1515 MARKET STREET
PHILADELPHIA, PENNSYLVANIA

Submitted by:

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EXECUTIVE SUMMARY

A newly formed, private real estate investment firm ("Newco Investments" or "Newco") has secured the opportunity to acquire 1515 Market Street (the "Property"), a 507,000± sq.ft. office building located in Center City, Philadelphia, for $76 million ($150/sq.ft.) in an "off-market" transaction from a long-term, overseas ownership group. The current ownership, a syndicate of Dutch investors, has owned and self-managed the asset since approximately 1996. Members of the syndicate have fractured over the past 12-to-18 months and, as a result, management has been compelled to quickly liquidate its assets. The subject asset is the syndicate's last remaining real estate asset, and the proposed transaction represents an opportunity for Newco to advantageously acquire a well located, physically sound, and operationally stable property with value-added potential.

Newco Investments was formed in 2007 as a real estate investment and operating company and is based in Philadelphia, Pennsylvania. Newco's strategy is to acquire real estate assets with value-added potential and sell its holdings after completion of its value enhancement strategy. Newco's Managing Partner has provided various advisory, leasing, and asset management services to the property's ownership group since its acquisition of the asset and, therefore, is well informed and familiar with the property. This long-term relationship has lead to Newco's opportunity to acquire the asset in an "off market" transaction and at a discount to its current value. Newco's principals have limited personal capital to dedicate to the proposed acquisition. However, the firm has access to various capital sources and products, including senior and mezzanine debt and private equity, and will utilize a combination of these products to complete the proposed acquisition.

Newco has conducted its due diligence and is developing an asset management plan and evaluating capitalization strategies that will enable its acquisition. Capitalization and funding schemes available to Newco consist of various blends of senior and subordinate (i.e. mezzanine) debt and both personal and third-party equity. Capital products and schemes available to Newco are summarized as follows:

	Capitalization Strategies and Construct of Capital Structure		
Capital Product(s)	**Sr. Debt + Newco Equity**	**Senior Debt + Mezz Debt + Newco Equity**	**Sr. Debt + Private Equity + Newco Equity**
Senior Debt	70%-to-80%	70%-to-80%	70%-to-80%
Mezzanine Debt	N / A	10%-to-20%	N / A
Joint Venture Equity	N / A	N / A	15%-to-20%
Owner's/Newco Equity	20%-to-35%	10%-to-15%	3%-to-5%

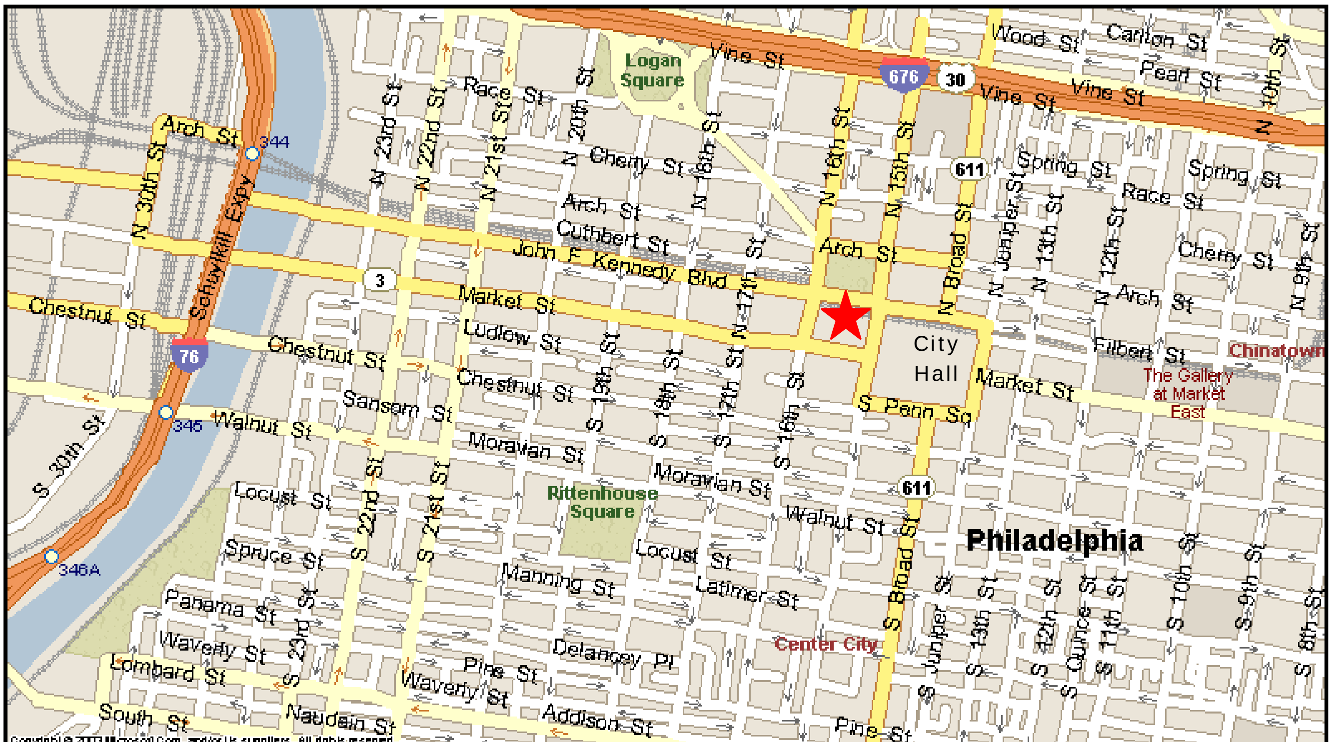
The objective of the following analysis is to develop a capitalization strategy relative to Newco's investment objectives and available resources and with respect to the subject asset's expected operations and market characteristics. The following will include a market overview and financial analysis of Newco's acquisition and operational strategy, as well as its debt and equity capitalization of 1515 Market Street. The basis of the analysis will include Newco's planned capital enhancements and its asset management and leasing strategy. Using the asset management plan as a basis, the analysis will include evaluation of various debt and equity capitalization schemes to identify the strategy that best satisfies Newco's objectives with respect to resource availability, organizational strategy, and risk tolerance.

INTRODUCTION AND BACKGROUND INFORMATION

Newco Investments is a private real estate investment and operating company. The company's principals each have more than 15 years of real estate experience in disciplines including leasing, construction, operations, and finance and previously held executive level positions with a number of prominent organizations. As a member of a worldwide real estate services firm, Newco's Managing Partner advised the current ownership of 1515 Market Street in its acquisition and subsequent leasing and asset management of the property. This individual maintained his relationship with the ownership group and has continued to provide advisory services.

On the basis of its investment strategy and asset management plan, Newco is seeking to invest approximately \$88 million in total capital to enable the acquisition, improvement, and value enhancement of 1515 Market Street. The property consists of a Class "A" office building located at the northwest corner of Market and 15th Streets in Center City, Philadelphia. It is one of four "sister" buildings that occupy the majority of four square city blocks between Market Street and John F. Kennedy Boulevard between 15th and 17th Streets and which are commonly known as the Penn Center Buildings. The property is also less commonly known as Two Penn Center.

The subject asset is well located immediately across 15th Street from Philadelphia's City Hall and lies above a key public transportation hub, providing direct, climate protected access to SEPTA (Southeastern Pennsylvania Transit Authority) and PATCO (Port Authority Transit Corp.) regional rail lines. SEPTA and PATCO provide commuter rail transportation between Center City and surrounding Pennsylvania and Southern New Jersey suburbs as well as Philadelphia International Airport and Amtrak's 30th Street Station. Automobile parking facilities are available within a one-block radius of the property and are also accessible via the underground transit concourse.



The property has been owned and operated by the Dutch syndicate for more than a decade. It has been somewhat passively managed over the past several years, a condition resulting from the fracturing of the syndicate and evidenced in the asset by worn and outdated lobby and common area finishes and by a prevalence of below-market effective rents. Newco has negotiated a purchase agreement with the Dutch ownership group and will acquire the property at an advantageous price of \$76 million (\$150/sq.ft.). The purchase price indicates an overall capitalization rate of 8.0%, approximately 100-to-175 basis points in excess of prevailing market rates. In addition, the purchase price is significantly below replacement cost and prevailing market values for existing assets.

A summary of Center City Philadelphia's most recent office building transactions is presented below. Most noteworthy among the Center City market's recent transactions are the March 2006 sale of Four Penn Center and the June 2005 sale of Six Penn Center, both of which are "sister" buildings to the subject asset. Four Penn Center traded at \$208/sq.ft. and on the basis of a 6.3% overall capitalization rate. It previously traded in March 2005 at \$185/sq.ft. and on the basis of a 6.5% overall capitalization rate. Six Penn Center sold in June 2005 for \$228/sq.ft. and on the basis of an 8.0% overall capitalization rate.

Philadelphia CBD / Center-City Office Building Transactions					
Property	**Sale Date**	**Sale Price**	**Size (Sq.Ft.)**	**$/Sq.Ft.**	**Cap Rate**
Graham Building 30 15th Street	July 2006	$ 35,000,000	241,831	$145	6.8%
1800 &1880 JFK Boulevard	July 2006	$ 55,000,000	475,000	$116	7.0%
Comcast Center 1701 JFK Boulevard	April 2006	$ 505,000,000	1,250,000	$404	N/A
Four Penn Center 16th & JFK Boulevard	March 2006	$ 109,000,000	525,000	$208	6.2%
Philadelphia Stock Exchange 1900 Market Street	March 2006	$ 79,500,000	456,689	$174	7.3%
1760 Market Street	March 2006	$ 19,300,000	123,359	$156	7.1%
1818 Market Street	February 2006	$ 153,000,000	983,000	$156	7.0%
Penn Mutual Towers 510-530 Walnut Street	February 2006	$ 121,000,000	870,000	$139	7.5%
One City Place 1401 Arch Street	November 2005	$ 24,800,000	195,000	$127	N/A
1500-1506 Walnut Street	October 2005	$ 31,615,000	275,210	$115	N/A
Two Liberty Place 1650 Market Street	September 2005	$ 151,000,000	1,257,000	$120	N/A
Six Penn Center 17th & JFK Boulevard	June 2005	$ 67,000,000	305,000	$220	8.0%
Four Penn Center 16th & JFK Boulevard	March 2005	$ 95,600,000	525,000	$182	6.5%
United Plaza 30 South 17th Street	March 2005	$ 96,000,000	619,000	$156	8.0%
1515 Market Street	**January 2008**	**$ 76,000,000**	**507,180**	**$150**	**8.0%**

The property's current rent roll is included as *Exhibit I* in the Addenda. Excluding Temple University (which occupies approximately 25% of the building on the basis of a long-term lease), the property's current rent roll reflects an average in-place office rent of $21.50/sq.ft. on a full service basis. On the basis of an analysis of competitive buildings (*Exhibit II*) located in the surrounding market area, the property's current average "face" rent is approximately $1.00/sq.ft. below market. In addition, because office leasing conventions in the Center-City market have shifted from a traditional full service structure to a modified full service structure allowing the recapture of utility costs (a typical expense of approximately $1.00/sq.ft.), the property's average effective rent is approximately $2.00/sq.ft. below market.

On the basis of rates achieved by competitive properties in the surrounding market area and market conventional lease structure, Newco's pro-forma market rental rate ranges from $22.00-to-$23.00/sq.ft. on a full service basis plus a utility expense pass through expected to generate additional revenue of $1/sq.ft. *Newco has been acting as an advisor to the property's current ownership with respect to two pending tenant leases and is familiar with the terms of those leases. Both leases are consistent with Newco's pro-forma lease rate and structural assumptions.*

The property is currently 93% leased and occupied. Although a 37,000± sq.ft. tenant will vacate the building imminently, two new tenant leases aggregating approximately 10,000± sq.ft. are being negotiated and are expected to commence in early 2008. As a result, the property is expected to be 91% leased by February 2008. Key tenants include administrative offices of The State Court of the Commonwealth of Pennsylvania, Citizens Bank, a number of law firms, and Temple University which occupies approximately 127,800 sq.ft. on the basis of a long-term lease with an expiration date of June 2017.

1515 Market Street Significant Tenants			
Tenant	Size (Sq.Ft.)	% of Building	Lease Expiration
Temple University	127,866	25.2%	Jun-2017
Conrad O'Brien	25,456	5.0%	Nov-2012
Heffler Radelich	19,564	3.9%	Feb-2012
Sweeney Sheehan	17,591	3.5%	Apr-2011
Zarwin Baum	17,387	3.4%	Oct-2010
State Court Admin.	17,349	3.4%	Apr-2009
Bazelon Less & Feldman	13,237	2.6%	Mar-2014
Citizens Bank	6,079	1.3%	Mar-2014

The property's lease expirations are somewhat evenly distributed such that there are no large concentrations of scheduled lease rollover during the next 10 years – scheduled lease expirations range from approximately 7% to 14% annually during the next five years. As such, the property enjoys relatively stable occupancy with relatively modest exposure to concentrated lease expiration and tenant rollover. In addition, the majority of the property's existing tenants have been long-term occupants, indicating that the asset has been subject to relatively modest tenant loss.

1515 Market Street Rollover Schedule										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sq.Ft.	30,828	67,672	52,462	37,348	71,006	16,464	21,171	7,331	6,712	128,998
% of Bldg.	6%	13%	10%	7%	14%	3%	4%	1%	1%	25%

The investment opportunity is attractive as a result of an advantageous acquisition price, an excellent location with favorable market conditions, and Newco's ability to enhance the asset's value without exposure to extraordinary risks. Newco's investment will enable property acquisition, as well as funding of leasing costs and conventional common area improvements, including lobby and restroom renovations and fire and life safety system upgrades. Subsequent to acquiring the property, Newco will implement professional management and commence an aggressive leasing campaign to ensure retention and new tenant leasing. Newco intends to recycle its own equity in order to pursue high-yielding opportunities and, therefore, plans to sell the property within five years, upon converting the majority of its tenant roster to market lease rates and terms and maximizing its potential to increase the asset's value.

LOCATION / MARKET DESCRIPTION

Philadelphia Overview

The Philadelphia metropolitan statistical area (MSA) consists of five counties in Pennsylvania (Bucks, Chester, Delaware, Montgomery, and Philadelphia) and four counties in New Jersey (Burlington, Camden, Gloucester, and Salem). The MSA's population is nearly seven million, ranking fifth in the United States in overall population and home to nearly 3.4 million workers. Philadelphia is the second largest city on the east coast and fifth largest in the country with over 1.5 million residents. Its historical significance, central location, educational excellence, economic diversity, and outstanding quality of life make it one of the United States' most dynamic cities.

Downtown Philadelphia, commonly referred to as Center City, is a thriving commercial area with award-winning office towers, internationally acclaimed educational institutions, and over 9,000 businesses. Continuing commitment to Philadelphia by some of the nation's largest companies is a strong indication of the region's attractiveness to business. As a result, Philadelphia has maintained a well-diversified economy, sheltering it from the volatility that has plagued many single-industry markets.

With more than 40 million square feet of office space, Philadelphia's Central Business District (CBD) is the largest submarket in the MSA. The CBD office market is stratified by class of building, with Class "A" inventory accounting for 75% of the overall market, or 30.3 million sq.ft. The market's Class "B" inventory totals 25% of the market, or 10 million sq.ft. Center City's office market's vacancy rate is nearing single digits for the first time since 2000, a dynamic that is allowing building owners to capitalize on a tightening market. With an occupancy level slightly better than the 89.3% national average, Philadelphia's CBD ranks in the top 10 downtown markets in the U.S.

Philadelphia CBD Office Market (Year-End 2007)				
Building Class	**Total Inventory (Sq.Ft.)**	**Total Available (Sq.Ft.)**	**Total Available (%)**	**Avg. Rental Rate ($/sq.ft.)**
Class A	30,289,131	2,468,422	9.5%	$25.11
Class B	9,983,461	1,110,362	11.7%	$20.34
Total	**40,272,592**	**3,578,784**	**10.1%**	**$23.90**

Source: CoStar

Showing signs of growth, the Philadelphia MSA is experiencing new development, primarily in the form of build-to-suit construction. In the Market Street West submarket, Liberty Property Trust's Comcast Center is nearing completion. Of the tower's 1.2 million sq.ft., Comcast and several of its vendors have committed to more than one million sq.ft. Additionally, south of the City, the Navy Yard's mixed-use development plan continues to take shape with Urban Outfitter's recent move to its new headquarters.

Entering the first quarter of 2008, Philadelphia's economy remains strong. The state unemployment rate compares favorably to the national average of 4.5%. In addition, income growth in the Philadelphia area continues to remain above both state and national averages. This is partly due to a strong concentration of expanding professional service jobs. While consumer spending may have relaxed slightly – mostly due to the rise of oil prices – job creation remains steady and earnings continue to rise.

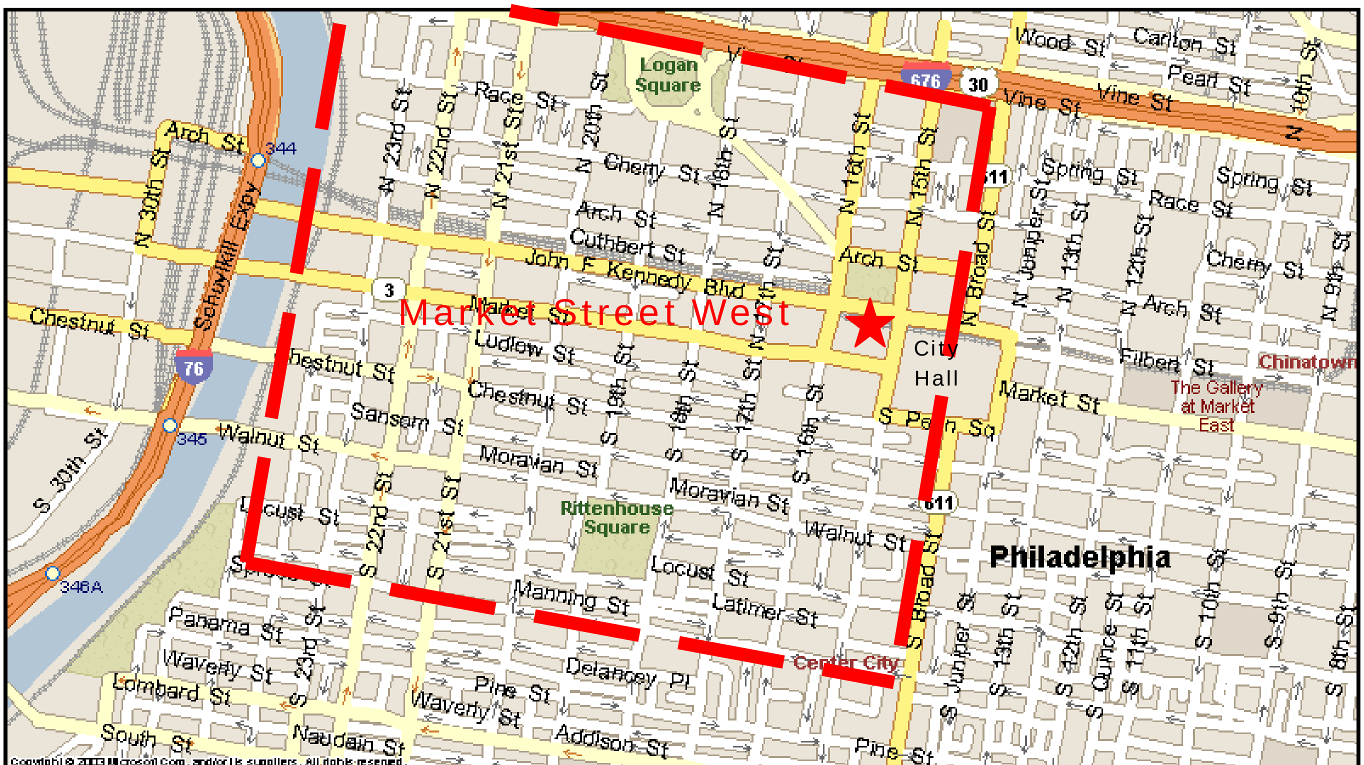
Philadelphia CBD & Market Street West Submarkets

The Center City office market is segmented into three submarkets: Independence Hall, Market Street East, and Market Street West. 1515 Market Street is located in the Market Street West submarket, historically one of Philadelphia's strongest market segments. During the past three years, its direct Class "A" availability has averaged 9.2%. Several tenant down-sizings and relocations drove an increase in the Market Street West vacancy rate to nearly 14% in early 2007. However, strong tenant demand and leasing activity quickly returned availability to historically low levels. The market is expected to continue benefiting from the health of the broad regional economy, growth of the CBD's central industries of law, finance and healthcare, and the city's continued expansion as a cultural and residential center.

Philadelphia CBD Office Submarkets				
Submarket	**Inventory (Sq.Ft.)**	**Available (Sq.Ft.)**	**Available (%)**	**Rental Rate ($/sq.ft.)**
Independence Hall – Class "A"	4,146,961	214,552	5.2%	$22.17
Independence Hall – Class "B"	1,701,113	120,180	7.1%	$18.22
Total	**5,848,074**	**334,732**	**5.7%**	**$20.64**
Market Street East – Class "A"	3,437,711	216,932	6.3%	$21.46
Market Street East – Class "B"	4,805,455	574,798	12.0%	$20.36
Total	**8,243,166**	**791,730**	**9.6%**	**$20.67**
Market Street West – Class "A"	22,704,459	2,036,938	9.0%	$25.60
Market Street West– Class "B"	3,476,893	415,384	11.9%	$21.00
Total	**26,181,352**	**2,452,322**	**9.4%**	**$24.96**
Market Total	**40,272,592**	**3,578,784**	**8.9%**	**$23.90**

Source: CoStar

The Market Street West submarket consists of the area bounded by Interstate-676 to the north, Spruce Street to the south, Broad Street to the east and the Schuylkill River to the west. With its prominent Market Street address, direct access to the mass transit concourse, and proximity to City Hall, 1515 Market Street is ideally located within the Market Street West submarket.



PROJECT DESCRIPTION

1515 Market Street consists of a 20-story building constructed in 1960 and periodically improved in 1986, 1992, and 1997. The building has a structural steel frame in concrete; its façade consists of limestone spandrels with green tinted and reflective double-glazed insulated windows. The building's roof is a built-up modified bitumen system and was replaced in 1991. The roof is currently in good condition. The building is fully heated and air-conditioned by two independent systems; a fan coil system for the perimeter and two air handling systems on each interior floor. The HVAC systems are in good condition.

1515 Market Street is located on the northwest corner of Market and 15th Streets, to the immediate west of City Hall, in the heart of downtown Philadelphia. The property's location adjacent to City Hall and directly above the transit concourse is considered one of the premier sites in the Philadelphia CBD. Commuter rail trains are available by way of the extensive underground retail concourse accessible through the building's lobby. Parking is available in a variety of facilities in the surrounding area and is also accessible through the concourse.

Date Built / Renovated	1961 1986 – Façade, Lobby, HVAC 1992 – Elevators, Security, Roof, Concourse Lobby 1997 – Chillers & High Efficiency Pumps, Sprinklers 2001 – Cooling Tower
Size	507,180 rentable square feet
Use	Retail – 21,460 sq.ft. Office – 480,505 sq.ft. Storage – 5,215 sq.ft.
Loading	Hydraulic elevator services the lower level with capacity of 64 lbs/sq ft. live load
Parking	Garage parking available one block away via underground transit concourse
Land Area	25,552 sq.ft., plus 24,585 sq.ft. plaza area

Newco's investment strategy includes renovations of the asset's outdated and currently worn common areas, including lobbies, restroom, and hallways. In addition, Newco will also modernize the asset's antiquated fire and life safety system. Cost quotations to complete this work result in the following capital improvement budget. Newco anticipates completion of the capital improvements during the initial 12 months of its ownership.

1515 Market Street Capital Budget	
Lobby Renovation	$ 1,200,000
Hallway Upgardes (Carpet, Lighting, Wallcoverings)	210,000
Restroom Renovations	525,000
Fire & Life Safety System	350,000
Total Project Budget	**$ 2,285,000**

INVESTMENT STRATEGY

Project Budget

Closing of the proposed transaction is anticipated in January, 2008. Total costs necessary to acquire, improve, and stabilize the property are estimated at $88.0 million ($173/sq.ft.) and include property acquisition costs of $76 million ($150/sq.ft.) and capital expenditures of $2.285 million ($4.50/sq.ft.) for lobby and common area renovations and modernization of fire and life safety systems. Based on anticipated leasing activity, costs for commissions and tenant improvements are budgeted at $5.2 million, consisting of approximately $4.0 million in tenant improvement expenses and commissions of $1.7 million. The balance of the project budget consists of working capital for operating costs and ad valorem taxes, financing expenses, and closing costs and fees. These costs will be financed by the property's anticipated senior loan facility.

1515 Market Street Project Budget – Acquisition and Improvements	
Property Acquisition	$ 76,000,000
Construction and Improvement Costs	2,285,000
Leasing Costs (TI & Commissions)	5,700,000
Working Capital	1,300,000
Closing Costs and Fees	2,685,337
Total Project Budget	**$ 87,970,337**

Leasing and Operations – Pro-Forma Construction

In addition to its capital improvement plan, Newco will implement professional leasing practices and a marketing campaign focused on tenant retention and leasing existing vacancy. Newco's pro-forma "face" rental rates for office space range from $22.00-to-$23.00 sq.ft. on a full service basis plus a utility expense pass through. By comparison, recently executed office leases in competitive buildings in the Market Street area have ranged from $21.00-to-$24.00 sq.ft. Pro-forma rents for the project's retail areas range from $65/sq.ft. to $70/sq.ft. ("NNN"). Leasing assumptions are summarized below.

Market Rent		**Stabilized Vacancy**	7.0%
Office Space > 10,000 sq.ft.	$22.00/sf (Plus Elec.)	**Tenant Retention Ratio**	75%
Office Space < 10,000 sq.ft.	$23.00/sf (Plus Elec.)	**Rent Loss at Lease Expirations**	6 months
Retail Space	$70.00/sf (Net)	**Leasing Costs**	
Annual Rent Escalations	$0.50/sq.ft.	Tenant Imps. - New / Renewal	$40.00 / $15.00/sf
Average Lease Length		Lease Comm – New / Renewal	6.0% / 4.0%
Office Space > 10,000 sq.ft.	10 years	**Lease Structure**	Full Service + Elec.
Office Space < 10,000 sq.ft.	5 years	**Expense Stops**	
Retail	10 years	Operating Expenses	Base Year
Market Rent Growth (Annual)	3.0%	Real Estate Tax	Base Year

Other operating assumptions and variables utilized in the development of Newco's pro-forma are summarized below.

Assumption	Input	Comment
Vacancy Loss Calculation	7.0% + Rollover Loss	Vacancy for the Market Street West submarket has averaged 9%. Pro-forma vacancy loss throughout holding period ranges from 7.5%-10%
Oper. Exp. & Real Estate Tax ($/Sq.Ft.)	$10.60/sf/year	Expense growth is modeled at 3%/yr.
Capital Reserves	$0.25/sf/yr.	
Exit Cap Rate	7.0%	Based on market data and current cap rates adjusted for risk premium. Exit values calculated using following year pro-forma NOI
Sale Costs	2.0% Broker Fee 2.0% Fees/Tax	Based on typical brokerage fee and actual sale/settlement costs and fees.

Holding Period & Calculation of Reversionary Value

Newco plans to hold the asset for approximately five years and liquidate its investment upon implementation of its asset management plan. Approximately 50% of the property's tenant roster will reach lease termination within five years of closing, providing Newco with the opportunity to adjust the majority of the property's tenant base to market lease terms. Excluding Temple University, approximately 75% of the property's remaining tenancy will reach lease termination during this time period.

As a result of Newco's business plan and leasing expectations, the project's pro-forma net operating income (NOI) is expected to increase from $5.45 million ($10.75/sq.ft.) to $7.16 million ($14.12/sq.ft.) over the course of the five years following closing. The property's assumed future sale has been modeled on the basis of a 7.0% cap rate. It is noteworthy that recent market transactions indicate cap rates ranging from approximately 50-to-100+ basis points lower than the pro-forma "exit" cap rate. On the basis of the selected "exit" cap rate and the property's pro-forma NOI, the property's pro-forma "exit" value approximates $100 million, or $197/sq.ft., a rate within the range of values indicated by recent market transactions and below replacement cost for comparable assets.

CAPITALIZATION STRATEGIES AND PRO-FORMA RETURNS

Newco is contemplating three capitalization strategies. A summary of each strategy follows.

Strategy #1 – Senior Debt and Newco Equity

Newco may choose to capitalize the project with a traditional blend of senior debt and equity. Because the debt capital markets have been in a state of dislocation since the Summer of 2007, borrowing spreads (a/k/a yield premiums) have increased substantially and many lenders have withdrawn from the market. By way of example, mortgage funds for a contemplated acquisition of the property by Newco during January 2007 were available at a rate approximating the five-year US Treasury (5.65% in January 2007) plus 90 basis points. Although the five-year US Treasury yield has since fallen to 3.45% as of January 2, 2008, market debt spreads have increased substantially as indicated in the quotation below.

Despite volatile conditions in the debt capital market, several senior lenders have provided quotations to provide senior mortgage funds for the benefit of Newco Investments. The most favorable of these was provided by United Bank of Switzerland (UBS) which has the ability to provide funds from both its balance sheet and securitization vehicles. A summary of terms quoted by UBS follow:

Loan Amount	$ 70,000,000
Loan-to-Cost Ratio	79%
Holdbacks	$ 0
Spread	Five-year Treasury + 250 basis points
Origination Fee	$100,000
Term	Sixty (60) months
Repayment	Interest only; 15-year amortization in extension period
Extension Options	Two, 12-month terms
Lock-out Period	Three (3) years. Can defease loan after two (2) years.
Exit Fee	None
Extension Fee	0.5% at each extension (if exercised)

Based on the UBS quotation and the property's cost budget, the project will require equity of approximately $18 million. The project's sources and uses of funds are as follows:

Sources and Uses of Funds			
Capitalization by Senior Debt + Newco Equity			
Sources		**Uses**	
Senior Loan	$ 70,000,000	Acquisition	$ 76,000,000
Equity		Hard & Soft Construction Costs	2,285,000
Newco Investments (100%)	17,970,337	Leasing Costs (TI & Commissions)	5,700,000
		Working Capital	1,300,000
		Closing Costs and Fees	2,685,337
Total Sources	**$ 87,970,337**	**Total Uses**	**$ 87,970,337**

On the basis of Newco's pro-forma and a traditional blend of senior debt (at the above terms) and owner's equity, the property's projected leveraged returns (i.e. the returns to Newco's equity position) are as follows:

Pro-Forma Newco Equity Returns	
IRR	**Profit**
15.0%	$ 15.8 million

Strategy #2 – Senior Debt, Mezzanine Debt, and Newco Equity

Newco may choose to increase the project's leverage by adding a tranche of mezzanine (i.e. subordinate) debt to the above described capitalization strategy. In doing so, Newco would increase the amount of debt borrowed to enable project acquisition and improvement while simultaneously reducing its own required equity outlay. As a result, Newco would place less "owner's equity" in the project, but increase the subordination of its equity by increasing the amount of borrowed debt capital.

Ironically, the volatile conditions that have plagued the debt capital markets have created a resurgence in the number of mezzanine lenders active in the market. Similar to senior loan funds, however, mezzanine lenders have also substantially increased yield spreads. Several mezzanine lenders have provided quotations to provide subordinate mortgage funds for the benefit of Newco Investments. The most favorable of these was provided by Bank of America (BofA) through its TriSail business unit. TriSail provides funding from BofA's balance sheet and would assume a subordinate position to UBS' senior mortgage, but in priority to Newco's equity. A summary of mezzanine debt terms quoted by BofA follow:

Loan Amount	$ 10,000,000
Loan-to-Cost Ratio	91%, including senior debt funds
Holdbacks	$ 0
Spread	Five-year Treasury + 1100 basis points
Origination Fee	$100,000
Term	Sixty (60) months
Repayment	Interest only
Extension Options	Two, 12-month terms
Lock-out Period	Three (3) years.
Exit Fee	None
Extension Fee	1.0% at each extension (if exercised)

Based on the UBS and BofA quotations and the property's cost budget, the project will require owner's equity of approximately $8 million. The project's sources and uses of funds are as follows:

Sources and Uses of Funds			
Capitalization by Senior & Mezzanine Debt + Newco Equity			
Sources		**Uses**	
Senior Loan	$ 70,000,000	Acquisition	$ 76,000,000
Mezzanine Loan	10,000,000	Hard & Soft Construction Costs	2,285,000
Equity		Leasing Costs (TI & Commissions)	5,700,000
Newco Investments (100%)	7,970,337	Working Capital	1,300,000
		Closing Costs and Fees	2,685,337
Total Sources	**$ 87,970,337**	**Total Uses**	**$ 87,970,337**

On the basis of Newco's pro-forma and a project capitalization consisting of senior and mezzanine debt (at the above terms) and owner's equity, the property's projected leveraged returns (i.e. the returns to Newco's equity position) are as follows:

Pro-Forma Newco Equity Returns	
IRR	**Profit**
17.1%	$9.4 million

It is noteworthy that Newco's leveraged internal rate of return increases relative to the capitalization structure contemplated in Scenario I as a result of the incremental positive leverage provided by the addition of the prospective mezzanine debt tranche. Although on a nominal basis Newco's pro-forma profit falls, its pro-forma profit multiple increases relative to the diminished magnitude of its equity funding requirement.

Strategy #3 – Senior Debt, Joint Venture Equity, and Newco Equity

Newco may also choose to capitalize the project by securing an equity partner. Although structures vary widely, equity partners are typically secured to reduce an operator's equity funding requirement and enable a sharing of project risks and rewards. Third-party equity sources are typically relied upon to provide the majority of a project's equity capital requirement. In return, the equity partner, unlike a lender, is typically afforded governance which provides rights to assume a more active role in the operation and management of the project, thus potentially diluting the operator's day-to-day control.

By securing an equity partner, Newco would substantially reduce the amount of its own equity requirement and, therefore, its "at-risk" capital. Conversely, Newco would also yield a substantial component of the project's potential profits as well as its day-to-day control of the project. Joint venture equity economics are typically structured to promote alignment of interests and reward the operating partner with cash flow incentives once targeted returns are achieved. Several equity providers have provided quotations to provide joint venture equity funds for the benefit of Newco Investments. The most favorable of these was provided by CB/Richard Ellis (CBRE) through a REIT subsidiary. A summary of joint venture equity terms quoted by CBRE follow:

Amount	$ 16.2 million
% of Capital	97% of total; 90% of Equity requirement
Holdbacks	$ 0
Origination Fee	$160,000
Lock-out Period	One (1) year
Exit Fee	None

Unlike debt capital, equity is typically repaid in respect of a return on and return of capital pursuant to a distribution formula which provides incentives to the operating partner relative to project performance. In most cases, the operating partner's incentives consist of a disproportionate share of cash flow (relative to its contribution) pursuant to the achievement of defined return hurdles. In this case, CBRE's proposed cash flow distributions are as follows:

	Return / IRR Hurdle	Distribution
Tier 1	12.5%	90% CBRE / 10% Newco
Tier 2	> 12.5%	70% CBRE / 30% Newco

Based on the UBS debt and CBRE joint venture equity quotations and the property's cost budget, the project will require owner's equity of approximately $1.8 million. The project's sources and uses of funds pursuant to a joint venture capitalization strategy are as follows:

Sources and Uses of Funds			
Capitalization by Senior Debt + Joint Venture Equity + Newco Equity			
Sources		**Uses**	
Senior Loan	$ 70,000,000	Acquisition	$ 76,000,000
Equity		Hard & Soft Construction Costs	2,285,000
CBRE @ 90%	16,173,303	Leasing Costs (TI & Commissions)	5,700,000
Newco Investments @ 10%	1,797,034	Working Capital	1,300,000
		Closing Costs and Fees	2,685,337
Total Sources	**$ 87,970,337**	**Total Uses**	**$ 87,970,337**

On the basis of Newco's pro-forma and a project capitalization consisting of senior debt and joint venture equity (at the above terms) and owner's equity, the property's projected leveraged returns (i.e. the returns to Newco's equity position) are as follows:

Pro-Forma Newco Equity Returns	
IRR	**Profit**
29.8%	$ 4.3 million

The dynamic evident is the differential between Scenarios I and II is magnified in Scenario III. Newco's leveraged internal rate of return increases relative to the capitalization structure contemplated in Scenarios I and II, again as a result of the incremental positive leveraging effect provided by the addition of joint venture equity to the capital structure. Again on a nominal basis Newco's pro-forma profit falls, however, its pro-forma profit multiple increases relative to the diminished magnitude of its equity funding requirement.

Summary of Capitalization Strategies

The table below summarizes the pro-forma returns to Newco Investments based on the three capitalization strategies previously summarized.

	Capitalization Strategies and Pro-forma Returns		
	Sr. Debt + Newco Equity	**Senior Debt + Mezz Debt + Newco Equity**	**Sr. Debt + Private Equity + Newco Equity**
Total (Unleveraged) Project Economics			
Internal Rate of Return	10.7%		
Cash Profit	$45.5 million		
Newco Cash Equity Required	$ 18.0 million	$ 8.0 million	$ 1.8 million
Newco Equity as % of Total Project Cost	21.0%	9.1%	2.0%
Newco Equity as % of Total Project Equity	100.0%	44.4%	10.0%
Newco Pro-forma Equity Returns			
Internal Rate of Return	15.0%	17.1%	29.8%
Cash Profit	$ 15.8 million	$ 9.4 million	$ 4.3 million
Profit Multiple (Profit / Equity)	0.9 x	1.2 x	2.4 x

CONCLUSION AND RECOMMENDATION

Newco has evaluated three capitalization strategies to fund its acquisition and improvement of the 1515 Market Street asset. Although there are numerous derivatives of these strategies, they are perhaps the most fundamentally common capitalization strategies available in the real estate marketplace. With respect to the dynamics of these strategies, each has a unique risk-reward profile as well as a well-defined economic cost to Newco.

Perhaps the most fundamental of these strategies, *Scenario I* constitutes the capitalization of the project with a senior mortgage and equity from the operator. This capitalization strategy would allow Newco to retain ultimate control of the asset, subject to the terms and covenants of its senior mortgage, but would require the greatest equity funding - approximately $18 million. In addition, this strategy, among the three contemplated, would allow Newco to retain the greatest share of the project's total cash profit, albeit with the smallest internal rate of return on its equity investment.

Inasmuch as Newco's resources are limited, capitalizing the project with a traditional blend of debt and owner's equity is infeasible. Newco's principals simply do not have the resources to provide the approximately $18 million of equity required to complete this transaction.

Similarly, adding a tranche of mezzanine debt to the project's capital structure (*Scenario II*) would allow Newco to retain near complete control of the asset, subject to the terms and covenants of its senior and subordinate mortgages, but would also require substantial equity funding - approximately $8 million. Although this strategy would dilute the nominal profit to be earned by Newco (by virtue of the necessity of repaying greater debt proceeds), it would result in a greater equity internal rate of return, a dynamic caused by increased positive leverage in the capital structure. However, the addition of mezzanine debt to the capital structure would also subject Newco's equity to incrementally greater subordination (by the amount of the mezzanine loan) and, therefore, increase its risk of loss. Given the limited resources of Newco's principals, capitalizing the project with a blend of senior and mezzanine debt and owner's equity is also infeasible.

Capitalization of the asset with senior mortgage funds and a combination of joint venture and Newco's equity (*Scenario III*) represents the optimal strategy in this instance. Simply from a resource perspective, Newco's this strategy represents Newco's most feasible option. To this end, it is recommended that Newco capitalize the asset with senior mortgage funds, an approximate joint venture equity contribution of $16.2 million, and approximately $1.8 million in owner's equity. The equity required of Newco pursuant to this strategy is manageable with respect to its principals' available personal resources. This strategy also enables risk sharing with a joint venture partner with presumably greater resources.

With respect to economic structure, the addition of joint venture equity has a leveraging effect, without additional risk. Venture economics in this regard provide incentives to the operating partner (i.e. Newco) in the form of increased cash flow sharing subject to achievement of certain return hurdles. Although the nominal profit available to Newco would be reduced due to its smaller cash equity contribution, the internal rate of return on its equity as well as its profit multiple are expected to increase substantially.

The addition of a joint venture partner will not incrementally increase Newco's risk, because Newco's equity would be treated pari-passu with its joint venture partner's capital. Consequently, there is no further subordination of its equity beyond the project's senior mortgage financing. Although Newco's control of the asset could be diluted by the governance afforded its equity partner, Newco would maintain operating control of the asset, unless its performance warranted replacement.

Exhibit I
Rent Roll

Tenant	Size (Sq.Ft.)	% of Building	Lease Expiration	Rent ($/Sq.Ft.)
Retail Tenants				
1st Trust Savings Bank	5,326	1.05%	Dec-2009	$ 48.00
HSBC	2,899	0.71%	Jan-2015	60.00
HSBC	429	incl. above	Mar-2013	59.00
Temple University	2,943	0.58%	June–2017	48.00
Office Tenants				
Temple University	124,923	24.6%	Jun-2017	$ 24.50
Bazelon & Less	11,261	2.22%	Mar-2013	25.75
United Transportation	550	0.11%	June-2014	22.50
Grant Libowitz	1,848	0.36%	Nov-2010	24.00
Lane McVicker	1,198	0.24%	May-2011	23.00
United Transportation	2,413	0.48%	June-2011	22.50
Allen Litt	4,698	0.93%	Oct-2010	22.00
Bazelon Less	1,976	0.39%	Mar-2013	22.50
Ohio Casulaty	2,670	0.53%	Nov-2008	22.00
Al Feingold	1,453	0.29%	Dec-2008	22.00
Spherion Atlantic	2,958	0.29%	Aug-2008	22.00
Liacorus & Smith	1,155	0.23%	June-2010	22.50
Myers Lafferty Law	4,613	0.91%	Aug-2012	21.50
RHR International	4,850	0.96%	Jan-2009	20.25
Risk Placement Management	2,498	0.49%	Feb-2011	20.50
HSBC	3,854	0.76%	Feb-2015	22.75
Stockton – Management Office	1,622	0.32%	Dec-2008	0.00
Jones Lang LaSalle	9,212	1.99%	June-2012	24.00
Donald Manchel	6,539	1.29%	Sept-2017	23.00
Zarwin Brawn	4,738	0.93%	Oct-2009	19.50
Mark Rocco – Legal Search	1,598	0.32%	Mar-2010	23.50
Golem & Honik	10,107	1.99%	May-2018	23.50
App Labs	6,018	1.19%	Dec-2012	23.25
Accountants for You	2,244	0.44%	Mar-2010	22.50
Zarwin Baum	11,948	2.36%	Oct-2009	22.75
Zarwin Baum	2,101	0.41%	Oct-2009	24.50
Zarwin Baum	1,602	0.32%	Oct-2009	24.50
Zarwin Baum	1,736	0.34%	Oct-2009	24.50
CT Corp.	7,346	1.45%	Nov-2009	23.25
Thyssen Krupp	1,412	0.28%	July-2010	21.00
Consumer Credit Counsel	7,276	1.43%	May-2008	20.50
Ronald Blumfield	1,150	0.23%	Jan-2008	22.50
Penn Hudson	2,052	0.40%	July-2009	21.50
Seeger Weiss	2,720	0.54%	Aug-2012	23.00
State Court Admin.	18,253	3.60%	Dec-2015	26.75

Heffler Radetich	4,500	0.89%	Dec-2007	23.00
Weitzman & Klevan	1,695	0.33%	July-2010	22.00
Epstein Shapiro	2,617	0.52%	Oct-2008	22.00
Stephen Greenfield	1,132	0.22%	Jan-2016	21.50
Mark Kardos	2,927	0.58%	June-2014	22.00
Marie Louise Levy	904	0.18%	April-2009	23.00
O'Brien Rulis	2,230	0.44%	June-2009	22.75
Pembroke Consulting	2,566	0.51%	Dec-2009	21.50
Animation Technologies	2,302	0.45%	Nov-2008	22.50
Conrad O'Brien	4,688	0.92%	Nov-2011	23.00
Bernhardt & Rothermel	4,340	0.86%	Dec-2012	24.50
Epstein Shapiro	288	0.06%	Oct-2008	12.00
Conrad O'Brien	25,456	5.02%	Nov-2011	21.50
Heffler Radetich	15,064	2.97%	Feb-2011	24.00
Mark Hill Associates	4,568	0.90%	Dec-2009	20.50
Walker Nell	2,244	0.44%	Feb-2011	22.00
Droogan McClean	2,502	0.48%	Jan-2008	23.00
Leonard Tillery	11,824	2.33%	Dec-2011	25.50
Rocco Law Office	3,237	0.64%	Feb-2011	21.00
Hartford Insurance	6,978	1.38%	Dec-2008	23.00
Alvin Krantz	1,485	0.29%	Sept-2011	22.50
Quion Capital	513	0.10%	May-2008	22.00
Snyder & Co.	1,523	0.30%	Feb-2009	23.50
Sweeney Sheehan & Spencer	17,591	3.47%	April-2010	18.50
Johnson Mirmiran	2,162	0.43%	Aug-2012	23.00
Siegel & Laver	2,612	0.52%	June-2013	23.00
Philip Baer	3,054	0.60%	March-2008	22.50
Endowment Capital Group	6,556	1.29%	Sept-2015	23.00
John Gerard Devlin	4,411	0.87%	Feb-2008	21.50
Gannett Fleming	12,418	2.45%	Oct-2009	22.50
Vacant Office	40,151	7.01%	N / A	

Notes:	
	Lease renewal in negotiation
	Lease expansion and renewal in negotiation

Exhibit II
Lease Comparables

Property	Tenant	Size (sq.ft.)	Rate ($/sf)	Annual Esc.	Recovery Structure	Term	TI Allowance ($/sq.ft.)
1700 Market Street	Jacoby & Donner	12,000	$23.00	$0.50	Full Service	10 yrs	$45.00
1801 Market Street	Sedgwick Re	52,000	$21.00	$0.50	FS + Electric	10 yrs	$40.00
1818 Market Street	Leon Levy	10,755	$23.00	$0.50	FS + Electric	10 yrs; 4 mos	$40.00
1818 Market Street	Tri State Press	4,988	$24.00	$0.50	FS + Electric	7 yrs	$10.00
Bell Atlantic Bldg.	Winterhaulter PC	2,350	$20.00	$0.50	FS + Electric	5 yrs; 11 mos	$40.00
Bell Atlantic Bldg.	Chuck Block	3,108	$19.00	$0.50	FS + Electric	5 yrs	$40.00
Two Liberty Place	Schwartz Campbell	49,000	$22.00	$0.50	FS + Electric	10 yrs; 10 mos	$55.00
Two Liberty Place	Eckert Seamons	56,000	$22.00	$0.50	FS + Electric	10 yrs; 9 mos	$55.00
Two Liberty Place	US Bank	25,000	$19.50	$0.50	FS + Electric	5 yrs	$40.00
Two Liberty Place	Republic First Bank	52,000	$22.00	$0.50	FS + Electric	10 years; 11 mos	$55.00
Two Penn Center	Black & Older	4,254	$19.50	$0.50	Full Service	10 yrs; 4 mos	$29.38
Two Penn Center	Bio-Rad Laboratories	4,795	$19.50	$0.50	Full Service	5 yrs; 2 mos	$19.00

Exhibit III
Pro-formas

1515 Market Street
Cash Flow Pro-Forma

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013
Potential Gross Revenue							
Potential Rental Income							
Base Rental Revenue		$ 11,443,141	$ 11,798,869	$ 11,994,827	$ 12,668,720	$ 13,099,453	$ 13,356,722
Expense Reimbursements		547,064	812,517	910,989	1,070,566	1,206,887	1,246,829
Total Potential Rental Income		$ 11,990,205	$ 12,611,386	$ 12,905,816	$ 13,739,286	$ 14,306,340	$ 14,603,551
Add: Miscellaneous Service Income		76,090	78,373	80,724	83,146	85,640	88,209
Total Potential Gross Revenue		**$ 12,066,295**	**$ 12,689,759**	**$ 12,986,540**	**$ 13,822,432**	**$ 14,391,980**	**$ 14,691,760**
Less: Vacancy & Credit Loss		(1,248,040)	(797,413)	(1,012,082)	(1,059,320)	(1,047,552)	(1,318,100)
Effective Gross Revenue		**$ 10,818,255**	**$ 11,892,346**	**$ 11,974,458**	**$ 12,763,112**	**$ 13,344,428**	**$ 13,373,660**
Operating Expenses							
Cleaning		$ 1,290,000	$ 1,328,700	$ 1,368,561	$ 1,409,618	$ 1,451,906	$ 1,495,464
Security		187,000	192,610	198,388	204,340	210,470	216,784
Utilities		1,179,045	1,214,417	1,250,848	1,288,374	1,327,026	1,366,837
Insurance		171,000	176,130	181,414	186,856	192,462	198,236
Repairs & Maintenance		631,152	650,086	669,588	689,676	710,368	731,679
General & Administrative		221,471	228,114	234,959	242,007	249,268	256,746
Management Fee		324,548	356,770	359,234	382,893	400,333	401,210
Real Estate Tax		1,364,836	1,505,223	1,550,379	1,596,891	1,644,798	1,694,141
Total Operating Expenses		**$ 5,369,052**	**$ 5,652,050**	**$ 5,813,371**	**$ 6,000,655**	**$ 6,186,631**	**$ 6,361,097**
Net Operating Income (NOI)		**$ 5,449,203**	**$ 6,240,296**	**$ 6,161,087**	**$ 6,762,457**	**$ 7,157,797**	**$ 7,012,563**
Capital Expenses							
Leasing Commissions		Funded by Sr. Loan		316,975	834,034	308,757	1,192,837
Tenant Improvements		(See Debt Service Below)		940,563	1,432,806	761,495	2,374,390
Capital Repairs		126,795	130,599	134,517	138,552	142,709	146,990
Total Capital Expenses		**$ 126,795**	**$ 130,599**	**$ 1,392,055**	**$ 2,405,392**	**$ 1,212,961**	**$ 3,714,217**
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	**$ 3,298,346**

1515 Market Street
Scenario I - Debt + Newco Equity

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013
Net Operating Income (NOI)		**$ 5,449,203**	**$ 6,240,296**	**$ 6,161,087**	**$ 6,762,457**	**$ 7,157,797**	**$ 7,012,563**
Capital Expenses							
Leasing Commissions		Funded by Sr. Loan		316,975	834,034	308,757	1,192,837
Tenant Improvements		(See Debt Service Below)		940,563	1,432,806	761,495	2,374,390
Capital Repairs		126,795	130,599	134,517	138,552	142,709	146,990
Total Capital Expenses		**$ 126,795**	**$ 130,599**	**$ 1,392,055**	**$ 2,405,392**	**$ 1,212,961**	**$ 3,714,217**
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	**$ 3,298,346**
Debt Service							
Senior Debt @ Interest Rate of 5.95%		(3,839,346)	(4,115,575)	(4,165,000)	(4,165,000)	(4,165,000)	
Cash Flow after Debt Service (Cash Flow to Equity)		$ 1,483,062	$ 1,994,122	$ 604,032	$ 192,065	$ 1,779,836	
Acquisition & Up-front Costs							
Acquisition	$ (76,000,000)						
Closing Costs and Fees	(2,685,337)						
Total Acquisition & Up-front Costs	**$ (78,685,337)**						
Capitalization		**Balance**					
Senior Debt	**$ (60,715,000)**	$ (68,338,646)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	
Newco Equity	**(17,970,337)**	(17,970,337)	(17,970,337)	(17,970,337)	(17,970,337)	(17,970,337)	
Total Capitalization	**$ (78,685,337)**	**$ (86,308,983)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	
One-time Capital Costs (funded by Sr. Loan Facility)							
Lobby & Common Area Renovations		$ 2,285,000	$ -				
Leasing Commissions & Tenant Improvements		4,038,646	1,661,354				
Working Capital		1,300,000	-				
Total One-time Capital Costs		$ 7,623,646	$ 1,661,354				
Valuation and Return Metrics							
Unlevered							
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	
Add: Reversion							
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000	
Less: Sale Costs @	**2.50%**					(2,504,500)	
Reversionary Value						**$ 97,675,500**	
Total Cash Flow before Debt Service	**$ (78,685,337)**	**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 103,620,336**	
Internal Rate of Return (Unlevered)	**10.7%**						
Gross Profit	**$ 45,493,201**						
Levered							
Cash Flow after Debt Service		$ 1,483,062	$ 1,994,122	$ 604,032	$ 192,065	$ 1,779,836	
Add: Reversion							
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000	
Less: Sale Costs @	**2.50%**					(2,504,500)	
Less: Senior Debt Payoff						(70,000,000)	
Reversionary Value						$ 27,675,500	
Total Cash Flow after Debt Service	**$ (17,970,337)**	**$ 1,483,062**	**$ 1,994,122**	**$ 604,032**	**$ 192,065**	**$ 29,455,336**	
Internal Rate of Return (Levered)	**15.0%**						
Newco Gross Profit	**$ 15,758,280**						

1515 Market Street
Scenario II - Debt + Mezzanine Debt + Newco Equity

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013
Net Operating Income (NOI)		**$ 5,449,203**	**$ 6,240,296**	**$ 6,161,087**	**$ 6,762,457**	**$ 7,157,797**	**$ 7,012,563**
Capital Expenses							
Leasing Commissions		Funded by Sr. Loan		316,975	834,034	308,757	1,192,837
Tenant Improvements		Funded by Sr. Loan		940,563	1,432,806	761,495	2,374,390
Capital Repairs		126,795	130,599	134,517	138,552	142,709	146,990
Total Capital Expenses		**$ 126,795**	**$ 130,599**	**$ 1,392,055**	**$ 2,405,392**	**$ 1,212,961**	**$ 3,714,217**
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	**$ 3,298,346**
Debt Service							
Senior Debt @ Interest Rate of 5.70%		(3,678,029)	(3,942,651)	(3,990,000)	(3,990,000)	(3,990,000)	
Mezz. Debt @ Interest Rate of 14.45%		(1,445,000)	(1,445,000)	(1,445,000)	(1,445,000)	(1,445,000)	
Cash Flow after Debt Service (Cash Flow to Equity)		$ 199,379	$ 722,046	$ (665,968)	$ (1,077,935)	$ 509,836	
Acquisition & Up-front Costs							
Acquisition	$ (76,000,000)						
Closing Costs and Fees	(2,685,337)						
Total Acquisition & Up-front Costs	**$ (78,685,337)**						
Capitalization		**Balance**					
Senior Debt	**$ (60,715,000)**	$ (68,338,646)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	
Mezzanine Debt	**(10,000,000)**	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	
Newco Equity	**(7,970,337)**	(7,970,337)	(7,970,337)	(7,970,337)	(7,970,337)	(7,970,337)	
Total Capitalization	**$ (78,685,337)**	**$ (86,308,983)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	
One-time Capital Costs (funded by Sr. Loan Facility)							
Lobby & Common Area Renovations		$ 2,285,000	$ -				
Leasing Commissions & Tenant Improvements		4,038,646	1,661,354				
Working Capital		1,300,000	-				
Total One-time Capital Costs		$ 7,623,646	$ 1,661,354				
Valuation and Return Metrics							
Unlevered							
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	
Add: Reversion							
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000	
Less: Sale Costs @	**2.50%**					(2,504,500)	
Reversionary Value						**$ 97,675,500**	
Total Cash Flow before Debt Service	**$ (78,685,337)**	**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 103,620,336**	
Internal Rate of Return (Unlevered)	**10.7%**						
Gross Profit	**$ 45,493,201**						
Levered							
Cash Flow after Debt Service		$ 199,379	$ 722,046	$ (665,968)	$ (1,077,935)	$ 509,836	
Add: Reversion							
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000	
Less: Sale Costs @	**2.50%**					(2,504,500)	
Less: Senior Debt Payoff						(70,000,000)	
Less: Mezzanine Debt Payoff						(10,000,000)	
Reversionary Value						$ 17,675,500	
Total Cash Flow after Debt Service	**$ (7,970,337)**	**$ 199,379**	**$ 722,046**	**$ (665,968)**	**$ (1,077,935)**	**$ 18,185,336**	
Internal Rate of Return (Levered)	**17.1%**						
Newco Gross Profit	**$ 9,392,521**						

1515 Market Street
Scenario III - Debt + JV Equity + Newco Equity

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013
Net Operating Income (NOI)		**$ 5,449,203**	**$ 6,240,296**	**$ 6,161,087**	**$ 6,762,457**	**$ 7,157,797**	**$ 7,012,563**
Capital Expenses							
Leasing Commissions		Funded by Sr. Loan		316,975	834,034	308,757	1,192,837
Tenant Improvements		Funded by Sr. Loan		940,563	1,432,806	761,495	2,374,390
Capital Repairs		126,795	130,599	134,517	138,552	142,709	146,990
Total Capital Expenses		**$ 126,795**	**$ 130,599**	**$ 1,392,055**	**$ 2,405,392**	**$ 1,212,961**	**$ 3,714,217**
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**	**$ 3,298,346**
Debt Service							
Senior Debt @ Interest Rate of 5.95%		(3,839,346)	(4,115,575)	(4,165,000)	(4,165,000)	(4,165,000)	
Cash Flow after Debt Service (Cash Flow to Equity)		$ 1,483,062	$ 1,994,122	$ 604,032	$ 192,065	$ 1,779,836	

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013
Acquisition & Up-front Costs							
Acquisition	$ (76,000,000)						
Closing Costs and Fees	(2,685,337)						
Total Acquisition & Up-front Costs	**$ (78,685,337)**						
Capitalization				**Balance**			
Senior Debt	**$ (60,715,000)**	$ (68,338,646)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	$ (70,000,000)	
Joint Venture Equity	**(16,173,303)**	(16,173,303)	(16,173,303)	(16,173,303)	(16,173,303)	(16,173,303)	
Newco Equity	**(1,797,034)**	(1,797,034)	(1,797,034)	(1,797,034)	(1,797,034)	(1,797,034)	
Total Capitalization	**$ (78,685,337)**	**$ (86,308,983)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	**$ (87,970,337)**	
One-time Capital Costs (funded by Sr. Loan Facility)							
Lobby & Common Area Renovations		$ 2,285,000	$ -				
Leasing Commissions & Tenant Improvements		4,038,646	1,661,354				
Working Capital		1,300,000	-				
Total One-time Capital Costs		$ 7,623,646	$ 1,661,354				

Valuation and Return Metrics

	t = 0 Acquisition	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012
Unlevered						
Cash Flow before Debt Service		**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 5,944,836**
Add: Reversion						
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000
Less: Sale Costs @	**2.50%**					(2,504,500)
Reversionary Value						**$ 97,675,500**
Total Cash Flow before Debt Service	**$ (78,685,337)**	**$ 5,322,408**	**$ 6,109,697**	**$ 4,769,032**	**$ 4,357,065**	**$ 103,620,336**
Internal Rate of Return (Unlevered)	**10.7%**					
Gross Profit	**$ 45,493,201**					
Levered						
Cash Flow after Debt Service		$ 1,483,062	$ 1,994,122	$ 604,032	$ 192,065	$ 1,779,836
Add: Reversion						
Year 6 NOI Capitalized @	**7.00%**					$ 100,180,000
Less: Sale Costs @	**2.50%**					(2,504,500)
Less: Senior Debt Payoff						(70,000,000)
Reversionary Value						$ 27,675,500
Total Cash Flow after Debt Service		**$ 1,483,062**	**$ 1,994,122**	**$ 604,032**	**$ 192,065**	**$ 29,455,336**
Newco Share per JV Distribution	**$ (1,797,034)**	**$ 148,306**	**$ 199,412**	**$ 60,403**	**$ 19,206**	**$ 5,645,686**
Internal Rate of Return (Levered)	**29.8%**					
Newco Gross Profit	**$ 4,275,980**					

Exhibit IV
Lobby Photo