



Hanify & King wins Bankruptcy Trial Regarding Debtors' Dispute on Loans Made on Marlborough, Mass. Properties

Boston (July 1, 2009) – Hanify & King, Professional Corporation announced today that Judge Joel B. Rosenthal of the U.S. Bankruptcy Court for the District of Massachusetts, Worcester ruled yesterday in favor of its client 219 Forest Street, LLC and 201 Forest Street, LLC and against LBM Financial, LLC concluding a two-year dispute between two Chapter 11 debtors and their lender. Hanify & King Attorney Charles R. Bennett, Jr. represented the Forest Street entities in the litigation.

The Court struck LBM's attempts to collect default interest and late fees which resulted in the debtors being charged an annual percentage rate in excess of 41 percent on account of loans made to the Forest Street properties in Marlborough, Massachusetts. The ruling effectively disallowed more than \$3 million in default interest and other asserted claims by LBM, and awarded in excess of \$1.1 million in punitive damages to the Forest Street entities and against both LBM and its owner Marcello Mallegni of Southborough, Massachusetts, and ordered that LBM pay Forest Street's attorney fees.

"We are very pleased with Judge Rosenthal's detailed findings and well reasoned rulings. The Forest Street entities will now have the opportunity to move forward with the reorganization of their business," said Attorney Bennett. "The ruling confirmed the fact that Forest Street entities were subjected to unfair lending practices."

After a week-long trial, the Forest Street entities persuaded the Court that LBM had, during the course of the parties' decade-long lending relationship, arbitrarily assessed default interest and late fees and repeatedly coerced and strong-armed the Forest Street entities into continuing to borrow money from LBM and its affiliates under false pretenses when opportunities to refinance under better terms existed with other lenders.

Although the precise amount of damages remains to be calculated by the Court, the ruling effectively ends the 18-month litigation in favor of the Forest Street entities and will allow the companies to reorganize and emerge from Chapter 11.

About Hanify & King, Professional Corporation

Since 1980, Hanify & King Professional Corporation has been delivering effective, practical and cost-effective solutions to the legal needs of commercial enterprises and business people. The firm's principal areas of practice are litigation, reorganization, finance and financial restructuring, IP and IP litigation and employment.

FOR IMMEDIATE RELEASE

Media Contact:

Ann Murphy, O'Neill and Associates

(617) 646-1031

amurphy@oneillandassoc.com