



Tax- and Transaction-Related News and Commentary from S.Crow Collateral Corp.

Around the Workout in 80 Days: Which Troubled Loans Are Appropriate for Workout Without Writedown?

Dear Dealburt: In 1872 my great-great-grandfather began organizing round-the-world trips for the idle rich, the scientific adventurous, and pursuers of exotic wagers. The business really ballooned. It was clear skies for the business until, I'm sorry to say, my father passed it down to me. In my hands, the heir has leaked out of it, you might say, as bookings declined, especially in the current market conditions. Thinking the downturn would be brief, I took out a business line of credit with my bank, and with my personal guarantee I borrowed against the business' real estate, equipment and receivables. The bank is now threatening to shut us down and take everything. Would your Workout Without Writedown (WWW) program rescue my business and me?—Phileas Fogg

Dear Phileas: I'll do what I can to clear away the fog. In general, the troubled loans which are appropriate for the WWW program will meet these criteria: **1. Valued borrower.** The troubled borrower is one whom the lender values as a customer and wants to retain; **2. End user.** The troubled borrower is one who seeks to retain and use the asset in business operations or as a personal residence, instead of simply seeking to acquire it for pennies on the dollar, to re-sell to someone else; **3. Viability plan.** Given the reprieve which WWW provides, the now-troubled borrower has a plan to return to viability and even profitability; **4. Nobody does it better.** If the loan is secured, the borrower is as likely as is anyone, to be able to succeed with the assets that are the security for the loan; **5. Ability to handle (reduced) debt service.** There is some level at which the now-troubled borrower can reliably service debt; **6. \$1 million debt or more.** The balance owing is approximately \$1 million or more; **7. Some time is available.** Both lender and borrower can allow, and are willing to allow, some time to understand and implement the WWW transaction. It need not be 80 days, but it will take some time.—Dealburt



During the S.Crow Collateral roadshow in Albuquerque this week, Dealburt tries out for the international balloon fiesta.

Collateralized Installment Sales

Telephone

(208) 345-7561
(866) 345-7561

Address

Post Office Box 972
Boise, Idaho 83701-0972

Internet

SCrowCollateral@aol.com
www.SCrowCollateral.com

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