



JCR Capital Gets Recapitalized; Aims to Lend to Buyers of Distressed Assets

Commercial Real Estate Direct Staff Report

JAM Equity Partners, a New York hedge fund, has made an investment in [JCR Capital](#), effectively recapitalizing the Denver provider of structured finance.

JAM Equity is an affiliate of Jacobs Asset Management, which has some \$335 million of assets under management, represented primarily by financial services companies. It is said to have taken a 40 percent stake in JCR, which was founded by Jay Rollins, who previously had founded GMAC Commercial Mortgage's structured-products group, a \$500 million balance-sheet lending operation that originated \$1.5 billion of high-yielding transactions between 1999 and 2005. JAM Equity could make additional investments in the company.

Rollins started JCR two years ago in partnership with Guy Johnson, head of mortgage bank Johnson Capital. The company's other founding principal is Maren Steinberg, who previously was vice president of operations at GMAC Commercial and worked closely with Rollins in building the structured-products group, as well as JCR.

JCR's recapitalization will allow it to, among other things, provide debt and equity capital to buyers of notes, particularly distressed loans. Such opportunities are starting to materialize in greater volumes, and given capital markets conditions, operators are having a difficult time lining up financing for their investments. The company will initially focus on making investments of \$1 million to \$7 million at a time. As its capital base grows, the size of the individual investments it makes will grow as well.

Rollins has a strong background in the distressed-loan business, having founded and run Eastern Realty Corp., which had acquired more than \$400 million of distressed assets from the RTC during the early 1990s. This time around, instead of doing direct investing, Rollins and JCR will be funding other buyers. For instance, it could provide the capital needed for an operator paying say \$6 million for a defaulted \$13 million loan on a shopping center. That capital could be structured in myriad ways, from a straight senior debt, to a participating note, preferred equity or straight equity.

"With JAM as our institutional equity partner, JCR now has the ability to execute on our

long-term strategy of building franchise value in a real estate finance company," Rollins said, explaining that his goal was to ultimately develop JCR into an unregulated finance company that would provide a broad range of financing to property owners.

The thinking is that the demand for commercial real estate debt will be satiated in part by heavily regulated institutions, such as banks, and unregulated finance companies in the mold of [GE Capital, which recently said it was looking to shrink its exposure to real estate](#) . Rollins hopes JCR will be able to fill some of the void created by GE's move.

"We see a tremendous opportunity to grow the business and create franchise value by being an unregulated real estate finance company," Rollins said.

JCR plans to raise additional capital through a fund that could raise as much as \$500 million of equity. With a bigger bucket of capital, the company would be better positioned to make larger investments and provide a broad range of equity and debt to real estate players, from bridge and mezzanine loans to preferred equity and joint-venture equity.

Comments? E-mail [Orest Mandzy](#) or call him at (215) 504-2860, Ext. 211.

Copyright ©2008 Commercial Real Estate Direct, a service of FM Financial Publishing LLC.
All rights reserved.