



BREAKWATER
— EQUITY PARTNERS —



Success Stories

“ I needed more than just a lawyer or CPA, and **Breakwater had that and more, under one roof.** ”

– Dr. O, Arizona Doctor



Workout Helps Real Estate Investor Out of \$2.4 MM Personal Guarantee

Prior to the real estate decline in 2007, an Arizona-based doctor purchased a \$3 million residential property in a high-end suburb of Phoenix and was working with a developer to build luxury homes. The unimproved land needed final engineering and horizontal improvements. While this work was being completed, the residential real estate market crashed and the property dropped in value by 80%. The doctor, having signed a personal guarantee, continued to make the loan payments until he ran out of money. Faced with personal bankruptcy and the loss of his personal residence and practice, he hired Breakwater to resolve the situation.

During the due diligence process, Breakwater discovered numerous issues with the manner in which the various parties had represented themselves and the deal. First, it became clear that there was an odd relationship between the bank, the seller of the property, and the developer. Breakwater learned that the developer had convinced the doctor to purchase the property at an inflated price, without a broker. Second, the bank appraisal was sloppy, inaccurate, and unreasonably high. Third, through an intensive review of comps and the local real estate market, Breakwater determined that the lots were never worth the purchase price, even at the previous high point in the market. Fourth, the bank had manipulated the appraisal to get an unrealistically high value. Fifth, and perhaps most importantly, Breakwater discovered that the seller had a close relationship with the bank and the developer, and used the proceeds of the sale to pay off another unrelated underwater loan held by the same bank.

Armed with this information, Breakwater began aggressively negotiating with the bank with the expressed goal of getting the doctor off his personal guarantee and protecting his other assets. Initially the bank would not budge. But armed with all of the information discovered through its intensive due diligence process, and especially after Breakwater questioned the judgment and motives of the bank -- essentially lending to an individual inexperienced in real estate and who lacked proper representation -- the bank ultimately agreed to release the doctor from his personal guarantee. Breakwater successfully leveraged the potential liability of the bank to eliminate the \$2.4MM loan deficiency against the doctor. More importantly, he lost neither his practice nor his home.

Although this case study falls well below Breakwater's current \$5 Million minimum, it clearly outlines how Breakwater can uncover key leverage points in most instances and then use those points of leverage to successfully negotiate positive outcomes for its clients.

4241 Jutland Drive
Suite 308
San Diego, CA
92117

858.490.3630
info@breakwaterequity.com
www.breakwaterequity.com