

Overview of US GSA Pentagon Center Acquisition Opportunity

Property Overview - 3rd largest GSA lease in metro area

Location	Arlington Virginia
Two buildings combined SF	911,818
Tenant	Department of Defense

Properties

Pentagon Center I SF	353,631
Lease term 10 years	9/15 - 9/25
Pentagon Center II	558,187
Lease term 10 years	5/13 - 4/23
Congressionally approved 5 yr renewal	5/23 - 4/28
Resets of rents at 10 yr renewals	

Consolidated Financials

Effective Gross Income	\$37 million
NOI	\$27 million

Acquisition Metrics

Acquisition Cost	\$387 million
Equity	\$116 million

Cash on Cash	9.60%
IRR	13.77%

Financing

LTV	70%
Principal Amount	\$271 million
Interest Rate	4.77%
Interest Only Period (Yrs)	5
Amortization Periods	360
Annual Debt Service	\$13 million

Key Lease Terms

- Rents are contractual obligations
- Backed by the full faith and credit of US Gov.
- 10 year firm lease terms, non-cancellable during firm term
- No risk of default or vacancies
- No appropriation risks
- No early termination
- Real Estate taxes are reimbursable over base year
- Annual CPI adjustment to operating expenses paid by Lessor
- Direct deposit of Rents to managers account

Process

- Submit LOI week of April 4 / select IGP capital partner
- 2 - 3 weeks for best and final
- Refundable 1st Deposit due upon Purchase Agreement Execution
- Close in June
- IGP can easily underwrite, close and manage property

Partnership

- 10 Year Hold
- 8% Preferred Return, 50%/50% split thereafter
- 1.00% Acquisition Fee
- 0.5% Asset Management Fee
- Estimate \$350,000 Expense Deposit
- Fully Refundable Deposit: \$2,000,000

Property**Property Narrative:**

- Located in Arlington, Virginia, Pentagon Center has been solely leased to the Department of Defense since 1993.
- Located just one mile south of the Pentagon, Pentagon Center is the only property in Arlington, Virginia other than the Pentagon itself with the ability to meet the space and infrastructure needs of the DOD. Both buildings are LEED Certified.
- Highly regarded as the DOD's prime campus, Pentagon Center is a best-in-class, secure office facility.
- 3rd largest GSA lease in the DC metro area.
- Recent signing of the new 353,631 square foot lease at Pentagon Center I, and the recent signing of the 558,187 square foot renewal lease at Pentagon Center II, showcases DOD has made a long-term commitment to the Property.
- **Mission Critical Asset: Given proximity to Pentagon, investment in security and infrastructure, extremely high probability for future renewals likely exceeding industry average renewals of 95%.**

International Government Properties

- Managing partners include **Al Iudicello and Jon Fascitelli**
- Team has owned or managed over 650 buildings and 23.4 million square feet of space valued at over \$4 billion
- 6 successful funds with audited track record
- Know this property well; have extensive pipeline of properties to follow to build portfolio together in programmatic joint venture
- **Additional \$250 million to deploy in next 6 months**

Acquisition Cost		
Acquisition Price	7.1%	\$386,000,000
GP Spread & costs		6,810,000
Total Acquisition Cost		\$392,810,000
Cost Per Square Foot		348

Capitalization		
DTV		70%
Loan Principal		\$270,767,000
Term		30
Rate		4.80%
Debt Service		\$17,047,448
Initial Equity		\$116,043,000

Equity Returns		
Contribution		\$116,043,000
Preferred Return		87,792,653
Return of Capital		127,056,657
Profit above Preferred Return		98,701,102
Total Profit		\$313,597,812

IRR	13.78%
NOI	2.70%

Consolidated Cash Flow

	Year												2028	
	1	2	3	4	5	6	7	8	9	10	11	12		
Rentable Square Feet	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818	911,818
Occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net Operating Income	27,013,967	27,023,512	28,078,725	28,088,845	28,099,251	28,109,994	28,121,056	29,635,225						
Leasing & Capital Costs	-	-	-	-	1,807,800	-	-	-	-	-	11,054,113	-	-	-
Cash Flow Before Debt Service	27,013,967	27,023,512	28,078,725	28,088,845	26,291,451	28,109,994	28,121,056	29,635,225	29,635,225	29,635,225	22,302,612	33,356,725	33,356,725	33,356,403
(2) \$0 PSF Property Mgmt cost														

Net Cash Flow from Property

	Year												
	1	2	3	4	5	6	7	8	9	10	11	12	
Debt Service & Asset Management Fee	\$27,013,967	\$27,023,512	\$28,078,725	\$28,088,845	\$26,291,391	\$28,109,994	\$28,121,056	\$29,635,225	\$29,635,225	\$22,302,612	\$0	\$0	
DS - Interest Payment	\$12,996,816	\$12,996,816	\$12,996,816	\$12,996,816	\$12,996,816	\$12,906,503	\$12,703,106	\$12,490,138	\$12,266,530	\$12,031,909	\$0	\$0	
DS - Principal Payment	\$0	\$0	\$0	\$0	\$0	\$4,140,945	\$4,344,342	\$4,557,305	\$4,780,938	\$5,015,539	\$0	\$0	
Total Debt Service	\$12,996,816	\$12,996,816	\$12,996,816	\$12,996,816	\$12,996,816	\$17,047,448	\$17,047,448	\$17,047,448	\$17,047,448	\$17,047,448	\$17,047,448	\$0	\$0
Asset Management Fee	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$1,934,050	\$0	\$0	
Net Cash Flow after Debt Service and Asset Management Fee	12,083,101	12,092,646	13,147,859	13,157,979	11,360,525	9,128,496	9,139,558	10,653,727	10,653,727	10,653,727	3,321,134	-	-
Property Acquisition													
Total Acquisition Costs													
Less: Loan Proceeds													
Net Equity Required for Acquisition													
Property Disposition													
Property Resale Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$463,695,215	\$0	\$0
Less: Transaction Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,955,423)	\$0	\$0
Less: Loan Payoff	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$247,028,128)	\$0	\$0
Net Sales Proceeds Available to Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208,811,679	\$0	\$0
Net Equity Cash Flow	(\$116,043,000)	\$12,083,101	\$12,092,646	\$13,147,859	\$13,157,979	\$11,360,525	\$9,128,496	\$9,139,558	\$10,653,727	\$10,653,727	\$212,137,793	\$0	\$0
CASH ON CASH	10.4%	10.4%	11.3%	11.3%	9.8%	7.9%	7.9%	9.2%	9.2%	9.2%	Avg C-o-C 10 yr	9.7%	
Average C-o-C (All Sale Year)	10.4%	10.4%	10.7%	10.9%	10.7%	10.2%	9.9%	9.8%	9.7%				
CASH ON CASH WITH EQUITY CREDIT	10.4%	10.4%	11.3%	11.3%	9.8%	11.4%	11.6%	13.1%	13.3%	11.4%			

MANAGING PARTNERS

AL IUDICELLO

After a 14 year career in executive level positions in the United States General Services Administration (GSA), the agency in charge of U.S. Public Buildings, Mr. Iudicello successfully organized the first real estate fund in the United States specializing in the acquisition, aggregation and management of real estate assets leased by Government entities. He developed a business model for the financing and aggregation of private sector real estate assets leased to Government entities and private sector utility companies, and he employed this model in assembling and managing nationwide portfolios, consisting of over 650 buildings and 23.4 million square feet of space valued at over \$4 billion. He has raised institutional equity, including European and sovereign wealth fund equity and arranged both balance sheet and CMBS debt financing with major international banks. He is well known and highly regarded by commercial and government real estate owners, developers and financial managers throughout the United States.

Mr. Iudicello graduated from the U.S. Air Force Academy, has an Exec MBA degree from Georgetown Univ. and an MCE degree.

JONATHAN FASCITELLI

Partner at International Government Properties LLC and Managing Partner of Blue Atlantic Capital LLC ("BAC"). BAC is a privately funded investment vehicle that targets a broad range of direct equity and debt investments in real estate, real estate related, specialty finance and financial services opportunities. In 2010, BAC acquired a bank to finance such transactions, then funded an equipment leasing business and has been active in a host of other specialty finance and real estate verticals. BAC specializes in partnering with sourcing and origination platforms, underwriting programmatic asset acquisitions, building asset appropriate capital structures to warehouse assets generated, and then syndicating and arbitraging lower costs of available capital. BAC, through Mr. Fascitelli and an extensive advisor network, has relationships with a vast and broad range of capital providers with varied costs of capital, from family offices that fund BAC transactions to institutional capital providers including private equity, sovereign wealth funds and insurance companies.

Previously at Colony Capital, Mr. Fascitelli had been focused on programmatic investments, large buyouts/public investments and distressed situations. He has also worked in M&A banking at Dillon Read/UBS, principal investing for Time Warner, and business development for a startup. On a personal note, Fascitelli is the Chairman of the Lincoln Center's Young Patrons' board and a board member of NYPEN RE.

Mr. Fascitelli graduated from Brown with a degree in Engineering and Economics and received masters from Harvard Business School.

PARTNERS

ROBERT RILEY

Robert Riley is a principal in International Government Properties (IGP). Prior to IGP, Mr. Riley served as Executive Managing Director of Artesia Commercial Capital, LLC, a financial services firm providing fixed and floating rate debt financing, capital raising and advisory services to commercial real estate investors, with a heavy focus on real estate leased to governmental entities.

Previously, Mr. Riley was Managing Director and a member of the Management Board at Dexia Real Estate Capital Markets, a subsidiary of Dexia Group. From 2002 until 2010, Mr. Riley was primarily responsible for the firm's origination activities, growing annual production from \$220mm to \$2.6 billion. During this time, the firm expanded its products to include fixed-rate CMBS, floating rate balance sheet lending, construction lending and credit lines. Total financings exceeded \$10 billion. Total CMBS issuance topped \$9 billion. Mr. Riley was directly responsible for originating more than \$2 billion of loans to finance commercial real estate occupied by government agencies, primarily GSA. He was also instrumental in raising equity capital for investment in the government leased sector, including a direct investment of \$75mm to help launch a Government leased real estate fund.

Mr. Riley earned an A.B. in economics from Brown University.

CHRIS PENROSE

Chris Penrose is President of The Penrose Corporation, a real estate development and investment company and a developer of GSA leased assets. He has agreed to collaborate with IGP in its new U.S. government leased real estate program. Presently, TPC is active in purchasing long term, 100% leased investment opportunities. From 1997 to 2004 TPC specialized in developing Class A office buildings for the General Services Administration (GSA). TPC's primary development focus was with the Department of Justice, Federal Bureau of Investigation (FBI). Mr. Penrose won the bids for, designed, built and managed 7 GSA leased FBI assets totaling over 1.6 million square feet. IGP purchased three of these assets (leased FBI buildings in Baltimore, Richmond and New Orleans) directly from TPC prior to completion of construction. The latest of these construction projects was the new, state-of-the-art, \$100 million, 160,000 square feet headquarters and 20,00 square feet Annex facilities for all FBI operations in Hawaii, Guam, Saipan, and American Samoa, located on a 10 acre site in Kapolei's Barber's Point, Hawaii.

Chris Penrose graduated from Western Michigan University and holds a JD from Thomas Jefferson School of Law.