Big Chuck" Schadowski. He and his partner, "Little John" Rinaldi (the patient with the fake snake), are the hosts of the popular Friday late-night and Saturday afternoon movies shown on Cleveland's WJKW-TV, an affiliate of the CBS network.

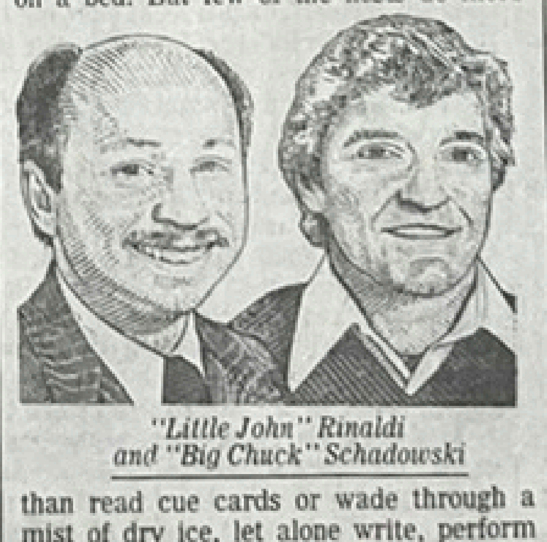
The duo have gone far to prove that burlesque is alive and, well, thriving in the slapstick world of Dr. Crazy and their other comic creations. Their skits, eight of which take up a total of about 42 minutes during each movie, poke fun at everything from the British Broadcasting Co., dubbed Boring British Comedy by them, to widely acclaimed movies. Their version of "The Empire Strikes Back," entitled "The Empire Strikes Out," takes place on board a spaceship dubbed the Ethnic Falcon.

They have won quite a following (as well as a handful of local Emmys). "I just wish they would put all the skits together and forget the movie," declares Dr. White.

Horror Hosts

Their popularity comes at a time when stations in many other major cities have stopped using movie hosts. For example, a spokeswoman for TV station KTXL in Sacramento, Calif., says that station dropped its host for a horror-movie show a few years ago because "hosts take up time and you have to edit the movie down, and they just don't pay off."

Some stations do retain the classic horror hosts, however, typically either a powder-faced man with greased-back hair lounging in a coffin or a bouncy aspiring model in a provocative negligee lounging on a bed. But few of the hosts do more



"Little John" Rinaldi and "Big Chuck" Schadowski

than read cue cards or wade through a mist of dry ice, let alone write, perform and direct their own skits.

Big Chuck is a handsome 51-year-old engineer at the station with a cavernous cleft in his chin. He has a penchant for faded jeans, cowboy boots and conversations about his idol, the late comic Ernie Kovacs. He began as a host 20 years ago with another man who quit, moved to Florida and, at last word, was selling Bibles.

Enter Little John, a balding 40-year-old dwarf who owns a jewelry store in downtown Cleveland. Mr. Rinaldi first appeared on the show 14 years ago as Bridget the Midget, a klutzy dancer with a mustache. Kids love him. A father once hired Mr. Rinaldi simply to show up at his son's bar mitzvah.

"Their rapport is great," says 29-year-old Cheryl Whitcomb of the duo. She tapes the skits and saves them for her sister who lives in Pittsburgh. Their show boasts better ratings than does Johnny Carson here—

Please Turn to Page 13, Column 1

Washington Wire

A Special Weekly Report From The Wall Street Journal's Capital Bureau

SOVIET INFLUENCE in Libya may be on the rise after the U.S. raid.

The U.S. may have done the Soviet Union's dirty work for it in Libya, one senior U.S. official says. Although an apparent new power-sharing arrangement between Qadhafi and military leaders may reduce Tripoli's support for terrorism, it also strengthens the No. 2 man, Abd al-Salaam Ahmed Jalloud, who is close to the Soviet Union.

The Soviets are far more comfortable with him than with Qadhafi, whose calls for a closer relationship they have resisted. U.S. officials worry that Libya might allow more pre-positioning of Soviet equipment for rapid-deployment and greater access to Libyan ports and military installations. But the officials say they calculated this risk.

"You can't control the fine tuning when you are using a blunt instrument," says a U.S. strategist involved in planning policy toward Libya.

ANTI-TERRORIST STRATEGIES are pushed to deal with potential threats.

To try to catch terrorists at the border, the Customs Service and U.S. immigration officials issue more background information on suspects. The FBI increases efforts to find links between bombings in different parts of the world. Attorney General Meese travels to Europe to seek more coordination; for security and diplomatic reasons, his stops won't be announced until they are over.

Anti-terrorist experts expect attackers to stick mainly to traditional targets and weapons. But they warn of some potential new tactics, such as product contamination. Ceylon tea, Israeli oranges and South African foodstuffs have already been threatened targets of poisonings. Some less common weapons, such as minisubs, also could be used.

REAGANITES RESIST Senate budget compromises for now.

The Senate opposition to Reagan's budget proposals "suits the president's purposes," one White House aide says. Officials privately say that their budget strategy is delay. They want to avoid impeding the tax-overhaul bill. And they figure lawmakers eventually will back down from proposing deficit-cutting tax increases on their own in an election year.

Discussions with lawmakers will continue, though, because "it's important that the White House appear to be continuing to uphold its part of the process," one Reagan aide says. Some senators fear that growing Republican infighting may mean that Congress will fail to pass either a budget or a tax bill, this year. "I think we ought to be on the same track," frets Majority Leader Dole.

Presidential aides say Dole is more likely to broker a compromise than is Senate Budget Chairman Domenici.

STICK IT TO DEAVER: Previous colleagues of Michael Deaver provide possible leads about the former top White House aide to House investigators reviewing his lobbying activities. "There is a whole group of people out there with long knives," says Michael Barrett, the chief counsel for the House energy investigations subcommittee.

COUNTERBLOCK: Wisconsin Sen. Kasten blocks the confirmation of Robert Ortner, the Commerce Department's chief economist, to be commerce undersecretary for economic affairs. The reason: the department is refusing to provide a $1 million Economic Development Administration grant for a harbor project in Racine, Wis.

PRESIDENTIAL ITCH? Nevada Sen. Laxalt considers a run for the GOP presidential nomination. A deciding factor may be the outcome of a pending libel suit against the Sacramento Bee for stories raising questions about his past involvement in a casino. Laxalt hopes a win will bury stories about his ties to Las Vegas figures.

SOUTHERN COMFORT: California Assembly Speaker Willie Brown argues that a Southern "Super Tuesday" of 1988 primaries would aid the eventual Democratic presidential candidate by galvanizing black voters in the South. Jesse Jackson wouldn't sweep the black vote in the primaries, Brown says: "Jesse was a onetime race symbol. Now we're talking about getting a winner."

COMPLAINTS GROW that banks haven't cut interest rates enough.

Administration officials complain privately that this week's half-point cut in bank prime rates to 8.5% didn't go far enough. They suggest the prime should be closer to 8%. The spread between the 8.5% prime and banks' cost of money "is still pretty wide," one official says. He notes that a bigger cut would especially help small businesses that borrow at rates tied to the prime.

Congressional critics blast continuing rates as high as 21% on credit-card balances despite the drop in the cost of money. "Credit-card issuers—both banks and retailers—continue to defy the law of free-market physics," charges New York Rep. Schumer. The House Banking Committee plans hearings on a bill to require fuller disclosure of credit-card rates.

While not advocating high interest rates, federal bank regulators warn that banks need stronger earnings.

MINOR MEMOS: David Stockman's new book includes a madcap mixture of metaphors in referring to "the false belief that in a capitalist democracy we can peer deep into the veil of the future and chain the ship of state to an exacting blueprint." . . . A White House insider says that Reagan, when asked his impression of South African Bishop Tutu, replied, "so, so."

—Compiled by RONALD G. SHAFER

Dollar's Impact

U.S. Currency's Plunge Stirs Up Market Fears It May Drop Too Far

Some Say Foreign Investors May Have Already Begun To Shun U.S. Securities

'Potential for a Vicious Circle'

By GEORGE ANDERS and ART PINE
Staff Reporters of THE WALL STREET JOURNAL

After cheering the dollar's slump against other key currencies, U.S. stock and bond investors are starting to worry that the decline might go too far.

"The medicine has worked too well," says Allen Sinai, the chief economist at Shearson Lehman Brothers Inc. He, and many other experts, originally welcomed Western leaders' agreement last Sept. 22 to seek a lower dollar and thereby help the U.S. economy by encouraging exports, making imports less competitive and narrowing the trade deficit.

But now, many investors fear that a rapidly falling dollar is causing foreign investors to bail out of U.S. securities and will eventually heat up inflation. "The weak dollar has become a risk for the bond market," Mr. Sinai says. Other market professionals worry that even if central banks try to halt the dollar's decline, they may find themselves outmatched by the powerful forces in the currency markets.

Markets Upset

Since last September, the dollar has dropped 16% against a trade-weighted basket of currencies, and anxiety about its plunge jolted the stock and bond markets this week. The Dow Jones Industrial Average fell nearly 30 points early in the week and closed yesterday at 1831.72, up 2.11 on the day. Treasury-bond prices have tumpled, too, as yields on 30-year issues rose to 7.6% yesterday from 7.13% a week earlier. The dollar itself, however, inched a bit higher from yesterday's lows. (See stories on pages 53, 37 and 31.)

"There's a real potential for a vicious circle here," says Barton Biggs, a managing director at Morgan Stanley & Co. He worries that if the dollar keeps falling, the Federal Reserve will be forced to push up U.S. interest rates to protect the dollar. Higher rates would automatically hurt the bond market, he notes, and they could touch off an economic slump that would depress stocks.

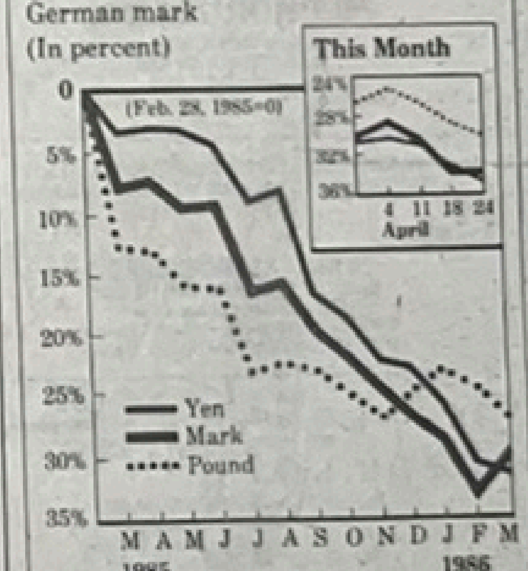
Aware of these hazards, the Fed is voicing concern. On Wednesday, Fed Chairman Paul Volcker said the potential for the dollar's decline to become precipitous "always concerns me." Yesterday, Fed Gov. Martha Seger added that there would be "a danger in mindless unloading of the dollar" if that occurred.

In contrast, administration officials seem unfazed by the slumping dollar's impact on financial markets. "There's no sentiment in the Treasury for taking steps to brake the dollar's decline," a U.S. official says. Political strategists explain that the administration regards a declining dollar as the most effective way to ward off protectionist pressure in Congress.

Yet even the administration has toned down its "dollar-bashing" campaign of last fall and winter. "We've all been saying for

Steepening Slide

The dollar's decline against the British pound, Japanese yen and West German mark
(In percent)



Based on end-of-month rate quotations (end-of-week for April 1986) by Bankers Trust Co., New York

some time we ought to be more low-key," a monetary official says.

Some U.S. officials argue that the bond-market turmoil may actually help President Reagan at the seven-nation economic summit meeting that begins next Friday in Tokyo. That's because it could lend urgency to his plea that Europe and Japan stimulate their own economies. Yesterday, however, West Germany and Japan signaled that they don't intend to take any further steps at present to stimulate their economic growth; the West German central bank declined to reduce two key interest rates, and the Japanese finance minister said in an interview that his country planned no further stimulatory action. (See page 31.)

If Europe and Japan eventually do accelerate their growth, such moves could siphon off some of the imports flooding into the U.S., help the U.S. narrow its $150 billion trade deficit and perhaps even strengthen the dollar. For that reason, many U.S. currency traders say they don't want to bet on a further decline in the dollar until they see what the Tokyo summit brings.

But foreign investors have been stung badly by currency losses on their U.S. investments, and some have decided to quit

Please Turn to Page 17, Column 1

TODAY'S CONTENTS

Property Damage: Syndicator Craig Hall of Dallas Struggles to Shore Up Battered Real-Estate Empire

Continued From First Page

play or two and then pull out a yellow legal pad and go back to work.

"He's just as square as a graham cracker," says H.R. "Bum" Bright, the Dallas businessman who is the managing partner of the Cowboys.

In 1981, at the depth of the industrial recession in the upper Midwest and the height of the oil boom in the Southwest, Mr. Hall joined the exodus from Michigan to Texas. He brought with him an inflation-based business philosophy developed during the 1970s, when real-estate prices were going nowhere but up. He enunciated his ideas in two books on real-estate investing, published in 1978 and 1982.

There was nothing revolutionary about Mr. Hall's theories. His strategy was to borrow as much as possible for as long as possible and count on inflation to enable him to repay with cheaper dollars. The deals were structured to provide him and his syndicate investors $2 in tax deductions for depreciation and interest for each $1 invested.

But in applying his theories, Mr. Hall threw in a few wrinkles that made him even more reliant on strong inflation. He agreed to premium prices for some properties, sellers say. Then, to entice lenders to provide financing, he let them make enormous up-front profits from what are called property "flips." A lender would buy a property for one price, then sell it to a Hall partnership the same day for a much higher price. Mr. Hall's partnerships, leveraging properties heavily, also sometimes paid higher interest rates than other major syndicators. His organization collected stiff up-front fees from various participants for putting the deals together.

Former business associates say such practices became an increasingly bigger part of the Hall operations after Mr. Hall in early 1983 met Michael Moers, then a consultant to Westwood Savings & Loan Association of Los Angeles. Mr. Moers's computer-analysis methods helped Mr. Hall to get into much bigger deals; and as the Hall organization expanded rapidly, Mr. Hall delegated more authority to subordinates, who relied heavily on Mr. Moers's analyses to make decisions. Associates say Mr. Hall thus lost touch with parts of his business. Mr. Hall and Mr. Moers declined to discuss the relationship.

In August 1983, Mr. Moers assembled financing for one of the largest apartment deals in history and Mr. Hall's biggest single transaction. Mr. Moers arranged for Westwood Savings to provide the $160 million in financing for the Hall organization's purchase of 23 Phoenix, Ariz., residential properties.

The Hall organization is understood to have paid millions more than the nearest competitive bid. Westwood collected nearly $10 million on property flips involving just 12 of the projects, according to documents filed in Dallas County court. Mr. Hall's partnerships agreed to interest rates averaging around 16%. And Mr. Moers collected hefty consulting fees.

Now the Phoenix properties are high on Mr. Hall's problem list, reflecting low occupancy rates in an overbuilt market. Like Mr. Hall's other problem deals, the projects are in default on the loans, which Westwood farmed out to other California savings and loans. The Phoenix case contributed to the insolvency last month of Westwood and last year of Beverly Hills Savings, which has initiated foreclosure proceedings on 14 of the properties.

"There were plenty of greedy savings and loans around that were willing to buy the loans as fast as we could do the deals," says a former Westwood employee. Buyers liked the higher interest rates on Hall paper, reflecting relatively high leverage. And individual investors snapped up pieces of the partnerships because of expected tax savings.

Case History

Consider Park Central III, a huge, glass-and-concrete office tower off the busy LBJ Freeway in North Dallas. In January 1984, Mr. Hall arranged for Westwood to buy it for $58.4 million. That same day, Hall Real Estate, one of the many units of Mr. Hall's Hall Financial Corp., bought it from Westwood for $64 million, giving Westwood a quick profit. Then Westwood, in financing Hall Real Estate's purchase, permitted it to defer much of the interest for the first six years. Meanwhile, Hall collected a total of $3.4 million in commissions for acting as broker in the sale and resale of the building.

Hall Real Estate easily sold out of Park Central III investor units at $180,000 each. Investors could expect tax savings of $197,090 from depreciation and interest deductions over the seven-year life of the partnership, according to the prospectus.

But since then, Park Central III has turned into what Mr. Hall acknowledges as his "worst problem." The Dallas real-estate market is glutted and a major tenant is moving out, leaving rent collections far below projections. The building this year is scheduled to lose $4.2 million, four times as much as Mr. Hall had originally projected. (He generally structures real-estate partnership to run in the red in the early years and counts on covering deficits from his fees and earnings on other projects.)

Many Hall investors seem to have understood the risks. Leonard Visosky, a Grosse Pointe Woods, Mich., accountant, for example, says he knew he could lose on his investments in three Hall-sponsored partnerships. But some other investors say that Mr. Hall's extensive network of brokers sometimes used a hard sell.

Banks' Situation

Richard Armstrong, a St. Clair Shores, Mich., investor, says a Hall salesman persuaded him to borrow for his initial investment. "The guy brought along a vice president of Michigan National Bank to talk to me," he says. But lenders foreclosed on the Houston property he bought into, creating for each investor $24,000 of phantom, but taxable, income that they hadn't counted on. "I was planning to retire next year and now I'm not sure I'm going to," says Mr. Armstrong, a manager at a graphic-arts concern.

In the past few months, real-estate brokers have been deserting Mr. Hall. That raises questions about his recovery plan, which assumes an ability to raise $100 million a year from new syndications. Moreover, even if the current lenders agree to the concessions he seeks, the partnerships would come up $84 million short by 1990, an amount that Mr. Hall's organization would somehow have to cover.

As of March, Bankers Trust is known to have had secured loans to Hall entities of about $19.4 million, while RepublicBank had loans to Mr. Hall and to Hall Real Estate Group of about $11.8 million, all but $1.9 million of it secured. Michigan National showed loans to Mr. Hall and to Hall Real Estate of about $17.6 million, of which $9.6 million isn't secured by collateral.

Michigan National Corp.'s chairman, Robert Mylod, says, "We are concerned about all of our lending relationships and are interested in working with (Mr. Hall) on his problems." A Republic official declined to comment, while a spokesman for Bankers Trust noted that "our lending exposure to Craig Hall is secured in significant part."

Personal Guarantees

Mr. Hall has an enormous personal stake in fending off a collapse. About 90% of his own assets of more than $250 million are tied to his real-estate operations. He has personally guaranteed many of the loans he is trying to restructure. Last year, Mr. Hall himself lent $33 million to partnerships. And as a partner in many deals, he could face nearly $40 million of tax liabilities growing out of possible foreclosures.

But Mr. Hall does have some leverage with lenders. He argues that forced liquidation probably wouldn't raise enough to cover what they are owed. From a lender's viewpoint, "If you see no way out of a situation, then you restructure," says David Parsley, the president of tiny Spindletop Savings Association in Beaumont, Texas, which came to terms with Hall interests.

Mr. Hall acknowledges that he is likely to put "half a dozen to a dozen" more properties into bankruptcy proceedings to avert foreclosures. But he says he is confident that most of the lenders will restructure loans and that "our properties will come back and will substantially increase in value."

Some associates of Mr. Hall are less confident. "We have to keep the balloon up right now," says one. "FSLIC can't afford to fund Craig Hall losses." But he says that loan restructuring now may only delay the inevitable.

Skits by a Pair of TV Comics Win