

Case History – B

Asset Type	Condo Development
Asset Value	\$4.5MM
Debt	\$5.8MM
Bank	Regional Bank

Resolution Focus: Personal Guarantee and Principal Reduction

Case

We represented a developer on a completed condo project. The owner had been in negotiations with the bank for over eight (8) months attempting to short sale the asset. The client had a buyer willing to purchase the project for \$4.0MM, which was approximately \$1.8MM below the note value. However, the bank was only willing to discount the note \$750K and was not willing to relinquish the personal guarantee, which was full recourse.

Resolution

After a thorough legal and economic analysis, it was obvious that the client had significant litigation claims. Collecting on the personal guarantee would be problematic and bankruptcy would further diminish the value. Within two weeks after the initial meeting with the lender they agreed to a full release and allowed the project to be sold to the 'white knight' for \$4MM.

Even though the client lost their equity in the deal they were relieved to be out of a project which may have dragged on - clouding the rest of their performing projects. Often, purging a deal strengthens a client's portfolio.