

COMPANY'S BANKRUPTCY STUNS LOCAL GOVERNMENTS FINANCIAL SERVICE FIRM DID BUSINESS WITH NITRO, SOUTH CHARLESTON

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A Harrison County business with nearly \$2 million in ties to local governments and non-profit agencies in West Virginia has filed for Chapter 11 bankruptcy protection.

Bridgeport Mayor James Christie, who co-owns Bridgeport-based Comvest Ltd. Inc., said the developments have left him stunned.

South Charleston and **Nitro** are among local governments with a connection to Comvest. Court papers also say the company owes money to Hurricane, but **city** officials say they're unaware of that.

The West Virginia Municipal League also recently terminated a relationship it had with Comvest, said Executive Director Lisa Dooley.

The company, which facilitates lease-purchase arrangements for tax-exempt entities, filed papers in U.S. Bankruptcy Court for the Southern District of W.Va. The Chapter 11 status it seeks would allow it to reorganize and go on, as opposed to Chapter 7, which involves liquidation of assets and paying off creditors.

Comvest's other co-owner is David Cutlip, according to records in the Secretary of State's office. He is president of the Harrison County Development Authority.

The cause of Comvest's financial difficulty is unclear.

When asked, Christie said he was recently shocked to learn about business decisions that he said were made without his knowledge or consent.

"I have to shut the company down, and we are looking to reorganize," Christie said. "There are a few cities that could be impacted by us closing down, and I can tell you that I am absolutely, positively stunned and paralyzed at what has happened."

Christie said his life has been completely turned upside down over the past few months.

Christie said he could make no additional comment and referred questions to his attorney, Ralph Hoyer. Hoyer was not immediately available for comment.

The filing came just a few days after the municipal league sent a letter to member cities saying that the organization was severing ties with Comvest.

The league had sponsored a program with the company to enable member cities to enter into lease-purchase agreements.

But Dooley said she started receiving calls at league headquarters in Charleston last month from **city** officials complaining that they couldn't get anyone at Comvest to answer their calls.

When she looked into it, she learned some disturbing news.

"We found out that all of the employees at Comvest had been laid off, so we canceled our marketing agreement," she said.

"From calls received from our member cities, there appears to be a breach of the marketing agreement between the municipal league and Comvest," Dooley wrote in the letter to cities.

Dooley said the league encourages cities affected by the bankruptcy to seek advice from their attorneys. Cutlip referred questions to his attorney, Greg Schillace, who said he was unaware of the filing. Schillace said the company is suffering because of the state of the national economy.

"There are no plans to shut down, and I can't speak for the municipal league," Schillace said. "They had the right to terminate the agreement."

Included in the filing is a list of creditors with the 20 largest unsecured claims with the company. The **city** of Fairmont holds the largest of those claims, at \$517,623.

Fairmont Finance Director Eileen Layman refused to comment, but other officials said the **city** had contracted with Comvest for the financing of a \$1 million waterline upgrade.

Nitro Treasurer John Young said he doesn't believe the **city** has any current contracts with Comvest. Young said he was surprised to learn that **Nitro** was listed in the bankruptcy papers as having an unsecured claim of \$4,619.

He plans to research the contract in question.

"If someone owes us \$4,500, then I want to know about it," he said.

Nitro had used Comvest's services to help finance the purchase of vehicles and other pieces of equipment, Young said.

"Comvest was a good asset for us in the past to broker deals, and find us the best bang for our buck," Young said. "They could check with everybody, but now we will have to check around for the best deals."

The filing also lists a \$8,884.82 unsecured claim for Hurricane, but **City** Manager Ben Newhouse and Finance Director Fredda Ray said they were unaware of any money owed to the **city**.

Comvest specializes in helping tax-exempt entities find customized loan agreements for costly undertakings such as infrastructure improvements or equipment acquisition. It functioned as an intermediary to help cities and non-profits find loans structured to their specific needs.

According to Comvest's Web site, it offers a unique bond program structured for **city** and county governments, public service districts, hospitals and other tax-exempt 501C3 Agencies. Tax exempt bonds are a cost-effective method for cities, counties and public service districts to obtain long-term, fixed rate financing for infrastructure, public buildings and real estate.

South Charleston **City** Manager Carlton Lee said Comvest helped handle the **city's** bond for the South Charleston Public Library and the ice rink. He said Comvest then sold the bond to four private investors. Lee said he was surprised by that turn of events, and told Mayor Frank Mullens that he wanted to pay off the obligation as soon as possible.

Lee said one or two payments remain, but Comvest is no longer involved.

"I don't write any checks to Comvest," he said.

Clarksburg Councilman Jim Hunt is a past president of the National League of Cities. Lease-purchase agreements have become more common for **city** and county governments in recent years, Hunt said.

As the declining economy causes local governments to become more frugal, leasing has become more popular, he said.

"The niche that it fills is that it handles debt for a **city** in a legal way," Hunt said. "Lease purchasing allows cities to enter into agreements for these purchases and it evens out the budget impact."

He said most, if not all, lease purchase agreements contain a clause that the agreement must be renewed each year.

"As a **council**, you can't bind future councils to debt, so these purchase agreements have a clause in them in order to meet that requirement," he said. "If they decide to not pay for the police car or fire truck, the leasing company's option is to come and pick up the asset with no further obligation."

Hunt said he checked with Clarksburg **City** Manager Martin Howe to make sure that Clarksburg didn't have any contracts with Comvest. He said that Howe assured him there are none.

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