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**Allegiant**  
PROPERTIES, LLC

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### Introduction

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**Allegiant Properties** is a real estate asset management and advisory company whose primary business focus is to assist its clients in developing and implementing capital preservation strategies that optimize the asset values of their real estate holdings and troubled asset portfolios. **Our principals, as owner, manager, or developer have successfully executed turnaround solutions and disposition strategies for properties and portfolios of all types. Our proven track record includes the repositioning of real estate assets aggregating over 14 million square feet of industrial, office, flex, retail, and multi-family properties located in California, Washington, Colorado, Arizona and North Carolina.**

During turbulent economic environments, many institutions and individual property investors lack the local market knowledge, vendor relationships, licensing, staff, experience or operational know-how to effectively manage and/or reposition distressed real estate assets. **Our company's principals and team have over 30 years of extensive experience in successfully navigating through multiple real estate and economic cycles on behalf of many clients and investors.** Allegiant Properties provides the expertise – directly and through its affiliates – to assist real estate owners, investors, lenders, and borrowers maximize the value of their real estate assets.



With the background, knowledge and resources, we incorporate a range of options generally not offered or available through traditional real estate brokers and property management companies. **We add substantial value** by tackling all immediate problems and developing plans, devising strategies and implementing solutions to improve operations and to position the asset for sale.

In addition to real estate asset management and receivership services, Allegiant Properties also provides project underwriting, due-diligence and traditional real estate services including investment brokerage, leasing, financial analysis, property, project and construction management.

### Services

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#### **EVALUATION:** Advisory / Valuation / Strategy

- Acquisition Due Diligence
- Asset/Portfolio Valuation & Hold/Sell Analysis
- Budgeting & Business Plan Preparation
- Market Research
- Operating Statement Review
- Lease Abstracting
- Leasing & Management Strategy
- Portfolio Surveillance
- Foreclosure Administration & Support



#### **ASSET MANAGEMENT:** Operations / Leasing / Construction

- Court-Appointed Receivership
- Property Management
- Collateral & Document Administration
- Construction Management
- Site Inspections & Maintenance Coordination
- Tax & Insurance Administration
- Entitlement Preservation
- Development Agreement Negotiations
- Vendor Selection & Oversight
- Lease Negotiations & Approval
- Investor/Owner Recapitalization
- Loan Workout & Resolution



#### **RESOLUTION:** Disposition Strategies / Broker Management

- Motions & Proposal Orders (Provide Court Action Plans)
- Broker Selection
- Financing Negotiation & Placement
- Sale Administration
- Final Accounting & Reporting
- Business / Partnership Dissolution & Wind Up
- Initiate Preparation of Purchase/Sale Contracts and Negotiate Terms



## Our Approach

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**Our primary objective is to optimize asset values for our clients.** We apply this principle to every situation and obtain success by aligning our interests with our client's needs and goals. We move efficiently towards achieving success by developing and then executing comprehensive turnaround solutions and asset disposition strategies for our client's properties and portfolios.

Our approach begins with a comprehensive analysis of the present and historical financial, operational and leasing data relevant to the asset. From this point we develop the business plan and value enhancement strategies to successfully reposition the asset and prepare the property for disposition. Based on our track record and past experiences, we understand exactly what it takes to maximize recovery.

Although every property is unique, a typically engagement may follow the following steps:

1. Comprehensive analysis of all relevant data vis-à-vis the asset's present and historical performance.
2. Assume responsibility of property operations; identify and tackle all immediate challenges; secure and account for property operational functions, including tenants, vendors, leases, and monies.
3. Conduct inspections and account for all inventory.
4. Develop effective standard business operating procedures.
5. Develop cost/benefit business plan.
6. Analyze marketing and leasing strategies; engage third party brokers & implement new, improved marketing & leasing programs.
7. Engage third party vendors and implement active management processes; initiate software to secure information and provide efficiency and transparency; ensure income is accurately reported and expenses tightly controlled.
8. Identify, review and commence cost efficient repairs and renovations including deferred maintenance, tenant, common area and capital improvements which will most effectively maximize asset value.
9. Monthly/Annual financial reporting (depending on scope of assignment). Provide clients with a series of comprehensive financial and narrative reports.
10. Property disposition - make recommendations and assist in the selection of brokers; work with selected brokers to position the assets for sale; as necessary, interact with potential investors/purchasers.

### Strategic Partnership

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Allegiant Properties considers the relationship with its clients a strategic partnership rather than a vendor relationship. In this capacity, Allegiant works in the best interests of its clients by preserving the asset, managing actively and efficiently, and reducing risks with strategic financial and asset management solutions.

In many cases, loans have been made on a non-recourse basis, and therefore, our client's right to recovery is generally limited to the real estate collateral. As well, management, operations, accounting and reporting has typically deteriorated during the

period preceding the loan default. Allegiant will immediately employ significant resources to restore an environment of order and professionalism to protect our client. In addition, Allegiant can bring a fresh management perspective and implement practices that benefit the asset upon disposition and in most cases well beyond our asset management engagement period.

In all cases whether we are acting as asset managers or court-appointed receivers, our role is to preserve and maximize asset value for the benefit of the parties. This value-added process results in greater operating efficiencies, transparent financial statements, a lender shield from liability, and of course, increased disposition value.



## Key Principals & Team

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*The key principals & team of Allegiant Properties bring the expertise, market knowledge, market relationships and commercial real estate execution capabilities to provide its clients with optimal results.*

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## Key Principals & Team

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### **Richard Rollnick, Principal**

Until May, 2006 Richard served as President and member of the board of Crown West Realty LLC, a private real estate investment, development and management company with offices in New York, Phoenix, Denver and Spokane, Washington. As one of its founding partners in March 1996, Richard successfully led Crown West Realty from its beginnings in Washington, to its present industry leadership position with a multi-market portfolio comprising assets of over seven million square feet of leased office, flex, and industrial properties including 600 acres of land. Prior to his role with Crown West Realty, Richard served in former positions as president or key executive with several prominent national and regional commercial real estate development, investment banking and advisory firms. Richard, as a present or past partner or key executive has been directly responsible for originating, financing, developing, marketing and managing over 14 million square feet of industrial, office, flex, retail and multi-family properties located in California, Washington, Colorado, Arizona and North Carolina.

Richard holds a Bachelor of Science degree from Woodbury University, a Masters of Business Administration Degree from Pepperdine University Graduate School of Business, and is a graduate of Harvard University Graduate School of Design, Running a Real Estate Company program. Richard is a licensed real estate broker in California and Arizona, is a licensed Arizona Mortgage Broker, and holds the CCIM designation.

### **Dan Harach, Vice President**

As a key executive of Allegiant Properties, Dan has been directly involved in the acquisition, planning, entitlement, repositioning, management and disposition of both commercial and multifamily assets. In addition, Dan has managed the origination, analysis, underwriting, due diligence and structuring aspects of raising, managing and investing \$45 million of private equity capital. Prior to joining Allegiant Properties, Dan held management positions in the fields of commercial real estate and commercial banking at top regional and national firms. His wealth of experience includes asset management, development, acquisitions, syndication, and finance. Dan holds a Bachelor of Business Administration Degree from the University of Regina, Canada. He also studied at the University of Memphis in the discipline of Real Estate. He is a member of the Urban Land Institute and holds an Arizona Real Estate License.

## Key Principals & Team (cont'd)

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**Diana Rollnick**, Vice President of Sales & Designer

Diana has founded, or co-founded five start-up companies over the last twenty five years, with emphasis in the following specialties: Project Management, Sales & Marketing, Business Development, Operations, and Design. Her transactions involving real estate, services and related products exceed \$124 Million. Diana holds a Masters of Business Administration, a Bachelor of Science, and is a graduate of American Institute of Interior Design. Diana is a member of the National Association of Realtors, Scottsdale Association of Realtors, and is an Allied Member of American Society of Interior Designers.

**Laura K. Wilkens**, Administrative/Property Manager

Laura is responsible for Allegiant's office administration and the coordination of all property management duties. Laura has 7 years of extensive experience in property management including over 500 units of multi-family projects, 45 Home Owner Associations, as well as various commercial properties. In addition, Laura has over 16 years of broad operational and management experience in the hotel and restaurant business. Laura holds a Bachelor of Arts degree from San Diego State University and a Culinary of Arts degree from Scottsdale Culinary Academy/LeCordon Bleu. She is an Arizona Real Estate licensee.

## Our Code of Ethics

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**Professionalism**

*We conduct our business in a professional manner.*

**Integrity and Confidentiality**

*We know integrity and confidentiality are essential.*

**Public Trust**

*We do not commit fraud or misrepresentation.*

**Fiduciary Responsibilities**

*We use money or property held on behalf of others only as intended.*

**Responsiveness**

*We provide accurate, timely and meaningful information.*

**Conflicts of Interest**

*We disclose all financial and other conflicts of interest.*

**Compliance With Law**

*We comply with all applicable laws and regulations.*

**Non-discrimination**

*We do not discriminate on the basis of race, sex or religion.*

**Honesty in Advertising**

*Our ads and solicitations are clear, simple and truthful.*

**Sanctity of Agreements**

*We do not breach agreements.*



## Case Studies

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*Transactions discussed herein were completed by Richard Rollnick as President and Partner of Crown West Realty, LLC and LRC Companies, LLC.*

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### Enhancing Value with Professional Asset Management

In addition to the three actual investment properties and results discussed below, Mr. Rollnick, over the past 30 years, as a present or past partner or key executive has been directly responsible for originating, financing, developing, marketing and managing over 42 individual commercial and multifamily projects comprising approximately 14 million square feet.



Property types include class “A” office buildings, a 4.2 million square foot industrial complex, land infrastructure development, retail projects of varying sizes, build-to-suit facilities, corporate headquarters buildings, hotel and residential condominiums. The aggregate value of these assets is in excess of \$710 million including equity contributed of approximately \$200 million. Over the preceding 2 ½ decade period, these investments returned variously an IRR of approximately 13% to 80%.

In all cases, the investment thesis for these value added real estate opportunities was to pursue the strategy of acquiring distressed properties at discounts to their stabilized market values and then implementing aggressive, active management to successfully resolve all identifiable issues related to the asset’s underperformance. Mr. Rollnick’s successful and proven execution capabilities provide a key and unique element to our clients and strategic partners.



### Case Study #1

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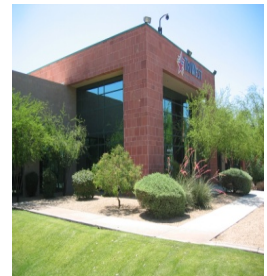
#### Arizona Business Park

*Acquired July 2004. Sold September 2005, July 2006 and March 2007.*

The Arizona Business Park ("AZBP") was acquired in July 2004. It is a well-located portfolio of 7 office properties totaling 437,000 square feet that is adjacent to Interstate 17 in northern Phoenix. The AZBP portfolio was fully leased at closing but its newest and most prominent freeway-frontage building was unoccupied by its tenant, Bank One, and several of the other properties were encumbered by high interest rate, non-prepayable mortgages at low loan-to-value ratios. These factors made the portfolio very challenging for prospective purchasers to finance with conventional debt, and effectively provided an opportunity to acquire these assets at a discounted sales price. The acquisition was completed by our investment fund in a joint venture with a large public insurance company for \$51.8 million or approximately \$119 per square foot. Our strategy was to resolve the portfolio's tenancies, refinance the existing mortgages, and sell the portfolio's properties over time.

In late 2004, we solved the tenancy issue of the portfolio's most valuable individual asset, the vacant 104,000 square foot building leased to Bank One. We successfully negotiated a multi-million dollar lease termination penalty from Bank One and simultaneously leased the entire building to an affiliate of American International Group, Inc. under a new 10.5-year lease. In September 2005 we sold the AIG building as part of a 4-property sale for \$48.8 million, or \$163 per square foot. This transaction alone resulted in equity proceeds of \$11 million and an IRR of over 40% against allocated equity.

To date, we have leased, repositioned and sold all of the remaining buildings in the portfolio for net equity proceeds of \$22 million resulting in an IRR of over 75% against allocated equity.



### Case Study #2

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#### Camelback Center

*Acquired October 2004. Sold January 2007.*

Camelback Center was acquired October 2004 by our investment fund in a joint venture with a large public insurance company. The property is a 235,000 square foot Class A office building located at 24th and Camelback, Phoenix's premier office intersection.

Camelback Center was built and completed in 2001 just about the time Phoenix was entering a real estate recession. The inauspicious timing of the property's delivery was exacerbated by an assortment of negative issues involving development, ownership and operating problems. This created an overall negative perception in the office market and gave the building a poor reputation within the leasing brokerage community. In addition, its occupancy had stalled at 40% despite a rapidly improving submarket. Our vision was that the property's performance was unrelated to the asset and that with appropriate building enhancements, management, and leasing expertise that our repositioning efforts would be rewarded. In October 2004 we purchased Camelback Center for \$32.4 million or \$138 PSF. Including costs for renovating and leasing, our all in total cost was approximately \$40 million or \$170 PSF.

During our first year of ownership, we repositioned the building by executing significant improvements and upgrades of the building's lobbies and common areas, enhancing the tenant finishes and commencing new aggressive leasing efforts. Eighteen months after completing our building enhancements and renovations, occupancy of Camelback Center had grown to 94%. Our new roster of tenants included high-quality companies such as Wells Fargo and Oracle Corporation. At the time of our acquisition average rents were \$19.00 PSF. Recent leasing activity has produced average rents of \$25.00 PSF, with Oracle Corporation paying \$30.25 PSF. As well, when Camelback Center was acquired, it was not considered an institutional-quality property (usually judged by tenant and construction quality by pension funds or insurance companies). The Property was marketed for sale late in 2006 and we received 16 bids, including 6 from institutions, one of which was TIAA-CREF ("Teachers"), the largest institutional real estate investor in the nation.

In January 2007 we closed the sale on Camelback Center to Teachers for \$76.4 million, or \$325 PSF. The resulting net distribution generated an IRR on this investment of over 75%.



### Case Study #3

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#### **Elliot Corporate Center, Tempe, AZ**

*Acquired December 2001. Sold October, 2004.*

Elliot Corporate Center (“ECC”) was acquired in our investment fund December, 2001. ECC is a 224,000 square foot Class A back office building located in Tempe, Arizona. The original developer completed and delivered the building in 2000. During this period, speculative office development was burgeoning throughout the Phoenix market. The seller’s leasing efforts stalled short of stabilization and continued financing become problematic. ECC was 78% leased when we placed the asset under purchase contract and was in need of a complete repositioning strategy. With new capital and aggressive management, we implemented a full range of renovation, construction, cosmetic and landscaping modifications, as well as a new leasing program. ECC is well-located and the purchase price was below replacement cost. The purchase was closed December 2001, during the aftermath of the September 11, 2001 World Trade Center attacks.

The purchase price of Elliot was \$22.6 million or \$101 per square foot, including reserves for renovation and leasing. During its period of ownership, ECC’s 96% occupancy outperformed the average for the sub-market by almost 20%. In October, 2004 the property was sold for \$29.4 million or \$131.25 per square foot. Despite having low leverage at 65% of cost, over the period of ownership gross distributions produced an IRR on this investment of greater than 30%.



### Case Study #4

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#### **Monterra Scottsdale Residences**

*Acquired November 2005. Sold variously in 2006, 2007 & 2008.*

Park Scottsdale was acquired in November 2005 as part of a joint venture between our affiliate company (LRC Companies) and a private investment bank. The property was a 128-unit garden apartment community constructed in 1980 and situated on approximately 5 acres of land located in Scottsdale, Arizona.

The property was acquired in the midst of a robust residential real estate market. Comparable condominium conversion projects at the time were selling out in less than six months or in many cases prior to their grand opening. With a limited supply of entry level housing in the Scottsdale market, Monterra Scottsdale (formerly Park Scottsdale) would offer entry into the Scottsdale real estate market for under \$200,000 per unit. Our investment plan was to acquire the property, obtain approvals from the City of Scottsdale and the Department of Real Estate, enhance the exterior appearance and complete interior upgrades of all the units resulting in a like-new condominium community. The full conversion was expected to be completed within 12 months after acquisition of the property and full sell-out was expected 6 to 12 months thereafter. In November 2005 we purchased Park Scottsdale for \$12.5 million or \$97,700 per unit. Including our improvement budget, our all in total cost was estimated to be \$17.9 million or \$140,000 per unit.

During our first year of ownership, we repositioned the property by completing all mapping and engineering, executed significant improvements to the property and units and commenced new aggressive sales efforts. At the time of our grand opening and throughout the remainder of 2006 we were able to execute and close 38 units. Sales remained brisk in 2007 with 58 closing. In 2008 the Scottsdale area real estate market and economy in general had begun experiencing substantial softening. Although the market was deteriorating quickly, we were able to close 11 units in 2008. Monterra Scottsdale had been considered to be one of the more successful conversion projects in the Phoenix Metro area. Highlights included successfully renovating and selling 107 of 128 units (85%) for an average price of \$185,000 per unit and retiring the \$14 million bridge loan.

In spite of reaching important milestones, the Scottsdale area residential market had essentially come to a standstill. Different marketing strategies were attempted along with incentives, but velocity did not improve.



### Case Study #4 (Cont'd)

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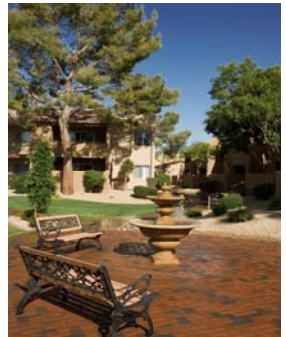
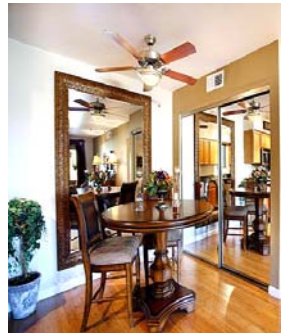
#### Asset Management Repositioning

Allegiant Properties' Asset Management Group was put in place to identify strategic alternatives and make a recommendation to ownership on the most viable plan moving forward. At the time, there were four viable alternatives that were seriously considered: 1) substantially discount and sell the remaining units, 2) auction the remaining units, 3) lease and hold the remaining units and resell in 18 to 24 months, or (4) lease and sell the remaining units to an investor.

Based on the objectives and expectations of ownership, the alternative selected was to lease and hold the remaining units and reposition for sale in 18 to 24 months. By selecting this alternative, ownership will generate significant cash flow throughout the holding period, avoid selling in a declining market and allow the market to stabilize. The timing should also allow the buyer profile to change back to our target market of entry level first time home buyers and second home buyers (the market had deviated to opportunistic investors during the height of the distress).

#### Project Status – Fourth Quarter, 2009

Allegiant Properties' Asset Management Group completed all phases of its repositioning assignment for the remaining 21 units at Monterra Scottsdale. At the time of engagement, all units were in various stages of renovation and were 100% vacant. Allegiant assembled a construction team, selected finish specifications and appliance packages, and proceeded to complete all interior renovation work. Thereafter, select marketing and leasing tactics were implemented which, after only 4 months, resulted in successfully leasing all 21 remaining units. On the average, these 12 to 14 month leases outperformed vacancy in the sub-market by 7.0%, and achieved an average effective rental rate of \$1.05 PSF.



## Contact Information

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