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Commercial Corp Finance,
D/B/A of Gary Meyers Realty, Inc., founded 1977.
Provides Real Estate Consulting and Lending Service.


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## THE MEYERS REPORT Economic Notes

**Filling stations in the home.** Think about it, natural gas is cheap and getting cheaper. Cars can be retrofitted to burn natural gas. And, while there is a question of retrofitting gasoline stations, amost homes in America have natural gas coming into it. General Electric is partnering with the University of Missouri for the development of systems that could rapidly refill cars that burn natural gas, in the convenience of your own home, or anyone else's. Environmentally it is clean since it only produces water vapor. The idea is to develop a system that will compress natural gas and only cost $500 a pop (sic), which experts say is about 1/10th the current cost of the nascent technology.

**US steel imports** in June steel fell to 2.59 million tons, the lowest for any month this year. Increased productivity and declining domestic prices, have made American steel more competitive in the world as the price disparity narrows and our higher quality wins.

**HUMOR**

A small town cop stopped a motorist who was speeding through town. "But officer," the man began, "I can explain." "Be quiet," snapped the officer. "You're going to cool your heels in jail until the chief gets back..." "But officer, I...," said the man. "Keep quiet!" ordered the constable. After a few hours the officer said to his prisoner, "Lucky for you. The chief is at his daughter's wedding. He'll be in a good mood when he gets back." "Don't count on it," said the man. "I'm the groom."

## Case in point ...

**"In addition to providing financing, CCF solves problems. The only thing that slows them down is a client who withholds or imparts inaccurate information. When my clients were in trouble, they brought more resources to the table than I knew existed with any one organization—and they did it quickly. My clients were astounded by the CCF team's tenacity, dedication, and achievements."**

*I. J., referring real estate attorney for group of clients*

**Challenges:** Foreclosure, Diverted Funds, Personal Guarantees, Expired TIF, Expired Approved Land Plan, Engineering Problems, D.O.T. Permits Non-Existent, Local Municipal Officials Angry.

**CCF Action:** In 10 working days over the Christmas and New Year holidays, CCF analyzed the property and market conditions with their engineers and real estate market researchers. Simultaneously, CCF examined all entitlements and TIF agreements with their associated land use legal team, came up with a plan, and met with the lead bank on January 2nd. Almost immediately, the bank slowed and then stopped all foreclosure efforts.

**Conclusion:** In under a year CCF: arranged for the bank release of all clients in the group and their respective personal liabilites; negotiated the property sale to a new buyer and shifted the liability of the second mortgage holders to the new property buyer; and influenced the attitude of the municipality from resentment to full cooperation.

**Bottom Line:**
**Call CCF 224-715-5555.**
**Chicago, IL**

# THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

## Troubles For Solid Commercial Borrowers

**Regulators** have made commercial lending a crazy world with high drama. As a result, some banks are abandoning whole asset classes of loans and/or geographic territories. The regulators also made it tougher for banks to work through client issues that they would have before. Once, if a property had a healthy cash-flow and the mortgage was paid on time, the loan was safe and a renewal was just a formality—but not now. Borrower troubles are coming in a few key areas.

**Appraised value falls.** Consider, nothing has changed with your property. The tenants are paying and there's no neighborhood change. However, the real estate bubble has lowered the appraised value—the bank's collateral. The bank could require coming up with cash to lower a loan-to-value ratio. If the borrower cannot, regulators are ordering write-downs in value, which eat into bank capital reserves. This encourages banks to get otherwise acceptable loans off their books.

**Maturity default** is becoming a popular term in 2012. Even if your bank is okay, there can be pain. Consider one large financially healthy multi-facility company that has a hidden vulnerability.

The owner built his empire on 50+ personally guaranteed bank loans (over $200 million), each with maturities of roughly three to seven years, with multiple banks. While diversity seems reasonable, there is a problem. The healthy borrower has a mountain of contingent liabilities and his healthy banks know it.

The risk is if only one of his banks gets into trouble, a cascading impact of cash and loan calls could severely damage the company, or even destroy it. At the very least, this potential makes it tougher for the company to get expansion capital that it otherwise deserves.

**Banks usually react** to capital pressure by selling pieces of their institution, which can be expensive and difficult in this environment. Or, they can force loans to be paid off. This means trouble for borrowers, unless they are sitting on a mountain of cash.

**Private financing.** "If the bank wants to be paid off, believe it. Convincing them to change their minds will not work. It also won't likely be effective with another bank unless the loan amount is reduced," said Jeffrey Taylor, chairman of Chicago-based Commercial Corp Finance. (CCF) "You may have to move outside the conventional banking system and seek alternative lenders. This is what firms like ours do, arrange interim and alternative financing."

"Money is available from these private sources, primarily because of our low-interest environment," said Taylor. "These investors are able to hold these loans because they do not have the regulatory pressure of banks—because it is their money," said Taylor.

"Too often borrowers try to do it themselves, and that's where they get into trouble, when they should be focusing on running their business," said Taylor, former chairman/CEO of Taylor Capital Group, a $5 billion institution. "We see borrowers get themselves into trouble and burning very valuable time that they simply do not have. The result is they turn a problem into a potential catastrophe that can destroy a lifetime of wealth building."

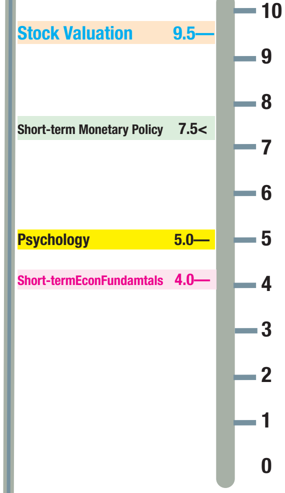
Adversity can create opportunity. "We figure out which institutions are most likely to negotiate and/or pose the greatest threat to our clients," said Taylor. "We then arrange non-conventional loans to purchase debt at a discount and we will do the negotiation. The target is to plan an exit strategy from the bank and the interim investor toward a suitable end-loan, that hopefully is non-recourse, with an extended term."

The borrower makes out by reducing his debt, lowering his monthly payment and improving his balance sheet by reducing contingent liabilities making it easier to get expansion capital.

**The bottom line.** If you have signed personally, check on the health of your bank. If there is any question, look for exit strategies now—before the proverbial detritus hits the fan. You also can turn a potentially bad situation into a profitable one—because banks generally will be flexible.

## Robert Genetski's Weekly Financial Update & Stock Impact Gauge

| | Fundamental | Actual | Immediate Outlook |
|---|---|---|---|
| Fixed-income: 10-yr Treas. | 5.0 | 1.43 | somewhat negative |
| Equities: S&P 500 | 2000 | 1360 | somewhat negative |
| Equities: Dow Jones | 16,000 | 12,888 | somewhat negative |




| | |
|---|---|
| Ratings for | 10 is best |
| forces | — means no change |
| impacting | > change for better |
| stocks | < the other direction |

Friday's GDP report shows growth slowed to a 1.5% annual rate this spring. More recent numbers suggest growth has slowed further since then. The President of the ECB ignited a stock rally last Thursday with a new policy announcement.

**Market Outlook** Stock prices moved lower this past week with key indexes down 1%-3%. The declines were greater before yesterday's sharp rally. The rally was sparked by developments in Europe.

From a technical standpoint the latest rally produces a number of positive developments. It brought all key indexes above their 50-day moving averages. It also maintained the positive spread of the 10-day averages above the 50. Finally, the move came on slightly above-average volume.

Last Wednesday I recommended moving stock portfolios from neutral to halfway between neutral and maximum defensive. The recommendation stemmed in large part from the overall market, NASDAQ and S&P 500 breaking through upward lines of support. Those support lines now become resistance. In spite of Thursday's explosive rally, prices have yet to overcome those resistance lines. If they do, I'll recommend moving back into stocks.

Declining stock prices sent long-term interest rates slightly lower this past week. The fixed income market continues to be dominated by the Fed's pledge to maintain low rates for an extended period. This week the Fed will likely reaffirm its pledge thereby sending rates even lower.