

Distressed Asset Recovery Team

Overview of Real Estate Market and Summary of Service Offerings
February 2009



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The Market As A Whole

- Current recession has led to significant deterioration of portfolio values, consumer spending, jobs and overall confidence.
- US federal government has committed \$11.5+ trillion of taxpayer money to the financial system in hopes of “jump-starting” the economy.
- Lack of credit availability choking off new projects, refinancing of existing properties - even after the initial \$370+ billion TARP injection.
- Even with a potential \$1.5+ trillion in additional federal stimulus in the near-term, the timing of any significant turnaround remains unclear.



The Real Estate Market

- Most residential and commercial real estate markets are exhibiting sluggish growth or deterioration.
- Vacancy rates are climbing and new projects are at a virtual stand-still.
- \$400 billion of commercial real estate mortgages are expected to come due by the end of 2009 (USA Today/Real Estate Roundtable). There is only \$150 billion of estimated liquidity in debt markets for 2009.
- “Frozen” credit markets, falling rents and declining property values may pose challenges to refinancing efforts (USA Today/Real Estate Roundtable).
- Any financing will only be available to those who can differentiate, and will include higher equity requirements and greater pre-leased space requirements (Beige Book).



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Uncharted Waters, Unprecedented Times

- Transactions will require a minimum of 35% to 50% equity to close a transaction
- Cost of debt has increased as most lenders have instituted interest rate floors
- CMBS is not expected to return in 2009. CMBS provided \$250 billion of liquidity in 2007
- Massive de-leveraging underway
- Until global capital markets stabilize and correct it will be difficult for the real estate markets to stabilize
- “All in” interest rates are headed upwards
- The Denominator Effect
- Values have begun to drop dramatically on all product types as declining earnings of tenants and property cash flows hit the bottom line
- CASH IS KING



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Challenges and Opportunities

The current market environment poses significant challenges to the real estate market, but may also lead to unique and rewarding opportunities.

Challenges

- Difficulty in securing or maintaining sources of credit
- Decreasing portfolio values
- Short-term liquidity and working capital restraints
- Covenant compliance
- Managing customer and credit risk defaults
- Restructuring and work-outs
- Troubled asset review
- Tax issues
- Litigation and disputes

Opportunities

- Increase in properties and investments available at significant discounts
- Availability of federal stimulus funds in many sectors
- Economic turmoil and market erosion creates opportunities for healthier companies
- Internal performance improvement opportunities can provide cash flow / alternative to external capital
- Revisit growth and investment strategies
- Unique opportunity to examine structure of existing relationships



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Our Service Offerings

Debt Restructuring Analysis	<ul style="list-style-type: none"> • Strategies for near term debt maturity • Analysis of financial situation and capital adequacy • Exploration of refinancing options and/or alternative solutions • Proactive preparation for financing events • Troubled asset review, restructuring and work-out • Negotiation • Tax advisory
Investment Advisory Services	<ul style="list-style-type: none"> • Analysis of attractive assets based on investment thesis • Valuation of investment options • Comprehensive due diligence on investment options - Real estate related due diligence; Financial and tax due diligence
	<ul style="list-style-type: none"> • Performance improvement strategies • Tax advisory
Valuation Services	<ul style="list-style-type: none"> • Valuation of properties or interests for tax, regulatory, or investment purposes • Financial engineering and restructuring • Tax advisory • Litigation support
Litigation and Dispute Resolution Services	<ul style="list-style-type: none"> • Advice on legal issues and disputes • Assistance with financial analysis and/or damages calculations • Expert testimony • Litigation support
Disposition Services	<ul style="list-style-type: none"> • Budgets for disposition • Timelines and responsibility assignments • Holding strategy, when appropriate • Marketing packages for individual assets or portfolios • Targeted purchasers and sales strategies • War rooms • Negotiation



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Our Capabilities – Beers + Cutler

- Beers and Cutler's Real Estate Group has over 30 years of experience serving Washington's most successful real estate developers during which time it has grown to be one of the largest real estate practices in the country.
- Dedicated Financial Advisory Services group, experienced in transaction-related due diligence, buy- and sell-side assistance, financial modeling, business valuation, litigation and disputes.
- Beers and Cutler has deep knowledge and experience in the real estate industry. Beers and Cutler is uniquely structured to assist real estate companies in addressing their business concerns and advise on key operational issues. Our team has deep technical expertise combined with industry experience that allows us to help our clients achieve new levels of success.
- Ranked among the 10 largest accounting firms in the Washington, DC region by the *Washington Business Journal*, the 50 largest accounting firms in the United States by *Accounting Today* and among the Top 50 firms nationally in Management Consulting and Tax Services by the *Public Accounting Report*.



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Our Capabilities – Delta Associates

- Over 25 years of experience in providing commercial real estate research, advisory and valuation services.
- Extensive national experience in project feasibility studies, strategic planning, site selection studies, market entry strategies, and highest and best use studies.
- Leader in the specialized field of valuation of partial real estate interests.
- Broad coverage of all real estate products, including condominiums, apartments, offices, shopping centers, industrial, seniors and student housing mixed-use projects and hotels.
- Strong practice in litigation support and dispute resolution, including expert testimony.
- Specialized practice in evaluation of the performance of stressed assets and development of action programs for work-out and/or disposition.



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BlackwellAdvisors, LLC

Our Capabilities – Fore Consulting, Inc.

- Over 60 years of collective real estate experience providing product specific market assessments, financial evaluations, economic and fiscal impact analyses, and business strategies.
- Experts in strategic and general business planning.
- Assist those who own real estate either for their own use or for its investment potential to understand the relevant market dynamics.
- Offer highly customized real estate and economic consulting services to maximize the value of individual assets and overall business performance.
- Highly skilled in complex financial analysis of individual assets and portfolios.
- Organized the response of Arthur Andersen to the opportunities inherent in the formation and operation of the Resolution Trust Corporation.
- Developed the derived investment value model for asset valuation in the early 1990's.



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Fore Consulting, Inc.

BlackwellAdvisors, LLC

Our Capabilities – BlackwellAdvisors, LLC

- Capital markets advisory group, experienced in the analysis and structuring of debt and equity for highly complex transactions.
- Provide detail oriented financial modeling, debt and equity sourcing, buy/sell analysis, litigation support and workouts.
- Ability to provide a full spectrum of strategic capital market alternatives.
- Extensive relationships with global, national and regional investors and lenders.
- Provide real time pricing of capital solutions.
- Background of principals includes extensive workout experience.
- Principals are actively involved in the real estate community including ULI, ICSC, MBA, DCBIA and NAIOP.



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Team Resumes



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BlackwellAdvisors, LLC

Kelly Toole Partner, Beers + Cutler

Kelly Toole is the partner-in-charge of the firm's real estate practice. He has over 20 years of public accounting experience. Since joining Beers + Cutler in 1987, Kelly has focused on the tax, audit and accounting issues unique to businesses in the real estate and construction industries.

Kelly's experience includes:

- Advising clients on corporate and partnership tax issues, as well as advising on entity selection strategies
- Directing audit and tax engagements for many of our largest real estate and construction clients, including several private equity real estate funds
- Tax planning for Washington, DC metropolitan businesses to maximize the tax and financing benefits from recent changes to federal and state tax laws
- Advising clients as they buy, build, manage and sell their real estate
- Tax planning with Washington, DC metropolitan businesses to minimize their state tax burdens

In working with clients to address their business issues, his focus combines extensive tax and financial reporting knowledge with creative and sound business advisory skills in arriving at solutions.

Kelly received his Master's Degree in Taxation from the Kogod School of Business at American University in Washington, DC and received his Bachelor of Science degree in Accounting from Bloomsburg University in Pennsylvania. Kelly is a certified public accountant, authors numerous articles and is a frequent lecturer on tax issues affecting businesses in the Washington, DC metropolitan area as well as other aspects of tax law. Kelly is an adjunct professor in American University's Kogod School of Business where he teaches a course entitled "Taxation of Real Estate Transactions."

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Areas of Experience

Corporate and partnership tax issues
Contractor tax issues
Real estate development
Real estate investment
Homebuilders

Education

M.S., Taxation, American University
B.S., Accounting, Bloomsburg
University

Memberships

District of Columbia Building Industry
Association
Construction Financial Management
Association
American Institute of Certified Public
Accountants
Greater Washington Society of
Certified Public Accountants
James Madison University Accounting
Executive Advisory Council
District of Columbia Bar Association –
Faculty



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Gregory H. Leisch Chief Executive Officer, Delta Associates

Gregory Leisch founded Delta Associates in 1980 and serves as its Chief Executive. He has been active in the real estate business since 1970 as a consultant and advisor. His areas of specialization include expert testimony in litigation and arbitration, market analysis, environmental impairment, financial and fiscal impact analyses, and valuation of partial interests in real estate. He brings a practical, "bottom line" dimension to consulting services due to his previous experience as a board member of a real estate development company and current role as a trustee of a public real estate investment trust.

Prior to founding Delta Associates, Gregory was Senior Vice President of GA/Partners/Arthur Andersen (formerly Gladstone Associates) where he started the firm's appraisal practice. He also serves as a university lecturer in matters of urban planning and development economics and has published several books and hundreds of articles on real estate development issues and environmental impairment. He is a frequent speaker on market conditions in the industry. He also created *TrendLines*, a presentation on the economy and commercial market conditions, which he now presents annually in major American cities. Gregory is a member of ULI and NCREIF, and a member of the research committee of The Real Estate Round Table.

Gregory holds B.A. and M.S. degrees from the University of Wisconsin in Urban Planning. In 1990, his lifetime achievement in the industry was acknowledged by the American Society of Real Estate Counselors when he was designated a Counselor of Real Estate (CRE) and again in 2000 when he was invited to join Lambda Alpha, the Land Economics Honor Society. He is a member of the Board of the Washington DC Economic Partnership -- the city's economic development authority.

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Areas of Expertise

Expert testimony
Litigation & arbitration
Market analysis
Environmental impairment
Financial/fiscal impact analyses
Valuation of partial real estate interests

Education

B.S., Urban Planning, University of Wisconsin
M.S., Urban Planning, University of Wisconsin

Memberships

American Society of Real Estate Counselors
Lambda Alpha
National Council of Real Estate Investment Fiduciaries
The Real Estate Round Table
Urban Land Institute
Washington DC Economic Partnership



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Frank Walker Partner, Beers + Cutler

Frank Walker leads our Financial Advisory Services practice, which focuses on transactions where our professionals have significant experience with mergers and acquisitions, large financing events and post deal advisory services. He has over 15 years of public accounting and private industry experience in a variety of industries including real estate, outsourcing, health care, government contracting, services and technology.

Frank leads teams that are skilled at performing financial due diligence, transaction structuring, financial modeling, agreed-upon-procedures, reviewing accountant, valuations, integration assistance and CFO advisory services.

Prior to joining Beers + Cutler, Frank served as the Chief Financial Officer of a business process outsourcing company. During his tenure, the company grew from fewer than 100 to over 2,500 employees before he lead its sale to a global Fortune 500 company. Frank also served as Chief Financial Officer of a successful direct marketing company providing education finance products. In both roles, Frank was responsible for all financial, administrative and reporting areas including extensive capital raising, lender and investor relations, contract negotiation, pricing, legal and mergers and acquisitions.

Frank started his career in the audit and consulting groups at Ernst & Young. He has authored articles and is a frequent speaker on the topic of corporate growth through acquisitions at the Robert H. Smith School of Business at the University of Maryland, the Association for Corporate Growth and the Greater Washington Society of Certified Public Accountants.

Frank holds a Bachelor of Arts degree in Accounting from The Catholic University of America and is a Certified Public Accountant. He is a member of the American Institute of Certified Public Accountants and the National Association of Certified Valuation Analysts.

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Areas of Experience

Industry:

Real estate
Business process outsourcing
Technology
Business services
Healthcare
Government contracting

Functional:

Mergers and acquisitions
Complex business transactions
Forensic accounting and disputes
CFO advisory

Education

B.A., Accounting, Catholic University
of America

Memberships

American Institute of Certified Public
Accountants
National Association of Certified
Valuation Analysts
Turnaround Management Association



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Kendal Fleming Director, Beers + Cutler

Ken Fleming is a Director in our Financial Advisory Services practice which provides clients assistance with mergers and acquisitions, large financing events, transaction structuring, post-transaction integration and turnaround advice.

Ken has over ten years of public accounting and financial advisory experience in a variety of industries including real estate, healthcare, software, technology, service and biotech. He has extensive experience in analysis and review of complex business transactions, including SEC transactions, initial public offerings, acquisitions, business combinations and corporate financing events. Ken has advised companies in several real estate transactions, ranging from financial due diligence to the initial public offering of a REIT.

Prior to joining Beers + Cutler, Ken provided financial due diligence and advisory services to debt and equity investors for a transaction services firm. Ken was also a senior manager in the Assurance and Business Advisory Practice of KPMG LLP. As a member of the firm's emerging growth practice, his clients included early stage development companies and venture capital funds. He also provided assurance and transaction services to numerous public companies involved in complex business transactions during his tenure at KPMG LLP, as well as with his previous firm, Arthur Andersen LLP.

Ken holds a Bachelor of Science in Accounting from Shippensburg University and a Masters of Business Administration from the Colorado State University. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the National Association for Certified Valuation Analysts.

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Areas of Experience

Industry:

Real estate
Manufacturing
Software
Technology
Biotech
Healthcare

Functional:

Mergers and acquisitions
Complex business transactions
Sell-side advisory
CFO advisory
Forensic accounting and disputes

Education

B.S., Accounting, Shippensburg
University
M.B.A., Colorado State University

Memberships

American Institute of Certified Public
Accountants
National Association of Certified
Valuation Analysts



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David Weisel President, Consulting Division, Delta Associates

Since 1983, David Weisel has served clients in real estate investment, development, feasibility analysis, and valuation. David's clients include national and local developers, Fortune 100 companies, domestic and foreign real estate investment funds, not-for-profit entities, private investors, and federal, state and local governments. He has experience in a wide range of property types and analytical issues. His work has taken him to more than 100 metropolitan areas and 40 states in the U.S., and to international markets as well.

Prior to joining Delta Associates, David spent five years with Arthur Andersen LLP, where he managed the real estate valuation and consulting practice in the Washington DC metropolitan area office of the firm's Strategy, Finance & Economics division. He also worked for Riggs & Co. serving as valuation manager, asset manager, and investment analyst for a \$1 billion real estate fund. He worked for eight years with Real Estate Research Corporation (RERC), a national consulting firm, leaving as director of its Washington, DC office.

David is a member of The Counselors of Real Estate, The Urban Land Institute, and the American Real Estate Society. He is an Affiliate Member of the Appraisal Institute. He has published several articles on real estate market and investment issues.

David holds a B.A. in Politics from Brandeis University and a Master of City and Regional Planning degree from Harvard University.

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Areas of Expertise

Real estate investment
Real estate development
Market analysis
Feasibility analysis
Valuation of partial real estate interests

Education

B.A., Politics, Brandeis University
M.A., City and Regional Planning,
Harvard University

Memberships

American Real Estate Society
Appraisal Institute
The Counselors of Real Estate
Urban Land Institute



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Julian W. Fore Founder & President, Fore Consulting, Inc.

Julian Fore is Founder and President of Fore Consulting, Inc, providing economic and real estate advisory services to financial institutions, corporations, and development entities, as well as aiding in the determination and execution of market driven strategies. Julian has over 20 years experience in the real estate field, specializing in investment advisory services, strategic business planning and appraisal and valuation services.

Prior to founding Fore Consulting, Inc., Julian served as a Partner and a Worldwide Director of Real Estate Advisory Services for Arthur Andersen LLP. He spearheaded the development of the firm's economics and finance privatization, real estate portfolio financial evaluation, corporate real estate and business location consulting, and management consulting for real estate entities services lines. Julian also was Senior Vice President of GA/Partners, where he oversaw the redevelopment of Washington, D.C.'s Union Station and advised on the relocation of a large national lending institution. He has also acted as the Chief Economist and Director of Economic Development of the city of Cleveland, Ohio.

Julian holds a Bachelor of Arts in Government from the College of William and Mary, a Masters of Urban Regional Planning from Virginia Commonwealth University and a Masters of Business Administration from Case Western Reserve University. He is a member of the Economic Club of Washington and the former Chair at the College of William & Mary Real Estate Foundation.

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Areas of Expertise

Investment advisory services
Strategic business planning
Appraisal and valuation

Education

B.A., Government, College of William and Mary
M.U.R.P., Virginia Commonwealth University
M.B.A, Banking and Finance, Case Western Reserve University

Memberships

The Economic Club of Washington
College of William & Mary Real Estate Foundation



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Robert J. Campbell
Senior Vice President, Fore Consulting, Inc.

Robert Campbell has been active in the institutional valuation and real estate consulting business since 1971. His areas of specialization include the development and management of portfolio valuation services for institutional investors, the coordination of multi-state valuation studies involving a large number of properties and conducting real estate valuations for a broad array of national clients.

Prior to joining Fore Consulting, Inc., Robert was a Partner at Arthur Andersen LLP, providing various securitization services, including valuations and property reviews. He also managed annual portfolio valuations for numerous institutional investors totaling over \$1 billion. Robert's experience also includes 17 years at GA/Partners, as Vice President. Some of his clients included major insurance companies, public traded mortgage real estate investment trusts, and numerous real estate development companies. His projects included market evaluations, development economics, financial and investment strategies, business planning, fiscal analysis, and project conceptualization.

Robert received his BSL from Georgetown University and holds a general appraisal certification in the District of Columbia.

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Areas of Expertise

Portfolio valuation
Multi-state valuation studies
Real estate valuations
Property reviews

Education

B.S.L., Georgetown University

Memberships

District of Columbia General Appraisal
Certification



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Kevin H. Smith
Founder & President, Blackwell Advisors, LLC

Kevin Smith is Founder and President of Blackwell Advisors, LLC, providing capital markets advisory services to financial institutions, corporations, and development entities, as well as sourcing debt and equity for highly structured real estate transactions. Kevin has over seventeen years experience in the real estate field, specializing in investment advisory services, capital structuring and re-structuring, and acquisition and disposition analysis and execution services.

Prior to founding Blackwell Advisors, LLC., Kevin was a Managing Director with Holliday Fenoglio Fowler (HFF) in Washington, DC. HFF is a leading intermediary in commercial real estate capital market arena. In addition, Kevin has owned a brokerage firm in the DC region, has been a Senior Director of Finance and Investments for the East coast division of Opus Corp. and has worked with a leading commercial mortgage intermediary in New York City.

Kevin holds a Bachelor of Arts from York University in Toronto, Canada. Kevin is very active within the Urban Land Institute where he is an Executive Board member of Washington, DC ULI, a member of the national Commercial and Retail Development Council, and an active mentor and educator. In addition he has been active with ICSC for the past twelve years and is a member of the Washington Real Estate Group and the Mortgage Bankers Association. Kevin holds a real estate salesperson license in Maryland, Virginia and Washington, DC.

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Areas of Expertise

Investment advisory services
Capital structuring
Debt and equity sourcing
Acquisitions and Dispositions
Workouts

Education

B.A., York University (Toronto)

Memberships

Urban Land Institute
ICSC
Mortgage Bankers Association
Washington Real Estate Group



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