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our services & qualifications





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## Introduction

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Our objectives are to serve our clients well, to meet their needs with thoughtful, creative and relevant counsel, and to do so as cost effectively as possible.

Waronzof Associates, Inc. is a Los Angeles-based land economics and real estate consulting firm formed by Timothy Lowe in 2000. The firm provides land economics and real estate consulting services to private, public institutional and fiduciary clients in four service areas - **Consulting, Complex Valuation, Litigation Support and Asset Management.**

Land economics is the study of land and its improvements in terms of its performance and productivity, profitability and utility for a specific use. We consider the properties and problems we encounter in the context of their surroundings and economic relationships - private or public, direct or indirect and monetary or non-monetary.

Since formation, the firm has served a variety of clients, among them Latham & Watkins, Kilroy Realty Corporation, Rus, Miliband & Smith, Morrison & Foerster, California State Teacher's Retirement System, Segerstrom Companies, Allen, Matkins, Leck, Gamble & Mallory LLP, Trammell Crow Company, Deloitte & Touche, Cygnion Corporation, the San Francisco Giants, the City of Tukwilla, Billet, Kaplan, Sokol & Dawley, Pulte Homes, City of Chula Vista Redevelopment Agency, the Worldwide Church of God, Blue Cross & Blue Shield of Louisiana, the City of Long Beach Redevelopment Agency, Hellmuth, Obata & Kassabaum (HOK) and others. More recently, Waronzof has become heavily involved with the issues and opportunities created by sustainable properties and portfolios. We are among the leaders in the industry in understanding how sustainable and high performance buildings are different from conventional properties, and how investment outcomes may be affected.

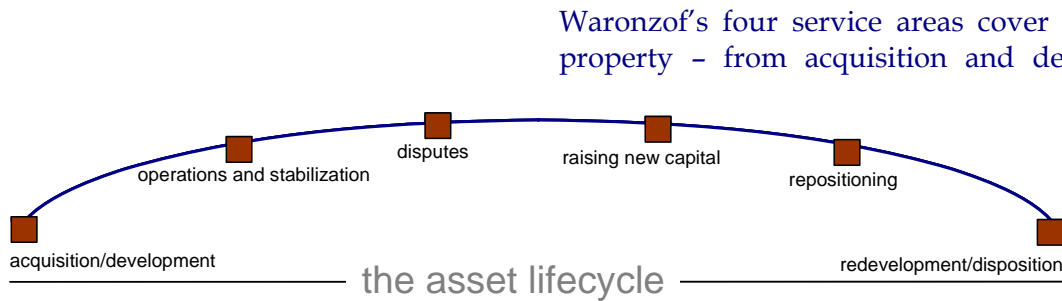
Our work on properties, portfolios and on real estate organizations gives us a unique perspective on real estate problems, solutions, benefits and opportunities.



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## Our Services

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The elements common to each of the service areas are the analytical tools of the real estate industry - property analysis, market analysis, real estate finance, operations, due diligence and strategy. These tools are fundamental to each service area, but are used in different ways and contexts. The specific work undertaken for a particular assignment depends upon the objectives for the project, client needs, industry practices and regulatory requirements.

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- Complex financial analysis
  - Highest & best use
  - Market studies
  - Project fiscal impact
  - Investment analysis
  - Tax increment analysis
  - Strategic planning for real estate entities
  - Best practices analyses
  - Peer analysis
  - Life cycle cost analysis

**Consulting** covers the broad array of real estate problem solving for individual properties, portfolios and for real estate enterprises. *"How do we best use it?" "What kind of tenants should we seek?" "What do we do with it now?"* are consulting kinds of questions. We tailor our approach based on the specific needs and goals of the property or portfolio owner. Our consulting assignments help define strategy, position properties in the market, refine concept plans, assist in transactions, and help real estate owners and developers make decisions about their properties.

Our consulting work covers a wide range of problems, questions and issues. At an organizational level, our assignments have led us to evaluations of historic property and portfolio investment performance, assessment of the capability and competence of management and business systems and setting long-term strategies for investment. At the portfolio level, our work has included the assessment of how portfolio composition affects investment performance and shareholder value.



At the property level, we have assessed how properties met their original goals, how they affect the surrounding neighborhood, and how they compete and perform when compared to their peers.

**Complex Valuation** includes property and portfolio valuation services, including appraisals and specialized forms of value reporting such as financial reporting or fair compensation. Our practice concentrates in valuation problems involving very large, unique or complex assets – such as the valuation of a major office building or regional shopping complex – as well as the valuation of real estate partnerships, holding companies or other partial interests.

Complex valuation recognizes (in part) that today's conventional appraisal practice is more specialized than ever, and is designed to meet the time and cost requirements of banks and borrowers. Frequently, this type of valuation effort is inadequate for the complex property appraisal, and a different and more responsive scope of work is necessary. Waronzof's complex assignments often involve special purpose properties and, properties and projects with substantial public investment or unique and specialized rights or obligations that are related to the property. Our complex valuation practice also includes the valuation of partial interests in real property and the values of interests (such as common stock) in real estate enterprises.

For these complex assets, appraisal methodology or content standards are often unclear. Appraisal literature may not provide clear guidance as to the structure and scope of the appropriate analysis. Our work on complex properties often includes an evaluation of the latest literature and thinking on a given topic or issue. This additional investigation is then integrated into our analysis and conclusions.

- Market value -  
acquisition  
disposition  
partition
- ASC 805 Purchase Price  
Allocation  
(formerly FAS 141R)
- ASC 350 Goodwill & Intangibles  
(formerly FAS 142)
- ASC 360 Impairment  
(formerly FAS 144)
- ASC 820 Fair Value  
(formerly FAS 157)
- Partial interest valuation
- Business enterprise value
- Stock, partner & membership  
interests
- Property tax disputes
- Value in use
- Eminent domain
- Regulatory takings
- Special purpose properties



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## Our Services

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- Diminution in value
- Economic damages
- Lost profits
- Lease disputes
- Eminent domain
- Property tax disputes
- Partnership disputes
- Partition & dissolution

**Litigation Support** includes analysis of properties, projects and real estate entities in the context of litigation, dispute or in avoidance of litigation. Our services include economic analysis leading to conclusions of lost profits, economic damages, property value, loss of economic viability and estimates of fair compensation. We also serve as consultants and facilitators on behalf of parties involved in settlement discussions, in mediation or arbitration. We may serve as a neutral arbitrator. Since the litigation environment is so complex and costly, and owing to the practices and requirements that result from case law and jurisdictional rules, property analysis, valuation and estimation of damages in litigation is a specialized discipline.

- Comprehensive financial models for new development
- Enterprise financial models
- Negotiations assistance
- Transaction structuring
- Acquisition due diligence
- Disposition services
- Planning & budgeting

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**Asset Management** describes the services that we provide related to the acquisition, disposition and operation of commercial and investment property. These services include assisting buyers acquiring property and investors evaluating the proposed plans and acquisitions of project promoters, completing detailed due diligence for property acquisition, assisting owners in the preparation and search for debt and equity investment, analyzing the financial impacts of differing development or deal structure alternatives, assisting in negotiations for lease or purchase, preparation for disposition or redevelopment and the search for prospective buyers or bidders for specialized properties. To facilitate some of these services, Waronzof has an affiliate, Waronzof Realty, Inc. that provides certain select services for which a brokerage license is required. Waronzof Realty, Inc. does not provide traditional commission-based brokerage services.



**Sustainable Property Analysis** is most commonly associated with “green” building development, renovation and operation. Also called “high performance” buildings, these are buildings that have greater efficiency in material utilization and resource consumption while promoting the use of sustainable materials and increasing occupant health. Some aspects of green buildings, most notably energy efficiency and certain design features, have long been incorporated in conventional buildings. Today, sustainable buildings are those that promote sustainable site features, conserve water and water run-off, conserve energy, do not degrade the atmosphere, use materials that are recyclable, provide excellent indoor environmental quality and innovate in their approaches to addressing these goals. As green buildings have moved from public and owner-occupancy into the investment or commercial real estate sector, the marketplace has recognized that they are a new class of property, with unique financial and investment performance characteristics.

Waronzof is among a select number of real estate consulting firms that has made a commitment to the analysis of green building performance, value and investment return. Our strengths in consulting and complex valuation are well suited to address the financial analysis challenges that arise for this emerging property class. We have worked with top institutional real estate firms in validating and developing the business case for investment in green buildings, and are collaborating with others to develop underwriting guidelines and appraisal techniques for this specialized property type. Waronzof is closely affiliated with the Green Building Finance Consortium (“GBFC”). The GBFC is a group of leading corporations, real estate companies, and trade groups who have joined together to develop guidelines for the underwriting and valuation of green buildings and sustainable property developments. We are members of the U.S. Green Building Council, and our professional staff includes LEED Accredited Professionals (“LEED AP”).

- Property appraisals
- Financial analysis
- Market studies
- Investment research & analysis
- Strategic planning
- Peer analysis
- Litigation support
- Partial interest valuation
- Partnership interest valuation



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## Our People & Resources

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We have an outstanding group of professionals at Waronzof. Each is highly skilled as a real estate consultant and analyst and each has diverse experience:

- Timothy R. Lowe, MAI, CRE, FRICS  
Principal & Founder

*Real estate consultant and analyst with over 30 years experience in property and portfolio level analysis, real estate enterprises; practice emphasizes real estate litigation and counseling. Tim began his career in Alaska and has practiced in California for 22 years. His assignments have covered the United States, with work in Canada & Argentina.*

- Eric Dicus, CFA  
Senior Associate

*Wharton Bachelor's degree, four years experience in corporate real estate at Deloitte & Touche, UC Irvine MBA (2003), eight years experience at Waronzof. Eric obtained the CFA designation in 2009. Eric's practice emphasizes purchase price allocations, impairment analyses, and real estate enterprise analysis – including the development of comprehensive financial forecasts for real estate companies.*

- Brian Gross  
Senior Associate

*Brian has five years experience at Waronzof, two years experience in environmental analysis, and two years in construction cost estimating and project management. Masters in Urban Planning from UCLA (2002) and MBA from UC Irvine (2004). Brian is a LEED Accredited Professional. Brian leads Waronzof's sustainable buildings practice and is heavily involved in a variety of "green building" issues. Brian also leads Waronzof's public sector engagements.*

- Alex Nebesar, CFA  
Senior Associate

*Alex brings ten years of experience in finance and business analysis, specializing in Business Valuation for financial reporting. Alex graduated from The University of Puget Sound with a BS in Applied Mathematics. Alex's practice includes enterprise valuation and preparation of pro-forma financial statements and other tools to facilitate the development of strategic planning alternatives.*



- Joseph P. McNulty  
Senior Associate

*Former Deloitte & Touche partner specializing in real estate debt and equity transactions, real estate capital markets; sub-specialty in real estate information systems. Co-founder and managing member of Edgewood Realty Partners, LLC, a real estate investment manager. MBA from USC.*

Waronzof relies upon the use of a variety of resources and specialized forms of analysis to accomplish its consulting and advisory work. Among these resources are the following: extensive use of financial modeling and project analysis software, including Excel, Access, Microsoft Project, Argus and Pro-ject; the use of geographic information systems (“GIS”) (computerized mapping analysis) such as MapInfo and Arcview for project and market analysis; and the use of databases of financial, legal, real estate and market information through sources such as Westlaw, Thomson Financial SDC, Dialog, Dunn & Bradstreet, Investext, Metroscan, Costar and other data providers. Waronzof has as an affiliate, Waronzof Realty, Inc., which is a licensed real estate broker. Waronzof Realty, Inc. does not undertake or provide conventional agency services, but allows Waronzof to provide certain acquisition or disposition services. Waronzof Associates also maintains alliances with other professional service providers providing public accounting, tax, finance, systems consulting, litigation support and real estate and business valuation services.

- Waronzof Realty, Inc.  
transactional services
- Marshall & Stevens  
enterprise & financial valuations  
intellectual property, capital assets  
& reorganization
- The Muldavin Company  
finance & strategy
- Barrett Sports Group, LLC  
sports & public assembly
- Discovery Economics  
general business litigation
- HOK Advanced Strategies  
long-range facility & property  
planning



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## Engagements

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The engagements Waronzof and its professionals have completed for its clients demonstrate the strengths of our firm - a commitment to creative, thorough and discriminating analyses, a willingness to work hard meet challenging deadlines, and effective communication of our findings and conclusions. We take great pride in our work, and we are mindful that our analyses and conclusions compete with the opinions of others and must be persuasive and effective. Our clients retain us during times of great need to provide analyses and recommendations that have real consequence and meaning - whether in a courtroom, a negotiation, before a public body or around a conference table.

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## Consulting

Kilroy Realty Corporation  
City of Long Beach  
Redevelopment Agency  
Blue Cross & Blue Shield of  
Louisiana  
City of Tukwilla  
Calais Company  
Municipality of Anchorage  
Worldwide Church of God  
Cockrell Interests  
City of San Diego  
Redevelopment Agency

- Market and development/disposition planning for the City Market, a nine acre historic produce market located in downtown Los Angeles.
- Financial analysis of development alternatives under study for the Ostrich Farm specific plan area of South Pasadena, CA.
- Life cycle and occupancy cost analysis for the construction of a Health and Human Services Complex in Santa Fe, New Mexico for the State of New Mexico's Property Control Department.
- Highest and best use analysis for excess land in Northern California for a regional timber company.
- Analysis of corporate strategy alternatives for a 50 year old closely-held real estate holding company in transition.
- Feasibility analysis for land in Fremont, CA for use as a potential major league baseball facility.
- Feasibility analysis for a planned mixed use residential and golf community in Punta Chivato, Mexico.
- Highest and best use/development planning for a 1,000 acre holding in northeast Houston.
- Analysis of agency best practices and project-specific evaluation for a California redevelopment agency.



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- Reconnaissance and evaluation of light rail transit alternatives in Tukwilla, Washington (Seattle metro area).
  - Evaluation of the 53 acre Ambassador College campus in Pasadena for reuse and redevelopment.
  - Highest and best use analysis of a former manufacturing facility in north Los Angeles county.
  - Project assessment for the \$400 million Tren de La Costa transit/retail project in Buenos Aires, Argentina.
  - Real estate investment strategies and market assessment for metropolitan Buenos Aires, Argentina.
  - Residential Housing Study for the nation of Argentina for a New York investment bank.
  - Financing alternatives study for a major health insurance provider for a \$100 million headquarters facility in Southern California.
  - Absorption analysis of a proposed business and industrial park located on the US/Mexico border at a new commercial border crossing.
  - Financial analysis for a combined headquarters expansion and association community center development on behalf of a health care insurer located in Louisiana.

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## Litigation Support

- Estimation of lost profits and economic damages arising from construction defects in a high rise apartment building in Seattle.
- Estimation of ground rent for a bank branch facility in Hayward, California.
- Valuation of equity in a real estate holding company mandated by settlement process in shareholder lawsuit.
- Estimation of economic damages for an alleged title defect regarding a condominium development in Glendale, California.
- Valuation of a beach-front luxury residence designed by internationally-known architect in Malibu.
- Complex ground lease dispute culminating in three appraiser panel for property located at Long Beach Airport.
- Estimation of the value of a partnership interest in a general partnership subject to California's Revised Uniform Partnership Act and its "dissociation" provisions.

Morrison & Foerster

O'Melveny & Myers

Rus, Miliband & Smith

Latham & Watkins

Sheppard Mullin Richter & Hampton

Gibson, Dunn & Crutcher

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Greenwald, Pauly, Foster &  
Miller

Newmeyer & Dillion

US Dept. of Justice

Brown Law Group

Farmer & Case

Glaser Weil

Stoel Rives LLP

Gilchrist & Rutter

Cahill, Davis and O'Neill

- Analysis of the impact on economic viability and profitability of a local community zoning ordinance on residential development land for purposes of a regulatory takings challenge.
- Estimation of fair compensation for a partial taking of a large residential development in Hawaii for municipal redevelopment purposes.
- Estimation of value, interest rate analysis and reorganization plan feasibility for a bankruptcy involving a large apartment complex in north Los Angeles County.
- Services as a consultant overseeing the breakup of two development ventures controlling \$250 million in development land and completed office buildings in San Diego.
- Estimation of lost profits against a title company alleged to have occurred from the correction of defective reconveyance documents.
- Estimation of fair compensation for a partial taking of a newly-developed residential project in Phoenix.
- Estimation of economic damages and lost profits arising from the alleged failure of an institutional investor to continue to invest new monies in a resort and hotel development in Lake Tahoe.
- Estimation of economic damages alleged to have occurred arising from the breach of fiduciary duty by a timber manager of Indian-owned timberlands.
- Estimation of "intrinsic" value and economic damages arising from a judicial foreclosure action under California's 1938 intrinsic value definition.
- Estimation of economic damages and lost profits arising from an alleged failure of a title company to insure against a railroad easement.
- Estimation of value and fair rent in actions brought against pension fund trustees for failure to act as a fiduciary in real estate transactions involving training facilities and convenience stores.
- Estimation of value for property tax purposes in property tax disputes involving hotel-resort-golf properties in Orange County.



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- Estimation of economic rent in arbitration over building and ground rent readjustment provisions in San Mateo and Beverly Hills.
  - Estimation of fair compensation for full and partial takings involving airport lands.
  - Economic damages analysis arising from a breach of a purchase and sale agreement for a large-scale residential development.
  - Estimate of fair compensation arising from the taking for and construction of a high voltage transmission line.
  - Estimate of damages arising from attorney malpractice involving a failure to disclose the presence of lead-based paint in a residential apartment complex.
  - Estimation of damages arising from the relocation of a residential access easement leading to a luxury residential subdivision near Santa Fe, California.

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## Complex Valuation

- City Center Development, Las Vegas
- Museum of Television and Radio, Beverly Hills
- National Academy of Recording Arts & Sciences Headquarters, Santa Monica
- SBC Park (San Francisco Giants), San Francisco
- South Coast Plaza Complex, Costa Mesa
- 800 mile Trans-Alaska Pipeline Right of Way, Alaska
- The West Edmonton Mall, Edmonton, AB
- Cleveland Hopkins International Airport, Cleveland
- The Stratosphere Casino, Las Vegas
- 2 Wall Street, New York
- Skywalker Ranch, Marin County
- Sonalyst Studios, Connecticut
- The Desert Inn, Las Vegas

Segerstrom Companies

Alberta Treasury Branches

City of Cleveland

Kilroy Realty Corporation

Orange County  
Transportation Authority

Pulte Homes

Barratt American Homes

Lennar Corporation

PerkinElmer

Trammell Crow

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Pacific Motor Trucking	▪ The Mission Bay Project, San Francisco
Edwards Theatres	▪ Sun Lakes Residential Project, Phoenix
City of Auburn Hills	▪ Boeing Field, Seattle
San Francisco Giants	▪ MetroCenter Project, Foster City
Harvard University	▪ Emerald River Project, Laughlin, NV
University of Chicago	▪ Ritz Carleton Hotel, Marina del Rey
Conoco-Phillips	▪ The Beverly Rodeo Hotel
Cal-Poly Pomona Foundation	▪ DC Ranch, Phoenix
	▪ San Francisco-San Jose Commute Corridor
	▪ Riverpark Residential Community, Oxnard
	▪ Ambassador College Campus, Pasadena
	▪ Large Scale Solid Waste Transfer Facilities, Los Angeles & Huntington Beach
	▪ The Palace of Auburn Hills (Detroit Pistons)
	▪ The Rose Garden (Portland TrailBlazers)
	▪ Valuation for Financial Reporting (Purchase Price Allocation Under FASB 141R)
	- Office and retail properties in Los Angeles, Ontario, San Diego, Orange County, Phoenix, Sacramento, Austin, St. Louis and Boise.
	- Industrial Properties in Phoenix, Austin and Orange County.



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## Asset Management

- Purchase price allocation studies for financial reporting purposes for industrial and office properties throughout California, Arizona and Texas.
- Life cycle cost analysis of design and ownership alternatives, and a no project alternative, for a 650,000 sf state office building complex.
- Disposition management services for residential development land in Pasadena, including preparation of an offering document and supervision of a formal bidding process, culminating in a \$40 million transaction
- Solicitation and placement of a land-secured \$18.5 million bridge financing facility for a non-profit organization.
- Acquisition due diligence and lease abstracting for a \$20 million office complex in Los Angeles.
- Disposition assistance, including preparation of an offering document and pre-bid activities for a residential facility owned by a non-profit.
- Complex cash flow forecasting, budgeting and financial evaluation for property disposition.
- Preparation of enterprise financial models for real estate enterprises, culminating in forecasts of enterprise income, tax obligations, cash flows, dividend payments and share values for real estate holding companies.
- Transaction due diligence for development venture investments by a state pension fund.
- Preparation of investment track-record analysis on behalf of real estate investment manager planning creation of a new real estate investment fund.

California State Teacher's Retirement System

Sisters of Social Service

Bantry Holdings

Worldwide Church of God

Calais Company

Mani Brothers

State of New Mexico





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## Professional Qualifications Summaries

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timothy lowe  
eric dicus  
brian gross  
alex nebesar  
joe mcnulty



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**TIMOTHY LOWE, MAI, CRE, FRICS**  
**WARONZOF ASSOCIATES, INC.**  
**Principal**

As Principal with Waronzof, Mr. Lowe is responsible for directing real estate consulting and valuation engagements including strategy and best practice analyses, market and highest & best use studies, market value and fair compensation appraisals; acquisition due diligence; economic feasibility analysis; and advanced financial analyses for large-scale project development. Mr. Lowe's practice includes emphasis in litigation, investment analysis and counseling. His experience includes appraisal and consulting engagements across the continental United States, Alaska and Hawaii, Canada and Argentina, and includes such notable properties and projects as the West Edmonton Mall (Edmonton), South Coast Plaza Shopping Center (Costa Mesa), AT&T Park (home to the San Francisco Giants), Belmont Learning Center (Los Angeles), the Kapolei City development in Hawaii, the Tren de la Costa project in Buenos Aires, a 5 million acre natural resource portfolio in Washington State, Ambassador College (Pasadena) redevelopment, Two Wall Street (New York), Boeing Field (Seattle), the Skywalker Ranch facility of director George Lucas (San Francisco), the three million square foot Air Force Plant #19 (San Diego), the 40 mile long Peninsula Commute Rail Corridor (San Francisco to San Jose), and the 4,000 acre Girdwood Development & Disposal Plan project (Anchorage). Mr. Lowe is a member of the Green Building Finance Consortium, an industry group working to establish underwriting and valuation guidelines for sustainable buildings.

Prior to founding Waronzof, Mr. Lowe was a Director in the Real Estate Consulting and Litigation Practice with Deloitte & Touche in Los Angeles, and earlier a Vice President and Chief Appraiser with Arthur Jimmy International in San Francisco. He began his career as an appraiser and consultant in Anchorage. Mr. Lowe has been accepted as an expert witness in state and federal courts in the areas of real estate and going concern valuation, project feasibility and plan feasibility. Mr. Lowe is a designated member of the Appraisal Institute (MAI), a member of The Counselors of Real Estate (CRE) and a Fellow of the Royal Institute of Chartered Surveyors (FRICS). Additionally Mr. Lowe is an associate member of the Urban Land Institute and a member of Lambda Alpha, the Land Economics Society.

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timothy lowe





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**ERIC DICUS, CFA**  
**WARONZOF ASSOCIATES, INC.**  
**Senior Associate**

As a Senior Associate of Waronzof Associates, Mr. Dicus is responsible for conducting real estate consulting and valuation engagements including real estate and enterprise strategy studies, purchase price allocation analyses, impairment analyses, market value appraisals, market analysis, and real estate financial and disposition analyses. While with Waronzof Associates, notable projects include a valuation of the City Center Development (Las Vegas), South Coast Plaza (Costa Mesa), disposition of the Ambassador College (Pasadena), a strategy study for a private, family-owned \$60 million real estate portfolio (Anchorage), a track record analysis for a real estate investment company, a loss profits and economic damages study on an apartment building (Seattle), a strategy study for a private movie studio, a life cycle cost analysis for a new facility for the State of New Mexico, and a valuation of the land under the right-of-way of the Trans-Alaskan Pipeline System in Alaska.

Notable clients include Kilroy Realty Corporation, Worldwide Church of God, State of New Mexico, Mani Brothers Real Estate Group, Hellmuth, Obata and Kassabaum (HOK), and Dewey & LeBoeuf (City Center).

Prior to joining Waronzof Associates, Mr. Dicus was a senior member with Deloitte & Touche's Real Estate Consulting practice. While with Deloitte, Mr. Dicus provided site selection consulting services, real estate appraisal, lease consulting, operating cost management, and facility strategy engagements. The scope of his experience includes projects throughout North and Central America and Europe, focusing on real estate costs, labor market analysis, logistics, and overall operations. Notable clients included Sun Microsystems, Nestle, Gap Inc., the State of Wyoming, and the County of San Bernardino.

Mr. Dicus obtained the Chartered Financial Analyst designation in 2009. Mr. Dicus received a B.S. degree in Economics from the Wharton School at the University of Pennsylvania and a Master in Business Administration from the University of California - Irvine.



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**BRIAN GROSS**  
**WARONZOF ASSOCIATES, INC.**  
**Senior Associate**

As a Senior Associate with Waronzof, Mr. Gross' practice emphasizes consulting in the fields of economic development and complex real estate valuation, linking property-level economic performance with the economic effects of local land use decisions.

Mr. Gross' strategic economic development assignments include a broad scope of feasibility studies and performance assessments, including a performance assessment for the Long Beach Redevelopment Agency that quantified the "catalytic" impact of redevelopment projects on local real estate markets.

While at Waronzof, Mr. Gross has had the opportunity to work on a wide range of complex valuation engagements, including portfolio valuation, tax appeal, right-of-way, and economic damage assignments.

In an ongoing effort to provide green building services to its clients, Mr. Gross has worked on business case development, project financial analysis, underwriting support, and valuation issues relating to green building projects. Notable assignments include an evaluation of green building financial characteristics on behalf of institutional investors, and research into the drivers and barriers to green building investment for an investment advisor.

Prior to joining Waronzof Associates, Mr. Gross obtained masters degrees in both Business Administration (UC Irvine, 2002-2004) and Urban Planning (UCLA, 2000-2002), and a bachelor of arts from Claremont McKenna (1991-1995).

Professional experience prior to his graduate education includes cost estimating at Rudolph and Sletten, a construction general contractor (1998-2000), and project coordination at TRC Solutions, a turn-key environmental consulting firm. (1996-1998).

Mr. Gross is an accredited professional for the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) program, and an implementation member of the Green Building Finance Consortium.

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brian gross





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**ALEX NEBESAR, CFA**  
**WARONZOF ASSOCIATES, INC.**  
**Senior Associate**

Mr. Nebesar's experience includes building financial models and writing accompanying reports to assist financial and economic consultants, business and asset valuation expert witnesses, forensic accountants, and start-up ventures. Mr. Nebesar has conducted business and intangible asset valuation for financial statement reporting, mergers and acquisitions, corporate reorganizations, legal matters, and tax planning purposes. Significant engagements Mr. Nebesar has consulted on include developing pro-forma financial statements for long-term business forecasting to determine business enterprise value for angel and venture capital round financings for a new venture in the retail automotive industry; determination of purchase price of fables IP target, as well as valuation of acquired assets for financial reporting purposes; and fresh start accounting valuation for a major airline company.

Prior to consulting independently, Mr. Nebesar was an Investment Analyst with Greycourt & Co., in Portland Oregon, where he implemented asset allocation strategies for high net worth individuals and institutions. Before joining Greycourt Mr. Nebesar was an Associate with Huron Consulting Group's Valuation Advisory and Consulting Practice in San Francisco. At Huron he was part of a team that performed valuations of public and privately held businesses and assets to assist them with financial reporting, merger and acquisition analysis, purchase price assessments, and corporate recovery and restructuring efforts. Prior to his experience with Huron Mr. Nebesar was an Analyst with JPMorgan, where he was a member of an Institutional and Wrap Manager of Managers program.

Mr. Nebesar graduated from The University of Puget Sound with a BS in Mathematics and is a Chartered Financial Analyst charterholder.



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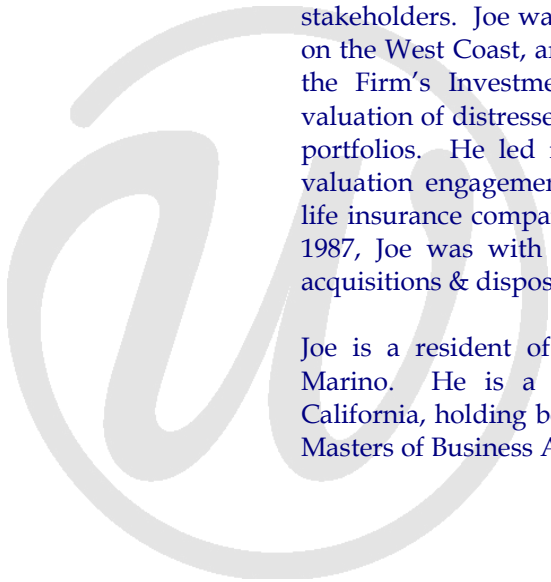
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**JOSEPH P. MCNULTY**  
**WARONZOF ASSOCIATES, INC.**  
**Senior Associate**

Joe McNulty is a Senior Associate with Waronzof Associates, Inc. serving as a real estate consultant and advisor with an emphasis in real estate finance, capital markets and asset management. Joe is also a founder and managing member in Edgewood Realty Partners, LLC, a Pasadena-based real estate investment manager. Associated with Waronzof since 2003, Joe provides specialized asset management, acquisition and disposition services and related special services. He is an expert in complex property and portfolio dispositions and work-outs.

With the Real Estate and Management Solutions Practice of Deloitte & Touche in Los Angeles for 15 years, Joe led a wide variety of real estate consulting and real estate technology engagements serving property owners and investors, financial institutions and investment banks, and other significant stakeholders. Joe was D&T's Real Estate Capital Markets leader on the West Coast, and was instrumental in the development of the Firm's Investment Value Analysis methodology for the valuation of distressed commercial real estate debt and property portfolios. He led many of the Firm's largest loan portfolio valuation engagements, on behalf of financial institutions and life insurance companies. Prior to joining Deloitte & Touche in 1987, Joe was with two savings institutions, as a real estate acquisitions & dispositions officer and analyst.

Joe is a resident of South Pasadena and was raised in San Marino. He is a graduate of the University of Southern California, holding both a Bachelors of Science in Finance and a Masters of Business Administration.



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## Notable Engagement Summaries

financial analysis	ambassador campus
strategy analysis	calais company
highest and best use	north tract, houston
market & financial analysis	bcbsla campus office park
redevelopment & tax increment	creekside town center
life-cycle cost analysis	health & human services complex
property tax assessment	trans-alaska pipeline system
dissident shareholder dispute	unico investment company
portfolio & partnership valuation	south coast plaza
property valuation at contribution	commercial property fund investments
large mixed use development	citycenter, las vegas



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## Ambassador College Campus Entitlement & Disposition

Worldwide Church of God  
Pasadena, California

### Project Summary

- 53 acres
- mixed use development
  - residential
    - renter & owner occupied
    - senior housing
    - affordable housing
  - public open space
  - ambassador auditorium
  - preservation of historic mansions
- 1,400 residential units
- 100,000 sf commercial or more
- redevelopment of private college campus

### Waronzof Scope

- financial analysis & modeling
- market analysis
- mixed use composition
- solicitation of financing
- management of disposition process
- over 8,000 hours
- over \$1 million professional fee

### References

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Director of Finance & Planning  
Worldwide Church of God  
PO Box 5005  
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Los Angeles, CA 90067  
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The Worldwide Church of God (“the Church” or “WCG”), an international religious organization, owned and operated Ambassador College in Pasadena, Ca. Ambassador College ceased operations in spring 1989 and thereafter, the campus served as church headquarters, including various church-related activities such as communications, publishing and training of clergy and Church staff. In 1995, the Church decided to dispose of the campus and concluded, following conclusion of extensive marketing efforts for the campus as an educational facility, that redevelopment and reuse was the more likely use. During this time, the Church retained Deloitte & Touche to conduct a highest and best use analysis and valuation of the existing property, an effort led by Timothy Lowe, then at Deloitte. Subsequently, in 1999, the Church entered a purchase and sale agreement with a well-established developer, who commenced efforts to both entitle and prepare portions of the property for sale. At that time, approximately 1700 residential units were contemplated on the 53 acre property. In Spring 2002, the developer terminated the purchase and sale agreement after failing to achieve development entitlements and the Church faced the choice of either remarketing the property for sale, finding a new developer to take the property through the entitlement process or undertaking the entitlement and disposition process themselves.

By June 2002 the Church had determined it was going to undertake the entitlement and disposition process itself by forming its own development team under the leadership of the Church’s Director of Finance and Planning. Timothy Lowe, CRE and Waronzof Associates, Inc. were selected to serve as senior financial analyst as part of that team. Lowe and Waronzof were part of a development team that ultimately included a master development consultant, the master architect and land use planning firms, a law firm handling contracting, entitlement and transactional matters, a communications firm, several engineering firms and a public outreach specialist. During the period of the project, the Church was to spend, on average, \$500,000 per month on a combination of on-going property operations and maintenance costs and costs associated with the entitlement and disposition efforts.

This team remained largely intact through 2004, by which time the Church had successfully disposed of, or had under contract, the sale of the campus. By the close of final escrow in early 2005, the Church had realized in excess of \$130 million in revenue from the sale of the campus property, and through its efforts in the entitlement process, and due to rising demand for very good quality residential development land, had effectively doubled the revenue they would have received from sale of the property to the original developer.

Ambassador College, and subsequent to its closure “Ambassador Campus” contained approximately 53 acres of land and is located in west Pasadena, Ca, not far from the Rose Bowl Stadium. Bisected by a partially-constructed freeway right of way, the property was divided into the East Campus (approximately 17 acres) and the West Campus (approximately 36 acres). Much of the land on either side of the

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## Ambassador College Campus Entitlement & Disposition

Campus was contiguous; however there were several out-parcels which were typically located across the street from the contiguous Campus, either East or West. There were approximately 80 buildings located on the Campus, including classroom buildings, office and administrative buildings, the historic Ambassador Auditorium, student center, single family residences for faculty and staff, facilities and publishing buildings, a small K-12 elementary and secondary education complex, five historic Pasadena mansions and several historic and significant gardens. The Campus had been assembled over a 50 year period and the West Campus was master-planned by famed landscape architect Garrett Ekbo. Under the proposed development plan of the Church and its consultants, the property would have been developed with approximately 1,400 residential units, likely a mix of owned and renter occupied apartments and condominiums, in buildings from two to five stories over parking. The Ambassador Auditorium, historic mansions and gardens would have been largely preserved, along with Ambassador Auditorium. Aggregate value of residential development on the site approached \$800 million. A modest amount of project-serving commercial development was included in the plan, ranging from 100,000 to 150,000 sf under various proposals.

In this project, Waronzof Associates, Inc. ("Waronzof") under the direction of Timothy Lowe, completed a variety of activities and tasks, among them a) serving as the financial analyst for the project, b) preparing the request for proposal and helping select the Master Development Consultant, procuring \$18 million in bridge financing and c) managing the disposition offering and negotiation for the final portion of the campus. Other lesser tasks were also completed. In all, Waronzof's activities on the project amounted to approximately 8,000 hours of professional time and professional fees exceed \$1 million.

Each month during the 30 month duration of our work, Waronzof prepared a monthly financial analysis for the Director of Finance and Planning, which served as the means of communicating the financial impacts of changes in the anticipated development; changes which resulted from evolving information about project density, market position, development cost, market prices and other parameters. These many changes in anticipated revenues, expenses and timing of cash flows made monitoring of the financial impacts of these changes quite difficult. Waronzof developed the Net Invested Value analysis method to provide a stable baseline value comparison that permitted consistent period to period comparison of the evolving development project and allowed improvements or deterioration in the anticipated financial performance of the disposition to be readily apparent to senior management and the Church Board of Directors.

Over the course of an initial six-week period, Waronzof developed a comprehensive financial model that provided three tiers of analysis of the project. 1) a "buyer-builder model or tier, which analyzed the end-user economics, the end-user being a developer building either residential condominiums or apartments. The buyer-builder tier analyzed development revenues, expenses and absorption and predicted the value of the finished parcel or pad that would be sold to buyer-builder. 2) The second or middle tier of the financial analysis was the "master developer" tier, which presumed sale of the parcels or pads to the buyer-builders, and which included all of the direct and indirect expenses of property development. This tier of the analysis

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## Ambassador College Campus Entitlement & Disposition

culminated in a forecast of net cash flows after master developer profit that could either a) be used to estimate the value of the campus under the development program or b) flow through to the third level of the analysis – the disposition tier. 3) The disposition tier included expenses and, (if any) revenues from the disposition process. Most importantly, these expenses including on-going property operations and maintenance costs (\$250,000 per month) and direct staff costs for Church personnel dedicated to the disposition effort.

The property disposition was essentially completed in early 2005; the financial outcomes substantially exceeded initial expectations. The effects of the success of this entitlement and disposition project on the Church as an institution were profound. From the time of the early planning for the disposition, a substantial share of the anticipated proceeds from the sale of the campus were earmarked to fully fund an underfunded pension program for past and current Church clergy and employees. As a consequence of the success of the disposition, the Church was not only able to fulfill its pension objectives, but to accomplish a very important restructuring of its financial management and funding systems. These and other programs would not have been possible but for the success of the entitlement and disposition project.



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## Real Estate Holding Company Strategy Analysis

Calais Company  
Anchorage, Alaska

### Project Summary

- 100 acres in midtown Anchorage
- most properties were long-term ground leased to third parties, including national retailers
- 50 year old company, founded by four families in the 1950's
- c corporation structure, with substantial retained earnings
- long history of annual dividends to shareholders
- three generations of living shareholders, many dependent on dividends for annual income
- family-led management
- long history of internal disputes; strategy study sought to address allegations of poor management and under-performance

### Waronzof Scope

- three phase study including:
  - property & company history assessment, including shareholder surveys and interviews
  - preparation of a comprehensive financial model for company operations, through dividend distribution to shareholders
  - assessment of five strategy options, plus liquidation and "status quo" alternatives; financial and qualitative assessment, concluding in strategy recommendation to Board
- approximately 800 hours
- \$150,000 professional fee

### References

John McManamin  
General Manager (Retired)  
Calais Company  
3111 Denali Street, Suite 201  
Anchorage, AK 99503  
(907) 277-3531

Waronzof Associates was retained by the Calais Company ("Calais") in the summer of 2004 to perform a strategic planning study to assist the Board of Directors and Company Management in directing the future of the company. Calais Company is a real estate holding company primarily owned by four families in Anchorage, Alaska. The assets include land and improvements largely concentrated in mid-town Anchorage valued at in excess of \$50 million. Many of the properties in the portfolio are long-term ground leases, to tenants such as Wal-Mart, and include office, retail and hotel development.

The strategy study consisted three phases: (I) Assessing current operations and status of Calais, (II) Analysis of the Enterprise including development of an enterprise financial model (including all properties in the portfolio), which modeled corporate income through shareholder distributions, a review of tax structuring and strategic direction alternatives, and (III) a recommendation as to the suitability of each for the company and the preferred alternative.

The Assessment Phase (Phase I) of the study included review of the history of the company, its property portfolio and business practices. We completed and proctored a mail-back shareholder survey and separately interviewed each shareholder. Waronzof also compared the performance historically of Calais against industry and peer benchmarks such as the NCREIF Index. We also reviewed internal practices (hiring of outside directors, preparation of audited financial statements, etc.) currently exercised by the company and compared them to industry best practices. Finally, we analyzed local market conditions to understand the impact of local conditions on historical and expected return performance.

The Analysis Phase (Phase II) of the study included developing an enterprise model for Calais. This involved analyzing Calais' holdings and modeling the ownership positions and compiling each property and interest into an enterprise model. Once this was completed, expected dividends and shareholder value could be predicted. We evaluated minority and marketability discounts in calculating the shareholder value to outside investors, consistent with industry practices. We also compiled a list of potential alternatives Calais could consider in determining their future structure and activities.

The final phase (Phase III) of the study included modeling out various alternatives and comparing the predicted outcomes of each alternative with the base case, or status quo. We modeled each scenario through the enterprise model created in Phase II, and utilized shareholder value as the final predictor of success. Separately, we analyzed each proposed alternative based upon the wishes of each shareholder as determined by the shareholder survey completed in Phase I of the study.



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## North Tract Highest and Best Use Analysis

Cockrell Interests/Pinto Realty

Houston, Texas

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### Project Summary

- 1,000 acres
- mixed use development
  - retail
  - office
  - residential
    - renter & owner occupied
  - industrial/distribution

Working as a subcontractor to HOK Advanced Strategies, the HOK/Waronzof team was hired by Pinto Realty to complete a market analysis, feasibility study, and financial modeling/highest and best use study for a 1,000-acre infill site in north-central Houston. The client's goal was to break ground within one year of hiring HOK so it was critical to establish the basic project feasibility and provide a solid foundation for finalizing the conceptual master plan. Four land use alternatives were developed and tested: Distribution Dominant; Business Park; Corporate Campus; and Residential Dominant. Three scenarios of development pace and impact were considered within each alternative – Market Perform, Medium Impact, and High Impact. In addition to the four alternatives, HOK was asked to prove/disprove the viability of the previous conceptual master plan that was developed by another firm without the benefit of a market analysis.

The HOK/Waronzof team applied an expanded form of highest and best use analysis, which provided information to the client not only about preferred alternative and underlying land valuation, but also factored in anticipated profits from land development and future profits from vertical development. The analysis also considered non-financial considerations of the client, such as the need to expand staff to undertake development and the impact of project capital requirements on other investment and real estate development activities. The analysis incorporated an array of disposition versus development comparisons designed to allow the client to understand the array of options available to them.

The team's market research, highest and best use analysis and value analysis was presented to and approved by the Board Finance Committee of Pinto Realty's parent company, Cockrell Interests, has provided Pinto Realty with the precise market and financial information required to make a sound decision on a preferred development plan.

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### Waronzof Scope

- market analysis
- mixed use composition
- financial analysis
- 500 hours
- \$95,000 professional fee

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### References

Ernie Cockrell III  
Cockrell Interests, Inc.  
1000 Main  
Houston, TX 77002  
(713) 209-7506



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## Campus Office Park Master Plan

Blue Cross/Blue Shield of Louisiana

Baton Rouge, Louisiana

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### Project Summary

- 100 acres
- mixed use development
  - retail
  - office
  - hotel
- 400,000 sf building area
- adjacent headquarters campus

HOK teamed with local architects Grace and Hebert (Baton Rouge) and Waronzof Associates (Los Angeles) to provide master planning, programming, real estate consulting, architectural, and landscape design services for Blue Cross Blue Shield of Louisiana's (BCBSLA) 100-acre headquarters campus in Baton Rouge, Louisiana. The three components of the project were to develop a Headquarters Space Plan based on BCBSLA's future requirements; to create a Master Plan for a for profit, mixed-use development on the unused portion of the BCBSLA property and; to conduct a market assessment and test the development (financial) feasibility of the preferred mixed use development plan. The resulting plan from BCBSLA's perspective must be innovative; respond to the needs of the community; create a "best in class" location in Baton Rouge; be fiscally responsible and market responsive; and accommodate BCBSLA's business needs.

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### Waronzof Scope

- market analysis
- mixed use composition
- financial analysis
- 300 hours
- \$50,000 professional fee

Waronzof's work on this project included highest and best use and related financial and market analysis, for several development alternatives proposed by the client and the master plan design team. Both static and time-series analysis were completed, leading to a comparative analysis of profitability, land value under each scenario, and assessments of the capital requirements on the company from each alternative. Several different joint development and partnership strategies were analyzed, up to and including preparation of estimates of after-tax income to the client.

HOK Advanced Strategies prepared the space needs analysis, and Waronzof, serving HOK as a subcontractor, prepared a detailed real estate strategy and financial structuring analysis, based on market studies, financial projections, and analysis of BCBSLA's needs and capabilities.

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### References

Charles Gilbert  
BCBS of Louisiana  
5525 Reitz Avenue  
Baton Rouge, LA 70809  
(225) 297-2713



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## Creekside Town Center Feasibility Study

Municipality of Anchorage  
Anchorage, Alaska

### Project Summary

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- 160 acres
- mixed use development
  - retail
  - office
  - residential
    - renter & owner occupied
  - middle school
  - public open space
- 1,200 residential units
- 200,000 sf commercial
- redevelopment of blighted area

### Waronzof Scope

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- market analysis
- mixed use composition
- financial analysis
- 700 hours
- \$125,000 professional fee

### References

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George Cannelos  
Federal Co-Chair  
Denali Commission  
510 L Street, Suite 410  
Anchorage, AK 99501  
(907) 271-1414

George Cannelos is the former Director of the Heritage Land Bank, and our primary point of contact for this project.

Waronzof Associates was retained by the Municipality of Anchorage ("MOA") acting through its Heritage Land Bank land trust, in the fall of 2003 to perform a series of financial analyses to assist the MOA in the evaluation of possible financial support of a proposed Creekside Town Center ("CTC") development project. The developer, Venture Development Group LLC, had approached the MOA seeking financial support as a means of subsidizing the project. The CTC project was located in East Anchorage, extending west from the intersection of Muldoon Road and DeBarr Road, a secondary commercial corridor in Anchorage. The project as proposed encompassed approximately 160 acres, and included 1,200 residential units (both multi-family and single family), 200,000 square feet of commercial space, a middle school and public open space. The CTC project as designed was complex, with issues to be considered including restoration of a creek, creation of new transportation routes, maintaining an option to purchase the land, and analyzing potential affordable housing requirements. If completed, CTC would have been Anchorage's first town center project, a development objective emphasized in the city's recent general plan update. Early analysis suggested about \$400 million in new construction would have occurred under the project.

Waronzof services primarily consisted of determining the financial feasibility of the project as proposed, for the purpose of determining appropriate levels of public financial support, if any. Anchorage has no existing redevelopment agency, nor policy foundation for redevelopment or neighborhood revitalization. The CTC site, formerly home to a blighted large mobile home park, and a contaminated trucking yard, was seen by many as the source of continuing blight and as an opportunity for revitalization in the larger neighborhood area.

Waronzof's scope included market analysis, highest and best use analysis, and estimation of potential developer profit, as well as to size or recommend a level of investment in the project.

At approximately 50% completion of the \$125,000 consulting project, Waronzof had preliminarily concluded the project, as proposed, was not feasible, and recommended a hiatus in the analysis project, pending modifications by the developer and resubmission to the Municipality. Resubmission of the project never occurred, and Waronzof's work concluded after the Municipality concluded that no resubmittal was planned. The developer abandoned the town center concept and reverted to a privately-funded, lower density residential development, with perimeter retail uses.



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## **New Mexico HHS Complex Financial Feasibility Analysis**

New Mexico General Services Dept., Property Control Division  
Santa Fe, New Mexico

### Project Summary

- 661,400 sf office complex to be located on a 40 acre campus
- Consolidation of five health and human service agencies
- Life cycle cost analysis of six alternatives and a “no project” alternative
- 3 design concepts X 2 ownership alternatives
- Addressed financial impacts of federal reimbursements for occupancy costs and the savings realized by relocation of other agencies into state-owned space occupied by health and human service agencies slated for consolidation

### Waronzof Scope

- life cycle cost analysis
- comprehensive financial analysis
- 500 hours
- \$100,000 professional fee

### References

Lemoyne F. Blackshear, AIA  
Staff Architect  
Property Control Division  
General Services Department  
State of New Mexico,  
1100 St. Francis Drive, Rm 122  
Santa Fe, NM 87502  
(505) 699-7327

Working as a subcontractor to HOK Advanced Strategies and its design partner SMPC Architects of Albuquerque, Waronzof was retained to complete a comprehensive financial analysis and life cycle cost analysis. The financial analysis considered six combinations of design alternatives and ownership alternatives (state ownership and private built-to-suit with long term lease). Also included was a “no project” alternative, which assumed that the status quo would continue over the 50+ year analysis period.

Life cycle cost analysis is a well-established form of financial analysis used by owners and users of facilities and properties over a very long period of occupancy. This form of analysis projects all of the costs of occupancy (rent or amortization of capital cost, operating costs and capital expenditures for repairs and replacements over the life of the property). This “total occupancy cost” is then discounted to a net present value or a level annual equivalent total occupancy cost; the indications of the alternatives can be compared and the best alternative revealed. Including the “no project” alternative in such analyses allows the comparison of the no project alternative (and its total occupancy cost over the analysis period) with the other alternatives. As applied in this engagement, the life cycle cost analysis was completed in a manner very similar to a detailed discounted cash flow analysis for commercial real estate.

The HHS complex analysis considered total occupancy costs under two procurement options: 1) development and ownership by the state and 2) development by a private concern and occupancy by the state under a long-term lease. Each ownership alternative has a somewhat different initial capital cost and differing occupancy costs over the life of the building.

Waronzof’s analysis of the Health & Human Services complex also included a detailed analysis of the reimbursement revenue for occupancy costs that would be received by New Mexico as it administers federally funded programs; this reimbursement income represented a significant income stream that reduced the cost of occupancy in the new buildings. Also considered was the savings that would be realized by the state as it relocated unrelated agencies in third-party leased space back into state-owned buildings made available by consolidation into the HHS complex.



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## 2008 Trans-Alaska Pipeline Right of Way Valuation

Owners of the Trans-Alaska Pipeline

Anchorage, Alaska

### Project Summary

- Valuation of the 800-mile long right of way for the Trans-Alaska Pipeline System ("TAPS"), which connects Prudhoe Bay oilfields to the marine terminal and oil storage facility at Valdez.
- The right of way valuation was incorporated into a valuation of the entire pipeline and marine terminal valuation completed by another firm.
- The assignment was completed in conjunction with a property tax appeal presented by the TAPS Owners to the State Assessment Review Board, a hearing board charged with hearing disputes over assessed value.
- In 2008, the amount of the assessment in dispute was approximately \$6 billion.

### Waronzof Scope

- right of way valuation using across-the-fence methodology and some 200 rural, suburban and urban comparable sales
- the right of way valuation considered the right of way as an assemblage of approximately 400 parcels that constituted the right of way
- comprehensive review of applicable methods for right of way valuation
- detailed review of appraisal methods and conclusions of the State Assessor
- Approximately 1,500 hours
- \$325,000 professional fee

### References

F. Stephen Mahoney, Esq.  
Manley & Brautigam P.C.  
845 K Street  
Anchorage, AK 99501  
(907) 334-5600

On behalf of the five Owners of the Trans-Alaska Pipeline System ("TAPS"), and in conjunction with their efforts to appeal the 2008 property tax assessment for the pipeline and related pump-stations and Valdez Marine Terminal, Waronzof completed a valuation of the 800-mile long right of way for the pipeline. Averaging a little over 100 feet in width, the right of way comprised 12,500 acres of land. The right of way traverses the state from Prudhoe Bay on the Beaufort Sea south across the Brooks Range, the Yukon River and the Alaska Range to end at tidewater at Valdez at the Valdez Marine Terminal. The Valdez Marine Terminal provides storage for approximately 9 million barrels of oil and four berthing stations for loading oil onto tankers.

Following renewal of the 30-year lease of the right of way in 2004, the property tax assessment had to be reestablished, and the 2008 appeal and State Assessment Review Board ("SARB") hearings were part of this process. At this writing, the assessments since 2004 are on state court appeal. This somewhat unusual appeal process has the assessment proposed by the State Assessor under the Alaska Dept. of Revenue, and the municipalities who receive tax revenues from the property tax on TAPS also present valuation evidence at assessment hearings. The range of valuations in the 2008 hearings ranged from under \$1 billion to over \$10 billion. The 2008 SARB found a value of approximately \$6 billion, approximately \$1 billion below that proposed by the State Assessor.

This property tax dispute included a number of key issues that had a significant impact upon the assessed value of the TAPS:

- the replacement cost new of the pipeline and its many improvements
- the value of the right of way and the contributory value, if any, of its assemblage
- the life of the pipeline and its improvements and equipment, including the expected life of the Prudhoe Bay area oilfields that feed the TAPS
- the amount of capital expenditures necessary to modify the pipeline to carry the lower volumes of crude oil from the maturing oil fields
- whether or not the existing state and federal pipeline tariffs are an appropriate basis for income analysis

Waronzof's analysis of the right of way value included a comprehensive evaluation of appraisal literature on right of way valuation techniques and methods. There are a variety of methods available to the appraiser, and a vigorous debate continues among appraisers and right of way owners and users about what valuation

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## 2008 Trans-Alaska Pipeline Right of Way Valuation

methods are proper and reliable, and when these methods can and should be applied.

Chief among the issues debated are the extent that the right of way, once assembled, should be considered a "corridor", i.e. an assembled parcel of land that connects two points and which derives economic value from that connection. To the extent that the value of the assembled corridor exceeds the cost of creating the assemblage (by acquiring the many parcels that comprise the right of way) this premium is called the "enhancement factor".

Waronzof's analysis of value relied upon the widely used "across the fence" method of valuation of the right of way. In this methodology, the right of way lands are valued based upon the value of the land adjacent to the right of way. Waronzof concluded that the 800 mile long right of way should be valued based upon approximately 400 constituent parcels. Ultimately, some 200 unique land comparables were used to value the constituent parcels, and the values of these parcels were totaled to indicate the value of the right of way.

Waronzof's estimate of right of way were incorporated into a comprehensive valuation of the TAPS completed by Stancil & Company, a Texas-based valuation and consulting firm specializing in valuation of energy facilities.



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**Unico Investment Company**  
Critical Analysis & Appraisal Review  
Seattle, Washington

**Project Summary**

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- Critical analysis and appraisal review of a business enterprise valuation of a real estate holding company prepared by a national firm, used by company management as the basis for an offer to purchase common stock in conjunction with a restructuring.

On behalf of the three dissident shareholders, including ETI Properties, Inc., the Harvard University endowment and the University of Chicago endowment, Waronzof completed a comprehensive critique of the valuation of a privately-held real estate investment company based in Seattle. Unico Investment Company proposed a restructuring of the company and extended to all shareholders an offer to purchase common stock in conjunction with that restructuring. The restructuring would have led to conversion of the company from a "C" corporation to an LLC. In addition, existing management of the company were to receive additional equity and be eligible to participate in a new equity incentive compensation plan. Waronzof's clients objected to this plan, and believed that the company's proposed purchase price for the common stock was too low. At the time of the offering, Unico had substantial property assets, including a leasehold interest in the former University of Washington campus in downtown Seattle as well as leased fee and fee simple interests in other properties in the northwest, including Portland and Boise. Unico's equity was value by the company in excess of \$100 million.

**Waronzof Scope**

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- review and analysis of the valuation report cited by management as the basis for their offer price for common stock
- review and analysis of prior valuations of property and common stock, as well as other documents, including audited financial statements
- review and analysis of investment holding company valuation methods and practices
- preparation of a detailed narrative report, including an alternative analysis of the value of equity and of common stock
- Approximately 150 hours
- \$30,000 professional fee

Waronzof's work on behalf of its clients was to develop a critical analysis and appraisal review of a business enterprise valuation of the company prepared by another firm. This company valuation was limited in scope, relied substantially upon management for the valuation of individual properties and contained other adjustments and analytical decisions that, taken as a whole, dramatically reduced the reliability of the valuation report and led, in Waronzof's opinion, to an unreliable estimate of equity value and a valuation of equity that was not independent of company management. Waronzof's analysis was made available to all shareholders in the company through a proxy presentation.

**References**

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Dan Epstein, Esq.  
ETI Properties, LLC  
3270 N. Lake Shore Drive  
Chicago, IL 60657



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## **South Coast Plaza General Partnership**

Property and Business Enterprise Valuation  
Costa Mesa, California

### Project Summary

- Valuation of a minority interest of a dissociating partner under California's Uniform General Partnership Act, in a real estate holding company with over \$1 billion in real estate assets.

On behalf of the South Coast Plaza General Partnership ("SCPGP"), Waronzof and Duff & Phelps valued an approximately \$1 billion property portfolio anchored by South Coast Plaza, one of America's leading regional shopping centers. SCPGP was a family general partnership, established in the 1960's to develop agricultural land along side the (then) new Interstate 405, as it proceeded through the center of Orange County. Beginning with the regional shopping center, and growing to include a second regional center, several office towers and other nearby retail properties, SCPGP had grown into a substantial real estate holding company by the time of this valuation. During this same time period, the original family partnership had grown and included three generations of family members and their spouses. At the time of this valuation, one family member had elected to dissociate from the partnership under the provisions of California's Revised Uniform Partnership Act. This provision provides a process for minority and/or non-controlling partners to force a purchase of their partnership interest based upon a current valuation of the partnership.

### Waronzof Scope

- valuation of a property portfolio including regional shopping centers (2), office towers (3) and other retail properties
- valuation of the partnership equity and the interest of the minority partner in accordance with the Act
- analysis of and adjustment to the valuation to mitigate adverse impacts of dissociation on the remaining partners
- addressing the comments and critiques of outside specialists and attorneys representing various branches of the family partnership
- Approximately 1500 hours
- \$300,000 professional fee

Working together, Waronzof and Duff & Phelps, LLC, a leading business valuation firm with offices in Los Angeles, valued the property portfolio and the company. Also included in the analysis was a detailed evaluation of the implications of dissociation on the partnership, and the derivation of an adjustment to the value of the partnership interest which had the effect of mitigating the adverse impacts of dissociation upon the remaining partners. The valuation also occurred at an uncertain economic time, just following the collapse of the technology stock market in Spring 2000. The collapse of tech stocks was anticipated to lead to significant contractions in tech-sensitive markets like Orange County; Waronzof's valuation analysis addressed these concerns at both the property and the business enterprise levels of the analysis.

Waronzof's work was supervised by a committee of counsel representing various branches of the family partnership; its work was reviewed and commented upon by outside consultants serving some of these branches of the family partnership. A transaction with the dissociating partner was successfully concluded at a value very near that concluded to in the Waronzof/Duff & Phelps valuation.

### References

James Daniels, Esq.  
Latham & Watkins  
650 Town Center Drive  
20th Floor  
Costa Mesa, CA 92626-1925  
(714) 540-1235



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## LNR Commercial Property Fund Valuations

California State Teacher's Retirement System  
Southern California Investments

### Projects

- Carson Marketplace, Carson
- New Model Colony, Ontario
- Meridian Business Center, Riverside
- Heritage Fields, Tustin
- Central Park, Irvine
- Cross Valley Development, Santa Clarita
- Town Center, Valencia
- Gateway Center, Woodland Hills
- Sierra Business Park, Fontana
- Transamerica Complex, Los Angeles

In this series of engagements conducted between 2004 and 2008, Waronzof provided independent valuations of a variety of development properties proposed as investments for LNR's Commercial Property Fund ("Fund") on behalf of the institutional investors in the Fund, including the California State Teacher's Retirement System ("CalSTRS"). Sponsored by LNR, a commercial and mixed use developer (and formerly an affiliate of Lennar, a national home builder), the Commercial Property Fund has made investments in development properties and opportunities across the U.S. over the past four years. In some instances, properties acquired by the Fund are owned in whole or in part by LNR or Lennar, and a series of enhanced due diligence procedures are followed by the Fund as a result. Bard Consulting LLC (San Francisco) has served the Fund as its designated independent fiduciary and Bard has relied upon Waronzof to conduct appraisals of complex assets located in Southern California proposed for acquisition by the Fund.

### Project Scope

- market value – for contribution and sale of property to opportunity fund
- due diligence assistance
- professional fees from \$15k to \$50k
- assignments conducted over a four year period

Among the larger and more challenging projects in this portfolio are investments in New Model Colony and at Carson Marketplace. *New Model Colony* is an 8,200 acre planning district annexed into the City of Ontario and slated for development of some 32,000 homes over the next 20 years. Formerly an agricultural reserve, and one of the primary locations of Southern California's dairy industry, New Model Colony represents the efforts of City of Ontario, the property owners and approximately 20 large homebuilders to manage the potential of and demands of converting this vast area from grazing land to urban-density housing. *Carson Marketplace* represents the redevelopment of the former Carson landfill – a 170 acre site adjacent to Interstate 405, and located near a regional mall and other developed retail. Slated for development with 1.2 million square feet of retail and commercial development, 1,550 residential units and a 300 room hotel, Carson Marketplace represents a highly innovative form of brownfields development, based upon a \$150 million publicly-funded reclamation of the landfill that provides a fully engineered site with completed building foundations to the end users and developers of retail and commercial buildings.

### References

Roy Schneiderman, CRE  
Bard Consulting LLC  
100 Pine Street  
Suite 2420  
San Francisco, CA 94111  
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In each instance, the valuation team had significant issues to address. At New Model Colony, the Fund's acquisition included both fee interests and option interests in parcels comprising 430 acres, slated for development of approximately 2,100 homes. Among the challenges faced by Waronzof were the need to address the then rapidly failing residential marketplace, as well as to develop a forecast of absorption that reflected competition for the subject properties both from outside the project area as well as from within the project area. Waronzof developed a long-range market forecast using both project-

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## LNR Commercial Property Fund Valuations

specific data as well as long-range regional demand models; this forecast drove both our conclusions of project-wide absorption, subject property absorption and the pricing of residential units. In this analysis, Waronzof's development analysis was based upon the completed value of residential construction, versus the simpler land revenue approach. This comprehensive approach to the financial forecast was driven both by the needs of the analysis as well as by residential homebuilder practices.

At Carson Marketplace, our challenges were different, and driven by the opportunities and threats facing the project by the relatively affluent but largely oversupplied West Los Angeles and South Bay retail markets. With a substantial inventory of existing and competitive retail developments, our analysis had to carefully consider the risks imposed by competitive projects, as well as the mix of retailers that were being sought by the development team. Following its practices for this client, Waronzof completed a comprehensive cash flow forecast for the development, again based upon completion of vertical development and deduction of both vertical development costs and land development costs to ultimately determine the value of the site in its "as-is", at acquisition condition.

In serving CalSTRS, Bard and the Fund, Waronzof fulfilled an important role as a key participant in the due diligence process. Because of the related-party nature of these transactions, and the imperative of maintaining a rigorous and appropriate vetting of these potential transactions, Waronzof developed a set of procedures and practices that appears to have met the needs of their institutional clients and the challenges imposed by having related parties on both sides of a transaction.



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## CityCenter

CityCenter Holdings, LLC  
Las Vegas, Nevada

### Project Summary

- 18 million square foot of new construction on a 67 acre site located on the Las Vegas Strip.
- \$8.7 billion construction budget
- 5,196 hotel rooms
- 2,431 condominium units
- 150,000 sf casino
- 500,000 sf of luxury retail
- 300,000 sf convention center
- 1,200 seat showroom
- parking for over 10,000 cars
- seeking LEED Silver certification

### Valuation Team Scope

- market value
  - as is
  - upon completion
  - upon stabilization
- ten business entities
- comprehensive report
- expert testimony contemplated
- 3,500 hour workplan
- professional fees over \$1 million

### References

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As an affiliate of Marshall & Stevens, a national valuation and consulting firm, Waronzof helped lead and served on the valuation team for City Center, a \$8.7 billion, 18 million square foot mixed use development located on the Las Vegas Strip, adjacent to the famed Bellagio Hotel & Casino. Located on a 67 acre site, City Center contains six primary components:

- the 4,004 room Aria Hotel-Casino, with 150,000 sf casino, convention center facility, 1,800 seat showroom, 15 restaurants, 80,000 sf spa and health club facility,
- a Mandarin Oriental hotel, with 392 guest rooms and 227 luxury condominiums, located in a 47 story tower,
- the Veer residential condominiums, a 670 unit condominium development, located in two 37 story towers rising above the center of the project site,
- the 57 story Vdara condo-hotel tower, with 1,534 condo-hotel units, ranging from efficiency style units to luxury two bedroom units,
- the 500,000 sf Crystals luxury retail center, which will house high-end retailers such as Louis Vuitton, Prada, Bulgari and others in a dramatic Daniel Libeskind-designed center, and
- the Harmon Hotel, a 400 room, ultra-modern, 25 story tower targeted at young, affluent visitors, and patterned after some of America's most successful urban hotels.

These components of City Center are situated on a five level podium complex that provides parking and "back of house" operations for each of the developments at City Center. Once complete (in late 2009) and fully staffed, City Center will employ approximately 12,000 across the components and their many shops, restaurants and special venues.

City Center is a development of City Center Holdings, LLC, a venture between MGM Mirage, Inc. and Dubai World, a sovereign investment company affiliated with the nation of Dubai.

In March 2009, Marshall & Stevens (including Waronzof) was retained by Dewey LeBoeuf on behalf of City Center Holdings, LLC to prepare a valuation of the City Center project and its affiliated entities in anticipation of a possible reorganization of the company. Having encountered certain cost overruns and combating the startling decline in hotel and gaming revenues in Las Vegas, the company needed to restructure both its equity and debt financing to accommodate completion of the project and the realities of a much cooler gaming

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## CityCenter

and hospitality climate resulting from the severe recession underway in the United States. The company's efforts to reorganize were successful, and in late April 2009, the company announced the successful restructuring of finances for the City Center project, including its completion and opening in late 2009/early 2010.

The valuation team was charged with the responsibility of valuing the massive project at three different dates (and states of completion); as-is at the time of the valuation, upon completion of construction and upon achievement of stabilized occupancy and net income. Further, the development structure included ten related affiliates, each owning and financially responsible for a different portion of the project. The valuation team consisted of both business enterprise and real estate valuation experts and hospitality and gaming experts. The valuation team was led by senior valuers Chris Louis and Timothy Lowe. Project management was led by Joseph McNulty. For this unique engagement, Marshall & Stevens assembled a senior review and oversight team including senior officers and board members of Marshall & Stevens, which includes experienced reorganization and corporate attorneys, accounting experts, investment banking and corporate finance specialists, as well as additional valuation specialists.

Because of the need to accomplish such a large professional services engagement in a very short period of time, the valuation team implemented a fully integrated business enterprise and real estate valuation analysis, designed to meet the diverse needs of the client and the court, should reorganization be necessary. These methods were intended to employ the most reliable methods of valuation for each component of the project, and its related business enterprise, all in the context of a fresh and comprehensive view of the future of the Las Vegas hotel and gaming market in a post-"Great Recession" U.S. economy. Further, the valuation engagement was structured to facilitate the future use of the valuation information and related financial projections by the company (should reorganization occur) in evaluating reorganization plan alternatives, supporting a preferred plan of reorganization, and in the valuation work and accounting procedures that would follow successful reorganization and completion of the project.

For more information on City Center, see [www.citycenter.com](http://www.citycenter.com)



Marshall & Stevens, Inc. has served public and private businesses as a trusted source for valuation and consulting since 1932. With offices across the US, its financial, equipment and real estate valuation professionals serve clients around the globe in support of their mergers, acquisitions, dispositions, financings, restructurings, accounting compliance and tax reporting including serving as experts for property tax appeals. For more information, see [www.marshall-stevens.com](http://www.marshall-stevens.com)

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