

B&B ALEXANDRIA CORPORATE PARK

Co-Owner Conference Call

April 7, 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:

Roger & Nadine Christensen, John Giles, Hallie Gorup, Wayne Kraus, Neal & Ella Krucoff, Sam Marcus, Jim Miller, Rafael Miro, Chuck & Sallie Myers, David Paulson, Frank Paulson, Bill Rumer, Avi Siev, Ken & Patrick Welch.

Meeting Overview

David Bralove opened the meeting. The purpose of the meeting is to answer any questions Co-owners may have to the April 2, 2015 Bankruptcy & Refinancing Update Memorandum (Memorandum attached) and to share developments since that was issued.

Summary:

- **Bankruptcy filing** – under the TIC 17 bankruptcy filing the court lifted the automatic stay which leaves the lender able to proceed with the foreclosure process. The next step is for the Lender to notice all Co-owners of the foreclosure advertisement. As of this time we had not received notice. Under VA law, the foreclosure may occur no earlier than 14 days after notice is given. Our feeling is the Lender is waiting for the GSA lease to be signed before initiating the advertising period, to keep the lease process streamlined. With the stay lifted, we are no longer under the protection of the TIC 17 bankruptcy filing. We are prepared to file a 2nd bankruptcy, which will be filed in DE should it occur. The 2nd filing will gain us some time to continue with the refinancing prospects that have been identified. We are still looking for contributions from Co-owners to fund the cost of the legal proceedings. Please contact our office after this call if you are willing to advance funds.
- **GSA lease** - the lease is in its final form and was sent to the Lender yesterday (4/6) to obtain authorization for us to complete and sign
- **Our current position for negotiations** – we will have 1) produced a new lease and 2) we have 3 proposals to explore; 2 joint ventures and 1 with a lender.

1. **Trevian** – would lend us roughly \$25M and we would then need a mezzanine piece of \$8 - \$10M. DTZ (our capital broker) is looking for a mezz piece to pair with the Trevian loan.
2. **Mark Matan** – has proposed a joint venture with a new ownership structure with approximately \$32M and some undetermined upside. The current debt is \$34M of principal and \$2 - \$3M of fees.
3. **Ivy-Realty** – has proposed a restructure of ownership and will fund fully the debt and mezz requirements to pay off the existing Lender and also provide for future requirements, with the intent to sell in 3 to 5 years. There would be a yet to be determined upside after a priority return to Ivy-Realty after sale.

The filing of a 2nd bankruptcy would allow us time to finalize a deal under one of these options. Our intent is to hire counsel to enter into final negotiations with the Lender's counsel. Since the April 2nd memo the options we are pursuing have expanded with the addition of a 3rd potential suitor, Ivy Realty.

As we move forward with one of these options we will need the consent and approval from Co-ownership. It is too early at this point to quantify the terms to issue a ballot. We will wait until we have a firm deal to send out a ballot to Co-owners requesting authority to execute said deal with the expectation that all would cooperate with a quick turn-around.

Question – Why are we waiting to file the 2nd bankruptcy? We should file now to put pressure on the Lender.

Response – We are trying first to strike a deal amicably, while at the same time trying to optimize the timeframe to negotiate a financing deal. There is no urgency to file until the Lender has announced the advertisement of the foreclosure. We feel we have a better chance of counsel negotiating a lower price if we haven't yet made a 2nd bankruptcy filing.

Question – The strategy seems as good as it can be given the circumstances. Did we ever find out definitively what the Lender bought the notes for?

Response – No. While we understand it was in the range of \$24M to \$25M, we do not know for certain.

Question – the Lender is required to approve the lease?

Response – Yes. It is a major lease which requires Lender approval. It would then be signed by us.

Question – If we refuse to sign?

Response – GSA would then go on holdover status at the property and go back to the leasing market, likely to the property next door to us. It is in everyone's interest to have the lease signed. We did mention to the Lender a month or so ago that it could be a possibility that we would not sign the lease. They did not appreciate the statement and felt it a threat. They have the power to appoint a receiver and remove us as Property Manager, which would delay the process but not stop it.

When we sent the lease over for approval yesterday we also asked the Lender to commit to funding all the associated leasing costs. With the Cash Management Agreement in place all the monies are under Lender's control and we are without resources to execute the lease. If we do not receive the commitment of funds, upon signing of the lease we would immediately be in default of the lease provisions. The Lender has yet to respond.

Question – If the Lender does not approve, GSA will move elsewhere?

Response – Yes. It would take a year or two but they would move.

The Lender will be aware of when we sign the lease. We need to obtain time from them voluntarily if we hope to make a deal.

Question – Of the 3 proposals, do they all defer a tax event for the Co-owners?

Response – We do not have all the details as yet, but if there were to be a sale that would likely be taxable. We would hope to be able to structure the deal so the taxable event is deferred to the future. The interest of each Co-owner would be diluted under the Matan or Ivy proposal.

Question – If we make the option of a 2nd bankruptcy known, would that not buy us more time?

Response – The Lender is not unaware of that possibility. At the TIC 17 hearing that David testified at, he indicated we could file additional bankruptcies. We would leave it to counsel to determine the best way to present that topic as a way to incentivize the negotiations.

Conclusion – we have more in hand now with a lease and potential sources of financing. We will file a bankruptcy at the last minute if required. We will keep Co-owners informed of any new developments and will be sure to let you know of Lender's response when received.

The meeting was adjourned at 2:40 pm

Submitted by: Jill Holmes

Access to Recording

Playback

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Enter Participant Code: **1574053#**

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Jill Holmes

From: AT Conference <support@atconference.com>
Sent: Tuesday, April 07, 2015 2:43 PM
To: David Bralove
Cc: Jill Holmes
Subject: Phone Conference - Usage Report



Phone Conference Usage Report

Host: David H. Bralove 3
 Company: B&B Realty Investments, LLC

CONFERENCE SUMMARY
 Conference ID: 12607235
 Start Time: 4/7/2015 1:55 PM
 End Time: 4/7/2015 2:39 PM
 Time Zone: Eastern Time Change
 Line Count: 19*
 Total Minutes: 640
 Confirmation #: 8239837
 Billing Code: Add a billing code for this conference.

CONFERENCE DETAILS - 12607235

Date	Time	Caller ID	Role	Connection Type	Minutes	**Call Cost
04/07/2015	1:55 PM	8438840135	Participant	Unattended Dial-In Rumer	44	\$3.48
04/07/2015	1:56 PM	7185231024	Participant	Unattended Dial-In Siev	44	\$3.48
04/07/2015	1:57 PM	7604199050	Participant	Unattended Dial-In J Miller	42	\$3.32
04/07/2015	1:57 PM	2023622007	Participant	Unattended Dial-In Krucoff	42	\$3.32
04/07/2015	1:58 PM	4107401145	Participant	Unattended Dial-In D Paulson	41	\$3.24
04/07/2015	1:59 PM	4102561567	Participant	Unattended Dial-In Kraud	41	\$3.24
04/07/2015	1:59 PM	7036185579	Participant	Unattended Dial-In Myers	41	\$3.24
04/07/2015	1:59 PM	3014693903	Chair	Unattended Dial-In -	40	\$3.16
04/07/2015	2:00 PM	5023520336	Participant	Unattended Dial-In Marcus	39	\$3.08
04/07/2015	2:00 PM	7654140645	Participant	Unattended Dial-In - Gorup?	39	\$3.08
04/07/2015	2:00 PM	7035989061	Participant	Unattended Dial-In - christen	18	\$1.42
04/07/2015	2:00 PM	2023451264	Participant	Unattended Dial-In K Welch	36	\$2.84
04/07/2015	2:01 PM	2026694096	Participant	Unattended Dial-In P Welch	39	\$3.08
04/07/2015	2:01 PM	3014696336	Participant	Unattended Dial-In F Paulson	38	\$3.00
04/07/2015	2:02 PM	7029131186	Participant	Unattended Dial-In Miro	38	\$3.00
04/07/2015	2:04 PM	6034935069	Participant	Unattended Dial-In Giles	36	\$2.84
04/07/2015	2:18 PM	7035989061	Participant	Unattended Dial-In Christensen	14	\$1.11
04/07/2015	2:34 PM	7035989061	Participant	Unattended Dial-In Welch	5	\$0.40
04/07/2015	2:37 PM	2023451264	Participant	Unattended Dial-In Welch	3	\$0.24
Sub Total:					640	\$50.56
***Taxes and Fees:						\$11.83
Conference Total:						\$62.39

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- Bell, Scott
- Boebinger, Chas
- ✓ Bralove, David
- Brown, John
- ✓ Brown, Rick
- Carden, Edward
- ✓ Christensen, Roger
- DiDonna, Rita
- ✓ Giles, John
- ✓ Gorup, John *Hallie*
- Jarrett, John
- Judd, Renee
- Koch, Dave & Janet
- ✓ Kraus, Wayne & Muriel
- ✓ Krucoff, Neal & Ella
- ✓ Marcus, Sam
- ✓ Miller, Jim & Cheryl
- Minas, Sam
- ✓ Miro, Rafael
- ✓ Myers, Chuck & Sallie
- ✓ Paulson, David
- ✓ Paulson, Frank
- Pumphrey, Wm
- Quattrocchi, Ada
- ✓ Rumer, Bill
- Russo, John & Susan
- Salzman, Jerry
- Salzman, Linda
- ✓ Siev, Avi
- Stacy, Mike
- ✓ Welch, Ken *Patrick*

B&B ALEXANDRIA CORPORATE PARK MANAGEMENT, LLC

6917 Arlington Road, Suite 203

Bethesda, MD 20814

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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: April 2, 2015
RE: Alexandria Corporate Park Co-Owner Conference Call

This is to notify all Co-owners of a scheduled conference call on the day and time set forth below. The purpose of the call is to review the attached memo and discuss any further developments on refinancing:

Date: **Tuesday, April 7, 2015**
Time: **2 pm Eastern**
Call in: **1-866-906-9888**
Code: **1574053#**

Host 25 090702#

B&B ALEXANDRIA CORPORATE PARK MANAGEMENT, LLC

6917 Arlington Road, Suite 203

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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: April 2, 2015
RE: Bankruptcy and Refinancing Update

In re B&B Alexandria Corporate Park TIC 17, LLC, Debtor

As previously reported, having prevailed on its motion for relief from the automatic stay, the Lender may proceed with the foreclosure process as early as April 2, 2015. If timely commenced, the required notice period in Virginia for a non-judicial foreclosure is 14 days which would result in the loss of the property no earlier than April 16, 2015. Our strategy remains to secure a refinancing term sheet or commitment prior to that time to persuade our Lender to suspend the foreclosure so as to allow us to proceed with the refinancing. We intend to approach the Lender through legal counsel familiar with debt negotiations. If the Lender is unwilling to grant us additional time, then another bankruptcy filing by another TIC could provide us temporarily with another automatic stay while we continue to seek refinancing on terms acceptable to our Lender. One of our TICs is prepared to file for bankruptcy if required and we have identified bankruptcy counsel for this new filing. While we have some level of commitment from co-owners, we are still seeking additional contributions for bankruptcy counsel legal fees. Please contact us if you are able to make a loan to the co-ownership group for legal fees.

Refinancing Prospects:

DZT, our mortgage broker, has identified two potential lenders who have expressed an interest in our property. The first is Trevian Capital that had submitted an earlier term sheet prior to our selection by GSA as the presumptive awardee of its new lease. At this time Trevian would provide **\$29,000,000** in total loan proceeds with a holdback of \$2,500,000 for future TI/LC resulting in an initial funding of \$26,500,000 less closing costs and related fees. The interest rate would be between 10.5% - 11.50% with an 8.0% current pay and the balance being deferred. Lender fees would be 2.25% of the loan amount. However, unless a mezzanine loan can be secured to increase the total loan proceeds from Trevian, it is unlikely that the loan amount would be sufficient to satisfy our current Lender. We are continuing to search for mezzanine financing to pair with the Trevian loan. The second prospect is a sale of the property to a local company for **\$32,000,000** that would allow us to restructure the ownership and allow for our existing co-owners to retain a percentage of their original interest in the property. The terms of this transaction remain in active negotiation and we hope to reach an agreement on the basic terms within the next several days.

At this time there are no assurances that our current lender will accept any amount less than the current outstanding balance of approximately **\$36,000,000** on its loan, inclusive of all late fees and interest.