T. Wall Enterprises

800 Block East Washington Avenue
Proposal Supplemental Questions
T Wall Enterprises, LLC

First, we'd like to disclose up front that we're going to be very blunt and 'hard sell' our position in these responses, for if we don't, we'll have short-changed ourselves and missed an opportunity to educate on some of the particular aspects of development (like retail development). Please forgive us if the direct approach comes across as too blunt given the written nature of the responses. Thank you.

1. Provide more detail on the engineering studies you have done regarding the below ground parking that is being proposed for the residential component of your project. Specifically how will you address the high water table and poor soil bearing capacity in the design of the proposed below ground parking. Explain how the costs of below ground parking will be financially feasible for the project.

   Answer: Please see the attached layout for our below grade parking; we can fit approximately 300 cars below the various buildings. We have a letter of support from CGC, a highly regarded and recognized (and local) expert in soils, that recommends the proper engineering methods for particular conditions. CGC specializes in geotechnical engineering and construction design, working with our structural engineer and architects.

   We also have an engineering letter from Otie Engineering, a local Native-American, tribally-owned engineering company that also specializes in engineering buildings on difficult soils. The parking garage will either be kept at 3-4' below-grade to stay out of the water table or may go down 7' with appropriate treatment and construction mechanisms in accordance with Otie's attached recommendations.

   Once selected as the developer, more significant and detailed soil borings and bearing capacity studies will be conducted within two weeks to determine if we will use either a 'bath-tub' design with spread footings (for soils that don't have as much difficulty – exactly what we used for the Target building on the east side) or micro-pilings (as the medical clinic on Park Street is doing right now and we're doing on another project). At which point we'll determine exactly how deep our garages will be placed. Understandably, having the garage partially above-grade provides the buildings with the natural "walk-up" entrances to the residences.

   The City of Madison as a city sits in what was formerly a wetland (and other swampy areas with poor construction soils) and many buildings reside on poor soils. We have dealt with many difficult types of soils conditions. Keep in mind that our structures are also lighter weight than a multi-level concrete parking ramp and towering steel structure. The conditions that are needed for our structures are therefore, according to the engineers, wholly different than those needed for a massive parking ramp and tower structure. (This is another reason why a tower on this site is not appropriate, not to mention needlessly driving up costs and therefore rents.)

   In terms of experience, Terrence Wall was also the *first* developer in the State of Wisconsin to work in partnership with the Army Corps of Engineers to exchange wetlands; both restructuring less valuable wetlands to create solid ground and actually creating wetlands from scratch. T. Wall did this in 1996-1997 at the East Prairie Commons development (Target, by East Towne Mall). The wetlands there were contaminated by the adjacent salvage yard. Within just a few years of the new wetlands being created by T.

Wall, the Army Corps, which studied the new, as well as the converted wetlands each year, stated that our new wetlands were a model for private sector creation of wetlands.

Our new wetlands support all kinds of native wildlife and plant life and are considered a huge success by the Army Corps. We mention this to demonstrate the soil challenges that we have encountered in the past on other sites so that you can be rest assured that we have the best team possible to provide the appropriate engineering for the soil conditions.

Letters with specific details from our experts are attached for your review. (And don't forget, TIF is there to assist with the extraordinary costs of dealing with the soils, although I would imagine our TIF request is substantially less than our competitors.)

2. What letters of intent do you have regarding the lease of commercial (office/retail) space within your project?

   Answer: Jeff Mauer, the owner of Madison Fresh Market, has committed to leasing 35,000 square feet. See attached. We are also in discussions with other prospective tenants who wish to remain anonymous at this time so as to avoid becoming involved in the selection process. We don't want these tenants approached by our competitors.

   Our competitors have zero experience in leasing retail or office space in Madison, whereas T. Wall has leased and owned five retail centers, owns half a dozen master planned retail sites presently in development, which include retailers who have expressed interest in East Washington Avenue as well, if our team is selected. If selected, we will also pursue *local* retailers to fill the 30,000 square feet of space, including specifically the restaurant we have planned for the corner of East Washington Avenue and Paterson Street. We have also agreed NOT to lease to Class B or C tenants (i.e. cash store, etc.), which is what inexperienced leasing agents resort to when too much retail space is put on the market in one location.

   T. Wall's retail and food leasing experience in this market includes, but is not limited to, Target, Michael's Crafts, Ashley Furniture, Bed Bath & Beyond, Verizon, Sprint, Rocky Rococo's, numerous pizza restaurants, numerous coffee / café shops, Uno's, Damon's, numerous banks (in fact, you could say we're the bank developer in Madison) and financial 'houses' (like Fidelity, Charles Schwab and the like), numerous hair salons, and literally hundreds of other types of stores and restaurants. *We're the only team with local retail experience and contacts.*

   We also have been speaking with a person that has been recognized as one of the top chefs in Dane County who wishes to open his own restaurant. T. Wall has been advising him for two years now on how to get setup and he is ready to take the next step. However, if we are not selected, we do have an alternative site of ours that we have presented as a backup plan and therefore, cannot reveal his name as he has asked that it remain confidential.

   Lastly, the size of our retail, 30,000 square feet in addition to the grocery store at 35,000 square feet, means that the Constellation and Tenney Town Center will *both* lease up. The last thing the city or the committee needs is egg on its face with vacant store fronts, declining rents and property values, and then cannibalization of either shops or customers from the stores on Johnson Street or from Willy Street co-op or Jennifer Street co-op. East Washington Avenue already has enough of an image problem down the road; let's not add to it.

3. What letters of intent do you have for short and long term debt financing of the project?

Answer: We have attached a signed letter from Brian Zimdars, Vice President at Associated Bank. The bank is ready to process and approve a construction mini-perm loan that will roll into a 5-year permanent loan subject to all the usual conditions, etc. as normal. We have a 23-year history of working with Associated Bank and the bank has just recently approved a loan for our Wingra Point Apartments on Fish Hatchery Road at the corner of Park Street, across from the new clinic. We also work with Mike Lee, with whom we have a long-term relationship, to provide longer term take-out financing as well, once the construction is done. Mike is a Madison based commercial mortgage broker.

4. Do you have market studies on the commercial/retail and residential markets that support your rent projections? If so, please provide a copy.

Answer: Please see attached for the grocer market study, and our 2012 multi-family housing market study for the greater Madison area.

However, please keep in mind, while we do hire local interns from the UW Madison Real Estate Center to conduct an annual market study, our team is actively developing in the Madison market and therefore, we have the pulse of the market. Unlike our competitors, we know this market inside and out; we know exactly how much retail/commercial space is appropriate for this location and how much will lease (and we won't tell you a larger figure to please you; we'll be very upfront about what is feasible and what is not). We're the team with extensive retail experience in Madison, office experience, and apartment experience in this market (as well as mixed-use experience, which is unique). We track building permit data quarterly, along with annually collecting rents, absorption, and supply and demand, along with overall demographic data. No one understands this market, or in particular East Washington Avenue, as well as we do, given our 45 years of growing up in and leasing on the corridor.

And at the risk of repeating ourselves, we care about the long-term nature of the neighborhood, which is why we are not proposing to over-supply the local market with too much commercial space. Vacant store fronts and falling rents and property values would create an unmitigated disaster for the corridor as it would halt desire by other developers to build future projects on the corridor. What the city needs to be doing is protecting the viability of each project to demonstrate 'proof of concept' so that other developers follow later with even more economic development (hopefully unassisted by TIF by that time).

If the 800 block development falters, it would be bad for all involved, including the city and neighborhood. Not to mention, if the city puts all its eggs in one basket with the same developer (who has done a commendable job on the Constellation) with a second development, before the first tower is even proven viable, that may prove to be a very risky strategy, especially when the Constellation has said that only the 9th through 12th floors have leased. The city should be asking what is being done to lease the other 8 floors. Remember, even a 10% vacancy in one project can cause overall market rents to decline, ***which is why we are so concerned about doing this right, rather than doing it big.***

In addition, we know that the Constellation has a coffee shop interested in leasing there; which is why the city should be asking additional questions – what is the developer going to do to avoid competing head to head with the Constellation for tenants, potentially driving both developments down a hole with spiraling rents? Each project should instead focus on a unique niche; Constellation is a high-rise tower with all of its activities inside the building, while Tenney Town Center (the only proposal of the three) will be a ground level, open-air, neighbor friendly type development with smaller local shops and live-work units facing Mifflin that can house local artists or 'home art or photo galleries' facing the park in order to differentiate itself from the Constellation.

We'd like to ask the city to focus on differentiation between the two developments, rather than encouraging the 800 block to be an exact replica – another high-rise with the exact same 'spaces' to offer to tenants. That is where we come in with our local experience; T. Wall differentiated five different retail centers all located around East Towne Mall, in order to make each unique and driven by a unique customer base. <u>That's what we need to do here!</u>

5. What are the projected per square foot rents for each of your residential unit types and for the committed and uncommitted commercial/retail space in your project?

<u>Answer</u>: The projected rental amounts per square foot (per month) for the residential units are: $1.31 for the studios, $1.41 for the one-bedrooms, $1.16 for the two-bedrooms and $1.13 for the live-work units. (Remember, unlike a prior statement made by a competitor, there's no way we can charge the same sky high rents as the 9th floor of the Constellation for our 4th and 5th floor residences; renters won't be getting a Capitol view and won't pay the same price; but this also allows us to differentiate.

The projected triple net rent for Madison Fresh Market is $16 per square feet with $8 psf for the other 30,000 square feet of retail stores. You'll note that the rent for the other stores is lower. The commercial market for retailers is hurting from a five year Great Recession, and store owners just don't have the gross sales receipts to pay higher rents at this time, so if we want to attract and retain the viability of the stores, in particular local stores (rather than going for higher paying Starbuck's), we need to ensure that the rent structure doesn't financial damage those stores.

At $8 per square foot, a local store proprietor could have sales as low as $110 per square foot for a small 1,800 square foot store. That's the key; rents low enough that the store owner can make money too even when sales are lower, in order to pay off her loan, inventory, etc. along with paying living wages and providing expensive health insurance for employees.

At $8 psf, the rent to sales ratio is about 7.3%, which is ideal. When adding in the expenses (utilities, property taxes, CAM, etc.) the total will come to about 10%. A store cannot remain viable at a rent to sales ratio that exceeds 10% (including expenses). (Remember, these are local stores; they're not going to do sales of $1 million.)

But we will include a percentage of sales clause so that if the sales are higher, we also share in the upside to the tune of 5% to 7% over the 'natural base', as we say in the retail industry. We'll also provide some free rent up front to help the small shop keeper open her store and get started.

As a comparison, the top retail developer in Dane County historically charged $14 psf triple net rent (before the Great Recession). Today, those rents (even at our own retail stores in the very best locations) are down to around $10 to $12 psf. In comparison, a pioneering location like the 800 block would not be considered a prime or Class A location, and therefore, the rents must be less. Having leased to dozens of retailers and negotiated with hundreds, including T. Wall having personally been a leasing agent for a number of retail stores on State Street over the years, we can precisely determine what rents will be. (There are exceptions to the rule also, such as banks and cellular stores, which will pay much higher rents for a corner location. Likewise, cash stores will pay almost any price, but then we don't want a cash store.)

We will also provide a library kiosk as stated before, which will also help generate foot traffic to the local shops.

We also want to say something about our design. Having designed many retail centers, re-designed others that were failing, and having designed many retail land developments, it is absolutely critical that the design be done right so that the 'anchor' (the grocery store), which anchors the development and attracts the majority of the customer traffic, be located so that the customers visiting the grocery store must pass in front of the small shops as well – this is what will keep those shops viable. A development in which the design allows the grocery store customers to walk directly from their car to the grocery store without ever seeing the small shops will mean that the small shops will fail.

A parking ramp (even if the grocery store customers park on the ground level as in the case of modified CD Smith design) will limit visibility to the stores; in fact, a parking ramp will act as a giant concrete Berlin Wall, severely restricting access to the overall development as well as to the small shops. Small shops, like a grocery store, need parking right in front; quick and easy and directly visible from the car. And while customers will park under a general merchandiser building like Target at Hilldale or WalMart at Monona, they won't for groceries - even Metcalfe's at Hilldale relies on surface parking. Their customers will not park in the ramp to shop at Metcalfe's.

Another example of challenging design – Arbor Gate. The developer there did an awesome job with the overall office development, but the emphasis on the office design limited the parking in front for the small stores. Now that the small stores have finally 'made it' and are quite successful, but there is not enough parking in front of the stores, and customers will not drive into the parking ramp in the back, park, and then walk out and around to the small stores. They sit in the drive aisle and wait until someone else pulls their car out of a parking spot first!

The point is that proper design in retail is absolutely critical to its success, if we might be blunt. A parking ramp will be the death blow to the small stores.

Lastly, a grocery store that is 50,000 sf or larger and includes everything (wonderful) that Metcalfe's includes means that there won't be much need for small shops. For example, if the grocery store provides an internal coffee shop/café, another one outside won't be viable. If the grocery store provides Chinese take-out, there won't be one outside. If the grocery store provides a full-service floral store inside, there won't be a need for one outside.

Not to mention, any grocery store worth its salt will insist upon a non-compete agreement to prevent the developer from leasing to shops that carry like-kind products. The city should be asking about non-competes that the grocery store has been promised or negotiated with the developer. In our case with Fresh Market, we have no agreement to provide a non-compete and in fact, as stated previously, we have limited the grocery store to 35,000 sf so that there is still plenty of retail products and foods that the smaller stores can provide without competing head to head. Think about the non-compete that Eagle Foods has at the location on Northport that kept that store front empty for many years, and the non-compete that Roundy's has on the location in Sherman Plaza that results in a huge vacancy there. We don't want to have that situation repeated in the 800 block, either in the small stores or in the grocery store, should the grocery store prove challenged.

We apologize for our bluntness, but given our experience in the retail market, we know what to watch out for, and that is why we are trying to educate the city as to these standard practices; so that you can avoid the pitfalls. Likewise, you can avoid the promises made by others that fly in the face of what works in retailing and what doesn't.

6. Provide more details on the square footages and proposed price points for any owner occupied residential units.

Answer: We have very deliberately chosen not to include any owner occupied units in the development at this time, although our rental residences are designed to a condo-quality level, unlike our competitors', for easy conversion later. (We're the only developer to use 10 inches of insulation between floors to provide additional sound dampening, extra wide (6 feet) hallways, and high ceilings (9 feet), as just a few of many examples.)

In addition, given the excess condos in the Madison market, banks (and the federal regulators that control them), are presently prohibiting providing loans to speculative condo projects. Any number of condominiums, whether large or small, will inhibit every developer from securing financing for the proposed development. (Having a primarily residential development with some commercial space is an acceptable structure for financing. However, if the commercial space is too large as a percentage of the overall loan, the banks will impose pre-leasing and other requirements that will make obtaining the financing nearly impossible. Adding in condos to the mix would be the nail in the coffin.)

The nice thing about our proposed design is that if the condo market in terms of financing changes in the future, our design is flexible enough to allow for conversion or a building or two to be torn down or modified and a taller condo building to be built at that time. Our design is the only proposal with the flexibility to adapt and change to satisfy an ever changing marketplace and consumer tastes and demands. This ability to adapt will be critically important to keeping the center fresh and viable. With a high-rise design, there's just no ability to adapt over time. You're stuck with a very expensive physical structure.

8. Provide a summary of the numbers, types (full time, part time), and estimated wage rates for the employees to be employed by your commercial (office/retail) tenants.

Answer: Madison Fresh Market hires new full-time employees at living wages; $15-20 per hour. They offer a full benefit package including a 401K plan. They also pay a very generous 65% of their employees' health insurance. Part-time employees are hired at a starting wage of $8 per hour, moving up from there, with part-time employees with more experience being paid $14 per hour.

9. Can employees of project tenants be able to afford to live in the project?

Answer: The majority of the full-time retail employees will be making $41,000 or so per year ($20 per hour) and will be able to afford living in this project. Please see the chart below that contains the maximum rental amounts Dane County will let landlords charge residents who make 80% or less than the county median income. All of our rents are equal to or below the 80% CMI maximum rental amounts, which means all of our units are affordable!

	Studio	One-Bedroom	Two-Bedroom
80% CMI	$1,127	$1,208	$1,450
Tenney Town Center	$850	$1,200	$1,450

10. How will you address local hire during the construction of the project?

<u>Answer:</u> The two contractors that are part of our team are Encore Construction and Miron Construction and both of these contractors have been working in the Madison area for decades. There's no "getting to know Madison and its processes" learning curve with these contractors, and there's no risk to the city or the committee that something was misunderstood. We also have pre-selected our local subcontractors, like the Bruce Company, which grows plants here locally, rather than importing them from out of state. Likewise, the architect is here with an office in Madison.

We do not allow our general contractors to hire non-local subs without explicit written authorization. (Our AIA contract provides that all subs have to be approved in advance by the owner, T. Wall.) We're also not importing generals or subs (or even the developer) from our home market, because Madison is our home market! We're focused right here; you know where to find us if there is an issue, and most importantly, this isn't one of many dozens of projects around the country like the other developers or architects have; this is it – this is our #1 focus – this is our home town. We'll be here every day, day in and day out; we won't be commuting to the development once every couple weeks, and we won't delegate this project to a junior underling; you get the top people in the companies. Mike is a partner in the architectural firm of PRA; Rene is a partner in Encore; Terrence is the developer; and John is the top guy in Madison for Miron, etc. You'll continue to talk to *us*; not to a less experienced team once the selection is made.

<u>Green</u>

Unlike a high-rise structure, we won't be importing a huge amount of steel either. By default, a project that hires local is also green, whereas a project that has to import vast amounts of material and specialized labor and uses twice the natural resources that ours will cannot be truly green. If you can provide the same housing unit (in fact, a greater number of housing units) in our development for half the cost, which means that we are using half the material, thereby by conserving resources, then you have a truly green development. Likewise, we can either provide a token green demonstration projects within the development like our competitors have proposed, or we can do the *entire project as sustainable and green*, as we do as a matter of standard operating practice in all of our developments. We're the green leader in Dane County.

Associated Bank
Commercial Real Estate Division

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January 22, 2013

Terrence Wall
T Wall Enterprises, LLC
P.O. Box 620037
Middleton, WI 53562

Re: City Of Madison

Dear Mr. Wall:

It was nice to hear that you are discussing a possible development of the site located at 800 Block of East Washington Avenue in Madison. I am pleased that you, if awarded, would partner with Associated Bank for this development. Per your request, the information we discussed will be kept confidential at this time.

Over the years, Associated Bank has had a banking relationship with Terrence Wall. You have performed as agreed on your various loan arrangements with the bank. I believe you bring the needed resources, planning and skills to get this project moving in a positive direction.

During our meeting we discussed some options for financing. It is my belief that when you formalize your loan request, it will meet the banks parameters and is within our lending limits.

The above information is provided for the initial feedback from our first meeting on this project. Any commitment provided by the Bank will be subject to the complete due diligence and underwriting of Associated Bank, satisfactory loan documentation, and other loan closing requirements.

I thank you for the opportunity to be involved in the initial discussions for this project. If you should have any question, please feel free to contact me at (608) 259-3691.

Sincerely,

Brian Zimdars
Vice President/Market Manager

Plunkett Raysich Architects LLP

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28 March 2013

Terrence Wall
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Middleton, WI 53562

Re: 800 Block East Washington Avenue - Tenney Town Center
PRA Project No. 120421

TERRENCE, the building of parking below grade in areas where the water table fluctuates is a common building practice. Our project team members have all been involved in successful projects with similar conditions. This letter is provided in response to Question #1 for the Tenney Town Center project at the 800 Block of East Washington Avenue. Our team members have each provided a response letter that describes our design discussions and construction of our approach to providing secure below grade parking for all residents. Included are letters from our project team members, including:

- Miron Construction Company Inc – General Contractor
- Oneida Total Integrated Services (OTIE) – Structural Engineer
- CGC, Inc. – Materials Testing

800 Block East Washington Avenue Proposal Supplemental Questions - #1
Question #1 is a two part question and includes the following issues:

1. Provide detail on the engineering to build parking below grade on this site.
2. Explain the cost of below grade parking at this site.

1. The history of construction in this area of Madison supports a seasonal water table fluctuation. The 800 block of East Washington site is in an area that traditionally contains fill soil materials and clay soils over layers of sand. It is in these sand layers that water moves through at various times. Many residences and commercial buildings in the area contain lower (basement) levels. Established water control techniques used in construction are evident in projects throughout this area of the City. Commercial grade water control techniques similar to what are utilized in surrounding buildings will be used for the below grade parking for the Tenney Town Center project. The enclosed consultant letters refer to the general methodology that will be used to control water.

2. The enclosed letter from Miron Construction deals with the cost impact of below grade parking on the 800 block. A onetime cost of up to $2,400 per car stall added to a base construction estimate of $13,000 per car is our project teams construction estimate for the below grade parking. The project costs for below grade parking on this site should be compared with an above grade parking ramp for efficiency, initial cost, and long term operational costs.

   Below grade parking costs are largely a "one time" item. Almost 100% of parking on a flat surface, whether above or below grade, is usable. Above grade parking ramps lose some efficiency by not being able to utilize about ½ of the area under the first ramp due to low head heights. Ongoing maintenance concerns such as periodic cleaning of brick or concrete exteriors, trucking the snow plowed from the upper deck areas to offsite locations, periodic sealing of drive surfaces and caulking of exterior joints, are minimal or 'no cost' items with a below grade parking structure. All below grade parking is available all year round in a secure environment, and general maintenance is a minimal short and long term expense.

Sincerely,

Kirk Keller AIA, NCARB
Project Manager

Enclosure

OTIE
Oneida Total Integrated Enterprises

Kirk Keller
Plunkett Raysich Architects
2310 Crossroads Dr. Suite 2000
Madison, WI 53718

Mr. Keller,

I am writing this letter in regards to the 800 Block East Washington Project in order to address the foundation system and below grade parking for this project. As we all know, this area of the Isthmus has a high water table and poor soil conditions (fill, sand and clay). We have worked on many projects with similar conditions and believe we can provide a reliable and cost-effective solution.

From the discussion we had, we will be placing the foundations and lower level parking approximately 7 feet below grade. It is assumed that the water table would be approximately 4-6 feet below grade. The structure extending below the water table will be waterproofed with water stops and membranes to reduce the possibility of having any water infiltrate into the basement level. In providing a watertight structure, the structure will be designed as a pressure slab in order to resist uplift pressures associated with the 100-year frequency flood. These loads will be resisted by the dead weight of the structure.

As an alternate to creating a watertight level, an engineered under drain system could be constructed around and below the lower level. This will require a drainage blanket and piping system which will be discharged to a large capacity sump and pump. An emergency power supply will be required so that it could be operated during power outages.

The watertight system will have more up-front costs in the structure but does not require an emergency backup power supply. With the drain tile system, there is less cost put into the structure itself but requires larger costs in the piping and emergency backup. Each system will be reviewed and evaluated during the design phase of the project. Miron is addressing cost.

The project you are proposing places the lightest loads of the three proposed projects and as a result lighter and more cost effective construction. We recommend the use of deep foundations for heavily loaded columns and a Geopier system for the more lightly loaded columns. The deep foundations would consist of 90 ton concrete filled steel pipe piles extending to bedrock. The Geopier system uses replacement Rammed Aggregate Pier elements to reinforce good to poor soils, including soft to stiff clay and silt, loose to dense sand, organic silt and peat and variable, uncontrolled fill. Depending on the soil make-up at this site, the Geopier system can provide an improved soil bearing capacity upwards of 5,000 to 9,000 pounds per square foot.

In order to address the high water table and poor soils for this project, we have presented a couple of solutions. We will review these options and find the best solution as we move further into design. Please do not hesitate to call if you have any further questions.

Sincerely,

Jim

James J. Hall, PE, SE
Structural Engineer

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March 28, 2013

Mr. Kirk Keller AIA, NCARB
Plunkett Raysich Architects, LLP
2310 Crossroads Dr., Suite 2000
Madison, WI 53718-8344

Re: E. Washington Ave. Parking Structure

Dear Kirk,

Per your request, we have evaluated the construction of a single-level below-grade parking garage in the 800 block of E. Washington Ave. in Madison, WI. We understand that there are concerns with the high water table in the area and feasibility of the construction.

In the past we completed a project in the City of Green Bay that had a very similar situation. We constructed a lower parking structure adjacent to the Fox River, which also had a high water table. The foundation system was a poured-in-place concrete structure utilizing PVC water stop at all construction joints. The exterior walls were coated with a high-strength water repellent membrane system in conjunction with an under slab drain tile system draining to two large sump areas. We also included a committed emergency generator as backup for the pumps at these sump areas.

This type of system is not uncommon for this type of construction and would be what we would suggest for this E. Washington Ave. project. From the information we have been provided, we estimate that the cost impact for this design would be $2,000-$2,400 per car.

Should you have any questions or need additional information do not hesitate to contact me.

Sincerely,

John Schnell (RXP)

John Schnell
VP, Southern Operations

JAS/rxp

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CGC, Inc.
Construction • Geotechnical
Consulting Engineering/Testing

Hi Kirk, here's our response to the question proposed by the city:
A geotechnical exploration has not been completed at the above referenced project yet. One will be completed to further determine site conditions.
As far as the high groundwater, nearby structures have been constructed with basements or at least partial underground structures. The new structure will likely need to be designed with a slab that can resist hydrostatic uplift forces or have a permanent dewatering system installed.
As far as poor soil conditions, some structures in this area have been designed using a relatively low allowable bearing pressure of about 2,000 psf with some undercutting/replacement required. Some structures in this area have been founded on a deep foundation system (such as geopiers or driven pipe piles) where larger loads are anticipated and higher bearing pressures are desired. This can be further determined by the geotechnical exploration.
Please contact us if you have questions/comments.
Thank you,
Eric Neuhauser, PE
CGC Inc.
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A. Trends and Outlook for Multi-Family Development in PMA

The primary market area (PMA) offers a great opportunity for multi-family apartment development at this time. The PMA is the area from which the strongest potential demand for housing associated with the proposed development is anticipated to originate. The PMA is the geographic area north of Hwy 18/151 in Verona, south of Raymond Rd and Midtown Rd in Verona and Madison, east of Timber Lane and Sugar River in Verona, and west of HWY 18/151 in Verona and Madison. The PMA has been virtually unaffected by the recession, has positive multi-family demographics, has a low inventory of new multi-family product combined with low vacancy rates in current product, and land and construction costs are currently low. This makes for an opportune time to develop multi-family apartment units in the PMA.

1. Population and Employment Growth

The U.S. Census Bureau predicts the population of the United States will increase by 100 million over the next 30 years. This means that more than 3 million individuals will be added to the U.S. population on average every year.

Since 2000, employment has increased by 19,864 in the Madison MSA, while the population increased by 71,151, from 501,771 to 572,922 over the same period. The Madison MSA consists of Dane, Iowa, and Columbia countries. In that same period in the City of Madison alone, employment increased by 7,286 from 128,180 to 135,466 while population increased by 23,647 from 211,595 to 235,242. In the City of Verona, population increased by 3,567 from 7,052 to 10,619, a 51% increase over the decade. The City of Verona is too small to receive employment growth data, but since 1990, the city's population has experienced an average increase of 357 people per year. The Madison MSA has a projected population increase of 31,865 people through 2016. This means that there will be a need for approximately 4,828 ((31,865/2.2)*1/3) new multi-family housing units in the Madison MSA in the next five years, or approximately 966 new multi-family units per year. In contrast, Dane County as a whole only saw an increase of 419 multi-family units in 2010 and an average increase of 709 multi-family units per year for the past three years, thus demonstrating how current multi-family construction has not kept up with population trends in Dane County and the Madison MSA. Inevitably, these population trends in the Madison MSA will increase demand for many types of real estate uses, and aid in the absorption of the surplus housing inventory while creating a greater demand for multi-family apartments.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate
EasiDemographics
Wisconsin Department of Workforce Development
Capital Area Regional Planning Commission

2. Demographics

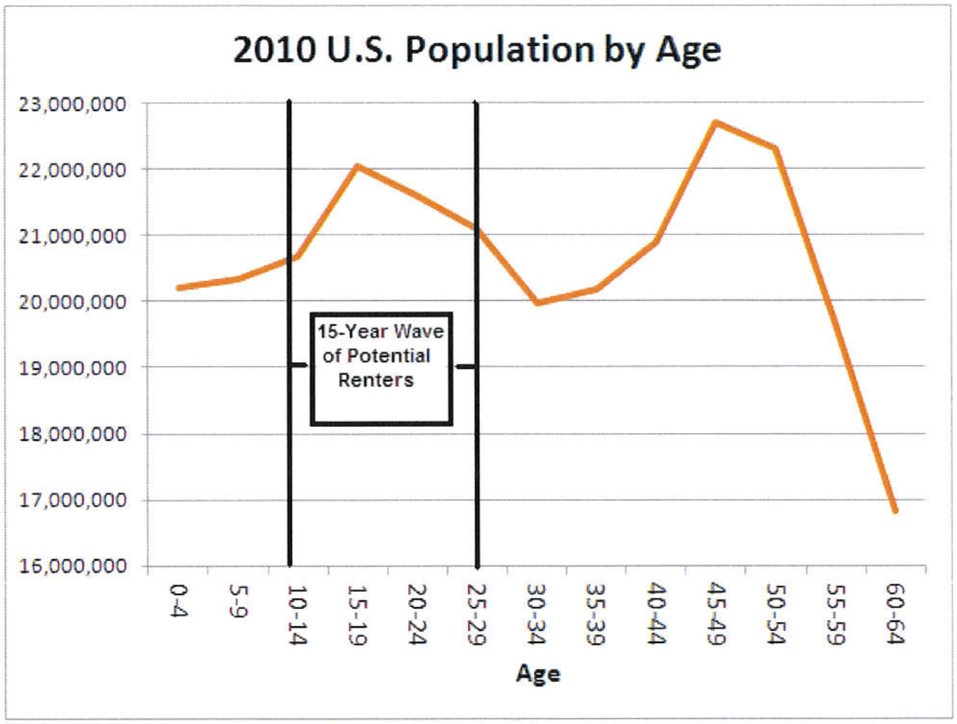
Trends in multi-family housing show that there will be an increase in demand for multi-family housing from three main demographic groups: Millennials, Baby boomers, and foreign-born citizens.

a. Millennials - Generation Y

The Millennials are 5-30 year olds primarily born between 1982-2006. These young adults are the children of the Generation X and Baby boomer generations and thus also make up a large population demographic. This large group of young adults will choose to rent as they begin to enter the workforce and build careers. Over 80 percent of all households aged 25 or under are renters, along with two-thirds of those aged 25-29. Due to recent trends in marriage, Millennials will typically marry and start families later, so a majority of the

Millennials will be renters for many years to come. If 20-somethings rent for 10 years and the millennial generation is 25 years in length, then we can expect at least 15 years of a strong multi-family and single-family market once the economic recovery begins. Another factor that draws this demographic towards multi-family housing is their desire to live in stimulating cities or urbanizing suburban nodes like the West End development in Verona. They are attracted to areas with activity 24-hours per day that have more excitement than the car-oriented lifeless suburbs.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate



Source: U.S. Census Bureau

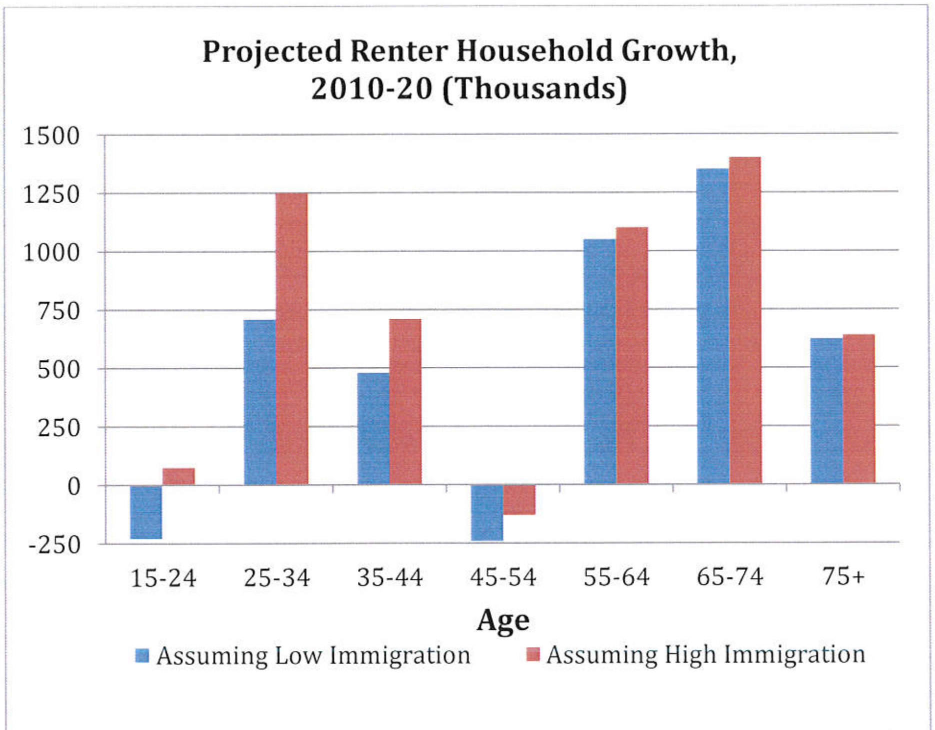
Due to the presence of the University of Wisconsin-Madison and other small colleges in the Madison Area (See Section B.5), the PMA has large numbers of Millennials. In fact, in the City of Madison, the age group of 18-34 year olds (prime renting age) makes up 39 percent of the entire population. This group of individuals will either be graduating from college soon or are recent college graduates. At this age, most will not be thinking about starting families for another several years, and will look to rent apartment units that are close to amenities and provide for a more urban lifestyle.

b. <u>Seniors - Baby boomers</u>

As the Baby boomer generation continues to age there are several factors that will draw them towards multi-family apartment complexes. They will find greater comfort in living a downscaled lifestyle that is closer to more urban amenities. Like their millennial children, they will seek apartments in 24-hour cities or urbanizing nodes in order to live a more convenient lifestyle that is closer to grocery stores, salons, medical offices, retail, and various other attractions. Many Baby boomers will begin selling their homes to create necessary retirement income. They will use some of the proceeds from their home sales to relocate to apartment-style living. Nearly two-thirds of renter growth from 2000-2009 was among households aged 47-65, reflecting the impact of the Baby boom generation.

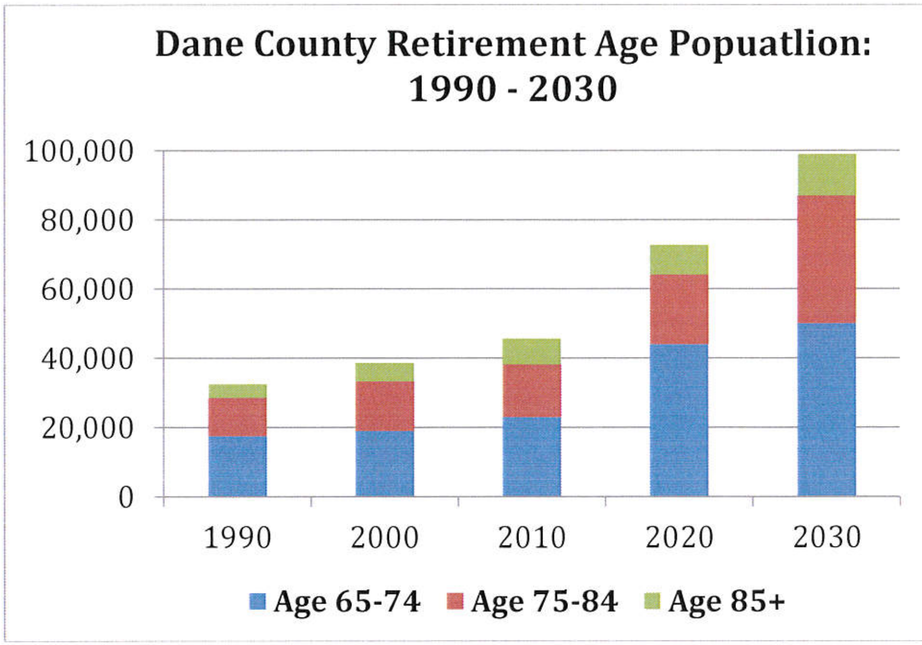
Undoubtedly, there will be an increase in demand for larger multi-unit buildings as this type of housing will be favored greatly by the aging Baby boomer generation that is made up of 76 million people. The below graph depicts how changes in the age distribution of households will likely lift demand for rental housing over the next decade.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate



Source: Joint Center for Housing Studies of Harvard University

The sheer numbers alone of the aging baby-boomer generation make senior apartment development in the PMA an attractive investment. The figure below projects the population of people 65 years and older in Dane County to at least triple by the year 2030.

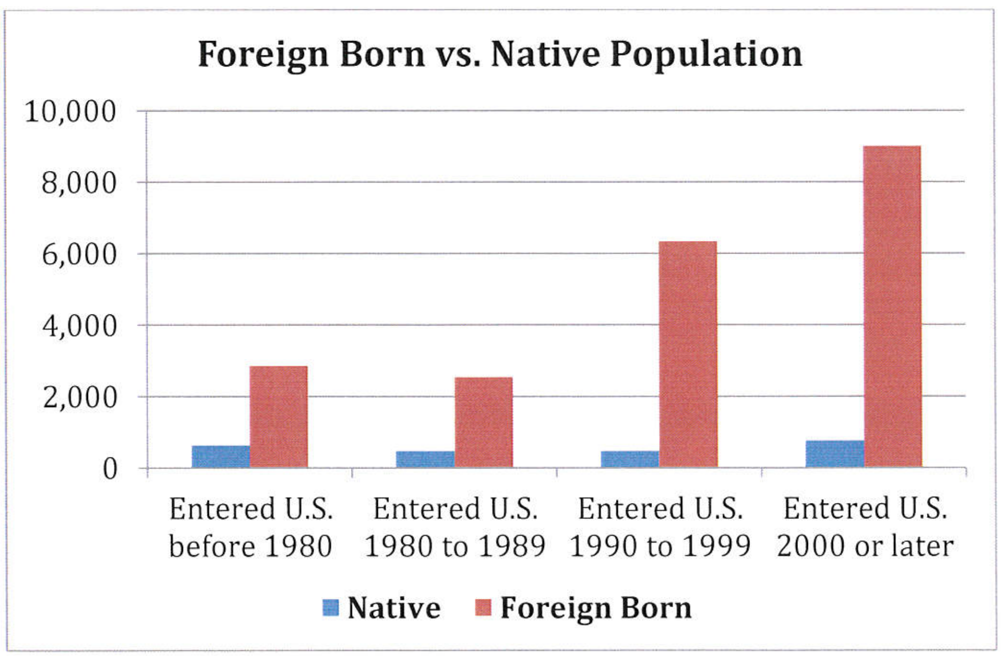


Source: U.S. Census Bureau

The PMA expects to see a great increase in the number of retirement aged individuals that will be looking to move into senior housing apartments.

c. Foreign-Born Citizens

The population of foreign-born citizens in the PMA continues to rise, creating an increased demand for multi-family units. Many of these foreign-born citizens work at the university or the flourishing technology companies within the Madison MSA.

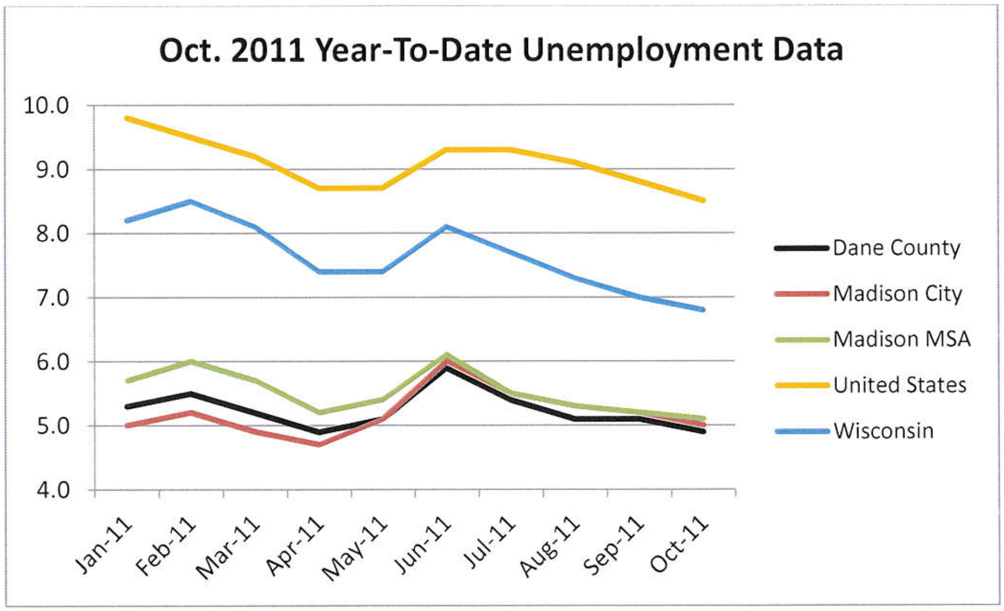


Source: City-Data.com

The favorable demographic increases in Millennials, baby-boomers, and foreign-born citizens signify that now is an excellent time for multi-family development in the PMA.

3. Economic Stability and Growth

The Madison area has been relatively unaffected by the economic downturn of the past several years. With the help of the large presence of state and university, along with many other successful local companies, unemployment has remained significantly lower than other parts of the state and country. As of October 2011, Dane County had a just a 4.9 percent unemployment rate while the country as a whole was at 8.6 percent unemployment. Moreover, unemployment has decreased by 10.53 percent in the Madison MSA since January 2011.



Source: Wisconsin Department of Workforce Development

The stable economy and consistent employment in the PMA allows for stability in the real estate market and thus more consistent rents and vacancy rates.

That Greater Madison Area has weathered the economic recession relatively well, and has also experienced economic growth in several sectors. The Madison Area's economy is fast growing with high technology, particularly biotechnology, playing an ever-increasing role. The University's long, rich history of spinning out startup businesses to commercialize research includes local Madison area companies such as Third Wave Technologies, TomoTherapy, Bone Care International, GE Medical., Promega, and Nimblegen. High-tech startups have been able to stimulate growth of the Madison area high technology economy by fueling job and wealth creation, as the vast majority of the startups remain in the local and regional area. In 2010, according to Madison Gas and Electric, high-tech businesses contributed nearly $5 billion in revenue and more than 30,500 jobs to the Madison area.

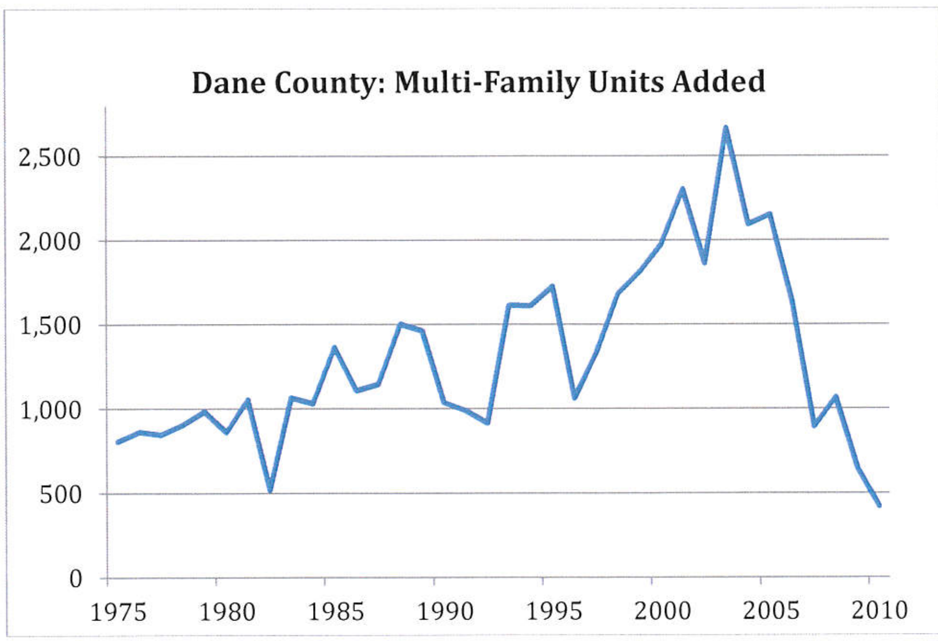
One key to success in renting apartments is to locate near employment nodes. Epic Systems Corporation, Madison's largest private employer, is headquartered in the PMA within the City of Verona. Epic currently employs 5,200 employees (up from 4,300 in May of 2011) and plans to add at least another 800 employees over the next 12 months. In one year, from 2009 to 2010, Epic's revenue increased from $650 million to $825 million. Epic projects they will have revenues of $1.1 Billion in 2011. Epic is currently in the process of another expansion to their office campus. This expansion will cost $75 million and add approximately 900 offices. The significant number of employees and economic activity in the PMA demonstrates the strong economic stability of this area.

The fact that unemployment rates remain low in the PMA and economic activity is booming make the PMA a safe investment for multi-family apartments. As business continues to grow demand for housing will increase, and the first out-of-the-gate projects in the coming years will prove to benefit significantly.

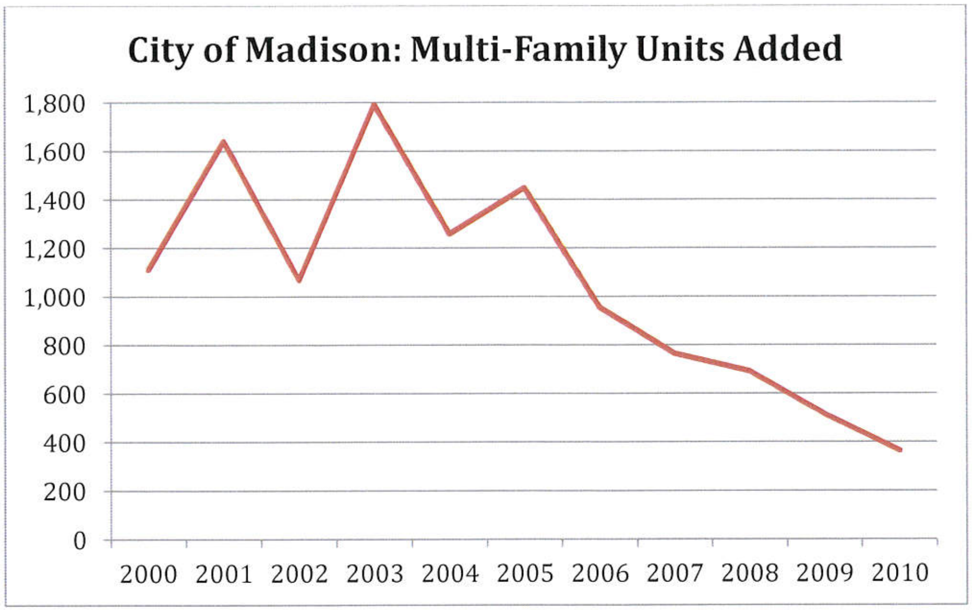
4. Level of Inventory

Plunging new construction levels, financially impaired developers, and severe restrictions on securing entitlements has led to a low supply of new product and low vacancy rates of existing multi-family units in the PMA. New supply of apartment buildings is at its lowest level in two decades because of the difficulty in securing financing for most developers. In fact, one study estimated that by the end 2011 there will only be 53,000 apartment completions nationwide, half of what was completed in 2010, and significantly lower than the 120,000 delivered in 2009. These characteristics have created a favorable atmosphere for new multi-family apartment development with rising rents.

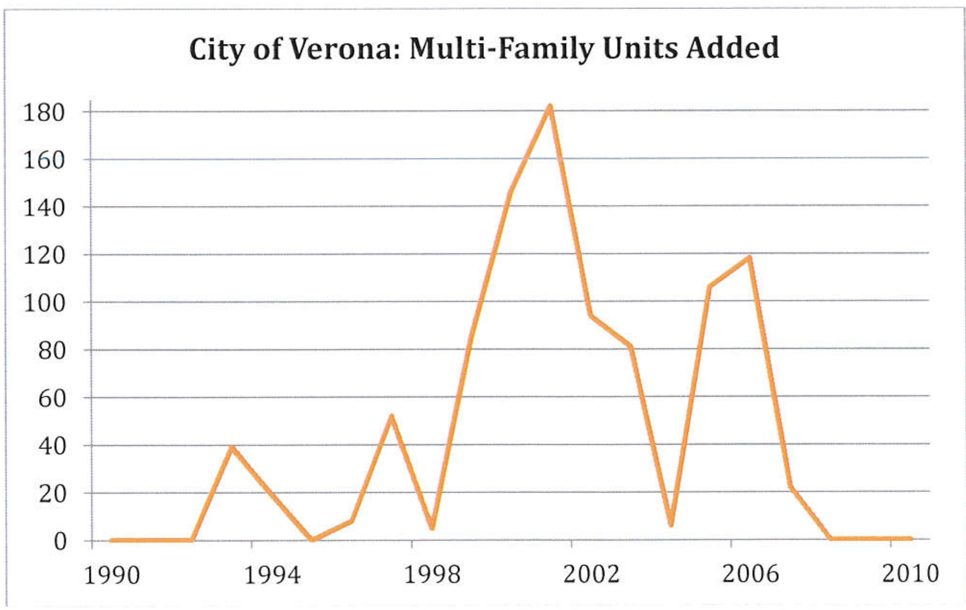
Dane County added 2,667 multi-family housing units in 2003, but only 419 units in 2010. This is a 35 percent decline from 2009 (642) and 40 percent decline from 2008 (1,067). The addition of multi-family housing units in Dane County has decreased by an average of 20 percent per year for the past seven years. The figures below show the amount of multi-family units added since 1975 in Dane County. The graphs depict a drastic decrease in multi-family development, primarily in the last seven years.



The city of Madison only saw an increase of 364 multi-family units in the 2010, a decrease of 29 percent from 2009 (514) and 47 percent from 2008 (692). Since 2005 the addition of multi-family units in Madison has decreased by an average of 24 percent per year. The figure below shows the amount of multi-family units added since 2000 in the City of Madison. The graph depicts a drastic decrease in multi-family development, primarily in the last five years.

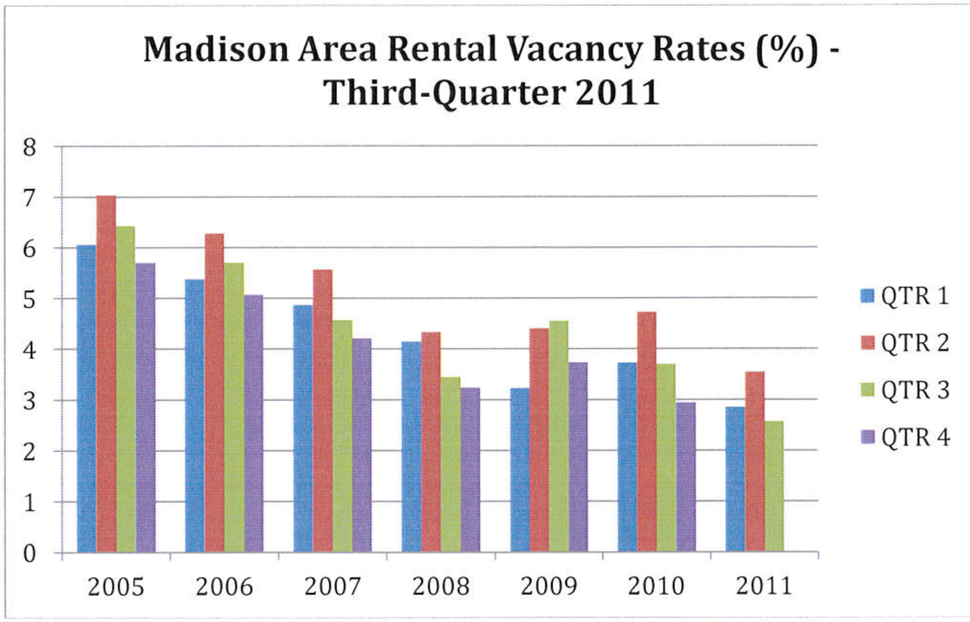


The city of Verona did not have any multi-family units added to the supply in the three year period from 2008-2010, and only 22 units have been added since January of 2007. Since 1990, Verona has only seen an average increase of approximately 46 multi-family units per year.



5. **Vacancy Rates**

Nationwide, the apartment vacancy rate dropped to 5.6 percent in the third quarter of 2011. This is the lowest national vacancy rate since 2006. Madison Gas & Electric (MG&E) collects vacancy rate data for its service area that includes Madison and most of the surrounding area. The vacancy rate reported by MG&E for the third quarter of 2011 was only 2.57 percent (down from 3.54 in the second quarter) for its entire service area. This is nearly a 60 percent decrease from the 6.43 percent rate that was reported for the third quarter of 2005 (See chart below).



Source: Madison Gas & Electric

The high demand for additional multi-family units in the PMA is reflected in the low vacancy (high occupancy) rates in the PMA. Within the PMA, a survey of 6 (3 of the 9 comparables did not share vacancy data) comparable multi-family buildings making up a total of 702 multi-family units reported only 2 vacant units. This means the PMA is experiencing only a .28 percent vacancy rate. Additionally, of these 6 properties, 5 had zero vacancies. Overall, the current and projected future low inventory of new multi-family development combined with the currently low vacancy rates make the PMA an attractive option for new multi-family development.

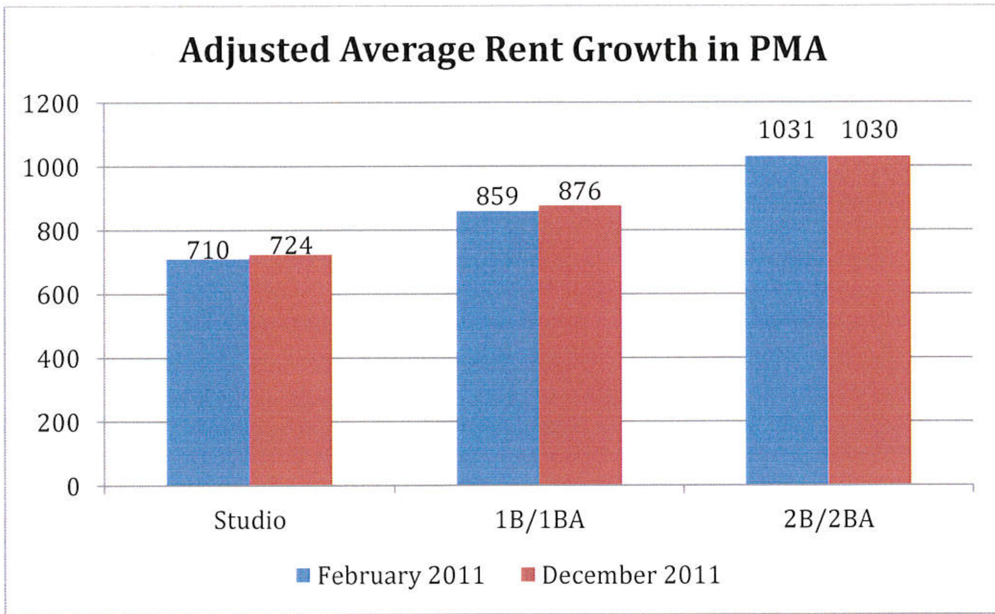
Sources: *Wall Street Journal*
Urban Land Institute
Madison Gas & Electric

6. Rent Growth

Rent prices in Madison have been steadily climbing over the past year. A survey done by Property Trax showed that rents were up overall by 17.82 percent compared to May 2010 and 6.76 percent year-to-date as of May 2011. Two bedrooms units saw the highest average rent increase from May 2010 to May 2011. The percent increase by unit type was as follows: 12.77 percent for one bedrooms, 19.39 percent for two bedrooms, and 10.69 percent for three-bedroom units. This rent growth is yet another indicator of the strength of the apartment market in the Madison area.

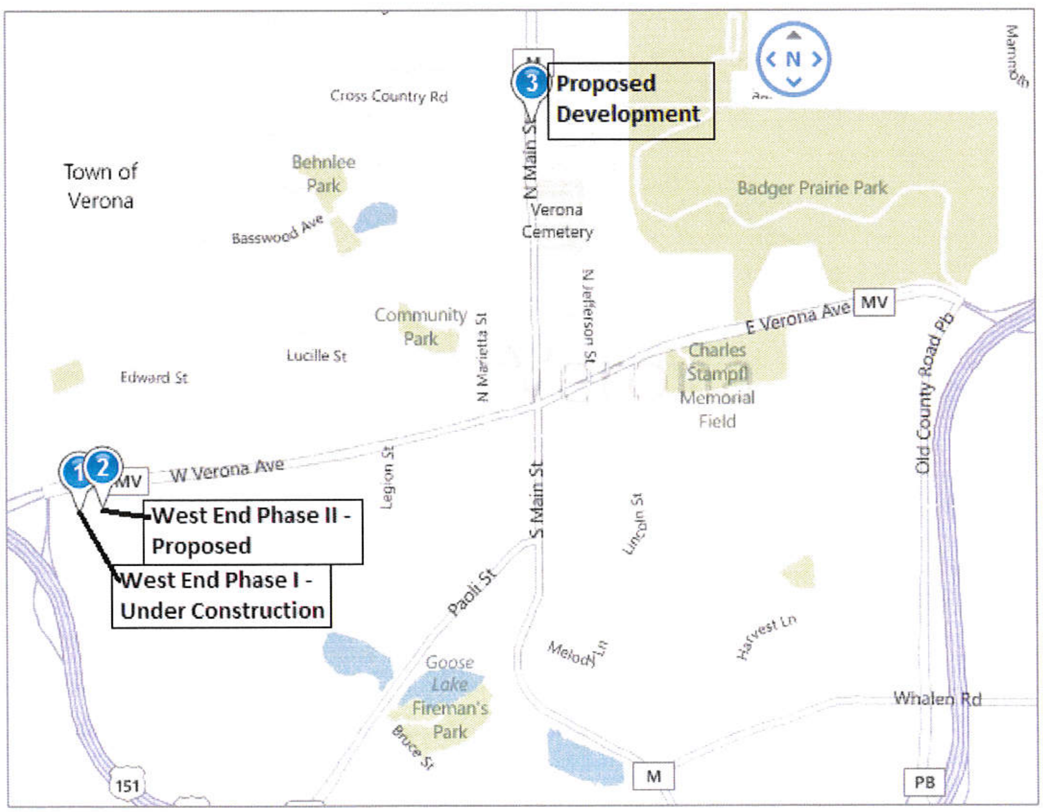
Sources: *Wisconsin State Journal*
Property Trax

There was significant rent growth from February 2011 to December 2011 among the 9 comparable properties surveyed within the PMA. The average adjusted rent increase was 2 percent, 2 percent, and 0 percent for studios, one bedrooms, and two bedrooms respectively.



7. Pipeline

There are currently two projects in the development pipeline within the PMA. The first is Phase 1 of T. Wall Enterprises' West End development. This is a 54 unit project located at the intersection of HWY 18/151 and W. Verona Ave. This project is currently under construction and is slated to be completed by late spring of 2012. The city of Verona also approved a 94 unit apartment project on the north side of the city ay 1301-1307 North Main St. This project is expected to begin sometime in 2012.

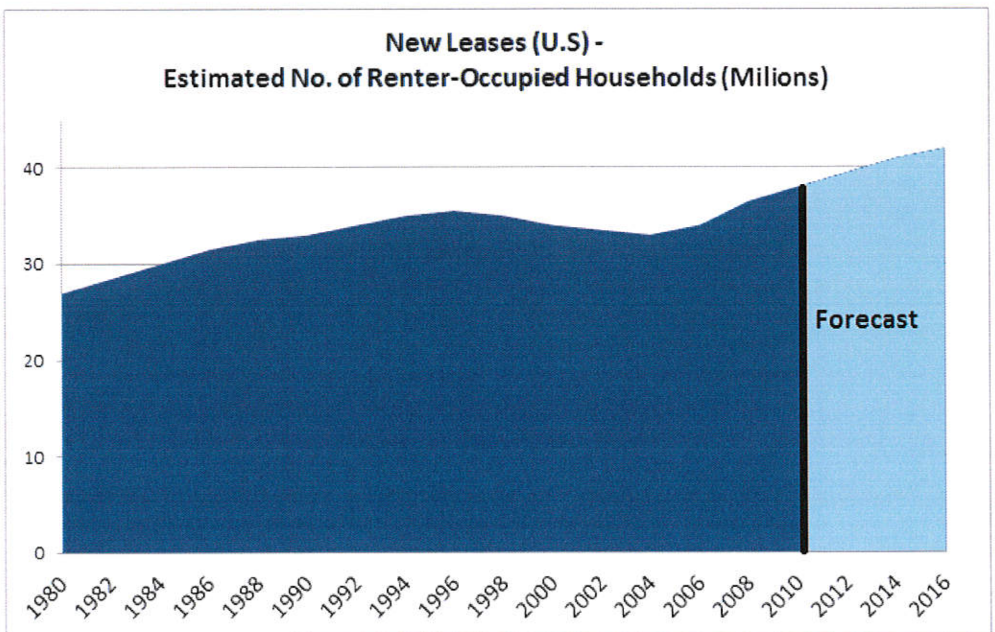


The low number of projects in the development pipeline combined with the consistent population growth in the PMA represent how the next 5-10 years will be a prime period for new development in order to accommodate the pent-up demand in the PMA.

8. Benefits to Downsizing (Apartments over Homes)

Apartment values have recently soared due to the millions of families that are switching from being homeowners to renters. The nation's home-ownership rate fell to only 67 percent of U.S. Households in 2010. Every time the home-ownership rate drops by just 1 percent, one million households have switched to rentals. Renting is becoming more attractive in the "Era of Less." People looking into renting an apartment will realize that they can live economically and comfortably in multi-family housing. They will experience certain benefits to downsizing that include decrease costs from driving less and the conveniences of being closer to more urban node amenities. Many homeowners are defaulting on their mortgages and moving back into apartments. Additionally, the new Fannie Mae and Freddie Mac requirements make home ownership difficult for the millennial generation and therefore many Millennials may opt for renting initially. People will choose a housing accommodation where they get the most "bang for their buck" with the least hassles and fewest expenses. This means apartment complexes that are in close proximity to all of a renter's desired amenities. Overall, people will look for multi-family housing units closer to city centers where living is easier, more efficient, and less car dependent.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate
Wall Street Journal



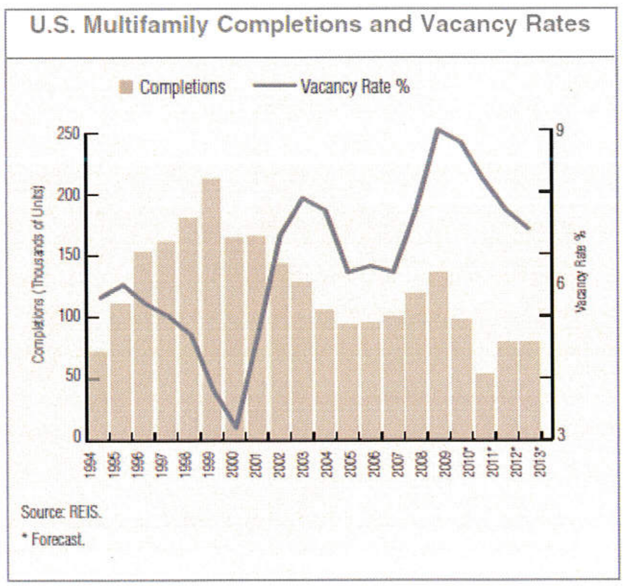
9. Environmentally Friendly

With the beginning of a new decade, our country is facing even greater demands to become more energy independent. The population continues to grow while our non-renewable energy sources become more depleted every day. With this, all sectors are looking for ways to use less energy and become greener. The housing and construction industries are some of the biggest leaders in working to green our country. With that, renters will be looking for places to live that show a true commitment to green practices. Environmentally friendly buildings that attempt to use as little energy as possible will be a big influence on environmentally conscious renters. The green trend will only continue to grow and therefore force multi-family apartment units to meet the demands of our greening society. The numbers will begin to favor green development due to significant cost savings. We can also expect to see government regulations and incentive programs that will force new buildings to incorporate green practices and older brown buildings to begin a greening process. Overall, going green and building green buildings will lead to an increased demand from renters and a greater feeling of pride and environmental responsibility for the landlord and developers.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate

10. Summary

Apartment returns are outranking all other property sectors presently: favorable demographics and the housing bust should increase renter demand. The bottom of the cycle offers the best environment to employ low-cost leverage and construction, especially on quality assets. Now is a great time to build for those developers who are financially stable as many other developers who over-leveraged before the economic downturn are financially disabled and unable to build. The recent lesson learned is that real estate is a low-operating leverage business and more about cash flow and keeping buildings leased. A market bottom should be the best time to develop, buy, finance, and set the stage for investment gains as construction costs are down 25 to 30 percent and mortgage rates cannot get much lower. The first out of the ground projects will do very well in a sustained recovery. Overall, the current bottoming-out of the market has created a great opportunity to make attractive investments on the development of quality multi-family apartments as vacancy rates and new completions are at extreme lows.



With homeowner markets stressed, the number of renter households rose by 3.4 million – or nearly 10 percent – between 2004 and 2009. The upturn was most dramatic in the Midwest, where renter household growth surged from a 2 percent drop in 2000-4 to a 13.4 percent gain in 2004-9. Many owners that have lost their homes to foreclosure will turn to renting, and some would be homebuyers will be unable to qualify for loans. Moreover, improving labor markets typically benefit rental markets more immediately than homes sales. The strength of the rental recovery will depend heavily on how quickly and strongly job growth comes back.

The number of renter households over age 55 will likely rise by more than 3 million in the coming decade as the baby-boom generation ages. Meanwhile, renter household growth among 25–44 year olds is projected to reach 1.2 million if immigration is low and as much as 1.9 million if immigration rebounds. Both positive market conditions and favorable demographic characteristics make this a prime time for multi-family development.

Sources: *Joint Center for Housing Studies of Harvard University*
Urban Land Institute: Emerging Trends in Real Estate

B. Primary Market Area (PMA)

The following section provides background information about the Primary Market Area (PMA) for the proposed T. Wall Properties multi-family housing development. The PMA is the area from which the strongest potential demand for housing associated with the proposed development is anticipated to originate. The PMA is the geographic area north of Hwy 18/151 in Verona, south of Raymond Rd and Midtown Rd in Verona and Madison, east of Timber Lane and Sugar River in Verona, and west of HWY 18/151 in Verona and Madison. The PMA has held stable growth, low vacancy (.28 %), and consistent demand. Information provided within this report has been obtained from sources believed to be reliable.

Madison, Wisconsin is the state's capitol, and home to the main campus for the University of Wisconsin system. Madison consistently ranks as a top community in which to live, work, play, educate, and rear a family. Situated between Lakes Monona and Mendota, Madison is renowned for its scenery, lakes and more than 200 parks. The greater Madison area offers visitors, businesses, and residents, natural beauty, a solid economic base, a world-class research university, stimulating cultural offerings, and small town charm. Additionally, the area in and around Madison is a growing and diversified market that offers some of the strongest fundamentals in the Midwest. Anchored by a stable employment base in the public sector and supplemented by the growth of high-technology companies, the economic and employment outlook for the Madison area is positive and should drive demand for multi-family apartment units as more people move to the area.

1. Madison Area Accolades

Madison Area Accolades
#2 Healthiest US City for Men – Men's Health Magazine, February 2010 Madison Named America's 14th Most Recession-Proof City – CNNMoney.com, September 2010 #1 For Jobs Growth – Ajilon Professional Staffing, January 2009 #3 Most Secure U.S. City – Farmer's Insurance Study, Dec 2009 The Top Ten Places to buy a Home – ABC News Good Morning America, August 2009 #4 MSN Real Estate Best Bargain Market – MSN Real Estate June 2008 #8 in 100 Best Places to Raise a Family – May, 2008 Nation's Smartest City – Bizjournals, April, 2008 #1 Best Place To Live in America (Middleton, WI) – Money Magazine 2007
Source: Wisconsin's Work Net

2. Location/Population

Founded in 1836, the city encompasses an area of approximately 84.7 square miles and is the business and cultural center as well as the county seat of Dane County. The city is approximately one hour east of the Milwaukee metro area, two and one-half hours northwest of Chicago, and four hours southeast of Minneapolis/St. Paul.

Distance from Madison, WI (Miles)	
Milwaukee, WI	79
Dubuque, IA	93
Chicago, IL	148
Minneapolis, MN	270
Source: Mapquest.com	

Due to the presence of the University of Wisconsin, the Madison area benefits from a highly educated workforce. With 42,099 students (28,690 undergraduate; 9,116 graduate; 2,640 professional, 1,653 special students), 16,507 employees and 2,107 faculty the University accounts for a significant portion of the total population. Nearly 50 percent of Madison's residents have a college degree. In addition, Madison's population is young. Approximately 69 percent of the population is age 44 or younger.

Dane County Demographics (2011)	
Estimated Population	492,431
Male	243,763
Female	248,668
White	416,863
Black	25,964
Asian	23,737
Hispanic	30,111
Source: Easidemographics	

3. Stable Economic Base

The Madison area economy is both diverse and increasingly stable. The area boasts the University of Wisconsin-Madison, which is the largest university in Wisconsin and a solid source of community support, both financially and intellectually. The University of Wisconsin-Madison is a major asset to the local economy, not only as a stimulant of intellectual capital but also in providing stability during times of economic turbulence.

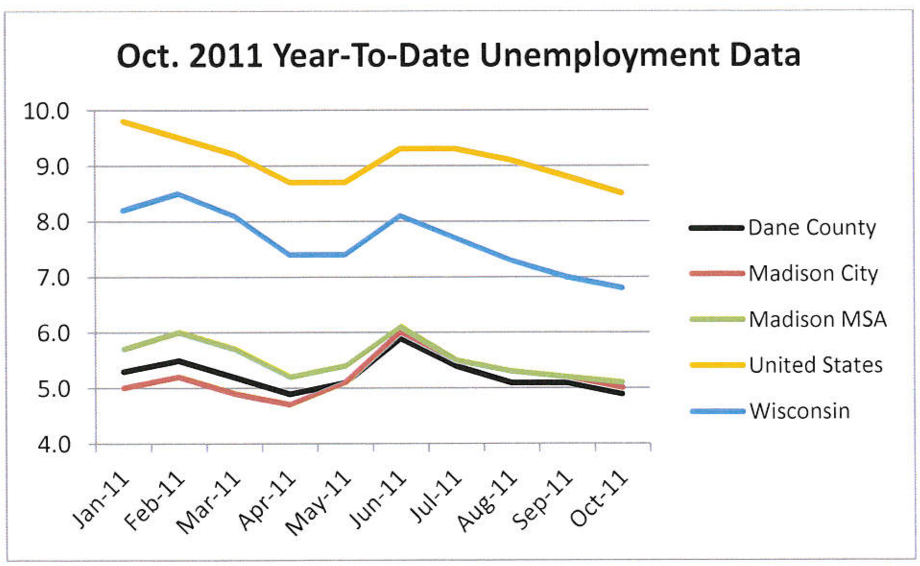
In addition to the University, the State of Wisconsin administration, along with the city, county, and federal government, forms the core of the strong public sector. The presence of the State government and the University has fostered an environment of economic stability with some protection against periods of national recession.

Largest Employers in the Madison MSA			
Rank	**Company**	**Employees**	**Industry**
1	University of Wisconsin- Madison	16,500	University
2	State of Wisconsin (Non-University)	15,000	State Government
3	UW Hospital and Clinics	6,000	Health Care
4	Epic Systems Corp	5,200	Health Care Software
5	United States Government	4,500	Federal Government
6	American Family Insurance	3,900	Insurance
7	UW Medical Foundation	3,000	Health Care
8	City of Madison	3,000	Local Government
9	Dean Health System	2,900	Health Care
10	Dane County	2,600	County Government
11	WPS Health Services	2,500	Health Benefits
12	Covance	2,000	Pharmaceutical Testing
13	Meriter Health Services	1,900	Health Care
14	CUNA Mutual Group	1,750	Financial Services
15	Kraft Foods/Oscar Mayer	1,600	Food and Beverages
16	St. Mary's Hospital	1,350	Health Care
17	TDS Telecommunications	1,130	Telecommunications
Sources: InBusiness Magazine (Book of Lists 2011), University of Wisconsin-Madison			

Although both the state and University of Wisconsin-Madison play significant roles in the local economy, the Madison area economic landscape has become increasingly balanced by a dynamic private sector. The economic boom has been accompanied by a slow shift in the Madison area's economic structure, with the share of total employment held by trade and other service industries increasing relative to other sectors. The area has evolved from a manufacturing and governmental service-based economy to a consumer services and high-tech base, particularly in the biotech, health and advertising sectors.

Total Employment by Industry: Madison MSA	
State Government	52,900
Education & Health Services	40,300
Retail Trade	37,700
Professional & Business Services	32,500
Local Government	29,600
Leisure & Hospitality	29,000
Manufacturing	27,800
Financial Activities	25,600
Other Services, exc Public	17,500
Wholesale Trade	11,600
Construction, Mining & Natural Resources	10,700
Information	10,500
Transportation, Warehousing & Utilities	7,800
Federal Government	5,100
Source: Wisconsin Department of Workforce Development	

The stable, diverse, and growing regional economy has consistently given the Madison Metropolitan Statistical Area (the "Madison MSA") one of the lowest unemployment rates in the United States - just 4.9 percent as of October 2011. This figure is well below the national average of 8.6 percent. Since 2000, employment has increased by 19,864 in the Madison MSA, and the population increased by 71,151, from 501,771 to 572,922 over the same period. The Madison MSA consists of Dane, Iowa, and Columbia countries.



Source: Wisconsin Department of Workforce Development

4. Transportation

The Madison area offers a versatile transportation infrastructure essential to regional growth and success. The convenient transportation system is served by well-maintained highways and a recently renovated regional airport. Madison is located at the hub of a network of federal and state highways serving southern Wisconsin, including Interstate Highways 90 and 94.

a. Air

Air transportation is accessed through Dane County Regional Airport (DCRA), which serves more than 30 commercial flights on an average day, and 1.6 million passengers annually. As the second largest commercial airport in the state, DCRA offers commercial air service through five carriers, including American Eagle, Continental Express, Delta Air Lines, Frontier Airlines, and United Express. DCRA has completed a $65 million terminal expansion and renovation project, which increased the total square footage in the passenger terminal from 126,000 square feet to 278,000 square feet. DCRA offers daily non-stop travel to 12 U.S. cities, including Chicago (O'Hare), Milwaukee, Minneapolis/St. Paul, Detroit, Dallas/Fort Worth, Cincinnati, Cleveland, Denver, Memphis, Newark, New York, and Washington D.C.

b. Rail

Railroad freight service is provided to Madison area businesses by the Chicago and North Western Railroad, the Soo/Milwaukee Railroad, and the Wisconsin and Calumet Railroad. Passenger rail service is not immediately available as the closest service is provided by Amtrak in Columbus, Wisconsin, which is 40 minutes from Madison.

c. Commuter Transportation

Madison Metro, the city-owned bus system, provides the community with bus transit service. With an average weekday ridership of approximately 40,000 passengers, Madison Metro is a national leader in seat miles per capita provided to its service area. A commuter rail is in the planning phase in Madison. Transport 2020, the regional planning committee pursuing commuter rail, has proposed a commuter rail line that would run from Greenway Center in Middleton to downtown Madison and on to the far east side of Madison. However, until it is determined that sufficient funding will be available for such a commuter rail line, there can be no assurance that such a commuter rail line will be built by 2020 or at a later date.

5. Education

Educational excellence is available at all levels in the Madison area. There are many first-rate educational institutions in addition to the University of Wisconsin-Madison, such as Edgewood College, and Madison College. Other private institutions such as Herzing University and The University of Phoenix also have a presence in the Madison area. The Madison Metropolitan School District (MMSD) is the second largest school district in the state. MMSD is the only district in the country to have school at the elementary, middle and high school levels rated as National Schools of Excellence.

6. Performing Arts

Madison boasts cultural opportunities usually associated with much larger metropolitan areas. The Madison repertory Theatre, the Madison Opera, the Madison Symphony, and the University of Wisconsin-Madison offer a multitude of performing arts options. The Overture Center for the Arts, completed in 2006, features performance space and cultural activities.

7. Museums

Madison's cultural offerings extend beyond the venues noted above. Benefiting from the presence of the University of Wisconsin, Madison also enjoys a well-rounded group of museums. The University is home to the Chazen Museum of Art, which holds a broad collection of masterpieces ranging from seventeenth century paintings to twentieth century sculptures. Promoting the appreciation of Wisconsin's own unique history, the Wisconsin Historical museum provides visitors with a chronicled historical journey spanning two hundred years of Wisconsin's development and accomplishments. Madison is also home to the Madison Museum of Contemporary Art (MMOCA).

8. Sports and Outdoor Recreation

A substantial array of recreational activities is available to local residents. Furthermore, the University of Wisconsin invests in developing and maintaining local sports groups, many of which are open to the public. Aside from organized recreational clubs, Madison utilizes its unique location with five nearby lakes and more than 200 parks to lend residents access to some of the best biking and hiking trails in the United States.

C. Comparable Property Findings in PMA

1. # Units by Type

The comparable properties analyzed within the PMA had a wide range of floor plans. A majority of the buildings had a unit mix comprised primarily of studio, 1bedroom/1bath, and 2 bedroom/2 bath units with 2 bedroom/2 bath units being the most predominate. In addition to these three standard unit types, there were several unique or non-standard units that did not fall into one of the above categories. These non-standard units would be those that contain a den or a loft, for example.

1. Square Feet

Square Feet		
Type	Range	Average
Studio	465-535	509
1BR/1BA	720-856	762
2BR/2BA	950-1400	1111

2. Rents

Rent			
Type	Range	Unadjusted Avg.	Adjusted Avg.
Studio	$670-695	$682	$724
1BR/1BA	799-879	835	876
2BR/2BA	875-1109	985	1030

3. Unit Features

a. **Ceiling Height:** 7 of the 9 properties surveyed have some units with 9 feet or higher ceilings. Ceiling heights typically vary by floor.

b. **Cathedral/Vaulted Ceilings:** 8 of the 9 properties surveyed have some units with cathedral or vaulted ceilings. These would typically be found in top floor or lofted units.

c. **Balcony/Patio:** All of the properties surveyed have balconies/patios.

d. **Air Conditioning:** 6 of the 9 properties surveyed have central air-conditioning. One of the 6 properties that has central air-conditioning stated that it is a Magic Pak system. The other 3 properties use wall/box air-conditioning.

e. **Garbage Disposal:** All of the properties surveyed have garbage disposals.

f. **Countertops:** All of the properties reported having laminate countertops.

g. **Floor Coverings:** 8 of the 9 properties surveyed reported having a carpet/vinyl combination for their floor coverings. 1 of the properties used a carpet/tile combination. There were no properties that used hardwood flooring.

h. **Window Coverings:** All properties surveyed have window coverings.

i. **Walk-In Closets:** 8 of the 9 properties surveyed reported having walk-in closets.

j. **Ceiling Fans:** All of the properties surveyed report having ceiling fans.

k. **Fireplace:** 5 of the 9 properties surveyed report having fireplaces in some of their units.

4. <u>Appliances</u>

a. **Range:** All of the properties surveyed provide ranges in all units.

b. **Refrigerator:** All of the properties surveyed provide refrigerators in all units.

c. **Microwave:** 6 of the 9 properties surveyed provide microwaves in all units.

d. **Dishwasher:** All of the properties surveyed provide dishwashers in all units.

e. **Washer/Dryer:** All of the properties surveyed provide a washer and dryer in all units.

5. <u>Amenities</u>

a. **Elevator:** 4 of the 9 properties surveyed have elevators.

b. **Security:** 8 of the 9 properties surveyed have controlled access security.

c. **Clubhouse/Meeting Rooms:** 4 of the 9 properties surveyed have clubhouses.

d. **Pool/Recreation Areas:** 4 of the 9 properties surveyed have pools. There is a wide range of other recreational areas provided throughout the surveyed properties. These recreational areas include: basketball courts, picnic areas, green space, playgrounds, and fitness centers.

e. **Business Center:** 2 of the 9 properties surveyed have business centers.

6. <u>Utilities</u>

a. **Heat:** Heat is not included in the rent for all of the surveyed properties.

b. **Electric:** Electric is not included in rent for all of the surveyed properties.

c. **Hot Water:** Hot Water is included in the rent for 7 of the 9 properties surveyed.

d. **Trash/Recycling:** Trash/Recycling is included in the rent for 7 of the 9 properties surveyed.

e. **Cold Water/Sewer:** Cold Water/Sewer is included in the rent for all of the properties surveyed.

f. **Cable:** Cable is not included in the rent for any of the surveyed properties. One property offers a discounted cable rate.

g. **Internet:** Internet is included in the rent for 1 of the 9 properties.

7. **Parking**

7 of the 9 properties surveyed include underground or covered parking in the rent. The 2 remaining properties have underground parking that is not included in the rent. The charge per month ranges from 30-40 dollars.

8. **Extra Storage**

All of the properties surveyed have extra storage available. 7 of the 9 properties that have extra storage include it in the rent. The remaining 2 properties that have extra storage charge between 10-25 dollars per month.

9. **Occupancy**

3 of the 9 properties did not give out occupancy information. The remaining 5 comparable properties within the PMA make up a total of 702 multi-family units and reported only 2 vacant units. This means the PMA is experiencing only a .28 percent vacancy rate.

10. **Security Deposit**

The most common security deposit charge is a half month's rent.

11. **Design/Condition**

    a. **Year Built:** The properties surveyed were built between the years of 1992-2006.

    b. **Stories:** The properties surveyed ranged in height from 2-3 stories. The most common building type of the surveyed properties is 3 stories.

MARKET ANALYSIS FOR MADISON MARKET

MADISON WISCONSIN

June 17, 2012

Prepared by:
David J. Livingston
DJL Research
414-520-2771

MARKET SUMMARY

MADISON, WI | MADISON MARKET | JUNE, 2012

Trade Area	
1990 Population	40,333
2000 Population	40,610
2012 Population	43,681
2014 Population	44,189
2016 Population	44,701
Current PCW (Per Capita Weekly Expenditure)	$50.29
Current Food Potential	$2,196,897

Existing Supermarkets

Store Name	Map Key	Sales Area	Current Sales	Sales /Sq Ft	Market Share
COPPS-SHOPKO	1	49,000	$515,000	$10.51	5.86%
COPPS-PARK	2	18,000	$170,000	$9.44	1.55%
WOOMANS-EAST	3	111,100	$2,690,000	$24.21	28.16%
HY-VEE	4	57,500	$890,000	$15.48	5.27%
PIERCES	5	17,000	$150,000	$8.82	0.48%
JENIFER ST	6	6,400	$85,000	$13.28	3.68%
WHOLE FOODS	7	18,200	$625,000	$34.34	3.70%
CAPITOL CENTRE	8	8,500	$150,000	$17.65	4.78%
TRADER JOE'S	9	8,000	$390,000	$48.75	2.31%
WILLY ST CO OP	10	9,500	$370,000	$38.95	14.32%
ALDI EAST	11	10,600	$155,000	$14.62	0.49%
MADISON MKT	12	13,400	$250,000	$18.66	5.69%
Totals		327,200	$6,440,000		76.28%
Averages		27,267	$536,667	$19.68	

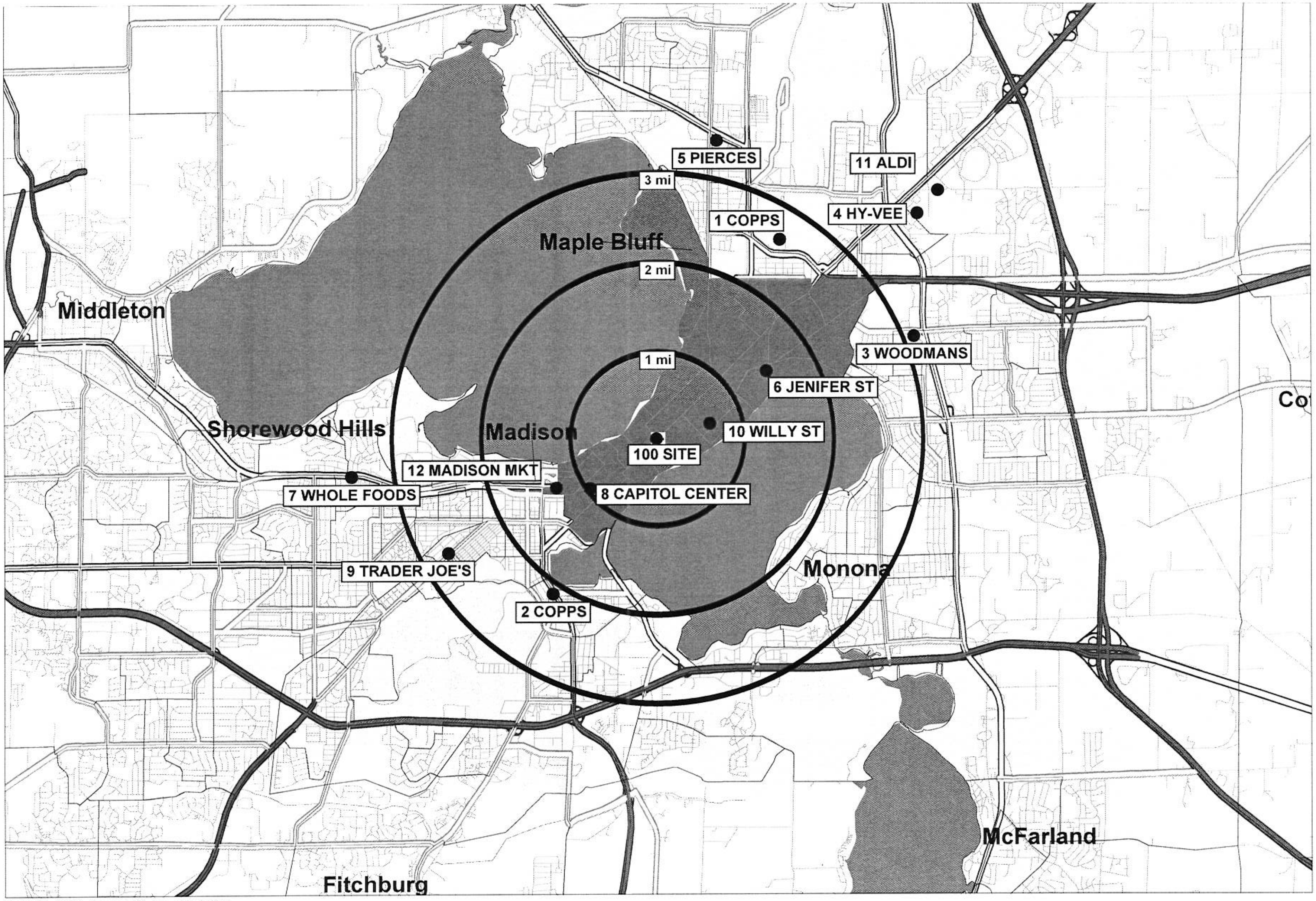
Leakage 23.72% - Normal is 20%-30%.

Sales Opportunity

	Average Weekly Sales($000)	
	Market Share	Yr1/Yr2/Yr3/Yr4/Yr5
Madison Market –MK 100 Washington & Livingston	9.63%	218/244/256/265/273

SUPERMARKETS AND TRADE AREA

Scan/US, Inc.



06/15/12

MADISON, WISCONSIN
MARKETPLACE AS IS

Data Date: Jun, 2012
Open Date: Jun, 2012

Store Name	Map Key	Sales Area	Current Sales	Sales /Sq Ft	Market Share	PWTA	Effec. Power
COPPS-SHOPKO	1	49000	515000	10.51	5.86%	25.0	56
COPPS-PARK	2	18000	170000	9.44	1.55%	20.0	52
WOOMANS-EAST	3	111100	2690000	24.21	28.16%	23.0	110
HY-VEE	4	57500	890000	15.48	5.27%	13.0	76
PIERCES	5	17000	150000	8.82	0.48%	7.0	47
JENIFER ST	6	6400	85000	13.28	3.68%	95.0	63
WHOLE FOODS	7	18200	625000	34.34	3.70%	13.0	173
CAPITOL CENTRE	8	8500	150000	17.65	4.78%	70.0	99
TRADER JOE'S	9	8000	390000	48.75	2.31%	13.0	189
WILLY ST CO OP	10	9500	370000	38.95	14.32%	85.0	173
ALDI EAST	11	10600	155000	14.62	0.49%	7.0	62
MADISON MKT	12	13400	250000	18.66	5.69%	50.0	99
Totals		327200	6440000		76.28%		
Averages		27267	536667	19.68		26.0	100

MADISON, WISCONSIN
MARKETPLACE AS IS

Data Date: Jun, 2012
Open Date: Jun, 2012

Study Area Synopsis

Summary Totals

	T.A. Total	Highest	Lowest
PCW	50.29	79.35	25.00
Population	43,681	3,783	1,011
Potential	2,196,827	140,686	55,050
Store Volume	1,675,700	2,690,000	85,000
Leakage ($)	521,127	34,647	11,963
Leakage (%)	23.72	25.80	19.56
Household Size	1.873	2.470	1.480
Household Income	33,509	156,603	6,740

Summary Statistics

	Based Upon Total Volume	Based Upon Volume Explained
Total Number of Stores:	12	4.21
Total Sales Volume:	6,440,001	1,675,700
Total Sales Area (Sq.Ft.):	327,200	81,021
Volume per Square Foot:	19.68	20.68
Square Feet per Capita:	7.49	1.85
Volume per Capita:	147.43	38.36
Population per Store:	3,640	10,376
Population per 1,000 SqFt:	133	539

MADISON, WISCONSIN
MARKETPLACE AS IS

Data Date: Jun, 2012
Open Date: Jun, 2012

Chain Name	Number Stores	Total Sales	Total S-Area	Ave. Sales	Ave. S-Area	Ave Sales /Sq.Ft.	Ave.Eff Power	Market Share
WOODMANS	1	2690000	111100	2690000	111100	24.21	110	28.16
COPPS	2	685000	67000	342500	33500	10.22	54	7.41
HY-VEE	1	890000	57500	890000	57500	15.48	76	5.27
WHOLE FOODS	1	625000	18200	625000	18200	34.34	173	3.70
TRADER JOE'S	1	390000	8000	390000	8000	48.75	189	2.31
WILLY ST CO OP	1	370000	9500	370000	9500	38.95	173	14.32
PIERCE'S	1	150000	17000	150000	17000	8.82	47	0.48
JENIFER ST	1	85000	6400	85000	6400	13.28	63	3.68
CAPITOL CENTRE	1	150000	8500	150000	8500	17.65	99	4.78
ALDI	1	155000	10600	155000	10600	14.62	62	0.49
MADISON MKT	1	250000	13400	250000	13400	18.66	99	5.69
Totals	12	6440000	327200					76.28
Averages				536667	27267	19.68	100	

MADISON, WISCONSIN
MADISON MKT AT MK 100
32,000 TSQFT - 22,000 SSQFT

Data Date: Jun, 2012
Open Date: Jun, 2012

Store Name	Map Key	Sales Area	Current Sales	Jun 12 Sales	Sales /Sq Ft	PWTA	Effec. Power	T.A. Change	T.A. Change %
COPPS-SHOPKO	1	49000	515000	495573	10.11	25.0	56	-19426	-15.09
COPPS-PARK	2	18000	170000	161553	8.98	20.0	52	-8446	-24.84
WOOMANS-EAST	3	111100	2690000	2659472	23.94	23.0	110	-30527	-4.93
HY-VEE	4	57500	890000	870319	15.14	13.0	76	-19681	-17.01
PIERCES	5	17000	150000	148370	8.73	7.0	47	-1630	-15.52
JENIFER ST	6	6400	85000	76987	12.03	95.0	63	-8013	-9.92
WHOLE FOODS	7	18200	625000	618937	34.01	13.0	173	-6063	-7.46
CAPITOL CENTRE	8	8500	150000	121840	14.33	70.0	99	-28159	-26.82
TRADER JOE'S	9	8000	390000	386224	48.28	13.0	189	-3776	-7.45
WILLY ST CO OP	10	9500	370000	316174	33.28	85.0	173	-53825	-17.11
ALDI EAST	11	10600	155000	154463	14.57	7.0	62	-537	-4.95
MADISON MKT	12	13400	250000	218590	16.31	50.0	99	-31410	-25.13
MADISON MKT SITE	100	22000	0	234992	10.68	90.0	100	211493	N/A
Totals		349200	6440000	6463499				0	
Averages		26862	536667	497192	18.51		100		

MADISON, WISCONSIN
MADISON MKT AT MK 100
32,000 TSQFT - 22,000 SSQFT

Data Date: Jun, 2012
Open Date: Jun, 2013

Sales Growth Projection
Growth Curve: New

Store 100: MADISON MKT SITE
Sales Area: 22,000
Power: 100

First Quarter Average Sales	$ 206,810	or	$ 9.40/SF
Second Quarter Average Sales	$ 212,928	or	$ 9.68/SF
Third Quarter Average Sales	$ 221,355	or	$ 10.06/SF
Fourth Quarter Average Sales	$ 232,283	or	$ 10.56/SF
First Year Average Sales	$ 218,344	or	$ 9.92/SF
Second Year Average Sales	$ 243,764	or	$ 11.08/SF
Third Year Average Sales	$ 255,991	or	$ 11.64/SF
Fourth Year Average Sales	$ 265,378	or	$ 12.06/SF
Fifth Year Average Sales	$ 272,844	or	$ 12.40/SF
First Year End Sales	$ 235,165	or	$ 10.69/SF
Second Year End Sales	$ 249,274	or	$ 11.33/SF
Third Year End Sales	$ 261,435	or	$ 11.88/SF
Fourth Year End Sales	$ 268,740	or	$ 12.22/SF
Fifth Year End Sales	$ 276,323	or	$ 12.56/SF

Note: The above projections include the effects of store maturity estimated population growth, and inflation.

Assumptions:

1. Early 2013 opening, 2.0% yearly inflation and the population will increase about 0.6% per year.

2. Store will have a Power rating of 100. This is similar to the existing sister store in Madison, Wisconsin. This unit will be operated similar to the existing store and feature many of the same departments and services.

3. The sales projections are based on a sales area of 22,000 square feet. All competitors are evaluated using sales area. The total area will be about 32,000 square feet that will include a sit-down eating area, Starbucks, and a leased pharmacy.

4. No competitive changes are anticipated to affect the trade area.

5. The store will sell beer and wine but not liquor.

6. The site will be provided with good signage for visibility, ingress/egress and parking.

7. The new store will offer delivery and online shopping options.

Comments/Recommendations:

1. Supermarkets in this area that operate out of the mainstream achieve the highest sales per square foot. Whole Foods, Trader Joe's, Willy Street Coop and Woodman's all exceed well above market average in sales per square foot. Conventional supermarkets have not fared well in Madison over the past few years. The Cub stores have closed, Copps continues to decay, and even the very well-run Hy-Vee is performing below aveage.

2. The trade area population has been experienced steady growth. This area near the site is being redeveloped and population growth should continue.

3. This is a typical off-campus residential area. About 85% of the population is white, with 45% of the households having incomes below $25,000 per year. Households are small, less than two persons on average and over 70% are renters.

DJL Research (414) 520 2771 Email djlresearch@yahoo.com

MADISON, WISCONSIN
MADISON MKT AT MK 100
32,000 TSQFT - 22,000 SSQFT

Data Date: Jun, 2012
Open Date: Jun, 2012

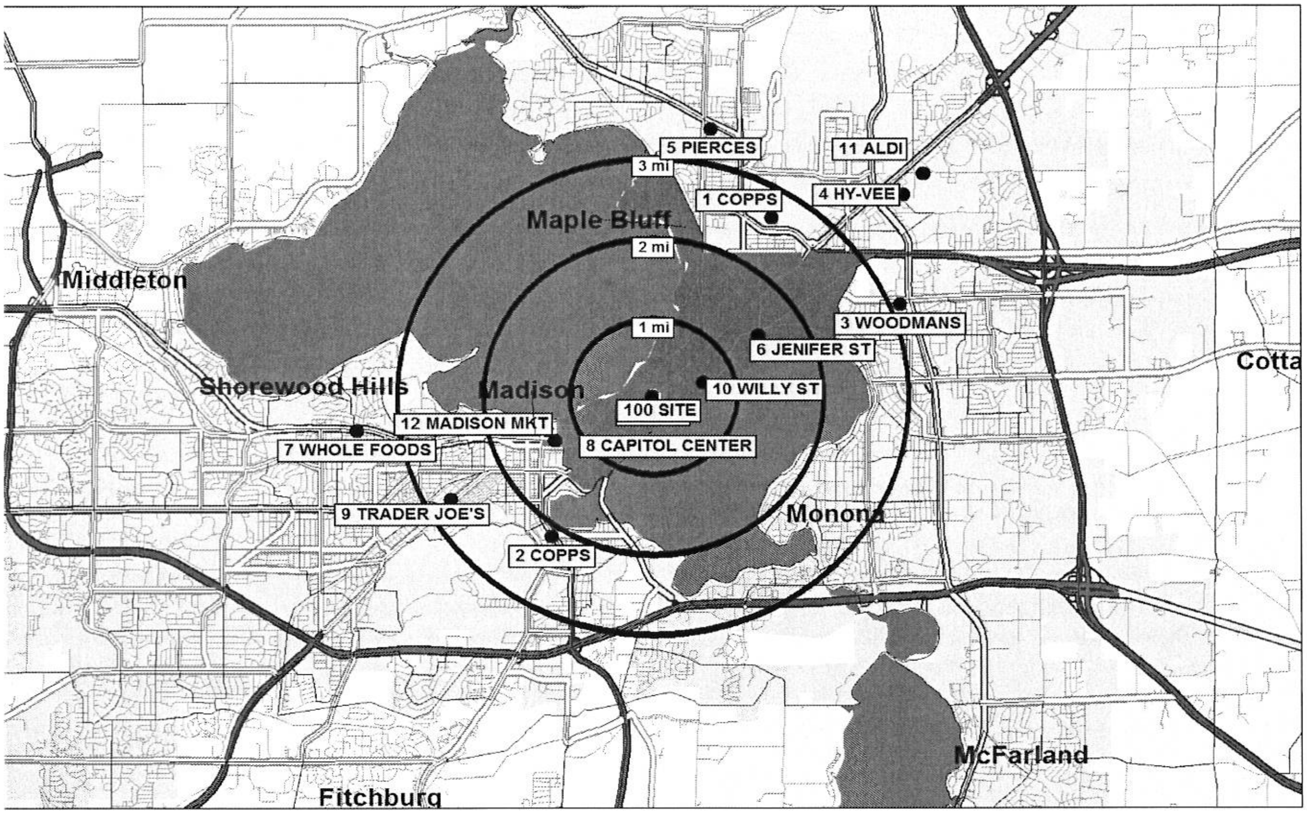
	Number	-- Jun. 2012 --		-- Jun. 2012 --		--- Change ---	
Chain Name	Stores	Sales	%Market	Sales	%Market	Sales	%Market
WOODMANS	1	2690000	28.16	2659473	26.77	-30527	-1.39
COPPS	2	685000	7.41	657127	6.14	-27873	-1.27
HY-VEE	1	890000	5.27	870319	4.37	-19681	-0.90
WHOLE FOODS	1	625000	3.70	618937	3.42	-6063	-0.28
TRADER JOE'S	1	390000	2.31	386224	2.14	-3776	-0.17
WILLY ST CO OP	1	370000	14.32	316175	11.87	-53825	-2.45
PIERCE'S	1	150000	0.48	148370	0.40	-1630	-0.07
JENIFER ST	1	85000	3.68	76987	3.31	-8013	-0.36
CAPITOL CENTRE	1	150000	4.78	121841	3.50	-28159	-1.28
ALDI	1	155000	0.49	154463	0.47	-537	-0.02
MADISON MKT	1	250000	5.69	218590	4.26	-31410	-1.43
NEW MADISON MK	1	0	0.00	234992	9.63	234992	9.63
Totals	13	6440000	76.28	6463499	76.28	23499	0.00
Averages		495385	5.87	497192	5.87	1808	0.00

Note: The above figures are based upon sector populations, expenditures, and potentials projected for Jun 2012.

MapFacts Demographic Summary: 2011

PRIMARY TRADE AREA

Scan/US, Inc.
06/15/2012



Population	44,814		**Households**	22,557	
			Average Household Size	1.9	
Race: White	38,005	84.8%	**Family Households**	5,106	22.6%
Black	2,439	5.4%	Average Family Size	2.8	
American Indian	180	0.4%	**Non-Family Households**	17,451	77.4%
Asian	2,348	5.2%	Average Non-Fam HH Size	1.6	
Pacific Islander	12	0.0%			
Other/Multi-Racial	1,830	4.1%	**Households by Income**		
Hispanic Population	2,186	4.9%	\$0 - \$24,999	10,220	45.3%
			\$25,000 - \$49,999	5,660	25.1%
Sex: Male	22,431	50.1%	\$50,000 - \$74,999	3,122	13.8%
Female	22,383	49.9%	\$75,000 - \$99,999	1,528	6.8%
			\$100,000 - \$149,999	1,214	5.4%
Age: < 5 Years	2,057	4.6%	\$150,000 +	813	3.6%
5 - 9 Years	1,926	4.3%			
10 - 14 Years	1,672	3.7%	**Average HH Income**	\$43,052	
15 - 19 Years	2,002	4.5%	**Median HH Income**	\$34,258	
20 - 24 Years	3,183	7.1%	**Per Capita Income**	\$22,956	
25 - 34 Years	7,234	16.1%			
35 - 44 Years	8,676	19.4%	**Vehicles Available**	26,046	
45 - 54 Years	9,680	21.6%	Average Vehicles/HH	1.2	
55 - 64 Years	4,864	10.9%			
65 - 74 Years	1,859	4.1%	**Total Housing Units**	24,075	
75 - 84 Years	1,125	2.5%	Owner Occupied	6,139	25.5%
85+ Years	536	1.2%	Renter Occupied	16,418	68.2%
Median Age	39.6		Vacant	1,518	6.3%

Source: 2011 Scan/US Estimates

Demographic Profile: 2011

PRIMARY TRADE AREA

Scan/US, Inc.
06/15/2012

Population	44,814	
In Households	42,263	94.3%
In Families	14,269	31.8%
In Non-family Households	27,994	62.5%
In Group Quarters	2,551	5.7%
Race: White	38,005	84.8%
Black	2,439	5.4%
American Indian	180	0.4%
Asian	2,348	5.2%
Pacific Islander	12	0.0%
Other/Multi-Racial	1,830	4.1%
Hispanic Population	2,186	4.9%
Labor Force: Pop, 16+ Years	38,928	
In Armed Forces	41	0.1%
Employed	24,849	63.8%
Unemployed	3,412	8.8%
Not In Labor Force	10,626	27.3%
Education: Pop, 25+ Years	33,974	
No HS Diploma	2,425	7.1%
HS Graduate	5,446	16.0%
College, No Degree	5,556	16.4%
Associate Degree	1,060	3.1%
College Degree	9,764	28.7%
Graduate/Professional Degree	9,723	28.6%
Households	22,557	
Families	5,106	22.6%
With Kids	2,018	8.9%
Non-Families	17,451	77.4%
With Kids	91	0.4%
Average Size: Household	1.9	
Family	2.8	
Non-Family	1.6	
Total Housing Units	24,075	
Vacant	1,518	6.3%
Owned	6,139	25.5%
Rented	16,418	68.2%
Persons In Households: 1	11,779	52.2%
2	6,352	28.2%
3-4	3,798	16.8%
5+	628	2.8%
Vehicles Available	26,046	
Per Household: 0	6,044	26.8%
1	10,157	45.0%
2	4,721	20.9%
3+	1,635	7.2%
Average Vehicles/HH	1.2	

Total Aggregate Income ($Mil)	$1,028.7	
Per Capita Income	$22,956	
Household Income:		
< $10,000	4,698	20.8%
$10,000 - $14,999	1,954	8.7%
$15,000 - $19,999	1,889	8.4%
$20,000 - $24,999	1,679	7.4%
$25,000 - $29,999	1,477	6.5%
$30,000 - $34,999	1,269	5.6%
$35,000 - $39,999	1,131	5.0%
$40,000 - $49,999	1,783	7.9%
$50,000 - $59,999	1,573	7.0%
$60,000 - $74,999	1,549	6.9%
$75,000 - $99,999	1,528	6.8%
$100,000 - $124,999	736	3.3%
$125,000 - $149,999	478	2.1%
$150,000 - $199,999	475	2.1%
$200,000 - $249,999	111	0.5%
$250,000+	227	1.0%
Aggregate Household Income ($Mil)	$971.1	
Aggregate Family Income ($Mil)	$420.6	
Aggregate Non-Family Income ($Mil)	$550.5	
Average Household Income	$43,052	
Average Family Income	$82,381	
Average Non-Family Income	$31,544	
Median Household Income	$34,258	
Median Family Income	$72,105	
Median Non-Family Income	$25,355	
Disposable Household Income		
< $10,000	5,060	22.4%
$10,000 - $14,999	1,858	8.2%
$15,000 - $19,999	2,095	9.3%
$20,000 - $24,999	1,979	8.8%
$25,000 - $29,999	1,689	7.5%
$30,000 - $34,999	1,427	6.3%
$35,000 - $39,999	1,233	5.5%
$40,000 - $49,999	2,163	9.6%
$50,000 - $59,999	1,432	6.3%
$60,000 - $74,999	1,470	6.5%
$75,000 - $99,999	994	4.4%
$100,000 - $124,999	559	2.5%
$125,000 - $149,999	249	1.1%
$150,000 - $199,999	149	0.7%
$200,000 - $249,999	63	0.3%
$250,000+	137	0.6%
Aggregate Disposable Income ($Mil)	$828.8	
Average Disposable Income	$36,743	
Median Disposable Income	$29,452	

Source: 2011 Scan/US Estimates

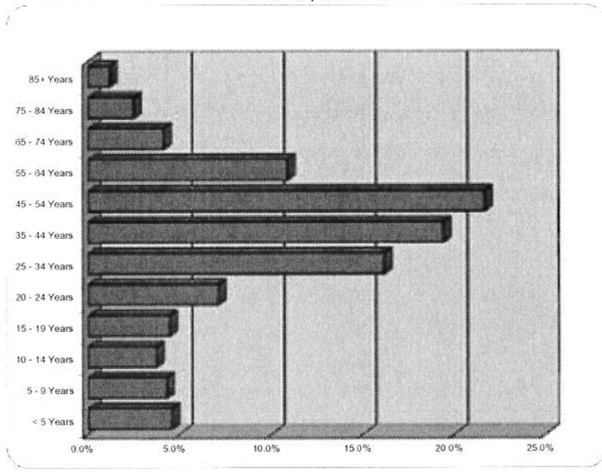
Demographic Profile: 2011

PRIMARY TRADE AREA

Scan/US, Inc.
06/15/2012

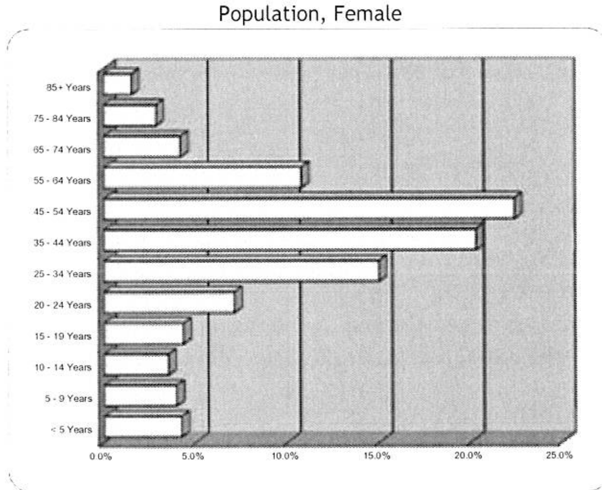
Total Population	44,814	
< 5 Years	2,057	4.6%
5 - 9 Years	1,926	4.3%
10 - 14 Years	1,672	3.7%
15 - 19 Years	2,002	4.5%
20 - 24 Years	3,183	7.1%
25 - 34 Years	7,234	16.1%
35 - 44 Years	8,676	19.4%
45 - 54 Years	9,680	21.6%
55 - 64 Years	4,864	10.9%
65 - 74 Years	1,859	4.1%
75 - 84 Years	1,125	2.5%
85+ Years	536	1.2%
Median Age	39.6	

Total Population



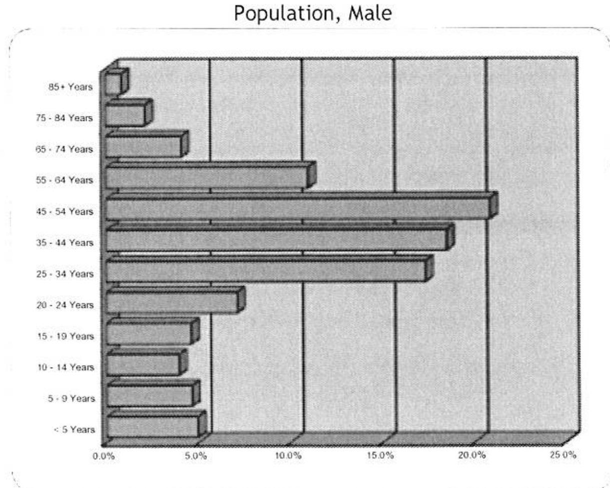
Population, Female	22,383	49.9%
< 5 Years	946	4.2%
5 - 9 Years	885	4.0%
10 - 14 Years	786	3.5%
15 - 19 Years	970	4.3%
20 - 24 Years	1,589	7.1%
25 - 34 Years	3,347	15.0%
35 - 44 Years	4,530	20.2%
45 - 54 Years	5,005	22.4%
55 - 64 Years	2,404	10.7%
65 - 74 Years	938	4.2%
75 - 84 Years	641	2.9%
85+ Years	342	1.5%
Median Age/Female	40.9	

Population, Female



Population, Male	22,431	50.1%
< 5 Years	1,111	5.0%
5 - 9 Years	1,041	4.6%
10 - 14 Years	886	3.9%
15 - 19 Years	1,032	4.6%
20 - 24 Years	1,594	7.1%
25 - 34 Years	3,887	17.3%
35 - 44 Years	4,146	18.5%
45 - 54 Years	4,675	20.8%
55 - 64 Years	2,460	11.0%
65 - 74 Years	921	4.1%
75 - 84 Years	484	2.2%
85+ Years	194	0.9%
Median Age/Male	38.5	

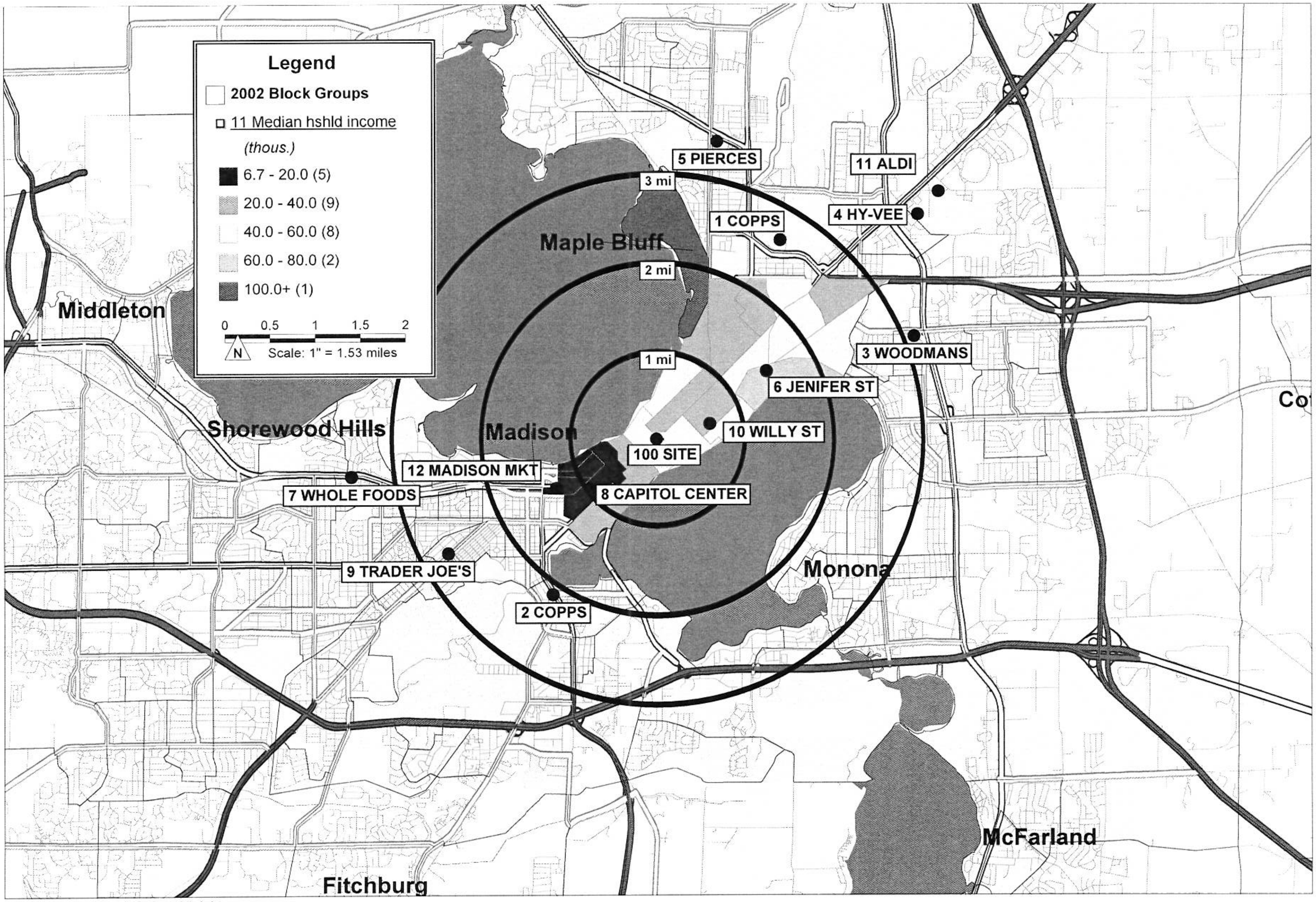
Population, Male



Source: 2011 Scan/US Estimates

MEDIAN INCOME

Scan/US, Inc.



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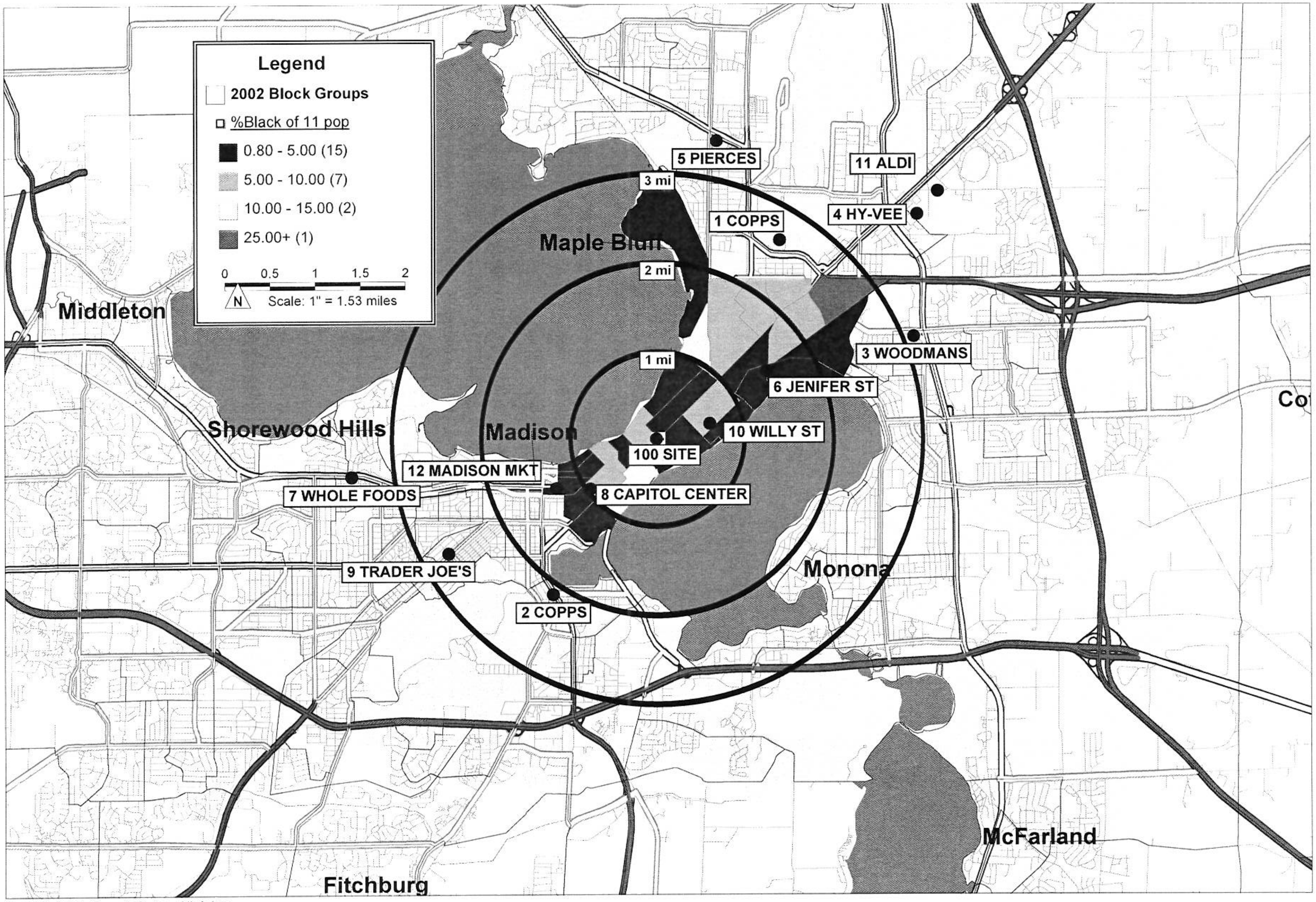
PERCENT BLACK

Scan/US, Inc.



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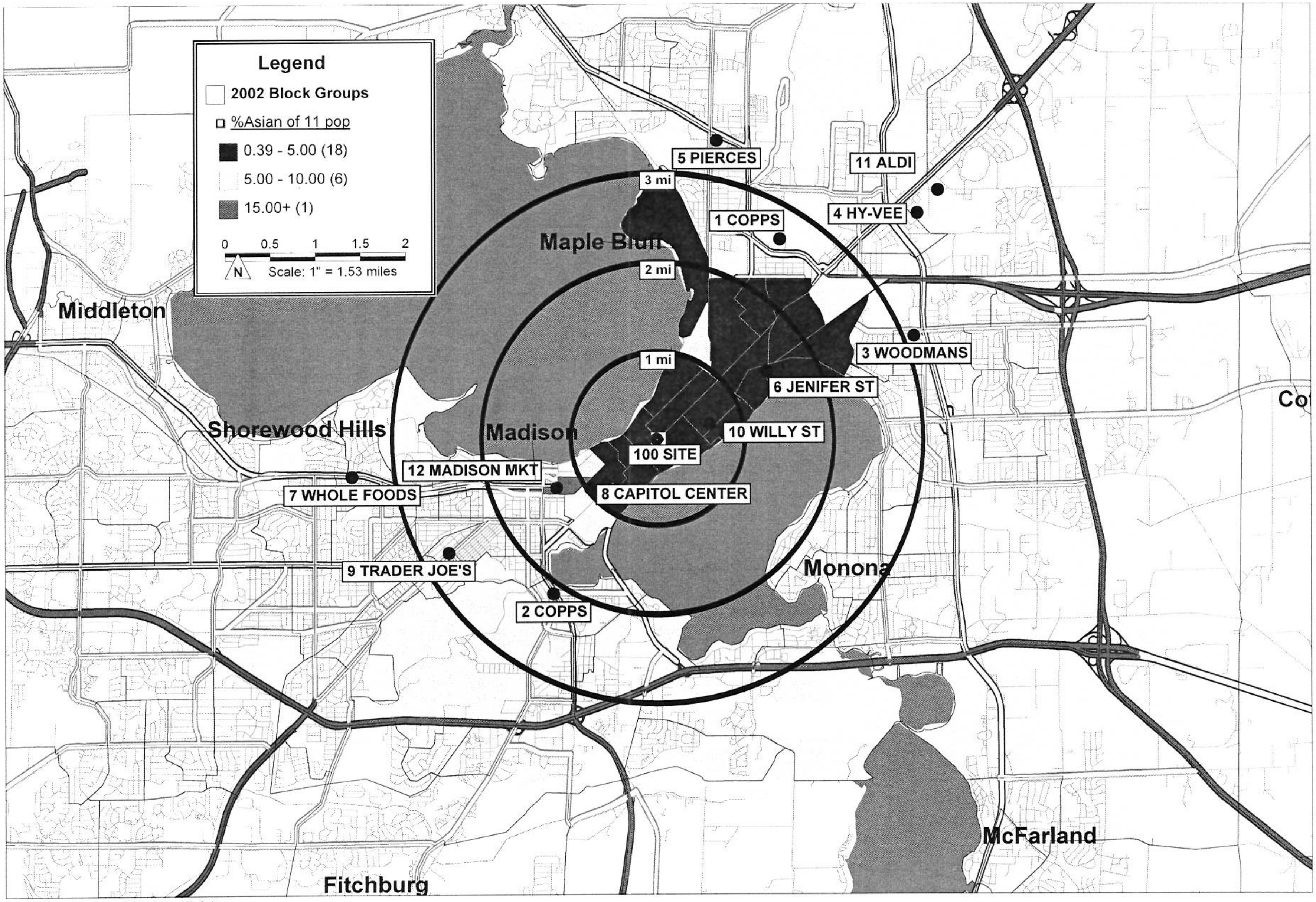
PERCENT ASIAN

Scan/US, Inc.



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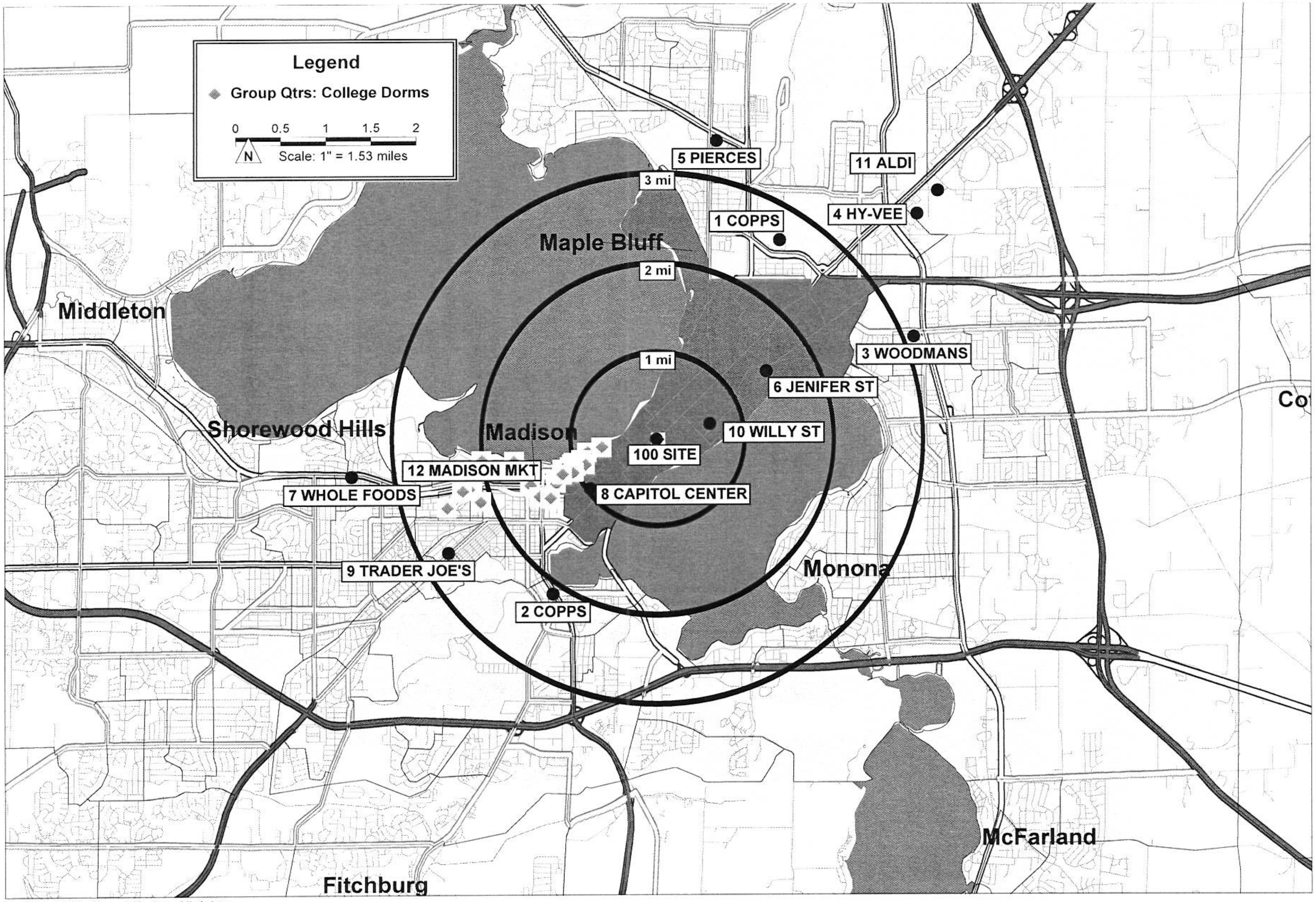
COLLEGE DORMS

Scan/US, Inc.



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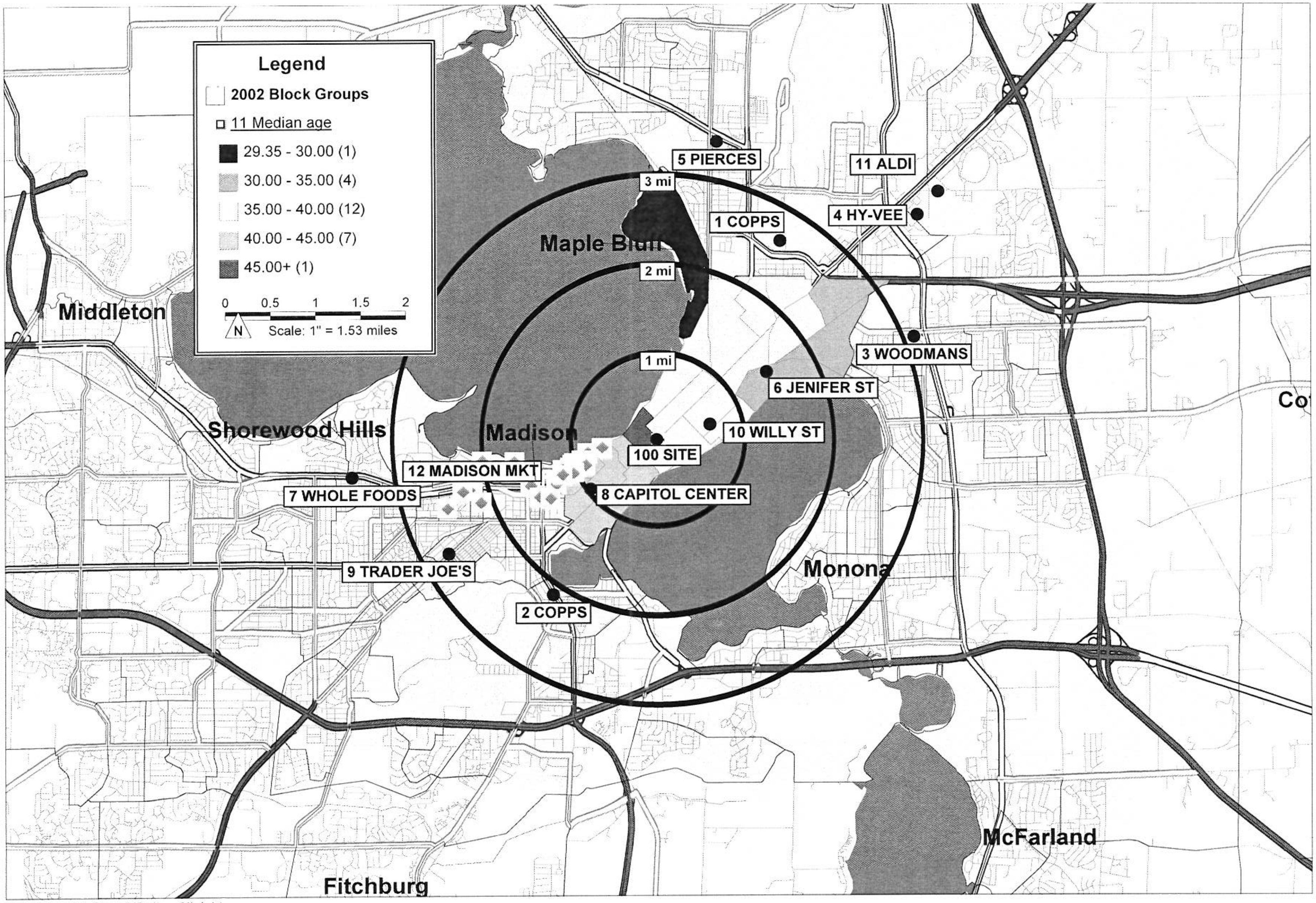
MEDIAN AGE

Scan/US, Inc.



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DEFINITIONS

ACTUAL VOLUME: In the "Marketplace as is", refers to average weekly retail sales of the specific store.

BARRIERS: Obstacles that restrict the ease of travel from one point to another. Barriers may be physical, such as a river or a freeway. These could be merely psychological such as a change in demographics.

CUSTOMER SPOTTING: Involves interviewing a representative sample of customers in a store to obtain their addresses. This data can be used in delineating a store's trade area and measuring its market penetration or share from within the primary trade area.

FIRST YEAR END; THIRD YEAR END: Specifically "First Year End" is the point in time when the new or changed store has been operating for one full year.

HOUSEHOLD INCOME: The average or median household income within a given area.

HOUSEHOLD SIZE: The average household size within a specific location.

LEAKAGE: Potential supermarket merchandise expenditures that are not accounted for by supermarkets identified in a given study. This includes sales at convenience, specialty, and other stores selling supermarket merchandise located within the primary trade area. It also includes sales at supermarkets located beyond the primary trade area that are not identified as competitors in a given study.

MARKETPLACE AS IS: Refers to the marketplace as it is functioning at the present time.

MARKET SHARE (M.S.): The percentage of a store's total volume which is derived from inside the specified primary trade area of market sectors.

PWTA (PERCENT-WITHIN-TRADE-AREA): The percentage of a store's total volume which is derived from inside the specified primary trade area.

PCW: The average *per capita weekly expenditure* from within a market sector or primary trade area.

POTENTIAL: The amount of supermarket merchandise dollars available in a given trade area. This is the result of population and per capita weekly food expenditure.

POWER: This is a measure of a store's performance in relation to the other stores.

PROJECTED VOLUME: In the "Projected Marketplace", refers to the Model's estimate of what the store's average weekly sales will be after the anticipated market changes have taken place.

SECTOR: A non-overlapping partition of the trade area containing a group of homogenous population sharing similar demographic patterns and having approximately the same access to the supermarkets in a given study area.

STORE SIZE: The square footage of a store which is devoted to the sales of normal supermarket merchandise. This is not to be confused with total building area, but rather the area which a customer has access to.

STUDY AREA: The area encompassing the "Primary Trade Area" and all stores that draw significant potential from the population of this area.

T.A. CHANGE: Represents the amount of trade area volume lost or gained by each existing store after the anticipated market changes have occurred.

T.A. VOLUME: The portion of the store's volume that comes from within the trade area.

TRADE AREA: Synonymous with "Primary Trade Area". This is the area from which the store receives the majority of its sales volume and obtains a significant market share.

VOLUME/SQ. FT.: The sales per square foot, either total or sales area the store is achieving.

DISCLAIMER

This location evaluation study prepared by DJL Research, LLC, is based on the most reliable and accurate data available at the current time; however, many nonscientific factors are present in making a survey in addition to variations in data caused by unknown factors existing at the time a particular survey is made. There may be other factors which may become significant subsequent to the time the data is gathered and could not have been ascertained at the time of the study. Volume projections based on the current available data can experience significant changes such as the effect caused by the opening and closing of competitive stores. Because of this, there can be significant variations between the projected and actual sales at the location(s) surveyed. The possibility of such changes occurring increases with the passage of time. With these considerations in mind, David J. Livingston/A.K.A DJL Research, LLC, can make no representation or warranty regarding the accuracy or reliability of any survey or study.