

Case History - C

Asset Type	High-End Condo Development
Asset Value	\$4.5MM
Debt	\$3.5MM
Bank	Regional Bank

Resolution Focus: Personal Guaranty and Maturity Default (June 2009)

Case

Our client owned a high-end four (4) unit condo construction project near the beach in San Diego, CA. The bank began experiencing problems, and as a result slowed down the funding of the client's construction loan. The loan matured in March 2009 with only \$2.4MM out of \$3.5MM having been advanced to the client. The bank refused to fund the balance of the construction loan and threatened to execute on the personal guarantees.

Resolution

We completed a legal, bankruptcy, and economic analyses of both the asset and the guarantors. Our primary recommendation was to cram-down the loan principal with the current bank and bring in a 'white-knight' investor to acquire the project at a substantial discount. However, as a matter of professional reputation the guarantor simply wanted to finish the project.

During the workout, we discovered several breach of contract and tort claims against the lender. The bank eventually recognized its conduct had voided the guarantees and created significant exposure. In addition, we demonstrated the asset's value would further deteriorate in bankruptcy, making a repossession uneconomical. **The bank agreed to extend the loan for 1 year, advance the money to complete the project and reduce the interest rate to just 2%.**

The client was pleased that they could finish the project successfully and honor the wishes of the guarantor.