

Wachovia puts secured debts at \$66M

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Wachovia is suing a defunct Wayne-based flooring distributor and seeking to seize its assets as compensation for \$66 million in secured debts, the company's former attorney said Wednesday.

Wachovia Corp.'s Wachovia Bank National Association filed suit against Hoboken Wood Flooring LLC and three related companies Monday in Superior Court in Camden, said Ronald J. Nelson, Hoboken Wood Flooring's former counsel.

The suit was filed three days after a judge in U.S. District Court in Delaware threw out the flooring company's Chapter 7 bankruptcy case, in part because of the lack of unsecured funds to pay for the bankruptcy administration.

Once the largest wood flooring distributor in the nation, Hoboken Wood Flooring laid off employees Oct. 29 and filed for bankruptcy nine days later.

The company's sudden demise -- it claimed revenue of \$580 million in 2006 -- stunned employees, vendors and industry observers. Company executives blamed the meltdown on a rapid expansion two years ago that financially overstretched Hoboken Wood Flooring and left it unable to cope with the sudden downturn 15 months ago of the housing market, which drove company sales.

After the closure, employees told The Record that Hoboken Wood Flooring still owed them for vacation time and health benefits, which it is required to continue under federal law.

"None of this bodes well for unsecured creditors," Nelson said of the Wachovia suit and bankruptcy dismissal. "I'm getting calls from employees, attorneys for vendors, attorneys for customers. ..."

In court papers, Charlotte, N.C.-based Wachovia describes itself as the lead agent for several secured creditors who are owed \$66 million. That was down from \$100 million owed in June, the court papers said.

The flooring company's exact liabilities have never been disclosed.

Its initial bankruptcy filing said only that the company had assets and liabilities of more than \$100 million.

The documents did not include a creditor list or the amount owed by the company. The case was dismissed before those documents were filed.

The dismissal means the bank and other secured creditors can pursue the defunct company's assets in place of a trustee.

Nelson said Wachovia filed suit under "replevin" laws, in which the company seeks to recover goods that were improperly taken.

He said the case is unusual because the main parties involved appear to agree that Hoboken Wood Flooring had such a shortfall of assets that no one but the secured creditors would get paid.

"That's usually a highly contested issue," he said. "But in this case, it was not."

Wachovia's attorney, Michael D. DeBaecke of Delaware, did not return a request for comment.

Nelson said the bank is seeking any assets available, including bank accounts, accounts receivable, notes signed by customers, company trademarks and equipment. He said he expects Wachovia to file suit to recover assets in other states where Hoboken Wood Flooring had a presence, including Florida, Georgia and Maryland.

He said the bank holds a mortgage on the Wayne headquarters of the flooring distributor.

Other related parties named as defendants by Wachovia are SPI Floors LLC, Garden State Supplies LLC and WFA LLC, Nelson said.

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