

Case History – D

Asset Type	Partially Developed Land – Entitlement (Multifamily/Commercial Zoning)
Asset Value	\$1.3MM
Debt	\$4.7MM
Bank	Regional Bank

Resolution Focus: Personal Guarantee and Maturity Default

Case

In February 2007 the asset was appraised at \$6.8MM and the developer took out a \$4.7MM loan with a full recourse personal guarantee. The property was adjacent to several proposed public and private projects which would create hundreds of new jobs. As the Phoenix economy collapsed and the proposed projects were cancelled, the vacant land declined in value by 80%.

Resolution

We completed a thorough legal, bankruptcy and economic analyses of both the asset and the client. The legal leverage points were moderate at best. However, when we combined the legal, bankruptcy, and economic strategies we demonstrated that the bank's best strategy was a quick liquidation in order to avoid a continuing drop in asset values compounded by holding costs. Given a potential bankruptcy, and collectability problems with the personal guarantee, the bank was eager to purge this loan from its books.

We brought in a 'white knight' and sold the property for approximately \$650k. The relationship between the 'white knight' and the client was disclosed in the documentation. The white knight purchased the project and re-sold it for a 100% profit.

The bank was rid of a troublesome asset, the client quickly resolved a potentially long-term problem and a related party partook in a profitable deal.