

When The Bank Wants You To Leave- How a restructuring partner can help you stay

Sound familiar?

Two years ago, you finally closed the big merger deal you spent what seems like years working on. Perhaps, your business is tied to commercial real estate development, construction, or building materials. Just when you were ready to start that big ramp up, the bottom fell out.

Once a very enthusiastic partner in the deal, now your friendly community banker has asked you to find a new banking relationship. You don't know how this can be accomplished and quite frankly, neither do they, most likely.

Do you just toss them the keys?

These are extremely emotional, even gut wrenching times. Assuming they leveraged their business acquisition with secured debt, both borrower and lender face a dilemma and need help themselves in sorting through their recovery options.

Patience and trust has all but disappeared.

The objective, unbiased perspective of an independent turnaround professional can help both lender and borrower alike, to sort through the potential options where none of them are all that attractive.

There are factors in today's economic downturn that are making these choices even more difficult than in previous recessions:

- Local and regional community banks lend more heavily to commercial and residential real estate developers, contractors, and other borrowers heavily tied to real estate and development. Very little if any new loan paper is being booked to this sector.
- Debtor in possession financing availability to borrowers who might otherwise consider a Chapter 11 reorganization is quite scarce and expensive at the moment, with interest rates approaching 15-20% in many, if not most cases.
- Values for underlying collateral are largely influenced by prices being paid by hedge funds who invest in large bundles of distressed debt.
- TARP funding has encouraged an aggressive effort by some banks to quickly unload troubled loans, contributing to a glut of distressed debt and underlying collateral.

A summary of 2009 FDIC year to date loan

SUMMARY FDIC LOAN SALES YTD 2009 THROUGH 08.06.2009

TYPE	FDIC RATING	# LOANS SOLD	BOOK VALUE	SALES VALUE	% B.V.
Commercial	Non-Perf.	220	\$130,804,616	\$47,360,483	36%
Commercial	Perf./Nonperf	182	\$153,988,544	\$44,618,509	29%
Commercial	Perf.	1992	\$438,601,392	\$239,817,149	55%
		2394	\$723,394,552	\$331,796,141	46%
REComm.	Non-Perf.	438	\$321,817,225	\$124,771,988	39%
REComm	Perf./Nonperf	289	\$108,594,615	\$45,806,891	42%
REComm	Perf.	2435	\$1,088,403,089	\$642,847,211	59%
		3162	\$1,518,814,929	\$813,426,090	54%
ALL		5556	\$2,242,209,481	\$1,145,222,231	51%

tion to cash, we help creatively structure reduced interest-only debt service, PIK features, longer amortization periods, annual reviews, success fees and balloons, and subordinated soft note structures. Working with the client first as Chief Restructuring Officer, then later in an outsourced CFO contribution, we help restore trust, confidence and credibility.

Given the ugly alternative as demonstrated above, working through, working out the trouble is sometimes the best option.

Tony Wayne, CPA, CIRA, CVA, CFF, FSCPA

Tony is a founding Director of IronHorse LLC. Founded in 1998, IronHorse is a K.C.-based advisory and intermediary firm specializing in complex financial and operations restructuring, business valuation, forensic accounting, and CFO Outsourcing. With a very diverse team of outstanding professionals and a broad range of industry experience, certifications/credentials and technical expertise, IronHorse has experienced dramatic growth.

How might

a turnaround professional help?

Given the rather bleak picture above, increased liquidation has contributed to severely impaired collateral values across the board-especially for commercial real estate.

We can help lenders stay in the credit, allowing the borrower to temporarily service debt to fit cash flow, as part of a comprehensive, out of court restructuring/reorganization effort. Through a priority focus on cost and asset reduction, and with constant atten-

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