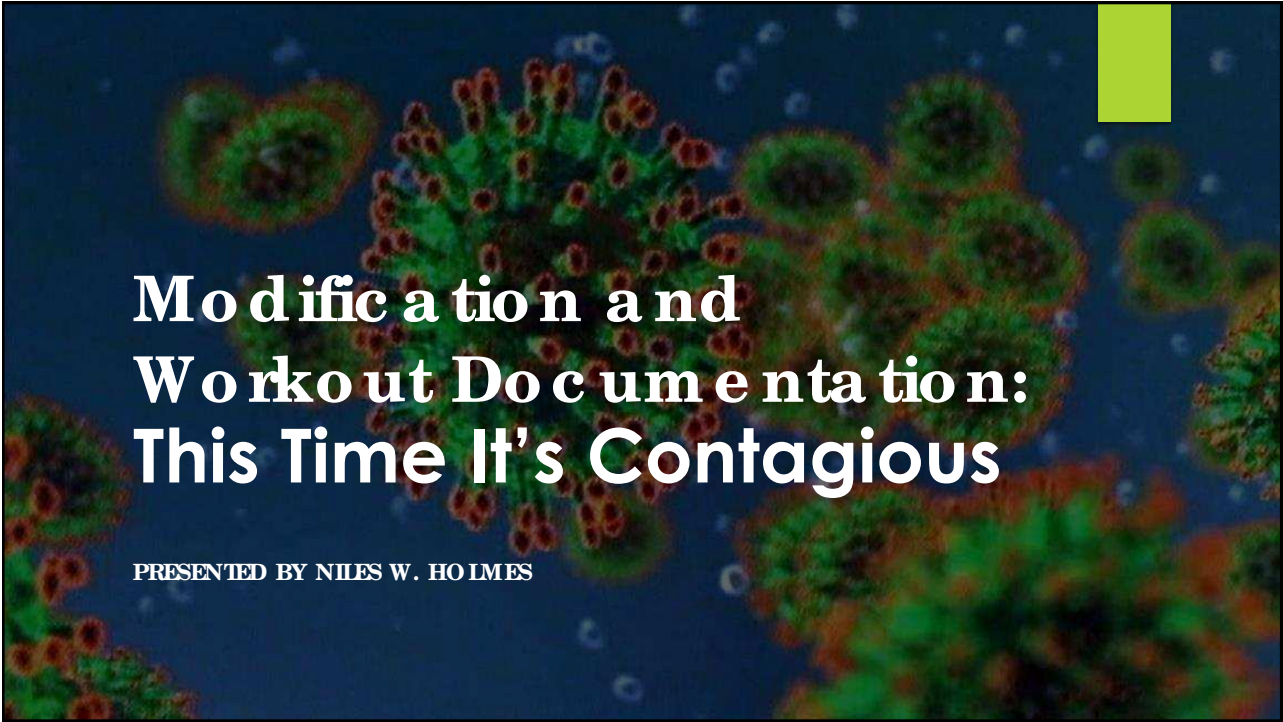
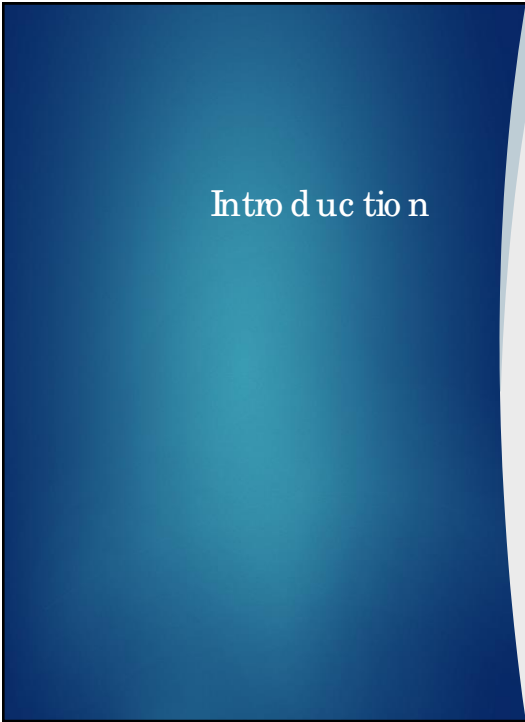




Modification and Workout Documentation: This Time It's Contagious

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Introduction

If you're like me, you've primarily spent the last several months modifying loans that were closed in the recent past. Because of the sudden and massive COVID-19 business disruptions, many loans are being modified to defer payments, revise covenants and possibly, extend maturities to buy some time for things to get back to some semblance of normal. But before that happens there will likely be another wave of mods and a rash of more drastic workout scenarios. I'm hopeful that this speech and the modification form I've provided will assist you in this endeavor.

2

History of Workouts

- ▶ It is helpful to understand the history of workouts so as to properly identify the issues and risks for the current workout experience.
- ▶ Workouts in the 80's and early 90's
- ▶ The Roaring 90's
- ▶ 911 Realignment 2001-2004
- ▶ Post 911 Resurgence
- ▶ 2008-2010 Recession
- ▶ 2010-Recovery and Expansion

3

Workouts in the 80's and Early 90's

- ▶ The workouts in the 80's and 90's were an unpredictable acrimonious environment.
- ▶ This was the result of many factors.
- ▶ The loans were generally full recourse for the borrower and the individual principal of the borrower.

4

The Roaring 90's

- ▶ For the greater part of 90's and the beginning of the 21st century, the capital and lending departments evolved dramatically.
- ▶ The interest rates dramatically lowered and the economy grew to an extent that the real estate industry enjoyed rising values due to actual economic parameters and not artificial tax structures.
- ▶ The CMBS market was created and produced the most efficient capital delivery system in the history of commercial real estate industry.

5

911 Realignment 2001-2004

- ▶ As a result of the tragic 911 terrorist event, the economy slowed and certain areas were disproportionately impacted.
- ▶ The convenience stores, hospitality and C multi-family projects all experienced dramatic value declines resulting in large numbers of foreclosures and bankruptcies.
- ▶ Although other sectors were slowed, the events occurred in a falling interest rate environment which provided a source of relief in the workout context.

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