



ABERDEEN REALTY
HOLDINGS LTD.

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BORROWER SERVICES OVERVIEW

WINTER 2009 EDITION

Over the next several weeks all borrowers will be reviewing their 2008 year end results and preparing the financial statements required by lenders. Every asset class in every geographic market has seen some level of performance deterioration whether in RevPAR for hotels or rents and occupancy levels for multifamily, office and retail while operating expenses such as taxes, labor and utilities have been escalating. Your lender or servicer will be conducting a detailed review of the financial statements you provide for 2008 and will be reunderwriting the loan based on the trailing 6 or 12 month operating results per their underwriting criteria to evaluate whether certain low DSCR, Debt Yield or other performance tests have been triggered allowing the lender to take control of property cash flow oftentimes cutting off management fees on owner managed properties.

As a former structured real estate finance banker with Credit Suisse and prior to that real estate finance attorney representing Credit Suisse and other institutional lenders, Douglas Rohrer can provide the borrower critical analysis from the lender's legal and financial perspective. The ARH team is expert in assisting borrower's with preparing the required financial reporting materials, conducting a current underwriting analysis and serving as a liaison with the lender or servicer in ensuring that their review and underwriting is correct, consistent with applicable standards and is not manipulated to allow the lender to take control of your property cash flow.

Below is a summary of year end reporting and lender liaison services along with several other services ARH is currently providing to borrowers.

2008 Year End Reporting Assistance

- Assist in your review and preparation of financial statements that accurately represent property performance and expenses consistent with the approach taken at the time the loan was originally underwritten and funded. Commonly, there will be expenses which can be reallocated or capitalized to improve NOI without being viewed as a misrepresentation by the lender triggering liability under the non-recourse carve-out provisions.
- Upon preparation of accurate financial statements ARH will reunderwrite your loan per lenders & servicers' current underwriting criteria to assess whether your loan will fail the applicable cash flow requirements allowing the lender to seize control of property cash management. If it appears that a test will be failed ARH will be your advocate with the lender, review the lender's methodology to ensure it is correct and can propose and negotiate solutions or strategies to minimize the impact on your operations.



Property Valuation & Tax Assessment Analysis

- While property valuations were generally rising year over year in almost all markets over the last decade this trend has dramatically reversed. Tax assessors grew accustomed to escalating assessed values, in some municipalities assessors took a very aggressive approach in valuations and have increased your real estate taxes significantly. Whether your property was recently acquired and subject to a significant step-up in assessed value or has realized a gradual increase year over year, its most recent assessed value is likely in excess of the appropriate valuation. ARH can assist you in undertaking a valuation analysis and advocating on your behalf for a reduction in real estate tax liability based on a revised assessed value. We urge property owners to take advantage of reducing their tax liability as soon as possible to help offset the declining income and increased expenses reducing property NOIs.

Discounted Loan Payoff Analysis and Negotiation

- ARH is currently assisting borrowers with analyzing and negotiating discounted senior loan, B-Note and mezzanine loan acquisitions or payoffs. Borrowers with several years remaining on 5 year loan terms are realizing the positive effect on their investment returns by retiring existing debt today at a significant discount to the loan's par value. The lender or current note holder may be subject to liquidity issues, facing margin calls or may simply want to increase their liquidity position to take advantage of other distressed asset and debt opportunities available in the market.
- ARH can model how various discounted payoffs will affect your investment return with or without financing of the note acquisition, we will provide guidance on what fair market value is for the debt based on the underlying collateral's characteristics and performance and will assist in negotiating with the note holder to achieve the most favorable terms.

Loan Restructure and Modification

- ARH can represent borrowers who may be involved in a workout or restructure with their existing lenders. ARH can pursue forbearance terms with respect to anticipated or already existing defaults as an alternative to foreclosure and help negotiate more favorable loan terms for an interim period or balance of the loan term.

NEW CLIENT REFERRAL PROGRAM

Take advantage of ARH's new client referral program. For new or existing clients and non-client referrals, refer a client to ARH and receive at your election either (1) a 20% discount on your consulting fees upon ARH's receipt of payment in full of fees due in connection with the referred client's engagement or (2) a 15% commission on the net fees ARH receives from the referred client's engagement. Please contact ARH for more detailed information on the Client Referral Program or to receive the Client Referral Agreement if there is a potential referral you would like to share.