

THE PALISADES

AT WEST PACES

On December 28, 2001 an international lending institution (the "Bank"), entered into a bilateral loan agreement with the Palisades at West Paces, Inc. ("The Palisades" and/or "The Debtor") in the principal amount of \$8,530,000.00. On or about April 17, 2002 the Bank loaned The Palisades an additional \$319,000.00. On or about July 31, 2002 the Bank loaned The Palisades an additional \$350,000.00. On or about September 11, 2002 the Bank loaned The Palisades an additional \$155,000.00 (collectively, the "Notes"). The Notes were senior secured, collateralized by condominium suites located within the Palisades (the "Collateral") and personally guaranteed by The Palisades principal (the "Principal"). After the Debtor defaulted on its obligations under the Notes the Bank commenced a foreclosure action.

On March 3, 2003, The Palisades filed for protection from its creditors under Chapter 11 of the Bankruptcy Code thereby staying the Bank's foreclosure action. By the middle of 2004 the Bank had grown fatigued with the restructuring process. Cyrus, through its basic deal sourcing channels was alerted to the deal dynamics.

Description of Property

The subject property is a Medical Office building/Surgical Center (the "Building") located at 3200 Downwood Circle, Atlanta, Georgia 30327, Tax Parcel No. 17-0182-0005. It lies east of Howell Mill Road in Fulton County, Georgia. Situated on the Property. The building is located on a 2.387-acre site approximately 0.6 miles southeast of the I-75 west Paces Ferry Road interchange in the western portion of Buckhead in Fulton County.

The building is seven-story, plus basement, concrete panel brick veneer over structural columns. It is a multi-tenant medical office building and surgical center containing a total area of 198,285. The garage contains approximately 245,000 sq. ft on five levels and has a total of 694 spaces. The property has a 3,406 sq ft auditorium with state of the art audio-visual equipment and seating for up to 250 people.

Cyrus appraised the value of the available collateral, excluding the personal guaranty, at north of \$7,300,000.

Position Acquisition

Cyrus contacted the Bank and expressed interest in purchasing the Notes. The Bank confided in Cyrus that it had grown fatigued and disillusioned with the restructuring process and was receptive to Cyrus' Advances. Through the accruing of interest, penalties and attorney fees the total balance due on the Notes had ballooned to \$11,474,521 thereby potentially exposing the Principal of the Palisades to personal liabilities in excess of \$4,000,000 (based upon appraised value). Cyrus negotiated a purchase of the notes for \$6,000,000, approximately \$.53 of the total amount due or \$.82 of the appraised value. Total time between initial contact with Bank and closing was 67 days.

Resolution

Cyrus approached Debtor and the Principal and negotiated a settlement. Pursuant to the settlement Cyrus agreed to releases the Principal from his guaranty obligation under the Notes provided the Debtor agreed to an immediate lifting of the automatic stay in its Chapter 11 proceeding thus allowing Cyrus to proceed with the stayed foreclosure action.

Realization

On July 14, 2004 Cyrus sold its interest in the Collateral for \$7,500,000. **This investment generated a gross internal rate of return of 5.7x and a 644x multiple of invested capital.**