DOW JONES
Daily Bankruptcy Review Small-Cap
From The First Sign of Distress To The Last Phase of Reorganization June 25, 2008

Jeweler Secures $80M Loan Requiring Quick Asset Sale

By Jacqueline Palank

Whitehall Jewelers Holdings Inc. filed for Chapter 11 protection on Monday with an $80 million financing package that requires it to put its assets on the auction block in less than a month.

Whitehall, which recently acquired nearly 80 stores from another jeweler in Chapter 11 proceedings, said the terms of its $80 million bankruptcy loan require it to win bankruptcy court approval of a deal to sell its assets by July 18.

The Chicago company is asking the U.S. Bankruptcy Court in Wilmington, Del., for permission to hold an auction on July 16, at which it will consider "all alternatives regarding a disposition of substantially all of the assets." Whitehall said such options include selling all or a portion of its business as a going concern or selling the rights to liquidate its inventory.

Whitehall said despite efforts to turn its company around and avoid bankruptcy, it "could no longer sustain viable business operations or obtain necessary financing without resorting" to Chapter 11 protection. Last Wednesday, the company defaulted on a $125 million loan from LaSalle Bank. Founded in 1895 as Marks Bros. Jewelers, the jewelry retailers operates 373 stores, including 78 stores that it purchased for about $14.3 million in April from jeweler Friedman's Inc. during that company's Chapter 11 case. Whitehall said after several years of financial difficulties, the Friedman's purchase was part of its efforts to turn its business around and avoid a bankruptcy filing.

Despite these efforts, the jeweler said it faced an ever-constricting cash supply in the face of declining sales and the global credit crunch.

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Caruso Homes Files For Chapter 11 Bankruptcy

By Jacqueline Palank

Award-winning Maryland homebuilder **Caruso Homes Inc.** filed for Chapter 11 protection Monday, blaming its "liquidity crisis" on the tight credit conditions and housing slump that have led many other homebuilders into bankruptcy.

The Crofton, Md., company said that amid declining home prices and growing numbers of home mortgage loan delinquencies, it's struggled to maintain the liquidity it needs to continue to build homes throughout Maryland and Virginia. Caruso Homes said its bankruptcy filing will protect the cash-strapped company and its creditors.

"The debtors filed their Chapter 11 petitions to preserve and maximize the value of their assets, as well as to insure that both secured and unsecured creditors are protected," the company said Monday in papers filed with the U.S. Bankruptcy Court in Baltimore.

The company's biggest problem, however, hasn't been with its operations but is the declining value of the land it owns, according to the company's vice president of operations.

"Our biggest problem is that our land values have depreciated through the last 18 months," said Chris Block in an interview Tuesday. "Our land loans need to be restructured."

Block said the homebuilder's currently negotiating with the lenders who have financed the company's development projects. He said that will be a key step on the path toward profitability.

"Once we have the opportunity to restructure our land loans, we'll be able to reduce our sales prices and become a profitable company again," he said.

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Also In This Issue:

GM Files Lawsuit Against PTS To Get Back Vehicles Worth $8.5M

By Kristina Doss

General Motors Corp. filed a lawsuit against **Performance Transportation Services Inc.**, alleging that the automobile hauler is holding $8.5 million worth of GM vehicles "hostage."

GM, which filed the lawsuit Friday with the court overseeing PTS' bankruptcy case, said it gave PTS 281 new cars and trucks to transport. However, the automobile hauler shut down its operations earlier this month before delivering them to GM's customers and has "refused to surrender possession of the automobiles."

GM urged the U.S. Bankruptcy Court in Buffalo, N.Y., to order PTS to return the vehicles. The automobiles have been ordered by GM's customers, who are expecting delivery. Moreover, GM said the automobiles may depreciate in value and get damaged if it doesn't get immediate possession of the automobiles.

"Without immediate access to and possession of the automobiles, GM will suffer immediate and irreparable harm, including loss of goodwill and damage to customer relations," GM said.

Also, GM said it wants PTS to pay for any damages that occurs to the vehicles while they are in the automobile hauler's possession.

An attorney for PTS, who was reached Tuesday, couldn't immediately comment on the lawsuit. PTS used a fleet of some 1,300 tractor-trailors to deliver cars each day for General Motors, Ford Motor Co. and Toyota Motor Corp. until the automobile hauler ceased operations on June 13.

PTS said it decided to shut down because the union representing its employees refused to end a strike that had been waging since June 9 and accept a labor proposal that would have enabled the automobile hauler to exit bankruptcy as a "solid, viable ongoing business."

The International Brotherhood of Teamsters, which represents the majority of PTS' 1700 employees, said it disagrees that it was the cause of the automobile hauler's demise.

Employees represented by the Teamsters started striking after PTS won bankruptcy court approval to

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CFM U.S. Seeks Approval Of $42.5M Leading Bid For Assets

By Jacqueline Palank

CFM U.S. Corp. is planning to sell its hearth-making units in Vermont to Monessen Hearth Systems Co. for $42.5 million, subject to higher bids at an auction that CFM U.S. will hold this week.

Tuesday, the hearth and heating products company asked the U.S. Bankruptcy Court in Wilmington, Del., to approve Monessen Hearth Systems as the leading bidder for assets related to CFM U.S.'s hearth design and manufacturing operations located in Bethel, Vt., and Randolph, Vt. The court will consider the matter Wednesday.

Paris, Ky., Monessen Hearth Systems manufactures such hearth products as log sets, fireplaces and stoves under four brand names - Ambient Technologies, Lexington Forge, Martin Hearth & Heating and Monessen.

The plants that Monessen Hearth Systems is seeking to acquire include inventory, equipment and intellectual property at CFM U.S.'s Vermont plants that design and manufacture specialty fireplaces, stoves and gas logs under the brand names Vermont Castings, Majestic Fireplaces and Dutchwest.

CFM U.S. will hold an auction Friday to test Monessen Hearth Systems' bid with competing offers, and the bankruptcy court will consider signing off on the winning bidder at a hearing set for Monday.

If Monessen Hearth Systems' bid loses at auction, CFM U.S. wants to pay it a break-up fee of $1 million. Since filing for Chapter 11 protection on April 9, CFM U.S. has already sold off many of its assets. On May 5, the bankruptcy court approved two sales of the company's various business units.

Mr. Heater Inc. paid $1.3 million for a portion of CFM U.S.'s gas heater business, and GHP Group Inc. offered $3.3 million for the company's electrical fireplace and gas heater business.

CFM U.S. listed liabilities of more than $300 million and assets of $84.8 million in its bankruptcy petition, excluding $138.9 million in inter-company accounts payable as of Dec. 31.

CFM U.S.'s parent company, CFM Corp., also sought protection from creditors in Canada on April 9, the same day CFM U.S. filed for bankruptcy. ***DBR***

New Chapter 7 Bankruptcy Filings

The following is a list of some new small-capitalization Chapter 7 bankruptcy filings made during the week ended June 20..

Company	Court	Location	Contact	
Airshod Inc.	California, Northern	Santa Rosa, CA	Michael Fallon	707-546-6770
Alco Electric Inc.	California, Central	Woodland Hills, CA	Florence Mond	818-716-6689
Art Deco First Street LLC	California, Central	Long Beach, CA	James G. Allen	818-735-7000
Authentic Subtitles Inc.	California, Central	Burbank, CA	Jan P. Quaglia	818-846-2748
Blue Marble Farms LLC	Poughkeepsie, NY	Stone Ridge, NY	Mike Pinsky	845-294-5123
Budco Manufacturing Inc.	California, Central	Simi Valley, CA	Brett B. Curlee	310-203-3084
Cinjon Corp.	New Jersey, Camden	Pennsauken, NJ	Corinne Samler	856-797-8400
Concrete Group Inc.	California, Southern	San Marcos, CA	Alberto Carranza	619-946-5031
Direct Internet Sales Inc.	Texas Southern	Houston, TX	John O. Mukoro	713-334-0511
DJ Capital Inc.	California, Central	Temecula, CA	Sharon Crommett	760-249-6072
Evital Communications Co.	Nevada, Las Vegas	Las Vegas, NV	David Stephens	702-656-2355
Krazy K's Corp.	California, Central	Corona, CA	Dale Parham	951-686-7717
Laredo Urgent Care PA	Texas Southern	Laredo, TX	Marcel C. Notzon	956-717-1961
Middlebrook Utilities Inc.	Texas Western	Round Rock, TX	Mr. Nettles	512-459-3212
Mountain Valley Homes Inc.	Texas Western	El Paso, TX	Mr. Given	915-544-5545
R & D Industrial Maintenance Inc.	California, Central	Redlands, CA	Judy Driver	909-890-2323
RJD Ventures Inc.	Texas Western	Austin, TX	Stephen Schultz	512-472-7792
Unlimited Special Services Inc.	Texas Northern	Hurst, TX	Mr. McMaster	817-335-8080
Urban City Dough Inc.	Manhattan	New York, NY	Bruce Weiner	718-855-6840

Trustee Blasts Sharper Image's Proposed Bonus Plan Again

By Rachel Feintzeig

The federal monitor overseeing **Sharper Image Corp.'s** bankruptcy case is stepping up her criticism of the company's proposed employee bonus program, calling the $1.13 million plan "excessive" and "unreasonable."

In papers filed with the U.S. Bankruptcy Court in Wilmington, Del., U.S. Trustee Roberta A. DeAngelis added to her earlier complaints this month that the requested bonuses revealed the company's leaders were incapable of managing its employees.

This time, DeAngelis took aim at the actual incentive plan, arguing that the bonuses Sharper Image wants to pay employees involved in its liquidation and wind-down efforts constitute a "disguised retention plan."

In an attempt to prevent bankrupt companies from doling out huge payments to their senior management, bankruptcy law bars a business under Chapter 11 protection from distributing retention bonuses to company officers. "The 'incentive goals' read like a job description because, essentially, that's what the 'goals' are," DeAngelis said. Rather than using the bonuses to reward officers for achieving discrete performance targets, "the debtor simply wants the employees to stay around until their respective tasks are satisfactorily completed."

While Sharper Image is allowed to pay lower-level employees retention bonuses under bankruptcy law, DeAngelis said she didn't understand why it would need to, considering current economic conditions.

"The debtors have not demonstrated why, given that the prevailing market conditions for retailers are bleak, the debtor has to pay the proposed amounts to the [employees] to keep them," she said.

A bankruptcy judge will consider Sharper Image's request at a hearing Tuesday afternoon.

While DeAngelis and the retailer continue to battle over the incentive payments, an earlier dispute between the company's unsecured creditors and its liquidators is nearing a resolution.

Sharper Image's unsecured creditors' committee had expressed discontent with the sale of the Sharper Image's remaining assets in May. The committee felt that "any such sale would yield no benefit to the estate insofar as it would substantially reduce-or quite possibly altogether eliminate-any distribution to general unsecured creditors."

With a formal objection from the creditors looming, the purchaser - a joint venture between Hilco Merchant Resources LLC and Gordon Brothers Retail Partners LLC - agreed to establish a trust for the unsecured creditors. The trust will amount to $500,000 or 10% of the royalties earned during 2009 from the intellectual property the joint venture acquired in the sales transaction, depending on which value is lower.

A judge will consider the proposed agreement at a hearing July 16.

Sharper Image, based in San Francisco, entered Chapter 11 protection in February. It closed 96 of its stores, liquidating that merchandise, in March. Though it attempted to restructure its remaining business, falling sales eventually forced the company to close its remaining 88 stores as well. ***DBR***

Jevic Transportation Wins Final Approval Of $60M Loan

By Kristina Doss

A bankruptcy judge authorized **Jevic Transportation Inc.** to borrow up to $60 million so that the trucking firm can deliver the rest of the freight in its system and wind down its business.

Judge Brendan L. Shannon of the U.S. Bankruptcy Court in Wilmington, Del., on Friday gave his final blessing of the financing, which will also be used to cover the costs of Jevic's bankruptcy case and pay down the company's pre-bankruptcy debt.

Jevic is borrowing the money from a group of lenders led by CIT Group/Business Credit Inc.

Jevic, which was founded in 1981, claimed to have a "unique operating model by handling "freight less than conventional carriers."

But being unique didn't get the Delanco, N.J., trucking firm too far. The company started suffering from a decline in revenue in 2006, around the time it was acquired by an affiliate of buyout firm Sun Capital Partners IV LP.

The decline in revenue - along with a slowdown in the automotive industry, high fuel costs and the tightening of credit markets - led Jevic to default on a $101.2 million financing arrangement with a group of lenders led by CIT Group/Business Credit Inc., shut down its operations, and file for bankruptcy on May 20.

As of Dec. 31, 2007, Jevic had $25.4 million of borrowings and $27.8 million in letters of credit outstanding under the financing arrangement with the group of lenders led by CIT Group. ***DBR***

Judge OKs Part Of TVT Sale But Will Still Hear Objections

By Rachel Feintzeig

A bankruptcy judge approved the sale of the majority of **TVT Records'** assets to digital music distributor The Orchard but will still consider objections voiced by the company's creditors and hip-hop artists at several upcoming hearings.

According to attorney Alex Ostrow, of Stevens & Lee PC, The Orchard's $5,050,000 winning offer from last Thursday's bankruptcy auction was approved Monday by Judge Allan L. Gropper of the U.S. Bankruptcy Court in Manhattan.

The transaction provides that The Orchard will pay the sale price - as well as $1,025,000 to get out of various leases and contracts with artists - for assets including the company's distribution arm and records by a slew of rappers. TVT has until Wednesday to circulate the proposed sale order. Ostrow said he expects Gropper to sign the order on Thursday, but that a hearing could take place Thursday morning to "iron out any disputes over language."

While Ostrow said that the judge overruled objections regarding the approval of the sale, additional objections related to contracts with artists like Ludacris as well as motion picture studios will be considered at a hearing July 9.

The day before the auction, several rappers had expressed concern about the sale, saying that they didn't have enough information to determine the "future performance of any proposed purchaser." "The Orchard is going to try to have a dialogue with everybody," before the July 9 hearing, Ostrow said, in an attempt to possibly settle the objections out of court.

Gropper has also yet to rule on the winning bid by lender D.B. Zwirn & Co. for TVT's music publishing assets. D.B. Zwirn bid its $250,000 claim on the assets, prompting criticism from unsecured creditors who were concerned by the lack of "competitive bidding." The

Ostrow said Gropper will consider that transaction Thursday morning.

"The judge said that they were different issues" and he needed to consider them separately, Ostrow said of the music publishing assets transaction and The Orchard sale. ***DBR***

Whitehall Jewelers *(continued from page 1)*

"The general economic downturn and tightening of the credit markets, among other factors, have contributed to a decline in consumer discretionary spending, particularly in the luxury goods sector," Whitehall said in court papers.

The company is now seeking the bankruptcy court's approval of its bankruptcy loan from a group of lenders including Bank of America, GMAC Commercial Finance and Wells Fargo Retail Finance. Without the loan, Whitehall warned, its "day-to-day retail operations would come a halt, a result that would be devastating as the debtors attempt to maximize the value of their assets through an expedited sale process."

Whitehall said while it hasn't lined up a stalking horse, or lead bidder, to make an offer for its business as a going concern, it does have a leading bid from a group of liquidators.

Great American Group LLC, Hudson Capital Partners LLC and Silverman Jeweler Consultants Inc. comprise a joint venture seeking the right to conduct store closing sales at Whitehall's stores. The liquidators' bid would guarantee a payment to Whitehall that's equal to 90% of the value of the inventory they sell.

Whitehall wants competing bidders to submit their offers by July 15.

The bankruptcy court will consider Whitehall's bankruptcy loan and auction plans at a hearing set for Tuesday.

Whitehall Jewelers Holdings, which filed for bankruptcy with affiliate Whitehall Jewelers Inc., listed assets of $207.1 million and debts of $185.4 million in its bankruptcy petition.

Judge Kevin Gross has been assigned the case, numbered 08-11261. ***DBR***

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Published by Dow Jones Newsletters

EDITORIAL
Nicholas Elliott, Managing Editor 201.938.2186
Marie Beaudette, News Editor 202.862.1354

SALES & ADVERTISING
Carlos Mesa, Sales Manager 202.862.7147

CUSTOMER SERVICE *fishelp@dowjones.com*

Caruso Homes *(continued from page 1)*

Caruso Homes' secured lenders include Bank of America, PNC Bank and Wachovia Bank, court papers show.

On Tuesday, Caruso Homes will seek the bankruptcy court's approval of a $1.3 million loan from founder and Chief Executive Jeffrey V. Caruso in order to keep the business up and running during the bankruptcy case. If the court doesn't sign off on the loan, Caruso Homes warned, it won't be able to operate and may be forced to liquidate.

Block said that in the meantime, it's "business as usual" for the company.

"We expect to continue with our contractual agreements," he said. "We expect to be building the houses that we sold." Jeffrey Caruso founded Caruso Homes in 1986 "with one pick-up truck and a single building lot." The company said it grew to become one of the largest homebuilders in Maryland and Virginia, constructing about 2,000 single-family homes in the area in the past 22 years. In 2006, The National Association of Homebuilders named Caruso Homes America's Best Builder.

Caruso Homes filed for bankruptcy with 24 of its affiliates, which were set up to manage individual development projects. Caruso Homes listed assets in the range of $1 million to $100 million in its bankruptcy petition as well as debts above $100 million.

The homebuilder said on its Web site that its goal is to emerge from bankruptcy "as a stronger, healthier and more streamlined company that will be newly positioned for financial success."

Bankruptcy Judge James F. Schneider will handle Caruso Homes' Chapter 11 case, numbered 08-18254. ***DBR***

PTS *(continued from page 2)*

temporarily cut union-represented employees' pay by 15% in an effort to deal with its liquidity issues.

PTS said that without the wage cuts, it wouldn't have had enough financing to keep its operations going.

But the resulting strike hurt PTS' business even more, as customers turned to the auto hauler's competitors to deliver their cars.

PTS filed for Chapter 11 protection on Nov. 19, 2007. It was the auto hauler's second trip into Chapter 11 in less than year, having emerged from bankruptcy Jan. 26, 2007. ***DBR***

VIEWPOINT

One of a series of opinion columns by bankruptcy professionals

Trucking Industry Failures On The Rise As Fuel Costs Soar, Financing Dries Up

By James Wong

The last major deceleration in the trucking industry occurred during the post-9/11 era, whereby the confluence of high diesel prices ($1.50/gallon), constraints on financing caused by increased insurance costs in the 9/11 aftermath, and decreased demand as reflected in lower freight tonnage led to the demise of some 8,200 carriers from 2001 through 2003.

What is the confluence of events today? History repeats itself – diesel has well-surpassed $4.00 per gallon, financing has become constrained via credit market woes as a result of the subprime lending meltdown, and freight tonnage appears to be in a precarious position. Our economy continues to see well over 1,000 carriers file for bankruptcy annually, with 2007 results expected to be 25% higher than the 1,300 in 2006, and 2008 projections at even more sustained levels.

Why the continuously high number of trucking failures? For background, the barriers to entry were dropped since deregulation in 1980. A commercial driver's license, a truck and proper licensure from the Interstate Commerce Commission are the basic requirements to run a trucking company, or carrier. While entry is easy, the operational challenges are formidable, specifically with a high cost structure - primarily fuel and labor - comprising about 60% of operating costs, which are difficult to control or pass on to customers. In a climate of declining revenue or escalating operating costs, whether fuel, labor, insurance or other costs, smaller carriers tend to hand over the keys to the bank, and become drivers themselves.

The last recession technically ended in November 2001, but impacted freight tonnage through 2003. Although the U.S. is not technically in a recession at the moment, jobless claims are at their highest levels since Hurricane Katrina ravaged the Gulf Coast in 2005. The U.S. has not experienced repeated levels of jobless claims above 400,000 since the last recession. The effect of the credit squeeze, coupled with the downturn in housing, is not only impacting the nation's employment health but also consumer consumption, and the correlative amount of freight carried as well.

Total transportation revenue represents about $770 billion and 15.6 billion tons, of which trucking represents about 84% of value and 69% of the tonnage, while air, rail, water, pipeline and intermodal comprise of the balance. Because of trucking's disproportionate share in transportation, and because it carries manufactured, wholesale and retail goods, this sector serves as a leading indicator of the overall U.S. economy. Factors materially affecting the cost structure of trucking may have a ripple effect throughout the economy.

With too many trucks chasing too little freight in this waning economy, there is anecdotal evidence suggesting the industry has begun "right-sizing" itself, by idling or shipping revenue equipment (tractors and trailers) overseas. This evidence is supported by revenue equipment backlog-to-build ratios that are nearly at their lowest and manufacturers' inventory-to-sales ratios that are nearly at their highest since the 2001 recession, which suggests carriers are forecasting weaker freight volumes relative to their current capacity.

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VIEWPOINT

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Diesel fuel prices are typically higher than gasoline in the fall and winter seasons due to increased demand for heating fuel, and usually lower during the spring and summer seasons. However, global demand, particularly in Europe, is curtailing diesel imports and driving up prices. Generally, class 8 trucks, or “big rigs”, are manufactured to run on diesel fuel, which has about 30% higher fuel efficiency than gasoline. However, the diesel engine fuel savings are mitigated by the higher prices for the EPA-compliant engines. Diesel fuel prices have jumped over 2.5x since 2001, reflecting an annualized inflation rate of about 20%. Presuming this inflationary rate continues, but rather in a sustained bearish economy, marginal carriers will likely have insufficient working capital to support operations.

Recruiting drivers has been a perennial challenge for carriers, given the relatively low pay and arduous lifestyle with grueling hours away from home. The potential bright side of the current environment is that many drivers (or potential drivers) who left the trucking industry for the construction trade, have begun returning to driving, given the downturn in the housing markets.

In a precarious economic climate, good operations often cannot compensate for poor capital structure, and vice versa. Carriers need to tighten the rein on credit and collections, re-assess their overall asset utilization and focus on customers who contribute towards the bottom line.

Those carriers with operational challenges such as not having invested in the requisite technological investments such as load tracking and asset management tools and Web-based transactional offerings, weakly defined geographical markets, as well as poor execution strategy, will encounter severe stress. Poor execution includes the chase for volume and top-line growth, which may have been at the expense of overall profitability. Carriers must optimize their capacity utilization via a flexible workforce (company-driver and owner-operator mix), and improve lane density, load profitability and related metrics, and enjoy a sterling reputation on reliability, especially among their ubiquitous just-in-time inventory customers who require more frequent shipments. Revenue equipment leasing programs can smooth out cash flow requirements and ensure more disciplined maintenance programs.

Weak balance sheets may require the need to recapitalize, or de-leverage by engaging in asset sales or sale-leasebacks. Carriers must take a hard look at liquidating their under-performing or non-performing assets in order to pay down debt. Refinancing or seeking equity sponsors are other viable alternatives, albeit more taxing in the current credit market environment.

While the U.S. is not yet technically in a recession, the “R” word is irrelevant given the current confluence of events, and it will be darkest before dawn for the trucking industry. Carriers and those with vested interests in this industry should be prepared to protect themselves.

James Wong is a Director in Grant Thornton’s Corporate Advisory and Restructuring Services practice located in Los Angeles, California. James served as the interim CFO of Fruehauf Trailer Corporation, and has advised stakeholders of various transportation-related cases. He can be reached at 949-608-5275 and james.wong@gt.com.

From The Tape

Resurgent Life Sciences Co. Begins Trading On Nasdaq

SeraCare Life Sciences Inc. has come back from the dead, according to the *Boston Globe*. The once-troubled Milford, Mass., company, which filed for Chapter 11 bankruptcy in March 2006 and was dropped from the Nasdaq market exchange shortly afterward, emerged from bankruptcy protection last year and began trading again Monday on the Nasdaq. “We’re very excited about it,” said chief executive Susan Vogt, who joined SeraCare two years ago. “It reflects the fundamental strength of the business and the management team.” Though many life sciences companies limp along for years before developing a successful product, it’s less common for one to be wounded so badly that it is forced into bankruptcy and delisted, only to be reinstated within a couple years. Still, SeraCare isn’t unique, said Peter Rosenblum, an attorney at Boston law firm Foley Hoag. “You do see companies revive more frequently than you would think,” Rosenblum said. “There are sophisticated investors who will make it happen for the right situation. The key is how good the technology is and how strong the portfolio is.” SeraCare makes materials used in diagnostic tests and drug discovery.

Vallejo, Calif., Wants Judge To Void 4 Labor Contracts

A month after declaring bankruptcy as a result of spiraling payroll costs and declining revenue, the city of **Vallejo, Calif.,** has asked a judge to void all four of its employee labor contracts, including those covering police and firefighters, according to the *San Francisco Chronicle*. The city filed the request last week in U.S. Bankruptcy Court in Sacramento, which is overseeing Vallejo’s attempt to reorganize its finances. A hearing is set for July 23. “It’s not unexpected. Our labor contracts are one of the main reasons we’re in bankruptcy,” said City Councilwoman Stephanie Gomes. “We have employee salaries and benefits we simply cannot afford.” Union leaders said they plan to fight the request. “It’s absurd, ridiculous. This doesn’t just affect salaries, but working conditions,” said Vallejo police Lt. Mat Mustard, vice president of the police union. “Although I think voiding the contracts has been their motivation all along.” The city faces its first major bankruptcy milestone Friday, when city and union officials present their initial arguments to the court. Officials from the city will try to show how employee costs and the housing market have caused a $16 million deficit, while the unions will argue that the city has money hidden in other accounts and is using bankruptcy as a ploy to scrap its employee contracts.

Bank Examines Financier’s Collateral From 2004 Loan

A Southern California bank is trying to determine if tarnished Silicon Valley financier William ‘’Boots’’ Del Biaggio III was obtaining loans under false pretenses as far back as 2004, according to new court filings. Separately, the bank said that Del Biaggio and retired hockey great Luc Robitaille are in default on a $2 million loan they took out together in 2006, , the *San Jose Mercury News* reported. Robitaille is not accused of wrongdoing. The latest disclosures, made by Santa Barbara-based Pacific Capital Bank in documents filed in Del Biaggio’s Chapter 11 bankruptcy, may widen the scope of inquiries that private lenders and federal authorities are conducting into Del Biaggio’s tangled business dealings. The bank said it suspects that Del Biaggio may not have owned the 200,000 shares of Heritage Bank stock he used as security for a 2004 loan of $1.92 million. It is asking the bankruptcy court for an order to review records at two San Francisco brokerages relating to the stock. Del Biaggio has been sued by six lenders who allege that he used fraudulent documents to obtain more than $33 million in loans in late 2007 and 2008, in part to finance his purchase of the Nashville Predators hockey team.

Shifting Soil, Bankruptcy Puts Damper On Shops

The future of The Foundry shopping center, which opened last year in South Strabane, Pa., seems to be a mystery to everyone, the *Pittsburgh Post-Gazette* reported. The center, which has been shut down by shifting soil, has only one open business and the firm responsible for it is involved in bankruptcy proceedings. **Premier Properties USA Inc.**, based in Indianapolis, developed The Foundry. The company filed for Chapter 11 reorganization bankruptcy in April, but a judge reclassified the bankruptcy to Chapter 7 liquidation May 30. In the original bankruptcy filing, Premier listed debts of more than $2.8 million to 20 creditors, excluding millions of dollars of unpaid bills. Meanwhile, Premier founder and CEO Christopher White were charged Monday with three felonies. Carl J. Brizzi, prosecutor for Marion County in Indiana, filed charges claiming White knowingly defrauded The National Bank of Indianapolis, committed check fraud and stole at least $100,000 from the bank. White also faces lawsuits alleging loan defaults and illegally redirected rent payments. Township administration hasn’t been notified about the status of the project or been informed about property management. “We haven’t heard anything officially,” township Manager John Stickle said.