

Ben Franklin Road Life Science Acquisition

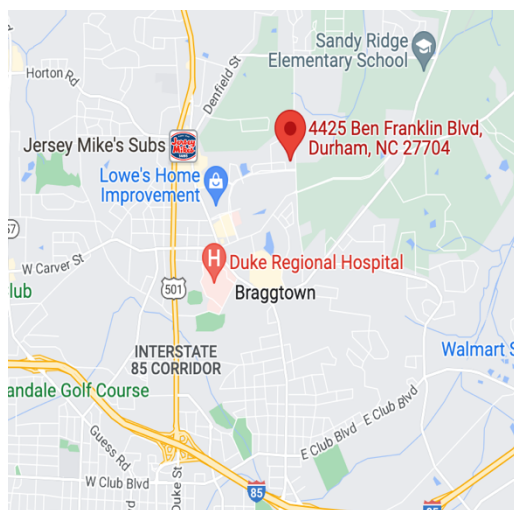
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Property Overview

The subject property is a class B lab space located in Durham, North Carolina. This 40,540 square foot building sits on 3.76 acres of land in one of the world's largest life science clusters. The building is currently vacant, but we believe that the demand for lab space, as well as the location will help fill the building quickly. The property was first built in 2000 and is classified as a 3-star flex research and development property. The building is near the Raleigh-Durham International Airport, UNC-Chapel Hill, and Duke University. The universities provide ample young talent that will benefit the incoming tenant. There is a population of around 50,000 people within a 3-mile radius of the property as well. The building also features a bus line, making it very accessible. A few of the property's features are 137 parking spaces, 12-foot ceilings in the lab space and 9.5-foot ceilings in the office space. The property has a tilt-up cement structure and features a grade-level roll up door. The HVAC system is up to code and uses non-recirculating, once-through cooling systems generally required for laboratory space. In terms of energy production, the building primarily uses a diesel generator and has supply to natural gas. The property was originally constructed as a built-to-suit project for Duke University's Health Systems and was used as a pathology and specialized radiology laboratory. Today, it is a blank canvas with the potential to serve as the perfect property for a company looking for lab research and development space.

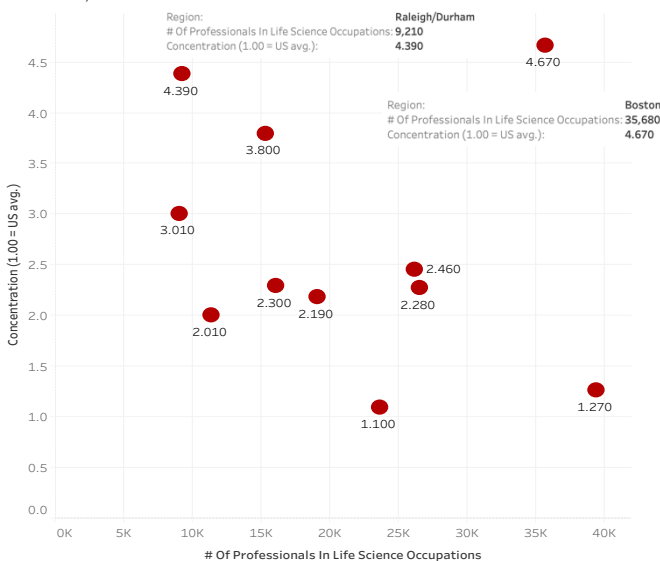


Thesis

We believe that acquiring 4425 Ben Franklin Road in Durham, North Carolina is a great investment because of strong submarket indicators, our effective value add strategy, and promising financials.

Raleigh - Durham	Rank	Score
Talent Score	#2	131.5
Industry Score	#5	120.3
Innovation Score	#7	110.2
Lab Real Estate Score	#4	117.8
Overall	#4	119.7

Concentration of Life Sciences Professionals in Major Markets, 2020

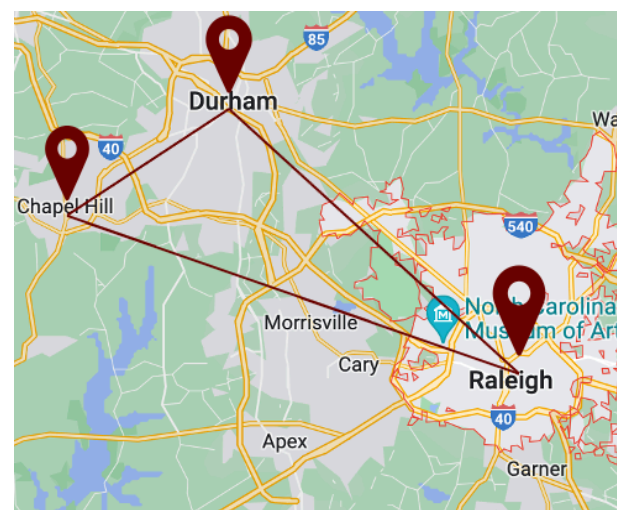


Raleigh-Durham Submarket

Within the Raleigh/Durham submarket there is plenty of talent readily available. The universities surrounding the area are highly ranked in regard to the sciences from the University of North Carolina - Chapel Hill which is ranked No. 24 for Best Medical Schools in research and No. 3 for Best Medical Schools in primary care. This pairs well with the life science companies existing there such as, IQVIA, Grifols, and Biogen. Most of these companies are R&D or manufacturing and are looking to expand. The submarket plans to create 878 more jobs for the industry and invest 61.5 million in the coming months. With Raleigh/Durham being one of the world's largest life science clusters it is an emerging market that is steadily acquiring more funding.

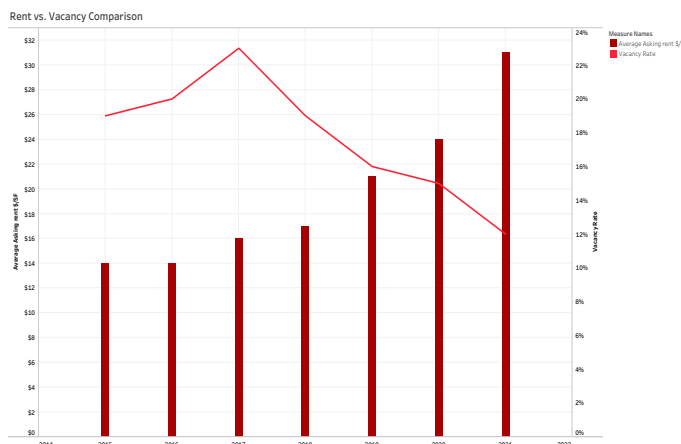
Market Overview

The life science market has been building momentum at a steady rate over the past decade, this is thanks to the surge in technology and investor confidence. It also gained a surge of momentum from last year's implementation of the mRNA technology, opening the door to new treatments. The last two years have seen an increase in investments, specifically in BioTech with investments up 12.7% since last year. Private Equity funding has increased by 29% exceeding \$44 billion and a combined PE and public offering investment has been over \$86 billion since the pandemic. The top 10 markets is where most of the funding goes. Most of the funding goes to these markets because they have the largest talent pools, such as Boston, San Fran, San Diego, and Raleigh-Durham. The life science job market has seen an 11.4% YoY growth in 2021. With this increase in talent the demand for space is high. Companies are looking to expand and the demand rate at which these companies want to expand at is outpacing the supply of space available. Overall, the life sciences industry is an attractive pursuit for venture capitalists and real estate investors amid post pandemic life, as it was viewed as the hopeful solution in such a crisis.



Ideal Tenant

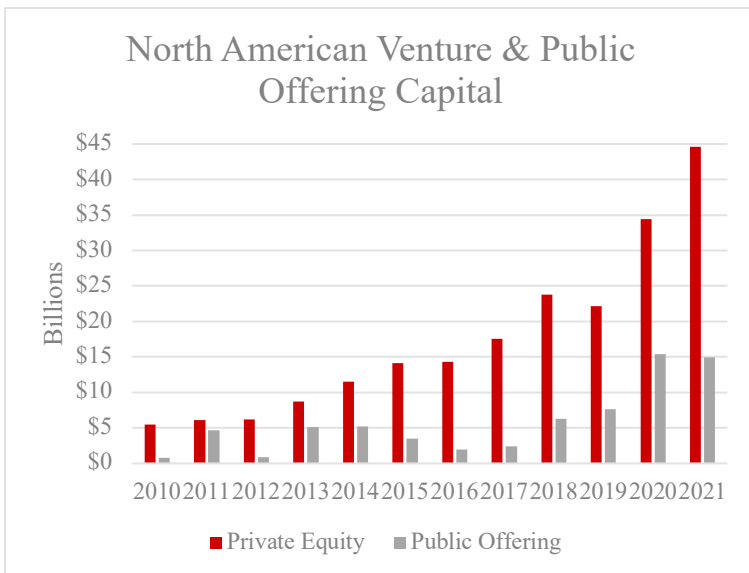
Regarding leasing, this space is most suitable for life science companies who have graduated from the “start-up” phase of their evolution and are expanding after having their proof of concept approved. Alongside this approval, we typically see firms raise venture capital at a significant rate and prepare their product for the market by achieving a minimum viable product followed by achieving a minimum marketable product. Moreover, firms that already have checked these boxes and brought their product to market would make great tenants as well because they are established and can afford to commit themselves to longer leases without worrying about a loss in flexibility. We’d like to lease all 40,540 sf to a single tenant for 6-7 years with a NNN lease structure at about \$25 a sf with a 3 percent annual rent bump. The Research Triangle Park in Durham offers many possible tenants like NC Biolabs, Biotech Center, BioAgilytix Labs, etc. that have multiple start-up operations who share lab facilities but are now looking to market a product backed by capital funds in a larger individual lab space such as ours. We are confident that Raleigh-Durham’s rapidly growing life science cluster and demand for lab space will address our primary risk of leasing with an ideal tenant and allow us to dictate the terms of the lease in a manner we see fit.



The trends of avg. asking rent \$/SF and Vacancy rate

Risks to Thesis

The primary risk surrounding this investment is not being able to lease out the building soon after we invest in its acquisition and renovation. Although we are confident that Durham’s emerging submarket will inevitably provide leasing opportunities in the years to come, it is our utmost priority to fill the space immediately after we finish conducting improvements as it allows us to fully capitalize on our investment and collect as much year-to-year operational cash flow as possible prior to disposition. This leasing efficiency ultimately maximizes our property-level financial return during our investment horizon which is in the best interest of both the sponsor, and of course, our investors.



Value Add Strategy

Playing a fundamental role in our investment strategy, our value-add process aims to renovate and improve upon distressed segments of the property while allowing enough cushion to provide our tenant with a sufficient tenant improvement allowance package to build out the space to best house the company's life science processes. Improvements include renewing tile flooring, painting walls, applying a sealcoat to the parking lot, installing new carpeting, and implementing a new fire sprinkler system.

Considering the renovations to be done prior to leasing and the fact that this is 2nd generation space with proper HVAC systems, ground-level loading bays, plumbing systems, we plan on negotiating a tenant improvement allowance package anywhere from \$90-100 per square foot depending on tenant credit to pay for fit-outs, lab control areas, benches, equipment, and other fixtures that will go toward improving the space. We plan on evaluating tenant credit through analysis of tenant financials, fundraising strategy, profitability timeline, and the firm's investors. As landlord's we will emphasize to our tenants that the improvements, they make to the space must keep in mind the reusability of the space as it is key in mitigating risk in cases of tenant turnover. This means for instance selecting lab benches that can be reconfigured or fit outs that provide ease of subdivision in the case that the space must be split up in the future.

Assumptions

Investment Assumptions	
Property Price	\$ 5,900,000
Initial Capital Improvements	\$ 515,253
Leasing Commissions	\$ 243,240
Tenant Improvement Allowance	\$ 5,067,500
Total Initial Investment	\$ 11,725,993
Equity Contribution	\$ 7,595,993
GP Equity Value (5%)	\$ 379,800
LP Equity Value (95%)	\$ 7,216,194
Exit Cap Rate	5.50%

Financing Assumptions	
LTV (% of purchase price)	70%
Loan Value	\$ 4,130,000
Annual Interest Rate	5%
Monthly Interest Rate	0.42%
Amortization Period (Yrs)	30
Amortization Period (Months)	360
Loan Term (Yrs)	5
Prepayment Penalty	3%
Monthly Payment	\$ 22,171
Annual Payment	\$ 266,049

Additional Assumptions	
Step Rent	3%
Vacancy	Year to Year
Credit Loss	0%
Operating Expenses	35%
Yearly Cap Ex	5%
T.I Allowance/Sq Ft	\$ 125
Management Fee	8%
Closing Costs	4%
Assumed Lease Term	6

Sources		Uses	
Loan	\$ 4,130,000	Property Price	\$ 5,900,000
GP Equity	\$ 379,800	Initial Capital Improvements	\$ 515,253
LP Equity	\$ 7,216,194	Leasing Commissions	\$ 243,240
		Tenant Improvement Allowance	\$ 5,067,500
Total Sources	\$11,725,993	Total Initial Investment	\$11,725,993



Capital Improvements Assumptions

Initial Capital Improvement

Project	Associated Sq Ft	Cost Per Sq Ft	Line Item Total
New Tile Flooring Installation	21,476.40	\$ 8.00	\$ 171,811.20
Asphalt Parking Lot Seal Coat	87,120.00	\$ 1.50	\$ 130,680.00
New Carpeting	18,738.20	\$ 2.90	\$ 54,340.78
Fire Sprinkler System	40,540.00	\$ 2.00	\$ 81,080.00
	Associated Labor Hours	Cost Per Hour	Line Item Total
Striping and Painting Walls	100.00	\$ 55.00	\$ 5,500.00
New Diesel Generator			\$ 25,000.00
Property Sum			\$ 468,411.98
10% Pricing Fluctuation Cushion			\$ 46,841.20
Initial Capital Improvement Total			\$ 515,253.18

Yearly Capital Improvement Expenditures

In years 1-4, capital improvements are budgeted to be 5% of NOI and address any work or improvements that we conduct in the midst of our investment horizon

Rent Roll

Tenant Name	Floor	Square Feet	Rent Per Square Foot	Base Rent	Yearly Step
Speculative	Floor 1&2	40,540.00	\$ 25.00	\$ 1,013,500.00	3%

Year	Annual Rent
1	\$ 1,013,500.00
2	\$ 1,043,905.00
3	\$ 1,075,222.15
4	\$ 1,107,478.81
5	\$ 1,140,703.18
Total	\$ 5,380,809.14

Pro Forma

	2020 Year 0	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5	2026 Year 6
Potential Gross Income		\$ 1,013,500	\$ 1,043,905	\$ 1,075,222	\$ 1,107,479	\$ 1,140,703	\$ 1,174,924
Vacancy		\$ (253,375)	\$ (104,391)	\$ (53,761)	\$ -	\$ -	\$ -
		25%	10%	5%	0%	0%	0%
Credit Loss		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		0%	0%	0%	0%	0%	0%
Effective Gross Income		\$ 760,125	\$ 939,515	\$ 1,021,461	\$ 1,107,479	\$ 1,140,703	\$ 1,174,924
Expense Reimbursements		\$ 354,725	\$ 365,367	\$ 376,328	\$ 387,618	\$ 399,246	\$ 411,223
Total Operating Revenue		\$ 1,114,850	\$ 1,304,881	\$ 1,397,789	\$ 1,495,096	\$ 1,539,949	\$ 1,586,148
Operating Expenses		\$ (354,725)	\$ (365,367)	\$ (376,328)	\$ (387,618)	\$ (399,246)	\$ (411,223)
		35%	35%	35%	35%	35%	35%
Net Operating Income		\$ 760,125	\$ 939,515	\$ 1,021,461	\$ 1,107,479	\$ 1,140,703	\$ 1,174,924
Capital Improvements	\$ (515,253)	\$ (38,006)	\$ (46,976)	\$ (51,073)	\$ (55,374)	\$ (57,035)	\$ (58,746)
Tenant Improvement Allowance	\$ (5,067,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasing Commissions	\$ (243,240)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management Fee		\$ (60,810)	\$ (75,161)	\$ (81,717)	\$ (88,598)	\$ (91,256)	\$ (93,994)
		8%	8%	8%	8%	8%	8%
Debt Service		\$ (266,049)	\$ (266,049)	\$ (266,049)	\$ (266,049)	\$ (266,049)	\$ (266,049)
Reversion Sale Price						\$ 21,362,260	
Closing Costs						\$ (854,490)	
Remaining Principal Balance						\$ (3,792,527)	
Net Sale Proceeds	\$ (5,900,000)					\$ 16,715,243	
Property Before Tax Cash Flow from Operations		\$ 395,260	\$ 551,329	\$ 622,622	\$ 697,458	\$ 726,363	
Property Before Tax Cash Flow	\$ (11,725,993)	\$ 395,260	\$ 551,329	\$ 622,622	\$ 697,458	\$ 17,441,605	

Exit Cap Rate	5.50%
Property Level IRR	11.69%

The bottom line, property-level cash flows highlighted above will be allocated to equity partners according to the equity waterfall structure



Equity Waterfall

Partnership Structure	%	Amt		Sponsor	LP	IRR Hurdle
Sponsor Equity Share	5%		Pari-Passu Pref. Return		5%	95%
LP Equity Share	95%		Hurdle 2		15%	85%
Total Equity	100%		Hurdle 3		30%	70%
						8% Up to 8%
						10% 8-10%
						Greater than 10%

Property Level Cash Flow		Years	-	1	2	3	4	5
Cash Flow (From Pro Forma Bottom Line)			\$ (11,725,993.18)	\$ 395,259.95	\$ 551,328.82	\$ 622,622.31	\$ 697,457.77	\$ 17,441,605.49
IRR			11.69%					
Equity Multiple			1.68					
Hurdle 1 - Preferred Return and Return of Capital		Years	-	1	2	3	4	5
Beginning Balance (LP Capital Account)			\$ -	\$ 11,139,693.52	\$ 11,655,372.04	\$ 12,064,039.43	\$ 12,437,671.39	\$ 12,770,100.22
LP Req'd Return to hit Hurdle 1	8%		\$ -	\$ 891,175.48	\$ 932,429.76	\$ 965,123.15	\$ 995,013.71	\$ 1,021,608.02
Contribution from LP	95%		\$ 11,139,693.52	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to LP (LP Capital Account)	95%		\$ -	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88	\$ 13,791,708.23
Ending Balance (LP Capital Account)			\$ 11,139,693.52	\$ 11,655,372.04	\$ 12,064,039.43	\$ 12,437,671.39	\$ 12,770,100.22	\$ -
LP IRR Error Check	8%	8%	Net CF	\$ (11,139,693.52)	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88
Contributions from Sponsor	5%		\$ 586,299.66	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution to Sponsor	5%		\$ -	\$ 19,763.00	\$ 27,566.44	\$ 31,131.12	\$ 34,872.89	\$ 725,879.38
Sponsor IRR Error Check	8%	8%	Net CF	\$ (586,299.66)	\$ 19,763.00	\$ 27,566.44	\$ 31,131.12	\$ 34,872.89
Total Distributions			\$ -	\$ 395,259.95	\$ 551,328.82	\$ 622,622.31	\$ 697,457.77	\$ 14,517,587.62
Cash Flow Remaining			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,924,017.87
Hurdle 2		Years	-	1	2	3	4	5
Beginning Balance (LP Capital Account)			\$ -	\$ 11,139,693.52	\$ 11,878,165.92	\$ 12,542,220.13	\$ 13,204,950.95	\$ 13,862,861.16
LP Req'd Return to hit Hurdle 2	10%		\$ -	\$ 1,113,969.35	\$ 1,187,816.59	\$ 1,254,222.01	\$ 1,320,495.09	\$ 1,386,286.12
Contributions from LP			\$ 11,139,693.52	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Distributions			\$ -	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88	\$ 13,791,708.23
Distributions to LP (Hurdle 2)	85%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,457,439.04
Ending Balance			\$ 11,139,693.52	\$ 11,878,165.92	\$ 12,542,220.13	\$ 13,204,950.95	\$ 13,862,861.16	\$ -
LP IRR Error Check	10%	10%	Net CF	\$ (11,139,693.52)	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88
Contributions from Sponsor			\$ 586,299.66	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Sponsor	15%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,195.12
Total Distributions			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,714,634.16
Cash Flow Remaining			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,209,383.71
Hurdle 3								
Distributions to LP	70%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 846,568.59
Distributions to Sponsor	30%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,815.11
Total Distributions			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,209,383.70

GP Cash Flow		Years	-	1	2	3	4	5
Distributions	\$ 1,459,223.06		\$ -	\$ 19,763.00	\$ 27,566.44	\$ 31,131.12	\$ 34,872.89	\$ 1,345,889.62
Contributions	\$ 586,299.66		\$ 586,299.66	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 872,923.40		\$ (586,299.66)	\$ 19,763.00	\$ 27,566.44	\$ 31,131.12	\$ 34,872.89	\$ 1,345,889.62
IRR	21.07%							
Equity Multiple	2.5							
LP Cash flow		Years	-	1	2	3	4	5
Distributions	\$ 18,249,051.28		\$ -	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88	\$ 16,095,715.87
Contributions	\$ 11,139,693.52		\$ 11,139,693.52	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 7,109,357.76		\$ (11,139,693.52)	\$ 375,496.96	\$ 523,762.38	\$ 591,491.20	\$ 662,584.88	\$ 16,095,715.87
IRR	11.10%							
Equity Multiple	1.6							

