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Distressed Real Estate Symposium

Systemic Stress in Affordable Housing: Lessons from the Pinnacle Bankruptcy

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Systemic Stress in Affordable Housing: Lessons from the Pinnacle Chapter 11 Cases

March 17, 2026



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Multifamily by the Numbers: Nationally vs NYC



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Rental Housing Market – A Snapshot Nationally vs NYC

\$\$ = ACTUAL

	NATIONAL	NYC
Rent & Income Levels		
Average Median Household Income	\$ 81,604	\$ 101,078
Percent Renters	35%	70%
Average Rent	\$ 1,740	\$ 3,326
Rent-to-Income Ratio	26%	40%
Median Home Value	\$ 412,500	\$ 1,010,800
Price-to-Income Ratio	5.0	10.0
Housing Stock & Vacancy		
Multifamily Stock (units)	45M	3.4M
Built as Rental		68%
Percent Renters (42.5MM)	35%	
Rent Control/Regulated units (mostly NYC, CA, NJ, D.C.)	2.3-2.7M	
Rent Regulated as % of Rental Housing		52%
Other Types of Affordable		
LIHTC (in thousands)	3.7M	
Public Housing (in thousands)	900K	
PBRA/PBV (in thousands)	1.8M	
HUD 202/811 (in thousands)	200K	
Delivered (Nat'l in 2024; NYC in Last 3 Yrs)	608,000	28,032
Vacancy Rate Nationwide	11%	2%

Attribution & Thanks: Meridian Investment Sales for NYC data.

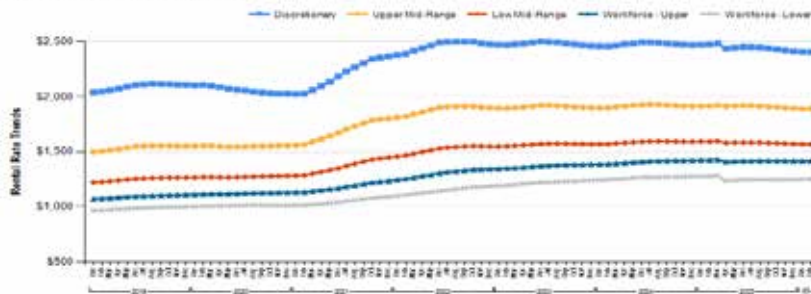


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Rental Housing Market – US Multifamily - Rent Increase by Demographic (2019-2026)

Property Asset Class	85 Month(s) Change		2019		2020		2021		2022		2023		2024		2025		2026	
	Total	Pct	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	Jan	
Discretionary	\$364	17.9%	\$2,039	\$2,104	\$2,023	\$2,377	\$2,469	\$2,457	\$2,469	\$2,406								
Upper Mid-Range	\$391	26.1%	\$1,497	\$1,551	\$1,559	\$1,812	\$1,894	\$1,898	\$1,913	\$1,889								
Low Mid-Range	\$345	28.2%	\$1,222	\$1,265	\$1,283	\$1,456	\$1,547	\$1,568	\$1,590	\$1,568								
Workforce - Upper	\$341	31.8%	\$1,073	\$1,112	\$1,133	\$1,246	\$1,347	\$1,388	\$1,425	\$1,415								
Workforce - Lower	\$284	29.3%	\$967	\$1,003	\$1,011	\$1,099	\$1,191	\$1,243	\$1,276	\$1,250								
Total	\$413	30.0%	\$1,361	\$1,417	\$1,428	\$1,643	\$1,745	\$1,770	\$1,799	\$1,775								

Average Rental Rate by Property Asset Class

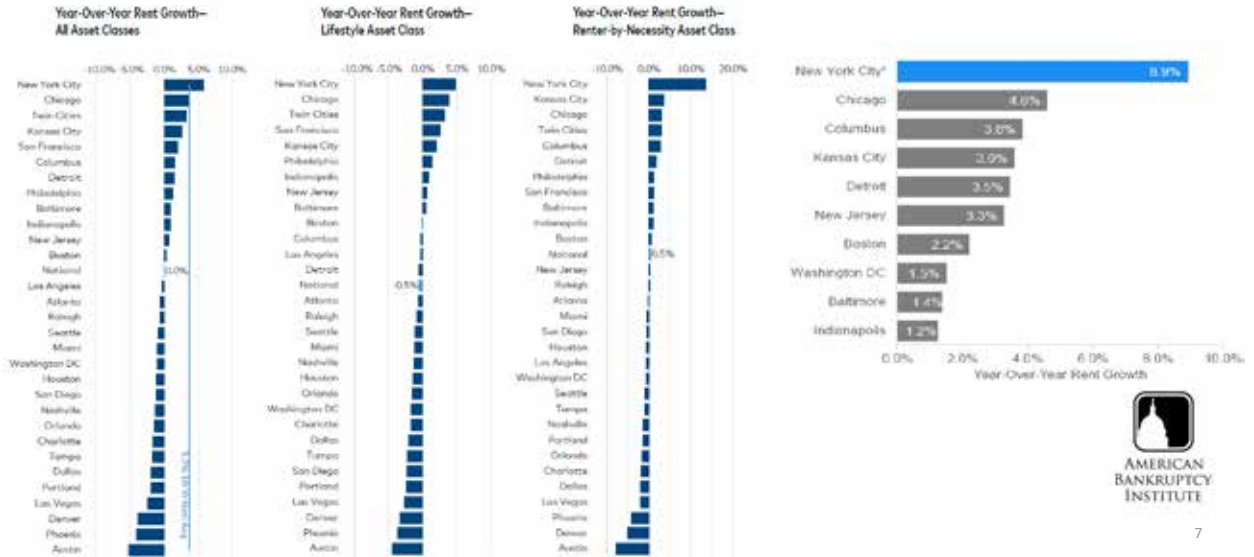


Attribution & Thanks: Meridian Investment Sales. Source: YardiMatrix



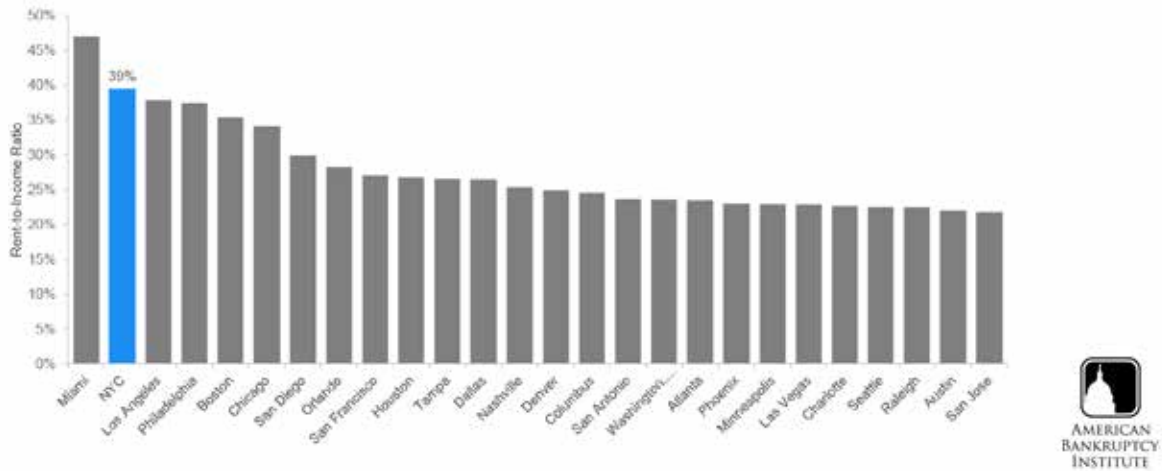
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Rental Housing Market – US Multifamily – Rent Increase by Geography (10 Year Average)



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Rental Housing Market – US Multifamily – Rent as a % of Income

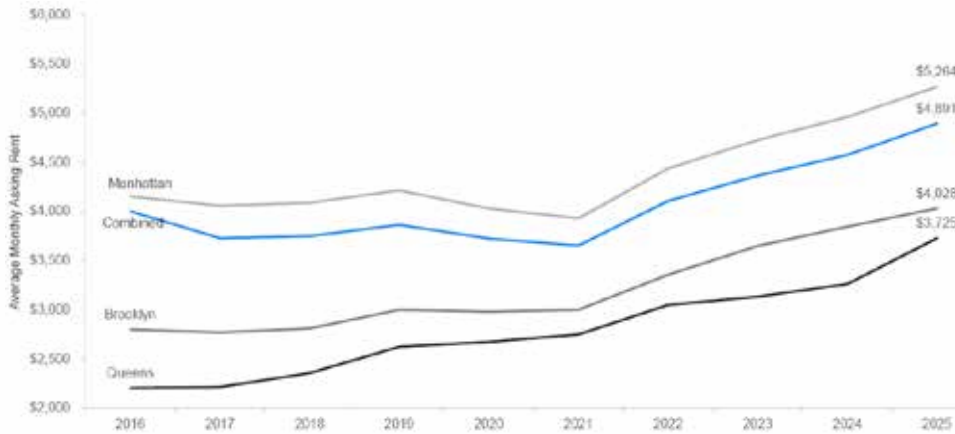


Attribution & Thanks: Meridian Investment Sales. Source: US Census Bureau, Yardi Matrix, CoStar



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Rental Housing Market – NYC Multifamily – Among the Most Expensive...and Rising



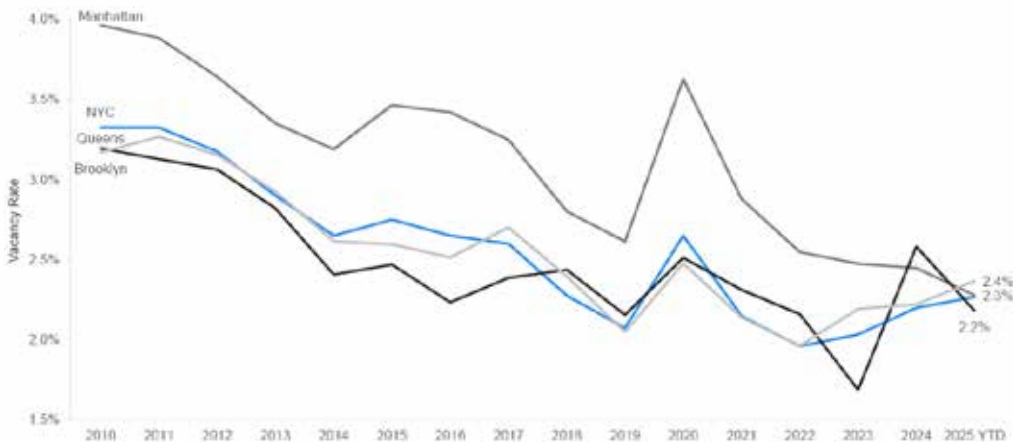
Attribution & Thanks: Meridian Investment Sales. Source: CoStar



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Rental Housing Market – NYC Multifamily – Fueled by Historically Low Vacancy



Attribution & Thanks: Meridian Investment Sales. Source: CoStar



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Multifamily Rent Regulation: Nationally vs NYC



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Rental Housing Market – US - Increasing Rent Regulation/Stabilization

States with Rent Control Laws:

Oregon SB 608 – 7% + Inflation Annually
California AB 1482 – 5% + Inflation, max 10%
Washington HB 1217 – 7% + Inflation, max 10%

Over 30 cities have some level of rent control.
Over 30 states have laws disallowing rent control.

Possible Side Effects –

- Fewer Projects Pencil – Fewer Starts
- Inability to keep pace with operation costs increase = deferred CapEx
- Valuation upon sale
- Condo Conversion
- Fewer Workforce Units

- Advantages of Rent Control for LIHTC

- Many states exempt LIHTC Properties
- Rents already restricted
- Different debt options/already rent constrained
- Often have more subsidies and incentives for LIHTC

- Risks with LIHTC

- Conflicting layered rules
- Narrowing gap between market/LIHTC

Attribution & Thanks: Meridian Investment Sales. <https://propertymanagement.com/laws/rent-control/>



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Rental Housing Market – NYC – Among the Most Onerous Rent Regulation/Stabilization as of 2019

Housing Stability & Tenant Protection Act (HSTPA) – 2019*

- **Deregulation** – no longer allowed due to high rent / income
- Rent increases
 - Market rate units – no change, no limit
 - Rent stabilized units – pref + RGB upon renewal
- Vacancy increases
 - Market rent – no change, no limit
 - Rent stabilized units – limited to RGB; previously able to apply 20% increase to legal rent upon vacancy
- IAI / MCI (buildings > 35 units)
 - MCI – amortization period lengthened to 12.5 years; cap limited to 2% (decrease from 6%)
 - IAI Amended* – allowance limited to \$30,000 (previously no limit); amortization period – 15 years
- Implications
 - Rent stabilized unit warehousing
 - Deteriorating building conditions
 - Valuation impact

Good Cause Eviction (GCE) – 2024

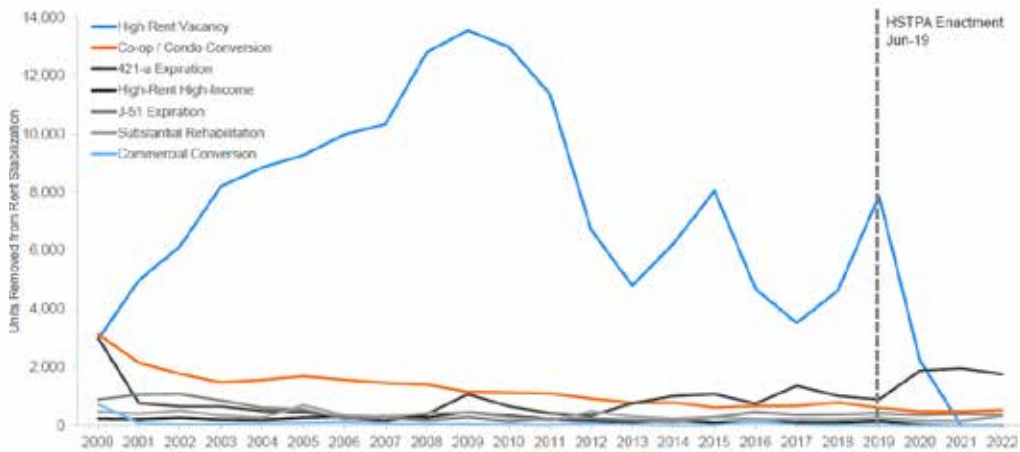
- GCE laws mandate that landlords demonstrate a "good cause" for evicting a tenant or declining to renew a tenant lease beyond the allowable rent increases
- Rent increases
 - Market rate units – lesser of (i) 10%; or (ii) 5% + CPI
 - Rent stabilized units – no change
- Exemptions from GCE
 - TCO or CO issued after 1/1/2009 are exempt for 30-years from issuance of certificate
 - Apartments with a monthly rent greater than 245% of fair market value as published by HUD
 - Condos and co-ops
 - Units already subject to rent regulation
- Implications
 - Investor sentiment
 - Rent increases
 - Value-add timing

Attribution & Thanks: Meridian Investment Sales.



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Rental Housing Market – NYC – Rent Stabilized Deregulation Impact Post 2019



Attribution & Thanks: Meridian Investment Sales.





Rental Housing Market – NYC – Ground Leases and Rent Reset Challenged

- New York has over 100 "land lease properties" which are buildings where the real estate entity (whether a co-op corporation or condo association) owns the building but not the land, which is leased from a separate landowner.
 - Buyers purchase a share of the building (or a unit if condo) and pay rent to the landowner for the use of the ground in the form of monthly maintenance or common charges.
 - Initial purpose of this construct was to make housing more affordable by allowing buyers to pay less up-front for their units and spread out the differential in cost by making rent payments to landowner.
- However, when these long-term ground leases (often 50–99 years) reach certain intervals or expire, the rent is typically recalculated based on the current fair market value of the land. These recalculations can cause ground rent to skyrocket.
 - Carnegie House, which is located on 6th & 57th, for example, just saw an annual ground rent increase from \$4 million to \$25 million, adding roughly \$6,400 a month to residents' bills.
 - Residents who can't pay likely to lose equity
 - Low re-sale value of shares / units
 - Co-ops may be forced to dissolve and revert to a rental property
- Ground Lease Co-Op Bill introduced:
 - If a co-op is forced to de-convert to a rental property, this bill would protect tenants from unreasonable rents
 - Gives co-ops right of first refusal to buy land if landowner decides to sell
 - Gives co-op ability to borrow for required repairs and improvement which is limited under some land leases
- The Bill was approved by the Senate last year but not the General Assembly. Another attempt likely to be made this year.

Sources:

Cooper Smith, *Midtown Co-Op Residents Face 450% Monthly Fee Increase*, COOPERATOR NEWS, August 14, 2025, <https://cooperatornews.com/article/midtown-co-op-residents-face-450-monthly-fee-increase>; S. 2025-S2433A, 119th Cong. (2025); *Land-Lease Co-ops Gain Right to Renew Leases Before Expiration*, HABITAT, October 4, 2024, <https://www.habitatmag.com/Publication-Content/Legal-Financial/2024/October-2024/new-york-land-lease-co-ops>.



Rental Housing Market – NYC – New Development 485-x

485-x Option	Option A		Option B	Option C	
Units	150+ (Very Large Rental)		100+ (Large Rental)	6-99 (Modest Rental)	6-10 (Small Rental)
Location	Zone A	Zone B	No Restrictions	No Restrictions	Outside Manhattan / Max 12,500 SF Resi Floor Area
Wage Requirement	Lesser of \$72.45/Hr or 65% of PW	Lesser of \$63/Hr or 60% of PW	\$40/Hr	n/a	n/a
Affordability Requirements					
% Affordable	25%	25%	25%	25%	50% Rent Stabilized
% of AMI	85%	80%	80%	80%	n/a
Income Bands	Three, not to exceed 100% AMI	Three, not to exceed 100% AMI	Three, not to exceed 100% AMI	Three, not to exceed 100% AMI	n/a
Tax Benefit					
Years of Benefit Schedule	40 Yrs 1-40: 100% Exempt	40 Yrs 1-40: 100% Exempt	35 Yrs 1-35: 100% Exempt	35 Yrs 1-25: 100% Exempt Yrs 26-35: 20% Exempt	10 Yrs 1-10: 100% Exempt
Construction Period Exemption					
Years of Benefit Schedule	Up to 5 100% Exempt	Up to 3 100% Exempt	Up to 3 100% Exempt + Mini Tax	Up to 3 100% Exempt + Mini Tax	Up to 3 100% Exempt + Mini Tax

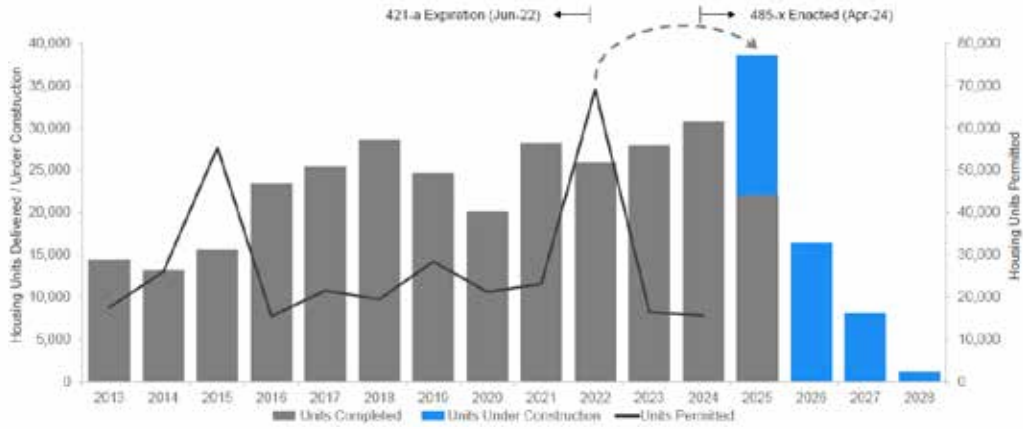
Zone A: Manhattan (South of 96th Street), Long Island City, Williamsburg, Greenpoint
 Zone B: Astoria, Halletts Point, Queensbridge, Ravenswood, Dutch Kills, Brooklyn Heights, Downtown Brooklyn, DUMBO, Boerum Hill, Fort Green, Clinton Hill, Carroll Gardens, Cobble Hill, Red Hook, Park Slope, Prospect Heights



Attribution & Thanks: Meridian Investment Sales.

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Rental Housing Market – NYC – Housing Supply Construction & Development Impact of 485-x



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Multifamily Rent Regulation Impact: Nationally vs NYC



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Affordable Housing – US – Increasing Distress

- Approximately 25.6% Stabilized LIHTC deals operating at a deficit as of 2024
 - Expense Increases of 10.3%
 - Eviction moratoriums lead to 90% economic occupancy in many areas

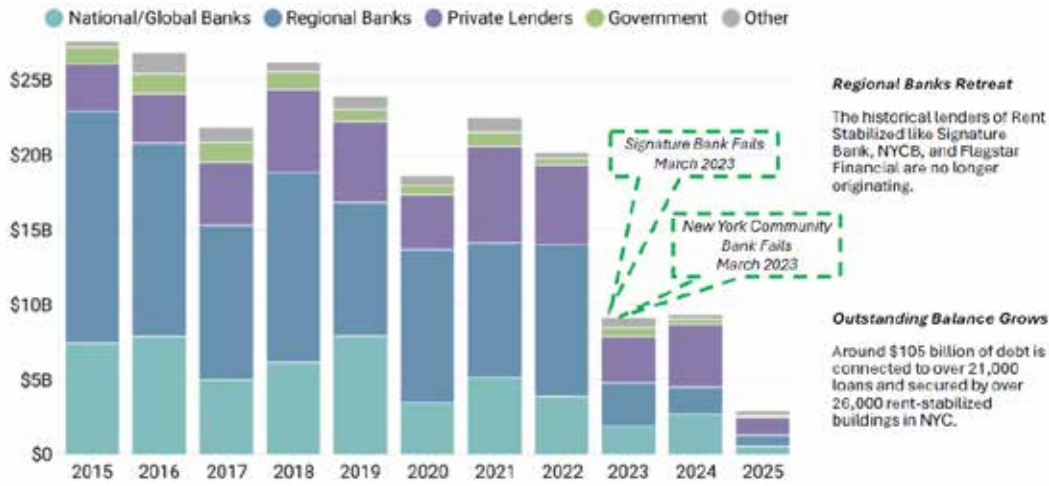
- Foreclosure of LIHTC Assets Differs from Rent Control Apartment
 - First 15-year compliance period = recapture
 - May erase LIHTC LURA w/3-year decontrol
 - Does not remove HAP contract
 - May still be subject to land lease
 - May still be subject to other regulatory restrictions
 - Property may not be worth outstanding debt
 - Refinance an issue

- What does this look like in practical terms?



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Affordable Housing - NYC - Rent Stabilized Debt Issuances Dropped off a Cliff

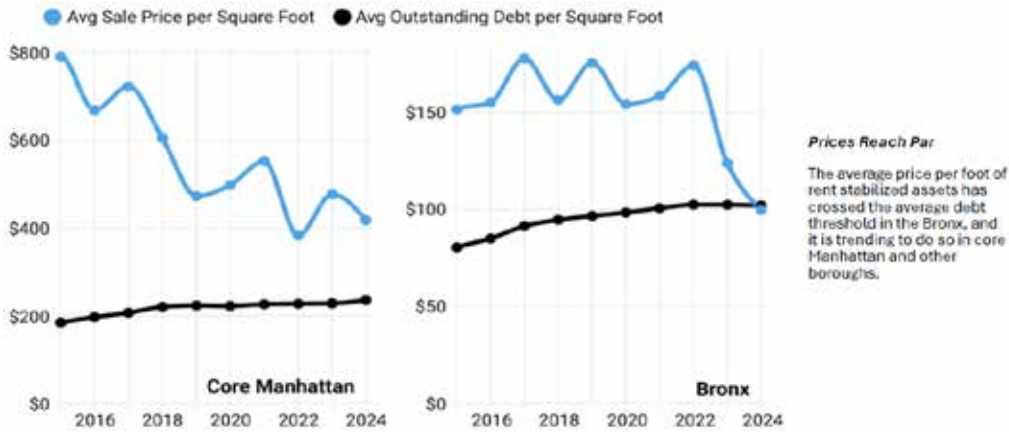


Attribution & Thanks: Eastdil Secured. Source: Columbia Business School's Milstein Center. "The Mamdani Rent Freeze and Its Impact on New York City's Multifamily Market (6/25/2025)."



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Affordable Housing - NYC - Rent Stabilized Acquisition Market Saw Valuations Approach of Sink Lower than Debt Value



Attribution & Thanks: Eastdil Secured. Source: Columbia Business School's Milstein Center: "The Mamdani Rent Freeze and Its Impact on New York City's Multifamily Market (6/25/20)



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Affordable Housing – NYC – Mayoral Campaign Promises of Rent Freezes Despite Inflation Data



Attribution & Thanks: Eastdil Secured. Source: Columbia Business School's Milstein Center: "The Mamdani Rent Freeze and Its Impact on New York City's Multifamily Market (6/25/2025)."



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Affordable Housing – NYC – A Summary Before a Review of Impact

- Vacancy rates are at historically low levels
- Rent growth is outpacing other metros in the US
- Supply constrained coupled with record low permitting
- Political landscape
 - HSTPA (2019)
 - Good Cause Eviction (2024)
 - 485-x and 467-m (2024) – revitalized tax incentive programs for new construction / office conversions
 - City of Yes for Housing Opportunity (2024) – zoning text amendment to increase housing supply
- Housing affordability remains a critical issue
- And, yet, lender and owner survival are now also at issue
- What follows is a real case study, still unfolding, of the impact of rent stabilization in the face of rising expenses...

Attribution & Thanks: Meridian Investment Sales.



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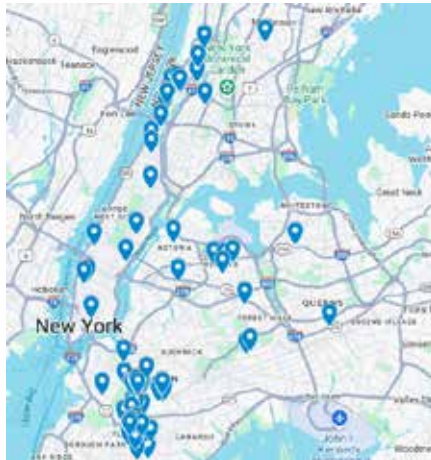
A Case Study in Impact: Pinnacle Chapter 11 (Broadway Realty)



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Case Background – The Debtors’ Business

- The Pinnacle Debtors are part of a real-estate portfolio management company holding interests in approximately 120 multi-family residential buildings in New York City.
- The eighty-two (82) Debtors collectively own approximately 5,200 residential units and had approximately 130 employees.
- The Debtors’ residential units are located across four of New York City’s boroughs: Manhattan, Brooklyn, the Bronx, and Queens.
- Substantially all of the Debtors’ tenants are entitled to statutory rent protection.



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Case Background – The Debtors’ Business (cont’d)

Debtors’ Organizational Structure

- The Debtors are New York and Delaware limited liabilities companies.
- Each of the Debtors is a member managed limited liability corporation and indirect subsidiary of Zarasai Group, Ltd., a holding company organized under the laws of the British Virgin Islands.

Debtors’ Capital Structure

- The Debtors’ ninety-three (93) properties are encumbered by approximately \$564M of aggregate secured first lien property level mortgage debt held by Flagstar Bank N.A.
 - The mortgage loans are generally evidenced by separate mortgage agreements with each Debtor.
 - The mortgage loans are secured by, among other things, the property, fixtures, improvements, rents, leases, and other earnings, royalties, and accounts receivable associated with the applicable properties.



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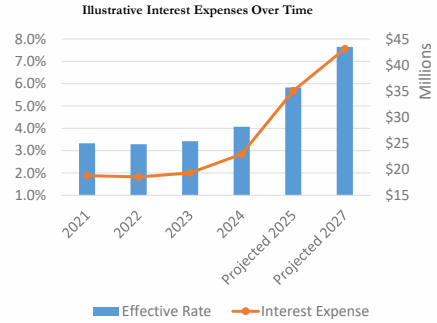
Case Background – Circumstances Leading to Distress

The Debtors, the majority of which were incorporated in the late 1990s and early 2000s, operated successfully for decades before entering distress as a result of a combination of recent events:

1. **Interest Rates:** The Debtors financed their property portfolio primarily with loans with interest rates that reset after five years.
 - As interest rates began to rise rapidly beginning in 2022, the rates on a large portion of the Debtors' mortgage debt rose from 3%-4% to 7.5%-10.25%.
 - The Debtors' annual interest expense rose from approximately \$20M in 2023 to approximately \$25M in 2024 against revenues of \$89.5M.
 - Total debt service (principal and interest) in 2024 totaled approximately \$36M.
 - In 2025, the Debtors projected an increase in debt service to approximately \$45M, with approximately \$35M of interest.

2. **Legislation:** Material changes to the New York City Tenant Protection Act in 2019 restricted the Company's ability to monetize its portfolio and put further strain on cash flow.
 - Limited ability to convert apartment buildings to condominiums, a mainstay and successful component of the Company's business plan prior to the TPA amendments.
 - Limited ability to raise rents upon tenant departures from rent regulated units or to recover necessary improvements made to regulated units.

3. **Inflation:** All of this was coupled with rising inflation, leading to higher operating costs, and lower rent collections.



Case Background – Foreclosure Actions and Chapter 11 Filing

Foreclosure Actions Initiated by the Mortgage Lender

- Leading up to and into January 2025, it became increasingly difficult for the Debtors to continue servicing their mortgage debt from internal sources.
- On March 14, 2025, the Mortgage Lender delivered a Notice of Default purporting to accelerate all amounts outstanding with respect to the mortgage loans held by the Debtors, and shortly thereafter commenced four separate foreclosure proceedings in four separate New York State courts against the Debtor Properties.
- As part of the foreclosure proceedings, the Mortgage Lender immediately sought to appoint a receiver on an expedited, emergency basis with the authority to, among other things, take control of and manage the Debtor Properties subject to the foreclosure action in Manhattan.

Receivership Risk and Chapter 11 Filing

- Faced with the imminent risk of receivership over significant assets in their property portfolio, the Debtors rapidly diverted their restructuring efforts to preparing a defensive chapter 11 filing to preserve the value of their enterprise and avoid significant disruption for their tenants.
- On May 21, 2025, shortly after the Mortgage Lender's receivership request was granted, the Debtors commenced chapter 11 cases in the U.S. Bankruptcy Court for the Southern District of New York.
- At the outset of the Chapter 11 Cases, the Debtors made clear they would pursue all avenues to maximize value including sales, financing, and condo-ization.



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Cash Collateral Dispute

Interim Relief

- At the outset of the chapter 11 cases, the Debtors obtained interim “first-day” relief which included, among other things, authority to use cash collateral on a limited interim basis consisting of rents subject to the Mortgage Lender’s liens.

Final Relief

- The parties went into the final cash collateral hearing approximately 30 days later on a contested basis. The Debtors argued that:
 - The Mortgage Lender was adequately protected by a significant equity cushion on each property, and
 - All proposed expenditures should be deemed eligible for surcharge under Bankruptcy Code section 506(c) because they would benefit the Mortgage Lender by preserving property values and keeping the Debtors operating as going concerns.
- Although the Court found that the Debtors likely had a substantial equity cushion for many of the Debtors, the Court ultimately denied the Debtors’ Motion in Bench Decision issued in June 2025 because it was not satisfied the Debtors met their burden for the entire portfolio and each of the Debtors.
 - The Court required demonstration of a sufficient equity cushion as to each of the 82 properties individually. A subset had cushions below 18% which the Court determined insufficient.
 - The Court declined to adopt the surcharge theory, seeking more tailored evidence that proposed expenditures, including professional fees, would directly benefit the Mortgage Lender.
 - The Court indicated that a more granular, property-by-property analysis with supporting evidence for necessity, reasonableness, and the benefit of the expenditures to the Mortgage Lender.



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Cash Collateral Dispute – Final Cash Collateral Order

Final Cash Collateral Order

- Following the Bench Decision, the Debtors and the Mortgage Lender engaged in several months of negotiations and successfully reached an agreement for the consensual use of cash collateral to fund a six-month, robust, comprehensive marketing process to maximize value for tenants, the estates, and creditors.
- The Final Cash Collateral Order, which was entered in late September 2025, authorized the Debtors to use cash collateral through February 17, 2026.
- Pursuant to the Final Cash Collateral Order, the Debtors:
 - i. appointed a second restructuring professional as co-chief restructuring officer who would share joint authority to “review and recommend” with respect to all material aspects of the Debtors’ efforts and strategy to sell, transfer, market, refinance, or otherwise engage in a transaction involving the Debtor Properties,
 - ii. agreed to sale and plan process with milestones for a closing prior to February 12, 2026, and
 - iii. retained Eastdil Secured L.L.C. as real estate advisor to conduct the sale process.



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Sale Process – Bidding Procedures

- Bidding Procedures: the Debtors crafted bidding procedures that were approved by the Court on October 1, 2025, which, among other things:
 - i. authorized the Debtors to designate a stalking horse bidder and offer bid protections,
 - ii. set out a timeline to conduct a six-month sale process, with key dates tied to milestones included in the Final Cash Collateral Order.
- The Debtors worked with pro bono counsel for certain tenants on language that was included in the Bidding Procedures Order and related materials making clear that any bidder would take the properties subject to existing tenant leases and applicable regulations.
- There were no objections filed to the Debtors' bidding procedures motion.



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Sale Process – Outreach

- Eastdil initiated the marketing process in mid-September 2025, with outreach to 14,000+ potential purchasers, including:
 - investors,
 - developers,
 - debt funds,
 - non-profits,
 - religious groups,
 - lenders,
 - family offices,
 - syndicators,
 - institutional funds,
 - high net worth individuals, and
 - distressed asset investors across the United States and abroad.
- Approximately 165 parties contacted Eastdil for additional information about the opportunity and 144 potential purchasers executed confidentiality agreements.
- Beginning in October 2025, Eastdil conducted 19 tours of the Debtors' properties.
- The Debtors received 14 non-binding indications of interest, and, ultimately, 4 bids for all of the Debtors' properties and 2 bids each for a single property.



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Sale Process – Negotiations with Bidders and Stalking Horse

- The Debtors' advisors engaged in extensive negotiations with several bidders on the terms of a purchase agreement for a potential stalking horse bid.
- On December 22, 2025, in accordance with the Bidding Procedures Order, and upon the joint recommendation of the CROs and with the consent of the Mortgage Lender, the Debtors designated Summit Gold, Inc. as the stalking horse bidder for the Debtors' entire portfolio with a purchase price of \$451.3M.
- Up through the start of the Auction, Eastdil and the Debtors' other advisors continued to engage with the other Qualified Bidders and other interested parties that had not previously submitted Bids in an effort to enhance deal terms and encourage a competitive bidding process.



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Sale Process – Plan and Disclosure Statement

- On October 27, 2025, in parallel to the Marketing Process, the Debtors prepared and filed the following:
 - 1. Joint Chapter 11 Plan** to consummate the highest or best transaction from the marketing process
 - toggle plan to effectuate a sale or refinancing
 - payment in full of Allowed Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims
 - one voting class consisting of the Mortgage Lender's claims
 - appointment of a Plan Administrator to oversee the wind-down and dissolution of the Liquidating Debtors
 - Benefit of Plan Sale: exempt from substantial transfer and mortgage recordation taxes pursuant to section 1146 of the Bankruptcy Code.
 - 2. Disclosure Statement** in support of the Joint Chapter 11 Plan, and
 - 3. Solicitation Procedures Motion** seeking approval of, among other things, (i) the disclosure statement and (ii) procedures for soliciting, submitting, tabulating votes on, and filing objections to, the Plan, which included a proposed timeline for the plan confirmation process that tied to the milestones set forth in the Final Cash Collateral Order.
- On December 3, 2025, the Court approved the Solicitation Procedures Motion. Shortly thereafter, the Debtors commenced the solicitation process in accordance with the timeline set forth in the Court's approval order.



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Sale Process – City Intervention & Adjournment Request

- On his first day in office, New York City Mayor Mamdani announced that one of the first major actions of his administration would be to intervene in the Pinnacle chapter 11 proceedings to seek immediate relief to improve living conditions for Pinnacle tenants.
- On January 5, 2026, the City of New York filed an adjournment request seeking a thirty (30) day adjournment of the dates set out in the Bidding Procedures, including:
 - the Auction, which was scheduled to take place two days following the filing of the adjournment request, on January 8, and
 - the hearing set for approval of the sale and confirmation of the Debtors' plan, which was scheduled to take place on January 15, 2026.
- The basis for the adjournment request: to permit the City to sufficiently evaluate the proposed sale to Summit, explore any potential alternatives, discuss with the interested parties a path forward that will benefit all constituencies, and to promote the confidence of the public in the fairness and justice of the chapter 11 proceedings.
- At a status conference on January 7, 2026, the Court denied the City's adjournment request for the following reasons:
 - The timeline in place was approved several months prior on October 1, 2025 under milestones that are conditional to the Debtors' continued use of cash collateral, which the Debtors need to function, and
 - despite the recent change in government and the city's high-level focus on the Pinnacle chapter 11 proceedings, there was no adequately concrete or legally viable basis to extend the timeline in the face of an order existing since October 1.



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Sale Process – Auction

- The Debtors held the Auction on January 8, 2026, at Weil's New York office.
- Only one other Qualified Bidder submitted a bid at the Auction in an attempt to be selected as higher or better than the Stalking Horse Bid. That offer had two major contingencies outside of the bidder's and the Debtors' control:
 1. The bid required financing from the Mortgage Lender that was not presently being offered;
 2. The bid required the City's approval for entry of each of the Debtors' 93 properties into the Article XI regulatory program.
- Evaluation of Competing Bid
 - The CROs assessed uncertainty, risks, and additional costs associated with the bid, with the following considerations contributing to their ultimate determination:
 - The Mortgage Lender was unwilling to finance the proposal due to attached contingencies,
 - Timing and approval of City incentives could not be predicted with certainty,
 - Bidder's documentation required substantial revisions and negotiation,
 - Cash collateral authorization expired February 17, 2026, limiting available time.
- Designation of Successful Bid
 - Summit's Bid determined to be highest, best, and only viable offer.
 - Summit's Bid is designated as Successful Bid upon joint CRO recommendation and with the Mortgage Lender's consent.



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Plan Confirmation – Objections to Confirmation

- Seven (7) objection to confirmation were filed by the City, various tenant group representatives, and the U.S. Trustee.
- **Objections relevant to discussion:**
 1. **Feasibility:** the City and tenants asserted that the Plan was not feasible under section 1129(a)(11) of the Bankruptcy Code because the Debtors did not provide sufficient information to show that:
 - the properties can support the proposed sale price and maintenance needs given the regulated rents and
 - Summit has sufficient resources or willingness to maintain the buildings.
 2. **Free and Clear Sale:** the City and tenants requested clarifying language be added to the Plan and Confirmation order to make clear that the sale did not seek to transfer the Debtors' properties free and clear of applicable regulatory restrictions.
 3. **Adequate Assurance of Future Performance:** the City and tenants asserted that Summit had not provided adequate assurance of future performance under the tenant leases, and the City's objection asserted a cure objection on behalf of tenants on account of hypothetical breaches of tenant leases.
- **Confirmation Hearing:** the Confirmation Hearing took place on January 15-16, 2026. On January 16, the Court read its decision confirming the Plan into the record, and on January 19, memorialized its decision with a written bench decision.



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DISTRESSED REAL ESTATE SYMPOSIUM

Plan Confirmation – Feasibility

- Section 1129(a)(11) of the Bankruptcy Code imposes as a condition of granting confirmation that "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan." 11 U.S.C. § 1129(a)(11).
- The Court held that in the context of a liquidating plan, feasibility requires only the ability to satisfy conditions precedent, fund administration costs, and consummate the plan. Here, no ongoing debtor successor would exist post-confirmation, so concerns about future operations are misplaced under this section.
 - 10% of purchase price deposited in escrow;
 - Summit secured \$338.5M in financing from the Mortgage Lender plus \$113M in equity.
- The Court found the City and tenants' objections largely misplaced and more properly considered under the adequate assurance requirement. The Debtors demonstrated good reason to anticipate the sale transaction will close and permit an orderly winddown.



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DISTRESSED REAL ESTATE SYMPOSIUM

Plan Confirmation – Free and Clear Sale

- Section 363(f) of the Bankruptcy Code permits the sale of property free and clear of any interests in such property where one of several conditions are met. 11 U.S.C. § 363(f).
- The Court found the City's concerns that the Plan's contemplation of a sale free and clear of liens and similar burdens on title could be an attempt to circumvent certain governmental interests and violations were unfounded.
 - Debtors repeatedly disavowed any such effect in their papers and on the record at the Confirmation Hearing;
 - The sale transaction is subject to the City's regulatory authority;
 - The sale transaction is explicitly subject to all existing leasehold interests and does not excuse Summit from meeting applicable City or other regulatory requirements;
 - Summit explicitly acknowledged that existing violations must be and will be addressed.



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DISTRESSED REAL ESTATE SYMPOSIUM

Plan Confirmation – Adequate Assurance of Future Performance

- Section 365 of the Bankruptcy Code governs a debtor's ability to assume and assign executory contracts and unexpired leases, and, in part, mandates a debtor or trustee to "cure" or provide "adequate assurance" that the debtor will "promptly cure ... default[s]" of the executory contract or lease being assigned. 11 U.S.C. § 365(b)(1).
- The Court held that adequate assurance does not require a guarantee; it must only reasonably appear lease obligations will be met. In determining whether adequate assurance exists, a flexible approach and pragmatic assessment of the circumstances present is required.
- Summit satisfied the standard based on:
 - A well-considered remediation plan prioritizing the most pressing building conditions;
 - Bid amount was determined by considering the capital needs of the assets and the needed reserves for operational stability, maintaining the assets, and existing regulatory frameworks;
 - Summit estimated that it needs \$30M over the next five years for building needs of which an anticipated \$10M will be used to promptly address existing violations and building issues;
 - Summit invested \$113M of its own funds as equity into the portfolio which substantially reduced the debt load and will cut financing costs by 45% compared to Pinnacle costs, freeing up cash flows / rent revenue to be used to address building conditions;
 - Retention of experienced, qualified property management firms with strong track records;
 - The Mortgage Lender's \$3M revolving credit line to cure violations at any individual building.
- City's and tenants' requests for binding guarantees, specific schedules, dedicated reserves, or faster timelines exceed what the Bankruptcy Code requires.



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DISTRESSED REAL ESTATE SYMPOSIUM

Plan Confirmation – City Standing and *Parens Patriae*

- Although the issue was not briefed or addressed in the Court's Bench Decision, the Court discussed on the record at the Confirmation Hearing the City's standing to object on behalf of tenants.
- The Court observed that, notwithstanding the lack of briefing, there is a strong basis to conclude that the City has *parens patriae* standing under applicable law to represent the interests of its constituents, including large groups of tenants.
 - The Court described *parens patriae* as the authority of a city, state, or other governmental entity to act on behalf of affected constituent.
- The Court stated that, absent a motion seeking a contrary ruling, it would treat the City as properly appearing in the exercise of its *parens patriae* authority and related governmental responsibilities.



DISTRESSED REAL ESTATE SYMPOSIUM

The Impact of Rent Stabilization is Real for Owner, Lender and Tenant - Lessons from Pinnacle

Chapter 11 provides a tried-and-true process to stabilize distressed portfolios:

- Halts value-destructive foreclosure actions or receivership requests, preserving operations and tenant stability.
- Provides additional time to pursue value maximizing solution, whether that be to find financing or to pursue a sale or condo-ization plan.
- Court oversight de-escalates lender conflict and creates structured dialogue with lenders and tenants through approved budgets, milestones, and variance monitoring.
- Exemption from transfer and mortgage recordation tax if conducting a chapter 11 plan sale.

Takeaway for equity holders:

- Engage proactively with lenders well in advance of loan maturities.
- Carefully assess the timing of a chapter 11 filing, balancing available liquidity against restrictions on secured cash.
 - Entering chapter 11 with a minimum of 1–2 months of operating cash may allow for a backward-looking surcharge.
- Enter chapter 11 with a clear, actionable restructuring or sale plan, supported by credible analysis. Entering in freefall with an uncertain path forward tends to reinforce lender's narrative.
- Maintain constructive relationships with tenants

Takeaway for lenders:

- Promote greater transparency around funding and remain open to interest rate modifications where appropriate.
- Weigh speed against certainty when evaluating enforcement options: foreclosure can be protracted and value-destructive. Chapter 11 may be used to preserve enterprise value.
- Chapter 11 can offer structural advantages, including exemption from mortgage transfer and recordation taxes and the ability to keep the business intact and sell as a going concern rather than through foreclosure.



Faculty

Ephraim I. Diamond is the founder of Arbel Capital Advisors LLC in Lawrence, N.Y. and is a independent restructuring executive, CRO and court-appointed fiduciary with 20+ years of experience leading complex restructurings, bankruptcies and distressed-asset situations. He specializes in real estate, public and cross-border capital structures, litigation trusts and court-supervised fiduciary roles. Mr. Diamond is regularly appointed as CRO, independent director, receiver and trust board member in high-stakes insolvency, governance and asset-recovery matters involving billions of dollars in capital. Prior to opening Arbel, he was the founding legal analyst for Davidson Kempner’s distress investment group, working on identifying, researching, analyzing, implementing, managing and monitoring investable, legal strategies in both traditional bankruptcy/distress, sovereign/municipal and general litigation and judgment enforcement situations. Mr. Diamond began his career as a bankruptcy associate at Paul Weiss, where he represented creditors, debtors, noteholder groups and lenders in both formal bankruptcy proceedings and out-of-court restructurings. In addition to analyzing credit documents, advising noteholder groups, guiding debtors and boards of directors through the bankruptcy process and negotiating and drafting plans of reorganization, he litigated interest accrual entitlements, claims objections and the limits of impairment. Working closely with the corporate practice, he also advised banks and lenders on complex structured products and lending transactions. Mr. Diamond received his B.S. in finance in 1996 from Tuoro University, and his J.D. in 2001 from New York University School of Law.

Garrett A. Fail is a partner in Weil, Gotshal & Manges LLP’s Restructuring Department in New York, where his practice covers all aspects of domestic and international debt restructurings, as well as crisis-management and corporate governance. He represents a wide range of clients, including distressed companies, creditors, sponsors, and buyers of assets in § 363 sales and other distressed acquisitions. Mr. Fail’s recent real estate experience includes advising Pinnacle Group, a New York City-based real estate holding company, where he navigated chapter 11 cases that resulted in the sale of more than 5,100 rent-stabilized apartments, one of the largest residential transactions of its kind. He is also guiding Adventus Realty Trust through its international restructuring efforts and out-of-court wind down. His prior real estate experience includes key roles as debtors’ counsel in the mega chapter 11 cases of Lehman Brothers Holdings Inc. and CBL & Associates Properties, Inc. A recognized expert in the real estate complexities of major retail cases, Mr. Fail often leads the way on innovative and market-leading transactions. He earned the Turnaround Management Association’s “Turnaround of the Year: Mega Company” award for his work on the Aéropostale Inc. restructuring, which featured a landmark § 363 sale. He also steered the chapter 11 proceedings and international going-concern sale of Brooks Brothers Group, Inc., the oldest apparel company in the U.S. Beyond these transactions, Mr. Fail has successfully managed massive asset dispositions and auctions for iconic retailers, including the high-profile chapter 11 cases of Sears Holdings Corp. and The Great Atlantic & Pacific Tea Co. (A&P). A frequent speaker and author on bankruptcy topics, he was named among the 500 Leading Global Bankruptcy & Restructuring Lawyers by *Lawdragon* in 2025, and he was named a “Notable Practitioner” by *IFLR1000* and a “Leading Lawyer” by *Legal 500*. He has previously been honored as one of Benchmark Litigation’s “40 & Under 40” and received *Turnarounds & Workouts*’s “Outstanding Young Restructuring Lawyers” award. Mr. Fail received his B.S. in 2000 from Cornell University and his J.D. in 2003 from New York University School of Law.

Matthew P. Goren is a partner in the Restructuring Department of Weil, Gotshal & Manges LLP in New York, where he specializes in navigating complex in-court and out-of-court restructurings for a diverse global clientele, with a focus on the real estate sector. He provides strategic counsel to debtors and creditors facing high-stakes distressed scenarios, particularly in large-scale residential and commercial reorganizations, where he balances intricate legal frameworks with the operational realities of property management and development. Mr. Goren's recent real estate experience includes representing Pinnacle Group, a prominent New York City-based real estate holding and management company. In this role, he guided 82 affiliates through chapter 11 proceedings, culminating in the sale of more than 5,100 apartments, one of the largest transactions ever involving residential buildings subject to rent-stabilization laws. Beyond Pinnacle, Mr. Goren played a pivotal role in the restructuring of All Year Holdings Limited. He advised the British Virgin Islands-based holding company on its chapter 11 case involving a portfolio of 1,600 residential and commercial units in Brooklyn with an aggregate net book value exceeding \$1.17 billion. Mr. Goren has been named among the "500 Leading Global Bankruptcy & Restructuring Lawyers" by *Lawdragon* and was honored as an "Emerging Leader" by The M&A Advisor. His work on the landmark PG&E Corp. restructuring earned the "Mega Company Turnaround/Transaction of the Year" award from the Turnaround Management Association. Prior to joining the firm, Mr. Goren clerked for Hon. Burton R. Lifland in the U.S. Bankruptcy Court for the Southern District of New York. Subsequently, he represented debtors and creditors, including major financial and lending institutions, in connection with corporate restructurings, and court-appointed receivers in proceedings before state and district courts involving Ponzi schemes and other fraudulent activities. He received his B.S. in marketing and general business management from the University of Maryland, College Park and his J.D. *magna cum laude* from New York Law School, where he served as executive case comments editor for the *New York Law School Law Review*.

Shannon Huffer is vice president of Colliers in Louisville, Ky., and a licensed attorney and real estate broker. Her association with Colliers began in 2023, where she aims to provide comprehensive advisory services and national exposure for her clients. She is experienced in banking, development and sales. Over her 20-year career in real estate, Ms. Huffer has facilitated hundreds of millions of dollars of sales and financing for multi-family commercial deals across the U.S., managed rezonings and spearheaded development projects. She began her career as part of a luxury residential real estate team in Austin, Texas. After becoming a broker in 2005, she worked on residential deals until the 2008 financial crash. Seeing an opportunity, Ms. Huffer organized her investors, created a blind pool fund and started buying. She ran the resulting partnership until the market started recovering in 2012, whereupon the decision was made to liquidate with average 20% returns. Upon completing her J.D., Ms. Huffer accepted a role with a national bank specializing in Low Income Housing Tax Credit Properties (LIHTC), where over the next two years she evaluated multimillion-dollar multi-family deals across the U.S. Her responsibilities encompassed not only the financial underwriting of these assets, but also a comprehensive review of the intricate legal agreements integral to syndication. She also engaged with federal regulators, municipal authorities, developers and property managers, orchestrating cohesive collaborations that safeguarded the interests of the bank and other stakeholders. In 2017, Ms. Huffer left banking to put together another investment partnership. The resulting Opportunity zone fund is still owned and managed by her private group. She returned to brokerage work, this time joining a national team with CBRE focused on affordable housing. In this role, she worked with the largest owners, developers, family offices and REITS across the U.S., selling hundreds of millions of dollars of assets. Ms. Huffer received her undergraduate degree in 2002 from New Mexico State University and her J.D. *cum laude* from the University of Louisville.

Cynthia Romano, CTP is a senior managing director at FTI Consulting, Inc. in New York, and she has specialized in transformations, turnarounds and transactions that enhance liquidity, profitability and enterprise value for more than 25 years. Her industry experience spans health care, manufacturing, technology, energy and oil and gas, distribution, restaurants, professional services and nonprofit engagements. Partnering with CEO-level management, Ms. Romano helps companies transform their bottom line to maximize value for owners, investors and other stakeholders. Her expertise includes liquidity management, profit improvement through operational restructuring, organizational and process redesign, capital-sourcing, and business and creditor workout and management. Ms. Romano has been recognized with multiple prestigious industry awards, including the 2021 Turnaround of the Year by Global M&A Network, the 2020 Turnaround and Transaction of the Year by the Turnaround Management Association, and the 2020 Out-of-Court Restructuring of the Year by Global M&A Network. In 2021, she was named one of the top women in asset-based lending by the *ABF Journal*. Ms. Romano is a frequent speaker for various industry associations on a wide range of topics and is regularly quoted in major news and business outlets, including Bloomberg, Debtwire, CFO.com, *Accounting Today* and *Modern Healthcare*. She received her B.A. in educational policy in 1993 and her M.B.A. in international management from the Massachusetts Institute of Technology Sloan School of Management in 2002.