

REAL ESTATE PORTFOLIO TAKEOVER AND WORKOUT CAPABILITIES

Evolving market conditions, restricted access to capital resources, manager organizational changes, disappointing returns, shrinking cash flows, falling property values, and a myriad of other factors may at one time or another force Trustees to make difficult decisions regarding their real estate portfolios.



Institutional investors with underperforming/non-performing assets need to secure the expertise of a highly-qualified investment management firm to help refocus their portfolios to maximize the potential of the underlying assets.

AMERICAN REALTY ADVISORS has been hired numerous times, over the last 23 years, to assume investment management responsibilities for individual assets or the portfolios of properties or other real estate investments where operational obstacles or existing management may have limited a client's portfolio from achieving its intended investment objectives and where a different approach and/or expertise can potentially add value.

AMERICAN'S ASSET ENHANCEMENT/PORTFOLIO TAKEOVER SERVICES

AMERICAN'S VALUE OPTIMIZATION AND ASSET STABILIZATION ADVANTAGE

- Specialized strategies tailored to specific needs of each client's portfolio.
- Experience working with both single assets and large portfolios.
- Direct hands-on management designed to stabilize underperforming or non-performing senior and subordinated debt and equity investments.
- American's strategies include:
 - Creative leasing solutions to address low occupancy rates or below market rents;
 - Recapitalization of borrowers/properties with inadequate debt servicing capabilities or high-operating expenses;
 - Re-thinking ineffective marketing strategies resulting from weak tenant composition and/or location/market deficiencies; and
 - Cost-effective resolution of deferred maintenance, physical/structural issues, and/or functional/economic obsolescence.

Every real estate asset is unique with different opportunities and challenges. American treats each asset as an individual operating business, and quickly identifies the operating status of each property under current and future market conditions through comprehensive market and property analysis.

ASSET ENHANCEMENT

- For each asset, a detailed tactical strategy is developed encompassing physical, economic, demographic and market factors impacting performance resulting in value-creating strategies rather than temporary "band-aid" solutions to the obvious symptoms. American evaluates the critical operational aspects of each asset, and examines all operational functions to determine areas for improvement.
- This comprehensive plan becomes the "blueprint" utilized to resolve any outstanding issues and is designed to maximize value potential, direct on-going asset management and ultimately provide the guidelines for an exit strategy.

PORTFOLIO TAKEOVER

- American has quickly assumed management of existing portfolios of core and value-added assets to improve performance at both the individual asset and overall portfolio levels.
- American creates proactive strategies to re-underwrite and complete due diligence on each portfolio asset, identifying any underlying problems and implementing solutions in the context of the asset's potential value as well as its role in the total portfolio.

AMERICAN'S ANALYSIS FOR EACH TAKEOVER INVESTMENT INCLUDES:

MARGINAL COST/MARGINAL RETURN: A cash flow analysis that determines an asset's current market value and its economic potential during each year of the anticipated holding period, balanced against the cost enhancements, the amount of debt, and other factors.

MARKETING AND LEASING PLAN: American plans, coordinates, and implements creative marketing/leasing programs to establish a positive building image designed to attract and maintain tenant demand and enhance value. American's critical market data and analysis establishes the most realistic marketing and leasing expectations.

MARKET EVALUATION: An analysis of effective market rents, as opposed to contract rents. We analyze all appropriate data for each property type to determine the actual cash flow to be derived from the asset.

INVESTMENT STRUCTURE EVALUATION: A determination of the most feasible strategy to produce a positive economic return to the client.

LOCATION EVALUATION: A review of the necessary background information for developing an operating plan, fine-tuning a marketing strategy, setting competitive rental rates, and gaining knowledge of government restrictions such as zoning ordinances, pending changes for land use, and tax burdens.

PHYSICAL EVALUATION: An evaluation of structural or mechanical aspects of the property, the extent and cost of any deferred maintenance, the project's capacity to support anticipated future uses of its existing tenant base, and the economic benefits to be derived from a full or partial physical rehabilitation.

TENANT EVALUATION: A determination of the financial stability of all existing tenants and their ability to contribute to the asset's long-term viability.

MANAGEMENT EVALUATION: An evaluation of the property managers and existing leasing brokers to ensure that the staff is motivated to establish and maintain the highest level of tenant service, ethics, and economic efficiency in the short- and long-term operation of the property.

ENVIRONMENTAL EVALUATION: A Phase I Environmental Site Assessment to confirm that no environmental issues impact the property.

BUDGET EVALUATION: An evaluation of all pre-existing budgets to determine their cost-effectiveness and contribution to the property's overall performance.

TITLE ANALYSIS AND SURVEY/OWNERSHIP REVIEW: Verification of the "bundle of rights" held by the investor.



"American's portfolio takeover experience has encompassed over \$1 billion of real estate related debt and equity, adding value for our clients in helping to improve overall performance."

Stanley L. Iezman
American's Chairman & CEO

AN EXAMPLE OF AMERICAN'S TAKEOVER EXPERTISE

In 2010, American was asked to take over a portfolio of properties on behalf of a public employee pension fund that was dissatisfied with the performance and overall investment process executed by the plan's existing investment managers. After assuming the takeover responsibility for the portfolio, American initiated its comprehensive transition program to transfer all financial, operational, legal, and reporting responsibilities for the assets. This process was completed within 30 days of the initial takeover.

American established new processes, procedures and a takeover plan, including a comprehensive valuation model and investment strategy, for each asset in the client's portfolio within a 90-day timeframe. Shortly thereafter, a comprehensive portfolio plan was presented to the client articulating which assets should be sold and which assets should be retained in order to maximize value for the client. One year after the transition, three of the properties were sold to a commingled fund into which the client invested and others are either listed for sale or will be retained in the portfolio long-term.

Similar efforts have been initiated on behalf of other institutional clients that have engaged American to take over their portfolios of real estate. Takeover portfolios require significant hands-on operational experience, the ability to quickly initiate financial, operational, and reporting transitions, and an unwavering commitment to clear and concise client communication. American's clients benefit from its significant takeover experience and demonstrated ability to develop and execute successful value-add workout and liquidation strategies.



AMERICAN'S REAL ESTATE WORKOUT CAPABILITIES

Given the uncertainty of today's economy, practical strategies and solutions are needed for underperforming and over-leveraged properties and loans reaching maturity.

At the asset level, American's goal is to develop both a short-term implementation plan and a long-term investment strategy that corrects the identified obstacles to optimize performance and produce the desired returns for our clients. This approach is based on our pragmatic assessment of the asset's underlying potential and its ability to compete in the market as well as add value to the client's overall investment portfolio.

The results of our comprehensive asset evaluation are carefully reviewed, documented and presented to the client, in conjunction with a discussion of the economic feasibility of the strategy, a recommended plan of action, time frames and costs associated with executing the strategy to completion, potential risks involved, and alternative options for consideration.

The workout strategy is prepared and implemented after careful consideration of each client's goals and investment objectives. It is the "blueprint" which provides the opportunity for value over the holding period, with a clear strategy for resolution through restructuring, holding and disposition.

ABOUT THE FIRM

AMERICAN REALTY ADVISORS is a national real estate investment advisor with over two decades of experience creating and implementing innovative investment solutions through effective real estate investment management on behalf of institutional investors throughout the U.S.

American is a registered investment advisor with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended, and has continuously qualified as a Qualified Professional Asset Manager (QPAM), and investment manager and fiduciary under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

American's portfolio takeover experience has encompassed over \$1 billion of real estate related equity, adding value for our clients in helping to improve overall performance. With a proven record of serving our clients in this capacity, American has been allocated new investment capital by a number of these clients with ongoing real estate investment programs.

AMERICAN'S COMPETITIVE ADVANTAGES

- **Experience:** Over 23 years of experience with a proven track record of successful transitioning and restructuring of underperforming assets.
- **Size:** Over \$4.0 billion in assets under management* with a demonstrated ability to increase cash flow and add value.
- **Value Maximization:** Expertise in identifying and exploiting asset opportunities through strategic planning and implementation.
- **Hands-on Active Management:** Direct involvement of American's senior management with lenders and partners.

*Assets under management represent gross market value of all assets and accounts managed by American as of June 30, 2011 (excluding partners' share of equity and partners' share of debt on partnership investments).

A COMMITMENT TO SUPERIOR CUSTOMER SERVICE

American believes that direct communication is of critical importance while developing new business relationships as well as in ongoing client relationships. American's principals and senior investment professionals, as well as all of our employees, are committed to creating and implementing client-focused institutional real estate investment strategies that are designed to provide superior returns, capital preservation, and growth delivered with the highest level of integrity, communication, and service.

FOR MORE INFORMATION, PLEASE CONTACT :

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