

Judge approves WCI bankruptcy plan

By LAURA LAYDEN

Wednesday, August 26, 2009

BONITA SPRINGS — A judge has paved the way for WCI Communities Inc. to emerge from bankruptcy.

The U.S. Bankruptcy Court in Delaware approved a reorganization plan Wednesday.

“WCI was an entity that had value moving forward, especially if Florida became successful in homebuilding in the future again,” said Jack McCabe, a Deerfield Beach-based housing analyst who has closely followed the company.

“It’s no surprise to me and maybe to a lot of people that they are actually surviving this.”

He said the name WCI has a certain “cache” and the company has a good reputation.

Faced with about \$2 billion in debt and no way to repay it, the Bonita Springs-based luxury builder, once run by billionaire investor Carl Icahn, filed for Chapter 11 bankruptcy protection in August 2008.

Under the reorganization plan, the company’s senior lenders will receive a 95 percent stake in WCI and will swap old debt for new debt.

“Given the fact that we are experiencing one of the most challenging real estate markets and economic environments in recent history, this is a truly remarkable achievement,” said David L. Fry, WCI’s president and CEO, in a statement.

The plan includes issuing \$450 million in new debt and creating a trust to deal with Chinese drywall claims. The company has agreed to put up \$900,000 in cash for the administration of the trust, which would help cover costs of legal actions against insurance companies, contractors, manufacturers and suppliers.

In court documents, WCI said it built at least 200 homes with the defective drywall, which when exposed to moisture can emit corrosive gases and cause health problems.

Unsecured creditors will initially get a 5 percent equity stake in the company.

“The flexibility granted under the plan allows WCI to navigate its business during these unprecedented times and beyond,” Fry said. “I am confident that the company and its stakeholders will succeed together.”

Phil Wood, president of John R. Wood Realtors in Naples and a shareholder in WCI, said he’s still not confident the company will survive, but he’s hopeful.

"It just seems like they are so far in the hole that I don't know if they can come out of it," he said. "But maybe they can."

It would be better for everyone if the company makes it, he said.

"It's jobs. It's impact on the economy," Wood said.

Existing shares in the company will be cancelled with no recovery under the reorganization plan. Wood wasn't expecting much anyway.

"The last time I looked at my stock I think it was valued at a few cents," he said.

Fry will stay on as president and CEO of the new company. He joined WCI in 1995 and served as the chief financial officer before taking on his new role.

"We owe our employees, on whom tremendous demands have been placed, sincere and heartfelt thanks for a job well done," he said.

"Our customers and vendors have also stood with us through this extremely difficult time, and for their loyalty, we are extremely grateful."



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