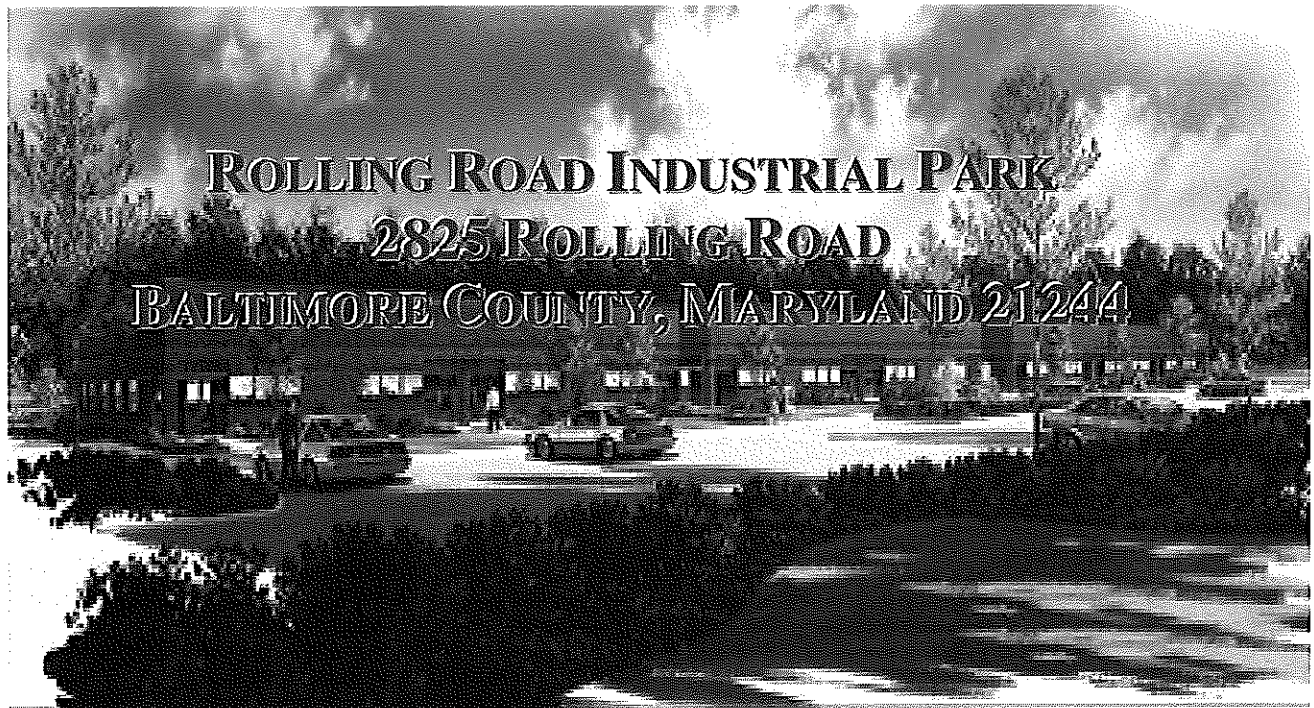


## **INVESTMENT ANALYSIS PACKAGE**



Principals: Jennifer Pena  
Christopher Lesjak  
Gilad Neuman  
Shannon D. Sentman, Esq.

# **LNPS INDUSTRIAL GROUP, LLC**

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# **LNPS INDUSTRIAL GROUP, LLC**

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# LNPS INDUSTRIAL GROUP, LLC

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## I. EXECUTIVE SUMMARY

### a. Investment Thesis

LNPS Industrial Group, LLC is a private developer and property management company focusing on office and warehouse properties in suburban areas outside of medium sized cities (Baltimore, Pittsburgh, Wilmington, DE, etc.). LNPS builds projects from the ground up and manages the properties as long-term investments. LNPS's current portfolio consists of 10,000,000 sq.ft. with 3,000,000 sq.ft. in the Greater Baltimore region. Over 75% of the portfolio consists of "flex space." In order to develop a property, LNPS expects a leveraged internal rate of return of at least 15%.

Given the size of the Rolling Road Industrial Park property and the development rights appurtenant to the property, the development of the Rolling Road Industrial Park property fits LNPS's core business model. The property is conveniently located near several other LNPS properties making it easy to manage. Considering the low land purchase price and the fact that 36,000 square feet of the property is pre-leased, LNPS expects a leveraged internal rate of return of 41.64%.

### b. Property Description/Building/Market

The Rolling Road Industrial Park property lies in the Woodlawn area in the western section of Baltimore County, Maryland. Woodlawn is oriented along the I-695 corridor, just outside of Baltimore City. The Woodlawn submarket extends north from Interstate 70 to Liberty Road. More specifically, the property is located in the southeast quadrant of the intersection of Rolling Road and Windsor Boulevard.

The property is an industrially zoned site totaling 9.775 acres. The site is to be improved with two, single story flex buildings totaling 90,000 square feet. The two buildings will be constructed parallel to one another with docking bays facing each other for shared truck access between the buildings. Parking will be on the side opposite the docking bays. The main access for the buildings will be via two curb cuts from Windsor Boulevard.

The interior of the buildings consist of fifteen 100 sq.ft. x 30 sq.ft. bays. Each bay has a loading dock and ceiling heights of 16 feet. The interior of each bay will be improved to tenant specifications.

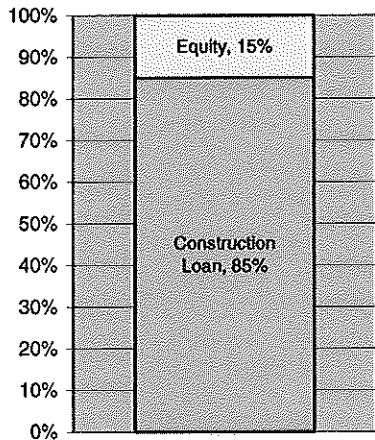
The immediate Woodlawn area contains approximately 1,702,707 square feet of similar flex product with a vacancy rate of 17.7% and an average rental rate of \$9.02 industrial gross. The vacancy rate and rental rates are skewed by the dominance of older inferior products in the Woodlawn market. Products delivered since 2000 have a vacancy rate of 2.5% and command higher rents. In the larger region, which includes Woodlawn, Arbutus and Reisterstown ("Baltimore County West"), there are approximately 5,641,333 square feet of similar flex property with an aggregate vacancy rate of 13.7% and an average rental rate of \$9.94 industrial gross. Currently, there are no new flex or industrial projects under construction in Baltimore County West.

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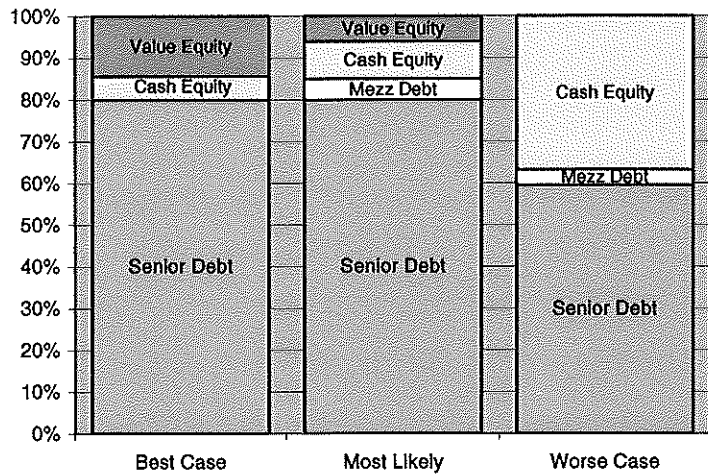
## c. Capital Stack

The pre-stabilization equity stack reflects the total project cost of \$9,255,509. Prior to stabilization, LNPS will obtain a construction loan for 85% of the cost and will contribute the remaining 15% of equity required. Upon stabilization, per a "Most Likely" case scenario, LNPS will obtain a permanent loan for 80% LTV, a mezz loan for 5% LTV and contribute the remaining 15% from its own equity. This equity will comprise only approximately \$900,000 of the initial equity contributed.

### (i) Pre-stabilization



### (ii) Post-stabilization



## d. Returns Scenarios

Returns could vary significantly depending on market conditions. Per the assumptions summarized below, a "Best Case" scenario would yield an 88.58% leveraged internal rate of return. In a "Worst Case" scenario, LNPS would receive a 7.00% leveraged return. Realistically we expect returns to reflect a "Most Likely" scenario of an approximate 42% leveraged return.

	Assumptions			Returns		Property Value	Project Costs	Added (Reduced) Value
	Building Delivery	Preleasing	Shell Rent	Unleveraged IRR	Leveraged IRR			
<b>Best Case</b>	On Time	100.00%	\$ 9.50	12.18%	88.58%	\$10,813,216	\$ 9,255,509	\$ 1,557,707
<b>Most Likely</b>	On Time	40.00%	\$ 9.00	10.68%	41.64%	\$9,845,539	\$ 9,255,509	\$ 590,030
<b>Worse Case</b>	Delayed	0.00%	\$ 8.50	6.13%	7.00%	\$6,885,085	\$ 9,255,509	\$ (2,370,424)

## e. Findings and Recommended Course of Action

To present a conservative approach in this report, LNPS has estimated rents for our "Most Likely" scenario at a below market rate of \$9.00/sq.ft.. Relative to actual market rate for new flex products in the area, a lower rent will allow for quicker lease up. Realistically, however, our market research projects actual market rents at ABOVE \$9.00/sq.ft.. Together with a projected

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18 month absorption period, we therefore predict that our "Most Likely" scenario will likely edge towards "Best Case" scenario returns.

Following the analysis of the flex market in the area and the availability of affordable debt, LNPS will move forward with the project as described herein. We will construct two 45,000 sq.ft. flex buildings. LNPS will purchase the 9.775 acres of raw land for \$1,460,796 with cash on hand and take a construction loan from M&T Bank in the amount of \$7,794,713 for the remaining amount.

Following an estimated 18 month lease up period, the property will be stabilized and ready for a permanent loan. A permanent loan from Column and a mezzanine loan from Mezz Cap will take out an M&T Bank construction loan. Because Column and Mezz Cap work as lending partners, we are able to close both loans at the same time, substantially reducing the closing costs typically associated with a mezzanine loan. Taking both a permanent loan and mezzanine loan to finance the property will free up capital for LNPS to move on to its next project.

Because our investment strategy requires long-term holding periods, we plan to manage the property through our existing management team. Because of the large amount of existing space in the area of the property, this additional space should not have a large impact on our management team.

## f. Execution Plan

LNPS will utilize its existing web of contacts to construct, finance and lease the Rolling Road Industrial Park property. We have already begun, with great success, to aggressively market the new space to tenants in inferior flex space in the area. Additionally, we are focused on new government contractors in search of space near the Social Security Administration and other nearby government contractors. Ultimately, we will continue to ensure that we will take care of the building so our tenants can take care of their businesses.

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## II. MARKET STUDY

### a. Baltimore County Demographics

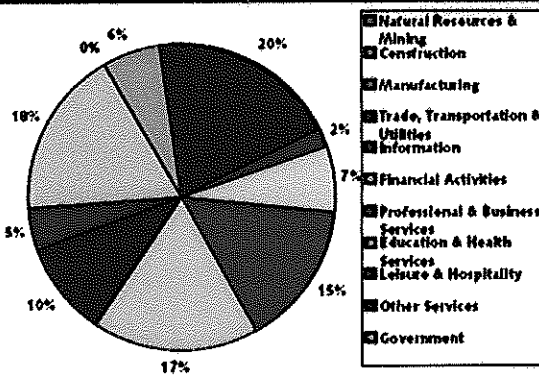
#### Population

The US Census Bureau estimated Baltimore County's 2000 population at 754,292, which shows an average annual growth rate of 0.7% between 1980 and 2000. Baltimore County's population has grown at a rate similar to that of the Baltimore Metropolitan area as a whole. The County's estimated population grew from 762,728 in 2001 to 777,184 in 2003. In 2004, the County's population was estimated at 780,821 and was projected to increase to 785,000 in 2005, according to reports from the Maryland Department of Planning, Planning Data Services.

#### Employment

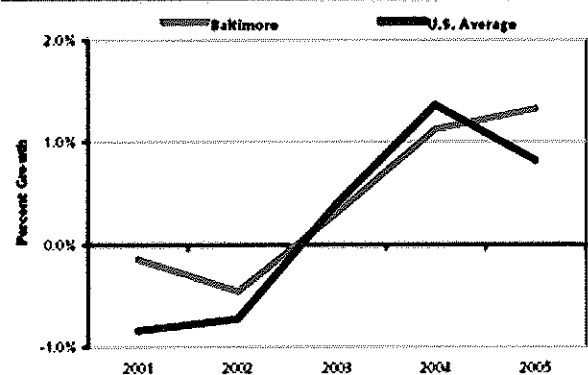
Baltimore County has the largest labor force and widest range of skills and incomes in the Baltimore Metropolitan area. Surveys of Baltimore County's employment and growth are shown below.

**TOTAL EMPLOYMENT BY INDUSTRY**  
Percent of Total Employment by Industry



Source: Department of Labor, Bureau of Labor Statistics

**TOTAL EMPLOYMENT GROWTH**  
Total Number of Jobs Added Per Year



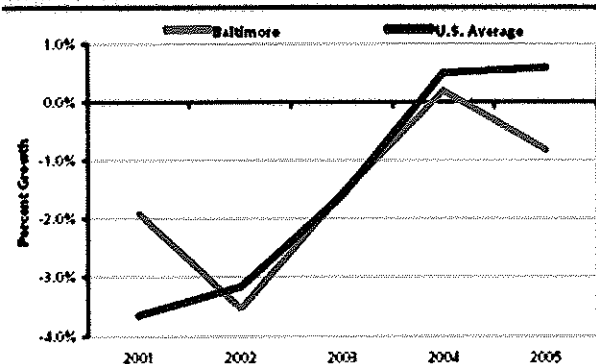
Source: Department of Labor, Bureau of Labor Statistics

**TOTAL EMPLOYMENT GROWTH**  
Cumulative Growth in Jobs Over the Past 5 Years

Market	Employment Growth	Inventory Growth	Difference
Atlanta	3.50%	5.70%	-2.20%
Chicago	-0.50%	5.90%	-6.40%
Dallas/Ft Worth	4.30%	5.10%	-0.80%
Denver	4.20%	4.80%	-0.60%
Detroit	-2.40%	2.00%	-4.40%
Houston	6.90%	5.40%	1.50%
Inland Empire (California)	15.20%	20.80%	-5.60%
Los Angeles	3.80%	3.20%	0.60%
Northern New Jersey	4.90%	3.00%	1.90%
Pittsburgh	1.00%	2.30%	-1.30%
Baltimore	3.10%	5.90%	-2.80%

Source: Department of Labor, Bureau of Labor Statistics

**INDUSTRIAL\* EMPLOYMENT GROWTH**  
Number of Industrial\* Jobs Added Per Year

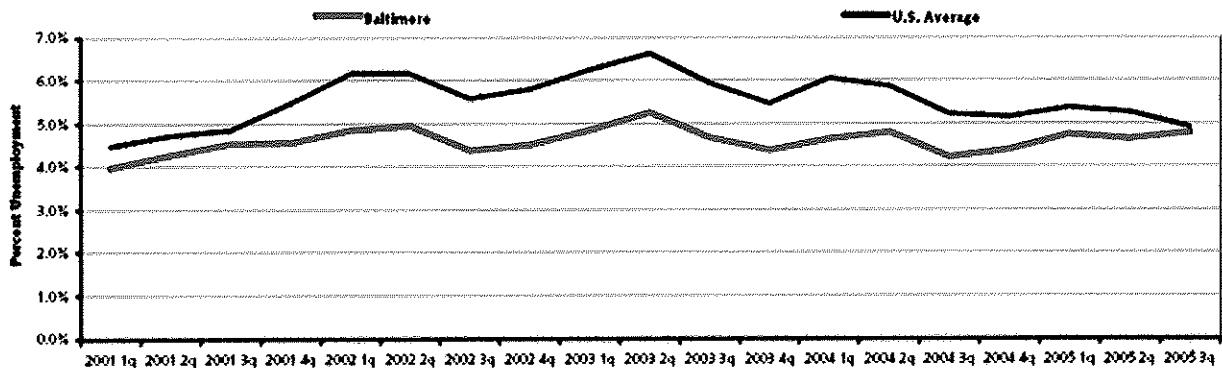


Source: Department of Labor, Bureau of Labor Statistics. \* Industrial employment is defined as jobs in the Manufacturing, and Trade, Transportation & Utilities industries

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As of September 2005, the civilian labor force for Baltimore County was 421,591 with an unemployment rate of 4.1% as compared to a rate of 4.1% in the State of Maryland and the US unemployment rate of 5.1%. Graphed below is the historical unemployment rate for the entire Baltimore Metropolitan area.

## HISTORICAL UNEMPLOYMENT RATES



Source: Department of Labor, Bureau of Labor Statistics

Government employment accounts for nearly 15.5% of the Baltimore County work force with the remaining 84.5% in the private sector. Listed below are the top ten employers in Baltimore County.

## TOP TEN EMPLOYERS – BALTIMORE COUNTY

Employer	Product-Service/Industry	Employees
U.S. Social Security Administration	Income security program/Federal Govt.	9,800
Greater Baltimore Medical Center (GBMC)	Medical services/Health care	3,305
U.S. Centers for Medicare/Medical Services	Medical services/Federal Government	2,968
International Steel Group - Sparrows Point	Steel/Manufacturing	2,530
Franklin Square Hospital	Medical services/Health care	2,506
CareFirst BCBS of Maryland	Medical ins.-related services/Health care	2,480
McCormick & Co.	Food products/Manufacturing	2,294
St. Joseph Medical Center	Medical services/Health care	2,271
Solo Cup	Paper/plastic cups/Manufacturing	2,100
T. Rowe Price Group	Financial services/Finance & Insurance	1,796

Source: Economic development agencies statewide and Maryland Dept. of Business and Economic Development, October 2004.

## Income

The median household income for Baltimore County in 2004 was estimated at \$57,650, an average change of 2.6% annually over a five year period since the 1999 Census figures of \$50,650. The 2004 figure is about 6% lower than Maryland's estimated median income of \$61,350 and 3.3% lower than the Baltimore Region's estimated median incomes of \$59,600, according to reports from the US Census Bureau and Maryland Department of Planning, Planning Data Services.



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## Assessable Tax Base

The assessable tax base is affected by physical growth, the economy and market prices. The Baltimore County estimated real property assessable tax base (full year), for the tax year beginning July 1, 2004 was \$47.44 billion, a 6% increase from the previous year. For the tax year beginning July 1, 2005, the assessable tax base is estimated to increase by about 10% to \$52.26 billion. Baltimore County is a highly developed political subdivision with the largest tax base in the region which, consistent with its maturity, has grown more slowly than the area's as a whole. The County has experienced an average annual increase of 4% and a cumulative change of 48.26% over a ten year period, from 1995 to 2005.

## Housing

Approximately 70% of Baltimore County's housing stock consists of single family units with multi-family units accounting for 30%. Most houses sell for between \$175,000 and \$450,000, with the average price of an existing home sold in Baltimore County in July 2004 being \$241,616.

## Commercial/Industrial Markets

The Baltimore County industrial/flex market, as of August 2005, contained about 45.8 million sq.ft. and had a direct vacancy rate of 13% according to CoStar.

During calendar year 2001, the value of new, non-residential construction activity reached \$109.04 million in Baltimore County, an increase of about 88% from calendar year 2000 (\$57.93 million). In the region, commercial activity declined by nearly 19%, based on the dollar volume of permit activity. In 2003, the dollar value of non-residential permits was up by nearly 2% in Baltimore County to \$93.27 million, from \$91.61 million in 2002. In 2004, the value of new, non-residential construction activity increased by nearly 31% to \$122.03 million.

Baltimore County has 35 major business parks which total 6,386 acres and over 27 million sq.ft. The top five business parks by size of acreage and the newest business parks are shown in the charts below and on the next page.

A Market Profile for Baltimore County's commercial properties is shown below.

### **BALTIMORE COUNTY MARKET PROFILE DATA**

<b>Land - cost per acre</b>	<b>Low</b>	<b>High</b>	<b>Average</b>
Industrial	\$90,000	\$300,000	\$190,000
Office	\$150,000	\$225,000	\$200,000
<b>Rental Rates - per square foot</b>			
Warehouse / Industrial	\$3.50	\$7.75	\$6.00
Flex / R&D / Technology	\$5.00	\$11.75	\$7.00
Class A Office	\$18.00	\$24.50	\$21.00

*Source: Baltimore County Department of Economic Development*

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## Conclusions

Baltimore County is the most populous subdivision within the Baltimore Metropolitan area. Its solid and diversified economic base has made this an attractive location. In more recent years, new development has been oriented toward town centers such as Owings Mills and White Marsh. New and redevelopment activity is also occurring in the northern corridor.

Availability of moderately priced housing, moderate unemployment rates and room for development all indicate steady growth in the future. Additionally, the County's excellent transportation system and various amenities should continue to attract and retain new businesses along with continued population growth. The maturity of Baltimore County will result in slower growth when compared to the other Metropolitan Counties. Therefore, it will be imperative that the government monitor the County's social and financial needs in order to ensure its longer term prosperity.

### b. Baltimore County West Flex Market

#### Market Area

The subject property lies in the Security/Woodlawn area in the western section of Baltimore County. Woodlawn is oriented along the 1-695 corridor, just outside of Baltimore City. The Woodlawn submarket extends north from Interstate 70 to Liberty Road.

#### Flex Market Overview

Baltimore County West contains 38 comparable properties aggregating 1.7 million sq.ft. Of this total, 221,876 sq.ft. is directly vacant and immediately available yielding a direct market vacancy rate of 13%, while 79,563 is sublet vacancy. A total of 301,439 sq.ft. is currently available, yielding an overall vacancy rate of 17.7%.

Market	Existing Inventory		Vacancy			YTD Net Absorp- tion	Under Const SF	Avg. Rental Rate (Ind. Gross)
	# Bldgs	Total RBA	Direct SF	Total SF	Direct Vac %			
Woodlawn	38	1,702,707	221,876	337,564	13%	-9,353	0	\$9.00

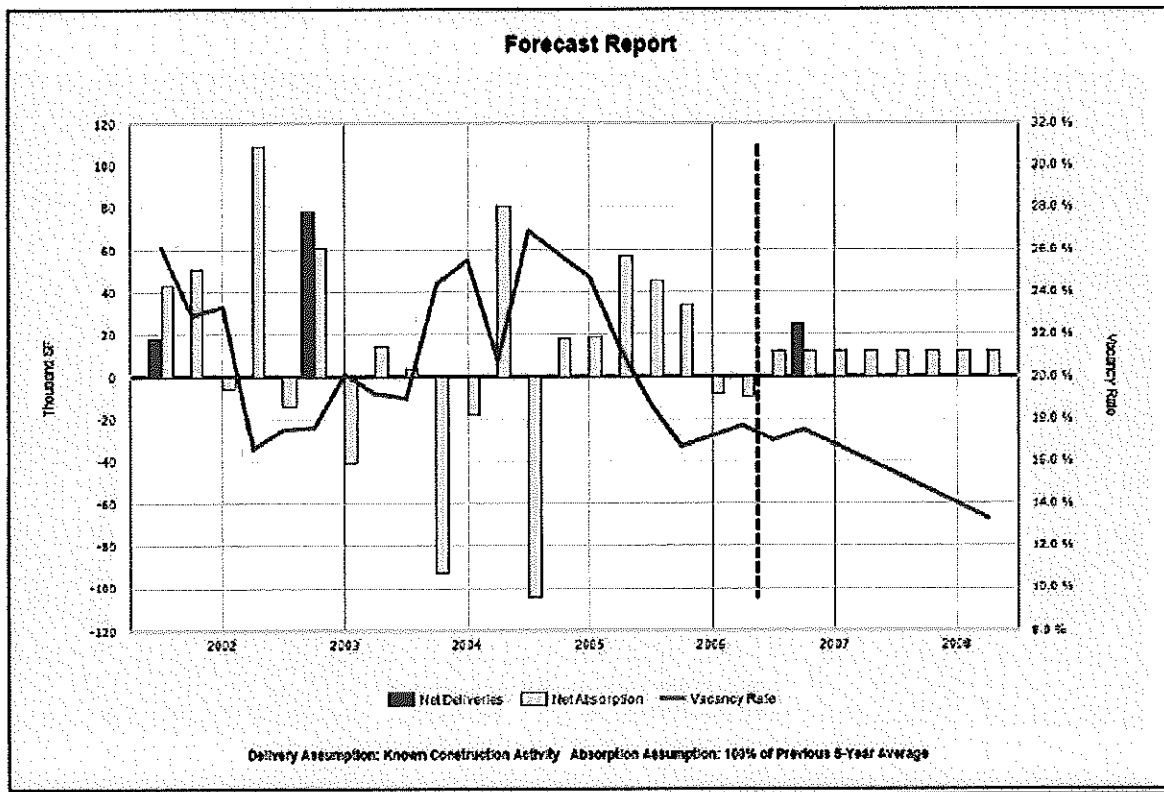
As we look at the market, we view it with less real vacancy than the 17.7% would dictate. Much of the vacancy in the area is in older inferior flex products with ceiling height issues that exclude many tenants. Of the 1.7 million sq.ft. in the market 1.1 million sq.ft. was built before 1980, with much of it dating back to the late sixties and early seventies. Much of the vacancy is in Meadow Business Park.

	Existing Inventory	Vacancy
Pre-1980 Products	1,120,000 sq.ft.	25%
Post-2000 Products	238,440 sq.ft.	2.5%

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The graphic below shows historical and forecasted absorption, deliveries and vacancy. The delivery of 25,000 sq.ft in the third quarter of 2006 is actually our project. Other than this delivery, there is no construction in the Woodlawn area. The lack of new deliveries is despite a shrinking vacancy rate, especially in new products. Vacancy rates in the market have steadily shrunk from as high as 25.4% in third quarter of 2004.

As our CoStar report attached hereto as Exhibit A shows, of the 238,440 sq.ft. that have been delivered since the first quarter of 2000, only 6,000 sq.ft. are vacant. This is a vacancy rate of 2.5% for the newer products.



Because of the older functionality of inferior products, the rental rates for the area seem low when looking at CoStar, but the newer products demand the higher rents. The rental rates for flex space in the area varied from \$6.50 to \$13.25 industrial gross, averaging \$9.02. Again, the average rate is deflated by the vast amount of old flex product in the area.

## Conclusions

After extensive review of CoStar reports of the Woodlawn Flex Market, LNPS sees an excellent opportunity to build new flex product in the Woodlawn market. We believe that the high demand in the market for new space will allow for a quick lease up of 18 months. Because

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of demand by tenants in older flex properties in the area, we have been able to pre-lease a substantial portion of the Rolling Road Industrial Park.

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## III. ASSET DESCRIPTION

### a. Site Description/Plan

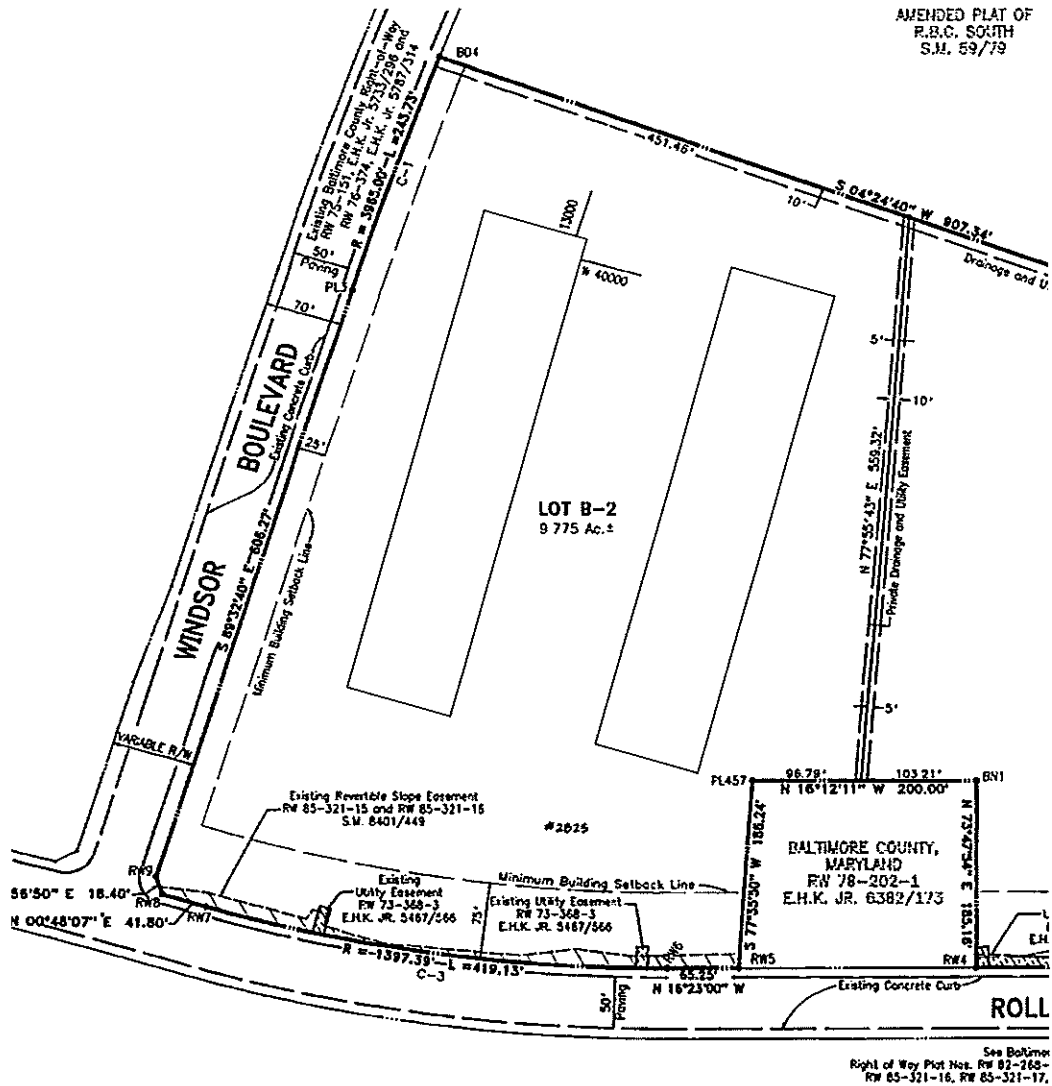
The subject property is located in the southeast quadrant of the intersection of Rolling Road and Windsor Mill Road. The street address for the subject property is 2825 Rolling Road. The subject property is identified as Lot B-2 of Parcel 739 on Tax Map 87 of the Baltimore County tax maps.

The subject site comprises a total area of 9.775 acres or 425,799 sq.ft. The owner of the subject estimates that 9.28 acres of the site are usable. The subject site is irregular in shape and is bounded to the north by Windsor Boulevard, to the west by Rolling Road, and to the east and south by other properties. The site is generally at grade with both of its street frontages, although Windsor Boulevard slopes from east to west. The site has a rolling topography that slopes from north to south. Site improvements include concrete curbs, gutters, sidewalks, paving and pole mounted lights. The site is proposed for development with two, single story flex buildings totaling 90,000 sq.ft. and associated parking. The flex building site will have access via two curb cuts along Windsor Boulevard.

The property is subject to normal easements for utilities and drainage. The subject property has access to all necessary utilities including water and sewer. Baltimore County provides public water and sewer. Baltimore Gas & Electric provides electricity and Verizon provides local telephone service. According to Flood Insurance Rate Map No. 240010-0360-B dated March 2, 1981, the subject property does not appear to be located in a flood hazard area. A copy of this flood plain map showing the subject's approximate location may be found in the addenda section.

In summary, the subject site consists of an irregular shaped parcel situated in the southeast quadrant of the intersection of Rolling Road and Windsor Boulevard. The site has adequate topography and access to roads. All utilities are available and connected to the property. It is our opinion that the subject site is capable of supporting the proposed building improvements. The site plat is pictured below. The two flex buildings will run parallel to Windsor Boulevard with parking constructed on either side of the buildings, with loading docks located between the two buildings.

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## b. Description of Improvements

The property is proposed for development with two, single story, flex buildings totaling 90,000 sq.ft. Our description of the improvements and building plans is based upon our experience with similar properties. An outline analysis of the property is presented below:

Type:

Two, single story, flex buildings.

Building Size:

Buildings are to be 45,000 sq.ft. and 45,000 sq.ft. for a total of 90,000 sq.ft. Both buildings are to be rectangular in shape with one measuring 450 ft. x 100 ft. and the other measuring 450 ft. x 100 ft.

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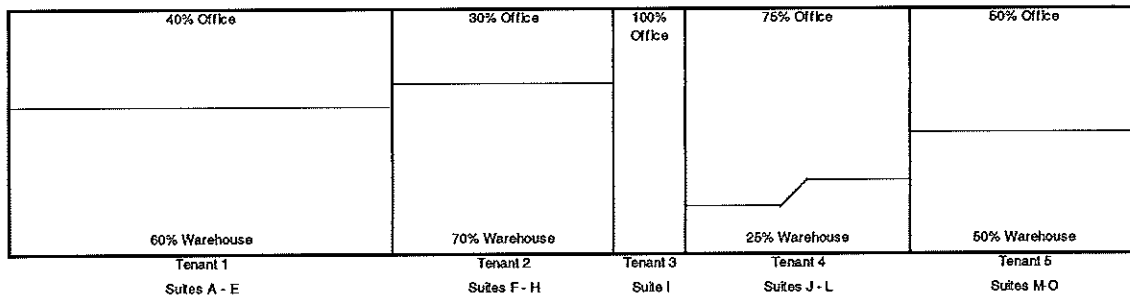
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Layout:	Buildings are to feature separate tenant entrances at front and rear.
Foundation:	4' x 4' x 12" thick reinforced footings.
Framing:	Structural steel with masonry bearing walls.
Clear Height:	16' minimum
Roof:	1 ½ " 22 gauge metal deck with single-ply EPDM.
Floor:	5" concrete slab on grade poured over a vapor barrier.
Fire Walls:	8" masonry to roof deck.
Demising Walls:	8" or 12" CMU
Interior Partitions:	Drywall
Electrical:	1600 amps, 120/208 volts, 3 phase, 4 wires
HVAC:	Unfinished – Gas-fired space heaters Finished – Gas-fired heat pump systems for heating and air conditioning
Fire Protection:	Wet sprinkler.
Tenant Office Finish:	Paint grade drywall, wall-to-wall carpeting, insulated drop ceiling, 2' x 4' recessed fluorescent lighting, mini-blinds, electric outlets, 1 restroom

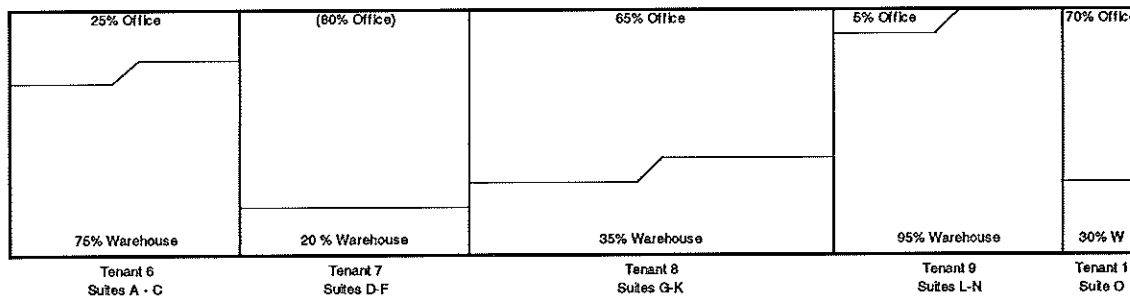
## c. Conceptual Floor Plans

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**Building A**



**Building B**



## d. Zoning

The subject property is zoned ML-IM, a light manufacturing district within Baltimore County. The ML zoning classification is explained in Section 253 of the Baltimore County Zoning Regulations. This district permits a variety of light manufacturing, office, warehousing, and similar uses. Specific uses include office, laboratories, limited metal manufacturing, processing of plaster products, assembly of electronic instruments and numerous other uses. The proposed flex buildings are an approved use.

The ML zoning classification also permits a variety of retail or service uses, so long as the property is located within an IM - industrial, major - district. Permitted uses include banks, beauty shops, drug stores, food stores less than 2,500 sq.ft., laundry or dry-cleaning, contractors' shops, restaurants, office-supply stores, and taverns, as well as a number of other uses. The subject property is located within the IM district.

Development and bulk regulations include an unlimited height except when the property lies within 100 ft. of a residential or business zone. In that instance, the height is limited to 40 ft. or three stories. The property is required to have a front yard setback of 25 ft., side yard setbacks of 30 ft. and a rear yard setback of 30 ft. The maximum floor area ratio is 2.0 times the lot size. The subject's district classification of IM is designed to limit commercial development within industrial areas. Other than this factor, the IM district has no practical impact on the overriding zoning regulations. The proposed improvements appear to conform to the regulations governing this district.



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Off-street parking and loading requirements are set forth in Section 409 of the Zoning Regulations. Given that the project is for flex space we calculate parking based on 50% office and 50% warehouse. Office parking is required at the rate of 3.3 spaces/1,000 sq.ft. of building area, which we multiply by 50% of the building (45,000 sq.ft.)—149. Warehouse parking is required at a rate of 1 space/employee on the largest shift assuming 53 employees—53. The flex site will provide 300 parking spaces and of those 14 will be handicap spaces with 4 being van accessible. This translates to a parking ratio of 3.3 spaces per 1,000 leasable sq.ft., which exceeds the zoning guidelines.

In summary, the subject's zoning classification permits and encourages a variety of industrial and commercial development. The subject's proposed uses are permitted within the ML-IM zoning district and the proposed improvements appear to conform to the development requirements of this district. We assume that actual development of the subject property will conform to all local, state, and Federal requirements.

## e. Highest and Best Use

In determining highest and best use of either land as though vacant or property as improved, the use must be (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive. These four conditions are discussed as follows:

### *Physically Possible:*

Size, shape, dimensions, soil conditions, utilities availability, and terrain affect the uses to which land may be developed. Highest and best use of a property as improved depends on whether the property is in good repair and can continue to accommodate the current or another use. The subject property has sufficient size and topography to support various developments consistent with legal and market constraints. The property has adequate exposure along Rolling Road and Windsor Boulevard and access to all necessary utilities. We are unaware of any soil, sub-soil or environmental issues which would affect the site's development. Finally, industrial/commercial sites in the area are developed with similar facilities. Therefore, we conclude that the underlying site has characteristics supportive of development consistent with legal constraints and market factors.

### *Legally Permissible:*

A threshold component of highest and best use is to determine what is legally permissible. Private restrictions, existing or most probable zoning, building codes, historic district controls, urban renewal ordinances, environmental regulations, or other encumbrances are considered because they may preclude many possible highest and best uses. The subject property is zoned ML-IM, a light industrial classification. This classification permits various uses including light industrial facilities, offices, research and development facilities, hotels/motels, and similar uses. As long as the proposed use conforms to the existing zoning regulations, the issue of legality will be satisfied.

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## *Financially Feasible:*

After determining the uses that are physically possible and legally permissible, we need to consider the uses that are likely to produce an adequate return on investment. All uses that are expected to produce a positive return are regarded as financially feasible. The subject site could support flex and light industrial development. Based on our analysis of current market conditions, cost of construction and steady demand for flex space in the subject's market, it is likely that new office development would be financially feasible. Rental rates appear adequate to support new development and provide adequate returns. Pre-leasing would enhance the financial feasibility of such development. The property could also support development of an owner occupied structure. We do not believe any other uses are appropriate based on the zoning, market conditions, and surrounding development.

## *Maximally Productive:*

Among financially feasible uses, the use that provides the highest rate of return, or value, is the highest and best use. The subject has adequate size and shape and is zoned for office or light industrial development. Surrounding uses support similar structures, and the market appears supportive of such uses. Considering current rent levels and vacancy rates, we conclude that the maximally productive use is for development of a flex project targeted at local tenants. An alternate use would be for development with an owner occupied structure of similar characteristics.

## *Conclusions*

In the preceding paragraphs we presented our analysis of the subject's highest and best use. We concluded that there is some demand for speculative development for this property type and that the site possesses the requisite physical characteristics to support commercial/industrial development. Based on our analysis of these factors, we conclude that the highest and best use of the subject property is for development with flex project targeted at local tenants. The project would be low-rise in nature with surface parking. Parking should be available at the rate of three or more spaces per 1,000 sq.ft. of leasable area.

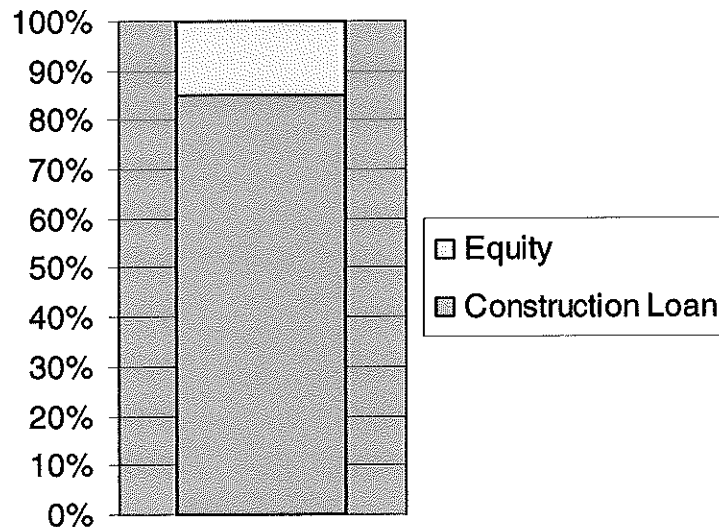
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## IV. CAPITAL STACK

### a. Pre-stabilization

The pre-stabilization equity stack reflects the total project cost of \$9,255,509. Our construction loan of \$7,794,713 covers 85% of costs. We will pay the remaining 15% out of pocket. We chose this to be the most applicable approximation because the actual property value will be determined through an appraisal that the lender will order. Generally speaking the appraisal is extremely subjective since there is no rental income and instead can be based only on market data that is not applicable or outdated.



### b. Post-stabilization

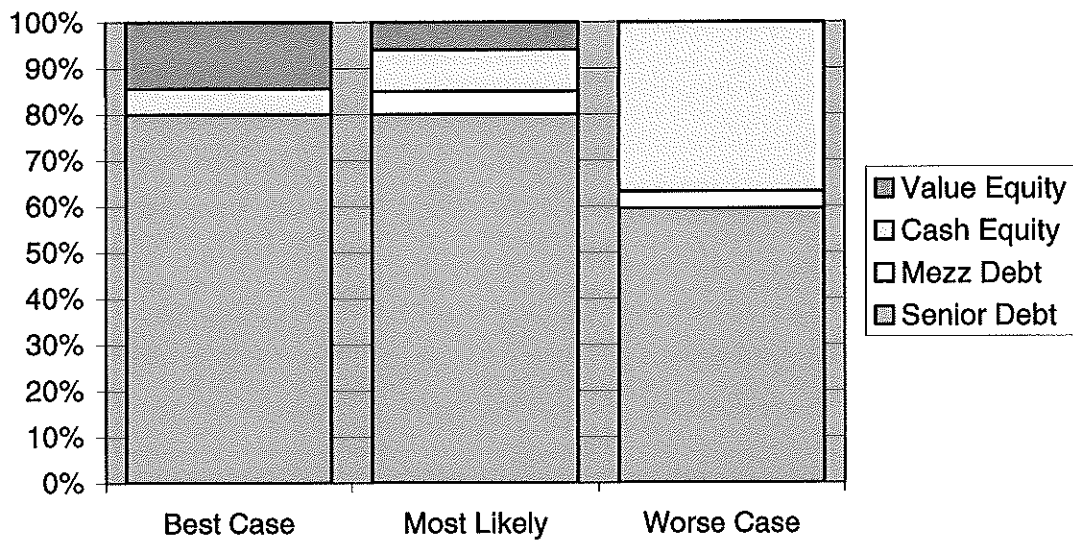
The post-stabilization equity stack reflects three scenarios:

The center stack shows a Most Likely value of \$9,845,539, determined after compiling market data and subject specific data in Argus. A permanent loan for 80% of the value will then completely take out the construction loan and will return \$81,718 of the upfront equity contribution. In order to receive more of our initial upfront equity we will obtain a mezz loan for an additional 5% of the value, thus returning \$573,995 from our initial equity contribution and leaving only \$886,801 of out of pocket costs. In addition the project will have increased in value to add \$590,030 more to our equity in the project, resulting in an overall 10% equity position in the capital stack.

Per our Best Case scenario the value is so high they we will not need a mezz loan, and will end up with 20% equity in the project of which only \$604,936 remains of the upfront equity contribution.

Finally per the Worst Case scenario the value drops significantly; since the first mortgage would only go up to 80% of the value it would cover only 60% of project costs. The mezz debt portion would take the project up to 63% of costs and we would have to come out of pocket for an additional \$1,942,391 which results in a total of \$3,403,187 of out of pocket costs and a 37% equity position with respect to project costs.

# LNPS INDUSTRIAL GROUP, LLC



		Capital Stack			
		Position 1	Position 2	Position 3	
		Senior Debt	Mezz Debt	Cash Equity	Value Equity
Best Case	Amount	\$ 8,650,573	\$ -	\$ 604,936	\$1,557,707
	%	80.00%	0.00%	5.59%	14.41%
Most Likely	Amount	\$ 7,876,431	\$ 492,277	\$ 886,801	\$590,030
	%	80.00%	5.00%	9.01%	5.99%
Worse Case	Amount	\$ 5,508,068	\$ 344,254	\$ 3,403,187	\$0
	%	59.51%	3.72%	36.77%	0.00%

# **LNPS INDUSTRIAL GROUP, LLC**

## **V. CONSTRUCTION BUDGET AND TIMING**

### **a. Site & Construction Costs**

The subject property was purchased unfinished for \$1,700,000. After analyzing the project the general contractor determined that there would be approximately \$1.3 million in site development costs which are outlined on the site improvement costs quote. The general contractor spoke with various subcontractors to determine the best quotes for the actual construction of the two 45,000 square foot flex buildings. The GC summarized the costs into 12 major categories for an overview but also submitted a detailed quote which is shown in Exhibit B. The hard costs for the buildings totaled approximately \$36.00 a square foot.

The anticipated construction schedule for the Rolling Road Industrial Park is six months, starting January 2006, for site development of the 9.775 acres and the core & shell for the two, 45,000 ft<sup>2</sup> buildings. The core & shell will consist of typical warehouse space amenities such as, HVAC, wall finishes, and standard amenities (restrooms, doors, loading docks, finished walls, etc.). Specific tenant improvements will start immediately following core & shell completion for our four pre-leased tenants requiring office space.

Tenant Improvements will start in the beginning of June 2006. Based on our Lease-Up plan we anticipate stabilization of both buildings at 14 months or August 2007, with 45,000 ft<sup>2</sup> of warehouse and 45,000 ft<sup>2</sup> of office space. Our total construction schedule is anticipated for 20 months. Tenant Improvements is \$12.50/ft<sup>2</sup> for 50% office accommodations that LNPS Industrial Group, LLC has included in the construction budget. LNPS Industrial Group, LLC will capture tenant improvement costs by adding the additional cost in base rent of \$9.50/ft<sup>2</sup> that will be prorated based on the percent of office space required in each space. If tenants require additional amenities that are not in our typical office plan they will be responsible for that cost.

# LNPS INDUSTRIAL GROUP, LLC

## ROLLING ROAD INDUSTRIAL PARK Site Improvement Costs

	SqFt:	45,000	Bldg A
		45,000	Bldg B
		90,000	
	<u>Per Sq Ft</u>	<u>Budget</u>	
PERMITS - FEES	1.24	112,000	
BONDS	0.31	28,000	
DEVELOPMENT MANAGER	0.22	20,000	
PROJECT MANAGER	0.11	10,000	
DEVELOPMENT COORDINATOR	0.06	5,000	
SUPERINDENDENT	0.02	2,000	
LABOR	0.02	2,000	
TESTING AND INSPECTION	0.22	20,000	
SURVEYING	0.28	25,000	
SITE CLEARING	0.58	52,000	
GRADING	6.86	617,000	
EROSION/SEDIMENTATION	0.44	40,000	
WATER DISTRIBUTION	1.00	90,000	
SEWERAGE	1.13	102,000	
STORM DRAINAGE	0.40	36,000	
WATER QUALITY	1.67	150,000	
STABILIZATION	0.03	3,000	
<b>TOTAL SITE IMPROVEMENTS</b>	<b>14.60</b>	<b>1,314,000</b>	

## ROLLING ROAD INDUSTRIAL PARK Construction Costs

<u>Description</u>	<u>Per Sq Ft</u>	<u>Budget</u>	<u>Codes</u>
1 GENERAL REQUIREMENTS	5.11	460,200	101050-101599
2 SITEWORK	9.40	845,694	102600-102999
3 CONCRETE	2.03	182,832	103300-103399
4 MASONRY	8.25	742,500	104000-104999
5 METALS	3.50	314,960	105000-105999
6 WOOD & PLASTIC	0.08	7,000	106000-106999
7 MOISTURE PROTECTION	2.10	189,000	107000-107999
8 DOOR, WINDOW, GLASS	2.47	222,680	108000-108999
9 FINISHES	0.23	20,400	109000-109999
10 SPECIALTIES	0.07	6,000	110000-112999
11 MECHANICAL	1.43	128,655	113000-115999
12 ELECTRICAL	1.19	107,500	116000-119999
<b>TOTAL CONSTRUCTION COSTS</b>	<b>35.86</b>	<b>3,227,421</b>	

### b. Construction Budget

The construction budget can now be compiled with the numbers that were received from the general contractor. In addition to the hard costs, we also have to determine what the soft costs will be which will not be as concrete as the hard costs. Generally each line item can be calculated as a percent of the total costs or as a percent of hard costs. Some of the line items will be given by the lender in the good faith closing cost summary. After compiling the numbers it is necessary to add contingencies because of possible changes in costs and also the lender will require it. It is determined that both a hard cost and a soft cost contingency will be required and they are estimated at approximately 3% of the costs in that category. The final determination is figuring out what can be put in as equity. We placed 50% of the land purchase price and 100% of the contractor fee in as equity that we will pay out of pocket and the final portion will be the developers profit which will defer.

# LNPS INDUSTRIAL GROUP, LLC

ROLLING ROAD INDUSTRIAL PARK- CONSTRUCTION BUDGET					
Total Sq Ft:	90,000				
Loan Amount:	7,794,713				
Category	Per SqFt/Unit	Total Costs	Loan Funding	Upfront Equity	Deferred Equity
Land	18.89	1,700,000	850,000	850,000	0
Site Development	14.60	1,314,000	1,314,000	0	0
Subtotal Land	33.49	3,014,000	2,164,000	850,000	0
<b>Hard Cost</b>					
Shell Contract Amount	35.86	3,227,421	3,227,421	0	0
Contractor Fee	3.70	333,131	0	333,131	0
Tenant Improvements	12.42	1,117,500	1,117,500	0	0
Construction Contingency	1.08	96,823	96,823	0	0
Subtotal Improvements	53.05	4,774,874	4,441,744	333,131	0
<b>Soft Cost</b>					
Architect & Engineers Fees	1.54	138,833	138,833	0	0
Inspecting Engineering	0.05	4,500	4,500	0	0
Title & Closing Costs	0.22	19,487	19,487	0	0
Legal & Accounting	0.10	9,000	9,000	0	0
Real Estate Taxes	0.47	42,398	42,398	0	0
Insurance	0.10	9,000	9,000	0	0
Appraisal & Inspections	0.10	9,000	9,000	0	0
Subtotal Soft Costs	2.58	232,217	232,217	0	0
<b>Fees</b>					
Mortgage Broker Fee	0.00	0	0	0	0
Loan Fee	0.43	38,974	38,974	0	0
Interest Reserves	3.70	333,222	333,222	0	0
Operating Deficit	0.00	0	0	0	0
Ground Lease	0.00	0	0	0	0
Subtotal Financing	4.14	372,196	372,196	0	0
Contingency	3.09	277,665	277,665	0	0
Developer's Profit	3.09	277,665	0	0	277,665
Lease Commissions	3.31	297,891	297,891	0	0
Miscellaneous	0.00	0	0	0	0
Marketing	0.10	9,000	9,000	0	0
Subtotal Miscellaneous	9.58	862,222	584,556	0	277,665
<b>TOTAL</b>	<b>\$ 102.84</b>	<b>\$ 9,255,509</b>	<b>\$ 7,794,713</b>	<b>\$ 1,183,131</b>	<b>\$ 277,665</b>

# LNPS INDUSTRIAL GROUP, LLC

## VI. CONSTRUCTION LOAN

### a. Quotes

After determining the cost estimates to develop the land and build two 40,000 square foot flex buildings the next step is to find a lender who would be able to fund the requested amount. Two construction quotes were obtained which are detailed on the loan summary spreadsheet. The term sheets are located in Exhibit C. Both lenders would lend us 85% of costs but each had different loan to values, which could significantly affect the actual loan amount once the appraisal is completed. M&T Bank quoted a longer initial interest only term which would be extremely beneficial especially if the market is slower than expect and it takes longer than 18 months to build and lease up the project. The final major difference is the spread. Since M&T Bank was able to provide a higher LTV, a longer term and a lower spread, they were chosen as the construction lender on this project.

### ROLLING ROAD INDUSTRIAL PARK- CONSTRUCTION LOAN SUMMARY

Baltimore County, MD

Lender	Provident Bank	M&T Bank
Loan	\$ 7,794,713	\$ 7,794,713
Required Equity	\$ 1,460,796	\$ 1,460,796
Term	24 Months	30 Months
Initial Amortization	Interest Only	Interest Only
Extensions	2 - 1 yr options	3 - 1 yr options
Extension Rate	7.00%	7.50%
Extension Amort	25 Years	25 Years
Spread	90 Libor + 200	Daily Libor + 180
Loan Fee	\$ 38,974	\$ 38,974
LTV	75.00%	80.00%
Required Appraised Value	10,392,951	9,743,392
Recourse	Full Guarantee	Full Guarantee
TI Funding	\$25.00 sqft on 50% of space	\$25.00 sqft on 50% of space



# LNPS INDUSTRIAL GROUP, LLC

## b. M&T Bank Draw Schedule

TO: M&T Bank		Project: ROLLING ROAD INDUSTRIAL PARK		Application No.:		PERIOD FROM:		TO:		Distribution to:				
FROM: LNPS Industrial Group, LLC		Sq Ft: 80,000								OWNER LENDER				
ITEM #	DESCRIPTION OF WORK	Per Sq Ft	PROJECT COST				COLUMN 6 TOTAL COMPLETED TO DATE	COLUMN 8 LESS RETENTION (%)	TOTAL APPLICATION FOR PAYMENT C5+C6	PREVIOUS PAYMENTS			DISBURSEMENT TO DATE	TOTAL UNDISBURSED (Incl. To Final)
			COLUMN 1 ORIGINAL SCHEDULE OF VALUES	COLUMN 2 TOTAL PREVIOUS ADJUSTMENTS	COLUMN 3 ADJUSTMENTS THIS PERIOD	COLUMN 4 REVISED VALUES C1+C2+C3				COLUMN 7a LESS EQUITY PAYMENTS	COLUMN 7b LESS PREVIOUS DRAWS	COLUMN 8 THIS DRAW APP C7a-C7b		
1	LAND COSTS													
	Land Price	18.86	1,700,000			1,700,000	0	0	0	850,000	0	0	0	850,000
2	Site Improvements	14.60	1,314,000			1,314,000	0	0	0	0	0	0	0	1,314,000
TOTAL LAND COSTS			33.46	3,014,000	0	0	3,014,000	0	0	0	850,000	0	0	2,164,000
3	HARD COSTS													
	Shell	35.66	3,227,421			3,227,421	0	0	0	0	0	0	0	3,227,421
4	Contractor Fee	7.5%	370	333,131		333,131	0	0	0	333,131	0	0	0	0
5	Tenant Improvements	12.42	1,117,500			1,117,500	0	0	0	0	0	0	0	1,117,500
6	Hard Cost Contingency	3.0%	1.08	96,823		96,823	0	0	0	0	0	0	0	96,823
TOTAL HARD COSTS			53.06	4,774,874	0	0	4,774,874	0	0	0	333,131	0	0	4,441,744
7	SOFT COSTS													
	Architect & Engineer Fees	1.5%	1.54	138,833		138,833	0	0	0	0	0	0	0	138,833
8	Inspecting Engineering	\$ 0.05	0.05	4,500		4,500	0	0	0	0	0	0	0	4,500
9	Marketing costs	\$ 0.10	0.10	9,000		9,000	0	0	0	0	0	0	0	9,000
10	Broker Commissions		3.31	297,891		297,891	0	0	0	0	0	0	0	297,891
11	Development Fee	3.0%	3.09	277,665		277,665	0	0	0	277,665	0	0	0	0
12	Title & Closing Costs	0.25%	0.22	19,487		19,487	0	0	0	0	0	0	0	19,487
13	Legal & Accounting	\$ 0.10	0.10	9,000		9,000	0	0	0	0	0	0	0	9,000
14	Loan Fees	0.80%	0.43	38,974		38,974	0	0	0	0	0	0	0	38,974
15	Interest Reserve	3.70	333,222			333,222	0	0	0	0	0	0	0	333,222
16	Real Estate Taxes	0.47	42,358			42,358	0	0	0	0	0	0	0	42,358
17	Insurance	\$ 0.10	0.10	9,000		9,000	0	0	0	0	0	0	0	9,000
18	Appraisal & Inspections	\$ 0.10	0.10	9,000		9,000	0	0	0	0	0	0	0	9,000
19	Soft Cost Contingency	3.0%	3.09	277,665		277,665	0	0	0	0	0	0	0	277,665
TOTAL SOFT COSTS			16.30	1,466,635	0	0	1,466,635	0	0	0	277,665	0	0	1,188,970
CUMULATIVE TOTALS			102.84	9,255,509	0	0	9,255,509	0	0	0	1,460,796	0	0	7,794,713

The M&T bank draw schedule details the major line items of the land, site improvement, hard and soft costs of the project. The per square foot and total expected costs are shown first. Due to the unpredictability of actual cost the lender adds a column to reallocate the costs. If one section comes in higher than expected and another lower, the budget can adjust by borrowing from a lower section to compensate for a more expensive one. As draws are made each month the amount will be placed in the "total completed" section. The difference from the previous draws will be calculated to determine the current draw request. Invoices will be submitted to the bank; if the dollar amount requested is large then the bank will require a lien waiver guaranteeing that the work was completed. This information will be given to an inspector who will visit the site and make sure that the work has been completed. After the inspector gives the bank permission a wire will be sent to the borrower.

# LNPS INDUSTRIAL GROUP, LLC

## c. Interest Reserve Schedule

ROLLING ROAD INDUSTRIAL PARK - Interest Reserve Schedule													
Interest Rate	7.50%												
	Jan-06 1	Feb-06 2	Mar-06 3	Apr-06 4	May-06 5	Jun-06 6	Jul-06 7	Aug-06 8	Sep-06 9	Oct-06 10	Nov-06 11	Dec-06 12	
Land & Site Development	1,069,000	219,000	219,000	219,000	219,000	219,000	0	0	0	0	0	0	
Shell	554,041	554,041	554,041	554,041	554,041	554,041	0	0	0	0	0	0	
Soft Costs	99,009	99,009	99,009	99,009	99,009	99,009	99,009	99,009	99,009	0	0	0	
TI	0	0	0	0	0	0	85,962	85,962	85,962	85,962	85,962	85,962	
LC	0	0	0	0	0	0	0	0	0	122,213	0	0	
Draw	1,722,049	872,049	872,049	872,049	872,049	872,049	184,970	184,970	184,970	208,174	85,962	85,962	
Loan Bal	1,722,049	2,604,862	3,476,911	4,348,960	5,221,010	6,093,059	6,278,029	6,462,999	6,647,970	6,856,144	6,942,106	7,028,067	
Interest Due	10,763	16,280	21,731	27,181	32,631	38,082	39,238	40,394	41,550	42,851	43,388	43,925	
Rental Income										38,529	38,529	38,529	
Operating Expenses										13,570	13,570	13,570	
Interest Reserve Needed	10,763	16,280	21,731	27,181	32,631	38,082	39,238	40,394	41,550	17,892	18,429	18,967	
	Jan-07 13	Feb-07 14	Mar-07 15	Apr-07 16	May-07 17	Jun-07 18	Jul-07 19	Aug-07 20	Sep-07 21	Oct-07 22	Nov-07 23	Dec-07 24	TOTALS
Land & Site Development	0	0	0	0	0	0	0	0	0	0	0	0	
Shell	0	0	0	0	0	0	0	0	0	0	0	0	
Soft Costs	0	0	0	0	0	0	0	0	0	0	0	0	
TI	85,962	85,962	85,962	85,962	85,962	85,962	85,962	0	0	0	0	0	
LC	24,391	71,592	0	43,768	0	18,781	0	17,148	0	0	0	0	
Draw	110,352	167,553	85,962	129,729	85,962	104,742	85,962	17,148	0	0	0	0	7,794,713
Loan Bal	7,138,419	7,295,973	7,381,934	7,511,663	7,597,625	7,702,367	7,788,329	7,805,476	7,805,476	7,805,476	7,805,476	7,805,476	
Interest Due	44,615	45,600	46,137	46,948	47,485	48,140	48,677	48,784	48,784	48,784	48,784	48,784	969,537
Rental Income	48,100	68,236	68,236	85,411	85,411	92,781	92,781	96,297	96,297	96,297	96,297	96,297	
Operating Expenses	13,570	13,570	13,570	13,570	13,570	13,570	13,570	13,570	13,570	13,570	13,570	13,570	
Interest Reserve Needed	10,085	0	0	0	0	0	0	0	0	0	0	0	333,222

The Interest reserve schedule assumes a six-month construction period with the land price entirely drawn in the first month of the loan. Construction soft costs are allocated equally until the first tenant occupies the premises.

Tenant improvements begin as soon as the building shell is complete. We assume that build out will take an average of three months. The TI amount is based on each tenant's move in date and their percentage of office space required. LNPS Industrial, LLC offers \$25 a square foot for 100% office. Therefore if the tenant requests a 50% build out they will have an allowance of \$12.50 times their square footage. The TI amount is then amortized over a five-year period at an 11% interest rate. This number is converted into a per square foot amount, then added to the shell rate to determine the rental rate. These are detailed on the rent roll.

Leasing commissions are the next line item. They are based on 4% of the total rental income from each tenant including annual increases but not including reimbursements. LCs will be paid to the broker when the tenant moves in. These numbers are shown on the initial property rent roll.

These numbers are added up each month to determine the outstanding loan balance, which is then multiplied by an average interest rate of 7.5% which results in the monthly interest reserve required. In month 10 the first tenants move in and the project has income, but with additional expenses that will need to be accounted for. By month 14 the income completely covers the interest on the construction loan. Each of the month's interest numbers is added up to result in an interest reserve amount of \$333,222.

# LNPS INDUSTRIAL GROUP, LLC

Rent Roll														
ROLLING ROAD INDUSTRIAL PARK														
Bldg	Suite	Tenant	Start	Rent Expire	Term Years	Square Footage	Annual Base Rent	Annual Rate PSF	% Office	TI/SqFt	TI Costs	LCs	SqFt Office	Building % Occ.
Flex A	A-E	Tenant 1	10/1/2006	9/30/2011	5	15,000	174,136	11.61	40%	10.00	150,000	38,573	6,000	16.67%
Flex A	F-H	Tenant 2	10/1/2006	9/30/2011	5	9,000	98,611	10.96	30%	7.50	67,500	21,897	2,700	10.00%
Flex A	I	Tenant 3	10/1/2006	9/28/2016	10	3,000	46,668	15.52	100%	25.00	75,000	22,042	3,000	3.33%
Flex A	J-L	Tenant 4	10/1/2006	9/29/2013	7	9,000	125,028	13.89	75%	18.75	168,750	39,700	8,750	10.00%
Flex A	M-O	Tenant 5	1/1/2007	12/31/2011	5	9,000	110,352	12.26	50%	12.50	112,500	24,391	4,500	10.00%
Flex B	A-C	Tenant 6	2/1/2007	1/31/2012	5	9,000	95,676	10.63	25%	6.25	56,250	21,274	2,250	10.00%
Flex B	D-F	Tenant 7	2/1/2007	1/30/2016	8	9,000	136,964	15.22	80%	20.00	180,000	50,318	7,200	10.00%
Flex B	G-K	Tenant 8	4/1/2007	3/30/2012	5	15,000	198,597	13.24	65%	16.25	243,750	43,768	9,750	16.67%
Flex B	L-N	Tenant 9	6/1/2007	5/30/2012	5	9,000	83,935	9.33	5%	1.25	11,250	18,781	450	10.00%
Flex B	O	Tenant 10	8/1/2007	7/29/2016	9	3,000	40,698	13.57	70%	17.50	52,500	17,148	2,100	3.33%
						90,000	1,110,566	12.34	50%	1,117,500	297,891	44,700	100.00%	

## Tenant Descriptions:

Tenant 1	Manufacturer of medical & cosmetic containers. 30% of warehouse space was converted to a manufacturing space at tenants expense.
Tenant 2	Wholesale distributor for auto parts.
Tenant 3	Manufacturing representative
Tenant 4	Sales & manufacturing office for lab equipment. Has contracts with JHU and U of MD Medical Center.
Tenant 5	Copy center
Tenant 6	Fire Restoration Company
Tenant 7	Call center for gov contractor; rent is above market because we were able to add a dollar premium because they would only sign a 5 yr lease and they required additional parking
Tenant 8	Clearinghouse - processor of checks for local banks
Tenant 9	Automotive Glass Co
Tenant 10	Back up space for a local credit union in case of terrorism

## **VII. PERMANENT LOAN**

### **a. Quotes**

After 18 months the project should be 97% leased and ready for a permanent loan. We prepared a discounted cash flow for the broker to get quotes. After reviewing recent sales data and appraisals the broker determined that a 9.00% terminal cap rate and a 9.75% discount rate would be appropriate for this project, and the DCF model determined the value to be \$9,255,509. The broker then submitted four quotes from various lenders. Two quotes came from life insurance companies. Although attractive because of their ease to deal with, we determined that the 75% LTV would not be high enough to completely take out the construction loan. We focused on the two conduit quotes for 80% LTV's with lower spreads. The Lehman and Column quote were basically the same other than the slight difference in spreads. The deciding factor was the mezz quote by Mezz Cap that came with the Column quote. Together they would take the project up to an 85% LTV and enable us to draw more equity out of the project. The broker said that the senior note and mezz note financing would occur simultaneously because of the relationship that the two lenders had. We thus determined that the Column/Mezz Cap quote would most maximize the project's returns.

The senior debt lender requires a 1.20x DSCR. Possible rollovers in years 6 and 11 cause the cover to dip below 1.20x, but a required TI & LC reserve will spread these costs throughout the loan. The result will be a reduced DSCR in the other years and an increase of the DSCR in years 6 and 11, and ultimately all years satisfying the DSCR requirements.

Unfortunately the conduit quote requires defeasance which can be much more costly than the yield maintenance prepayment penalty. However, as long term investors we do not expect to sell the property and have to prepay the loan, hence this factor does not affect our decision. Still, we did negotiate a 1% transfer fee to allow a buyer to assume the loan on the remote chance we will decide to sell this property during the term of the loan.

The lender provided an estimated closing costs schedule, which reduce our proceeds at loan closing. Legal expenses estimate high due to the structure of the loan and the requirement of the IDOT structure that is used in Maryland. The broker that brought the deal to us will also require a fee of approximately 1% of the loan amount.

# LNPS INDUSTRIAL GROUP, LLC

## ROLLING ROAD INDUSTRIAL PARK- PERM LOAN SUMMARY

Baltimore County, MD

Lender	PPM	Jefferson Pilot	Lehman	Column
Lender Type	Life Insurance Co.	Life Insurance Co.	Conduit	Conduit
Loan Amount	\$ 7,384,154	\$ 7,384,154	\$ 7,876,431	\$ 7,876,431
Term	10	10	10	10
Amortization	25	25	30	30
Interest Rate:				
Interest computation	30/360	30/360	Actual/360	Actual/360
Treasury as of 4/18/06	5.01%	5.01%	5.01%	5.01%
Spread	130	125	115	110
Current rate	6.31%	6.26%	6.16%	6.11%
Payment - amortizing	\$48,985	\$48,757	\$48,036	\$47,782
Floor Rate	None	None	25 bps below rate at time of app	20 bps below rate at time of app
Non-recourse	Yes	Yes	Yes	Yes
Carve-outs	Fraud & Material Misrep	None	Fraud & Material Misrep	Fraud & Material Misrep
Debt coverage ratio	1.25x	1.25x	1.20x	1.20x
Loan to value ratio	75%	75%	80%	80%
Prepayment penalty	Yield Maintenance	Yield Maintenance	Defeasance	Defeasance
Lock-out period	3 years	3 years	2 years	2 yrs
Transfer	Multiple @ 1%	Multiple @ 1%	One @ 1%	One @ 1%
Borrowing entity requirements:				
Entity type	SPE	SPE	SPE	SPE
Tiers	N/A	N/A	No	No
BK remote	N/A	N/A	No	No
Non consolidation opinion	No	No	No	No
Independent director	No	No	No	No
Impounds:				
Taxes	Waived	Waived	Yes	Yes
Insurance	Waived	Waived	Yes	Yes
TI/commissions	None	None	Yes	Yes
Capital reserves	None	None	Yes	Yes
Closing period:	45 - 60 days	45 - 60 days	60 - 90 days	45 - 60 days
Rate Lock	At loan committee approval	At application	3 days prior to closing	3 days prior to closing
Commitment Fee	2% good faith refundable	2% good faith refundable	Free 60 days	2% good faith refundable
Closing cost estimates:				
Lender Fees	\$5,000	\$4,000	\$5,000	\$5,000
NorthMarq Fee (Broker)	\$67,881	\$67,881	\$71,573	\$71,573
Borrower legal	cap at \$12,500	cap at \$12,500	cap at \$15,000	cap at \$15,000
Third Parties	Appraisal, Phase I, Property Condition & Survey required	Appraisal, Phase I, Property Condition & Survey required	Appraisal, Phase I, Property Condition & Survey required	Appraisal, Phase I, Property Condition & Survey required
Mezz Debt Lender				Mezz Cap
Loan Amount				\$ 492,277
Term				10
Amortization				30
Interest Rate				11.00%
Payment				\$56,257
LTV				5%
Debt coverage ratio				1.07x
Prepayment penalty				Fixed %

# **LNPS INDUSTRIAL GROUP, LLC**

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## **VIII. MEZZANINE DEBT**

Mezz debt can be very expensive compared to a permanent loan. Conduits generally do not allow additional loans on the subject property, but the relationship that Mezz Cap has with Column allows the Mezz Cap B note to use the property as collateral, as long as the LTV does not exceed 85%. If more money is needed Mezz Cap will offer a C Note up to a 90% LTV at a higher cost. Collateral on the loan will not be the property anymore, instead it will be the partnership interest in the ownership entity and the interest rate will rise to 14%. For this property the 85% LTV would be the best choice because of the lower rate. The terms of the Mezz Cap B Note generally mirror the senior loan and the process is seamless due to the relationship between the senior lender and the mezz lender. Since the two loans occur simultaneously the costs are greatly reduced due to only one underwriting process, one set of reports and one closing. The minimum debt service coverage is 1.07x, which is not a problem for the subject property except for possible rollover years 6 & 11 with higher TI and LC costs. Again, since Column requires a TI & LC reserve the problems is solved because the costs will be spread out through the term of the loan, stabilizing the DSCR.

# LNPS INDUSTRIAL GROUP, LLC

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## IX. EQUITY

LNPS's largest equity outlay will go towards purchase of the raw land. By typically paying for raw land out of pocket and attempting to retrieve a portion of the equity with permanent financing, LNPS is able to outrun the competition when an opportunity hits the market. The initial purchase of the raw land requires \$1,460,796. The remaining portion of the construction will be financed.

Our equity outlay following stabilization varies depending on which scenario plays out—Best, Most Likely or Worst. In the Best scenario, the entire project will be pre-leased at \$9.50/sq.ft. In this scenario, no additional equity outlay will be required. The required equity under this scenario is \$604,936, which means that LNPS will actually get more than 50% of its original equity investment back when the permanent loan is taken.

Similarly, in the most likely scenario, LNPS takes cash out of the deal when the project goes to permanent financing. In this scenario, \$886,801 of equity is required, again substantially reducing our cash equity position in the project. A mezzanine loan for an additional 5% of the value further reduces our equity. Both the best and most likely scenarios allow LNPS to have immediately available funds to move into new projects.

In the Worst Case scenario a significant additional equity layout is required by LNPS. The project would require an additional \$3,403,187. We feel that this scenario is very unlikely, but if it were to occur, we may be required to decrease our equity position by considering additional, more expensive debt.

	<u>Returns</u>		<u>Property Value</u>	<u>Project Costs</u>	<u>Added (Reduced) Value</u>
	<u>Unleveraged IRR</u>	<u>Leveraged IRR</u>			
<b>Best Case</b>	12.18%	88.58%	\$10,813,216	\$ 9,255,509	\$ 1,557,707
<b>Most Likely</b>	10.68%	41.64%	\$9,845,539	\$ 9,255,509	\$ 590,030
<b>Worse Case</b>	6.13%	7.00%	\$6,885,085	\$ 9,255,509	\$ (2,370,424)

# LNPS INDUSTRIAL GROUP, LLC

## X. CASH FLOWS WITH DISCUSSION

### a. Market Leasing Assumptions

In the most likely case scenario we are assuming an on time delivery of 6 months to be immediately followed by the beginning of the tenant improvements which is estimated to take 3 months for each tenant. The shell market rental rate is \$9.00 with 3% annual increases. The initial tenants have varying terms from 5 year to 10 years with 65% renewal probability. The market rent is \$12.34, which is the average rent from year 1 and it escalates at 3% a year for both new and renewal tenants. If a tenant vacates it is assumed that there will be 3 months of downtime. Currently the market does not have any rent abatements and we will not be offering any in the most likely case scenario. We continue to offer our standard TI package of \$12.50 a square foot for new tenants and we offer \$2.00 for renewals which would cover the cost to repaint and carpet the suite. Leasing commissions will be 4% for new leases and 2% on renewals. Exhibit D shows the cash flow analysis for this scenario.

Below is the market leasing assumptions for the Best and Worst Case Scenarios. The corresponding cash flow analysis for each scenario is in Exhibits E & F.

### Market Leasing Assumptions (MLAs)

		Best Case	Most Likely Case	Worst Case
<b>Building Delivery</b>		On Time	On Time	Delayed
<b>Pre-leasing</b>		100.00%	40.00%	0.00%
<b>Shell Rent</b>		\$ 9.50	\$ 9.00	\$ 8.50
<b>Renewal Probability</b>		65%	65%	65%
<b>Market Rent</b>	Year 1	\$ 12.84	\$ 12.34	\$ 11.74
	Increase	3%	3%	3%
<b>Renewal Rent</b>	Year 1	\$ 12.84	\$ 12.34	\$ 11.74
	Increase	3%	3%	3%
<b>Downtime</b>		3 Months	3 Months	3 Months
<b>TI Allowance</b>	New	\$ 12.50	\$ 12.50	\$ 12.50
	Renewal	\$ 2.00	\$ 2.00	\$ 2.00
<b>LCs</b>	New	4%	4%	4%
	Renewal	2%	2%	2%
<b>Rent Abatements</b>		0 Months	0 Months	2 Months
<b>Term</b>		7 Years	5 Years	5 Years
<b>Reimbursements</b>		IG	IG	IG

### b. Capitalization Strategy

Below is our capitalization strategy for this scenario. Our leverage overall return on this property is 41.6% and our unleverage return is 10.68% for a 10-year holding period. LNPS has a long term holding period and is not planning on selling this property based on the largest internal rate of return on an estimate stream of cash flows although if he were the optimal period to sell would be in year 4 were the unleverage IRR is the highest at 12.22%.



# LNPS INDUSTRIAL GROUP, LLC

## Capitalization Strategy 80% Debt + 5% Mezz + 15% Developer Equity

Property Value	\$	9,845,539
Assumed Capital Structure		
Sr. Debt @	80.0%	\$ 7,876,431
Mezz. Financing @	5.0%	492,277
JV Equity @	0.0%	-
Developer Equity		\$ 836,801
Assumed 10-Year Holding Period		

	1	2	3	4	5	6	7	8	9	10	11
	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	Jun-2017
Net Operating Income	\$ 391,970	\$ 906,740	\$ 955,980	\$ 986,418	\$ 1,017,641	\$ 1,041,852	\$ 1,086,052	\$ 1,077,684	\$ 1,064,308	\$ 1,048,628	\$ 1,069,393
% Growth		131.3%	5.4%	3.2%	3.2%	2.4%	4.2%	-0.8%	-1.2%	-1.5%	
5-Yr NOI Growth						33.2%					
Less: Capital Expenses	9,000	9,225	9,456	9,692	9,934	429,817	78,439	80,489	82,594	11,240	
Property Cash Flow before Debt	\$ 382,970	\$ 897,515	\$ 946,524	\$ 976,726	\$ 1,007,707	\$ 612,035	\$ 1,007,613	\$ 997,195	\$ 981,714	\$ 1,037,388	
SCP / SP	\$ 4.26	\$ 9.97	\$ 10.52	\$ 10.85	\$ 11.20	\$ 6.80	\$ 11.20	\$ 11.08	\$ 10.91	\$ 11.53	
Less: Debt Service	-	573,380	573,380	573,380	573,380	573,380	573,380	573,380	573,380	573,380	
Cash Flow Available to Mezzanine Position	382,970	324,135	373,144	403,346	434,327	38,655	434,233	423,815	408,334	464,008	
Less: Mezzanine Debt Service	-	56,257	56,257	56,257	56,257	56,257	56,257	56,257	56,257	56,257	
Cash Flow to Equity	\$ 382,970	\$ 267,878	\$ 316,887	\$ 347,089	\$ 378,070	\$ (17,602)	\$ 377,976	\$ 367,558	\$ 352,077	\$ 407,751	

### ReSale / Reversionary Value Calculation ----->

Terminal Year 11 NOI	\$ 1,069,393
Capitalized @	9.00% \$ 11,882,144
Less: Sale Costs @	3.00% (356,464)
Less: Sr. Debt Payoff	(6,610,710)
Less: Mezz. Debt Payoff	(454,187)
Less: JV Equity Payoff	-
Net Proceeds from Sale	\$ 4,460,782

### Performance Metrics

#### Internal Rate of Return (IRR) Analysis

Cash Flow to Equity	\$ 382,970	\$ 267,878	\$ 316,887	\$ 347,089	\$ 378,070	\$ (17,602)	\$ 377,976	\$ 367,558	\$ 352,077	\$ 407,751	
Add: Net Proceeds from Sale										4,460,782	
Cash Flow to Equity	\$ 382,970	\$ 267,878	\$ 316,887	\$ 347,089	\$ 378,070	\$ (17,602)	\$ 377,976	\$ 367,558	\$ 352,077	\$ 4,868,534	
Internal Rate of Return (Equity)	41.6%										
Gross Profit / Cash Return to Equity	\$	6,754,638									
based on Equity Cash Flow Stream (below)	(886,801)	\$ 382,970	\$ 267,878	\$ 316,887	\$ 347,089	\$ 378,070	\$ (17,602)	\$ 377,976	\$ 367,558	\$ 352,077	\$ 4,868,534

Annual Equity Yields / Returns											
on NOI	4.0%	9.2%	9.7%	10.0%	10.3%	10.6%	11.0%	10.9%	10.8%	10.7%	
on Cash Flow to Equity	43.2%	30.2%	35.7%	39.1%	42.6%	-2.0%	42.6%	41.4%	39.7%	46.0%	

# **LNPS INDUSTRIAL GROUP, LLC**

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## **XI. LEASING PLAN**

The Rolling Road Industrial Park possesses multiple flex spaces that will allow a broad range of potential tenants. Our program allows the tenant to determine and develop the amount of office and/or warehouse space required to support their operations. Our retained architects and engineers will design the spaces, detailing each of the tenants' floor layout and infrastructure to be fast-tracked through construction by our interior fit-out contractor. By aggressively achieving their designed requirements and construction, our tenants will have fewer disruptions in their operations during relocation.

Due to our existing presence, proven track record on other projects, and large number of tenant clientele in the West Baltimore County area, we are able to pre-lease 40% of the development prior to construction, with October 1, 2006 move-in dates. Per absorption rates based on our marketing analysis we are confident that the remaining 54,000 ft<sup>2</sup> will be leased-up and tenants moved into their space(s) by August 2007. To insure this schedule, our in-house Leasing Agents will address the question "Where do Tenants come from." We will target tenants in existing or older buildings that may desire to move to a new location. Some draws for these potential tenants would be savings in their operations costs as well as better working environments for their staff. We will focus also on tenants in surrounding competitive markets, such as Baltimore City. We will detail the benefits of relocating to our project due to the majority of the workforce living in close proximity, thus reducing employee transportation costs, as well as proximity to residential areas that could possess future job pools. Finally, we will focus on the government contracting market where contractors require proximity to agencies such as HCFA (Health Care Finance Administration) and SSA (Social Security Administration).

# LNPS INDUSTRIAL GROUP, LLC

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## **XII. CRITICAL PATH**

Our Critical Path, included in Exhibit G, presents a 45-day due-diligence period that includes Environmental Site Assessment (Phase I), zoning, market research, wetlands study, preliminary budgets, traffic study, development approvals, and the formation of the entity of LNPS Industrial Group, LLC. During the due-diligence period, we will have reviewed and obtained our Construction Loan prior to the start of construction. The "breaking ground" and construction loan will start January 2006, with a 20-month construction period that includes all anticipated tenant improvements. Starting in March of 2007, we will have obtained quotes and have chosen our permanent and mezzanine lenders, with final documents completed and settlement in June 2007. Our critical path is contingent on achieving our construction schedule, our lease-up to stabilization, and achieving and settling permanent financing.

# LNPS INDUSTRIAL GROUP, LLC

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## **XIII.     EXHIBITS**

- A.     CoStar Report
- B.     Detailed Construction Budget
- C.     Construction Loan Term Sheets
- D.     Most likely Case Cash Flow Scenario
- E.     Best Case Cash Flow Scenario
- F.     Worst Case Cash Flow Scenario
- G.     Critical Path

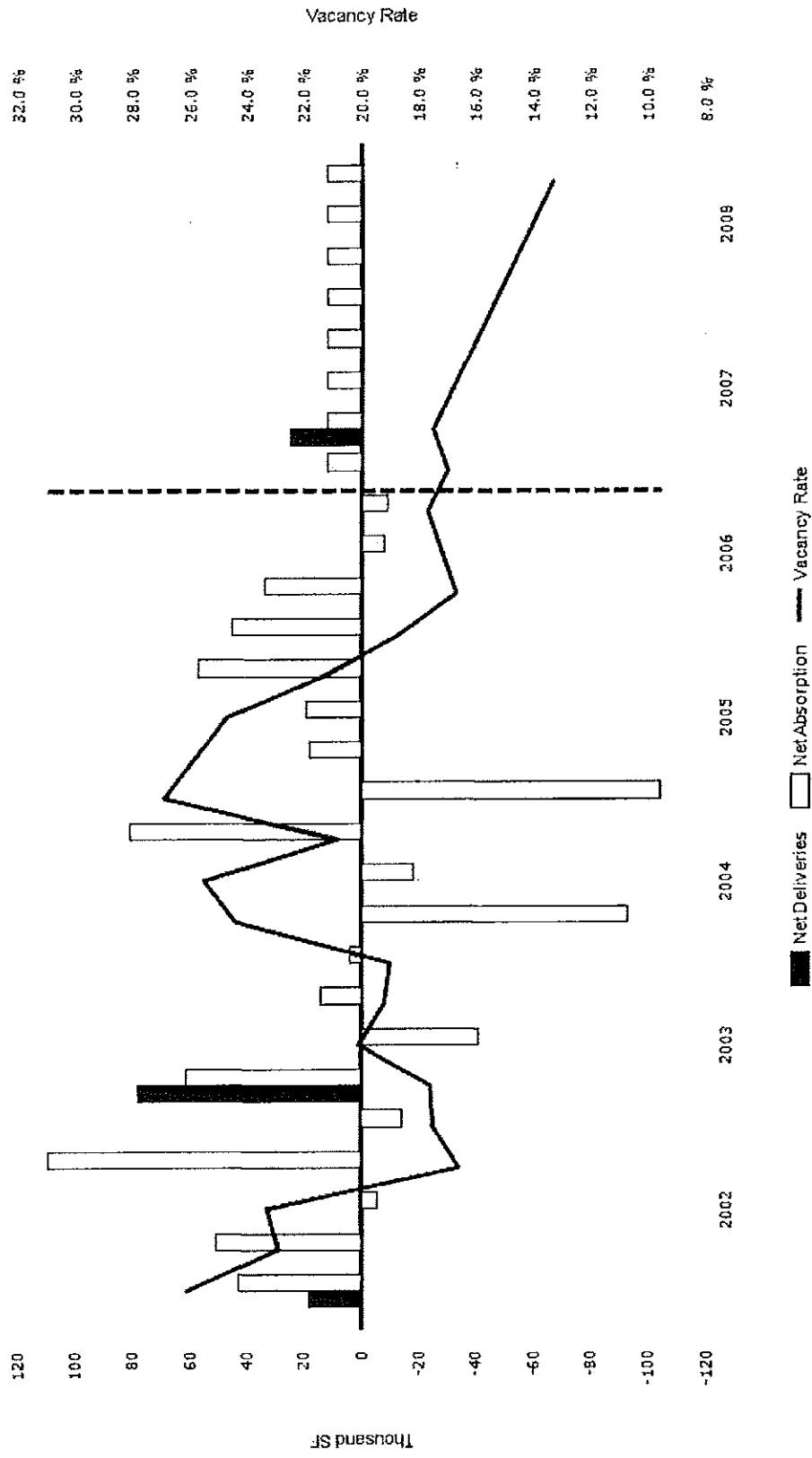
# Aggregate Historical Vacancy Report

Summary totals for existing properties

Period	Properties	FBA	RT Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
			Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
Current	38	1,702,707	221,876	79,563	301,439	13.0%	4.7%	17.7%	221,876	79,563	301,439	13.0%	4.7%	17.7%	-	\$9.00/mnn	\$9.00/mnn
2006 1Q	38	1,702,707	212,523	79,563	292,086	12.5%	4.7%	17.2%	207,243	79,563	286,806	12.2%	4.7%	16.8%	-	\$9.00/mnn	\$9.00/mnn
2005 4Q	38	1,702,707	198,459	85,083	283,542	11.7%	5.0%	16.7%	184,862	85,083	269,945	10.9%	5.0%	15.9%	-	\$9.00/mnn	\$9.00/mnn
2005 3Q	38	1,702,707	232,789	85,083	317,872	13.7%	5.0%	18.7%	199,059	85,083	284,142	11.7%	5.0%	16.7%	-	\$9.00/mnn	\$9.00/mnn
2005 2Q	38	1,702,707	280,361	82,673	363,034	16.5%	4.9%	21.3%	211,829	82,673	294,502	12.4%	4.9%	17.3%	-	\$9.00/mnn	\$9.00/mnn
2005 1Q	38	1,702,707	327,464	92,873	420,337	19.2%	5.5%	24.7%	243,943	92,873	336,816	14.3%	5.5%	19.8%	-	\$9.00/mnn	\$9.00/mnn
2004 4Q	38	1,702,707	354,610	85,131	439,741	20.8%	5.0%	25.8%	318,720	85,131	403,851	18.7%	5.0%	23.7%	-	\$9.00/mnn	\$9.00/mnn
2004 3Q	38	1,702,707	372,695	85,131	457,826	21.9%	5.0%	26.9%	347,890	85,131	433,021	20.4%	5.0%	25.4%	-	\$9.00/mnn	\$9.00/mnn
2004 2Q	38	1,702,707	294,713	58,611	353,324	17.3%	3.4%	20.8%	288,141	58,611	346,752	16.9%	3.4%	20.4%	\$6.50/mnn	\$9.00/mnn	\$8.54/mnn
2004 1Q	38	1,702,707	376,362	58,611	434,973	22.1%	3.4%	25.5%	317,942	58,611	376,553	18.7%	3.4%	22.1%	\$7.65/mnn	\$9.00/mnn	\$8.57/mnn
2003 4Q	38	1,702,707	342,853	73,198	416,051	20.1%	4.3%	24.4%	297,266	73,198	370,464	17.5%	4.3%	21.8%	\$7.65/mnn	\$9.00/mnn	\$8.57/mnn
2003 3Q	38	1,702,707	271,833	51,061	322,894	16.0%	3.0%	19.0%	271,833	51,061	322,894	16.0%	3.0%	19.0%	\$8.72/mnn	\$9.00/mnn	\$8.97/mnn

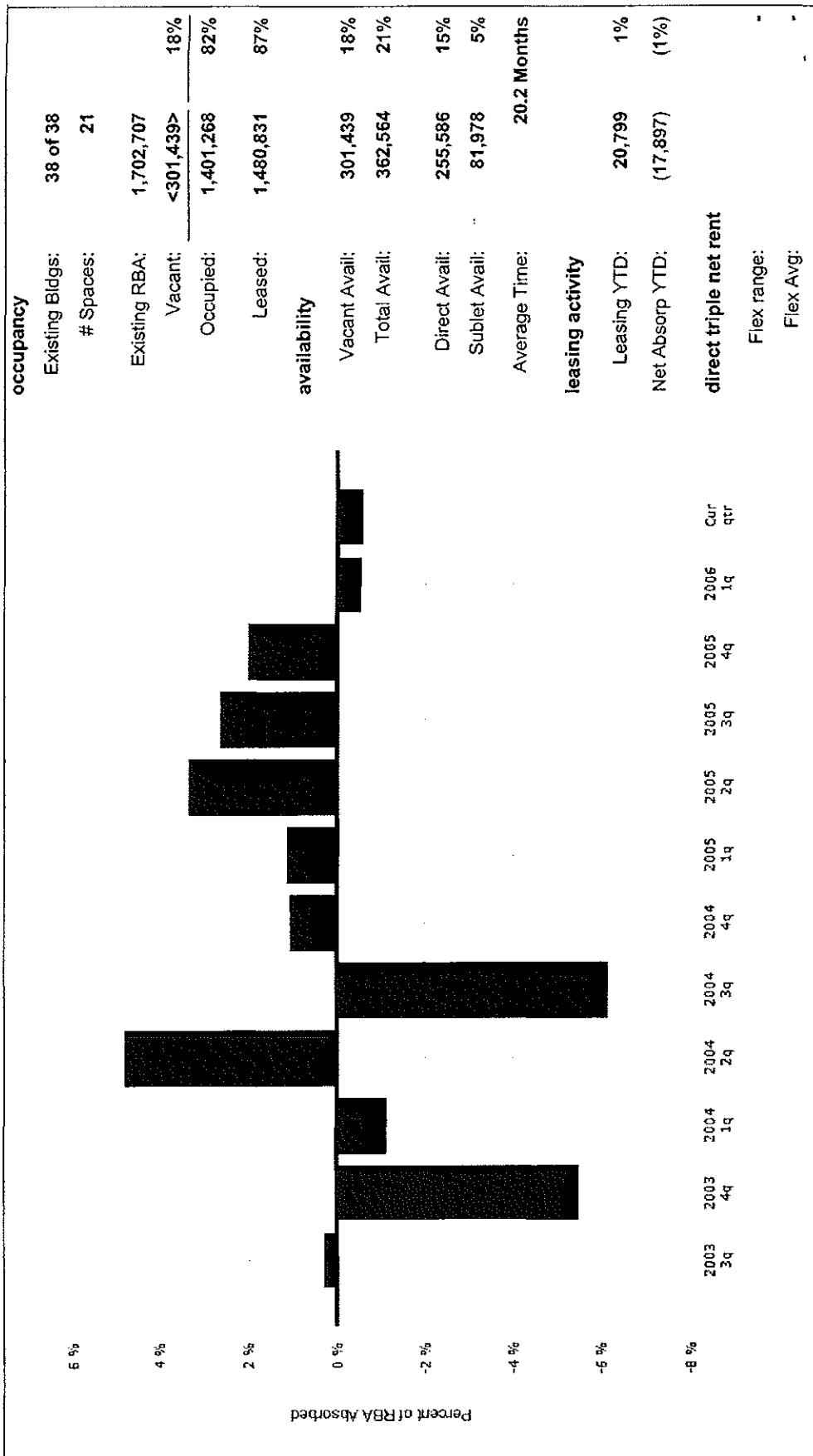
# Forecast Report

## Forecast Report



Delivery Assumption: Known Construction Activity Absorption Assumption: 100% of Previous 5-Year Average

# Net Absorption Rates



# Aggregate Absorption Report

Summary totals for existing properties

Quarter	Existing Inventory			Delivered Inventory		Total Occupied SF		Leasing Activity			Net Absorption			Gross Absorption			Average Rate		
	# of Bldgs	RSA	# of Bldgs	# of Bldgs	RBA	Total	Occupied SF	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
Current	38	1,702,707	0	0	0	1,401,268	0	0	0	0	(9,353)	0	(9,353)	5,280	0	5,280	-	\$9.00/mnn	\$9.00/mnn
2006 1Q	38	1,702,707	0	0	0	1,410,921	0	20,799	0	20,799	(14,064)	5,520	(8,544)	32,116	5,520	37,636	-	\$9.00/mnn	\$9.00/mnn
2005 4Q	38	1,702,707	0	0	0	1,419,165	0	14,197	5,520	19,717	34,330	0	34,330	38,600	0	38,600	-	\$9.00/mnn	\$9.00/mnn
2005 3Q	38	1,702,707	0	0	0	1,384,835	0	34,410	0	34,410	47,572	(2,410)	45,162	75,132	0	75,132	-	\$9.00/mnn	\$9.00/mnn
2005 2Q	38	1,702,707	0	0	0	1,339,673	0	38,407	0	38,407	47,103	10,200	57,303	59,533	10,200	69,733	-	\$9.00/mnn	\$9.00/mnn
2005 1Q	38	1,702,707	0	0	0	1,282,370	0	115,284	10,200	125,484	27,146	(7,742)	19,404	52,630	6,845	59,475	-	\$9.00/mnn	\$9.00/mnn
2004 4Q	38	1,702,707	0	0	0	1,262,966	0	10,020	0	10,020	18,085	0	18,085	24,805	0	24,805	-	\$9.00/mnn	\$9.00/mnn
2004 3Q	38	1,702,707	0	0	0	1,244,881	0	61,175	0	61,175	(77,982)	(26,520)	(104,502)	8,147	0	8,147	-	\$9.00/mnn	\$9.00/mnn
2004 2Q	38	1,702,707	0	0	0	1,349,383	0	15,652	0	15,652	81,649	0	81,649	94,609	0	94,609	\$6.50/mnn	\$9.00/mnn	\$8.54/mnn
2004 1Q	38	1,702,707	0	0	0	1,267,734	0	52,602	0	52,602	(30,509)	14,587	(18,922)	17,577	14,587	32,164	\$7.65/mnn	\$9.00/mnn	\$8.57/mnn
2003 4Q	38	1,702,707	0	0	0	1,286,656	0	69,887	0	69,887	(71,020)	(22,137)	(93,157)	6,300	2,650	8,950	\$7.65/mnn	\$9.00/mnn	\$8.57/mnn
2003 3Q	38	1,702,707	0	0	0	1,379,813	0	4,107	0	4,107	4,558	0	4,558	10,107	0	10,107	\$8.72/mnn	\$9.00/mnn	\$8.97/mnn



## Face Rent Analysis Report

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Flex									
Industrial Gross	5	\$6.50	\$9.02	\$13.25	3	\$6.75	\$8.20	\$10.00	\$8.80
Modified Gross	2	\$6.50	\$6.69	\$6.95	0	-	-	-	\$6.69
Negotiable	3	-	-	-	0	-	-	-	-
Plus All Utilities	2	\$7.50	\$11.30	\$12.75	0	-	-	-	\$11.30
Off/Med									
Modified Gross	1	\$12.00	\$12.00	\$12.00	0	-	-	-	\$12.00
Office									
Full Service Gross	0	-	-	-	1	\$12.50	\$12.50	\$12.50	\$12.50
Modified Gross	1	\$12.75	\$12.75	\$12.75	0	-	-	-	\$12.75
Negotiable	1	-	-	-	0	-	-	-	-
Triple Net	0	-	-	-	1	\$9.00	\$9.00	\$9.00	\$9.00
Warehse									
Modified Gross	1	\$6.50	\$6.50	\$6.50	0	-	-	-	\$6.50



**7120-7132 Ambassador Rd  
Bldg 4  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1970  
Building Size: 46,804 SF  
Land Area: 2.40 AC  
Stories: 1

Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%

Parking: Free Surface Spaces; Ratio of 3.00/1,000 SF



**7142 Ambassador Rd  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1967  
Building Size: 71,479 SF  
Land Area: 4 AC  
Stories: 1

Space Avail: 71,479 SF  
Max Contig: 71,479 SF  
Smallest Space: 71,479 SF  
Rent/SF/Yr: \$9.25  
% Leased: 0%

Parking: 40 Surface Spaces are available



**7144-7162 Ambassador Rd  
Bldg 6  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: Class B Flex  
Status: Built Jul 1974  
Building Size: 65,721 SF  
Land Area: 4.37 AC  
Stories: 1

Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%

Parking: Free Surface Spaces; Ratio of 1.00/1,000 SF



**7210 Ambassador Rd  
Bldg 60  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: Class B Flex  
Status: Built Mar 1974  
Building Size: 83,435 SF  
Land Area: 7.96 AC  
Stories: 1

Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%

Parking: Free Surface Spaces; Ratio of 3.90/1,000 SF



**7223-7249 Ambassador Rd  
Bldg 10  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1967, Renov 1987  
Building Size: 85,396 SF  
Land Area: 5.82 AC  
Stories: 1

Space Avail: 9,310 SF  
Max Contig: 6,895 SF  
Smallest Space: 2,415 SF  
Rent/SF/Yr: \$12.50  
% Leased: 100%

Parking: Free Surface Spaces; Ratio of 1.10/1,000 SF



**7253 Ambassador Rd  
Bldg 46  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built 1988**  
Building Size: **38,930 SF**  
Land Area: -  
Stories: **1**

Parking: **Free Surface Spaces; Ratio of 4.10/1,000 SF**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**6523 Baltimore National Pike  
Catonsville, MD 21228  
Baltimore County County**

Building Type: **Class B Flex**  
Status: **Existing**  
Building Size: **15,000 SF**  
Land Area: -  
Stories: **2**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2040-2076 Lord Baltimore Dr  
Security Bldg 2  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built 1979**  
Building Size: **93,370 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2505 Lord Baltimore Dr  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Jan 2001**  
Building Size: **42,120 SF**  
Land Area: -  
Stories: **1**  
Parking: **Ratio of 4.00/1,000 SF**

Space Avail: **21,000 SF**  
Max Contig: **21,000 SF**  
Smallest Space: **3,000 SF**  
Rent/SF/Yr: **\$9.00**  
% Leased: **100%**



**2520 Lord Baltimore Dr  
Windsor Mill, MD 21244  
Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Feb 2000**  
Building Size: **57,240 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2525 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Oct 2000**  
Building Size: **36,120 SF**  
Land Area: -  
Stories: **1**  
Parking: **Ratio of 4.00/1,000 SF**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2545 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Oct 2000**  
Building Size: **36,120 SF**  
Land Area: -  
Stories: **1**  
Parking: **Ratio of 4.00/1,000 SF**

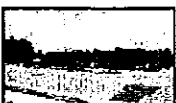
Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2555 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Mar 1999**  
Building Size: **42,000 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2605 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Mar 1999**  
Building Size: **38,400 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

Space Avail: **4,800 SF**  
Max Contig: **4,800 SF**  
Smallest Space: **4,800 SF**  
Rent/SF/Yr: **Negotiable**  
% Leased: **87.5%**



**2622 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Sep 1988**  
Building Size: **19,800 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**2624 Lord Baltimore Dr**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Sep 1988**  
Building Size: **31,080 SF**  
Land Area: -  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

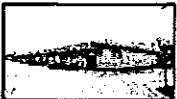
Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: **100%**



**15-35 Mellor Ave**  
**The Mews at Mellor Avenue**  
**Catonsville, MD 21228**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Renov 1997**  
Building Size: **18,975 SF**  
Land Area: **2 AC**  
Stories: **1**  
Parking: **150 free Surface Spaces are available; Ratio of 5.00/1,000 SF**

Space Avail: **8,833 SF**  
Max Contig: **8,833 SF**  
Smallest Space: **3,250 SF**  
Rent/SF/Yr: **\$12.75**  
% Leased: **53.5%**



**61-103 Mellor Ave**  
**The Mews at Mellor Avenue**  
**Catonsville, MD 21228**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Renov 1985**  
Building Size: **37,500 SF**  
Land Area: **1.85 AC**  
Stories: **1**  
Parking: **80 free Surface Spaces are available; Ratio of 2.67/1,000 SF**

Space Avail: **3,360 SF**  
Max Contig: **3,360 SF**  
Smallest Space: **1,680 SF**  
Rent/SF/Yr: **\$7.50**  
% Leased: **91.0%**



**5411 Old Frederick Rd**  
**Frederick Villa Professional Center**  
**Catonsville, MD 21229**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built 1977**  
Building Size: **25,513 SF**  
Land Area: -  
Stories: **1**  
Parking: **Ratio of 4.00/1,000 SF**

Space Avail: **1,500 SF**  
Max Contig: **1,500 SF**  
Smallest Space: **1,500 SF**  
Rent/SF/Yr: **\$12.00**  
% Leased: **94.1%**



**2707 Rolling Rd**  
**Bldg A**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Jan 2001**  
Building Size: **70,200 SF**  
Land Area: **10.38 AC**  
Stories: **1**  
Parking: **Ratio of 3.00/1,000 SF**

Space Avail: **6,000 SF**  
Max Contig: **6,000 SF**  
Smallest Space: **3,000 SF**  
Rent/SF/Yr: **Negotiable**  
% Leased: **91.5%**



**2709 Rolling Rd  
Bldg B  
Windsor Mill, MD 21244  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built Dec 2002  
Building Size: 78,000 SF  
Land Area: 10.38 AC  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**



**2605 N Rolling Rd  
Windsor Mill, MD 21244  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built Nov 1988  
Building Size: 32,250 SF  
Land Area: -  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Free Surface Spaces; Ratio of 3.15/1,000 SF**



**7200 Rutherford Rd  
Bldg 12  
Windsor Mill, MD 21244  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built Oct 1978  
Building Size: 58,415 SF  
Land Area: -  
Stories: 1**

**Space Avail: 28,987 SF  
Max Contig: 28,987 SF  
Smallest Space: 14,400 SF  
Rent/SF/Yr: \$6.75-\$9.00  
% Leased: 75.4%**

**Parking: Free Surface Spaces; Ratio of 1.60/1,000 SF**



**1706 Whitehead Rd  
Woodlawn, MD 21207  
Baltimore County County**

**Building Type: Class B Flex  
Status: Existing  
Building Size: 21,587 SF  
Land Area: 2.00 AC  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Free Surface Spaces**



**1708 Whitehead Rd  
Woodlawn, MD 21207  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built 1977  
Building Size: 47,014 SF  
Land Area: -  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Free Surface Spaces; Ratio of 2.50/1,000 SF**



**1713 Whitehead Rd  
Braka Bldg  
Woodlawn, MD 21207  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1970, Renov 1994  
Building Size: 35,465 SF  
Land Area: 1.90 AC  
Stories: 1  
Parking: 100 free Surface Spaces are available; Ratio of 4.50/1,000 SF

Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%



**1717 Whitehead Rd  
Sather Bldg  
Woodlawn, MD 21207  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1968  
Building Size: 51,023 SF  
Land Area: 2.80 AC  
Stories: 1  
Parking: Free Surface Spaces; Ratio of 3.50/1,000 SF

Space Avail: 10,244 SF  
Max Contig: 10,244 SF  
Smallest Space: 10,244 SF  
Rent/SF/Yr: \$6.95  
% Leased: 79.9%



**1724 Whitehead Rd  
Hunter Bldg  
Woodlawn, MD 21207  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1972  
Building Size: 22,192 SF  
Land Area: 4 AC  
Stories: 1  
Parking: Free Surface Spaces; Ratio of 3.00/1,000 SF

Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%



**1726 Whitehead Rd  
Edwards Bldg  
Woodlawn, MD 21207  
Baltimore County County**

Building Type: Class B Flex  
Status: Built Dec 1972, Renov 1990  
Building Size: 37,669 SF  
Land Area: 4 AC  
Stories: 1  
Parking: Free Surface Spaces; Ratio of 4.00/1,000 SF

Space Avail: 37,669 SF  
Max Contig: 37,669 SF  
Smallest Space: 37,669 SF  
Rent/SF/Yr: \$12.75  
% Leased: 0%



**1817-1821 Whitehead Rd  
Radcliffe Bldg  
Woodlawn, MD 21207  
Baltimore County County**

Building Type: Class B Flex  
Status: Built 1964  
Building Size: 33,730 SF  
Land Area: -  
Stories: 1  
Parking: Free Surface Spaces; Ratio of 3.00/1,000 SF

Space Avail: 19,080 SF  
Max Contig: 14,080 SF  
Smallest Space: 5,000 SF  
Rent/SF/Yr: \$6.50  
% Leased: 43.4%

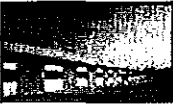


**6601 Whitestone Rd  
Brookview Bldg  
Woodlawn, MD 21207  
Baltimore County County  
NW Corner**

**Building Type: Class B Flex  
Status: Built 1969  
Building Size: 32,905 SF  
Land Area: 1.90 AC  
Stories: 1**

**Space Avail: 14,633 SF  
Max Contig: 14,633 SF  
Smallest Space: 14,633 SF  
Rent/SF/Yr: \$6.50  
% Leased: 55.5%**

**Parking: Free Surface Spaces; Ratio of 3.20/1,000 SF**



**6709 Whitestone Rd  
Blanks Fabric Center  
Woodlawn, MD 21207  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built 1965  
Building Size: 51,815 SF  
Land Area: 3.06 AC  
Stories: 1**

**Space Avail: 51,815 SF  
Max Contig: 51,815 SF  
Smallest Space: 25,000 SF  
Rent/SF/Yr: Negotiable  
% Leased: 51.8%**

**Parking: Free Surface Spaces; Ratio of 3.00/1,000 SF**



**7139 Windsor Blvd  
Windsor Mill, MD 21244  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built 1985  
Building Size: 23,000 SF  
Land Area: 2.81 AC  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Ratio of 4.00/1,000 SF**



**7140 Windsor Blvd  
T. Talbott Bond Bldg  
Windsor Mill, MD 21244  
Baltimore County County**

**Building Type: Class B Flex  
Status: Built 1982  
Building Size: 16,825 SF  
Land Area: 1 AC  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Free Surface Spaces**



**7152 Windsor Blvd  
Bldg 29  
Windsor Mill, MD 21244  
Baltimore County County  
NE Corner**

**Building Type: Class B Flex  
Status: Built Mar 1985  
Building Size: 59,202 SF  
Land Area: .  
Stories: 1**

**Space Avail: 0 SF  
Max Contig: 0 SF  
Smallest Space: -  
Rent/SF/Yr: -  
% Leased: 100%**

**Parking: Free Surface Spaces; Ratio of 4.00/1,000 SF**





**7123 Windsor Mill Rd**  
**Anchorage Business Center**  
**Windsor Mill, MD 21244**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Jul 2001**  
Building Size: **18,000 SF**  
Land Area: **1.48 AC**  
Stories: **1**  
Parking: **Free Surface Spaces**

Space Avail: **2,410 SF**  
Max Contig: **2,410 SF**  
Smallest Space: **2,410 SF**  
Rent/SF/Yr: **\$10.00**  
% Leased: **100%**



**1506 Woodlawn Dr**  
**Michael Bldg**  
**Woodlawn, MD 21207**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built 1968, Renov Apr 1996**  
Building Size: **53,336 SF**  
Land Area: **2.77 AC**  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

Space Avail: **46,444 SF**  
Max Contig: **41,566 SF**  
Smallest Space: **4,878 SF**  
Rent/SF/Yr: **\$9.00-\$13.25**  
% Leased: **90.9%**



**1508 Woodlawn Dr**  
**Dunleavy Bldg**  
**Woodlawn, MD 21207**  
**Baltimore County County**

Building Type: **Class B Flex**  
Status: **Built Sep 1969**  
Building Size: **75,076 SF**  
Land Area: **-**  
Stories: **1**  
Parking: **Free Surface Spaces; Ratio of 4.00/1,000 SF**

Space Avail: **0 SF**  
Max Contig: **0 SF**  
Smallest Space: **-**  
Rent/SF/Yr: **-**  
% Leased: **100%**

# ROLLING ROAD INDUSTRIAL PARK Construction Costs

CODE	ITEM	QNT	U/M	U/P	BUDGET	STD	NOTES
101020	Design - Building		LS		-		
101030	Design - Sitework		LS		-		
101040	Design - Landscaping		LS		-		
101050	Permits - Fees	90,000	SF	0.25	22,500		
101051	Impact Fees	90,000	SF	0.30	27,000		
101052	Water/Sewer Connection Fees	90,000	SF		-		
101060	Bonds	90,000	SF		-		
101070	Inspection Fees	90,000	SF		-		
101075	Water Meter		ea		-		
101080	BGE Charges	90,000	SF	1.00	90,000		
101085	Tel. Co. Charges	2	ls	1,000.00	2,000		
101090	General Conditions	90,000	SF	0.40	36,000		
101311	Development Manager	90,000	SF	0.25	22,500		
101312	Project Manager	90,000	SF	0.50	45,000		
101313	Development Coordinator	90,000	SF	0.10	9,000		
101314	Superintendent	90,000	SF	0.90	81,000		
101315	Labor	90,000	SF	1.00	90,000		
101450	Testing and Inspection	2	ls	7,000.00	14,000		
101451	Testing/Inspection - Steel	90,000	SF	0.04	3,600		
101720	Surveying	8	DY	2,200.00	17,600		
DIVISION 1 SUBTOTAL					460,200	-	
102220	Site Demolition		LS		-		
102310	Grading	2	LS	12,000.00	24,000		
102510	Water Distribution	2	LS	70,000.00	140,000		
102530	Sanitary Sewerage (Site)	2	LS	10,000.00	10,000		
102581	Ungrnd. Ducts-Bldg./Bldg.		LF	30.00	-		
102582	Ungrnd. Ducts-Tel.	2	LS	12,572.00	25,144		
102583	Ungrnd. Ducts-Gas/Elec.	1,600	LF	20.00	32,000		
102370	Erosion and Sedimentation		LS		-		
102630	Storm Drainage	2	LS	105,000.00	105,000		
102660	Stormwater Mgmt Ponds		LS		-		
	Water Quality Facility		EA		-		
102740	Flexible Pavement-HD	17,000	SY	20.00	340,000		
102740	Flexible Pavement-LD		SY	16.00	-		
102750	Concrete Paving		SF	5.00	-		
102760	Pavement Markings	2	LS	600.00	1,200		
102770	Curbs and Gutters	3,200	LF	10.50	33,600		
102775	Sidewalks	4,000	SF	3.00	12,000		
102810	Irrigation Systems	2	LS	12,500.00	25,000		
102820	Fences and Gates		ls		-		
102820	Retaining Walls		SF	20.00	-		
102840	Parking Bumpers/Bollards		EA	200.00	-		
102890	Traffic Signs and Signals	2	LS	500.00	1,000		
102905	Plants, Planting	90,000	SF	1.00	90,000		
102920	Lawns and Grasses	5,400	SY	1.25	6,750		
DIVISION 2 SUBTOTAL					845,694	-	
103210	Reinforcing Steel for Concrete		ls	3,000.00	-		
103220	Welded Wire Fabric			-	-		
103301	Slab Materials	1,400	cy	80.00	112,000		
103302	Footings	300	cy	80.00	16,332		
103311	Steps/Platforms	10	EA	1,400.00	14,000		
103350	Concrete Placing/Finishing	90,000	ls	0.45	40,500		
103480	Splash Blocks		LS	50.00	-		
103600	Grouts				-		
DIVISION 3 SUBTOTAL					182,832	-	
104051	Masonry - Labor & Equipment	90,000	SF	5.50	495,000		
104052	Masonry - Materials	90,000	SF	2.40	216,000		

# ROLLING ROAD INDUSTRIAL PARK Construction Costs

CODE	ITEM	QNT	U/M	U/P	BUDGET	STD	NOTES
104054	Wall Braces	90,000	SF	0.20	18,000		
104080	Reinforcing Steel for Masonry	90,000	SF	0.15	13,500		
DIVISION 4 SUBTOTAL					742,500	-	
105120	Structural Steel	2	LS	46,480.00	92,960		
105205	Metal Joists, Girders & Deck	2	LS	66,000.00	132,000		
105206	Steel Erection	90,000	SF	0.80	72,000		
105501	Miscellaneous Metals				-		
105510	Metal Stairs & Ladders	12	ea	1,500.00	18,000		
DIVISION 5 SUBTOTAL					314,960	-	
106100	Rough Carpentry	2	LS	3,500.00	7,000		
106101	Blocking - Roof		LF	2.00	-		
106102	Blocking - Skylight		LF	2.00	-		
106103	Blocking - Overhead Doors		LF	2.00	-		
DIVISION 6 SUBTOTAL					7,000	-	
107530	Elastomeric Membrane Roofing	90,000	SF	2.10	189,000		
DIVISION 7 SUBTOTAL					189,000	-	
108110	Steel Doors and Frames	4	EA	500.00	2,000		
108360	Overhead Doors	30	EA	1,400.00	42,000		
108410	Metal-Framed Storefronts	90,000	SF	1.85	166,500		
108620	Unit Skylights	44	EA	270.00	11,880		
108710	Door Hardware	6	EA	50.00	300		
DIVISION 8 SUBTOTAL					222,680	-	
109121	Soffits & Framing	16	EA	600.00	9,600		
109130	Drywall	120	LF	40.00	4,800		
109910	Paints	2	LS	3,000.00	6,000		
DIVISION 9 SUBTOTAL					20,400	-	
110405	Signs & Letters	2	LS	3,000.00	6,000		
110435	Project Sign Panel				-		
110520	Fire Extinguishers		EA	100.00	-		
DIVISION 10 SUBTOTAL					6,000	-	
113851	Fire Alarm	2	LS	3,000.00	6,000		
113930	Wet-Pipe Fire Suppression Sprinklers	90,000	SF	0.75	67,500		
DIVISION 13 SUBTOTAL					73,500	-	
115140	Domestic Water Piping	2	LS	9,600.00	19,200		
115150	Sanitary Waste and Vent Piping	2	LS	12,475.00	12,475		
115160	Storm Drainage Piping (roof drains, rain leaders)				-		
115190	Fuel Piping (natural gas, propane, etc.)	2	ls	9,940.00	19,880		
115460	Domestic Water Conditioning Equip.				-		
115720	Air Handling Units	2	EA	1,800.00	3,600		
115730	Packaged Air Conditioning Equip.				-		
115740	Heat Pumps				-		
115810	Ducts		LF	15.00	-		
DIVISION 15 SUBTOTAL					55,155	-	
116000	Electrical	2	LS	100.00	200		
116060	Grounding		LS	100.00	-		
116130	Raceways and Boxes (meter conduits)		LS/mtr can.	50.00	-		
116131	Tel. Conduit-Interior		LF pipe	2.00	-		
116210	Electric Service (install meter cans, pub. Svc mtr)	2	ls	18,000.00	14,000		
116215	Public Service (100 Amp)	2	LS	30,000.00	60,000		
116520	Exterior Luminaires	2	LS	7,000.00	14,000		
	Standard Wall Packs (Rear)		EA	350.00	-		

# ROLLING ROAD INDUSTRIAL PARK Construction Costs

CODE	ITEM	QNT	U/M	U/P	BUDGET	STD	NOTES
	Square Wall Packs (Front and Sides)		EA	450.00	-		
	Soffit Fixtures		EA	60.00	-		
116525	Site Lighting	2	LS	15,500.00	16,000		
	light poles		EA	3,500.00	-		
	conduit		LF		-		
116526	Exit Lighting		EA	200.00	-		
116530	HVAC Wiring	2	ea	3,000.00	3,000		
116535	Tenant Subpanels				-		
116540	Sewage Pump Wiring				-		
116545	Elec/Util Room Wiring				-		
116600	Electrical Permits	2	EA	150.00	300		
DIVISION 16 SUBTOTAL					107,500	-	
	TOTAL				3,227,421		

P.O. Box 1661  
Baltimore, MD 21203-1661  
www.provbank.com



April 12, 2006

**Ms. Jennifer Pena**  
**LNPS Industrial Group, LLC**

Re: ROLLING ROAD INDUSTRIAL PARK – Windsor Mill, MD

Dear Jennifer:

On behalf of Provident Bank, I am pleased to present the following proposal to finance the acquisition and construction of the Rolling Road Industrial Park. Please note that this letter represents an expression of interest only, and is not a commitment to lend on these or any other terms. A formal commitment to lend is subject to loan committee approval, and would be evidenced by a formal commitment letter prepared by counsel to the Bank.

**Loan Amount:** \$7,794,713 - Subject to an independent appraisal determining a minimum value of \$10,392,951 (75% LTV). The proposed loan will have an ongoing 75% loan to value covenant.

**Interest Rate:** Floating – 90 day LIBOR plus 200 Basis Points.

**Loan Fee:** 50 Basis Points (\$38,974).

**Term:** Two years, with two – one year extension options subject to the building achieving a minimum Debt Service Coverage of 1.10 and 1.20 at pro forma rental rates. There will be a 25 basis point fee for each one-year extension, if exercised.

**Amortization:** Interest only for two years. During the extension periods, the loan will amortize based on a 7.0% rate and 25-year schedule.

**Funding on TI:** Funding on tenant improvements for office space will be limited to \$25 per square foot on 50% of the space. This funding assumes a minimum average modified industrial gross rental rate of \$12.34 per square foot.

**Guarantor:** The full guarantee of LNPS Industrial Group, LLC.

**Equity:** Equity will amount to \$1,460,796, as detailed in the attached Project Cost Budget.

**Engineer:** A satisfactory property condition report is required prior to closing as prepared by an independent engineering firm acceptable to the Bank. The bank may require that

Ms. Jennifer Pena  
04/12/06  
Page 2 of 2

all material repairs or deferred maintenance items be addressed or reserved for in the project budget prior to closing.

Environmental: A satisfactory Phase I environmental report on the property is required prior to loan closing.

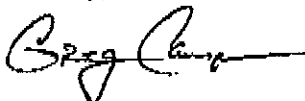
Definitions: **Net Operating Income ("NOI")** is defined as the sum of actual annualized base rents and reimbursements from tenants not in default, in occupancy, and paying rent on Bank approved leases, less: actual annualized operating expenses, which will include a 3.0 % management fee, and a replacement reserve of \$0.10 psf.

A minimum vacancy & credit factor of 5% will be taken on all rents and reimbursements. If actual vacancy/non revenue generating space is 5% or greater, no additional vacancy deduction will be made.

**Debt Service Coverage Ratio ("DSCR")** is based on NOI divided by the greater of (i) actual Debt Service; (ii) the then current 10 year Treasury rate plus 200 bp amortized on a 25 year schedule; or (iii) a debt constant of 8.87%.

If you find the terms of this proposal acceptable, please indicate by signing below and returning a copy of this letter to my attention. Again, we are pleased to submit this proposal and look forward to continuing our relationship with you.

Sincerely,



Gregory J. Campanaro  
Vice President  
Real Estate Lending Division  
Tel: (410) 277-2815  
Fax: (410) 277-2876  
Email: [gjcampan@provbank.com](mailto:gjcampan@provbank.com)

Accepted By: \_\_\_\_\_

Title: \_\_\_\_\_

Manufacturers and Traders Trust Company  
Commercial Real Estate Finance  
25 South Charles Street, 17<sup>th</sup> Floor  
Baltimore, MD 21201

Phone #: 410-545-2456  
Fax #: 410-545-2385  
Email: ltopper@mandtbank.com

LNPS Industrial Group, LLC  
Attn: Jennifer Pena

April 13, 2006

**Re: Loan proposal for +/-9.78 acre land development and construction in Baltimore County, MD with construction of 2 flex warehouse buildings totaling 90,000 s.f.**

Dear Jen:

The purpose of this letter is to outline proposed terms and conditions for a construction/commercial mortgage loan secured by the above-referenced property and the improvements to be built thereon. This proposal is subject to completion of the Bank's underwriting before a decision can be made by its appropriate loan committees regarding your loan request. Therefore, this letter is not intended to represent any form of commitment but is only for discussion purposes.

**Borrower:** TBD IDOT entity owned 100% by Rolling Road Industrial Park, LLC

**Guarantor:** LNPS Industrial Group, LLC

**Collateral:** 1) 1<sup>st</sup> IDOT on +/- 9.78 acres known as Rolling Road Industrial Park which is comprised of 9.78 acres and to be improved with 2 flex buildings totaling +/- 90,000 s.f. The Park will be located on the at the intersection of Rolling Road and Windsor Blvd., Baltimore County, MD.

2) Assignment of all contracts, leases, rents, etc., related to the development and operation of the property.

<b>Loan Amount:</b>	<b>Land/Site Work Advance</b>	-	\$ 2,164,000
	<b>Shell Costs</b>	-	3,324,244
	<b>T.I.</b>	-	1,117,500
	<b>Soft Costs</b>	-	<u>1,188,970</u>
	<b>TOTAL LOAN</b>		<b>\$ 7,794,713</b>

***Rolling Road Industrial Park***

***April 13, 2006***

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**Loan Amt (cont):** Budget to include \$96,823 (3.00%) Hard Cost and \$277,665 (3%) Soft Cost Contingency line items. Interest Reserve needs to be \$333,222. The difference between the \$9,407,436 in total costs (incl. various development and marketing fees) and the \$7,794,713 loan amount, as well as any cost overruns will be considered the Borrower's equity

**TI Costs:** T.I. costs to be advanced at a maximum rate of \$12.50/sf for the entire building. Each tenant's T.I. allowance cannot exceed a dollar amount equal to the product of its space leased multiplied by \$25.00 psf. At all times, sufficient funds are to remain in the T.I. budget so above-referenced calculation is maintained for the remaining space to be leased.

The \$12.50 psf Tenant Office T.I. allowance is based on a \$25.00 psf Office T. I. cost for 50% of the total square footage (45,000 s.f.). T.I. funds for office space will be advanced at the rate of \$1.00 psf for every \$.26/psf net effective rent increase over and above an \$9.00 psf Industrial Gross shell rental rate.

**Term:**

- a) 30 Month Construction Term; and,
- b) 36 Month Mini-Perm Term (can be exercised in 1-year increments)

Borrower can exercise the mini-perm term subject to the following conditions being met: 1) Borrower provides 30 days written notice of its intent to extend; 2) Borrower pays the extension fee described below; 3) no defaults exist under the loan documents; and, 4) the project must provide a Debt Service Coverage Ratio of not less than 1.2:1 based on the greater of: a) the loan's then prevailing interest rate coupled with a 7.50%/25 year amortization schedule for the loan; or, b) a 9% constant.

**Pricing:** Construction Term - Daily LIBOR + 1.80% with the ability to reduce to the spread to 1.70%, upon the occurrence of the following:

- a) Project must be at least 75% leased at pro-forma rents,
- b) Providing a minimum \$500,000 NOI and
- c) Providing a Debt Service Coverage Ratio of not less than 1.1:1 based on the greater of: a) the loan's then prevailing interest rate coupled with a 7.50%/25 year amortization schedule for the loan; or, b) a 8.5% constant



***Rolling Road Industrial Park***

***April 13, 2006***

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- Pricing (cont):** Mini-Perm Term - Interest at one of the following rates:
- a) Daily LIBOR + 1.70%; or,
  - b) Fixed rate equal to 1.70% per annum in excess of the Bank's Internal Index for Fixed Rate Quotations for a term to be selected by the Borrower which is at least six months in duration but not past the maturity date of the loan. This rate option will contain a "yield maintenance" prepayment penalty clause.
- Payments:**
- a) 30 Month Construction Term - Interest-only, payable monthly from an Interest Reserve account in the Construction Loan Budget and/or rental income from leases.
  - b) 36 Month Mini-Perm Term - monthly payments of interest and principal with principal payments based on a 7.50%/25 year amortization schedule.
- Loan Fee:**
- (a) Construction - 1/2% of loan amount (\$39,710)
  - (b) Mini-Perm – 3/8<sup>th</sup>s of 1 % of the loan amount. To the extent the extension term is taken in yearly increments, the associated fee would be 1/8<sup>th</sup> of 1% of the loan amount per year.
- Appraisal:** An appraisal, ordered by the Bank and paid for by the Borrower, shall indicate: (a) a combined stabilized value for the 2 flex buildings totaling +/- 90,000 s.f. of not less than \$9,743,392. Total debt is not to exceed 80% of the appraised value of the 2 flex buildings (90,000 s.f.).
- General Contractor:** General Contractor must be acceptable to Bank in all respects and bonding may be required in Bank's sole discretion.
- General Contract:** The terms and conditions of the general contract (the "alternative contract") and all major subcontracts must be acceptable to the Bank and the alternative general contract must be for a guaranteed, maximum fixed price.
- Environmental:** Satisfactory Phase I environmental report.

***Rolling Road Industrial Park***

***April 13, 2006***

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- Engineer:** Satisfactory report addressing budget adequacy sufficient to complete land development and construction of the buildings, plus monthly inspections to confirm completed work prior to each loan advance.
- Insurance:**
- 1) Affirmative title insurance with no survey exceptions and satisfactory to Bank in all respects.
  - 2) Liability (\$1,000,000/\$2,000,000)
  - 3) Builder's Risk Insurance in an amount acceptable to the Bank.
  - 4) Fire and extended coverage (all risk) upon conversion to mini-perm.
  - 5) Loss of Rents Insurance equal to 12 months of rent.
- Financials:** Annual financial statements and tax returns on Borrower and Guarantors and any additional financial and project information deemed necessary by the Bank.
- Costs:** All costs associated with the proposed loan including, appraisal, Bank's legal fees, environmental, engineering, and closing costs shall be paid by the Borrower.

This letter sets forth a list of proposed terms, conditions and requirements that may or may not become part of an eventual agreement between us. However, it is not based on any current agreement between us. It is not intended to impose any obligation whatsoever on any party, including without limitation an obligation to bargain in good faith or in any way other than at arm's length. The parties do not intend to and shall not be bound until they agree to and sign a formal written agreement, even if you shall satisfy all of the terms, conditions and requirements set forth herein. No party may reasonably rely on any promises inconsistent with the terms of this paragraph; this paragraph supersedes any other conflicting language herein.

Please feel free to call with any questions or comments

Very truly yours,

Louis M. Topper  
Vice President

***Rolling Road Industrial Park***

***April 13, 2006***

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Please sign below and return to the Bank to indicate your acknowledgement of the  
aforementioned terms under which the Bank will seek approval from it committees.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## MOST LIKELY SCENERIO - Pricing Analysis

Building Size:	90,000 sf										
	1	2	3	4	5	6	7	8	9	10	11
	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	Jun-2017
Net Operating Income	\$ 391,970	\$ 906,740	\$ 955,980	\$ 986,418	\$ 1,017,641	\$ 1,041,852	\$ 1,086,052	\$ 1,077,684	\$ 1,064,308	\$ 1,048,628	\$ 1,069,393
% Growth		131.33%	5.43%	3.18%	3.17%	2.38%	4.24%	-0.77%	-1.24%	-1.47%	1.98%
5-Yr Net Operating Income Growth						33.16%					
Property Cash Flow Before Debt	\$ 382,970	\$ 897,515	\$ 946,524	\$ 976,726	\$ 1,007,707	\$ 612,035	\$ 1,007,613	\$ 997,195	\$ 981,714	\$ 1,037,388	\$ 529,731
\$CF / SF	\$ 4,255	\$ 9,972	\$ 10,517	\$ 10,853	\$ 11,197	\$ 6,800	\$ 11,196	\$ 11,080	\$ 10,908	\$ 11,527	\$ 5,886
% Growth		134.36%	5.46%	3.19%	3.17%	-39.26%	64.63%	-1.03%	-1.55%	5.67%	-48.94%
5-Yr Cash Flow Growth						11.96%					

### UNLEVERAGED ANALYSIS

Land, Dev & Constr Costs	\$9,255,509										
							Terminal Cap Rate for Reversion	9.00%			
							Selling Costs for Reversion	3.00%			
							Discount Rate	9.75%			
Unleveraged NOI Return on Investment (1)	4.23%	9.80%	10.33%	10.66%	10.99%	11.26%	11.73%	11.64%	11.50%	11.33%	11.55%
Cumulative Unleveraged NOI Return on Investment (2)	4.07%	8.93%	9.37%	9.64%	9.92%	10.56%	10.58%	10.51%	10.40%	10.19%	10.93%
Cash on Cash Return on Investment (3)	4.14%	9.70%	10.23%	10.55%	10.89%	6.61%	10.89%	10.77%	10.61%	11.21%	5.72%
AVERAGE 5-YR UNLEVERAGED NOI RETURN ON CUM IN	8.38%										
AVERAGE 5-YR UNLEVERAGED Cash on Cash RETURN	9.10%										

UNLEVERAGED IRR	9.73%	12.10%	12.18%	12.22%	12.11%	11.78%	11.33%	10.95%	10.64%	10.68%	
Holding Period for Equity Invest	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$9,255,509)	\$ 10,155,612									
2 YEARS	(\$9,255,509)	\$382,970	\$ 11,200,855								
3 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$ 11,577,918							
4 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$ 11,944,635						
5 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$ 12,236,556					
6 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$ 12,317,262				
7 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$612,035	\$ 12,622,652			
8 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$612,035	\$1,007,613	\$ 12,468,070		
9 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$612,035	\$1,007,613	\$997,195	\$ 12,283,594	
10 YEARS	(\$9,255,509)	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$612,035	\$1,007,613	\$997,195	\$ 981,714	\$ 12,563,068

### Internal Rate of Return - Test of 10 year hold

		Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
IRR	(\$9,255,509)	\$ 382,970	\$ 897,515	\$ 946,524	\$976,726	\$1,007,707	\$612,035	\$1,007,613	\$997,195	\$ 981,714	\$ 12,563,068
		11%									\$11,525,680

### LEVERAGED ANALYSIS

<b>FIRST MORTGAGE</b>			<b>SECOND MORTGAGE</b>			<b>EQUITY</b>		
Loan to Value	80.00%		Loan to Value	5.00%		Equity	9.01%	
Value	\$9,845,539		Value	\$9,845,539		Equity Amount	\$886,801	
Loan Amount	\$7,876,431		Loan Amount	\$492,277		Initial Equity	1,460,796	
Interest Rate	6.11%		Interest Rate	11.00%				
Annual Payment	\$573,380		Annual Payment	\$56,257				
Prepayment Cost	0.00%		Prepayment Cost	0.00%				
Term	30.00 years		Term	30.00 years				

LEVERAGED IRR	112.43%	87.60%	71.53%	63.00%	57.11%	52.36%	48.09%	44.99%	42.72%	41.64%	
Holding Period for Equity Invest	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$886,801)	\$1,883,874									
2 YEAR	(\$886,801)	\$382,970	\$2,402,661								
3 YEAR	(\$886,801)	\$382,970	\$267,878	\$2,889,519							
4 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$3,373,077						
5 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$3,789,345					
6 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	\$4,002,392				
7 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	(\$17,602)	\$4,448,642			
8 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	(\$17,602)	\$377,976	\$4,443,999		
9 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	(\$17,602)	\$377,976	\$367,558	\$4,419,135	
10 YEAR	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	(\$17,602)	\$377,976	\$367,558	\$352,077	\$4,868,534

### Internal Rate of Return - Test of 10 year hold

		1	2	3	4	5	6	7	8	9	10
		Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
Cash Flow After Debt		\$ 382,970	\$ 267,878	\$ 316,887	\$ 347,089	\$ 378,070	\$ (17,602)	\$ 377,976	\$ 367,558	\$ 352,077	\$ 407,751
										Net Reversion	\$ 11,525,680
										Loan Balance	\$7,064,828
										Net Equity	\$ 4,460,782
Cash Flow After Debt	(\$886,801)	\$382,970	\$267,878	\$316,887	\$347,089	\$378,070	(\$17,602)	\$377,976	\$367,558	\$352,077	\$ 4,868,534

Initial Equity	\$886,801
Leveraged Return	41.64%

# **MOST LIKELY CASE - DISCOUNTED CASH FLOW**

For the Years Ending	Year 1 Jun-2007	Year 2 Jun-2008	Year 3 Jun-2009	Year 4 Jun-2010	Year 5 Jun-2011	Year 6 Jun-2012	Year 7 Jun-2013	Year 8 Jun-2014	Year 9 Jun-2015	Year 10 Jun-2016	Year 11 Jun-2017
<b>POTENTIAL GROSS REVENUE</b>											
Base Rental Revenue	542,026	1,123,499	1,160,595	1,195,414	1,231,276	1,295,089 (78,690)	1,359,255	1,358,725 (11,382)	1,350,003 (11,724)	1,337,052	1,385,234 (87,066)
Absorption & Turnover Vacancy											
Scheduled Base Rental Revenue	542,026	1,123,499	1,160,595	1,195,414	1,231,276	1,216,409	1,359,255	1,347,343	1,338,279	1,337,052	1,298,168
<b>Expense Reimbursement Revenue</b>											
Real Estate Taxes	10,068	39,315	59,956	62,936	65,985	42,402	22,659	18,135	16,374	16,293	10,308
Landscaping	26,293	55,206	56,740	58,160	59,612	57,360	62,632	63,671	65,245	67,448	65,100
Repairs	18,739	40,921	42,560	43,620	44,610	42,756	46,760	47,714	48,897	50,400	48,496
Utilities	2,692	6,253	6,620	6,788	6,920	6,590	7,222	7,411	7,596	7,800	7,489
Total Reimbursement Revenue	57,792	141,695	165,876	171,504	177,127	149,108	139,273	136,931	138,112	141,941	131,373
<b>TOTAL POTENTIAL GROSS REVENUE</b>											
General Vacancy	599,818 (29,991)	1,265,194 (63,260)	1,326,471 (66,324)	1,366,918 (68,346)	1,408,403 (70,420)	1,365,517 (88,276)	1,498,528 (74,926)	1,484,274 (63,401)	1,476,391 (62,682)	1,478,993 (73,950)	1,429,541 (71,477)
Collection Loss											
EFFECTIVE GROSS REVENUE	539,836	1,138,674	1,193,823	1,230,226	1,267,563	1,297,241	1,348,676	1,346,659	1,339,889	1,331,093	1,358,064
<b>OPERATING EXPENSES</b>											
Real Estate Taxes	42,300	116,100	119,002	121,978	125,027	128,153	131,356	134,640	138,006	141,457	144,993
Landscaping	54,000	55,350	56,734	58,152	59,606	61,096	62,623	64,189	65,794	67,439	69,125
Repairs	36,315	41,439	42,550	43,614	44,704	45,262	46,968	48,062	49,263	50,579	51,239
Utilities	4,673	6,449	6,619	6,784	6,954	6,911	7,306	7,458	7,644	7,868	7,830
Management Fee	1,578	3,321	3,482	3,588	3,697	3,784	3,934	3,928	3,908	3,882	3,963
Insurance	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
TOTAL OPERATING EXPENSES	147,866	231,934	237,843	243,808	249,922	255,389	262,624	268,975	275,581	282,465	288,671
NET OPERATING INCOME	391,970	906,740	955,980	986,418	1,017,641	1,041,852	1,086,052	1,077,684	1,064,308	1,048,628	1,069,393
<b>LEASING &amp; CAPITAL COSTS</b>											
Tenant Improvements						309,553	50,099	51,351	52,635		387,098
Leasing Commissions						110,081	17,903	18,440	18,993		141,043
Capital Exp.	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
TOTAL LEASING & CAPITAL COSTS	9,000	9,225	9,456	9,692	9,934	429,817	78,439	80,489	82,594	11,240	539,662
CASH FLOW BEFORE DEBT SERVICE & TAXES	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	1,037,388	529,731
Debt Service(First Mortgage)	0	573,380	573,380	573,380	573,380	573,380	573,380	573,380	573,380	573,380	573,380
Debt Service(Mezz Mortgage)	0	56,257	56,257	56,257	56,257	56,257	56,257	56,257	56,257	56,257	56,257
CASH FLOW AFTER DEBT SERVICE	382,970	267,878	316,887	347,089	378,070	(17,602)	377,976	367,558	352,077	407,751	(99,906)
DSCR		1.43	1.50	1.55	1.60	0.97	1.60	1.58	1.56	1.65	0.84

# MOST LIKELY CASE - DISCOUNTED CASH FLOW ANALYSIS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Net Operating Income	\$391,970	\$906,740	\$955,980	\$986,418	\$1,017,641	\$1,041,852	\$1,086,052	\$1,077,684	\$1,064,308	\$1,048,628	\$1,069,393
Less Tenant Improvements						\$309,553	\$50,099	\$51,351	\$52,635		
Less Leasing Commissions						\$110,081	\$17,903	\$18,440	\$18,993		
Less Reserves	\$9,000	\$9,225	\$9,456	\$9,692	\$9,934	\$10,193	\$10,437	\$10,698	\$10,966	\$11,240	
Sub total	\$9,000	\$9,225	\$9,456	\$9,692	\$9,934	\$429,817	\$78,439	\$80,489	\$82,594	\$11,240	
CASH FLOW	\$382,970	\$897,515	\$946,524	\$976,726	\$1,007,707	\$612,035	\$1,007,613	\$997,195	\$981,714	\$1,037,388	
7.50%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	14,868,204	13,830,816
8.00%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	14,003,778	12,966,390
8.50%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	13,241,049	12,203,661
9.00%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	12,563,068	11,525,680
9.50%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	11,956,453	10,919,065
10.00%	382,970	897,515	946,524	976,726	1,007,707	612,035	1,007,613	997,195	981,714	11,410,500	10,373,112

## VALUATION MATRIX - DCF

Discount Rate	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
9.25%	11,136,283	10,779,411	10,464,523	10,184,623	9,934,186	9,708,792
9.50%	10,943,352	10,594,544	10,286,772	10,013,197	9,768,419	9,548,119
9.75%	10,754,722	10,413,779	10,112,946	9,845,539	9,606,281	9,390,948
10.00%	10,570,284	10,237,010	9,942,945	9,681,554	9,447,678	9,237,189
10.25%	10,389,931	10,064,138	9,776,673	9,521,149	9,292,522	9,086,758
10.50%	10,213,558	9,895,062	9,614,035	9,364,234	9,140,727	8,939,571
10.75%	10,041,067	9,729,687	9,454,940	9,210,720	8,992,208	8,795,547

## BEST CASE SCENARIO - Pricing Analysis

Building Size:	90,000 sf										
	1	2	3	4	5	6	7	8	9	10	11
	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	Jun-2017
Net Operating Income	\$ 718,261	\$ 986,840	\$ 1,033,774	\$ 1,065,731	\$ 1,098,294	\$ 1,118,670	\$ 1,139,725	\$ 1,131,573	\$ 1,103,824	\$ 1,091,364	\$ 1,145,628
% Growth		37.39%	4.76%	3.09%	3.06%	1.86%	1.88%	-0.72%	-2.45%	-1.13%	4.97%
5-Yr Net Operating Income Growth						11.15%					
Property Cash Flow Before Debt	\$ 709,261	\$ 977,615	\$ 1,024,318	\$ 1,056,039	\$ 1,088,360	\$ 617,433	\$ 1,129,288	\$ 1,050,337	\$ 1,020,461	\$ 1,055,355	\$ 549,403
\$CF / SF	\$ 7.881	\$ 10.862	\$ 11.381	\$ 11.734	\$ 12.093	\$ 6.860	\$ 12.548	\$ 11.670	\$ 11.338	\$ 11.726	\$ 6.104
% Growth		37.84%	4.78%	3.10%	3.06%	-43.27%	82.90%	-6.99%	-2.84%	3.42%	-47.94%
5-Yr Cash Flow Growth						-2.59%					

### UNLEVERAGED ANALYSIS

Land, Dev & Constr Costs	\$9,255,509										
	Terminal Cap Rate for Reversion										
	9.00%										
	Selling Costs for Reversion										
	3.00%										
	Discount Rate										
	9.75%										
Unleveraged NOI Return on Investment (1)	7.76%	10.66%	11.17%	11.51%	11.87%	12.09%	12.31%	12.23%	11.93%	11.79%	12.38%
Cumulative Unleveraged NOI Return on Investment (2)	7.21%	9.64%	10.06%	10.34%	10.62%	11.33%	10.97%	10.98%	10.74%	10.58%	11.68%
Cash on Cash Return on Investment (3)	7.66%	10.56%	11.07%	11.41%	11.76%	6.67%	12.20%	11.35%	11.03%	11.40%	5.94%
AVERAGE 5-YR UNLEVERAGED NOI RETURN ON CUM INV	9.57%										
AVERAGE 5-YR UNLEVERAGED Cash on Cash RETURN	10.49%										

UNLEVERAGED IRR	22.58%	18.33%	16.44%	15.50%	14.75%	13.69%	13.10%	12.45%	12.06%	12.18%	
Holding Period for Equity Invest	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$9,255,509)	\$ 11,345,203									
2 YEARS	(\$9,255,509)	\$709,261	\$12,119,401								
3 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$ 12,510,530							
4 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$ 12,893,208						
5 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$ 13,145,137					
6 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$ 12,901,136				
7 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$ 13,325,130			
8 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$ 12,947,107		
9 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$1,050,337	\$ 12,782,940	
10 YEARS	(\$9,255,509)	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$1,050,337	\$ 1,020,461	\$ 13,402,679

### Internal Rate of Return - Test of 10 year hold

	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	
IRR	(\$9,255,509)	\$ 709,261	\$ 977,615	\$ 1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$1,050,337	\$ 1,020,461	\$ 13,402,679
	12%										\$12,347,324

### LEVERAGED ANALYSIS

<b>FIRST MORTGAGE</b>			<b>SECOND MORTGAGE</b>			<b>EQUITY</b>		
Loan to Value	80.00%		Loan to Value	5.00%		Equity %	6%	
Value	\$10,813,216		Value	\$0		Equity Amount	\$604,936	
Loan Amount	\$8,650,573		Loan Amount	\$0		Initial Equity	1,460,796	
Interest Rate	6.11%		Interest Rate	11.00%				
Annual Payment	\$629,735		Annual Payment	\$0				
Term	30.00 years		Term	30.00 years				

LEVERAGED IRR	362.64%	190.82%	141.77%	120.02%	107.60%	99.21%	94.21%	91.03%	89.33%	88.58%	
Holding Period for Equity Invest	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$604,936)	\$2,798,698									
2 YEAR	(\$604,936)	\$709,261	\$3,053,768								
3 YEAR	(\$604,936)	\$709,261	\$347,880	\$3,562,454							
4 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$4,070,076						
5 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$4,454,801					
6 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	\$4,351,942				
7 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	(\$12,302)	\$4,925,947			
8 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	(\$12,302)	\$499,553	\$4,707,361		
9 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	(\$12,302)	\$499,553	\$420,602	\$4,712,650	
10 YEAR	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	(\$12,302)	\$499,553	\$420,602	\$390,726	\$5,512,495

### Internal Rate of Return - Test of 10 year hold

	1	2	3	4	5	6	7	8	9	10	
	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	
Cash Flow After Debt	\$ 709,261	\$ 347,880	\$ 394,583	\$ 426,304	\$ 458,625	\$ (12,302)	\$ 499,553	\$ 420,602	\$ 390,726	\$ 425,620	
											Net Reversion
											\$ 12,347,324
											Loan Balance
											\$7,260,449
											Net Equity
											\$ 5,086,875
Cash Flow After Debt	(\$604,936)	\$709,261	\$347,880	\$394,583	\$426,304	\$458,625	(\$12,302)	\$499,553	\$420,602	\$390,726	\$ 5,512,495

Initial Equity	\$604,936
Leveraged Return	88.58%

# BEST CASE SCENARIO - DISCOUNTED CASH FLOW ANALYSIS

For the Years Ending	Year 1 Jun-2007	Year 2 Jun-2008	Year 3 Jun-2009	Year 4 Jun-2010	Year 5 Jun-2011	Year 6 Jun-2012	Year 7 Jun-2013	Year 8 Jun-2014	Year 9 Jun-2015	Year 10 Jun-2016	Year 11 Jun-2017
POTENTIAL GROSS REVENUE											
Base Rental Revenue	\$866,724	\$1,181,632	\$1,217,081	\$1,253,593	\$1,291,200	\$1,376,080	\$1,410,638	\$1,410,618	\$1,391,351	\$1,384,241	\$1,480,007
Absorption & Turnover Vacancy						-81,868		-11,844	-12,199	-4,188	-99,222
Scheduled Base Rental Revenue	866,724	1,181,632	1,217,081	1,253,593	1,291,200	1,294,212	1,410,638	1,398,774	1,379,152	1,380,053	1,380,785
Expense Reimbursement Revenue											
Real Estate Taxes	25,170	69,620	90,160	93,140	96,190	45,566	30,850	26,323	19,026	17,017	8,642
Landscaping	40,672	55,358	56,740	58,160	59,612	57,420	62,632	63,671	65,259	67,263	64,772
Repairs	29,752	41,520	42,560	43,620	44,430	42,816	46,930	47,672	48,892	50,103	48,292
Utilities	4,450	6,458	6,620	6,788	6,848	6,602	7,290	7,398	7,595	7,716	7,448
Total Reimbursement Revenue	100,044	172,856	196,080	201,708	207,080	152,404	147,702	145,064	140,772	142,099	129,154
TOTAL POTENTIAL GROSS REVENUE	966,768	1,354,488	1,413,161	1,455,301	1,498,280	1,446,616	1,558,340	1,543,838	1,519,924	1,522,152	1,509,939
General Vacancy	-48,338	-67,724	-70,658	-72,765	-74,914	-77,917	-77,917	-65,940	-84,407	-72,129	-75,497
Collection Loss	-48,338	-67,724	-70,658	-72,765	-74,914	-72,331	-77,917	-77,192	-75,996	-76,108	-75,497
EFFECTIVE GROSS REVENUE	870,092	1,219,040	1,271,845	1,309,771	1,348,452	1,374,285	1,402,506	1,400,706	1,379,521	1,373,915	1,434,442
OPERATING EXPENSES											
Real Estate Taxes	42,300	116,100	119,002	121,978	125,027	128,153	131,356	134,640	138,006	141,457	144,993
Landscaping	54,000	55,350	56,734	58,152	59,606	61,096	62,623	64,189	65,794	67,439	69,125
Repairs	38,475	41,512	42,550	43,614	44,704	45,262	46,968	48,062	49,263	50,551	51,181
Utilities	5,513	6,457	6,619	6,784	6,954	6,911	7,306	7,458	7,644	7,857	7,808
Management Fee	2,543	3,556	3,710	3,820	3,933	4,010	4,091	4,086	4,024	4,007	4,186
Insurance	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
TOTAL OPERATING EXPENSES	151,831	232,200	238,071	244,040	250,158	255,615	262,781	269,133	275,697	282,551	288,814
NET OPERATING INCOME	718,261	986,840	1,033,774	1,065,731	1,098,294	1,118,670	1,139,725	1,131,573	1,103,824	1,091,364	1,145,628
LEASING & CAPITAL COSTS											
Tenant Improvements						358,430		51,351	52,635	17,984	423,965
Leasing Commissions						132,624		19,187	19,762	6,785	160,739
Capital Exp.	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
TOTAL LEASING & CAPITAL COSTS	9,000	9,225	9,456	9,692	9,934	501,237	10,437	81,236	83,363	36,009	596,225
CASH FLOW BEFORE DEBT SERVICE & TAXES	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$1,050,337	\$1,020,461	\$1,055,355	\$549,403
Debt Service(First Mortgage)	0	629,735	629,735	629,735	629,735	629,735	629,735	629,735	629,735	629,735	629,735
Debt Service(Mezz Mortgage)	0	0	0	0	0	0	0	0	0	0	0
CASH FLOW AFTER DEBT SERVICE	709,261	347,880	394,583	426,304	458,625	(12,302)	499,553	420,602	390,726	425,620	(80,332)
DSCR		1.55	1.63	1.68	1.73	0.98	1.79	1.67	1.62	1.68	0.87



# BEST CASE SCENARIO - DISCOUNTED CASH FLOW ANALYSIS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Net Operating Income	\$718,261	\$986,840	\$1,033,774	\$1,065,731	\$1,098,294	\$1,118,670	\$1,139,725	\$1,131,573	\$1,103,824	\$1,091,364	\$1,145,628
Less Tenant Improvements						\$358,430		\$51,351	\$52,635	\$17,984	
Less Leasing Commissions						\$132,624		\$19,187	\$19,762	\$6,785	
Less Reserves	\$9,000	\$9,225	\$9,456	\$9,692	\$9,934	\$10,183	\$10,437	\$10,698	\$10,966	\$11,240	
Sub total	\$9,000	\$9,225	\$9,456	\$9,692	\$9,934	\$501,237	\$10,437	\$81,236	\$83,363	\$36,009	
CASH FLOW	\$709,261	\$977,615	\$1,024,318	\$1,056,039	\$1,088,360	\$617,433	\$1,129,288	\$1,050,337	\$1,020,461	\$1,055,355	
7.50%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	15,872,144	14,816,789
8.00%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	14,946,095	13,890,740
8.50%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	14,128,992	13,073,637
9.00%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	13,402,679	12,347,324
9.50%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	12,752,820	11,697,465
10.00%	709,261	977,615	1,024,318	1,056,039	1,088,360	617,433	1,129,288	1,050,337	1,020,461	12,167,947	11,112,592

## VALUATION MATRIX - DCF

Discount Rate	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
9.25%	12,196,023	11,813,710	11,476,374	11,176,520	10,908,230	10,686,769
9.50%	11,989,321	11,615,647	11,285,935	10,992,857	10,730,630	10,494,625
9.75%	11,787,213	11,421,964	11,099,686	10,813,216	10,556,901	10,326,217
10.00%	11,589,581	11,232,549	10,917,520	10,637,495	10,386,946	10,161,452
10.25%	11,396,311	11,047,293	10,739,336	10,465,596	10,220,671	10,000,238
10.50%	11,207,294	10,866,092	10,565,031	10,297,422	10,057,982	9,842,486
10.75%	11,022,420	10,688,843	10,394,509	10,132,880	9,898,791	9,688,110

## WORST CASE SCENERIO - Pricing Analysis

Building Size:	90,000 sf										
	1	2	3	4	5	6	7	8	9	10	11
	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016	Jun-2017
Net Operating Income	\$ (59,000)	\$ 327,448	\$ 816,717	\$ 885,617	\$ 914,997	\$ 899,819	\$ 931,686	\$ 983,776	\$ 1,013,730	\$ 998,938	\$ 958,060
% Growth		-655.00%	149.42%	8.44%	3.32%	-1.66%	3.54%	5.59%	3.04%	-1.46%	-4.09%
5-Yr Net Operating Income Growth						-325.02%					
Property Cash Flow Before Debt	\$ (639,654)	\$ (400,350)	\$ 711,492	\$ 875,925	\$ 905,063	\$ 716,672	\$ 677,184	\$ 836,460	\$ 1,002,764	\$ 915,756	\$ 725,047
\$CF / SF	\$ (7.107)	\$ (4.448)	\$ 7.905	\$ 9.733	\$ 10.056	\$ 7.963	\$ 7.524	\$ 9.294	\$ 11.142	\$ 10.175	\$ 8.056
% Growth		-37.41%	-277.72%	23.11%	3.33%	-20.82%	-5.51%	23.52%	19.88%	-8.68%	-20.83%
5-Yr Cash Flow Growth						-42.41%					

### UNLEVERAGED ANALYSIS

Land, Dev & Constr Costs	\$9,255,509										
	Terminal Cap Rate for Revers 9.00% Selling Costs for Reversion 3.00% Discount Rate 9.75%										
Unleveraged NOI Return on Investment (1)	-0.64%	3.54%	8.82%	9.57%	9.89%	9.72%	10.07%	10.63%	10.95%	10.79%	10.35%
Cumulative Unleveraged NOI Return on Investment (2)	-0.68%	3.70%	8.19%	8.74%	9.01%	9.02%	9.38%	9.75%	9.88%	9.82%	9.60%
Cash on Cash Return on Investment (3)	-6.91%	-4.33%	7.69%	9.46%	9.78%	7.74%	7.32%	9.04%	10.83%	9.89%	7.83%
AVERAGE 5-YR UNLEVERAGED NOI RETURN ON CUN	5.79%										
AVERAGE 5-YR UNLEVERAGED Cash on Cash RETURN	3.14%										

UNLEVERAGED IRR		#NUM!	-8.11%	-0.13%	2.83%	3.68%	4.71%	5.60%	6.13%	6.27%	6.13%
Holding Period for Equity Inv	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$9,255,509)	\$ 2,889,508									
2 YEARS	(\$9,255,509)		\$ 8,402,044								
3 YEARS	(\$9,255,509)			\$10,256,475							
4 YEARS	(\$9,255,509)				\$10,737,559						
5 YEARS	(\$9,255,509)					\$10,603,112					
6 YEARS	(\$9,255,509)						\$10,758,177				
7 YEARS	(\$9,255,509)							\$11,280,103			
8 YEARS	(\$9,255,509)								\$11,762,217		
9 YEARS	(\$9,255,509)									\$11,769,096	
10 YEARS	(\$9,255,509)										\$11,241,514

### Internal Rate of Return - Test of 10 year hold

		Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
IRR	(\$9,255,509)	\$ (639,654)	\$ (400,350)	\$ 711,492	\$ 875,925	\$ 905,063	\$ 716,672	\$ 677,184	\$ 836,460	\$ 1,002,764	\$ 915,756
	6%										\$10,325,758

### LEVERAGED ANALYSIS

FIRST MORTGAGE			SECOND MORTGAGE			EQUITY		
Loan to Value	80.00%		Loan to Value	5.00%		Equity %	49%	
Value	\$6,885,085		Value	\$6,885,085		Equity Amount	\$3,403,187	
Loan Amount	\$5,508,068		Loan Amount	\$344,254		Initial Equity	1,460,796	
Interest Rate	6.11%		Interest Rate	11.00%				
Annual Payment	\$400,970		Annual Payment	\$39,341				
Term	30.00 years		Term	30.00 years				

LEVERAGED IRR		#NUM!	-27.56%	-6.01%	0.77%	2.35%	4.44%	6.22%	7.20%	7.37%	6.99%
Holding Period for Equity Inv	Initial Equity Investment	Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
1 YEAR	(\$3,403,187)	(\$2,895,002)									
2 YEAR	(\$3,403,187)		\$2,249,378								
3 YEAR	(\$3,403,187)			\$4,180,590							
4 YEAR	(\$3,403,187)				\$4,743,382						
5 YEAR	(\$3,403,187)					\$4,695,892					
6 YEAR	(\$3,403,187)						\$4,943,504				
7 YEAR	(\$3,403,187)							\$5,563,936			
8 YEAR	(\$3,403,187)								\$6,150,903		
9 YEAR	(\$3,403,187)									\$6,269,400	
10 YEAR	(\$3,403,187)										\$5,860,648

### Internal Rate of Return - Test of 10 year hold

		1	2	3	4	5	6	7	8	9	10
		Jun-2007	Jun-2008	Jun-2009	Jun-2010	Jun-2011	Jun-2012	Jun-2013	Jun-2014	Jun-2015	Jun-2016
Cash Flow After Debt		\$ (639,654)	\$ (840,661)	\$ 271,181	\$ 435,614	\$ 464,752	\$ 276,361	\$ 236,873	\$ 396,149	\$ 562,453	\$ 475,445
										Net Reversion	\$10,325,758
										Loan Balance	\$4,935,513
										Net Equity	\$ 5,390,245
Cash Flow After Debt	(\$3,403,187)	(\$639,654)	(\$840,661)	\$271,181	\$435,614	\$464,752	\$276,361	\$236,873	\$396,149	\$562,453	\$ 5,865,689

Initial Equity	\$3,403,187
Leveraged Return	7.00%

# **WORST CASE SCENARIO - DISCOUNTED CASH FLOW**

For the Years Ending	Year 1 Jun-2007	Year 2 Jun-2008	Year 3 Jun-2009	Year 4 Jun-2010	Year 5 Jun-2011	Year 6 Jun-2012	Year 7 Jun-2013	Year 8 Jun-2014	Year 9 Jun-2015	Year 10 Jun-2016	Year 11 Jun-2017
<b>POTENTIAL GROSS REVENUE</b>											
Base Rental Revenue	\$150,145	\$633,090	\$1,067,419	\$1,122,399	\$1,156,071	\$1,201,794	\$1,256,034	\$1,311,474	\$1,310,850	\$1,308,715	\$1,312,995
Absorption & Turnover Vacancy						-27,219	-38,551	-21,658		-11,489	-35,499
Base Rent Abatements	-71,060	-86,765	-19,780			-54,440	-59,577	-50,010	-10,829	-22,977	-67,054
<b>Scheduled Base Rental Revenue</b>	<b>79,085</b>	<b>546,325</b>	<b>1,047,639</b>	<b>1,122,399</b>	<b>1,156,071</b>	<b>1,120,135</b>	<b>1,157,906</b>	<b>1,239,806</b>	<b>1,300,021</b>	<b>1,274,249</b>	<b>1,210,442</b>
<b>Expense Reimbursement Revenue</b>											
Real Estate Taxes		9,589	20,645	23,621	26,670	23,476	14,527	11,262	9,739	12,333	12,031
Landscaping	8,049	32,539	55,495	58,160	59,612	59,733	60,708	63,129	66,800	66,879	67,388
Repairs	5,280	22,763	40,983	43,620	44,710	44,665	45,255	47,164	49,312	50,116	50,318
Utilities	644	3,158	6,226	6,788	6,958	6,914	6,976	7,294	7,660	7,786	7,778
<b>Total Reimbursement Revenue</b>	<b>13,973</b>	<b>68,049</b>	<b>123,349</b>	<b>132,189</b>	<b>137,950</b>	<b>134,788</b>	<b>127,466</b>	<b>128,849</b>	<b>132,511</b>	<b>137,114</b>	<b>137,515</b>
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>93,058</b>	<b>614,374</b>	<b>1,170,988</b>	<b>1,254,588</b>	<b>1,294,021</b>	<b>1,254,923</b>	<b>1,285,372</b>	<b>1,368,655</b>	<b>1,432,532</b>	<b>1,411,363</b>	<b>1,347,957</b>
General Vacancy	-4,653	-30,719	-58,549	-62,729	-64,701	-36,888	-27,645	-47,858	-71,627	-59,654	-33,674
Collection Loss	-4,653	-30,719	-58,549	-62,729	-64,701	-62,746	-64,269	-68,433	-71,627	-70,568	-67,398
<b>EFFECTIVE GROSS REVENUE</b>	<b>83,752</b>	<b>552,936</b>	<b>1,053,890</b>	<b>1,129,130</b>	<b>1,164,619</b>	<b>1,155,289</b>	<b>1,193,458</b>	<b>1,252,364</b>	<b>1,289,278</b>	<b>1,281,141</b>	<b>1,246,885</b>
<b>OPERATING EXPENSES</b>											
Real Estate Taxes	42,300	116,100	119,002	121,978	125,027	128,153	131,356	134,640	138,006	141,457	144,993
Landscaping	54,000	55,350	56,734	58,152	59,606	61,096	62,623	64,189	65,794	67,439	69,125
Repairs	33,593	38,076	42,361	43,614	44,704	45,618	46,681	47,981	49,345	50,495	51,584
Utilities	3,614	5,122	6,546	6,784	6,954	7,049	7,195	7,427	7,676	7,835	7,964
Management Fee	245	1,615	3,074	3,293	3,397	3,371	3,480	3,653	3,761	3,737	3,638
Insurance	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
<b>TOTAL OPERATING EXPENSES</b>	<b>142,752</b>	<b>225,488</b>	<b>237,173</b>	<b>243,513</b>	<b>249,622</b>	<b>255,470</b>	<b>261,772</b>	<b>268,588</b>	<b>275,548</b>	<b>282,203</b>	<b>288,825</b>
<b>NET OPERATING INCOME</b>	<b>-59,000</b>	<b>327,448</b>	<b>816,717</b>	<b>885,617</b>	<b>914,997</b>	<b>899,819</b>	<b>931,686</b>	<b>983,776</b>	<b>1,013,730</b>	<b>998,938</b>	<b>958,060</b>
<b>LEASING &amp; CAPITAL COSTS</b>											
Tenant Improvements	461,250	592,500	63,750			130,338	183,696	102,702		53,951	165,899
Leasing Commissions	110,404	126,073	32,019			42,626	60,369	33,916		17,991	55,593
Capital Exp.	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240	11,521
<b>TOTAL LEASING &amp; CAPITAL COSTS</b>	<b>580,654</b>	<b>727,798</b>	<b>105,225</b>	<b>9,692</b>	<b>9,934</b>	<b>183,147</b>	<b>254,502</b>	<b>147,316</b>	<b>10,966</b>	<b>83,182</b>	<b>233,013</b>
<b>CASH FLOW BEFORE DEBT SERVICE &amp; TAXES</b>	<b>(\$639,654)</b>	<b>(\$400,350)</b>	<b>\$711,492</b>	<b>\$875,925</b>	<b>\$905,063</b>	<b>\$716,672</b>	<b>\$677,184</b>	<b>\$836,460</b>	<b>\$1,002,764</b>	<b>\$915,756</b>	<b>\$725,047</b>
Debt Service(First Mortgage)	0	400,970	400,970	400,970	400,970	400,970	400,970	400,970	400,970	400,970	400,970
Debt Service(Mezz Mortgage)	0	39,341	39,341	39,341	39,341	39,341	39,341	39,341	39,341	39,341	39,341
<b>CASH FLOW AFTER DEBT SERVICE</b>	<b>(639,654)</b>	<b>(840,661)</b>	<b>271,181</b>	<b>435,614</b>	<b>464,752</b>	<b>276,361</b>	<b>236,873</b>	<b>396,149</b>	<b>562,453</b>	<b>475,445</b>	<b>284,736</b>
<b>DSCR</b>		(0.91)	1.62	1.99	2.06	1.63	1.54	1.90	2.28	2.08	1.65

# WORST CASE SCENARIO - DISCOUNTED CASH FLOW ANALYSIS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Net Operating Income	(\$59,000)	\$327,448	\$816,717	\$885,617	\$914,997	\$899,819	\$931,686	\$983,776	\$1,013,730	\$998,938	\$958,060
Less Tenant Improvements											
Less Leasing Commissions	\$461,250	\$592,500	\$63,750			\$130,338	\$183,696	\$102,702		\$53,951	
Less Reserves	\$110,404	\$126,073	\$32,019			\$42,626	\$60,369	\$33,916		\$17,991	
Sub total	\$571,654	\$718,573	\$95,769	\$0	\$0	\$172,964	\$244,065	\$136,618	\$0	\$71,942	
CASH FLOW	(\$630,654)	(\$391,125)	\$720,948	\$885,617	\$914,997	\$726,855	\$687,621	\$847,158	\$1,013,730	\$926,996	
7.50%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	13,317,905	12,390,909
8.00%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	12,543,474	11,616,478
8.50%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	11,860,151	10,933,155
9.00%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	11,252,754	10,325,758
9.50%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	10,709,293	9,782,297
10.00%	(630,654)	(391,125)	720,948	885,617	914,997	726,855	687,621	847,158	1,013,730	10,220,178	9,293,182

## VALUATION MATRIX - DCF

Discount Rate	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
9.25%	8,028,045	7,708,326	7,426,221	7,175,461	6,951,096	6,749,168
9.50%	7,861,921	7,549,427	7,273,697	7,028,603	6,809,309	6,611,944
9.75%	7,699,614	7,394,166	7,124,652	6,885,085	6,670,735	6,477,821
10.00%	7,541,027	7,242,450	6,978,999	6,744,821	6,535,294	6,346,719
10.25%	7,386,063	7,094,188	6,836,651	6,607,729	6,402,904	6,218,562
10.50%	7,234,630	6,949,291	6,697,522	6,473,727	6,273,490	6,093,276
10.75%	7,086,638	6,807,675	6,561,532	6,342,738	6,146,975	5,970,788

