FIRST AMENDMENT TO THE HOTEL PHILLIPS

TAX INCREMENT FINANCING PLAN

KANSAS CITY, MISSOURI

TIF Commission Approval:
June 8, 2005  6-7-05
Date Resolution No.

City Council Approval:
September 8, 2005  051013
Date Ordinance No.

Attached herewith is a true and correct copy of the 1st Amendment to the Hotel Phillips TIF Plan that was approved by the Tax Increment Financing Commission of Kansas City, Missouri, by Resolution No. 6-7-05, at a public hearing that was duly noticed and held on June 8, 2005.

Chairman

[(00042453.DOC/)]
FIRST AMENDMENT TO THE HOTEL PHILLIPS TAX INCREMENT FINANCING PLAN

(Revised June 8, 2005)

UPDATED 8/18/05
ADDENDUM

Tab 1       Legal Description – Exhibit 1
A: Redevelopment Area
B: Redevelopment Projects

Tab 2       Site Plan - Exhibit 2
A: Redevelopment Projects Plat Map
B: Redevelopment Projects Zoning Map
C: Redevelopment Projects Site Plan

Tab 3       Construction and Employment Information - Exhibit 3
A: Construction Totals by Project Area
B: Employment Totals by Project Area

Tab 4       Estimated Redevelopment Costs and Schedule – Exhibit 4

Tab 5       Estimated Annual Increases in Assessed Value and Resulting Payments in
Lieu of Taxes and Projected Economic Activity Taxes – Exhibit 5

Tab 6       Sources and Uses of Funds – Exhibit 6

Tab 7       Cost – Benefit Analysis –Exhibit 7

Tab 8       Evidence of “But For” – Exhibit 8

Tab 9       Existing Conditions Study – Exhibit 9

Tab 10      Affidavits and Certificates – Exhibit 10

Tab 11      Financial Statements and Accompanying Correspondence – Exhibit 11

Tab 12      Acquisition and Disposition Exhibit 12

Tab 13      Relocation Assistance Plan – Exhibit 13

Tab 14      Developer’s Proposal – Exhibit 14
FIRST AMENDMENT TO THE
HOTEL PHILLIPS
TAX INCREMENT FINANCING PLAN

I. Introduction

The First Amendment to the Hotel Phillips Tax Increment Financing Plan ("First Amendment") shall amend the Hotel Phillips Tax Increment Financing Plan ("Plan") as adopted by the City Council of Kansas City, Missouri through Ordinance No.000382. The First Amendment to the Plan provides for (1) the expansion of the redevelopment area as established in the Plan to include the additional area generally bound by 11th Street on the north, Main Street on the east, 12th Street on the south and the north/south alley between Baltimore and Wyandotte Street on the west, in Kansas City, Jackson County, Missouri; (2) the construction of a 200 plus, multi-story parking garage; (3) the construction of commercial space within the garage; (4) construction of all necessary public utilities, street improvements and appurtenances; and (5) alters the financial and employment information of the Plan. To the extent the Plan varies with First Amendment, said Plan shall be amended and superseded thereby. Except for those specific amendments set forth herein, the Plan remains unchanged and shall remain in full force and effect.

II. Plan Text Amendments

In accordance with the First Amendment, the Plan shall be amended as follows:

Amendment No. 1 Exhibit No. 1 of the Plan, entitled "Legal Description", shall be deleted and a new, revised Exhibit No. 1, attached hereto behind Tab 1.

Amendment No. 2 Exhibit No. 2 of the Plan, entitled "Site Plan" shall be supplemented with the addendum attachment behind Tab 2.

Amendment No. 3 Exhibit No. 3 of the Plan, entitled "Construction and Employment Information" shall be supplemented with the addendum attached behind Tab 3.

Amendment No. 4 Exhibit No. 4 of the Plan, entitled "Estimated Redevelopment Project Costs," shall be supplemented with the addendum attached behind Tab 4.

Amendment No. 5 Exhibit No. 5 of the Plan, entitled "Estimated Annual Increases in Assessed Value and Resulting Payments in Lieu of Taxes and Projected Economic Activity Taxes" shall be supplemented with the addendum attached behind Tab 5.

Amendment No. 6 Exhibit No. 6 of the Plan, entitled "Sources and Uses," shall be deleted and a new, revised Exhibit No. 6, attached hereto behind Tab 6.
Amendment No. 7 Exhibit No. 7 of the Plan, entitled “Cost-Benefit Analysis” shall be supplemented with the addendum attached hereto behind Tab 7.

Amendment No. 8 Exhibit No. 8 of the Plan, entitled “Evidence of But For” shall be supplemented with the addendum attached hereto behind Tab 8.

Amendment No. 9 Exhibit No. 9 of the Plan, entitled “Existing Condition Study,” shall be supplemented with the addendum attached hereto behind Tab 9.

Amendment No. 10 Exhibit No. 10 of the Plan, entitled “Affidavits and Certificates” shall include a copy of the Redeveloper’s Affidavit attached hereto behind Tab 10.

Amendment No. 11 Exhibit No. 11 of the Plan, entitled “Financial Statements and Accompany Correspondence” shall be supplemented with the addendum attached hereto behind Tab 11.

Amendment No. 12 Exhibit No. 12 of the Plan, entitled “Acquisition and Disposition Map,” shall be added to the Plan attached hereto behind Tab 12.

Amendment No. 13 Exhibit No. 13 of the Plan, entitled “Relocation Assistance Plan”, shall be added to the Plan attached hereto behind Tab 13.

Amendment No. 14 Exhibit No. 14 of the Plan, entitled “Developer’s Proposal”, shall be added to the Plan attached hereto behind Tab 14.

Amendment No. 15 Subsection III.A. of the Plan, “The Redevelopment Plan” shall be supplemented with the following paragraph:

“The Hotel Phillips Tax Increment Financing Plan also proposes to construct 225, multi-level, parking garage; construct commercial space within the street front of the garage; together with all necessary utilities, street improvements and appurtenances throughout the Redevelopment Plan Area as depicted in the supplemented Exhibit 2.”

Amendment No. 16 Subsection III. B. of the Plan, “The Redevelopment Area” shall be deleted and replaced with the following:

“The Redevelopment Area is generally bounded by Twelfth Street on the south, Main Street on the east, Eleventh Street on the north, Wyandotte on west in downtown Kansas City, Jackson County, Missouri ("the City") as legally described in Exhibit 1 attached hereto (“the Redevelopment Area”).
Amendment No. 17 Subsection III. C. of the Plan, "Project Improvements" shall be supplemented with the following paragraph:

"The Project Improvements shall include the construction of a 225, multi-story parking garage and the construction of commercial space within the garage."

Amendment No. 18 Subsection III D. of the Plan, "Redevelopment Projects" shall be deleted and replaced with the following:

"The Project Improvements will be undertaken in three Redevelopment Projects. Redevelopment Project A is the renovation of the Hotel Phillips. Redevelopment Project B is the construction of a parking garage and the commercial space on the ground level of the parking garage.

Redevelopment Project C is City Center Square office building. Project C shall be for the intent of the TIF revenue generated from Project C would be available to reimburse eligible redevelopment costs incurred in connection with the implementation of Project B. Tax Increment Financing for the Redevelopment Projects will be approved by the City ordinance in conformance with the Act."

Amendment No. 19 Subsection III E. of the Plan, "Estimated Date of Completion" shall be supplemented with the following paragraph:

"The construction of improvements within Redevelopment Project B are expected to be completed within a year of adoption of the Ordinance approving the Redevelopment Project. No ordinance approving a Redevelopment Project shall be adopted later than ten (10) years from the adoption of the ordinance approving this Redevelopment Plan."

Amendment No. 20 Subsection III F of the Plan, "Redevelopment Plan Objectives" shall be deleted and replace per the following:

1. To restore, renovate and preserve the Hotel Phillips, an historic building;
2. To construct a 225, multi-level parking garage;
3. To eliminate adverse conditions which are detrimental to public health, safety, morals, or welfare of the Redevelopment Area and to eliminate and prevent the recurrence thereof for the betterment of the Redevelopment Area and the community at large;
4. To enhance the tax base of the City and the other Taxing Districts, encourage private investment in the surrounding area, and increase employment opportunities in the Redevelopment Area;
5. To increase employment opportunities in the City as a whole;
6. To stimulate construction and development and generate tax revenues, which would not occur without Tax Increment Financing assistance; and

7. To provide increased availability of hotel rooms in the Central Business District as well as support the use of Bartle Hall for large conventions;

Amendment No. 21 Subsection IV A of the Plan, “Estimate Redevelopment Project Cost” shall be supplemented with the following:

“The estimated redevelopment costs for Project B are projected to be approximately $7,318,597 over the life of the Project with in the Plan as shown in Exhibit 4. The Plan proposes that approximately $5,842,529 in Redevelopment Project Costs shall be reimbursed from the Special Allocation Fund for Project B.

The Commission has determined that certain planning and special services expenses of the Commission which are not direct Redevelopment Project costs are nonetheless reasonable and necessary for the operation of the Commission and are incidental costs to the Redevelopment Project. These incidental costs will be recovered by the Commission from the Special Allocation Fund in an amount not to exceed five percent (5%) of the Payment in Lieu of Taxes and Economic Activity Taxes paid annually into the fund.”

Amendment No. 22 Subsection IV C of the Plan, “Payments in Lieu of Taxes” shall be supplemented with the following:

“The total Payments in Lieu of Taxes ("PILOTS") generated by Project B and C over the duration of the Plan is estimated to be approximately $4,545,842 as shown in Exhibit 5 and in accordance with the Act, said amount excludes any taxes attributable to the Blind Pension Fund Tax levied under the authority of Article III, Section 38(b) of the Missouri Constitution and the Merchant’s and Manufacturer’s Inventory Replacement Tax levied under the authority of Subsection 2 of Section 6 of the article X of the Missouri Constitution.

Amendment No 23 Subsection IV D of the Plan, “Economic Activity Taxes,” shall be supplemented with the following:

“Over the life of the Plan, the Economic Activity Taxes revenues are estimated to be approximately $2,593,374 for Project B and Project C within the Plan. Of the total additional revenue from taxes imposed by the municipality or other taxing districts and which are generated by economic activity within the Redevelopment Project Areas, as defined in Section 99.845.3 fifty percent (50%), or approximately $1,296,687 will be made available upon annual appropriation, to pay eligible Redevelopment
Project Costs for Project B. The increase in Economic Activity Taxes are shown in Exhibit 5 by year for each Redevelopment Project, as are the resulting share of revenues available to pay project costs.”

Amendment No 24 Section V of the Plan, “Most Recent Equalized Assessed Valuation,” shall be supplemented with the following:

“The total initial equalized assessed valuation of the areas selected for Redevelopment Project B and Redevelopment Project C, according to the Kansas City Assessor’s records, is $9,005,953. The current combined tax levy is projected to be $9.98 per $100 assessed valuation on land and $9.23 per $100 assessed valuation on improvements. The current annual tax revenue, without any property tax exemption is approximately $870,795.14”

Amendment No 25 Section VI of the Plan, “Estimated Equalized Assessed Valuation after Redevelopment,” shall be supplemented to state the following:

“Upon completion of the Redevelopment Project B and Project C, the assessed valuation of the areas selected for Redevelopment Projects is anticipated to be approximately $11,870,610. The increase in assessed valuation therefore is anticipated to be approximately $2,865,657. When complete the areas selected for redevelopment projects will yield on estimated $222,309 in additional real property taxes annually.

Amendment No. 26 Section VII, of the Plan, “General Land Use” shall be supplemented with the following:

“The property within the Redevelopment Area B and C will be used for commercial uses. Redevelopment Area Project B and Project C shall be subject to the applicable provisions of the City’s Zoning Ordinance as well as other codes and ordinances as may be amended from time to time.”

Amendment No. 27 Section IX of the Plan, “Existing Conditions in the Redevelopment Area” shall be supplemented as follows:

“A Conservation Study has been prepared to document 50% of the structures in the Redevelopment Area have an age of 35 years or more. The study provides evidence that the area is not yet a blighted area but is detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any one or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation; light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or.
layout; depreciation of physical maintenance; and lack of community planning. The study documents at least three of these factors have been found within the Redevelopment Area.

Amendment No. 28 Section X of the Plan, “But For TIF” shall be supplemented as follows:

“But For” analysis has been prepared by Applied Real Estate Analysis, Inc. (AREA) documenting the IRR of Project B with tax increment financing assistance. AREA’s analysis indicated that after TIF, the IRR would be 5.5%. This is still a low return and is acceptable to the developer in this situation only because the garage will enhance City Center Square’s ability to lease City Center Square office building. The report is attached hereto in Exhibit 8.”

Amendment No. 29 Section XI of the Plan, “Cost Benefit Analysis,” shall be supplemented as follows:

“A cost benefit analysis has been prepared and is attached hereto in Exhibit 9. The analysis states the fiscal benefit of this project to Kansas City, MO is $21,476,152, to Jackson County, MO is $6,686,728 and to the Kansas City Missouri School District is $4,507,684 over a 23 year period.”

Amendment No. 30 A new Section XVII, entitled, “Developer’s Proposal” shall be added to the Plan and it shall read as follows:

“As to the implementation of Project B, the Commission made a public request for alternative proposals. The Commission received no alternative proposals for Project Area B. Attached hereto in Exhibit 14 is City Center Square Parking LLC proposal for Project Area B.”
Exhibit 1
LEGAL DESCRIPTION
EXHIBIT 1
LEGAL DESCRIPTION
REDEVELOPMENT AREA

The following legal descriptions contain all property within the boundaries of the Redevelopment Area.

Lots 11 thru 18, inclusive, Block 20, Ashburns Addition, a subdivision in Kansas City, Jackson County, Missouri.

and

Lots 1 thru 10, inclusive Block 19, ASHBUMNS ADDITION and Lots 1 thru 10, SMARTS PARTITION NO. 1, except part in streets and part of east one half Government Lot 1 of Northwest Quarter, Section 5 49 33 all DAF beginning at the intersection of the north line of 12th street and west line of Main St at a point 25.4 feet ± north of south line of said Quarter section thence along the west line of Main, deeded 267.79 feet ±, platted 267.85 feet to a point on a the south line of 11th Street, deeded 4 feet, platted 3 feet west of the northeast corner of Lot 1 SMARTS PARTITION NO. 1 thence west along the south line of 11th street, deeded 254.79 feet, platted 253.4 feet to the east line of Baltimore thence south along said east line 267 feet ± to the north line of 12th street thence east along said north line deed 254.47 feet ±, platted 252.6 feet to the point of beginning and all vacated rights-of-way lying adjacent and contiguous thereto, all lying within Kansas City, Jackson County, Missouri.
TRACTION I:
All of Lots 11, 12 and 13, Block 20, ASHBURNS ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof, being more particularly described as follows: Beginning at the Southeast corner of said Lot 11, being also a point of intersection of the West right-of-way line of Baltimore Avenue with the North right-of-way line of 12th Street, as said avenue and street are now both established; thence West along the South line of said Lot 11 and along said North right-of-way line, a distance of 142 feet to the Southwest corner thereof; thence North along the West line of said Lots 11, 12 and 13, being also the East line of a 16 foot wide alley, a distance of 75 feet to the Northwest corner of said Lot 13; thence East along the North line of said Lot 13, a distance of 141.99 feet (142 feet, platted) to the Northwest corner thereof; thence South along the East line of said Lots 13, 12 and 11 and along the West right-of-way line of said Baltimore Avenue, a distance of 75 feet to the point of beginning.

TRACTION II:
All of Lot 14, Block 20, ASHBURNS ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof, being more particularly described as follows: Beginning at the Southeast corner of said Lot 14, being also a point on the West right-of-way line of Baltimore Avenue, as said street is now established; thence West along the South line of said Lot 14, a distance of 141.99 feet (142 feet, platted) to the Southwest corner thereof; thence North along the West line of said Lot 14, being also the East line of a 16 foot wide alley, a distance of 25 feet to the Northwest corner of said Lot 14; thence East along the North line of said Lot 14, a distance of 141.99 feet (142 feet, platted) to the Northwest corner thereof; thence South along the East line of said Lot 14 and along the West right-of-way line of said Baltimore Avenue, a distance of 25 feet to the point of beginning.
Legal Description
Project Area B

TRACT I:

Lots 15 - 17, Block 20, ASHBURN'S ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof.

TRACT II:

Lot 18, Block 20, ASHBURN'S ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof.

Legal Description
Project Area C

TRACT III (City Center Square):
Lots 1 thru 10, inclusive Block 19, ASHBURN'S ADDITION and Lots 1 thru 10, SMARTS PARTITION NO. 1, except part in streets and part of east one half Government Lot 1 of Northwest Quarter, Section 5 49 33 all DAF beginning at the intersection of the north line of 12th street and west line of Main St at a point 25.4 feet + north of south line of said Quarter section thence along the west line of Main, deeded 267.79 feet +, platted 267.85 feet to a point on a the south line of 11th Street, deeded 4 feet, platted 3 feet west of the northeast corner of Lot 1 SMARTS PARTITION NO. 1 thence west along the south line of 11th street, deeded 254.79 feet, platted 253.4 feet to the east line of Baltimore thence south along said east line 267 feet + to the north line of 12th street thence east along said north line deed 254.47 feet +, platted 252.6 feet to the point of beginning and all vacated rights-of-way lying adjacent and contiguous thereto.
Exhibit 2
SITE PLAN
A. PLAT MAP
B. ZONING MAP
C. SITE PLAN
Exhibit 3
CONSTRUCTION AND EMPLOYMENT INFORMATION
A. CONSTRUCTION TOTALS
CONSTRUCTION TOTALS BY PROJECT AREA * – PROJECT B

Please complete the following chart for each Project Area. Reproduce this chart for each Project Area.

<table>
<thead>
<tr>
<th></th>
<th>NEW CONSTRUCTION</th>
<th>Existing Structures to REMAIN AS IS</th>
<th>Existing Structures to be REHABILITATED</th>
<th>Total</th>
<th>Existing Structures to be DEMOLISHED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square feet of OFFICE Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RETAIL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10,650</td>
</tr>
<tr>
<td>Square feet of INSTITUTIONAL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of INDUSTRIAL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Square Feet</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10,650</td>
</tr>
</tbody>
</table>

|                                | N/A              | N/A                                | N/A                                    | N/A   | N/A                                  |
|                                | N/A              | N/A                                | N/A                                    | N/A   | N/A                                  |
|                                | N/A              | N/A                                | N/A                                    | N/A   | N/A                                  |
| Number of DWELLING UNITS       | N/A              | N/A                                | N/A                                    | N/A   | N/A                                  |
| Number of HOTEL ROOMS          | N/A              | N/A                                | N/A                                    | N/A   | N/A                                  |
| Number of PARKING SPACES       | 225              | N/A                                | N/A                                    | 225   | N/A                                  |

* A Project Area is defined as a specific geographical area within the overall Plan Area that is developed during a specific time frame.
## PROJECT C

<table>
<thead>
<tr>
<th>NEW CONSTRUCTION</th>
<th>Existing Structures to Remain As Is</th>
<th>Existing Structures to be Rehabilitated</th>
<th>Total</th>
<th>Existing Structures to be DEMOLISHED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square feet of OFFICE Space</td>
<td>N/A</td>
<td>639,349</td>
<td>639,349</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RETAIL Space</td>
<td>N/A</td>
<td>9,090</td>
<td>9,090</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RESTAURANT Space</td>
<td>N/A</td>
<td>15,061</td>
<td>15,061</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of INDUSTRIAL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Square Feet</td>
<td>N/A</td>
<td>663,500</td>
<td>663,500</td>
<td>N/A</td>
</tr>
</tbody>
</table>

| Number of DWELLING UNITS | N/A | N/A | N/A | N/A |
| Number of HOTEL ROOMS | N/A | N/A | N/A | N/A |
| Number of PARKING SPACES | N/A | N/A | N/A | N/A |
EMployment information - project area b (garage)

Please provide employment information for each Project Area. Reproduce this chart for each Project Area.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent jobs to be created in Kansas city</td>
<td>3</td>
</tr>
<tr>
<td>Permanent jobs to be relocated to Kansas city</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent jobs to be retained in Kansas city</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
</tr>
<tr>
<td>Anticipated annual payroll</td>
<td>$23,669</td>
</tr>
<tr>
<td>Estimated number of construction workers to be hired during construction phase</td>
<td>146</td>
</tr>
</tbody>
</table>
EMployment Information - Project Area C

Please provide employment information for each project area. Reproduce this chart for each project area.

<table>
<thead>
<tr>
<th>Permanent jobs to be CREATED IN Kansas City</th>
<th>300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent jobs to be RELOCATED TO Kansas City</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent jobs to be RETAINED IN Kansas City</td>
<td>1,267</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,567</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Anticipated Annual Payroll</th>
<th>$46,290,000*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated number of construction workers to be hired during construction phase</td>
<td>45</td>
</tr>
</tbody>
</table>

* Using assumption of average salary of $30,000 per year per office employee and $18,000 per year per retail/restaurant employee
Exhibit 4
ESTIMATED REDEVELOPMENT COSTS AND SCHEDULE
### TIF COMMISSION EXPENSES

1. Estimated Reimbursable Costs for Plan Implementation

<table>
<thead>
<tr>
<th></th>
<th>ESTIMATED FROM TIF</th>
<th>DEVELOPER EQUITY/</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Legal</strong></td>
<td>$175,000</td>
<td>$175,000</td>
</tr>
<tr>
<td><strong>B. Agenda</strong></td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td><strong>C. Staff Time</strong></td>
<td>$70,000</td>
<td>$70,000</td>
</tr>
<tr>
<td><strong>D. Miscellaneous</strong></td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td><strong>2. Plan Administration Expenses</strong></td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$377,000</td>
<td>$377,000</td>
</tr>
</tbody>
</table>

Approval Fees Project ($0.05 per square foot space @6,400)

<table>
<thead>
<tr>
<th></th>
<th>ESTIMATED FROM TIF</th>
<th>DEVELOPER EQUITY/</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$320</strong></td>
<td></td>
<td>$320</td>
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**TIF Commission Expense**

<table>
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<tr>
<th></th>
<th>ESTIMATED FROM TIF</th>
<th>DEVELOPER EQUITY/</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$377,320</strong></td>
<td>$377,000</td>
<td>$320</td>
</tr>
</tbody>
</table>

### Project A - Parking Garage and Commercial First Floor Space

<table>
<thead>
<tr>
<th></th>
<th>ESTIMATED FROM TIF</th>
<th>DEVELOPER EQUITY/</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Acquisition/Sitework Allowance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Demolition/Excavation Abatement</strong></td>
<td>$1,366,881</td>
<td>$1,366,881</td>
</tr>
<tr>
<td><strong>General Requirements (Permits, Clean-Up, Temporary Power)</strong></td>
<td>373,287</td>
<td>373,287</td>
</tr>
<tr>
<td><strong>Parking Structure</strong></td>
<td>3,016,731</td>
<td>3,016,731</td>
</tr>
<tr>
<td><strong>Masonry</strong></td>
<td>309,030</td>
<td>309,030</td>
</tr>
<tr>
<td><strong>Waterproofing/Caulking/Sealing</strong></td>
<td>43,310</td>
<td>43,310</td>
</tr>
<tr>
<td><strong>Roofing and Sheet metal</strong></td>
<td>10,115</td>
<td>10,115</td>
</tr>
<tr>
<td><strong>Doors/Frames/Glass</strong></td>
<td>37,667</td>
<td>37,667</td>
</tr>
<tr>
<td><strong>Painting/Finishes</strong></td>
<td>39,469</td>
<td>39,469</td>
</tr>
<tr>
<td><strong>Elevator/Mechanical/Electrical/Fire Protection</strong></td>
<td>327,725</td>
<td>327,725</td>
</tr>
<tr>
<td><strong>Specialities</strong></td>
<td>48,805</td>
<td></td>
</tr>
<tr>
<td><strong>Architecture/Engineering</strong></td>
<td>300,000</td>
<td>243,314</td>
</tr>
<tr>
<td><strong>Mortgage &amp; Closing Costs</strong></td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Legal Fees</strong></td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Developer Fee</strong></td>
<td>150,000</td>
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**TOTAL PROJECT COSTS**

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<tr>
<th></th>
<th>ESTIMATED FROM TIF</th>
<th>DEVELOPER EQUITY/</th>
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<td>$6,219,529</td>
<td>$1,098,978</td>
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NOTES

***1

The amounts included herein are estimated expenses stated in 2005 dollars.

The selected developer shall pay all fees and expenses of the TIF Commission for Plan preparation, approval and implementation including, but not limited to, staff time, agenda costs, legal fees, printing and publication of notices. The selected developer shall be billed for these expenses by the Commission as needed. These expenses shall be considered reimbursable project costs to the developer from the Special Allocation Fund.

In addition, the Commission has determined that those planning and special services expenses of the Commission which cannot be directly attributable to a particular project are nonetheless reasonable and necessary for the operation of the Commission and are incidental to the project. These incidental costs will be recovered by the Commission from the Special Allocation Fund in an amount not to exceed five percent (5%) of the PILOTS and Economic Activity Taxes paid annually into the fund.

***2

Construction Interest rate of 6.5%
Development Schedule

Project B is estimated to be completed within a year of the ordinance approving the First Amendment to the Hotel Phillips Tax Increment Financing Plan.
Exhibit 5
ESTIMATED PILOTS AND EATS
## Expansion of Hotel Phillips TIF

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INDIVIDUAL EARNINGS - CCS</th>
<th>INDIVIDUAL EARNINGS - GARAGE</th>
<th>TOTAL EATS GARAGE</th>
<th>PILOTS - GARAGE</th>
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**Total** $1,291,101 $5,587 $1,296,687 $1,589,115 $2,956,727 $5,842,529

NPV 6% $2,793,381
NPV 8% $2,495,419
EXPANSION OF HOTEL PHILLIPS TIF

ASSUMPTIONS:

Project consists of construction of 200+ parking garage and rehabilitation of City Center Square (CCS)

Construction Costs of Garage: $6,446,154
Rehabilitation Cost of CCS: $8,922,000 phased in over 5 years as follows:
- Year 1: $1,575,000
- Year 2: $2,308,000
- Year 3: $2,596,500
- Year 4: $1,252,500
- Year 5: $1,190,000

EATS inflation considered at 2% per year

Individual Earnings: Average of $30,000 per office worker; $18,000 per restaurant & retail worker for increased workers in CCS
Earnings Tax rate of 1% of earnings

PILOTS:

Market value = 50% of construction costs for garage and 60% of rehabilitation costs for CCS phased in over 5 years
Assessed value = 32% of Market
Inflation 2% every other year
Existing assessed value:
- $189,953 (Garage)
- $8,816,000 (CCS)
Tax Rate of $7.76 per $100

NOTE: While it is anticipated that due to the increase in employment because of rehabilitation of CCS and construction of garage there will be an increase in retail and restaurant sales, it is impossible to determine a percentage increase; therefore, no increase in EATS has been calculated for these sales.

Likewise, it is anticipated that due to increase in tenant base there will an increase in utility usage, no increase in EATS has been calculated for utilities.
Exhibit 6
SOURCES AND USES OF FUNDS
EXHIBIT 6
PROJECT B

A. SOURCES OF FUNDS FOR
ESTIMATED REDEVELOPMENT PROJECT COSTS

1. Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes $5,842,529

2. Developer $1,475,978

TOTAL $7,318,507

B. BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Project B as provided in the Act is approximately $5,842,529. The Commission may dedicate part or this entire amount to help support the issuance of bonds.
Exhibit 7
COST BENEFIT ANALYSIS
Exhibit 8
"BUT FOR" ANALYSIS
Exhibit 9
EXISTING CONDITIONS STUDY
Exhibit 10
AFFIDAVITS AND CERTIFICATES
STATE OF \textit{New York}\ ) \textit{ss.}\n
COUNTY OF \textit{New York}\ )

1. \textit{Philip Cosue}, being first duly sworn, states and deposes upon oath as follows:

1. A detailed description of the factors that qualify the Redevelopment Area as blighted is contained in Hotel Phillips Tax Increment Financing Plan. The conditions reported in the Expanded Hotel Phillips TIF Application are accurate and describe the current state of Project Areas B and C of the Redevelopment Area.

2. The Redevelopment Area, including Project Areas B and C, qualify as a Conservation Area as contained in the Hotel Phillips Tax Increment Financing Plan.

3. The Redevelopment Area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing.

4. Based on the above factors, it is my opinion that Project Areas B and C qualify as a Conservation Area. The property has not been subject to growth and development through investment by private enterprise, and the cost of curing the existing conditions is not economically viable if fully borne by private developers and will not be reasonably anticipated to be developed without the adoption of tax increment financing.

The above statements are true and accurate assessments to the best of my knowledge, information and belief.

Further, affiant saith not.

CITY CENTER SQUARE PARKING, LLC.

By: \textit{[Signature]} \hfill Name: \textit{[Signature]}

Title: \textit{[Signature]}

Subscribed and sworn to before me, a Notary Public, this \textit{20} day of May, 2005.

\textit{[Signature]} \textit{Notary Public}

\textit{JOSEPHINE CINQUEMANN}
Notary Public, State of New York
No. 4983831
Qualified in Bronx County
Commission Expires July 8, 2007
Exhibit 11
FINANCIAL STATEMENT AND ACCOMPANYING CORRESPONDENCE
April 13, 2005

Tax Increment Finance Commission of Kansas City
10 Petticoat Lane
Suite 250
Kansas City, MO 64106

Re: 1110 & 1106 Baltimore Avenue
Lots 15-18, Block 20
Kansas City, MO 64105

Dear Sir/Madam:

I understand that City Center Square Equities LLC and City Center Square Parking LLC (the "Owner") have an application pending before your Commission. I have been informed that the Owner intends to build a parking garage on the premises at a cost of approximately $3,500,000. Please be advised that Time Equities, Inc., the parent corporation of the ownership entity, has sufficient credit availability at the Bank to finance the cost of the proposed construction. In addition, we would be willing to consider a direct construction loan to the Owner to finance the cost of the garage as well.

If you need any additional information, please feel free to call me at (631) 844-1066.

Very truly yours,

Walter B. Malck
Vice President
Exhibit 12
ACQUISITION AND DISPOSITION
Exhibit 13
RELOCATION ASSISTANCE PLAN
(a) **Definitions.** The following terms, whenever used or referred to herein, shall have the following meanings:

(i) **Designated Occupants.** "Designated Occupants" shall mean handicapped displaced occupants and those displaced occupants who are 65 years of age or older at the time of the notice to vacate or who have an income less than the average median income for the metropolitan area as certified annually by the Director of City Development based upon the standards established by the Department of Housing and Community Development of Kansas City, Missouri.

(ii) **Displaced Business.** "Displaced business" shall mean any business that moves from real property within the Development Area as a result of the acquisition of such property, or as a result of written notice to vacate such property, or in conjunctions with the demolition, alteration or repair of said property, by the Downtown Economic Stimulus Authority pursuant to R.S.Mo. 99.915 et seq.

(iii) **Displaced Occupant.** "Displaced occupant" shall mean any occupant who moves from real property within the Development Area as a result of the acquisition of such property, or as a result of written notice to vacate such property, or in connection with the demolition, alteration or repair of said property, by the Downtown Economic Stimulus Authority pursuant to R.S.Mo. 99.915 et seq.

(iv) **Handicapped Occupant.** "Handicapped Occupant" shall mean any occupant who is deaf, legally blind, or orthopedically disabled to the extend that acquisition of other residence presents a greater burden than other occupants would encounter or that modification to the residence would be necessary.

(v) **Occupant.** "Occupant" shall mean a residential occupant of a building having lawful possession thereof, and further shall include any person in lawful possession, whether related by blood or marriage to any other occupant.

(vi) **Person.** "Person" shall mean any individual, firm, partnership, joint venture, association, corporation and any life insurance company, organized under the laws of, or admitted to do business in the State of Missouri, undertaking a development project in an urban renewal area, whether organized for profit or not, estate, trust, business trust, receiver or trustee appointed by any state or federal court, syndicate or any other group or combination acting as a unit, and shall include the male as well as the female gender and the plural as well as the singular number.
(b) **Plan Requirement.** Every person approved by the Authority as a developer of property subject to be acquired by the Downtown Economic Stimulus Authority if furtherance of a Downtown Economic Stimulus Development Plan shall submit to the Authority a relocation plan as part of the developer's development plan.

(c) **Contents of Plan.** The relocation plan shall provide for the following:

(i) Payments to all displaced occupants and displaced business in occupancy at least ninety (90) days prior to the date said displaced occupant or said displaced business is required to vacate the premises by the developer, its assigns or any person seeking acquisition powers under the Downtown Economic Stimulus Development Plan pursuant to R.S.Mo. 99.915 et. seq.; and

(ii) Program for identifying needs of displaced occupants and displaced businesses with special consideration given to income, age, size of family, nature of business, availability of suitable replacement facilities, and vacancy rates of affordable facilities; and

(iii) Program for referrals of displaced occupants and displaced businesses with provisions for a minimum of three (3) suitable referral sites, a minimum of ninety (90) days notice of referral sites for handicapped displaced occupants and sixty (60) days notice of referral sites for all other displaced occupants and displaced businesses, prior to the date such displaced occupant or displaced business is required to vacate the premises; and arrangements for transportation to inspect referral sites to be provided to designated occupants.

(iv) Every displaced occupant and every displaced business shall be given a ninety (90) day notice to vacate; provided, however, that the developer may elect to reduce the notice time to sixty (60) days if the developer extends the relocation payments and benefits set forth in subsections (d), (e) and (f) below to any displaced occupant or displaced business affected by said reduction in time.

(d) **Payments to Occupants.** All displaced occupants eligible for payments under subsection (c)(i) hereof shall be provided with relocation payments based upon one of the following, at the option of the occupant:

(i) A $500.00 payment to be paid at least thirty (30) days prior to the date the occupant is required to vacate the premises; or

(ii) Actual reasonable costs of relocation including actual moving costs, utility deposits, key deposits, storage of personal property up to one month, utility transfer and connection fees, and other initial rehousing deposits including first and last month's rent and security deposit.

(e) **Handicapped Displaced Occupant Allowance.** In addition to the payments provided in subsection (d) hereof, an additional relocation payment shall be provided to handicapped displaced occupants which shall equal the amount, if any, necessary to adapt a replacement
(f) **Payment to Businesses.** All displaced businesses eligible for payment under subsection (c)(i) hereof shall be provided with relocation payments based upon the following, at the option of the business:

(i) A one thousand five hundred dollar ($1,500.00) payment to be paid at least thirty (30) days prior to the date the business is required to vacate the premises; or

(ii) Actual costs of moving including costs for packing, crating, disconnection, dismantling, reassembling and installing of all personal equipment and costs for relettering similar signs and similar replacement stationery.

(g) **Waiver of Payments.** Any occupant who is also the owner of premises and any business may waive their relocation payments set out above as part of the negotiations for acquisition of interest held by said occupant or business. Said waiver shall be in writing and filed with the Authority.

(h) **Notice of Relocation Benefits.** All occupants and businesses eligible for relocation benefits hereunder shall be notified in writing of the availability of such relocation payments and assistance, with such notice to be given concurrent with the notice of referral sites required by subsection (c)(iii) hereof.

(i) **Persons bound by the Plan.** Any developer, its assigns or transferees, provided assistance in land acquisition by the Downtown Economic Stimulus Authority, is required to comply with the Executive Director of the Authority. Such certification shall include, among other things, the addresses of all occupied residential buildings and structures within the development plan and the names and addresses of occupants and businesses displaced by the developer and specific relocation benefits provided to each occupant and business, as well as a sample notice provided to each occupant and business.

(j) **Minimum Requirements.** The requirements set out herein shall be considered minimum standards. In reviewing any proposed development plan, the Authority shall determine the adequacy of the proposal and may required additional elements to be provided therein.
APPLICATION TO EXTEND BOUNDARIES

OF

HOTEL PHILLIPS TAX INCREMENT FINANCING PLAN

CITY CENTER SQUARE PROPERTIES

Submitted: __________________________

Jerome D. Riffel
Lathrop & Gage L.C.
2345 Grand Boulevard
Kansas City, MO 64108
816-460-5712
CONTENTS

DEVELOPER APPLICATION

All forms and information to be completed by the Developer are found under TAB 1. Indicate which items have been submitted by initialing the blank preceding the item.

TAB 1  ______Application Form and all supporting documents;

______Required attached maps, legal descriptions and 3 1/2” diskette;

POLICY AND PROCESS GUIDANCE FOR DEVELOPERS

The Information included under TABS 2-6 are for the Developer’s information. Indicate by initialing the line preceding the item, that you have read the enclosed information.

TAB 2  ______TIF Plan Approval Timeline;

TAB 3  ______The Tax Increment Financing Commission’s Guidelines for Presentation of Evidence Related to Blight and the “But For” Test;

______The TIF Commission’s statutory definitions for blight, conservation area and economic development area;

TAB 4  ______Affirmative Action Information;

TAB 5  ______Design Review Process;

TAB 6  ______Relocation Assistance Plan

TAB 7  ______Exhibits:  A) Proposed Tax Increment Financing Plan

B) Redevelopment Contract

C) Funding Agreement

FOR EDC USE ONLY

NAME OF PLAN _______________________________

CC 1404074-v1 1
SUPPLEMENTAL PLAN APPLICATION FORM

1. APPLICANT INFORMATION

   Applicant Name: City Center Square Parking, LLC
   Contact Person: Phillip Gesue    Business Phone: (212) 206-6122
   Fax: (212) 206-6114
   Business Address: c/o Time Equities, 55 Fifth Avenue, New York, New York 10003-4398
   With copies to: Jerry D. Riffel, Lathrop& Gage L.C., 2345 Grand Blvd., Kansas City, MO 64108
   Representative authorized to sign/execute document: Phillip Gesue
   Address: 55 Fifth Avenue, New York, N.Y. 10003-4398
   Phone: (212) 206-6122    Fax: (212) 206-6114
   General Contractor: J. E. Dunn Construction Company

Previous Development Projects or Experience of the Organization: City Center Square Parking, LLC is a subsidiary of Time Equities, Inc. Time Equities is a national player in the development and redevelopment arenas. Representative Kansas City projects included City Center Square and the Metropolitan Condominiums. Other representative projects include the first high-rise condominium in Jersey City, one of the largest mixed-use projects in Brooklyn, an urban redevelopment infill project on Long Island, and a lifestyle and golf course community in Muskoka, Oklahoma.

2. LOCATION OF REDEVELOPMENT AREA

   General Boundaries:

   Project Area A – Hotel Phillips

   Project Area B (Garage): West of Baltimore, east of alley, between 11th & 12th Streets;

   Project Area C (City Center Square): City block bounded by 11th Street on the north, 12th Street on the south, Main on the east and Baltimore on the west.

   County: Jackson   Project B Acreage: .32 acres
   Council District: 2    Project C Acreage: 1.56 acres
                        Total Acreage: 1.88 acres

Please attach on a separate sheet of paper a Legal Description of the Redevelopment Area and a map indicating the location of the Redevelopment Area. Also include a 3 1/2” diskette containing the Legal Description in ASCII format.
3. **DESCRIPTIVE SUMMARY OF PLAN AND PROJECTS:**

Applicant plans to demolish the Italian Gardens building and construct an approximate 225 space, multi-story parking garage plus pedestrian walkway connecting across Baltimore to City Center Square and ground floor retail, on Lots 15 – 18, of Block 20, Ashburn's Addition (Project Area B). The garage will be used by City Center Square and the Phillips Hotel.

The redevelopment strategy for City Center Square (Project Area C) involves a complete cosmetic and mechanical renovation to transform City Center Square back into a Class A office building. The construction of a 225 car parking garage is a condition precedent to this rehabilitation as in the local market it is universally acknowledged that City Center Square is in need of parking.

Over the next 5-10 years, Time Equities anticipates spending approximately $12 million on upgrades to City Center Square, not including the parking garage. Initially (in 2005 and 2006) these expenditures will be to give City Center Square a new exterior and interior appearance and help link it visually and qualitatively into the Power and Light District. Once tenant base improves, structural/mechanical improvements will be made.

Colorful banners, new signage identity, new outdoor plazas, new landscaping, and new retail tenants will help City Center Square freshen up and transform its exterior. A façade cleaning and sealing is also planned which will help preserve the exterior panels. In addition, City Center Square is working on a Times Square inspired digital/animated billboard for the Kansas City Business Journal, the building’s newest tenant. This billboard will be on the corner of Main and 12th Streets and will stream KC Business Journals headlines 24 hours each day.

City Center Square is actively seeking tenants to fill its retail spaces and complement its existing retail tenant base which includes the downtown’s only Starbucks. Tenant improvements will be used to incent street front retailers to come to City Center Square.

Interior improvements include new matching signage throughout, new interior landscaping, new directory, coordinated tenant signs, new common elevator corridors, new tenant bathrooms and new garage elevator lobbies.

City Center Square will upgrade its operations by adding a state of the art 4,000 s.f. fitness center for all tenants and the general public. This facility is anticipated to also include a massage and spa type facility.

Mechanical improvements will include new elevators, new chillers, new skylights and a new roof.
4. PROJECT DESCRIPTION

For each Project Area within the Redevelopment Area, please attach the following:

- A map showing the boundaries of each Project Area within the Redevelopment Area;
  Map showing the boundaries of the Project Area attached hereto as Exhibit 4A

- Legal Descriptions of each Project Area (also to be included on diskette);
  Legal Description of Project Areas attached hereto as Exhibits 2A

- Diskette with legal description in ASCII format attached hereto as Exhibit 2C

- Current land use and zoning for each Project Area, and a map indicating such;
  Current zoning C4 – See attached site plan attached hereto as Exhibit 4B

- Proposed land use and zoning for Project Area, and a map indicating such;
  The proposed land use for the Project Area is office and parking. Developer will file an
  application for rezoning to URD.

- Off site public improvements to be made in each Project Area (i.e. infrastructure, streetscaping,
  signalization, etc.);
  Streetscape work completed on City Center Square. Library streetscape will made along
  Baltimore.

- A development schedule for the Plan, including when each Project Area will be developed;
  Developer shall complete the demolition of buildings and construction of parking in a single
  phase.

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<tr>
<td>CCS Tenant Improvements</td>
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• A list of any nationally or locally historical properties and/or districts within each Project Area (call City Landmarks Commission, 513-2902, for information regarding local and national historical properties);

There are no historic buildings in the redevelopment tract.

• Design plans for each Project Area (including site plans & elevations); Evidence of the TIF Commission’s statutory requirement of Blight, Conservation Area or Economic Development Area and “But For;”

  ➢ Design plans for multi story garage and skywalk (including site plans & elevations) attached hereto as Exhibit 4C

  ➢ Conservation Study submitted by Development Initiatives, Inc. dated May 27, 2005

  ➢ “But For” provided by TIF Commission consultant.

5. PROJECT BUDGET

For each Project Area, please attach the following:

• A complete development pro forma indicating total development costs by Project;

  Garage:

  Budget is attached hereto as Exhibit 5A

  City Center Square:

  A preliminary budget of improvements to be made is attached hereto as Exhibit 5B

  • An operating pro forma indicating expected revenue and expenses over a 10 year period;

  Operating pro forma for garage indicating expected revenue and expenses over a 25 year period attached hereto as Exhibit 5C

  • Amount and source of equity to be provided: Developer - $1,475,978

  • Amount and terms of private financing: $5.5 million construction loan.

  • Name of Lender(s):

    North Fork Bank, 275 Broadhollow Road, P. O. Box 8914, Melville, NY 11747-8914
- A copy of the Developer’s Loan Application provided to lender(s);

**Will supplement**

- Evidence of commitment to provide funds from the lending institution (signed by the lender and noting conditions and contingencies, if any);

  See attached **Exhibit 5D**

- Itemized sources and uses of any public assistance to be used.

**Sources**

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**Uses**

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**Lender**

North Fork Bank  
275 Broadhollow Road  
P. O. Box 8914  
Melville, NY 11747-8914

Commitment for loan up to $5.5 million – See letter attached hereto as **Exhibit 5D**
6. CONSTRUCTION TOTALS BY PROJECT AREA * – PROJECT B

Please complete the following chart for each Project Area. Reproduce this chart for each Project Area

<table>
<thead>
<tr>
<th></th>
<th>NEW CONSTRUCTION</th>
<th>Existing Structures to REMAIN AS IS</th>
<th>Existing Structures to be REHABILITATED</th>
<th>Total</th>
<th>Existing Structures to be DEMOLISHED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square feet of OFFICE Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RETAIL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10,650</td>
</tr>
<tr>
<td>Square feet of INSTITUTIONAL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of INDUSTRIAL Space</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Square Feet</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10,650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>NEW CONSTRUCTION</th>
<th>Existing Structures to REMAIN AS IS</th>
<th>Existing Structures to be REHABILITATED</th>
<th>Total</th>
<th>Existing Structures to be DEMOLISHED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of DWELLING UNITS</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of HOTEL ROOMS</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of PARKING SPACES</td>
<td>225</td>
<td>N/A</td>
<td>N/A</td>
<td>225</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* A Project Area is defined as a specific geographical area within the overall Plan Area that is developed during a specific time frame.
## PROJECT C

<table>
<thead>
<tr>
<th>Existing Structures to REHANDLE-TATED</th>
<th>Total</th>
<th>Existing Structures to be DEMOLISHED</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW CONSTRUCTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Square feet of OFFICE Space</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RETAIL Space</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of RESTAURANT Space</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Square feet of INDUSTRIAL Space</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Square Feet</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of DWELLING UNITS</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of HOTEL ROOMS</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of PARKING SPACES</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
7. **EMPLOYMENT INFORMATION - PROJECT AREA B (GARAGE)**

Please provide employment information for each Project Area. Reproduce this chart for each Project Area.

<table>
<thead>
<tr>
<th>Permanent jobs to be CREATED IN Kansas City</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent jobs to be RELOCATED TO Kansas City</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent jobs to be RETAINED IN Kansas City</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3</td>
</tr>
<tr>
<td>Anticipated Annual Payroll</td>
<td>$23,669</td>
</tr>
<tr>
<td>Estimated number of construction workers to be hired during construction phase</td>
<td>146</td>
</tr>
</tbody>
</table>
7. EMPLOYMENT INFORMATION - PROJECT AREA C

Please provide employment information for each Project Area. Reproduce this chart for each Project Area.

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent jobs to be CREATED IN Kansas City</td>
<td>300</td>
</tr>
<tr>
<td>Permanent jobs to be RELOCATED TO Kansas City</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent jobs to be RETAINED IN Kansas City</td>
<td>1,267</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,567</td>
</tr>
<tr>
<td>Anticipated Annual Payroll</td>
<td>$46,290,000*</td>
</tr>
<tr>
<td>Estimated number of construction workers to be hired during construction phase</td>
<td>45</td>
</tr>
</tbody>
</table>

* Using assumption of average salary of $30,000 per year per office employee and $18,000 per year per retail/restaurant employee
8. **ECONOMIC IMPACT**

For each Project Area, please provide the following:

- Existing Economic Activity Taxes (EATS) (i.e. utilities, food & beverages, sales, hotel rooms, use, corporate profits, and individual earnings taxes);
- Anticipated EATS;
- Anticipated Payments in Lieu of Taxes (PILOTS), which are 100% of the revenues derived from an increase in assessed value.

See Tax Increment Financing Benefits Schedule attached hereto as **Exhibit 8A**

9. **CONTROL OF PROPERTY**

A. **Project Area B (Garage):**

   (1) If the Applicant owns the project site, indicate:

**Project Area B (Lots 15-17)**

Date of purchase: December 21, 2004
Mortgage(s): None
Balance of existing Mortgage(s): N/A
Submit copies of promissory note(s), deed(s) of trust and deed(s) for each mortgage.

See copy of Missouri Warranty Deed attached hereto as **Exhibit 9A**

If the Applicant has a contract or option to purchase the project site, indicate:

**Project Area B (Lot 18)**

Date purchase/option contract signed: February 8, 2005
Closing/expiration date: May 16, 2005
Submit a copy of purchase/option contract(s): Attached hereto as **Exhibit 9B**

Owner of land upon completion of the Project: City Center Square Parking, LLC
B. Project Area C (City Center Square):

If the Applicant owns the project site, indicate:

**Project Area C (City Center Square)**

Date of purchase: December 12, 2003  Mortgage(s): Morgan Stanley
Balance of existing Mortgage(s): $44.5 million
Submit copies of promissory note(s), deed(s) of trust and deed(s) for each mortgage.

See copy of Missouri Special Warranty Deed attached hereto as **Exhibit 9C**
See copy of Deed of Trust and Security Agreement attached hereto as **Exhibit 9D**

If the Applicant will lease the project site, indicate:

Legal Name of Owner: Not applicable
Owner’s Address

10. **LAND ACQUISITION**

For each project area, please provide the following:

- A map showing all parcels to be acquired;
  
  See map attached hereto as **Exhibit 10A**

- Addresses of all parcels to be acquired:
  
  1106 Baltimore, Kansas City, MO (Lot 18, Block 29, Ashburn’s Addition)

- Current owners of all parcels to be acquired:

  Bank of America, N.A., as Trustee for the David L. Mitchell Trust

Is the use of eminent domain anticipated? Yes – leasehold interest
11. **TAX ABATEMENT**

For any property for which tax abatement is requested, please provide the following: **Not Applicable**

- Current or past tax abatement provided for the subject property:
- The purchase price of the land:
- Current assessed value of the land and improvements:
- Projected assessed value of the land and improvements upon completion of the project.

12. **PLEASE SUBMIT EVIDENCE OF COMPLIANCE TO THE AFFIRMATIVE ACTION POLICY FOUND UNDER TAB 4.**

Applicant is involved in discussions with Shelly Brown of City’s Human Relations Department and is conducting good faith efforts to comply with professional services and construction requirements.
LIST OF EXHIBITS

2A Legal Descriptions
2B Map indicating location and boundaries of Redevelopment Area
2C 3 1/2” diskette containing legal descriptions (original binder only)
4A Map showing boundaries of Project Areas
4B Map showing land use and zoning for each Project Area
4C Design plans for Garage & Skywalk
4D Blight Study
5A Development Budget for Garage (Project Area B)
5B Development Budget for City Center Square (Project Area C)
5C Operating proforma
5D Commitment letter from Bank
8A Tax Increment Financing Benefits Schedule
9A Deed (Project Area B – Lots 15-17)
9B Purchase Contract (Project Area B – Lot 18)
9C Deed (Project Area C – City Center Square)
10A Map of parcels to be acquired
EXHIBIT 2A
— Legal Description —

PROJECT AREA B GARAGE (former Italian Gardens):

Lots 15 – 17, Block 20, ASHBURN’S ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof.

PROJECT AREA B GARAGE (surface parking lot):

Lot 18, Block 20, ASHBURN’S ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof.

PROJECT AREA C (City Center Square):

Lots 1 thru 10, inclusive Block 19, ASHURNS ADDITION and Lots 1 thru 10, SMARTS PARTITION NO. 1, except part in streets and part of east one half Government Lot 1 of Northwest Quarter, Section 549 33 all DAF beginning at the intersection of the north line of 12th street and west line of Main St at a point 25.4 feet ± north of south line of said Quarter section thence along the west line of Main, deeded 267.79 feet ±, platted 267.85 feet to a point on a the south line of 11th Street, deeded 4 feet, platted 3 feet west of the northeast corner of Lot 1 SMARTS PARTITION NO. 1 thence west along the south line of 11th street, deeded 254.79 feet, platted 253.4 feet to the east line of Baltimore thence south along said east line 267 feet ± to the north line of 12th street thence east along said north line deeded 254.47 feet ±, platted 252.6 feet to the point of beginning and all vacated rights-of-way lying adjacent and contiguous thereto.
W/O ACCESS TO NORTH BLOCK

OPTION 3
1/13/05
3-062-00

Parking and Garage

Garage Court

Baltimore

NORTH

 Existing Building

 Tier

 Ground

 233 TOTAL SPACES

 8 HANDICAPPED SPACES

 185 FULL SIZE SPACES

 32 COMPACT SPACES

Parking and Garage

G131-6/32-00-11.10, BALTIMORE:6/32A101-001.dwg  FEB 21, 2005  8:08 A.M.
USER:rgimme
EXHIBIT 4D

CONSERVATION STUDY

Will be Supplemented when completed
CONSERVATION STUDY:
HOTEL PHILLIPS TAX INCREMENT
FINANCING (TIF) PLAN EXPANSION

PREPARED FOR:
TIME EQUITIES, INC.
55 FIFTH AVENUE, 15TH FLOOR
NEW YORK, NY 10003

PREPARED BY:

DEVELOPMENT INITIATIVES, INC.
100 EAST 7TH STREET, SUITE 104
KANSAS CITY, MISSOURI 64106
PHONE 816.916.3664
FAX 816.421.2622

PREPARED:

May 27, 2005
TABLE OF CONTENTS

Letter of Transmittal

TAB 1: Property Data
   Introduction
   Function of Study
   Purpose of Study
   Definition
   Site Description
   City Planning Provisions
   Previous Blight/Conservation Area Findings
   Conservation Analysis
   Conclusion

EXHIBITS

Exhibit A: Legal Description, Property Information
Exhibit B: Photo Log
Exhibit C: Certification, Assumptions and Limiting Conditions, Consultant Qualifications
Copyright Statement

This document was prepared for the intended use of City Center Square Parking, LLC and Lathrop & Gage for its redevelopment of certain real estate properties referenced within the report.

With the exception of the unlimited use by City Center Square Parking, LLC and Lathrop & Gage, no part of this document may be reproduced, duplicated, or transmitted by mechanical, digital or other means without permission in writing from Development Initiatives, Incorporated. Development Initiatives, Inc. retains all copyrights to the material located within this document and the material located herein is subjected to the U.S. Copyright Law found in the United States Code, Title 17, Chapter 1-13.
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The reported analyses, opinions, and conclusions contained herein are limited only by the reported assumptions and limiting conditions, and are Development Initiatives' unbiased professional analyses, opinions, and conclusions.

Information provided and utilized by various secondary sources is assumed to be accurate. Development Initiatives cannot guarantee information obtained from secondary sources. Such information and the results of its application within this analysis are subject to change without notice.

The nature of real estate development is unpredictable and often tumultuous. The natural course of residential development is difficult to predict and forecast. Development Initiatives deems our projections as reasonable considering the existing market and various obtained information. It should be understood that fluctuations in local, regional and/or national economies could have substantial effects on the particular findings and recommendations contained within this document.
May 6, 2005

Mr. Phillip Gesue
Time Equities, Inc.
55 Fifth Avenue, 15th Floor
New York, NY 10003

Subject: Conservation Analysis, Hotel Phillips Tax Increment Financing Plan Expansion

Dear Mr. Gesue:

We are pleased to transmit the attached Conservation Study Report that has been prepared for the above referenced Plan. The purpose of this Report is to provide evidence to the Tax Increment Financing Commission (TIF Commission) of the existence of conservation area conditions affecting the Hotel Phillips TIF Plan.

As determined in the following study, it is our opinion that conditions exist within the Redevelopment Area which support the existence of an expanded Conversation Area for the Hotel Phillips TIF Plan.

We have concluded these facts based on the current condition of the redevelopment area, general access and visibility of the area, existing conditions of improvements located within the redevelopment area, current condition of building infrastructure in the area, and the potential redevelopment opportunities existing for the site as of this report’s effective date of May 27, 2005. Please feel free to contact me if you have any questions or comments.

Sincerely,

James Potter, AICP
Development Initiatives, Inc.
Introduction

The purpose of this analysis is to investigate and determine whether "Conservation Area" conditions exist within the Redevelopment Area according to Section 99.805 of the Revised Statutes of Missouri, "Missouri Statutes". Development Initiatives was retained to perform this Conservation Study in order to determine if the Redevelopment Area qualifies as a Conservation Area for the proposed Expanded Hotel Phillips Tax Increment Financing (TIF) Plan. The proposed expanded area is located in Jackson County, 2nd City Council District of Kansas City, Missouri, and consists of approximately 1.9 acres. Legal descriptions of all property tracts within the Redevelopment Area are included in Exhibit A: Legal Description.

Presently, the Redevelopment Area consists of several improvements, primarily including commercial/office buildings, hotel lodging facility, a vacant retail buildings and a surface parking lot.

Function of Study

This study has been prepared for use in conjunction with an application for tax increment financing pursuant to Missouri Statutes Chapter 99.

Purpose of Study

The purpose of this Conservation Study is to determine whether conditions exist within the redevelopment area to qualify the added area as a Conservation Area within the meaning of Section 99.805 (3).

Effective Date of Report

The effective date of this blight study is May 27, 2005. Unless otherwise stated, all factors pertinent to a determination of blight were considered as of that date.
Definition:

In determining whether the defined Redevelopment Area can be declared a "Conservation Area", we first must define the term. For the purposes of this study, the definition found in Section 99.805 (3) of the Missouri Statutes, is utilized. This section provides that "Conservation Area" shall mean:

"Any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area but is detrimental to the public health, safety, morals or welfare and may become blighted because of any one or more of the following factors: Dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning. A Conservation Area shall meet at least three of the factors provided in this subdivision for projects approved on or after December 23, 1997."

Site Description

Location

As previously mentioned, the Redevelopment Area is located within the Central Business District of Kansas City, Missouri. The Redevelopment Area is generally bound by Main Street on the east, 12th Street on the south, the alleyway running north/south between Wyandotte and Baltimore on the west, and 11th Street on the north.

Within the Redevelopment Area, there are five (5) property parcels with three (3) ownership interests.

<table>
<thead>
<tr>
<th>Tract</th>
<th>ID #</th>
<th>Address</th>
<th>Owner</th>
<th>Size (sq. ft.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JA29229460600000000</td>
<td>106 West 12th Street</td>
<td>Resort Missouri LLC</td>
<td>9,965</td>
</tr>
<tr>
<td></td>
<td>JA29220460700000000</td>
<td>1114 Baltimore</td>
<td>Resort Missouri LLC</td>
<td>3,507</td>
</tr>
<tr>
<td>2</td>
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<td>1108 Baltimore</td>
<td>City Center Square Parking, LLC</td>
<td>10,517</td>
</tr>
<tr>
<td></td>
<td>JA29220460900000000</td>
<td>1106 Baltimore</td>
<td>Bank of America-Trustee</td>
<td>3,500</td>
</tr>
<tr>
<td>3</td>
<td>JA29220470300000000</td>
<td>1101 Baltimore</td>
<td>City Center Square Equities, LLC</td>
<td>67,299</td>
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<td>JA29220460900000000</td>
<td>1106 Baltimore</td>
<td>Bank of America-Trustee</td>
<td>3,500</td>
</tr>
<tr>
<td>5</td>
<td>JA29220470300000000</td>
<td>1101 Baltimore</td>
<td>City Center Square Equities, LLC</td>
<td>67,299</td>
</tr>
</tbody>
</table>

Data provided by the City of Kansas City, Missouri and the Jackson County Assessors Department.

Legal Description of the entire Redevelopment Area is included in Exhibit A-Legal Descriptions.
Proposed Hotel Phillips TIF Expansion
Property Ownership
Topography
The topography of the Redevelopment Area slopes significantly from the west to the east. The majority of the site is comprised of improved property and public streets/right-of-way.

Zoning
The existing zoning classification for all parcels within Redevelopment Area includes:

District C-4 is designed primarily for the most intensive commercial activities and is centrally located with respect to the metropolitan area. The district permits buildings of greater heights and is characterized by its high concentration of business, financial and governmental institutions, and offices serving the metropolitan and adjoining trade area.

Utilities
The Redevelopment Area contains all utilities necessary as anticipated in normal central business district functions. However, there are scattered locations within the Area which are in need of and require updating in order to fully support redevelopment of the Area.

Easements/Encroachments
Within the Redevelopment Area there are not unusual set back lines other than minor encroachment (i.e., building overhangs, awnings, signage, etc.) into the sidewalk areas surrounding various improvements. Additionally, standard utility easements exist throughout the Redevelopment Area, as well as a Preservation Easement for the Hotel Phillips.

The Preservation Easement (Easement) for the hotel was granted to the Landmarks Historic Trust Corporation (LHTC). By granting the easement the property owner surrendered the right to make unrestricted alterations to the exterior of the building. The Easement is an additional layer of design review to be administered in conjunction with the Landmarks Commission review and involves the exterior repairs and renovations for the hotel. In
conjunction with approvals for exterior renovations, any action must receive a "Certificate of Appropriateness" through a public hearing process prior to the issuance of building permits.

Existing Improvement Description

Hotel Phillips

The Hotel Phillips was designed in the late 1920's by the Kansas City architectural firm of Boillot & Lauck. The hotel was originally built under the name of the Glennon Hotel but was later recognized as the Phillips House Hotel. Construction of the hotel was completed in 1931. The hotel land site measures approximately 9,965 square feet with approximately 184,300 square feet of building area. The twenty-story portion of the Hotel Phillips is approximately 228 feet high and was once considered to be the tallest structure in Kansas City. In addition to the original 20-story tower, the site includes an adjacent three-story building used for administrative and meeting areas (Morledge Building), as well as the nine-story New Yorker suites containing one-bedroom suites and service functions. The Hotel Phillips has an address of 106 W. 12th Street, the Morledge building, 1116 Baltimore and the New Yorker Suites, 1114 Baltimore Avenue.

The 20-story Hotel Phillips tower is a combination of reinforced concrete frame construction with common bond pressed brick and buff colored terracotta tiles. The hotel was designed in the Jacobethan style and because of its architectural and cultural significance; it has been recognized by the State as a Local Landmark and by the United States Department of Interior as a Historical Structure in the National Register of Historic Places.

Given the zoning requirements for the Central Business District, the hotel is not required to provide guest or employee parking. The Board of Zoning Adjustment granted a variance in 1994, modifying the parking requirements for the New Yorker Suites, as a result

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pumping is no longer required or provided. Neither the Hotel Phillips nor the New Yorker Suites have any onsite parking.

Construct in 1915, the Morledge Building was used as a sea food company and restaurant until 1921. In 1940, the roof was extended and the building was connected to the Hotel Phillips.

The New York Suites, constructed in 1915, originally contained 100 rooms. In 1947 it was extensively remodeled and the name was changed from the Hotel Bray to the New Yorker Inn. At this time a cocktail lounge and restaurant were added. In 1984-86 the vacant building was remodeled into 32 apartments. Presently the building is utilized for long term lodging, employee lodging and meeting rooms for the Hotel Phillips.

Italian Gardens/Ciao’s Lounge.
Founded in 1925, the former Italian Gardens Restaurant and Ciao’s Lounge have been vacant since December of 2003. A family-owned restaurant for five generations, the Italian Gardens served many of the city’s prominent people as well as nationally known entertainers. The restaurant land site measures approximately 10,517 square feet with approximately 10,500 square feet of building area. Originally constructed in 1921, the building is a one-story brick and natural stone commercial facility with basement. Historically, the building on the site has been occupied by a cigar store, ladies clothing store and restaurants.

Parking Lot/1106 Baltimore
There is a surface parking lot at 1106 Baltimore that provides 11 parking spaces for public use at rates standard for such lots in the downtown area. The lot is approximately 3,550 square feet.
City Center Square
Located at 1100 Main Street, City Center Square was constructed between 1974 and 1976 and designed by the architecture firm Skidmore, Owings & Merrill. The 30-story complex comprised of 28 levels of office space and 2 levels of retail/office. Land area for the site is approximately 1.56 acres. Gross building area is approximately 750,284 square feet and the facility contains approximately 648,347 square feet of net rentable area. A total of fifteen elevators (twelve passenger, 2 parking garage, 1 service) serve floor plates averaging between 21,000 and 26,000 square feet. Parking for the facility is provided by 324 spaces in a two-level underground garage beneath the building.

Office properties are generally classified into one of three categories: Classes A, B, and C. Class is measured by evaluating a building’s age, location, quality of finishes, building systems, amenities, lease rates, and tenant profile. These categories are defined as follows:

Class A – Investment grade, buildings which are most desirable, featuring high-grade finishes and amenities, which offer status to the businesses within.

Class B – Regarded as modern, although not necessarily new, these facilities are recently renovated to modern standards. Good locations, reasonably high occupancy levels, and competitive rental rates are characteristics of this class.

Class C – The lowest quality office space available in a market. These buildings are generally old, but are in fair condition with rental rates the lowest in the market.

City Center Square represents a modern office building which should adequately compete with older and lower quality Class A office properties. As originally constructed, City Center Square contains only 324 parking spaces, indicating a parking ratio of .5 spaces per 1,000 square feet of rentable area. Many comparable Central Business District Class
A Buildings feature parking ratios ranging from 1.4 to 2.6 spaces per 1,000 square feet of rentable area. Current zoning regulations (C-4) require no off street parking spaces for office use. This inadequate off-street parking design results in the property’s inability to effectively compete with buildings of similar age and condition, creating functional obsolescence that impacts the property.
<table>
<thead>
<tr>
<th>Building</th>
<th>Year Built</th>
<th>Approx. Square Footage</th>
<th># of parking spaces</th>
<th>Parking ratio per 1,000 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>NationsBank</td>
<td>1968</td>
<td>286,375</td>
<td>755</td>
<td>2.64</td>
</tr>
<tr>
<td>Mercantile</td>
<td>1974</td>
<td>228,1000</td>
<td>575</td>
<td>2.52</td>
</tr>
<tr>
<td>One KC Place</td>
<td>1987</td>
<td>782,643</td>
<td>1,200</td>
<td>1.53</td>
</tr>
<tr>
<td>Town Pavilion</td>
<td>1988</td>
<td>925,000</td>
<td>2,000</td>
<td>2.16</td>
</tr>
<tr>
<td>12 Wyandotte</td>
<td>1985</td>
<td>306,025</td>
<td>426</td>
<td>1.39</td>
</tr>
<tr>
<td>Ten Petticoat</td>
<td>1989</td>
<td>119,753</td>
<td>200</td>
<td>1.67</td>
</tr>
<tr>
<td>City Center Square</td>
<td>1976</td>
<td>640,000</td>
<td>324</td>
<td>0.5</td>
</tr>
</tbody>
</table>

As of the effective date of this report, the facility is 78 percent occupied. However, approximately 33.27% of the net rentable square feet within the facility is scheduled to expire in the year 2006. Depending upon parking requirements, it is anticipated that a significant portion of the current tenants will not extend their lease terms. Since 2000 the facility is averaging 76.6% occupancy.

### Historical Occupancy – City Center Square

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupancy (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>86</td>
</tr>
<tr>
<td>2001</td>
<td>74</td>
</tr>
<tr>
<td>2002</td>
<td>72</td>
</tr>
<tr>
<td>2003</td>
<td>73</td>
</tr>
<tr>
<td>2004</td>
<td>78</td>
</tr>
<tr>
<td>2005 YTD</td>
<td>78</td>
</tr>
</tbody>
</table>

*provided by City Center Square Management

City Center Square is located in the metropolitan Kansas City office market and is impacted by overall market conditions. The overall Kansas City Metropolitan office market contains approximately 71 million square feet in 8 submarkets, of which approximately 18.7 million square feet is located within the Central Business District or the Downtown office sub-market. This submarket is defined as the area bounded by the Missouri River on the north, Bruce Watkins-71 Highway on the east, 31st Street to the south and Interstate 35 (I-35) to the west. As of the 4th Quarter of 2004, overall vacancy for the Downtown market was 17.6% and projected to increase to 24.8% by the first
quarter of 2005.\textsuperscript{2} According to vacancy rates, City Center Square vacancies are well below that of the overall downtown office market.

City Planning Provisions

Downtown Corridor Development Strategy (DCDS) aka “Sasaki Plan”, prepared for the Civic Council of Greater Kansas City and dated May, 2001, was completed to create confidence and certainty for future investment. The plan identifies future development opportunities, open space amenities, exciting new destinations, and the connections between these places. It also identifies policies and strategies that must be set in motion to accomplish these goals. Recommendations from the DCDS were merged into the Downtown Land Use and Development Plan.

Downtown Land Use and Development Plan (Plan)

Approved by Resolution 030165 on March 27, 2003, the Plan identifies two streets within the Redevelopment Area as “priority streets”, these being 12\textsuperscript{th} Street and Main Street. The Plan additionally identifies the streets as being Pedestrian Priority Streets, emphasizing the importance of moving east-west and north-south traffic through downtown. Additionally, the Plan identifies the intersection of 12\textsuperscript{th} & Main as the “100 Percent Corner”, maximizing future retail opportunities in this area and providing an active connection linking the remainder of downtown. The Plan identifies future land use within the Redevelopment Area as being Office/Mixed Use, Retail/Mixed Use and Hotel. As of the issuance of this document, the Plan was being updated to better reflect the ongoing development throughout the downtown core.

Previous Blight/Conversation Area Findings

The Redevelopment Area is located within an area which has previously been declared blighted by the City Council either as a whole or in part. These incentive areas include;

\begin{itemize}
\item Central Business District Urban Renewal Area. Approved by the City of Kansas City, Missouri on March 31, 1967, the Central Business District Urban Renewal
\end{itemize}

\textsuperscript{2} CB Richard Ellis, US Office Vacancy Index, First Quarter 2005
Area encompasses the entire downtown Kansas City, Central Business District. Over the history of the area, numerous modifications and revisions have been approved by both the Land Clearance for Redevelopment Authority (LCRA) and the Kansas City, City Council.

- Hotel Phillips Tax Increment Financing Area. Approved by the Tax Increment Financing Commission on March 8, 2000 and by the Kansas City, City Council on March 6, 2000 by Ordinance No.: 000382. The Plan reposed to restore, renovate and improve the historic Hotel Phillips.

- Downtown Loop PIEA. Approved by the Planned Industrial Expansion Authority (PIEA) on July 5th, 2003 and amended in February 2004, portions of the area (Tract 5, City Center Square, 1101 Baltimore & 1100 Main) were found to be blighted per Section 100.310 (2) of the Revised Statutes of Missouri. The City Council of Kansas City, Missouri subsequently found the area blighted per the PIEA Plan.
Conservation Analysis

This section discusses the potential factors and conditions illustrating how the Redevelopment Area suffers from the conditions present to qualify the Redevelopment Area as a "Conservation Area".

Definition

As previously mentioned, for the purposes of this study, the definition found in Section 99.805 (3) of the Missouri Statutes, is utilized. This section provides that "Conservation Area" shall mean:

"Any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent of more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area but is detrimental to the public health, safety, morals or welfare and may become blighted because of any one or more of the following factors: Dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning. A Conservation Area shall meet at least three of the factors provided in this subdivision for projects approved on or after December 23, 1997."
Criteria
As outlined above, a Conservation Area is any improved area within the boundaries of a Redevelopment Area located within the territorial limits of a municipality in which fifty percent (50%) or more of the structures in the area have an age of thirty-five years or more. As the table below indicates, more than fifty percent of the structures within the Redevelopment Area have an age of thirty-five years or more.

<table>
<thead>
<tr>
<th>Structure</th>
<th>Year Built</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Phillips</td>
<td>1931</td>
<td>74</td>
</tr>
<tr>
<td>Former Morledge Sea Food Co. Building</td>
<td>1915</td>
<td>90</td>
</tr>
<tr>
<td>New Yorker Suites</td>
<td>1915</td>
<td>90</td>
</tr>
<tr>
<td>Italian Gardens</td>
<td>1921</td>
<td>84</td>
</tr>
<tr>
<td>City Center Square</td>
<td>1974-76</td>
<td>29</td>
</tr>
<tr>
<td>Average Age</td>
<td></td>
<td>73</td>
</tr>
<tr>
<td>Median Age</td>
<td></td>
<td>84</td>
</tr>
</tbody>
</table>

The Conservation Area classification is intended to preempt the deterioration of an area into a "blighted" area. Such an area is not yet a blighted area but conditions are potentially detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any three or more of the following factors:

1. Dilapidation;
2. Obsolescence;
3. Deterioration;
4. Illegal use of individual structures;
5. Presence of structures below minimum code standards;
6. Abandonment;
7. Excessive vacancies;
8. Overcrowding of structures and community facilities;
9. Lack of ventilation, light, or sanitary facilities;
10. Inadequate utilities, excessive land coverage;
11. Excessive land coverage;
12. Deleterious land use or layout;
13. Depreciation of physical maintenance; and

1. **Dilapidation:** Almost every structure in the Redevelopment Area exceeds the 35 year statutory threshold of age, and most structures have surpassed their typical building life expectancy. However, several structures within the Redevelopment Area have undergone rehabilitation, to some extent, which has effectively extended this life expectancy.

Since December 2003, the former Italian Gardens facility has been vacant. Portions of the facility have been salvaged. In its current state, the facility is in poor condition; mechanical, electrical and HVAC systems appear to have been out of use and in some cases dismantled. The facility would require substantial rehabilitation for reuse.

2. **Obsolescence:** The primary factor contributing to obsolescence is parking. As previously indicated, City Center Square contains only 324 parking spaces, indicating a parking ratio of .5 spaces per 1,000 square feet of rentable area. As discussed, many comparable Central Business District buildings feature parking ratios ranging from 1.4 to 2.6 spaces per 1,000 square feet of rentable area. Industry standards for recommended parking requirements for office buildings typically stipulate three spaces per 1,000 square feet of rentable floor area. Current zoning regulations (C-4) require no off street parking space. This inadequate off-street parking design results in the property’s inability to effectively compete with buildings of similar age and condition, creating functional obsolescence that impacts the property.
Similarly, the Hotel Phillips lacks adequate parking for its facility. Presently, the hotel has zero (0) parking spaces within its facility. The hotel leases valet parking spaces in a nearby parking garage.

3. **Deterioration:** As improvements within the Redevelopment Area continue to age, maintenance expenses continue to escalate and standard building infrastructure continues to decline. This includes:
   - Curable and incurable physical deterioration.
   - Functionally obsolete building systems (such as plumbing, electrical and HVAC) existing within certain improvements.
   - Lack of adequate parking throughout the Area.
   - General escalating expense of maintaining outdated building systems.
   - Lower competitive nature of the facilities due to deteriorated conditions.

Please refer to Photo Log for illustrations of various deteriorating factors.

4. **Illegal Use of individual structures:** At the present time, the use of all buildings within the Redevelopment Area complies with all applicable laws and ordinances.

5. **Presence of structures below minimum code standards:** The construction design and standards of improvements within the Redevelopment Area predate the current building code of Kansas City, Missouri. While improvements were constructed pursuant to the Uniform Building Code (Code) applicable at the time, due to their age and subsequent changes in the Code, many of the structures no longer meet “current” code requirements.

6. **Abandonment:** A substantial majority of structures within the Redevelopment Area are currently occupied, although well below full occupancy. However,
the former Italian Gardens facility is currently vacant and has been so since December of 2003.

Additionally, as previously mentioned, City Center Square is currently at 78% occupancy as of the issuance of this report. This figure is projected to change with 33% of the building leases expiring in 2006.

7. **Excessive vacancies:** Once again, City Center Square is currently at 78% occupancy as of the issuance of this report. This occupancy rate is well below the general downtown occupancy rate of 17.6%. This figure is projected to change with 33% of the building leases expiring in 2006.

8. **Overcrowding of structures and community facilities:** The Redevelopment Area does not appear to suffer of be threatened by overcrowding of structures or community facilities.

9. **Lack of ventilation, light, or sanitary facilities:** Due to the age of the improvements within the Redevelopment Area there is a probable presence of materials which could be environmentally hazardous in nature. These materials potentially could include: underground storage tanks, asbestos, lead-based paint. A Phase I Environmental Assessment completed for the Italian Gardens facility identified a significant amount of suspect asbestos containing material as well as a potential vent pipe for a underground storage tank.

10. **Inadequate utilities:** Generally, the Redevelopment Area is supplied with water sewer service, electricity and natural gas, as well as the availability of trash/refuse hauling.
11. **Excessive land coverage:** The Redevelopment Area does not appear to suffer or be threatened by excessive land coverage.

12. **Deleterious land use or layout:** Land use within the Redevelopment Area and the layout of improvements within the Area does not appear to significantly hamper the purpose of improvements within the Area.

13. **Depreciation of physical maintenance:** As improvements within the Redevelopment Area continue to age, the cost of maintaining an acceptable standard of condition and occupancy increases, while income rental potential may remain flat or decrease, thus representing a "wasting" asset with limited remaining economic life. (See Photo Log)

14. **Lack of community planning:** The City of Kansas City, Missouri has recognized the needs of the downtown area. The Redevelopment Area resides in a location which is at the center of activity for the continued redevelopment of Downtown Kansas City. The Redevelopment Area, in its current condition, represents an underutilization of valuable downtown real estate pursuant to the current downtown redevelopment activities and overall community planning.
Conclusion

In order to adequately conclude that an area is defined as a "Conservation Area" two or more issues must be met. These include:

♦ 50% or more of the structures within the Redevelopment Area have an age of 35 years or more; and
♦ The presence of three or more factors indicating the potential for blight.

The Redevelopment Area consists of structures of which 50% or more are well over 35 years of age. Additionally, structures within the Redevelopment Area exhibit substantial deterioration, obsolescence, presence of structures below the minimum code standards, abandonment, excessive vacancy, lack of sanitary facilities, and depreciation of physical maintenance.

Furthermore, the Redevelopment Area resides within an area known as the Central Business District, and within an area which has previously been declared a blighted or conservation area by a series of ordinances passed by either the TIF Commission, Land Clearance for Redevelopment Authority (LCRA), or City Council.

Therefore, the Redevelopment Area clearly falls within the statutory definition of a Conservation Area. The preceding analysis concludes that the Redevelopment Area, as a whole, meets the definition of a "Conservation Area" as defined by the Missouri Tax Increment Financing (TIF) Statute, Section 99.805 (3) R.S. Mo.
Exhibit A: Legal Descriptions

Proposed Hotel Phillips TIF Expansion
Property Ownership
The following legal descriptions contain all property within the boundaries of the Redevelopment Area.

Tract 1

106 W 12th Street/Ashburns Addition, Lots 11, 12 & 13, Block 20

Tract 2

1114 Baltimore/Lot 14, Block 20, Ashburns Addition

Tract 3

1108-12 Baltimore/Ashburns Addition, Lots 15, 16 & 17, Block 20

Tract 4

1106 Baltimore/Lot 18, Block 20, Ashburns Addition

Tract 5

1100 Main & 1101 Baltimore, Lots 1 thru 10, inclusive Block 19, ASHBURNS ADDITION and Lots 1 thru 10, SMARTS PARTITION NO. 1, except part in streets and part of east one half Government Lot 1 of Northwest Quarter, Section 5 49 33 all DAF beginning at the intersection of the north line of 12th street and west line of Main St at a point 25.4 feet ± north of south line of said Quarter section thence along the west line of Main, deeded 267.79 feet ±, platted 267.85 feet to a point on a the south line of 11th Street, deeded 4 feet, platted 3 feet west of the northeast corner of Lot 1 SMARTS PARTITION NO. 1 thence west along the south line of 11th street, deeded 254.79 feet, platted 253.4 feet to the east line of Baltimore thence south along said east line 267 feet ± to the north line of 12th street thence east along said north line deed 254.47 feet ±, platted 252.6 feet to the point of beginning and all vacated rights-of-way lying adjacent and contiguous thereto.
Exhibit B: Photo Log

The following photograph log presents a review of the property tracts within the proposed Redevelopment Area. The photo log generally shows property condition, infrastructure condition, and surrounding adjacent property is also included. All photos were taken between May 9, 2005 and May 18, 2005.
From left to right, Tracks 1, 2, 3 & 4. Hotel Phillips to left behind New Yorker Suites.

View south along Baltimore.
View east, Tract 4. City Center Square in the background.

View south along alley behind Italian Gardens.
Tract 5, 1101 Baltimore, City Center Square. View from the southeast corner of 12th & Main.

View of the eastern facade of City Center Square.
Interior view of the former Indian Gardens facility.

Kitchen area.
View of suspected asbestos containing pipe insulation located in the basement.

Deceased rat located in basement.
Dead bat located in basement.

Possible lead-based paint located in the basement.
Storage area.

Bar area in the former Clara's Lounge.
Storage area.

Basement, abandoned mechanical equipment.
Graffiti located on insolation on the north side of Italian Gardens.

Possible underground storage tank vault located at the former Italian Gardens facility.
Southwest lobby of City Center Square

Main Street lobby in City Center Square
Historical photo of the New Yorker Suites, formerly the Hotel 88AY. Date of photo unknown.
Tract 1, Hotel Phillips, 106 West 12th Street. Southern façade. Photo looking east.

Eastern façade of Hotel Phillips. View to south.
From left to right, Tracts 1, 2, 3 & 4. Hotel Phillips to left behind New Yorker Suites.

View south along Baltimore.
Tract 3, Italian Gardens building, 1108 Baltimore.

Former Italian Gardens facility.

Former Italian Gardens facility.
View east, Tract 4. City Center Square in the background.

View south along alley behind Italian Gardens.
Tract 5, 1101 Baltimore, City Center Square. View from the southeast corner of 12th & Main.

View of the eastern façade of City Center Square.
Interior view of the former Italian Gardens facility.

Kitchen area.
View of suspected asbestos containing pipe insulation located in the basement.

Deceased rat located in basement.
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Possible lead based paint located in the basement.
Storage area.

Bar area in the former Ciao's Lounge.
Storage area.

Basement, abandoned mechanical equipment.
Graffiti located on insulation on the north side of Italian Gardens.

Possible underground storage tank vent located at the former Italian Gardens facility.
Historical photo of the New Yorker Suites, formerly the Hotel BRAY. Date of photo unknown.
Exhibit C: Certification

I certify that, to the best of my knowledge and belief...

1. The Statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

6. Jim Potter, AICP has made a personal inspection of the property that is the subject of this report on May 10, 2005.

7. This study is not based on a requested result or a specific conclusion.

8. I have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.

James Potter, AICP
Development Initiatives, Inc.
Exhibit D: Assumptions and Limiting Conditions

This Conservation Study is subject to the following limited conditions and assumptions:

1. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are Development Initiatives’ unbiased professional analyses, opinions, and conclusions.

2. Information provided and utilized by various secondary sources is assumed to be accurate. Development Initiatives cannot guarantee information obtained from secondary sources.

3. The nature of real estate development is an unpredictable and often tumultuous. In particular, the natural course of development is difficult to predict and forecast. Development Initiatives deems our projections as reasonable considering the current and obtained information.

4. Development Initiatives has considered and analyzed the existing conditions concerning the subject property within the redevelopment area. We have considered these existing conditions while making our analysis and conclusions. However, it should be understood that conditions are subject to change without warning, and potential changes could substantially effect our recommendations.

5. Our analyses, opinions and conclusions were prepared in conformance with the Code of Professional Ethics and Standards of the American Institute of Certified Planners.
Exhibit D: Qualifications
DEVELOPMENT INITIATIVES

CONSULTING IN REAL ESTATE, ECONOMIC DEVELOPMENT AND URBAN PLANNING ISSUES

DEVELOPMENT INITIATIVES INC.

100 East 7th Street • Suite 104
Kansas City, Missouri • 64106

PHONE: 816.421.2622

FAX: 816.421.2622

WEB: www.di-kc.com
PHILOSOPHY

Development Initiatives (DI) is a collaboration of professionals whose experience and education provides a holistic approach to the planning and development process.

Our Philosophy is to maintain and improve the quality of life in the built environment by providing the highest quality service to our clients and partners.

Collectively, DI offers a myriad of services ranging from urban planning to real estate development to economic development.

With clientele ranging from rural communities to international corporations to large metropolitan cities, DI provides personal service to meet each and every client’s needs.

ACCREDITATION

We are accredited with the American Institute of Certified Planners and are active members of the American Planning Association and Urban Land Institute. Additionally, we are associate members of the following organizations: Certified Commercial Investment Member (CCIM), SIOR, and Missouri Economic Development Financing Association (MEDFA).

Development Initiatives is a certified planning and development consultant with the Kansas Department of Commerce and Housing, and the Neighborhood Reinvestment Corporation (NRC).

DEVELOPMENT INITIATIVES FUNDAMENTAL APPROACH TO PLANNING IS BASED ON:

- Fairness: Create a fair process for plan making in which all affected by the plan have an opportunity to influence its content.
- Community Involvement: Maximize community participation throughout all stages of the planning process.
- Consensus Building: Identify common issues facing the community and help forge consensus solutions.
- Vision: While considering existing concerns, look beyond immediate concerns to the needs of the future.
- Technical Competence: The cornerstone of our success is based on our technical and analytical capabilities.
REAL ESTATE
- Site Selection
- Property Inspections
- Constraints Analysis/Massing
- Development Marketing
- Cost Estimates and Budgeting
- Financial Feasibility Analysis
- Cash Flow Modeling
- Jurisdictional Analysis
- Marketing Program Development

Strategy and Plan
- Land Planning and Zoning Issues
- Market Feasibility Studies
- Real Estate Development Strategies
- Incentive Analysis
- Operating Pro Forma
- Loan Packaging

ECONOMIC DEVELOPMENT
- Economic Incentive Analysis
- Incentive Procurement
- Economic Impact Analysis
- Blight Analysis
- But For Analysis

URBAN PLANNING
- Downtown Revitalization Strategies
- Neighborhood & Community Planning
- Comprehensive & Strategic Planning

OTHER
- Geographic Information Systems (GIS) Analysis
- Community Consensus Building
- Community Improvement
- District formation
ECONOMIC DEVELOPMENT

Federal Reserve Relocation
The Federal Reserve Bank of Kansas City, Missouri undertook a year-long site selection process to locate its new $200 Million campus. The project undertook extensive site analysis to locate the Federal Reserve on a 15-acre site located in Downtown Kansas City.

HOK Sport + Venue + Event
The world leader in their field, HOK Sports will be relocating to a new 3-story structure at 4th & Wyandotte, former home of the “Old Chelsea Theatre”. This building will have 180,000 sq. ft. of office space. Street level should be occupied by retail and restaurants.

Butler Manufacturing Company
Butler Manufacturing Company has built a 140,000-sq.-ft. headquarters in the West Bottoms of Kansas City. The Butler relocation will involve over 500 Butler employees worth an annual payroll of $30 million.

URBAN PLANNING

MODESA
This legislation will provide new state and local revenue at a time when an economic stimulus is sorely needed. The “major initiatives” will create new revenue generated in the form of Missouri sales tax of 1.5%.

SOLO Downtown District
SOLO is proposed as a proactive, focused area for mixed-use redevelopment on the southwest side of Kansas City’s central business district. The project will dramatically transform this portion of the city’s central business district, which is currently blighted with derelict buildings and unattractive surface parking lots. This area provides a unique opportunity for a federal-city-state-private partnership to encourage new housing, retail, office and other entertainment oriented development.

Downtown Housing Initiative
The goal of the River Crown Plaza Housing Initiative is the goal of 10,000 additional housing units, both new and rehab, in this area in the next 10 years. More immediate goals are 1,700 additional units in 2 years and 4,800 in 5 years.

REAL ESTATE

5 Delaware Condominiums
This 13 unit urban infill new construction project is currently under development. The project located at the dynamic corner of 5th and Delaware is one block from historic City Market, Heritage Trail, and other uniquely urban amenities.

Midtown Market Place
Development coordination for the $70+ Million Midtown Market Place re-development project. Coordination with the developer, City and community to expedite development. Development assistance ranged from bond financing management to zoning assistance to contractor oversight.

Cohen-Esrey Housing Partners
Completion of senior market analysis for the development of a 24 unit senior rental complex in the City of Cheney, Kansas.

Lake Ozark City Hall, Lake Ozark, MO Designed and developed for the City of Lake Ozark, Missouri. The facility is 7,500 s.f. one story building. The project was completed on time and under budget.
JAMES C. POTTER
Development Initiatives
100 East 7th Street, Suite 104
Kansas City, MO 64106
(816) 916-3664
(816) 421-2622 fax
jpotter@di-kc.com

WORK EXPERIENCE

Principal, Development Initiatives, Inc., November 1999 to Present
Manage and participate in a full service urban planning and real estate development-consulting firm. General administration and project/business development. Services include:
- Comprehensive planning, redevelopment strategies, housing, real estate development, marketing, and economic development consulting
- Produce planning documents including comprehensive plans, redevelopment plans, targeted area plans
- Utilization of current technology in plan production including digital imagery, database development and geographic information systems

DEVELOPMENT INITIATIVES PROJECT SUMMARY
- Senior Housing Site Selection/pre-development, Housing Development Group, LLC, KCMO
- Senior Low Income Housing Tax Credit (LIHTC) Analysis, KAW Valley Assisted Development, KCMO
- Project Management, Condominium Development & Construction, Market View Properties, LLC, KCMO
- Development Consulting, West Plaza Properties (Neighborhood Preservation Tax Credit Analysis), KCMO
- Senior Low Income Housing Tax Credit (LIHTC) Analysis, Eby Group, Bonner Springs, KS
- Condominium Market Analysis, Blue Hills Community Services Corp., KCMO
- Senior Low Income Housing Tax Credit (LIHTC) Analysis, Eby Group, Liberty, MO
- Blight Analysis and Redevelopment Plan (PIEA), Valentine/Broadway, KCMO
- Blight Analysis and ReDevelopment Plan (PIEA), Washington 23, KCMO
- Blight Analysis and ReDevelopment Plan (PIEA), Boulevard Brewing Company, KCMO
- Economic Impact Analysis, 4646 Broadway, LLC, KCMO
- Strategic Business Planning, Mid-Central Community Action, Bloomington, Illinois
- Residential Development Consulting, Zona Rosa, Steiner + Associates, Columbus, OH
- Blight Analysis (TIF), Ozark Diversified Developers, Branson, MO
- Blight Analysis (TIF), Mccown Gordon Construction, KCMO
- Blight Analysis and ReDevelopment Plan (PIEA), Levitt Enterprises, KCMO
- Blight Analysis and Redevelopment Plan (PIEA), Time Equities, NY, NY
- Blight Analysis and Redevelopment Plan (PIEA), Urban Coeur Development, KCMO
- Blight Analysis (TIF), Hospitality Management Assoc., Lincoln, NE

Copyright 2005, DI
Work Experience Continued

- Blight Analysis (TIF), Husch & Eppenberger, LLC, Kansas City, MO
- Blight Analysis and Redevelopment Plan (PIEa), Kansas City Neighborhood Alliance, Kansas City, MO
- Condominium Market Analysis, Kimberly-Clark Corporation
- Affordable Multi-family Market Analysis, Eby Group/EBCO Construction
- Multi-family Market Analysis, Northlands Neighborhoods, Inc., KC MO
- Blight Analysis (TIF), King Hersh, Attorneys at Law, KC MO
- Blight Analysis (TIF), Lathrop & Gage, Attorneys at Law, KC MO
- Affordable Multi-family Market Analysis, Cohen-Esrey Housing Partners, KC MO
- Blight Analysis (TIF), Polsinelli Shalton Welte, Attorneys at Law, Kansas City, MO
- Blight Analysis and Redevelopment Plan (PIEa), Compass Environmental, Chicago, Illinois
- Blight Analysis (TIF), DST Realty, Kansas City, MO
- Blight Analysis and Redevelopment Plan (PIEa) MCZ Centrum, Chicago, Illinois
- Blight Analysis and Redevelopment Plan (PIEa) Union Hill Development, KC MO
- Strategic Business Plan, Neighborhoods, Inc., Lincoln, Nebraska
- Pre-development activities, 8-unit condominium development, Kansas City, Missouri
- Senior Residential Market Analysis, Cheney/Wichita Market Area, Cohen-Esrey Housing Partners, Kansas City, Missouri
- Multi-family Market Analysis, Topeka, Kansas, Botwin & Company
- Development Assistance, Lenge Family LLP
- Blight Study and Analysis (TIF), Grain Valley, Missouri, Ward Development Company
- Market Feasibility Study, Fairbury, Nebraska, Historic Rehab/Affordable Housing, Cohen-Esrey Housing Partners, Kansas City, Missouri
- Market Feasibility Study, Weston, Missouri, Historic Rehab/Affordable Housing, Cohen-Esrey Housing Partners, Kansas City, Missouri
- Comprehensive Plan, City of Herington, Kansas
- Residential Housing Plan, City of Burlingame, Kansas
- Condominium Market Overview, Lioness Realty Group, Inc., Kansas City, Missouri
- Market Feasibility Study, Atchison, Kansas, Cohen-Esrey Housing Partners, Kansas City, Missouri
- Market Feasibility Study, Pershing Station Partners, Kansas City, Missouri
- Blight Study and Analysis, Pershing Station Partners, Kansas City, Missouri
- Armourdale Neighborhood Development Plan, Kansas City, Kansas.

Redevelopment Planner, May 1997 to February 2001
Economic Development Corporation of Kansas City, Missouri

- Interaction with community, business and regional governmental organizations; including Brush Creek Community Partners, Mid-America Regional Council, City of Kansas City Planning and Development Department, The Chamber, Main Cor, South Kansas City Chamber of Commerce, KC Metro SIOR, KC Metro NACORE, KC Metro ULI,
- Redevelopment Project Management. Coordinating redevelopment construction projects between the City, various developers/contractors, and local civic groups.
- General business development activities relating to redevelopment project management,
• Extensive community interaction and problem solving,
• TIF marketing activities. Formulation & coordination of marketing material for the Brush Creek Corridor TIF District,
• EDC/City marketing activities. Formulation & coordination of marketing material for the River Crown Plaza Redevelopment Initiative,
• Formulation, investigation, and assemblage of TIF & LCRA Blight Surveys,
• Review and analyze third party TIF & LCRA Blight Surveys,
• Research and analyze geographic data using ArcView GIS,
• Produce map and geographic reference material using ArcView GIS,
• Produce revitalization and redevelopment planning documents,
• Urban redevelopment projects, Tax Increment Financing (TIF) projects, Urban Renewal Projects (LCRA), GIS/ArcView mapping duties, digital image library formulation & management, bond project oversight & management,
• Project management for urban development and redevelopment projects, TIF and urban renewal areas,
• Directly responsible for redevelopment projects representing over $110 Million in project budget costs,
• Design review for TIF and urban renewal areas,
• Public presentation for all redevelopment project activities.

EDC Project Summary

• Midtown Market Place Redevelopment Project. Development coordination for the $70 Million Mid-town Market Place re-development. Coordination with the developer, City and community to expedite development. Coordinate environmental remediation activities, including subsurface soil remediation. General activities range from bond financing to zoning assistance.
• Midtown TIF Housing Program. Formulation, development and implementation of the Midtown TIF Housing Program. Establishment of the single and small multi-family grant program for a large portion of the Midtown Area.
• River Crown Plaza. Formulation and coordination on the Mayor's River Crown Plaza housing initiative.
• Brush Creek Corridor Tax Increment Financing District. Development of the second amendment to the Brush Creek TIF Plan. The intention of the amendment is to promote community (commercial and residential) development east of the Country Club Plaza District, Kansas City, Missouri.
• Richards-Gebaur Inter-Modal Transportation Facility. EDC project coordination for Inter-Modal project. Acted as Port Authority liaison to the South Kansas City Principles of Development Task Force. Participation on the area master plan.
• Uptown Theater Rehabilitation. Coordination/Management of the $8.5 Million renovation of the Historic Uptown Theater and the Valentine Shopping Center. The project also included the formulation and ongoing management of the second amendment to the Uptown TIF Plan. Renovation of the theater included a 30,000 square foot addition, as well as interior and exterior rehabilitation of the historic structure. Renovation included oversite and coordination of remediation of asbestos containing materials (ACM). Close interaction with the surrounding neighborhoods was essential to adhere to particular design guidelines.
• Country Club Plaza. Oversight of the 6-story, $24 Million structured parking facility on the Country Club Plaza. Project activities included the management of bond financing and bond draws.
- **West Bottoms District Planning.** Research and planning activities for the Historic West Bottoms area of Kansas City. Community analysis of the area which included property inventory and analysis of current conditions.
- **Hawthorne Plaza.** Community/tenant interaction and conflict resolution between the Hawthorne Plaza Tenants Association, and the Hawthorne management entity.
- **25th & Summit.** Formulation and implementation of amendments to the existing 25th & Summit Urban Renewal Plan. All functions including, plan formulation, public testimony, design review analysis, and plan implementation.

**EDUCATION**

- Master of Architecture, Architectural Management, University of Kansas, 1997
- B.S. Environmental Studies, University of Kansas, 1991
- B.S. Geography, University of Kansas, 1991

**AFFILIATIONS**

- American Institute of Certified Planning (AICP), Member
- Member, American Planning Association (APA)
- Member, Urban Land Institute (ULI)
- Member, Missouri Downtown Association
- Member, River Market Business Association, Kansas City, MO
- Member, Downtown Neighborhood Association, Kansas City, MO
- Associate Member, Certified Commercial Investor Member (CCIM)
- Kansas Licensed Real Estate Salesperson License No.: SN00048985
- Missouri Licensed Real Estate Salesperson License No.: SP509607245
- Member, Urban Core Group
- US Environmental Protection Agency (EPA) Certified Contractor/Supervisor #: KUV116363-11R (certification expired)
- US Environmental Protection Agency (EPA) Certified Management Planner and Building Inspector #: KUV1163640-13R (certification expired)
- Missouri Certified Supervisor, Building Inspector, and Management Planner #: 7101295MOSRI1423 (certification expired)
- 40-Hour OSHA Health and Safety Training - Hazardous Waste Operations #: KU66000-12R (certified expired)

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Construction Interest Rate 6.5%
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### School
- **General Fund:**
  - New Roof Replacement
  - New HVAC System
  - New Electrical System
  - New Water Treatment System
  - New Plumbing System

### Medical/Specialized
- **General Fund:**
  - New Roof Replacement
  - New HVAC System
  - New Electrical System
  - New Water Treatment System
  - New Plumbing System

### Commencement of 2005
City Center Square 5 Year Capital Plan

---

**Total Budget:**
- Year 1: 1,100,000
- Year 2: 1,100,000
- Year 3: 1,100,000
- Year 4: 1,100,000
- Year 5: 1,100,000

---

**Additional Notes:**
- Year 1: 100,000
- Year 2: 100,000
- Year 3: 100,000
- Year 4: 100,000
- Year 5: 100,000

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**Other Notes:**
- Year 1: 50,000
- Year 2: 50,000
- Year 3: 50,000
- Year 4: 50,000
- Year 5: 50,000

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**Total:**
- Year 1: 200,000
- Year 2: 200,000
- Year 3: 200,000
- Year 4: 200,000
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**Earnings Summary**

- **Sales**: Year-on-year growth of 5.2%
- **Profit Margin**: Improved by 1.1% to 14.7%
- **Return on Equity**: Increased to 20.3%

**Quarterly Analysis**

- **Q1**: Strong revenue growth of 8.6%
- **Q2**: Decline in net income by 2.3%
- **Q3**: Revenue stable with slight increase of 1.2%
- **Q4**: Significant growth of 10.5% in revenue

**Key Performance Indicators**

- **Revenue**: $123,456,789, an increase of $23,456,789 from last year.
- **Operating Expenses**: $45,678,901, a decrease of $1,234,567 from last year.
- **Net Income**: $34,567,890, an increase of $4,567,890 from last year.

**Total Asset Turnover**

- 2020: 1.20
- 2021: 1.25
- 2022: 1.30

**Total Debt Ratio**

- 2020: 40%
- 2021: 35%
- 2022: 30%

Note: Figures are hypothetical and for illustrative purposes only.
April 13, 2005

Tax Increment Finance Commission of Kansas City
10 Petticoat Lane
Suite 250
Kansas City, MO 64106

Re: 1110 & 1106 Baltimore Avenue
Lots 15-18, Block 20
Kansas City, MO 64105

Dear Sir/Madam:

I understand that City Center Square Equities LLC and City Center Square Parking LLC (the “Owner”) have an application pending before your Commission. I have been informed that the Owner intends to build a parking garage on the premises at a cost of approximately $5,500,000. Please be advised that Time Equities, Inc., the parent corporation of the ownership entity, has sufficient credit availability at the Bank to finance the cost of the proposed construction. In addition, we would be willing to consider a direct construction loan to the Owner to finance the cost of the garage as well.

If you need any additional information, please feel free to call me at (631) 844-1066.

Very truly yours,

[Signature]

Walter E. Malek
Vice President
### Exhibit 8A

**EXPLANATION OF HOTEL PHILLIPS TIF - DRAFT -**

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<tr>
<th>YEAR</th>
<th>INDIVIDUAL EARNINGS - CCS</th>
<th>INDIVIDUAL EARNINGS - GARAGE</th>
<th>TOTAL EATS</th>
<th>PILOTS - GARAGE</th>
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**TOTAL** $1,291,101 $5,587 $1,296,687 $1,589,115 $2,956,727 $5,842,529

NPV 6% $2,793,381

NPV 8% $2,495,419

1417654v3 6/7/2005
ASSUMPTIONS:

Project consists of construction of 200+ parking garage and rehabilitation of City Center Square (CCS)

Construction Costs of Garage: $6,446,154
Rehabilitation Cost of CCS: $8,922,000 phased in over 5 years as follows:

- Year 1: $1,575,000
- Year 2: $2,308,000
- Year 3: $2,596,500
- Year 4: $1,252,500
- Year 5: $1,190,000

EATS inflation considered at 2% per year

Individual Earnings: Average of $30,000 per office worker; $18,000 per restaurant & retail worker for increased workers in CCS
Earnings Tax rate of 1% of earnings

PILOTS:

- Market value = 50% of construction costs for garage and 60% of rehabilitation costs for CCS phased in over 5 years
- Assessed value = 32% of Market
- Inflation 2% every other year

Existing assessed value:

- $189,953 (Garage)
- $8,816,000 (CCS)

Tax Rate of $7.76 per $100

NOTE: While it is anticipated that due to the increase in employment because of rehabilitation of CCS and construction of garage there will be an increase in retail and restaurant sales, it is impossible to determine a percentage increase; therefore, no increase in EATS has been calculated for these sales.

Likewise, it is anticipated that due to increase in tenant base there will be an increase in utility usage, no increase in EATS has been calculated for utilities.
Missouri Warranty Deed

THIS INDENTURE, Made on the 21st day of December, A.D., Two Thousand Four, by and between BALTIMORE AVENUE INVESTMENTS L.L.C., a Missouri limited liability company, Grantor, and CITY CENTER SQUARE PARKING LLC, a Missouri limited liability company, Grantee (mailing address of said first named Grantee is c/o Phillip Gesoe, 55 Fifth Avenue, 15th Floor, New York, New York 10002).

WITNESSETH: THAT THE SAID GRANTOR, in consideration of the sum of Ten Dollars and other Good and Valuable Consideration, to it paid by the said Grantee (receipt of which is hereby acknowledged), does by these presents, Grant, Bargain and Sell, Convey and Confirm unto the said Grantee, its successors and assigns, the following described lots, tracts and parcels of land lying, being and situate in the County of Jackson and State of Missouri, to wit:

Lots 15, 16 and 17, Block 20, ASHBURN'S ADDITION, a subdivision in Kansas City, Jackson County, Missouri, according to the recorded plat thereof.

Subject to easements, restrictions and reservations of record, if any.

TO HAVE AND TO HOLD The premises aforesaid with all and singular, the rights, privileges, appurtenances and immunities thereto belonging or in any wise appertaining unto the said Grantee and unto its successors and assigns forever; the said BALTIMORE AVENUE INVESTMENTS L.L.C. hereby covenanting that it is lawfully seized of an indefeasible estate in fee of the premises herein conveyed; that it has good right to convey the same; that the said premises are free and clear from any incumbrance done or suffered by it or those under whom it claims, and that it will warrant and defend the title to the said premises unto the said Grantee and unto its successors and assigns forever, against the lawful claims and demands of all persons whomsoever, except for city, county and state taxes for 2004.
IN WITNESS WHEREOF, the said Grantor has hereunto set its hand and seal the day and year above written.

Baltimore Avenue Investments
L.L.C., a Missouri limited liability company

By South Side Investment Company,
a Missouri corporation

By
John R. Bondon, Vice President

State of Missouri
County of Jackson

On this 21st day of December, 2004, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared John R. Bondon, who is being by me duly sworn, did say that he is the Vice President of South Side Investment Company, a Missouri corporation, a Member of Baltimore Avenue Investments L.L.C., a Missouri limited liability company, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and John R. Bondon acknowledged said instrument to be the free act and deed of said corporation and of Baltimore Avenue Investments L.L.C.

Witness my hand and notarial seal the day and year in this certificate above written.

Michele A. Young
Notary Public
Printed Name Michele A. Young

My Term Expires:
Michele A. Young
Notary Public - Notary Seal
State of Missouri
Jackson County
My Commission Exp. Apr. 22, 2006

Commonwealth Land Title
Attn: Sibyl Patton
2405 Grand Blvd. #380
Kansas City, MO 64107
June 2, 2005

Ms. Missy Wilson
Economic Development Corporation of Kansas City
10 Petticoat Lane, Suite 250
Kansas City, Missouri 64106-2103

RE: Hotel Phillips TIF Amendment

Dear Ms. Wilson:

Applied Real Estate Analysis (AREA), Inc., has reviewed the spreadsheets pertaining to the proposed Hotel Phillips Tax Increment Finance District (TIF) Amendment. The project involves the construction of a parking structure and the renovation of an office building. Although TIF revenues generated by the office building will be used for the parking structure, AREA was instructed to analyze only the cash flow on the garage. However, the information we were working with included various estimates for hard cost and development cost on the overall project and others were purportedly pertained only to the garage. It was difficult to reconcile the development cost estimates and we relied heavily on those included in the attached spreadsheet that purport to be for the garage.

We were also given a cash flow analysis for the garage that showed negative cash flows, after debt service, for 25 years. An analysis of the revenue sources and operating costs indicated that this is a probable indication of the garages performance without TIF assistance.

AREA sorted through the development costs numbers and made the following assumptions:

- The overall cost for the development of the garage is $6,537,000.
- This includes $450,000 for the construction of a pedestrian skywalk to the office building.
- A loan of $5.5 million @6.5% amortized over 25 years will be used to finance the garage.
- The City will probably disallow the pedestrian walkway. Thus the overall development cost is $6,087,000.
- Equity required (development cost minus financing) is $1,087,000.
Based on the above assumptions, AREA calculated a 23 year Internal Rate of Return (IRR) on equity.

AREA’s analysis indicated that the after TIF IRR would be 5.5%. This is still a low return and is acceptable to the developer in this situation only because the garage will enhance the owner’s ability to lease its office building at more attractive rates. If the $450,000 were added back into the development costs and an IRR were run on the then required equity of $1,537,000, the IRR would be 3.2%.

Conclusions

AREA’s review of this project indicates that it meets the “but for” test.

Respectfully submitted,

APPLIED REAL ESTATE ANALYSIS

[Signature]

Robert E. Miller, CRE
Senior Vice President
## PROFORMA SUMMARY

**Location Name:** City Center Square Parking Garage, 1106-1110 Baltimore Avenue, Kansas City, MO

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<td>2008</td>
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<td>NET REVENUE:</td>
<td>261,748</td>
<td>313,597</td>
<td>343,956</td>
<td>350,835</td>
<td>357,852</td>
<td>365,009</td>
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| TOTAL OPERATING EXPENSES: | 78,318 | 80,458 | 82,662 | 84,315 | 86,001 | 87,721 |
| NET OPERATING SURPLUS | 183,430 | 233,139 | 261,295 | 266,521 | 271,851 | 277,288 |

| DEBT SERVICE | 425,000 | 425,000 | 425,000 | 425,000 | 425,000 | 425,000 |
| NET PROFIT (DEFICIT) | -241,570 | -191,861 | -163,705 | -158,479 | -153,149 | -147,712 |

| TIF REVENUES | 44,978 | 120,593 | 155,898 | 197,697 | 217,313 | 239,384 |

| Cash Flow with TIF Revenues | -196,592 | -71,268 | -7,860 | 39,218 | 64,164 | 91,672 |

| IRR | 5.52% | -1,087,000 | -196,592 | -71,268 | -7,860 | 39,218 | 64,164 | 91,672 |

**Note:** Equity = Development cost of $6,537,000 less $5.5 million mortgage-IRR=3.32%
If $450,000 development cost for the Pedestrian walkway are subtracted, the cost is $6,087,000 and equity is $1,087,000

**REVERSION**

| 23 year cash flow caped @9% | 4,314,112 |
| Cost of sales @3% | 129,423 |
| Mortgage Balance | 833,659 |

| 3,391,029 |

(1) Revenue and expenses escalated by 2% annually after year 3
(2) Debt service based on $5.5 million and 6.5% debt constant
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REAL ESTATE PURCHASE CONTRACT

THIS REAL ESTATE PURCHASE CONTRACT (the "Contract") is entered into as of the 8th day of February, 2005, by and between Bank of America, N.A., as Trustee for the David L. Mitchell Trust, ("Seller") and Jecnec Corp, a corporation ("Buyer").

In consideration of Ten Dollars ($10.00) paid by Buyer to Seller, in consideration of the covenants and agreements set forth herein, and for other good and valuable consideration, the parties hereto covenant and agree, as follows:

1. Premises. Seller hereby sells and agrees to convey to Buyer and Buyer hereby purchases from Seller the real property legally described as Lot 18, Blk 20, ASHBURNS ADDITION, a subdivision in Kansas City, Jackson County, Missouri and all improvements located thereon and all appurtenances thereto (the "Property"). The common address for the Property is 1106 Baltimore (also known as 1102-04 Baltimore).

2. Purchase Price. The purchase price for the Property is $180,000.00 and shall be satisfied as follows:

   (a) Earnest money in the amount of $50,000 shall be deposited by certified or cashier’s check with Assured Quality Title Company (the “Title Company”) upon the execution of this Contract to be held in trust until the closing date hereof. The parties hereby jointly instruct Title Company, as escrow agent, to hold the earnest money in escrow, and to invest the same in an interest-bearing account. The interest should be added to the account and retained as part of the account, and the interest on the account (together with the principal in the account) will be paid to the party who will be entitled to the earnest money upon closing, or upon the occurrence of such other events as may be described in this Contract. At closing, the entire earnest money amount, including interest thereon, will be applied to the purchase price and constitute a closing statement credit to the Buyer.

   (b) The balance of the purchase price to be satisfied by Buyer’s execution and delivery at closing.

3. Seller’s Representations and Warranties. To the best of its knowledge, Seller hereby makes the following representations and warranties in connection with Buyer’s purchase of the Property, with the understanding and intention that Buyer has a right to rely upon and hereby does rely upon the same in entering into this Contract and closing the transactions contemplated herein:

   (a) Seller is the fee simple owner of the Property and has full and unrestricted legal right and authority to convey merchantable title to the Property to Buyer at closing, free and clear of all mortgages, deeds of trust, liens, security interests, claims, obligations, undertakings, agreements, restrictions, charges and encumbrances, with the exception of those items specifically listed in the title insurance commitment hereinafter described and permitted under the terms of this Contract.
(b) There are no tax liens, mechanic's liens, contractor's claims, unpaid bills for material or labor supplied to the Property, judgments, lis pendens, pending lawsuits, attachments, executions, bankruptcy proceedings, or any similar items of like nature which might adversely affect the Property or Seller's title to the Property.

(c) Seller agrees to convey to Buyer at closing all of such right, title and interest, including without limitation, all of Seller's right, title and interest in any streets or easements which may be vacated, abandoned or released in the future.

(d) All representations and warranties made by Seller in this paragraph shall be true as of the closing date hereof and shall survive the closing of this transaction.

4. Survey. Seller shall provide to Buyer any surveys in Seller's position available for the Property within five (5) days from the date hereof.

5. Title. Seller shall, within five (5) days from the date hereof, deliver to Buyer a commitment for title insurance (the "Commitment") issued by a title insurance company approved by Buyer (the "Title Company") showing the state of title to the Property and the Title Company's commitment to insure the Property as required herein. Buyer shall, within ten (10) days after receipt of the Commitment, advise Seller of any objections it has to the state of title to the Property as shown in the Commitment ("Title Review Period"). Seller shall have until the closing to make such corrections in title to the Property required by Buyer in such manner as shall be required by the Title Company in order to delete the particular exceptions from the final policy. Seller hereby agrees to obtain and deliver to the Title Company all documents required by the Title Company, in the form required by the Title Company, in order for the Title Company to issue an ALTA Form B-1970 (amended 10-17-70) title policy in the amount of the purchase price insuring Buyer as the fee simple owner of the Property as of the date of recording the deed, subject only to those exceptions permitted herein. All premiums and charges of the Title Company for said policy shall be the sole obligation of Seller, and Buyer shall have no liability therefor.

Seller and Buyer specifically agree that the final policy shall delete the standard exceptions relating to (a) matters which would be disclosed by an accurate survey of the Property, and (b) liens for labor and material supplied to the Property.

6. Closing. The closing of this transaction shall take place on the later of fifteen (15) days after the end of the Title Review Period or fifteen (15) days after the Buyer's right to cancel in Paragraph 12 provided in 5 above (unless such date falls on a weekend or legal holiday in which case the closing shall occur on the next business day) at 10:00 A.M. at the offices of Title Company, or at such other time and place as may be agreed upon by Buyer and Seller. At closing, Buyer shall deliver to the Title Company (a) its certified or cashier's check payable to Seller in the approximate amount of $127,500 as adjusted by any prorations and closing costs provided for herein. At closing, Seller shall deliver to the Title Company (i) a Trustee's Deed for the Property in form acceptable to Buyer, subject only to the exceptions permitted herein; (ii) at Buyer's request, an assignment in form acceptable to Buyer whereby Seller assigns and transfers to Buyer all Seller's right, title and interest in and to all agreements pertaining to the Property, including but not limited to, the use, servicing and maintenance of the
Property. Buyer shall not be bound by such agreements unless Buyer specifically so agrees in writing. All documents and proceeds shall be placed in escrow with the Title Company and the Title Company, as escrow agent, shall then inspect the public records in Jackson County, Missouri (including all records relating to pending litigation, judgments and tax liens) to ascertain if title to the Property remains unchanged since the effective date of the Commitment. If the inspection shows that title is satisfactory according to the terms hereof, the Title Company shall record the documents and deliver the proceeds to Seller. The Title Policy shall be delivered to Buyer as soon as issued in the usual course of business. If the inspection reveals that title is not satisfactory according to the terms hereof, the Title Company shall hold the proceeds and documents without further action until it receives further instructions from Seller and Buyer. All prorations required hereunder shall be computed as of the date of closing. Possession of the Property shall be delivered to Buyer on the closing date. Buyer shall pay for recording the deed. Seller shall pay the title insurance premium. All other closing costs, including without limitation, recording fees, transfer or mortgage registration taxes and escrow fees, shall be divided equally between Seller and Buyer.

7. Operating Revenue, Taxes and Operating Expenses. Seller shall pay in full all taxes, assessments and operating expenses, of whatever kind, accruing against the Property either in whole or in part that occurred prior to the closing date. All real property taxes, assessments and operating expenses accruing against the Property after the closing date shall be paid by the buyer. If the precise amount of taxes, assessments and operating expenses payable for 2005 cannot be ascertained, proration shall be computed on the basis of those paid on the Property for 2004. Upon Buyer’s request, any prorations shall later be adjusted on the basis of actual figures for the year 2005 when they become available. All operating revenues from operation of the Property shall also be prorated between Buyer and Seller as of the closing date. Any accounts receivable due and owing seller as of closing date shall be remitted to Seller when paid by the owing party.

8. Casualty. In the event the Property is damaged by fire or other casualty subsequent to the effective date of this Contract but prior to the closing date, such that the cost to restore the Property to its condition immediately prior to the casualty is in excess of $100,000.00, Buyer shall have the option to:

(a) proceed to close this transaction on the terms contained herein and receive an assignment of the insurance proceeds (or the right to receive the same, if they are not received before closing) payable to Seller as a result of the casualty; or

(b) elect to rescind this Contract by written notice delivered to Seller within ten (10) days after Buyer receives notice of the casualty, in which event Seller shall refund all monies paid by Buyer, and Seller and Buyer shall have no further obligation hereunder.

In the event the Property is damaged by fire or other casualty prior to the closing date hereof such that the cost of restoration does not exceed $100,000.00, this Contract shall remain in full force and effect upon the terms stated herein and at closing Seller shall assign to Buyer the insurance proceeds (or the right to receive the same, if they are not received before closing) payable to Seller as a result of the casualty.

CC 1374438v2

- 3 -
9. **Condemnation.** If any of the Property is condemned under the power of eminent domain, is the subject of a threatened condemnation, or is conveyed to a condemning authority in lieu of condemnation, Seller shall notify Buyer in writing of the threat, condemnation or conveyance with three (3) days of its occurrence. Buyer shall within ten (10) days of the notice have the option of (a) proceeding with the closing and receiving the award or condemnation payment (or an assignment thereof, if the same is not received by closing), or (b) canceling this Contract and receiving back the earnest money deposited.

10. **Access to Property.** Prior to the closing date, Buyer and any persons designated by Buyer shall be permitted access to the Property at reasonable times for the purpose of conducting such studies and investigations of the Property (including, without limitation, soil tests) as Buyer deems appropriate. Buyer’s obligations under this Contract are contingent upon Buyer’s satisfaction with the results of the inspection.

11. **Financial Information and Miscellaneous Data.** Seller agrees to provide Buyer with complete financial information and data regarding the operation of Seller’s business on the Property, which information shall be true and correct in all material respects. This information and data shall be provided no later than five (5) days after the date of this Contract and shall consist of the following:

   (a) An itemized list of personal property, furnishings, equipment and supplies included in this sale, which shall include all of such items presently used in connection with the operation of the Property.

   (b) Any “as-built” plans and specifications of the Property which Seller has in its possession.

   (c) Any “as-built” surveys of the Property or other surveying or engineering work product related to the Property which Seller has in its possession.

   (d) Copies of written agreements and summaries of verbal agreements relating to the ownership or operation of the Property, including but not limited to, supplier contracts, service contracts, management contracts, utility agreements, and the like, including copies of all financing statements and security agreements affecting the Property or any part thereof.

   (e) Copies of the last three (3) years’ real estate tax statements and statements for special assessments.

   (f) Copies of all promissory notes, bonds, mortgages, deeds of trust, assignments of rents, lease assignments, and other documents relating to any loans affecting the Property, or any part thereof.

   (g) Statements from all applicable zoning authorities of the current zoning on the Property and copies of the pertinent provisions of the zoning laws or ordinances.

   (h) Copies of any private declarations or restrictions affecting the use or improvement of the Property.
(i) Any marketing studies, appraisals, feasibility studies, offering memoranda or prospectuses, or other such materials relating to the Property in Seller’s possession or which Seller can reasonably obtain.

(j) A rent roll of the Property reflecting space leased, name of tenant, amount of security deposit, amount of base rent, amount if any additional rent, length of lease term, and existence of any lease extension or purchase options.

(k) Copies of any and all leases and/or operating agreements that currently encumber the land or affect the property.

12. **Buyer’s Right to Cancel.** Buyer shall have ten (10) days after receipt of all information specified in Section 11 of this Contract to review the information which period shall coincide with the Title Review Period. If Buyer is not satisfied with the information submitted, in Buyer’s sole discretion, Buyer may notify Seller within such ten day period that this Contract is cancelled. In that event, Seller shall refund all monies paid by Buyer, and neither Buyer nor Seller shall have any further obligation hereunder.

13. **Conditions of Buyer’s Obligations.** The obligations of Buyer under this Contract are subject to satisfaction of the following conditions:

(a) All representations and warranties made by Seller in Section 3 of this Contract are true and correct in all material respects as of the closing date hereof.

(b) All documents and instruments incidental to this transaction are in form and substance satisfactory to Buyer and its legal counsel.

(c) All acts, covenants, agreements and conditions of this Contract to be performed by Seller have been fully performed in all material respects.

14. **Notices.** All notices required or permitted to be given hereunder shall be given by certified mail, postage prepaid, or by overnight delivery service, or shall be personally served, to Buyer and Seller at the following addresses:

**BUYER:**
Jerueb Corp  
c/o Time Equities, Inc.  
Attn: Phillip Brody  
55 Fifth Avenue  
New York, New York 10003

With a copy to:  
Jerry Riffel  
Lathrop & Gage  
2345 Grand Avenue  
Suite 2800  
Kansas City, Missouri 64108
SELLER: Bank of America, as Trustee
Attn: Nancy Merryman
Real Estate Services
P. O Box 419119
Kansas City, MO 64141-6119

With a copy to: ————

All notices shall be deemed received either when actually received or three (3) days after posting (if mailed), the day after deposit with the delivery service (if sent by overnight delivery), or when delivered (if personally delivered). Either party may change the above addresses by written notice to the other.

15. Intentionally left blank

16. **Default.** If Buyer defaults in the full and timely performance of any of its obligations hereunder, Seller shall be entitled to cancel this Contract and retain the earnest money deposited hereunder as liquidated damages, the parties agreeing that in the event of a default hereunder actual damages would be impossible to calculate.

17. **Real Estate Commissions.** Seller hereby represents and warrants that it has not engaged the services of any real estate agent, broker or firm in connection with the Property or this real estate transaction. Seller hereby agrees to defend, indemnify and hold Buyer harmless from any and all loss, cost or expense from any claim for real estate commission made by any agent, broker or firm whose services were in any way engaged by Seller in connection with the Property or this transaction. Buyer hereby represents and warrants that it has not engaged the services of any real estate agent, broker or firm in connection with the Property or this real estate transaction. Buyer hereby agrees to defend, indemnify and hold Seller harmless from any and all loss, cost or expense from any claim for real estate commission made by any agent, broker or firm engaged by Buyer in connection with the Property or this transaction.

18. **Survival of Terms.** The terms of this Contract, together with any applicable warranties and representations contained herein (each of such warranties and representations to be deemed to be restated and to be true and correct on the closing date), shall not be merged with the deed, but shall survive the closing with right of off-set on the part of Buyer against any amounts owed by Buyer hereunder or under any instrument(s) referred to herein.
19. ** Entire Agreement.** This Contract contains the entire agreement between Seller and Buyer and there are no other terms, conditions, promises, understandings, statements or representations, express or implied, regarding the transaction contemplated hereby. This Contract may be amended only by a further written document signed by each of the parties.

20. **Successors and Assigns.** The provisions of this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns, executors, administrators and legal representatives. Buyer may assign its rights hereunder to a third party.

21. **Captions.** The captions of the paragraphs in this Contract have been inserted for convenience of reference only and shall in no way modify or restrict any provision hereof or be used to construe any of the provisions hereof.

22. **Severability.** If any provision of this Contract is held invalid or unenforceable, the invalidity or unenforceability shall be limited to the particular provision(s) involved and shall not affect the validity or enforceability of the remaining provisions.

23. **Time.** Time is of the essence of this Contract.

24. **Expiration of Offer.** This offer shall expire at 5:00 p.m. on February 11th, 2005, unless it is accepted by Seller prior to that time. Only the execution of this Contract by Seller and the delivery of two (2) fully executed counterparts to Buyer shall constitute acceptance of this Contract.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed as of the day and year first above written.

SELLER: ____________________________
Bank of America Trustee w/a/w David L. Mitchell

By: ____________________________
Name: Nancy Messman
Title: Vice President

BUYER: ____________________________
Jerneb Corp

By: ____________________________
Name: Robert Kantor
Title: President

CC 1374439v2
Acceptance By Escrow Agent

Assured Quality acknowledges receipt of the earnest money described above and agrees to comply with the escrow instructions contained in this Contract.

By: Lily McFarlin on behalf of Roger Davis
Name: Lily McFarlin
Title: Commercial Escrow Asst.

Dated: February 14, 2005
SPECIAL CONDITIONS ADDENDUM

ADDENDUM TO REAL ESTATE SALE CONTRACT BETWEEN THE UNDERSTATED PARTIES CONCERNING THE PROPERTY AT

1106 Baltimore Kansas City, MO

(Address or Legal Description)

1. Trustee/Receivership Disclaimer. Each fiduciary comprising Seller executes this instrument only in its representative capacity and shall not be bound or obligated hereunder except in such capacity. Buyer acknowledges and agrees that this contract is made by such fiduciaries solely in their fiduciary capacity as described in the signature page attached hereto, and that such fiduciaries shall not be held to any breach or any failure to perform any obligation under this Contract except from assets held in the fiduciary capacity described.

2. Related Parties. By Buyer's execution of this Contract, Buyer hereby states that: (A) Buyer is not an employee, officer, director or Related Party of either National Bank Corporation or any affiliate or subsidiary thereof (collectively, the "Corporations"); (B) Buyer is not acting on behalf of, nor does Buyer have any agreement, written or oral, under which the title to the Property would be transferred to any employee, officer, director or Related Party of the Corporations; and (C) Buyer is not an organization or person in which there exists such a connection or interest with the Corporations that might affect the outcome of the best judgment of National Bank in selling the Property. As used in this Contract, "Related Party" shall mean (A) any person or entity who is, or whom the predecessors twelve months has been, a director, officer, or employee (collectively, "Employee") of the Corporations; (B) any spouse, parent, or member of the immediate family of any Employee; (C) any broker, agent, or contractor assisting the Corporations in the management or disposition of the Property; (D) any person or entity directly or indirectly owning, controlling, or holding the power to vote, five percent (5%) or more of the outstanding voting securities of any of the Corporations, or any spouse, parent, or member of the immediate family of any person holding such securities; (E) any person or entity limited by any applicable state or federal law or regulation from purchasing property from any party comprising Seller because of controls of interest rules or restrictions, of whatsoever; and (F) any affiliate, subsidiary, parent, partnership, venture, or other entity directly or indirectly owed or controlled by any person or entity listed in (A) through (E) above.

3. Committees. Notwithstanding any other provisions of this Contract, the right to commence, if any, possible to any appeal or reconsideration of any party of this Contract shall not vest until the transaction is closed, and shall be enforceable only out of escrow of escrow or and said escrow shall be right to any portion of earnest money deposits.

4. Non-Bargain. Buyer hereby affirms that Buyer's decision, if any, to each financing or other service from National Bank Corporation was made entirely independently by Buyer and not as a condition to this sale. Not later then fifteen (15) days prior to the Closing Date, Buyer or Buyer's agent shall notify Seller in writing if said financing is to be obtained from National Bank or any of its subsidiaries.

5. Special Warranty. Any conveyance made pursuant to this Contract shall be made by a Special Warranty Deed or Special Warranty Deed; and, this warranty, either expressly or implied, that shall be made by Seller, in connection with such conveyance in the special warranty of title that shall be made pursuant to that Special Warranty Deed. The provisions of this Addendum shall survive the closing of the escrow and the delivery of the escrowed Special Warranty Deed.

6. AS IS, SELLER HEREBY SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTEE OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OR, AS TO OR CONCERNING: (I) THAT NATURE AND CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL, AND GEOLOGY, AND THE SUITABILITY THEREOF AND OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH BUYER MAY ELECT TO CONDUCT THEREON, AND THE EXISTENCE OF ANY ENVIRONMENTAL HAZARDS OR CONDITIONS THEREOF (INCLUDING THE PRESENCE OF ASBESTOS) OR COMPLIANCE WITH ALL APPLICABLE LAWS, RULES OR REGULATIONS; (II) EXCEPT FOR ANY WARRANTIES CONTAINED IN THE DEED TO BE DELIVERED TO SELLER; AT THE CLOSING, THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE, POSSESSION, LIEN, ENFORCEMENT, LICENSE, EASEMENTS, CONDITION OR OTHERWISE AND (III) THE COMPLIANCE OF THE PROPERTY OR ITS OCCUPANT WITH ANY LAWS, ORDINANCES OR REGULATIONS OF ANY GOVERNMENT OR OTHER BODY. BUYER ACKNOWLEDGES THAT IT WILL INPECT THE PROPERTY AND BUYER WILL RELY SOLELY ON ITS INVESTIGATION OF THE PROPERTY AND NOT ON ANY OTHER INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. BUYER FURTHER ACKNOWLEDGES THAT THE INFORMATION PROVIDED AND TO BE PROVIDED WITH RESPECT TO THIS PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND SELLER (I) HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION, AND (II) DOES NOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE RISK OF THE PROPERTY AS PROVIDED HEREIN IS MADE ON AN AS-IS BASIS, AND BUYER EXPRESSLY AGREES THAT, IN CONSIDERATION OF THE AGREEMENTS OF SELLER HEREBY, EXCEPT AS OTHERWISE SPECIFIED HERIN, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING,
BUT NOT LIMITED TO, ANY WARRANTY OR CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IN RESPECT TO THE PROPERTY.

7. **Advisory.** In addition to the disclaimer of warranties contained in Paragraph 6 above, Seller expressly advises Buyer that the improvements on the Property (if any) include materials which may contain asbestos, and encourages Buyer to investigate specifically whether asbestos containing materials exist on the Property.

8. **No Deposit.** The delivery of this Contract to Buyer does not constitute an offer, and no contract or agreement shall exist between Buyer and Seller until such time as Buyer has delivered the earnest money to Seller and both Seller and Buyer have signed this Contract and delivered same to the Title Company.

9. **Buyer's Inspection of Property.** Buyer shall hold harmless Seller from any claims or actions which may arise from Buyer's negligence on the Property. In the event that Buyer finds the Property to be unacceptable for any reason, or is unable to obtain financing for the Property, and no written Seller within the Inspection Period, this Contract shall terminate, all Earnest Money shall immediately be returned to Buyer and thereafter no party shall have any further rights or obligations hereunder. If Buyer fails to notify Seller, Buyer shall be deemed to have found the Property acceptable and to have obtained acceptable financing for the purchase of the Property. Buyer acknowledges that Seller will make no repairs to the Property.

10. **Notice.** All notices shall be held in writing and must be deemed to have been properly delivered as of the time of delivery if personally delivered or as of the time deposited in the mail prepaid to the last known address by United States certified mail, return receipt requested, and postage prepaid. All notices addressed to Seller shall be addressed as follows:

   Bank of America
   Attn: Nancy McCombs
   Real Estate Services
   P.O. Box 64119
   Kansas City, MO 66164-6119

   with a copy to Seller's Attorney:

   __________________________

   All notices addressed to Buyer shall be addressed as follows:

   __________________________

   Buyer

   __________________________

   Buyer

   __________________________

   Seller

   __________________________

   Seller

** TOTAL PAGE. 11 **
FIRST AMENDMENT TO REAL ESTATE PURCHASE CONTRACT

THIS FIRST AMENDMENT TO REAL ESTATE PURCHASE CONTRACT (the "Contract") is entered into as of the 2nd day of February, 2005, by and between Bank of America, N.A., as Trustee for the David L. Mitchell Trust, ("Seller") and Jerneb Corp., a corporation ("Buyer").

WHEREAS, Seller and Buyer have entered into a Real Estate Purchase Contract dated February 8, 2005, for the real property legally described as Lot 18, Blk 20, ASHERBURN'S ADDITION, a subdivision in Kansas City, Jackson County, Missouri and all improvements located therein and all appurtenances thereto (the "Property"), commonly known as 1106 Baltimore (also known as 1102-04 Baltimore); and

WHEREAS, Seller and Buyer have agreed to extend the time as to buyer's right to cancel to coincide with the time of the Title Review Period;

Now therefore, in consideration of Ten Dollars ($10.00) paid by Buyer to Seller, in consideration of the covenants and agreements set forth herein, and for other good and valuable consideration, the parties hereto covenant and agree to amend the Real Estate Purchase Contract, as follows:

A. Section 5 of the Contract is hereby amended to provide that the Title Review Period is revised and that such Title Review Period will expire on March 31, 2005, at 5:00 pm Central Time, said Section 5 as amended to read as follows:

Section 5. Title. Seller shall, within five (5) days from the date hereof, deliver to Buyer a commitment for title insurance (the "Commitment") issued by a title insurance company approved by Buyer (the "Title Company") showing the state of title to the Property and the Title Company's commitment to insure the Property as required herein. It is acknowledged that the delivery of such commitment has been received. Buyer shall, on or before March 31, 2005, at 5:00 pm Central Time, advise Seller of any objections it has to the state of title to the Property as shown in the Commitment ("Title Review Period"). Seller shall have until the closing to make such corrections in title to the Property required by Buyer in such manner as shall be required by the Title Company in order to delete the particular exceptions from the final policy. Seller hereby agrees to obtain and deliver to the Title Company all documents required by the Title Company, in the form required by the Title Company, in order for the Title Company to issue an ALTA Form B-1970 (amended 10-17-70) title policy in the amount of the purchase price insuring Buyer as the sole owner of the Property as of the date of recording the deed, subject only to those exceptions permitted herein. All premiums and charges of the Title Company for said policy shall be the sole obligation of Seller, and Buyer shall have no liability therefor.
Seller and Buyer specifically agree that the final policy shall delete the standard exceptions relating to (a) matters which would be disclosed by an accurate survey of the Property, and (b) items for labor and materials supplied to the Property.

B. Section 12 of the Contract is amended in order that the right to cancel be extended to terminate on the same date as the title review period. Said section, as amended, shall read as follows:

12. Buyer's Right to Cancel. Buyer shall have until March 31, 2005 at 5:00 pm Central Time to review the information specified in Section 11 of this Contract which period shall coincide with the Title Review Period. If Buyer is not satisfied with the information submitted, in Buyer's sole discretion, Buyer may notify Seller within five (5) days after the expiration of the Title Review Period that this Contract is cancelled. In that event, Seller shall refund all monies paid by Buyer, and neither Buyer nor Seller shall have any further obligation hereunder.

C. This Amendment together with the Contract contain the entire agreement between Seller and Buyer and there are no other terms, conditions, promises, understandings, statements or representations, express or implied, regarding the transaction contemplated hereby. Further amendments of this Contract and this Amendment may be effective only by a further written document signed by each of the parties.

D. All other terms and conditions of the Contract shall remain in full force and effect except as specifically amended by this document.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed as of the day and year first above written.

SELLER: 

By: Nancy Moxeyman

Nancy Moxeyman for Bank of America, Trustee w/s/w David L. Mitchell

BUYER: 

By: Robert Kantor, President

Jerobo Corporation

- 2 -
Acceptance by Escrow Agent: It is hereby acknowledged receipt of the earnest money described above and agrees to comply with the escrow instructions contained in this Contract. By ___________ on behalf of ___________.

Name: ___________
Title: ___________
Commer (Commercial Escrow Agent)
SECOND AMENDMENT TO REAL ESTATE PURCHASE CONTRACT

THIS SECOND AMENDMENT TO REAL ESTATE PURCHASE CONTRACT (the "Second Amendment") is entered into as of the 31st day of March, 2005, by and between Bank of America, N.A., as Trustee for the David L. Mitchell Trust, ("Seller") and Jerneb Corp, a corporation ("Buyer").

WHEREAS, Seller and Buyer have entered into a Real Estate Purchase Contract dated February 8, 2005 (the "Contract"), for the real property legally described as Lot 18, Blk 20, ASHBURNS ADDITION, a subdivision in Kansas City, Jackson County, Missouri and all improvements located thereon and all appurtenances thereto (the "Property"), commonly known as 1106 Baltimore (also known as 1102-04 Baltimore); and

WHEREAS, Seller and Buyer agreed to extend the time as to Buyer's right to cancel to coincide with the time of the Title Review Period under the First Amendment to the Real Estate Purchase Contract, dated February 22, 2005 ("First Amendment"); and,

WHEREAS, Seller and Buyer have determined that additional time is required for the Title Review Period and have agreed to an additional extension of time.

Now therefore, in consideration of Ten Dollars ($10.00) paid by Buyer to Seller, in consideration of the covenants and agreements set forth herein, and for other good and valuable consideration, the parties hereto covenant and agree to amend the Real Estate Purchase Contract, as follows:

A. Section 5 is hereby amended to provide that the Title Review Period is revised and that such Title Review Period will expire on April 29, 2005, at 5:00 pm Central Time, said Section 5 as amended to read as follows:

Section 5. Title. Seller shall, within five (5) days from the date hereof, deliver to Buyer a commitment for title insurance (the "Commitment") issued by a title insurance company approved by Buyer (the "Title Company") showing the state of title to the Property and the Title Company's commitment to insure the Property as required herein. It is acknowledged that the delivery of such commitment has been received. Buyer shall, on or before April 29, 2005, at 5:00 pm Central Time, advise Seller of any objections it has to the state of title to the Property as shown in the Commitment ("Title Review Period"). Seller shall have until the closing to make such corrections in title to the Property required by Buyer in such manner as shall be required by the Title Company in order to delete the particular exceptions from the final policy. Seller hereby agrees to obtain and deliver to the Title Company all documents required by the Title Company, in the form required by the Title Company, in order for the Title Company to issue an ALTA Form B-1970 (amended 10-17-70) title policy in the amount of the purchase price insuring Buyer as the fee simple owner of the Property as of the date of recording the deed, subject only to those exceptions permitted herein. All
premiums and charges of the Title Company for said policy shall be the sole
obligation of Seller, and Buyer shall have no liability therefor.

Seller and Buyer specifically agree that the final policy shall delete the standard
exceptions relating to (a) matters which would be disclosed by an accurate survey
of the Property, and (b) liens for labor and material supplied to the Property.

B. Section 12 is amended in order that the right to cancel be extended to terminate
on the same date as the title Review Period. Said section, as amended, shall read as
follows:

12. Buyer's Right to Cancel. Buyer shall have until April 29, 2005 at 5:00
pm Central Time to review the information specified in Section 11 of this
Contract which period shall coincide with the Title Review Period. If Buyer is
not satisfied with the information submitted, in Buyer's sole discretion, Buyer
may notify Seller within five (5) days after the expiration of the Title Review
Period that this Contract is cancelled. In that event, Seller shall refund all monies
paid by Buyer, and neither Buyer nor Seller shall have any further obligation
hereunder.

C. This Second Amendment together with the Contract and the First
Amendment contain the entire agreement between Seller and Buyer and there are no
other terms, conditions, promises, understandings, statements or representations, express
or implied, regarding the transaction contemplated hereby. Further amendments of the
Contract, the First Amendment and this Second Amendment may be effective only by a
further written document signed by each of the parties.

D. All other terms and conditions of the Contract and the First Amendment
shall remain in full force and effect except as specifically amended by this Second
Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be
executed as of the day and year first above written.

SELLER: By: Nancy Merryman

Nancy Merryman for Bank of America,
Trustee w/a/w David L. Mitchell

BUYER: By: Robert Kantor, President

Jerneh Corporation

CC 1396061v1
Acceptance By Escrow Agent is hereby acknowledges receipt of the earnest money described above and agrees to comply with the escrow instructions contained in this Contract. By: 

Name: 

Title: Commercial Escrow Asst.
Title of Document: Special Warranty Deed

Date of Document: December 12, 2003

Grantor(s): WMP II REAL ESTATE LIMITED PARTNERSHIP

Grantee(s): CITY CENTER SQUARE EQUITIES LLC

Grantee(s) Mailing Address: 900 Time Equities, Inc.
55 Fifth Avenue
New York, New York 10003-4398

Legal Description:

As fully set forth on Exhibit A attached hereto.

Reference Book and Pages (s):

(If there is not sufficient space on this page for the information required, state the page reference where it is contained within the document.)
SPECIAL WARRANTY DEED
(City Center Square, Kansas City, Missouri)

STATE OF MISSOURI
COUNTY OF JACKSON

KNOW ALL MEN BY THESE PRESENTS THAT:

WMP II REAL ESTATE LIMITED PARTNERSHIP, a Delaware limited partnership (hereinafter called "Grantor"), for and in consideration of the sum of TEN AND NO/100 Dollars ($10.00) and other good and valuable consideration, in hand paid by CITY CENTER SQUARE EQUITIES LLC, a New York limited liability company (hereinafter called "Grantee"), whose mailing address is c/o Time Equities, Inc., 55 Fifth Avenue, New York, New York 10003-4398, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, SOLD AND CONVEYED and by these presents does GRANT, SELL AND CONVEY unto Grantee that certain real property situated in Jackson County, Missouri and more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Property"), together with Grantee's rights and interests in all improvements, structures and fixtures located thereon, if any, and all rights, titles and interests of Grantor appurtenant thereto subject, however, to the matters set forth on Exhibit "B" attached hereto and made a part hereof for all purposes (the "Permitted Exceptions").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in any wise belonging, unto Grantee and Grantee's successors and assigns forever and subject to the Permitted Exceptions, Grantor does hereby bind Grantor and Grantor's successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the Property, subject to the Permitted Exceptions, unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise.

GRANTEE, BY ACCEPTING THIS DEED, ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THAT CERTAIN AGREEMENT OF PURCHASE AND SALE (THE "AGREEMENT") DATED AS OF NOVEMBER 6, 2002 BETWEEN GRANTOR, AS SELLER, AND JERNEB CORP., A DELAWARE CORPORATION, AS ASSIGNED TO GRANTEE, AS PURCHASER, CONCERNING THE PROPERTY, GRANTOR HAS NOT MADE, AND SPECIFICALLY NEGATES AND DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES (OTHER THAN THE SPECIAL WARRANTY OF TITLE CONTAINED IN THIS DEED), COVENANTS OR AGREEMENTS OF ANY KIND OR CHARACTER REGARDING ANY ASPECT OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION: (A) THE VALUE, NATURE, QUALITY OR PHYSICAL CONDITION OF THE PROPERTY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY ACTIVITY OR USE WHICH GRANTEE OR ANY TENANT MAY CONDUCT THEREON, (D) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, (F) THE MANNER, QUALITY, STATE OF
REPAIR OR LACK OF REPAIR OF THE PROPERTY, OR (G) COMPLIANCE OF THE PROPERTY WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS, INCLUDING THE EXISTENCE IN OR ON THE PROPERTY OF HAZARDOUS MATERIALS. ADDITIONALLY, EXCEPT AS EXPRESSLY SET FORTH IN THE AGREEMENT, NO PERSON ACTING ON BEHALF OF GRANTOR IS AUTHORIZED TO MAKE, AND BY ACCEPTANCE HEREOF GRANTEE ACKNOWLEDGES THAT NO PERSON HAS MADE, ANY REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT REGARDING THE PROPERTY OR THIS TRANSACTION. GRANTEE ACKNOWLEDGES THAT, HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, GRANTEE IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY GRANTOR, OTHER THAN THE EXPRESSED REPRESENTATIONS AND WARRANTIES OF GRANTOR SET FORTH IN THE AGREEMENT. THE SALE OF THE PROPERTY AS PROVIDED FOR HEREBY IS MADE ON AN “AS-IS, WHERE-IS” BASIS WITH ALL FAULTS. THE PURCHASE PRICE HAS BEEN ADJUSTED BY PRIOR NEGOTIATION TO REFLECT THAT THE PROPERTY IS SOLD BY GRANTOR AND PURCHASED BY GRANTEE SUBJECT TO THE FOREGOING. THE FOREGOING PROVISIONS OF THIS DEED SHALL SURVIVE THE CLOSING.

[SIGNATURE PAGE TO FOLLOW]
IN WITNESS WHEREOF, Grantor has hereunto set its hand as of the 12th day of December, 2003.

GRANTOR:

WMP II REAL ESTATE LIMITED PARTNERSHIP, a Delaware limited partnership

By: WMP II Gen-Par, Inc., a Delaware corporation, its general partner

By: [Signature]
Name: STEVEN H. REYNOLDS
Title: ASSISTANT VICE PRESIDENT

THE STATE OF TEXAS
COUNTY OF DALLAS

On this 12th day of December in the year 2003, before me, MARY MCCREE, a Notary Public in and for said State, personally appeared STEVEN H. REYNOLDS, President of WMP II Gen-Par, Inc., a Delaware corporation, general partner of WMP II Real Estate Limited Partnership, known to me to be the person who executed the within Special Warranty Deed and that said instrument was signed on behalf of said corporation by authority of its Board of Directors as a general partner of said limited partnership, and acknowledged said instrument to be the free act and deed of said corporation as general partner of said limited partnership and that he/she executed the same for purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at my office in Dallas County, Texas, this 12th day of December, 2003.

MARY MCCREE
Notary Public in and for said County and State

My Commission Expires:
7/19/07

(The Notary Public must type or print his/her name immediately beneath his/her signature.)

Special Warranty Deed (City Center Square, Kansas City, Missouri) - Signature Page
EXHIBIT A

Property

LOTS 1 to 10, both inclusive, BLOCK 19, ASHBURN'S ADDITION, a subdivision of land; part of LOTS 1 to 19 both inclusive, SMART'S PARTITION NO. 1, a subdivision of land; also part of the East ½ of Government Lot 1 of the fractional Northwest ¼ of Section 5, Township 49 North, Range 33 West, and also the 10' wide vacated alley as shown in said SMART'S PARTITION NO. 1; all in Kansas City, Jackson County, Missouri, being more particularly described by metes and bounds as follows:

Beginning at the intersection of the North line of 12th Street as established by Ordinance No. 20846, approved May 4, 1881, with the West line of Main Street as widened and established by Ordinance No. 27732, approved August 1, 1884, said intersection being 25.40 feet, more or less, North of the South line of said fractional ¼ Section; thence North along the West line of Main Street 267.79 feet, more or less, to a point on the South line of 11th Street, 4 feet more or less, West of the Northeast corner of Lot 1, SMART'S PARTITION NO. 1; thence West along the South line of 11th Street, 254.79 feet, more or less, to the East line of Baltimore Avenue; thence South along said East line 267 feet, more or less, to the North line of 12th Street; thence East along the said North line 254.47 feet, more or less, to the Point of Beginning.

Together with the right to construct and maintain an underground parking garage extension 12 feet East of the West line of Main Street from the South line of 11th Street to the North line of 12th Street as set forth in Ordinance No. 42921, passed July 6, 1973.

Said property also being described as follows:

LOTS 1 to 10, both inclusive, BLOCK 19, ASHBURN'S ADDITION, a subdivision of land; part of LOTS 1 to 19 both inclusive, SMART'S PARTITION NO. 1, a subdivision of land; also part of the East ½ of Government Lot 1 of the fractional Northwest ¼ of Section 5, Township 49 North, Range 33 West, in Kansas City, Jackson County, Missouri, being more particularly described by metes and bounds as follows:

Beginning at the intersection of the North line of 12th Street as established by Ordinance No. 20846, approved May 4, 1881, with the West line of Main Street as widened and established by Ordinance No. 27732, approved August 1, 1884, said intersection being 25.40 feet, more or less, North of the South line of said fractional ¼ Section; thence North 89 degrees 21 minutes 32 seconds West, along said 12th Street right-of-way, a distance of 254.47 feet to the easterly right-of-way line of Baltimore (60 feet wide) Avenue; thence North 00 degrees 02 minutes 42 seconds East, along said easterly right-of-way, a distance of 266.76 feet to the southerly right-of-way of 11th (60 feet wide) Street; thence South 89 degrees 28 minutes 57 seconds West, along said southerly right-of-way, a distance of 254.79 feet to the westerly right-of-way of Main (73 feet wide) Street; thence South 00 degrees 00 minutes 54 seconds West, along said westerly right-of-way, a distance of 267.79 feet to the Point of Beginning.
EXHIBIT B

Permitted Exceptions

1. General and special taxes and assessments for the year 2004 and subsequent years, not yet due and payable.

2. Rights and claims of tenants, as tenants only, as set forth on the rent roll delivered by Grantor to Grantee conspectusly hereinafter.

3. The covenants and restrictions only of the Contract to Sell and Purchase dated October 26, 1972, recorded November 1, 1972, as Document No. K-175357, in Book K-390, at Page 991, between Land Clearance for Redevelopment Authority of Kansas City, Missouri, Seller, and Altair Enterprises, Inc., Buyer, and the covenants and restrictions contained in the deed executed by the Land Clearance for Redevelopment Authority of Kansas City, Missouri recorded August 1, 1974, in Book K-535, at Page 324, as Document No. K-236120 (said deed having also incorporated by reference the covenants and restrictions contained in the Contract to sell and purchase recorded as Document No. K-175357 and said deed having conveyed title to Twelfth and Main Street Associates, the assignee of Altair Enterprises, Inc., under the assignment recorded in Book K-535, at Page 1102, as Document No. K-234588) and the covenants and restrictions contained in the deed from Twelfth and Main Street Associates to the Land Clearance for Redevelopment Authority of Kansas City, Missouri, recorded in Book K-1131, at Page 1389, as Document No. K-516910 (which also incorporated by reference the aforesaid contract to sell and purchase), but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status, or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.

4. The terms and conditions established under Ordinance No. 42921 passed July 6, 1973.

NOTE: This exception affects only that portion of the land described as the 12 feet East of the West line of Main Street from the South line of 11th Street to the North line of 12th Street.


6. Rights or claims of parties in possession not shown by the public records.

7. Rights of any tenants, as tenants only, and/or licensees, as licensees only, under any License Agreement in effect for the Property as of the date hereof.

8. Rights of any licensees, as licensees only, under any Service Contracts in effect for the Property as of the date hereof.
DEED OF TRUST AND SECURITY AGREEMENT

Date: as of March 15, 2005

GRANTOR: CITY CENTER SQUARE EQUITIES II LLC, a Missouri limited liability company, as grantor, 55 Fifth Avenue, New York, New York 10003

TRUSTEE: JOHN K. ALLINDER, an individual resident of Missouri, having an address at 19049 East Valley View Parkway, Independence, Missouri 64055.

GRANTEE: MORGAN STANLEY MORTGAGE CAPITAL INC., a New York corporation, having an address at 1221 Avenue of the Americas, 27th Floor, New York, New York 10020.

LEGAL DESCRIPTION OF PROPERTY: See Exhibit A annexed to the document.

REFERENCE BOOK AND PAGE(S): Not applicable.
DEED OF TRUST AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT (this "Security Instrument") is made as of this 15th day of March, 2005, by CITY CENTER SQUARE EQUITIES II LLC, a Missouri limited liability company, having its principal place of business at 70 Times Equities, 55 Fifth Avenue, New York, New York 10003, as grantor ("Borrower") to JOHN K. ALLINDER, having an address at 19049 East Valley View Parkway, Independence, Missouri 64055, as trustee ("Trustee"), for the benefit of MORGAN STANLEY MORTGAGE CAPITAL INC., a New York corporation, having an address at 1221 Avenue of the Americas, 27th Floor, New York, New York 10020, as beneficiary ("Lender").

WITNESSETH:

WHEREAS, this Security Instrument is given to secure a loan (the "Loan") in the principal sum of FORTY-FOUR MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($44,500,000.00) or so much thereof as may be advanced pursuant to that certain Loan Agreement dated as of the date hereof between Borrower and Lender (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "Loan Agreement") and evidenced by that certain Promissory Note dated the date hereof made by Borrower to Lender (such Note together with all extensions, renewals, replacements, restatements or modifications thereof being hereinafter referred to as the "Note"); and

WHEREAS, Borrower desires to secure the payment of the Debt (as defined in the Loan Agreement) and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents; and

WHEREAS, this Security Instrument is given pursuant to the Loan Agreement, and payment, fulfillment, and performance by Borrower of its obligations thereunder and under the other Loan Documents are secured hereby, and each and every term and provision of the Loan Agreement and the Note, including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties of the parties therein, are hereby incorporated by reference herein as though set forth in full and shall be considered a part of this Security Instrument (the Loan Agreement, the Note, this Security Instrument, that certain Assignment of Leases and Rents of even date herewith made by Borrower in favor of Lender (the "Assignment of Leases") and all other documents evidencing or securing the Debt or delivered in connection with the making of the Loan are hereinafter referred to collectively as the "Loan Documents").

NOW THEREFORE, in consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Security Instrument:

Article 1 - GRANTS OF SECURITY

Section 1.1 PROPERTY CONVEYED. Borrower does hereby irrevocably grant, bargain, sell, pledge, assign, warrant, transfer, convey, and confirm to Trustee and its successors and assigns, in trust with Power of Sale for the benefit of Lender as beneficiary in trust, as to the Land, Additional Land, Improvements and Easements comprising the Property as set forth,
below, and does hereby grant a security interest to Lender, in the Equipment, Fixtures, Personal Property, Leases and Rents, Condemnation Awards, Insurance Proceeds, Tax Certiorari, Rights, Agreements, Trademarks, Proceeds and Other Rights, comprising the Property as set forth below, the following property, rights, interests and estates now owned, or hereafter acquired by Borrower (collectively, the "Property"):

(a) Land. The real property described in Exhibit A attached hereto and made a part hereof (the "Land");

(b) Additional Land. All additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(c) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (collectively, the "Improvements");

(d) Easements. All easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passageways, sewers, rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower or, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(e) Equipment. All "equipment," as such term is defined in Article 9 of the Uniform Commercial Code (as hereinafter defined), now owned or hereafter acquired by Borrower, which is used at or in connection with the Improvements or the Land or is located thereon or therein (including, but not limited to, all machinery, equipment, furnishings, and electronic data-processing and other office equipment now owned or hereafter acquired by Borrower and any and all additions, substitutions and replacements of any of the foregoing), together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto (collectively, the "Equipment"). Notwithstanding the foregoing, Equipment shall not include any property belonging to tenants under leases except to the extent that Borrower shall have any right or interest therein;

(f) Fixtures. All Equipment now owned, or the ownership of which is hereafter acquired, by Borrower which is so related to the Land and Improvements forming part of the Property that it is deemed fixtures or real property under the law of the particular state in which the Equipment is located, including, without limitation, all building or construction materials intended for construction, reconstruction, alteration or repair of or installation of the Property, construction equipment, appliances, machinery, plant equipment, fixtures, apparatuses,
fixtures and other items now or hereafter attached to, installed in or used in connection with (temporarily or permanently) any of the Improvements or the Land, including, but not limited to, engines, devices for the operation of pumps, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, heating, ventilating, plumbing, laundry, incinerating, electrical, air conditioning and air cooling equipment and systems, gas and electric machinery, appurtenances and equipment, pollution control equipment, security systems, disposals, dishwashers, refrigerators and ranges, recreational equipment and facilities of all kinds, and water, gas, electrical, storm and sanitary sewer facilities, utility lines and equipment (whether owned individually or jointly with others, and, if owned jointly, to the extent of Borrower's interest therein) and all other utilities whether or not situated in easements, all water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, and all other structures, together with all appurtenances, additions, replacements, betterments and substitutions for any of the foregoing and the proceeds thereof (collectively, the "Fixtures"). Notwithstanding the foregoing, "Fixtures" shall not include any property which tenants are entitled to remove pursuant to leases except to the extent that Borrower shall have any right or interest therein;

(g) Personal Property. All furniture, furnishings, objects of art, machinery, goods, tools, supplies, appliances, general intangibles, contract rights, accounts, accounts receivable, franchises, licenses, certificates and permits, and all other personal property of any kind or character whatsoever (as defined in and subject to the provisions of the Uniform Commercial Code as hereinafter defined), other than Fixtures, which are now or hereafter owned by Borrower and which are located within or about the Land and the Improvements, together with all accessories, replacements and substitutions thereto or therefor and the proceeds thereof (collectively, the "Personal Property"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "Uniform Commercial Code"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above;

(h) Leases and Rents. All leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. §101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") (collectively, the "Leases") and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all Rents, additional rents, revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (collectively, the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(i) Condemnation Awards. All awards or payments, including interest thereon, which may heretofore or hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu
of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(j) Insurance Proceeds. All proceeds in respect of the Property under any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(k) Tax Certiorari. All refunds, rebates or credits in connection with reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(l) Rights. The right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Lender in the Property;

(m) Agreements. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and theretofore, including, without limitation, the right, upon the happening of any event hereunder, to receive and collect any sums payable to Borrower thereunder;

(n) Trademarks. All trademarks, tradenames, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property;

(o) Proceeds. All proceeds of any of the foregoing, including, without limitation, proceeds of insurance and condemnation awards, whether cash, liquidation or other claims or otherwise; and

(p) Other Rights. Any and all other rights of Borrower in and to the items set forth in Subsections (a) through (o) above.

AND without limiting any of the other provisions of this Security Instrument, to the extent permitted by applicable law, Borrower expressly grants to Trustee, as secured party, a security interest in the portion of the Property which is or may be subject to the provisions of the Uniform Commercial Code which are applicable to secured transactions; it being understood and agreed that the Improvements and Fixtures are part and parcel of the Land (the Land, the Improvements and the Fixtures collectively referred to as the "Real Property") appropriated to the use thereof and, whether affixed or annexed to the Real Property or not, shall for the purposes of this Security Instrument be deemed conclusively to be real estate and conveyed hereby.

Section 1.2 Assignment of Rents. Borrower hereby absolutely and unconditionally assigns to Lender all of Borrower's right, title and interest in and to all current
and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of the Assignment of Leases and Section 7.1(h) of this Security Instrument, Lender grants to Borrower a revocable license to collect, receive, use and enjoy the Rents. Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Debt, for use in the payment of such sums.

Section 1.3 Security Agreement. This Security Instrument is both a real property deed of trust and a “security agreement” within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations (hereinafter defined), a security interest in the Fixtures, the Equipment, the Personal Property and other property constituting the Property to the full extent that the Fixtures, the Equipment, the Personal Property and such other property may be subject to the Uniform Commercial Code (said portion of the Property so subject to the Uniform Commercial Code being called the “Collateral”). If an Event of Default shall occur and be continuing, Lender, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Lender after the occurrence and during the continuance of an Event of Default, Borrower shall, at its expense, assemble the Collateral and make it available to Lender at a convenient place (at the Land if tangible property) reasonably acceptable to Lender. Borrower shall pay to Lender within ten (10) days after demand for payment any and all expenses, including reasonable legal expenses and attorneys’ fees, incurred or paid by Lender in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral after the occurrence and during the continuance of an Event of Default. Any notice of sale, disposition or other intended action by Lender with respect to the Collateral sent to Borrower in accordance with the provisions hereof at least ten (10) business days prior to such action, shall, except as otherwise provided by applicable law, constitute reasonable notice to Borrower. The proceeds of any disposition of the Collateral, or any part thereof, may, except as otherwise required by applicable law, be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper. The principal place of business of Borrower (Debtor) is as set forth on page one hereof and the address of Lender (Secured Party) is as set forth on page one hereof.

Section 1.4 Fixture Filing. Certain of the Property is or will become “fixtures” (as that term is defined in the Uniform Commercial Code on the Land, described or referred to in this Security Instrument, and this Security Instrument, upon being filed for record in the real estate records of the city or county wherein such fixtures are situated, shall operate also as a financing statement naming Borrower as the Debtor and Lender as the Secured Party filed as a fixture filing in accordance with the applicable provisions of said Uniform Commercial Code upon such of the Property that is or may become fixtures.
Section 1.5 **PLEDGES OF MONIES HELD.** Borrower hereby pledges to Lender any and all monies now or hereafter held by Lender on behalf of Lender in connection with the Loan, including, without limitation, any sums deposited in the Accounts (as defined in the Cash Management Agreement) and Net Proceeds, as additional security for the Obligations until expended or applied as provided in this Security Instrument.

**CONDITIONS TO GRANT**

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of trustees and its successors and assigns, forever;

IN TRUST WITH POWER OF SALE, to secure payment to Lender of the Obligations at the time and in the manner provided for its payment in the Note and in this Security Instrument.

PROVIDED, HOWEVER, these presents are upon the express condition that, if Borrower shall well and truly pay to Lender the Debt at the time and in the manner provided in the Note, the Loan Agreement and this Security Instrument, shall well and truly perform the Other Obligations as set forth in this Security Instrument and shall well and truly abide by and comply with each and every covenant and condition set forth herein and in the Note, the Loan Agreement and the other Loan Documents, these presents and the estate hereby granted shall cease, terminate and be void; provided, however, that Borrower's obligation to indemnify and hold harmless Lender pursuant to the provisions hereof shall survive any such payment or release.

**Article 2 - DEBT AND OBLIGATIONS SECURED**

Section 2.1 **DEBT.** This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the Debt which by its definition (as set forth in Loan Agreement) includes, but is not limited to, the obligations of Borrower to pay to Lender the principal and interest owing pursuant to the terms and conditions of the Note.

Section 2.2 **OTHER OBLIGATIONS.** This Security Instrument and the grants, assignments and transfers made in Article 1 are also given for the purpose of securing the following (the "Other Obligations"):  

(a) the performance of all other obligations of Borrower contained herein

(b) the performance of each obligation of Borrower contained in the Loan Agreement and any other Loan Document; and

(c) the performance of each obligation of Borrower contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of the Note, the Loan Agreement or any other Loan Document.
Section 2.3 DEBT AND OTHER OBLIGATIONS. Borrower’s obligations for the payment of the Debt and the performance of the Other Obligations may sometimes be referred to collectively herein as the "Obligations."

Article 3 - BORROWER COVENANTS

Borrower covenants and agrees that:

Section 3.1 PAYMENT OF DEBT. Borrower will pay the Debt at the time and in the manner provided in the Loan Agreement, the Note and this Security Instrument.

Section 3.2 INCORPORATION BY REFERENCE. All the covenants, conditions and agreements contained in (a) the Loan Agreement, (b) the Note and (c) all and any of the other Loan Documents, are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Section 3.3 INSURANCE. Borrower shall obtain and maintain, or cause to be maintained, in full force and effect at all times insurance with respect to Borrower and the Property as required pursuant to the Loan Agreement.

Section 3.4 MAINTENANCE OF PROPERTY. Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements, the Fixtures, the Equipment and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Fixtures, the Equipment or the Personal Property, tenant finish and refurbishment of the Improvements) without the consent of Lender, which consent shall not be unreasonably withheld or delayed. Subject to the availability of insurance proceeds, Borrower shall promptly repair, replace, or rebuild any part of the Property which may be destroyed by any Casualty, or become damaged, worn or dilapidated or which may be affected by any Condemnation, and shall complete and pay for any structure at any time in the process of construction or repair on the Land.

Section 3.5 WASTE. Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or allow the cancellation of any Policy, or do or permit to be done therein anything that may in any way materially impair the value of the Property or the security of this Security Instrument. Borrower will not, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Land, regardless of the depth thereof or the method of mining or extraction thereof.

Section 3.6 PAYMENT FOR LABOR AND MATERIALS. (a) Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials ("Labor and Material Costs") incurred in connection with the Property and never permit to exist beyond the due date thereof in respect of the Property or any part thereof any lien or security interest, even though inferior to the liens and the security interests herein, and in any event never permit to be created or exist in respect of the Property or any part thereof any other
or additional lien or security interest other than the liens or security interests hereof except for the Permitted Encumbrances.

(b) After prior written notice to Lender, Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Labor and Material Costs, provided that (i) no Event of Default has occurred and is continuing under the Loan Agreement, the Note, this Security Instrument or any of the other Loan Documents, (ii) Borrower is permitted to do so under the provisions of any other mortgage, deed of trust or deed to secure debt affecting the Property, (iii) such proceeding shall suspend the collection of the Labor and Material Costs from Borrower and from the Property or Borrower shall have paid all of the Labor and Material Costs under protest, (iv) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower is subject and shall not constitute a default thereunder, (v) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost, and (vi) Borrower shall have furnished the security as may be required in the proceeding, or as may be reasonably requested by Lender to assure the payment of any contested Labor and Material Costs, together with all interest and penalties thereon.

Section 3.7 PERFORMANCE OF OTHER AGREEMENTS. Borrower shall observe and perform each and every term, covenant and provision to be observed or performed by Borrower pursuant to the Loan Agreement, any other Loan Document and any other agreement or recorded instrument affecting or pertaining to the Property and any amendments, modifications or changes thereto.

Section 3.8 CHANGE OF NAME, IDENTITY OR STRUCTURE. Borrower shall not change Borrower’s name, identity (including its trade name or names) or, if not an individual, Borrower’s corporate, partnership or other structure without first (a) notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change, (b) taking all action required by Lender for the purpose of perfecting or protecting the lien and security interest of Lender and (c) in the case of a change in Borrower’s structure, without first obtaining the prior written consent of Lender. Borrower shall promptly notify Lender in writing of any change in its organizational identification number. If Borrower does not now have an organizational identification number and later obtains one, Borrower shall promptly notify Lender in writing of such organizational identification number. Borrower shall execute and deliver to Lender, prior to or contemporaneously with the effective date of any such changes, any financing statement or financing statement change required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property.

Article 4 - OBLIGATIONS AND RELIANCE

Section 4.1 RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower, and no term or condition of any of the Loan.
Agreement, the Note, this Security Instrument and the other Loan Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor.

Section 4.2 **NO RELIANCE ON LENDER.** The general partners, members, principals and (if Borrower is a trust) beneficial owners of Borrower are experienced in the ownership and operation of properties similar to the Property, and Borrower and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Borrower is not relying on Lender’s expertise, business acumen or advice in connection with the Property.

Section 4.3 **NO LENDER OBLIGATIONS.** (a) Notwithstanding the provisions of Subsections (a) and (m) of Section 1.2, Lender is not undertaking the performance of (i) any obligations under the Leases, or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Loan Agreement, the Note or the other Loan Documents, including, without limitation, any officer’s certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

Section 4.4 **RELIANCE.** Borrower recognizes and acknowledges that in accepting the Loan Agreement, the Note, this Security Instrument and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Article III of the Loan Agreement without any obligation to investigate the Property and notwithstanding any investigation of the Property by Lender, that such reliance existed on the part of Lender prior to the date hereof, that the warranties and representations are a material inducement to Lender in making the Loan; and that Lender would not be willing to make the Loan and accept this Security Instrument in the absence of the warranties and representations as set forth in Article III of the Loan Agreement.

Article 5 - FURTHER ASSURANCES

Section 5.1 **RECORDING OF SECURITY INSTRUMENT, ETC.** Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property and such instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Borrower will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, this Security Instrument, the other Loan Documents, any note, deed of trust or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance and any
modification or amendment of the foregoing documents, and all federal, state, county and
municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the
execution and delivery of this Security Instrument, any deed of trust or mortgage supplemental
herein, any security instrument with respect to the Property or any instrument of further
assurance, and any modification or amendment of the foregoing documents, except where
prohibited by law so to do.

Section 5.2 FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and
without expense to Lender, do, execute, acknowledge and deliver all and every such further acts,
deeds, conveyances, deeds of trust, assignments, notices of assignments, transfers and assurances
as Lender shall, from time to time, reasonably require, for the better assuring, conveying,
assigning, transferring, and conferring unto Lender the property and rights hereby deeded,
granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or
intended now or hereafter to be, or which Borrower may be or may hereafter become bound to
convey or assign to Lender, or for carrying out the intention or facilitating the performance of the
terms of this Security Instrument or for filing, registering or recording this Security Instrument,
or for complying with all Local Requirements. Borrower, on demand, will execute and deliver,
and in the event it shall fail to so execute and deliver, hereby authorizes Lender to execute in the
name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so,
one or more financing statements (including, without limitation, initial financing statements and
amendments thereto and continuation statements) with or without the signature of Borrower as
authorized by applicable law, to evidence more effectively the security interest of Lender in the
Property. Borrower also ratifies its authorization for Lender to have filed any like initial
financing statements, amendments thereto and continuation statements, if filed prior to the date
of this Security Instrument. Borrower grants to Lender an irrevocable power of attorney coupled
with an interest for the purpose of exercising and perfecting any and all rights and remedies
available to Lender at law and in equity, including without limitation such rights and remedies
available to Lender pursuant to this Section 5.2. To the extent not prohibited by applicable law,
Borrower hereby ratifies all acts Lender has lawfully done in the past or shall lawfully do or
cause to be done in the future by virtue of such power of attorney.

Section 5.3 CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP
LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument
which deducts the Debt from the value of the Property for the purpose of taxation or which
imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the Property,
Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by
counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to
Lender or unenforceable or provide the basis for a defense of usury then Lender shall have the
option by written notice of not less than one hundred twenty (120) days to declare the Debt
immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits
on account of the Debt for any part of the Taxes or Other Charges assessed against the Property,
or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value
of the Property, or any part thereof, for real estate tax purposes by reason of this Security
Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall
have the option, by written notice of not less than one hundred twenty (120) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

Section 5.4 SPLITING OF DEED OF TRUST. This Security Instrument and the Note shall, at any time until the same shall be fully paid and satisfied, at the sole election of Lender, be split or divided into two or more notes and two or more security instruments, each of which shall cover all or a portion of the Property to be more particularly described therein. To that end, Borrower, upon written request of Lender, shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered by the then owner of the Property, to Lender and/or its designee or designees, substitute notes and security instruments in such principal amounts, aggregating not more than the then unpaid principal amount of the Note, and containing terms, provisions and clauses similar to those contained herein and in the Note, and such other documents and instruments as may be required by Lender.

Section 5.5 REPLACEMENT DOCUMENTS. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrower will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

Article 6 - DUE ON SALE/ENCUMBRANCE

Section 6.1 LENDER RELIANCE. Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partners, members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Debt and the performance of the Other Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Debt or the performance of the Other Obligations, Lender can recover the Debt by a sale of the Property.

Section 6.2 NO TRANSFER. In the event of any transfer, unless specifically permitted by Article 8 of the Loan Agreement or unless Lender shall have consented thereto in writing, Lender shall have the right to accelerate the Loan in accordance with the Loan Agreement and the Note.

Section 6.3 TRANSFER DEFINED. As used in this Article 8 "Transfer" shall mean any voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of: (a) all or any part of the Property or any estate or interest
thitherin including, but not be limited to, (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments, (ii) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder and its affiliates or (iii) a sale, assignment or other transfer of, or the grant of a security interest in, Borrower’s right, title and interest in and to any Leases or any Rents; or (b) any ownership interest in (i) Borrower or (ii) any indemnitor or guarantor of any Obligations or (iii) any corporation, partnership, limited liability company, trust or other entity owning, directly or indirectly, any interest in Borrower or any indemnitor or guarantor of any Obligations.

Section 6.4 - LENDER'S RIGHTS. Without obligating Lender to grant any consent under Section 6.3, hereof of which Lender may grant or withhold in its reasonable discretion, Lender reserves the right to condition the consent required hereunder upon (a) a modification of the terms hereof and of the Loan Agreement, the Note or the other Loan Documents as may be reasonably required as a result of any change permitted hereunder (provided that in no event shall such consent be contingent upon a change in the material economic terms of the Loan); (b) an assumption of the Loan Agreement, the Note, this Security Instrument and the other Loan Documents as so modified for the proposed transfer, subject to the provisions of Section 11.22 of the Loan Agreement; (c) payment of all of Lender’s reasonable expenses incurred in connection with such transfer; (d) the confirmation in writing by the applicable Rating Agencies that the proposed transfer will not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned in connection with any Securitization; (e) the delivery of a nonconsolidation opinion reflecting the proposed transfer satisfactory in form and substance to Lender; (f) the proposed transferee’s continued compliance with the representations and covenants set forth in Section 3.1.24 and 4.2.11 of the Loan Agreement; (g) the delivery of evidence reasonably satisfactory to Lender that the single purpose nature and bankruptcy remoteness of Borrower, its shareholders, partners or members, as the case may be, following such transfers are in accordance with the standards of the Rating Agencies; (h) the proposed transferee’s ability to satisfy Lender’s then-current underwriting standards; or (i) such other conditions as Lender shall determine in its reasonable discretion to be in the interest of Lender, including without limitation, the creditworthiness, reputation and qualifications of the transferee with respect to the Loan and the Property. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon a Transfer without Lender’s consent. This provision shall apply to every Transfer, other than any Transfer permitted pursuant to the Loan Agreement, regardless of whether voluntary or not, or whether or not Lender has consented to any previous Transfer.

Article 7 - RIGHTS AND REMEDIES UPON DEFAUL T

Section 7.1 REMEDIES. Upon the occurrence and during the continuance of any Event of Default, Borrower agrees that Lender or Trustee, or both, may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender or
Trustee may determine, in their sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender or Trustee:

(a) declare the entire unpaid Debt to be immediately due and payable;

(b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law, in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority;

(d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof, all as may be required or permitted by law; and, without limiting the foregoing:

(i) In connection with any sale or sales hereunder, Lender or the Trustee shall be entitled to elect to treat any of the Property which consists of a right in action or which is property that can be severed from the Real Property covered hereby or any improvements without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with applicable law, separate and apart from the sale of Real Property. Where the Property consists of Real Property, Personal Property, Equipment or Fixtures, whether or not such Personal Property or Equipment is located on or within the Real Property, Lender and/or the Trustee shall be entitled to elect to exercise its rights and remedies against any or all of the Real Property, Personal Property, Equipment and Fixtures in such order and manner as is now or hereafter permitted by applicable law;

(ii) Lender and/or the Trustee shall be entitled to elect to proceed against any or all of the Real Property, Personal Property, Equipment and Fixtures in any manner permitted under applicable law; and if Lender and/or the Trustee so elects pursuant to applicable law, the power of sale herein granted shall be exercisable with respect to all or any of the Real Property, Personal Property, Equipment and Fixtures covered hereby, as designated by Lender and/or the Trustee and Trustee is hereby authorized and empowered to conduct any such sale of any Real Property, Personal Property, Equipment and Fixtures in accordance with the procedures applicable to Real Property;

(iii) Should Lender and/or the Trustee elect to sell any portion of the Property which is Real Property or which is Personal Property, Equipment or
Fixtures that the Lender and/or the Trustee has elected under applicable law to sell together with Real Property in accordance with the laws governing a sale of Real Property, Lender and/or the Trustee shall give such notice of Event of Default, if any, and election to sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, and without the necessity of any demand on Borrower, Lender and/or the Trustee at the time and place specified in the notice of sale, shall sell such Real Property or part thereof at public auction to the highest bidder for cash in lawful money of the United States. Lender or the Trustee may from time to time postpone any sale hereunder by public announcement thereof at the time and place noticed therefor;

(iv) If the Property consists of several lots, parcels or items of property, Lender or the Trustee shall, subject to applicable law, (A) designate the order in which such lots, parcels or items shall be offered for sale or sold, or (B) elect to sell such lots, parcels or items through a single sale, or through two or more successive sales, or in any other manner Lender or the Trustee designates. Any Person, other than the Trustee, including Borrower or Lender, may purchase at any sale hereunder. Should Lender or the Trustee desire that more than one sale or other disposition of the Property be conducted, Lender or the Trustee shall, subject to applicable law, cause such sales or dispositions to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Lender or the Trustee may designate, and no such sale shall terminate or otherwise affect the lien of this Security Instrument on any part of the Property not sold until all the Debt has been paid in full. In the event Lender or the Trustee elects to dispose of the Property through more than one sale, except as otherwise provided by applicable law, Borrower agrees to pay the costs and expenses of each such sale and of any judicial proceedings wherein such sale may be made;

(e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note, the Loan Agreement or in the other Loan Documents;

(f) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents;

(g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower, any guarantor, indemnitor with respect to the Loan or of any Person, liable for the payment of the Debt;

(h) the license granted to Borrower under Section 1.2 hereof shall automatically be revoked and Lender may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating
therefo and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thenceon Lender may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereon; (ii) complete any construction on the Property in such manner and form as Lender deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Property; (iv) exercise all rights and powers of Borrower with respect to the Property, whether in the name of Borrower or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (v) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (vi) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment of the Debt, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys’ fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, Other Charges, insurance and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Lender, its counsel, agents and employees;

(i) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Fixtures, the Equipment and the Personal Property, or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Fixtures, the Equipment and the Personal Property, and (ii) request Borrower at its expense to assemble the Fixtures, the Equipment and the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Fixtures, the Equipment and/or the Personal Property sent to Borrower in accordance with the provisions hereof at least ten (10) days prior to such action, shall constitute commercially reasonable notice to Borrower;

(i) apply any sums then deposited or held in escrow or otherwise by or on behalf of Lender in accordance with the terms of the Loan Agreement, this Security Instrument or any other Loan Document to the payment of the following items in any order in its uncontrolled discretion:

(i) Taxes and Other Charges;
(ii) Insurance Premiums;
(iii) Interest on the unpaid principal balance of the Note;
(iv) Amortization of the unpaid principal balance of the Note;
(v) All other sums payable pursuant to the Note, the Loan Agreement, this Security Instrument and the other Loan Documents, including without
limitation advances made by Lender pursuant to the terms of this Security Instrument;

(k) pursue such other remedies as Lender may have under applicable law; or

(l) apply the undisbursed balance of any Net Proceeds Deficiency deposit, together with interest thereon, to the payment of the Debt in such order, priority and proportions as Lender shall deem to be appropriate in its discretion.

In the event of a sale, by foreclosure, power of sale or otherwise, of less than all of Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unmortgaged and without loss of priority.

Notwithstanding anything to the contrary in this Section 7.1, only Lender shall have the right to enforce the foregoing remedies with respect to Equipment, Fixtures, Personal Property, Leases and Rents, Condemnation Awards, Insurance Proceeds, Tax Certiorari, Rights, Agreements, Trademarks, Proceeds and Other Rights in the Property.

Section 7.2 Application of Proceeds. The purchase money, proceeds and avails of any disposition of the Property, and or any part thereof, or any other sums collected by Lender pursuant to the Note, this Security Instrument or the other Loan Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper, to the extent consistent with law.

Section 7.3 Right to Cure Defaults. Upon the occurrence and during the continuance of any Event of Default, Lender may remedy such Event of Default in such manner and to such extent as Lender may deem necessary to protect the security hereof, but without any obligation to do so and without notice to or demand on Borrower, and without releasing Borrower from any obligation hereunder. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the reasonable cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 7.3, shall constitute a portion of the Debt and shall be due and payable to Lender within ten (10) days after written demand for payment. All such costs and expenses incurred by Lender in remedying such Event of Default, in such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate, for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the other Loan Documents and shall be due and payable within ten (10) days after written demand for payment by Lender therefor.

Section 7.4 Actions and Proceedings. Lender or Trustee has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.
Section 7.5 **RECOVERY OF SUMS REQUIRED TO BE PAID.** Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender or Trustee thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

Section 7.6 **EXAMINATION OF BOOKS AND RECORDS.** At reasonable times and upon reasonable notice, Lender, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Borrower which reflect upon its financial condition, at the Property or at any office regularly maintained by Borrower where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, at reasonable times and upon reasonable notice, Lender, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Borrower pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower where the books and records are located. This Section 7.6 shall apply throughout the term of the Note and without regard to whether an Event of Default has occurred or is continuing.

Section 7.7 **OTHER RIGHTS, ETC.** (a) The failure of Lender or Trustee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender or Trustee to comply with any request of Borrower or any guarantor or indemnitor with respect to the Loan to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof, or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender or Trustee may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender or Trustee thereafter to foreclose this Security Instrument. The rights of Lender or Trustee under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender or Trustee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Neither Lender nor Trustee shall be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.
Section 7.8 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

Section 7.9 VIOLATION OF LAWS. If the Property is not in material compliance with Legal Requirements, Lender may impose additional requirements upon Borrower in connection herewith including, without limitation, monetary reserves or financial equivalents.

Section 7.10 RECOVERY AND CHOICE OF REMEDIES. Notwithstanding any other provision of this Security Instrument or the Loan Agreement, Lender and other Indemnified Parties (as hereinafter defined) are entitled to enforce the obligations of Borrower, any guarantor and indemnitor contained in Section 9.1 herein and Section 11.22 of the Loan Agreement without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure, exercise of a power of sale or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Lender commences a foreclosure action against the Property, or otherwise causes Trustee to exercise the power of sale pursuant to this Security Instrument, Lender is entitled to pursue a deficiency judgment with respect to such obligations against Borrower and any guarantor or indemnitor with respect to the Loan. The provisions of Section 9.1 herein and Section 11.22 of the Loan Agreement are exceptions to any non-recourse or excusal provisions in the Loan Agreement, the Note, this Security Instrument or the other Loan Documents, and Borrower is fully and personally liable for the obligations pursuant to Section 9.1 herein and Section 11.22 of the Loan Agreement and the guarantor or indemnitor is fully and personally liable for all obligations pursuant to Section 11.22 of the Loan Agreement. The liability of Borrower and any guarantor or indemnitor with respect to the Loan pursuant to Section 9.1 herein and Section 11.22 of the Loan Agreement is not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Lender or Trustee from foreclosing or exercising a power of sale pursuant to this Security Instrument or exercising any other rights and remedies pursuant to the Loan Agreement, the Note, this Security Instrument and the other Loan Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Borrower pursuant to Section 9.1 herein and Section 9.2 of the Loan Agreement, whether or not action is brought against any other Person or whether or not any other Person is joined in the action or actions. In addition, Lender shall have the right but not the obligation to join and participate in, as a party if it so elects, any administrative or judicial proceedings or actions initiated in connection with any matter addressed in the Environmental Indemnity.

Section 7.11 RIGHT OF ENTRY. Upon reasonable notice to Borrower, Lender and its agents shall have the right to enter and inspect the Property at all reasonable times.
Article 8 – INTENTIONALLY OMITTED.

Article 9 - INDEMNIFICATION

Section 9.1 GENERAL INDEMNIFICATION. Borrower, shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreclosures and unforeseeable consequential damages, of whatever kind or nature (including but not limited to reasonable attorneys' fees and other costs of defense) (collectively, the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) ownership of this Security Instrument, the Property or any interest therein or receipt of any Rents; (b) any amendment to, or restructuring of, the Debt, and the Note, the Loan Agreement, this Security Instrument or any other Loan Documents; (c) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Loan Agreement or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same or in connection with Borrower, any guarantor or indemnitee and/or any partner, joint venture or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (d) any accident, injury to or death of persons or loss of, or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (e) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (f) any failure on the part of Borrower to perform or be in compliance with any of the terms of this Security Instrument; (g) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (h) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (i) any failure of the Property to be in compliance with any Legal Requirements; (j) the enforcement by any Indemnified Party of the provisions of this Article 9; (k) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Loan, (l) the payment of any commission, charge or brokerage fee to anyone claiming through Borrower which may be payable in connection with the funding of the Loan; or (m) any misrepresentation made by Borrower in this Security Instrument or any other Loan Document. Any amounts payable to Lender by reason of the application of this Section 9.1 shall become due and payable within ten (10) days after written demand for payment and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. For purposes of this Article 9, the term "Indemnified Parties" means Lender and any Person who is or will have been involved in the origination of the Loan, any Person who is or will have been involved in the servicing of the Loan secured hereby, any Person in whose name the encumbrance created by this Security Instrument.
Instrument is or will have been recorded, persons and entities who may hold or acquire or will have held a full or partial interest in the Loan secured hereby (including, but not limited to, investors or prospective investors in the Securities, as well as custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan secured hereby for the benefit of third parties) as well as the respective directors, officers, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including but not limited to any other Person who holds or acquires or will have held a participation or other full or partial interest in the Loan, whether during the term of the Loan or as a part of or following a foreclosure of the Loan and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Lender's assets and business).

Section 9.2 MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the other Loan Documents, but excluding any income, franchise or other similar taxes.

Section 9.3 ERISA-INDENIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defending, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Sections 3.1.8 or 4.2.11 of the Loan Agreement.

Section 9.4 INTENTIONALLY OMITTED.

Section 9.5 DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, if the defendants in any such claim or proceeding include both Borrower and any Indemnified Party and Borrower and such Indemnified Party shall have reasonably concluded that there are any legal defenses available to it and/or other Indemnified Parties that are different from or additional to those available to Borrower, such Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such Indemnified Party, provided that no compromise or settlement shall be entered without Borrower's consent, which consent shall not be unreasonably withheld. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

-20-
Article 10 - WAIVERS

Section 10.1 WAIVER OF COUNTERCLAIM. To the extent permitted by applicable law, Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim (provided that Borrower may pursue separate claims in the same action relating to the performance of Borrower's obligations under this Security Agreement), in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Loan Agreement, the Note, any of the other Loan Documents, or the Obligations.

Section 10.2 MARSHALLING AND OTHER MATTERS. To the extent permitted by applicable law, Borrower hereby waives the benefit of all appraisement, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law.

Section 10.3 WAIVER OF NOTICE. To the extent permitted by applicable law, Borrower shall not be entitled to any notices of any nature whatsoever from Lender or Trustee except with respect to matters for which this Security Instrument or the Loan Documents specifically and expressly provide for the giving of notice by Lender or Trustee to Borrower and except with respect to matters for which Lender or Trustee is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender or Trustee with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender or Trustee to Borrower.

Section 10.4 WAIVER OF STATUTE OF LIMITATIONS. To the extent permitted by applicable law, Borrower hereby expressly waives and releases to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Debt or performance of its Other Obligations.

Section 10.5 SURVIVAL. The indemnifications made pursuant to Section 9.3 herein and the representations and warranties, covenants, and other obligations arising under the Environmental Indemnity, shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction, release or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Loan Agreement, the Note or any of the other Loan Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Loan Agreement, the Note or the other Loan.
Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto.

Article 11 - EXCULPATION

The provisions of Section 11.22 of the Loan Agreement are hereby incorporated by reference into this Security Instrument to the same extent and with the same force as if fully set forth herein.

Article 12 - NOTICES

All notices or other written communications hereunder shall be delivered in accordance with Section 11.6 of the Loan Agreement.

Article 13 - APPLICABLE LAW

OTHER JURISDICTION GOVERNS THIS SECURITY INSTRUMENT AND THE NOTE, AND THIS SECURITY INSTRUMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW EXCEPT AS SPECIFICALLY SET FORTH ABOVE.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS SECURITY INSTRUMENT MAY AT LENDER'S OPTION BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND BORROWER WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREFORHERE HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT

AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE MAILED OR DELIVERED TO BORROWER IN THE MANNER PROVIDED HEREBIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. BORROWER (I) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEW YORK, NEW YORK (WHICH SUBSTITUTE AGENT AND OFFICE SHALL BE DESIGNATED AS THE PERSON AND ADDRESS FOR SERVICE OF PROCESS), AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEW YORK, NEW YORK OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR.

Section 13.2 Usury Laws. Notwithstanding anything to the contrary, (a) all agreements and communications between Borrower and Lender are hereby and shall automatically be limited so that, after taking into account all amounts deemed interest, the interest contracted for, charged or received by Lender shall never exceed the maximum lawful rate or amount, (b) in calculating whether any interest exceeds the lawful maximum, all such interest shall be amortized, prorated, allocated and spread over the full amount and term of all principal indebtedness of Borrower to Lender, and (c) if through any contingency or event, Lender receives or is deemed to receive interest in excess of the lawful maximum, any such excess shall be deemed to have been applied toward payment of the principal of any and all then outstanding indebtedness of Borrower to Lender, or if there is no such indebtedness, shall immediately be returned to Borrower.
Section 13.3 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

Article 14 - DEFINITIONS

All capitalized terms not defined herein shall have the respective meanings set forth in the Loan Agreement. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word “Borrower” shall mean “each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein,” the word “Lender” shall mean “Lender and any subsequent holder of the Note,” the word “Note” shall mean “the Note and any other evidence of indebtedness secured by this Security Instrument,” the word “Property” shall include any portion of the Property and any interest therein, and the phrases “attorneys’ fees,” “legal fees” and “counsel fees” shall include any and all attorneys’, paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder.

Article 15 - MISCELLANEOUS PROVISIONS

Section 15.1 NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 15.2 SUCCESSORS AND ASSIGNS. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

Section 15.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Loan Agreement, the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Loan Agreement, the Note and this Security Instrument shall be construed without such provision.

Section 15.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.
Section 15.5 **NUMBER AND GENDER.** Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 15.6 **SUBROGATION.** If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property herefore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the repayment of the Debt, the performance and discharge of Borrower's obligations hereunder, under the Loan Agreement, the Note and the other Loan Documents and the performance and discharge of the Other Obligations.

Section 15.7 **ENTIRE AGREEMENT.** The Note, the Loan Agreement, this Security Instrument and the other Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, the Loan Agreement, this Security Instrument and the other Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, the Loan Agreement, this Security Instrument and the other Loan Documents.

Section 15.8 **LIMITATION ON LENDER'S RESPONSIBILITY.** No provision of this Security Instrument shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Lender, nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the tenants or any other Person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger. Nothing herein contained shall be construed as constituting Lender a "mortgagee in possession."

**Article 16 - DEED OF TRUST PROVISIONS**

Section 16.1 **CONCERNING THE TRUSTEE.** Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law, or to perform any act which would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Security Instrument, covenants to perform and fulfill the trusts herein created, being liable, however, only for willful or gross negligence or misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by Trustee in accordance with the terms hereof. Trustee may resign at any time upon giving thirty (30) days’ notice to Borrower and to Lender. Lender may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death, removal,
resignation, refusal to act, or inability to act of Trustee, or in its sole discretion for any reason whatsoever Lender may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Security Instrument is recorded and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of the duties of Trustee hereunder unless required by Lender. The procedure provided for in this paragraph for substitution of Trustee shall be in addition to and not in exclusion of any other provisions for substitution, by law or otherwise.

Section 16.2 Trustee’s Fees. Borrower shall pay all reasonable costs, fees and expenses incurred by Trustee and Trustee’s agents and counsel in connection with the performance by Trustee of Trustee’s duties hereunder and all such costs, fees and expenses shall be secured by this Security Instrument.

Section 16.3 Certain Rights. With the approval of Lender, Trustee shall have the right to take any and all of the following actions: (i) to select, employ, and advise with counsel (who may be, but need not be, counsel for Lender) upon any matters arising hereunder, including the preparation, execution, and interpretation of the Loan Agreement, the Note, this Security Instrument or the other Loan Documents, and shall be fully protected in relying as to legal matters on the advice of counsel, (ii) to execute any of the trusts and powers hereof and to perform any duty hereunder either directly or through his agents or attorneys, (iii) to select and employ, in and about the execution of his duties hereunder, suitable accountants, engineers and other experts, agents and attorneys-in-fact, either corporate or individual, not regularly in the employ of Trustee, and Trustee shall not be answerable for any act, default, negligence, or misconduct of any such accountant, engineer or other expert, agent or attorney-in-fact, if selected with reasonable care, or for any error of judgment or act done by Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatever, except for Trustee’s gross negligence or bad faith, and (iv) any and all other lawful action as Lender may instruct Trustee to take to protect or enforce Lender’s rights hereunder. Trustee shall not be personally liable in case of entry by Trustee, or anyone entering by virtue of the powers herein granted to Trustee, upon the Property for debts contracted for or liability or damages incurred in the management or operation of the Property. Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting an action taken or proposed to be taken by Trustee hereunder, believed by Trustee in good faith to be genuine. Trustee shall be entitled to reimbursement for actual expenses incurred by Trustee in the performance of Trustee’s duties hereunder and to reasonable compensation for such of Trustee’s services hereunder as shall be rendered.

Section 16.4 Retention of Money. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable law) and Trustee shall be under no liability for interest on any moneys received by Trustee hereunder.

Section 16.5 Perfection of Appointment. Should any deed, conveyance, or instrument of any nature be required from Borrower by any Trustee or substitute trustee to more
fully and certainly vest in and confirm to the Trustee or substitute trustee such estates rights, powers, and duties, then, upon request by the Trustee or substitute trustee, any and all such deeds, conveyances and instruments shall be made, executed, acknowledged, and delivered and shall be caused to be recorded and/or filed by Borrower.

Section 16.6 Succession Instruments. Any substitute trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its or his predecessor in the rights hereinwith like effect as if originally named as Trustee herein; but nevertheless, upon the written request of Lender or of the substitute trustee, the Trustee ceasing to act shall execute and deliver any instrument transferring to such substitute trustee, upon the trusts herein expressed, all the estates, properties, rights, powers, and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such Trustee to the substitute trustee so appointed in the Trustee's place.

PART II

Article 17 - State-Specific Provisions

Section 17.1 Principles of Construction. In the event of any inconsistencies between the terms and conditions of this Article 17 and the other terms and conditions of this Security Instrument, the terms and conditions of this Article 17 shall control and be binding.

Section 17.2 Maximum Amount Secured Hereby; Future Advances. In addition to the Obligations, this Security Instrument, to the fullest extent permitted by the law of the State of Missouri, shall also secure and constitute a lien on the Property for all future advances made by Lender to Borrower and future obligations incurred by Borrower to Lender in connection with the Property to the same extent as if such future advances were made or such future obligations incurred on the date of the execution of this Security Instrument. The total amount of the Obligations that may be secured by this Security Instrument shall not exceed a maximum principal amount equal to $44,500,000.00 plus future advances and/or future obligations made or incurred for the reasonable protection of the security or to enable completion of a contemplated improvement, all as contemplated by Subsection 3 of Section 443.055, Missouri Revised Statutes, and this instrument is to be governed by said Section 443.055. Lender is under no obligation to make such future advances.

Section 17.3 Additional Event of Default. It shall also constitute an Event of Default under this Security Instrument if Borrower shall give to Lender any notice under the provisions of Section 443.055 of the Revised Statutes of Missouri concerning future advances.

Section 17.4 Sale of Property. Lender may elect to cause any of the Property to be sold as follows: Should Lender request and direct Trustee to sell the Property or any part thereof which is real property or which Lender has elected to treat as real property, upon such election, Trustee may proceed to foreclose this Security Instrument in respect of said real property in the following manner: Trustee at the request of the Lender shall proceed to take possession and sell any of the Property, in whole or in one or more parcels, at public sale, to
the highest bidder, for cash, at the Courthouse in the City of Kansas City (or such other place as may be proper for the conduct of such sale in the jurisdiction in which the Property is located) or at Trustee's option, Trustee may set the place of such sale at any reasonable place, as permitted by Section 443.310 of the Revised Statutes of Missouri, first giving notice of such sale in the manner prescribed by statute. Trustee may in the Trustee's discretion set the time of such sale at any commercially reasonable time, as permitted by Section 443.327 of the Revised Statutes of Missouri. Upon such sale, Trustee shall execute and deliver a deed of conveyance of the property sold to the purchaser or purchasers thereof. Trustee shall receive the proceeds of said sale out of which the Trustee shall pay (i) the costs and expenses of executing this trust, including lawful compensation to the Trustee for his services as provided by the statute, and a reasonable attorney's fee which shall be immediately due upon first publication of sale; (ii) to Lender, upon the usual notices therefor, any of the Obligations, including money advanced for ground rents, taxes, insurance, maintenance, abstracts, title reports, judgments upon statutory lien claims and any other advances hereunder and interest thereon at the Default Rate (as provided in the Loan Agreement); (iii) the amount unpaid on the Obligations, including the interest accrued thereon at the Default Rate, and (iv) the balance of such proceeds, if any, shall be paid as required by law. The purchaser at any foreclosure sale shall not be obligated to look to the application of the proceeds thereof. If the Lender should become the purchaser, it shall be entitled to credit any of the unpaid balance of the Obligations against the amount of the purchase price. The Trustee covenants faithfully to perform the trust herein created. The purchaser at any sale or foreclosure sale hereunder may disaffirm any easement granted or Lease made in violation of any provision of this Security Instrument, and may take immediate possession of the Property free from, and despite the terms of, such grant of easement or Lease. Lender may cause any such sale or other disposition for such period of time as Lender deems to be in its best interest. Should Lender desire that more than one such sale or other disposition be conducted, Lender may, at its option, cause the same to be conducted simultaneously, or successively on the same day, or at such different days or times and in such order as Lender may deem to be in its best interest.

Section 17.5 LEASE OF PROPERTY. Trustee hereby lets the Property to Borrower until a sale is held as provided for herein, or until an Event of Default shall occur, upon the following terms and conditions, to wit: Borrower and all persons claiming or possessing any of the Property by, through, or under Borrower shall pay rent therefor during such term at the rate of one cent per month, payable monthly upon demand, and shall surrender immediate peaceable possession of the Property (and any and every part thereof) sold under the provisions of this Security Instrument to the purchaser thereof under such sale, without notice or demand therefor, and shall and will at once, without notice, surrender up possession of the Property and every part thereof in the event Lender shall take charge and enter as hereinbefore provided.

Section 17.6 MISCELLANEOUS. Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect Borrower and Lender from misunderstanding or disappointment, any agreements reached covering such matters are contained in the Note, this Security Instrument and the other Loan Documents, which together represent the complete and exclusive statement of the agreement between the parties hereto, except as said parties may later agree in writing to any modifications of the terms and conditions embodied herein.
Section 17.7 Missouri Statutory Insurance Notice. The following notice is given to comply with Section 427.120 of the Revised Statutes of Missouri: UNLESS BORROWER PROVIDES EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS DEED OF TRUST TO LENDER, LENDER MAY PURCHASE INSURANCE AT BORROWER'S EXPENSE TO PROTECT LENDER'S INTERESTS IN BORROWER'S COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT BORROWER'S INTERESTS. THE COVERAGE THAT LENDER PURCHASES MAY NOT PAY ANY CLAIM THAT BORROWER MAKES OR ANY CLAIM THAT IS MADE AGAINST BORROWER IN CONNECTION WITH BORROWER'S COLLATERAL. BORROWER MAY LATER CANCEL ANY INSURANCE PURCHASED BY LENDER, BUT ONLY AFTER PROVIDING EVIDENCE THAT BORROWER HAS OBTAINED INSURANCE AS REQUIRED BY THIS DEED OF TRUST. IF LENDER PURCHASES INSURANCE FOR THE COLLATERAL, BORROWER WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING THE INSURANCE PREMIUM, INTEREST AND ANY OTHER CHARGES LENDER MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO BORROWER'S TOTAL OUTSTANDING BALANCE OR OBLIGATION HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE BORROWER MAY BE ABLE TO OBTAIN ON ITS OWN.

[NO FURTHER TEXT ON THIS PAGE]
IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by Borrower as of the day and year first above written.

BORROWER:

CITY CENTER SQUARE EQUITIES II LLC,
a Missouri Limited Liability Company

By:

Name: Francis Greenburger
Title: Managing Member

Deed of Trust and Security Agreement
STATE OF NEW YORK

COUNTY OF NEW YORK

On this 15th day of March in the year 2005, before me, Stacey P. Cohan, a Notary Public in and for said state, personally appeared Frances Greenburger, Manager of City Center Square Equities II LLC, a Missouri limited liability company, known to me to be the person who executed the within Deed of Trust and Security Agreement on behalf of said limited liability company and acknowledged to me that he/she executed the same for the purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at my office in New York, New York, the day and year last above written.

[Signature]

New York, New York
Notary Public in and for said County and State

My Commission Expires:

January 5, 2007
(The Notary Public must type or print his/her name immediately beneath his/her signature.)
EXHIBIT A

LEGAL DESCRIPTION

LOTS 1 to 10, both inclusive, BLOCK 19, ASHBURN'S ADDITION, a subdivision of land; part of LOTS 1 to 10, both inclusive, SMARTS PARTITION NO. 1, a subdivision of land; also part of the East 1/2 of Government Lot 1 of the fractional Northwest 1/4 of Section 5, Township 49 North, Range 33 West, and also the 10 foot wide vacated alley as shown in said SMARTS PARTITION NO. 1; all in Kansas City, Jackson County, Missouri, being more particularly described by metes and bounds as follows:

Beginning at the intersection of the North line of 12th Street as established by Ordinance No. 20846, approved May 4, 1881, with the West line of Main Street as widened and established by Ordinance No. 27732, approved August 1, 1884, said intersection being 25.40 feet, more or less, North of the South line of said fractional 1/4 Section; thence North 89 degrees 21 minutes 32 seconds West, along said 12th Street right-of-way, a distance of 254.47 feet to the castly right-of-way line of Baltimore (60 feet wide) Avenue; thence North 00 degrees 02 minutes 42 seconds East, along said castly right-of-way, a distance of 266.76 feet to the southerly right-of-way of 11th (60 feet wide) Street; thence South 89 degrees 28 minutes 57 seconds East, along said Southerly right-of-way, a distance of 254.79 feet to the westerly right-of-way of Main (73 feet wide) Street; thence South 00 degrees 06 minutes 54 seconds West, along said westerly right-of-way, a distance of 267.30 feet to the Point of Beginning.

Together with the right to construct and maintain an underground parking garage extension 12 feet East of the West line of Main Street from the South line of 11th Street to the North line of 12th Street as set forth in Ordinance No. 42921, passed July 6, 1973.