

REAL ESTATE *The California Real Estate Journal* consistently ranks Sheppard Mullin among the largest real estate practices in California, and the largest real estate practice in California of any AmLaw 100 firm. Not only does the firm have bench strength, but our attorneys function as an integrated team. Our real estate practice is complemented by an understanding of the land use and regulatory aspects associated with property development. We pride ourselves on practicality and problem solving.

With one of the most diverse real estate and development practices in California, Sheppard Mullin represents investors, developers, builders, major landowners, lenders and local agencies on every aspect of commercial and residential real estate.

Representation of Real Property Owners and Developers

The representation of owners and developers of real property is a key component of our practice. Our Real Estate attorneys represent a diverse clientele involved in virtually every aspect of real property ownership and development. Lawyers in other practice groups contribute additional expertise, which enables us to counsel and represent real estate owners and developers on a broad range of issues. Clients represented by Sheppard Mullin have included commercial and residential developers, pension funds and pension fund advisors, insurance companies, commercial landlords, retail chain tenants, manufacturing companies, real estate investment trusts ("REITs"), institutional trustees and the "REO" departments of institutional lenders.

Real Estate Acquisition and Disposition

Sheppard Mullin has extensive experience in the representation of clients in real property purchase and sale transactions. We represent buyers and sellers of raw land, residential tracts, apartments, condominiums, hotels, industrial parks, shopping centers and high rise office buildings. We frequently negotiate and document real property acquisitions and dispositions, and regularly assist our clients in conducting the "due diligence" investigations required for purchase and sale transactions. This work includes investigations regarding the environmental and physical condition of real property and improvements, lease review, comprehensive review of all related title, land use, zoning issues and contractual obligations, as well as many other specialized services such as liquor license transfers and Hart-Scott-Rodino filings for hotel acquisitions.

Commercial Leasing and Portfolio Management

We also have a great deal of experience representing landlords and tenants in commercial leasing transactions. Our experience extends across the range of commercial real estate property types, including urban and suburban office, industrial park, shopping center, mixed use retail and special use research and development facilities. In addition, we negotiate and prepare numerous special purpose leases for urban high rise buildings, corporate headquarters, campuses and free standing retail, industrial and commercial facilities. We also negotiate leases with the United States General Services Administration, as well as with many state and local government agencies.

The lease forms we prepare are tailored to the requirements of specific markets. We have also developed forms for those transactions that are typically ancillary to leases such as tenant improvement agreements, parking agreements and guarantees. In addition, our lawyers have extensive experience counseling both landlords and tenants in connection with lease disputes and workouts, and we can draw upon the expertise of our litigation and bankruptcy practice groups as needed.

Many of Sheppard Mullin's clients, whether owners, investors, financial institutions, developers or major

manufacturers, have large portfolios of commercial real estate which involve the full range of portfolio management issues and related legal services. These include negotiation and preparation of agreements with property managers, service providers and suppliers, as well as easements, licenses and shared parking and maintenance agreements.

Development

Our lawyers are recognized for their expertise in the areas of residential development, hotel development and commercial and industrial development. The projects in which we have been involved include major land assemblies and the development of residential tracts, hotels, golf and tennis resorts, mobile home parks, retail shopping centers, office buildings, industrial parks and apartment buildings, as well as mixed-use projects. We also represent developers of residential and commercial condominiums, planned unit developments and timeshare projects.

Our attorneys have negotiated and drafted documents related to the construction, management and operation of real estate projects including covenants, conditions and restrictions, reciprocal easement agreements and management agreements. We have experience in rendering advice to clients in connection with the financing of development. In this regard, we have negotiated redevelopment agency disposition agreements, owner participation agreements, disposition and development agreements, subdivision improvement agreements and development agreements for both single phase and large scale multi-phase projects. We counsel clients on how to structure public financing of infrastructure improvements, including conventional assessment and facilities improvements districts, as well as Mello-Roos special tax districts.

Land Use and Entitlements

Sheppard Mullin assists real estate clients in a wide range of land use and entitlements matters involving federal, state and local governmental agencies. Several of our lawyers focus their entire practice on land use matters. As a result, we have a widely acknowledged expertise in land use work, including both counseling and litigation. Our work has included coastal and waterfront projects, urban redevelopment, large suburban mixed use, urban high rise office and mixed use and suburban residential subdivision projects.

We frequently negotiate and draft contracts between private parties and public agencies, including development agreements, pre-annexation agreements, disposition and development agreements, owner participation agreements and subdivision improvement agreements. We have represented clients seeking the approval of annexation applications, general plans, specific plans, rezonings, subdivision maps, subdivision reports, coastal permits, "404" and "1603" permits, as well as other permits and approvals required for the development and operation of real property and improvements.

Our Land Use practice frequently includes appearances on behalf of our clients at public hearings. We counsel clients on a variety of matters relating to the applicable State Environment Quality Acts, and have supervised the preparation of EIRs and other environmental documents. We have also successfully prosecuted and defended lawsuits involving CEQA and other land use and zoning issues. Sheppard Mullin lawyers also counsel property owners and developers in connection with the restoration and rehabilitation of historic structures.

Environmental

Sheppard Mullin lawyers have extensive experience advising clients with respect to a wide range of environmental issues. We counsel clients in connection with site assessments prior to purchasing, selling, leasing or lending secured by real property. We also negotiate and document remediation activities, both with private parties and with governmental authorities.

Attorneys in our Environmental practice have represented clients in connection with CERCLA enforcement actions, clean-up and abatement orders, underground storage tank regulation, removal and remediation of hazardous substances, hazardous waste storage and transportation, the permitting of facilities which handle or store hazardous waste and private contamination litigation. We have also represented clients in proceedings before the Air Quality

Management District Boards and have counseled clients with respect to asbestos removal procedures and asbestos related injury and abatement cases.

Construction

Sheppard Mullin attorneys represent owners, contractors, architects and governmental agencies on a broad range of construction issues. This work includes negotiation and drafting of documents for construction, architectural and engineering services on behalf of public and private owners. We also provide counsel, including arbitration and/or trial of disputes, arising any construction related claims arising out of public and private works projects. We have represented clients in the litigation, arbitration and mediation of disputes on public and private works involving construction contract defaults, bid protests, professional liability of architects and engineers, latent and patent defects in real property, extra work claims, changed condition claims, delay claims, defective work claims, mechanics' liens and stop notice claims, surety bond claims and homeowner association claims.

Entity Formation

Our lawyers are regularly called upon to assist with the structuring, formation and capitalization of partnerships, limited liability companies, corporations and trusts which acquire, develop and operate real property. We also have considerable experience in the structuring, formation and capitalization (by public offering or private placement) of REITs, as well as the acquisition, management and operation of the real property held by REITs. We assist clients in obtaining rehabilitation and low income housing tax credits, and in syndicating partnerships for the purpose of investment in the projects to which those credits have been allocated.

Affordable Housing

An interdisciplinary team of Sheppard Mullin attorneys from the Real Estate, Tax and Corporate practices has developed considerable expertise in affordable housing transactions. Our clients have included investors, private developers, nonprofit housing sponsors and lenders. We have structured, negotiated and drafted low income housing tax credit partnership agreements. We have also represented institutional lenders and developers in the documentation of both market rate and subsidized loans. We also advise several Fortune 500 companies with respect to their investments in nationally syndicated tax credit equity funds.

Hospitality Industry

Sheppard Mullin specializes in representing clients in the hospitality industry in the acquisition, development, operation and disposition of hotels, restaurants and recreational facilities. Our clients include investors, owners, operators and lenders. In providing these services, we negotiate and prepare purchase and partnership agreements; technical services, operating and management agreements; retail leases; concession agreements and equipment leases. We provide counseling concerning general real estate matters (such as labor issues, financing, development issues and daily operational matters), as well as special hospitality industry concerns (such as liquor license transfers and Hart-Scott-Rodino filings). Projects with which we have been involved include downtown and suburban hotels, beach and golf resorts, resort condominium and timeshare projects, entertainment centers and visitor attractions, motel and restaurant chains and new chain development. The properties involved are located throughout the United States.

Pension Funds

Our Real Estate attorneys have a broad range of experience in the representation of tax exempt entities and their advisors in connection with real estate investments, portfolio operations and dispositions. Our experience includes the structuring of investment vehicles and related issues; counseling regarding issues of recognition of unrelated business taxable income, "prohibited transactions" under ERISA and Department of Labor "Plan Asset" regulations; negotiation and documentation of individual investments including direct purchases, loans (including those with participation and conversion features) and joint ventures; issuance of tax opinions; delivery of ongoing advice and

assistance in real estate portfolio management including dealing with under performing assets and non-performing borrowers and joint venture partners; negotiation of investment advisor agreements on behalf of advisor entities; and delivery of advice concerning the compensation of ERISA fiduciaries.

We analyze such issues as the acquisition indebtedness rules and the extent to which pension plans may participate in service flavored real estate investments, as well as in the treatment of participating mortgages as debt rather than equity. Our tax exempt investor clients include corporate pension funds and qualified plans, public and trade union pension plans, university endowment funds, group trusts and REITs. Applicable real estate investments take the form of direct real estate investments (both leveraged and unleveraged), joint ventures among exempt entities, general and limited partnerships with real estate developers, fixed and variable rate mortgage loans, mortgage loans with lender participation in either or both of appreciation and cash flow, as well as loans structured as subordinated convertible debentures.

Portfolio Acquisitions

Sheppard Mullin lawyers represent both sellers and purchasers in the purchase and sale of portfolios of performing and non-performing real estate loans and real estate assets. This representation includes services in connection with acquisition due diligence, bid preparation, purchase and sale documentation, coordination of the closing, financing and securitization of the portfolio and managing and liquidating the portfolio after closing.

Real Estate Secured Lending, Workouts and Bankruptcy

The representation of secured lenders has long been a focus area at Sheppard Mullin. Lawyers from various practices bring a comprehensive range of expertise to the representation of real property secured lenders. The result is that we are able to counsel and represent real estate lenders, authoritatively and efficiently, at all phases of real estate loan transactions, restructures, workouts and bankruptcies.

Loan Negotiation and Documentation

Sheppard Mullin also handles real estate secured financing transactions for insurance companies, banks and other financial institutions. We assist our lender clients in structuring loan transactions and in assuring that such transactions comply with regulatory requirements. We also review title to the subject property and work with title insurers in order to make sure that adequate title insurance is delivered. The most important phase of loan documentation, of course, is the preparation and negotiation of the loan documents. We take pride in the meticulous drafting of documents. Transactions are documented on the basis of custom drawn documents or, where the client so desires, on the basis of client generated forms with adaptations as necessary to fit the transaction. Emphasis is placed upon making documents clear and concise and avoiding overreaching provisions and the use of excessive "legalese."

Our lawyers have extensive experience in documenting all types of real estate secured loans, including acquisition loans, working capital revolving loans, construction loans and permanent real estate loans. We are extremely familiar with the issues that arise in connection with the initial documentation of real estate loans, as well as with the issues presented by modifications of, and additional advances upon, real estate loans. We also negotiate and document tri-party agreements among construction lenders, permanent lenders and borrowers and participation and syndication agreements with participant and syndicate lenders.

We have also developed expertise in some of the more complex varieties of real estate lending. We were pioneers in the representation of lenders in connection with real estate secured, letter of credit enhanced industrial development bonds, certificates of participation and multifamily housing revenue bonds. We are leaders in the representation of lenders with respect to, and the development of loan documentation for, "contingent interest" and "shared appreciation" loans for office, industrial, retail and residential tract projects.

Workouts and Bankruptcy

Our lawyers assist clients in negotiating and preparing documents in connection with troubled real estate loans. Workouts involve loans documented by other firms or by in-house counsel, as well as those documented by Sheppard Mullin lawyers. Workout projects entail an assessment of the lender's loan documents and collateral position, as well as the shoring up of documentation and security as appropriate. Large workouts also frequently involve syndicated or participated credits, and we have substantial expertise in handling not only the issues and disputes that arise between lender and borrower, but also those that arise between lenders in these types of credits.

Where the workout fails to resolve a loan default, we are able to represent our lender clients in the full range of enforcement, collection and foreclosure proceedings. From the firm's inception, Sheppard Mullin has emphasized expertise in the conduct of collection and receivership actions in state and federal courts and the conduct of judicial and non-judicial foreclosures on real property and personal property collateral. We also assist our clients, where appropriate, the taking of deeds in lieu of foreclosure, as well as counsel our clients on the advantages and disadvantages of this strategy compared to foreclosure.

Sheppard Mullin is one of the preeminent bankruptcy firms in California, specializing in representation of secured creditors in bankruptcy. We represent secured lenders and creditors' committees in some of the largest and most complex workouts and bankruptcies in the nation. Real estate workouts and bankruptcies in which we have been involved during the last several years have ranged from "single asset" workouts and bankruptcies to workouts and bankruptcies involving scores of properties and some of the largest residential and commercial real estate developers and owners in the country.