



Memorandum

Date: August 24, 2018

To: 588 Associates Tenants in Common ("588" or "TIC")
Louis Barbarin, CEO, MMBB Financial Services

From: CSG Urban Partners ("CSG")

Subject: Update on the Sale of the Mission Center

CSG has prepared this Memorandum to give an overview of and update on 588 Associates Tenants in Common ("588" or "TIC") efforts to monetize the Mission Center property (the "Property"). The purpose of the Memorandum is to provide the necessary information needed for each of the TIC Members to inform their respective Boards about the status of the monetization of the Property. Additionally, the Memorandum can be used by TIC Members to obtain any necessary final Board approvals of the proposed transaction legal documents in order to move forward with executing the legal documents and ultimately proceeding to closing on the sale of the Property. The memo includes: 1) the current status of the transaction; 2) an overview of the legal documents for the transaction; and, 3) proposed next steps and the projected timeline to close on the transaction.

I. Current Status

The TIC Members continue to move the process forward for the ultimate sale of the Property. Over the last few months, continued negotiation of: 1) the legal documents for the transaction, and 2) the necessary early termination of two existing long-term leases at the Property have occurred. To that end, it appears that the Parties have reached agreement on all of the terms of the legal documents and proposed final versions of the documents have been issued for final review and approval by the TIC Members, its legal counsels and advisors.

Further, the TIC has reached a definitive agreement for the early termination of one of the two long-term leases (Agora Charter School) and made progress on negotiation of acceptable terms for the early termination of the other long-term lease (Presser). To date, the TIC Members have offered Presser \$300,000 in relocation assistance, Presser countered with \$500,000 in exchange for terminating its lease as of August 2019 versus the current lease expiration date of March 2021. The TIC Members agreed the amount requested by Presser was too high and agreed to counter with \$350,000. At the start of negotiations with Presser, it asserted that it had an additional 5-year extension option that would take its lease to March 2026. The TIC and its legal and real estate advisors do not agree with Presser's position that it has an extension option. If the Parties fail to



reach agreement on the early termination, the TIC will likely have to seek a declarative judgement from the courts to establish that Presser does not have further lease renewal rights and that the current lease will terminate 3/21/21. Topgolf has indicated that they might be willing to wait until 2021 to start the Project, so worst case (assuming the TIC prevails in the declarative judgement) is that Presser's current lease term expires 3/21/21 and the TIC has to wait until 2021 to close on the transaction but also does not have to pay any further early termination relocation costs.

II. Transaction Legal Documents and Final Proposed Terms of the Agreements

The legal documents necessary for the transaction including the sale of the Property and the Seller (TIC) financing for the outstanding Purchase Price for the Property include:

- Purchase and Sale Agreement
- Guarantee
- Mortgage
- Promissory Note

The final versions of the legal documents have been issued and the detailed terms of these documents are consistent with the terms in the Term Sheet for the transaction that was approved by the TIC Member's individual Boards in March/April 2018 (approved Term Sheet is Attached). The final legal documents were drafted to be consistent with the terms agreed to by the Parties in the Term Sheet and to ensure that the TIC's interest is protected in the sale of the Property and financing of the outstanding \$15,000,000 Purchase Price. The final terms of the legal documents were arrived at after significant negotiation between the Purchaser and the TIC's real estate and legal advisors with oversight by the TIC's delegated representatives for the transaction. The TIC's advisors believe that the final terms are the best terms available for the proposed transaction.

III. Next Steps and Timeline to Closing on the Proposed Transaction

The necessary next steps in the fee-simple sale of the Property and the proposed timeframes for completing such activities include the following:

- Obtain approval, if necessary, of each TIC Member's Board of Directors to execute the final legal documents for the Transaction – **August 2018**
- Parties execute the legal documents – **August/September 2018**
- Finalize negotiation of a binding Early Termination Agreement with the final outstanding long-term leaseholder (Presser) – **September 2018**
- Purchaser Issues Zoning Determination Letter and obtains approval from the Township that the Topgolf project can be developed "by right" – **September/October 2018**



- Due Diligence Period Expires and Deposit goes hard – **November 2018**
- Developer Obtains All Necessary Project Entitlements – **July 2019**
- Outside Date for Relocation of Long-term Tenants – **August 2019**
- Close on Transaction/Receive \$9,000,000 Upfront Payment – **September 2019**
- Environmental Remediation and Demolition of the Mission Center – **September 2019**
- Annual \$600,000 Installment Payments – **September 2020 to September 2029**
- Final \$9,000,000 Installment Payment – **September 2029**

Summary of Proposed Terms for the Purchase and Sale of Real Property Located at 588 N. Gulph Road, King of Prussia, PA

- Property:** 588 N. Gulph Road, King of Prussia, PA consisting of approximately 23.86 acres of total land and all buildings and improvements located thereon.
- Purchaser:** A to-be-formed limited liability company or limited partnership among Provco Real Estate, Pineville Properties and Goodman Properties (collectively, the “PPG Entity”), or their respective affiliates.
- Seller:** American Baptist Churches in the U.S.A. (“ABCUSA”), the American Baptist Home Mission Society (“ABHMS”), the Ministers and Missionaries Benefit Board of American Baptist Churches in the U.S.A. (“MMBB”), and the American Baptist Foreign Mission Society (“ABFMS” and collectively with ABCUSA, ABHMS and MMBB, the “Tenants in Common”).
- Transaction Type:** Sale in the form of a promissory note for the balance of the Purchase Price secured with a first purchase money mortgage, a Deed of Trust and Security Agreement and UCC blanket assignment of all leases, rents and profits. The loan documents shall be structured to address tax implications of the transaction for both the Purchaser and Seller. Potential tax implications include but are not limited to imputed interest required by the Internal Revenue Service, taxable interest income and phantom income resulting from the transaction. Any ground lease of the Property shall be subordinate to the mortgage. .
- Guarantee:** Provco Real Estate, Pineville Properties and Goodman Properties shall guarantee any amount owed to the Seller under the note and the mortgage up to Eight Million Dollars (\$8,000,000), on a present value basis, after application of any sales proceeds from the sale of the Property under a foreclosure to an unrelated third party purchaser.
- Purchase Price:** Twenty-Four Million Dollars (\$24,000,000).
- Payment Schedule:** Nine Million Dollars (\$9,000,000) at Closing, Ten (10) annual Installment Payments of Six Hundred Thousand Dollars (\$600,000), and a final Installment Payment in Year Ten (10) of Nine Million Dollars (\$9,000,000) as detailed in Exhibit 1 attached.
- Deposit:** One Hundred Thousand Dollars (\$100,000) upon the execution of a Purchase and Sale Agreement. If Purchaser elects to proceed past the Due Diligence Period, Deposit shall increase to Two Hundred Fifty Thousand Dollars (\$250,000). All Deposit money shall be applied to Purchase Price at Closing and shall be non-refundable upon approval of Purchaser receiving all Entitlements and Permits (excluding building permits) to commence development of a Topgolf Facility. Notwithstanding the foregoing, One Hundred Thousand Dollars (\$100,000) of the Deposit shall be non-refundable upon expiration of

the Due Diligence Period. If the transaction closes, such non-refundable payment shall be applied to the Purchase Price at Closing.

Due Diligence
Period:

Purchaser shall have Ninety (90) days to complete its due diligence. Seller shall have Ninety (90) days to negotiate the early termination of two existing long-term leases. If the Seller cannot negotiate the early termination of the two long-term leases it can terminate the transaction prior to expiration of the Due Diligence Period. If Seller terminates the transaction prior to expiration of the Due Diligence Period it will reimburse Purchaser for its actual third-party due diligence costs incurred during the Due Diligence Period up to Twenty-Five Thousand Dollars (\$25,000).

Closing:

Nine (9) months after Due Diligence Expiration.

Closing Extension
Options:

Three (3) Thirty-day (30-day) Extension Options. The Purchaser shall pay the Seller an Extension Option Payment of One Hundred Thousand Dollars (\$100,000) for each 30-day Extension Option. If the transaction closes, the Extension Option Payments shall be applied to the Purchase Price at closing.

Purchasers
Conditions
to Close:

Purchaser receiving all Entitlements and Permits (excluding building permits) to commence the Topgolf Facility.

Environmental:

The Property shall be conveyed AS IS WHERE IS, subject to the cost sharing arrangement below. The cost to remediate any environmental contamination, including removal of any underground storage tanks, up to a total of Five Hundred Thousand Dollars (\$500,000) will be split equally between the Purchaser and Seller. Both parties should place Two Hundred Fifty Thousand Dollars (\$250,000) in escrow at Closing, from which the environmental remediation cost up to Five Hundred Thousand Dollars (\$500,000) will be funded. Such escrow shall include a release of claims by Purchaser in favor of Seller, and provide for review and approval by Seller of all submissions to PADEP, sharing all PADEP correspondence and access to all consultants and their reports. Any sums remaining after the completion of the environmental remediation will be split fifty percent (50%) to the Seller and fifty percent (50%) to the Purchaser. If Purchaser determines during the Due Diligence Period that the environmental remediation costs will exceed Five Hundred Thousand Dollars (\$500,000), Purchaser may elect to proceed to Closing; however, all remediation costs in excess of Five Hundred Thousand Dollars (\$500,000) shall be the responsibility of Purchaser.

**Exhibit 1 – Installment Sale Purchase Price
Payment Schedule**

At Closing	\$9,000,000
Year 1	\$600,000
Year 2	\$600,000
Year 3	\$600,000
Year 4	\$600,000
Year 5	\$600,000
Year 6	\$600,000
Year 7	\$600,000
Year 8	\$600,000
Year 9	\$600,000
<u>Year 10</u>	<u>\$9,600,000</u>
Total Purchase Price	\$24,000,000