



# **Case Study: Creating Value and Protecting Capital with a High-Default CRE Bridge Loan Portfolio**

# Case Study: A focus on Loan Level, Resolution-First Asset Management

How our Team utilizes a loan level, resolution-first approach to asset management to create value and protect Investor capital when managing a highly-defaulted portfolio of complex CRE Bridge Loans.

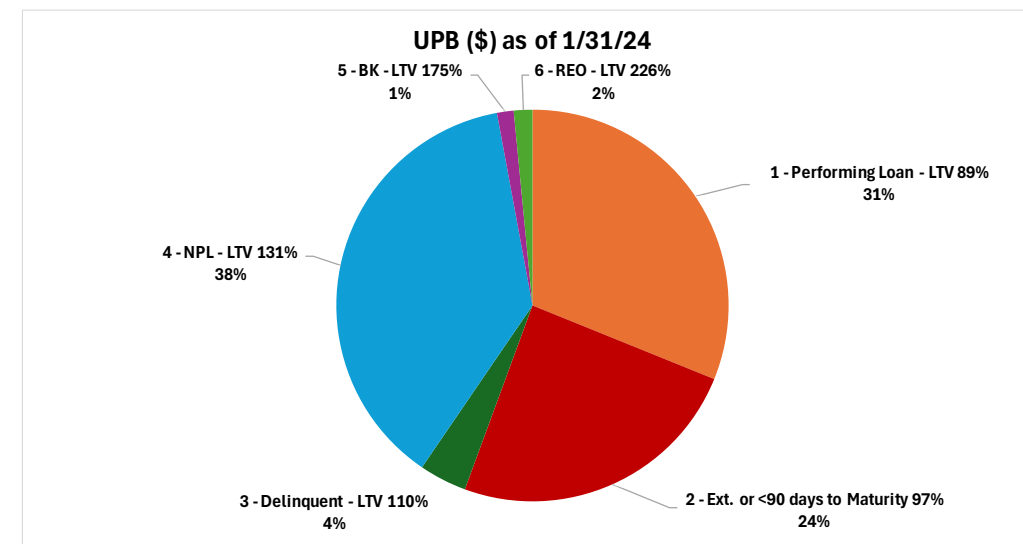
## The Opportunity

From September 2020 through October 2023, a national CRE Bridge Loan operator (the “Company”) originated and served as primary servicer for a portfolio of 208 loans totaling \$529mm of UPB. The portfolio performed well until Q2/2023, suffering only two loan defaults, which were cured through REO sales for a gain on UPB.

Beginning in Q3/2023, rapidly accelerating defaults and pending maturity extensions led to a significant decline in portfolio performance. By January 2024, 69% of the portfolio loans were non-performing, maturing in less than 90 days, in Bk or REO with LTVs exceeding 100%. The senior management team had departed, and the Company’s primary servicing team did not have the expertise to effectively manage a complex loan portfolio of matured and defaulted CRE debt. The Investor, a middle-market PE firm managing approximately \$7b, reached out for assistance in replacing Company management, managing the distressed portfolio, and mitigating the potential loss of their entire investment.

Investor Portfolio - Foundation Initial Status 1/31/24

MRA Debt Balance		\$ 173,201,659					
Loan Asset Status	Loan Count	UPB (\$)	Portfolio UPB (%)	Initial	Initial	Foundation	Initial LTV
				Foundation CREF EOV As-Is Value (\$)	EOV (%)	Initial Resolution Amount (\$)	As-Is Value (%)
1 - Performing Loan	38	\$89,528,000	31%	\$101,141,362	37%	\$87,416,599	89%
2 - Ext. or <90 days to Maturity	42	\$70,375,785	24%	\$72,785,683	27%	\$65,737,616	97%
3 - Delinquent	6	\$11,280,000	4%	\$10,278,046	4%	\$9,946,810	110%
4 - NPL	27	\$108,049,567	38%	\$82,582,459	30%	\$79,768,031	131%
5 - BK	1	\$3,950,000	1%	\$2,260,780	1%	\$2,311,457	175%
6 - REO	2	\$4,400,000	2%	\$1,950,000	1%	\$1,587,000	226%
<b>Grand Total</b>	<b>116</b>	<b>\$287,583,352</b>	<b>100%</b>	<b>\$270,998,331</b>	<b>100%</b>	<b>\$246,767,512</b>	<b>106%</b>

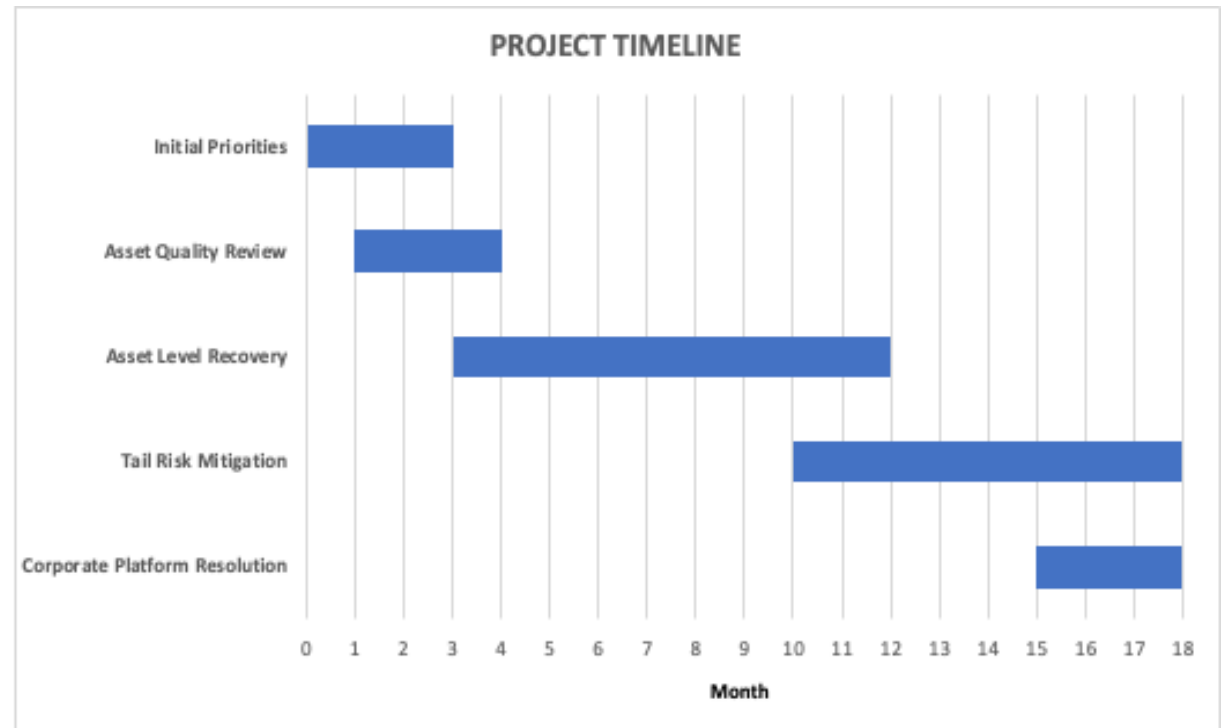


# Project Implementation: Initial Priorities, Asset Onboarding and Quality Review

## A Collaborative Approach

The Investor's outreach efforts resulted in the appointment of Steve Powel, Founder of SITUS and Point North Capital, Jay Jablonski, formerly of CRE Senior Management at Apollo, and Abi Subendranathan, an experienced Financial Executive, to senior management positions for the Company. Steve reached out to Foundation Specialty Finance ("FSF") to provide loan-level asset management services via short sale, re-finance, foreclosure, deed in lieu, and note sales of individual assets. Duties of new senior management team and FSF included:

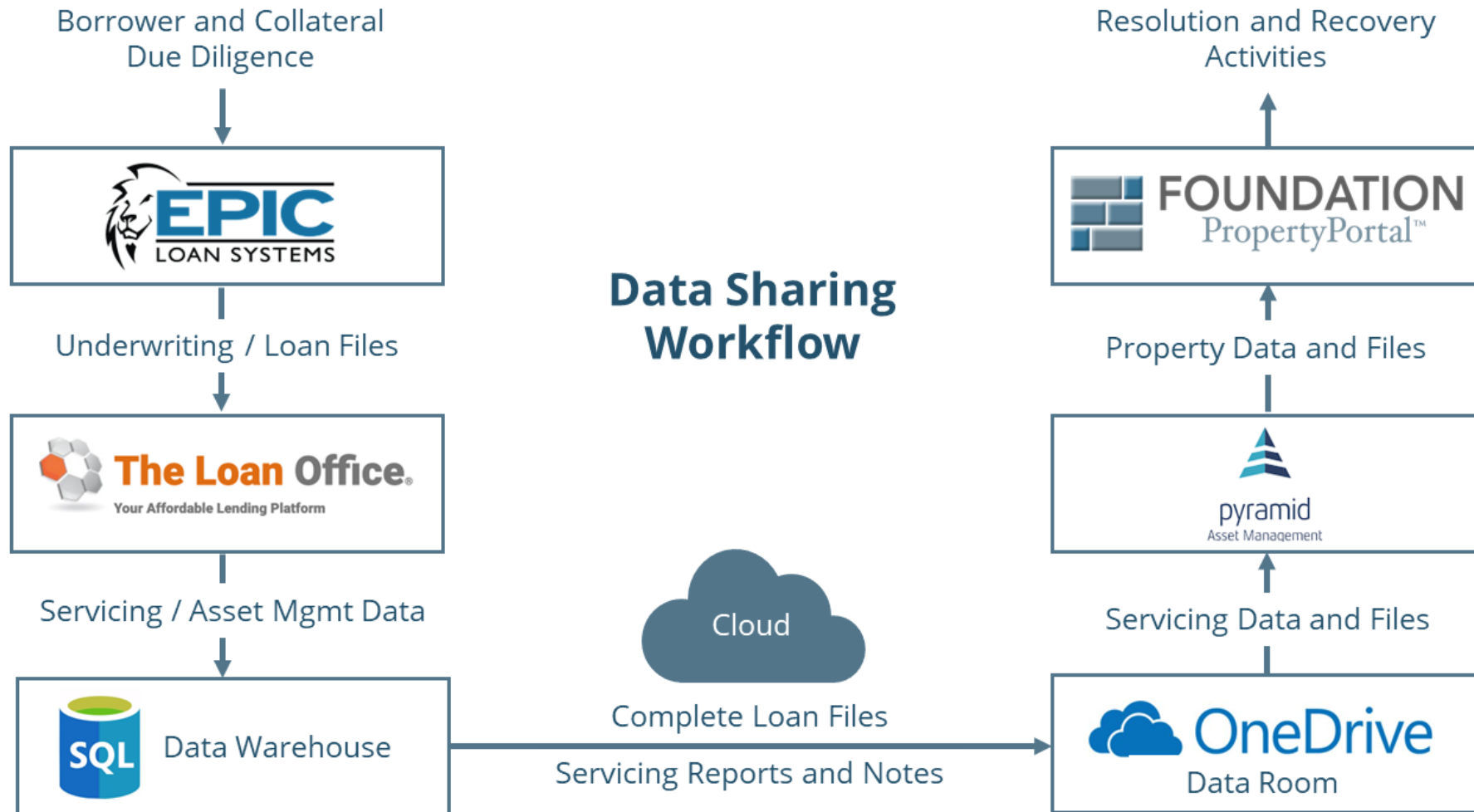
- Restructuring of existing Company debt facility and remediating internal audit and reporting processes.
- Completion of a thorough analysis of the portfolio to identify risks and opportunities, upgrading virtually every aspect of how the portfolio was being serviced and managed.
- Primary servicer oversight and surveillance.
- Managing loan default processes.
- Negotiating loan refinancing, modifications, extensions, whole loan sales, and debt workouts or restructuring.
- Foreclosing on properties as necessary and managing REO remediation and disposition.
- Providing a tailored Investor Reporting system to quickly identify and reduce loan-level risk, facilitating more informed decision-making.
- Vendor oversight.



**Project Initiation Date: 2/1/2024**

**Project Timeline: 18 Months**

# Project Implementation: Data Transfer and Onboarding



# Project Implementation: Initial Asset Level Discovery and Action Planning

## Data Transferring and On-boarding (Months 1-4):

Immediate priorities of the PNC and FSF teams were the re-structuring of existing Company debt facilities and remediation of audit and accounting processes. Concurrently, loan-level Asset Quality Reviews were completed while stabilization of loan administration and reporting, initiation of re-underwriting performing loans for a third-party refinancing and/or sale execution, acceleration of recovery efforts on loans in Foreclosure and in the Turbo population, and the marketing of REO, pre-foreclosure, and consensual sales on proprietary auction platform were initiated. FSF team members directly reported to Steve Powell, Jay Jablonski, and the Investors.

PNC personnel, the FSF team and remaining Company employees assumed daily oversight of the remaining portfolio and implemented various asset management and loss mitigation strategies to maximize recoveries through loan sales, third-party refinancing, and loan workout remedies consistent with the Investor's portfolio liquidation objectives.

Title to the existing portfolio assets remained with the Company until liquidation, with each transaction approved by an Investment Committee majority-controlled by the Investor and Company, and consistent with existing (Financial) leverage covenants.

**Portfolio Segmentation:** All individual assets were reviewed and segmented on the following basis:

### Current and Projected Future Performance:

- Performing / sub-performing / non-performing
- Restructured / stabilized / transitional / failed

### Borrower / Guarantor / Business Characteristics:

- Individual versus business
- Sponsor/Guarantor financial stability and capacity
- Business - active industry or stage of business (start-up, growth, mature)
- Thriving, Surviving, or Dying?

### Level of Borrower Cooperation / Response:

- Low
- Medium
- High

### Collateral Characteristics / Metrics:

- Qualitative assessment
- Location/Market Trends / Demographics
- Status of Renovations / Construction
- Tenancy/Occupancy Analysis (credit quality, turnover, term)
- Reconciled EOV / Third party valuations
- Refinance versus sale analysis

### Investment Requirement / Optimal Recovery:

- Working capital, capex, or rescue capital required
- Requirement for business, Borrower, or real estate collateral
- Identification and implementation of loan level and portfolio resolution strategies

# Project Implementation: Initiating Asset Level Recovery Strategies



**Asset Quality Review / Asset Level Recovery (Months 1-4):** All collateral values were reconciled with the Company's existing estimated values, FSF estimated values, and third-party valuations (appraisals/BPOs). Additionally, all loans in foreclosure underwent third-party legal review with foreclosure legal files transferred to preferred legal vendors. Secondary market vendors and partners were contacted to confirm potential recoveries from individual loan and partial portfolio sales and to assist with trade execution as required.

## **Implementation of Asset Level Recovery Plan (Months 3-12):**

Work-out strategies consisted of consensual or legal work-out strategies included the following:

- **Immediate sale:** Suitable for unsecured loans or loans with limited upside potential through internal resolution strategies.
- **Hybrid strategy:** Work-out of loans with enhancement potential for a specified time followed by a sale.
- **Structured solution:** Loan extensions, mezzanine layers, forbearance, and equity participations. Applicable for complex loans, structures, or portfolio segments where new capital was needed, or FSF or new capital principal involvement played a key role in improving recovery.

# Mid-Project Implementation Status: Current Results and Asset Status

## Investor Outcome

By elevating the Company's approach to servicing and asset management, streamlining workflows, providing surety of execution, and delivering better insights, the FSF and new Company management teams empowered enhanced decision-making at the asset and portfolio level. At the mid-way point of the Project, the success of the relationship significantly mitigated projected losses for the Investor by almost 75%, generating results that have significantly exceeded initial projections:

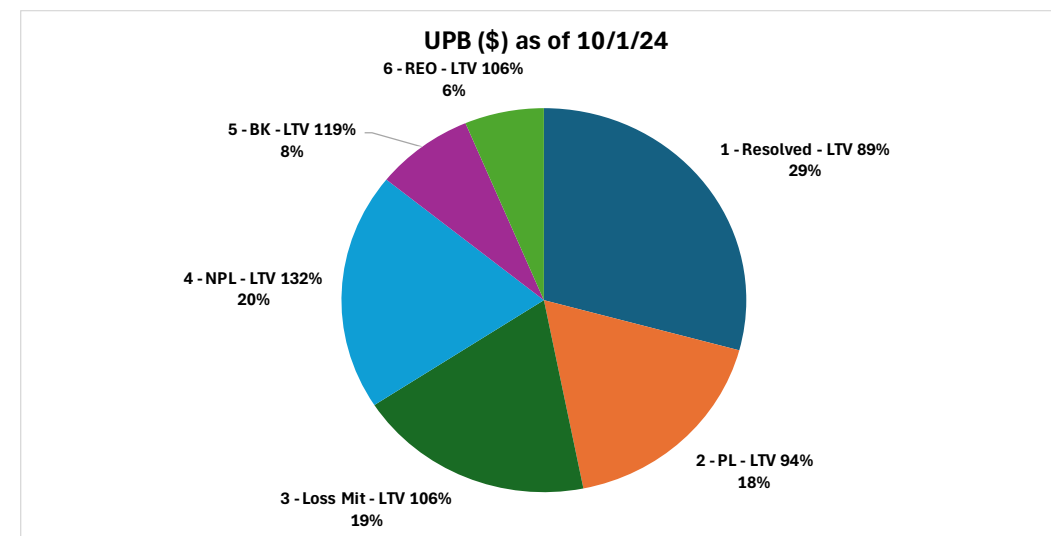
- Currently, over 66% of all portfolio assets are resolved (paid-off), performing, or under contract for resolution.
- 49 loans were resolved for a total of \$83,990,970.
- 19 loans are currently performing for a total of \$50,810,000.
- 20 loans are in active loss mitigation or under contract for a total of \$51,849,583

## Foundation Initial Vs Current Resolution Outcomes

Loan Asset Status	Loan Count	Initial Resolution Forecast (\$)	Initial Gain/(Loss) on UPB (\$)	Current Res Amt/Actual Res Amt for Resolved (\$)	Current Gain/(Loss) on UPB Est/Actual for Resolved (\$)	Difference Between Initial and Current (\$)
1 - Resolved	49	\$ 80,758,320	\$ (3,226,561)	\$ 83,142,507	\$ (848,463)	\$ 2,378,098
2 - PL	19	\$ 47,506,402	\$ (3,303,598)	\$ 50,317,732	\$ (492,268)	\$ 2,811,330
3 - Loss Mit	20	\$ 49,083,045	\$ (5,350,640)	\$ 51,849,583	\$ (2,584,102)	\$ 2,766,538
4 - NPL	18	\$ 40,651,147	\$ (16,877,550)	\$ 53,634,702	\$ (3,893,995)	\$ 12,983,555
5 - BK	3	\$ 18,897,167	\$ (3,712,833)	\$ 16,640,690	\$ (5,969,310)	\$ (2,256,477)
6 - REO	7	\$ 9,871,432	\$ (8,338,568)	\$ 13,361,383	\$ (4,848,617)	\$ 3,489,951
<b>Grand Total</b>	<b>116</b>	<b>\$ 246,767,512</b>	<b>\$ (40,809,750)</b>	<b>\$ 268,946,597</b>	<b>\$ (18,636,755)</b>	<b>\$ 22,172,995</b>

## Investor Portfolio - Foundation Current Status - 10/1/24

MRA Debt Balance		\$ 117,034,907					
Loan Asset Status	Loan Count	UPB (\$)	Portfolio UPB (%)	Revised Foundation CREF EOVS As-Is Value (\$)	Current EOVS (%)	Foundation Revised Resolution Amount (\$)	Revised LTV As-Is Value (%)
1 - Resolved	49	\$83,990,970	29%	\$94,438,676	34%	\$83,142,507	89%
2 - PL	19	\$50,810,000	18%	\$54,011,275	19%	\$50,317,732	94%
3 - Loss Mit	20	\$54,433,685	19%	\$51,253,331	18%	\$51,849,583	106%
4 - NPL	18	\$57,528,697	20%	\$43,594,581	16%	\$53,634,702	132%
5 - BK	3	\$22,610,000	8%	\$19,024,510	7%	\$16,640,690	119%
6 - REO	7	\$18,210,000	6%	\$17,120,143	6%	\$13,361,383	106%
<b>Grand Total</b>	<b>116</b>	<b>\$287,583,352</b>	<b>100%</b>	<b>\$279,442,514</b>	<b>100%</b>	<b>\$268,946,597</b>	<b>103%</b>

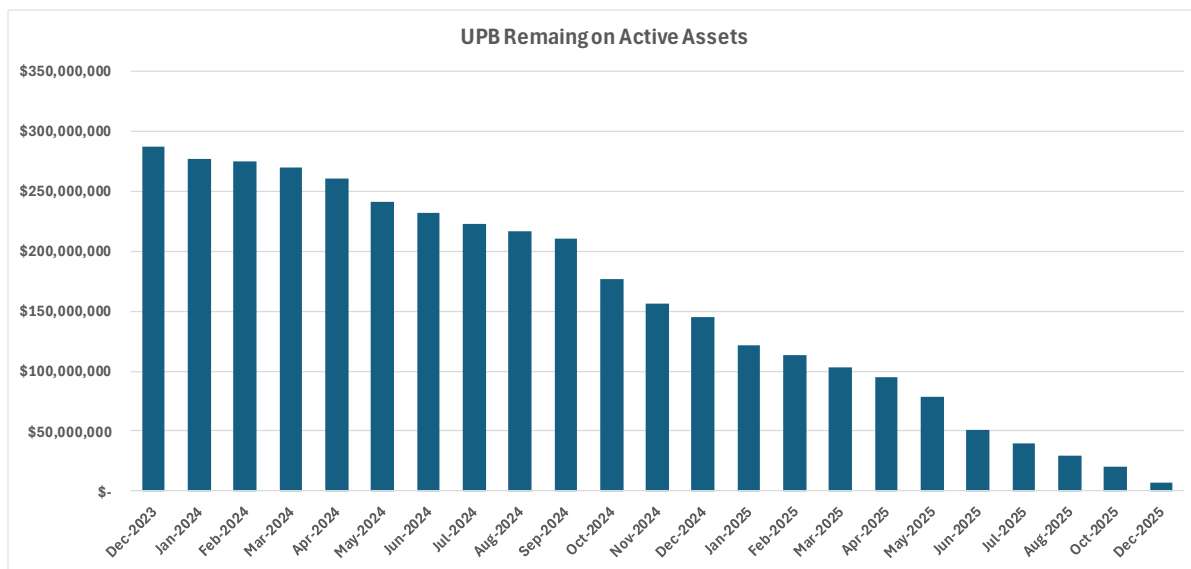


# Project Wrap-Up: Protecting Capital, Mitigating Tail Risk, and Confirming a Path Forward

## Project Wrap-Up (Months 10-18)

The combined Team is now focused on enhancing loan level outcomes while mitigating tail risk while working with the Investor on a going forward strategy:

- Tail Risk Mitigation: Resolution of portfolio tail, settlement of extended litigation, and project wrap-up.
- Corporate Platform Resolution: Winding up, sale, or merger of remaining Company operating platform.



Foundation CREF Actual Resolution by Month and Comparison to Initial Resolution Forecast of Resolved Assets

Actual Resolution Month	Loan Count	Initial Resolution Forecast (\$)	Initial Gain/(Loss) on UPB (\$)	Actual Resolution Amount (\$)	Actual Gain/(Loss) Estimate (\$)	Difference Between Initial and Actual
<b>1 - Resolved</b>	<b>49</b>	<b>\$ 80,758,320</b>	<b>\$ (3,226,561)</b>	<b>\$ 83,142,507</b>	<b>\$ (848,463)</b>	<b>\$ 2,378,098</b>
Jan-2024	2	\$ 10,932,000	\$ -	\$ 10,932,000	\$ -	\$ -
Apr-2024	5	\$ 9,134,859	\$ (36,391)	\$ 9,171,250	\$ -	\$ 36,391
May-2024	8	\$ 18,468,024	\$ (550,606)	\$ 19,024,720	\$ -	\$ 550,606
Feb-2024	2	\$ 1,540,000	\$ -	\$ 1,540,000	\$ -	\$ -
Mar-2024	4	\$ 4,835,293	\$ (909,707)	\$ 5,745,000	\$ -	\$ 909,707
Jun-2024	5	\$ 8,677,452	\$ (612,548)	\$ 9,290,000	\$ -	\$ 612,548
Jul-2024	7	\$ 9,185,000	\$ -	\$ 9,185,000	\$ -	\$ -
Aug-2024	5	\$ 4,772,261	\$ (990,739)	\$ 5,197,359	\$ (565,641)	\$ 425,098
Sep-2024	11	\$ 13,213,430	\$ (126,570)	\$ 13,057,178	\$ (282,822)	\$ (156,252)
<b>Grand Total</b>	<b>49</b>	<b>\$ 80,758,320</b>	<b>\$ (3,226,561)</b>	<b>\$ 83,142,507</b>	<b>\$ (848,463)</b>	<b>\$ 2,378,098</b>

Foundation CREF Current Resolution Forecast by Month and Comparison to Initial Resolution Forecast of Unresolved Assets

Projected Resolution Month	Loan Count	Initial Resolution Forecast (\$)	Initial Gain/(Loss) on UPB Est (\$)	Current Resolution Forecast (\$)	Current Gain/(Loss) on UPB Est (\$)	Difference Between Initial and Current (\$)
Oct-2024	15	\$ 29,453,328	\$ (4,457,422)	\$ 29,562,170	\$ (4,348,580)	\$ 108,842
Nov-2024	10	\$ 19,420,956	\$ (1,170,359)	\$ 19,502,929	\$ (1,088,386)	\$ 81,973
Dec-2024	3	\$ 9,617,310	\$ (2,022,690)	\$ 11,170,050	\$ (469,950)	\$ 1,552,740
Jan-2025	8	\$ 19,763,401	\$ (3,455,719)	\$ 22,264,432	\$ (954,688)	\$ 2,501,032
Feb-2025	2	\$ 5,617,000	\$ (2,813,000)	\$ 5,784,724	\$ (2,645,276)	\$ 167,724
Mar-2025	4	\$ 10,002,295	\$ (378,662)	\$ 11,177,709	\$ 796,752	\$ 1,175,414
May-2025	6	\$ 11,412,482	\$ (5,190,518)	\$ 12,078,601	\$ (4,524,399)	\$ 666,118
Oct-2025	3	\$ 8,613,261	\$ (111,739)	\$ 9,064,821	\$ 339,821	\$ 451,560
Apr-2025	2	\$ 6,046,054	\$ (1,443,946)	\$ 6,482,201	\$ (1,007,799)	\$ 436,147
Jun-2025	7	\$ 22,397,117	\$ (4,840,623)	\$ 20,518,967	\$ (6,718,773)	\$ (1,878,150)
Jul-2025	1	\$ 4,232,800	\$ (7,527,200)	\$ 13,519,512	\$ 1,759,512	\$ 9,286,712
Dec-2025	3	\$ 10,761,021	\$ (2,398,479)	\$ 14,810,000	\$ 1,650,500	\$ 4,048,979
Aug-2025	3	\$ 8,672,167	\$ (1,772,833)	\$ 9,867,974	\$ (577,026)	\$ 1,195,806
<b>Grand Total</b>	<b>67</b>	<b>\$ 166,009,193</b>	<b>\$ (37,583,189)</b>	<b>\$ 185,804,090</b>	<b>\$ (17,788,292)</b>	<b>\$ 19,794,897</b>



# Company Executive Team



**Steve Powel, Chairman and CEO** is the former Founding Member, CEO & Executive Chairman of SitusAMC. Steve has more than 38 years of experience in the real estate industry through multiple market cycles. SitusAMC is a *Rated* Primary and Special Servicer circa \$400B of CRE loans across 17 counties, +\$25B annually in third-party loan underwriting and the largest CRE valuation manager in the pension fund sector. [www.situsamc.com](http://www.situsamc.com)

In addition to SitusAMC, Steve founded (circa 2003) and operates a small privately owned debt and equity platform, Point North Capital. Steve is currently an approved consultant for the FDIC, a member of several industry trade organizations, has participated on numerous boards, and serves as a mentor and advisor to various industry executives, associations and private companies.



**Jay Jablonski, President** brings 30+ years of experience in CRE asset management having held senior positions at Apollo Global Management, Situs, and EY. While at Apollo from 2012-2021, Jay served as Managing Director of CRE Debt Asset Management, overseeing a \$40B international CRE debt portfolio including first mortgage, mezzanine and construction loans collateralized by all asset types.

Jay managed a team of internal and external asset managers and established many of the protocols and systems for the efficient monitoring of a global portfolio of CRE assets. He holds a BS in Accounting from Bryant University and a CPA credential.



**Abi Subendranathan, Chief Financial Officer** has held a range of financial leadership positions at a variety of organizations from global Fortune 100 companies to private-equity backed entities and startups in the financial services, real estate, energy and technology sectors.

With over 20 years of experience, Abi started her career in public accounting in England, auditing insurance and financial services companies, after graduating from University College London with a BSc. in Economics and Mathematics. Abi is a CPA, holds a Master of Information Technology from Australia's Queensland University of Technology, and is a Fellow Chartered Accountant with the England and Wales Institute.

# Foundation Specialty Finance Executive Team



**Ron McMahan**, has over 25 years of experience as a financial and investment management executive. During his career he has been responsible for loan origination, portfolio management, asset management, and servicer oversight including loss mitigation, foreclosure and REO. He has worked with multiple real estate asset classes, including manufactured homes, distressed and performing single-family assets, and multifamily properties and loans. Ron has managed investment funds for which over \$5 billion of debt and equity was raised and purchased or originated over 20,000 assets. At Foundation Mr. McMahan assists in the management of all operational aspects of the Company with a focus on capital raising and asset and portfolio management.



**Chris Crovatto**, throughout his 35-year real estate career, has successfully launched and raised capital for multiple entrepreneurial venture companies. He has been directly responsible for over \$3.0 billion in structured real estate and private equity transactions covering a wide spectrum of properties from single-family to large commercial real estate properties and/or portfolios in nearly every asset class.



**John Seeburger** has 32+ years of CRE experience, having launched and built specialty RE lending platforms at Heller, GE, GMAC Commercial Mortgage, and Capmark. John co-headed GMACCM /Capmark lending units that generated \$750M in specialty loan volume and a \$350M balance sheet. He also oversaw the origination and underwriting of more than \$500M of specialty real estate products at Bank of America Commercial Finance.

Prior to his structured finance career, John worked as a senior consultant providing commercial real estate related financial services to a national institutional client base at a firm he co-founded, which was ultimately acquired by PWC.

# Foundation Specialty Finance Executive Team



**Georgie Palafox** has over 25 years of experience specializing in marketing, auctions, and mortgage services. She led the expansion of a property preservation company, securing clients like Wells Fargo and Fannie Mae and successfully transforming the business into a nationwide entity. At Chronos Solutions, she grew the buyer network to 250,000+ investors and drove sales with servicers like Freedom Mortgage and US Bank. As SVP at Mortgage Connect, she expanded the Capital Markets division and developed offshore partnerships. Georgie also led business initiatives at ServiceLink, a Black Knight company. A seasoned serial entrepreneur, she has built and sold multiple businesses, demonstrating a proven ability to capitalize on market opportunities and drive revenue growth.



**Spencer White** has over 11 years of experience in capital markets and structured finance, with a focus on RMBS, financial modeling, and analytics. He has developed cash flow models and financial analytics essential for investment decision-making, asset acquisition, and valuation. In his role as Director of Finance and Chief Data Officer at American Mortgage Investment Partners Management, LLC, Spencer oversaw asset management for funds with AUM exceeding \$1 billion. He has managed the issuance of debt and structured financing programs, optimizing investor IRR through RMBS issuances and multiple MRA facilities. Spencer also played a key role in developing a proprietary asset management SQL database that improved decision-making for asset liquidation strategies. Additionally, he is actively engaged in self-directed strategic options trading, leveraging market research to capitalize on opportunities while managing risks.