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PJ Finance Company LLC - Owner of Almost 10,000 Apartments - Files for Chapter 11 Protection

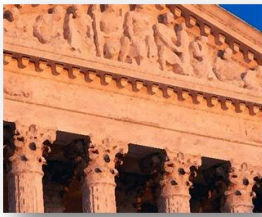
On Monday, PJ Finance Company, LLC and six affiliates voluntarily filed for bankruptcy protection in Delaware. The companies own a portfolio of 32 apartment communities located in Arizona, Florida, Georgia, Tennessee and Texas. A third party, WestCorp Management Group One, Inc. (not a debtor), manages the apartment complexes. The companies owe over \$475 million to secured creditors pursuant to a November 2006 loan agreement with Column Financial, Inc. That loan was subsequently sold to Credit Suisse First Boston Mortgage Securities Corp., which then contributed the loan to a trust for purposes of including it in a portfolio of loans to be securitized through the issuance of commercial mortgage-backed securities (or CMBS). The resulting mortgage pass-through certificates are identified as Credit Suisse Commercial Mortgage Pass-Through Certificates, Series 2007-C2. The debtors also have outstanding trade debt of approximately \$4.4 million.

According to court filings, the portfolio of apartment communities "yields insufficient rents to service both its suffocating monthly debt service obligations and those obligations related to its day to day operations." The debtors also now state that the value of the portfolio is "dramatically less" than the outstanding secured debt. The companies' cash flows, which are further hampered by a "waterfall" mechanism of cash management and mandatory reserves, are insufficient for them to be able to perform necessary maintenance to relet apartments as leases turn over. This has resulted in over 1,700 of the portfolio's 9,500 apartments currently being unable to be rented, according to court documents.

The PJ Finance companies have obtained a commitment from Gaia Real Estate Investments, LLC to invest \$42 million of new equity into the debtors, but have not been successful in engaging the servicers on the secured debt (Wachovia Bank and Torchlight Loan Services) in discussions on a consensual restructuring of the debt. They intend to use the chapter 11 cases to locate any competing equity offers and access cash collateral to fund their operations.

Key court filings to date include the following:

- [Chapter 11 Voluntary Petition of PJ Finance Company, LLC. Fee Amount \\$1039. Filed by PJ Finance Company, LLC](#)
- [Declaration in Support of First Day Pleadings \(of Michael W. Husman\) Filed by PJ Finance Company, LLC. \(Attachments: # 1 Exhibit A# 2 Exhibit B\)](#)
- [Motion of the Debtors and Debtors In Possession for Entry of Interim and Final Orders \(I\) Authorizing the Use of Lenders' Cash Collateral, \(II\) Granting Adequate Protection Pursuant to 11 U.S.C. Sections 361 and 363 and \(III\) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001\(b\) Filed By PJ Finance Company, LLC \(Attachments: # 1 Exhibit 1# 2 Exhibit 2\)](#)



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- [Motion of the Debtors and Debtors in Possession for an Order Pursuant to 11 U.S.C. Sections 105\(A\) and 363\(B\) and Federal Rule of Bankruptcy Procedure 6004 Authorizing Debtors' Entry into a Financing Arrangement and Performance Thereunder in Connection with Their Plan of Reorganization Filed by PJ Finance Company, LLC. \(Attachments: # 1 Exhibit A# 2 Exhibit B\)](#)
- [Motion of the Debtors and Debtors in Possession for Entry of Interim and Final Orders Establishing Adequate Assurance Procedures with Respect to their Utility Providers Pursuant to Section 366 of the Bankruptcy Code Filed By PJ Finance Company, LLC \(Attachments: # 1 Exhibit A# 2 Exhibit B# 3 Exhibit C\)](#)
- [Motion of Debtors and Debtors in Possession for an Order Authorizing them to Pay Prepetition Employee Wages, Benefits, Business Expenses and Related Items Filed By PJ Finance Company, LLC \(Attachments: # 1 Exhibit A\)](#)

To access copies of all major court filings from this case, please visit:

http://www.chapter11cases.com/PJ-Finance-Company-LLC_c_23376.html#axzz1Fzfhsljy