

THE MANAGER

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Defaulted Note Purchasing: The New Tradition

Laura Stevens

also the possibility that the borrower could make restitution, or a favorable short sale could come into play. There are of course other factors such as location of the asset, the customer in question, etc... before final decisions are made.

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In creating a market for purchasing distressed notes, we are essentially creating a market prior to the traditional exit strategy of banks with distressed properties. In other words, REO properties are usually the final product brought to market by a bank, not distressed notes. Once a bank forecloses on a property and takes it back, there is only one thing left to do, and that is to sell the property for the highest price possible. It is not that cut and dry when selling a note. It's almost like a transitory market. In fact, at times, we have bid on non-performing commercial notes only to find that the bank decided to withdraw the note offer completely and consequently go in a different direction.



When a bank decides to retain a property, it will incur many holding costs such as real estate taxes, insurance costs, utility costs, turn-over costs, maintenance costs and management fees.

Additionally, when a property is in foreclosure, the goals of the receivership

(temporary management) might not always be equally yoked with that of the bank. For instance, a receivership could lease up the property too quickly or not quickly enough. The latter will keep revenue down, whereas; the former could potentially create the need for multiple evictions from the new buyer, therefore decreasing the final purchase price even lower. Once a property is distressed, then both the physical deterioration and holding costs increase exponentially while simultaneously decreasing the value of the property.

Selling a distressed note as opposed to a distressed property might seem like a gamble to a lender trying to contemplate

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Multiple options keep this market somewhat elusive. Prior to foreclosure, a bank still has some choices to contemplate on how to get the highest price possible. First and foremost is the obvious question as to whether to sell the note or the property. The bank could subsequently choose to invest additional time and money to foreclose on the distressed asset. Then the bank could take it to market "as is" or invest even more time and money in an attempt to rehab it and increase the tenant base and accordingly take it to market. There is

Monthly Collection Percentages:		
	2008	2007
January	90.86	97.56
February	97.70	93.03
March	98.72	100.31
April	82.09	91.02
May	104.33	101.02
June		97.52
July		100.04
August		100.72
September		79.25
October		102.10
November		105.90
December		96.45

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Questions. Answers. Info!

Tip: Stop Moving Van Traffic

Many times when a tenant is moving, they have this crazy notion that they can just “pull up to the door.” This, of course, can cause a lot of problems since our sidewalks aren’t constructed to withstand the weight of a loaded moving van. Plus it blocks the entrance for other tenants and prospects.



We considered several solutions before deciding to use bollards that look nice and protect the sidewalks. We placed bollards just inside the sidewalk next to the parking areas. We used holes dug three feet deep to keep the bollards from shifting from year to year. We used a paper 12 inch post tube form. A couple of days later, we tore the paper off, sanded down the “lines” on the bollards, and then painted them.

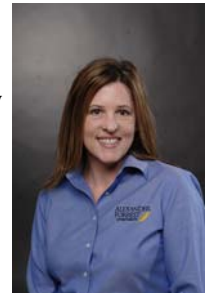
Thank you, Scott Wendland, Manager at Lakeview Apartments and Condominiums, Kalamazoo, MI. Scott will receive \$200 for his tip!

If you have a question that you would like to have answered or a tip that you would like to share, please e-mail us at:
newsletter@alexanderforrest.com

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the best price point. The traditional way of disposing of property might seem more comfortable and viable, and it could very well be the case. Ironically, it seems like a lender would prefer to sell a note rather than a property being that they are in the note business not the real estate business. As evidenced in the above paragraph, the real gamble for the bank is in sticking with tradition and attempting to run a property.

Alexander Forrest Investments’ business model is to take distressed properties, rehab them, create a strong tenant base and reposition the property within the market. This is not the business model for banks. This is why distressed properties usually get exponentially worse during the foreclosure process and worth even less once they go to market. I realize this is not an ideal situation for a bank, but if I were a bank dealing with a defaulted commercial note as well as contemplating the time, money and process of becoming an unwanted owner of a severely distressed property...well, then I would be pleased to have the name and number of a company that loves to buy severely distressed properties or defaulted notes of severely distressed properties.



Laura Stevens, Special Asset Manager
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Current Properties For Sale

Call Ben Peck at (573) 268.0015

Blackwater Ranch, 3,600 acres of land in Saline and Pettis counties Missouri (Total Asking Price \$9,810,000)

www.Blackwater-Ranch.com

College Corner Apartments, 110 units in Jonesboro, Arkansas (\$3,800,000)

Eagles Nest Apartments, 108 units in Kansas City, Kansas (\$3,250,000)

Glenwood Apartments (Ridgetop and Windsor Gables), 42 units in Martin, Tennessee (\$1,750,000)

Liberty Square, 30,000 s.f. retail center in Columbia, Missouri (\$5,500,000)

Library Park Apartments, 76 units in Topeka, Kansas (\$1,500,000)

Mora Mi Apartment, 50 units in Paducah, Kentucky (\$1,950,000)

Osage Ridge Apartments, 72 units in Osage Beach, Missouri (\$3,100,000)

Riviera Apartments, 92 units in Paducah, Kentucky (\$3,950,000)

Stoneybrook East Apartments 48 units in Independence, Missouri (\$1,295,000)

Williamsburg Place Apartments, 76 units in Middletown, Ohio (\$2,800,000)

Wyandotte Apartments, 48 units in Kansas City, Kansas (\$1,750,000)



Osage Ridge Apartments



Ridgetop Apartments

Accounting: Vendor Payment Expectations

Mary Hawkins

When choosing a vendor, always be upfront about payment expectations. Our standard payment practice should be communicated to *every* vendor *before* work begins.

Standard Payment Processing Timeline:

1. An invoice is mailed or hand delivered to the Property office (0-5 days).
2. The invoice is added to the transmittal worksheet and sits in the Property office until Friday (0-5 days).
3. The invoice is mailed in the weekly Property mailer on Friday and travels through the USPS mail to the accounting office (1-5 days)
4. Accounting enters invoices, prints checks and delivers them for executive review and signature (1-2 days).
5. Checks are signed if approved (1-4 days depending on availability of executive).
6. Checks are mailed if funds allow (1-5 days transit in mail).

As you can see above, the faster a check will arrive after invoice date is four business days, and it can take up to 26 business days when money is available to release checks. Cash flow management is very important in this process. It is why we stress following the budget and paying attention to cash flow reports. There are priority vendors who need to be paid every month to keep the doors open. Those vendors take precedent over all other vendors if your Property is short on cash. The Property mortgage, utilities, insurance and payroll always get paid at the first of the month regardless of what else is outstanding.



As a Manager, you can make sure your vendors remain happy and paid by communicating payment expectations upfront and keeping your Property full and collected. You hold the hammer to crack that nut, not me. Remember this when you call asking why a vendor

Mary Hawkins, Asst. Director of Accounting hasn't received
Mary.Hawkins@AlexanderForrest.com payment yet.

Personnel Management 101: Part 4 of 4

Scott (Uncle) Adams

Here's an old Uncle Adams proverb...YOU CAN'T LEAD THE CAVALRY IF YOU CAN'T SIT THE SADDLE.

If you're asking Bob to move Heaven & Earth you might want to make sure you can at least help him move Earth. Unless this guy is a professional painter, your paint job needs to look as good as his.

When I hire someone, I always tell them the same thing someone told me once upon a time.

- **I'm going to hire you, and I expect you to work hard and do a good job.**
- **I won't ask you to do anything I wouldn't do or haven't done myself.**
- **I won't ask you to do anything illegal or immoral.**
- **I'm going to be fair and honest with you, and I expect the same in return.**
- **If you're knee deep in sewage, I'll be at least ankle deep.**
- **Let's go to work!!!**



Scott Adams, Construction Supervisor
Scott.Adams@AlexanderForrest.com

Accounting: Verify Invoice Data

Nancy Snyder

Although it may be a little time consuming, it is always very important to carefully review each and every invoice that you submit to the accounting department. When you stamp an invoice and send it in your weekly mailer, you are letting us know that you have approved of the work or materials delivered and are ready to process the invoice for payment. Therefore, before submitting the invoice, you must scrutinize every detail as if you were inspecting it for microscopic flaws.

- Did you receive all of the materials and/or services that are being invoiced?
- Were all materials in good condition?
- Were the services performed completely and satisfactorily?

If you cannot answer yes to every question, then you should not submit the invoice. Because you, the Property Manager, are the one who can verify what goes on at your property, we depend on you to make sure all invoices submitted for payment are 100% complete and accurate.

Another type of invoice that warrants close attention is a utility bill. You should examine each bill to check the following:

- Is the unit vacant or occupied? If it is an occupied unit check the service dates of the bill to see if the service dates overlap with the occupancy dates. Talk to the resident to be sure he or she gets service established immediately in his or her name.
- If the unit is vacant, are the charges appropriate? If the charges are excessive, you need to immediately check the unit to regulate the thermostat or check for other leaks or other unnecessary usage.



Once the bills reach the accounting department, we always check for these things. But, you will have a 7 to 10 day head start on controlling your costs by verifying these items before submitting them to us.



Nancy Snyder, Asst. Director of Accounting
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Leasing & Collections: The Answer to the Ultimate Question

Ryan Scheer

The million-dollar question that we ask every day is, "What makes one Property perform so well and another Property perform so poorly?" Surely, each Property is unique in many different ways: location, age, visual appeal of construction method, quality of soil for growing lawn and plants, size and configuration of units. It is very tempting to focus on these variables as the reason for performance or the lack thereof on a Property. But wait, the amazing reality is that we have routinely found throughout the years that we have Properties with full occupancy and collections despite the fact that their units are not the newest or nicest looking in town and that the rent at these less-than-ideal Properties is often maintained at higher levels than the more "ideal" competition.

Does this make you scratch your head? Well, it should! The answer to the million dollar question is never the Property. The answer to Property performance whether good or bad is *ALWAYS* the Manager. Let me share a touching story to illustrate this.

TJ Scoggins, Assistant Director of Leasing and Collections, and I were recently at a think-tank seminar where we were gathering information and ideas to increase occupancy across the board. It was worth the time, if only for the exchange that took place between TJ and a property manager from Topeka, Kansas.

TJ mentioned to the manager that she was a part of the management team for Library Park Apartments, also in Topeka, Kansas. The polite response TJ

received from the manager was, "I am sorry, I know that is a challenging property to operate." TJ filled with pride, smiled and replied that it was a challenging Property until Mario Burgos, our new Manager, set foot on the Property.

TJ shared the progress that Mario had made in a very short time on the Property. In fact, in one month Mario took the Property from 14 vacancies to zero and increased rents and average of 34% at the same time.

The manager from the other Topeka apartment complex was astonished. TJ finished the conversation by saying "you should really stop by and see for yourself", the manager smiled and said she would.

What is important for everyone to realize is that nothing changed on the Property except for the Manager. Further, the rent rate is usually the lowest concern an applicant has, as long as the Manager builds a relationship with him or her and shows the attractive benefits he or she will receive by living on the Property.

Mario, you are the difference between occupancy and vacancy at Library Park Apartments, and I can speak for everyone on the team when I say thank you for all your hard work!! It does not go unnoticed.



Ryan Scheer, Director of Leasing & Collections
Ryan.Scheer@AlexanderForrest.com

Interested in our Business?

Our readers frequently contact us curious about what we do.

We would be happy to speak with you.

We work on:

- Developing new properties
- Purchasing land for development and farms
- Redeveloping distressed properties
- Managing commercial and multi-family real estate

If you would like to know more, call Ben Peck at (573) 268-0015 or email at

Ben.Peck@AlexanderForrest.com

Commercial Properties: In Weakened Market, Opportunities Still Abound

Jessica Hudson

In May, Alexander Forrest Investments sent me as its first ever representative to the International Council of

Shopping Centers Real Estate Convention in Las Vegas Nevada. The four-day event hosted more than 50,000 real estate and ancillary industry professionals. During the four days, I attended the Leasing Mall, trade exposition and several educational sessions.

The Leasing Mall was the meat and potatoes of the convention with THOUSANDS of retailers present to seek new markets and lease spaces. Retailers networked with tens of thousands of brokers, property managers, and property owners. It was an exciting week full of opportunity. I brought home hundreds of resources for retailers and site selectors.



The trade exposition and educational sessions were enlightening as well. I discovered a wide array of new property management products from self-watering plant stands and holiday season laser show displays, to tubular sub-parking lot water-retention systems and mobile hydraulic dock lift systems. The educational sessions that I chose to attend were geared specifically to the

mechanics of leasing and lease negotiation.

The overall outlook for the shopping center industry is certainly more reserved than it has been in years past, but there is a lot of opportunity for retailers and shopping centers in the current economy. Future visits to ISCS RECon will continue for Alexander Forrest Investments as our commercial holdings continue to grow and prosper.



Jessica Hudson, Director of
Commercial Properties

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Monthly Collection % Goal: 100%		Renewal Average by Year Goal: 100% Renewal		Paperwork Proficiency Previous Month	
SB	109.07%	SP	72.31%	LS	Master
CI	108.61%	CF	58.33%	SP	Master
RA	107.92%	CIM*	50.84%	CF	Master
RT	105.54%	ENA	50.36%	CIM*	Master
SP	101.59%	CI	46.74%	CI	Master
WG	100.49%	WDA	46.67%	WDA	Master
ENA	88.05%	MRM	45.31%	RT	Master
LP	83.70%	RT	43.75%	SFV*	Master
LVC*	83.38%	SFV*	43.43%	RA	Master
LS	81.86%	LP	41.76%	WG	Master
SFV*	81.05%	WMP	39.64%	LVC*	Master
CIM*	76.21%	SB	35.00%	MRM	Paper Knight
CF	72.95%	RA	33.64%	LP	Paper Knight
WDA	66.16%	HILL*	31.82%	HILL*	Paper Knight
HILL*	62.03%	S24*	30.17%	S24*	Paper Knight
WMP	55.68%	WG	30.00%	ENA	Trainee
S24*	54.67%	LVC*	20.00%	WMP	Trainee
MRM	50.12%	LS	NA	SB	Trainee

**Properties currently under renovation*

Manager/Property Key			
	Property	Manager	Location
CF	Claiborne Fox	Andy Mullins	Marshall, MO
CI	Chateau Imperial	Jeff Hodson	Hastings, NE
CIM*	Cimarron Apartments	José Diaz	Independence, MO
ENA	Eagles Nest Apartments	Edgar Marquez	Kansas City, KS
HILL*	Hillside Apartments	Dan Osborne	Independence, MO
LP	Library Park Apartments	Mario Burgos	Topeka, KS
LS	Liberty Square	Jessica Hudson	Columbia, MO
LVC*	Lakeview Apartments	Scott Wendland	Kalamazoo, MI
MRM	Mora Mi Apartments	Kevin Smith	Paducah, KY
RA	Riviera Apartments	Scott Hart	Paducah, KY
RT	Ridgetop Apartments	Brandon Mayfield	Martin, TN
S24*	Sterling 24 Apartments	Donald Wilson	Independence, MO
SB	Stoney Brook East	Demitrius Steptoe	Independence, MO
SFV*	Santa Fe Village	Steve Ipock and Ray Moody	Kansas City, MO
SP	Sterling Price	Tom Evans	Moberly, MO
WDA	Wyandotte Apartments	Maria Cuevas	Kansas City, KS
WG	Windsor Gables	Brandon Mayfield	Martin, TN
WMP	Williamsburg Place	Ben Fisher	Middletown, OH



Front Row: Yousef Darkhalil, Jessica Hudson, Paxton Schneider, David Atkins, Mary Hawkins, Mirsad Mustafic

Middle Row: Shannon Kirk, Scott Adams, Ben Peck, Makinga Bunyecha

Back Row: Richmond Wheeler, TJ Scoggins, Megan Beckley, Nancy Snyder, Laura Stevens, Ryan Scheer

Every project referenced in this publication is individually owned and operated.

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June 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1 Rent Due	2	3	4	5	6 Late Fees	7
8	9	10	11	12	13 Late Fees	14
15	16	17	18	19	20 Late Fees	21
22	23	24	25	26	27 Late Fees	28
29	30					