THE WALL STREET JOURNAL.

**** WEDNESDAY, FEBRUARY 15, 2012 ~ VOL. CCLIX NO. 37 WSJ.com

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THE PROPERTY REPORT

Caught Up in a Debt Brawl

By Al Yoon
And Peter Grant

In the battles erupting throughout the commercial real-estate world over properties defaulting on loans, Douglas Rohrer is one of the hired guns.

Like many Wall Street bankers who made and securitized commercial-property loans during the boom years, Mr. Rohrer today acts as a consultant to borrowers or creditors fighting in distressed-debt situations, sometimes giving advice on troubled loans that their firms originally made.

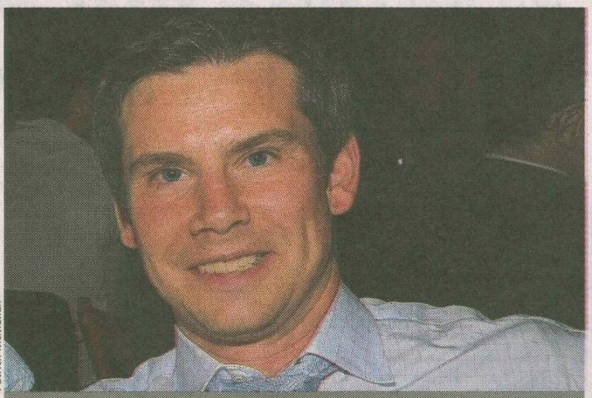
But Mr. Rohrer is unusual because in one high-profile battle over the steeply discounted sale of debt backed by a Las Vegas casino and resort, his role in the loan has become part of the controversy. The fight is a classic case of the "tranche warfare" breaking out among commercial real-estate lenders in many default situations.

Mr. Rohrer's client, **Galante Holdings** Inc., is the owner of the junior-most slice of $160 million in debt backed by the JW Marriott Las Vegas Resort & Spa. Late last year, Galante claimed it had a right to buy the rest of the debt for about $84.5 million, a move that would wipe out several more-senior debt holders.

Those debt holders filed a lawsuit in New York state court charging Galante with trying to "steal" from them in a "brazen scheme." The lawsuit names Mr. Rohrer as a defendant, alleging he "conspired" with Galante to "walk off" with the debt.

Jacob Pultman, a lawyer representing the plaintiffs, alleged that Mr. Rohrer was a key player in the "ploy" because he was at the investment bank that made the loan, that he later worked for the firm that resold the loan and, most recently, has been a consultant to Galante. "He's on every side of this deal," Mr. Pultman said in an interview.

Mr. Rohrer and other defendants have denied the allegations made by the plaintiffs, which include **Winthrop Realty Trust** and **Angelo, Gordon & Co.** The defendants say that loan documents give Galante a clear right to buy the debt.



Patrick McMullan

Ex-banker Douglas Rohrer now advises borrowers and creditors.

In the Tranches

Consultants providing advice in real estate battles came from Wall Street firms.

FIRM	FOUNDED	WALL STREET ROOTS OF PRINCIPALS
Aberdeen	2006	Credit Suisse First Boston
Iron Hound	2009	Wachovia
Park Bridge	2009	Merrill Lynch
Tannery Brook	2009	Wachovia

In an interview, Mr. Rohrer said the suit "smacks of desperation" and includes "gross misrepresentations." Mr. Rohrer said he has asked the court to remove him as a defendant partly because he acted as a consultant, not as a decision-maker.

Mr. Rohrer also said that commercial-mortgage debt was structured with so many checks and balances, "there is an inability for one single market participant or one advisor to a market participant to game the system."

In any case, the lawsuit provides a glimpse of the role being played by bankers-turned-consultants in the growing number of fights breaking out in the commercial real-estate industry as loans that were made during the boom years come due.

New firms that have sprung up since the downturn include **Iron Hound**, which was founded by Robert Verrone, who was former co-head of commercial real estate at Wachovia Corp.; **Park Bridge Financial** LLC, whose principals came from Merrill Lynch; and **Tannery Brook Partners**, whose principals mostly include former Wachovia real-estate executives. The principals of Mr. Rohrer's firm, **Aberdeen Realty Holdings** Ltd., mostly came from Credit Suisse First Boston's commercial real-estate unit.

These consultants are hired for a wide range of services, not just distressed-debt situations. But they can be very useful because, during the boom years, there were nuances in many commercial mortgage-backed securities deals that are proving to be critical when they go bad.

"A lot of things were done in the heat of a very frenzied market," recalls John Regan, a principal at Park Bridge.

Mr. Rohrer worked at the Credit Suisse unit that in 2006 lent $160 million to the owner of the JW Marriott in Las Vegas and carved it into pieces.

Last February, the junior-most $10 million piece of the loan was sold to Citadel Securities Trading, and on the same day Citadel resold the loan to Galante, a British Virgin Islands company.

By that time, Mr. Rohrer had left Credit Suisse and was working at Citadel. He said the deal was "a typical transaction and one of many I facilitated at Citadel."

Later in 2011, Mr. Rohrer left Citadel for Aberdeen, which was hired by Galante as a consultant on the JW Marriott loan. Mr. Rohrer said his job included market analysis and cash-flow projections. He also acted for Galante in communicating its directives to the loan special servicer, but the loan documents gave him immunity from being sued in this capacity, Mr. Rohrer said.

The original loan documents are critical in the lawsuit because they set out the process for giving control of the loan to one debt holder in the wake of a default. Typically in these situations, there is an appraisal and control of the debt goes to the most junior debt holder that is "in the money," meaning it would get some of its money returned after the sale of the property.

After the Marriott's owner defaulted on its debt last fall, the debt was appraised for about $84.5 million. While Galante's $10 million chunk of debt was out-of-the-money under that appraisal, Galante claimed the loan documents gave it the right to buy the debt between the time of the appraisal in December and when control of the loan would have reverted to a more-senior creditor in January.

Both sides claim that if the other side wins, negative consequences will be felt by the entire $600 billion market for commercial mortgage-backed securities, or CMBS. "If the plain language of the contract isn't respected by the courts, it's going to disrupt the function of the CMBS market," Mr. Rohrer said.