

## **Letter of Intent**

### RECITALS:

**Owner:** ABC Partners, LLC, a Maryland LLC., or its affiliates ("**Owner**")

**JV Partner:** XYZ Associates, L.L.C., or its affiliate ("**XYZ**")

### **Property:**

**Project:** All or a portion of the Property is to be redeveloped into approximately \_\_\_\_\_ square feet of office and retail space for use by the Tenant.

**Objective:** The purpose of this Letter of Intent ("LOI") is to establish a timetable and to set forth a framework for an agreement under the terms of which the Owner and XYZ can work together to respond to the Tenant SFO (as hereinafter defined) and, if selected by the Tenant, can negotiate a lease with the Tenant (the "**Tenant Lease**") and form a joint venture to build on all or a portion of the Property the project contemplated by that lease (the "**Project**"). The terms and conditions will be more fully set forth in the Definitive Documentation (as hereinafter defined).

### TERMS:

(a) **Due Diligence Period**: XYZ and Owner intend to cooperate in responding to the Tenant's Solicitation for Offer (the "**Tenant SFO**" and the date of initial issuance thereof the "**Tenant SFO Initial Issuance Date**") for the development of approximately \_\_\_\_\_ square feet of office and retail space. XYZ shall have a study period (the "**Due Diligence Period**") that shall expire forty five (45) days following the date (the "**Effective Date**") of full execution and delivery of the LOI to be satisfied in all respects with its review of all matters relating to the Property, including but not limited to the environmental condition of the Property, land use requirements and restrictions, leases and suitability of the Property for its intended use. The Due Diligence Period shall be extended for up to an additional 15 days if the parties have not agreed on the Summary JV Terms, as hereinafter defined, to reach agreement thereon. Within five (5) days following the Effective Date, Owner shall deliver to XYZ true and complete copies of the Property materials described on the attached **Exhibit B** if in Owner's possession or control.

XYZ may terminate this LOI for any reason in its sole discretion during the Due Diligence Period by delivering to Owner written notice of termination together with a list of all reports, plans and studies obtained during the Due Diligence Period ("**Due Diligence Information**"), whereupon neither party will have any further obligation or liability to the other, except as hereinafter provided. If the LOI is so terminated, Owner will have the right to obtain the environmental reports and/or any other Due Diligence Information, provided that Owner reimburses XYZ for its costs for such studies, plans or reports; further provided, that Owner shall provide to XYZ customary indemnifications from and against any liabilities arising out of such work. If XYZ elects not to terminate this LOI, it will deliver a copy of all Due Diligence Information to Owner within five (5) business days after the end of the Due Diligence Period without cost to Owner.

(b) **Venture Documentation:** During the Due Diligence Period, the parties will negotiate in good faith to agree on the detailed terms (the "**Summary JV Terms**") of the Venture LLC Agreement (as hereinafter defined) in accordance with the terms set forth in **Exhibit A**, and after reaching agreement on the Summary JV Terms, both parties shall in good faith work to finalize, no later than fifteen (15) days following the Tenant Initial Issuance Date, a contribution agreement (the "**Contribution Agreement**") and, as an exhibit thereto, the limited liability company agreement (the "Venture LLC Agreement"; collectively with the Contribution Agreement, the "**Definitive Documentation**") governing a joint venture between Owner and XYZ (the "Venture") for the development of the Property. The parties agree that the Definitive Documentation may be subject to change predicated on the specifications of the Tenant SFO, which has yet to be disseminated, but it is expected that the material terms of the Definitive Documentation, as guided by the agreed upon Summary JV Terms and the LOI, will have been substantially finalized. Initial drafts of the Definitive Documentation shall be prepared by XYZ's counsel, and shall incorporate the terms of this LOI, including Exhibits A, B and C.

(c) Unless this LOI is terminated by XYZ during the Due Diligence Period or the parties have otherwise been unable to reach agreement on the Summary JV Terms, XYZ shall deliver the draft Definitive Documentation to Owner for review and comment no later than ten (10) business days after the end of the Due Diligence Period (the "**XYZ Document Delivery Date**"). Owner shall respond to the initial draft documents within ten (10) days after receipt thereof the draft from XYZ (the "**Owner Response Date**"). Thereafter, the parties will negotiate in good faith the form of the Definitive Documentation until the date that is fifteen (15) days following the Tenant SFO Issuance Date (the "**Signing Date**") and the Contribution Agreement shall be signed no later than the Signing Date. In the event the Tenant SFO is issued prior to the end of the Due Diligence Period, the Signing Date will be modified so that it occurs forty-five (45) days before a submission is required to be made to the Tenant, but in no event earlier than fifteen (15) days following the Tenant SFO Issuance Date.

(d) If Owner fails to respond to the initial draft of the Definitive Documentation within ten (10) days following the Owner Response Date, XYZ shall have the right to terminate the LOI by delivery of written notice to Owner (unless Owner responds to the draft Definitive Documents prior to XYZ sending such notice), and Owner shall be obligated to reimburse XYZ for its costs associated with their Due Diligence and legal (both internal and external) costs associated with the preparation of the Definitive Documentation. If XYZ fails to provide the draft Definitive Documentation within ten (10) days following the XYZ Document Delivery Date, and unless this LOI is terminated by XYZ during the Due Diligence Period, Owner may terminate the LOI by delivery of written notice to XYZ (unless XYZ sends the draft Definitive Documents prior to Owner sending such notice) and, if so terminated by Owner, XYZ will provide to Owner the Due Diligence Information and all work products prepared in connection with the Tenant submission in XYZ's possession or control, without cost to Owner and Owner shall have no further obligations or liability to XYZ; provided, that Owner shall provide to XYZ customary indemnifications from and against any liabilities arising out of such work.

If Owner and XYZ are unable to reach agreement on the form of the Definitive Documentation and execute and deliver the Contribution Agreement by the Signing Date, then either party shall have the right to terminate this LOI. In the event of such termination by either party, regardless of cause, both parties shall be relieved of any obligation to the other, each party shall be responsible for their own legal costs to date and any other costs incurred in association with these matters, except that Owner shall be entitled to all Due Diligence Information specifically requested by Owner with respect to the Project providing that Owner shall reimburse XYZ an amount equal to 1.5 times its costs associated with such Due Diligence Information; provided, that Owner shall provide to XYZ customary indemnifications from and against any liabilities arising out of such work.

(e) **Pursuit Costs**: Unless this LOI is terminated during the Due Diligence Period, XYZ shall fund all costs related to the pursuit of the Tenant SFO, including without limitation, the legal costs incurred by both parties, which are estimated to be approximately five hundred thousand dollars (\$500,000), for which XYZ will receive a capital account credit; provided, however, that XYZ shall have the right, but not the obligation, to fund such costs prior to execution and delivery of the Contribution Agreement (and, thereafter, in accordance therewith). In the event XYZ elects to fund such costs prior to final execution and delivery of the Contribution Agreement, then it shall be at their risk and in the event the LOI is terminated in accordance with its terms, neither party shall bear any financial obligation to the other, except as regards the environmental studies or other studies, plans or reports requested by Owner as provided for previously herein.

(f) **Funding of Pre-Development Costs and Business Plan**: After execution of the Contribution Agreement but no later than forty five (45) days before submission of the Venture's response to the Tenant SFO the parties will approve a Business Plan. The Business Plan will include a Project budget for the pre-development period from Tenant Award through final entitlement. This will include pre-development costs for design, engineering, legal and other pre-development costs as well as the pursuit and receipt of any zoning approvals, including final approvals for site plan submissions associated with the Property, which costs shall be funded 100% by XYZ (for which XYZ will receive a capital account credit). The parties agree to attempt in good faith to maximize the FAR approved for the Property, in their commercially reasonable judgment, consistent with the terms of the Tenant SFO.

(g) **Funding of Vertical Development Costs**: The Development Phase budget shall include all pre-development costs as outlined previously herein, estimated Development Costs, which shall include all land costs, all hard and soft costs of development and construction (provided pursuant to a GMP), budgeted tenant improvement costs, all financing costs, leasing commissions, and any other proffer, PUD, or other jurisdictional charges associated with this Project and a reasonable reserve to pay unanticipated expenses; this amount, less any amount of tax increment financing proceeds obtained (currently contemplated to be on a 85% loan-to-construction cost ratio, or higher), shall constitute the Required Equity Capitalization of the Venture for the Development Phase.

(h) **Termination**: This LOI is intended to set forth a general outline for the Definitive Documentation and a timetable for implementation. The LOI sets forth only some of the terms to be incorporated into the Definitive Documentation and the LOI is not intended to be and will not be binding upon either party except for the obligation of XYZ to turn over certain Due Diligence Information and other work product to Owner under certain circumstances and the obligation of Owner, under certain circumstances, to pay XYZ therefor. These obligations will be binding and will survive the termination of this LOI. In the event the parties for any reason are unable to come to agreement on the terms of the Definitive Documentation, or if either party has provided a termination notice to the other pursuant to this LOI, then the LOI will terminate and neither party will have any further obligation or liability to the other, except for the above described surviving obligations.

By: \_\_\_\_\_

By: \_\_\_\_\_

**Exhibit A**

**Summary JV Terms**

**Property:** \_\_\_\_\_

- Managing Member:** XYZ shall be the Managing Member and, subject to the rights of the other Member with respect to Major Decisions , manage the venture in accordance with the Business Plan. Owner shall be a co-manager of the Venture with such authority as may be delegated to Owner in the Venture LLC Agreement consistent with its obligations as co-developer.
- Venture:** The Venture shall be a single-purpose limited liability company governed by the Venture LLC Agreement (as defined in the attached letter).
- Purpose:** To redevelop the Property as a to-be-constructed development containing approximately \_\_\_\_\_ square feet of office and retail space for use by the Tenant as outlined in the Solicitation for Offer (“SFO”).
- Equity:** Prior to commencement of construction, Owner will notify XYZ of the amount of the total anticipated equity (including equity theretofore contributed) (“**Anticipated Equity**”) that it commits to fund (“**Owner Required Equity**”), up to fifty percent (50%) of the Anticipated Equity. XYZ, through one of its investment funds or any other capital source, shall fund one hundred percent (100%) of the Anticipated Equity until its capital account is equal to one hundred percent (100%) less the Owner Required Equity. In the event either member fails to fund any amount of its Anticipated Equity, the other member shall have the right but not the obligation to fund such member’s share as a member loan, which accrues at a rate of 25% per annum.
- Agreement to Contribute:** Subject to the conditions outlined below, together with other customary and reasonable conditions, the Contribution Agreement will provide that on the Contribution Date, which is anticipated to be at full execution of the Tenant Lease, Owner will contribute to the Venture its fee simple interest in the Property, based on a value (the “**Contribution Value**”) of XX Dollars (\$XX) per FAR square foot of the density for the Project free and clear of any debt (or inclusive of debt subject to approval of construction lender, if any, and XYZ, such XYZ approval not to be unreasonably withheld, with the equity value adjusted appropriately) and free and clear of any tenancies (or inclusive of tenancies subject to approval from XYZ, such XYZ approval not be unreasonably withheld,

with the equity value adjusted appropriately to account for any tenant buyout costs), and receive a credit to its capital account therefor.

In planning the Project, the Venture will design the improvements to maximize the chances of winning the Tenant Award within the terms of the Tenant SFO. The design will require improvements of a certain size within a secure perimeter. If the land required to build these improvements and to provide that secure perimeter also contains space to build additional improvements in the future ("Phase II") and if Phase II is built, at the time construction is commenced, the Venture will pay the Owner the greater of \$XX per FAR square foot or the fair market value per FAR square foot for the area of the Phase II building.

In the event Owner defaults in its obligation to timely contribute the Property, XYZ will have the right to either (i) purchase Owner's fee simple interest at a value equal to 90% of the lesser of (a) the then appraised value of the land based on the three appraisal method, or (b) the Contribution Value, or (ii) receive from Owner a three times multiple on its invested equity capital or (iii) pursue any other remedies it might have in law or equity.

**Conditions to Contribution:**

The contribution of the Property to the Venture will be conditioned on the following:

- (1) Neither party has otherwise elected to terminate during a Due Diligence Period;
- (2) The Venture and Tenant have entered into the Tenant Lease for the Project.
- (3) XYZ shall have complied, in all material respects, with its obligations under the Contribution Agreement.

Until the Property is contributed to the Venture, the Owner will operate and will retain sole responsibility for the Property. XYZ and Owner will cooperate in reviewing all studies, reports and plans with respect to the Property and in making all decisions required to respond to the Tenant SFO. XYZ will make all such reports, plans and studies available to Owner for review and consultation.

**Required Approval:**

The Managing Member cannot, without Owner's consent, make Major Decisions, which shall include approval of and changes to the Business Plan and budget, financing, refinancing, and, following contribution of the Property to the Venture, acceptance and approval of the site plan, and zoning entitlements. Major decisions will also include the decision to commence Phase II of

construction on the Property, although neither party will unreasonably withhold consent to such construction if the improvements have been substantially pre-leased and are permitted under the Tenant Lease. The Managing Member will be authorized to take actions as required by the Tenant or to meet governmental requirements and to make changes in the Business Plan reasonably required to meet the obligation under the Lease with the Tenant.

**Buy-sell:**

The Venture LLC Agreement will contain a buy-sell provision, which will be exercisable pursuant to procedures set forth in the Venture Agreement (i) any time upon the members being unable to agree upon a Major Decision (following notice that this right will be exercised by a member with respect to a specific Major Decision deadlock or (ii) any time after substantial completion of the Project (or Project Phase, as applicable). In either case, the Project may not be sold for less than the appraised fair market value (using a three appraiser method to establish value if requested by the Non-Initiating Member) ("Fair Market Value") and the Buy-Sell procedure will include adequate safeguards to allow the Non-Initiating Member to obtain financing. If the Buy-Sell is initiated prior to substantial completion of the Project, the fair market value will be established "as completed" less the cost to complete.

The Member choosing to initiate the Buy-Sell ("**Initiating Member**") shall be a buyer or seller at the stated price for the Property, such price to be provided by the Initiating Member, subject to the fair market value minimum price described above. The other Member (the "**Non-Initiating Member**") must elect to buy or sell based on that price, subject to the Non-Initiating Member's right to establish the fair market value by appraisal. The Non-Initiating Member shall have ninety (90) days to elect to buy or sell, and ninety (90) days thereafter to close.

**Post Completion  
Exit Rights**

The Venture LLC Agreement shall contain a unilateral right for either member to initiate a sale of the Project ("**Initiating Member**") any time [at least 3 years?] following substantial completion of the Project (or Project Phase, as applicable) at a price and terms reasonably determined by the Initiating Member alone, provided that the price is at or above Fair Market Value, and the sale is an arms length sale to an unrelated third party, subject to the right of the other member to purchase the Project at such proposed price and on such proposed terms. If the Project is sold at a price and on terms less favorable than the price and terms offered to the Non-Initiating Member, the Initiating Member shall be

required to offer the Project to the Non-Initiating Member on such terms and at such price as were actually agreed by an unrelated third party.. If XYZ elects to initiate a sale, the Owner will be paid for any unutilized FAR development rights in Phase II, if any, and at minimum will be entitled to a return of its capital account with accrued IRR and 10% of any profit on the sale. The Venture LLC Agreement shall spell out the timing and method of such transfer.

**Affiliate**

**Transactions:**

No Member or its affiliates will be permitted to charge or receive any investment fees, disposition fees or commissions, or property management, leasing commission or other fees with respect to the Properties without the approval of the other Member other than as agreed herein. The agreed fee schedule is attached hereto as **Exhibit C and the method of dividing those fees is set forth in Exhibit A.**

**XYZ**

**Transferability:**

XYZ will not be permitted to assign, directly or indirectly, all or any portion of the XYZ interest in the Venture to a third-party without the prior consent of Owner (such consent to be withheld only in the exercise of reasonable, good faith judgment); provided that the following shall be permitted: transfers by XYZ or the direct or indirect owners of XYZ so long as XYZ or the person or persons in control of XYZ remain in day-to-day control of XYZ or such assignee.

**Owner Equity**

**Transferability:**

Owner will not be permitted to assign, directly or indirectly, all or any portion of the Owner interest in the Venture to a third-party without the prior consent of XYZ (such consent to be withheld only in the exercise of reasonable, good faith judgment); provided that the following shall be permitted: transfers by Owner or the direct or indirect owners of Owner so long as one or more of the individuals controlling Owner on the date of the Contribution Agreement remain in day-to-day control of Owner or of any assignee of Owner which has a direct interest in the Venture. Following substantial completion of the Project, transfers of the direct or indirect interests of Owner will be permitted without restriction.

**Additional Capital:**

The Managing Member will have the right, upon notice to the members to make calls for additional capital above the approved budgets as needed (the "**Priority Capital**") which shall earn a return of 18% per annum. Each member shall have the right, but not the obligation, to fund its pro rata share of any Priority Capital. In the event either member elects not to fund, the other member shall have the right to fund the entire amount of such Priority Capital.

**Guarantees:** XYZ shall provide to the lender reasonably required completion guarantees. In addition, the members will provide required environmental and “bad boy” carve out guarantees or indemnities for the construction loan. In the event the lender may require repayment guarantees, and XYZ elects to provide such guarantees, it shall receive an annual guarantee fee equal to 1.5% times the amount of such guarantee as compensation therefor.

**Fees & Expenses:** XYZ and Owner to agree on respective fees and expenses, including, but not limited to development fees, reimbursement of internal and/or external pre-development costs, retail leasing fees, Tenant lease fees and XYZ’s post-completion property management fees. Exhibit C sets forth the standard fees. The fees will be allocated as follows:

**Development Fee** Market rate fees for the Project and for Tenant work will be split equally between XYZ and DOD Realty Partners (DOD’s responsibilities as co-developer to be governed pursuant to a Development Agreement to be negotiated, and all public notices during the life of the Venture shall recognize both XYZ and DOD Realty Partners equally as co-developers). Principals of Owner will be assigned project management tasks on the Project at compensation rates and with duties to be agreed during the First Option Period and set forth in the Development Agreement.

**Property Management Fee** Property management fee per the Fund fee schedule and allocated entirely to XYZ through the life of the project. DOD and XYZ will discuss during the First Option Period DOD playing a role in property management and getting a part of the fee.

**Retail Leasing Fee** Market rate fees split equally between XYZ and DOD

**Tenant Leasing Fee** Split equally between XYZ and Owner

**Reimbursement of internal and/or external pre-development costs** - All expenses incurred either by Owner or by XYZ following execution of the LOI in connection with the Project will be reimbursed by the Venture, or if Pursuit Costs, will be paid by XYZ following execution of the Contribution Agreement with credit to XYZ 's Capital Account..

**Distribution of Cash Flow and** All available cash flow will be distributed to the members in the Owner and XYZ

**Residual Proceeds:** following priority:

- (1) First, pro rata on a LIFO basis, to each member's respective Priority Capital contributions) to return Priority Capital at a 18% IRR
- (2) Thereafter, pari passu based on the members' relative equity positions until each member has achieved an IRR of 15% on its equity respectively.
- (3) Thereafter, 90% to XYZ and 10% to Owner

**Exhibit B**

**ITEMS TO BE FURNISHED FOR THE PROPERTY**

<u>PROVIDED</u>	<u>NON-EXISTENT</u>	
<input type="checkbox"/>	<input type="checkbox"/>	All service and maintenance contracts (regardless of terms).
<input type="checkbox"/>	<input type="checkbox"/>	Surveys/site plans (reproducibles).
<input type="checkbox"/>	<input type="checkbox"/>	Licenses/permits/certificates of occupancy (for tenants and building).
<input type="checkbox"/>	<input type="checkbox"/>	Conditions and proffers as a condition to the property's zoning or subdivision.
<input type="checkbox"/>	<input type="checkbox"/>	Zoning variances/special permits/special exceptions/zoning approvals.
<input type="checkbox"/>	<input type="checkbox"/>	Development or property use applications or requests submitted to governmental authorities within last two years.
<input type="checkbox"/>	<input type="checkbox"/>	Any suit, action, arbitration, or legal, administrative, or other documents concerning proceedings currently pending.
<input type="checkbox"/>	<input type="checkbox"/>	Real estate management and leasing agreements.
<input type="checkbox"/>	<input type="checkbox"/>	Existing leases and occupancy agreements.
<input type="checkbox"/>	<input type="checkbox"/>	Current rent roll and tenant expense base stop schedule for all occupants of the Property.
<input type="checkbox"/>	<input type="checkbox"/>	Title policies and all documents creating exceptions to title.
<input type="checkbox"/>	<input type="checkbox"/>	Brokerage agreements.
<input type="checkbox"/>	<input type="checkbox"/>	Tax bills and tax assessments for the last two years.
<input type="checkbox"/>	<input type="checkbox"/>	Income and expense statements/yearly financial statements/monthly operating statements for the current year to date and previous two calendar years.
<input type="checkbox"/>	<input type="checkbox"/>	Personal property inventory.
<input type="checkbox"/>	<input type="checkbox"/>	List of employees with wages, salaries and other compensation, and job descriptions
<input type="checkbox"/>	<input type="checkbox"/>	Architectural, MEP, and structural plans and specs.
<input type="checkbox"/>	<input type="checkbox"/>	Environmental studies, tests, reports, and correspondence, if any.
<input type="checkbox"/>	<input type="checkbox"/>	Warranties and guaranties.

Made Available For Review:

\_\_\_\_ Tenant lease/property files with correspondence.

\_\_\_\_ Property Management files with correspondence.

<p><b>REVIEWED AND CONFIRMED</b></p> <p><b>By:</b> _____</p> <p><b>Its:</b> _____</p>
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**Exhibit C**

**Fee Schedule**

**[Revised and not all changes are marked against prior draft]**

<p>Reimbursable Expenses</p>	<p>Expenses which Managing Member, Manager, Owner, DOD Realty Partners (“DOD”) or its Affiliates paid and incurred directly;</p> <p>Travel, lodging, telephone, telecopy, postage, photocopy; courier and similar expenses, legal fees and costs associated with the drafting of the Agreement and formation of the LLC, its Subsidiaries, and entities formed by XYZ Principals, Manager, Owner, DOD or its Affiliates for the purpose of facilitating investment in the LLC by individual investors.</p> <p>Reimbursement of Managing Member’s, Manager’s, Owner’s, DOD’s (or its Affiliates’) actual in-house costs relating to the Project will include the allocable portion of the cost of employees or Principals providing predevelopment services (including efforts to obtain entitlements, government approvals and permits in connection with land owned by the LLC or a subsidiary), to the extent that time is spent on such Project from the date of Tenant award but prior to vertical construction. Such costs shall also include the allocable costs relating to non-management personnel exclusively responsible for construction management services until the project is complete. Such costs shall also include the allocable portion of the costs of employees or Principals providing residential or commercial condominium sales and marketing, management, settlement coordination, customer service and oversight services, including all aspects of interaction with the condominium unit owners association, third party condominium management firm, and other issues during the statutory warranty periods of each. Each party shall make available to the other a list of personnel assigned to the Project. This list shall include the tasks each person will undertake, and the applicable billing rate. Each party will have</p>
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	<p>the right to review and approve the manner in which hours will be charged to the project by each person. The parties will agree to a cap on the amount of reimburseables in this section.</p>	
<p>Leasing Fees and Related Reimbursable Expenses</p>	<p>The LLC shall pay leasing fees for supervision or management of the LLC’s leasing activities with respect to each: (i) lease for space within the Project, (ii) extension or renewal of the term of a Lease, or (iii) expansion of the premises leased under a Lease (collectively, a “Leasing Event”). The LLC shall pay all leasing fees payable hereunder within ten (10) days following the due date under the terms of the document giving effect to the Leasing Event or, if no such document, the end of the month in which full execution occurred.</p> <p>Rates:</p>	
	<p>If Leasing Event occurs with Managing Member or its Affiliate acting as broker, with no listing or procuring broker</p>	<p>2.00% of base rent</p>
	<p>If Leasing Event occurs with Managing Member or its Affiliate acting as listing broker with the assistance of procuring broker; <b>or</b></p> <p>If Leasing Event occurs with Managing Member or its Affiliate acting as procuring broker (or, if no procuring broker) with assistance of listing broker</p>	<p>1.00% of base rent</p>
	<p>If Leasing Event occurs with assistance of listing and of procuring broker</p>	<p>0.50% of base rent</p>

	<p>The LLC shall reimburse Managing Member, Manager, Owner, DOD and/or its Affiliate(s) for (i) all out-of-pocket costs incurred in connection with the marketing or the leasing of space in the Project, including, without limitation, all marketing events and functions, Web site costs and expenses, leasing signs, brochures, floor plans, renderings and space plans, and (ii) all payments due and owing to third party listing brokers, procuring brokers and consultants (collectively, the “Leasing Reimbursable Expenses”). Any such Leasing Reimbursable Expenses shall be paid by the LLC within ten (10) days following the end of the month in respect of which the Leasing Reimbursable Expenses were incurred or paid.</p>
<p>Property Management Fee</p>	<p>In consideration for the Managing Member’s or its designated Affiliate’s performance of property management activities related to the Property for which the LLC has not engaged a management company other than the Managing Member or its designated Affiliate, the LLC shall pay to the Managing Member or its designated Affiliate a property management fee (the “Property Management Fee”). The Property Management Fee shall be calculated on an investment by investment basis, for each calendar month that the respective investment is owned by the LLC (or a Subsidiary), as follows:</p> <ul style="list-style-type: none"> <li>• For commercial Projects, the Property Management Fee shall be the greater of (a) \$5,000 per month or (b) 3% of gross revenues from the investment’s operations during the month. [XYZ will need to provide evidence that this is a market fee – or we can keep this arrangement and request an override. I like the latter because it gives everyone an opportunity to “contribute” to making the deal work if that time comes.</li> <li>• For residential investments, the Property Management Fee shall be the greater of (a) \$5,000 per month or (b) 4% of gross revenues from the Project’s operations during the month.</li> </ul> <p>The Property Management Fee shall be payable monthly in arrears within ten (10) days after the last day of each calendar</p>

	<p>month (prorated for any partial calendar month).</p> <p>The LLC shall reimburse Managing Member or its Affiliates for the salary and other costs of employing and maintaining an on-site property management office, including an on-site property manager and, as deemed appropriate by the Managing Member or its Affiliates, a property management administrative assistant, as to any property at which the Managing Member or its designated Affiliate is then performing “on-site” property management services, which payment shall be in addition to, and without any credit against, the Property Management Fee payable by the LLC hereunder, which salary and other costs shall not exceed market rates. The Managing Member or its designated Affiliate shall have the right to receive other property management related reimbursements consistent with market practices.</p>
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Development Fees	Management	<u>Project Costs</u>	<u>Development Management Fee</u>
		\$0 - \$250,000	5%
		\$250,000 - \$1 million	\$12,500 plus 4% of excess over \$250,000
		\$1 million - \$35 million	\$42,500 plus 3.5% of excess over \$1 million
		\$35 million - \$45 million	\$1,232,500 plus 3% of excess over \$35 million
		\$45 million - \$55 million	\$1,532,500 plus 2.5% of excess over \$45 million
		over \$55 million	\$1,782,500 plus 2% of excess over \$55 million
Loan Placement Fees		<p>In the event Managing Member or its Affiliate performs loan placement services for the LLC with respect to the Project, without payment of a fee to an outside provider, Managing Member or its Affiliate shall receive a fee of \$100,000 for each such loan placement. Such fee shall be in addition to any fee paid to the Managing Member or its Affiliate by any third-party joint venture partner of the LLC, which fee the Members hereby agree the Managing Member or its Affiliate is permitted to receive. [XYZ needs to explain this]</p>	

Other Fees	In the event XYZ or its Affiliates or Owner provide leasing, management and/or construction management services for the LLC, any of its Subsidiaries or any Investment other than as set forth above, the party providing such services shall receive fees in connection therewith provided that such fees are generally at market rates. [These fees are to be divided equally between Owner and XYZ per Exhibit A of the LOI unless otherwise specifically provided in the Venture Agreement].
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