TABLE OF CONTENTS

COMPANY OVERVIEW

Introduction

Verdi Partners, LLC is a Colorado-based real estate company that invests in dead or dying retail strip malls and redevelops them into viable, mixed-use communities. Utilizing a proprietary site selection criteria Verdi Partners is focused on turning small (less than 5 acres) strip mall sites into a mix of boutique retail and rental apartments characterized by compact, pedestrian-friendly, and environmentally sustainable design. Boulder, Colorado will be the location of the company's first project. Initial growth will occur along the Front Range with plans to expand nationally by year seven.

Vision

To be the nation's preeminent redeveloper of small-scale retail strip malls that provide people with places to live, work, shop, and play in ways that add convenience and enjoyment to their daily lives in an environmentally sustainable manner.

Mission

At Verdi Partners, LLC our mission is to be a profitable, growth oriented mixed-use developer providing aesthetically appealing and progressive communities for customers. We will achieve this by utilizing our proprietary site selection criteria to identify new potential in underutilized assets. Additionally, Verdi Partners will be positioned as the nation's leading developer of "green" mixed-use communities by certifying all of its projects to the industry's highest level of environmentally responsible building standards.

History and Current Status

Verdi Partners, LLC is currently comprised of the two company founders, both MBA candidates from the University of Colorado's Leeds School of Business. A thorough business feasibility assessment has been conducted and reviewed with the company's Board of Advisors. In an effort to recruit a CEO, the founders have initiated discussions with four reputable real estate developers experienced in retail shopping center redevelopment.

Objectives

Verdi Partners will be a high margin growth company focusing on an overlooked development niche. The company's goal is to complete its initial project by Year 5, growing its portfolio of completed development projects to 4 by Year 7. Verdi Partners intends to sell its projects following an initial leasing period. The company expects to offer 25% returns on all projects.

Opportunity

A 2001 study by the Congress for the New Urbanism and PricewaterhouseCoopers categorized 19 percent of the nation's 2,000 strip malls – those with average sales of $199 per square foot or less – as economically obsolete or vulnerable to becoming obsolete. The communities in which these strip malls are located face numerous challenges as anchor tenants move out and the vacancy rates of supporting tenants increase. These challenges include declining revenue from retail sales tax and the burden of planning, financing, and implementing the revitalization of these derelict properties. Moreover, people are becoming increasingly disenchanted with the inconvenience and unappealing design typically associated with strip mall development. "If you look at the statistics, the traditional suburban mall is losing market share," says David Graham, a principal with Minneapolis-based Elness Swenson Graham Architects, "People seem to be looking for something more interesting that has a sense of place." Local communities and civic leaders in all fifty states are in need of a development team that can turn these problem properties into vibrant, aesthetically appealing communities whose benefits extend beyond the property's boundaries and into the community at large.

PRODUCT DESCRIPTION

Verdi Partners designs and builds mixed-use communities that emphasize public spaces, a high percentage of lot coverage, buildings with entrances directly on public streets, small, walkable blocks, and a high degree of connectivity within and to the outside of the site. Full or partial demolition of the existing strip mall structure will likely be required as the original site design is generally incompatible with the development efforts required to bring residential and retail tenants together. However, the results of this synergistic combination are increased sales for retail tenants and conveniently located services for residents.

Verdi Partners turns underutilized assets like this…

…into vibrant, mixed-use communities like this.

The benefits of Verdi Partners' communities will enable property owners to charge higher lease rates, complete the lease-up process faster, and achieve higher tenant retention rates than for standard properties, leading to increased revenues for Verdi Partners at the time of sale. By certifying its projects to the highest standards of green building design, Verdi Partners creates places that enable young professionals and small business owners to live, work, play, and shop in communities that are aligned with their values.

Table A: Product Features and Benefits

Features	Benefit to Retail Tenants	Benefit to Residential Tenants
Retail and residential tenants in close proximity	Increased foot traffic and number of repeat customers lead to higher sales	Convenient access to daily needs, less travel by vehicle
Location near public transportation	Access to broader customer base	Reduce need for a car; easier commute
Energy and water efficient design	Lower operating costs	Lower utility bills
Aesthetically appealing	Attracts more customers	Energizing place to live
Certified to highest standard of green building	Integrate values into business, creating opportunity to market commitment to sustainability	Living out values in selection of a home

MARKET & INDUSTRY ANALYSIS

Verdi Partners is actively searching for an under-performing retail strip mall property in Boulder, Colorado for its initial redevelopment project. With an insufficient supply of retail stores (Boulder Retail Strategy Report, 2005), an outdated housing stock with a median age of 34 years, and a lack of developable land, Boulder, Colorado residents desperately need additional places to live and shop.

Target Market

Apartment Renters

Verdi Partners will target these distinct groups for its rental apartments: *Enterprising Professionals, Metro Renters, Trendsetters, Laptops and Lattes,* and *Young and Restless* (ESRI Business Solutions). These well-educated, childless, working professionals in their late 20s and early 30s typically have income within a range of $40,900-91,000, with a median income of $57,172. Single or married, these busy individuals are predominantly renters. They are very mobile and own the latest in consumer gadgets, which allows many of them the flexibility to telecommute from home. With one of the highest levels of consumer spending, these folks value the convenient proximity to boutique retail establishments that mixed-use living offers.

These target customers are value driven and make purchasing decisions that reflect those values. They are willing to pay a premium, if necessary, for mixed-use living because it enables them to access many of their interests in one centralized location. These time-pressed professionals do not want to deal with the stress of homeownership and the inconvenience of driving to multiple places to run their weekly errands. They need to live in communities where basic shopping necessities are within arm's reach. These renters want amenities and conveniences that allow them to multi-task – check email while doing laundry, get their pants hemmed while drinking a latte, or browse for the latest bestseller while their dinner is cooking in the oven. Proximity to multiple amenities is a major selling point.

Retail Tenants

Verdi Partners is targeting one anchor tenant and three to five boutique tenants for its initial project. The anchor tenant will be a small, specialty market, such as Ring Bros. Marketplace. The boutique (i.e., small, independently owned) tenants will likely fall into one of two categories: *General Merchandise* and *Clothing and Accessories*. These "lifestyle-type" tenants (Boulder Retail Strategy Report, 2005) are seeking the community feel that single-use retail shopping malls lack. They want to be able to establish relationships with a regular client base on whom they can depend for repeat business. Additionally, these tenants will be drawn to the physical location due to its access to public transit and communal public spaces. These amenities are not currently found in typical, single use strip malls.

Fruit on display at a Ring Bros. specialty shop (Cape Cod, MA).

Market Size & Growth

Collectively, the target residential market identified above comprises about 27% of Boulder residents, or about 25,000 people. This group's population growth rate is expected to be stagnant over the next five years (ESRI Business Solutions). Yet, with less than 20 residential units per project and an average of 1.5 tenants per unit (30 maximum residents), Verdi Partners will still be able to achieve a significant capture rate given this market size. Moreover, along Colorado's Front Range, this population segment is expected to grow by 7% to 581,777 residents (CO State Demography Office). Expanding into other markets along the Front Range will allow Verdi Partners to capitalize on Colorado's appeal to young professionals moving to the region by providing them with dynamic, 24-7 live/work/play environments – an alternative to traditional suburban living.

In terms of retail growth potential, a significant percentage of sales dollars in key retail categories are currently being spent outside of Boulder (50% in General Merchandise, 60% on Clothing and Accessories), indicating a need for these types of retail stores (Boulder Retail Strategy Report, 2005). Verdi Partners will meet the demand for these types of retailers by identifying and recruiting tenants in these specific categories. According to the 2005 Boulder Retail Strategy Report, Boulder's remaining infill sites cannot accommodate large format retail uses, which leaves the demand to be filled by smaller, boutique retailers such as those Verdi Partners intends to attract.

Trends

At the September 2006 Urban Land Institute's (ULI) fall meeting in Denver, panelists and keynote speakers highlighted three primary trends favorable to the development of Verdi Partners' mixed-use product in the Boulder market:

- **Deferred Homeownership:** As demand for homeownership declines, "renting is more competitive with the cost of buying a home" [J. Ronald Terwilliger, Chairman and CEO of Trammel Crow Residential]. A slowdown in the housing market and an overall shift in priorities among young consumers are causing many potential homebuyers to delay their decision to purchase a home into the future.
- **Increasing Interest in Features Offered by Dense Infill:** Young people are increasingly attracted to dense developments for the following reasons: emphasis on open floor plans with ample light and glass facilitate flexible use, communal gathering spaces which appeal to their social interests, and green building features that save energy and appeal to their environmental awareness.
- **Rise in Tenant Demand for Green Development:** "Out of necessity, the impact of high energy costs has renewed industry interest in conservation programs and in increasing the efficiency of building systems…[W]hile green buildings cost up to 10% more to construct, energy savings can approach 35%, and tenant demand grows" (ULI).

The success of recent mixed-use development projects in Boulder provides further evidence this product type offers a desirable alternative to single-use apartment living and single-use retail strip malls (See Table B).

Table B: Evidence of Success: Boulder-Based Mixed-Use Communities

Mixed-Use Community	Location	Description	Evidence of Success
The Steelyards	30th Street	22 mixed-use buildings on 10 acres, office/ retail/residential mix	Sold Out
Holiday Neighborhood	North Broadway	New Urbanist neighborhood in North Boulder	Continuous strong demand for condos and apartments
One Boulder Plaza	Canyon Boulevard	Urban mixed use in downtown Boulder	High demand warrants additional property offering nearby

Industry Structure

Key players in the real estate industry generally operate independently, but their mutual success requires frequent collaboration. Developers cannot design and construct a building without the involvement of architects, designers, engineers, contractors, subcontractors, investors, city officials, and other key local stakeholders (i.e., environmental groups, citizen coalitions, etc.). These groups operate independently for two primary reasons: they are each highly specialized and each prefers to mitigate the risk involved in real estate development by shifting it to other stages in the development process. The developer's role is to act as the hub of these independent entities and to coordinate their efforts to complete the project on time and on budget.

Competitive Environment

Real estate developers compete on two main factors: good deals and execution. At the core of both of these factors are strong relationships with key players in the development process and comprehensive market knowledge. Inherent in these collegial partnerships is a strong presence in a local market, an understanding of the challenges that each player faces, and the ability to pull together diverse groups in a timely manner in order to capitalize on opportunities. Once the team is assembled, the competitive lens shifts to execution. The team must ensure that the project is carried out in a way that meets the project goals on time and on budget.

Barriers to Entry

In the real estate development industry, five criteria serve as barriers to entry:

- Access to land
- Relationships with investors
- Experience in the market
- Ability to attract tenants
- Access to capital
- Strong relationships in the field

In Boulder, the last of those may have the greatest impact on the success or failure of a real estate developer. Because of the high standards imposed by city staff and elected officials and the grueling process involved in receiving city approval, strong relationships with city staff can significantly ease the burden of development. Boulder is clearly a difficult market to penetrate.

Verdi Partners will be able to overcome this barrier because it produces a product aligned with the city's progressive zoning requirements, entitlement process, and overall vision for long-term growth. This will significantly ease the barriers of access to land and will engender confidence from investors. City approval is a leading reason for the failure of projects in the Boulder market, and once this hurdle is overcome, the project will likely be a successful one, due in large part to the high demand for space in this growth-constrained city.

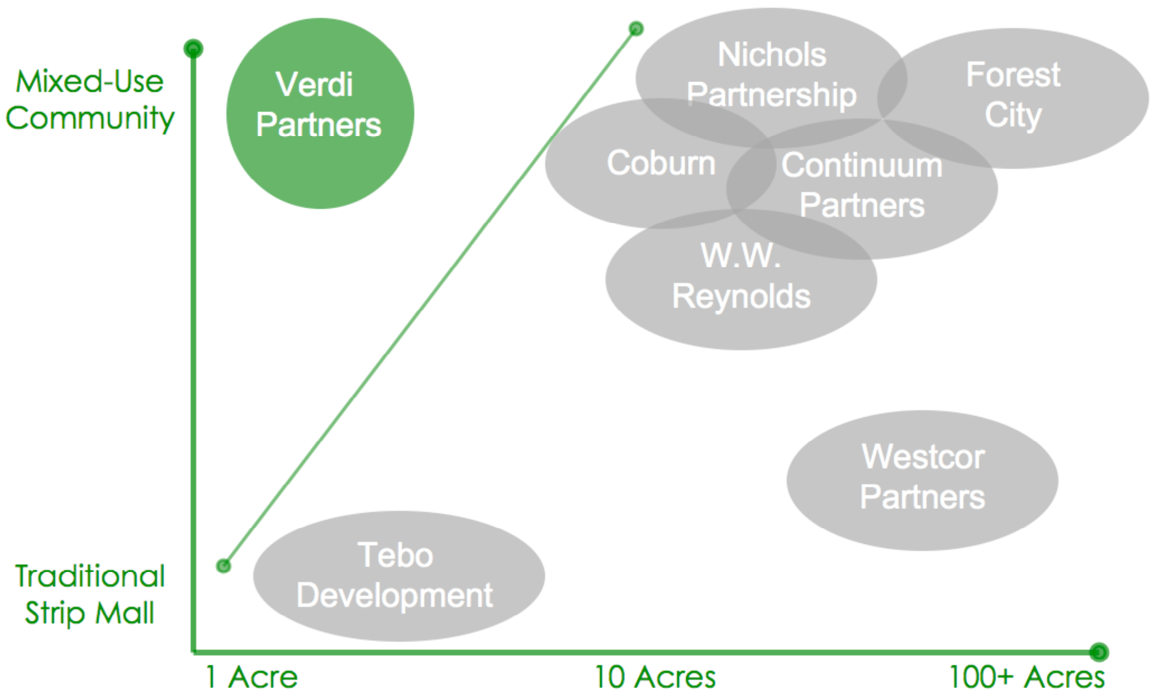
Competition

At this time, there are no developers focusing on the redevelopment of strip malls into mixed-use communities in the Boulder or Front Range markets. Rather, most mixed-use developers have focused on new construction, or on infill sites that are 10 acres or more.

When the redevelopment idea proves successful, it can be assumed that the developers currently operating in the Front Range would consider entering this segment.

A number of Front Range developers are identified in Figure 1. Competition is viewed along two axes – the size of the development and the extent to which it is mixed verses single use. As the figure shows, there is a niche that has not yet been captured: small-scale, mixed-use. Verdi Partners will enter the market here.

Figure 1: Competitive landscape in Colorado's Front Range



SUSTAINABLE COMPETITIVE ADVANTAGE

Verdi Partners' sustainable competitive advantage has three key components:

Proprietary Site Selection Criteria
Verdi Partners has developed a tool for identifying the most promising sites for mixed use redevelopment – sites that will generate high returns for investors and add the most value to end-use tenants. Utilizing a site selection criteria that can be replicated from one project to the next will enable Verdi Partners to increase its efficiency and margins over time. Components of this model include, but are not limited to:

- Market Conditions
    - Growth in number of local households and population
    - Young adults (i.e., renters) are in abundance
    - High demand for smaller households
    - Annual income and educational status above national average
- Ownership and Tenant Status
    - Property under single ownership
    - Absence of anchor tenant
    - Retail sales per square foot averaging $199 or less
- Site and Location Factors
    - Close proximity to major roadways
    - High visibility from major roadways
    - Possibility for potential expansion
    - Limited or no adverse impact on traffic conditions
    - Significant potential for improved pedestrian and automobile connections with surrounding properties and neighborhoods
    - Accessible by public transit or available opportunities to improve transit service
    - Nearby land uses are complementary to mixed use development
    - Existing buildings or infrastructure supports able to be reused in the redevelopment
- Municipal and Community Capacity
    - Key constituencies (mayor, town council, town/city planners, etc.) supportive of redevelopment
    - Municipal government willing to provide financial and political support for the project
    - City is amenable to facilitating required zoning changes, tax increment financing, community involvement, and ongoing collaboration with the development team

Verdi Partners has staff dedicated solely to site identification and selection.

Building On Success
Verdi will employ the same methodology for identifying, designing, constructing, and leasing all of its properties. As Verdi Partners' experience grows, so will the efficiency of its design/build process. Economies of scale will enable Verdi Partners to increase margins over time and to develop these small-scale mixed use properties better and faster than its competitors.

Environmental Expertise

One of the key characteristics of Verdi Partners' target market is that it is values driven, and environmental awareness is one of those values. By hiring professionals who are committed to pushing the envelope on "green" design techniques, Verdi Partners will design high performance buildings that attain the highest certification in green building design. Thus, Verdi Partners will provide a product that mitigates the impact of soaring and volatile energy costs and the rising price of gasoline for the tenant's benefit in a way that the competition does not. This will enable Verdi to generate renting and leasing premiums in return for its first-class developments.

MARKETING PLAN

Positioning

Verdi Partners' mixed-use communities are small (less than five acres), compact places that offer a mix of residential and retail in an exciting, aesthetically pleasing, and convenience-oriented environment. Verdi Partners' two- to four-story developments capitalize on the shift away from the detached single-family housing structure amongst the younger professional demographic (25-34 years of age) and the increased awareness of the impacts of today's lifestyle on the environment. Verdi Partners' properties are differentiated from competing mixed-use communities by their green building certification. These communities enable young professionals and small business owners to live, work, play, and shop in a place that is aligned with their values.

Product Strategy

There are currently three mixed-use communities located in Boulder with one under construction. Verdi Partners differentiates its product from other mixed-use communities in one distinct way. All of Verdi Partners' products will be certified to the highest standard of green building design. There is currently only one mixed-use community in Colorado (Stapleton) certified to this standard; Verdi Partners will establish its reputation by leading in this niche.

Green buildings outperform conventional buildings in the following ways:

Greater health and well being of occupants	86%
Higher worker productivity	76%
Higher occupancy rates	52%
Higher retail sales	40%

Source: Lessons Learned: The Costs and Benefits of High Performance Buildings. Earth Day New York, 2006.

Once tenants lease Verdi Partners' properties, the product and process design will continue to create value for tenants. Beyond the enhanced performance described here, Verdi Partners will provide residential and retail tenants with a tenant handbook that describes how to maximize the performance of their spaces. It will include recommendations for cleaning products, energy efficient and water efficient devices, and instructions on how to effectively utilize the features that have been integrated into their units.

Channel Communication Strategy

Verdi Partners will reach residential and retail tenants through different channels.

Retail Tenants: Commercial Brokerage Firm

We will utilize a commercial brokerage firm with a representative in our geographic market to assist us in identifying potential retail tenants whose needs fit our product offering. Since the majority of our retail tenants will be locally or regionally based proprietors, it is essential that the broker have a deep knowledge and understanding of the local marketplace. In addition to being able to successfully communicate the benefits of green building to potential tenants, this broker must be skilled at identifying tenants whose businesses work synergistically in a mixed-use community. Based on the length of the lease, the broker will receive a commission between $5 and $9 per square foot, which is on par with the current rate in the Denver metro area.

Apartment Rentals: Leasing Agents

Verdi Partners will attract residential tenants by hiring leasing agents to serve as the primary contact for all interested residential tenants. Leasing agents will provide information on the property via the telephone, e-mail, and tours. Like the retail brokers, the leasing agents will need to communicate the benefits of green building to potential tenants. They will also handle all of the contract arrangements with the tenants. The leasing agent will be paid a base salary and a commission based on a percentage of the value of the rentals they secure.

Project Sales: Brokerage Firm

To facilitate the sale of an entire project property, Verdi Partners will hire a broker experienced with exits. Because this broker will typically sell to institutional investors (e.g., real estate investment trusts), a specific knowledge of the deal terms and potential buyers is necessary. Again, a broker with expertise in mixed use and green building is essential. Their compensation will be approximately 2% of proceeds from the sale of the property, which is considered a reasonable rate in the current Denver real estate market.

Pricing Strategy

Market forces will determine the monthly lease rate for both our residential and retail properties. Since the real estate market is about building and selling an asset, our price is determined by a variety of local, regional, and national economic indicators. For example, the local vacancy rates, regional unemployment rates, and national interest rates will influence Verdi Partners' leasing rates. Extensive due diligence ensures Verdi Partners' properties generate rental income commensurate with competing properties.

Sales Strategy

Only the commercial broker and residential leasing agents will handle Verdi Partners' leasing, facilitating leads by listing our property with all commercial brokerage firms in the surrounding area and by following up with interested tenants. This broker will also take the additional step of directly soliciting locally owned businesses that have a reputation for community involvement and environmental awareness. Both the broker and leasing agents will be trained on the features and benefits of mixed-use communities and green building design. Verdi Partners will provide this training in-house. As an added incentive, Verdi Partners will attempt to mitigate attrition by offering to pay for the leasing agents to become accredited green building professionals. This incentive will be available after 13 months of full-time employment.

Revenue Model

Verdi Partners will realize revenue from three different sources with each project.

Development Fee

Verdi Partners collects a development fee each month in return for providing development services for each Project LLC. This fee is collected from the point that project funding is obtained until construction is completed, with the total development fee collected over the course of the project not exceeding 4.5% of the total cost of the project.

Rental Income

As an equity partner in every project, Verdi Partners collects 10% of the rental income from the property after project construction is completed until the property is sold.

Sale Proceeds

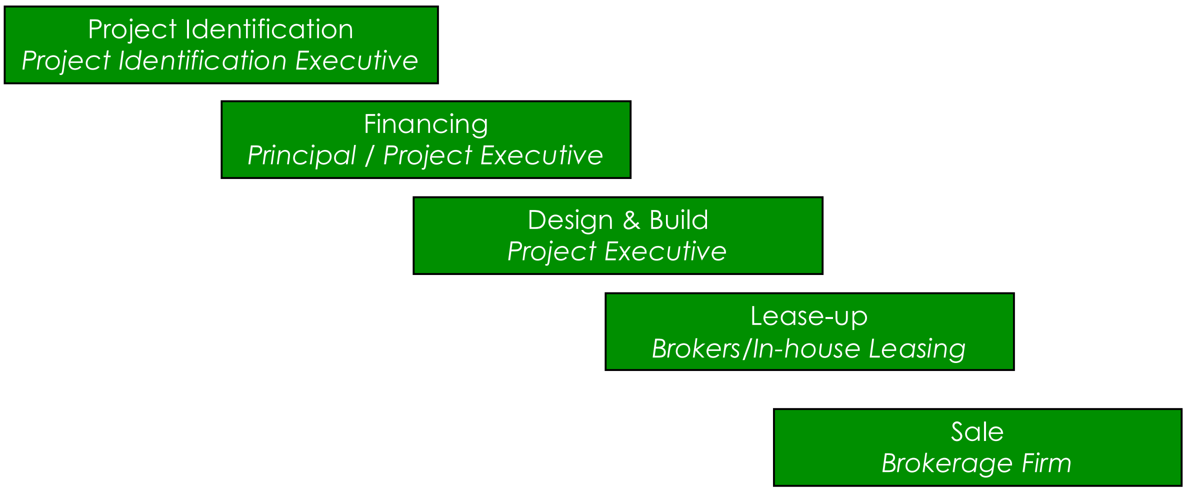
When the property is sold, Verdi Partners collects 10% of the sales proceeds. After this point Verdi Partners will no longer have a financial interest in the property.

OPERATIONS PLAN

Operations Strategy

The development process starts with the Project Identification (PI) Executive. Using the proprietary Site Selection Criteria, the PI Executive will determine which sites fit our market niche and development philosophy. The sole purpose of this person is to look for suitable sites.

Figure 2: The Verdi Way: Development from Project Identification To Sale



As soon as the PI Executive determines that a suitable site has been found, she will hand the site off to one of the project executives. After forming a "Project LLC" and raising capital with the Principal, the Project Executive (PE) will complete the property purchase and initiate the design process. At this point, the PE will take over the project management, identifying contractors and overseeing all aspects – from financial projections, to design, to construction management, to lease-up.

Throughout the design and building process, Verdi Partners' PE will emphasize the importance of achieving the highest certification for green buildings, which is currently the U.S. Green Building Council's Leadership in Energy Efficient Design (LEED) standard.

Unlike other developers, Verdi Partners will utilize a more connected design-and-build process. From the earliest design phases, Verdi's PE will integrate all parties involved in the process – from architects and land planners to engineers and builders. Combined with their experience with green design and building, Verdi will be able to produce higher performance buildings with lower project costs and fewer delays in the construction process. As Verdi Partners repeats the development process, they will be able to leverage this efficiency, improving communications, project timelines and margins.

As the building process winds down, the PE will begin the lease-up process. This requires the PE to work with a broker to develop marketing materials for the mixed-use development. Verdi Partners estimates one year to complete this process.

Verdi will sell each property when it is most profitable to do so. In the hottest markets, the property may sell before the lease-up process is complete; speculative buyers may be willing to take that risk. In other cases, it will be important to have high occupancy rates before buyers will take over the project. Verdi will exit when the price is right.

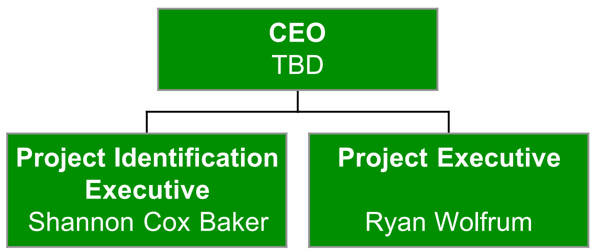
Limiting Liability: Verdi's LLC Structure

As soon as the PE takes over each project, Verdi will establish a separate limited liability corporation (LLC), limiting the parent company's liability for each project. The Principal and the PE will raise funds under the auspices of the Project LLC, and all contributors to a specific Project LLC will be tied only to that Project LLC, rather than to Verdi Partners LLC. Verdi Partners will maintain a stake in each LLC (roughly 15 percent) in exchange for its development work; Verdi may also contribute capital to these LLCs.

Organizational Structure: Team Verdi

Due to the level of contracting that is done for each project the Verdi staff will stay fairly small and maintain a flat organizational structure. Appendix A provides detailed position descriptions.

Figure 3: Verdi Partners' Organization Chart



The scalable elements of this model will be everyone except the Project Identification Executive. Table C shows Verdi's staff expansion needs.

Table C: Verdi Partners Staffing Needs

	Y1	Y2	Y3	Y4	Y5	Annual salary/person
Project Identification Executive	1	1	1	1	1	$60,000
Project Executives	1	1	1	2	2	$60,000
Administrative Assistant	0	0	1	1	1	$40,000
CEO	1	1	1	1	1	$100,000
General Counsel	0	0	0.5	1	1	$100,000
Financial Analyst	0	0	0	1	1	$70,000

Location

Verdi Partners' headquarters will be located in Boulder, Colorado. The Front Range area is a hotbed for green development, and many of the firms driving that trend are located in Boulder. Colleagues who understand the value of working together and whose goals are complementary identify and create the best deals – those that have the highest returns and the fewest headaches. Thus, the Boulder location will facilitate the relationships needed to be a leader in high performance developments.

Scope of Operations

Internal Processes

Verdi Partners will strive to minimize fixed expenses until the sale of the first project. Therefore, the staff will remain lean to keep overhead expenses low. With the exception of key management responsibilities, the majority of other duties (i.e., administrative) will be outsourced or achieved with temporary assistants to keep fixed costs low.

Outsourced Processes
As is typical with many real estate development companies, particularly those in the early stages, critical components of each development project will be contracted. Verdi Partners prefers to bid out responsibilities such as architectural renderings, engineering specifications, and contracting to experienced professionals. Being able to utilize multiple firms rather than providing for these functions in-house will allow Verdi Partners to draw on the expertise of a diverse range of firms.

Strategic Partnerships

Verdi Partners seeks to form strategic partnerships with designers, architects, contractors, investors, and industry experts who are experienced and committed to sustainable design and working collaboratively. Three critical strategic partnerships are detailed below.

U.S. Green Building Council
One of Verdi Partners' most significant strategic partnerships will be with the U.S. Green Building Council (USGBC). Members of this organization focus on green building techniques, technology, and application; local chapter lists and meetings provide excellent opportunities to network with members of the supply chain and to identify those whose philosophies match our own. Further, Verdi can use USGBC's educational programs to keep employees engaged with cutting edge advances in the field of green building. The organization will also serve as a great venue for identifying new talent.

City Officials
Critical to Verdi Partners' success is a strong relationship with the local government authorities, especially those that deal in the planning realm. Zoning that enables mixed-use development is still growing in application, and some local governments are only beginning to understand the broader implications of its use. During the due diligence stage, it will be wise for Verdi to develop relationships with local planning boards and high-level decision makers to ensure that the town or city's vision of mixed use fits with Verdi's. As Verdi seeks approval for the required permits, these partnerships will ensure that Verdi can frame the project in a way that meets local priorities and is presented to a group that knows Verdi's reputation for excellence.

Operational Partners
Verdi will also need to form strategic partnerships with companies involved in the design process particularly, architecture firms, design firms, engineers, and contractors. Successfully integrating mixed use and green building features into a project in a way that maximizes benefits requires a strong design team.

DEVELOPMENT PLAN

Verdi Partners' development plan is a well-orchestrated series of stages. The most crucial stages will occur in the initial twelve months of operation, the time prior to first revenue. During this period, Verdi Partners will seek a CEO and operate on debt and equity seed capital. Since much of Verdi Partners' timeline is built on events requiring partnerships and processes external to their operations, such as city building permitting, Verdi Partners' has planned for some flexibility in early stage development timing. Verdi Partners' development can be considered in the following stages:

- ***Seed Stage*** *(six months)* – This phase will include identifying and hiring the CEO, obtaining seed financing, building the opportunity identification model, identifying project opportunities, and locating Verdi's first project.
- ***Start Up*** *(six to nine months)* – This phase will be marked by the formation of the first project LLC and project financing; hiring necessary staff; and identifying Project 2.
- ***Operation*** *(ongoing)* – This phase will be marked by the design, construction and lease-up of the first project and the establishment of the second project LLC, signaling the first repetition of the identify/finance/build cycle. This cycle will continue in perpetuity and will be a matter of replication, hiring project staff and obtaining project financing that match the timing of future project opportunities.
- ***Project Exit*** – This is a revolving stage that begins approximately 36 months after the beginning of each project. The exit stage is estimated to occur after an 18-month build phase and 12 months of property leasing.

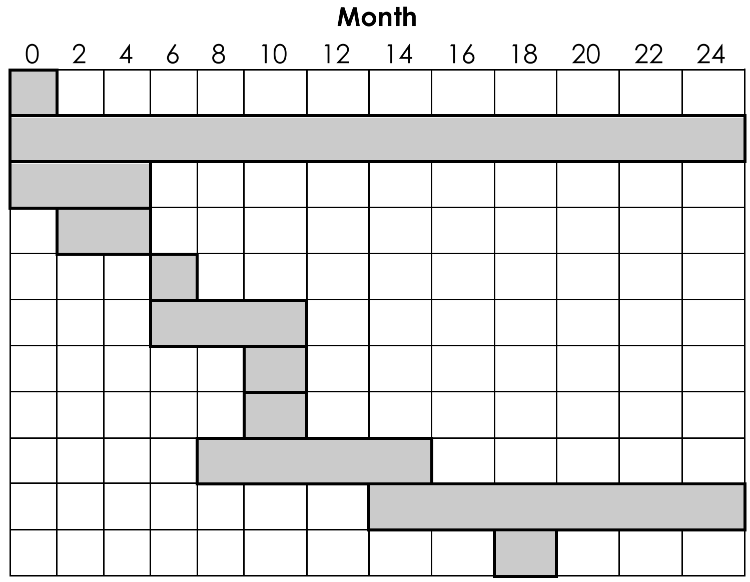
During the first few months, hiring a CEO will be team's most crucial decision and will enable Verdi to secure the needed capital to fund projects. Additionally, the team will develop and refine the Site Selection Criteria that will allow them to identify the best project opportunities. Through this process, they will identify the lead project.

The CEO will lead the financing effort for each project, which will include establishing a pool of investors interested in financing future projects, and works with the Project Executive to initiate each project. Once these steps have been taken, Verdi will be able to replicate the development model.

Project development fees will provide Verdi with its first revenue right after project funding is secure. This revenue should provide enough capital to allow Verdi to continue through Project 1 and identify and start Project 2. The establishment and successful beginning of Project 1 will legitimize the Verdi model and provide confidence in Verdi's ability to replicate this process, facilitating the acquisition of further capital. The first 24 months of Verdi's development will proceed as shown in Table D:

Table D: Verdi Development Timeline

	Event
1	Obtain seed funding
2	Identify project opportunities
3	Develop project identification model
4	Seek and hire CEO
5	Identify 1st target project/Form LLC
6	Obtain project equity capital
7	Obtain project debt capital
8	Secure property
9	Design project with stakeholders
10	Build out project
11	Identify 2nd target project/Form LLC



MANAGEMENT TEAM

The management team currently consists of Shannon Cox Baker and Ryan Wolfrum. Resumes are attached in Appendix B.

- ***Shannon Cox Baker -*** Project Identification Executive – MBA (candidate), BArSc Environmental Studies with 4 years environmental management and sustainability strategy experience and one year of real estate experience. Currently seeking LEED Accredited Professional accreditation.
- ***Ryan Wolfrum -*** Project Executive – MBA (candidate), BS Electrical and Computer Engineering with 5 years experience in high-tech product development and sales and two years of real estate experience. LEED Accredited Professional.

The current management team will build the company until an experienced real estate professional can be recruited to fill the CEO position. Verdi Partners is seeking a CEO with 15 or more years of experience in real estate, a strong reputation within the Front Range real estate industry, and experience acquiring and developing/redeveloping strip malls. Furthermore, the CEO should have established contacts with equity and debt capital sources. Experience with mixed-use development and green building is ideal, but not required. In addition to providing strategic direction, the CEO's role is to be the company's primary interface with investors, lenders, and municipalities - to authorize final project selection and to identify new markets.

On January 9, 2007 the Verdi Partners' management team initiated the CEO search during a Board of Advisors meeting. Four potential candidates were identified and recruitment efforts are currently underway.

Board of Advisors

Verdi Partners has assembled an advisory board consisting of three experienced real estate professionals as well as an entrepreneur in the green building industry. These advisors will be available by telephone to provide strategic advice and direction on an as-needed basis. The Board of Advisors consists of the following:

- Byron Koste – Director of the University of Colorado's Real Estate Center
- Randy Nichols – Denver-based developer & president of The Nichols Partnership
- Kenneth Gillis – President of Denver-based Centennial Realty Advisors
- Lauren Yarmuth – Principal and co-founder of YRG Consultants, LEED AP

See Appendix C for full biographies.

Board of Directors

The Board of Directors is responsible for strategic decision making, particularly project selection, management recruitment, and project financing. The management team will meet quarterly with the Board of Directors to update them on projects, green design integration, and investment opportunities. The Board of Directors will consist of three seats, one representing the management team and two elected from the Board of Advisors. Board restructuring will occur once financing is obtained and a CEO is hired. After financing for the first project LLC is obtained, it is anticipated the Board will expand to five seats. These seats will be reserved as follows: one for the management team, one elected from the Board of Advisors, two industry experts, and one investor.

FINANCIAL PLAN

Summary

Verdi Partners derives all revenue from Project LLCs that are formed for each development project. The typical syndicate, or investor group, for a Project LLC is depicted below.

Project LLC Partner	Equity Contribution	Equity Share
Equity Investors	98.50%	90%
Verdi Partners, LLC	1.50%	10%

For each Project LLC, Verdi Partners provides 1.5% of the needed equity and receives 15% of all net rental income and net sales proceeds. The financial summary for a typical Project LLC is provided below. Complete project pro forma and related assumptions are provided in Appendix D and Appendix E.

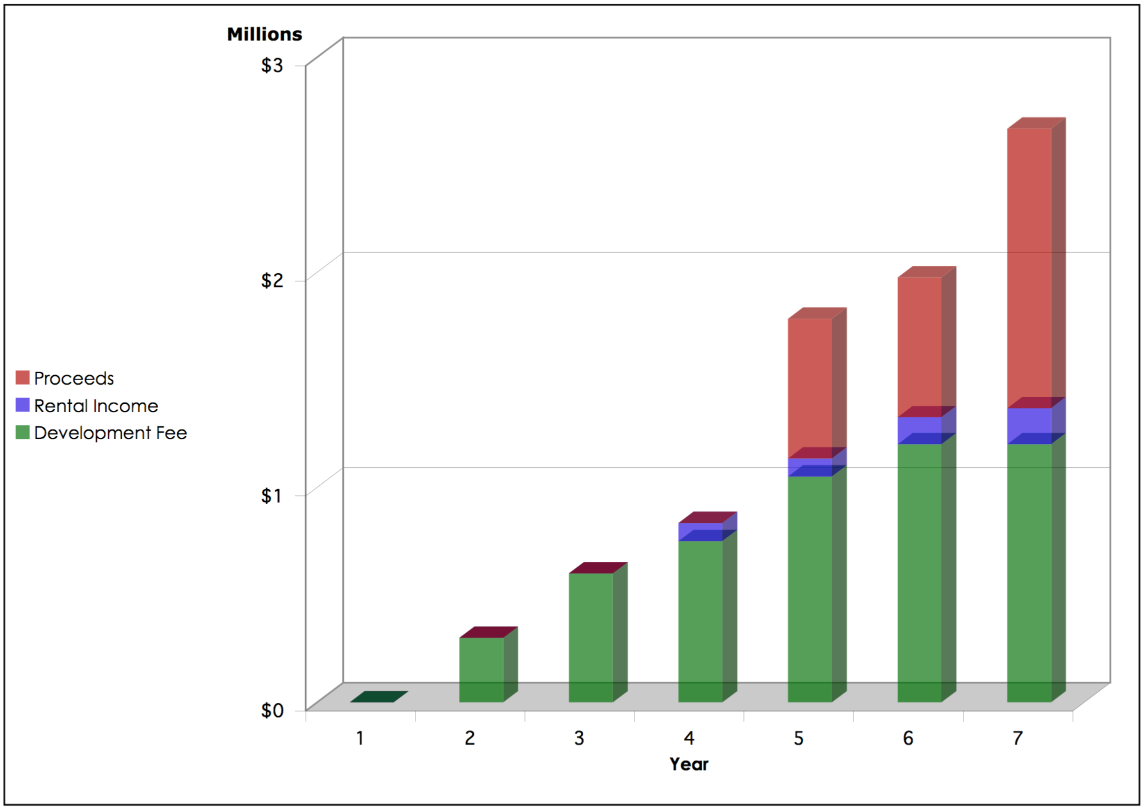
Project Financial Summary	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Income						
Rental Income	-	-	-	723,829	1,280,322	1,417,224
Net Sale Proceeds	-	-	-	-	-	20,564,266
Costs						
Land Purchase	4,000,000	-	-	-	-	-
Leasing Costs	-	-	-	593,346	388,555	8,768
Selling Costs	-	-	-	-	-	207,720
Development Costs	-	5,113,157	5,113,157	585,000	380,000	-
Fund Flow						
Equity Funds Inflow	3,408,772	-	-	-	-	-
Debt Funds Inflow	591,228	5,113,157	5,113,157	1,039,516	380,000	-
Total Project Cash Flow	(3,408,772)	-	-	1,234,116	1,777,866	6,534,977
Equity Investor Cash Flow (90%)	(3,358,772)	-	-	1,048,999	1,511,186	5,554,730
Verdi Partners Cash Flow (10%)	(50,000)	-	-	123,412	177,787	653,498
Total Investor Project Return	26%					
Equity Investor Project Return	22%					
Verdi Partners Project Return	97%					

Verdi Partners serves as an umbrella company for several Project LLCs and will derive revenue from each active Project LLC until its associated development project is sold. A summary of projected financials as well as projected active development projects are provided below. Complete financial statements for Verdi Partners, LLC is provided in Appendix F.

Financial Summary ($)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenue	-	300,000	600,000	834,000	1,784,000	1,976,000	2,668,000
Net Income	(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
Cash Flow (less funding)	(320,100)	(129,800)	(25,775)	(23,300)	983,200	1,165,600	1,823,000
Project Flow							
Number of Active Projects	-	1	2	3	4	5	6
Number of Projects Sold	-	-	-	-	1	1	2

Revenue Model

Verdi Partners does not expect to receive any revenue until Year 2, when funding for the first development project is obtained. In Year 5 revenue will increase dramatically with the sale of Verdi Partners first development. Revenue will continue to grow as projects in the development pipeline are sold.



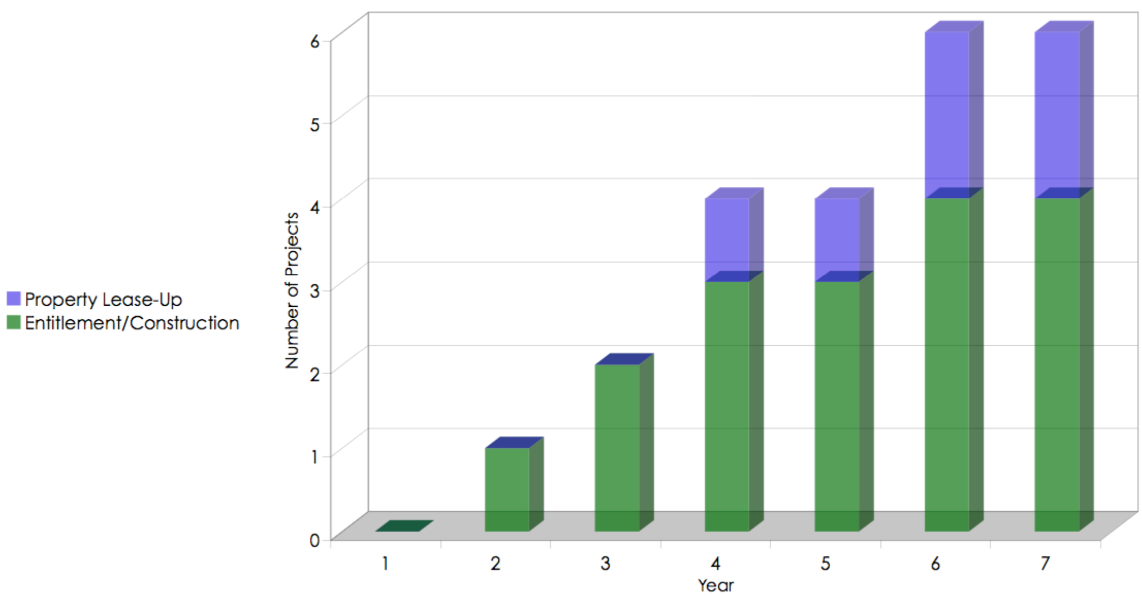
Revenue Projections ($)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Property Income & Proceeds							
Rental Income	0	0	0	84,000	84,000	126,000	168,000
Proceeds	0	0	0	0	650,000	650,000	1,300,000
Total	0	0	0	84,000	734,000	776,000	1,468,000
Development Income							
Development Fee	0	300,000	600,000	750,000	1,050,000	1,200,000	1,200,000
Total	0	300,000	600,000	750,000	1,050,000	1,200,000	1,200,000
Net Revenue	0	300,000	600,000	834,000	1,784,000	1,976,000	2,668,000
Number of Active Projects	0	1	2	3	4	5	6
Number of Projects Sold	0	0	0	0	1	1	2

Key Project Assumptions

Project LLC Assumptions
Assumptions used to calculate the cost and return of a typical Project LLC are based on values that are comparable to current standards in the Denver/Boulder real estate market. All assumptions used in the Project LLC pro forma can be found in Appendix E, and a summary of key assumptions are provided below.

Project Financial Assumptions		Rental Rates		
		Office	$18	per Square Foot per Year
Project Costs		Retail	$32	per Square Foot per Year
Site Purchase	4,000,000	Apartments	$1.50	per Square Foot per Month
Soft Costs (Design, Entitlement)	1,520,000			
Hard Costs (Materials, Construction)	5,322,500	Rentable Square Feet		
Leasing Costs	965,000	Office	20,000 Square Feet	
Pre-Financing Project Cost	11,807,500	Retail	15,000 Square Feet	
Construction Financing Cost	1,827,586	Apartment	25,000 Square Feet	
Total Project Construction Costs	13,635,086			
Selling Costs (at Year 5)	227,661	Parking		
		Surface	50 Spaces	
		Structured	50 Spaces	

Verdi Partners LLC Assumptions
The primary financial assumption for Verdi Partners is the rate at which Verdi Partners can start new development projects. Several factors determine the rate at which new projects can be undertaken, including the regional economy, entitlement difficulty, reputation of the developer, etc. Verdi Partners plans to start one new development project each year for the first three years, and then accelerate to two new development projects each year for the next four years. The below graph illustrates Verdi Partners forecasted project load for the first seven years of operation.



Risks

Verdi Partner's primary risks are related to the overall real estate market. In the event that cap rates raise, construction costs increase significantly, or consumer spending drops dramatically, it will be difficult for Verdi Partners to obtain the required return from each development project. Current economic indicators show that each of these risk variables is expected to move with moderation for the foreseeable future.

The entitlement process for each development also presents possible risks for Verdi Partners. The entitlement process for a development can vary significantly in length, depending on local zoning code, flexibility of the governing municipality, and the level of local property owner involvement. Verdi Partners is mitigating this risk by targeting Boulder, CO as an entry market, where mixed-use development is strongly encouraged by local municipalities. Targeting markets with similar support for mixed-use development will be a key component of Verdi Partners' future site selections.

Experienced competitors entering the target market are another potential risk. Verdi Partners does not believe this to be a significant risk since a single developer (despite the level of experience) cannot capture a significant portion of the market in a reasonably short period of time due to the slow nature of real estate transactions. In addition, traditional developers that develop strip shopping centers see too much risk in developing mixed-use, and those few mixed-use developers that currently exist are targeting much larger sites than those targeted by Verdi Partners. Efficient replication of this business model makes Verdi Partners' uniquely suited to capture this opportunity.

FUNDING

Funding Sources

Verdi Partners is seeking $500,000 to be provided in one round. $200,000 of this will be raised from friends and family of the founders as convertible debt and the remaining $300,000 from private lenders.

Current financial projections assume a $300,000 interest only loan with an 18% interest rate for a term of four years. Any additional funds obtained from friends and family will reduce the required loan amount.

Funding Uses

These funds will be used for salaries and other general administrative expenses incurred in the first four years when revenue is not sufficient to cover costs.

	Year 1	**Year 2**	**Year 3**	**Year 4**
Company Set-Up Costs	(45,000)			
Salaries & Administrative	(228,193)	(34,048)		
Interest Expense	(54,000)	(54,000)	(54,000)	(30,000)

If required, Verdi Partners is willing to provide some form of equity incentive for a lender.

Refer to Appendix G for additional funding information.

APPENDIX A

Staff Position Descriptions

CEO. Verdi Partners will be lead by a CEO whose development experience has garnered him a reputation for excellence. This person will be responsible for establishing the development priorities, securing equity partners, high-level troubleshooting, and maintaining the high level relationships (e.g., with local governments) required to run an efficient development firm. While not involved in day-to-day management, the CEO will be the face of the organization to the outside world and serve as the mainstay of Verdi's credibility.

Project Identification Executive. The Project Identification Executive will be responsible for surveying potential properties, performing due diligence on the properties, and initiating a relationship with the property owners. The Project Identification Executive will be solely responsible for this up-front research. As soon as a project is identified, she will hand it off to a Project Executive.

Project Executives. The Project Executive has day-to-day oversight of the development project. He is responsible for closing the project financing, leading and managing the building process, selecting the contractors for the project, maintaining project financials, and producing a successful exit. The buck stops with the PE; he is responsible for a project's ultimate success. Each PE will handle 3-4 projects at any given time.

APPENDIX B

Management Team Resumes

SHANNON COX BAKER
2300 Arapahoe Ave., Apt. 311, Boulder, CO 80302
303.709.9147 • shannon.cox-baker@colorado.edu

EDUCATION
University of Colorado at Boulder Leeds School of Business
Boulder, CO
MBA with focus in Real Estate and Entrepreneurship May, 2008

- Recipient of the Urban Land Institute – Kenneth Good 2006-07 Fellowship
- Graduate Real Estate Association Vice President of Sustainability Strategies
- Graduate Entrepreneurship Association Vice President of Communications
- **Relevant Courses:** Real Estate Development, Business Plan Feasibility, Business Plan Preparation, Applied Finance, Energy Technology and Policy and Decision Modeling

University of South Carolina – Honors College
Columbia, SC
BA/BS Degree with concentrations in Environmental Studies and Spanish Aug. 2000

- Recipient of the Morris K. Udall Scholarship in Environmental Policy
- **Relevant Projects:** Senior thesis: *The Industrial Evolution – Creating a Foundation for Corporate Sustainability: A Case Study of Kafus Industries*
- **Relevant Courses:** Biology, Ecology, Organic Chemistry, Environmental Economics, Advanced Geographic Information Systems, and Business Spanish

EXPERIENCE
Design Workshop
Denver, CO
Intern, Strategic Services May 2006 – Dec. 2006

- Performed financial analysis and market research for both public and private projects in order to aid clients in forming real estate development programs grounded in market realities.
- Led office-wide energy efficiency effort.
- One of twelve interns chosen to formulate a strategy for transforming a 40-block section of Salt Lake City's central business district during an 11-day charrette with the Salt Lake City Downtown Alliance, a Chamber of Commerce affiliate.

University of Colorado, Deming Center for Entrepreneurship
Boulder, CO
Research Assistant, Sustainable Venturing Initiative (SVI) Aug. 2005-May 2006

- Assisting with strategic development and implementation of SVI initiatives throughout the Leeds School of Business' MBA Program.
- Researched and developed the content for the Sustainable Venturing Initiative website.

Interface Fabrics, a division of Interface, Inc.
Guilford, ME
Environmental Specialist, Environmental Affairs Department Aug. 2001-Dec. 2004

- Redeveloped environmental metrics tracking and reporting program. Set organizational and operational boundaries, identified and calculated relevant metrics, managed inventory quality, and established a system for reporting and verification.
- Coordinated the renewable energy tradable certificate program. Conducted renewable energy certificate market research and helped develop the textile industry's first "carbon neutral" fabric.
- Managed state and national voluntary environmental programs. Collaborated with non-profit organizations, government agencies, and internal operations in setting pollution prevention commitments and developing voluntary initiatives to improve environmental practices.
- Team leader for the development of ISO 14001 environmental management systems.

Interface Research Corporation, a division of Interface, Inc.
Atlanta, GA
Environmental Analyst I, Sustainable Operations Group Jan. 2000 - Aug. 2001

- Provided key leadership for Interface's sustainability strategy, responsible for developing and implementing initiatives to help the Company achieve its 2020 vision of zero environmental impact.
- Developed the company's first comprehensive greenhouse gas emissions inventory covering 17 global manufacturing operations.
- Researched and composed 2000 Annual Sustainability Report.

ADDITIONAL INFORMATION

- Co-authored, *Intelligent Development: Denver Plans for Growth,* Urban Land; September 2006.
- Authored, *Interface: Using Green Tags to Differentiate Products,* a World Resource Institute's Green Power Market Development Group Case Study.
- Presentations include: *The Business Case for Renewable Energy*, sponsored by WRI Sustainable Enterprise Program; *Interface: Addressing Climate Change in the Private Sector*, sponsored by Maine Business for Social Responsibility; *Engaging Stakeholders through Community Sustainability*, sponsored by EPA's National Center for Environmental Innovation.
- Member of the Maine Greenhouse Gas Action Plan *Buildings, Facilities, and Manufacturing* Working Group.
- Proficient in Spanish.

Ryan D. Wolfrum

8201 Fox Street (303) 547-2146
Denver, CO 80221 wolfrum@gmail.com

Education

University of Colorado at Boulder – Leeds School of Business **Boulder, CO**
MBA, Real Estate and Finance *May 2007*
President, Graduate Real Estate Association
Fellowship, University of Colorado Real Estate Council

University of Colorado at Boulder **Boulder, CO**
BS, Electrical and Computer Engineering *December 1999*

Experience

Urban Villages, Inc. **Denver, CO**
Development Internship *May 2006 – Present*
Assisted with the development of the Sugar³ mixed-use project in downtown Denver, the East Bradburn new-urbanist community in Westminster, Colorado, and the Hudson Farms master planned community in Montgomery, Alabama. Served as an assistant project manager as well as financial analyst each project.

- Developed or revised all pro-forma models for both projects, including Argus models.
- Initiated and led the effort to obtain LEED certification on the Sugar³ project.
- Created marketing packages for lenders, investors, and potential retail/office tenants.
- Performed operating costs and risk analysis due diligence for the Sugar Properties.
- Created feasibility study and drafted the business plan for Sugar³'s concierge service.

Denver International Airport **Denver, CO**
Development Internship *August 2005 – March 2006*
Collected feedback from real estate developers on what they would consider a fair proposal for property development at DIA.

- Served as team-lead for the graduate and undergraduate interns.
- Drafted RFP for proposed development of a second gas station on airport property.

Cisco Systems, Inc. **San Jose, CA and Philadelphia, PA**
Cisco Systems is a multinational technology company headquartered in San Jose, California. Cisco manufactures and sells a variety of products for both enterprises and telecommunication carriers.
Marketing Engineer/Sales Engineer *January 2001- August 2005*

- Successfully assisted regional sales team in achieving well over 120% of the revenue goal over eight consecutive quarters despite economic fluctuations.
- Led the development and execution of a strategic plan that prevented a key competitor from securing a significant portion of a large customer's budget.
- Produced strong and accurate competitive analysis that allowed Cisco to displace an incumbent vendor at one of the largest telecommunications carriers in North America.
- Developed go-to-market strategies for launching new products into international markets, as well as sustaining strategies for long-term initiatives.
- Routinely presented at conferences, sales force training sessions, customer sites, and to C-level management.

Other Experience
IBC Japan – Kyoto, Japan *December 1999 – November 2000*

AFFILIATIONS

- University of Colorado Graduate Real Estate Association, President 2006-2007
- National Association of Industrial and Office Properties
- United States Green Building Council
- Urban Land Institute

APPENDIX C

Board of Advisor Biographies

Byron Koste - Byron R. Koste joined the University of Colorado Real Estate Center as its first Executive Director in September 1996 and is also the Executive Director of the University of Colorado Real Estate Foundation. Mr. Koste came to the Real Estate Center from Westinghouse Communities, Inc., a wholly owned subsidiary of Westinghouse Electric, where he held a variety of financial and managerial posts, culminating in his appointment to President in 1992. At WCI, Mr. Koste was chiefly responsible for the development of the company's Florida West Coast operations, including Pelican Bay, Bay Colony and Pelican Marsh in Naples, Pelican Landing in Bonita Springs, and Gateway in Fort Myers. Mr. Koste is a National Board member and executive committee member for the Philharmonic Center for the Arts at Pelican Bay, past Trustee of the Urban Land Institute (ULI), past chair of the Environmental Council for the ULI, past Board Member of the National Association of Industrial and Office Properties, and past Chair of the Environmental Council and the Colorado District Council of the ULI.

Randy Nichols - Randy Nichols has successfully developed more than 1.5 million square-feet of office, multi-family, and retail properties in Denver, Boulder, and Ft. Collins, Colorado. Mr. Nichols began his real estate career in 1981 with LaSalle Partners, moving to New York in 1986 to represent the firm's clients throughout the country. He left LaSalle in 1989 to develop loft apartments and commercial properties in Chicago, returning to Denver in 1993 to pursue development opportunities throughout Colorado. Mr. Nichols received a Bachelor's degree from Colorado State University and a Master's in Real Estate Development from the Massachusetts Institute of Technology. He is a member of the Urban Land Institute, the MIT Center for Real Estate, the Colorado University Real Estate Council, and the National Association of Industrial and Office Properties.

Kenneth Gillis – Kenneth R. Gillis is a principal and President of Centennial Realty Advisors, responsible for directing all of the asset and property management activities of Centennial. Mr. Gillis began his real estate career in 1984 as a property manager for LaSalle Partners in Denver. In 1989 he became a Portfolio Manager for LaSalle Advisors, responsible for the investment management decisions of a 12 million square foot portfolio of office, industrial and multi-family properties throughout the United States. In 1996, he advanced to Western Regional President of LaSalle's Leasing and Management Group, responsible for a 35 million square foot portfolio of office and industrial properties. Mr. Gillis received a Bachelors degree from Colorado State University and a Masters in Economics from the University of Colorado. He is a member of the Urban Land Institute and the National Association of Industrial and Office Properties.

Lauren Yarmuth - Lauren is co-founder and Principal of YRG sustainability consultants. She is a nationally recognized leader in the green building industry with experience enabling building owners, design teams, and communities to implement and benefit from green building solutions. An architect by training, Lauren is skilled at developing and managing project-specific, practical, and appropriate strategies for green building and leveraging the value in the marketplace. Lauren's project experience ranges from commercial office to retail malls, multi- and single-family housing, and master planned community developments. Lauren was recently elected to the USGBC national Board of Directors, where she represents professional development firms. She is also Chair of the national USGBC Professional Development Committee and sits on the national Retail

Development Committee. She was a founding board member and chair of the education committee for the Colorado USGBC chapter. Lauren is a LEED 2.0 and 2.1 Accredited Professional.

APPENDIX D

Development Project Pro Forma

Verdi Partners
Cash Flow Projections

Year		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Cash Flows							
Retail							
Net Operating Income			-	-	288,167	513,509	576,044
Commercial							
Net Operating Income			-	-	198,356	380,578	429,700
Residential - Apartments							
Net Operating Income			-	-	242,691	391,754	417,137
Combined							
Net Operating Income			-	-	723,829	1,280,322	1,417,224
Total Leasing Commissions			-	-	135,000	180,000	-
Total Tenant Improvements			-	-	450,000	200,000	-
Total Capital Expenditure Reserves / Expenditures			-	-	8,346	8,555	8,768
Operating Cash Flow (NOI - Commissions - TI's - Cap Ex Reserves)			-	-	130,484	891,767	1,408,456
Total Gross Sale Proceeds			-	-	-	-	20,771,986
Total Commissions			-	-	-	-	207,720
Net Sales Proceeds			-	-	-	-	20,564,266
Total Development Costs (Includes Soft, Hard, Land, TI, and Commissions)			5,113,157	5,113,157	585,000	380,000	-
Net Cash Flow Available For Debt Service	12.97% Unlev. IRR	(3,408,772)	(5,113,157)	(5,113,157)	(454,516)	511,767	21,972,722
Construction Loan							
Plus: Loan Proceeds			5,113,157	5,113,157	-	-	-
Less: Upfront Financing Fees			(51,132)	-	-	-	-
Less: Interest Expense			(345,138)	(717,024)	(765,424)	-	-
Less: Principal Repayment			-	-	12,105,032	-	-
Permanent Loan							
Plus: Loan Proceeds			-	-	14,632,250	-	-
Less: Upfront Financing Fees			-	-	(73,161)	-	-
Less: Interest Expense			-	-	-	(1,029,379)	(1,019,662)
Less: Principal Repayment			-	-	-	-	(14,418,083)
NET CASH FLOW AFTER DEBT SERVICE		**(3,408,772)**	**(396,270)**	**(717,024)**	**1,234,116**	**(517,611)**	**6,534,977**
Plus: Equity Contribution				-	-	-	-
NET CASH FLOW AVAILABLE TO INVESTORS			**3,012,502**	**(717,024)**	**1,234,116**	**(517,611)**	**6,534,977**
Cash on Cash Return (based on initial equity contribution)			*0.0%*	*0.0%*	*3.9%*	*0.0%*	*0.1%*
Equity Escrow		*3,408,772*	*3,012,502*	*2,295,477*	*2,295,477*	*1,777,866*	
Cash Flow to Investors	**25.76% Levered IRR**	(3,408,772)	-	-	1,234,116	1,777,866	6,534,977

Derived Project Revenue for Verdi Partners

Monthly Development Fee	$	25,566
(4.5% of total project costs, spread in monthly payments over two years)		
Monthly Rental Income	$	6,752
(10% of average monthly rental income years 3 - 5)		
Sales Proceeds	$	653,498
(10% of net sales proceeds)		

APPENDIX E

Development Pro Forma Assumptions

General Assumptions

Forecast Start Year	Year 1
Exit Year	Year 5
Income Inflation Rate	5.0%
Expense Inflation Rate	2.5%

Retail Assumptions

	SQF	Rental Rates	Operating Expense	Lease Structure	First Income Prod. Year
General Retail	15,000	$32.00/yr	$7.00/sqf/yr	NNN	3

Commercial Assumptions

	SQF	Rental Rates	Operating Expense	Lease Structure	First Income Prod. Year
Office Space	20,000	$18.00/yr	$6.00/sqf/yr	NNN	3
Industrial Space	0	$18.00/yr	$6.00/sqf/yr	NNN	3

Residential Assumptions

	SQF	Rental Rates	Operating Expense	First Income Prod. Year
Market Rate Apartments	15,000	$2.00/mo/sqf	$0.70/mo/sqf	3
Affordable Apartments	10,000	$1.50/mo/sqf	$0.70/mo/sqf	3

	Average SQF	HOA Setup Per Unit	Number of Units
Market Rate Condos	0	$2,000	10
Affordable Condos	0	$1,000	10

Parking

	Number of Spots	Rental Rates	Op Exp per Spot	Cost per Spot
Surface Parking	50	$0.00/mo	$25.00/yr	$700
Below Grade Parking	50	$0.00/mo	$75.00/yr	$12,000

APPENDIX E (Continued)

Development Pro Forma Assumptions

Leasing Commissions, TI & Cap Reserves

	Net Rentable Square Feet	Leasing Commissions	Tenant Improvements	Year Incurred	Capital Reserves
Retail	15,000	$9.00/sqf	$30.00/sqf	3	$.15/sqf/yr
Commercial	20,000	$9.00/sqf	$10.00/sqf	4	$.15/sqf/yr
Residential	25,000	-	-	-	$.10/sqf/yr

Cost Breakout

	Total	Per Retail SQF	Per Comm. SQF	Per Resi. SQF	Per Surface Parking Spot	Per Below G. Parking
Land	4,000,000	$0/sqf	$0/sqf	$0/sqf	0	0
Soft Costs	1,520,000	$10/sqf	$30/sqf	$30/sqf	100	300
Hard Costs	5,322,500	$43/sqf	$90/sqf	$90/sqf	700	12,000
Tenant Improvements	650,000					
Leasing Costs	315,000					
Pre-Financing Project Cost	11,807,500	$53/sqf	$120/sqf	$120/sqf	800	12,300
Construction Financing Cost	1,827,586					
Total Project Costs	13,635,086					

Construction Loan

			Const. Spending	%	Amount
Loan to Cost (LTC)	75%				
Initial Funding Year	1		Year 1	50%	$5,113,157
Upfront Financing Fee	0.50%		Year 2	50%	$5,113,157
Base Interest Rate	4.75%	Treasury	Year 3	0%	$0
Spread	2.00%		Year 4	0%	$0
Contract Interest Rate	6.75%		Year 5	0%	$0
Number of Construction Years	2		Year 6	0%	$0
Total Loan Amount	$10,226,315		Year 7	0%	$0
Required Equity Contribution	$3,408,772		Year 8	0%	$0
			Year 9	0%	$0
			Year 10	0%	$0
			Year 11	0%	$0

Permanent Loan

Loan to Value (LTV)	80%	
Funding year	3	
Amortization	30 yrs	
Years of Interest Only Payments	0	
Terminal Cap Rate (on next year NOI)	7.00%	
Upfront Financing Fee	0.50%	
Base Interest Rate (@ Perm Financing)	5.00%	Treasury
Spread	2.00%	
Contract Interest Rate	7.00%	
Total Loan Amount	$ 14,632,250	
Yearly Payment	$ 1,168,185	

APPENDIX F

Income Statement

Income Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
($)							
NET REVENUES	0	300,000	600,000	834,000	1,784,000	1,976,000	2,668,000
COST OF REVENUE	360	840	1,800	2,760	3,840	4,800	5,760
% of Revenues	0.0%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
GROSS PROFIT	(360)	299,160	598,200	831,240	1,780,160	1,971,200	2,662,240
% of Revenues	0.0%	99.7%	99.7%	99.7%	99.8%	99.8%	99.8%
OPERATING EXPENSES							
Sales & Marketing	0	9,000	18,000	25,020	53,520	59,280	80,040
Equity Contributions	0	50,000	50,000	50,000	0	0	0
General and Administration	209,500	305,333	482,175	713,347	737,680	741,520	755,360
Total Operating Expenses	209,500	364,333	550,175	788,367	791,200	800,800	835,400
% of Revenues	0%	121%	92%	95%	44%	41%	31%
EARNINGS FROM OPERATIONS	(209,860)	(65,173)	48,025	42,873	988,960	1,170,400	1,826,840
EXTRAORDINARY INCOME / (EXPENSE)	(45,000)	0	0	0	0	0	0
EARNINGS BEFORE INTEREST & TAXES	(254,860)	(65,173)	48,025	42,873	988,960	1,170,400	1,826,840
INTEREST INCOME / (EXPENSE)	(54,000)	(54,000)	(54,000)	(54,000)	0	0	0
NET EARNINGS BEFORE TAXES	(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
TAXES	0	0	0	0	0	0	0
NET EARNINGS	(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
% of Revenues	0.0%	-39.7%	-1.0%	-1.3%	55.4%	59.2%	68.5%

Balance Statement

Balance Sheet	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
($)								
ASSETS								
CURRENT ASSETS								
Cash	30,000	209,900	80,100	54,325	31,025	714,225	1,879,825	3,702,825
Total Current Assets	30,000	209,900	80,100	54,325	31,025	714,225	1,879,825	3,702,825
PROPERTY & EQUIPMENT	0	11,240	21,867	41,667	53,840	59,600	64,400	68,240
TOTAL ASSETS	30,000	221,140	101,967	95,992	84,865	773,825	1,944,225	3,771,065
LIABILITIES & SHAREHOLDERS' EQUITY								
CURRENT LIABILITIES								
Current portion of long term debt	0	0	0	0	300,000	0	0	0
Total Current Liabilities	0	0	0	0	300,000	0	0	0
LONG TERM DEBT (less current portion)	0	300,000	300,000	300,000	0	0	0	0
STOCKHOLDERS' EQUITY								
Preferred Stock	30,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Retained Earnings		(308,860)	(428,033)	(434,008)	(445,135)	543,825	1,714,225	3,541,065
Total Equity	30,000	(78,860)	(198,033)	(204,008)	(215,135)	773,825	1,944,225	3,771,065
TOTAL LIABILITIES & EQUITY	30,000	221,140	101,967	95,992	84,865	773,825	1,944,225	3,771,065

APPENDIX F (Continued)

Cash Flow Statement

Cash Flow Statement		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
OPERATING ACTIVITIES	($)							
Net Earnings		(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
Depreciation		4,360	10,173	21,800	29,427	35,840	36,800	37,760
Net Cash Provided/(Used) by Operating Activities		(304,500)	(109,000)	15,825	18,300	1,024,800	1,207,200	1,864,600
INVESTING ACTIVITIES								
Property & Equipment		(15,600)	(20,800)	(41,600)	(41,600)	(41,600)	(41,600)	(41,600)
Other								
Net Cash Used in Investing Activities		(15,600)	(20,800)	(41,600)	(41,600)	(41,600)	(41,600)	(41,600)
FINANCING ACTIVITIES								
Increase/(Decrease) Curr. Portion LTD		0	0	0	300,000	(300,000)	0	0
Increase/(Decrease) Long Term Debt		300,000	0	0	(300,000)	0	0	0
Net Cash Provided / (Used) by Financing		500,000	0	0	0	(300,000)	0	0
INCREASE/(DECREASE) IN CASH		179,900	(129,800)	(25,775)	(23,300)	683,200	1,165,600	1,823,000
CASH AT BEGINNING OF YEAR		30,000	209,900	80,100	54,325	31,025	714,225	1,879,825
CASH AT END OF YEAR	30,000	209,900	80,100	54,325	31,025	714,225	1,879,825	3,702,825

APPENDIX G

Funding

Debt	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Long Term Debt								
Current Portion		0	0	0	300,000	0	0	0
Long Term Portion		300,000	300,000	300,000	0	0	0	0
Total Long Term Debt		300,000	300,000	300,000	300,000	0	0	0
Increase / (Decrease) Previous Period								
Current Portion		0	0	0	300,000	(300,000)	0	0
Long Term Portion		300,000	0	0	(300,000)	0	0	0
Total Long Term Debt		300,000	0	0	0	(300,000)	0	0
Total Equity & Debt	30,000	530,000	530,000	530,000	530,000	230,000	230,000	230,000
Interest								
Interest Rate								
Long Term Debt		18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Interest Expense								
Long Term Debt		54,000	54,000	54,000	54,000	0	0	0
Total Interest		54,000	54,000	54,000	54,000	0	0	0
Retained Earnings								
Net Income		(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
Dividends								
Increase / (Decrease) Retained Earnings		(308,860)	(119,173)	(5,975)	(11,127)	988,960	1,170,400	1,826,840
Beginning Retained Earnings		0	(308,860)	(428,033)	(434,008)	(445,135)	543,825	1,714,225
Ending Retained Earnings		(308,860)	(428,033)	(434,008)	(445,135)	543,825	1,714,225	3,541,065