

Sears at the Prescott Gateway Mall

Prescott, AZ

Development Feasibility Report

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May 2019

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Executive Summary

Be well Prescott, JGT Properties is bringing new health and wellness services and amenities to the Prescott Gateway Mall. With over 50,000 square feet of underutilized real estate in the Sears section of the mall, there is a fantastic opportunity to take care of 39% of Prescott's retired and aging population while introducing the new generation to a healthy lifestyle. Within a 3 mile radius of the Prescott Gateway Mall and surrounding neighborhoods there is a lack of basic medical care facilities, fitness centers, and healthy choices to eat.

There is high demand for food, healthcare, and entertainment within the 3 mile radius of the new project site. Prescott consumers spend 14.9%, 8.4%, and 5.5%, respectively, on those three categories which are in the top 10 things Prescott citizens spend on. JGT Properties proposes to tap into that need by bringing in world class tenants such as Gold's Gym, NextCare Urgent Care, 16 Handles, Hand and Stone Massage, new medical offices, and many more tenants to reinvigorate the community with enjoyment, health, and wellness.

Below are a summary of the benefits:

Community

- Five new doctor's offices with an urgent care center for quick service without going to the emergency room for non-emergency situations.
- Gold's Gym which provides free training to seniors through their Silver Sneakers Program.
- After construction, 100-120 permanent high-quality jobs in various fields which include medicine, retail, and hospitality.

Government

- Increased sales tax revenue from new retail and hospitality businesses.
- Increased real estate tax revenue.
- Supports the city's objectives for economic growth through medical and health services.

Users

- New markets for employers to expand their business and nearby jobs for workers.
- Consumers will finally have froyo with other treats and amenities not offered to them before in the surrounding 3 to 5 mile radius.
- A one stop destination to participate in health and wellness related activities.
- A revitalized Prescott Gateway Mall in line with the mall's goals.

Investors

- Debt investors will have a secure investment with JGT Properties putting 30% equity into a construction to permanent loan.
- Equity investors will receive a conservative 12% MIRR after a 10-yr hold.

Development Team

- 3% development fee
- Steady 10 year cash flow
- Potential of a \$6,214,865 gain in year 10 if property is sold.

Project Description

Gateway Renaissance, LLC (Gateway) has proposed a rebirth of the Gateway Mall of Prescott, Arizona. Like many retail locations, particularly shopping malls, the Prescott Gateway Mall has been struggling for the last several years due to many factors, such as competition from online retailers and from changing tastes of consumers. The anchor stores of malls used to be the driving force to bring consumers to the mall and shop not only at the anchor store, but at the other stores and restaurants. These anchor stores that did not adapt to the environmental changes around them have largely failed, leaving the entire mall concept at risk.

The Sears and Sears Auto Center that Gateway is proposing to invest in occupies 102,850 square feet of a 9.97 acre property and is currently owned by Seritage Growth Properties (Seritage), a real estate investment trust formed in 2015 that acquired the real estate owned by Sears Holding Company. The Sears in Prescott is in a 10 year lease with Seritage that began in 2015. Gateway intends to take over the existing lease with Sears, exercise the 50% recapture provision of the lease, and remodel the recaptured space to introduce internet resilient businesses and strong retail shops that fit the demographics and needs of the local communities.

Of the 102,850 square feet, approximately 52,850 square feet will be recaptured and the Sears will be consolidated into the remaining 50,000 square feet. The recaptured space will be remodeled into several smaller units with the following sample unit breakdown:

Unit Type	Unit Size	Potential Tenants
Restaurant with seating	8,900	True Food Kitchen
Food Service	1,900	16 Handles, Zoyo
Food Service	950	Chop't, Salad and Go
Medical Offices	13,500	Five Medical Office Units
Wellness Spa	3,000	Woodhouse Spa, Massage Envy, Hand and Stone
Fitness Center	21,400	Soul Cycle, Gold's Gym, Snap Fitness
Urgent Care Center	3,200	NextCare

The tenant mix will include tenants that cater to both mature adults with an active lifestyle and to younger generations. The additional dining options will double the existing dining options within the mall and will have a focus on healthier food options which can place a premium on their products and demand higher rents. The medical offices, spa, and fitness center will have a focus on health and physical and mental wellness. The Sears will remain in operation during the recapture and remodeling period in order to keep an existing cash flow streaming. The increase of the number of tenants within the space will reduce the dependency on having a single tenant being successful in perpetuity as there will now be flexibility if future environmental conditions change, smaller spaces are more easily leasable, and higher rents per square foot can be demanded for smaller spaces. In the event that the Sears fails before the expiration of its lease, the development team has considered alternative larger format stores in the 25,000 square foot range, such as Marshalls or Home Goods, which will do well in a mall environment and have proven

to be resistant to the sales erosion other retailers have experienced from internet sales. Actual tenants to occupy the Sears at the end of their lease will be evaluated at that time to determine what the market will bear.

The interior remodeling will result in the creation of 15 storefronts. Many of the stores will front the exterior of the mall and have private entrances. Building materials will be consistent with the existing building materials for a seamless appearance and finishes and furnishings will be modern to create a location that people desire to visit. Remodeling of the property will include modification of the existing HVAC system, as per the current lease with Sears, and new water and wastewater utility connections.

This renovation will add value to the community by adding much needed services to the area that are not currently in existence, revitalizing a failing mall, add construction and permanent jobs, increase tax revenue, and maximize returns for the investors.

Catalyst for Idea

JGT Properties' vision for the development of the Sears at Prescott came from its leaders' attitudes towards the revitalization of struggling retail properties. Growing up in suburban neighborhoods during the 1990's and early 2000's, the team's leaders spent a significant time visiting their local malls. During their high school years, the mall was a common meeting place to hang out with friends. The team's leaders recalled it being a safe place that was entertaining and where they didn't have to be monitored by their parents or teachers during their teenage years. It was not uncommon for kids at the time to get their parents to drop them off at the mall after school when the kids had nothing else to do. The leaders feel a sense of nostalgia when they think about their time spent at the mall as kids.

In a time period where many are shying away from retail development, JGT Properties sees opportunity in the repositioning of existing retail centers. They believe that they can make the mall a hang out spot again by changing the purpose of a mall. Many malls are struggling because they focus on retail and the retail environment is struggling. JGT Properties believes that they can drive consumers to want to visit malls by having the businesses offer services/products that you cannot get online. They believe that they can make the mall a destination center again by strategically placing businesses next to each other that would compliment each other. They want to change the concept of a mall to being a destination that you are drawn to by a business offering a service or entertainment that has food and retail options nearby.

The idea behind the development of the Sears at Prescott is to make it a health and wellness destination. Many citizens of Prescott complain about the lack of credible medical offices in the area. Medical and health businesses are essential to Prescott as the area contains a significantly higher amount of citizens over the age of 50 compared to the rest of the country. JGT Properties believes the new businesses at the mall will satisfy the communities' needs and demands. Not only is it important for Prescott to offer its citizens sufficient medical services, but it is also important that it offers services that overall are better for health and well-being. Globally, people have been more mindful of optimizing their mental and physical health. Because of this trend, the team decided on including businesses that aligned with their vision and catered to clientele of all demographics.

Benefits Analysis

Community

- **New Jobs:** The project will create both temporary and permanent jobs for the citizens of the Prescott area. Throughout the duration of the construction period, approximately 50-70 full and part-time jobs will be created. Once the construction is complete, the project is expected to create between 100-120 permanent jobs to be filled by those from a wide variety of different demographic backgrounds.
- **Meeting the Community's Demands:** When JGT Properties was deciding on how to redevelop the Sears at Prescott, one of the first things they did was to ask the citizens of Prescott what they thought the area needed. Some of the responses received included: "Prescott has a shortage of doctors...and good restaurants;" "if you have to go to the Dr. you might as well drive to Phoenix. [The doctors] are awful [here] and if you think you have a choice you don't;" "the selection of food in the area is very poor." The types of businesses planned to lease up the redeveloped space will meet Prescott's demands for more medical services and higher quality restaurants.
- **More Dining and Wellness Options:** Once complete, the project will provide the community with 52,850 SF of new dining options. The type of options to be offered are currently not present in the City of Prescott. Dining options will range from quick, healthy bites to a full sit down service restaurant offering organic and healthy food. Wellness options will range from spa and relaxation services to niche types of workout gyms.

Government

- **Supports the City of Prescott's Strategic Plan:** One of the three goals in the City of Prescott's strategic plan is economic development. They plan on doing this by providing an environment to enable prosperity and job/career creation. In their plan they mention one of the main drivers of business they plan on focusing on is medical. The redevelopment of the Sears at Prescott primarily focuses on businesses providing medical and wellness services. A total of 13,500 SF of office space in the site will be used for medical purposes only.
- **Sales Tax:** In the City of Prescott, privilege/use (sales) tax is one of the main sources of local taxes. In 2018, privilege tax made up 55% of the revenue for the city's governmental activities. The development site will contain 11,750 SF of restaurant/bar businesses that will generate 9.1% of privilege tax on the businesses' gross income. Approximately 77,600 SF of the site will contain retail businesses that also generate a 9.1% privilege tax rate.
- **Real Estate Taxes:** After the construction of the project is complete, the team expects the assessed value of the site to increase by 36% taking into account market value and discounted cash flows after year 1 (market value: \$8,692,671). Currently, the assessed value of the property is \$676,980 according to Yavapai County records. The total property taxes generated from the site in 2018 were \$57,667. The expected total assessment rate for property taxes in the City of Prescott is 8.3454 per \$100 of assessed value. When the site is completed, it will generate \$61,807 of annual property taxes.

End Users

- **Tenants:** The tenants of the development project will be able to expand into a new market where they currently were not conducting business in. The spaces leased to the tenants will be completely gut-renovated and built with the highest quality of materials. Since the project is located in the Prescott Gateway Mall, the tenants will benefit from the foot traffic of other businesses located in the mall. The Prescott Gateway Mall is a major destination for over 104,000

residents in the Prescott Valley Area. On the site itself, the team strategically picked potential businesses to lease up space that would not compete with each other, but that would be able to share the same customers.

- **Their Clients/Customers:** The customers of the businesses will benefit from the types of health and wellness services that currently aren't offered to them in the local area. They will also benefit from the convenience of having their medical and wellness needs located in one destination.
- **Their Employees:** The employees of the tenants will benefit from working right next to many amenities, both the amenities the development will bring and the amenities that already exist at the Prescott Gateway Mall which include many entertainment, dining, and retail options. Employees will also benefit from the accessibility to their workplace as the Prescott Gateway Mall is located right off of Highway 69.

Investors

- **Debt:** The construction/permanent lender will reap many benefits from the project. Currently, there is a favorable interest rate environment for lenders as rates have increased in the past few months and are expected to increase in the future. The lender will receive a favorable return on their investment in this project. Due to thorough due diligence and planning, the team does not expect the construction phase to last longer than 6 months. The construction lender's loan will convert to a permanent loan and at that point the loan payments will include both interest and principal payments. The lender can be assured that the site will not have any issues generating enough revenue to meet the monthly debt service obligation as limited discussions with potential tenants has already begun.
- **Equity:** JGT Properties' equity investor, who has entered into a partnership with the team for the project, will not only receive a favorable gain on their capital but will personally reap the benefits of the site's success. Kohan Retail Investment Group has entered as an equity partner in the redevelopment of the Sears at Prescott. They recently acquired the rest of the Prescott Gateway Mall in 2018 and recognize that the success of this project will bring in foot traffic to the rest of the mall, as well.

Development Team

- The development team will benefit from the project by receiving income from three separate sources. First, a 3% development fee will be included in the construction sources. The team will also receive a steady source of operating cash flow while they hold the property and once it is stabilized. Finally, they will be able to collect a significant amount of cash when the property is sold.

Design Concept

Target Market

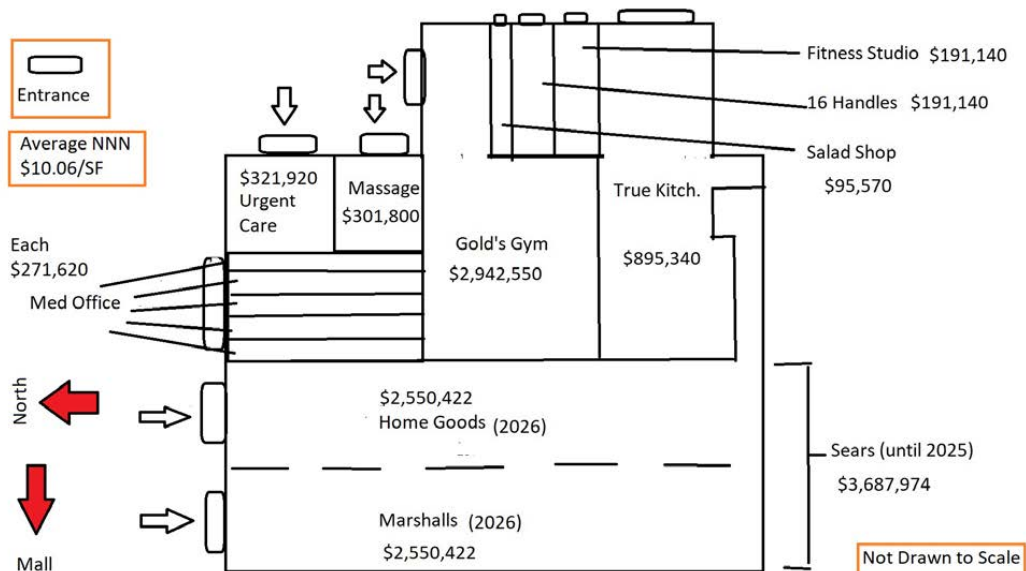
The primary target market will be retirees who are still seeking an active lifestyle. They are middle income and need convenient medical services and enjoy wellness activities. A secondary market will be younger families who will also need convenient medical services for a growing family and will go out to eat as a family. These younger people also enjoy taking care of themselves and will take advantage of the fitness and massage centers.

Enhancements to the Community

This project enhances the community by supplying services and retail not previously available in the 3 mile radius vicinity and caters to the large demand for food, entertainment, and medical services. These new businesses will not only provide local jobs, but will benefit the Prescott government with sales tax revenue which it heavily relies on. The absorption into the community calculated from the market research suggests that within six months the old Sears property can be recaptured, renovated, and have new value added.

Floor Plan

An example floor plan has been prepared with potential tenants and is displayed below. The eight garage bays in the former auto center will be converted into entrances and the current entrance located by the proposed urgent care will be split to accommodate an entrance for the massage center too. Also, the current Sears entrance will be split into two entrances if a Home Goods and Marshalls, or other similar stores, decide to lease the space after Sears' lease ends. Lastly, one large opening will be made for the five medical offices where individual doors to the parking lot will be installed. Part of the auto zone wall will be removed to build out the True Food Kitchen and Gold's Gym space. Lease values have more detail terms contained in the tenant term sheets.



Risk Analysis with Mitigates

As with any development project, there will be risk involved with the redevelopment of the Sears at Prescott. This section outlines the eight sources of risk associated with the project and how the development team is mitigating each risk.

1) Business Risk

When the project is complete, there is a risk that the site's tenants may not be successful in bringing in enough revenue to support the project. A majority of the tenants rely on consumer spending. Over the past few years, there has been an increasing shift of consumer spending to online retailers. As technology continues to advance, this trend is expected to stay. To combat this risk, JGT Properties was insistent on bringing in only new tenants who provided a service or product that would not be available for consumers to receive online. The team also included medical tenants that would still have a demand if the economy turns and consumer spending declines.

There is also the risk that the medical and wellness tenants of the development project will not be successful in the Prescott market. When JGT Properties was deciding on how to reposition the empty space of the Sears at Prescott, they had many ideas, but made sure to go through with the concept that suited the demographics of Prescott and where there was limited competition. The average age of people living in Prescott is 56 and many of its citizens are retirees. The team made sure the tenants of the project would be attractive to the retiree population but would also bring in consumers of all ages. Additionally, if a tenant does fail, the spaces can be easily converted for a new tenant to take its place.

2) Financial Risk

There is always a risk in real estate development that the project's pro formas will differ due to unforeseen factors throughout the process. When creating the project's pro forma, the team conducted multiple scenario and sensitivity analyses. Different pro formas were created for the most expected scenario, the unexpected scenarios (for both positive and negative outcomes), and the very unexpected scenarios (for both positive and negative outcomes).

A benefit of having Kohan Retail Investment Group as an equity partner in the project is having access to their expertise and insight. Kohan Retail Investment Group has developed and managed numerous retail projects and sites. They were able to advise JGT Properties on the construction costs, operating expenses, and rental and absorption rates for the project. The group has been an active investor in the commercial real estate market in Prescott and knows first-hand the costs and returns one can get in the Prescott market. Having their expertise helps mitigate any financial risk in the project.

3) Liquidity Risk

Cash will be needed throughout all phases of the project. There is the risk that the team may not be able to come up with adequate cash when it is needed and potentially cause losses. To cushion against unexpected costs during the construction and lease up phase, a working capital reserve will be established when the construction loan is acquired. Once

the project receives permanent financing, a CapEx reserve will be established to take care of costs relating to major repairs the site may need.

When the project is stabilized, there is the risk that it won't be able to meet its debt service obligation. It is very common for operating expenses to vary throughout the lifetime of a project which can negatively impact its NOI. The current tenant, Sears, is on a NNN lease structure which shifts the variability of operating expenses from landlord to tenant. All new leases in the project will contain a NNN lease structure, as well.

In a worst case scenario, if the project is in desperate need of cash, Mike Kohan (founder of Kohan Retail Investment Group) has promised to contribute his personal equity. Kohan understands the benefits his company will receive from the success of the redevelopment of the Sears at Prescott.

4) Inflation Risk

The risk with inflation is that it will cause costs and expenses to increase with it. Luckily, the construction phase is expected to be so short that any significant change in inflation will not have an adverse effect on construction costs. There are two main advantages this project has that allows for a short construction phase. First is that no new structures will be constructed. Construction will only involve the redesign and repositioning of the existing Sears building on the site. The second advantage is the Prescott, Arizona weather. Prescott has a moderate climate year-round. When it rarely does snow in the Winter, the snow melts by the next day. A majority of the rain occurs in the Spring, but rainfall only lasts for a short period of time. It is unexpected that construction will need to be delayed due to the inability to work because of the weather.

An increase in inflation will cause a property's operating expenses to increase. As mentioned previously, all tenants will be on a NNN lease. The NNN lease structure protects the landlord from any risk associated with the variability of operating expenses.

5) Management Risk

The primary cause for management risk associated with the development project would be related to JGT Properties' lack of experience in real estate development. The team leaders are all young and come from various backgrounds in the commercial real estate industry, but have not led a real estate development project until now. Fortunately, the leaders acknowledge their lack of experience and have gone above and beyond to make up for it.

As mentioned previously, the equity partnership with Kohan Retail Investment Group has been advantageous in more ways than just the financial aspect. KRIG's leaders have many years of experience in the commercial real estate industry, specializing in retail assets. Since the redevelopment of the Sears at Prescott directly affects the business of the Prescott Gateway Mall (owned by KRIG), KRIG has been more than willing to mentor JGT Properties throughout the project. Kohan has also introduced the development team to multiple business contacts who have been able to give consulting advice regarding various aspects of the project.

Additionally, before pursuing the development project the leaders of JGT Properties wanted to make sure they had a complete and thorough understanding of the real estate

development process. They enrolled themselves in a Real Estate Development course taught by one of the most prestigious experts in the real estate development industry, Professor Stephen Peca. The course went over, in detail, the different phases of the real estate development project and taught the leaders of JGT Properties the functional skills to be successful real estate developers.

6) Interest Rate Risk

Increasing interest rates can have negative impact on the project in two ways. The first way is through an increase in the interest payments on the project's debt. The construction phase will be relatively short, so any rise in interest rates would have a minimal negative impact. When JGT Properties receives permanent financing, they will be locking in a fixed interest rate for the term of the loan. The second way an increase in interest rates could negatively affect the project is by causing the terminal cap rate to increase. Although increasing cap rates is hard to avoid, JGT Properties tested out multiple terminal cap rate scenarios in their financial analysis to ensure the project would still receive sufficient returns if cap rates increased.

7) Legislative Risk

With any development project, there is a risk that a change in the political environment may interfere with the approval process of the development. Legislative risk is minimal with the redevelopment of the Sears at Prescott. Since the project will only contain updates to the existing structure, less permits and site inspections are required by the City of Prescott. Additionally, the team does not believe that there will be backlash from the city government since the project aligns with the city's current strategic plan. Lastly, there is the risk that the project may not receive approval by community members. Before going ahead with the project, JGT Properties spent a significant amount of time in Prescott learning about the area. Part of this time was spent asking the community members their opinion about the The Prescott Gateway Mall and what they would like to see happen to it. Many people agreed that the empty stores in the mall do not give the city a good image. They said they are open to the option of many different types of businesses opening up, as long as the vacant space gets filled out at the end of the day.

8) Environmental Risk

There is no primary environmental risk associated with the site. Environmental studies will be conducted as per lender requirements. Right now there is no known contamination or negative environmental attributes on the site, as it already has a business that is allowed to operate and have customers visit the site.

There is the possibility of the project having negative secondary environmental risks. These risks could include traffic, noise, light, etc. Since the project is located in an existing structure that is part of a mall, it is not expected that there will be any significant increase in these risks once the project is complete. There may be slightly more traffic since vacant businesses will now be filled, but it would be comparable to traffic patterns in the past when there weren't vacancies. Noise levels are not expected to increase, as all of the businesses will be operating from inside the structure. Any light emitting from the site would be from the existing light structures in the parking lot and minimal lighting on the outside of the businesses.

Existing Conditions

The subject property is located at 3400 Gateway Blvd in Prescott, Arizona. The subject property is currently improved with a Sears Department Store (2.1 acres) with an attached Sears Automotive Center (0.2 acres) and asphalt parking lots (approximately 517 spots), including the roadway leading to the State Route 69 entrance (7.6 acres) for a total of approximately 9.9 acres. See legal description in Exhibit A. The parking lots are divided into three adjacent lots on the south, east, and north sides of the Sears. The subject property is located in the Prescott Gateway Mall. The mall is located in the city of Prescott and in the county of Yavapai. The mall is located 4 miles east of the center of Prescott and 8 miles southwest of the center of Prescott Valley.

The mall was constructed in 2001. Although an evaluation of the existing building materials has yet to be performed, the construction appears to be of mid-level quality - the structure appears to be sturdy and in good condition; however, the appearance is lacking in luxury.

The mall is constructed at an elevation of approximately 5,700 feet and ranges between 10 to 30 feet higher than the surrounding roads. The main portion of the mall, which includes the Sears, is centered across the numerous parcels that make up the mall with the parking lots completely surrounding the building, resulting in the majority of the mall stores not being visible to passing motorists. There is minimal signage for the mall retailers along the adjacent roads and is limited to the anchor stores. Ingress/Egress is via State Route 69 located north of the subject property, Lee Boulevard located on the east side, and Gateway Boulevard which wraps around the west and south sides of the mall.

The site is currently owned by Seritage. According to Seritage's website, "Seritage is a publicly-traded, self-administered, and self-managed REIT with 206 wholly-owned properties and 26 joint venture properties totaling approximately 36.3 million square feet of space across 48 states and Puerto Rico. The Company was formed to unlock the underlying real estate value of a high-quality retail portfolio it acquired from Sears Holdings in July 2015." Seritage originally acquired 235 wholly-owned properties and 31 joint venture properties in 2015, has sold off 34 of those properties, and has since replaced Sears/K-Mart at approximately half of the remaining locations with other retailers at higher lease values.

Location and Area Maps

The following imagery was captured from Google Maps.



Image 1 Site location map of 3400 Gateway Blvd, Prescott, AZ.

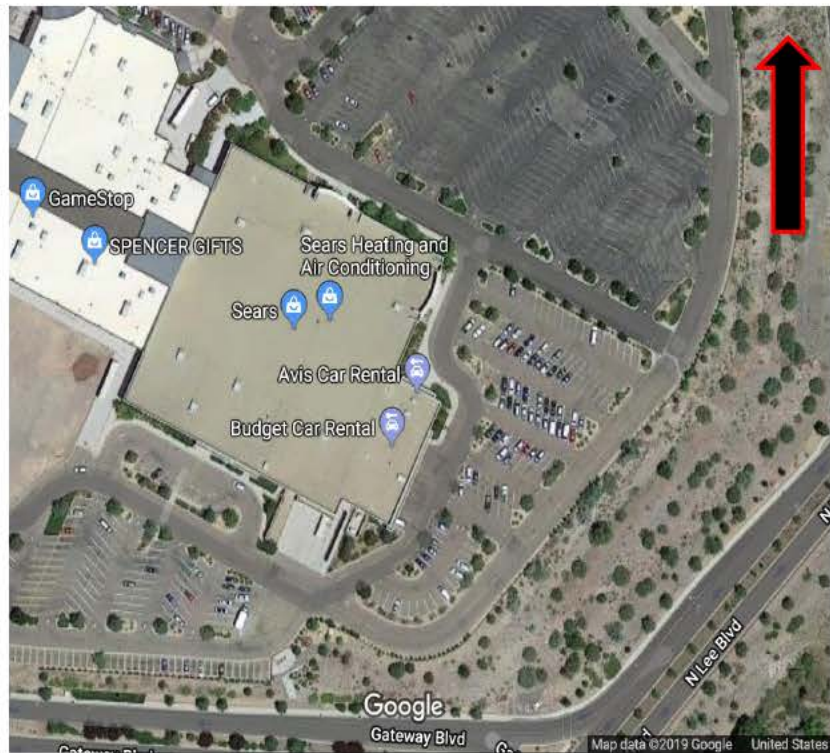


Image 2 Aerial view of subject property.

Photographs of Existing Site

The following imagery was captured from Google Street View in June and November 2018.



Image 3 View of eastern parking lot and eastern portion of building where auto center is located.



Image 4 View of southern portion of building and parking lot.



Image 5 View of northeastern view of the building.



Image 6 View of northern portion of building. Sears sign hidden behind trees.



Image 7 View of eastern and northern parking lots.



Image 8 View of northern mall entrance.

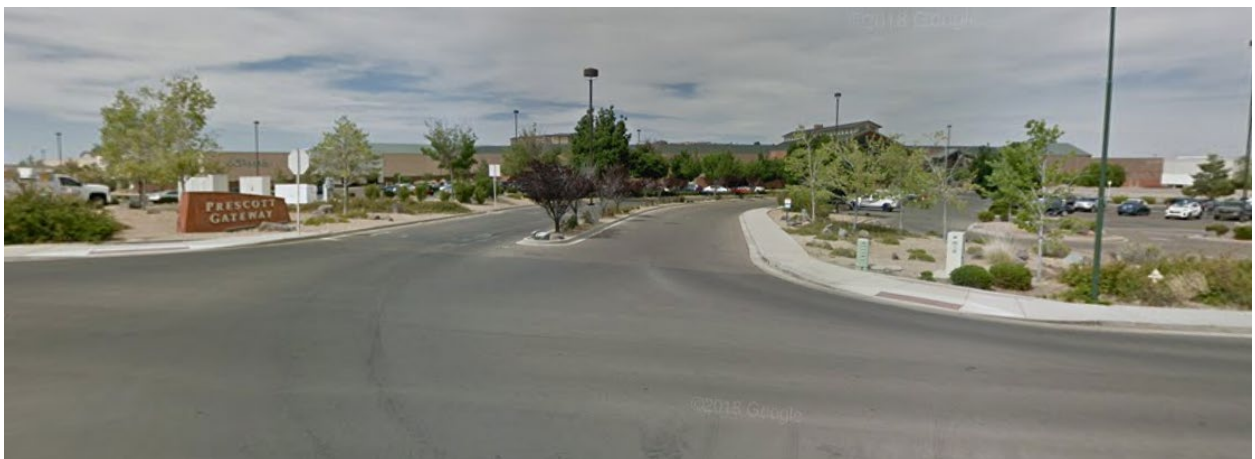


Image 9 View of southern mall entrance



Image 10 View of eastern entrance to Gateway Blvd from Lee Blvd, looking in direction of Sears.

Surrounding Areas

The area immediately surrounding the mall was undeveloped prior to the mall's construction; growth in the immediate area and along the State Route 69 corridor that connects Prescott and Prescott Valley appears to have been spurred by the construction of the mall. Immediately surrounding properties currently include single family, suburban style housing, retail properties, and vast open land.

Directly south of the mall is the 1.25 million acre Prescott National Forest. Areas to the east, west, and north primarily include public land owned or managed by the state of Arizona and the Bureau of Land Management. The non-public, undeveloped land in the vicinity of the subject property is mainly zoned Rural Estate 2-Acre (RE-2) and is a very low-density (minimum of one dwelling per 2 acres) residential district with a rural or agricultural character.

A new multi-phased development was recently constructed directly north of the subject property on the opposite side of State Route 69. Touchmark at the Ranch is a retirement community that will, when fully completed, consist of 375 active adult single family and lodge homes with services and care ranging from independent living to assisted living to memory care.

There are five other approved / already under construction areas of development in the vicinity that will add approximately 700 residential units:

- Windfield at the Ranch project – under construction – Located 0.5 miles east of the subject property, 100 residential units are under construction, completion expected in February 2020.
- Willow Creek Apartments – under construction – Located 7 miles northwest of the subject property, 160 residential units, first units coming online in May 2019.
- 510 Miller Valley project – under construction – Located 5 miles west of the subject property, 73 residential units, completion expected in November 2019.
- Dells View project – permits acquired – A site located 4 miles north of the subject property, proposed 200 residential units. Groundbreaking April 2019.
- Peaks View project - approved site plan - A 9.1 acre site located on State Route 69 approximately 2.3 miles east of the subject property. Proposed 155 residential units and a strip mall for retail shops and a gasoline service station. Groundbreaking proposed in January 2021.

Two additional major projects are proposed that will have a significant impact on the city of Prescott, if approved (there is significant community backlash to these developments). The Deep Well Ranch

development has the potential for 10,500 homes and the Arizona Eco Development has the potential for 3,250 homes. Both areas are located near the Prescott Municipal Airport, approximately 8 miles north of the subject property.

The following maps were collected from the City of Prescott GIS viewer.



Image 11 View of public lands in the area immediately surrounding the subject property.

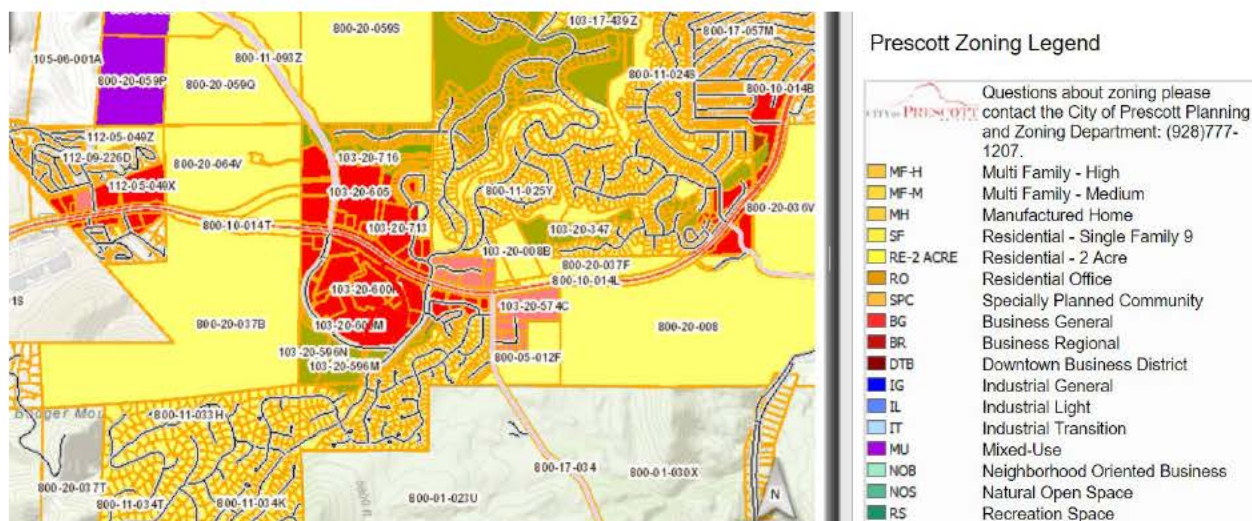


Image 12 Zoning map in vicinity of subject property.

Photographs of Surrounding Areas

The following imagery was collected from Google Street View.



Image 13 Hotel and subdivision east of subject property.



Image 14 The Shops at Prescott Gateway shopping center located north of the subject property.



Image 15 Walmart shopping center located north of the subject property.



Image 16 State Route 69 west of the subject property.

Site Selection and Control

Physical Attributes

The subject property and the remainder of the mall were constructed in 2001. Since then, minimal modifications to the subject property or mall have occurred with the exception of two smaller pads developed in the northeast section of the mall parking lot near the Sears and another pad developed on the opposite side of the mall parking lot. Prior to the mall construction, the property was previously undeveloped with minimal vegetative growth; however, a mining claim was attached to the property which was identified as the Bullwhacker mine. Production from the mine, which included extraction of gold, copper, and silver to a depth of 132 feet, ceased by 1936 and the mine was reportedly filled or caved in.

According to geotechnical reports prepared in 1997 prior to the construction of the mall that were located in the city's document repository, bedrock was generally encountered within 5 feet of the original surface elevations with the exception of one boring that contained at least 20 feet of unconsolidated sands and clays. The deepest boring conducted proceeded to a depth of 84 feet and none of the borings conducted encountered groundwater. To construct the mall and Gateway Boulevard, which wraps around the west and south sides of the mall, significant cutting of rock was required in some areas and the addition of fill material was required in others. The site is also located within the Arizona Mountain Seismic Zone; the closest faults are identified as the Prescott Valley Grabens located 9 miles north-northwest of the subject property. The most recent earthquake in the area was in 1976 with a magnitude of 5.2. There are 90% probabilities of non-exceedance of the peak horizontal ground acceleration (horizontal shaking) in 50 years and 250 years.

A small creek bed appears to be located on the opposite side of Lee Boulevard running parallel to the street; however, this creek bed appears to be dry the majority of the time and is located at a significantly lower elevation than the subject property. According to the flood insurance rate map (FIRM) #04025C2070G published by FEMA, the subject property is not located within a flood zone.

Linkage Attributes

The subject property is centrally located between two cities along State Route 69, a 9 minute car drive east of Yavapai College or the center of Prescott and a 17 minute car drive southwest from the center of Prescott Valley. Passenger cars traveling along State Route 69 or Lee Boulevard are the only significant linkages to the subject property. Bus service is extremely limited with two routes passing by the mall three times a day each on Wednesday only. There are no other forms of mass transportation. Several local taxi companies operate within Prescott and Prescott Valley areas, as well as national taxi companies such as Uber and Lyft.

Legal and Political Attributes

The city of Prescott's legislative body consists of a mayor (2 year term) and six city council members (overlapping 4 year terms). The next election is scheduled for November 2019 and includes the mayor and three of the council members.

The subject property is currently zoned Business Regional by the city of Prescott which includes a multitude of already permitted uses, as well as potential conditional uses or special uses. A listing of the already permitted and potential uses is included as Exhibit B. A maximum building height is set at 50 feet with the potential to extend up to 100 feet with a special use permit.

If the subject property were to be redeveloped with a multi-family residential use (greater than four units), the minimum square footage for each unit would be 1,400 with a maximum of 32 units per acre and a maximum lot coverage of 60%.

Development impact fees for water infrastructure, wastewater infrastructure, and water resources are assessed to contribute to costs associated with various infrastructure and necessary public service improvements that need to be expanded as a direct result of development within the City of Prescott. The development impact fee is not limited to new developments only; if the existing meter size is increased or additional meters added, the fees below will be levied as per existing regulations (for increased size meters, the difference between the proposed size and the existing size would be levied).

The subject property is located within impact fee zone F (includes A+B+F).

Water and Wastewater Development Impact Fee

Meter Size	Water Resource	Water System	Wastewater System	Total
5/8-inch	\$1,481.06	\$0.00	\$3,407.20	\$4,888.26
3/4-inch	\$2,224.59	\$0.00	\$5,110.81	\$7,335.40
1-inch	\$2,468.43	\$0.00	\$5,678.67	\$8,147.10
1.5-inch	\$4,937.87	\$0.00	\$11,357.33	\$16,295.20
2-inch	\$7,899.99	\$0.00	\$18,171.73	\$26,071.72

Image 17 Derived from the Developer Impact Fees calculator on the city of Prescott's website. Calculated on April 14, 2019.

On May 14, 2019, the city of Prescott will be voting to approve or disapprove changes to the city's development impact fees which could result in higher impact fees, if approved, by adding impact fees for streets, police, and fire which were previously eliminated in 2014 and modifying the existing impact fees for water resources, water systems, and wastewater systems. If approved, the water system zones will be consolidated from the current ten zones to two zones (the subject property would fall under zone 2), maintain one water resource zone, and the wastewater systems will be consolidated from the current nine zones to one zone. The base meter size fee is proposed at \$5,292 (double the current value for Service Zone F) and will increase based upon the meter diameter at the same ratio as it currently increases. Wastewater fees are expected to decrease slightly. The figure below represents the proposed development impact fees for streets, police, and fire. If approved, these fees will go into effect on August 1, 2019.

Non-Residential Uses

Value per SqFt	Streets	Police	Fire	Total
Office & Other Services	\$1.01	\$0.28	\$0.35	\$1.64
Retail & Restaurants	\$2.33	\$0.72	\$0.28	\$3.33

Image 18 Proposed Development Impact Fees, source: Raftelis, April 2019

The Deep Well Ranch and Arizona Eco Development projects have spurred significant backlash from community members for several reasons, ranging from water usage to preservation of natural resources. The increased activism of community members may overflow from these developments into other developments and may result in a higher sensitivity to the community's demands on the city council members.

Dynamic Attributes

The mall has both an indoor portion and an outdoor portion. The Sears is connected to the indoor building. The stores in the outdoor portion are only accessible by leaving the main building. Generally,

the buildings appear to be in good condition and are colored in earth tones to fit into the Arizona landscape.

Traffic counts along State Route 69, as per the recent offering memorandum, are 27,090 cars per day. A previous offering memorandum was also located which identified a State Route 69 traffic count of 34,425 cars per day and a Gateway Blvd traffic count of 5,800 cars per day. A date is not included on this older offering memorandum, but Seritage was listed on the memorandum; therefore, it cannot be older than 2015. The noise from the nearby roads is likely to be minimal due to the elevated position of the mall compared to the streets. There is limited signage along the streets indicating the presence of the mall and the mall is difficult to see from the street, also due to its elevated position.

There do not appear to be industrial, landfill, or power generating sources in the area that may provide visual or olfactory nuisances to the subject property.

Environmental Attributes

As the site is already developed for commercial uses, maintaining a commercial use will likely be generally accepted by the community. Conversion of the site to other uses, such as residential, will likely also be generally accepted as there are few neighbors that would be impacted by this change in use, pending the results of a traffic study.

The subject property is currently occupied with a failing retailer that barely avoided bankruptcy this past winter. Fiscally, the redevelopment of the subject property or the re-lease of all or a portion of the site should result in higher tax revenues for the city of Prescott, can ensure job stability for the employees, and drive additional traffic to the entire mall entity.

The proposed redevelopment of the property will bring much needed services to the area. Medical offices are not currently located in the area and can serve the recent mature adult development directly north of the subject property, as well as the surrounding suburban residential areas. A fitness center that caters to the young and mature alike, a wellness spa, and healthier food options will also be welcomed additions to the neighborhood as more people are focusing on healthier lifestyle options.

Acquisition Strategy

To acquire the property, ownership will enter into an option agreement with the current property owner to purchase the property for a value to be negotiated. The option agreement will novate into the purchase and sale agreement when the following terms have been met:

- Due diligence has not uncovered conditions that would prohibit or significantly increase costs of the remodeling without further consideration from the current ownership.
- Necessary government approvals for renovations have been acquired.
- Financing for the remodeling has been secured.
- The current owner, Seritage, submits the 60 day Form of Recapture Notice, as per Section 1.7(d) of the 8-K SEC filing, a minimum of 60 days prior to closing to allow for the redevelopment to begin immediately after closing.

A copy of the terms and conditions for the purchase and sale agreement will be attached to the option agreement. Purchase of the property is anticipated in July 2019.

Site Constraints

Legal, Physical, and Political Constraints

Legal constraints include a minimum number of parking spaces that are required by zoning laws. The current number of parking spots (approximately 517) is more than satisfactory for the current use of the property which requires 461; however, restaurant uses require a higher number of parking spots and medical offices including a higher number of handicapped parking spots. If additional portions of the parking lot are developed, this will both reduce the existing number of parking spots and increase the need for additional parking spots. To address this, the existing parking lot can be altered and re-striped at an angle to allow for additional parking spots and the tenant mix can be modified to reduce the number of tenants that require more parking.

Physical constraints include undesirable approaches to the subject property due to its elevated position over the adjacent streets and poor signage along the streets that would indicate what stores are located within the mall. To address this, the development team will work with local government officials to modify the rules regarding signage.

Political constraints include the potential passage of a new development impact fee by the city council. To address this, the increased fees will be included as a contingency.

Market Analysis

Brief Site History

The site is an approximately 9.9 acre Sears property located in Prescott, Arizona in the Prescott Gateway Mall which is considered a 3 star Retail Department store (regional mall). It was constructed in 2001 with reinforced concrete and the property was bought with a master lease in place in July 2015 by Seritage. In 2015, the master lease contained approximately 285 other Sears stores in a combined portfolio price of \$2,248,274,000. The Sears is currently an anchor in the mall with a (\$347,526/yr) 10 year contract until 2025, but the property is for sale with CBRE listed as the primary sale broker and SRS Real Estate Partners providing primary leasing.

Relevant International, National, Regional, and Local Conditions and Trends

International trends like Trade Wars between the United States, China, North America, etc., could affect a steady supply chain and affect not only construction, but put financial pressure on traditional retail tenants such as Sears. Nationally an economic slowdown could affect unemployment and demand for use for the property. In addition, U.S. retail vacancy is projected to go up to 5% and if interest rates were to rise, they would negatively affect borrowing. Regional trends such as wildfires in Arizona and the west coast must be followed closely since that could provide great loss to property. Locally, Prescott retail rent growth is not very strong and posted a 0.5% decline year-over-year as reported in the 2018 Q4.

Economic and Demographic Data

Within a 3 mile radius of the property, there is an estimated population of 10,218 (as of 2018) with a projected annual growth rate of 1.4% from 2018-2023. In the same 3 mile radius, the estimated average income in 2018 was \$60,523 with a median household income of \$49,736. The median age is 56 with 37.7% of the population 65 years or over in the 3 mile radius. In the same 3 mile radius, households with children only makeup 13.8% of total households and family households with no children make up 75.3% of family households. In the 3 to 5 mile radius, the unemployment rate is 2% and the majority of males and females are not in the labor force (retired) at 54.4% and 62.3% respectively. Service, sales, and office jobs are the most common at a combined 51.1%. This data suggests that the majority of the market is retired middle income households with no children.

Supply and Demand Generators

There is only one fitness company close to the Sear property which is Planet Fitness. The other fitness centers are more than 4 miles away. In addition, there are no health food oriented restaurants or frozen yogurt within a 3 mile radius. Lastly, there are only eight medical related offices in the 3 mile radius and none of them include an urgent care center.

Demand for food and beverages is high with 14.9% of all consumer spending going to that within a 3 mile radius and demand for health care is at 8.4% of all consumer spending. Total non-retail expenditure is 51.5% and Retail is 48.5%.

Market Absorption

The 12 month net absorption for the Prescott Gateway Mall is -29,352 SF and for retail in general in the Prescott metro area it is -39,200 SF. For office space, the 12 month net absorption is 87,600 sf.

Rental Rates and Operating Expenses

This following assumptions have been identified through a similar mixed-use property called Bashford Courts located in Prescott, AZ. The average NNN rent comparing to other properties in the Prescott Gateway Mall is \$10.06.

Comparable Property Operating Expenses	Price per Square Foot
CAM Expense	\$1.97
Insurance	\$0.14
Property Taxes	\$0.49
Utilities	\$1.07
Reserves	\$0.30

Marketability Analysis

The Could

Since the property is currently for sale by Seritage Growth Properties and the price is negotiable, it is possible to acquire the property at a value that is equitable for both parties. Sumner Commercial Real Estate and Kohan Retail Investment Group are both working together to revitalize the remainder of the Prescott Gateway Mall for different experiences and community events. They also want to allow smaller retailers and businesses to occupy the mall from different property types and industries such as office, medical, and business incubators. These goals fit into the JGT Properties mission to bring an eclectic group of tenants to provide necessary and differentiated experiences; therefore, a synergy with these other real estate companies is definitely possible and beneficial.

There are site constraints which have to be monitored. For example, parking requirements are very strict and further development on the land has to be in accordance with zoning laws. In addition, the Business Regional zoning provides the flexibility to have mixed use with office and retail, but this zoning does not allow certain outdoor activities. This property certainly has potential despite its physical constraints of being slightly elevated and having poor signage. In addition, political constraints, like a possible development impact fee, does not make it infeasible to develop the property, but must be accounted for in the development budget.

Primary and Secondary Markets

The primary market is within a 3 to 5 mile radius and comprises of adults 54 and older who make up the majority of Prescott's population. These adults are those without children or whose children have moved away, but they are still living an active lifestyle and enjoy new experiences. Their average income is between \$50,000 to \$70,000 with a generally low knowledge of technology. This might suggest that this market will prefer physically shopping or going to stores rather than shopping online.

The secondary market are those who are under 54 who might have children and are in the minority of Prescott's population. They live within a 3 to 5 mile radius of the property. This secondary market might also need convenient medical services and like food and wellness options. In addition, the secondary market could also include adults 54 and older but within a 5 to 10 mile radius of the property.

The Should

This project meets the needs of the primary market by providing medical and wellness options not readily available to seniors. Seniors living an active lifestyle will be able to take advantage of Hand and Stone Massage or Gold's Gym senior programs. They might also enjoy a nice evening at True Kitchen and go to 16 Handles after for dessert. Also, providing an urgent care center will drastically decrease patient wait time and will improve the experience for patients. This will benefit an aging population who need convenient medical services. In addition, having nearby medical offices will add to that convenience.

The project also meets the needs of the secondary market by providing fun food options for younger people looking for trendy food options. In addition, wellness is universal and younger people will benefit by having access to fitness centers and convenient medical care.

Competitive Projects

(Photos and Maps Taken from CoStar)

Product Pricing Analysis

	Property Name	Yr Built/Renovation	Distance	Building SF	Anchor	Spaces Av.	Avail. %	Vac. %	NNN Rent/SF
1	Willow Creek Village 1042-1048 Willow Creek Road	1993	4.4 miles	165,065	Carrs Safeway	2	2.50%	0%	\$15.50
2	Wal-Mart Supercenter 2003 E Rodeo Dr	2004	25.9 miles	209,811		0	0%	0%	\$12-\$14
3	Prescott Gateway Mall 3106-3280 Gateway Blvd	2002	0 miles	318,503	Bed & Bath, JC Penny, Michaels	16	17.10%	9.2	\$10.14



1 Willow Creek Village

1042-1048 Willow Creek Rd
165,065 SF / Vacancy Rate 0%
NNN Rent/SF - \$15.50
Owner: Willow Creek Plaza Llc

★★★★★



2 Wal-Mart Supercenter

2003 E Rodeo Dr
209,811 SF / Vacancy Rate 0%
Rent/SF - \$12 - \$14 (Est.)
Owner: Walmart, Inc.

★★★★★



Subject Property

Prescott Gateway Mall

3106-3280 Gateway Blvd
318,503 SF / Vacancy Rate 9.2%
NNN Rent/SF - \$10.14
Owner: Mehran Kohansieh

★★★★★



Projected Absorption Rate

Pre-leasing efforts will be underway during a 6 month construction period after July 2019. The only operating business will be the Sears in 50,000 SF. By January 2020, the rest of the 52,850 SF space will be fully leased out. This is right after the holiday season which might be past the peak for retail tenants in

malls, but the wellness objective ties straight into people's New Year's resolution of becoming healthier. The property's service oriented nature will be able to attract both new tenants and customers.

Elements of the Public / Private Partnership

Per the city of Prescott, the site is currently zoned as BR (Business Regional). Based on the City of Prescott's zoning codes, the development project will need to obtain commercial building permits for the following items: exterior painting and signage, plumbing addition/demo, water heater, furnace, and HVAC replacement, electrical repair/demo, window replacements, roofing and siding repairs, and water/sewer line movement or replacement. It is required that any plans submitted to the city for approval must be drawn by a registered architect or professional engineer. A development review will not be required by the city since the proposed development is not new construction, not a change of use for the building that is not already permitted by its current zoning, and no significant expansions will occur. Impact fees will also need to be paid to the city. Impact fees are based on the size of the water meter and must be paid if there is an upsizing to the existing water meter. Additional and modified impact fees may be levied based upon an upcoming board meeting.

Currently, there is limited visibility of signage from the highway. The development team would like to work with the city on getting this changed. An increase in the signage visibility will draw more customers into the Gateway Mall who are passing the building on Highway 69. JGT Properties will be petitioning to have both more signage installed and to have billboards installed on the highway to advertise the stores in the the development project. The team has already gotten some insight on how the city will react to the petition from a contact who works in the city office and is friends with KRIG, the team's joint venture partner. The town officials would be in support of more signage because they know it will draw in more business, not only from the residents of Prescott, but also consumers from out of town who are taking Highway 69 to travel through the area. The town is willing to work with anyone that will help contribute towards the city's economic development and well-being. The only backlash from the petition would come from some residents in the area. As in any community, NIMBYism is present and causes negative reactions towards new construction and development projects. There may be some backlash from the community regarding more signage because they may not like the way it looks. JGT Properties is willing to listen to the community's thoughts and/or complaints about the addition of more signage. The team is also ready to educate the community on how the signage will overall be beneficial by bringing in more business which will generate more sales tax revenue and create more jobs.

Ownership Scheme

Gateway Renaissance, LLC will be formed as a sole purpose limited liability corporation for the redevelopment and management of the existing Sears and Sears Automotive Center at the Prescott Gateway Mall. Gateway Renaissance, LLC will be formed in the State of Delaware to take advantage of the state's favorable business laws and approval timelines. Gateway Renaissance, LLC will be a joint venture partnership between JGT Properties and Kohan Retail Investment Group; whereas JGT Properties is the operating partner and KRIG is the capital partner.

Kohan Retail Investment Group is a New York based real estate investment firm that specializes in struggling retail centers and shopping malls. Operating since 2008, the firm has acquired and managed over 30 malls/retail centers in over 20 states across the country. Mike Kohan, the founder of KRIG, purchases malls in foreclosure or in copious amounts of debt at discount and then repositions the malls to become a community center where entertainment, food, and shopping come together. The group owns the rest of the Prescott Gateway Mall where the Sear and Sears Automotive Center is attached to. KRIG was excited to enter a joint venture with JGT Properties because they recognized that they would not only receive a significant return on their capital in the project, but the success of the project would also directly benefit businesses at the Prescott Gateway Mall.

The joint venture agreement is in the process of being completed and signed, but major components have already been agreed upon. The components are listed below.

Capital Contributions - JGT Properties will be responsible for 10% of the initial equity contribution while KRIG will be responsible for 90%. The same ratio will be used for any future additional capital contributions for the project to fund budgeted amounts and cost overruns.

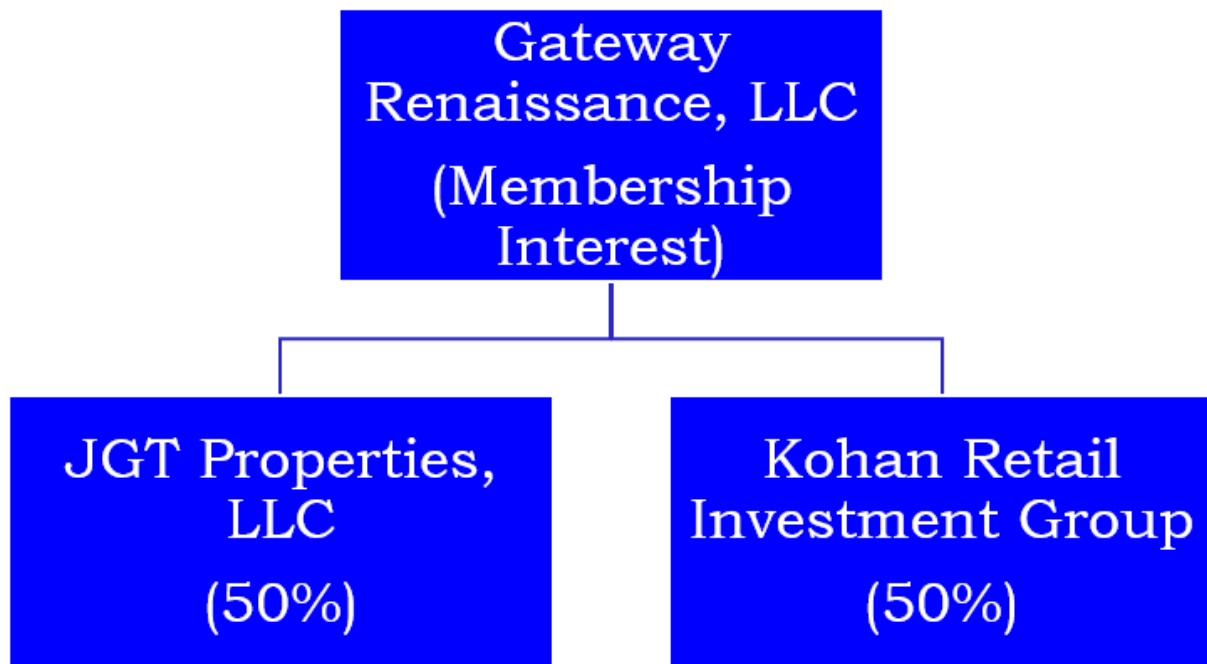
Waterfall Distributions - All cash distributions from operating cash flows will be distributed to the operating partner and capital partner based on their membership interests, until they receive the return of their invested capital. After their initial invested capital is returned, the cash flows will be distributed on a three tier IRR return hurdle structure where the operating partner receives a promote in tier 2 and tier 3.

Economic Percentages and Control - Although the capital contributions are split 10%/90%, the operating partner will providing a significant amount of sweat equity into the project. The membership interest will be split 50%/50% between the operating partner and the capital partner.

Management - The structure of the LLC will be a Manager-Managed LLC, with the operating member as the manager subject to certain major decision rights. Both the operating member and the capital member must approve any major decision. Major decisions include the sale or refinancing of the development project, major capital improvements expenditures, and filing for bankruptcy protection.

Transfer Restrictions - The capital partner has a right to transfer its membership interest to any subsidiary owned, controlled or managed by the initial capital partner and/or its principals. The operating partner is entitled to trigger a buy/sell provision where they can either buy the capital partner's membership interest or sell their membership interest to the capital partner. The operating partner is also entitled to a right of first refusal provision if the capital partner tries to sell their interest to a third party.

Default Remedies - In the scenario where one partner is in default, the other partner is entitled to offset any losses against distributions that would have been paid to the defaulting party.



Development Team

The development team's leaders for JGT Properties, LLC includes Jennifer Lewis, Graam Liu, and Thea Leitman as equal partners. The remainder of the development team has yet to be selected; however, key team member roles and the selection criteria that the development team will be evaluating are described below. Due to JGT Properties' lack of experience developing in the Prescott / Prescott Valley communities, ideally, each of the other team members will be representatives of the local communities, understand the needs and desires of the communities, and be proud users of their project once completed.

Development Team Role Selection Criteria:

Developers:

- Graam Liu
201-961-4749
graamliu@gmail.com

Graam Liu is from a creative background of film, writing, and music but was always fascinated by how real estate could help build communities and bring new business to deserving areas. So, utilizing his creative expertise, he has worked as marketing director for various companies. This allowed him to provide keen insight into the marketing research, analysis, site layout, leasing and analysis of this project. Graam is a current M.S. in Real Estate student at Baruch College in New York and is ULI member and UrbanPlan volunteer who is interested in furthering his insight and knowledge of development to help the community.

- Thea Leitman comes from a background in both finance and real estate. She holds both a BBA in Finance and a MBA in Financial Management from Iona College. She is currently working towards receiving her MS in Real Estate. Thea currently works in the title insurance industry focusing on commercial assets in the Greater New York area. At her current position, she has helped close over 300 commercial transactions, including all asset types and ranging in a pricepoint from under \$1MM to over \$9B. Prior to working in the title insurance industry, Thea worked at a real estate private equity firm that specialized in investing in distressed and underutilized assets and bringing them up to market rates. Thea brings valuable experience to the development team and she helped the team obtain favorable financing options and capital structure.
- Jennifer Lewis is an environmental consultant with a bachelor's of science in geology from SUNY Stony Brook and is licensed as a professional geologist in the state of New York. Miss Lewis is currently attending CUNY Baruch pursuing a MBA and has focused her studies in real estate development. Miss Lewis's 13 years of experience as an environmental consultant has consisted of performing environmental investigations and remediation, oversight of construction activities, site history and regulations research, reporting, management of multi-million dollar projects, and extensive coordination with contractors, developers, attorneys, and regulatory agencies. Miss Lewis's expertise will lend itself to understanding the existing site conditions, regulations governing this site and its redevelopment, and management of the contractors for this project.

General Contractor: The general contractor should have experience with performing renovations within malls or large retail outlets, including remodeling while minimizing downtime or disruptions to active stores, have previously completed several projects within the City of Prescott to show familiarity with the permitting and approvals processes, and to be able to build a team of subcontractors that have pride in conducting quality work and are detailed oriented from cleanliness during the remodeling to the finishing touches. The general contractor will contract directly with ownership, subcontractors will contract directly with the general contractor.

Architect: The architect should also have experience with performing renovations within malls or large retail outlets, including remodeling while minimizing downtime or disruptions to active stores, create innovative designs that will both blend in with the desert setting as is typically desired by the local community, but also stand out to entice people to come to the new stores, and have on staff or subcontract a mechanical engineer to redesign the HVAC system for the Sears and for the new tenant spaces. Applicable third party engineers will be contracted directly with the ownership, but will report to the architect.

Marketing: In order for the community to clearly understand the value this project brings to them, a marketing plan will be utilized. The marketing consultant will have a deep understanding of the popular forms of media for the local communities and how to effectively market the proposed uses of the redeveloped property to the projects key demographics.

Property Manager: Based upon the existing relationship between KRIG and their current property manager / broker for the rest of the mall, Sumner Commercial Real Estate Group has been chosen as the property manager / broker for the subject property. Sumner has experience with leasing within a mall environment and has a strong network with regional and national chains, as well as an extensive portfolio of managed properties.

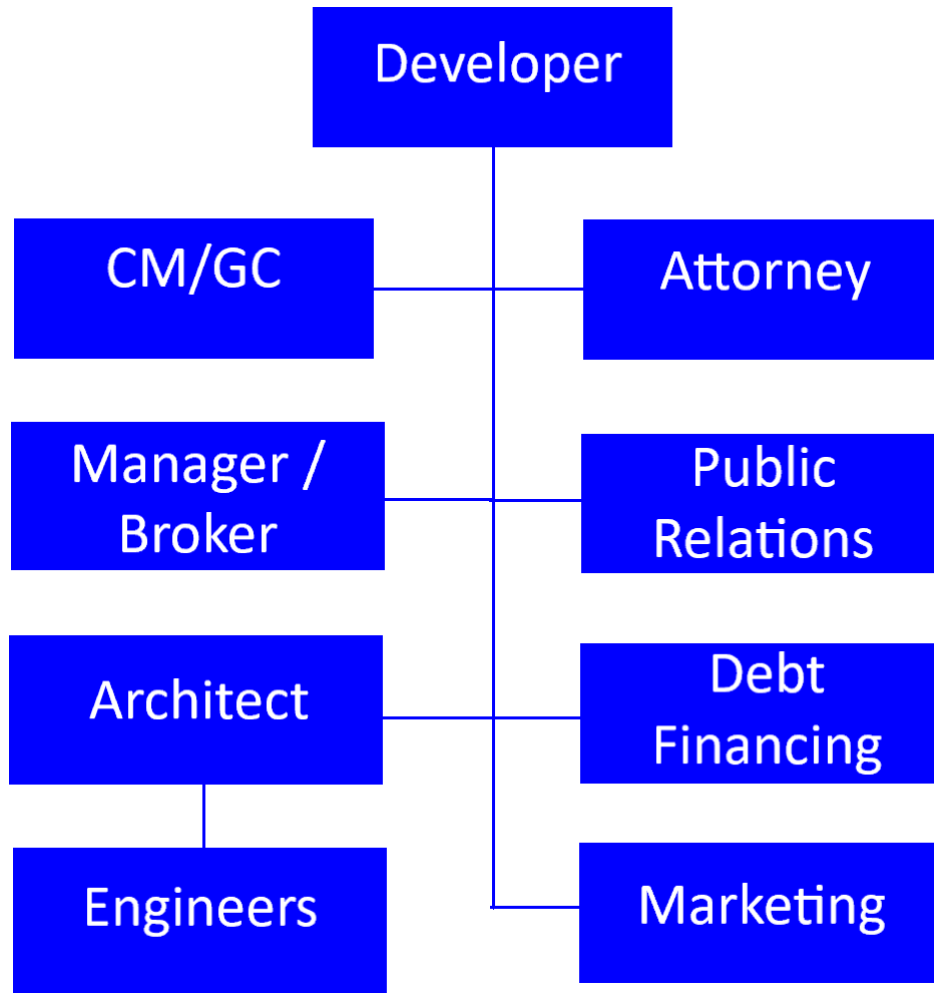
Attorney: The attorney should be experienced in negotiating joint venture contracts, purchase agreements and lease terms, and recapture lease provisions and have a strong relationship with local government officials. The attorney will be contracted directly with ownership.

Public Relations: To assist with the project's desire to create new signage for the property, a public relations consultant will be utilized to stand before the town board to petition for the desired signage. The consultant will have strong ties to the existing board members and an extensive record of successful appearances before the board.

Debt Financing: The project will only require one lender who will be distributing a construction loan that will convert to the permanent loan once the property is stabilized. The construction term of the loan will only have interest payments and the permanent loan payments will include both interest and principal. An interest rate will be locked in on the permanent loan and there will be a maximum cap on the rate.

Property Management: Key attributes the team was looking for in the site's property manager included: great leadership, experience and familiarity with the Prescott market, extremely organized, and willingness to teach and work with the leaders of JGT Properties. The team has chosen to hire Sumner Commercial Real Estate Inc. as the property managing company for the development. Sumner Commercial Real Estate Inc. is the leading provider for commercial real estate leasing and management services in the Prescott, Arizona area.

Organization Chart



Development Schedule

The below development schedule spans from the feasibility study through the investment management / stabilization time period. For efficiency and speed, some tasks will be conducted concurrently when feasible. The total expected duration from the feasibility study to investment management is 8.5 months.

Task	Starting Date	Ending Date	Duration (months)
Feasibility Study	3/1/2019	5/7/2019	2
Pre-Development Phase	4/15/2019	7/15/2019	3
Development Phase	7/16/2019	1/16/2020	6
Occupancy/Lease-Up	8/1/2019	2/15/2020	5.5
Investment Management	1/17/2020	TBD	TBD

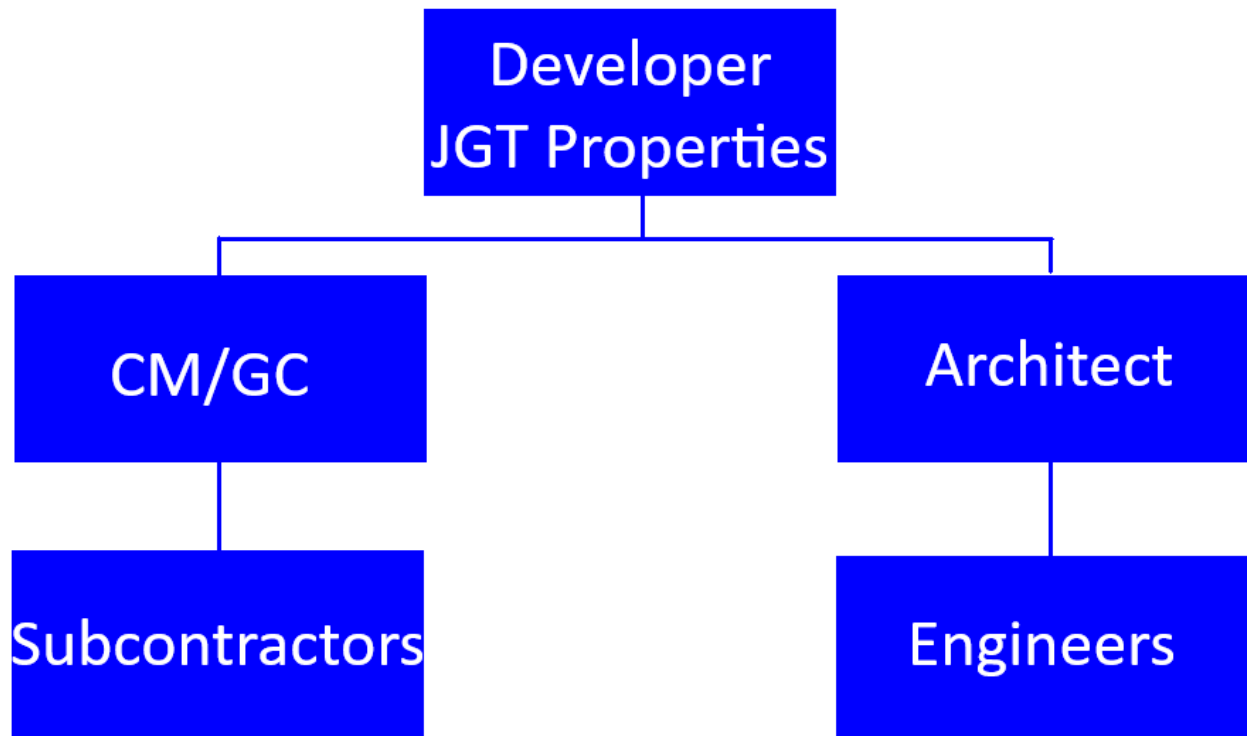
Construction and Project Delivery Method

A Construction Manager / General Contractor (CM/GC) project delivery method will be utilized for this project to create a collaborative design between ownership, the architect, and the CM/GC that can be cost effectively implemented by the CM/GC. Early involvement by the CM/GC is expected to reduce cost overruns and keep the project on its tight schedule. For efficiency and to reduce confusion, a single member of the development team will be the point contact for the CM/GC and the architect and will handle payments to all of the relevant parties on a timely basis to prevent work slowdowns.

Ownership will contract separately with the CM/GC and with the architect / design team as displayed in the graphic below. The subcontractors of the CM/GC will contract and report directly to the CM/GC. Third party engineers not in-house at the architecture firm will contract directly with ownership, but will report to the architect.

As the design plans will not be fully completed when the contract is signed with the CM/GC, a negotiated cost plus fixed fee contract will be prepared. A negotiated cost plus fixed fee contract will also be utilized for the architect. All contracts will include a “time is of the essence” provision to meet the projected deadline.

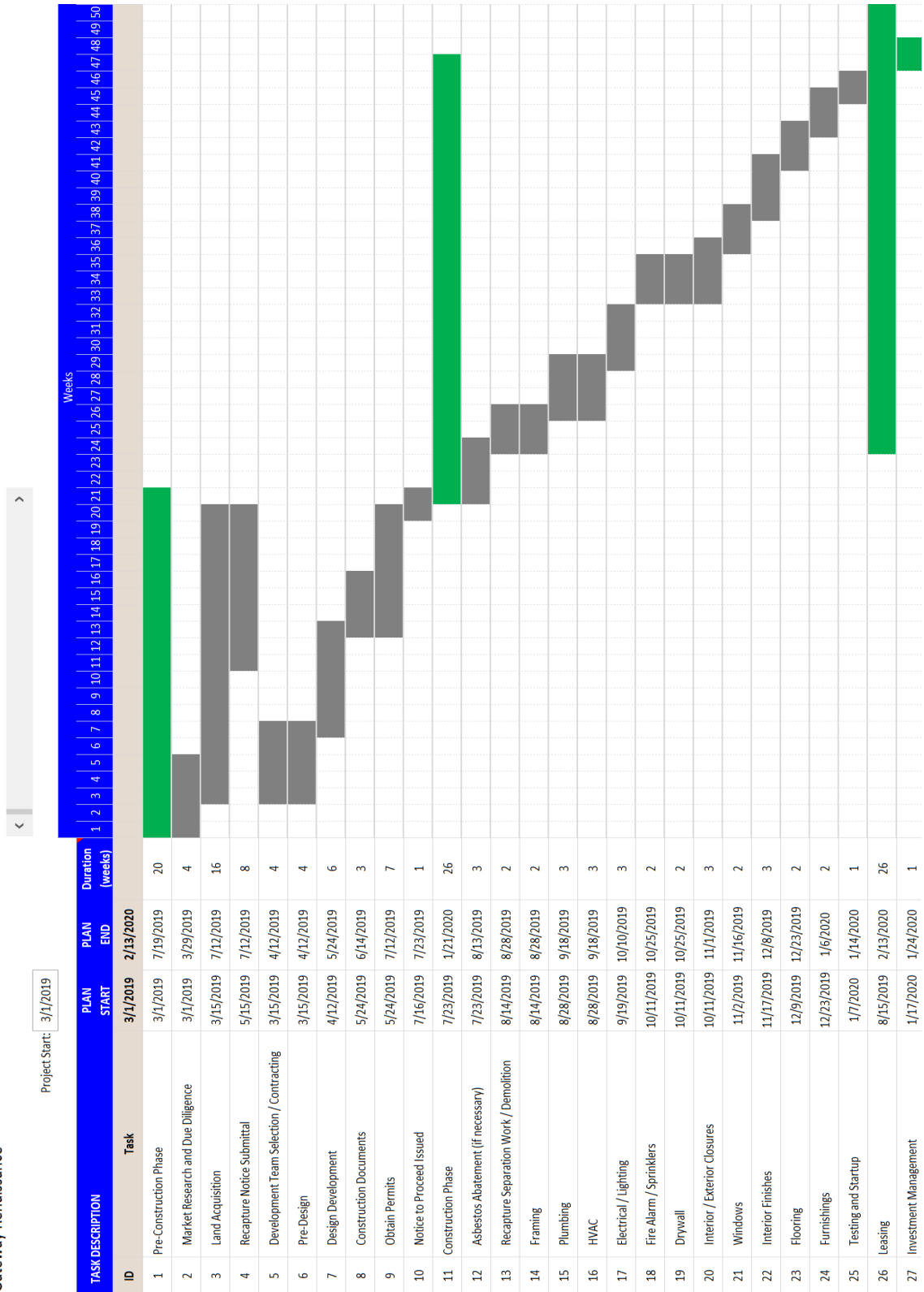
To mitigate potential risks, bid and proposal bonds will be required to ensure that the chosen contractor is available for the project (or ownership is otherwise compensated) and retainage of 10% will be held on payments until completion of the project.



Construction Schedule

The below construction schedule is proposed. Major milestones are highlighted in green.

CONSTRUCTION SCHEDULE Gateway Renaissance



Development Budget

Below is a detailed development budget¹ for the proposed development project. Hard costs for the site are \$37.87/SF and soft costs are \$16.17/SF. TI costs included in the construction phase are included in the budget for “other” soft costs. The total area of the construction for the redevelopment is 52,850 SF, which is the space the team will be recapturing based on the current lease provision. The construction loan used to finance the project will have a 70% LTC and an interest rate of 8.50%.

Development Budget						
Project:	Sears at Prescott		Sq. Ft.	Land Sq. Ft.	Underwritten Interest Rate:	8.50%
Location:	Prescott, AZ		52850	102850	Loan Term (Months):	6
Loan Amount:	\$ 4,875,445					
		% Total Costs	\$ Per Sq. Ft.	Total Cost	Funded by Loan	Upfront Equity
1) Land		45.9%	31.11	3,200,000	2,240,000	960,000
2) Site Improvements		1.6%	2.08	110,000	77,000	33,000
4) SUB-TOTAL LAND		47.5%	33.19	3,310,000	2,317,000	993,000
5) Construction Contract		9.5%	12.47	658,902	461,231	197,671
6) Parking		0.3%	0.34	18,000	12,600	5,400
7) Hardscape/Landscape		0.6%	0.85	45,000	31,500	13,500
8) FF&E		3.8%	5.03	265,879	186,115	79,764
10) Other		13.0%	17.10	903,615	632,531	271,085
11) SUB-TOTAL IMPROVEMENTS		27.2%	35.79	1,891,396	1,323,977	567,419
12) A & E Fees		0.6%	0.76	40,000	28,000	12,000
13) Testing (Soil, ESA, Etc.)		0.1%	0.11	5,600	3,920	1,680
14) Permits		0.0%	0.02	1,200	840	360
15) Impact Fees		0.1%	0.11	5,679	3,975	1,704
16) Closing Costs		0.0%	0.04	2,300	1,610	690
17) Other		10.5%	13.84	731,500	512,050	219,450
18) Insurance		0.1%	0.19	10,000	7,000	3,000
20) Cost Analysis & Site Inspections		0.1%	0.16	8,500	5,950	2,550
21) Legal Fees		0.6%	0.85	45,000	31,500	13,500
22) Appraisal Fees		0.1%	0.09	5,000	3,500	1,500
24) SUB-TOTAL SOFT COSTS		12.3%	16.17	854,779	598,345	256,434
26) Construction Loan Fee (%)		1.3%	1.75	92,427	64,699	27,728
27) Other Loan Fee (%)		1.0%	1.31	69,320	48,524	20,796
28) Loan Interest		2.9%	3.81	201,220	140,854	60,366
30) Other Financing Costs		0.5%	0.66	35,000	24,500	10,500
31) SUB-TOTAL FIN'G/CARRY COSTS		5.7%	7.53	397,967	278,577	119,390
32) Contingency (Hard Cost %)	7.5%	2.2%	2.84	150,000	105,000	45,000
33) Contingency (Soft Costs)		1.1%	1.51	80,000	56,000	24,000
35) Developer Fees		3.0%	3.89	205,779	144,046	61,734
37) Marketing Fees		0.7%	0.95	50,000	35,000	15,000
38) Other Fees		0.4%	0.47	25,000	17,500	7,500
39) SUB-TOTAL MISC. COSTS		7.3%	9.66	510,779	357,546	153,234
40) TOTAL		100.0%	\$102.35	\$6,964,921	\$4,875,445	\$2,089,476
41) % of Total Costs				100.0%	70.0%	30.0%
Interest Reserve Reconciliaton						
Borrower Budget:		\$201,220	70.0% =		\$4,875,445	
70% Estimate:		\$207,206	8.50%			
Disbursement Estimate:		\$214,961	6			
				\$207,206		

¹ Construction costs for the budget were based on various resources referenced in the bibliography, including CBRE's Fit Out Cost Guide, Value Penguin, and ULI.

Interest Reserve Calculation			
Month	Construction Draw	Interest Draw	Loan Balance
1	\$2,637,831	\$0	\$2,637,831
2	\$79,789	\$37,369	\$2,754,989
3	\$126,317	\$39,029	\$2,920,336
4	\$297,001	\$41,371	\$3,258,708
5	\$297,001	\$46,165	\$3,601,874
6	\$1,296,652	\$51,027	\$4,949,552

When the team was creating their development budget, they also created a budget for a worst and best case scenario. In the worst case scenario, the construction period lasts for a total of 8 months and variable construction costs increase by 15%. As displayed in the exhibit below, this will increase the loan amount by 7.04%. The total interest paid during the worst case construction period would increase by 31.08%. In the best case scenario, the construction period decreased to a total of 5 months and the variable costs decreased by 10%. The loan amount decreased by 3.38% and the total interest paid decreased by 22.77%. The best case and worst case development budget scenarios are presented on the following two pages.

Development Budget - Worst Case

Project:	Sears at Prescott	Sq. Ft.	Land Sq. Ft.	Underwritten Interest Rate:	8.50%
Location:	Prescott, AZ	52850	102850	Loan Term (Months):	8
Loan Amount:	\$ 5,244,727				

	% Total Costs	\$ Per Sq. Ft.	Total Cost	Funded by Loan	Upfront Equity
1) Land	42.7%	31.11	3,200,000	2,240,000	960,000
2) Site Improvements	1.7%	2.39	126,500	88,550	37,950
4) SUB-TOTAL LAND	44.4%	33.51	3,326,500	2,328,550	997,950
5) Construction Contract	10.1%	14.34	757,737	530,416	227,321
6) Parking	0.2%	0.34	18,000	12,600	5,400
7) Hardscape/Landscape	0.6%	0.85	45,000	31,500	13,500
8) FF&E	3.5%	5.03	265,879	186,115	79,764
10) Other	13.9%	19.66	1,039,157	727,410	311,747
11) SUB-TOTAL IMPROVEMENTS	28.4%	40.22	2,125,774	1,488,041	637,732
12) A & E Fees	0.6%	0.87	46,000	32,200	13,800
13) Testing (Soil, ESA, Etc.)	0.1%	0.11	5,600	3,920	1,680
14) Permits	0.0%	0.02	1,200	840	360
15) Impact Fees	0.1%	0.11	5,679	3,975	1,704
16) Closing Costs	0.0%	0.04	2,300	1,610	690
17) Other	11.2%	15.92	841,225	588,858	252,368
18) Insurance	0.1%	0.19	10,000	7,000	3,000
20) Cost Analysis & Site Inspections	0.1%	0.18	9,775	6,843	2,933
21) Legal Fees	0.7%	0.98	51,750	36,225	15,525
22) Appraisal Fees	0.1%	0.09	5,000	3,500	1,500
24) SUB-TOTAL SOFT COSTS	13.1%	18.52	978,529	684,970	293,559
26) Construction Loan Fee (%)	1.3%	1.79	94,513	66,159	28,354
27) Other Loan Fee (%)	1.0%	1.39	73,200	51,240	21,960
28) Loan Interest	4.0%	5.62	297,201	208,041	89,160
30) Other Financing Costs	0.5%	0.66	35,000	24,500	10,500
31) SUB-TOTAL FIN'G/CARRY COSTS	6.7%	9.46	499,914	349,940	149,974
32) Contingency (Hard Cost %) 7.5%	2.3%	3.20	169,000	118,300	50,700
33) Contingency (Soft Costs)	1.1%	1.51	80,000	56,000	24,000
35) Developer Fees	3.0%	4.29	226,500	158,550	67,950
37) Marketing Fees	0.8%	1.09	57,500	40,250	17,250
38) Other Fees	0.4%	0.54	28,750	20,125	8,625
39) SUB-TOTAL MISC. COSTS	7.5%	10.63	561,750	393,225	168,525
40) TOTAL	100.0%	\$112.33	\$7,492,467	\$5,244,727	\$2,247,740
41) % of Total Costs			100.0%	70.0%	30.0%

Interest Reserve Reconciliation		70.0% =	\$5,244,727
Borrower Budget:	\$297,201	8.50%	
70% Estimate:	\$297,201	8	
Disbursement Estimate:	\$312,678		\$297,201

Development Budget - Best Case

Project:	Sears at Prescott	Sq. Ft.	Land Sq. Ft.	Underwritten Interest Rate:	8.50%
Location:	Prescott, AZ	52850	102850	Loan Term (Months):	5
Loan Amount:	\$ 4,716,113				

	% Total Costs	\$ Per Sq. Ft.	Total Cost	Funded by Loan	Upfront Equity	
1) Land	47.5%	31.11	3,200,000	2,240,000	960,000	
2) Site Improvements	1.5%	1.87	99,000	69,300	29,700	
4) SUB-TOTAL LAND	49.0%	32.99	3,299,000	2,309,300	989,700	
5) Construction Contract	8.8%	11.22	593,012	415,108	177,904	
6) Parking	0.3%	0.34	18,000	12,600	5,400	
7) Hardscape/Landscape	0.7%	0.85	45,000	31,500	13,500	
8) FF&E	3.9%	5.03	265,879	186,115	79,764	
10) Other	13.2%	16.80	887,815	621,471	266,345	
11) SUB-TOTAL IMPROVEMENTS	26.9%	34.24	1,809,706	1,266,794	542,912	
12) A & E Fees	0.5%	0.68	36,000	25,200	10,800	
13) Testing (Soil, ESA, Etc.)	0.1%	0.11	5,600	3,920	1,680	
14) Permits	0.0%	0.02	1,200	840	360	
15) Impact Fees	0.1%	0.11	5,679	3,975	1,704	
16) Closing Costs	0.0%	0.04	2,070	1,449	621	
17) Other	9.8%	12.46	658,350	460,845	197,505	
18) Insurance	0.1%	0.19	10,000	7,000	3,000	
20) Cost Analysis & Site Inspections	0.1%	0.14	7,650	5,355	2,295	
21) Legal Fees	0.6%	0.77	40,500	28,350	12,150	
22) Appraisal Fees	0.1%	0.09	5,000	3,500	1,500	
24) SUB-TOTAL SOFT COSTS	11.5%	14.61	772,049	540,434	231,615	
26) Construction Loan Fee (%)	1.3%	1.71	90,500	63,350	27,150	
27) Other Loan Fee (%)	1.0%	1.31	69,320	48,524	20,796	
28) Loan Interest	2.5%	3.16	167,029	116,920	50,109	
30) Other Financing Costs	0.5%	0.66	35,000	24,500	10,500	
31) SUB-TOTAL FIN'G/CARRY COSTS	5.4%	6.85	361,849	253,294	108,555	
32) Contingency (Hard Cost %) 7.5%	2.1%	2.71	143,000	100,100	42,900	
33) Contingency (Soft Costs)	1.2%	1.51	80,000	56,000	24,000	
35) Developer Fees	3.0%	3.82	201,700	141,190	60,510	
37) Marketing Fees	0.7%	0.85	45,000	31,500	13,500	
38) Other Fees	0.4%	0.47	25,001	17,501	7,500	
39) SUB-TOTAL MISC. COSTS	7.3%	9.36	494,701	346,291	148,410	
40) TOTAL	100.0%	\$98.04	\$6,737,305	\$4,716,113	\$2,021,191	
41) % of Total Costs			100.0%	70.0%	30.0%	

Interest Reserve Reconciliation

Borrower Budget:	\$167,029	70.0% =	\$4,716,113
70% Estimate:	\$167,029	8.50%	
Disbursement Estimate:	\$166,005	5	
			\$167,029

Operating Pro Forma

Comparable properties from CoStar and offering memorandums were used to find the operating expenses and costs for the Sears property. These are included in the assumption table below. In addition, tenant improvements and leasing commissions are not part of the development budget, so they were included below NOI. They were added in Year 1 to renovate the 52,850 SF and Year 8 to renovate the 50,000 SF once Sears is removed.

Acquisition and Financing		
Purchase Price	\$6,402,659	
LTV	70%	
Equity	\$1,484,866	
Mortgage Amount	\$4,949,552	
Mortgage Term (Years)	30	
Mortgage Interest (Annual)	8.50%	
Income Assumptions		
Vacancy	9.20%	
Credit Loss	0.00%	
Expense Assumptions	Base Year Rate	Escalations
Real Estate Taxes (PSF)	\$0.56	3%
Property Insurance (PSF)	\$0.14	3%
Utilities (PSF)	\$1.07	3%
CAM (PSF)	\$1.97	3%
Reserves (PSF)	\$0.30	N/A
Management Fee (% of EGI)	0.00%	N/A
Leasing Costs		
Leasing Commissions	3%	
Tenant Improvements (PSF)	\$25	
Growth Rates		
Medical Office Income Appreciation	1.10%	
Retail Income Appreciation	0.20%	
Going in Capt Rate	6.95%	
Terminal Cap Rate	7.10%	
Hurdle Rate	19.43%	
Building SF (Excluding Other Inc.)	102,850	
Resale Assumptions		
Sale Year	10	
Cost of Sale	4.00%	
Comparable Property Op Expenses		
Cam Expense PSF	1.97	
Insurance PSF	0.14	
Property Taxes PSF	0.49	
Utilities PSF	1.07	
Reserves PSF	0.30	

Construction periods have been budgeted into the rent roll and have been accounted for. Since there are negative and positive cash flows, MIRR is a better measure than IRR in terms of return. In the sensitivity matrix, Year 4 has the highest IRR calculation, but in order to receive the highest gains the project has to be held until Year 10. With a 10 year hold, a conservative net gain would be \$6,214,865. In addition, Net Reversion is \$12,058,152 after 10 years.

Please see Exhibit C for the full before tax Operating Pro Forma.

Hurdle Rate

The hurdle rate takes into account the development budget and capital structure of 70% LTV with 8.5% interest to find the Provider Risk Premium. Then, adding the risk in the market with profit margin and the 10 year treasury rate, the hurdle rate is found.

Reversion	
NOI of Year 11	\$ 891,801
Terminal Cap	7.10%
Gross Reversion	\$12,560,575
Selling Costs	\$ 502,423
Net Reversion	\$12,058,152
Discounted at Hurdle Rate	
PV of NOI Year 1-10	\$2,825,791
PV of Net Reversion	\$2,042,085
Market Value	\$4,867,875

	WACC	Cost	WACC
Debt	70%	0.085	5.95%
Equity	30%	0.30	9%
		Provider Risk Premium	14.95%
		Risk	1%
		Profit Margin	1%
		Opportunity Cost (10 yr Treasury)	2.48%
		Hurdle Rate	19.43%

Capital Structure

Financing for the site will be provided by Alliance Bank of Arizona. The lender will be issuing a construction loan that will then convert to a permanent loan when the site is stabilized. Obtaining this type of construction loan will save the development team on the loan closing costs they would have to pay if they received a separate permanent loan after the construction phase. Another benefit of this type of loan is that it a maximum interest rate for the permanent loan will be locked in when the construction loan begins. Below are some key elements of the loan term sheet:

Principal Loan Amount: An amount equal to the lesser of \$5,500,000.00 or 70% of the approved LTC.

Loan Term: The construction loan with last for the length of the construction period and the permanent loan provisions will be 10 years.

Interest Rate: The construction loan will have a floating rate based on the federal funds rate plus 6%. The permanent loan will be based on the federal funds rate plus 4.5%. There will be a rate lock out on the permanent loan of a maximum rate of 7.5% and a minimum rate of 5%.

Amortization: The construction loan will have interest only payments. The permanent loan will amortize the outstanding loan balance at the end of the construction period over the course of 30 years.

Origination Fee: The origination fee for the loans will be 3.3% of the construction loan amount.

Recourse: The Loan will be non-recourse to Borrower and to the Guarantor, subject to Lender's standard recourse carve-out provisions.

Assumption: Assumption of the loan will not be permitted.

Prepayment: The loan may be prepaid, in whole or in part, at any time upon not less than ten (10) days' prior written notice without any penalty.

Transfers: Transfers of interest in the property are permitted provided such transfers do not result in a change in control of Borrower or any entity controlling Borrower. Any other transfers must be approved by the lender.

Due on Sale: The loan shall automatically be due and payable upon any sale, transfer, pledge or encumbrance of all or any portion of the property.

Collateral: The loan will be secured by a first mortgage lien on the property.

Events of Default: Events of defaults include: breach of representation or warranty, nonpayment of principal, interest, fees, or other amounts, failure to perform or observe financial covenants, negative covenants, or certain affirmative covenants contained in the loan documents, bankruptcy and insolvency events of default, any court, government, or governmental agency condemning or seizing the property, monetary judgment defaults, and the occurrence of any "default" under any loan document.

The equity portion of the project's capital structure will be divided between JGT Properties and KRIG per the JV agreement. The terms of the JV agreement are outlined in the ownership scheme of the report.

The sources of funding will differ for each phase of the development project. The below section will outline the sources in detail.

Pre-Acquisition: Any sources of funding prior to obtaining financing will be sourced from JGT Properties' sweat equity. The Team has pooled together a sufficient amount of equity to cover costs during this phase.

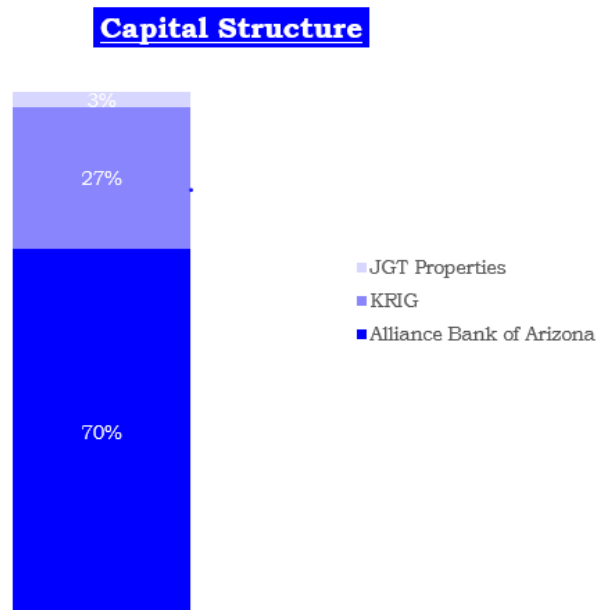
These costs are included in the development budget, so a portion will be reimbursed by the construction loan during the drawdowns.

Acquisition: Sources of funds for the acquisition of the site will come from the lender (70%) and the joint venture (30%).

Pre-Development: Sources of funds for the acquisition of the site will come from the lender (70%) and the joint venture (30%).

Construction: Sources of funds for the acquisition of the site will come from the lender (70%) and the joint venture (30%).

Post-Stabilization: Once the site is stabilized, all sources of funds will come from the project's operating cash flow. A cash reserve will be opened and maintained to cover large, unexpected costs down the line. It is not expected that the owners will need to tap into this reserve at any point.



Monthly Sources & Uses - 1st Full Year of Stabilization													
	Month 1 Jul-20	Month 2 Aug-20	Month 3 Sep-20	Month 4 Oct-20	Month 5 Nov-20	Month 6 Dec-20	Month 7 Jan-21	Month 8 Feb-21	Month 9 Mar-21	Month 10 Apr-21	Month 11 May-21	Month 12 Jun-21	Total
Sources													
Rental Income	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$76,471	\$917,653
Recoveries	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$314,997
Total	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$1,232,650
Uses													
Vacancy/Credit Allowance	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$113,404
OpEx	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$33,028	\$396,334
Cash Reserves	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$2,571	\$30,855
Debt Service	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$38,380	\$460,559
BTCF	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$19,292	\$231,498
Total	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$102,721	\$1,232,650

Construction Loan Sources and Uses							
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Total
Sources							
Debt	\$2,793,269	\$76,872	\$123,401	\$294,084	\$294,084	\$1,293,735	\$4,875,445
Equity	\$1,197,115	\$32,945	\$52,886	\$126,036	\$126,036	\$554,458	\$2,089,476
Total	\$3,990,384	\$109,817	\$176,287	\$420,120	\$420,120	\$1,848,193	\$6,964,921
Uses							
Acquisition	\$3,200,000						\$3,200,000
Site Improvements						\$110,000	\$110,000
Construction Contract	\$109,817	\$109,817	\$109,817	\$109,817	\$109,817	\$109,817	\$658,902
Parking						\$18,000	\$18,000
Hardscape/Landscape						\$45,000	\$45,000
FF&E			\$66,470	\$66,470	\$66,470	\$66,470	\$265,879
Other						\$903,615	\$903,615
Other Soft Costs				\$243,833	\$243,833	\$243,833	\$731,500
A&E Fees						\$40,000	\$40,000
Testing	\$5,600						\$5,600
Permits	\$1,200						\$1,200
Impact Fees						\$5,679	\$5,679
Closing Costs	\$2,300						\$2,300
Insurance	\$10,000						\$10,000
Cost Analysis & Site Inspections	\$8,500						\$8,500
Legal Fees						\$45,000	\$45,000
Appraisal Fees						\$5,000	\$5,000
Construction Loan Fee	\$92,427						\$92,427
Other Loan Fee	\$69,320						\$69,320
Loan Interest	\$201,220						\$201,220
Other Financing Costs	\$35,000						\$35,000
Contingency (Hard Costs)	\$150,000						\$150,000
Contingency (Soft Costs)	\$80,000						\$80,000
Developer Fees						\$205,779	\$205,779
Marketing Fees						\$50,000	\$50,000
Other Fees	\$25,000						\$25,000
Total	\$3,990,384	\$109,817	\$176,287	\$420,120	\$420,120	\$1,848,193	\$6,964,921

Construction Budget Summary		
Sources	%	\$
Total Costs		\$6,964,921
Equity	30%	\$2,089,476
Debt	70%	\$4,875,445
Uses	%	\$
Hard Costs	29%	\$2,001,396
Soft Costs	20%	\$1,365,558
Financing/Carrying Costs	6%	\$397,967
Acquisition	46%	\$3,200,000

Leasing (Sales) Plan

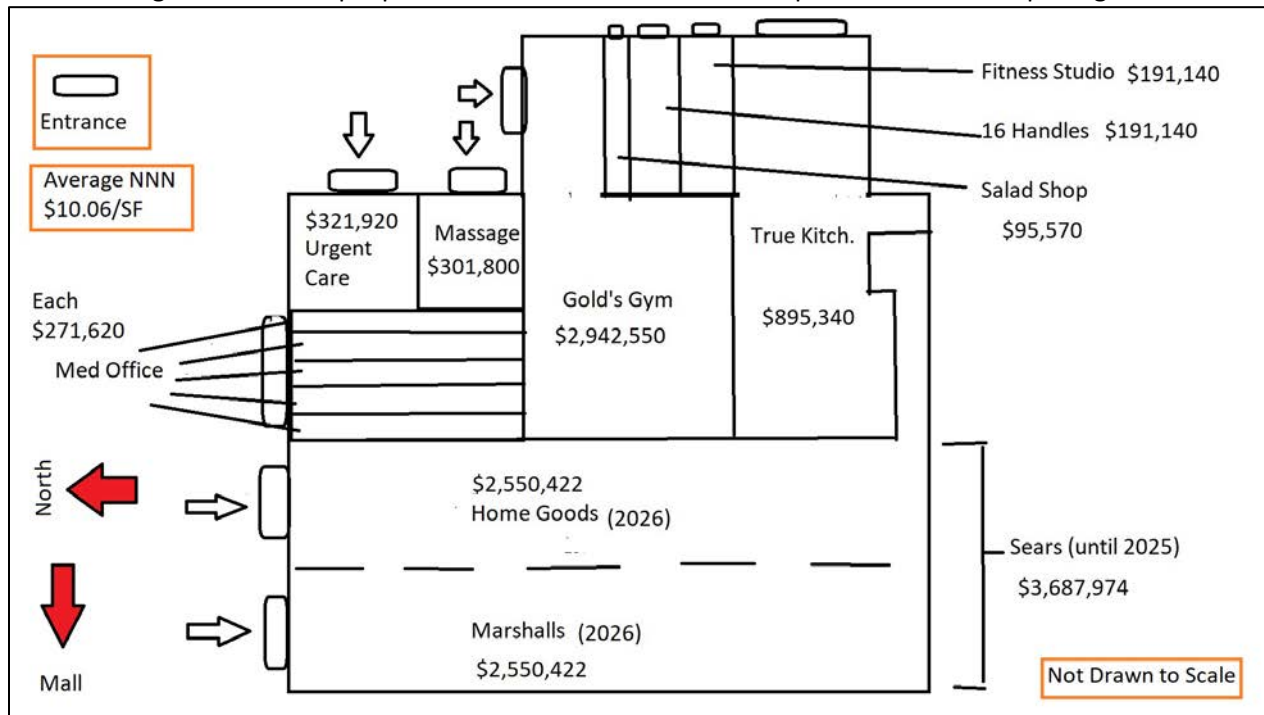
Leasing/Sales Strategy

Leasing and management will go to Sumner, but JGT Properties would like to build relationships with the real estate departments of the desired tenants and any related leasing agents. Once that relationship has been formed, then negotiations will begin on drafts of the tenant term sheet. Once an agreeable term sheet is discussed, a formal lease will be drafted and signed. Relationships with outside vendors such as local brokers will be close, as well. These local brokers will let the team know of any potential tenants already interested in the property. In addition, a website will be made and updated regularly to notify tenants of the project's progress. The team has chosen not to renew Sears' contract due to the uncertainty in its business and will re-lease the space possibly to a Marshalls and Home Goods, or other marketable tenants at that time, which will contribute to the lifestyle and wellness of the property.

Leasing/Sales Budget

A line item has been included under NOI in the Pro Forma for leasing commissions with \$188,927 in the first year for leasing out all available space other than Sears and \$153,025 in the 8th year when Sears will move out and Marshalls and Home Goods, or other applicable tenants, will move in. An example tenant layout is included below.

The below figure is an example placement of tenants and their respective lease value pricing.



An example lease term sheet with potential tenants is included below.

Tenant Term Sheet - Assumptions											
Tenant	Type	Available Date	# of Months		Lease Expiration	Duration (Years)	Size (NRA) SF	Renew # of Yrs	Contract Income	Market Rent (PSF)	Type
			To Absorb (Renovations)						\$/Yr.		
1 Sears	Anchor	2015			2025	10	50,000	0	\$368,797	\$10.06	NNN Retail
2 Marshalls	Anchor	2026	6		2036	10	25,000			\$10.06	NNN Retail
3 Home Goods	Anchor	2026	6		2036	10	25,000			\$10.06	NNN Retail
4 Gold's Gym	Anchor	2019	6		2034	15	19,500			\$10.06	NNN Retail
5 True Food Kitchen	In-Line	2019	6		2029	10	8,900			\$10.06	NNN Retail
6 NextCare Urgent Care	In-Line	2019	6		2029	10	3,200			\$10.06	NNN Retail
7 Hand and Stone Massage	In-Line	2019	6		2029	10	3,000			\$10.06	NNN Retail
8 16 Handles	In-Line	2019	6		2029	10	1,900			\$10.06	NNN Retail
9 Exercise Studio (Bar Method)	In-Line	2019	6		2029	10	1,900			\$10.06	NNN Retail
10 Salad Restaurant (Green Lead's)	In-Line	2019	6		2029	10	950			\$10.06	NNN Retail
11 Medical Office	In-Line	2019	6		2029	10	2,700			\$10.06	NNN Office
12 Medical Office	In-Line	2019	6		2029	10	2,700			\$10.06	NNN Office
13 Medical Office	In-Line	2019	6		2029	10	2,700			\$10.06	NNN Office
14 Medical Office	In-Line	2019	6		2029	10	2,700			\$10.06	NNN Office
15 Medical Office	In-Line	2019	6		2029	10	2,700			\$10.06	NNN Office
Leased total / Average						10.3	102,850		\$368,797		
102850 SF Available											

A projected annual rent roll for a ten year period is provided below with a rent per square footage by tenant type and annual total rent per tenant.

Rent Roll											
Mkt Rent	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
NNN Retail Increases	\$10.06	\$10.08	\$10.10	\$10.12	\$10.14	\$10.16	\$10.18	\$10.20	\$10.22	\$10.24	\$10.26
NNN Office Increases	\$10.06	\$10.17	\$10.28	\$10.40	\$10.51	\$10.63	\$10.74	\$10.86	\$10.98	\$11.10	\$11.22
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Sears	\$376,173	\$383,697	\$391,371	\$399,198	\$407,182	\$415,326	\$423,632	\$0	\$0	\$0	\$0
Marshalls	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Home Goods	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Gold's Gym	\$98,085	\$196,562	\$196,955	\$197,349	\$197,744	\$198,140	\$198,536	\$198,933	\$199,331	\$199,729	\$200,129
True Food Kitchen	\$44,767	\$89,713	\$89,892	\$90,072	\$90,252	\$90,433	\$90,614	\$90,795	\$90,977	\$91,159	\$91,341
NextCare Urgent Care	\$16,096	\$32,256	\$32,321	\$32,386	\$32,450	\$32,515	\$32,580	\$32,645	\$32,711	\$32,776	\$32,842
Hand and Stone Massage	\$15,090	\$30,240	\$30,301	\$30,361	\$30,422	\$30,483	\$30,544	\$30,605	\$30,666	\$30,728	\$30,789
16 Handles	\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Exercise Studio (Bar Method)	\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Salad Restaurant (Green Lead's)	\$4,779	\$9,576	\$9,595	\$9,614	\$9,634	\$9,653	\$9,672	\$9,692	\$9,711	\$9,730	\$9,750
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
PGI	\$642,009	\$917,653	\$927,631	\$937,780	\$948,104	\$958,607	\$969,291	\$803,097	\$1,061,576	\$1,065,033	\$1,068,512

Marketing Plan

Branding Strategy

After performing the market research and the marketability study, the team discovered that Prescott's population was mostly retired and aging. There would be a future demand on medical related costs. In addition, there was a dearth of restaurants. Knowing that retail is currently evolving and is being replaced by service oriented businesses, the team decided that a health and wellness services approach was the right path to take. It is the team's vision for the property to add value to people's well being, health, and lifestyle.

Marketing to Tenants and Buyers

Through extensive market research, it was found that many fitness centers, urgent care centers, massage centers, and health food places (like salad eateries) like to be co-located together; therefore, a good tenant mix is achieved. The marketing will emphasize that this property is unlocking a new sub-market for health and wellness and that the first tenants to sign a lease will have a first mover advantage over their competition. In addition, being very specific and catering to each tenant's criteria will give JGT more power in acquiring leases or buyers.

Marketing Strategy

Similar to the leasing strategy, Sumner will be closely coordinating with these efforts. Some options include creating an online website with daily updates as part of a larger social media ad campaign on facebook, twitter, and instagram. Another option is to contact PR agencies, news outlets, and magazines to market the new property to potential tenants and buyers. It is important to note that, if marketing to the consumer, efforts will need to be more print based due to the majority of Prescott's aging population and their lack of technological skills according to the market study.

Marketing Budget

A marketing line item has been included in the development budget in the amount of \$50,000 with \$35,000 funded by the construction to permanent loan and \$15,000 funded by equity.

Property Management Plan

Once the Sears at Prescott is finished with its redevelopment, it is crucial to the success of the project that the site is properly managed throughout its operations. Although JGT Properties would like to manage the property themselves to save the costs of hiring a third party, it would not be feasible for the project since the leaders of the team reside across the country in New York. Additionally, the team is very young and lacks the property management experience that would be necessary for this project. After conducting extensive research, a decision was made to hire Sumner Commercial Real Estate, Inc. as the property manager.

Sumner Commercial Real Estate Inc. is the premier name for commercial real estate services in Prescott, Arizona. The company offers services in real estate sales, leasing, and property management. The company has years of experience servicing the Prescott area. They are also extremely familiar with the development site as they are in a partnership with Kohan Retail Investment Group to help lease out the rest of the Prescott Gateway Mall. When the site is in operation, Sumner Commercial Real Estate Inc. will oversee various property management activities that include: overseeing tenant improvements, collecting rents, paying mortgages, taxes, and expenses, hiring and overseeing security operations, the oversight of maintenance and repairs, and resolving any tenant complaints and issues.

JGT Properties and Sumner Commercial Real Estate Inc. have agreed that an active management strategy is key to the success of the redevelopment of the Sears at Prescott. The management company will supply the development team with both monthly and annual reports of the operation. They will also work together on conducting cost-benefit analyses periodically and implementing any needed adjustments to the site's operations. If, in a worst-case scenario, a tenant fails or leaves the space, the management company has the experience to market and lease out the space.

Maintenance of the spatial anomaly will be through the active management strategy that will ensure a strong tenant mix throughout the lifetime of the investment and through external factors, such as a prime location between Prescott and Prescott Valley with limited areas left to develop along this corridor.

There will be no business owner's association for the proposed project.

Exit Strategies

It is important that JGT Properties creates value throughout each phase of the site's development process. Part of creating value in a development plan is creating an exit strategy at the end of each development phase. It is important to the continuance of JGT Properties' business that if they do decide to exit the project at any point, they will recognize the most return that they possibly could at that point. The section below outlines triggers that may cause the team to exit the project at each development phase and the team's strategy for exit.

Study Phase: JGT Properties would decide to exit the project during the study phase if after reviewing their initial analyses, they recognized the development project would not be a good idea. Very minimal, if any, capital has been contributed during this phase, so they would not receive any loss walking away from the idea. The only loss that would be experienced would be lost time, but part of working at a development shop is putting time brainstorming and examining many ideas for a project until you find one that you find feasible to pursue.

Feasibility Phase: During the feasibility phase, more capital will be invested into the project than the study phase. If, after conducting more market research and site analyses tests, the team's findings show that the project is not a good idea, they would choose to exit the plan. The information that was obtained during this phase would be sold to another developer and/or investor to mitigate the costs of any third party hired to conduct work. JGT Properties knows that both Kohan Retail Investment Group and Sumner Commercial Real Estate Inc. would be interested in purchasing the information as they both have direct interests in the property.

Pre-Development Phase: The main trigger for the team to exit the project during the pre-development phase is if they are not able to receive financing on terms that would work for the project. Although this is unlikely since the team has been in contact with multiple lenders and has begun discussing loan terms with the Alliance Bank of Arizona, the team still has a backup plan if the financing falls through. At that point, JGT Properties may choose to sell their membership interest in the JV to Kohan Retail Investment Group or to a third-party developer. JGT Properties would be looking to sell their interest for the price of their initial capital invested plus some additional cash for their sweat equity invested.

Development Phase: If a catastrophe occurs during the development phase where the team was not able to cover the costs with their cash reserves or additional investor equity, it would cause them to exit the project. At this point, Kohan Retail Investment Group would likely want to stay in the project as they already have ownership of the rest of the Prescott Gateway Mall and have more cash available than JGT Properties. As with the pre-development phase, JGT Properties would be able to sell their membership interest to KRIG or another third party.

If a catastrophe occurs during this phase and another event occurs that negatively affects KRIG's financials, they may want to exit the project as well. At this point, the JV may decide to sell the asset and exit the project together. Normally during the development phase this would be tricky as uncompleted construction projects contain no value. This would not be an issue with the redevelopment of the Sears at Prescott since no new structures are being built. The site would be marketed as a value add project, where the vacant space can be built out and leased up to the new owner's plan while the existing Sears provides a steady source of cash flow.

Occupancy Phase: If the US economy goes into a recession, it may cause businesses to cut back on costs making it hard to lease out the site. If the team isn't able to lease out the site with asking rents that give them a high enough return, they may choose to exit the project at this point. At this point, significant

value would have been made with the remodeling of the approximate 52,000 SF of the Sears building. The team would be able to sell the property to another developer or real estate investment firm who can lease out the spaces. The spaces that will be built will be suitable for many different types of businesses, if the purchaser chooses not to stick with the health and wellness plan conducted by the current team.

Investment Management Phase: JGT Properties plans on selling the property in Year 10, when it is expected that they will receive the highest return on their investment. They may wish to sell the property sooner if an adverse effect in the economic climate occurs. This could be the possibility of cap rates rising more than predicted. If cap rates begin to increase before the plan's exit year, the team will want to sell the property before its value decreases due to a high cap rate. The team has already discussed with Sumner Commercial Real Estate Inc. strategies to sell the property once the time comes.

Supporting and Supplemental Information, Assumptions, References Sources, Bibliography

Alliance Bank of Arizona: <https://www.westernalliancebankcorporation.com/alliance-bank-of-arizona-home>

Area Vibes - Prescott: <https://www.areavibes.com/prescott-az/livability/>

Bar Method: www.barmethod.com

Best Places - Prescott: <https://www.bestplaces.net/city/arizona/prescott>

CBRE: www.cbre.us

CBRE Fit Out Cost Guide: <https://www.cbre.com/research-and-reports/fit-out-cost-guide>

Chainlinks: www.chainlinks.com

Chopt Salads: www.choptsalad.com

City of Prescott: <http://www.prescott-az.gov/>

City of Prescott Economic Development: <http://www.prescottbiz.com/>

Prescott City Code: <http://www.prescott-az.gov/code/>

City of Prescott Board: <http://www.prescott-az.gov/city-management/boards-commissions/>

City of Prescott Valley: <https://www.pvaz.net/>

Claritas: www.claritas.com

Colliers: www2.colliers.com/en/

CoStar: www.costar.com

Cushman Wakefield: www.cushmanwakefield.com/

Google Maps: <http://maps.google.com/>

Grand Folk: www.grandfolk.com

ICAA: www.icaa.cc

ICSC: www.icsc.org

iProperty Management: www.ipropertymanagement.com/companies/prescott-az/

Kohan Retail Investment Group: <https://www.kohanretail.com/>

Loopnet: www.loopnet.com

Medscape: www.medscape.com

Nareagroup: www.nareagroup.org

Professors and Staff at Baruch College

Quad Cities: www.quadcitiesbusinessnews.com

SEC: www.sec.gov

Sumner Commercial Real Estate Inc.: <https://www.sumnercre.com/>

The Ledger: www.theledger.com

ULI: www.uli.org/

UpNest: www.upnest.com/

Seritage: www.seritage.com/

Sites USA: www.sitesusa.com

Southgate Realty LLC: www.southgaterealtyllc.com/

Value Penguin: <https://www.valuepenguin.com/average-commercial-real-estate-loan-rates>

Vereit: www.vereit.com

Yavapai County Records: <http://www.yavapai.us/>

Exhibit A

Exhibit A
Legal Description

NCS-700526-13 - 3400 Gateway Boulevard, Prescott, Arizona

PARCEL NO. 1:

A PARCEL OF LAND SITUATED IN THE WEST HALF OF SECTION 31, TOWNSHIP 14 NORTH, RANGE 1 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SAID SECTION 31, THE NORTHWEST CORNER OF WHICH BEARS NORTH 01 DEGREES 07 MINUTES 54 SECONDS EAST, 2621.68 FEET;

THENCE NORTH 01 DEGREES 07 MINUTES 54 SECONDS EAST ALONG THE WEST LINE OF SAID SECTION 31, A DISTANCE OF 362.31 FEET TO A POINT ON THE SOUTH RIGHT OF WAY OF THE CORDES JUNCTION-PRESCOTT HIGHWAY (STATE ROUTE 69);

THENCE ALONG SAID SOUTH RIGHT OF WAY THE NEXT SEVEN (7) COURSES, COMMENCING SOUTH 89 DEGREES 23 MINUTES 53 SECONDS EAST, 323.63 FEET;

THENCE SOUTH 83 DEGREES 15 MINUTES 54 SECONDS EAST, 308.54 FEET;

THENCE SOUTH 63 DEGREES 52 MINUTES 52 SECONDS EAST, 328.02 FEET;

THENCE SOUTH 73 DEGREES 41 MINUTES 52 SECONDS EAST, 228.90 FEET;

THENCE SOUTH 51 DEGREES 05 MINUTES 45 SECONDS EAST, 123.23 FEET;

THENCE SOUTH 54 DEGREES 32 MINUTES 46 SECONDS EAST, 401.52 FEET;

THENCE SOUTH 64 DEGREES 53 MINUTES 44 SECONDS EAST, 99.94 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 64 DEGREES 53 MINUTES 44 SECONDS EAST ALONG SAID SOUTH RIGHT OF WAY, 33.79 FEET;

THENCE LEAVING SAID SOUTH RIGHT OF WAY SOUTH 32 DEGREES 39 MINUTES 16 SECONDS WEST, 56.87 FEET TO A POINT OF CURVATURE LEFT;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 29.50 FEET, A CENTRAL ANGLE OF 84 DEGREES 26 MINUTES 20 SECONDS, AN ARC DISTANCE OF 43.48 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 51 DEGREES 47 MINUTES 04 SECONDS EAST, 150.97 FEET TO A POINT ON A NONTANGENT CURVE LEFT HAVING A RADIAL BEARING OF SOUTH 61 DEGREES 23 MINUTES 10 SECONDS EAST;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 19.50 FEET, A CENTRAL ANGLE OF 81 DEGREES 07 MINUTES 22 SECONDS, AN ARC DISTANCE OF 27.61 FEET TO A POINT ON A NONTANGENT CURVE RIGHT HAVING A RADIAL BEARING OF SOUTH 42 DEGREES 42 MINUTES 29 SECONDS WEST;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 1233.24 FEET, A CENTRAL ANGLE OF 16 DEGREES 12 MINUTES 38 SECONDS, AN ARC DISTANCE OF 348.91 FEET TO A POINT OF COMPOUND CURVATURE;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 800.50 FEET, A CENTRAL ANGLE OF 15 DEGREES 45 MINUTES 54 SECONDS, AN ARC DISTANCE OF 220.26 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 15 DEGREES 19 MINUTES 00 SECONDS EAST, 18.97 FEET TO A POINT OF CURVATURE RIGHT;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 990.32 FEET, A CENTRAL ANGLE OF 19 DEGREES 34 MINUTES 22 SECONDS, AN ARC DISTANCE OF 338.30 FEET TO A POINT OF COMPOUND CURVATURE;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 400.50 FEET, A CENTRAL ANGLE OF 21 DEGREES 31 MINUTES 50 SECONDS, AN ARC DISTANCE OF 150.50 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 25 DEGREES 47 MINUTES 12 SECONDS WEST, 36.11 FEET TO A POINT OF CURVATURE RIGHT;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 100.50 FEET, A CENTRAL ANGLE OF 19 DEGREES 05 MINUTES 21 SECONDS, AN ARC DISTANCE OF 33.48 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 44 DEGREES 52 MINUTES 33 SECONDS WEST, 136.99 FEET TO A POINT OF CURVATURE LEFT;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 161.50 FEET, A CENTRAL ANGLE OF 01 DEGREES 43 MINUTES 06 SECONDS, AN ARC DISTANCE OF 4.84 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 43 DEGREES 09 MINUTES 27 SECONDS WEST, 232.18 FEET TO A POINT OF CURVATURE RIGHT;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 100.50 FEET, A CENTRAL ANGLE OF 72 DEGREES 37 MINUTES 45 SECONDS, AN ARC DISTANCE OF 127.40 FEET TO A POINT OF TANGENCY;

THENCE NORTH 64 DEGREES 12 MINUTES 48 SECONDS WEST, 75.40 FEET TO A POINT OF CURVATURE LEFT;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 24.50 FEET, A CENTRAL ANGLE OF 89 DEGREES 29 MINUTES 46 SECONDS, AN ARC DISTANCE OF 38.27 FEET TO A POINT OF REVERSE CURVATURE;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 50.50 FEET, A CENTRAL ANGLE OF 47 DEGREES 42 MINUTES 00 SECONDS, AN ARC DISTANCE OF 42.04 FEET TO A POINT OF REVERSE CURVATURE;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 9.50 FEET, A CENTRAL ANGLE OF 70 DEGREES 31 MINUTES 19 SECONDS, AN ARC DISTANCE OF 11.69 FEET TO A POINT OF TANGENCY;

THENCE SOUTH 03 DEGREES 28 MINUTES 07 SECONDS WEST, 21.86 FEET;

THENCE NORTH 86 DEGREES 31 MINUTES 53 SECONDS WEST, 285.52 FEET TO A POINT OF CURVATURE RIGHT;

THENCE ALONG SAID CURVE RIGHT HAVING A RADIUS OF 867.40 FEET, A CENTRAL ANGLE OF 03 DEGREES 25 MINUTES 05 SECONDS, AN ARC DISTANCE OF 51.75 FEET TO A NONTANGENT POINT;

THENCE NORTH 06 DEGREES 53 MINUTES 12 SECONDS EAST, 31.50 FEET TO A POINT ON A NONTANGENT CURVE LEFT HAVING A RADIAL BEARING OF NORTH 06 DEGREES 53 MINUTES 12 SECONDS EAST;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 835.90 FEET, A CENTRAL ANGLE OF 02 DEGREES 36 MINUTES 27 SECONDS, AN ARC DISTANCE OF 38.04 FEET TO A NONTANGENT POINT;

THENCE NORTH 25 DEGREES 47 MINUTES 12 SECONDS EAST, 192.60 FEET;

THENCE NORTH 64 DEGREES 12 MINUTES 48 SECONDS WEST, 12.61 FEET;

THENCE NORTH 25 DEGREES 47 MINUTES 12 SECONDS EAST, 498.12 FEET;

THENCE SOUTH 64 DEGREES 12 MINUTES 48 SECONDS EAST, 53.06 FEET;

THENCE NORTH 45 DEGREES 47 MINUTES 12 SECONDS EAST, 147.45 FEET;

THENCE SOUTH 64 DEGREES 12 MINUTES 48 SECONDS EAST, 471.75 FEET TO A POINT ON A
NONTANGENT CURVE LEFT HAVING A RADIAL BEARING OF NORTH 86 DEGREES 52 MINUTES 50
SECONDS WEST;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 971.82 FEET, A CENTRAL ANGLE OF 18
DEGREES 26 MINUTES 10 SECONDS, AN ARC DISTANCE OF 312.70 FEET TO A POINT OF TANGENCY;

THENCE NORTH 15 DEGREES 19 MINUTES 00 SECONDS WEST, 18.97 FEET TO A POINT OF CURVATURE
LEFT;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 782.00 FEET, A CENTRAL ANGLE OF 15
DEGREES 45 MINUTES 54 SECONDS, AN ARC DISTANCE OF 215.17 FEET TO A POINT OF COMPOUND
CURVATURE;

THENCE ALONG SAID CURVE LEFT HAVING A RADIUS OF 1214.74 FEET, A CENTRAL ANGLE OF 15
DEGREES 18 MINUTES 39 SECONDS, AN ARC DISTANCE OF 324.61 FEET TO A POINT OF TANGENCY;

THENCE NORTH 46 DEGREES 23 MINUTES 32 SECONDS WEST, 125.91 FEET;

THENCE NORTH 51 DEGREES 47 MINUTES 04 SECONDS WEST, 120.69 FEET;

THENCE NORTH 32 DEGREES 39 MINUTES 16 SECONDS EAST, 100.55 FEET TO THE TRUE POINT OF
BEGINNING.

For information purposes only:

Property Address: 3400 Gateway Boulevard, Prescott, AZ

Store# 2218

Exhibit B

Exhibit B
Prescott, Arizona Land Uses for Business Regional Zoned Areas

SPECIFIC USE	Allowability	Use Standards
Residential Use Categories (Sec. 11.1.3)		
Assisted Living	Permitted	2.4.7
Nursing Home	Permitted	2.4.7
Bed and Breakfasts	Permitted	2.4.12
Casitas, Cabins, or Cottages	Permitted	2.4.14
Motels or Hotels	Permitted	--
Vacation Rental of Single-Family Dwellings	Permitted	
Family Community Residence	Permitted	2.4.17
Transitional Community Residence	Permitted	2.4.17
Dormitories / Fraternities / Sororities	Permitted	
Single-Family Dwellings / Modular Homes	Permitted	2.4.47
Duplex Dwellings	Permitted	2.4.20
Multi-Family Dwellings (Apartments & MF Condos)	Permitted	2.4.32
Manufactured Home Parks	Conditional	2.4.30
Public, Civic and Institutional Use Categories (Sec. 11.1.4)		
Cemeteries, Mausoleums	Permitted	2.4.15
Colleges or Universities	Permitted	--
Convents, Monasteries	Permitted	2.4.18
Crematoriums	Conditional	--
Day Care, Center (>8 persons)	Permitted	2.4.19
Day Care, Home-based (5-8 persons)	Permitted	2.4.20
Emergency Medical Clinics	Permitted	--
Golf Driving Ranges	Permitted	2.4.24
Hospitals & Trauma Centers	Permitted	--
Libraries	Permitted	--
Medical Clinics & Offices	Permitted	--
Museums	Permitted	--
Park or Nature Preserves	Permitted	--
Places of Worship, Churches	Permitted	--
Playgrounds	Permitted	--
Private Clubs or Lodges	Permitted	2.4.38
Schools, public or private, 9-12	Permitted	--
Schools, public or private, K-8	Permitted	--
Telecommunication Facilities	Special	2.4.51
Utilities, Major	Special	2.4.53
Utilities, Minor	Permitted	2.4.53
Utility Installation & Services	Permitted	2.4.53
Retail, Service and Business Use Categories (See Sec. 11.1.5)		
Amphitheaters and Arenas	Conditional	2.4.5
Amusement Parks	Conditional	2.4.6
Antique Shops	Permitted	--
Appliance Sales and Service	Permitted	--
Art Gallery	Permitted	--
Artisan or Photographic Studio	Permitted	--
Auctions, Indoor	Permitted	--
Auditoriums	Permitted	--

Exhibit B
Prescott, Arizona Land Uses for Business Regional Zoned Areas

SPECIFIC USE	Allowability	Use Standards
Auto or Vehicle Body Shops and Repair	Permitted	2.4.9
Auto or Vehicle Sales and Leasing	Permitted	2.4.10
Bakeries	Permitted	--
Banks	Permitted	--
Barber and Beauty Shops, Tanning, Masseuse	Permitted	--
Book Stores	Permitted	--
Campgrounds (more limited than RV Parks)	Conditional	--
Candy and Ice Cream Stores	Permitted	--
Car Detailing	Permitted	--
Car Washes	Conditional	--
Carpet, Flooring Sales	Permitted	--
Catering Associated w/Restaurant	Permitted	--
Catering, Mobile	Permitted	--
Cigar and Tobacco Shops	Permitted	--
Convenience Stores	Permitted	2.4.47
Craft, Fabric Stores	Permitted	--
Delicatessens	Permitted	--
Department Stores	Permitted	--
Dressmaker or Tailor	Permitted	--
Drug Stores	Permitted	--
Electronic Equipment Sales	Permitted	--
Entertainment, Indoors	Permitted	--
Family Game Centers	Conditional	--
Feed Stores	Permitted	--
Firearms Dealers, Arms Only	Permitted	--
Florist Shops	Permitted	--
Funeral Homes	Permitted	--
Furniture Stores	Permitted	--
Greenhouses/Nursery Centers	Permitted	2.4.25
Grocery Stores	Permitted	--
Hardware, Electrical Supply Stores	Permitted	--
Health Clubs/Spas	Permitted	--
Indoor Racquetball, Swimming, Sports Clubs, Shooting Galleries	Permitted	--
Kennels, Animal Shelters	Conditional	2.4.28
Laundromats or Dry Cleaners	Permitted	--
Limo & Shuttle Services	Permitted	--
Liquor Stores	Permitted	--
Lumber/Building Material Sales (w/o Outdoor Storage)	Permitted	--
Micro-Breweries, No Distribution	Permitted	--
Nightclubs, Bars (Stand Alone)	Permitted	--
Offices	Permitted	--
Outdoor Statuary, Small Sheds, Patio Equipment	Conditional	--
Pack and Ship Shops	Permitted	--
Parking Garages	Permitted	--
Parking Lots, Stand Alone	Permitted	--
Pawn Shops	Conditional	--

Exhibit B
Prescott, Arizona Land Uses for Business Regional Zoned Areas

SPECIFIC USE	Allowability	Use Standards
Personal Services	Permitted	--
Pet Grooming	Permitted	--
Pool, Billiard Rooms	Permitted	--
Print Shops	Permitted	--
Radio or Television Broadcast Studios	Permitted	2.4.41
Recreational Vehicle (RV) Parks	Conditional	2.4.42
Recreational Vehicle (RV) Storage Yard	Conditional	2.4.44
Rental Car Agencies	Conditional	--
Repair Shops, Minor (small appliance, shoes, etc.)	Conditional	--
Resale/Consignment Shops	Permitted	--
Restaurants, Fast-Food w/Drive-thru	Permitted	--
Restaurants, Outdoor Dining	Permitted	--
Restaurants, Standard	Permitted	--
Service Stations (Gas)	Conditional	2.4.47
Skating Rinks, Swimming Pools	Permitted	--
Studios, Dance or Music	Permitted	--
Tarot/Palm Reader/Psychics	Permitted	--
Tattoo Parlor	Conditional	--
Theaters	Permitted	--
Tire Sales and Mounting	Permitted	--
Trade Schools	Conditional	--
Veterinary Clinic	Permitted	2.4.28
Video Rentals and Sales	Permitted	--
Accessory Uses (See Sec. 2.5)		
Babysitting or (up to 4 persons)	Permitted	2.5.3
Employer Day Care Centers/Playgrounds	Permitted	--
Flagpoles	Permitted	2.5.4
Garages	Permitted	--
Garage/Yard Sales	Permitted	2.5.5
Gazebos	Permitted	--
Greenhouses	Permitted	--
Guest Quarters	Permitted	2.5.6
Home Occupations	Permitted	2.5.7
Mobile Food Vendors	Permitted	2.5.13
Professional Practice	Permitted	2.5.8
Recreational Vehicle (RV), Motorhomes and Similar Storage	Permitted	2.5.9
Satellite Receivers, Ham Radio Towers, Antennas	Permitted	2.5.10
Solar Collectors, Roof-Mounted	Permitted	2.5.11
Swimming Pools	Permitted	2.4.50
Temporary Uses (See Sec. 2.6)		
Bulk Containers, Storage or Sales From, temporary	Permitted	2.6.4, 2.4.13
Carnivals, Circuses or Special Events, temporary	Permitted	2.6.5
Construction/Storage Offices, temporary	Permitted	2.6.6
Land (Real Estate) Sales and/or Leasing Offices, temporary	Permitted	2.6.8
Open Air Sales, temporary	Permitted	2.6.7
Shelters, temporary	Conditional	2.6.9

Exhibit B
Prescott, Arizona Land Uses for Business Regional Zoned Areas

SPECIFIC USE	Allowability	Use Standards
Industrial Uses (See Sec. 11.1.6)		
Ambulance Services	Conditional	
Auctions, Indoor (other than Livestock)	Permitted	
Bus Terminals	Conditional	
Cabinet Making	Conditional	
Clothing Manufacturing	Permitted	
Film Production Studios	Permitted	
Light Assembly (indoors)	Permitted	
Light machine shops, spot welding, indoors	Conditional	
Publishing and Printing	Permitted	
Self Storage or Mini-Storage	Conditional	2.4.45
Taxidermy Facilities	Conditional	
Warehousing and Distribution	Conditional	
Wholesale Facilities	Conditional	
Farmers Market	Permitted	

Exhibit C

Annual Operating Pro Forma

Operating Pro Forma		Yearly	Opening & Lease										Reversion	
			Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
Revenues														
Sears	Rent			\$376,173	\$383,697	\$391,371	\$399,198	\$407,182	\$415,326	\$423,632	\$0	\$0	\$0	\$0
Marshall's	Rent			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Home Goods	Rent			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Gold's Gym	Rent			\$98,085	\$196,562	\$196,955	\$197,349	\$197,744	\$198,140	\$198,536	\$198,933	\$199,331	\$199,729	\$200,129
True Food Kitchen	Rent			\$44,767	\$89,713	\$89,892	\$90,072	\$90,252	\$90,433	\$90,614	\$90,795	\$90,977	\$91,159	\$91,341
NextCare Urgent Care	Rent			\$16,096	\$32,256	\$32,321	\$32,386	\$32,450	\$32,515	\$32,580	\$32,645	\$32,711	\$32,776	\$32,842
Hand and Stone Massage	Rent			\$15,090	\$30,240	\$30,301	\$30,361	\$30,422	\$30,483	\$30,544	\$30,605	\$30,666	\$30,728	\$30,789
16 Handles	Rent			\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Exercise Studio (Bar Method)	Rent			\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Salad Restaurant (Green Lead's)	Rent			\$4,779	\$9,576	\$9,595	\$9,614	\$9,634	\$9,653	\$9,672	\$9,692	\$9,711	\$9,730	\$9,750
Medical Office	Rent			\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	Rent			\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	Rent			\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	Rent			\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	Rent			\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Total Revenues				\$642,009	\$917,653	\$927,631	\$937,780	\$948,104	\$958,607	\$969,291	\$803,097	\$1,061,576	\$1,065,033	\$1,068,512
Other Tenant Revenue														
Sears	Recoveries			\$88,323	\$90,972	\$93,702	\$96,513	\$99,408	\$102,390	\$105,462	\$0	\$0	\$0	\$0
Marshall's	Recoveries			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,443	\$105,972	\$109,151	\$112,425
Home Goods	Recoveries			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,443	\$105,972	\$109,151	\$112,425
Gold's Gym	Recoveries			\$80,250	\$82,658	\$85,138	\$87,692	\$90,323	\$93,032	\$95,823	\$98,698	\$101,659	\$104,709	\$107,850
True Food Kitchen	Recoveries			\$36,627	\$37,726	\$38,858	\$40,023	\$41,224	\$42,461	\$43,735	\$45,047	\$46,398	\$47,790	\$49,224
NextCare Urgent Care	Recoveries			\$13,169	\$13,564	\$13,971	\$14,390	\$14,822	\$15,267	\$15,725	\$16,197	\$16,682	\$17,183	\$17,698
Hand and Stone Massage	Recoveries			\$12,346	\$12,717	\$13,098	\$13,491	\$13,896	\$14,313	\$14,742	\$15,184	\$15,640	\$16,109	\$16,592
16 Handles	Recoveries			\$7,819	\$8,054	\$8,295	\$8,544	\$8,801	\$9,065	\$9,337	\$9,617	\$9,905	\$10,202	\$10,508
Exercise Studio (Bar Method)	Recoveries			\$7,819	\$8,054	\$8,295	\$8,544	\$8,801	\$9,065	\$9,337	\$9,617	\$9,905	\$10,202	\$10,508
Salad Restaurant (Green Lead's)	Recoveries			\$3,910	\$4,027	\$4,148	\$4,272	\$4,400	\$4,532	\$4,668	\$4,808	\$4,953	\$5,101	\$5,254
Medical Office	Recoveries			\$11,112	\$11,445	\$11,788	\$12,142	\$12,506	\$12,881	\$13,268	\$13,666	\$14,076	\$14,498	\$14,933
Medical Office	Recoveries			\$11,112	\$11,445	\$11,788	\$12,142	\$12,506	\$12,881	\$13,268	\$13,666	\$14,076	\$14,498	\$14,933
Medical Office	Recoveries			\$11,112	\$11,445	\$11,788	\$12,142	\$12,506	\$12,881	\$13,268	\$13,666	\$14,076	\$14,498	\$14,933
Medical Office	Recoveries			\$11,112	\$11,445	\$11,788	\$12,142	\$12,506	\$12,881	\$13,268	\$13,666	\$14,076	\$14,498	\$14,933
Medical Office	Recoveries			\$11,112	\$11,445	\$11,788	\$12,142	\$12,506	\$12,881	\$13,268	\$13,666	\$14,076	\$14,498	\$14,933
Total Other Tenant Revenue				\$305,822	\$314,997	\$324,447	\$334,180	\$344,205	\$354,532	\$365,168	\$370,382	\$487,465	\$502,089	\$517,152
Potential Gross Revenue				\$947,831	\$1,232,650	\$1,252,078	\$1,271,960	\$1,292,310	\$1,313,138	\$1,334,459	\$1,173,479	\$1,549,041	\$1,567,122	\$1,585,663
Vacancy & Credit Loss														
Vacancy & Credit Allowance				\$87,200	\$113,404	\$115,191	\$117,020	\$118,893	\$120,809	\$122,770	\$107,960	\$142,512	\$144,175	\$145,881
Total Vacancy & Credit Loss				\$87,200	\$113,404	\$115,191	\$117,020	\$118,893	\$120,809	\$122,770	\$107,960	\$142,512	\$144,175	\$145,881
Effective Gross Income				\$860,630	\$1,119,246	\$1,136,886	\$1,154,940	\$1,173,417	\$1,192,330	\$1,211,688	\$1,065,519	\$1,406,529	\$1,422,947	\$1,439,782
Operating Expenses														
Real Estate Taxes (PSF)				\$57,596	\$59,324	\$61,104	\$62,937	\$64,825	\$66,770	\$68,773	\$70,836	\$72,961	\$75,150	\$77,404
Property Insurance (PSF)				\$14,337	\$14,767	\$15,210	\$15,666	\$16,136	\$16,620	\$17,119	\$17,632	\$18,161	\$18,706	\$19,267
Utilities (PSF)				\$109,747	\$113,040	\$116,431	\$119,924	\$123,521	\$127,227	\$131,044	\$134,975	\$139,024	\$143,195	\$147,491
CAM (PSF)				\$203,111	\$209,204	\$215,480	\$221,945	\$228,603	\$235,461	\$242,525	\$249,801	\$257,295	\$265,014	\$272,964
Total Operating Expenses				\$384,791	\$396,334	\$408,224	\$420,471	\$433,085	\$446,078	\$459,460	\$473,244	\$487,441	\$502,065	\$517,126
Cash Reserves				\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855	\$30,855
Net Operating Income				\$444,985	\$692,057	\$697,807	\$703,614	\$709,477	\$715,397	\$721,373	\$561,420	\$888,233	\$890,027	\$891,801
Leasing Costs														
Tenant Improvements				\$1,321,250							\$1,250,000			
Leasing Commissions				\$188,927							\$153,025			
Total Leasing Costs				\$1,510,177	\$0	\$0	\$0	\$0	\$0	\$0	\$1,403,025	\$0	\$0	\$0
Cash Flow Before Debt Service				-\$1,065,192	\$692,057	\$697,807	\$703,614	\$709,477	\$715,397	\$721,373	-\$841,605	\$888,233	\$890,027	\$891,801
Debt Service														
Permanent Loan				\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559
Total Debt Service				\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559	\$460,559
Net Cash Flow				-\$1,525,751	\$231,498	\$237,248	\$243,055	\$248,918	\$254,838	\$260,814	-\$1,302,164	\$427,674	\$429,468	\$431,242

Reversion	
NOI of Year 11	\$ 891,801
Terminal Cap	7.10%
Gross Reversion	\$ 12,560,575
Selling Costs	\$ 502,423
Net Reversion	\$ 12,058,152
Discounted at Hurdle Rate	
PV of NOI Year 1-10	\$2,825,791
PV of Net Reversion	\$2,042,085
Market Value	\$4,867,875

Assumptions

Acquisition and Financing		
Purchase Price	\$6,402,659	
LTV	70%	
Equity	\$1,484,866	
Mortgage Amount	\$4,949,552	
Mortgage Term (Years)	30	
Mortgage Interest (Annual)	8.50%	
Income Assumptions		
Vacancy	9.20%	
Credit Loss	0.00%	
Expense Assumptions	Base Year Rate	Escalations
Real Estate Taxes (PSF)	\$0.56	3%
Property Insurance (PSF)	\$0.14	3%
Utilities (PSF)	\$1.07	3%
CAM (PSF)	\$1.97	3%
Reserves (PSF)	\$0.30	N/A
Management Fee (% of EGI)	0.00%	N/A
Leasing Costs		
Leasing Commissions	3%	
Tenant Improvements (PSF)	\$25	
Growth Rates		
Medical Office Income Appreciation	1.10%	
Retail Income Appreciation	0.20%	
Going in Capt Rate	6.95%	
Terminal Cap Rate	7.10%	
Hurdle Rate	19.43%	
Building SF (Excluding Other Inc.)	102,850	
Resale Assumptions		
Sale Year	10	
Cost of Sale	4.00%	
Comparable Property Op Expenses		
Cam Expense PSF	1.97	
Insurance PSF	0.14	
Property Taxes PSF	0.49	
Utilities PSF	1.07	
Reserves PSF	0.30	

	WACC	Cost	WACC
Debt	70%	0.085	5.95%
Equity	30%	0.30	9%
		Provider Risk Premium	14.95%
		Risk	1%
		Profit Margin	1%
		Opportunity Cost (10 yr Treasury)	2.48%
		Hurdle Rate	19.43%

Amortization

PV	\$	4,949,552
Int		8.50%
N		30
PMT		\$460,559

Period	PMT	Int PMT	Principal PMT	Mortgage Balance
1	\$460,559	\$420,712	\$39,847	\$4,909,706
2	\$460,559	\$417,325	\$43,234	\$4,866,472
3	\$460,559	\$413,650	\$46,909	\$4,819,563
4	\$460,559	\$409,663	\$50,896	\$4,768,667
5	\$460,559	\$405,337	\$55,222	\$4,713,445
6	\$460,559	\$400,643	\$59,916	\$4,653,530
7	\$460,559	\$395,550	\$65,009	\$4,588,521
8	\$460,559	\$390,024	\$70,534	\$4,517,987
9	\$460,559	\$384,029	\$76,530	\$4,441,457
10	\$460,559	\$377,524	\$83,035	\$4,358,422
11	\$460,559	\$370,466	\$90,093	\$4,268,329
12	\$460,559	\$362,808	\$97,751	\$4,170,578
13	\$460,559	\$354,499	\$106,060	\$4,064,519
14	\$460,559	\$345,484	\$115,075	\$3,949,444
15	\$460,559	\$335,703	\$124,856	\$3,824,588
16	\$460,559	\$325,090	\$135,469	\$3,689,120
17	\$460,559	\$313,575	\$146,984	\$3,542,136
18	\$460,559	\$301,082	\$159,477	\$3,382,659
19	\$460,559	\$287,526	\$173,033	\$3,209,626
20	\$460,559	\$272,818	\$187,740	\$3,021,886
21	\$460,559	\$256,860	\$203,698	\$2,818,187
22	\$460,559	\$239,546	\$221,013	\$2,597,175
23	\$460,559	\$220,760	\$239,799	\$2,357,376
24	\$460,559	\$200,377	\$260,182	\$2,097,194
25	\$460,559	\$178,262	\$282,297	\$1,814,897
26	\$460,559	\$154,266	\$306,292	\$1,508,605
27	\$460,559	\$128,231	\$332,327	\$1,176,277
28	\$460,559	\$99,984	\$360,575	\$815,702
29	\$460,559	\$69,335	\$391,224	\$424,478
30	\$460,559	\$36,081	\$424,478	\$0

Rent Roll Term Sheet

Tenant Term Sheet - Assumptions											
		# of Months			Contract						
		Available	To Absorb	Lease	Duration	Size (NRA)	Renew	Income	Market	Type	Total
Tenant	Type	Date	(Renovations)	Expiration	(Years)	SF	# of Yrs	\$/Yr.	Rent (PSF)		Lease Value
1	Sears	2015		2025	10	50,000	0	\$368,797	\$10.06	NNN Retail	\$3,687,974
2	Marshalls	2026	6	2036	10	25,000			\$10.06	NNN Retail	\$2,550,422
3	Home Goods	2026	6	2036	10	25,000			\$10.06	NNN Retail	\$2,550,422
4	Gold's Gym	2019	6	2034	15	19,500			\$10.06	NNN Retail	\$2,942,550
5	True Food Kitchen	2019	6	2029	10	8,900			\$10.06	NNN Retail	\$895,340
6	NextCare Urgent Care	2019	6	2029	10	3,200			\$10.06	NNN Retail	\$321,920
7	Hand and Stone Massage	2019	6	2029	10	3,000			\$10.06	NNN Retail	\$301,800
8	16 Handles	2019	6	2029	10	1,900			\$10.06	NNN Retail	\$191,140
9	Exercise Studio (Bar Method)	2019	6	2029	10	1,900			\$10.06	NNN Retail	\$191,140
10	Salad Restaurant (Green Lead's)	2019	6	2029	10	950			\$10.06	NNN Retail	\$95,570
11	Medical Office	2019	6	2029	10	2,700			\$10.06	NNN Office	\$271,620
12	Medical Office	2019	6	2029	10	2,700			\$10.06	NNN Office	\$271,620
13	Medical Office	2019	6	2029	10	2,700			\$10.06	NNN Office	\$271,620
14	Medical Office	2019	6	2029	10	2,700			\$10.06	NNN Office	\$271,620
15	Medical Office	2019	6	2029	10	2,700			\$10.06	NNN Office	\$271,620
Leased total / Average					10.3	102,850		\$368,797			
102850 SF Available											

Tenant Term Sheet

Rent Roll											
Mkt Rent	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
NNN Retail Increases	\$10.06	\$10.08	\$10.10	\$10.12	\$10.14	\$10.16	\$10.18	\$10.20	\$10.22	\$10.24	\$10.26
NNN Office Increases	\$10.06	\$10.17	\$10.28	\$10.40	\$10.51	\$10.63	\$10.74	\$10.86	\$10.98	\$11.10	\$11.22
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Sears	\$376,173	\$383,697	\$391,371	\$399,198	\$407,182	\$415,326	\$423,632	\$0	\$0	\$0	\$0
Marshalls	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Home Goods	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,521	\$255,552	\$256,063	\$256,576
Gold's Gym	\$98,085	\$196,562	\$196,955	\$197,349	\$197,744	\$198,140	\$198,536	\$198,933	\$199,331	\$199,729	\$200,129
True Food Kitchen	\$44,767	\$89,713	\$89,892	\$90,072	\$90,252	\$90,433	\$90,614	\$90,795	\$90,977	\$91,159	\$91,341
NextCare Urgent Care	\$16,096	\$32,256	\$32,321	\$32,386	\$32,450	\$32,515	\$32,580	\$32,645	\$32,711	\$32,776	\$32,842
Hand and Stone Massage	\$15,090	\$30,240	\$30,301	\$30,361	\$30,422	\$30,483	\$30,544	\$30,605	\$30,666	\$30,728	\$30,789
16 Handles	\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Exercise Studio (Bar Method)	\$9,557	\$19,152	\$19,191	\$19,229	\$19,267	\$19,306	\$19,345	\$19,383	\$19,422	\$19,461	\$19,500
Salad Restaurant (Green Lead's)	\$4,779	\$9,576	\$9,595	\$9,614	\$9,634	\$9,653	\$9,672	\$9,692	\$9,711	\$9,730	\$9,750
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
Medical Office	\$13,581	\$27,461	\$27,763	\$28,068	\$28,377	\$28,689	\$29,005	\$29,324	\$29,646	\$29,972	\$30,302
PGI	\$642,009	\$917,653	\$927,631	\$937,780	\$948,104	\$958,607	\$969,291	\$803,097	\$1,061,576	\$1,065,033	\$1,068,512

Expenses and Recoveries

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Sears											
Real Estate Taxes (PSF)	\$28,000	\$28,840	\$29,705	\$30,596	\$31,514	\$32,460	\$33,433	\$0	\$0	\$0	\$0
Property Insurance (PSF)	\$6,970	\$7,179	\$7,394	\$7,616	\$7,844	\$8,080	\$8,322	\$0	\$0	\$0	\$0
Utilities (PSF)	\$53,353	\$54,954	\$56,602	\$58,300	\$60,049	\$61,851	\$63,706	\$0	\$0	\$0	\$0
CAM (PSF)	\$98,741	\$101,704	\$104,755	\$107,897	\$111,134	\$114,468	\$117,902	\$0	\$0	\$0	\$0
Sears Expenses	\$88,323	\$90,972	\$93,702	\$96,513	\$99,408	\$102,390	\$105,462	\$0	\$0	\$0	\$0
10.0% Admin Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sears Reimbursements	\$88,323	\$90,972	\$93,702	\$96,513	\$99,408	\$102,390	\$105,462	\$0	\$0	\$0	\$0
Marshalls											
Real Estate Taxes (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,000	\$14,420	\$14,853	\$15,298
Property Insurance (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,742	\$3,589	\$3,697	\$3,808
Utilities (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,338	\$27,477	\$28,301	\$29,150
CAM (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,685	\$50,852	\$52,377	\$53,949
Marshalls Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$46,766	\$96,338	\$99,228	\$102,205
10.0% Admin Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,677	\$9,634	\$9,923	\$10,220
Marshalls Reimbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,443	\$105,972	\$109,151	\$112,425
Home Goods											
Real Estate Taxes (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,000	\$14,420	\$14,853	\$15,298
Property Insurance (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,742	\$3,589	\$3,697	\$3,808
Utilities (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,338	\$27,477	\$28,301	\$29,150
CAM (PSF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,685	\$50,852	\$52,377	\$53,949
Marshalls Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$46,766	\$96,338	\$99,228	\$102,205
10.0% Admin Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,677	\$9,634	\$9,923	\$10,220
Marshalls Reimbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,443	\$105,972	\$109,151	\$112,425
Gold's Gym											
Real Estate Taxes (PSF)	\$10,920	\$11,248	\$11,585	\$11,933	\$12,291	\$12,659	\$13,039	\$13,430	\$13,833	\$14,248	\$14,676
Property Insurance (PSF)	\$2,718	\$2,800	\$2,884	\$2,970	\$3,059	\$3,151	\$3,246	\$3,343	\$3,443	\$3,547	\$3,653
Utilities (PSF)	\$20,808	\$21,432	\$22,075	\$22,737	\$23,419	\$24,122	\$24,845	\$25,591	\$26,359	\$27,149	\$27,964
CAM (PSF)	\$38,509	\$39,664	\$40,854	\$42,080	\$43,342	\$44,643	\$45,982	\$47,361	\$48,782	\$50,246	\$51,753
Tenant Expenses	\$72,955	\$75,144	\$77,398	\$79,720	\$82,111	\$84,575	\$87,112	\$89,725	\$92,417	\$95,190	\$98,045
10.0% Admin Fee	\$7,295	\$7,514	\$7,740	\$7,972	\$8,211	\$8,457	\$8,711	\$8,973	\$9,242	\$9,519	\$9,805
Tenant Reimbursements	\$80,250	\$82,658	\$85,138	\$87,692	\$90,323	\$93,032	\$95,823	\$98,698	\$101,659	\$104,709	\$107,850
True Food Kitchen											
Real Estate Taxes (PSF)	\$4,984	\$5,134	\$5,288	\$5,446	\$5,610	\$5,778	\$5,951	\$6,130	\$6,314	\$6,503	\$6,698
Property Insurance (PSF)	\$1,241	\$1,278	\$1,316	\$1,356	\$1,396	\$1,438	\$1,481	\$1,526	\$1,572	\$1,619	\$1,667
Utilities (PSF)	\$9,497	\$9,782	\$10,075	\$10,377	\$10,689	\$11,009	\$11,340	\$11,680	\$12,030	\$12,391	\$12,763
CAM (PSF)	\$17,576	\$18,103	\$18,646	\$19,206	\$19,782	\$20,375	\$20,987	\$21,616	\$22,265	\$22,933	\$23,621
Tenant Expenses	\$33,297	\$34,296	\$35,325	\$36,385	\$37,477	\$38,601	\$39,759	\$40,952	\$42,180	\$43,446	\$44,749
10.0% Admin Fee	\$3,330	\$3,430	\$3,533	\$3,638	\$3,748	\$3,860	\$3,976	\$4,095	\$4,218	\$4,345	\$4,475
Tenant Reimbursements	\$36,627	\$37,726	\$38,858	\$40,023	\$41,224	\$42,461	\$43,735	\$45,047	\$46,398	\$47,790	\$49,224
NextCare Urgent Care											
Real Estate Taxes (PSF)	\$1,792	\$1,846	\$1,901	\$1,958	\$2,017	\$2,077	\$2,140	\$2,204	\$2,270	\$2,338	\$2,408
Property Insurance (PSF)	\$446	\$459	\$473	\$487	\$502	\$517	\$533	\$549	\$565	\$582	\$599
Utilities (PSF)	\$3,415	\$3,517	\$3,623	\$3,731	\$3,843	\$3,958	\$4,077	\$4,200	\$4,326	\$4,455	\$4,589
CAM (PSF)	\$6,319	\$6,509	\$6,704	\$6,905	\$7,113	\$7,326	\$7,546	\$7,772	\$8,005	\$8,245	\$8,493
Tenant Expenses	\$11,972	\$12,331	\$12,701	\$13,082	\$13,475	\$13,879	\$14,295	\$14,724	\$15,166	\$15,621	\$16,089
10.0% Admin Fee	\$1,197	\$1,233	\$1,270	\$1,308	\$1,347	\$1,388	\$1,430	\$1,472	\$1,517	\$1,562	\$1,609
Tenant Reimbursements	\$13,169	\$13,564	\$13,971	\$14,390	\$14,822	\$15,267	\$15,725	\$16,197	\$16,682	\$17,183	\$17,698
Hand and Stone Massage											
Real Estate Taxes (PSF)	\$1,680	\$1,730	\$1,782	\$1,836	\$1,891	\$1,948	\$2,006	\$2,066	\$2,128	\$2,192	\$2,258
Property Insurance (PSF)	\$418	\$431	\$444	\$457	\$471	\$485	\$499	\$514	\$530	\$546	\$562
Utilities (PSF)	\$3,201	\$3,297	\$3,396	\$3,498	\$3,603	\$3,711	\$3,822	\$3,937	\$4,055	\$4,177	\$4,302
CAM (PSF)	\$5,924	\$6,102	\$6,285	\$6,474	\$6,668	\$6,868	\$7,074	\$7,286	\$7,505	\$7,730	\$7,962
Tenant Expenses	\$11,224	\$11,561	\$11,907	\$12,265	\$12,633	\$13,012	\$13,402	\$13,804	\$14,218	\$14,645	\$15,084
10.0% Admin Fee	\$1,122	\$1,156	\$1,191	\$1,226	\$1,263	\$1,301	\$1,340	\$1,380	\$1,422	\$1,464	\$1,508
Tenant Reimbursements	\$12,346	\$12,717	\$13,098	\$13,491	\$13,896	\$14,313	\$14,742	\$15,184	\$15,640	\$16,109	\$16,592
16 Handles											
Real Estate Taxes (PSF)	\$1,064	\$1,096	\$1,129	\$1,163	\$1,198	\$1,233	\$1,270	\$1,309	\$1,348	\$1,388	\$1,430
Property Insurance (PSF)	\$265	\$273	\$281	\$289	\$298	\$307	\$316	\$326	\$336	\$346	\$356
Utilities (PSF)	\$2,027	\$2,088	\$2,151	\$2,215	\$2,282	\$2,350	\$2,421	\$2,493	\$2,568	\$2,645	\$2,725
CAM (PSF)	\$3,752	\$3,865	\$3,981	\$4,100	\$4,223	\$4,350	\$4,480	\$4,615	\$4,753	\$4,896	\$5,043
Tenant Expenses	\$7,108	\$7,322	\$7,541	\$7,768	\$8,001	\$8,241	\$8,488	\$8,742	\$9,005	\$9,275	\$9,553
10.0% Admin Fee	\$711	\$732	\$754	\$777	\$800	\$824	\$849	\$874	\$900	\$927	\$955
Tenant Reimbursements	\$7,819	\$8,054	\$8,295	\$8,544	\$8,801	\$9,065	\$9,337	\$9,617	\$9,905	\$10,202	\$10,508
Exercise Studio (Bar Method)											
Real Estate Taxes (PSF)	\$1,064	\$1,096	\$1,129	\$1,163	\$1,198	\$1,233	\$1,270	\$1,309	\$1,348	\$1,388	\$1,430
Property Insurance (PSF)	\$265	\$273	\$281	\$289	\$298	\$307	\$316	\$326	\$336	\$346	\$356
Utilities (PSF)	\$2,027	\$2,088	\$2,151	\$2,215	\$2,282	\$2,350	\$2,421	\$2,493	\$2,568	\$2,645	\$2,725
CAM (PSF)	\$3,752	\$3,865	\$3,981	\$4,100	\$4,223	\$4,350	\$4,480	\$4,615	\$4,753	\$4,896	\$5,043
Tenant Expenses											

Sensitivity Analysis

[illegible][illegible][illegible]

Operating Pro Forma		Monthly	Construction										Lease Up					
			Yr 1	Jul-19	Aug-19	Year 1 Operating - Detailed Monthly Operating Cash Flow						Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	
						Sep-19	Oct-19	Nov-19	Dec-19									
<u>Revenues</u>																		
Sears	Rent		\$376,173	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348		
Marshall's	Rent		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Home Goods	Rent		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Gold's Gym	Rent		\$98,085	\$0	\$0	\$0	\$0	\$0	\$0	\$16,348	\$16,348	\$16,348	\$16,348	\$16,348	\$16,348	\$16,348		
True Food Kitchen	Rent		\$44,767	\$0	\$0	\$0	\$0	\$0	\$0	\$7,461	\$7,461	\$7,461	\$7,461	\$7,461	\$7,461	\$7,461		
NextCare Urgent Care	Rent		\$16,096	\$0	\$0	\$0	\$0	\$0	\$0	\$2,683	\$2,683	\$2,683	\$2,683	\$2,683	\$2,683	\$2,683		
Hand and Stone Massage	Rent		\$15,090	\$0	\$0	\$0	\$0	\$0	\$0	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515		
16 Handles	Rent		\$9,557	\$0	\$0	\$0	\$0	\$0	\$0	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593		
Exercise Studio (Bar Method)	Rent		\$9,557	\$0	\$0	\$0	\$0	\$0	\$0	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593	\$1,593		
Salad Restaurant (Green Lead's)	Rent		\$4,779	\$0	\$0	\$0	\$0	\$0	\$0	\$796	\$796	\$796	\$796	\$796	\$796	\$796		
Medical Office	Rent		\$13,581	\$0	\$0	\$0	\$0	\$0	\$0	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264		
Medical Office	Rent		\$13,581	\$0	\$0	\$0	\$0	\$0	\$0	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264		
Medical Office	Rent		\$13,581	\$0	\$0	\$0	\$0	\$0	\$0	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264		
Medical Office	Rent		\$13,581	\$0	\$0	\$0	\$0	\$0	\$0	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264		
Medical Office	Rent		\$13,581	\$0	\$0	\$0	\$0	\$0	\$0	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264	\$2,264		
Total Revenues			\$642,009	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$31,348	\$75,654	\$75,654	\$75,654	\$75,654	\$75,654	\$75,654	\$75,654		
<u>Other Tenant Revenue</u>																		
Sears	Recoveries		\$88,323	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360	\$7,360		
Marshall's	Recoveries		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Home Goods	Recoveries		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Gold's Gym	Recoveries		\$80,250	\$0	\$0	\$0	\$0	\$0	\$0	\$13,375	\$13,375	\$13,375	\$13,375	\$13,375	\$13,375	\$13,375		
True Food Kitchen	Recoveries		\$36,627	\$0	\$0	\$0	\$0	\$0	\$0	\$6,105	\$6,105	\$6,105	\$6,105	\$6,105	\$6,105	\$6,105		
NextCare Urgent Care	Recoveries		\$13,169	\$0	\$0	\$0	\$0	\$0	\$0	\$2,195	\$2,195	\$2,195	\$2,195	\$2,195	\$2,195	\$2,195		
Hand and Stone Massage	Recoveries		\$12,346	\$0	\$0	\$0	\$0	\$0	\$0	\$2,058	\$2,058	\$2,058	\$2,058	\$2,058	\$2,058	\$2,058		
16 Handles	Recoveries		\$7,819	\$0	\$0	\$0	\$0	\$0	\$0	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303		
Exercise Studio (Bar Method)	Recoveries		\$7,819	\$0	\$0	\$0	\$0	\$0	\$0	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303	\$1,303		
Salad Restaurant (Green Lead's)	Recoveries		\$3,910	\$0	\$0	\$0	\$0	\$0	\$0	\$652	\$652	\$652	\$652	\$652	\$652	\$652		
Medical Office	Recoveries		\$11,112	\$0	\$0	\$0	\$0	\$0	\$0	\$1,852	\$1,852	\$1,852	\$1,852	\$1,				

Return Statistics

Returns Analysis		IRR
IRR	Yr 10	12%

Cap Rates Analysis		IRR
NOI of Year 11		\$891,801
Cap Rates Sensitivity:		
	6.1%	\$14,619,686
	7.1%	\$12,560,575
	8.1%	\$11,009,887

Sales Cost	Loan Payoff
Less Cost of Sale 4%	Less Remaining Loan
\$584,787	\$460,559
\$502,423	\$460,559
\$440,395	\$460,559

Return on Equity (ROE)		Sensitivity	Sales Proceeds
ROI (Net Cash Flow/Equity Required)			
Lock Out for 5 Yrs Min.			
17% Yr 5		6.1%	\$13,574,340
29% Yr 10		7.1%	\$11,597,594
		8.1%	\$10,108,933

Sale

	NOI of Year 11	\$891,801	\$891,801	\$891,801
	Capitalization Rate	8.1%	7.1%	6.1%
	Project Value	\$11,009,887	\$12,560,575	\$14,619,686
Selling Cost	4%	\$440,395	\$502,423	\$584,787
	Pay Off Remainder of Loan	\$4,358,422	\$4,358,422	\$4,358,422
	Less Equity Invested	\$1,484,866	\$1,484,866	\$1,484,866
	Net Gain	\$4,726,204	\$6,214,865	\$8,191,611