

PRELIMINARY AND TENTATIVE - FOR DISCUSSION PURPOSES ONLY - 9-13-13

**COSTS AND MARKET RENT ESTIMATE DOES NOT INCLUDE STATE-FUNDED TENANT IMPROVEMENTS!!**

<b>Land Area</b>	31129		
<b>Building Size</b>	64048		
<b>Project Cost as of 8-28-13</b>		%	Per GSF
Prop Acq	\$7,850,000	21.8%	\$122.56
Soft Costs	\$515,000	1.4%	\$8.04
<b>NET Construction &amp; A/E Services</b>	<b>\$22,065,348</b>	<b>61.2%</b>	<b>\$344.51</b>
Interim Office Space	\$750,000	2.1%	\$11.71
Contingency	\$762,322	2.1%	\$11.90
Construction Loan Interest	\$1,110,007	3.1%	\$17.33
Loan Fee	\$611,077	1.7%	\$9.54
Construction Management	\$892,533	2.5%	\$13.94
Development Fee	\$1,487,555	4.1%	\$23.23
	\$36,043,842	100.0%	\$562.76
<b>Loan Assumptions</b>			
AIDA		% of Loan	% of Project
Max Loan	\$20,000,000	73.984%	55.488%
Loan Term - Mos	300		
Interest Rate	5.68%		
Mortgage Constant	0.074986		
Additional Financing - Bank			
Max Loan	none		
Likely Loan	\$7,032,881.50	26.016%	19.512%
Loan Term - Mos	240		
Interest Rate	6.50%		
Mortgage Constant	0.089469		
<b>Total Loan</b>	<b>\$27,032,882</b>	<b>100.0%</b>	<b>75.000% Annual DS Mon DS</b>
<b>Combined Mortgage Constant</b>	<b>0.078754</b>		\$2,128,943 \$177,412
Combined Interest Rate	5.893%		\$1,593,137 \$132,761
<b>Imputed Payment to Principal</b>	<b>0.019821</b>		\$535,806 \$44,650
<b>Excel Test Amortization</b>			\$2,093,307 \$172,415
<b>Debt Service coverage Ratio</b>	<b>1.3</b>		
Alternative DS coverage Ratio	1.2		
<b>Imputed Equity Investment</b>	<b>\$9,010,961</b>		<b>25.000%</b>

Likely Market Rent Basis				
	Quantity	Cost/Value	Note	Extension
Land	31129	\$150.00	1	\$4,669,350
Parking Structure	100	\$59,276.00	2	\$5,927,600
Less Depreciation	18%		3	-\$1,066,968
Structural Frame	45623	\$67.86	4	\$3,095,977
Depreciation in Frame	40%		5	-\$1,238,391
Subtotal				\$11,387,568
New Building (C&S)	64048	\$350.00	6	\$22,416,800
New Building Tis	64048	\$0.00	7	\$0
Specialty Expenditures				
Demolition Costs			8	\$2,189,576
Temporary Relocation Costs			9	\$750,000
Hearing Room Improvements			10	\$264,655
Freight Elevator			11	\$166,520
Custom Casework			11a	\$166,947
Emergency Generator			11b	\$0
Subtotal Hard Costs				\$25,954,497
Subtotal Land & Hard				\$37,342,065
<b>Soft Costs</b>				
Financing	5%		12	\$1,867,103
G&A	5%		13	\$1,867,103
Project Management	4%		14	\$1,493,683
Subtotal Soft Costs				\$5,227,889
Hard & Soft Costs				\$42,569,955
Developer Profit	10%		15	\$4,256,995
Total Project Costs				\$46,826,950
Return on Debt	7.87538%		16	7.325%
% Debt	60%		17	
Return on Equity	6.50%		18	
% Equity	40%		19	
Indicated NNN Rent			20	\$3,430,182
Adjustment for Service Obligations				\$157,660
Indicated Modified NNN Rent				\$3,587,842

Reqd NOI	Reqd NOI/Mont	CTO-Annual	CTO - Monthly
\$2,721,299.61	\$224,139.29		
		\$627,992.22	\$51,724.45
		\$418,661.48	\$34,482.97

Rental Cost of the Garage			
Indicated Rent Factor			7.325%
Garage Depreciated Cost			\$4,860,632
Indicated Garage Rent (Annual)			\$356,052.47
Indicated Garage Rent (Monthly)			\$29,671.04

Note 8	Demo Cost	Criterion, inc Profit & Ohd	\$2,189,576.14
Note 9	Temp Relo Cost	PD	\$750,000.00
Note 10	Hear Room Improv	Criterion + WA	\$264,654.90
Note 11	Freight Elevator	Criterion	\$166,519.57
Note 11a	Custom Casework	Criterion, inc Profit & Ohd	\$166,946.74

Note 2 Garage Cost New Lenny Pacio

Note 20 - Adjustment for Service Obligations of Landlord				
Lease Section	Item	Cost	Frequency	Annual Cost
Sec 4.a.3	Parking Lot Striping	\$1,000	Annual	\$1,000
Sec 4.a.4	ADA Signage; Future Liability	FV=\$30000	Ann + One Time	\$2,740
Sec 4.a.5	Extraordinary Maintenance	FV=\$1096941	Reserve in 10 Yrs	\$100,180
4.a.6	Exterior Lights	\$1,000	Annual	\$1,000
4.a.7	Interior Lights	\$1,500	Annual	\$1,500
4.a.8	Plumbing fixtures	\$1,000	Annual	\$1,000
4.a.9	Elevator	\$20,740	Annual	\$20,740
4.a.10	HVAC	\$26,000	Annual	\$26,000
4.a.11	Fire Suppression	\$3,500	Annual	\$3,500
4.a.12	Assessments	???		\$157,660

Note 2a Original

\$296.38 /sf garage	\$57,549.51 cost new	48606.32 depreciated
\$177.80 /sf land		
\$3,537,697	\$55.24	
\$405.24 /sf gross building area		
\$664.66		
\$731.12		
\$285,848.48		
\$13,138.33		

\$298,986.82	Market Rent-Monthly (NNN Modified)
\$4.67	Market Rent/SF/Month (NNN)
\$269,088.13	90% of Market
\$29,671.04	Garage Rent Cost
\$269,315.78	Net Office Market Rent
\$4.20	Net Office Market RentPer SF/Month

Level Annual Equivalent Rent	
Based on Annual Escalations per Year:	2.00%
Annual LAE Market Rent	\$3,879,828
Per Month	\$323,319
90% of Market - LAE Rent	
Annual	\$3,491,845
Per Month	\$290,987

Level Annual Equivalent Modified NNN Market Rent

Yr	Initial Rent	LAE Rent
1	\$3,587,842	\$3,879,828
2	\$3,659,599	\$3,879,828
3	\$3,732,791	\$3,879,828
4	\$3,807,446	\$3,879,828
5	\$3,883,595	\$3,879,828
6	\$3,961,267	\$3,879,828
7	\$4,040,493	\$3,879,828
8	\$4,121,302	\$3,879,828
9	\$4,203,728	\$3,879,828
10	\$4,287,803	\$3,879,828

Level Annual Equivalent Modified NNN Contract Rent

Yr	Initial Rent	LAE Rent
1	\$3,033,180	\$3,280,027
2	\$3,093,844	\$3,280,027
3	\$3,155,720	\$3,280,027
4	\$3,218,835	\$3,280,027
5	\$3,283,212	\$3,280,027
6	\$3,348,876	\$3,280,027
7	\$3,415,853	\$3,280,027
8	\$3,484,170	\$3,280,027
9	\$3,553,854	\$3,280,027
10	\$3,624,931	\$3,280,027

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**PRELIMINARY AND TENTATIVE - FOR DISCUSSION PURPOSES ONLY - 9-9-13**

		\$9,010,961	25.00%
		\$36,043,842	
<b>CPI</b>	<b>2.00%</b>		

NOTE SMOOTHING OF CAP RATE OVER LIFE OF BUILDING; STOPS/SMOOTHS VALUE CHANGE OVER TIME.

	Equity Invest	NOI	Debt Service	CTO	Reversion	CTO+Rev	Equity IRR	ROE
0	\$9,010,961					-\$9,010,961	<b>12.74%</b>	
1	\$9,511,130.59	\$2,721,300	\$2,093,307	\$627,992	0	\$627,992		6.97%
2	\$10,040,777.37	\$2,775,726	\$2,093,307	\$682,418	0	\$682,418		7.17%
3	\$10,601,637.98	\$2,831,240	\$2,093,307	\$737,933	0	\$737,933		7.35%
4	\$11,195,551.97	\$2,887,865	\$2,093,307	\$794,558	0	\$794,558		7.49%
5	\$11,824,467.28	\$2,945,622	\$2,093,307	\$852,315	0	\$852,315		7.61%
6	\$12,490,446.65	\$3,004,535	\$2,093,307	\$911,227	0	\$911,227		7.71%
7	\$13,195,674.39	\$3,064,625	\$2,093,307	\$971,318	0	\$971,318		7.78%
8	\$13,942,463.55	\$3,125,918	\$2,093,307	\$1,032,610	0	\$1,032,610		7.83%
9	\$14,733,263.46	\$3,188,436	\$2,093,307	\$1,095,129	0	\$1,095,129		7.85%
10	\$15,570,667.83	\$3,252,205	\$2,093,307	\$1,158,898	0	\$1,158,898		7.87%
11	\$16,457,423.21	\$3,317,249	\$2,093,307	\$1,223,942	0	\$1,223,942		7.86%
12	\$17,396,438.03	\$3,383,594	\$2,093,307	\$1,290,287	0	\$1,290,287		7.84%
13	\$18,390,792.11	\$3,451,266	\$2,093,307	\$1,357,959	0	\$1,357,959		7.81%
14	\$19,443,746.76	\$3,520,291	\$2,093,307	\$1,426,984	0	\$1,426,984		7.76%
15	\$20,558,755.53	\$3,590,697	\$2,093,307	\$1,497,390	0	\$1,497,390		7.70%
16	\$21,739,475.45	\$3,662,511	\$2,093,307	\$1,569,204	0	\$1,569,204		7.63%
17	\$22,989,779.11	\$3,735,761	\$2,093,307	\$1,642,454	0	\$1,642,454		7.56%
18	\$24,313,767.32	\$3,810,476	\$2,093,307	\$1,717,169	0	\$1,717,169		7.47%
19	\$25,715,782.53	\$3,886,686	\$2,093,307	\$1,793,379	0	\$1,793,379		7.38%
20	\$27,200,423.15	\$3,964,420	\$2,093,307	\$1,871,112	0	\$1,871,112		7.28%
21	\$28,772,558.56	<b>\$3,639,337</b>	\$2,093,307	\$1,546,030	0	\$1,546,030		5.68%
22	\$30,437,345.12	\$3,712,124	\$2,093,307	\$1,618,817	0	\$1,618,817		5.63%
23	\$32,200,243.06	\$3,786,366	\$2,093,307	\$1,693,059	0	\$1,693,059		5.56%
24	\$34,067,034.43	\$3,862,094	\$2,093,307	\$1,768,786	0	\$1,768,786		5.49%
25	\$36,043,842.00	\$3,939,336	\$2,093,307	\$1,846,028	0	\$1,846,028		5.42%
26	<b>\$37,889,870.30</b>	\$4,018,122	0	\$4,018,122	0	\$4,018,122		11.15%
27	\$37,889,870.30	\$4,098,485	\$0	\$4,098,485	0	\$4,098,485		10.82%
28	\$37,889,870.30	\$4,180,455	\$0	\$4,180,455	0	\$4,180,455		11.03%
29	\$37,889,870.30	\$4,264,064	\$0	\$4,264,064	0	\$4,264,064		11.25%
30	\$37,889,870.30	\$4,349,345	\$0	\$4,349,345	0	\$4,349,345		11.48%
31	\$37,889,870.30	<b>\$3,992,699</b>	\$0	\$3,992,699	0	\$3,992,699		10.54%
32	\$37,889,870.30	\$4,072,553	\$0	\$4,072,553	0	\$4,072,553		10.75%
33	\$37,889,870.30	\$4,154,004	\$0	\$4,154,004	0	\$4,154,004		10.96%
34	\$37,889,870.30	\$4,237,084	\$0	\$4,237,084	0	\$4,237,084		11.18%
35	\$37,889,870.30	\$4,321,825	\$0	\$4,321,825	0	\$4,321,825		11.41%
36	\$37,889,870.30	\$4,408,262	\$0	\$4,408,262	0	\$4,408,262		11.63%
37	\$37,889,870.30	\$4,496,427	\$0	\$4,496,427	0	\$4,496,427		11.87%
38	\$37,889,870.30	\$4,586,356	\$0	\$4,586,356	0	\$4,586,356		12.10%
39	\$37,889,870.30	\$4,678,083	\$0	\$4,678,083	0	\$4,678,083		12.35%
40	\$37,889,870.30	\$4,771,644	\$0	\$4,771,644	\$14,142,052	\$18,913,697		12.59%

Guess Cap Rate	Guess Value	Guess Loan	Net Proceeds	Cash Flows	Reversion	CTO & Reversion
7.500%	<b>\$36,283,995</b>	\$26,532,711	\$9,751,283	\$2,721,300	\$2,721,300	\$2,721,300
7.600%	<b>\$36,522,705</b>	\$26,003,065	\$10,519,641	\$2,775,726	\$2,775,726	\$2,775,726
7.700%	<b>\$36,769,352</b>	\$25,442,204	\$11,327,148	\$2,831,240	\$2,831,240	\$2,831,240
7.800%	<b>\$37,023,909</b>	\$24,848,290	\$12,175,619	\$2,887,865	\$2,887,865	\$2,887,865
7.900%	<b>\$37,286,357</b>	\$24,219,375	\$13,066,982	\$2,945,622	\$2,945,622	\$2,945,622
8.000%	<b>\$37,556,683</b>	\$23,553,395	\$14,003,288	\$3,004,535	\$3,004,535	\$3,004,535
8.100%	<b>\$37,834,881</b>	\$22,848,168	\$14,986,713	\$3,064,625	\$3,064,625	\$3,064,625
8.200%	<b>\$38,120,949</b>	\$22,101,378	\$16,019,571	\$3,125,918	\$3,125,918	\$3,125,918
8.300%	<b>\$38,414,894</b>	\$21,310,579	\$17,104,316	\$3,188,436	\$3,188,436	\$3,188,436
8.400%	<b>\$38,716,725</b>	\$20,473,174	\$18,243,551	\$3,252,205	\$38,716,725	\$41,968,930
8.500%	<b>\$39,026,459</b>	\$19,586,419	\$19,440,040		<b>IRR =</b>	<b>8.65%</b>
8.600%	<b>\$39,344,116</b>	\$18,647,404	\$20,696,713			
8.700%	<b>\$39,669,723</b>	\$17,653,050	\$22,016,673			
8.800%	<b>\$40,003,309</b>	\$16,600,095	\$23,403,214			
8.900%	<b>\$40,344,911</b>	\$15,485,086	\$24,859,824			
9.000%	<b>\$40,694,566</b>	\$14,304,367	\$26,390,200			
9.100%	<b>\$41,052,321</b>	\$13,054,063	\$27,998,258			
9.200%	<b>\$41,418,222</b>	\$11,730,075	\$29,688,147			
9.300%	<b>\$41,792,322</b>	\$10,328,059	\$31,464,263			
9.400%	<b>\$42,174,677</b>	\$8,843,419	\$33,331,259			
9.500%	<b>\$38,308,813</b>	\$7,271,283	\$31,037,530			
9.600%	<b>\$38,667,958</b>	\$5,606,497	\$33,061,461			
9.700%	<b>\$39,034,706</b>	\$3,843,599	\$35,191,107			
9.800%	<b>\$39,409,121</b>	\$1,976,808	\$37,432,313			
9.900%	<b>\$39,791,270</b>	\$0	\$39,791,270			
10.000%	<b>\$40,181,224</b>		\$40,181,224			
10.100%	<b>\$40,579,058</b>		\$40,579,058			
10.200%	<b>\$40,984,849</b>		\$40,984,849			
10.300%	<b>\$41,398,676</b>		\$41,398,676			
10.400%	<b>\$41,820,624</b>		\$41,820,624			
10.500%	<b>\$38,025,701</b>		\$38,025,701			
10.75%	<b>\$35,371,962</b>		\$35,371,962			
10.96%	<b>\$32,718,224</b>		\$32,718,224			
11.18%	<b>\$30,064,485</b>		\$30,064,485			
11.41%	<b>\$27,410,746</b>		\$27,410,746			
11.63%	<b>\$24,757,007</b>		\$24,757,007			
11.87%	<b>\$22,103,269</b>		\$22,103,269			
12.10%	<b>\$19,449,530</b>		\$19,449,530			
12.35%	<b>\$16,795,791</b>		\$16,795,791			
12.59%	<b>\$14,142,052</b>		\$14,142,052			

Reversion Calc		
Land		31129
Value Base		175
Value	\$	5,447,575
FV at 2%	\$	12,028,462
Alt Calc		
Building		64048
Value Base		\$100
Value	\$	6,404,800
FV at 2%	\$	14,142,052

0.075 Start Rate  
 0.105 end Rate  
 0.030000 Change  
 30 Years  
 0.001 Per Year

Twenty Year Returns			Life of the Building		
Cash Flows	Reversion	CTO & Reversion	Cash Flows	Reversion	CTO & Reversion
-\$36,043,842		-\$36,043,842	-\$36,043,842		-\$36,043,842
\$2,721,300		\$2,721,300	\$2,721,300		\$2,721,300
\$2,775,726		\$2,775,726	\$2,775,726		\$2,775,726
\$2,831,240		\$2,831,240	\$2,831,240		\$2,831,240
\$2,887,865		\$2,887,865	\$2,887,865		\$2,887,865
\$2,945,622		\$2,945,622	\$2,945,622		\$2,945,622
\$3,004,535		\$3,004,535	\$3,004,535		\$3,004,535
\$3,064,625		\$3,064,625	\$3,064,625		\$3,064,625
\$3,125,918		\$3,125,918	\$3,125,918		\$3,125,918
\$3,188,436		\$3,188,436	\$3,188,436		\$3,188,436
\$3,252,205		\$3,252,205	\$3,252,205		\$3,252,205
\$3,317,249		\$3,317,249	\$3,317,249		\$3,317,249
\$3,383,594		\$3,383,594	\$3,383,594		\$3,383,594
\$3,451,266		\$3,451,266	\$3,451,266		\$3,451,266
\$3,520,291		\$3,520,291	\$3,520,291		\$3,520,291
\$3,590,697		\$3,590,697	\$3,590,697		\$3,590,697
\$3,662,511		\$3,662,511	\$3,662,511		\$3,662,511
\$3,735,761		\$3,735,761	\$3,735,761		\$3,735,761
\$3,810,476		\$3,810,476	\$3,810,476		\$3,810,476
\$3,886,686		\$3,886,686	\$3,886,686		\$3,886,686
\$3,964,420	\$42,174,677	\$46,139,097	\$3,964,420		\$3,964,420
	<b>IRR =</b>	<b>9.01%</b>	\$3,639,337		\$3,639,337
			\$3,712,124		\$3,712,124
			\$3,786,366		\$3,786,366
			\$3,862,094		\$3,862,094
			\$3,939,336		\$3,939,336
			\$4,018,122		\$4,018,122
			\$4,098,485		\$4,098,485
			\$4,180,455		\$4,180,455
			\$4,264,064		\$4,264,064
			\$4,349,345		\$4,349,345
			\$3,992,699		\$3,992,699
			\$4,072,553		\$4,072,553
			\$4,154,004		\$4,154,004
			\$4,237,084		\$4,237,084
			\$4,321,825		\$4,321,825
			\$4,408,262		\$4,408,262
			\$4,496,427		\$4,496,427
			\$4,586,356		\$4,586,356
			\$4,678,083		\$4,678,083
			\$4,771,644	\$14,142,052	\$18,913,697
			<b>IRR =</b>		<b>8.89%</b>

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<b>ALTERNATIVE DEBT SERVICE COVERAGE RATIO</b>	\$9,010,961	25.11%
	\$35,885,270	
<b>CPI</b>	<b>2.00%</b>	

	Equity Invest	NOI	Debt Service	CTO	Reversion	CTO+Rev	Equity IRR	ROE	Guess Cap Rate	Guess Value	Guess Loan	Net Proceeds	Ten Year Returns		
													Cash Flows	Reversion	CTO & Reversion
0	\$9,010,961					-\$9,010,961	11.01%						-\$35,885,270		-\$35,885,270
1	\$9,511,130.59	\$2,511,969	\$2,093,307	\$418,661	0	\$418,661		4.65%	7.000%	\$35,885,270	\$26,532,711	\$9,352,558	\$2,511,969		\$2,511,969
2	\$10,040,777.37	\$2,562,208	\$2,093,307	\$468,901	0	\$468,901		4.93%	7.000%	\$36,602,975	\$26,003,065	\$10,599,910	\$2,562,208		\$2,562,208
3	\$10,601,637.98	\$2,613,452	\$2,093,307	\$520,145	0	\$520,145		5.18%	7.000%	\$37,335,034	\$25,442,204	\$11,892,830	\$2,613,452		\$2,613,452
4	\$11,195,551.97	\$2,665,721	\$2,093,307	\$572,414	0	\$572,414		5.40%	7.000%	\$38,081,735	\$24,848,290	\$13,233,445	\$2,665,721		\$2,665,721
5	\$11,824,467.28	\$2,719,036	\$2,093,307	\$625,728	0	\$625,728		5.59%	7.000%	\$38,843,370	\$24,219,375	\$14,623,995	\$2,719,036		\$2,719,036
6	\$12,490,446.65	\$2,773,417	\$2,093,307	\$680,109	0	\$680,109		5.75%	7.000%	\$39,620,237	\$23,553,395	\$16,066,842	\$2,773,417		\$2,773,417
7	\$13,195,674.39	\$2,828,885	\$2,093,307	\$735,578	0	\$735,578		5.89%	7.000%	\$40,412,642	\$22,848,168	\$17,564,474	\$2,828,885		\$2,828,885
8	\$13,942,463.55	\$2,885,463	\$2,093,307	\$792,155	0	\$792,155		6.00%	7.000%	\$41,220,895	\$22,101,378	\$19,119,516	\$2,885,463		\$2,885,463
9	\$14,733,263.46	\$2,943,172	\$2,093,307	\$849,864	0	\$849,864		6.10%	7.000%	\$42,045,313	\$21,310,579	\$20,734,734	\$2,943,172		\$2,943,172
10	\$15,570,667.83	\$3,002,035	\$2,093,307	\$908,728	0	\$908,728		6.17%	7.000%	\$42,886,219	\$20,473,174	\$22,413,045	\$3,002,035	\$42,886,219	\$45,882,254
11	\$16,457,423.21	\$3,062,076	\$2,093,307	\$968,769	0	\$968,769		6.22%	8.000%	\$38,275,950	\$19,586,419	\$18,689,532		<b>IRR = 8.85%</b>	
12	\$17,396,438.03	\$3,123,318	\$2,093,307	\$1,030,010	0	\$1,030,010		6.26%	8.000%	\$39,041,469	\$18,647,404	\$20,394,065			
13	\$18,390,792.11	\$3,185,784	\$2,093,307	\$1,092,477	0	\$1,092,477		6.28%	8.000%	\$39,822,299	\$17,653,050	\$22,169,249			
14	\$19,443,746.76	\$3,249,500	\$2,093,307	\$1,156,192	0	\$1,156,192		6.29%	8.000%	\$40,618,745	\$16,600,095	\$24,018,650			
15	\$20,558,755.53	\$3,314,490	\$2,093,307	\$1,221,182	0	\$1,221,182		6.28%	8.000%	\$41,431,120	\$15,485,086	\$25,946,033			
16	\$21,739,475.45	\$3,380,779	\$2,093,307	\$1,287,472	0	\$1,287,472		6.26%	8.000%	\$42,259,742	\$14,304,367	\$27,955,376			
17	\$22,989,779.11	\$3,448,395	\$2,093,307	\$1,355,088	0	\$1,355,088		6.23%	8.000%	\$43,104,937	\$13,054,063	\$30,050,874			
18	\$24,313,767.32	\$3,517,363	\$2,093,307	\$1,424,055	0	\$1,424,055		6.19%	8.000%	\$43,967,036	\$11,730,075	\$32,236,961			
19	\$25,715,782.53	\$3,587,710	\$2,093,307	\$1,494,403	0	\$1,494,403		6.15%	8.000%	\$44,846,376	\$10,328,059	\$34,518,317			
20	\$27,200,423.15	\$3,659,464	\$2,093,307	\$1,566,157	0	\$1,566,157		6.09%	8.000%	\$45,743,304	\$8,843,419	\$36,899,885			
21	\$28,772,558.56	\$3,739,888	\$2,093,307	\$1,640,081	0	\$1,640,081		6.05%	9.000%	\$37,326,536	\$7,271,283	\$30,055,253			
22	\$30,437,345.12	\$3,826,576	\$2,093,307	\$1,718,269	0	\$1,718,269		6.03%	9.000%	\$38,073,067	\$5,606,497	\$32,466,570			
23	\$32,200,243.06	\$3,915,108	\$2,093,307	\$1,801,800	0	\$1,801,800		6.01%	9.000%	\$38,834,528	\$3,843,599	\$34,990,929			
24	\$34,067,034.43	\$3,995,010	\$2,093,307	\$1,891,702	0	\$1,891,702		6.00%	9.000%	\$39,611,219	\$2,076,808	\$37,634,411			
25	\$36,043,842.00	\$4,070,310	\$2,093,307	\$1,983,002	0	\$1,983,002		6.00%	9.000%	\$40,403,443	\$0	\$40,403,443			
26	\$37,586,844.48	\$4,151,036	\$0	\$3,709,036	0	\$3,709,036		10.29%	9.000%	\$41,211,512		\$41,211,512			
27	\$37,586,844.48	\$3,783,217	\$0	\$3,783,217	0	\$3,783,217		10.07%	9.000%	\$42,035,742		\$42,035,742			
28	\$37,586,844.48	\$3,858,881	\$0	\$3,858,881	0	\$3,858,881		10.27%	9.000%	\$42,876,457		\$42,876,457			
29	\$37,586,844.48	\$3,936,059	\$0	\$3,936,059	0	\$3,936,059		10.47%	9.000%	\$43,733,986		\$43,733,986			
30	\$37,586,844.48	\$4,014,780	\$0	\$4,014,780	0	\$4,014,780		10.68%	9.000%	\$44,608,666		\$44,608,666			
31	\$37,586,844.48	\$3,685,568	\$0	\$3,685,568	0	\$3,685,568		9.81%	10.000%	\$36,855,680		\$36,855,680			
32	\$37,586,844.48	\$3,759,279	\$0	\$3,759,279	0	\$3,759,279		10.00%	10.950%	\$34,331,943		\$34,331,943			
33	\$37,586,844.48	\$3,834,465	\$0	\$3,834,465	0	\$3,834,465		10.20%	12.055%	\$31,808,207		\$31,808,207			
34	\$37,586,844.48	\$3,911,154	\$0	\$3,911,154	0	\$3,911,154		10.41%	13.356%	\$29,284,471		\$29,284,471			
35	\$37,586,844.48	\$3,989,377	\$0	\$3,989,377	0	\$3,989,377		10.61%	14.908%	\$26,760,734		\$26,760,734			
36	\$37,586,844.48	\$4,069,165	\$0	\$4,069,165	0	\$4,069,165		10.83%	16.789%	\$24,236,998		\$24,236,998			
37	\$37,586,844.48	\$4,150,548	\$0	\$4,150,548	0	\$4,150,548		11.04%	19.115%	\$21,713,262		\$21,713,262			
38	\$37,586,844.48	\$4,233,559	\$0	\$4,233,559	0	\$4,233,559		11.26%	22.062%	\$19,189,525		\$19,189,525			
39	\$37,586,844.48	\$4,318,230	\$0	\$4,318,230	0	\$4,318,230		11.49%	25.911%	\$16,665,789		\$16,665,789			
40	\$37,586,844.48	\$4,404,595	\$0	\$4,404,595	\$14,142,052	\$18,546,647		11.72%	31.145%	\$14,142,052		\$14,142,052			

<b>Reversion Calc</b>	
Land	31129
Value Base	175
Value	\$ 5,447,575
FV at 2%	\$ 12,028,462
<b>Alt Calc</b>	
Building	64048
Value Base	\$100
Value	\$ 6,404,800
FV at 2%	\$ 14,142,052

Twenty Year Returns			Life of the Building		
Cash Flows	Reversion	CTO & Reversion	Cash Flows	Reversion	CTO & Reversion
-\$35,885,270		-\$35,885,270	-\$35,885,270		-\$35,885,270
\$2,511,969		\$2,511,969	\$2,511,969		\$2,511,969
\$2,562,208		\$2,562,208	\$2,562,208		\$2,562,208
\$2,613,452		\$2,613,452	\$2,613,452		\$2,613,452
\$2,665,721		\$2,665,721	\$2,665,721		\$2,665,721
\$2,719,036		\$2,719,036	\$2,719,036		\$2,719,036
\$2,773,417		\$2,773,417	\$2,773,417		\$2,773,417
\$2,828,885		\$2,828,885	\$2,828,885		\$2,828,885
\$2,885,463		\$2,885,463	\$2,885,463		\$2,885,463
\$2,943,172		\$2,943,172	\$2,943,172		\$2,943,172
\$3,002,035		\$3,002,035	\$3,002,035		\$3,002,035
\$3,062,076		\$3,062,076	\$3,062,076		\$3,062,076
\$3,123,318		\$3,123,318	\$3,123,318		\$3,123,318
\$3,185,784		\$3,185,784	\$3,185,784		\$3,185,784
\$3,249,500		\$3,249,500	\$3,249,500		\$3,249,500
\$3,314,490		\$3,314,490	\$3,314,490		\$3,314,490
\$3,380,779		\$3,380,779	\$3,380,779		\$3,380,779
\$3,448,395		\$3,448,395	\$3,448,395		\$3,448,395
\$3,517,363		\$3,517,363	\$3,517,363		\$3,517,363
\$3,587,710		\$3,587,710	\$3,587,710		\$3,587,710
\$3,659,464	\$45,743,304	\$49,402,768	\$3,659,464		\$3,659,464
	<b>IRR =</b>	<b>8.63%</b>	\$3,359,388		\$3,359,388
			\$3,426,576		\$3,426,576
			\$3,495,108		\$3,495,108
			\$3,565,010		\$3,565,010
			\$3,636,310		\$3,636,310
			\$3,709,036		\$3,709,036
			\$3,783,217		\$3,783,217
			\$3,858,881		\$3,858,881
			\$3,936,059		\$3,936,059
			\$4,014,780		\$4,014,780
			\$3,685,568		\$3,685,568
			\$3,759,279		\$3,759,279
			\$3,834,465		\$3,834,465
			\$3,911,154		\$3,911,154
			\$3,989,377		\$3,989,377
			\$4,069,165		\$4,069,165
			\$4,150,548		\$4,150,548
			\$4,233,559		\$4,233,559
			\$4,318,230		\$4,318,230
			\$4,404,595	\$14,142,052	\$18,546,647
			<b>IRR =</b>		<b>8.26%</b>

**PRELIMINARY AND TENTATIVE - FOR DISCL**

1	\$	27,032,881.50
2	\$	26,532,711.41
3	\$	26,003,064.63
4	\$	25,442,204.02
5	\$	24,848,290.03
6	\$	24,219,374.72
7	\$	23,553,395.35
8	\$	22,848,167.61
9	\$	22,101,378.45
10	\$	21,310,578.54
11	\$	20,473,174.17
12	\$	19,586,418.79
13	\$	18,647,403.97
14	\$	17,653,049.89
15	\$	16,600,095.24
16	\$	15,485,086.47
17	\$	14,304,366.55
18	\$	13,054,062.89
19	\$	11,730,074.68
20	\$	10,328,059.47
21	\$	8,843,418.85
22	\$	7,271,283.44
23	\$	5,606,496.88
24	\$	3,843,598.94
25	\$	1,976,807.57

**JSSION PURPOSES ONLY - 9-9-13**

Interest	Int Exp	DS Constant	Ann D/S	Prin Red	End Balance
0.05893331	\$ 1,593,137.30	0.07875383	\$2,093,307.39	\$ 500,170.09	\$ 26,532,711.41
0.05893331	\$ 1,563,660.62		\$ 2,093,307.39	\$ 529,646.77	\$ 26,003,064.63
0.05893331	\$ 1,532,446.78		\$ 2,093,307.39	\$ 560,860.61	\$ 25,442,204.02
0.05893331	\$ 1,499,393.40		\$ 2,093,307.39	\$ 593,913.99	\$ 24,848,290.03
0.05893331	\$ 1,464,392.08		\$ 2,093,307.39	\$ 628,915.31	\$ 24,219,374.72
0.05893331	\$ 1,427,328.02		\$ 2,093,307.39	\$ 665,979.37	\$ 23,553,395.35
0.05893331	\$ 1,388,079.65		\$ 2,093,307.39	\$ 705,227.74	\$ 22,848,167.61
0.05893331	\$ 1,346,518.24		\$ 2,093,307.39	\$ 746,789.15	\$ 22,101,378.45
0.05893331	\$ 1,302,507.48		\$ 2,093,307.39	\$ 790,799.91	\$ 21,310,578.54
0.05893331	\$ 1,255,903.02		\$ 2,093,307.39	\$ 837,404.37	\$ 20,473,174.17
0.05893331	\$ 1,206,552.00		\$ 2,093,307.39	\$ 886,755.39	\$ 19,586,418.79
0.05893331	\$ 1,154,292.57		\$ 2,093,307.39	\$ 939,014.82	\$ 18,647,403.97
0.05893331	\$ 1,098,953.32		\$ 2,093,307.39	\$ 994,354.07	\$ 17,653,049.89
0.05893331	\$ 1,040,352.73		\$ 2,093,307.39	\$ 1,052,954.66	\$ 16,600,095.24
0.05893331	\$ 978,298.63		\$ 2,093,307.39	\$ 1,115,008.76	\$ 15,485,086.47
0.05893331	\$ 912,587.47		\$ 2,093,307.39	\$ 1,180,719.92	\$ 14,304,366.55
0.05893331	\$ 843,003.73		\$ 2,093,307.39	\$ 1,250,303.66	\$ 13,054,062.89
0.05893331	\$ 769,319.19		\$ 2,093,307.39	\$ 1,323,988.20	\$ 11,730,074.68
0.05893331	\$ 691,292.18		\$ 2,093,307.39	\$ 1,402,015.21	\$ 10,328,059.47
0.05893331	\$ 608,666.77		\$ 2,093,307.39	\$ 1,484,640.62	\$ 8,843,418.85
0.05893331	\$ 521,171.98		\$ 2,093,307.39	\$ 1,572,135.41	\$ 7,271,283.44
0.05893331	\$ 428,520.83		\$ 2,093,307.39	\$ 1,664,786.56	\$ 5,606,496.88
0.05893331	\$ 330,409.44		\$ 2,093,307.39	\$ 1,762,897.95	\$ 3,843,598.94
0.05893331	\$ 226,516.02		\$ 2,093,307.39	\$ 1,866,791.37	\$ 1,976,807.57
0.05893331	\$ 116,499.82		\$ 2,093,307.39	\$ 1,976,807.57	\$ (0.00)

PRELIMINARY AND TENTATIVE - FOR DISCUSSION PURPOSES ONLY - 9-9-13

	\$9,010,961	24.83%
	\$36,283,995	
CPI	2.00%	

	Equity Invest	NOI	Debt Service	CTO	Reversion	CTO+Rev	Equity IRR	ROE
0	\$9,010,961					-\$9,010,961	12.74%	
1	\$9,511,130.59	\$2,721,300	\$2,093,307	\$627,992	0	\$627,992		6.97%
2	\$10,040,777.37	\$2,775,726	\$2,093,307	\$682,418	0	\$682,418		7.17%
3	\$10,601,637.98	\$2,831,240	\$2,093,307	\$737,933	0	\$737,933		7.35%
4	\$11,195,551.97	\$2,887,865	\$2,093,307	\$794,558	0	\$794,558		7.49%
5	\$11,824,467.28	\$2,945,622	\$2,093,307	\$852,315	0	\$852,315		7.61%
6	\$12,490,446.65	\$3,004,535	\$2,093,307	\$911,227	0	\$911,227		7.71%
7	\$13,195,674.39	\$3,064,625	\$2,093,307	\$971,318	0	\$971,318		7.78%
8	\$13,942,463.55	\$3,125,918	\$2,093,307	\$1,032,610	0	\$1,032,610		7.83%
9	\$14,733,263.46	\$3,188,436	\$2,093,307	\$1,095,129	0	\$1,095,129		7.85%
10	\$15,570,667.88	\$3,252,205	\$2,093,307	\$1,158,898	0	\$1,158,898		7.87%
11	\$16,457,423.21	\$3,317,249	\$2,093,307	\$1,223,942	0	\$1,223,942		7.86%
12	\$17,396,438.03	\$3,383,594	\$2,093,307	\$1,290,287	0	\$1,290,287		7.84%
13	\$18,390,792.11	\$3,451,266	\$2,093,307	\$1,357,959	0	\$1,357,959		7.81%
14	\$19,443,746.76	\$3,520,291	\$2,093,307	\$1,426,984	0	\$1,426,984		7.76%
15	\$20,558,755.53	\$3,590,697	\$2,093,307	\$1,497,390	0	\$1,497,390		7.70%
16	\$21,739,475.45	\$3,662,511	\$2,093,307	\$1,569,204	0	\$1,569,204		7.63%
17	\$22,989,779.11	\$3,735,761	\$2,093,307	\$1,642,454	0	\$1,642,454		7.56%
18	\$24,313,767.32	\$3,810,476	\$2,093,307	\$1,717,169	0	\$1,717,169		7.47%
19	\$25,715,782.53	\$3,886,686	\$2,093,307	\$1,793,379	0	\$1,793,379		7.38%
20	\$27,200,423.15	\$3,964,420	\$2,093,307	\$1,871,112	0	\$1,871,112		7.28%
21	\$28,772,558.56	\$3,639,337	\$2,093,307	\$1,546,030	0	\$1,546,030		5.68%
22	\$30,437,345.12	\$3,712,124	\$2,093,307	\$1,618,817	0	\$1,618,817		5.63%
23	\$32,200,243.06	\$3,786,366	\$2,093,307	\$1,693,059	0	\$1,693,059		5.56%
24	\$34,067,034.43	\$3,862,094	\$2,093,307	\$1,768,786	0	\$1,768,786		5.49%
25	\$36,043,842.00	\$3,939,336	\$2,093,307	\$1,846,028	0	\$1,846,028		5.42%
26	\$37,889,870.30	\$4,018,122	0	\$4,018,122	0	\$4,018,122		11.15%
27	\$37,889,870.30	\$4,098,485	0	\$4,098,485	0	\$4,098,485		10.82%
28	\$37,889,870.30	\$4,180,455	0	\$4,180,455	0	\$4,180,455		11.03%
29	\$37,889,870.30	\$4,264,064	0	\$4,264,064	0	\$4,264,064		11.25%
30	\$37,889,870.30	\$4,349,345	0	\$4,349,345	0	\$4,349,345		11.48%
31	\$37,889,870.30	\$3,992,699	0	\$3,992,699	0	\$3,992,699		10.54%
32	\$37,889,870.30	\$4,072,553	0	\$4,072,553	0	\$4,072,553		10.75%
33	\$37,889,870.30	\$4,154,004	0	\$4,154,004	0	\$4,154,004		10.96%
34	\$37,889,870.30	\$4,237,084	0	\$4,237,084	0	\$4,237,084		11.18%
35	\$37,889,870.30	\$4,321,825	0	\$4,321,825	0	\$4,321,825		11.41%
36	\$37,889,870.30	\$4,408,262	0	\$4,408,262	0	\$4,408,262		11.63%
37	\$37,889,870.30	\$4,496,427	0	\$4,496,427	0	\$4,496,427		11.87%
38	\$37,889,870.30	\$4,586,356	0	\$4,586,356	0	\$4,586,356		12.10%
39	\$37,889,870.30	\$4,678,083	0	\$4,678,083	0	\$4,678,083		12.35%
40	\$37,889,870.30	\$4,771,644	0	\$4,771,644	\$14,142,052	\$18,913,697		12.59%

PROPERTY LEVEL RETURN ANALYSIS - PURCHASE OPTION

OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR	OPTION EO YR
1	2	3	4	5	6	7	8	9	
8.216%	8.905%	9.135%	9.250%	9.319%	9.365%	9.397%	9.421%	9.440%	
\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	\$36,043,842	
\$39,005,294	\$2,721,300	\$2,721,300	\$2,721,300	\$2,721,300	\$2,721,300	\$2,721,300	\$2,721,300	\$2,721,300	
	\$39,785,400	\$2,775,726	\$2,775,726	\$2,775,726	\$2,775,726	\$2,775,726	\$2,775,726	\$2,775,726	
		\$40,581,108	\$2,831,240	\$2,831,240	\$2,831,240	\$2,831,240	\$2,831,240	\$2,831,240	
			\$41,392,730	\$2,887,865	\$2,887,865	\$2,887,865	\$2,887,865	\$2,887,865	
				\$42,220,585	\$2,945,622	\$2,945,622	\$2,945,622	\$2,945,622	
					\$43,064,997	\$3,004,535	\$3,004,535	\$3,004,535	
						\$44,804,823	\$3,064,625	\$3,064,625	
							\$44,804,823	\$3,125,918	
								\$45,700,919	
Price	\$36,283,995	\$37,009,675	\$37,749,868	\$38,500,000	\$39,274,961	\$40,000,000	\$40,801,671	\$41,678,905	\$42,512,483
Rnd Price	\$36,300,000	\$37,000,000	\$37,700,000	\$38,500,000	\$39,300,000	\$40,100,000	\$40,900,000	\$41,700,000	\$42,500,000
Net Proceeds	\$26,532,711	\$26,003,065	\$25,442,204	\$24,840,290	\$24,219,375	\$23,553,395	\$22,848,168	\$22,101,378	\$21,310,579
IRR	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
IRR	8.216%	8.905%	9.135%	9.250%	9.319%	9.365%	9.397%	9.421%	9.440%

Returns Yr 1 - 3 are not satisfactory - slightly low.

Returns property Yr 4 to 10 are in and around 9% - generally satisfactory.

What about a straight line alternative? 40 year life to -0- on building??

Reversion Calc:	
Land	31129
Value Base	175
FV at 2%	\$ 5,447,575
FV at 2%	\$ 12,028,462
Alt Calc:	
Building	64048
Value Base	\$100
Value	\$ 6,404,800
FV at 2%	\$ 14,142,052





Market Value at  
Lease Rate

\$36,283,995  
\$36,522,705  
\$36,769,352  
\$37,023,909  
\$37,286,357  
\$37,556,683  
\$37,834,881  
\$38,120,949  
\$38,414,894  
\$38,716,725  
\$39,026,459  
\$39,344,116  
\$39,669,723  
\$40,003,309  
\$40,344,911  
\$40,694,566  
\$41,052,321  
\$41,418,222  
\$41,792,322  
\$42,174,677  
\$38,308,813  
\$38,667,958  
\$39,034,706  
\$39,409,121  
\$39,791,270  
\$40,181,224  
\$40,579,058

\$40,984,849  
\$41,398,676  
\$41,820,624  
\$38,025,701  
\$35,371,962  
\$32,718,224  
\$30,064,485  
\$27,410,746  
\$24,757,007  
\$22,103,269  
\$19,449,530  
\$16,795,791  
\$14,142,052

-\$784,362

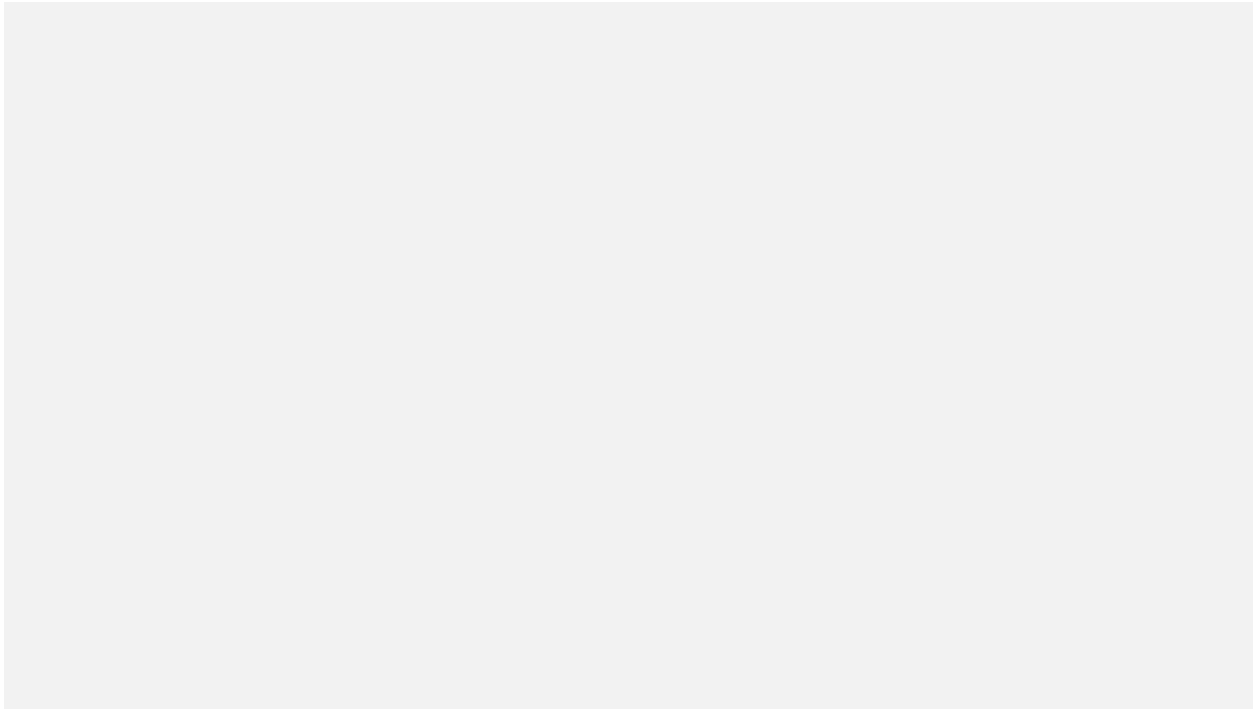
sum of rising  
land and  
building  
declining at  
2.5% increment

building  
declines

land rises at  
2%/year

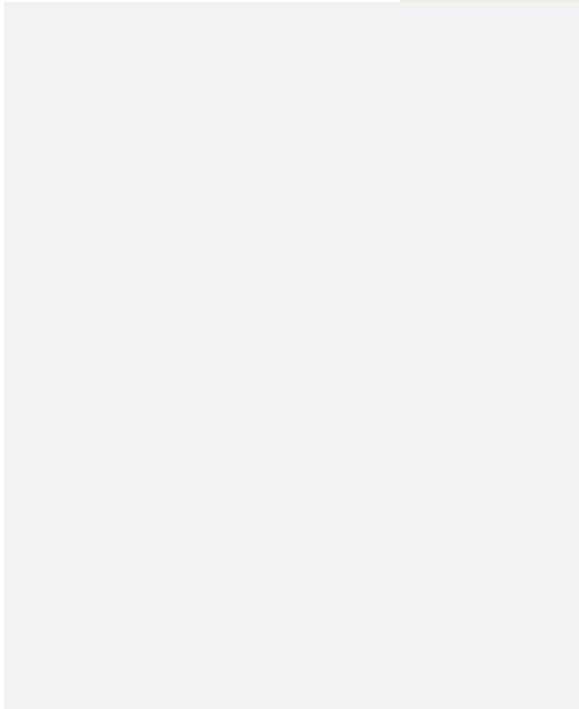
Total                  Building                  Land

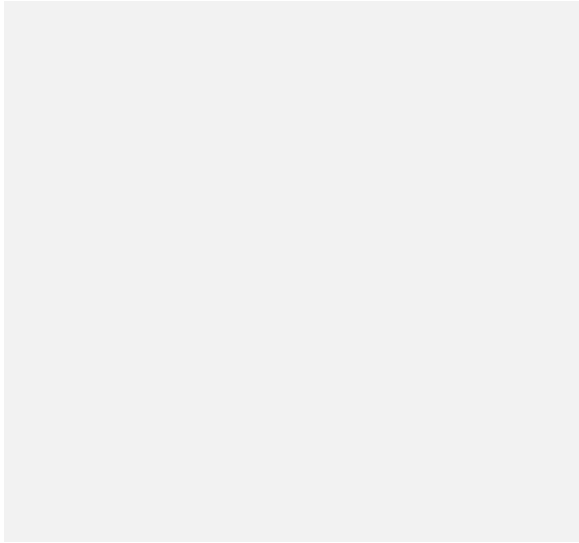
Project Cost New	\$36,043,842	\$31,374,492	\$4,669,350
1	\$35,352,867	\$30,590,130	\$4,762,737
2	\$34,663,759	\$29,805,767	\$4,857,992
3	\$33,976,557	\$29,021,405	\$4,955,152
4	\$33,291,297	\$28,237,043	\$5,054,255
5	\$32,608,020	\$27,452,681	\$5,155,340
6	\$31,926,765	\$26,668,318	\$5,258,446
7	\$31,247,571	\$25,883,956	\$5,363,615
8	\$30,570,481	\$25,099,594	\$5,470,888
9	\$29,895,537	\$24,315,231	\$5,580,305
10	\$29,222,781	\$23,530,869	\$5,691,912





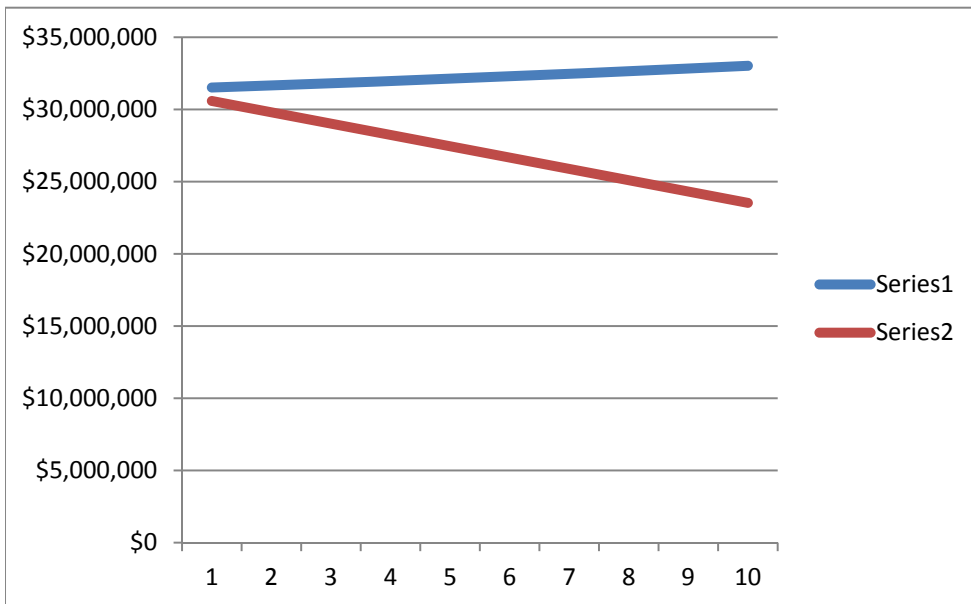
	A	B	C	
	Mkt Value at Lease Rate less Land Value	Declining Price of Building	Variance	
	1	\$31,521,258	\$30,590,130	\$931,128
-\$30,590,130	2	\$31,664,714	\$29,805,767	\$1,858,946
\$784,362	3	\$31,814,201	\$29,021,405	\$2,792,795
\$784,362	4	\$31,969,655	\$28,237,043	\$3,732,612
\$784,362	5	\$32,131,017	\$27,452,681	\$4,678,337
\$784,362	6	\$32,298,237	\$26,668,318	\$5,629,919
\$784,362	7	\$32,471,265	\$25,883,956	\$6,587,310
\$784,362	8	\$32,650,062	\$25,099,594	\$7,550,468
\$784,362	9	\$32,834,589	\$24,315,231	\$8,519,357
\$784,362	10	\$33,024,814	\$23,530,869	\$9,493,945





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D	E	D+E			
50/50 Split	Add Land - Rising	Option Price	Rounded	Rent in Yr	Imputed Cap Rate
\$31,055,694	\$4,762,737	\$35,818,431	\$35,800,000	\$2,721,300	7.60%
\$30,735,240	\$4,857,992	\$35,593,232	\$35,600,000	\$2,775,726	7.80%
\$30,417,803	\$4,955,152	\$35,372,954	\$35,400,000	\$2,831,240	8.00%
\$30,103,349	\$5,054,255	\$35,157,603	\$35,200,000	\$2,887,865	8.20%
\$29,791,849	\$5,155,340	\$34,947,189	\$34,900,000	\$2,945,622	8.44%
\$29,483,277	\$5,258,446	\$34,741,724	\$34,700,000	\$3,004,535	8.66%
\$29,177,611	\$5,363,615	\$34,541,226	\$34,500,000	\$3,064,625	8.88%
\$28,874,828	\$5,470,888	\$34,345,715	\$34,300,000	\$3,125,918	9.11%
\$28,574,910	\$5,580,305	\$34,155,215	\$34,200,000	\$3,188,436	9.32%
\$28,277,841	\$5,691,912	\$33,969,753	\$34,000,000	\$3,252,205	9.57%







Market

**MARKET RENTS PARADIGM -  
NEW OFFICE BUILDING**

CPI

YR

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

2.50%

Monthly Rate	Annual	VCL	EGI	Optg Cost	NOI	Cap Rate
\$3.50	\$42.00	\$2.10	\$39.90	\$9.00	\$30.90	7.500%
\$3.59	\$43.05	\$2.15	\$40.90	\$9.23	\$31.67	7.500%
\$3.68	\$44.13	\$2.21	\$41.92	\$9.46	\$32.46	7.500%
\$3.77	\$45.23	\$2.26	\$42.97	\$9.69	\$33.28	7.500%
\$3.86	\$46.36	\$2.32	\$44.04	\$9.93	\$34.11	7.500%
\$3.96	\$47.52	\$2.38	\$45.14	\$10.18	\$34.96	7.500%
\$4.06	\$48.71	\$2.44	\$46.27	\$10.44	\$35.83	7.500%
\$4.16	\$49.92	\$2.50	\$47.43	\$10.70	\$36.73	7.500%
\$4.26	\$51.17	\$2.56	\$48.61	\$10.97	\$37.65	7.500%
\$4.37	\$52.45	\$2.62	\$49.83	\$11.24	\$38.59	7.500%

V/SF

\$412.00

\$422.30

\$432.86

\$443.68

\$454.77

\$466.14

\$477.79

\$489.74

\$501.98

\$514.53 say

\$510.00

64048

\$510.00

\$32,664,480

\$38,414,894 Property Value by Model; Year 10

-\$5,750,414 Variance

\$32,664,480

\$ 20,473,174 Loan Balance by Model; Year 10

\$12,191,306 Variance