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## ON THE ROCKS: Huge California Apt. Operator Breaking Up

### *Bethany Group Files Ch. 11; Courts Assigning its 15,000 Units to Receivers*

More than a dozen affiliates of Irvine, Ca-based apartment investor Bethany Group LLC filed for Chapter 11 bankruptcy protection in the federal bankruptcy court in Santa Ana, CA, this month. The group owns an estimated 15,000 apartment units across 58 complexes located in Arizona, Colorado, Georgia, Maryland and Texas.

Although some of the portfolios are not included in the bankruptcy filings, it appears that the company will be broken apart wholesale through court appointed receivers.

Many of Bethany Group's properties were backed by loans pooled into commercial-mortgaged backed securities, including six portfolios totaling \$750 million across three deals (LBCMT 2007-C3, LBUBS 2007-C1 and C2), suggesting that three more of its loans (\$438 million) are likely to be transferred to special servicing this month.

Trigild Inc., a San Diego-based distressed receivership, property and loan recovery specialist, has been appointed receiver for 13 apartment complexes representing nearly \$500 million in defaulted loans in Arizona, California, Colorado and Florida abandoned by Bethany Group.

As court appointed receiver, Trigild has taken over day to day operations of seven complexes in the Phoenix area, a property in San Diego County, one in Orange Park, FL and four properties in the Denver/Colorado Springs area.

According to Trigild's president and founder Bill Hoffman, the properties were abandoned by Bethany Group. Following reports of unpaid employees and contractors, utility shutoffs and impending liens and lawsuits, the lender was forced to act.

"The loan servicing company which handles the commercial mortgages, moved at a record pace to get a receiver appointed to guarantee that the properties and their residents are well protected," Hoffman said. As a result, "thousands of tenants will continue to live in the complexes and over a hundred employees will continue to be employed."

Properties in Arizona are the 460-unit Laguna Village, the 320-unit Alante at the Islands and the 374-unit Santan Crossing in Chandler; the 432-unit Whispering Meadows and the 582-Tuscany Palm in Mesa; the 395-unit Sienna Springs in Phoenix and the 196-unit Verrado Park in Glendale. The 114-unit Sunset Village Apartment in Oceanside, is just north of San Diego. The Colorado assets include the 482-unit Waterford Court in Aurora, the 216-unit Rockrimmon and the 280-unit Falcon Pointe Ridge in Colorado Springs and the 186-unit Rolling Hills in Castle Rock. Blanding Place Apartments, the Florida property, has 231 units.

Falling real estate values, high vacancies and poor cash flow have triggered significant financial difficulties for many owners of residential real estate and other commercial properties, Hoffman said.

"We have been advised to prepare for additional properties from the same group."

Given the current economic climate, failures of this sort will continue to increase, he added.

"The highly leveraged deals from a few years back do not bode well for the commercial real estate

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industry," Hoffman said. "

Also, Ann Arbor, MI-based McKinley Inc. was appointed as receiver for a group of several of Bethany's Georgia properties. The properties include Lacota Apartments, a 266-unit community in Doraville; Sinclair Apartments, a 352-unit apartment home community in Norcross near I-285 and I-85; Alden Ridge, a 372-unit community in Clarkston with easy access to Stone Mountain Freeway, I-20, and I-285; Steeple Chase in Norcross which includes 305 units and Somerset at the Crossing in Tucker which offers 264 units. The appointment was made in the Superior Court of Gwinnett County, GA.

Bethany Group specialized in buying Class-B properties with 150-400 units. It acquired several portfolios from AIMCO and Bascom Group and received acquisition financing from GE Capital and Lehman.

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