

JCR Capital fund to finance transactions with community banks

March 17, 2010

By Mindi Westhoff

With about \$22 million already raised, Denver-based JCR Capital is seeking to capitalize on market dislocation by financing real estate assets and helping to recapitalize community banks across the country.

JCR President Jay Rollins told SNL Financial that its new fund, which is still open and targeting a total size of \$25 million to \$30 million, will be used for about 10 to 15 transactions to finance real estate assets held by community banks, and Rollins said the company has already begun to seek out investment targets.

Rollins said there was a "huge void" of available financing and a tremendous amount of demand for capital as real estate assets approach maturity.

"We have \$1.4 trillion of debt coming due and very little capital to do anything," he said with regard to the current status of the market. "So we think the best place to be is to be a provider of that capital."

While their large, national counterparts received government bailouts, Rollins said community banks, which JCR Capital defines as having \$1 billion or less in assets, are still struggling. He added that not being able to access the capital markets with ease, coupled

with their bad loans coming due has made community banking an industry that desperately needs the equity JCR Capital can provide.

"They are at a real challenge point right now," he said. "What we bring to them is an opportunity to give them some money now for their bad assets, set up a joint venture structure where these assets are taken off their books so they don't have to deal with them or write them down again, and provide them time and upside in the transaction as these assets start to gain their value over time."

Rollins added that the fund will deal with community banks all over the country and he said the length of the investments will be anywhere between six months — wherein the company would act more as a "bridge gap provider" — to three years.

"We're trying to make this a high-velocity fund, and we're trying to pick our investments with that in mind," he said.

The initial closing of the fund, announced March 10, included a \$5 million entity-level commitment to JCR and \$17 million in investment capital to the fund. At the time of the initial closing announcement, the fund had three anchor investors: PartnerRe Capital Markets Corp., a unit of PartnerRe Ltd.; private equity firm JAM Equity Partners; and Denver-based asset manager Branzan Investment Advisors Inc. *i*