

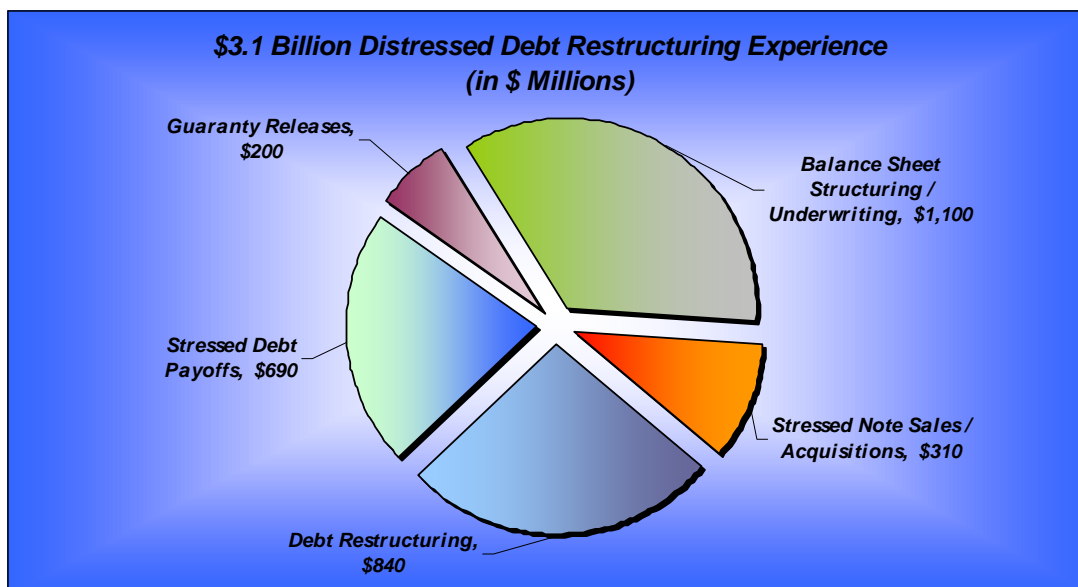
Brownstone Capital LLC

Distressed Debt Restructuring Group

Brownstone Capital has assembled a multi-disciplinary workout team that is focused on resolving the needs of lenders, borrowers and equity investors requiring expertise in distressed commercial real estate debt and equity.

Our team has advised clients through numerous stressed property cycles and has provided financial advice on **\$3.1 Billion of distressed debt and equity restructures** over the past 25 years. The advisory team draws on the experience and skills of its seasoned principals to provide clients with a broad range of distressed debt and equity advisory services. These services range from non-performing loan sales and analysis to loan and equity restructures and recapitalizations. Our team also possesses significant experience analyzing recourse guarantees, negotiating discounted payoffs, developing counter-bankruptcy avoidance (or alternative) strategies, recapitalizing projects by contributing outside equity and selling distressed assets.

Brownstone offers independent, rigorous and relevant advice on complex real estate equity and distressed financing situations. Our decades of extensive workout experience and knowledge base offer borrowers creative debt and equity solutions to mitigate defaults and equity losses, minimize the lender's liability and maximize the equity investor's valuation and returns. A relevant example of the Team's creativity is represented by one of the many debt restructuring solutions utilized in the past: negotiate partial debt forgiveness with the lender, recapitalize borrower with external equity, negotiate a restructured loan with lender conforming to current underwriting, and bifurcating the original deed of trust allowing borrower to retain an ownership position, thereby delaying taxes on the debt forgiveness. Whether you are a lender or borrower, our goal is to negotiate a workout that maximizes value for both parties by implementing recapitalization, debt restructuring and debt bifurcation strategies.



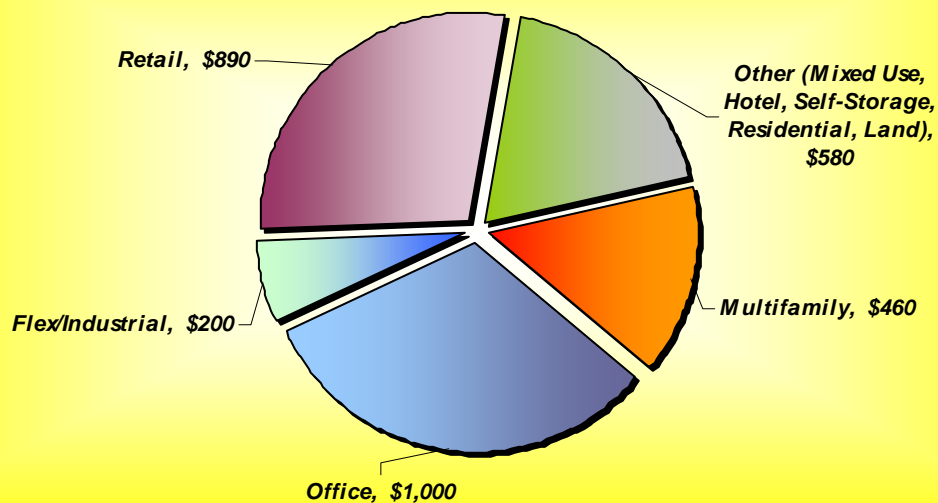
We support clients who have:

- Under-Performing or non-performing real estate debt and equity investments
- Acquired complex real estate assets or portfolios that require aggressive distressed debt resolution in order to maximize value

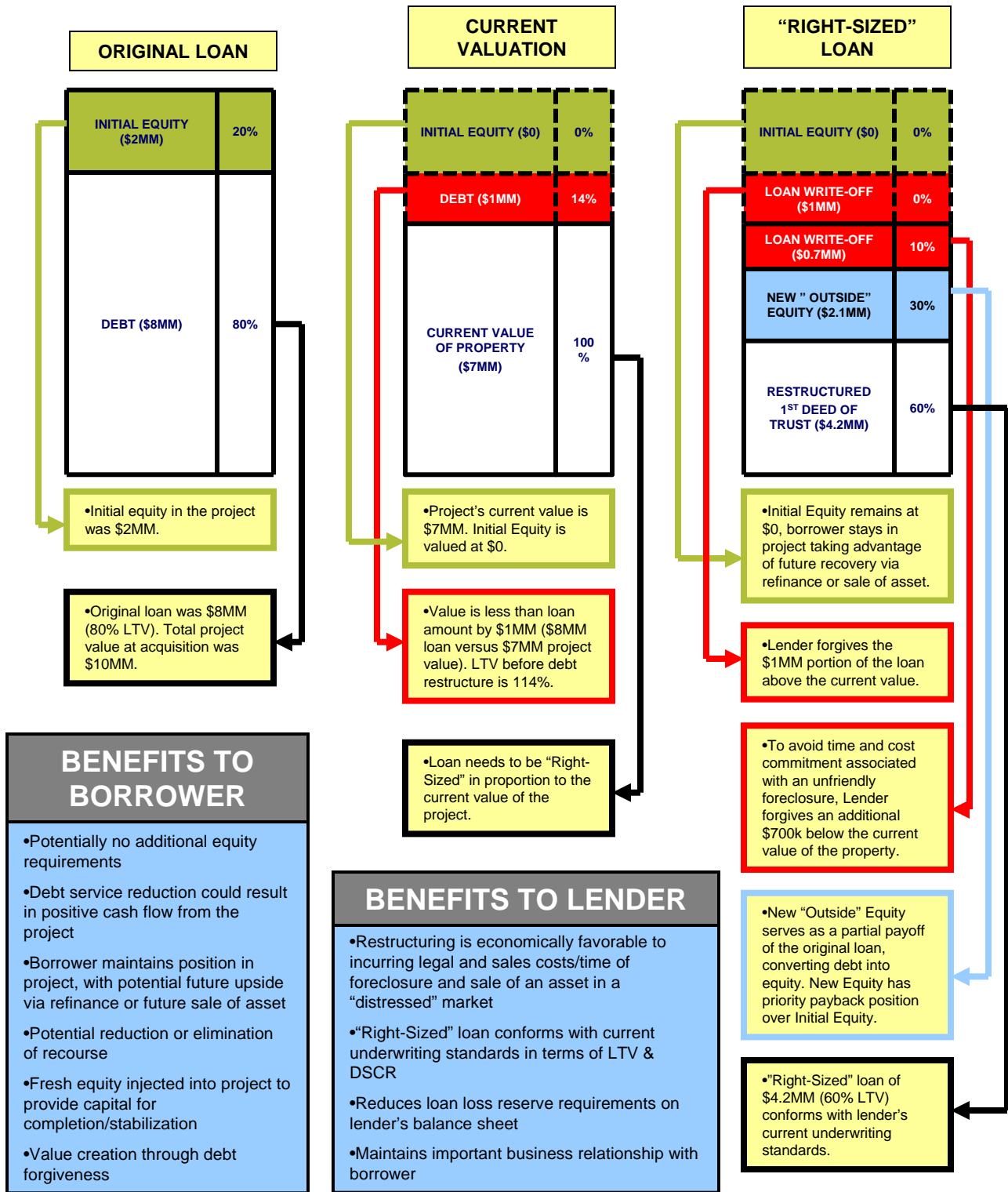
Our Services Include:

- Land, A&D and Construction loan workouts
- Non-performing loan reviews
- Asset and collateral analysis
- Comprehensive development of workout plans and litigation strategies
- Asset management plan development
- Loan valuation and NPV analysis
- Business process and system reviews
- Expert witness testimony
- Analysis of financial institutions Expected Recovery Value ("ERV") under bankruptcy/ foreclosure/ resale scenario
- Bankruptcy consultation
- Loan guaranty negotiation
- Outside equity raise as part of debt restructure
- Management/developer team assessments

\$3.1 Billion Distressed Debt Restructuring Experience by Property Type (in \$ Millions)



Debt Restructure Example



Foreclosure from a Lender's Perspective

- **\$10MM Original Project Value**
 - Original loan was 80% LTV - \$8MM
 - Mark-to-Market results in 30% decrease in value ("current value" of \$7MM)
- **Immediate Debt Charge-Off of \$1MM**
- **Foreclosure process commences**
 - Estimated costs around 6.75%
 - Transfer and recordation, survey, appraisal, environmental, Op Ex, etc. (100% paid by lender)
 - Other administrative costs related to this process
 - Process takes approximately nine months
- **Lender receives no debt payments on its committed capital**
 - Results in opportunity cost to lender of approx. \$535k (18 months of debt service lender would receive if loan is modified)
 - 9 months to foreclose on property
 - 9 months to market and sell property in distressed environment
- **Sale of REO property nine months after foreclosure**
 - Assume project is sold for "current value"
 - Probably an aggressive assumption given condition of credit markets
 - Cost of Sales 4.25%
 - Commissions
 - Transfer & Recordation – Sale
 - Net Sales Proceeds after all costs - \$6.24MM
 - Discounted to present day value @ 9% discount rate (discount rate reflects debt constant on funds lent)

**NET PRESENT VALUE ("NPV") OF
FORECLOSURE - \$5.25 MM**



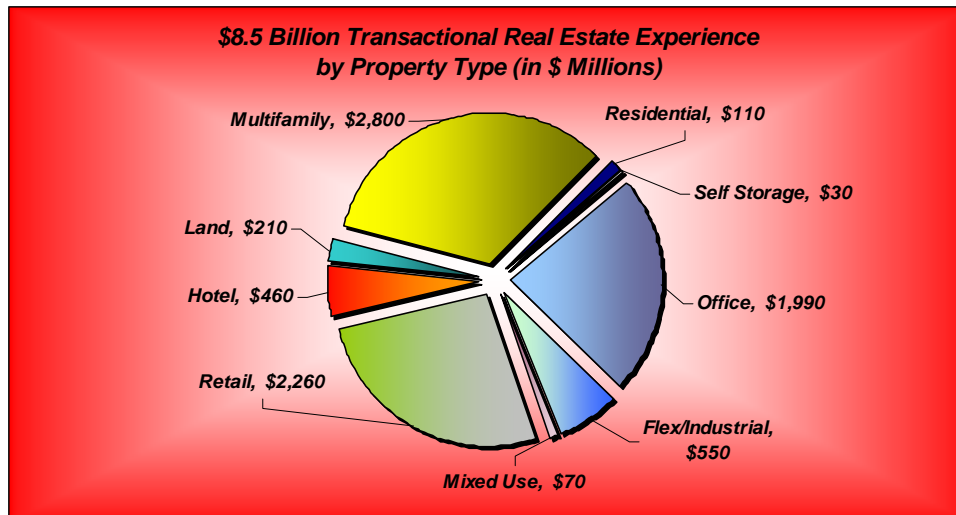
Brownstone Loan Modification from a Lender's Perspective

- **Lender accepts partial pay-down of \$2.1MM to \$5.9MM**
 - Fresh equity contributed to deal via new investment group
- **Lender agrees to \$1.7MM debt reduction to \$4.2MM**
 - Allows for the “right-sizing” of the loan to 60% LTV based on current value
 - Could set up a participating mortgage structure where this amount could be paid back, subordinate to fresh equity brought into the project
- **New Loan Terms**
 - 7% rate, 10-year term, 25-year amortization
 - Monthly Payment of \$29.7M provides lender with performing loan with minimal loan loss reserves
- **Following modification, lender has the following:**
 - \$2.1 MM in cash (as result of the partial paydown)
 - \$4.2 MM performing loan that conforms to bank's current underwriting standards
 - Total current value is \$6.3 MM
 - Value could be higher if participating mortgage structure is utilized

NPV OF MODIFICATION - \$6.30 MM
NPV OF FORECLOSURE - \$5.25 MM

**BENEFIT TO LENDER IN EXCESS OF
\$1 MM TO MODIFY EXISTING LOAN
INSTEAD OF FORECLOSING**





Brownstone's workout and litigation experience includes the following:

Debt Restructurings

- Debt forgiveness
- Equity restructure and equity injection
- Debt bifurcations
- Expert witness advocating borrower position
- Foreclosures
- Bankruptcies

Guaranty Reductions and Releases

- Personal and corporate
- Prepackaged bankruptcy

Note Acquisitions & Sales

- Discounted note purchases
- Discounted note sales

Debt Underwriting & Originations

- CMBS
- Construction, development, land acquisition
- Multifamily/ condos, office, retail, hotels, land development
- Relevant experience in over 20 states

Property Acquisitions

- Stabilized
- Value-add
 - Operational (repositioning)
 - Re-tenanting
 - New management and leasing efficiencies
 - Comprehensive capital improvement plans
- Maximize FAR through expansion
- Development

Equity Raised and Invested as Principals

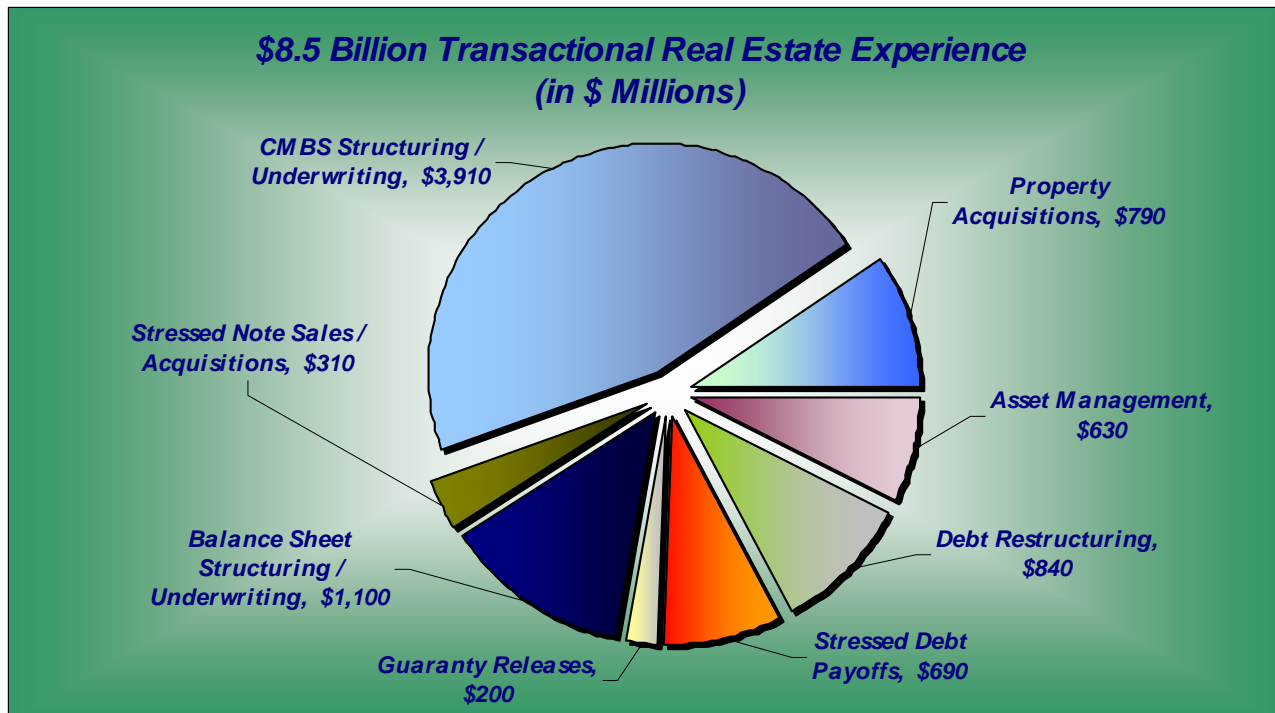
- Institutional
- Single-source high net-worth
- Syndicated accredited investors



Our Team:

- **Shawn Krantz**
 - 25 years of real estate experience (CMBS, debt workout, acquisitions, balance sheet lending)
- **Kenneth Cusick**
 - 25 years of real estate experience (acquisitions, CMBS, debt workout, asset management)
- **David Sisen**
 - 25 years of real estate experience (acquisitions, debt workout, asset management)
- **Matthew Walsh**
 - 25 years of real estate experience (CMBS, debt workout, asset management)
- **Stephen Carboni**
 - 18 years of real estate experience (acquisitions, development, asset management)

Our Team's Real Estate Experience:



Team Biographies

- **Shawn Krantz** has been involved in the commercial real estate industry for 25 years following his completion of a two-year credit training program with a national financial institution. Prior to co-founding Brownstone Capital in late 2000, Mr. Krantz worked for 14 years with Bank of America and Banc of America Securities. During the early '90s, Mr. Krantz managed a team of debt workout specialists within the bank. His team successfully resolved \$450 million of troubled debt. During the late 1980s, Mr. Krantz was manager of a group originating, underwriting, closing and syndicating real estate acquisition and construction loans for both commercial and residential properties.
In 1994, he was part of the start-up team within the bank originating and securitizing Commercial Mortgage-Backed Securities (CMBS). He managed the CMBS origination team for the Mid-Atlantic and Northeast. During his conduit days, his team was consistently one of the top originating groups of securitized debt. He also teaches at Johns Hopkins University's Real Estate Institute. Since 1994, Mr. Krantz has been an practitioner faculty member in the Master of Science in Real Estate Program. His graduate-level courses are Real Estate Finance and Real Estate Investment. Mr. Krantz has a B.A. in Economics and Political Science from Hamline University and a M.B.A. from Loyola University.

- **Kenneth J. Cusick** is a seasoned real estate and banking professional with 25 years of experience ranging from distressed asset management and mortgage lending to real estate market research and land development. Mr. Cusick has worked out or restructured over \$400 million of commercial mortgage debt and has underwritten well over \$2 billion. He has managed underwriting departments for two major lenders and acquired non-performing debt and equity real estate. His diverse background covers most commercial real estate disciplines including loan underwriting, originations, sales, acquisitions, development, law, leasing and property management. Mr. Cusick holds a master's degree in Management with a concentration in Finance, a bachelor's degree in business with a concentration in Accounting and a bachelor's degree in economics.

- **David A. Sislen** serves as co-Managing Director of The Faragut Group. He has been actively involved in the real estate industry for more than 25 years. For the past 19 years he has been the President and Managing Director of Bristol Capital Corporation. Bristol Capital has acquired, owns and manages over 1,000,000 square feet of commercial real estate in the Washington, D.C. area. Prior to founding Bristol Capital, Mr. Sislen was a senior vice president of CRI Inc., a real estate syndication firm, where his responsibilities included the development, acquisition, and syndication of more than \$650 million of commercial real estate including more than 4,100 hotel rooms and 1,350,000 square feet of office space. The vast majority of Mr. Sislen's career has been involved with the development and acquisition of operating properties or the asset management and valuation of troubled properties. Mr. Sislen holds an MBA (with honors) in Finance and Accounting from the University of Chicago's Graduate School of Business and a B.A. in Economics (Magna Cum Laude) from Tulane University.



Team Biographies

- **Matthew Walsh** has been involved in the commercial real estate industry for 25 years following his completion of Chase Manhattan's credit training program in 1981. Over several real estate cycles, he has originated balance sheet and securitized loans, restructured loans ranging from SBA to national credits, and asset-managed performing and REO properties. Prior to teaming with Brownstone Capital, he worked in an employee or contractor capacity for Chase Manhattan, Bank of America, Wachovia, GMAC-RFC, Allied Capital, CW Capital, and American Capital. He worked on numerous DC area and national credits during the early 1990s for Bank of America predecessor institutions, and helped establish GMAC-RFC's commercial conduit in 1997. He headed the Special Servicing group at Allied Capital from 2000 to 2004, growing the group into a rated CMBS special servicer. He graduated magna cum laude from Georgetown University's School of Business Administration in 1980.
- **Stephen Carboni** has been actively involved in the real estate industry since 1989 where he has conducted over \$700MM of acquisitions representing 77 transactions. Additionally, Mr. Carboni has developed over \$35MM of commercial office (medical) properties. Mr. Carboni and his partner, Mr. Krantz, founded Brownstone Capital, LLC in late 2000. Since co-founding Brownstone, Mr. Carboni's principal responsibilities include acquisition, development, financing, asset management and financial modeling of Brownstone's assets and potential acquisitions. Prior to forming Brownstone, Mr. Carboni was vice president of acquisitions for Lend Lease Real Estate Investments where he was primarily responsible for equity acquisitions and debt placement on behalf of Lend Lease's institutional client base for office, retail, industrial and multi-family properties in the Washington D.C. metropolitan area. Prior to joining Lend Lease, Mr. Carboni spent over six years at Federal Realty Investment Trust (a Rockville, Maryland based REIT), most recently as Acquisition Officer in Federal Realty's street retail and shopping center acquisition group. Prior to joining Federal Realty, Mr. Carboni spent five years as a project manager for the development of medical office buildings in San Diego and Orange Counties for a San Diego based real estate syndicator. Mr. Carboni holds a B.S. from San Diego State University's School of Business.

