

# Judah Real Estate:

We're focused on the big picture,  
not just current market conditions.

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## AFB CASE STUDIES



American  
Founders  
Bank

# We hear you, Warren Buffet. We're buying when everyone else is selling and vice-versa.

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...Of course,  
it's easier said  
than done.

That approach has stood the test of time and been embraced by the most successful investors: sell when everyone else is buying, buy when everyone else is selling. It's about as close to an investment universal truths as there is. It's what Warren Buffet, arguably the greatest investor of all time, has built his career on.

Of course, it's always far easier said than done. That's why markets and investors are inherently irrational, and that's why making the right investment decision is never easy. If it were that easy the risk in markets and investments would be perfectly priced... that irrationality is what drives us to invest and take risk.

However, here at American Founders Bank we like to think that we understand that universal truth just about enough to make the right decisions when it counts, when other lenders and banks have shied away from risk and when customers have run out of options. Being willing to look at the broader picture, rather than focus on market conditions in any given moment in time, is what makes us different from your usual bank.

Our relationship with Judah Real Estate Group is a great example of taking a risk at a time when others were fearful.

Back in 2009 Michael Judah, founder and President of Judah Real Estate Group, was already a veteran of real estate development – and all of the ups and downs that come along with it. Given his track record and his proven ability to deliver projected results on developments, he assumed that his banking relationships were strong and would carry him through thick and thin.

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## Find opportunity in every crisis.

New banking relationships weren't on Mr Judah's mind in 2009. After the initial fallout from the sub-prime mortgage crisis, Mr Judah was much more interested in bargain hunting. He had already noted a residential development in its early stages on Old Henry Road, a place called Hamilton Springs.

Although the project had everything that a developer could want – size, location, planning permission – the market was in freefall and real estate looked like it could be heading into a multi-year slump. So it wasn't a surprise to learn that Hamilton Springs' developers were encountering some severe financial difficulties.

So, being willing to take a risk when others weren't, Mr Judah approached them with an offer to take over the project. Despite the precarious position the development was in, and the very real prospect of it failing altogether, Mr Judah's offer was rejected.

As it happened, those first developers must have rued turning Mr Judah's offer down, because by early 2010 the development had indeed failed and was in bankruptcy proceedings, its bankers now in possession of the property.

It's worth pausing to remember just how bad the real estate market was at that time. The country was littered with what became known as "zombie developments," where the owner, developer, or even the bank providing capital had gone into bankruptcy protection. The Louisville real estate market, despite being far from the boom and bust markets of Las Vegas or south Florida, was viewed as precarious, to put it mildly.

## Smaller banks can sometimes do things bigger banks cannot.

However, Mr Judah knew good potential when he saw it. He just needed to find a bank that agreed with him. Luckily he found AFB.

“The original development plans were for a handful of condo buildings,” says Mr Judah, “but by the time the original lending bank took it over there had been very little in the way of progress. Basically, the development had been in limbo for the best part of five years, a situation made far worse as the residential real estate market suffered from the fallout from the subprime mortgage crisis.”

It wasn't just the building that had stalled – most banks were, perhaps not surprisingly, reluctant to back new developments, never mind projects that had gone from promising beginnings to repossession so recently. Survival was the top priority for many, never mind finding new real estate projects to take a risk on.

Mr Judah had never heard of American Founders Bank until a friend recommended that he try his luck with us.

“The more I searched the more it seemed like finding bank financing might be impossible,” says Mr Judah, “and I was at the point of either trying to find non-traditional lenders, an equally difficult task at the time and higher risk than a bank, or cutting my losses.”

Mr Judah found that most banks weren't even interested in a conversation, never mind giving the project serious consideration. “AFB was the first to listen properly and to show interest based on the longer term fundamentals rather than prevailing market conditions,” he says. “They considered my experience, know-how, and marketing ability to make this project work. I have dealt with smaller banks and AFB was the only one I felt comfortable with – and the only one that really wanted my business.”

For Sam Price, AFB's AVP, Mr Judah presented an opportunity to be greedy when others were being fearful: “Despite the economic headwinds, we loved the project, felt confident about Michael's track record, and that he had a team worth backing.”

After extensive due diligence, AFB approved the development loan, and also financed the construction of the model homes for the development. The relationship between AFB and Mr Judah was built in a difficult time

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## Not your usual bank.

for real estate and for banking – and those are the kinds of relationships that often prove to be the strongest.

Hamilton Springs is now nearing the end of Phase 1 development. Having once been planned as condos, the development is now single-family homes, with a clubhouse planned in Phase II. By the time the development is complete, 95 families will call Hamilton Springs home. Just a few short years into the relationship, AFB is proud to have taken a chance on Mr Judah – and proved that the time to take a risk is when nobody else wants to.

American Founders Bank. Not your usual bank.