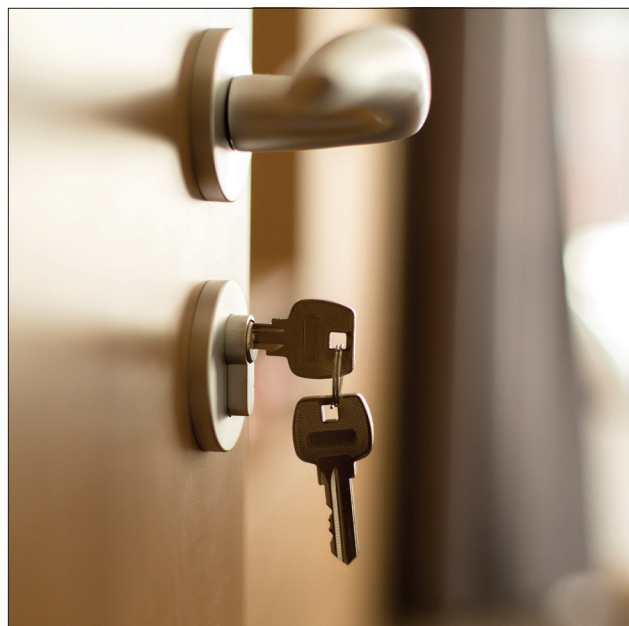


Bankruptcy as a Civic Service

Client:	Lynnhill Condominium Association
Industry:	Real Estate
Area of Law:	Insolvency & Restructuring
Venue:	U.S. Bankruptcy Court, District of Maryland
Result:	Troubled condo complex sold for \$17 million



“You would have probably gotten nothing but for the efforts of these people at the table.”

—U.S. Bankruptcy Court Judge Wendelin I. Lipp, addressing condominium owners from the bench and referring to Pillsbury’s lawyers in the courtroom, September 13, 2018

**Restructuring
Deal of the Year**
(\$10 – \$25 million)

**M&A Advisor
2019 Turnaround Awards**

**Americas
Restructuring
Winner**
Small Market

M&A Atlas Awards

Lynnhill Condominium in suburban Maryland had a lot going for it. Situated just steps from a DC Metro station, the two-building, 219-unit complex was just five miles from the U.S. Capitol.

Yet the Lynnhill Condominium Association was destined to fail. Individual unit owners were not billed directly for utilities (electricity, water/sewer, trash removal and general upkeep); instead, these expenses, contracted for by the Association, were to be covered by monthly condominium fees. This arrangement left the Association responsible when an owner didn’t pay.

Eventually, most owners stopped paying their dues (in part because other owners stopped paying theirs). Utilities cut off service; the property fell into disrepair; and Lynnhill became uninhabitable, attracting vermin and petty criminals.

Three separate times, the Association filed for bankruptcy hoping to solve its problems, but all three cases failed. Prince George’s County faced the unpalatable possibility of condemning and rehabilitating the property at taxpayer expense, even though the property had value that might be unlocked if its problems were solved.

Pillsbury came up with a creative solution. Beginning in late 2017, Insolvency & Restructuring and Real Estate lawyers developed and implemented an extraordinarily complex restructuring for the Association. First, they persuaded a Maryland state court to terminate the condominium regime and allow the Association to sell the property as a unified project, not 219 separate condominium units. Then, after engaging a broker and selecting a bidder willing to fund the process, they used Chapter 11 to sell the property and impose an orderly process for dealing with the Association’s creditors, taxing authorities, unit holders and their mortgage creditors.

The result: At a February 20, 2018 auction, two bidders competed for Lynnhill. The winning bid of \$17 million enabled the Association to pay its creditors in full and distribute more than \$10 million for the benefit of unit owners. Without a pre-arranged or pre-packaged plan, Lynnhill confirmed its Chapter 11 reorganization plan in just 49 days—an outcome that earned top recognition at both the 2019 *M&A Advisor* Turnaround Awards and M&A Atlas Restructuring Awards.