



HIGHLIGHTS

PUBLIC-PRIVATE PROJECTS PROGRESS AS NEW APPROACHES EVOLVE



Even as the elimination of California's redevelopment agencies reshapes the process of developing public-private projects, Lowe continues to build on its successful history of developing award-winning public-private properties through existing assignments and new opportunities.

Most recently, Lowe was selected to serve as developer for a mixed-use, urban infill project at the phase I terminus of the new Metro Expo light rail in Culver City, California. The Washington/National project will comprise a dynamic mix of residential, office, retail, and hotel properties at the five-acre transit station property. The project is expected to include approximately 500,000 square feet within a gateway development linking two historic downtown areas of the city. The Expo light rail service will open in 2012 serving a route to downtown Los Angeles. Phase II of the Expo rail service will ultimately connect farther west to Santa Monica. The Washington/National development will be the first large-scale mixed-use development located on the Expo line.

The firm's assignment for the City of Compton was recently selected "Real Estate Deal of the Year" by the California *Daily Journal*, based in part upon the team's ability to complete the transaction in advance of redevelopment agency changes. Lowe was selected after more than two years of discussion and planning with the community, the Redevelopment Agency and the city to develop a Senior Activity Center and parking facility. The 30,000-square-foot center and 300-space parking structure will be developed using \$24 million of tax allocation bond proceeds available from the Redevelopment Agency's 2010 bond program.

Continued



198 Inverness Drive West:

This 160,851-square-foot, eight-story, class A office building was acquired in 2006. Lowe served as property and asset manager and achieved LEED Gold certification for the property in 2009. It was the first office building in the Denver Southeast office

market to achieve LEED Gold for Existing Buildings. At the time of its sale to Transwestern Investment Management, 198 Inverness was 100 percent occupied by Catholic Health Initiatives.



Estancia La Jolla Hotel & Spa:

The 210-room Estancia La Jolla Hotel and Spa in La Jolla, California, was developed by Lowe and opened in 2004. The 10-acre property features Spanish hacienda-style architecture with lush gardens, courtyards and outdoor seating areas. Among the hotel's

premier amenities are three restaurants and lounges, the 8,000-square-foot Spa at Estancia, and San Diego's only IACC-certified conference facility comprising 26,000 square feet. Estancia La Jolla was included on the *Condé Nast Traveler* "Hot List" of the best new hotels in the world for 2005-2006 and earned the prestigious Four Diamond rating from AAA. The hotel was sold to Pacific Hospitality Group, LLC.



The Honey Tree Apartments:

This 388-unit apartment community in the premier west side market of Richmond, Virginia was acquired in 2006. A \$4.8 million capital improvement program was undertaken to modernize the 28-acre apartment community. This 16-building

garden-style community is set around large manicured lawns and gardens.

Lowe's assignment within the City of Los Angeles for the development of the Wattstar Theater and Education Center recently received approval to progress. The project includes a state-of-the-art, four-screen, 1,020-seat cinema and learning center, combined with a community-based learning and vocational training center in the Watts community of Los Angeles. The income from the theater will be used to support the efforts of the non-profit Education Center. The Education Center will provide training rooms for production, post-production, lighting, sound, graphics and animation work, as well as administrative space, centralized classroom instruction and presentation rooms.

The second phase of development is underway at the \$500 million, 915,000-square-foot San Diego County Operations Center. The project serves as a consolidated operations center campus for the County of San Diego. The completed first phase of the project achieved LEED Gold certification, was named the SDG&E Energy Leader for new construction and California Center for Sustainable Energy's Outstanding Governmental Building of the Year for 2011. The second phase will include LEED Gold office buildings and a LEED Platinum conference center and cafeteria. The project is being financed through a combination of county general funds and Certificates of Participation plus revenue from the sale of the 19.5 acre County Annex site to Lowe. Lowe recently combined efforts with the county to transfer its rights to the Annex parcel to Kaiser Permanente for development of a new 300 to 350-bed hospital.

Lowe is dedicated to working with cities, higher education institutions, and local sponsor clients to deliver innovative financing strategies using tax credits and other structures which are more effective and flexible than traditional alternatives and can serve as a viable alternative as communities identify new ways to fund public projects. To that end, Lowe has established a community development entity, Lowe Economic Development Company, which has placed \$120 million since 2011 in qualified projects in Portland and San Diego using New Markets Tax Credits (NMTC), with an additional \$150 million of potential transactions being considered. Lowe Economic Development Corporation was awarded \$45 million in NMTC from the U.S. Department of the Treasury in November 2009, one of only five applicants in Los Angeles to be awarded in that round of allocations. Lowe will continue to pursue new approaches to the opportunity presented by the elimination of California's redevelopment agencies as it expands its public-private partnership activities.



Fort Totten Mixed-Use Community Development Plans Announced:

In partnership with The JBG Companies, Lowe has announced the development plan for Fort Totten Square, a mixed-use community in Northeast Washington, D.C. Located near the Fort Totten Metro Station, Fort Totten Square will include 350 apartments, 775 parking spaces and a 120,000-square-foot urban format Walmart with full-service grocery, in addition to select smaller retailers. The Walmart will create 100 construction jobs starting in 2012 and 300 retail jobs once the store is open. Fort Totten Square is designed to combine the best qualities of urban living with the feel of less densely populated suburban communities. Construction is slated to begin in the second quarter of 2012.



Two Properties Join DH&R's Management Portfolio:

Destination Hotels & Resorts has added two properties to its growing management portfolio. The Valley River Inn in Eugene, Oregon is situated along the banks of the Willamette River. The Valley River Inn offers 257 guest rooms and suites and 15,000 square feet of meeting space, the most comprehensive meeting facilities in the area. The property features a local dining favorite, SweetWaters restaurant, as well as access to nearby recreation with 12 miles of paved cycling and running paths on the Riverwalk.



The 100-room Woodmark Hotel, Yacht Club & Spa in Kirkland, Washington, is the only hotel located on the shores of Lake Washington. This exclusive 31-acre waterfront resort offers unsurpassed views of Lake Washington, the Olympic Mountains and Seattle's skyline. The Woodmark is located only minutes from downtown Bellevue, making it an easily accessible urban retreat.

These hotels join Destination's growing collection of properties managed in the Pacific Northwest, which also includes Suncadia Resort in Cle Elum, Washington, Sunriver Resort in Bend, Oregon, Skamania Lodge near Portland, Oregon, and the Red Lion Hotel on Fifth Avenue in Seattle, Washington.



Lowe Enterprises Real Estate Services Assignments Reach \$900 Million for 2011:

Lowe Enterprises Real Estate Services (LERES) continues to provide real estate services and solutions to institutional lenders and owners of real estate with engagements for \$900 million of assets in 2011. Notable current assignments include the Snowmass Base Village project, a one million-square-foot mixed-use development in Snowmass Village, Colorado; The Ventana Inn, a top-rated luxury boutique hotel and spa located on 243 coastal hillside acres in Big Sur, California; and the 5,600-acre Victory Ranch master planned second-home golf community development near Park City, Utah.



Snowmass Base Village



At Snowmass, LERES has successfully completed the transition from receivership to ownership by the lending group and continues to work for the lender-owners as a development and asset manager. LERES is supporting the disposition effort on behalf of the lender-owners and managing the due diligence process with prospective purchasers. The group continues to analyze and develop various strategies to maximize value recovery for the lender-owners. LERES has also successfully completed the post-foreclosure transition from receivership to new ownership for The Ventana Inn and was retained by the new owner to provide development and construction management services, including working with the California Coastal Commission and various environmental agencies for the approval and implementation of a critical infrastructure expansion. The group also continues to provide asset and project management services at Victory Ranch while facilitating the strategic disposition of the property on behalf of the lender-owner.

The group's clients include major institutional lenders and debt servicers like Wells Fargo, Hypo Real Estate Capital Corporation and TriMont Real Estate Advisors. LERES remains focused on workout and distressed asset management engagements for all property types, while expanding its offerings to include owner representation services for development management, construction management, renovations, entitlements and more.

Recent Transactions

Highlights of Lowe's acquisition activities on behalf of its institutional clients and partners include:



Denver Club

Denver Club - Built in 1954, the 231,454-square-foot, 24-story Denver Club is a historic building in Denver's central business district. Lowe will oversee \$1.5 million in improvements including common area upgrades and complete demolition and remodeling of two floors. Lowe will also oversee property management and leasing activities for the building which is 76 percent leased.



Doubletree Hotel Nashville

Doubletree Hotel Bedford Glen - The 281-room Doubletree Hotel Bedford Glen is located in Bedford, Massachusetts, on the I-95 corridor, a major technology development center that is home to many prominent high-tech businesses. The hotel will be managed by Destination Hotels & Resorts and will continue to operate as a Doubletree branded hotel. Lowe will implement a \$1 million capital improvement program to upgrade the property exterior, common areas, meeting space and mechanical systems.

Doubletree Hotel Nashville - Through Lowe Structured Investment Fund, Lowe originated \$10 million in mezzanine debt to refinance the Doubletree Hotel in downtown Nashville. The 337-room, nine-story hotel is located in Nashville's historic downtown submarket.



Embassy Suites Chicago-Northshore/Deerfield - The 237-suite Embassy Suites is located in an affluent Chicago suburb. A \$4 million capital improvement program is planned which will initially focus on redesigning the atrium, modifying the restaurant and other food and beverage spaces and refining the guest rooms. The property will be managed by Destination Hotels & Resorts and will continue to operate as an Embassy Suites branded hotel.



11141 Georgia Avenue - This 86,000-square-foot office building is located in Montgomery County, Maryland. The building is adjacent to the Wheaton Metro Stop, providing easy access to the Washington, D.C. central business district and neighboring Silver Spring, Maryland. The planned Town Center mixed-use project to be built across the street will bring additional amenities and vitality to the area. Lowe is currently formulating a redevelopment strategy for the building.



One Park Place - This 158,000-square-foot Class A building is located in the heart of historic Annapolis, Maryland, the state capital and an affluent submarket of Washington, D.C. and Baltimore. The building is 98 percent leased to a diverse mix of businesses. It is prominently located in the Park Place mixed-use community which also includes 208 luxury condominiums, the 225-room Westin Annapolis Hotel and a wide variety of retail, entertainment and restaurant options. Lowe has assumed management responsibility for the building.



Park Place Office Plaza - Through Lowe Structured Investment Fund, Lowe provided \$6 million in mezzanine debt to Hamilton-Titan Partners for the recapitalization of Park Place Office Plaza, a two-building, 171,000-square-foot office complex in southeast Denver. Lowe previously provided \$13 million in mezzanine debt to Hamilton-Titan Partners for a three-building portfolio of office properties in the Denver area.



Red Lion Hotel on Fifth Avenue - This 297-room hotel is located in the heart of Seattle's primary business district with a wealth of amenities nearby. Destination Hotels & Resorts assumed management of the property which will maintain the Red Lion brand. Lowe will undertake property renovations to enhance the value of the property with a multi-year capital improvement program, initially focusing on common areas and existing meeting space.



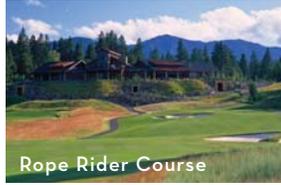
SLS Hotel South Beach - Lowe arranged a \$51.2 million senior construction loan for the renovation and redevelopment of the historic former Ritz Plaza Hotel in Miami Beach, Florida into the SLS Hotel South Beach. Planned to open in spring 2012, the 142-room luxury boutique hotel will be the second property for sbe's SLS Hotel group and is jointly owned with CIM Group. The loan term is three years with two one-year extension options.

Prize Collection



Travel + Leisure's ranking of the "World's Best Hotels 2012" included the **Royal Palms Resort & Spa**, Phoenix, Arizona and **Stowe Mountain Lodge** in Stowe, Vermont.

The Rope Rider Course at **Suncadia Resort** near Seattle has been named the "Best New Course of 2011" by *Golf Magazine*.



Condé Nast Traveler's, "Readers Choice Awards" honored many Lowe/DH&R properties among the best hotels and resorts, including:

■ Top Hotels

Inn & Spa at Loretto, Santa Fe, NM (27)

■ Top Resorts

Stowe Mountain Lodge, Stowe, VT (9th)

Royal Palms Resort & Spa, Phoenix, AZ (55)

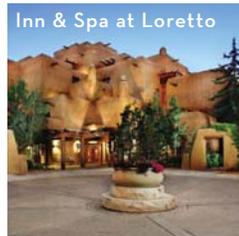
Resort at Squaw Creek, Lake Tahoe, CA (85)

Hotel Telluride, Telluride, CO (102)

L'Auberge Del Mar, Del Mar, CA (110)

Terranea Resort, Rancho Palos Verdes, CA (116)

Wild Dunes Resort, Isle of Palms, SC (121)



In addition, *Condé Nast Traveler's* Gold List of the "Best Places to Stay 2012" included the **Inn & Spa at Loretto** in Santa Fe and **Stowe Mountain Lodge**, in Stowe, Vermont.



San Diego Gas & Electric selected the first phase of the **San Diego County Operations Center** as its "2011 Energy Champion in New Construction."



Travel + Leisure magazine's listing of "America's Best Beach Hotels 2011" ranked the **L'Auberge Del Mar Hotel & Spa** at 19th.

People on the Move

Lowe Enterprises Investors has added several senior team members:



Bill Cockrum is Senior Vice President responsible for institutional investor marketing. He has primary responsibility for developing and maintaining client relationships and will assist in formulating new investment products for LEI and its investment clients.



Peter Houghton is Senior Vice President responsible for commercial portfolio management and business development. Houghton will assist with overall asset and investment strategies while working with LEI's senior team to expand the firm's commercial investment activities.



Russell Munn is Senior Vice President overseeing the firm's hospitality property investments. He is responsible for portfolio management of hospitality investments in the firm's commingled funds as well as separate accounts and joint ventures.



Thomas C. Whitesell is Senior Vice President overseeing the firm's high-yield real estate debt investment program. He will focus on senior and subordinated debt and preferred equity investments for commercial and hospitality real estate projects, while working with LEI's senior team to expand the firm's debt investment platform.

The *Condé Nast Traveler* ranking of the "Top 100 Resort Spas" included numerous Lowe/DH&R spas:



The Spa at Stowe Mountain Lodge, Stowe, VT (6th)

The Well Spa, Miramonte Resort & Spa, Palm Desert, CA (20)

Alvadora Spa, Royal Palms Resort & Spa, Phoenix, AZ (42)

Aria Spa & Club, Vail Cascade Resort & Spa, Vail, CO (45)

Sage Springs Spa Club, Sunriver Resort, Sunriver, OR (69)