




FAILURE

FROM A FRONT
ROW SEAT



WHAT IS THE SITUATION? (Debtor Side, Lender Side)

IT IS USUALLY A LIQUIDITY PROBLEM

- What are we seeing in the market today?
 - Is it a rough patch, and if so...how rough is it?
 - When is it the best time for the debtor to call the credit organization
 - What is the debtor feeling
 - Are there solutions to advise and prepare the debtor for the hard call
 - Is the debtor really understanding the situation
 - Do you know if they conveying the facts under the circumstances?
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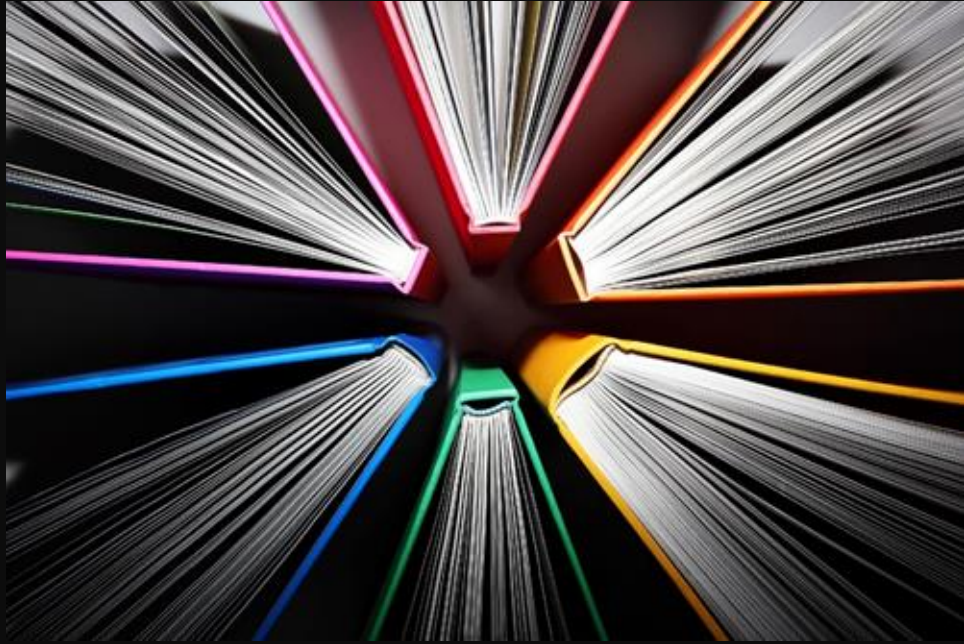
WHEN THERE IS A CHANGE IN THE DEBTOR'S FINANCIAL SITUATION

THE BIG QUESTIONS

- Have you Confirmed that the UCC1 has been filed
- Are the perfections in place
- Do you Understand the situation before you have to scramble
- At closing, did you make sure all documents are signed, complete, recorded and returned
- As the lender, what is the best way to avoid a disaster?
- When should the debtor speak with their lender?
- When the debtor's projections change, what should they do

THE LENDER ALWAYS WANTS TO KNOW

- When is the right time to make sure your lender has been kept in the loop on any financial changes?
- Who should speak with the lender? The Company or Attorney
- How should the company's attorney prepare the company for the hard questions?
- What is the best way for the debtor to develop a path to stability to maximize value and demonstrate the need for urgency
- What steps should the company take to protect themselves




ADVICE

- If a lender is unreasonable, how are you going to advise the company
- Do you ask the lender to develop or help develop a solution as well?
- How do you explain the options and get the company behind the plan?
- When a default letter is received by the debtor, what are your questions and suggestions



THE BIG QUESTION

- What reaction(s) are you anticipating from the borrower when they receive a default letter?
 - Who prepared the default letter
 - Was it the bank or the attorney?
 - Are you prepared?
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KNOW HOW
YOU ARE
GOING TO GET
OUT, BEFORE
YOU GO IN

- Plan A - An IPO, Merger or a Cash out....
- Plan B – Refi / Recap | restructure
- Plan C - Downside scenario
- “Kiss of Death - Is it an ABC, foreclosure, or a sale
- Who determines this?
- The KEY IS - Know your collateral & how to monetize it!

WHEN THINGS GET ROCKY, WHAT SHOULD YOU CONSIDER

- Even if there are no financial/ratio covenants, insist on reporting covenants.
- Cash flow statements, balance sheet & income statements provide important directional/trend info, even if they do not trigger defaults.
- Understand if you are going to take a loss
 - ✓ Maintain good closings and procedures
 - ✓ PERFECT, PERFECT, PERFECT
 - ✓ If people want to defer items for post-closing, you are not ready to close

DO NOT TAKE THE LOSS FOR A STUPID REASON

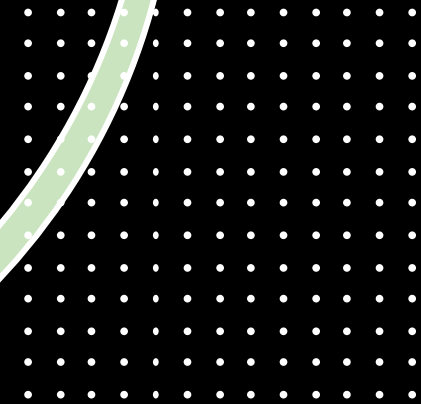
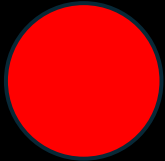
BATTEN DOWN THE HATCHES AT THE FIRST SIGN OF TROUBLE

- Review your files for document completeness.
- Conduct fresh UCC, lien & litigation searches.
- Document everything: amendments, defaults, forbearance & waivers.



THE BIG QUESTION

If you must share one piece of advice with the borrower and / or the lender-what would it be





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THANK YOU