



MEMORANDUM

To: All Co-Owners of B&B Alexandria Corporate Park
From: B&B Alexandria Corporate Park Management, LLC
Date: March 10, 2014
Subject: **Update on New Financing**

Below is a summary of work completed thus far in the effort to obtain new financing for the property.

HFF –

The update from HFF as of March 4th is as follows:

- Contacted 85 potential Lenders (included some who had bid on the Susquehanna note)
- There were 13 lenders underwriting or reviewing the package
- 70 lenders declined the opportunity
- Received 1 quote for consideration – Trevian Capital, see below
- Continue to work with prospective lenders on all levels

Trevian Capital –

We have spoken on several occasions to Trevian Capital. They are a work-out situation bridge lender, using funding from a specialty insurance fund. While they are still reviewing the deal, their initial parameters quoted are as follows:

- 1st Trust \$29,000,000
- Hold back \$2,500,000 for future TI/LC requirements
- Hold back \$2,000,000 in the event FPS vacates. If a new lease is signed, funds would be released.
- Net Initial Funding \$24,500,000 less costs & fees
- Rate 10.5% - 11.5% with 8% paid current and remainder deferred
- New cash needed assuming the current debt is paid off at \$29 million, \$5,000,000

Based on the requirement of additional capital and the expected holdbacks, we do not think this option as currently quoted is viable.

We are also in the midst of speaking with a large, local bank with whom we have an existing lending and account relationship regarding a 1st trust somewhere in the \$28 million range and a mezzanine piece of \$5 million. We supplied the bank with various reports and pro-forma information this week and hope to receive a term sheet by March 14th.

G8 Capital –

We had a conference call with G8, our existing lender, on March 6th, to update them on the property condition, leasing activity and loan search. Summary is as follows:

- Property condition – the Property remains in great shape. The 2nd phase of the roof replacement is complete with the exception of a few punch list items the contractor needs to address. The winter storms have delayed their ability to address these items. The roof replacement has resolved the issue of roof leaks.
- Leasing activity – while Jones Lang LaSalle continues to conduct tours of the Property weekly, there are no substantive leads or additional LOIs that have been issued.
 - ❖ CACI – we issued an LOI in early February to CACI to expand into the 8,200 sf former Washington Examiner space. CACI is still deciding whether the expansion should be in our building or use existing space in another building CACI currently leases. Their timeframe for deciding is the next 6 months.
 - ❖ FPS – GSA has yet to issue their footprint requirements for FPS at our property, although the tenant has been told it would be in the near future. We have offered to provide professional architectural design services, depicting how the building can meet the lease parameters once they are released, to assist the tenant in making its case to GSA.
- New financing – we conveyed to G8 the above update on both the property and the progress toward finding new financing. We also notified them that beginning with the March debt service payment, we would not be making principal payments on either the mortgage or the 2nd facility. We will continue to pay the interest, tax & insurance escrows and the reserve escrows. With CACI and FPS as the only tenants in place, we need to use the \$91,000 we would normally pay for principal each month for property operations. We also suspended payment of our Asset Management fee beginning in January 2014, in order to direct all funds possible to running the property. G8 reiterated their desired course of action is to have the debt paid off and not to take possession of the property. We will keep a regular dialogue going with them.

Most lenders have expressed concern about the current short term extension of FPS, the existing vacancy and absence of leasing activity at both the property and submarket levels. We continue to meet regularly with HFF and pursue all leads for possible financing, responding to all queries for additional information from potential lenders. We will update the Co-Owners when new information presents itself.