THE WALL STREET JOURNAL.

June 7th, 2023

REAL ESTATE | PROPERTY REPORT

Interest-Only Loans Helped Commercial Property Boom. Now They're Coming Due.

Landlords face a $1.5 trillion bill for commercial mortgages over the next three years

Xiaojing Li, managing director at data company CoStar's risk analytics team, estimates that as much as 83% of outstanding securitized office loans won't be able to refinance if interest rates stay at current levels.

Mark Edelstein, chair of law firm Morrison Foerster's global real-estate group, said he is seeing more lenders take over office buildings than at any point since the early 1990s.

https://www.wsj.com/articles/interest-only-loans-helped-commercial-property-boom-now-theyre-coming-due-c3754941?mod=Searchresults_pos1&page=1

THE WALL STREET JOURNAL.

May 17th, 2023

REAL ESTATE | PROPERTY REPORT

Rise in Distressed Sales Signals New Chapter for Beleaguered Office Market

Uptick in troubled office-building sales indicates more owners believe weak demand is here to stay

The tower at 350 California in San Francisco, valued at $300 million in 2019, is expected to trade at about $60 million, or roughly 80% below that previous valuation.

https://www.wsj.com/articles/rise-in-distressed-sales-signals-new-chapter-for-beleaguered-office-market-bbff313c?mod=Searchresults_pos1&page=1

THE WALL STREET JOURNAL.

August 1st, 2023

get financing as banks favored bigger commercial borrowers. But the changes—and the decision to couple relaxed requirements with new lenders—have drawn criticism from the industry and members of Congress, who say the revisions could jeopardize the program by increasing loan defaults.

"These are the most sweeping changes I have seen in my 40-year career," said Tony Wilkinson, chief executive of the National Association of Government Guaranteed Lenders, a trade group for current SBA lenders. One of lenders' most important jobs is to say no when it is appropriate, he added, rather than give small-business owners loans they can't repay.

"Our system is not broken," Wilkinson said. "I don't know what they are trying to fix."

Legislation sponsored by Senate Small Business Committee Chairman Ben Cardin (D., Md.) and co-sponsored by ranking member Joni Ernst (R., Iowa) would direct the SBA to

recent fiscal year, the SBA said.

"There's $8 billion that went underutilized," at the same time small businesses often say they can't get a loan, said a senior SBA official. The agency said the program hasn't kept pace with changes in how loans are made and has missed the opportunity to take in new types of lenders.

To qualify for the SBA's guarantee, lenders must adhere to standards that can make the process cumbersome for borrowers and unattractive to some lenders.

Natalie Freihon, founder of Strange Bird Hospitality, turned to the SBA for financing after the costs of opening her fourth restaurant in New York state were higher than she expected. Freihon said she worked on her application with an adviser for three months before borrowing $350,000 from a high-cost lender.

"I just ran out of time," said Freihon, who still hopes to take out an SBA loan to pay off the debt, which carries a 28% inter-

said. The SBA is taking over some basic prescreening tasks, such as fraud checks.

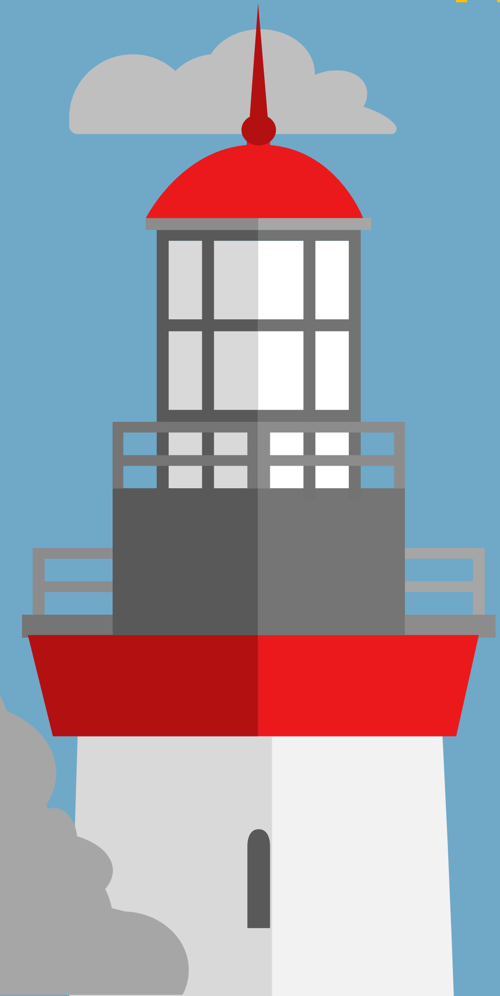
Some changes could make it easier for entrepreneurs to qualify for financing. For example, lenders will be able to give more weight to profit forecasts for younger, growing businesses and rely less on past performance on loans of as much as $500,000.

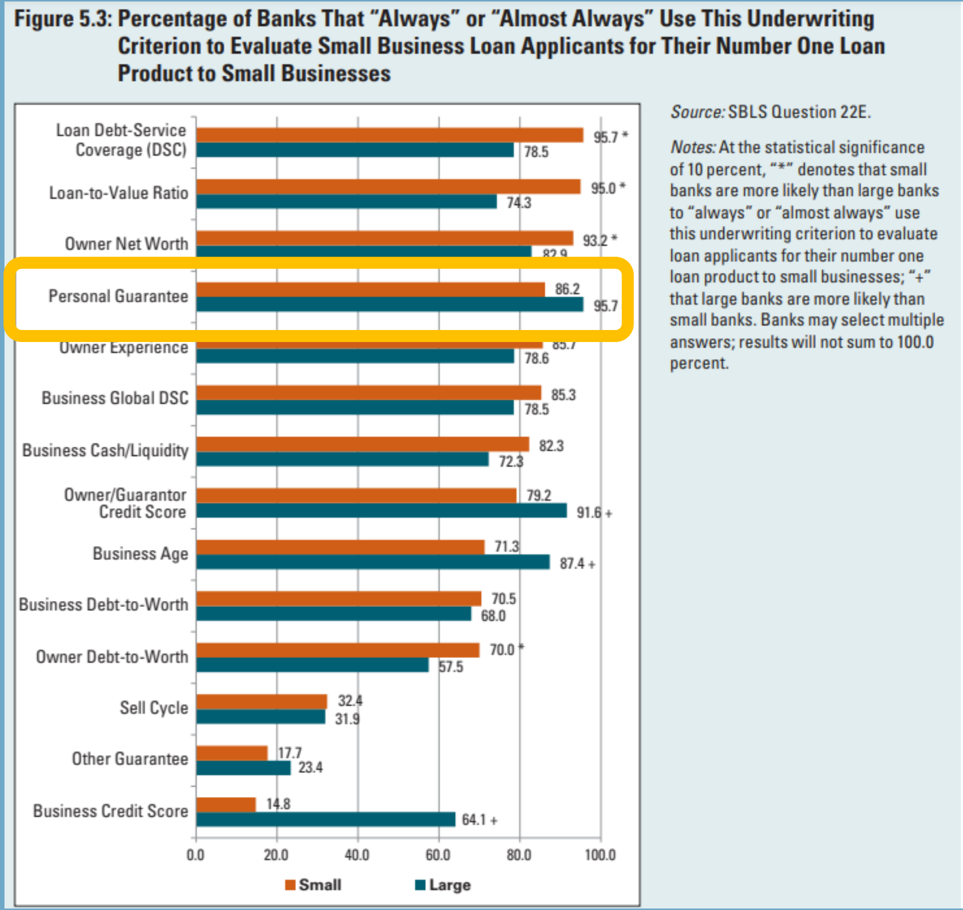
Other changes reduce or eliminate the down-payment requirement for some borrowers and cut the chances they will have to provide a lien on their homes or other collateral.

Lenders don't have to determine whether borrowers can draw on their own wealth or that of family members to meet their funding needs.

The SBA would add three nonbank lenders to the 14 already licensed to make SBA loans above $350,000. Adding new fintech and other nonbank lenders has drawn criticism from industry participants, who say those lenders are under less federal supervision than banks.

FDIC 2018 Small Business Lending Survey





86% of Small Banks & 96% of Big Banks Require Personal Guarantees!

ProfitsUSA.com

Reduce or Eliminate Loan Costs

Healthcare

- Save 15% - 20% & Similar coverages
- Zero-deductible plans

Workers' Comp

- Save 20-50% & Similar coverages
- Minimum 50 FTE

Commercial P&C

- Save up to 40% & Similar coverages

IT & Tech

- ROI Analysis
- Threat Reduction
- Fractional CIO
- Implementation

Our clients' loans are fully funded by the cost savings we implement. We zero out the entire cost of your financing, including principal and interest!

Advantage SBA

NO cash required

- Up to $10MM
- 100% financing

Business Expansion

- Buy a business or competitor
- Buy out a partner

Debt Consolidation

- Up to $5MM
- NO equity required

Speedy Approval

- Twice as fast
- Final approval authority

Conventional Loan

Callable

- Even if payments made in full

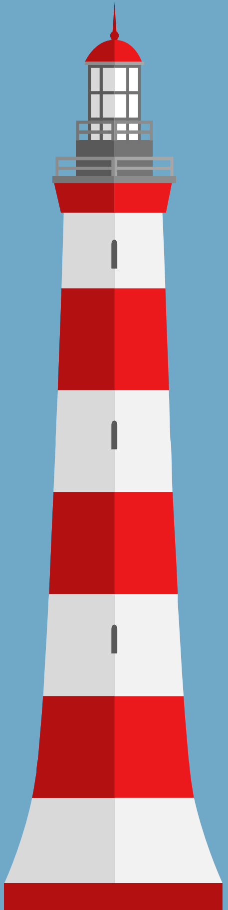
5-7 year term

- Worse cash flow

Equity definition

- CASH requirement
- Up to 40%

$10 Million loan requires up to
$4 Million CASH



SBA Loan

NON-callable

- Other than default

10-year term

- Better cash flow

Equity definition

- ZERO cash if -
- 10% business equity
- 3rd party or investor $
- Gifted funds
- Seller financing
  - P&I for 2 years,
  - Interest only for loan term
- Prepaid expenses (construction loan)
- HELOC, cash-out refi
- If cash, only 10%

$10 Million loan requires up to
$1 Million CASH

3 (of many) Applications

Cost-savings pay the P&I in full!

Debt Consolidation

- Up to $ 5 million
- Improve cash flow by at least 10% of debt service costs
- Drastically reduce call/modification risk
- One payment versus many

Business Acquisition or Partner Buy-Out

- Up to $10 million
- 100% financing available
- Own 100% of the business
- Keep 100% of the profits
- Increased income

Fire Your Landlord

- No upper limit if syndicated
- Buy a commercial building at a huge discount
  - 20% of their 2019 value

Why contact www.ProfitsUSA.com?

- Zero out-of-pocket (inc. P&I)
- NO CASH required
- Non-Callable Loans
- Non-Modifiable Loans
- Rapid Underwriting and Approval
- Reduce Asset Risk and Preserve your Wealth

MORNINGSTAR

July 27th, 2023

FDIC approves proposed capital requirements for U.S. banks

Financial Services Forum Chief Executive Kevin Fromer said the proposal would increase the cost and reduce the availability of capital for housing, small businesses and mid-market lending, as well as products used by American businesses to manage risks.

Regional banks in particular will be subject to higher costs and the "strain" of compliance, which may lead some to turn to third-party technology providers or new staff to implement the capital requirements and disclosures in the 1,100 pages of proposed regulations.

THE WALL STREET JOURNAL.

May 13th, 2023

Private-Equity Giants Stress Credit Role

BY CHRIS CUMMING

Private-equity firms are rushing to adapt to an economy in which their longtime cash cow—big leveraged buyouts—has grown a little tired.

Recent first-quarter results reported by large private-equity managers showed firms trying to adjust to a new economy. Financing is tight, so big buyouts are scarce. Valuations are low, so asset sales are out.

Instead, firms are rapidly trying to expand in private-credit, an investment strategy expected to thrive as interest rates rise and traditional lenders retreat.

Here are some takeaways from the largest firms' first-quarter reports and investor calls.

Old-Style Buyouts Are Out

Fundraising has become tougher for all strategies, but most of all large buyout funds. **KKR** Chief Financial Officer Robert Lewin recently called traditional private equity "the most challenged part of the fundraising market."

Blackstone's credit and insurance group raised $16.6 billion during the quarter, compared with $4.6 billion for its private-equity funds. **Apollo Global Management** raised a total of $31 billion in the quarter, but only about $1.4 billion for its PE strategies.

So firms are working overtime to promote their credit businesses. TPG Chief Executive Jon Winkelried called private credit a "multitrillion-dollar opportunity." Through the $2.7 billion acquisition of debt manager Angelo Gordon unveiled recently, TPG aims to grow in credit and expand beyond its private-equity wheelhouse.

Winkelried's comments paralleled the bullish pronouncements on the market segment by other industry executives, including Blackstone President Jon Gray, who called this "a golden moment for private credit."

Whether the results of credit deals signed today prove golden over the long term, these comments show firms stand eager to expand in one of the few areas where fundraising remains strong.

Replacing Regional Banks?

The last banking crisis, from 2007 to 2009, turned out to be perhaps the best thing that ever happened to private equity. It let firms buy valuable assets cheaply and move into territory abandoned by traditional banks, setting the stage for more than a decade of rapid industry growth.

The sector sees an opportunity in the crisis that hit regional banks.

The bump from the current regional-banking turmoil could be more modest, executives suggested. But nearly all took the view that the crisis set off by the failure of Silicon Valley Bank would help their credit businesses expand. Once again, the industry sees an opportunity to step in as banks fade out.

KKR co-CEO Scott Nuttall said he sees "a real opportunity to continue to scale [the firm's credit] businesses, especially in this environment where the traditional banks are pulling back." Apollo CEO Marc Rowan said that "given what's happening in regional banking," he expects the business of providing commercial credit to shift further toward private investors and away from banks.

These statements seem to reinforce the view that private-equity firms are following a different crisis playbook than in 2008, when many invested directly in the banking sector.

This time around, leaders of private-equity firms say they aim to replace banks rather than back them with investments.

Valuations Stabilize

First-quarter results may have reduced suspicions about asset-valuation inflation.

Private equity's results over the past year have inspired skepticism about how firms value what they own. As securities markets fell last year, private-equity asset valuations typically fell less, or even rose.

Some institutional investors questioned whether firms were putting a thumb on the scale, giving overly rosy valuations to impress clients and maintain paper returns. Regulators and even members of Congress have raised concerns.

The results of publicly traded firms for the first three months of the year may quiet these concerns. Private-equity asset valuations generally lagged prices reflected in securities markets in the first quarter, rising less than stock indexes.

The MSCI World index—a decent comparison for a globe-spanning buyout shop's portfolio—rose about 7% in the first quarter. Blackstone's private-equity portfolio appreciated 2.8%, TPG's 3%, and KKR's and **Carlyle Group**'s each rose about 2%.

These results show that private-equity valuations, whatever their level of accuracy, don't always flatter firm performance. If asset prices set by public firms reflect those in the broader industry, recent worries about valuations could subside.