

**The XYZ Office Building, 123 Main Street
Summary of Office Building Development Assumptions - 7/12/2012**

BUILDING PROFILE				DEVELOPMENT USES OF FUNDS						
				Per GSF			Total			
Project Name:		The XYZ Office Building, 123 Main Street		Land & Acquisition Costs		5.00% Deposit	5.28%	\$18.75	\$4,500,000	
				Parking Acquisition Costs		\$5,000/Space			\$500,000	
				Total Hard Costs			71.88%	\$255.24	\$61,258,000	
Lot Square Footage	25,000 SF	Programmed Gross Parking Area	35,000 GSF	Office Building Hard Costs			58.57%	\$208.00	\$49,920,000	
Total Gross Building Area Above Grade	240,000 SF	Parking Spots	100 Spots	Retail Hard Costs			1.17%	\$4.17	\$1,000,000	
Density	9.6 FAR	Parking Spots/1,000 RSF of Office	0.50 Spots	Owner Directed Hard Costs			1.17%	\$4.17	\$1,000,000	
Zoning	C-3-C	Useable SF Per Parking Spot	350 SF	FF&E			0.12%	\$0.42	\$100,000	
Allowable Lot Coverage	80.00%	Garage Floorplate	10,000 SF	Contingency (Developer)		15.00% of Base Building Hard Costs	8.96%	\$31.83	\$7,638,000	
Building Allowable Footprint	20,000 SF	Levels of Parking Required	3.50 Levels	Office Tenant Improvements			1.41%	\$5.00	\$1,200,000	
Height Limit (Stories)	10 Stories	Above-Grade GSF excluding Parking		240,000 SF	Retail Tenant Improvements			0.23%	\$0.83	\$200,000
Number of Floors	12 Stories	Total Building Gross SF including Parking		275,000 SF	Other CapEx			0.23%	\$0.83	\$200,000
Average Slab to Slab Height	120.00 Feet				Total Soft Costs and Fees		25.36% of Base Building Hard Costs	15.15%	\$53.82	\$12,915,852
Height Limit (Feet)	140 Feet				Soft Costs			1.69%	\$6.00	\$1,440,000
Building Height (Feet)	1440.0 Feet				Office Leasing Costs			7.39%	\$26.25	\$6,299,852
Ground Floor Retail	20,000 SF				Retail Leasing Costs			0.10%	\$0.35	\$84,000
Ground Floor Office	2,000 SF				Developer Fee		5.00% of Base Building Hard Costs	2.99%	\$10.61	\$2,546,000
Residual Office GSF	220,000 SF				CM Fee (Developer)		5.00% of Base Building Hard Costs	2.99%	\$10.61	\$2,546,000
Rentable Office SF	90.00% 198,000 RSF				Financing Costs excluding any Operating Deficit			6.83%	\$24.25	\$5,819,145
				Total Development Cost (Uses of Funds)			99.72%	\$354.14	\$84,992,997	
				Operating Deficit (Funded by Equity)			0.28%	\$0.98	\$234,909	
				Total Development Cost Including Operating Deficit			100.00%	\$355.12 PSF	\$85,227,906	

PROJECT TIMING VARIABLES

	Month #	Date/ Duration	Duration	Date/Month
Project/Analysis Start Date	1	4/1/2012	<u>Office</u>	
Land Contract Execution		3/1/2013	1st Office Tenant Rent Commencement	11/1/2015
Land Deposit Date		3/1/2013	Last Office Tenant Rent Commencement	11/1/2015
Land Closing Date		10/1/2013	Post-Construction Leasing	1 Months
Months of Pre-Construction *		18 Months		
Construction Start Date	19	10/1/2013		
# of Months of Construction		25 Months	<u>Retail</u>	
Constr. End/C of O Rcvd	43	10/31/2015	1st Retail Tenant Rent Commencement	Month 44
Total Development Period		43 Months	Post-Construction Leasing	1 Months

* Starting at Project/Analysis Start Date

DEVELOPMENT SOURCES OF FUNDS

	% of Total Equity	Initial Investment	Deficit Share *	% of Cost	Total Equity w/Deficits
<u>Equity</u>					
Sponsor Equity	28.57%	\$4,000,000	\$834,280	5.67%	\$4,834,280
<u>Third Party Investor Equity</u>	71.43%	\$10,000,000	\$2,085,700	14.18%	\$12,085,700
Equity Total	100.00%	\$14,000,000	\$2,919,980	19.85%	\$16,919,980
<u>Debt</u>					
Senior Loan *	5.00% Interest			78.33%	\$66,757,810
Mortgage Recording Tax	1.00%				
Loan Fees - Front End	0.50%				
Loan Fees - At Draws	0.50%				
Debt Total			78.33%		\$66,757,810
Property Cash Flow			1.82%		\$1,550,116
Total Sources of Funds			100.00%		\$85,227,906

The XYZ Office Building, 123 Main Street
Summary of Office Building Operating and Sale Assumptions - 7/12/2012

OFFICE USE CASH FLOW

Office Use (Multiple Tenants)

Rentable SF	198,000 RSF
Vacancy	5.00%
Credit Loss	0.50%
Annual CapEx Reserve PSF	\$0.50

Daily Public Parking

% of Monthly Contracts Sold	85%
% of Monthly Contract Spots not utilized per Day	10%
Occupancy Rate on Daily Spaces	90%
Daily Parking Rate	\$30.00
# of Work Days per Year	55
Profit Margin after Operator Costs	60%
Parking Income Escalation	3%

RETAIL COMPONENT INCOME, TI & LC ASSUMPTIONS

<u>NNN Rent</u>	<u>TI Allowance</u>	<u>TI Start Month</u>	<u>TI Schedule</u>	<u>NOI Start Month</u>	<u>Rent Growth</u>
\$35.00	\$10.00	Month 16	5 Months	Month 21	3.50%

<u>Leasing Commissions</u>	<u>Term</u>	<u>LC Payment Lead Time *</u>	<u>Expense/CapEx Growth</u>
4.00%	3 Years	3 Months	2.50%

Retail Use

Rentable SF	20,000 RSF	Annual CapEx Reserve PSF Retail	\$0.50
Vacancy	2.00%		
Credit Loss	0.50%	<u>Other CapEx</u>	
		Date	1/1/2018
Use Trended Rent?	No	Amount	\$200,000

PERMANENT LOAN REFINANCING OF DEVELOPMENT LOAN(S)

Last Office Tenant Rent Start	11/1/2015	Month 44	NOI at Point of Refinancing	\$7,398,487
Month # of Refinancing (Enter 0 if None)		Month 48	Maximum Loan Amount *	\$69,052,544
Date of Refinancing	3/1/2016		Amount Borrowed	Maximum Loan Amount
			Principal Amount	\$69,052,544
Term		25 Years	Remaining Senior Loan Principal	\$66,757,810
Amortization Period		25 Years	Excess Proceeds to Equity	\$1,604,209
Interest Rate		6.5%		
Monthly Payment		\$466,248		
New Loan LTC		81.02%	Loan/Broker Fees/Closing Costs	1.0%
<i>* The Lesser of the two Maximum Loan Proceeds Amounts</i>			Interest Only Period (Enter 0 if None)	0 years

DISPOSITION

	<u>Office Building Asset</u>		<u>Retail Asset</u>
Disposition of Office & Parking	Month 84	Disposition of Retail	Month 72
Sale Date	3/1/2019	Sale Date	3/1/2018
	(Year 7 of operation)		(Year 6 of operation)
Capitalization Rate	6.00%	Capitalization Rate	9.00%
Selling Costs	2.00%	Selling Costs	2.00%
Annual NOI in Month 96:	\$6,984,859	Annual NOI in Month 84:	\$771,588
Office Space Disposition, Net	\$114,086,029	Retail Disposition, Net	\$8,401,731

RETURNS SUMMARY, FROM MONTHLY CASH FLOWS

Total Equity Invested *	\$16,919,980	<u>Internal Rate of Return</u>	
Going-In NOI	\$0	Project	35.01%
Going-In Yield	NA	Waterfall #1	
Net Cash Flow	\$55,854,507	Developer	40.96%
Multiple on Equity **	4.30x	Third Party Investor	30.59%
Net Present Value	at 7.00% \$31,560,038		

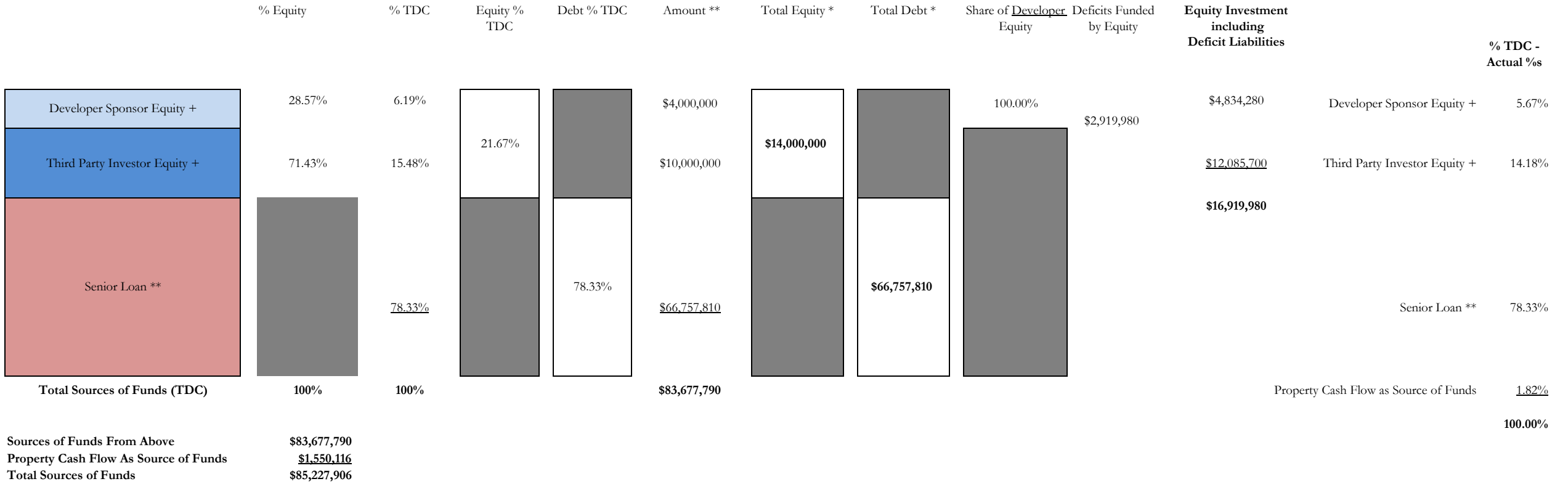
Notes

* Includes equity funding of any operating and funding shortfalls.

** Ignores the time value of money.

Capital Structure (bar heights are not to scale)

The XYZ Office Building, 123 Main Street



+ While the equity slices are shown stacked vertically, note that this is simply the graphic representation and does not imply that there is any Preferred equity in the transaction.

* The Senior Loan Amount on a residual basis after designating the dollar amounts of the other sources of funds.

** Principal Amount includes Funded Interest Reserve and Funded Loan Fees.

^ Equity amounts in this column do not include the pro-rata portion of the Operating and Financing Deficits to be funded by the Equity investors. See Column T for adjusted totals.

Annual Summary - Sources and Uses of Funds

The XYZ Office Building, 123 Main Street

USES OF FUNDS	Data Series Profile	Total	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Land and Acquisition Costs		\$5,000,000	0	5,000,000	0	0	0	0	0	0	0	0	0	0	0
Hard Costs including Contingency, excluding TIIs		\$49,920,000	0	1,440,000	32,480,000	16,000,000	0	0	0	0	0	0	0	0	0
Total Office TIIs		\$1,200,000	0	48,000	1,072,000	80,000	0	0	0	0	0	0	0	0	0
Total Retail TIIs		\$200,000	0	200,000	0	0	0	0	0	0	0	0	0	0	0
Total Hard Costs		\$53,420,000	0	1,748,577	34,918,346	16,753,077	0	0	0	0	0	0	0	0	0
Office Tenant Moving Allowance		\$0	0	0	0	0	0	0	0	0	0	0	0	0	0
Office Tenant Other CapEx		\$0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail Tenant Other CapEx		\$200,000	0	0	0	0	0	0	200,000	0	0	0	0	0	0
Office Tenant Leasing Commissions and Other Leasing Costs		\$6,299,852	0	3,149,926	0	3,149,926	0	0	0	0	0	0	0	0	0
Retail Tenant Leasing Commissions and Other Leasing Costs		\$84,000	0	84,000	0	0	0	0	0	0	0	0	0	0	0
Developer Fee		\$2,546,000	318,250	547,390	916,560	763,800	0	0	0	0	0	0	0	0	0
All Other Soft Costs		\$1,440,000	936,000	417,600	86,400	0	0	0	0	0	0	0	0	0	0
Total Soft Costs		\$13,115,852	1,572,500	4,746,306	1,919,520	4,677,526	0	0	200,000	0	0	0	0	0	0
Subtotal Eligible Development Costs for Senior Loan Funding		\$79,173,852	1,572,500	11,715,210	41,807,462	23,878,680	0	0	200,000	0	0	0	0	0	0
Financing Costs															
Senior Debt Financing															
Capitalized (funded) Front End Loan Fee		\$333,789	0	333,789	0	0	0	0	0	0	0	0	0	0	0
Capitalized (funded) Loan Fees at Loan Draws		\$315,974	0	0	205,476	109,498	0	0	1,000	0	0	0	0	0	0
Capitalized (funded) Loan Interest Reserve		\$3,114,244	0	2,787	779,900	2,331,556	0	0	0	0	0	0	0	0	0
Loan Interest - paid in Cash		\$1,387,560	0	0	0	551,412	834,473	0	1,675	0	0	0	0	0	0
Mortgage Recording Tax - paid in Cash		\$667,578	0	667,578	0	0	0	0	0	0	0	0	0	0	0
Total Financing Costs		\$5,819,145	0	1,004,155	985,376	2,992,467	834,473	0	2,675	0	0	0	0	0	0
Total Development Costs (TDC) before Operating Deficit		\$84,992,997	1,572,500	12,719,364	42,792,839	26,871,146	834,473	0	202,675	0	0	0	0	0	0
Operating Deficit		(\$234,909)	0	0	(84,563)	(150,346)	0	0	0	0	0	0	0	0	0
Total Development Costs (TDC)		\$85,227,906	\$1,572,500	\$12,719,364	\$42,877,401	\$27,021,493	\$834,473	\$0	\$202,675	\$0	\$0	\$0	\$0	\$0	\$0
Net Revenue Less Interest (from Cash Flow Tab) >>>>>		\$124,607,037	0	(667,578)	(84,563)	(551,765)	824,834	1,191,139	9,463,713	114,431,257	0	0	0	0	0
SOURCES OF FUNDS															
Developer Sponsor Equity															
Direct Project Costs Draw		\$4,000,000	1,572,500	2,427,500	0	0	0	0	0	0	0	0	0	0	0
Operating Deficit Draw		\$0	0	0	0	0	0	0	0	0	0	0	0	0	0
Developer Sponsor Total Funding		\$4,000,000	1,572,500	2,427,500	0	0	0	0	0	0	0	0	0	0	0
Third Party Investor Equity															
Direct Project Costs Draw		\$10,000,000	0	9,287,710	712,290	0	0	0	0	0	0	0	0	0	0
Operating Deficit Draw		\$0	0	0	0	0	0	0	0	0	0	0	0	0	0
Third Party Investor Total Funding		\$10,000,000	0	9,287,710	712,290	0	0	0	0	0	0	0	0	0	0
Total Equity Draws		\$14,000,000	1,572,500	11,715,210	712,290	0	0	0	0	0	0	0	0	0	0
Senior Loan															
Direct Project Costs Draw		\$63,194,803	0	0	41,095,172	21,899,631	0	0	200,000	0	0	0	0	0	0
Loan Fees - Front End		\$333,789	0	333,789	0	0	0	0	0	0	0	0	0	0	0
Loan Fees - At Loan Draws		\$315,974	0	0	205,476	109,498	0	0	1,000	0	0	0	0	0	0
Funded Interest Reserve		\$3,114,244	0	2,787	779,900	2,331,556	0	0	0	0	0	0	0	0	0
Cash Interest Payments, if any		\$1,387,560	0	0	0	551,412	834,473	0	1,675	0	0	0	0	0	0
Repayment from Disposition and/or Refinancing		(\$66,958,810)	0	0	0	0	(66,757,810)	0	(201,000)	0	0	0	0	0	0

Annual Summary - Cash Flow

The XYZ Office Building, 123 Main Street

		Data Series Profile	Total	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OFFICE	Office, Parking and Other Gross Potential Rent		\$32,304,406	0	0	0	1,170,000	7,047,683	7,214,443	7,385,175	7,559,975	1,927,131	0	0
	<i>Plus Vacancy</i>		(\$1,615,220)	0	0	0	(58,500)	(352,384)	(360,722)	(369,259)	(377,999)	(96,357)	0	0
	Less Free Rent		(\$3,386,364)	0	0	0	(1,100,000)	(1,125,583)	(750,986)	(409,795)	0	0	0	0
	Daily Public Parking Net Operating Income		\$107,692	0	0	0	5,598	22,897	23,584	24,292	25,020	6,301	0	0
	Total Office, Ofc. Parking and Public Parking Rental Income		\$29,025,735	0	0	0	75,598	5,944,997	6,487,041	6,999,671	7,584,995	1,933,432	0	0
	Total Expense Reimbursements		\$21,581,565	0	1,044,750	2,964,625	3,140,856	3,235,082	3,332,134	3,432,098	3,535,061	896,957	0	0
	Gross Income		\$50,607,299	0	1,044,750	2,964,625	3,216,455	9,180,079	9,819,175	10,431,770	11,120,056	2,830,389	0	0
	<i>Plus Credit Loss</i>		(\$161,522)	0	0	0	(5,850)	(35,238)	(36,072)	(36,926)	(37,800)	(9,636)	0	0
	Total Operating Income		\$50,445,777	0	1,044,750	2,964,625	3,210,605	9,144,841	9,783,103	10,394,844	11,082,257	2,820,753	0	0
	Less Total O & M and Real Estate Taxes		\$21,581,565	0	1,044,750	2,964,625	3,140,856	3,235,082	3,332,134	3,432,098	3,535,061	896,957	0	0
Less Office Building Capital Expenditure Reserve		\$2,190,169	0	0	84,563	186,038	287,513	388,988	490,463	591,938	160,669	0	0	
Office NOI after CapEx Reserve		\$26,674,044	\$0	\$0	(\$84,563)	(\$116,289)	\$5,622,246	\$6,061,981	\$6,472,283	\$6,955,258	\$1,763,127	\$0	\$0	
RETAIL	Retail NNN Rent		\$2,585,154	0	0	0	120,750	728,726	754,232	780,630	200,817	0	0	0
	<i>Plus Vacancy</i>		(\$51,703)	0	0	0	(2,415)	(14,575)	(15,085)	(15,613)	(4,016)	0	0	0
	<i>Plus Credit Loss</i>		(\$12,926)	0	0	0	(604)	(3,644)	(3,771)	(3,903)	(1,004)	0	0	0
	Retail Net Operating Income		\$2,520,525	0	0	0	117,731	710,508	735,376	761,114	195,796	0	0	0
	Less Retail Capital Expenditure Reserve		(\$38,436)	0	0	0	(1,795)	(10,971)	(11,245)	(11,526)	(2,899)	0	0	0
	Retail NOI after CapEx Reserve		\$2,482,089	\$0	\$0	\$0	\$115,936	\$699,537	\$724,131	\$749,588	\$192,897	\$0	\$0	\$0
	Total Cash Debt Service Expense *		\$19,306,303	0	667,578	0	551,412	5,496,950	5,594,973	5,596,648	1,398,743	0	0	0
	Total Leasing and Capital Costs		\$0	0	0	0	0	0	0	0	0	0	0	0
	<u>Plus Capital Events</u>													
	Office Building and Parking Sale, Net		\$114,086,029	0	0	0	0	0	0	0	114,086,029	0	0	0
Retail Condominium Sale, Net		\$8,401,731	0	0	0	0	0	0	8,401,731	0	0	0	0	
Total Capital Events Revenue, Net		\$122,487,760	0	0	0	0	0	0	8,401,731	114,086,029	0	0	0	
Net Revenue After Debt Service		\$124,607,037	0	(667,578)	(84,563)	(551,765)	824,834	1,191,139	9,463,713	114,431,257	0	0	0	
<u>Financing Cash Flows **</u>														
Developer Sponsor Equity Draw		(\$4,000,000)	(1,572,500)	(2,427,500)	0	0	0	0	0	0	0	0	0	
Third Party Investor Equity Draw		(\$10,000,000)	0	(9,287,710)	(712,290)	0	0	0	0	0	0	0	0	
Senior Loan Draw		\$63,194,803	0	0	41,095,172	21,899,631	0	0	200,000	0	0	0	0	
Senior Loan Repayment		(\$66,757,810)	0	0	0	0	(66,757,810)	0	0	0	0	0	0	
Permanent Loan Fees/Broker/Closing Costs		(\$690,525)	0	0	0	0	(690,525)	0	0	0	0	0	0	
Permanent Loan Proceeds		\$69,052,544	0	0	0	0	69,052,544	0	0	0	0	0	0	
Permanent Loan Repayment *		(\$59,276,719)	0	0	0	0	0	0	(8,401,731)	(50,874,988)	0	0	0	
Operating Deficit		\$2,919,980	0	667,578	84,563	551,765	921,130	403,045	291,900	0	0	0	0	
Project Levered Cash Flow		\$55,854,507	(\$1,572,500)	(\$1,715,210)	(\$712,290)	\$0	\$3,350,172	\$1,594,184	\$1,353,882	\$63,556,269	\$0	\$0	\$0	

Joint Venture Return Detail

The XYZ Office Building, 123 Main Street

	Sponsor/ Developer	Third Party Investor	Total Project
Equity Investment	\$4,834,280	\$12,085,700	\$16,919,980
<i>Share of Equity Investment</i>	28.57%	71.43%	100.00%
Gross Return	\$32,426,600	\$40,347,887	\$72,774,487
Net Profit (Return on Equity)	\$27,592,320	\$28,262,187	\$55,854,507
Multiple on Equity	6.71x	3.34x	4.30x
Internal Rate of Return	40.96%	30.59%	35.01%
Time from Equity Investment to Final Return (months)	84	84	84

<i>Profit Sharing Summary - Sponsor/ Developer and Third Party Investor</i>					
Tier	Sponsor/ Developer Cashflow	Sponsor/ Developer Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
ROC and Pref Return	\$5,717,288	26%	\$16,378,921	74%	\$22,096,209
Tier 1	\$844,502	39%	\$1,344,948	61%	\$2,189,451
Total	\$6,561,791	27%	\$17,723,869	73%	\$24,285,660
Less Equity Investment	(\$4,834,280)	29%	(\$12,085,700)	71%	(\$16,919,980)
Net Profit (Return on Equity)	\$1,727,511	23%	\$5,638,169	77%	\$7,365,680

<i>Profit Sharing Structure - Sponsor/ Developer and Third Party Investor</i>							
	IRR Hurdle Ranges			Sponsor/ Developer Promote	Sponsor/ Developer Equity Pro- Rata Share	Investor Profit Share	Total (must be 100%)
	Preferred Return	0%	through	8%	0%	29%	71%
Residual Split		Above	8%	10%	29%	61%	100%

