Lowe Enterprises, Inc.

• Founded in 1972
• Privately owned with 40 employee shareholders
• Vertically integrated – acquisitions, property management, construction, development, finance, risk management, etc
• Investment manager, joint venture partner, operator
• Geographic and product diversification – commercial, residential, hospitality
• Value add orientation
• $5 B assets under management

Mission: We build value in real estate by creating innovative and lasting environments in which people live, work & play.
New Development

Project Description:

• Gateway market
• High demographic submarket, TOD location
• Urban in-fill, mixed use product including apartments, office, retail, hotel
• Approximately 400,000 SF
• Approximately $150 M total project cost
• Strategy is to deliver highly functional, efficient and sustainable product into a strong economic climate and newly urbanizing community
New Development

Venture and Capital Structure:

• 92.5/7.5 joint venture with large private equity group
• 50/50 sharing of pre-construction costs
• Market rate development, construction and property mgmt fees
• Disproportionate sharing of guarantees
• Incentive waterfall with 11% preferred return
• Non-recourse debt assumed at 60% LTV for 3+1 year term at 5%
• Target levered IRR of 20% gross over a 3.5 year investment term (untrended yields of 9+% office/retail and 6+% multi-family)
Value Add Acquisition

Asset Description:

• Primary market
• High demographic, urban submarket
• Existing independent hotel
• Over 300 keys and 10,000 SF of meeting space
• Approximately $65 M ($200k per key) total cost after renovation
• Strategy is to reposition through a modest capex program and revamped sales & marketing tactics with the primary goal of achieving improved customer mix and stronger comp set penetration (ADR lift)
Value Add Acquisition

Venture and Capital Structure:

- 90/10 programmatic joint venture with a major institutional investor
- Market rate investment management and property mgmt fees
- Incentive waterfall with 10% preferred return
- Non-recourse debt provided at 50% LTV for 3+1+1 year term at Libor + 350 bps
- Target levered IRR of 17.5% gross over a 5 year investment term (increasing NOI by 65% over hold)
OUR COMPANY

» Relationship oriented portfolio lender founded in 2004
» Headquartered in Los Angeles with an office in New York City
» Exclusively dedicated to CRE lending
» Capital base of more than $2 billion
» Extremely active with $1 billion of origination volume in 2011
» Focused on bridge loans on value-add and transitional properties

Program Highlights

» 60% - 75% LTV first mortgage loans
» Typical rates in 4.5% - 6.0% range
» 3-5 year term
» Less than 1.0x DSCR okay
» Flexible prepay
DENVER OFFICE PORTFOLIO — Denver, CO

THE REAL ESTATE
» Two building, 466,417 sf office portfolio in Denver, CO

17th Ave & Grant Ave
» 12 stories / 277,710 sf / built in 1982
» Located in Denver’s Midtown submarket
» 98.4% leased at closing with substantial near term rollover

143 Union Blvd
» 10 stories / 188,707 sf / built in 1982
» Located in Denver’s Lakewood submarket
» 99.7% leased at closing with moderate near term rollover

THE SPONSORSHIP
» The Sponsor is a large real estate private equity fund
» Sponsor purchased the portfolio in 2007 and invested an additional $3.5 million at closing
» At closing, a mezzanine Lender purchased a $10.0 million mezzanine interest at 88% LTV
DENVER OFFICE PORTFOLIO — Denver, CO

THE LOAN

» $59.0 million ($126 psf) cross-collateralized first mortgage with a $56.0 million ($120 psf) initial advance

» 10.6% in-place debt yield

» Loan is floating over LIBOR with a coupon in the mid 6% range

» Three year base term with two one-year extension options

» 24 months of call protection

» Mesa West sweeps the first $4.0 million of excess cash flow for leasing costs

» The Loan is cross-collateralized with a release mechanism

» The Loan closed in September 2012
REGENT OFFICE CAMPUS
– Dallas, TX

THE REAL ESTATE
» A three-building, 618,555 sf office campus
» Located in the Freeport submarket of Las Colinas (Dallas), TX
» Built in 2006 by Citigroup as an operations center
» 66,000 sf open floor plates
» 6.1:1,000 parking ratio
» 1 of 3 buildings (35%) are occupied by Citigroup at closing on long-term basis

THE SPONSORSHIP
» The Sponsor is a large real estate private equity fund
» Sponsor acquired the Property for significantly less than replacement cost (~$140 psf) from Citigroup
» Sponsor has extensive local experience in the Dallas market
» Sponsor plans to lease the remaining two vacant buildings to large single tenants
THE LOAN

» $49.8 million ($81 psf) total loan with a $38.3 million ($62 psf) initial advance

» 64% total LTC

» The in-place debt yield was 2.3% and the projected stabilized debt yield is 11.1%

» Loan is floating over LIBOR with a total coupon in the low 7% range

» Two year base term with three one-year extension options

» 24 months of call protection

» The Loan closed in June 2012
PIMCO Overview

• PIMCO
  – A global investment solutions provider
  – $1.4 trillion in third party client assets under management*
  – 2,111 total employees, 636 investment professionals in 11 countries
  – Over 15 years of experience in Commercial Real Estate (“CRE”) and CMBS markets
  – 19 dedicated CRE professionals

As of 30 June 2012
SOURCE: PIMCO
*$1.82 trillion in total assets under management
Commercial Real Estate Deal Profiles

• Loan acquisition
  – Large senior hotel renovation loan
  – Region: Southeast
  – Off-market
• Residential land
  – Sub $10 million, partially developed residential land
  – Region: East Coast
  – Off-market note purchase from bank; converted to fee

Value-add office acquisition
  – 600k+ SF class B office building
  – Region: Midwest
  – Marketed transaction
Joint Ventures and Deal Structures

• Partner profile
  – Experience, reputation and integrity
  – Source of the deal and potential to expand relationship are critical

• Capital structure
  – Bias towards larger deals
  – Smaller deals considered as a stepping stone
  – Co-investment is important
  – Promote/fees are deal dependent

• Control
  – PIMCO expects control over major decisions

• Leverage
  – Work with JV partner to identify best leverage structure
CBRE
- Full-service commercial real estate company - 447 offices globally.
- 2011 - #1 ranked company in both total sales ($34.7B) and total market share (15.4%).

Debt & Equity Finance Group (DEF)
- 2011 - $19.3B in loan/equity originations and note sales nationally
- DEF raises capital for property acquisition, development, recapitalization, or refinancing
  - Acquisition Financing
    - Debt
    - Equity/Mezzanine Financing
  - Development/Rehab Financing
    - Debt (Construction/Bridge Loans)
    - Equity/Mezzanine Financing
  - Permanent Financing
    - Long Term Debt
  - Advisory Services
- Assist clients in underwriting, structuring, and identifying appropriate capital sources for variety of transactions.
- Expertise in 4 food groups, hotels, urban mixed-use, condominiums.
- Focused on institutions, high-quality sponsors, and institutional-quality assets.

REAL CAPITAL ANALYTICS
2011 SALES RANKINGS

2011 CAPITAL MARKETS U.S. ACTIVITY:
$56.84 BILLION
Confidential Retail Deal – Midwest

- Strong Secondary Market
  - Strong employment base, <5% unemp.
  - High BTE, infill location, good demos
- + 500,000 SF 1960s vintage enclosed mall with open air component
- Strong existing tenancy, a mix of national anchors and local boutiques:
  - Local grocer + $40M per annum
  - Anchor store + $26.5 per annum
  - Cinema $615,000/screen
- Previous owner initiated redevelopment plan, lost asset in foreclosure
- Current outdoor retail and restaurants are performing exceptionally well, while the interior mall tenants struggling
- Sponsor is seeking to:
  - Eliminate interior corridors
  - Replace concrete block façade and create open air promenade
- Relocation of strong performing interior mall tenants to open air portion of the center
- Acquired via off-market purchase of note at discount to par.
- Very established sponsorship
Desired Financing Structure
- Loan Request: finance acquisition of property plus future funds for renovation, TI/LC
- Seeking best blend of proceeds and pricing
- Non-recourse
- Lender Profile:
  - “Conventional Lenders” – banks/life insurance companies
  - Bridge Lenders/Debt Funds/Structured Lenders

Square Footage: 500,000

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<td>As-is Value:</td>
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<td>In-place Cap Rate:</td>
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<td>Stabilized NOI:</td>
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<td>Stabilized Value:</td>
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<td>Stabilized Cap Rate:</td>
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<td>Initial Funding:</td>
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<td>Future Funding:</td>
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<td>Total Loan Request:</td>
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<td>Debt Yield:</td>
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<tr>
<td>Initial Funding/In-Place NOI</td>
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<td>Debt Yield:</td>
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<tr>
<td>Total Loan/Stabilized NOI</td>
<td>10.8%</td>
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CBRE-NE | INITIAL RESPONSE AND PRICING

Lender Response
- Smaller pool of conventional lenders
- Mixed opinions on future funding component
- Mixed opinions on secondary market
- Strong response from bridge/structured cohort
- Focused on interim cash flow during redevelopment, tenant sales/health ratios

Preliminary Feedback

Example 1: Higher Leverage Bridge
- Initial funding at 10% debt yield ($40M), plus 80/20 share of future costs. Offering earn-out of additional $$ with DSCR/LTV hurdles
- Pricing: L+450-525 (5.00-5.75%)

Example 2: Senior/Mezz
- Senior Lender at $30M plus some future funds
- Mezz Lender at $15M with no future funds
- Pricing – Senior @ L+275, Mezz @ 10% (5.07%)
- Greater execution risks, legal expenses, more parties to negotiate
**Food for Thought – Capital Markets Trends & Tendencies**

**Lenders**
- Agencies dominating apartment space – 10-year money below 3.5%
- Life insurance companies providing almost equally attractive financing – with early rate locks, forwards, and smoother closing process
- Banks in select markets winning business
- Large loans remain limited to smaller pool of lenders
- Bridge loan space is highly competitive
- Mezzanine financing getting more attractive
- CMBS is on a tear since Labor Day
- Construction Loans – recourse, recourse, recourse – regulatory risks...

**Equity Sources**
- Highly selective about markets/locations – and local sponsorship
- “Risk off” on underwriting approach
- Basis-focused
- Moderating leverage
- Urban, Transit Oriented, Infill, Demographics
- Assisting local partners with financing needs (guarantees, etc)
- Getting more aggressive on waterfall structures/promotes, but want that first 10% pref!