

B&B ALEXANDRIA CORPORATE PARK

Co-Owner Conference Call

March 11, 2015

The meeting was held by Conference Call beginning at 2:00pm Eastern, led by Rick Brown and David Bralove. The meeting was recorded. Instructions for playback of the recording are at the end of these minutes and should be available for 30 days. Please refer to the recording for full meeting details. These minutes are summary in nature and for convenience only.

In attendance:

B&B Realty Investments ('the Management'):

Rick Brown, David Bralove – Principals (& Co-Owners),
Jill Holmes - Asset Manager

B&B Alexandria Corporate Park Co-Owners ('Co-Owners') via Conference Phone:

Dr. Carden, Roger Christensen, Rick Judd, Neal & Ella Krucoff, Larry Krucoff,
Sam Marcus, Chuck & Sallie Myers, David Paulson, Frank Paulson, Bill Rumer,
Susan Russo, Avi Siev, Mike Stacy and Ken Welch.
Rafael Miro called in just as we were concluding. Jim Miller had called 3/10.

Meeting Overview

David Bralove opened the meeting. The purpose of the meeting is to answer any questions Co-owners may have to the March 3, 2015 Property Update Memorandum (Memorandum attached).

Update since the Memorandum was issued:

- **GSA lease** - final lease comments on the GSA lease draft were sent to GSA and its brokers for review. We know GSA is anxious to proceed and start on their reconfiguration and expansion of the secured parking area. We estimate it to take 2 more weeks to get the signed lease.
- **Bankruptcy filing** – all should have received a copy of the Motion to Convert the TIC 17 bankruptcy from a chapter 11 filing to chapter 7. Individual TIC owners received the notice in their capacity as property owners, and do not need to respond as they are not creditors. The Motion was filed to gain additional time. Conversion and appointment of a chapter 7 Trustee would result in a continuance of the 3/13/15 hearing to lift the foreclosure stay.
 - **If the judge allows the stay to be lifted**, it will take 14 days to issue the written order and another 14 days to publish the foreclosure notice, so we would have 1 month's time.
 - Bankruptcy counsel does not feel we're under imminent threat of foreclosure and believes the judge will award the continuance. The decision however, is always subject to the judge's discretion. Thus far the bankruptcy has kept the foreclosure at bay.
 - Two other TIC owners have indicated willingness to file for bankruptcy.

Question – Chapter 7 results in liquidation. Is this the proper tactic?

Response – Yes. It is a delay tactic; liquidation for that specific LLC.

- **New Capital Consultants** – we have hired DTZ (the former Cassidy Turley firm), as our consultants. We felt HFF had exhausted their resources and it was time to look to a firm who may have more creative resources for financing. Paul Collins and John Campanella are our main contacts at DTZ.
 - DTZ forwarded us a term sheet before today’s call which included 17% interest and a 50% share of equity. While these particular terms are not a good fit, it did reaffirm to us there are parties that could be interested in a financing deal for ACP. The structure of proposals we are expecting to receive would have a combination of senior debt and mezzanine debt, with the parties taking a percent of equity. DTZ is pursuing these options to generate proposals.

Summary of Strategy

In order to continue with the above steps toward securing new financing, we will need fees to:

- File an additional bankruptcy should the court lift the foreclosure stay
- Put down an earnest money deposit on a term sheet
- Engage a lawyer to represent the ownership group in future negotiations with G8. Once we have a package to offer, it would be best presented through counsel. We feel it is important to make a shift in the negotiating parties. We have contacted one attorney for a retainer proposal and would consider others when the time comes.

If there are not enough co-owners who contribute funds voluntarily we would require a pro rata contribution from each TIC in accordance with the Tenant-in Common (TIC) & Property Management Agreements.

Question – Are the needed funds estimated at \$100,000 per TIC or in total?

Response – In total, and would include the needed application funds for new financing.

Question – Why doesn’t David continue to be the legal representative for the group?

Response – While David is a lawyer by vocation, he does not represent any of the co-owners in that capacity and has never acted in that capacity for the ownership group. There is no lawyer – client relationship providing confidentiality between David and any of the individual owners. B&B Alexandria Corporate Park Management, LLC, as property manager, is agent for the co-owners. We need to contract with a lawyer to represent the group.

The strategy is that upon stabilizing, the long term NOI could approximate as much as \$3.9M, from the current \$2.1M, and provide a much higher value.

Question – Has there been an appraisal since we bought the property?

Response – No. It is difficult to value the property with the current 40% vacancy.

Question – To be clear on the long term strategy, we need to get new leases, secure a loan package, and then in 3, 4 to 5 years, what would the expectation be?

Response – With \$36M in debt, a possible \$60M value, the original \$25M of equity would likely be split up with a general partner. Retaining 50% of the co-owners’ equity is a fair

estimate. We are working to preserve the property. When the time comes, it will be up to all the co-owners to decide what to do. In the meantime we continue working to provide the best offer possible.

Question – With half of the equity retained, we would still be owners?

Response – Yes, along with potential new investors. If we continued holding the property after stabilization, the owners would benefit from the income flow. If we sold the property, you would get a portion of your equity back. The two options would be keep or sell.

We will know more after the Court’s ruling on Friday.

Question – What is the timing on the voluntary contribution and call procedure?

Response – David will review the Call Agreement and issue a memo to the Co-owners. [See the March 11, 2015 memo attached.]

Question – What would the return on the voluntary contribution be?

Response – We will revisit the terms we offered last time and make a proposal.

Question - Is it feasible to engage (2) capital funding firms to work on the financing at the same time?

Response – No. These firms work under exclusive engagements.

The meeting was adjourned at 2:38 pm
Submitted by: Jill Holmes

Access to Recording

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B&B ALEXANDRIA CORPORATE PARK MANAGEMENT, LLC

6917 Arlington Road, Suite 203

Bethesda, MD 20814

T (301) 469-3900

F (301) 469-3904

MEMORANDUM

TO: Tenant in Common Co-Owners of B&B Alexandria Corporate Park
FROM: B&B Alexandria Corporate Park Management, LLC
DATE: March 3, 2015
RE: Property Update

We have exchanged comments with GSA on the draft lease and fully expect to have the lease in final form for execution prior to the end of this month. We have elected to retain another mortgage brokerage firm, DZT (formerly Cassidy Turley) to represent us in securing refinancing proceeds now that the GSA renewal is imminent. They are in the process of contacting both institutional and private capital sources who may be interested in making a loan. At the present time our lender, G8, continues to refuse to make any concessions or discount the loan payoff amount. With accrued interest, payoff and penalty fees, the payoff amount is approximately \$36,300,000. If we are successful in securing a new lender willing to underwrite a refinancing of the property, then deposit funds and related fees will be needed in order to proceed with loan application. These funds are typically in the \$35,000 - \$50,000 range.

In regards to the Chapter 11 bankruptcy filing of B&B Alexandria Corporate Park TIC 17, LLC (the "Debtor"), a hearing date for the creditor's motion to lift the automatic stay and proceed with the foreclosure has been scheduled for March 13, 2015. However, that hearing is likely to be continued to a later date since the Debtor is filing a motion to convert the case to a Chapter 7 proceeding. Inasmuch as the conversion will require the appointment of a trustee, additional time will be required for both the selection of the trustee and his or her familiarization with the case. Accordingly, we expect the foreclosure to remain stayed until the end of April. As previously reported, it is more likely than not that the creditor will prevail in its motion to lift the automatic stay. Consequently, unless we can close on a refinancing of the property in the next 45-60 days, the foreclosure will resume unless an additional bankruptcy is filed by one of the other tenant in common limited liability companies. We estimate the legal fees for an additional bankruptcy to be approximately \$25,000.

At this time, the ownership is without resources to fund the loan application or legal fees (if required). If we cannot locate individual co-owners prepared to loan the necessary funds, then we recommend that the co-owners fund \$100,000 pro rata in proportion to their ownership interest in order to have a reserve on hand sufficient to cover these anticipated expenses.

For those with questions or for further discussion, a conference call is scheduled for:

DATE: Wednesday, March 11, 2015
TIME: 2:00PM Eastern
CALL IN #: 1-866-906-9888
CODE: 5082618

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MEMORANDUM

TO: Tenant in Common Co-Owners of B&B Alexandria Corporate Park
FROM: B&B Alexandria Corporate Park Management, LLC
DATE: March 11, 2015
RE: Co-Owners Responsibility for Property Expenses

During the telephone conference call held today, a question was raised about the obligations of the co-owners to fund Property Expenses and the process by which those funds are collected.

The operative documents that each tenant in common co-owner signed (or assumed) in connection with his or her investment in the property are: (1) the Tenant in Common Agreement; (2) the Property Management Agreement; and (3) the Call Agreement. Copies of these documents were delivered to each co-owner as part of the closing binder and CD that were received following closing. We urge each tenant in common to review those documents. If you require a copy of any of the foregoing documents, please contact us and we will provide a copy for you.

As you are aware, the Property Manager has recommended that we collect funds in the amount of \$100,000 for a reserve to be used to pay for the costs and expenses of refinancing the existing first trust loan on the Property that is currently in default as well as legal fees for counsel to represent the co-owners in future discussions and negotiations with G8 at such time as a term sheet from a prospective lender has been received. In addition, the reserve would provide funds for legal fees (approximately \$25,000) that may be incurred by a future co-owner that elects to file a bankruptcy.

In summary, upon notice from the Property Manager, each tenant in common is required to fund its pro rata share of Property Expenses as that term is defined in the Tenants in Common Agreement. The Property Manager must provide 15 days prior written notice to the tenant in common with the amount of its pro rata share. The failure or refusal of a tenant in common to timely remit its pro rata share renders that tenant in common a Delinquent Tenant in Common subject to the call rights set forth in the Call Agreement. If after expiration of all applicable time periods the Delinquent Tenant in Common has not remitted its pro rata share, then the interests of that Delinquent Tenant in Common may be purchased by the Property Manager or by the other tenants in common as set forth in the Call Agreement.

In the opinion of the Property Manager, the costs and expenses of refinancing applications and the legal fees to be incurred in connection with future negotiations with G8 are Property Expenses as defined in the Tenants in Common Agreement. However, the legal fees for bankruptcy counsel for a future filing by another tenant in common is not a Property Expense for which any tenant in common is obligated to contribute. Accordingly, funding of those fees is entirely on a voluntary basis.

Excerpts from the Tenant in Common Agreement and Property Management Agreement are attached for your convenience only. Please refer to the entire applicable agreement for a complete understanding of your rights, duties and obligations.

The Tenant in Common Agreement provides in part that:

4. Co-Tenant's Obligations. The Tenants in Common each agree to perform such acts as may be reasonably necessary to carry out the terms and conditions of this Agreement, including, without limitation:

4.2 *Additional Funds*. Paying its pro rata share (based on its Interests) with respect to Taxes, Debt Service, the Property Management Fee, or other items specifically applicable to individual Tenants in Common or any future cash as may be needed in connection with the ownership, operation, management and maintenance of the Property including, without limitation, operating and maintenance expenses, janitorial costs, landscaping and snow removal charges, insurance charges and expenses, legal fees [emphasis supplied], uninsured damages paid to third parties, capital improvements costs, tenant improvement allowances, brokerage commissions, and other charges necessary for the proper upkeep, maintenance and improvement of the Property, as may be determined by the Property Manager pursuant to the Property Management Agreement or otherwise (collectively, the "Property Expenses"). Each Tenant in Common shall deliver to the Property Manager any required payment of its pro rata share of Property Expenses within fifteen (15) days after the Property Manager delivers notice that such payment is required. To the extent any Tenant in Common fails to pay any payment required pursuant to this Section 4.2 within fifteen (15) days after the Property Manager delivers such notice, such Tenant in Common shall be deemed a "Delinquent Tenant in Common" and any other Tenant(s) in Common may advance the payment of such amount (such advancing Tenant(s) in Common, "Covering Tenant(s) in Common"). The Delinquent Tenant in Common shall reimburse the Covering Tenant(s) in Common upon demand the amount of any such advance plus interest thereon at a rate equal to the lesser of (i) ten percent (10%) per annum, and (ii) the maximum rate allowed by law. Any such advance shall be fully recourse to the Delinquent Tenant in Common and its member (if the Tenant in Common is a Single Purpose Entity), and, at the election of the Covering Tenant's in Common, if such member is an entity, the beneficial owner of such member. Alternatively, the Property Manager is hereby authorized to pay the Covering Tenant(s) in Common all such payments due plus interest out of future cash from operations or from a sale or refinancing of the Property or other distributions due to the Delinquent Tenant in Common pursuant to the Property Management Agreement. In no event shall such advance be for a period exceeding thirty-one (31) days. In the absence of such an advance, following the expiration of such 15-day period the Property Manager, or its agent or representative, shall send the Delinquent Tenant in Common on behalf of the paying Tenants in Common (collectively, the "Non-Delinquent Tenants in Common") written notice of such delinquency, giving the Delinquent Tenant in Common an additional two (2) business days from the date such notice is given to pay in full its proportionate share of the Property Expenses ("Additional Payment Period"). If the Delinquent Tenant in Common (or any guarantor thereof) does not (i) timely reimburse the Covering Tenant(s) in Common the full amount of its proportionate share of Property Expenses, together with any and all late fees, additional interest and other charges resulting from the delinquency, or (ii) pay in full its proportionate share of the Property Expenses within the Additional Payment Period, then the other Tenants in Common and the Property Manager shall have the right to purchase the Delinquent Tenant in Common's interest in the Property in accordance with the terms of the Call Agreement. Subject to any restrictions contained in the documents relating to the Loan, a Delinquent

Tenant in Common (or any guarantor thereof) shall pay any and all late fees, additional interest or other charges that the Tenants in Common incur as a result of such Delinquent Tenant in Common's failure to timely pay its share of the Property Expenses, and shall otherwise indemnify the Property Manager and the Non-Delinquent Tenants in Common from and against any and all loss, cost, liability or expense suffered on account of such Delinquent Tenant in Common's failure to timely pay its proportionate share of the Property Expenses. The remedies against a non-paying Tenant in Common provided for herein are in addition to any other remedies that may otherwise be available under the Call Agreement, the Property Management Agreement or otherwise, including, but not limited to, specific performance, the right to obtain a lien against the undivided interest in the Property of the Delinquent Tenant in Common and special and consequential damages to the extent allowed by law.

The Property Management Agreement provides in part that:

- 7.2 Insufficient Funds. If there are not sufficient funds in the account to make any such payment set forth above [generally the normal and ordinary expenses related to the operation and maintenance of the property], the Property Manager shall notify the Tenants in Common of their pro rata share of the deficiency, if possible, at least 10 days prior to any delinquency so that the Tenants in Common have an opportunity to deposit sufficient funds in the Operating Account to allow for such payment prior to the imposition of any penalty or late charge.