

Daily Bankruptcy Review Small-Cap

From The First Sign of Distress To The Last Phase of Reorganization

December 3, 2007

TransLand, Banks Strike Deal To Dismiss Bankruptcy Case

By Patrick Fitzgerald

TransLand Financial Services Inc. has reached a deal with a pair of banks that tried to force it into bankruptcy, paving the way for the embattled Florida mortgage lender to sell off loans and pay back creditors outside of bankruptcy-court protection.

“Since day one, TransLand wanted this involuntary bankruptcy case dismissed. We’re glad it finally came to pass,” said bankruptcy attorney Roy S. Kobert of Orlando law firm Broad and Cassel. “TransLand can do a better job of addressing the claims of its creditors outside of bankruptcy, especially in light of the current market conditions in TransLand’s business.”

TierOne Bank and MidCounty Bank asked Judge Arthur B. Briskman of the U.S. Bankruptcy Court in Orlando to dismiss the involuntary bankruptcy case against TransLand after the lender agreed to sell off mortgage loans to pay back the banks.

In August the two banks, along with Federal Trust Bank, filed an involuntary Chapter 11 petition against TransLand for failing to remit loan payoffs. The three banks had charged TransLand’s former management of defrauding them of some \$22 million. The deal to dismiss the case came days before Briskman was scheduled to rule whether to place TransLand into Chapter 11. The deal, outlined in court papers filed Tuesday, requires Briskman’s approval.

The fate of TransLand is uncertain. Kobert declined to comment when asked if the company will go out of business following the sale of the mortgage loans.

But agreeing to sell its assets outside of bankruptcy, TransLand and the banks avoid a costly court

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Judge Confirms Ch. 11 Plan Of Tanner & Haley Resorts

By Kristina Doss

The judge overseeing **Tanner & Haley Resorts’** bankruptcy case confirmed the former destination-club operator’s plan to liquidate its remaining assets and repay creditors.

Jeffrey K. Daman, an attorney representing Tanner & Haley in its Chapter 11 case, said in an interview Friday that Judge Alan H.W. Shiff of the U.S. Bankruptcy Court in Bridgeport, Conn., said at a hearing earlier in the week that he would confirm the plan.

An order formally confirming the plan should be filed in the near future, Daman said.

“The debtors are pleased that the plan has been confirmed,” Daman, of Dechert LLP, said.

The Chapter 11 plan provides for the establishment of a liquidating trust. Any remaining cash from the former luxury-vacation operator’s asset sale to Ultimate Resort LLC, all property that wasn’t included in that sale, recoveries from avoidance actions and litigation, as well as proceeds from Tanner & Haley’s directors and officers liability insurance, will be placed in the trust. The proceeds from these assets will be used to repay expenses and creditors.

The Chapter 11 plan also provides for \$10.5 million in administrative expense claims and \$200,000 in priority tax claims will be paid in full.

The recovery of unsecured creditors holding \$350 million in claims will vary, depending on how they are classified and how much proceeds are obtained by the liquidating trust. For example, one group of unsecured creditors known as “declining

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Judge Gives Green Light To Examiner For Global Vision

By Jacqueline Palank

The judge overseeing **Global Vision Inc.**'s bankruptcy case has ordered an investigation into allegations that the company engaged in deceptive advertising and fraudulent transfers of funds among company insiders.

On Thursday, Judge Robert D. Drain of the U.S. Bankruptcy Court in Manhattan said an examiner will be appointed to investigate the allegations made by a creditor of the company.

Global Vision, which sells and distributes hair growth treatment products under the Avacor brand name, was facing lawsuits before it filed for Chapter 11 protection on Aug. 17.

Creditor James Thomas, a plaintiff in a California suit and who requested the examiner, said in court documents that an investigation was necessary to ensure Global Vision's current business practices don't detract from its creditors' recovery. In the lawsuit and in his request for an examiner, Thomas alleges that Global Vision's advertising of its products was "an elaborate hoax involving fictitious clinics and treatment centers, a fabricated medical

study and unsubstantiated efficacy claims."

Drain said in his order that the first part of the examiner's investigation will look at whether Avacor sales do comply with applicable laws, focusing on "the overall legal viability" of Global Vision's business in light of Thomas' allegations. He rejected a request from Global Vision to confine the examination to the profitability of its products.

The second part of the investigation will determine whether Global Vision has any claims against company insiders, including co-founder and shareholder Robert DeBenedictis.

Thomas alleged that Global Vision has "siphoned" its pre-petition sales revenue of \$168 million through "questionable loans to shareholders" as well as other businesses in which DeBenedictis has a financial interest.

Global Vision, based in Manhattan, filed for Chapter 11 protection as a result of defending itself in multiple class-action lawsuits like the one Thomas is part of. *DBR*

1031 Tax Group Trustee Seeks To Keep Crew On Okun's Yacht

By Patrick Fitzgerald

The court-appointed trustee running Edward Okun's troubled tax shelter business wants to pay the wages of the crew of the Miami businessman's 131-foot luxury yacht to keep them from jumping ship before the yacht can be sold to pay back Okun's creditors.

1031 Tax Group Trustee Gerald McHale, in papers filed in U.S. Bankruptcy Court in Manhattan, asked Bankruptcy Judge Martin Glenn for the green light to pay the crew of the yacht, christened the Simone, about \$25,000 a month.

A crew of eight must be on board the ship at all times or the boat - which has been valued at more than \$14 million - loses its insurance coverage. Absent the crew, the value of the yacht could fall dramatically, according to the trustee.

Last month, Okun and his wife, Simone Bolanji, signed over most of their luxury "toys" - including the yacht, several jets and more than a dozen exotic cars - in order to pay back creditors of Okun's 1031 Tax Group.

After McHale took control of Okun's toys, the yacht was seized for past due dockage fees by a South Florida marina.

McHale paid off the marina and said he also had to pay \$24,000 in past due October salary for the Simone's crew "in order to entice them back to

employment." Among the couple's possessions, or "toys," are two Gulfstream jets, a Learjet and a Bell helicopter, according to court papers filed by creditors. Okun also owned a number of boats in addition to the yacht, including a 37-foot Heim wooden replica and a 38-foot Cigarette speedboat. His collection of classic cars features two Ferraris, two Lamborghinis, a Bentley, a Rolls-Royce, four Indy race cars and an Aston Martin.

The asset sales are necessary to make sure 1031 Tax Group's investors, many of whom lost much of their life savings when the company went bankrupt, get some of their cash back. The trustee said he hopes to have Okun's toys sold off within two to nine months.

The Simone, now in the Bahamas, is already on the auction block. Fort Lauderdale yacht broker Moran Yacht & Ship has the yacht up for sale. The ship, which sleeps 10 plus room for crew of 8, comes complete with Jacuzzi, plasma TV and "exotic Tahitian paintings."

Built in 1993 by Hessen Yacht Builders, "the vessel Simone beckons you to explore, calling you to the sea with echoes of her regal opulence," according to the yacht broker's advertisement.

1031 Tax Group was a "qualified intermediary" that let investors, who sell investment properties, defer capital-gains taxes if they invest the proceeds in

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Martin Bienenstock, A Weil Veteran, Shifts To Dewey & LeBoeuf

By Nathan Koppel

There's been a major shake-up in the bankruptcy world, with New York attorney Martin Bienenstock, co-head of the restructuring practice at Weil, Gotshal & Manges LLP, moving to Dewey & LeBoeuf LLP. Weil has one of the biggest and best-known bankruptcy practices in the country, while Dewey is a relative upstart in the field. Bienenstock says he was enticed by the opportunity to build a department that offers both bankruptcy and corporate-governance expertise.

"We'll build a multidisciplinary department that we'll call business solutions, because it's as much about avoiding bankruptcy as dealing with it," he said.

The 55-year-old lawyer has spent his entire 30-year career at Weil, where he was lead debtor counsel in the Enron Corp. bankruptcy, which netted the firm more than \$150 million in fees. Bienenstock also advised creditors in the Adelphia Communications Corp. and Delphi Corp. bankruptcies. He is due to start at his new firm in December.

Bienenstock is bringing along former Weil bankruptcy partner Judy Liu, who had been at the firm

since 1983. The lawyers will be joined by former Weil associate Timothy Karcher, who will become a partner at Dewey.

"The parting is amicable," says Stephen Dannhauser, chairman of Weil. "We still have the premier [bankruptcy] practice. When people decide they are looking to build a practice, obviously they will look here."

Dewey, with more than 1,400 lawyers, is the product of a merger earlier this year between two mid-sized New York firms. LeBoeuf, Lamb, Greene & MacRae LLP, one of the predecessor firms, had a history of hiring big-name partners from other firms, including Chicago litigator Alan Salpeter.

Steven Davis, the chairman of Dewey, says the firm recently expanded its bankruptcy practice, but had not yet become a major presence. "With Martin Bienenstock, it now puts us in the front ranks," he says. The firm, he adds, anticipates that the meltdown in the subprime market will spur bankruptcy filings and out-of-court restructurings. *DBR*

Ranks Of Distressed Companies Nearly Doubled In November

By David McLaughlin

The proportion of U.S. companies in serious financial trouble increased at the fastest monthly rate in five years in November, highlighting the credit crunch's growing toll, according to the credit-rating agency Standard & Poor's.

The agency said the ratio of "distressed" corporate debt to all speculative-grade debt climbed to 4.9% from 2.3% in October. That marked the biggest increase since October 2002. In all, the debt of 224 companies was considered distressed, up from 120 in October.

S&P considers debt to be distressed when it involves yields greater than 10 percentage points above the 10-year Treasury note - about 14% as of Wednesday. The last time the distressed debt ratio was near 5% was in early 2006, according to S&P.

"A rising distress ratio signals an increased need for capital and could act as a precursor to more defaults if accompanied by a market disruption," the ratings agency said. Tightening credit markets have placed constraints on several companies looking to fund their exit from bankruptcy. **Delphi Corp.**, for example, was forced to scale back its planned exit-financing package by \$2 billion. **Calpine Corp.**, meanwhile, risks having to negotiate a new bankruptcy-exit loan if it can't emerge from Chapter 11 by the end of January.

Borrowing costs for troubled companies, moreover, have climbed to their highest level in four years. As a result, S&P has warned that corporate defaults could rise sharply over the next year or so. The agency has said more than \$35 billion in debt could be subject to default in 2008, a tenfold increase from 2007.

In a report Tuesday, S&P said brokerage and finance companies, including E-Trade Financial Corp., GMAC Financial Services and GMAC's mortgage-lending unit Residential Capital LLC, were especially hurt by the credit crunch. The distress ratios for brokerage and finance companies were 20% and 13.6%, respectively. The Federal Reserve has said it's paying attention to the strains. On Wednesday, a top Fed policymaker indicated the U.S. central bank hasn't ruled out the possibility of another interest-rate cut in the next few months.

"Heightened concerns about larger losses at financial institutions now reflected in various markets have depressed equity prices and could induce more intermediaries to adopt a more defensive posture in granting credit, not only for house purchases, but for other uses as well," Fed Vice Chairman Donald Kohn said in a speech. He said the Fed needed to be "nimble" in deciding how to respond. *DBR*

Dunmore Homes Moves To Sell Land In California For \$4.3M

By Christopher Witkowski

Dunmore Homes Inc., a residential home builder that collapsed into bankruptcy in November, has moved to sell 161 acres of land in California to Sacramento Area Flood Control Agency for about \$4.3 million, subject to higher bids at auction. In a filing with the U.S. Bankruptcy Court in Manhattan Thursday, Dunmore asked the court to order parties interested in competing with the agency for the land to submit their bids by Dec. 13. If bids higher than the agency's offer is submitted by that deadline, Dunmore proposed that an auction take place on Dec. 14 with the agency serving as the lead bidder.

Companies such as Dunmore Homes that are trying to sell assets while in Chapter 11 must conduct an auction even when a buyer is available to ensure that the best offer is obtained. Lead bidders are often designated to set a floor price for the assets. Dunmore said it will use the proceeds of the sale to pay a first priority lien on the property held by the Sacramento Valley Farm Credit of about \$1.5 million. Dunmore said it will also use proceeds from the sale to pay off its \$1 million debtor-in-possession loan from its former CEO, Sidney Dunmore.

"The ...property is of no value to the debtor's

estate except through the sale of such property," Dunmore said in the filing.

The Granite Bay, Calif.-based company, which has built homes in the northern California region for more than 50 years, said the land isn't profitable for development because it's burdened by several impediments, including the lack of significant infrastructure that could support commercial or residential development.

Also, Dunmore said the land is located in an area that is being bought up by a conservancy for the preservation of wildlife and wetland habitats. The land also falls within the flight path of the Sacramento International Airport, another obstacle to residential development, the company said.

Dunmore bought the land in 2004 for about \$2.2 million as part of a development plan in the Natomas Basin area of Sacramento County.

Dunmore, which filed for bankruptcy on Nov. 8 listing assets and debts each more than \$100 million, suspended construction activity in August. The company entered bankruptcy after a subcontractor filed a lawsuit against it. *DBR*

1031 Tax Group (continued from page 2)

similar-type properties within 180 days. To qualify for the benefit, the seller can't touch the money from the sale. Instead, the money must go into an account until it's used for the purchase of a new property.

Okun has been accused of fraud in operating his company, which has served as a real estate tax shelter. The company collapsed after Okun allegedly "borrowed" \$150 million of his investors' money, according to court filings.

About 300 investors across the U.S. were owed \$150 million when the company filed for Chapter 11 protection in May.

Okun allegedly diverted investors' cash to pay for real estate transactions conducted through a separate company under his ownership - **Investment Properties of America LLC**. New York-based 1031 Tax Group filed for Chapter 11 protection on May 14, along with more than a dozen affiliates. The companies listed combined assets of \$154.6 million and debts of \$152.1 million.

The U.S. Attorney's Office in Richmond, Va., and the U.S. Postal Inspection Service are investigating Okun's dealings and the conversion of funds from creditors. Okun has previously said in court papers that he's cooperating with that investigation. *DBR*

DAILY BANKRUPTCY REVIEW SMALL-CAP

Published by Dow Jones Newsletters

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Nutritional Sourcing Ch. 11 Plan Deadline Moved To March

By Peg Brickley

Nutritional Sourcing Corp. won a court order pushing off until March 3 the deadline by which it must file a plan detailing how it will repay creditors.

Judge Peter J. Walsh this week gave the grocery-store operator more time to file a Chapter 11 plan, after the company argued it has made progress since filing for bankruptcy protection Aug. 3 in the U.S. Bankruptcy Court in Wilmington, Del. The Pompano Beach, Fla.-based company was facing a Dec. 3 deadline to file its Chapter 11 plan, which is a requirement for companies under bankruptcy protection.

Nutritional Sourcing has yet to set a deadline for creditors to file claims, so the company asked for more time to assess its liabilities and decide on what

to do with remaining assets.

The sale of most of its grocery stores and a distribution center brought in \$30 million, which - Nutritional Sourcing says - guarantees it will be able to continue paying its bills as it winds down in Chapter 11.

According to the company, it has one more grocery store and 41 video rental stores - operated through a Blockbuster franchise - that's left to be sold.

Nutritional Sourcing had the support of the official committee representing unsecured creditors in its bid for more time. The company blamed a heavy debt load, declining revenue and increased competition from other retailers for its collapse. *DBR*

Tanner & Haley (continued from page 1)

offerees and other unsecured creditors" could see up to a 2% recovery, while another group, "accepting offerees," could see up to a 0.6% recovery, according to the disclosure statement accompanying the Chapter 11 plan.

Tanner & Haley went into the confirmation hearing on Wednesday with the backing of the majority of creditors entitled to vote on the plan, according to court documents. Plus, any objections that had been filed were resolved, Daman said.

"At the end of day, the plan was uncontested

and it was a slam dunk of sorts," Daman said.

The company filed for Chapter 11 bankruptcy protection on July 23, 2006, listing assets of \$130 million and debts of \$400 million, and eventually sold off most of its real estate assets around the world to Ultimate Resort.

Ultimate Resort said that its \$100 million purchase of Tanner & Haley's real estate assets transforms it into the second-largest destination club operator with over 750 club members and a portfolio of luxury vacation residences. *DBR*

Firm Retention Summary: 1031 Tax Group

The following is a summary of a request from Gerard A. McHale Jr., Chapter 11 trustee for **The 1031 Tax Group LLC**, to hire Robert Davenport as its financial and real estate consultant, filed Wednesday with the U.S. Bankruptcy Court in Manhattan. The judge granted the request Thursday.

COMPANY: The 1031 Tax Group LLC

FIRM TO BE HIRED: Robert Davenport

PRINCIPAL ASSIGNED TO THE CASE:
Robert Davenport

DUTIES: The firm will provide the following services:

- providing advice necessary to assist the trustee in his efforts to refinance and/or liquidate assets controlled or owned, directly or indirectly, by the company;

- assisting the trustee in the day-to-day coordination of the efforts of the trustee's professionals relating to the company's real estate assets; and

- negotiating with potential purchasers and investors in the disposition of such real estate assets.

HOURLY COMPENSATION: Members of the firm will be compensated at the following hourly rates:

Robert Davenport \$150

BONUS POTENTIAL: Not applicable.

Liberal Maryland Democrats Vow To Make Bankruptcy An Issue

By Michael R. Crittenden

Liberal Democratic activists, angered at fellow Democrats for supporting business-friendly bills such as bankruptcy overhaul, plan to get even in the 2008 election cycle.

They're targeting incumbents such as Rep. Al Wynn, D-Md., citing his vote for the 2005 bankruptcy bill as evidence he is out of step with the party's effort to provide relief for families facing economic uncertainty during the current housing and credit crisis.

Liberal Democrats are focusing on the bankruptcy law, a boon to the credit card companies and considered by many as one of most regressive pieces of legislation passed by Congress in a decade. This campaign also is part of a larger grassroots effort to replace incumbent Democrats with candidates that hew closer to the party's base on economic issues.

"The flashpoint in these primaries will be economic issues, and the extent to which a lawmaker has stepped out of line with their constituencies, it's our job to show that," said Sean Dobson, executive director of Progressive Maryland. "We have to hold them accountable."

This battle played out Thursday evening in a cozy community college auditorium in the Maryland suburbs. At a debate at Prince George's Community College, Wynn was challenged on his bankruptcy vote by Donna Edwards, a lawyer and executive director of the Washington D.C.-based Arca Foundation, which supports social justice causes.

Edwards almost pulled off a stunning upset in the 2006 Democratic primary, coming just 2,700 votes short of unseating Wynn. She continues to challenge Wynn from the left.

"You don't vote for George Bush's bankruptcy bill and defend it still even when people are losing their homes, that's just wrong. You need to get it right the first time," Edwards said.

The district's recent economic experience is endemic of the broader economic problems facing communities all over the country. Bankruptcy filings in Maryland have nearly doubled since the beginning of 2006 and the state is quickly climbing the ranks of states with the highest number of foreclosures.

Maryland had the 16th highest number of foreclosure filings in the third quarter of 2007, with one filing for every 273 households, according to Realty Track Inc. The 8,340 total filings in the third quarter was up 66.7% from the second quarter and 549% from the third quarter of 2006.

"Folks are losing their homes and when they try to protect themselves through bankruptcy they can't do it," Edwards said in a post-debate interview. "There's not a community you can drive through right here in

Prince George's County where you can't see the absolute evidence of the foreclosure problem."

For his part, Wynn says Edwards has misinterpreted the bill and that voters in his district understand why he voted in favor of the legislation. He also downplayed its role as an issue in the race.

"If you call constituents, this is not something that comes up, this is not something that is raised," Wynn said in an interview.

But the issue has obviously become a political headache for Wynn, who has taken steps to distance himself from the bill and has toned down positions that have come under attack from progressives. He's dedicated a whole section of the "issues" section of his re-election Web site to the bankruptcy bill, and is also the co-sponsor of legislation to protect homeowners from losing their home if they file for bankruptcy.

When asked whether he'd vote in favor of the 2005 measure if given another chance, however, Wynn declined to answer definitively.

"I don't want to absolutely say no," Wynn said. Answers like that are why progressive groups have assailed Wynn.

"There is no excuse for someone who represents middle or low-income consumers to have voted for this," said Ed Mierzwinski, director at US PIRG. "I hope it comes back to haunt people."

Dobson said Wynn's position on a range of issues has improved since his 2006 primary scare, but not enough. Progressive Maryland has endorsed Edwards in the race.

"It's a pretty core issue. You're either going to side the giant credit card companies or you are going to side with the working-class families of your district," Dobson said.

The bankruptcy bill, which makes it more difficult for borrowers to seek bankruptcy protection, has special resonance amid the current economic uncertainty. The subprime mortgage crisis and resulting record rise in foreclosures make it likely the bill's tighter restrictions will affect more families.

"The legacy of the bankruptcy bill could stretch out for years. It will exacerbate the current situation," said Travis Plunkett, legislative director of the Consumer Federation of America.

Dobson said progressive activists also see the bankruptcy bill as a proxy for Democrats' votes on broader economic issues.

"The party is starting to show some corruption in votes like these and the whole point of the primary is to hold incumbent lawmakers, especially those in safe districts, accountable," Dobson said.

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Troubled Nursing Home Chain Fails To Pay Bills

A troubled Connecticut company that manages two nursing homes in Vermont owes the state \$1.3 million and has failed to pay other bills, the Associated Press reported.

Haven Healthcare Corp., which has filed for Chapter 11 bankruptcy in Connecticut after amassing \$31 million in debts across New England, manages nursing homes in Rutland and St. Albans.

In addition to its state debt, Haven Healthcare owes more than \$50,000 to the city of Rutland for sewer and water service and has run up bills with vendors and with the Vermont Health Care Association, which represents nursing homes.

Connecticut Attorney General Richard Blumenthal wants the bankruptcy court to appoint a trustee to oversee operations at the nursing home chain. A hearing is scheduled for Dec. 17.

Joan Senecal, commissioner of the Vermont Department of Disabilities, Aging and Independent Living, said she hopes the two Vermont nursing homes, which are operating near capacity, come out of

any financial restructuring stronger.

"We don't want to see them go out of business," she said.

An administrator at one of the Haven homes in Vermont referred inquiries to Anthony Scierka, Haven Healthcare president, who didn't respond to telephone messages Wednesday.

When Haven became delinquent on its "provider payments" several years ago, the state worked with Haven officials to come up with payment plans but they always fell behind again, Senecal said.

Nursing homes pay the state an annual fee due monthly on each bed. They get back some of the money when they file claims for Medicaid patients, she said.

The Legislature passed a provision to help the state recoup what it's owed from Haven. Some of the money could come from Haven's Medicaid claims starting July 1.

Haven Healthcare faces Connecticut investigations into allegations it misused millions of dollars in Medicaid funding. The company denies the claims. *DBR*

TransLand *(continued from page 1)*

fight over the Chapter 11 case. It also means there will be more money left over for the company's creditors.

The Maitland, Fla., company serviced loans for the banks, including the collection of so-called payoff money, the final payment owed on the loan.

The banks moved against TransLand amid allegations that TransLand's former executives ran an embezzlement scheme to finance their business. Last month, a court-appointed investigator found that TransLand executives used the money to make lucrative construction loans. The company, said investigator Robert Lynch, engaged in a "lapping scheme" where it used money it collected for banks when mortgage loans were paid off to make new loans and pay expenses.

He said the scheme dated back to 2004 and

continued until August of this year, when the banks filed an involuntary bankruptcy petition against TransLand. Lynch also said Chief Executive Roger "Roddy" Conner and Chief Operating Officer Ed Credille used TransLand as their own personal piggybank, charging purchases from Brooks Brothers and Bass Pro Shops to the company.

Following Lynch's report, Conner resigned and was replaced by mortgage veteran Paul Reich.

Founded in 1995, TransLand was once one of the largest privately owned residential construction lenders in the U.S., according to court filings, with a loan portfolio of almost \$500 million and offices in over a dozen states. At its height, the company employed more than 300 people and originated about \$60 million in loans a month. *DBR*

Maryland Democrats *(continued from page 6)*

Edwards has received significant help from a number of progressive - and powerful - Democratic groups. The National Organization for Women, Emily's List, and Democracy for America have all endorsed her candidacy. Additionally, bellwether progressive blogs like Eschaton and Firedoglake.com have talked up Edwards and encouraged their readers to donate to her campaign through ActBlue, a clearinghouse for progressive donations.

Through the site, Edwards has raised over \$219,000 from around 4,900 individuals.

"People in that district are looking for a Democrat with a progressive voting record. Al Wynn used to have that but he doesn't have that any more," NOW President Kim Gandy said.

Edwards said she hopes to capitalize on that sentiment.

"I think I will be a much better Democrat than we have now," Edwards said. "I think there has been a rallying cry around the country for better Democrats, for stand-up Democrats. It's about moving forward an agenda that speaks to both our local and national priorities." *DBR*

DBR Smallcap's Bankruptcy Filings By Industry

The following is a list of bankruptcy cases filed by service industry companies that are followed by Dow Jones Corporate Filings Alert and Dow Jones' Daily Bankruptcy Review smallcap newsletter.

Mfg & Transport

Arriva Pharmaceuticals Inc.	8/30/07
Art Leather Manufacturing Co.	6/13/07
ASC Inc.	5/2/07
Aspen Executive Air	9/14/07
Columbia Aircraft Manufacturing Corp.	9/24/07
Congoleum Corp.	12/31/03
Dunmore Homes Inc.	11/8/07
Elliott Building Group Ltd.	6/10/07
Fedders Corp.	8/22/07
Global Power Equipment Group Inc.	9/28/06
ICG/Holliston Mills Inc.	5/21/07
Inyx USA Ltd.	7/2/07
IWT Tesoro Corp.	9/7/07
Jays Foods Inc.	10/11/07
Kingsland Group Inc.	8/20/07
Kitty Hawk Inc.	10/15/07
Le-Nature's Inc.	11/1/06
Lionel LLC	11/15/04
Marcal Paper Mills Inc.	11/30/06
Medford Crossing LLC	10/17/07
Medicor Ltd.	6/29/07
Nellson Nutraceutical Inc.	1/28/06
Neumann Homes Inc.	11/1/07
Performance Transportation Services Inc.	11/19/07
Pharmed Group Corp.	10/26/07
Quaker Fabric Corp.	8/16/07
Radnor Holdings Corp.	8/21/06
Rockford Products Inc.	7/25/07
Universal Food & Beverage Co.	8/31/07
Werner Co.	6/12/06

Entertain & Retail

Avado Brands LLC	9/5/07
Barricade Books LLC	10/11/07
Bombay Co.	9/20/07

Death Row Records Inc.	4/4/06
Global Vision Products	8/17/07
Great Circle Family Foods LLC	8/22/07
Hancock Fabrics Inc.	3/21/07
Levitz Furniture Inc.	11/8/07
L.I.D. Ltd.	3/17/07
M. Fabrikant & Sons	11/17/06
New York Racing Association	11/2/06
Nutritional Sourcing Corp.	8/3/07
Princeton Ski Shop Inc.	11/4/07
Salander-O'Reilly Galleries LLC	11/1/07
Sweet Traditions LLC	9/4/07
Tweeter Home Entertainment Group Inc.	6/11/07

Service Providers

1031 Tax Group	5/14/07
Aspen Executive Air Inc.	9/14/07
Basis Yield Alpha Fund	8/29/07
Bayou Management LLC	5/30/06
Claddagh Development Group LLC	10/25/06
Classic Star LLC	9/14/07
Foxtons Inc.	10/5/07
Metropolitan Mortgage & Securities Co. Inc.	2/4/04
Mila Inc.	7/2/07
Monitor Oil Plc	11/21/07
Mortgage Lenders Network USA Inc.	2/5/07
Ownit Mortgage Solutions	12/28/06
People's Choice Home Loan Inc.	3/20/07
Quality Home Loans	8/21/07
Tanner & Haley Resorts	7/23/06
Thaxton Group Inc.	10/17/03
Transland Financial Services Inc.	8/23/07

Telecom & Tech

Amp'd Mobile Inc.	6/1/07
Halo Technology Holdings Inc.	8/18/07
NewComm Wireless Services Inc.	11/28/06
Pac-West Telecomm Inc.	4/30/07
SCO Group Inc.	9/14/07
Taxi Technology Corp.	11/13/07
Virtual Fonlink Inc.	7/13/07

LOOKING AHEAD**Developers, N.J. Town Square Off Over Medford Crossings' Fate**By *Jacqueline Palank**A Daily Bankruptcy Review Small-Cap Column*

In the latest battle in a two-decade-long war over a New Jersey development, the Medford Crossings' group of real estate companies and the town that's home to the unfinished project will face off to potentially determine the fate of the companies' bankruptcy case. Performance Transportation Services

- **Medford Crossings North LLC**
- **Performance Transportation Services Inc.**
- **Marcal Paper Mills Inc.**

Inc., which recently filed for bankruptcy protection for the second time in less than a year, is seeking a speedy auction of its assets and will ask the bankruptcy court to approve a leading bid of \$67 million. And Marcal Paper Mills Inc. hopes to nearly wipe out a \$946 million environmental damage claim that the federal government says it's owed for cleaning up pollutants from Marcal's plant. Here's what's on bankruptcy court agendas this week.

On **Monday**, Bankruptcy Judge Gloria M. Burns of the U.S. Bankruptcy Court in Camden, N.J., will consider whether developer **Medford Crossings North LLC** and its 10 affiliated companies' Chapter 11 cases may proceed and if so, with what oversight. The town of Medford, N.J. has asked Burns to throw out the case, saying it's nothing more than an attempt to duck a lawsuit that the town filed to make the companies finish developing the 281 acres that lie 20 miles east of Philadelphia.

Medford, which has a population of about 25,000, has accused the developers of running "shell companies" that have no assets and no means of successfully reorganizing. The town also says it has lost "millions of dollars in tax revenues as a result of the failed project," according to court documents. If Burns allows the developers to stay in bankruptcy, the town of Medford has asked that she then either convert the case to a Chapter 7 liquidation or appoint officials to take over the companies' daily operations and to carry out investigations.

Also on **Monday**, auto hauler **Performance Transportation Services Inc.** will bring before the

judge a \$67 million deal to sell its assets to Allied Systems Holdings Inc. The bid procedures that Performance will ask the U.S. Bankruptcy Court in Buffalo, N.Y. to approve include the paying of a \$4 million break-up fee plus expense reimbursements to Allied if another bid wins. Performance is also asking that if Allied wants to make a higher offer in the face of competing bids, it will be able to credit bid the break-up fee and expense reimbursement rather than up its bid with cash.

Performance Transportation said it's still working out the rest of the purchase agreement details with Allied. Both companies' majority stakeholder is private equity firm Yucaipa Cos., a relationship that may raise some eyebrows for being an insider transaction. Objections to the sale "should" have been received by Friday "if possible," Judge Michael Kaplan said last week, suggesting some flexibility. Monday's hearing comes just one week after Performance Transportation filed its request to hold an auction.

Marcal Paper Mills Inc. on **Friday** hopes to settle a \$946 million claim with several federal agencies for environmental clean-up costs the government incurred as a result of the company's alleged pollution of a New Jersey river. The claim revolves around a 17-mile stretch of the Passaic River in New Jersey that was polluted by hazardous chemical runoff from the paper-maker's plant. If approved, Marcal would owe a total of \$3 million to three federal agencies - \$2.16 million to the Environmental Protection Agency and the balance for the Department of the Interior and the National Oceanic and Atmospheric Administration - as an unsecured claim in its Chapter 11 case.

A local environmental group has protested the settlement, which the U.S. Bankruptcy Court in Newark, N.J., will take up. The group says the settlement's promise to not bring future claims against Marcal for further environmental damages and its provision allowing Marcal to continue releasing un-quantified "trace amounts" of the chemicals isn't right. They also say the EPA will need much more than the "meager" \$2.16 million it's set to get to clean up the polluted site and mitigate future damage. *DBR*

DIP FINANCING TERMS

A Weekly Summary Of Terms For Smaller-Capitalization Cases

The following is a selected list of smaller-capitalization companies that have filed a Chapter 11 bankruptcy petition recently and have received a commitment for debtor-in-possession financing.

Debtor-in-possession financing allows companies to pay day-to-day expenses and remain in possession of their business while under bankruptcy protection. Companies operating with DIP loans must seek permission from the bankruptcy court for large expenditures or to change the structure of the loan. The date column reflects the original Chapter 11 filing month. Data on companies new to the table or changes to lending details are in **boldfaced** type.

DATE	COMPANY NAME	LEAD LENDER(S)	AMOUNT	TERMS
8/29/07	Arriva Pharmaceutical Inc.	MPM Capital LP	\$1M	Received interim approval
6/13/07	Art Leather Manufacturing Co.	Merchant Financial Corp.	\$4M	Received interim approval
5/2/07	ASC Inc.	Comerica Bank	\$13M	Received interim approval
9/5/07	Avado Brands Inc.	DDJ Capital Management et al.	\$67M	Received interim approval
9/20/07	Bombay Co.	General Electric Capital Corp.	\$115M	Received final approval
4/3/07	Cygnus Oil and Gas Corp.	Kings Road Holdings II LLC	\$3M	Received interim approval
10/13/06	Delta Mills Inc.	GMAC Commercial Finance	\$22M	Approved
11/8/07	Dunmore Homes Inc.	Former CEO Sidney B. Dunmore	\$1M	Received interim approval
10/30/06	Dura Automotive Systems Inc.	Goldman Sachs Credit Partners	\$425M	Judge won't consider reorganization plan until exit financing found
8/22/07	Fedders Corp.	Goldman Sachs Credit Partners	\$79M	Received interim approval
4/10/06	Global Home Products LLC	Wachovia Bank	\$20M	Received final approval
6/26/07	Inyx USA Ltd.	Westernbank Puerto Rico	\$428K	Received emergency loan for payroll and operating expenses
11/8/07	InPhonic Inc.	Versa Capital Management	\$10M	Received approval
4/10/07	Joan Fabrics Corp.	Bank of America	\$8M	Received interim approval to tap \$8M
10/15/07	Kitty Hawk Inc.	Laurus Master Fund Ltd.	\$25M	Seeks interim financing approval
3/8/07	Mercy Medical Center (NYC)	HFG Healthco-4 LLC	\$11M	Received interim approval
4/2/07	New Century Financial Corp.	CIT Group, and Greenwich Capital	\$50M	Received interim approval
11/28/06	NewComm Wireless Svs.	D.B. Zwim Special Opportunities	\$38M	Received final approval
8/3/07	Nutritional Sourcing Corp.	Westernbank Puerto Rico	\$35M	Receives interim approval
4/30/07	Pac-West Telecom Inc.	Columbia Ventures Corp.	\$2.5M	Received interim approval
2/1/07	Pacific Lumber Co.	Marathon Structured Finance Fund	\$75M	Received approval
8/31/06	Portrait Corp. of America Inc.	Wells Fargo Foothill	\$45M	Received final approval
5/17/07	Publicard Inc.	The 500 Group LLC	\$500K	Seeks loan approval
7/25/07	Rockford Products Corp.	Bridge Opportunity Finance LLC .	N/A	Seeks to extend loan
5/8/06	Silicon Graphics Inc.	Quadrangle Master Funding Ltd., Watershed Technology Holdings	\$130M	Received final approval
8/29/07	Solar Stamping Manufacturing	General Motors Corp.	\$2.25M	Unsecured creditors seek more funds for professionals
9/4/07	Sweet Traditions LLC	Allied Capital Corp.	\$700K	Seeking financing for operations
7/13/07	Virtual Fonlink Inc.	Junior lien holders	\$300K	Approved

Sources: Court documents, Securities and Exchange Commission filings

From The Tape

Judge OKs Sale Of Your Black Muslim Bakery Site

The property that housed **Your Black Muslim Bakery** for nearly 40 years will transition into an HIV/AIDS care center, which the new owners say will resurrect the original intention of the site, "to serve the community," the *San Francisco Chronicle* reported. The sale was approved during a hearing in U.S. Bankruptcy Court in Oakland, Calif., Thursday, a day after a live auction was held to determine the highest bidder for the 14,000-square-foot property. NCK LLC, a limited-liability corporation made up of numerous benefactors, bought the property on behalf of Vital Life Services, a nonprofit serving people living with HIV/AIDS and other critical illnesses. The group will pay \$1,052,000 cash for the site, said attorney Eric Nyberg. For years, Your Black Muslim Bakery was known as a place where residents could find healthy food, and down-and-out black men could work to get their lives on track. But in recent years, the bakery has been in turmoil. Its founder, Yusuf Bey, died in 2003 while facing a series of charges that he raped underage girls. After his death, there was infighting among possible successors and killings of people tied to the bakery.

Bankruptcy Court OKs Columbia Aircraft Sale

A bankruptcy judge has approved the \$26.4 million sale of Columbia Aircraft Manufacturing Co.'s high performance personal aircraft manufacturing business to Cessna Aircraft Co, according to court documents. On Wednesday, Judge Elizabeth Perris of the U.S. Bankruptcy Court in Portland, Ore., set a closing date of Tuesday in order to preserve the value of its bankruptcy estate and to ensure that it has enough cash to continue operating until Cessna takes over, court papers said. Wichita, Kan.-based Cessna, a unit of Textron Inc., was the lead bidder in Tuesday's auction of the Bend, Ore.-based company's assets. Cessna had originally bid \$24.5 million to acquire Columbia's manufacturing plant and more than 400 employees. Perris also authorized Columbia to use the sale proceeds to pay nearly \$6.2 million in secured claims. Sole competing bidder Park Electrochemical Corp. withdrew its bid after Cessna topped its offer, according to a press release issued Wednesday. However, Perris said if the sale does not close by Tuesday, Park's bid will remain open and the Melville, N.Y. company will have five business days to close the sale. A group of Columbia aircraft owners had earlier this week protested Park's bid, calling it an "unknown" with no experience in the aircraft industry.

Judge Says Subprime Borrowers Need Court Help

A Pennsylvania judge said more than 800 victims of Wesley A. Snyder's mortgage scam need hope and help just as much as victims of the sub-prime mortgage market bust, the *Reading Eagle* of Pennsylvania reported. "Their grief, their suffering is not unlike thousands who have suffered locally and nationally," Judge Jeffrey K. Sprecher said at a hearing of the state House Intergovernmental Affairs Committee in Harrisburg. "They need a practical solution," Sprecher said. "They cannot succeed with what has been dealt to them as a result of the negligent, intentional failure of a mortgage broker to forward the full amount of their payments to the mortgage companies." The committee is considering a bill urging Congress to take emergency action to protect homeowners and banks in the aftermath of the subprime mortgage market collapse. The subprime market collapse has little to do with the bankruptcy of Snyder's Exeter Township-based Personal Financial Management Inc., which federal prosecutors called a Ponzi scheme that left its victims out more than \$40 million. Sprecher was the first judge to hear a class-action suit brought by the mortgage borrowers against the banks.

Emerald Casino Loses Latest Bid To Regain License

The Illinois Supreme Court on Thursday declined to review a lower court ruling that revoked the gambling license of a controversial firm that hoped to open a casino outside of Chicago, the *Chicago Tribune* reported. The state high court's ruling leaves Emerald Casino officials with few remaining options in their legal struggle against the Illinois Gaming Board. The board revoked Emerald's license in 2005 after finding that Emerald officials had lied to state investigators and sold shares to two investors with alleged ties to organized crime. In May, a state Appellate Court upheld the Gaming Board's decision. In a one-sentence order Thursday, the state Supreme Court declined to hear that case. "This decision sends a clear signal that this license is, in fact, revoked and moves the state a significant step closer to being able to re-issue the license to suitable owners," said Atty. Gen. Lisa Madigan, whose office represents the board. Emerald attorney Robert Clifford disputed Madigan's assessment, saying his clients would continue to fight the case in federal Bankruptcy Court. "With that case pending, and all of the important economic and civil rights still to be determined in federal court, the fate of Emerald Casino is not over," Clifford said in a statement. Emerald has dug itself a massive financial hole — including more than \$11 million just for bills tied to its 2002 bankruptcy filing, court records show. If Emerald ultimately loses its legal battle, that would free up the state's long-dormant 10th casino license. The available license would be welcomed by some lawmakers who see gambling revenue as a way to address state budget problems.