DVO Real Estate

DVO is uniquely positioned to provide Sponsors with $2-10 million equity investments for project acquisition, to cover refinancing shortfalls, or to recapitalize existing projects. Our investment structure provides Sponsors with the majority of residual cash flows and project upside, and optimally supplements any senior financing including FNMA, FMAC, and FHA/HUD loans.

The Need for Gap Equity

Project Acquisition – As lenders reduce advance rates and increase underwriting standards as a result of the 2008 financial crisis, more equity is required for project acquisitions. DVO will contribute up to 80% of the required equity for a project, going up to 94% in the capital stack, thereby spanning the senior financing gap at a reduced cost of capital to the Sponsor relative to the previous market peak in 2006.

Refinancing Shortfall – $300 billion+ of multifamily mortgages will come due over the next three years. While low interest rate loans are readily available, advance rates of 75% versus 80% during the mid 2000's mixed with an 8.0% average decline in property value would result in a 54% increase in required equity upon refinancing.

Refinancing Lockout – Typical Fannie Mae, Freddie Mac, and HUD loans dissuade Borrowers from prepaying a loan early, imposing substantial yield maintenance penalties that are magnified by current treasury rates. Currently, the aforementioned lenders do not typically permit mezzanine financing. DVO's structure enables the Sponsor to receive additional proceeds for capital improvements or to unlock trapped equity without paying penalties.

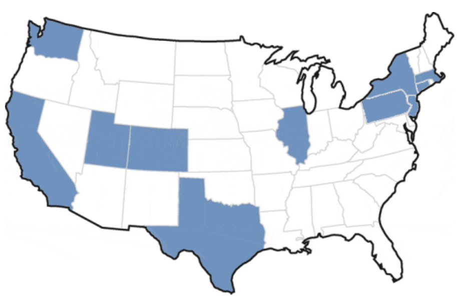
	2006		2013	
	% Total	Rate	% Total	Rate
Debt	80.0%	5.5%	75.0%	3.5%
Sponsor Equity	20.0%	20.0%	6.0%	20.0%
DVO Equity	0.0%	18.0%	19.0%	18.0%
Cost of Capital:		8.4%		7.2%

	2006 Total	Change	2013 Total
Property Value	25,000,000	**-8%**	23,000,000
Senior Debt	20,000,000	**-14%**	17,300,000
Required Equity	5,000,000	**+54%**	7,700,000
Gap Equity Needed			2,700,000

Term Remaining	T-Bill Rate	Interest Rate	Yield Maintenance (% of Loan Amount)
10 Years	1.99%	3.50%	12.3%
7 Years	1.36%	3.50%	12.3%
5 Years	0.86%	3.50%	10.9%
3 Years	0.40%	3.50%	7.6%

Target Markets

1. **Boston, MA**
2. **New York, NY**
3. **Washington D.C.**
4. **Chicago, IL**
5. **Austin, TX**
6. **Denver, CO**
7. **Salt Lake City, UT**
8. **Los Angeles, CA**
9. **San Francisco, CA**
10. **Seattle, WA**



Typical Deal Terms

• **Min Investment Size**	$2 million
• **Max Investment Size**	$10 million
• **Max Equity Contribution**	80.0%
• **Max Last Dollar LTV/LTC**	94.0%
• **Preferred Return**	8.0-12.0%
• **Hold Period**	2-10 years
• **Origination Fee**	1.0%

Structure Tailored to Deal Type and Senior Financing

Deal Type	Typical Waterfall Structure	Advantage of DVO Equity
New Acquisition	- DVO Preferred Return Hurdle: 8-12% - Pari-passu to a 15.0% DVO IRR - Sponsor Catch-up to 15.0% IRR - TBD Split – Sponsor gets Majority	- Can be structured behind FNMA, FMAC, and HUD senior debt - Entrepreneurial mentality ensures quick turnaround needed for acquisitions in sought after markets
Recapitalization	- DVO Preferred Return Hurdle: 8-12% - 50%/50% up to 15.0% DVO IRR - TBD Split – Sponsor gets Majority	- Structure eliminates the need to value the Sponsors equity given IRR hurdles are based on DVO returns, expediting negotiations - Ability to recapitalize a deal while keeping existing FNMA, FMAC, or HUD financing in place, avoiding yield maintenance fees
Long Term Debt	- DVO Preferred Return Hurdle: 8-12% - DVO Hyper-amortization of Investment - 80%/20% Sponsor/DVO Split thereafter	- Enables a Sponsor to maintain a long term hold while reducing DVO's basis, and accordingly, preferred return payments - Leaves the Sponsor with the majority of residual cash flow once the preferred equity balance is amortized - Provides an exit for DVO without forcing the Sponsor to exit

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Competitive Highlights

Hybrid Structure – Opposed to mezzanine lenders, DVO's collateral is not a pledge of partnership interests, but rather DVO becomes a Limited Partner within the Operating Agreement of the Owner, allowing DVO to invest behind HUD, Fannie Mae, and Freddie Mac, while still providing a Sponsor with the majority of deal upside, a marked difference from typical equity structures. Especially in the current interest rate environment, the ability to lock in long term fixed-rate financing enables an owner to take advantage of the long term inflationary hedge provided by multifamily investments. This is not only beneficial to a long term hold strategy but also to the marketability of an asset in cases where the debt is assumable and can be sold along with the asset.

Flexibility – No two real estate assets are the same. Accordingly, DVO's 'entrepreneurial' mentality enables it to create custom structures depending on the needs of the project, the existing financing, and the specific needs of the Sponsor.

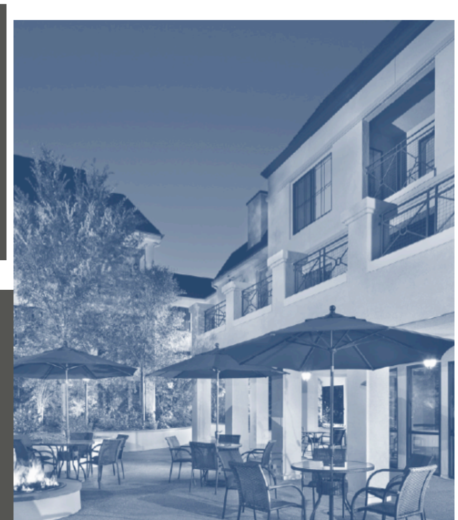
Binding Term Sheets – Adding an additional level to the capital stack can complicate and prolong deal closings. DVO only issues term sheets which it can close on, meaning no re-trading of terms assuming no substantial discrepancies arise from the due diligence process. Once a term sheet is issued, the in-depth due diligence process occurs quickly and efficiently, never delaying closings.

Ability to Do One-Off Deal Structures – While the focus of DVO's business is to invest 'Gap Equity' in multifamily projects located in the 'top-ten' sub-markets and their suburbs, the flexibility of the platform enables DVO to provide a variety of custom tailored solutions including mezzanine financing, subordinate debt financing as well as bridge acquisition financing.

Sample Transactions

Multifamily - Brooklyn, New York
- Acquisition of 36-unit apartment building in Boerum Hill neighborhood of Brooklyn
- $3.0 million preferred equity investment; $10.7 million to project costs
- Significant upside potential in 61.0% of units currently regulated by New York City's rent stabilization program

Mixed-use - Southern California
- Recently completed 150 unit luxury apartment complex with 10M SF of retail
- $7.0 million preferred equity investment behind a $28.2 million 40-year HUD Loan
- Provided partial cash out of Sponsor equity, based on value created through construction completion



DVO Deal Process

Deal Screening
5-10 Days

Term Sheet
3-7 Days

Due Diligence
10-30 Days

Deal Closing
3-7 Days

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