Real Estate

PERSPECTIVES

July 2003

A Publication of Cummings-Baccus Interests

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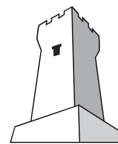

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9606 N. MOPAC Suite 125,
Austin, TX 78759
Phone: (512) 459-7100 Fax: (512) 451-4008
info@cummingsbaccus.com

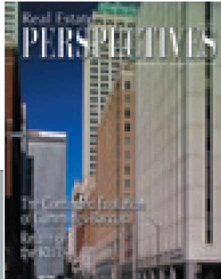
Ross M. Cummings
General Partner
rmc@cummingsbaccus.com
PH: (512) 459-7100 Ext 1

M. Buckner Baccus
General Partner
mbb@cummingsbaccus.com
PH: (512) 459-7100 Ext 5

Daniel T. Cooper
Partner
dtc@cummingsbaccus.com
PH: (512) 459-7100 Ext 2

Linda Henderson
Office Administrator
lch@cummingsbaccus.com
PH: (512) 459-7100 Ext 3

Andrew Chasteen
Systems Administrator
ajc@cummingsbaccus.com
PH: (512) 459-7100 Ext 4



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Please send editorial comments and questions to Brandi Hatley, bhatley@qcpublishing.com.

Welcome to *Real Estate Perspectives*

Daniel T. Cooper
Partner & Editor

In the pages that unfold in this magazine you will learn more about Cummings-Baccus and other important companies involved in the real estate industry; including mortgage banking, brokerage, property management and expert legal advice.

The articles and features in this publication revolve around the themes of change and growth. As real estate evolves, so do many of the companies and practices involved in the industry. What has been exciting lately, as reflected in this issue, is to see how real estate professionals have responded to the ever-changing real estate environment.

I hope you enjoy this issue. I look forward to your comments.

Sincerely,

Daniel T. Cooper

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Co-founder Ross Cummings

The Continued Evolution of Cummings-Baccus

Driven by Fundamentals and Flexibility

by Linda Childers

Cummings-Baccus is embarking on a new beginning in it's pursuit of real estate investments. After 12 years and the acquisition of 45 properties, the company is in some ways starting over.

"The 1990s and early 2000s were very good for us," says company co-founder Ross Cummings. "Our core investment philosophy and various strategic applications proved invaluable in making the most of the market opportunities."

"We believe there will be more investment opportunities in the next few years than we have seen in the past several years"

The Cummings-Baccus investment philosophy is based on the belief that the commercial real estate markets are, above all else, cyclical in nature. "We saw the downturn coming in 1999."

Primed and Ready

"Although we have continued to make acquisitions, we've largely been net sellers" adds Cummings. The liquidation of most of its properties has left the company primed and ready for the next market wave. "We believe there will be more investment opportunities in the next few years than we have seen in the past several years," he says.

One strategy that has evolved as a big part of the company's core business is the acquisition of corporate real estate assets. "Most of the properties we have purchased in the last few years have been owned by large corporations," says Cummings.

Cummings-Baccus has transactional and ongoing relationships with companies such as British Petroleum (BP) and Wells Fargo.

In many cases, corporations have a complex set of objectives that Cummings-Baccus is well-suited to address. "We understand how to work within the disposition goals of these types of sellers. If you're not willing to prioritize and resolve their issues, deals just don't happen."

The next big question for Cummings-Baccus is not what or where, it's when. "Soon, is all I can say. We've spent the last 18 months designing the next investment program."

Back to Basics

"Although we will always have a large appetite for one-off investments, it's pretty much back to basics," notes Cummings. The company is focused on acquiring class A and B office buildings 100,000-square-feet and larger in Houston, Dallas, Austin, Denver and Phoenix.

"We started with a much longer list of markets, but these are the markets that made the cut. Our goal is to concentrate our efforts in a few markets with the right fundamentals within a manageable geographic range," he adds.

As the commercial real estate markets evolve, so will Cummings-Baccus. "This has been our strength from day one. We are philosophically stable and strategically nimble," reflects Cummings.

This approach has given the company the ability to switch gears or change directions to pursue the best investment opportunities. "I'm genuinely excited about the future of the real estate markets and writing the next chapter in our book." ◆

5757 Woodway, Houston, TX

Trends: Financial Structures and Full Disclosure

Synthetic Lease Solutions Come Under Scrutiny

by Daniel T. Cooper

On January 17, 2003, the FASB (Financial Standards Accounting Board) changed accounting guidelines to improve financial reporting among firms that use a popular real estate accounting technique known as "synthetic leases."

This resulted in stringent new rules on companies that use alternative leasing methods to keep real estate assets off their balance sheets.

Synthetic leases are arrangements in which a company creates a Special Purpose Entity (SPE) that buys a building and then leases it to an operating company, thus keeping mortgage debt off the operating company's balance sheets.

Companies who owned or wanted to construct a new office building commonly used synthetic leases in the past. The synthetic lease offers tremendous tax benefits by keeping depreciation off the P&L column and making the lease payments tax deductible.

Pure Resources Building (a subsidiary of Unocal), Midland, TX

Synthetic leases came under scrutiny from the FASB following the recent wave of corporate accounting problems. Shareholders of public companies began asking for more accountability, prompting corporations that use synthetic leases to disclose the practice in their financial statements.

"The new FASB rules will not eliminate the practice of synthetic leases, but will force companies to explore other options, such as sale/leasebacks."

Rather than buying or building a new building, an SPE was created which would own the real estate. The SPE would then lease back to the tenant at the cost of debt service on the building.

Typically, synthetic leases have shorter terms and a floating interest rate. At the end of the term the tenant has the following options: 1) sell or purchase the building and guarantee the SPE a certain value, 2) stay in the lease and its terms which usually allow a short renewal, one year or so, with the SPE or 3) restructure the lease.

The new FASB rules will not eliminate the practice of synthetic leases, but will force companies to explore other options, such as sale/leasebacks.

Many publicly traded companies are also considering the option of terminating their synthetic lease, buying the property and recording it on their balance sheet. But in this difficult economy, terminating synthetic leases can often have negative effects. Purchasing the property and recording either the debt or reduced cash on the balance sheet lowers operating capital and earnings per share.

By June 15, 2003, corporations must have fully consolidated assets and liabilities covered by FASB's Financial Interpretation No. 46 in their financial statements. Full disclosure, as well as consolidation, if applicable, of any newly created agreements after January 31, 2003 must begin immediately.

Additionally, Financial Interpretation (FIN) No. 45 deals with proper accounting for guarantees quite often used within synthetic leases. As a result, any corporation that has existing synthetic leases or is about to enter into a synthetic lease must analyze the potential impacts of both FIN 45 and FIN 46, as they apply to the company's synthetic leases, and take appropriate action.

As companies contemplate the future of the utilization of synthetic leases, real estate investment firms such as Cummings-Baccus have funds for sale/leaseback alternatives. Cummings-Baccus is unique in that it is more flexible than most companies in the market concerning financial structures and credit ratings. ◆

As a private company, Cummings-Baccus specializes in identifying flexible and innovative methods of solving the problems of a synthetic lease. Each case is unique and there are special considerations that make a solution possible. For further information or a review of your current synthetic lease situation please contact Dan Cooper at (512) 459-7100, ext. 2 or dtc@cummingsbaccus.com.

Mounting Losses Spur Corporate Risk Solutions

An Approach to Balance Sheet Simplification

Corporate Risk Solutions (CRS) is a company specifically designed to provide alternative risk transfer solutions for publicly traded companies in the U.S.

CRS deploys extensive commercial real estate experience, deep capital resources and flexible financial structures to identify and engineer solutions for "balance sheet" — oriented issues facing public companies.

CRS is the evolution of years of experience in successfully mitigating real-estate related issues for companies such as British Petroleum, Wells Fargo, Reliance Insurance and Columbia/HCA.

The markets have experienced dramatic changes in the last two years. The declines of the stock market, the events of 9/11 and the corporate collapses such as Enron and WorldCom have forced transformations in the business community. Balance sheet scrutiny and focus have become more prevalent than ever before. Virtually all publicly traded companies, regardless of their financial position, are more committed to corporate balance sheet simplification.

In the past, companies relied on various institutional products for credit risk transfers, insurance, surety bonds and other such instruments to achieve risk mitigation goals. Due to mounting losses in this sector, the majority of products are no longer available in today's market.

Corporate Risk Solutions (CRS) offers the ability to identify, underwrite and provide alternative risk mitigation solutions for issues currently facing publicly traded companies. ◆

For more information contact Ross Cummings at (512) 502-1324, e-mail info@corprisksolutions.com or visit www.corprisksolutions.com.

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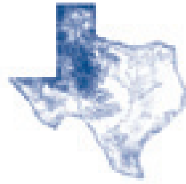

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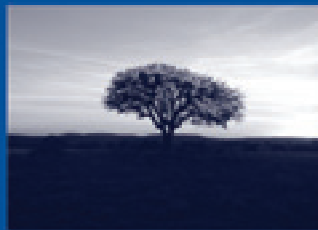

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Return of the REITS

by Dr. Hunt

REITS Making Comeback As Investors Revisit Advantages

Resource Center, Houston, TX

As the heady days of NASDAQ 5,000 and the technology stock boom fade into the past, many are diversifying their investments hoping for better returns. Real estate investment trust (REIT) stocks are an increasingly popular investment alternative.

REIT ownership in Texas is substantial, with about 120 REITs controlling more than 3,000 properties in the state, according to SNL Financial's March 2002 Property Register.

REIT Evolution

A REIT is basically a company established to own, and in most cases operate, income-producing real estate. REITs can also own mortgages or real estate-related securities, develop new properties and purchase older buildings for renovation and modernization.

Congress created REITs in 1960 so that small investors could invest in large-scale, income-producing real estate properties by purchasing shares. Today, a large percentage of REIT shares are owned by institutional investors.

Before the passage of the Tax Reform Act of 1986, managers of REIT funds were not allowed to operate or manage the funds' real property. The act improved the competitiveness of REITS as an alternative investment, transforming management from passive owners to active operators. The savings and loan crisis, however, combined with overbuilding in many U.S. cities, and the popularity of real estate limited partnerships, prevented REITs from gaining widespread acceptance during the 1980s.

The REIT industry has grown rapidly in recent years. Total market capitalization for all publicly traded REIT stocks increased from

$16 billion in 1990 to more than $160 billion as of mid-2002. Although this growth rate is impressive, REITs still own less than 10 percent of the U.S. real estate market.

On Jan. 1, 2001, the REIT Modernization Act went into effect, allowing REITs to own up to 100 percent of the stock of a taxable REIT subsidiary (TRS). These subsidiaries provide any type of supplemental service, such as telecommunications access or copy service, to REIT tenants or tenants of other properties. Although some of these ventures have turned out badly, REIT managers may be able to use their real estate expertise to form practical, related TRS services in the future.

REITs are required to pay at least 90 percent of their taxable income to shareholders in the form of annual dividends. Qualifying REITs are permitted to deduct dividends paid to shareholders from their taxable income. As a result, most REITs pay as much of their taxable income as possible to their shareholders and typically owe no corporate tax. Shareholders pay taxes on dividends received plus any capital gains from the sale of REIT shares.

At least 75 percent of a REIT's total assets must be invested in real estate. Furthermore, at least 75 percent of a REIT's gross income must come from rents or mortgage interest. Taxable REIT subsidiaries may not exceed 20 percent of a REIT's assets. REITS may receive no more than 30 percent of their gross income from the sale of real property held for less than four years or securities held for less than one year.

A REIT must have at least 100 shareholders, and five or fewer shareholders cannot own more than 50 percent of the outstanding shares.

Types of REITs

Equity REITs own and operate income-producing real estate, engaging in a wide range of real estate activities such as leasing, development and tenant services. However, REITs must acquire and develop properties primarily to operate them as part of their own portfolio as opposed to reselling them once they have been developed. REITs get around this "build and hold" requirement by using a TRS to develop and sell new construction, but they must pay income taxes on the TRS. Equity REITs make up the bulk of publicly traded REITs, representing about $150 billion of the $160 billion publicly traded REIT market.

Mortgage REITs lend money directly to real estate owners and operators or extend credit indirectly through the acquisition of loans or mortgage-backed securities. Mortgage REITs primarily extend mortgage credit on existing properties.

Hybrid REITs, which are a combination of equity and mortgage REITs, both own properties and make loans to real estate owners and operators.

Today, about 180 different REIT stocks are publicly traded on the major U.S. stock exchanges, of which about 150 are equity REITs. A large number of private REITs not traded on any exchange exist as well, bringing the total number of U.S. REITs to about 300, with assets totaling more than $300 billion. According to SNL Financial's March 2002 Property Register, 111 equity REITs, 11 mortgage REITs and one hybrid REIT own properties in Texas.

Advantages, Risks of REIT Ownership

According to Jeff Caira, vice president of Pioneer Investment Management, the renewed investor interest in REITs since the tech stock downturn stems from their relatively stable and predictable cash flows, the diversification they provide in an investor's portfolio and the dividend yield they offer. From 1982 to 2002, about two-thirds of the total return from REITs has come from dividend yields; the remainder is a result of stock price appreciation.

Other advantages of owning REITs include professional management of real estate assets, transparency of REIT firms because of securities laws disclosure requirements and liquidity of REIT shares compared to personally owned real property.

REIT stocks offer diversification through investment in a portfolio of properties rather than a single asset. The property portfolios may be geographically diverse, with properties in a variety of cities or regions. Although most REITs invest in a specific type of property, such as retail or industrial real estate only, a number of REITs own a mixture of property types. REITs also are diverse in management styles, which range from aggressive risk-taking approaches focused on rapid growth to risk-averse, low-key management.

Annual Total Return for Publicly Traded Equity REITS by Sector (in percent)

Sector	2000	2001
Industrial/Office	33.4	7.1
Retail	18.0	30.4
Residential	34.3	9.0
Diversified	24.1	12.5
Lodging	45.8	(8.6)
Health Care	25.8	51.9
Specialty	(31.6)	7.6
Self-Storage	14.7	43.2
All Equity REITs	**26.4**	**13.9**

Source: National Association of Real Estate Investment Trusts

As is true of most investments, there are risks associated with owning REIT stocks. Many are market-driven, including the perils of markets becoming overbuilt, insufficient demand for real estate, tenant default and falling rents. Investors also should be aware that REIT share prices and real estate cycles may not coincide. Real property can perform well as REIT stocks are performing poorly and vice versa.

Pure Resources Building, Midland, TX

Texas REIT Activity

Not surprisingly, REIT ownership is highest in the state's five largest metropolitan areas: Austin, Houston, Dallas, Fort Worth-Arlington and San Antonio.

Of the 73 million square feet of Texas industrial space under REIT ownership, almost 80 percent is in either the Dallas-Fort Worth Metroplex or Houston. Fifteen public REITs own industrial properties in Texas.

The apartment market has the highest concentration of REIT-owned properties in the state's major metro areas. More than 90 percent of all REIT-owned apartment units are in Austin, the Dallas-Fort Worth Metroplex, Houston and San Antonio. Twenty-one publicly traded REITs own more than 172,000 Texas apartment units.

More than 80 percent of all REIT-owned office space is in the Dallas and Houston metropolitan areas. Twenty-one publicly traded REITs and five private REITs own more than 71 million square feet of office space in Texas.

Retail space owned by REITs is concentrated in the major metro areas as well. More than 80 percent of enclosed regional mall space, 70 percent of single-tenant space and 80 percent of shopping center space is in Austin, the Dallas-Fort Worth Metroplex, Houston and San Antonio. Thirty-five publicly traded REITs and six private REITs own Texas retail properties.

Ten publicly traded REITs own elder care properties, while seven own other medical-related properties in Texas. Twenty-six public REITs and one private REIT own lodging properties in the state. Five public REITs own self-storage properties.

Since 1994, total returns from REITs have varied widely by property type. Most recently, retail, self-storage and health care-related REITs have performed best while lodging REITs have performed worst.

The average annual total return for all equity REITs during the 10 years ending March 31, 2002, was 12.5 percent. By comparison, the S&P 500 recorded a 13.3 percent average annual return during this time.

For 2001, equity REITs posted a 13.8 percent annual total return vs. an 11.9 percent loss for the S&P 500 and a 14.9 percent loss for the NASDAQ. Historically, REIT stock performance has not correlated strongly with other equity securities. It is not surprising that REITS continue to draw attention from investors interested in diversifying their portfolios.

Consultation with a competent investment professional is recommended. ◆

Dr. Hunt (hhunt@recenter.tamu.edu) is an assistant research scientist with the Real Estate Center at Texas A&M University. *Pages 10 and 11 Vol. 9, No. 4 - Oct. 2002. Printed with permission of Tierra Grande Journal of Real Estate Texas Center A&M University.*

Number of REIT Properties by MSA Estimates as of March 2002

MSA	Total Properties
Outside the MSAs	144
Abilene	6
Amarillo	24
Austin	280
Beaumont-Port Arthur	50
Brazoria	2
Brownsville-Harlingen	15
Bryan-College Station	16
Corpus Christi	24
Dallas	939
El Paso	51
Fort Worth-Arlington	255
Galveston	18
Houston	870
Killeen-Temple	16
Laredo	4
Longview-Marshall	14
Lubbock	14
McAllen-Edinburg-Mission	10
Odessa-Midland	39
San Angelo	6
San Antonio	244
Sherman-Denison	4
Texarkana	9
Tyler	15
Victoria	6
Waco	13
Wichita Falls	5
Location Not Disclosed	42
Total	**3,135**

Source: National Association of Real Estate Investment Trusts

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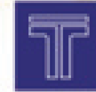

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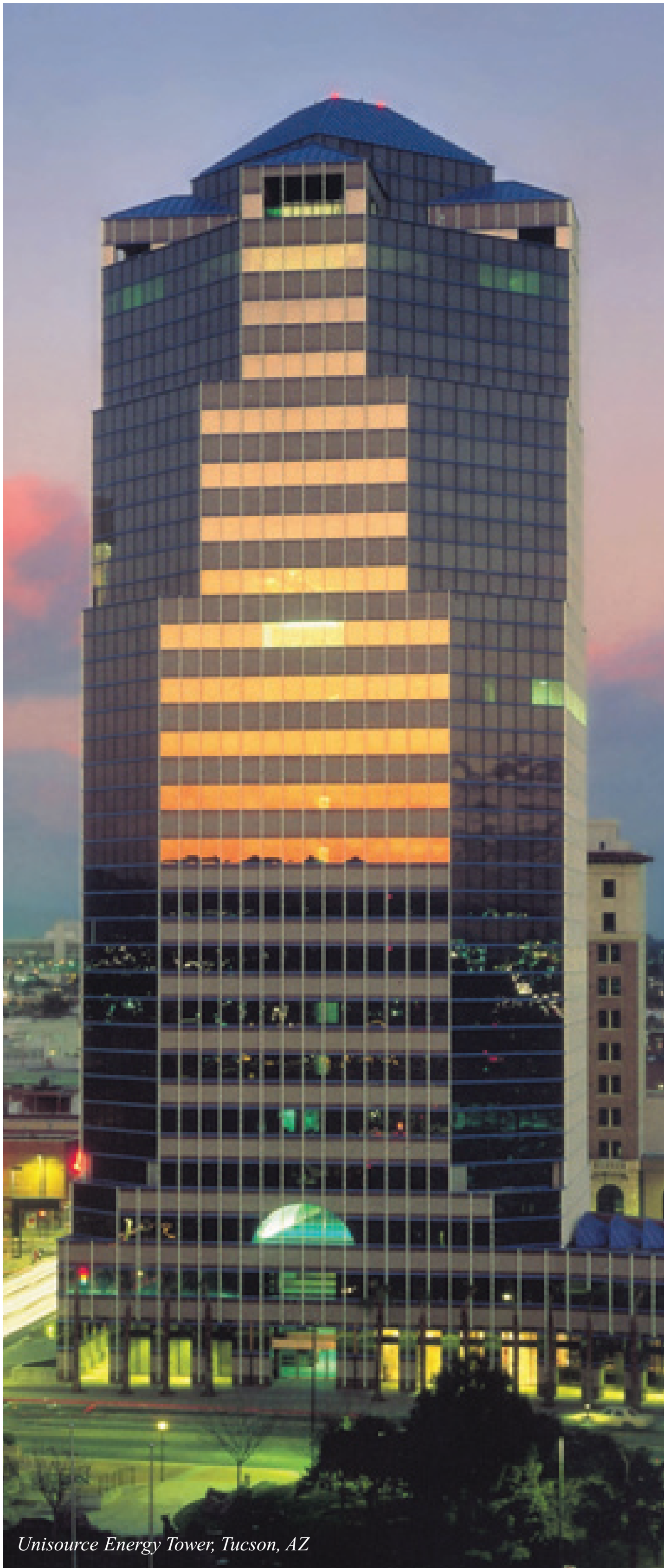
Unisource Energy Tower, Tucson, AZ

Partners Develop Joint Venture Equity Firm—Torreón Capital

September 1, 2002, brought an announcement from Austin, Texas, by Robert Brown, Rex Paine and Charlie Singletary of the formation of Torreón Capital LP, a joint venture equity firm specializing in acquisition and development of commercial real estate. Torreón Capital is a successor to the Real Estate Services Group of Dana Commercial Credit and will continue to manage the assets of the former Real Estate Services Group, which were acquired in August 2002.

Building on Relationships

"The formation of Torreón Capital represents a significant milestone for our group and provides us the opportunity to build a company based on our tremendous relationships," adds Paine. "The goal is to grow with our existing partners and continue to expand our relationships with developers and mortgage bankers nationwide."

Being in Position

"When we do multiple projects with a developer, they don't have to find a new equity source to do a new transaction," Paine says. "When they are starting the process of tying up a piece of property, they can have confidence in negotiating for that project. A developer has to focus on finding great real estate opportunities and we can help them do the job by supplying the equity capital."

Being open to markets throughout the United States helps ensure Torreón Capital will be successful regardless of regional economic changes, according to Brown.

"Our nationwide coverage of the retail, office, industrial and multifamily sectors shifts with movements in the markets, and that allows us and our partners to follow opportunities. We are going to continue to use that approach to keep a healthy pipeline and deals coming in," says Robert Brown.

Paine agrees. "We have made a lot of retail investments and the market is incredible, maybe the best in 10 years," he says. "Certainly, there has been a tremendous amount of money going out of the stock market. It is a good time to have a well-leased real estate project."

The partners believe even markets in a downturn have real estate investment opportunities. And, according to Singletary, being open to secondary market opportunities and not only primary markets such as Dallas, Houston and Los Angeles, gives Torreón Capital the ability to take advantage of real estate deals no matter where they are.

Aerial view of downtown Tucson, AZ

"Some institutional providers of equity will only go to major markets like Dallas and Houston," Singletary says. "But if a deal is good in Tucson, Arizona, Wichita Falls, Texas or Jackson, Mississippi, then we'll do it."

Providing Opportunities and Service

Torreón Capital will provide joint venture equity or mezzanine financing for a variety of real estate investments including:

- Development of well-located apartment projects;
- Development of anchored retail centers, grocery stores or single-tenant retail stores;
- Infill redevelopments (primarily retail);
- Development of industrial and office buildings with significant preleasing;
- Repositioning of retail centers, regional malls and office buildings;
- Opportunistic acquisitions of all product types, including portfolio sales.

The group provides real estate investments as a limited partner on projects with costs that typically exceed $10 million. Depending on preleasing or current cash flow, Torreón Capital can provide up to 100 percent of required equity with investment terms generally of two to four years.

Torreón Capital can also provide mezzanine or preferred equity when the sponsor has significant equity in a project.

The principals, all former managers or producers for Dana Commercial Credit, are known in the industry for their ability to complete transactions on a timely basis without retrading, as there are only a few key people involved in investment decisions. The principals also oversee investments from initial funding through value creation and ultimately to profit realization. ◆

Pioneer Building, Tucson, AZ

About Torreón Capital
Centrally located in Austin, Texas, Torreón Capital provides joint venture equity funding for the acquisition and development of commercial properties in the United States. The firm currently oversees a portfolio of assets valued at over $1 billion. The proven expertise of its founders combined with solid financial backing from an established investment firm make Torreón Capital a reliable source of commercial real estate joint venture equity. For more information call (512) 472-6111 or visit www.torreoncapital.com.

Terrorism Coverage for Commercial Property:

Dawn of a New Age

by Greg Meserole

The World Trade Center catastrophe of September 11, 2001, represents the largest single insured event in the Insurance Industry's history. Total losses are estimated to range between $30 billion up to as much as $70 billion. Regardless of the total outcome, September 11, 2001, will easily overshadow the second largest insured disaster, Hurricane Andrew in 1992, that had losses totaling approximately $19 billion.

Immediately following the 9/11 catastrophe, insurance companies addressed terrorism in a variety of ways. New legislation is now dictating how insurance companies insure this type of peril.

What is "terrorism"? "Terrorism" has been defined by the Insurance Service Office (ISO) as activities against persons, organizations or property of any nature: That involve the following or preparation for the following:

1. Use or threat of force or violence — Commission or threat of a dangerous act; or commission or threat of an act that interferes with or disrupts an electronic, communication, information or mechanical system; and

2. When one or both of the following applies — The effect is to intimidate or coerce a government, or to cause chaos among civilian population or any segment thereof or to disrupt any segment of the economy; or

It is reasonable to believe the intent is to intimidate or coerce a government, or to seek revenge or retaliate, or to further political, ideological, religious, social or economic objectives or to express (or express opposition to) a philosophy or ideology.

The ISO definition is fairly broad and it is the opinion of some that this could encompass the act of simple vandalism.

The Standard Commercial Property forms are addressing the act of terrorism with policy exclusions or sublimits.

Common policy sublimits fall between $2 to $5 million. As for policy exclusions, the Terrorism Risk Act of 2002 signed into law on November 26, 2002, has changed the profile of the terrorism exclusion.

This law requires property and casualty insurers doing business in the United States to offer coverage for insured losses due to international acts of terrorism "certified" by the secretary treasury. Pricing of coverage varies between insurance companies and is not addressed under this legislation.

Remember, this law only addresses "certified" acts of terrorism and there are many other facets of this law that make it less consumer-friendly than it appears; for example, the acts must have been committed by a "foreign person or foreign interest."

Depending on the risk/property, it may be best to purchase stand-alone terrorism insurance to protect one's assets.

There has long been a marketplace for stand-alone terrorism insurance coverage. Up until recently, it was only needed in the Middle East and other areas with a high incidence of terrorism. Now this coverage is needed in the U.S.

These policies cover direct damage and, if properly endorsed, business interruption loss from a terrorist event, as defined in the policy. The stand-alone terrorism market can address any terrorist act, whether it is perpetrated by foreign or domestic terrorists, anywhere in the world. As for availability, there are several markets that will entertain this type of risk; for example, AIG, Berkshire Hathaway, ACE USA, AXIS Specialty and Lloyd's of London. Pricing for this type of coverage can be fairly expensive since the underwriters have to rely on their experience and instincts instead of using sophisticated models and actuarially developed rates.

Management of terrorism coverage in commercial property policies will likely continue to evolve in the months to come. It is important to remain sensitive to how your current coverage addresses your specific needs. ◆

For more information to stay current with this topic, refer to the following sources:

International Risk Management Institute (www.irmi.com)

Insurance Journal (www.insurancejournal.com)

Independent Insurance Agents of Texas (www.iiat.org)

For additional information contact Gregory J. Meserole, CIC, Sr. Vice President, Nieman Hanks Puryear/Frost Insurance Agency, (512) 473-4546 or e-mail: Greg.Meserole@frostinsurance.com.

L.J. Melody & Company:

Providing Financing for the Future

Cummings-Baccus has a long history of working with L.J. Melody & Company's Wally Reid and Bernard Branca from the firm's Houston-based headquarters to assist with financing on numerous commercial real estate transactions.

Capturing Opportunities

Despite a challenging economic climate, L.J. Melody continues to provide its clients with debt and equity funding, variable-rate and permanent-rate financing to assist in capturing multi-million dollar commercial real estate opportunities across the United States.

> **"Our resources, great clientele and contacts in the equity marketplace allow us to see quality real estate transactions and get them completed quickly which is an advantage to both our lender and borrower clients."**

As a subsidiary of CB Richard Ellis (CBRE), L.J. Melody is afforded access to CBRE's market data to draw upon and use to the benefit of their clients.

"We have data including market rate rentals, sales prices for properties and occupancy for buildings and apartments that can benefit our clients when they are structuring real estate transactions," says Wally Reid, vice president at L.J. Melody.

Marked by Distinction

In addition, the firm has 31 offices across the country, which provides market knowledge when working on transactions outside of the Houston market, as many of the transactions Reid closed were last year.

Reid and his associate, Bernard Branca, work with clients to arrange traditional mortgage loans and have extensive experience structuring and arranging equity joint ventures, participating debt, development loans and other structured finance transactions with life insurance companies, pension funds, banks and conduits. "Many of the real estate loans we arrange are sold either on the open market or are bifurcated and sold to different lenders," says Reid.

Reid classifies his typical client as a real estate investor seeking to purchase a property, increase the value and then sell the property for a profit. "Because the stock and bond markets aren't yielding results, many investors are turning to real estate," he says.

In transactions with Cummings-Baccus, L.J. Melody has assisted with equity and mezzanine debt, providing high-leverage loan packages which keep the firm in front of the marketplace.

"Typically the equity markets are the first ones to react to market changes, good or bad. Our resources, great clientele and contacts in the equity marketplace allow us to see quality real estate transactions and get them completed quickly which is an advantage to both our lender and borrower clients," says Reid.

New Relationships

L.J. Melody brokers are also seeing local and private investors refinancing their properties.

"We see the institutional and larger private companies as net sellers right now," Reid said. "There is a huge influx of the tenant in common ownership structures. These tax-friendly structures are allowing the commercial real estate sales market to remain healthy with continued lowering of capitalization rates."

Reid strives to focus his business on the origination of debt and equity and mezzanine money for his owner clients, with an emphasis on major institutional investments, including single-tenant and multi-tenant properties, including many of the Cummings-Baccus properties.

He concludes, "We have been fortunate to have a client such as Cummings-Baccus who seeks value and understands the importance of good relationships and knowing how to successfully close transactions." ◆

For more information, contact Wally Reid (713) 787-1984, wally.reid@ljmelody.com and Bernard Branca at (713) 787-1962, Bernard.branca@ljmelody.com.

Frasken Center, built by Gerald Hines

L.J. Melody & Company

Over $16 billion in debt and equity placed during the past two years.

Galleria at South Bay
Redondo Beach, CA
Retail
$100,000,000

Corporate Woods Office Development
Overland Park, KS
Office
$150,000,000

Acadiana Mall
Lafayette, LA
Retail
$70,000,000

Memorial City Mall
Houston, TX
Retail
$125,000,000

National City Plaza
Columbus, OH
Office
$32,000,000

Arrowhead Highlands
Glendale, AZ
Apartments
$24,200,000

RTC MountainWest Medical
Bountiful, UT
Office
$15,300,000

Auburn Trail Auburn Crossings
Auburn, AL
Apartments
$12,190,000

West Pointe
Industrial Park
Charlotte, NC
Industrial
$14,700,000

Wally Reid
(713) 787-1984
wally.reid@ljmelody.com

Bernard Branca
(713) 787-1962
bernard.branca@ljmelody.com

L. J. Melody & Company
A CB Richard Ellis Company

5847 San Felipe • Suite 4400 • Houston, Texas 77057 • www.ljmelody.com

9606 N. MOPAC Suite 125,
Austin, TX 78759
www.cummingsbaccus.com

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