

Trustee's Newsletter #1

Saturday, 17 November 2007

November 18, 2007

Dear
Creditor or Interested Parties,

Acting on a Memorandum Opinion Granting Motion for Appointment of Chapter 11 Trustee issued by Judge Glenn on October 23, 2007, the US Trustee's Office named and the Bankruptcy Court appointed me as the Chapter 11 trustee in the 1031 bankruptcy cases. This occurred after the proposed reorganization plan collapsed when the proposed JPS funding of a substantial loan to Mr. Okun failed to materialize.

To say the least, life has been a bit busy since that time. One day after my appointment, the Bankruptcy Court continued the hearing on the Asset Transfer Agreement, which had the effect of transferring virtually all of Mr. Okun's assets to the bankruptcy estate for the benefit of the 1031 creditors. Earlier in the week, there had been testimony by professionals for the Creditors' Committee indicating that they felt such transfer could only work to the benefit of the creditors. I concurred with that conclusion and upon Court approval of the agreement, proceeded to act on behalf of the estate by accepting that Transfer Agreement.

The only assets not transferred to the Trustee were two vehicles: a Lamborghini and a Hummer. Additionally, Mr. Okun retained title to a house on Hibiscus Island in Miami and a residence in New Hampshire.

More importantly, Mr. Okun transferred his various interests in certain properties. The most significant of these properties appear to be West Oaks Mall -- (a regional mall currently in bankruptcy in Virginia but under the control of another bankruptcy trustee); Salina Central Mall -- a regional mall in Salina, Kansas. Additionally, there is a one million square-foot warehouse in Shreveport, Louisiana, currently occupied by film production companies and segments of the Crossroads Trucking and Logistics operation -- which was also owned by Mr. Okun. He also has an interest in a 1.3 million square-foot industrial facility in Columbus, Ohio which is currently occupied by Lucent/Alcatel.

Other

interests in real estate with less value includes: (1) an interest in a 130,000 ft.² warehouse facility currently leased by FEMA just outside of Shreveport, Louisiana; and (2) potentially an option contract to purchase a million square-foot warehouse facility in Hialeah, Florida -- that facility was also being used by Crossroads Trucking. There also appears to be situations where options to purchase may exist, or have existed for warehouse facility in Indianapolis and a shopping center in Richmond, Indiana.

Prior to

my appointment as trustee, certain creditors were able to obtain titles to two condominium units in Miami and an additional residential unit in the Indianapolis area.

Mr. Okun

also had a 100% ownership of Crossroads Trucking and Logistics which, at the time of my appointment, was operating approximately 85 over the road rigs. That Company had in excess of \$1.5 million in debt and substantial negative cash flows. We have spent much time assessing this company and attempting unsuccessfully to obtain financing to stabilize its operations.

Also

transferred were various rather expensive transportation items including: (1) a 131 foot motor yacht -- The Simone, which was docked in Miami and has been transferred to Fort Lauderdale, where it is listed with Moran Yachts with an asking price of \$14.3 million; (2) a 38 foot Cigarette boat, currently in New Hampshire but being transported back to Florida, and (3) a number of other lesser watercraft. Additionally, Mr.

Okun had acquired certain aircrafts: (1) a Bell 800 Ranger helicopter; (2) an older Learjet and (3) an older Gulfstream.

Both the helicopter and Gulfstream are currently in Fort Myers, Florida and we are making arrangements to also have the Learjet brought to Florida.

Lastly, Mr. Okun acquired a good number of expensive vehicles including a 2006 Rolls-Royce Silver Shadow; two Lamborghinis, three Ferraris, one Aston Martin convertible, one Bentley Continental GT, both a Cobra and Ferrari repicar, three or four Indianapolis race cars as well as a few more run-of-the-mill vehicles.

We have

assembled what I consider to be a top-notch team to proceed with the

monetization and liquidation of the assets.

In the real estate area, generally the operating properties will be handled by Boardwalk Partners from upstate New York.

This group has a solid background in commercial retail mall operations and commercial warehouse operations having previously worked with The Pyramid companies out of Syracuse, New York.

Legal

matters are being handled through the law firm of Golenbock, Eiseman in New York City, under the direction of Jonathan Flaxer, their lead bankruptcy counsel. Mr. Flaxer had complete familiarity with the case prior to my retaining him. He had actively represented certain unsecured creditors in this case. Accordingly, virtually no time had to be spent in bringing Mr. Flaxer up to speed.

Locally, I've retain the law firm of Johnson, Pope of Clearwater, Florida as co-counsel and to work with me in the liquidation aspects. The Johnson, Pope work is being handled by Michael C. Markham and Angelina Lim, both of whom have previous experience with this case and also represented unsecured creditors. I do thank those unsecured creditors formerly represented by both firms for obtaining alternate counsel so that I could "hit the ground running" with an experienced legal team.

Since time

is of the essence in working out the real estate problems in evaluating the operating properties, I've retain the workout group from Deloitte, Touche to act as my financial advisors as well as creating meaningful bid packages for the sale of these properties. Deloitte will assist me in evaluating any offers received on those properties.

I should

point out that upon receipt of the real estate, virtually all of the operations were suffering serious operational difficulties and most were operating with negative cash flows. Also, virtually all of the properties have non-conventional lenders providing financing at relatively high interest rates. It appears that Okun's properties have significant debts and in some cases, he further sold interests to third parties as tenants in common. Consequently, the equity position available to the creditors in this case is nowhere as high as initially believed by the creditors in this case.

Additionally,

a separate Deloitte team will be reviewing forensic issues with respect to the accounting and cash flow by the various Okun entities. Deloitte will also be reviewing operations leading up to the bankruptcies for potential avoidance issues and also for any improper transfers that may have been made prior to the filing of the bankruptcies. Naturally, they will not be starting from scratch but will be utilizing the work already been performed by others: (1) Mesirow Consulting (the financial advisor for the Creditors Committee); (2) Huron Consulting (the Chief Restructuring Officer for the debtor company, 1031 Tax Group LLC); and (3) Boardwalk Partners who have recently been maintaining the books and records for some of the operating entities, other than Crossroads

I have also assembled much of the team who worked with me on the Brasota bankruptcy in Florida to create an operational infrastructure. Included in that team are: (1) Robert Davenport, who has worked with me on bankruptcies and a previous bank workout in Los Angeles; (2) Rene Zarate, a forensic accountant from Tampa, Florida who has a great deal of experience in management as well as accounting; and (3) Michael Schwartz, a CPA who handles all internal cash management, payroll and insurance matters.

We're in the process of contacting professional groups who specialize in asset recovery and investigations. We may retain one of these professionals after interviews are complete.

We will be working with the attorneys for the Creditors Committee, Greenberg, Traurig in evaluating certain insurance claims and claims against bonding companies.

We have set up a website -- <http://www.trustee1031taxgroup.com> -I will post a monthly newsletter on that site. Our site will also send you to other helpful sites, including the very helpful Creditors Committee site and the KCC Claims Administrator website. Since both of those sites provide links to the Court cites, I will not be including those links in the trustee's website, at least for the time being.

I can be reached through this website using this link: [Contact Me](#)

Although I can't promise daily responses, I do try to catch up on the emails on the weekends. The schedule for the first two plus weeks has been hectic and if any have called and I haven't responded to your calls yet, I will get there, but the focus, especially for these early days needs to be on stabilizing the situation at the properties and also attempting to get the litigation genes "back in the bottle". With years of experience, I assure you I appreciate and share your frustrations, but hopefully once the lines of communications are established, working problems and crisis/ triage management is behind us, we can proceed to attempt to get maximum return for the creditors.

Best
Regards.

The 1031
Tax Group, LLC

Gerard A. McHale, Jr.

Gerard A.
McHale, Jr.

Chapter 11 Bankruptcy Trustee