

# Perspectives+

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## Will your fund be ready when (distressed) opportunity knocks?

How to ensure your fund has the operational expertise to manage investments in distressed mortgage loans

The fire sale created by banks and other financial institutions forced to divest non-performing mortgage loans from their balance sheets has peaked the interest of many of the most opportunistic hedge fund managers. The large inflows of these higher-risk investments into the marketplace have made them available at deep discounts. However, it is important to realize that the failure to fully understand the complexity inherent in real estate-backed loans and the operational expertise required to turn them around could expose a manager to many of the same risks that have been at the root of a number of recent high-profile hedge fund collapses.

The investment by a fund in distressed mortgage loans is not a passive investment. It requires a complete understanding of the potential problems and risks that could arise, given market and

regulatory conditions and the different stages in a loan's lifecycle. Should a fund decide to invest in these securities, there are a number of issues and responsibilities that need to be considered to ensure your fund has the operational expertise to manage investments in distressed mortgage loans.

### Consider the mortgage servicing on a loan

Once loans are acquired, they need to be maintained until steps are taken to obtain the realizable value from the underlying collateral. A mortgage servicer will continue to handle the periodic cash flows of any performing or reperforming loans. It also will maintain the payment of taxes and insurance premiums on past due loans. This is necessary because government tax claims can take *(continued on page two)*

## LaCrosse strengthens global presence

Mark Del Col named global head of business development and client relationships

In the continued effort to build its business and strengthen its global presence, LaCrosse Global Fund Services has announced the addition of business development staff in three key markets around the world. In the United States, Mark Del Col has joined LaCrosse as global head of business development and client relations. In the United Kingdom, Rob Helszajn has joined to lead business development and client relationships for Europe. And in Singapore, Meng Hua Yeo has joined to lead business development and client relationships for Asia.



Mark Del Col, Global head of business development and client relations, LaCrosse

Del Col, based in LaCrosse's New York headquarters, is responsible for managing the global business development team with oversight responsibilities for all marketing activities. He has more than *(continued on page three)*

## ...opportunity (continued from page 1)

precedence over the lender's claims on a property. An insurance premium lapse may no longer adequately protect the loan if the property is destroyed by storms or fire.

### Consider the need for strong real estate operations expertise

The manager needs to ensure its servicer has strong real estate operations expertise and can manage the entire life cycle of the loans from pre-foreclosure through the sale and closing of the property. It should also be able to provide service across all geographic areas in which the physical real estate is located. A strong default loan management process will include bankruptcy and foreclosure management, property valuation and inspection, and owned-asset maintenance and disposition. Another key area of expertise to consider is the loan modification process.

### Consider the impact of bankruptcy

What will happen if the borrower on a loan is in bankruptcy or is likely to go into bankruptcy? Bankruptcy gives the borrower many protections that hamper collection on a loan, including superseding many terms in the loan documents that affect the loan amount, term and the timing of payments.

### Consider the tax consequences of engaging in certain lending and real estate activities

If the fund engages in the workout and restructuring of loans or the ownership and sale of real property in the United States, these activities may cause the fund to be treated as engaged in a U.S. trade or business. That creates a risk of taxation on such activities for the fund and, in particular, for its non-U.S. investors. The manager should consult with its tax attorney to discuss protective measures that can be taken to minimize the tax risk resulting from such activities.

### Consider an effective valuation process

Any nonperforming loans held in a fund must be assessed at fair value or the current exit price for the investment. A manager who has nonper-

forming loans in a fund must document the values are measured regularly and in accordance with a fund's valuation policies. As fair value accounting standards continue to be implemented this will be a focus area for many of a fund's investors, auditors and regulators. The valuation process needs to be robust enough for the manager to assess whether appraisals accurately reflect the current market conditions and to quantify and support the periodic change in the realizable value relative to the loan value.

**"At LaCrosse, we have a long history providing operational, administrative and accounting support to funds investing in distressed securities."**

**Renee Kessler**  
Senior Manager, Investor Reporting  
LaCrosse Global Fund Services

### Operational and administrative support

Once these factors have been taken into consideration, it is important that a fund examines its administrative capabilities to ensure it has the expertise and experience necessary to support investments in distressed mortgage loans. During the due diligence process, investors look to a fund's operational infrastructure and administrative support to ensure it will take the time to work through the accounting and valuation issues associated with distressed investments. Utilizing an experienced third-party administrator such as LaCrosse Global Fund Services can provide extra layers of support and expertise in addition to other value-added services.

At LaCrosse, we have a long history providing operational, administrative and accounting support to funds investing in distressed securities. Along with typical investor-related administrative activities, we provide investment confirmation and cash management operational support and accounting for accruals, valuation and cash flows of investments in mortgage backed securities (MBS), collateralized mortgage obligations (CMO), and Special Purpose Entities (SPE), and, in particular, REMICs, REITs and FASIT- related investment products that house mortgage loans and real estate portfolios. We perform confirma-

tions that valuation policies for the MBS, CDO and SPEs are being followed and liaise with a fund's investors, auditors and tax preparers to provide information.



Renee Kessler, LaCrosse

The current market environment has created many opportunities for hedge fund managers. Will your fund be ready when distressed opportunity knocks? Understanding the complexities involved in owning distressed mortgage loans and the work required to maintain these investments can provide the expertise needed to maximize your fund's return on investment.

## Join us for an evening of Art, Wine and Affordable Housing!

Come celebrate Hedge Funds for Habitat-NYC at the Max Protetch Gallery. See cutting edge artworks by Ann Pribal and Steingrimur Eyfjord in addition to a short video of the recent HFFH-NYC volunteer build day at Habitat's Atlantic Avenue construction site.

Wednesday, June 11, 2008  
6:00p.m. - 8:00 p.m

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(between 10th and 11th Avenues)  
New York, NY 10011

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[www.maxprotetch.com](http://www.maxprotetch.com)



## ...Global Presence

(continued from page 1)

23 years of experience in the financial services industry, most recently as a managing director at Swift, a leader in international standards setting for the financial services industry. Prior to joining Swift, he was a partner and managing principal at Capco Consulting where he was responsible for sales and delivery within the private client and personal financial services sector as part of the North American leadership team. In addition, he worked as a vice president of global operating efficiencies and industry initiatives at Deutsche Bank and as a senior trust advisor at PNC Trust Company.

"Mark has an impressive track record within the financial services industry and will leverage his business development and management experience to expand LaCrosse's global sales and product awareness," said LaCrosse Global Fund Services Co-Chief Executive Officer Christopher Kundro.

Rob Helszjan will be responsible for leading the sales and client relationship management efforts in Europe. He will be based in LaCrosse's London office. Rob has extensive experience in the alternative investments industry, most recently

at Barclays Capital in derivatives prime brokerage. Prior to joining Barclays, Rob worked as an independent consultant to the industry and held positions at Deutsche Bank AG and Goldman Sachs International.

"Rob has a strong track record serving the hedge fund industry. He will use his extensive knowledge and experience to enhance LaCrosse's services to our clients. We look forward to working with him as we continue to expand operations in Europe," said Ian Lokkerbol, regional manager for Europe at LaCrosse.

In January, LaCrosse announced that Meng Hua Yeo was named head of client relationships and business development for Asia. She is responsible for leading the sales and client relationship management efforts in the Asia region and will be based in the Singapore office.

Yeo has extensive experience in the asset management industry, most recently as Aberdeen Asset Management's regional head of private wealth management. Prior to that, she was vice president of Institutional Services at ABN AMRO Asset Management and OCBC Asset Manage-

ment's head of institutional client relationship management. She began her career as a portfolio manager in the 1990s at Nomura Asset Management where she was responsible for managing an Asia ex-Japan equity fund. During that time, she gained considerable experience in the financial markets before making the transition to business development and client relations.

"Yeo has a strong track record in serving the asset management industry and will harvest her knowledge and experience to enhance LaCrosse's services to its clients. We look forward to working with her as we continue to expand our operations in Asia," said Celia Choh, regional manager for Asia at LaCrosse.

In addition to Del Col, Helszjan and Yeo, LaCrosse has regional business development support in Latin America. Roberto D'Avila, located in LaCrosse's Sao Paulo office, has responsibility for business development and client relations in Brazil. Judith Garbi has responsibility for the region outside Brazil and is located in Buenos Aires, Argentina.

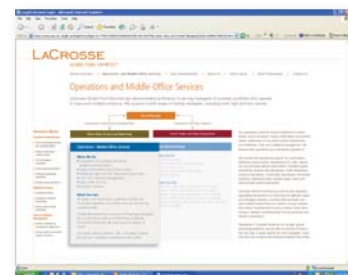
## Visit the new [www.lacrosseglobal.com](http://www.lacrosseglobal.com)

On March 14, LaCrosse Global Fund Services re-launched its website, [www.lacrosseglobal.com](http://www.lacrosseglobal.com). We invite you to visit the site and check out all of the new and improved features:

- + a fresh look, more information and enhanced features
- + more access to up-to-date news and events about LaCrosse than ever before
- + improved functionality

Tell us what you think! For more information on the latest enhancements, or if you have any questions or comments, send us an email to [info@lacrosseglobal.com](mailto:info@lacrosseglobal.com).

[www.lacrosseglobal.com](http://www.lacrosseglobal.com)



Screenshots of the new [www.lacrosseglobal.com](http://www.lacrosseglobal.com)

## LaCrosse in the News

A roundup of news stories and press coverage on LaCrosse Global Fund Services. Click on the links below to open the articles in your web browser.

- + [LaCrosse Global Fund Services announces appointment of Mark Del Col as global head of business development and client relations \(pdf\) - April 25, 2008](#) +
- + [LaCrosse Global Fund Services Implements SunGard's Front Arena for Hedge Fund Administration \(pdf\) - April 22, 2008](#) +
- + [LaCrosse Global Fund Services co-CEO Stuart Feffer discusses plans for new hedge fund guidelines on CNBC Europe - April 16, 2008](#)
- + [LaCrosse Global Fund Services selects CMA DataVision for independent valuation service \(pdf\) - April 11, 2008](#) +
- + [Hedge Fund and Private Equity Leaders Trade Briefcases for Toolbelts and Build Affordable Homes for Low-Income Habitat-NYC Families" \(pdf\) - March 21, 2008](#)  
Hedge Fund for Habitat-NYC Volunteer-Builders Also Raise \$20,000 for Affordable Homes
- + [Josh Lockwood, Executive Director of Habitat-NYC representing Hedge Funds for Habitat-NYC rings the NASDAQ Closing Bell.](#)  
Members of the LaCrosse team join Josh Lockwood and other volunteers to ring NASDAQ closing bell

## About LaCrosse Global Fund Services

LaCrosse Global Fund Services is a provider of operations, middle-office and administration services to managers of complex hedge funds globally. The firm has more than 300 employees in 10 global office locations: Bogota, Buenos Aires, Caracas, Istanbul, London, Minneapolis, Moscow, New York, Sao Paulo and Singapore.

Current assets under administration and supported operationally are in excess of USD \$15 billion, encompassing strategies traded by global portfolio managers who cover global equities, fixed income, commodities, currencies, emerging markets and related derivatives.

LaCrosse began as a spinout of the middle- and back-office operations that had supported Black River Asset Management and, prior to that, Cargill Global Capital Markets. Today it is an independently managed subsidiary of Cargill providing services to the alternative investment industry. For more information, visit LaCrosse at [www.lacrosseglobal.com](http://www.lacrosseglobal.com).

To see a complete list of asset classes supported by LaCrosse Global Fund Services, please click [here](#).

LaCrosse is proud to sponsor Hedge Funds for Habitat - NYC

