Hotel Peabody

The hotel was sold by ITT-Sheraton to an Alabama group in January 1974 for $1.2 million. The investors paid down $100,000, and Sheraton retained a lien for the balance.

Late in March 1875, the owners announced that they were closing 180 of the 617 rooms and were negotiating to sell the property. At that time, the majority stockholder, James A. Lane, mentioned that bankruptcy was one of three possibilities under consideration – the others being a sale or the addition of new investors.

The owners filed a bankruptcy petition on March 31, 1975. The case was assigned to Bankruptcy Judge William B. Leffler. At that time there were 32 permanent residents and 220 employees at the hotel. A number of conventions had been booked for the year, and the manager, Gary D. Funk (23 years old) hoped that the hotel could stay open at least through May to take care of Cotton Carnival events. Among the residents who hoped for a last minute reprieve was Jesse L. Guyton, a bellman, who had had change of the Peabody ducks for 22 years.

After the filing, the Peabody group, represented by Shep Tate and John Slater, Jr., and Sheraton, represented by John Maxwell and Charles M. Crump, continued to negotiate in Judge Leffler's chambers but without success. ITT-Sheraton, still owed $1,058,000, was among 235 creditors listed by the Peabody. Guards were posted to protect the property, and no additional guests were permitted to register. The permanent residents were given until April 3 to find another place to live, which was 12 days earlier than previously announced, because the hotel's hot water system failed and there were no funds to repair it.

By April 10 there was speculation that ITT-Sheraton was planning to take over the hotel and begin selling off pieces of it for souvenirs. The Peabody was compared to the Sheraton-Gibson Hotel in Cincinnati, which had been Cincinnati's premier hotel until Sheraton closed it in 1974. The interior of the Gibson was stripped and the building was torn down. Doorknobs from the hotel were sold for $30 a piece. John Maxwell said this was "unthinkable" for the Peabody, but acknowledged that it would be up to ITT-Sheraton to decide what to do with it.

The first meeting of creditors was held on April 15, 1975. Attorney Freeman Marr was appointed operating receiver by Judge Leffler and was elected trustee by the creditors. Representatives of the tenants of the commercial spaces on the first floor attended the meeting as well as about 100 employees. The hotel was being kept open with a skeleton crew. Mr. Marr assured the employees that they would be entitled to priority treatment as he collected the remaining accounts receivable for the hotel.

On June 6, 1975, Judge Leffler determined that ITT-Sheraton should be permitted to proceed with foreclosure of its interest in the property because of continuing diminution in value of the closed property. Everyone expected that ITT-Sheraton would be the highest bidder with a credit bid. The sale was scheduled for August 1, leaving very little time for any third party to prepare a bid.

In the end, local businessman Ray M. Shainberg, acting as agent for an undisclosed principal, purchased the hotel at auction for $400,000 and its contents for $140,000. ITT-Sheraton did not bid on the property. The undisclosed principals turned out to be Jack and Philip Belz, and Edwin, Everett, and Harry Hanover. It was uncertain whether the property could be reopened as a hotel. The 50-year old property was in need of extensive renovation, including repair of the heating system, modernization of the kitchen and elevators, and the addition of central air conditioning.