## **Hollow Creek Debt Recovery Fund – Handwritten Memo (OCR / Mixed Source Style)**

**Document Type:** *OCR Transcription – Handwritten Note Scan (Distressed Debt / Construction Loan Syndication)*

“Deal name: Hollow Creek Debt Recovery Fund – tranche C syndication.  
 Notes found in underwriting binder (handwritten):”

**(Transcribed text w/ partial errors)**

“total exposure = $82MM (our 12MM piece). Construction stopped Nov 2023.  
 original sponsor BluePeak Dev LLC insolvent. Collateral 4 partially built townhomes + 18 lots (entitled).  
 market value maybe 54MM? (no updated appraisal).”

“Loan structure weird: 1st lien 55MM, mezz 15MM, pref 12MM.  
 our piece sits pari-passu w/ mezz (!!!) → not recorded.  
 coupon 9.5% paid current 3mo, now 0.”

“Lender plan: foreclose jointly, hold REO 18mo, sell lots individually. Modeled recovery 70¢ (best), 55¢ (base), 40¢ (stress).”

“math check (scratched): ‘IRR = (Recov / Px) ^(1/yrs) - 1 → (0.70 / 1)^0.5 -1 = -16% ?? wrong?’ → scribbled next to: ‘maybe -8% net.’”

**Attached ‘Summary Table’ (OCR uncertain):**

| **Item** | **Est. Value (MM)** | **Comment** |
| --- | --- | --- |
| Collateral (4 finished + land) | 54 | “maybe optimistic” |
| Loan Balance (Total) | 82 |  |
| Expected Recovery | 55 | “includes carry & fees” |
| Shortfall | (27) | “unrecovered principal” |
| Carry Cost | (1.2 / mo) | “while REO held” |

**Analyst Typed Addendum:**

“No verifiable sponsor rescue capital. Construction incomplete and materials on site vandalized. Carry costs > 150k/mo. Any interest payment unlikely until liquidation. Recommend full markdown to 50 % of par immediately.”

**Sketch (from scanned notebook margin)**

recovery line

90% |—

80% |—

70% |—★ base case

60% |—

50% |—★ stress

40% |—

time → (months 0–18)

**Committee Outcome:** Consensus: write-down required. Syndication halted. Fund exposure likely impaired ≥ 35 %.