

# Distressed Debt Restructuring Group

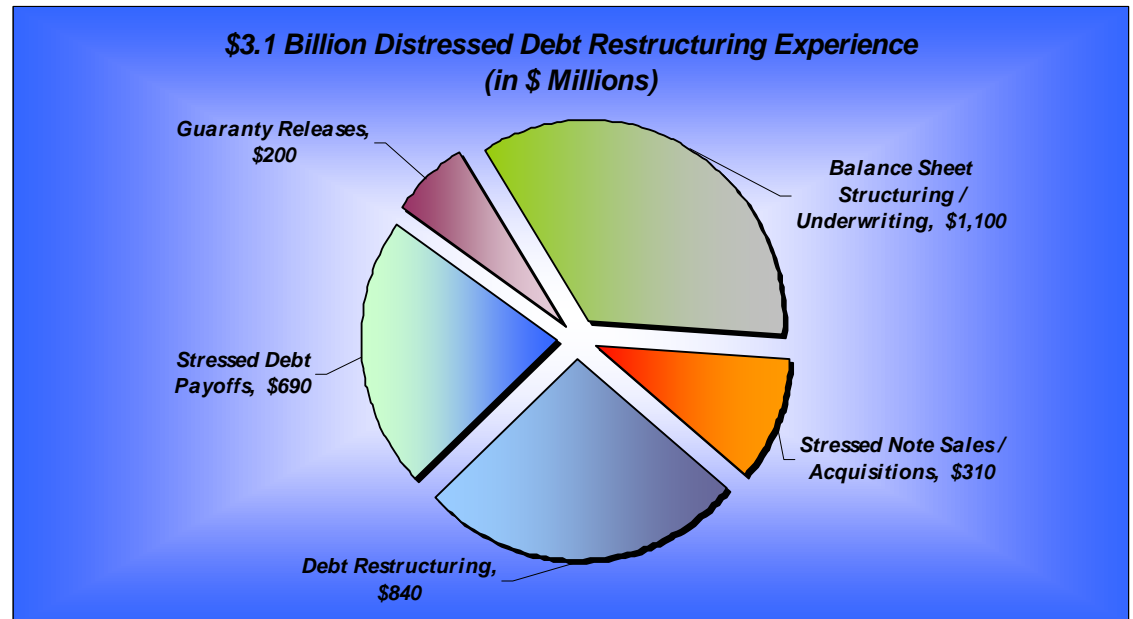
Brownstone Capital has assembled a multi-disciplinary workout team that is focused on resolving the needs of borrowers requiring expertise on distressed commercial real estate debt.

Our team has advised clients through numerous stressed property cycles and has provided financial advice on **\$3.1 Billion of distressed debt restructuring** over the past 25 years. The advisory team draws on the experience and skills of its seasoned principals to provide clients with a broad range of distressed debt advisory services. These services range from loan restructures, guaranty reductions and discounted payoffs to bankruptcy strategy and distressed asset sales and recapitalization.

Our decades of extensive workout experience and knowledge base offer borrowers creative debt and equity solutions to maximize the borrower's equity valuation and minimize their personal/ company recourse and tax liabilities.

## Services Offered:

- Construction loan workouts
- Non-performing loan reviews
- Asset and collateral analysis
- Comprehensive development of workout plans and litigation strategies
- Asset management plan development
- Loan valuation and NPV analysis
- Business process and system review
- Expert witness testimony
- Analysis of financial institutions Expected Recovery Value ("ERV") under bankruptcy / foreclosure / resale scenario
- Bankruptcy consultation
- Loan guaranty negotiation
- Outside equity raise as part of debt restructure
- Management / developer team assessments



# Debt Restructure Example

## ORIGINAL LOAN

INITIAL EQUITY (\$2MM)	20%
DEBT (\$8MM)	80%

•Initial equity in the project was \$2MM.

•Original loan was \$8MM (80% LTV). Total project value at acquisition was \$10MM.

## CURRENT VALUATION

INITIAL EQUITY (\$0)	0%
DEBT (\$1MM)	14%
CURRENT VALUE OF PROPERTY (\$7MM)	100%

•Project's current value is \$7MM. Initial Equity is valued at \$0.

•Value is less than loan amount by \$1MM (\$8MM loan versus \$7MM project value). LTV before debt restructure is 114%.

•Loan needs to be "Right-Sized" in proportion to the current value of the project.

## "RIGHT-SIZED" LOAN

INITIAL EQUITY (\$0)	0%
LOAN WRITE-OFF (\$1MM)	0%
LOAN WRITE-OFF (\$0.7MM)	10%
NEW "OUTSIDE" EQUITY (\$2.1MM)	30%
RESTRUCTURED 1 <sup>ST</sup> DEED OF TRUST (\$4.2MM)	60%

•Initial Equity remains at \$0, borrower stays in project taking advantage of future recovery via refinance or sale of asset.

•Lender forgives the \$1MM portion of the loan above the current value.

•To avoid time and cost commitment associated with an unfriendly foreclosure, Lender forgives an additional \$700k below the current value of the property.

•New "Outside" Equity serves as a partial payoff of the original loan, converting debt into equity. New Equity has priority payback position over Initial Equity.

•"Right-Sized" loan of \$4.2MM (60% LTV) conforms with lender's current underwriting standards.

### BENEFITS TO BORROWER

- Potentially no additional equity requirements
- Debt service reduction could result in positive cash flow from the project
- Borrower maintains position in project, with potential future upside via refinance or future sale of asset
- Potential reduction or elimination of recourse
- Fresh equity injected into project to provide capital for completion/stabilization
- Value creation through debt forgiveness

### BENEFITS TO LENDER

- Restructuring is economically favorable to incurring legal and sales costs/time of foreclosure and sale of an asset in a "distressed" market
- "Right-Sized" loan conforms with current underwriting standards in terms of LTV & DSCR
- Reduces loan loss reserve requirements on lender's balance sheet
- Maintains important business relationship with borrower

