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1. *If It's Not A Bad Idea The First Time Around, Keep Trying*

On 6/12, I spoke at IMN's “Real Estate Opportunity & Private Funds” conference. My panel's topic was general partner bankruptcy and, more generally, how to work with undercapitalized GPs that require an outside infusion of capital, or need to be removed because they are not effectively executing their business plan.

Every LP I know has at least one fund investment causing consternation. To paraphrase Tolstoy, every unhappy fund investor is unhappy in its own way. For some funds, the problem is just generic underperformance. For others, the GP is unable to execute on its plan either because of incompetence or a lack of capital. For the lucky few, it's a mix of both.

In the last cycle, some GPs raised so much LP money that the GP is now having trouble meeting its required commitment. Imagine, for a moment, that you're a GP. You told your LPs that you would contribute 5% of whatever they put up. Of course, like any good salesperson, you didn't have the 5%; you figured you would raise the 5% from a “strategic investor”. Fast forward three years: you secured the LP money, placed some of it, and now your strategic investor has bailed out. Now you're in a pickle.

So, if you're one of the LPs, what do you do? Do you play the activist, round up your fellow LPs, and push to remove the GP? If so, who will run the fund? Do you try and convince a larger and more stable GP to take over your failed GP's position? Do you pressure the GP to either unwind the fund, or at the least, stop drawing down additional money from the LPs?

Or, do you just try to make things more complex?

For example, one could raise a fund committed to providing equity to GPs that are in trouble and/or step into the GP's shoes to manage funds that are

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Class Schedule

We continue to offer Argus

and Excel for Real

Estate Analysis classes in:

New York City

Boston

Chicago

Washington DC

Dallas

Miami

Los Angeles

All classes are offered on

the weekend.

Argus

- **New York City**

August 1 & 2

- **New York City**

September 12 & 13

- **Excel for Real Estate**

Analysis

- **New York City**

August 15 & 16

in trouble. The upside is that there are a lot of funds in trouble. Opportunities abound to buy into either GP or LP positions as sponsors and investors try and liquidate their positions. Strangely, with this sort of fund (a “rescue fund”) it is possible that some of the LPs funding the venture could very well be the same LPs invested in the troubled target fund(s) that require rescuing. In other words, these LPs may end up rescuing themselves with their own money. This is why I enjoy working in finance. It never ceases to amaze me how one can take a messy situation and make it messier.

So, keep your eyes open. “Rescue funds”, in one incarnation or another, are coming.

2. Workouts and the Irrelevance of Planning

In other news, I delivered a six hour presentation on workouts and the state of the U.S. financial markets at Urban Land Institute’s (“ULI”) Spring conference in Atlanta back in April. The overall conference was better attended than one might guess. While it wasn’t a bang-up year for ULI, it certainly wasn’t empty. I then delivered a similar presentation at York University in early June (for my fellow Americans, that’s in Toronto; as a general rule, Americans can’t find Canadian cities on a map, much less know what their leading business schools are).

Of course, only a matter of weeks later, both presentations are completely dated. It seems that every few weeks, the Obama administration picks a new set of letters (TARP, TALF, P-PIP) and declares the new idea to be an even better idea than the last one that they tried. This makes it easy to deliver presentations; no one will hold you accountable, as any presentation will be irrelevant within weeks.

Thankfully, there is a solution. I have decided to offer a seminar on distressed debt and workouts for ULI in September. While it’s challenging to keep up with the administration’s moving target of multi-letter plans, the actual workout process hasn’t changed. Every workout is basically an amalgam of negotiation, finance, law, and assessing risk tolerance. If I stick to the basics, incorporate the lessons learned from the last time we went through this dance, and try to provide some historical perspective, it should be a useful class – regardless of what a specific bailout plan is named.

Excel for Real Estate**Analysis Continued...**• **New York City**

October 3 & 4

The class is tentatively set for sometime in mid-November in Washington, D.C. It is not on their web site, but it will be soon and we'll also announce the dates in a future issue of our newsletter. It should be a lot of fun.

3. Kahr Real Estate Investment

Kahr Real Estate Services has launched a real estate investment platform, Kahr Real Estate Investment (KREI), to take advantage of current market conditions and Kahr's deep relationships throughout the real estate industry. Relying on core competencies of sourcing and underwriting assets, KREI will identify both value-add and core-plus acquisition opportunities in the northeastern U.S. region. KREI intends to purchase assets that yield stable annual returns to investors, and that have solid fundamentals with long-term potential.

For more information on Kahr Real Estate Investments, please contact:

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4. Kahr Group Information: Consulting and Training**Financial Modeling**

Regardless of deal size or type, our key objective is always to build highly functional and optimal models for our client. We can also review and analyze a client's existing financial models for inefficiencies.

Capital Advisory

By delivering presentations to capital sources or making introductions, we support clients in their capital raising efforts with lenders and equity providers. We also lend our extensive knowledge of capital markets, deal structuring, and real estate finance to help negotiate better terms on equity and debt.

Offering Memoranda

We design and write graphically appealing institutional-quality offering memoranda and RFP responses for our clients. When raising capital, a high quality document will get the project in front of the right capital sources.

To register, please visit
our website:

www.kahrrealestate.com

**Real Estate
Negotiations**

Call or email for
availability.

Group Classes

For custom training
solutions, or for group
enrollment, please
contact us directly.

Market Analysis and Feasibility

Our reports take a multi-layered “hands on” approach that goes beyond identifying current market conditions; we seek to enhance the overall profitability and market acceptance of the project by identifying hidden opportunities

Excel for Real Estate, Negotiations, and Argus

Our **Excel for Real Estate Analysis** class draws students from across the country. It provides what many attendees say they never learned in business school: learning how to model complex real estate transactions and use Excel to its fullest. All attendees will develop an understanding of how to use the power of Excel to analyze cash flow, leverage, partnerships and joint ventures, and construction projects.

The **Argus** course consists of lecture, case studies, and classroom discussion in a collaborative environment. By the end of the class, attendees will have a firm understanding of how to use the software and will be well prepared to analyze real estate in a high volume production environment.

The **Real Estate Negotiation** course provides a broad introduction to skills and techniques of negotiation. Some of the categories covered include: preparation tactics, identification of goals and means, evaluation of the other party’s position and goals, and possible points of dispute. Furthermore, we encourage creative solutions that maximize value by considering factors beyond simple price or cost.

Contact Kahr Notes

Direct feedback to info@kahrrealestate.com

About the Publisher:

Kahr Real Estate Services LLC is a consulting company that provides financial training, market and feasibility studies, financial modeling, and capital advisory services for the real estate industry. “Kahr Notes” is the company’s newsletter.

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