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Viewpoint

Japan needs fewer beauty queens, more pioneers

JAPANESE LAWMAKER WORKS to empower women in the workforce, boost the GDP



WILLIAM PESEK

A GROUP OF conservatively dressed businesswomen chatted in a Tokyo hotel lobby recently, awaiting the start of a conference planned to raise the profile of women in Corporate Japan.

Things took a surreal turn as a parade of tall, scantily clad beauty queens suddenly made their way past toward their own gathering: the Miss International pageant. The Prince Hotel's planners seemed to miss the irony of placing the two events—one celebrating women's brains, the other their sex appeal—side by side.

It was an apt metaphor for what many women experience in this nation of 127 million. The desire to be taken seriously collides with those in the executive suite who still see women as ornaments to a business culture ruled by men in gray suits.

Kuniko Inoguchi is one of those rolling up her sleeves to change things and remove one of the most-enduring obstacles to faster growth: The failure to fully use half of Japan's labor force.

"Japan may be the world's second-biggest economy, but it ranks 42nd in the world when it comes to women's participation in political and economic life," Inoguchi said at the Oct. 2 Symposium on Women in Financial Services sponsored by the American Chamber of Commerce in Japan. "That has to change and the good news is I think we're about to see that."

It's an issue Inoguchi knows something about. The 55-year-old served as Japan's minister of state for gender affairs in 2005 and 2006. That was around the time then-Prime Minister Junichiro Koizumi realized something many

See Japan, page 7



ZACHARY D. PORTER/DAILY REPORT

Pat Flood received a \$4.5 million severance package when he was forced out as chairman and CEO of HomeBanc.

Pat Flood returns to mortgage business

FORMER HOMEBANC CEO says he was divinely inspired to start a new company despite the mortgage industry's current woes

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WHEN HOMEBANC MORTGAGE CORP. filed for Chapter 11 bankruptcy protection on Aug. 9, its former chairman and chief executive Patrick S. Flood said he was divinely inspired to go forth with plans to start another mortgage company.

Flood, who left HomeBanc on Jan. 12 after its board fired him because of plummeting stock values, said he invested \$500,000 of his family's money into a holding company to start Covenant Mortgage Corp.

"While the board fired me, the Lord promoted me, and Covenant is my new promotion," said Flood, who was well known for mixing faith and business when he ran HomeBanc. He said he plans to operate Covenant in a similar fashion.

On July 2, Flood, who walked away from HomeBanc with a \$4.5 million severance package, incorporated Atlanta-based Covenant Mortgage Corp. and Duluth-based Covenant Capital Corp., the latter a holding company formed to capitalize Covenant Mortgage.

Flood said he's not worried about the potential branding confusion of other "Covenant" mortgage companies in this market. The Georgia Secretary of State's Web site lists four other mortgage companies registered in the state under "Covenant," one of them defunct. Unfazed by the name similarities, Flood said the mortgage industry is fragmented and he feels comfortable with the name Covenant Mortgage.

Hesitant

Flood considered starting a mortgage company in May but didn't want to do so while HomeBanc was in business, he said. Though he didn't know the company was headed for bankruptcy, he said he had heard it might be sold. "I was operating under the assumption that the company could have been sold and that would have been the conclusion of HomeBanc as I knew it."

He also was hesitant because "the market condi-

tions were terrible to start a mortgage company," but his wife pushed him to follow his intuition and reenter the industry.

Flood had been a fixture at HomeBanc since 1985 when the company was a part of Atlanta-based Home Federal Savings & Loan. SouthTrust Bank acquired Home Federal in the early 1990s but the mortgage component, HomeBanc, was sold to First Tennessee Bank in 1994 for \$7 million, with Flood becoming HomeBanc's president and CEO. In 2000, Flood teamed with Chicago-based private equity firm GTCR Golden Rauner to buy HomeBanc for \$60 million. He became the company's chairman and CEO and operated the new HomeBanc as a private entity until July 2004, when he took the company public. Between 1994 and 2004, "the enterprise grew in value from \$7 million to \$400 million," and from 1991 to 2004, HomeBanc had the largest share of the mortgage market in Atlanta, Flood said.

But in January, the company, like many other mortgage lenders, was caught up in the turmoil caused by the U.S. housing market and the global credit market. Flood was replaced with Kevin D. Race, who headed HomeBanc until its demise two months ago.

"HomeBanc was the only job I've ever had," said Flood, 45, adding he came to work for the company after graduating from Winthrop University in 1985.

While he intends to incorporate the same people-friendly values that made HomeBanc famous (HomeBanc was a regular fixture on Fortune magazine's 100 Best Companies to Work For list), Flood said Covenant will be configured differently than HomeBanc.

Rather than take the company public, Flood said he will structure the company as a 100 percent profit-sharing organization. "There's an opportunity to teach in that structure. I just thought it would be cool to have people learn how financial statements work," Flood said.

See Flood, page 7

60 seconds

Beazer Homes: Lending improprieties prompt financial restatement

Beazer Homes USA Inc., which faces federal investigations of its business practices, will restate financial statements for a three-year period after an internal probe found its mortgage origination unit violated federal lending rules, the company said Thursday.

But the Atlanta-based company said the cumulative impact of its restatements will likely be an increase in profit, though it can't say exactly how much. It also said the restatement will not cause an adjustment to the company's current cash position.

Beazer also released selected financial data for its fiscal fourth-quarter of this year, showing that, for the period ending Sept. 30, home closings were down 39 percent from a year ago and net new home orders were down 52 percent from a year ago. It said it had more than \$400 million in cash on hand.

Beazer said its internal inquiry by its audit committee found evidence that employees of its Beazer Mortgage Corp. subsidiary violated U.S. Department of Housing and Urban Development regulations relating to down payment assistance programs.

The company said it doesn't know exactly what its liability will be from the misdeeds, but its projections put the figure possibly in the range of \$8 million to \$15 million.

Beazer said it will try to negotiate a settlement with federal officials to determine its exposure. The company said it may have to pay fines and provide reimbursement for losses arising from some mortgage defaults.

The results of the inquiry are interim and could be adjusted later, Beazer said.

As for the restatements, Beazer said it will restate its financial statements relating to fiscal years 2004 through 2006. The restatement is also expected to impact the financial results for fiscal years 1999 through 2003. The company expects it to reflect the impact of financial results for those prior years as part of the opening balances in the statements for the restatement period.

While the overall impact of the restatements will boost profit, Beazer expects a decrease in profit for the 2006 fiscal year. Beazer will report its financial results for this year's fourth quarter after it finishes its restatement or sooner, if possible.

Beazer previously disclosed that its former chief accounting officer may have inflated reserves and other accrued liabilities in earlier periods.

—The Associated Press

Japan needs fewer beauty queens, more pioneers

Japan, from page 6

economists had long argued—that empowering women in the workforce would boost gross domestic product and productivity.

Inoguchi was part of Koizumi's push to get more women involved in politics. She put aside her work on international disarmament issues in 2005 to run for the House of Representatives, of which she is still a member.

Koizumi's drive to empower women was just getting started when he stepped down and Shinzo Abe took over in September 2006. In the year-long disaster that was Abe's tenure, the issue lost momentum.

The good news, Inoguchi says, is that Japan has a new and more engaged prime minister, Yasuo Fukuda. "I believe he shares Koizumi's conviction about women," Inoguchi said in an interview. "It's an issue he understands."

'Paternalistic nature'

Things are improving for women. In 1985, women in Japan held less than 7 percent of the managerial positions in companies and government, according to the United Nation's International Labor Organization.

By 2005, that had increased to 10 percent, compared with 43 percent in the U.S.

The ceiling for women is no longer a concrete one, but it still keeps many well-educated, experienced and ambitious women out of corporate boardrooms—unless they're serving tea to the men around the table.

Under-utilizing such an asset means the quality of Japan's labor pool is lower than it could be. The persistence of Japan's seniority-based system and what Inoguchi calls its "paternalistic nature" means that for every woman who rises into management, there are scores with little prospect of doing so.

In an April 3 report, Kevin Daly, a London-based economist at Goldman Sachs Group Inc., said that closing the gap between male and female employment would boost Japan's GDP by 16 percent over time and help the nation address the twin problems of population aging and shoring up public-pension programs.

Sexism

Japan's dismal demographics have more to do with sexism than is often appreciated. Politicians have worked in recent years to increase access to affordable child care, yet for too many women, motherhood is a career-ending choice.

As women delay having families, the birthrate is dwindling. Until more mothers

can have careers too, things won't change, leaving Japan with a long-term labor shortage. Combine this with a rapidly aging workforce and an aversion to increased immigration, and Japan's population will surely continue shrinking.



ROBERT GILHOOLY/BLOOMBERG NEWS
A Japanese official worries that Japanese women lack professional role models like this woman.

The key, Inoguchi says, is broadening Koizumi's gender-equality policies. Fukuda could do that by reviewing Japan's notoriously long and inflexible work hours,

strengthening career-development education and tweaking the tax system to encourage the hiring of women.

Role models

Inoguchi worries that Japanese women lack role models. Forbes magazine's 2007 ranking of the world's 100 most-powerful women doesn't list a single Japanese. It counts Katie Couric of CBS and Christie Hefner of Playboy fame, but no pioneering women in the second-biggest economy.

Many career women winced over the last year as a press-anointed role model named Riyo Mori emerged. Her claim to fame was winning the Miss Universe contest. Hey, good for her. Yet the economy would benefit far more from young women striving to be Japan's answer to Angela Merkel, Wu Yi, Hillary Clinton or Anglo American Plc Chief Executive Officer Cynthia Carroll.

Great talent exists among Japan's female masses. The nation just needs to give women the chance to display it.

"The political system can be changed, and sometimes even overnight, but a social culture takes years to change," Inoguchi explained. "It's just bad economics and bad politics for such a system to remain. We're working to change that." ☞

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Pat Flood returns to mortgage business as head of new company

Flood, from page 6

Steven C. DeLaney, a managing director and senior research analyst with Atlanta-based JMP Securities, who covered HomeBanc, said he thinks Flood will do very well with Covenant.

"I think his idea of trying to structure as a privately held mortgage company is a great idea. I don't think in general mortgage companies going public is a great idea because the business is inherently cyclical," DeLaney said.

20 loans

So far Covenant has originated 20 loans worth between \$5 million and \$7 million and Flood anticipates originating \$30 million in loans between now and January. The company's business plan calls for it to originate up to \$500 million of loans annually over the next two years, he said.

"That would be about 10 percent of the size of HomeBanc in its peak during the 2005-2006 time period," said DeLaney, who said Covenant's business plan sounds realistic. Covenant will focus on originating loans for prime customers who have good financial management including a good credit score, cash reserves and an appropriate debt-to-income ratio, Flood said. Covenant's customers would have an average credit score of 720, which would be more in alignment with the industry average, he added.

Unlike HomeBanc, which had its footprint in Georgia, Florida, North Carolina and Tennessee, Covenant will focus on metro Atlanta.

Covenant's headquarters is lean compared to the 168,000-square-foot office HomeBanc occupied at 2002 Perimeter Summit, which was home to 1,300 employees.

The new company has just 20 employees and has been operating out of a 4,000-square-foot office at 400 Northridge Parkway at The Pointe just off Ga. 400 in the Central Perimeter business district. The space is part of the 110,000-square-foot office space vacated in April by subprime lender SouthStar Funding LLC after it filed for Chapter 11 bankruptcy protection.

Instead of working out of a corner office, Flood said he opted to share a cubicle with another colleague. Flood said he preferred this setup because it allowed him to connect with other staffers, many of whom he worked with at HomeBanc.

Former HomeBanc workers

All of Covenant's 20 employees, with the exception of Flood's wife, Lisa, are former HomeBanc workers, including former HomeBanc senior vice president of Georgia sales Richard Staley and former senior vice president and assistant treasurer Gregory Herron, he said. Staley is the company's managing partner and sales director, and Herron is chief financial officer. The Rev. Dwight "Ike" Reighard, who served in an executive role for human resources department as HomeBanc's chief people officer, will act in a voluntary position as corporate chaplain at Covenant.

Flood's brothers Tom Flood and Jim Flood, who left senior posts at HomeBanc on Jan. 31, are working at Countrywide Financial Corp. and JP Morgan Chase, respectively.

Flood said he will start Bible study classes again—an option for employees—and plans to open business meetings with prayer.

"My values come from the Judeo-Christian Bible. ... I believe there are a set of values articulated in the Bible, and those are values I aspire for. It doesn't mean every employee has to be a Christian," added Flood, who often falls back on biblical references when discussing business.

Flood blamed HomeBanc's demise on

a combination of factors, including relying too much on business in the depressed Florida market and suffering from interest rate increases. DeLaney said HomeBanc overbuilt its infrastructure and overhead after it went public in the expectation of growth that

didn't materialize.

"I did the best things I could to adjust to the bad market," Flood said, adding he doesn't know the decisions that were made after he left the company in January. For the new venture, Flood said he'll place his trust in God. ☞

NOTICE OF APPOINTMENT OR REAPPOINTMENT - JUVENILE COURT JUDGE

The Superior Court of Fulton County, Atlanta Judicial Circuit is soliciting applicants for, and input regarding, the appointment or reappointment of a circuit-wide juvenile court judge for the Atlanta Judicial Circuit. This solicitation, made in compliance with O.C.G.A. § 15-11-18(d)(3), is occasioned by the end of the present term of Chief Judge Sanford J. Jones, whose present term ends on January 14, 2008.

In advance of this appointment or reappointment, the Judges of the Superior Court of Fulton County seek the application of any qualified persons seeking appointment as a circuit-wide Juvenile Court Judge in the Atlanta Judicial Circuit. Qualified persons seeking appointment should forward to the Court an expression of their interest in the position as well as an up-to-date résumé or curriculum vitae to the address provided below **no later than December 15, 2007**. The statutory qualifications for appointment to this position may be found at O.C.G.A. § 15-11-18(e).

Also, the Judges of the Superior Court of Fulton County further wish to solicit input from the public, from the bar, and from all other interested persons, entities or agencies regarding this upcoming appointment or reappointment.

All interested parties are requested to submit their input regarding this matter, and qualified persons seeking appointment to this position are requested to send the items set forth above, to the Juvenile Court Committee of the Superior Court of Fulton County, c/o Judge Michael D. Johnson, Chair, 185 Central Avenue, Suite T-8705, Atlanta, Georgia 30303-3463, by December 15, 2007.