

INDUSTRY EXPERT OPINION REPORT

Shelby E. L. Pruett from Equity Capital Management

Equity Capital Management is a self-administered real estate company focused on investing in institutional quality, single-tenant office, industrial, and retail properties that are net leased to investment grade and other high credit quality tenants on a long-term basis.

Equity Capital Management has invested in or financed more than \$2 billion in net lease properties -- its senior team has successfully navigated institutional funds through multiple economic cycles. ECM's investment activities are focused on properties that are operationally significant to the tenant's business and are typically the result of a direct build to suit or sale leaseback transaction. The Company is an active buyer of commercial properties nationwide and is based in Chicago, with offices and affiliates in New York, St. Louis, and Bern (Switzerland).

WHAT IS DRIVING YOUR SALE OF UP TO \$625 MILLION IN NET LEASE ASSETS?

PRUETT: ECM's primary objective has always been to provide its investors with attractive risk adjusted returns through multiple time periods and economic conditions. We are a private equity real estate firm and in 2010 filed to take part of our platform public through ECM Realty Trust.

During the IPO process we were approached by a number of private and public companies, including public REITS, interested in entering into joint ventures, merging, and or acquiring our assets. Through conversations with these companies, we came to a global solution that met all of the constituents needs. As a fiduciary to our investor we made the decision to enter into contracts to sell our assets to some of these parties, one of which was a public REIT.

WHAT ARE YOUR THOUGHTS ON THE IPO MARKET AS IT RELATES TO YOUR BUSINESS?

PRUETT: We still believe public platforms and markets hold merit. We had positive feedback from the public markets as one of the only large scale investors aggregating institutional quality net lease and sale leaseback assets. These net leases were backed by investment grade credit tenants, at significant discounts to the assets underlying values. The platform, team, strategy, board, and structure were well received in the market. We carefully studied the reception other firms received in the IPO market and believe that while public markets in general are attractive, a company's timing of entry is critical. At the time we made the decision to sell, we had not launched our road show. The global solution that materialized through the sale provided certainty and was beneficial to all parties. With that said, we believe the sale supported the viability of the platform ECM was bringing to the public market and we are continuing to review an execution in this area with alternative assets.

HOW DO YOU VIEW THE NET LEASE AND SALE LEASE-BACK MARKETS TODAY?

PRUETT: We believe the net lease sector has been very attractive over the last 10 years in both the private and public markets and will continue to be going forward. The net lease market has always been highly inefficient and fragmented so it is difficult to get detailed performance information on the sector in the private markets.

If one looks at public net lease REITs as a barometer for the broader net lease sector, one will find total returns have outpaced the MSCI REIT Index. They have also exceeded select broad based public office and industrial REITs over the 1-, 2-, 3-, 5- and 10-year periods by up to 200% ending in 2010.

When we refer to total return we are referring to the increase in the market price of the shares of the company's common equity plus declared dividends assuming they are reinvested into additional shares. We believe for the correct strategies there may be even more opportunity in private markets given the inefficiencies.

The performance we tracked was based on the following net lease companies listed by ticker symbol (NNN,O,EPR, LXP, LSE); the following office companies listed by ticker symbol (BXP, BDN, BPO, OFC, DEI, DRE, HIW, CWH, KRC, CLI, MPG, PKY, PDM, PSB, SLG, TPGI); and the following industrial companies listed by ticker symbol (AMB, DCT, EGP, FR, FPO, LRY, PLD). Of course, the historical data with respect to other companies is not indicative of future performance.

TO WHAT DEGREE WAS THE NET LEASE SECTOR IMPACTED BY THE DOWNTURN IN THE ECONOMY AND BROADER MARKETS?

PRUETT: The net lease market, like all other markets, was impacted by the downturn in the economy. However, we believe that the impact on the net lease market, at least the investment grade component, was much less than that experienced by the broader real estate market and alternative equity markets.

We believe this was due in part to the long term leases and investment grade credit of this sector which appears to have held through the downturn. This sector also had the advantage of lenders still actively lending for these types of assets at reasonable rates -- even though the credit markets had tightened considerably. Again if you use the public net lease market as a barometer for the broader net lease market, while performance for the sector was lower during the downturn, it still exceeded the MSCI REIT Index and the referenced public company office and industrial REITs over the period. With that said, as in most asset classes, transaction volume fell during the recession and cap rates rose. Transaction volume has since picked up and cap rates have started to compress, both of which are supported by data from Real Capital Analytics.



WHAT IS YOUR CURRENT INVESTMENT STRATEGY?

PRUETT: We are focused on acquiring operationally significant, single tenant net lease and sale leaseback properties backed by investment grade credit. We believe these assets offer superior risk adjusted rates of return and experience high rates of tenant renewal.

Due to the operationally significant nature of the properties and the potential difficulty of replacing the workforce or replicating the facility in another location these assets experience only modest, if any capital expenditures or re-tenanting costs. Additionally, we believe that the limited amount of centralized information about the net lease market, the inapplicability of the underwriting methodologies used in evaluating other types of real estate transactions, and the relatively small pool of well-capitalized investors that actively participate in the net lease market create a significant opportunity for experienced net lease investors. This may provide the opportunity to acquire real estate at a discount to its value based on future cash flows.

We have and will continue to pursue acquisitions through individual property acquisitions, portfolio acquisitions, sale-leaseback transactions and build-to-suit transaction.

FOR MORE INFORMATION

SHELBY E. L. PRUETT | *Managing Partner*
Equity Capital Management
Tel. (312) 827-2270 | Fax (312) 827 2280
spruett@ecm-funds.com
www.ecm-funds.com

WINSTON ORZECOWSKI | *Research Director*
Calkain Companies, Inc.
Tel. (703) 787-4714 | Fax (703) 787-4783
worzechowski@calkain.com
www.calkain.com

**CALKAIN
COMPANIES,
INC.** | WASHINGTON, DC
FLORIDA
MARYLAND
DELAWARE