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Last updated: June 9, 2009 04:45pm

**A10 Finances Distressed Apartment Debt Deal**

By **Brian K. Miller**

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BOISE, ID—A10 Capital said this week it provided a \$4.6-million loan that financed a distressed debt purchase. The client, an opportunity fund, used the loan and its own equity to pay approximately \$10 million for \$22-million loan on which the borrower has defaulted. The loan is secured by a large multifamily complex that is 85% occupied.

"If I was a betting person I'd say whoever underwrote this loan pushed the envelope on leverage [loan to value] and based a lot of it on pro forma numbers that were never achieved," A10 CEO Jerry Dunn tells GlobeSt.com. "It's a good asset; it's just overleveraged."

Out of respect for his client Dunn, a former Bank of the West executive, is declining to reveal any detail about the lender, the borrower or the location of the asset. "Clearly the lender doesn't want the market to know it sold an asset for 50 cents on the dollar," Dunn says.

In many cases, the buyer of the note actually wants the asset. In this case, Dunn believes the buyer will reach out to the current owner and try to restructure the debt on terms that work for the owner while also providing a return to the opportunity fund that made the deal. However, if the two sides can't come to terms, this particular fund has experience operating multifamily projects, he says.

"If they can't come to a fair meeting of the minds the lender will end up foreclosing and owning the asset for a long period of time," Dunn says.

A10 Capital is a fully integrated firm that finances commercial real estate and provides advisory and management services for the workout of all types of troubled loans and real estate assets. Last month, the company said it had \$100 million available to lend in increments of \$2- to \$10 million and at rates that fall between conventional- and hard money rates, which generally speaking is between 8% and 10%.

The \$100 million--backed by committed funding facilities "from a large institution and well-known family office," Dunn says--was raised two years ago. The firm is now offering alternative funding for situations that conventional lenders typically avoid such as lower-than-market occupancy, a lease-up situation, or a turnaround situation.

"In today's credit-challenged markets, many loans that were bankable two years ago no longer qualify because banks and life insurance lenders have tightened their underwriting guidelines, and the CMBS markets are shut down," Dunn says. "These loans are considered 'almost bankable' for a variety of reasons and that's where A10 steps in. Because we take more risk than a conventional lender, our loan pricing is slightly higher than conventional commercial real estate loans—but still less expensive than hard money loans."

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**News**

- National Home
- Global
- Northeast
- Southeast
- Midwest
- Southwest
- West

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- UpClose
- Commentary
- Executive Watch
- Blogs
- Webinars

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