Bluerock Residential Growth REIT

Fourth Quarter 2016 Earnings Conference Call

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CORPORATE PARTICIPANTS

Christopher J. Vohs - *Chief Accounting Officer*

R. Ramin Kamfar - *Chairman and Chief Executive Officer*

Ryan S. MacDonald - *Managing Director, Investments*

PRESENTATION

Operator
Good morning, ladies and gentlemen, and welcome to Bluerock Residential Growth REIT's Fourth Quarter 2016 Earnings Conference Call. All participants will be in a listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I now would like to introduce your host for today's call, Christopher Vohs, Chief Accounting Officer of Bluerock Residential. Mr. Vohs, please go ahead.

Christopher J. Vohs
Thank you, and welcome to Bluerock Residential Growth REIT's Fourth Quarter 2016 Earnings Conference Call.

This morning, prior to market open, we issued our press release and supplement. The press release can be found on our website at bluerockresidential.com under the Investor Relations' tab. In addition, we anticipate filing our 10-K within the next week.

Following the conclusion of our remarks, we'll be pleased to answer any questions you may have. Before we begin, please note that this call may contain forward-looking statements as they are defined under the Private Securities Litigation Reform Act of 1995. There are a variety of risks and uncertainties associated with forward-looking statements and actual results may differ from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the forward-looking disclosure in the earnings press release we issued this morning, as well as our SEC filings. With respect to non-GAAP measures we use in this call, including pro forma measures, please refer to our earnings supplement for reconciliation to GAAP, the reasons Management uses these non-GAAP measures, and the assumptions used with respect to any pro forma measures and their inherent limitations.

With that, I'll turn the call over to Ramin Kamfar, Chairman and CEO of Bluerock Residential Growth REIT, for his remarks.

R. Ramin Kamfar
Thank you, Chris, and good morning, everyone.

With me today are several key members of our Executive Team. We've got Jordan Ruddy, our President, and Ryan MacDonald, our Managing Director of Investments.

I will open my remarks with some key financial highlights from the quarter and close with some capital markets commentary. After my remarks, I'm going to ask Ryan MacDonald to give you additional operational and transactional details.

So, starting with the financial highlights, on the revenue front we achieved significant growth as a result of our investment activity. Our top-line revenue for the fourth quarter was $22.4 million, which is a 70% increase from the $13.2 million in the prior-year quarter, which was largely as a result of significant investment activity in 2016.

Our net loss attributable to common stockholders for the quarter-ending December 31 was $7.3 million versus a net loss of $1.5 million for the prior-year quarter. This net loss was caused primarily by non-cash items of $10.8 million in the fourth quarter versus $6.7 million in the prior-year quarter.

For the quarter, our adjusted funds from operations, or AFFO, was $3.7 million compared to $4.3 million in the prior-year quarter. On a per share basis, AFFO came in at $0.18, which exceeds our guidance of $0.05 to $0.07 per share.

On a pro forma as invested basis, which simply assumes that our investable cash was fully invested as of the beginning of the fourth quarter so that Investors can get a sense of our fully invested earnings potential, our AFFO per share was $0.41, which also exceeds our guidance range of $0.31 to $0.33.

Both our AFFO and pro forma AFFO were favorably impacted by $0.09 from the payment of our management fee in LTIPs, with the remaining outperformance coming from operations.

Property NOI dollars grew to $14 million in the quarter, which is a 69% increase from $8.3 million in the prior-year quarter, with NOI margins consistently at 62.7%.

Same-store NOI grew a strong 6.1% for the quarter versus the prior-year quarter. Ryan is going to provide additional detail on this.

For the seventh consecutive quarter, BRG's Board determined to pay the full amount of the management fee in LTIPs in lieu of cash with a goal of continuing to signal the confidence of Management in executing our business plan and the underlying value of our shares.

Our asset base continues to grow significantly on a quarterly basis. I'm happy to announce that our consolidated real estate assets at cost are up 80% to over $1 billion dollars at the end of the quarter from year-end 2015.

On the acquisition front, during the quarter we closed on a record five operating properties with just under 1,700 units for $270 million, and two developments totaling around 400 units. For the full-year 2016, BRG invested capital totaling approximately $700 million in gross asset value across 13 properties, representing about 3,800 units.

Subsequent to the quarter end, we closed on two development mezzanine loans totaling $36 million, and we are actively working on closing additional deals with about 1,250 units on a total cost of approximately $250 million.

Shifting to the capital market side, in October we saw an opportunity to reduce our cost-to-capital and executed an underwritten overnight offering of a Series D perpetual preferred stock raising $71 million at a 7 1/8th rate, which is a 50 basis point savings over our Series C offering, which was completed just recently in July of 2016. In addition, we were able to improve the non-economic terms of the deal so that the Series D is a more attractive security being a perpetual versus a redeemable preferred. So, from a structural point of view that's more attractive from the prior Series A and Series C.

Additionally, we completed a follow-on offering of 4.6 million shares of Class A common stock in January at an offering price of $13.15 per share for gross proceeds of about $60 million. The primary goal for this offering focused on building the underlying common equity base, as well as executing on a robust pipeline of accretive transactions that we are continuing to see, and in addition, getting us closer to a number on the common side that would make us eligible for RMZ inclusion on the index that is one of our goals for this year and beyond.

We also have positive news to report with a 6% Series B at non-traded preferred offering. Fourth quarter sales increased 82% on a sequential quarter-over-quarter basis to $13 million. The upward trajectory is continuing into the first quarter, and we expect that we're going to have a quarterly run rate of somewhere between $15 million and $20 million in the first quarter of 2017. We're pleased to report that we're making significant progress in expanding our selling group with the addition of some key broker-dealers selling agreement, and our expectation is that we'll see the benefits from this expansion by an increase in the quarterly capital raised run rate towards the latter half of 2017.

We've previously stated that $500 million is the equity capital base that would be the number where it would make sense for BRG and its investors to begin internalizing management. The offerings that closed in 2016 allowed us to hit that number and hit that target. And as I indicated on our last quarter's call, we started the process in the fourth quarter, working in conjunction with a Special Committee of the Board and their counsel and appropriate advisors to internalize management. We're working towards a target of mid-2017 for BRG to become an internally managed REIT, although at this point we can't guarantee the timing, obviously.

Our pro forma AFFO guidance for the first quarter is $0.27 to $0.29 per share, which is down slightly from the fourth quarter number and that's due to normal seasonality from the winter months, Q1 being our weakest quarter in apartment business, plus the accrual of the way we accrue projected tax increases for 2017 and the timing of our dispositions, which are stabilized assets, and our acquisitions, which are assets where you've got the value creation coming online over time.

Now I would like to hand the call to Ryan MacDonald, our Managing Director of Investments, to give additional commentary on our operational metrics and an overview of our transactions in the quarter.

Ryan S. MacDonald
Thank you, Ramin, and good morning, everyone.

I'd like to start off by noting that our Operating portfolio continues to perform exceptionally well, generally meeting or exceeding our budgets across the board. As you all know, the winter months typically provide for some seasonal challenges, but the asset management team here has been working hard with our partners and the on-site staff to position each asset so that we can continue to capitalize on the value creation business plans set forth at acquisition.

Portfolio-wide, across all of BRG's assets, average occupancy for the fourth quarter of 2016 was 94%. Occupancy held firm in January as well, finishing the month at 94%.

Same-store NOI for the fourth quarter of 2016 increased by 6.1% from the same period in the prior year. The improvement in NOI was primarily driven by a 5.7% increase in same-store property revenues, of which the majority came from a 4% increase in average rental rates versus the prior-year period. The remainder of the revenue growth was attributable to an 80 basis point increase in our average occupancy across the portfolio, as well as the purchase of 17 additional units at our fractured condo, Lansbrook, and the lease up of 15 phase II units at our Park & Kingston property located in Charlotte. Same-store expenses rose 5.1% with the majority increase coming from payroll additions to a large asset in Florida that we don't see going forward.

On the dispositions front, in December we sold our EOS development in Orlando for $52 million, which generated an internal rate-of-return of 31% on BRG's equity and a return of 1.8 times invested equity.

In addition to the above, we are in various stages of the sales process on three additional assets, which we anticipate will close in the coming quarters.

On the investment front, in the fourth quarter we closed on five operational assets and two development transactions totaling $370 million in gross asset value and $109 million in BRG equity. Subsequent to the quarter end, BRG invested $36 million in two mezzanine development opportunities in Charlotte, North Carolina and Boca Raton, Florida. Each are projected to yield annualized AFFO of 15%.

The pro forma stabilized cap rate for the five closed operational properties is projected to be approximately 6.5% versus market cap rates ranging from 4.8% to 5.3%. Two of the assets are located in Austin, Texas with another two in Atlanta, Georgia and the remaining asset is located in Port St. Lucie, Florida.

In terms of pending transactions, we have four additional investments totaling 1,248 units, with total projected costs of approximately $247 million, which leaves us with $49 million of available capital for investment. With the most recent January capital raise, we anticipate the investable cash being deployed through the middle part of the year, with a fully invested run rate towards the back half of 2017. Now let me review a few of the pending investments with you.

One pending investment is a to-be-built 299-unit Class A luxury garden-style apartment community located in Garland, Texas with direct access to the major Dallas employment centers of CityLine, Legacy Business Park, and Plano. The transaction was sourced off-market and our partner undertook a comprehensive rezoning to allow for residential use at the site, which in our mind creates an attractive basis. BRG's underwriting projects a return on cost of 7% to 7.5% at stabilization for value creation of 175 to 250 basis points versus sales of comparable communities in the Greater Dallas MSA at 5% to 5.25%. To date, BRG has funded approximately $5 million and the mezzanine investment is projected to grow by an additional $19 million once vertical construction commences this quarter.

Another pending investment is a 301-unit 2010 built core-plus acquisition opportunity in an emerging downtown Charlotte neighborhood called Wesley Heights, the same neighborhood that BRG's recently funded development mezzanine loan. We believe the neighborhood has similar path of growth characteristics to the Berry Hill neighborhood at the time of our successful investment in the 23Hundred at Berry Hill development in Nashville, Tennessee. The relationship purchase offers immediate operational efficiencies through a more localized management approach whereas the existing owner was managing the asset from the west coast. BRG's underwriting projects a stabilized cap rate of 6% for value creation of 75 to 125 basis points versus sales of comparable communities in the Charlotte urban core at 4.75% to 5.25%. The purchase price of approximately $58 million and BRG is projected to invest 92% of the equity, equating to approximately $18 million, with the remaining funding being capitalized with a fixed-rate senior loan from Freddie Mac in the estimated amount of $41 million and a rate of approximately 4%.

Another pending transaction is a relationship purchase of a 92% interest 382-unit 2000-built garden-style apartment community located in the Raleigh, North Carolina MSA for a total purchase price of approximately $60 million. The business plan contemplates executing interior renovations, yielding a pro forma stabilized cap rate of approximately 6.4%, which we believe compares favorably to cap rates of 4.75% to 5.25% for assets of similar quality in the market. The initial 92% equity investment is projected to be approximately $17 million and the acquisition is being capitalized with a floating-rate senior loan from Freddie Mac in the amount of $41 million and at a rate of just under 3%.

Moving to the capital markets front, we want to highlight that multifamily permitting and starts were moderately down on a year-over-year basis in the South Region through December, according to Axiometrics, which is consistent with what we predicted given the significant reduction in credit availability in the construction lending markets for weaker and less well-capitalized developers due to the HVCRE bank regulations. Given that the demographics of underlying demand are still in place, we believe this tightened supply will be a strong catalyst for accelerating the multifamily fundamentals from 2018 and beyond.

With respect to asset-level financings, our access to senior financing on the acquisition side remains robust from a variety of lenders, including the Agencies, Banks, and Life Companies. Today, fixed rate spreads generally range from 160 to 230 basis points for all-in rates of 3.60% to 4.40%, with term ranging from 5 to 10 years.

And finally, our pipeline remains very robust. We are currently evaluating north of $500 million worth of investments, totaling in excess of 2,500 units. The majority of these pipeline transactions are off-market, and in many cases we've been working on them for extended periods of time. We continue to believe there are attractive opportunities in our current footprint of growth markets from the Carolinas down through Florida and over to Texas.

With that, I will now return the call to Ramin to conclude.

R. Ramin Kamfar
Thank you, Ryan. That's the end of our prepared remarks. With that, I'm happy to open it up to Q&A. Operator?

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time we will pause momentarily to assemble our roster.

Our first question comes from Rob Stevenson of Janney. Please go ahead.

Robert Stevenson
Good morning, guys. Ramin, in the release there was a couple of assets where you were redeemed on in the quarter and there was some conversion there. Can you talk a little bit about what's going on with those assets, like West Morehead and APOK Townhomes?

R. Ramin Kamfar
Hi, Rob. Those are deals where we converted from an equity or a preferred equity. We're switching from doing mezzanine instead of doing preferred equity, because as we get—in terms of our invest-to-own structures, and the reason for that is that the preferred equity doesn't really show up on our income statement in terms of revenue. So we feel that our revenue gets penalized by it, whereas a mezzanine is more visible and more trackable and more transparent. So we're switching to a mezzanine structure, and those were situations where we were just converting from an equity or a preferred equity position into a mezzanine.

Robert Stevenson
Okay. Helpful. Thank you. Then where you guys sit today after the comment in the preferred raises, what do you guys look like on a pro forma leverage level at this point sitting here today?

R. Ramin Kamfar
Well, I think that's in our supplement. If you look at it on a net basis, I think we're in the 40s, but I think we've got a detail of that broken out in the supplement that we just filed.

Robert Stevenson

But, I mean, you're going to sell three assets. I mean, you've got a pipeline, etc. I mean, what's the sort of expected proceeds in sort of rough dollar value for those three assets if you wind up selling them? I assume that given Ryan's comments about how robust the pipeline is, that you basically have an immediate use of proceeds on the acquisition standpoint, so I guess I was just trying to figure out with the $49 million or so of dry powder, sort of what you have to sort of execute on before needing additional equity out there again.

Ryan S. MacDonald
Rob, on the proceeds, the total gross proceeds coming back to us is in the $60 million range and that actually includes the sale in the fourth quarter of EOS, and so I think incrementally it's about a $30 million of gross proceeds plus our investment basis.

Robert Stevenson
Okay.

R. Ramin Kamfar
Robert, that gives us enough dry powder. I think, the idea for the raise that we did in January was to give us enough dry powder. We've got these catalysts coming up, Rob, which is internalization being the biggest one. We're also working on a line of credit and we're hoping that—and we've got some asset sales. You've seen EOS and the multiple and the IRRs we've got on that. We've got a couple more of those with similar type of returns that, again, help validate, help us harvest capital and we invest it accretive and also helps validate our value creation model. So, we figured that the January raise was going to be something along with this asset recycling that gets us through the internalization period where all of this news is out in the market, which we're hoping is going to be positive, and then we'll revaluate at that point.

Robert Stevenson
Okay. Then just one last one; I mean, you guys gave guidance for the first quarter. Is it just too many moving parts to give guidance for the full year at this point?

R. Ramin Kamfar
At this point it is because you've got—we're going to go to—we're just—if you look at our growth on a year-to-year basis and a quarter-to-quarter basis, so much of it depends on our access to capital and so on and so forth. So we're working on extending our guidance out beyond. We've been doing it on a quarter-by-quarter basis. We're working on extending that out, but we need to be a little bigger to be able to do that, because when you're growing your asset base by whatever it is—75% or 80% a year—each one of the raises that we do has a significant—if they happen or if they don't happen, has a huge impact. We're not a big stabilized REIT that can say, okay, we're projecting raising $0.5 billion off our ATM and selling $400 million in assets and reinvesting those.

Like I said in my remarks, we were up 80% year-over-year in terms of assets.

Robert Stevenson
Okay. Thanks, guys. I appreciate it.

Operator
The next question comes from Craig Kucera of Wunderlich. Please go ahead.

Craig Kucera
Hi. Good morning, guys. I'd like to circle back on to the transition from preferred equity investments to mezzanine loans. Is there any change structurally in them? Are they still 15% current cash pays or is

there any accrued component to those?

R. Ramin Kamfar
Craig, good morning. It's intended to be pretty much identical to the preferred structure, except in a mezzanine. Now, these are deals that get negotiated on a deal-by-deal basis. Our target is still 15%, but are there situations where you might see that number below that. If we see a deal that makes sense and that's what the economics are that are negotiated, yes. It may be lower than 15% in total or it may have an accrued component to it, etc. etc. So, the 15% isn't set in stone. It's a target return that we like, but again, it depends on—if you're doing a truly core asset, that number may be lower. It's all market-driven.

Craig Kucera
Okay. Going to some of your markets. We've been hearing from some of your competitors about some supply concerns, particularly in Charlotte. I know that rents in a few of your assets were down there sequentially. How do you feel about that market now and making additional investments either on a stabilized property basis or in new developments today?

Ryan S. MacDonald
Well, good morning, Craig. It's Ryan. Certainly, obviously, it's an asset-by-asset basis. We just did—we've actually made recently two investments there. I think at the super high-end, I think we're a little cautious in Charlotte. There's a lot of obviously construction downtown, including some high-rise residential that I think the rent levels are significantly above where our rent levels are on our two assets.

I think we like to play in the path to growth, so the characteristics of the two investments that we made fit that value creation thesis that we have on all our acquisition and development opportunities. So, again, yes, we're constructive on, from a macro perspective, on Charlotte, but I think relative to the two investments we made, we think there's a lot of value opportunity.

R. Ramin Kamfar
Craig, it's Ramin. I think that's a good question. It's funny you should ask about Charlotte because we went to the Investment Committee and I asked the same question, because we had an Investment Committee a year ago and we were talking about supply in Charlotte. So, let me take a step back actually and talk globally.

Globally, what we see in terms of supply is that you're going to go through a supply issue in 2017 and a soft patch, but if you look at the Axiometrics data in November and December, starts and permits were down dramatically on a year-over-year basis, which has been part of our thesis because of the high volatility, CRE loan regs that went into effect that make construction financing a lot more difficult. So you're seeing a development pullback across almost all of our markets, so—and we think that that sets you up for a strong market now, assuming that the economy continues to grow and you've got the job growth, etc., etc., starting in mid-2018 and beyond. So I think you're setting up for the long-term post, the soft patch.

Then from there you've got to drill down on a market-by-market basis and it's really a submarket-by-submarket basis and then the product type. At the $1,500-rent level, I think you're seeing some supply indigestion that may not necessarily be at the $1,250-rent level, and in various submarkets and on a submarket-by-submarket basis.

In fact, all of our markets, if you break them down, outside of, let's say, Houston, if you break them down, there are submarkets that have a lot of supply coming and then there are other submarkets that are very healthy in terms of supply and demand, and that's how we look at it, because remember part of our strategy is that we're not tied into any market or submarket because we've got an operating base there. We have the flexibility with our operating partners to go across 50 markets, so we pick them based on their pure attractiveness, and supply-and-demand is one of the things that we look at.

Ryan S. MacDonald
In particular, on the one asset in the south end, Craig, where I think we've had some rent moderation, there have been a few lease-ups there that I think have presented challenges, but they're not going to impact on the two deals that we actually made investments on, or are pending investments, I should say.

Craig Kucera
Got it. Kind of in the same vein, I know Fox Hill in Austin also saw some slippage and there's also some supply concerns. I know in the past you mentioned that your new investments in there were in submarkets that you felt were maybe physically protected by supply, but can you give us a quick overview of your investment thesis on Legacy at Southpark and The Brodie again?

Ryan S. MacDonald
Sure. Absolutely. So Legacy at Southpark was actually a, I'll call it, a fractured ownership group that the developer candidly did not perform their duties, especially during lease-up. And so the equity capital had to come in and take over operationally once the asset was delivered. We think there's just a lot of low-hanging fruit, not only from an operational perspective, but also some touch-up items on the amenities in exterior of the property that we think generally will reposition it into an asset that will make it a Class A asset that we through we bought at, I'll call it, Class B plus-type pricing.

So, with respect to The Brodie, that one is more of a, I'll call it, a repositioning play where the rent levels in that submarket are, I'll call it, $1.50 and our rent levels are $1.25. So our partner who is actually located in Austin locally and has a significant presence and focuses on that specific business plan is onboard and we're coming up with a value-added scheme and implementing that today. So, really, it's an improvement play and brings rents to market.

Craig Kucera
Got it. No. I appreciate it. The Whetstone, I think you've owned—I think you purchased that maybe in late 2015—and correct me if I'm wrong—but at what point does that convert from a preferred equity investment into an operating property on the balance sheet?

Ryan S. MacDonald
Sure. It should convert into an operating property over the coming quarters. Durham is one of those in particular markets that I think from a micro perspective has had challenges with supply, and so the stabilization on that property has taken longer than I think we originally projected. That being said, again, the value proposition from our basis, when we made the investment, feels very, very good, especially based on the recent sales. But I think that's a market that will get through the indigestion that it's seen over the past, I'll call it, year, year-and-a-half, and we'd expect it to stabilize and get to a normalized operating state over the coming quarters.

Craig Kucera
Okay. (Cross-talking). Go ahead. I'm sorry.

Ryan S. MacDonald
No.

Craig Kucera

Okay. One more for me. I just wanted to follow up on the guidance for this first quarter, just your comments on dispositions from Ramin. Was that—is the guidance assuming any additional dispositions in the first quarter or is that just the impact of the dispositions you made in the fourth quarter and losing that income?

R. Ramin Kamfar
Well, we've got a couple of deals that we expect may close this quarter that are stabilized assets. So, we've said that we'd like to be into assets at a 6.5% or plus-type of cap rate. Now, you can't buy our type of assets in our types of markets at a 6.5%, and that's why we're buying attractive institutional quality assets in attractive submarkets with value creation and we're growing them, whatever it is—100, 150 basis points—to get to a 6.5%.

So, when you sell an asset—and we've got a couple that are under contract—and you're generating a significant multiple and in IRRs in the high 20s or 30s, that's reflective of the value creation, so you're north of that 6.5%.

When you're buying an asset to replace that, that asset is coming in at lower than a 6.5% and it's going to be post-takeover and it's going to take a couple of quarters, depending on whether it's better operations, or as we take over operations and push rents, or if it's interior operates or amenity upgrades, etc., etc., maybe over a longer period than a couple of quarters, that that cap rate starts to—that return on cost starts to move up. So as you do this—as we get bigger, it'll be less of an issue, but when you're, again, our size and you're selling three significant assets, it's going to—you'll see it moves your numbers around a little bit. Does that make sense, Craig?

Craig Kucera
Yes. No. That's where I was thinking. I'm sorry, one last one. This is really an accounting follow-up. You reported a gain on revaluation of equity of a business combination. Can you give us some color on what that is and is a component of that a gain on sale?

R. Ramin Kamfar
That was a gain on sale on EOS, but my understanding is that because we wanted to do a 1031 so that not to get a taxable gain on it, we had to do some structuring before the sale to do that, and the gain comes into play at the time of the—the way the accounting works, the gain gets realized at the time of the restructure as opposed to the time of the sale. So, effectively, from your point of view and my point of view, it's a gain on sale. Chris, feel free to correct me if I'm incorrect.

Christopher J. Vohs
No. You hit it on the head, Ramin.

R. Ramin Kamfar
The accountants account for it differently.

Craig Kucera
Thank you very much.

Operator
Once again, if you have a question, please press star, then one. The next question comes from Steve Shaw of Compass Point. Please go ahead.

Steve Shaw

Hi, guys. Can you talk about where you are in the internalization process and how might G&A or the G&A run rate look after the internalization process is done?

R. Ramin Kamfar
Hi, Steve. Where we are in the internalization process is that we have met with and responded to documents and diligence requests from the Special Committee and its advisors. The Special Committee has retained Counsel and they've retained a Financial Advisor, and I will tell you that they're very diligent. They're being very diligent in terms of exercising their duties of care and other duties as independent Board Members to make sure that they do a thorough job here. And so they've provided us with information and data and diligence requests, and we've provided that. There's a Compensation Consultant in addition to the advisors that's been hired to advise them in terms of Compensation program, design and structure and amounts and so on and so forth, and that's been provided to them.

So we are still—so in terms of your two questions, with respect to where we are in the process, we're in the middle of it. Our target is still to be internalized. I'd like to say, at the end of the second quarter. The lawyers tell me that's not correct; it would technically be the beginning of the third quarter. So that's our target. That's what we're pushing for, but I have to tell you that to a certain extent—for us, the sooner the better, but to a certain extent it's out of our hands. There's the structuring involved, there's a fairness opinion involved, and then there's a proxy and a vote involved, and the timing gets driven by the Special Committee and Advisors. And I'm still hopeful that our target timeframe is achievable.

In terms of the management—the G&A figure, from G&A point of view, I think that the number—we're looking at a cash G&A number as based on what we've seen the Compensation Consultant propose versus our comps and versus our current management fee that's going to roll down by a healthy amount. So, but again, all those numbers are preliminary and subject to going through the process here. Does that answer your question?

Steve Shaw
Yes. Thank you.

CONCLUSION

Operator
This concludes our question-and-answer session. I would now like to turn the conference back over to Ramin Kamfar for any closing remarks.

R. Ramin Kamfar
Thank you, everyone, for joining us today and we look forward to continuing to report on our progress to you in the coming quarters. Goodbye.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.