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CIVIL DIVISION

IN THE CIRCUIT COURT
FOR BALTIMORE CITY, MARYLAND

IN RE MPG OFFICE TRUST INC. PREFERRED SHAREHOLDER LITIGATION	Consolidated Case No. 24-C-13-004097

AFFIDAVIT OF G. MARK BROWN IN SUPPORT OF DEFENDANTS' MEMORANDUM OF LAW IN SUPPORT OF PROPOSED SETTLEMENT AND IN OPPOSITION TO PLAINTIFF'S APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

I, G. Mark Brown, solemnly affirm under the penalties of perjury that the contents of the foregoing paper are true to the best of my knowledge, information, and belief:

2. I make this affidavit in support of Defendants' Memorandum of Law in Support of Proposed Settlement and in Opposition to Plaintiff's Application for Attorneys' Fees and Expenses ("Plaintiff's Memorandum" or "Pl. Mem."). In particular, I am submitting this affidavit to rebut Plaintiff's counsel's contention that the value of the settlement is $21.05 million. Rather, as explained below, because the settlement payment will reduce Brookfield DTLA Fund Office Trust Investor Inc.'s ("Brookfield DTLA" or the "Company") liability to the holders of the Brookfield DTLA Preferred Stock (defined below) on a dollar for dollar basis, the actual value of the settlement to the Class is much lower, as detailed below.

3. I am the Global Chief Investment Officer of Brookfield Office Properties, Inc. ("Brookfield") and a director of Brookfield DTLA. Brookfield is a commercial real estate corporation that owns, manages, and develops premier office properties around the world. I was actively involved in the transaction pursuant to which MPG Office Trust, Inc. ("MPG") merged with certain affiliates of Brookfield.

4. The following facts have been set forth in MPG's and Brookfield DTLA's public filings with the Securities and Exchange Commission:

a. MPG was the owner and operator, through its operating partnership MPG Office, L.P., of a portfolio of premium office properties in the Los Angeles central business district. In 2004, MPG amended its governing charter by filing articles supplementary (the "MPG Articles Supplementary") to authorize the issuance of up to 10 million shares of 7.625% Series A Cumulative Redeemable Preferred Stock (the "MPG Preferred Stock"). The MPG Articles Supplementary provided that holders of MPG Preferred Stock were entitled to quarterly cash dividends at the rate of approximately $1.90 per year, which were payable, subject to certain restrictions, at the MPG Board's discretion, and accrued and accumulated until they were paid. MPG suspended the payment of dividends on the preferred stock in December 2008.

b. In early 2012, MPG encountered extreme financial difficulties and, as a result, engaged in an "exploration of strategic alternatives." Declaration of Gregg L. Weiner in Support of Defendants' Memorandum of Law in Support of Proposed Settlement and in Opposition to Plaintiff's Application for Attorneys' Fees and Expenses ("Weiner Decl.")), Ex. B, Agreement and Plan of Merger dated as of April 24, 2013 (the "Merger Agreement") at § 7.07(a). After considering numerous strategic alternatives over the course of many months and engaging in negotiations with multiple potential strategic partners, MPG announced an agreement with Brookfield on April 25, 2013.

c. On June 14, 2013, pursuant to the Merger Agreement, Brookfield DTLA Inc. commenced a tender offer in which the MPG Preferred Stockholders could choose to tender their shares and receive $25 per share in cash immediately upon the closing of the transaction (the "Tender Offer").

5. Preferred stockholders who chose not to tender had their shares converted into preferred shares as 7.625% Series A Cumulative Redeemable Preferred Stock of Brookfield

DTLA (the "Brookfield DTLA Preferred Stock"), with all of the same rights, preferences, and restrictions that then applied to the MPG Preferred Stock in the MPG Articles Supplementary. *See* Weiner Decl., Ex. C, Brookfield DTLA Fund Office Trust Investor Inc. Articles Supplementary ("Brookfield DTLA Articles Supplementary") at § 3. Those rights included, among other things, the right to the existing accrued and unpaid dividends on those shares, and ongoing quarterly dividends at 7.625%. The current accrued and unpaid dividend equals approximately $11.65 per share as of October 13, 2015.

6. In settlement of this litigation (the "Settlement"), the parties entered into the Stipulation and Agreement of Compromise and Settlement (the "Stipulation") on May 29, 2015. The Stipulation provides that, "[s]ubject to the Court's approval of the Settlement, Brookfield DTLA agreed to pay a dividend of $2.25 per share of previously accrued and unpaid dividends to all holders of record of Brookfield DTLA Preferred Stock (the "Dividend Payment") as of a record date to be set promptly following entry of an order and final judgment by the Court granting final approval of the Settlement." Weiner Decl., Ex. I, Stipulation at 5. The Settlement also provides that the "Dividend Payment will reduce on a dollar for dollar basis the accrued and unpaid dividends owed on the Brookfield DTLA Preferred Stock." *Id.* at ¶ 2.

7. Plaintiff's counsel has calculated the gross value of the Dividend Payment as $21,054,305.25, based on the payment of a dividend of $2.25 per share on 9,357,469 shares, which excludes distribution of the Dividend Payment to holders of those shares of Brookfield DTLA Preferred Stock that are owned by affiliates of the Company.

8. The Company has never disputed that the unpaid dividends accrued on the Brookfield DTLA Preferred Stock are an existing liability of Brookfield DTLA. Indeed, the

payment of the accrued dividends on the preferred stock pursuant to the Settlement will reduce the actual liability of Brookfield DTLA on a dollar for dollar basis.

9. Moreover, the preferred stock has certain protections and priorities that enhance the likelihood that dividends on the Brookfield DTLA Preferred Stock will resume. For example, pursuant to the Brookfield DTLA Articles Supplementary, no payment of any dividend can be made to Brookfield DTLA's common stockholders until payments of the accrued and unpaid dividends to the preferred stockholders have been resumed. Weiner Decl., Ex. C at ¶ 2. Payments to the preferred stockholders also rank senior to an additional class of stock, the 15% Series B Cumulative Nonvoting Preferred Stock of Brookfield DTLA. *Id.*

10. Similarly, in the event of liquidation, dissolution or winding up of Brookfield DTLA, the preferred stockholders have a liquidation preference that entitles them to $25.00 per share, plus all accrued and unpaid dividends, before any distribution or payment is made to holders of Brookfield DTLA common stock and certain other junior classes or series of capital stock. *Id.* ¶ 4. The cumulative effect of these restrictions is that the owners of Brookfield DTLA are incentivized over the coming years to pay the accrued dividends on the Brookfield DTLA Preferred Stock.

11. In Plaintiff's Memorandum, Plaintiff's counsel point to the **"Risk Factors"** section of Brookfield DTLA's October 11, 2013 S-4 registration statement and its 2014 Annual Report in an attempt to show that Brookfield will never pay the remaining accrued and unpaid dividends. Pl. Mem. at 6-7. Plaintiff's counsel, however, takes the **"Risk Factors"** out of context—this section merely shows that Brookfield DTLA is not obligated to pay these dividends at any particular time, and there is some risk the dividends will not be paid.

12. Plaintiff's counsel gives zero credit to the prospect of any dividends being paid in the future by the Company on the Brookfield DTLA Preferred Stock. That is not correct. The restrictions on payments to common stockholders contained in the Brookfield Articles Supplementary are meaningful. The owners of Brookfield DTLA -Brookfield and three institutional real estate investors—made the acquisition of MPG for the purposes of receiving a return on their investment. Therefore, Brookfield DTLA is incentivized to pay the accrued dividends on the Preferred Stock so that they can receive a return on their common stock investment.

13. While the timing of projected dividend payments is not certain, in my view, it is highly likely that Brookfield DTLA will begin paying the accrued and unpaid dividends on the preferred stock within the next eight years. It is not unrealistic that the Company would begin paying accrued dividends prior to year eight, but for purposes of the analysis, I have chosen a conservative estimate of eight years. There are a number of scenarios under which payment of the accrued dividends will begin being made within that time period. For example, since the closing of the merger, the value of the assets held by Brookfield DTLA has increased. Accordingly, Brookfield DTLA should be able to recapitalize the Company and refinance mortgages on the underlying properties as the mortgages come due. Once the portfolio is stabilized and recapitalized, more cash may be available to pay the accrued Brookfield DTLA Preferred Stock dividends. In addition, a recapitalization of the portfolio by Brookfield DTLA could lead to payment of the accrued dividends and/or redemption of the Brookfield DTLA Preferred Stock altogether, requiring payment of $25.00 per share, plus all accrued and unpaid dividends to the preferred stockholders. *See* Weiner Decl. Ex. C at § 5. In such a scenario,

Brookfield DTLA could redeem some or all of the preferred stock using proceeds from new senior debt that would be more cost effective to the Company. Furthermore, the coupon rate of 7.625% on the preferred stock is high in the current interest rate environment, which provides an additional incentive to redeem the Brookfield DTLA Preferred Stock. Further, if the properties generate income, as they currently do, certain dividends must be paid by Brookfield DTLA to the preferred stockholders (and other stockholders) to maintain the real estate investment trust status of the Company.

14. Accordingly, a reasonably conservative assessment of the benefit conferred to the class with respect to the Dividend Payment made in connection with the Settlement is the difference between the payment of the dividend now compared to within a conservatively chosen payment date of eight years from now—in other words, the net estimated present value of the approximately $21.05 million Dividend Payment if it were made eight years from now.

15. The net estimated present value of the Dividend Payment can be calculated in two simple steps. To begin, I assume, conservatively, that dividends will be paid in eight years—2023. First, to arrive at the estimated present value of the Dividend Payment in 2015, rather than in 2023, one must apply an appropriate discount rate over eight years. In my view, the appropriate discount rate is 7.625% in light of current interest rates (which are at historic lows), the cost of capital environment (similarly at historic lows), and because it is the applicable coupon rate on the Brookfield DTLA Preferred Stock. Second, to calculate the *net* estimated present value of the Settlement, one must deduct the estimated present value of the future payment from the value of the Dividend Payment.

16. The following factors are used in this calculation:

# Shares	9,357,469
Payment/Share	$2.25
Total Payment	$21,054,305.25
Discount Rate	7.625%
Initial Fund Life	Oct-23
Prepayment Date	Oct-15
PV of Payment in 2023	$11,695,952.60
Benefit	**$9,358,352.65**

17. Based on the foregoing, the number of shares of Brookfield DTLA Preferred Stock (that are not owned by affiliates of Brookfield DTLA) is 9,357,469. The total Dividend Payment, at $2.25 per share, will therefore be $21,054,305.25, to be paid out after the Settlement is approved by the Court. Assuming the commencement of the payment of accrued and unpaid dividends in 2023 at the latest, eight years from now, using the coupon discount rate of 7.625%, the estimated present value of the Dividend Payment is $11,695,952.60. This means that the difference between a dividend payment of $2.25 per share now ($21,054,305.25) and a dividend payment of $2.25 per share in eight years ($11,695,952.60) is **$9,358,352.65**. In my view, this amount is the best estimate of the benefit conferred to the class by Plaintiff's counsel, not $21.05 million.

I solemnly affirm under the penalties of perjury that the contents of the foregoing Affidavit are true to the best of my knowledge, information, and belief.

By:______________

G. Mark Brown