

F E N D

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Public Non-Traded REIT ScoreCard

Name of Offering: _____

Name of Sponsor: _____

Description

*THE FOLLOWING INFORMATION IS ONLY INTENDED FOR REVIEW BY REPRESENTATIVES OF
BROKER DEALERS AND NOT AUTHORIZED FOR DISTRIBUTION TO THE PUBLIC*

REIT SPONSOR - MANAGER

1. Sponsor/Mgr. Experience _____ (# yrs in this business)

- a) 20 years or more (5 pts)
- b) 15 - 19 years (4 pts)
- c) 10 - 14 years (3 pts)
- d) 6 - 9 years (2 pts)
- e) 2 - 5 years (1 pts)

2. Net Worth Consideration: (GAAP): _____ (Assumes 20% or more = liquid)

- a) Greater than \$15 million (5 pts)
- b) \$10 to \$15 million (4 pts)
- C) \$5 to \$10 million (3 pts)
- b) \$2.5 to \$5 million (2 pts)
- b) \$1 to \$2.5 million (1 pts)

3. Resale Activity: _____ (% of properties sold or refinanced)

- a) More than 30% (5 pts)
- b) 20% to 29% (4 pts)
- b) 10% to 19% (3 pts)
- b) Less than 10% (2 pts)
- b) None (1 pts)

OFFERING STRUCTURE

4. Compensation: _____ (mgmt fees/cash flow/RE comm/ sale profits)

- a) Fees subordinated in all 4 areas (5 pts)
- b) Fees subordinated in 3 areas only (4 pts)
- b) Fees subordinated in 2 areas only (3 pts)
- b) Fees subordinated in 1 area only (2 pts)
- b) Fees not subordinated (1 pts)

5. Load Factors: (assumes 50% leverage) _____ (all cash offering - 20% less; 75% leverage 10% more)

- a) Less than 12% (5 pts)
- b) 12% to 12.9% (4 pts)
- c) 13% to 13.9% (3 pts)
- d) 14% to 14.9% (2 pts)
- e) More than 15% (1 pts)

6. Guarantees:

- a) Mgr. will advance fund to the CO. without creating debt to the CO. (5 pts)
- b) Mgr. will loan funds which are fully subordinated (4 pts)
- c) Mgr. provides a 3 yr or more operational guarantee (3 pts)
- d) Mgr. will loan funds, but they are not subordinated (2 pts)
- c) Mgr. makes no representation about funding (1 pts)

7. Self-Dealing: _____

(buying properties owned by the Mgr. w/mark-up; taking loans points; liability insurance or leasing commissions; unsubordinated real estate commissions)

- a) "arms length" transactions or none of the above (5 pts)
- b) Mgr. pays himself using 1 of the above items (4 pts)
- c) Mgr. pays himself using 2 of the above items (3 pts)
- d) Mgr. pays himself using 3 of the above items (2 pts)
- e) Mgr. compensates himself using all 4 of the above (1 pts)

8. Stockholder Rights: _____

(replace Mgr. amend operating agreement; approve sale or refinance; permit the Mgr. to resign*)

- a) Majority vote only required on all key items (5 pts)

- b) majority vote on 3 key items; more on 4th item (4 pts)
- b) majority vote on 2 key items; more on items 3-4 (3 pts)
- b) majority vote on 1 key item; more on 2-4 (2 pts)
- b) more than majority vote needed on all key items (1 pts)

PROPERTY ACQUISITION

9. Leverage: _____
 (consistent with the quality of the property, tenants and the objectives of the REIT defined as purchase price-down pmt. divided by purchase price)
- a) All cash (5 pts)
 - b) 40% to 50% (4 pts)
 - c) 51% to 60% (3 pts)
 - d) 61% to 70% (2 pts)
 - e) 71% and above (1 pts)

10. Financing*: _____
- a) Current pay loan due in 15 or more years (5 pts)
 - b) Current pay loan due in 11-15 years (4 pts)
 - c) Deferred pay loan due in 6-10 years (3 pts)
 - d) Deferred pay loan in 5-8 years (2 pts)
 - e) Deferred pay loan due in less than 5 years (1 pts)

NOTE: Deferred pay = accrued interest or zero coupon loan

*Notice to Stockholders of Mgrs. interest to incur secured or unsecured debt

11. Valuation Ratio: _____
 (MAI appraisal divided by the REIT consideration: $p/c = \text{debt} + \text{capital raised}$)
- a) MAI is greater than 100% of p/c (5 pts)
 - b) MAI is 96% to 100% of p/c (4 pts)
 - c) MAI is 90% to 95% of p/c (3 pts)
 - b) MAI is 85% to 89% of p/c (2 pts)
 - b) MAI is less than 85% of p/c (1 pts)

PROPERTY PERFORMANCE/COMPETITION

12. Assumptions: _____
 (Forecasts/Projections)
- 1) "Big 5 Forecast: Rent/Inflation increases at or under 3%; 7.5% - 8.0% loaded cap rates on acquisition sale (5 pts)

- b) Conservative forecast 3% - 4% Rent/Inflation increases 7.0% - 7.5% Id. cap rates on acquisition and sale (4 pts)
- c) Conservative projections 4% - 5% Rent/Inflation increases 6.5% - 7.0% Id. cap rates on acquisition and sale (3 pts)
- d) Aggressive projections 5% - 6% Rent/Inflation increases 6.0% - 6.5% Id. cap rates on acquisition and sale (2 pts)
- e) Aggressive projections 6% or more Rent/Inflation increases 5.5% - 6.0% Id. cap rates on acquisition and sale (1 pts)

13. Percentage of Supply to Demand: _____
- a) 90% (5 pts)
 - b) 95% (4 pts)
 - c) 100% (3 pts)
 - d) 110% (2 pts)
 - e) 120% (1 pts)

14. REIT Consideration per sq. ft. vs. Competition: (Loaded vs Unloaded) _____
- a) 105% (5 pts)
 - b) 110% (4 pts)
 - c) 115% (3 pts)
 - d) 120% (2 pts)
 - e) 125% (1 pts)

15. Risk Factors (% of normal risk) _____
- a) 80% (5 pts)
 - b) 90% (4 pts)
 - c) 100% (3 pts)
 - d) 110% (2 pts)
 - e) 120% (1 pts)

TOTAL POINTS

NOTE: A minimum of 52 points is required for consideration. Most of our approved programs fall between 58 and 64 points. However, a score of "1" in any category may cause the offering to be rejected.

ScoreCards

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