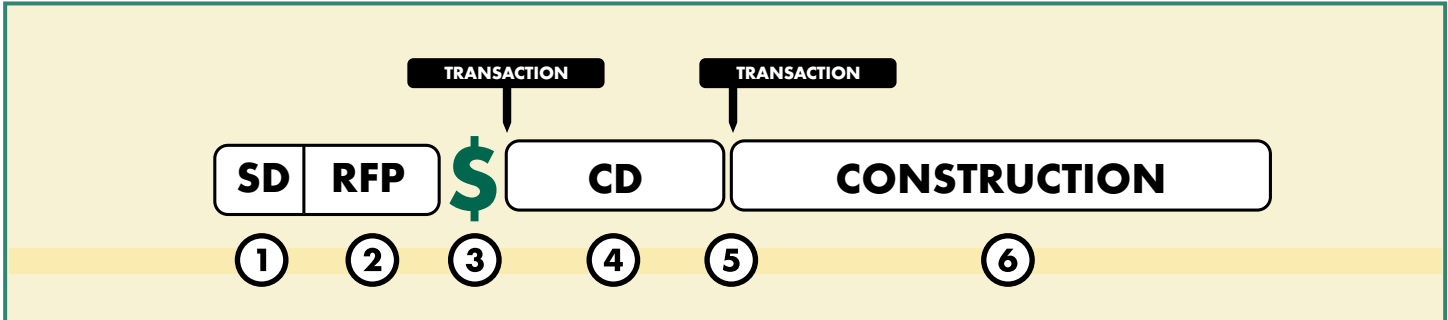


USING THE BRIDGING METHOD FOR A BETTER DEAL IN BUILD-TO-SUIT LEASES



1. Brookwood assists its lessee client (“Lessee”) in developing the facility requirements and lease rate estimates, and will assist in carrying out space planning and the development of the schematic design for the facility.

2. Brookwood will prepare additional detailed drawings and specifications for those aspects of the facility that are important to the Lessee. These documents will usually include site development plans and can be as complete or as limited as the Lessee with Brookwood’s assistance may decide. If proposals are to be received from multiple prospective Lessors, each with a different site, individual site development plans are prepared. See the chart on the back page for the typical degree of detail of these documents for a medium to high quality office facility. With these drawings and specs, Brookwood and the Lessee’s attorney, with advice from the Lessee’s Tenant Rep, will prepare the RFP which would typically consist of the Lease Agreement with all desired options and other features along with the drawings and specifications.

3. Proposals from the prospective Lessor(s) are received. When an agreement is reached, the Lease Agreement is executed between the parties. Simultaneously, if the Lessee has optioned or owns the site, the Lessee deposits the Lessor’s earnest money for the purchase of the site. Required earnest money should be sufficient to reimburse the Lessee for Brookwood’s services to date along with the Lessee’s legal and any other costs.

4. The Lessor’s architect and engineers complete the final detailed drawings and specifications which are reviewed by the Lessee and Brookwood for compliance with the drawings and specifications and the Lease Agreement.

5. Upon approval of the final detailed drawings and specifications by the Lessee and Brookwood, the land ownership transfer is completed and funds are advanced by the Lessor for Brookwood’s remaining services on behalf of the Lessee. If the Lessor fails to complete the drawings and specifications in compliance with the Lease Agreement within the agreed time period, the Lessee may cancel the Agreement and retain from the earnest money an agreed amount for payment for costs incurred. Under

these circumstances, if the Lessor already owns the land, the Lessee may cancel the Agreement without obligation, all as provided for in the Lease Agreement.

6. During construction Brookwood carries out observation of the work for compliance with the Lease Agreement and the approved final drawings and specifications and is available for other planning and/or project management services that the Lessee may require. The Lessee may elect to take occupancy before completion of the “punch list” with payment of the first month’s rent; however, the second month’s rent is retained until the punch list is completed. Any liquidated damages are paid to the Lessee by the Lessor, as set out in the Lease Agreement, if the construction is late in completion

For additional discussion on leasing build-to-suit facilities, see the following pages. For additional information on The Bridging Method, see that separate Brookwood publication.



Architectural detail of Internet Corporation’s world wide operations center in Columbus, Georgia. Brookwood provided full build-to-suit lease services to Internet for this project.



GEORGIA POWER - Corporate headquarters of the Georgia Power Company, acquired by build-sale-leaseback. The company's prior commitment for purchase by a financial institution provided the basis for construction financing. All design and project management aspects were under the direction of George T. Heery, FAIA RIBA FCMAA, at the time Chairman of Heery International.



AFLAC TOKYO - Brookwood acted on behalf of Aflac Corporation in connection with the build-to-suit lease acquisition of its Japan Division headquarters in the Chofu district of Tokyo. Brookwood's services included a full time on site team throughout the construction and management of all interior design and furnishings acquisition and installation. The lease provided a purchase option for Aflac which it subsequently exercised.



SCIENTIFIC ATLANTA - Electronics manufacturing plant for Scientific Atlanta (since acquired by Cisco) in Juarez, Mexico. Brookwood provided complete design and project management services for this project built by the Bridging method, including site search and acquisition assistance.

Avoiding Problems in a Build-to-Suit Lease

Most well run companies and institutions entering into build-to-suit leases get the legal and real estate aspects right with help from well qualified legal counsel and real estate advisors/repes.

Problems for the lessee most often come with the facility itself. The most frequent problems come from the fact that, even though the lessee company may superficially understand that the build-to-suit lease is basically another way of financing and accounting for facilities and corporate real estate, the lessee company fails to carry out good project planning and protect itself as thoroughly as if the company owned the property. Also, lessee companies often fail to recognize the degree to which they have the opportunity to control just want they want and need in the new facility.

In a build-to-suit lease the lessee usually pays the property taxes along with the carrying, operating and insurance costs. The lessee company's operations, work environment for employees and public image are just as positively or negatively affected by the layout, design, building systems, details and appearance as if they owned the facility. Yet, lessees often go through the pre-lease negotiations and planning under the mistaken belief that the lessee's interests and the lessor's interests are much more similar than they are, often believing that, as the tenant, they should bow to the lessor's desires on many issues because the lessor will own the property. That mistaken belief has led many lessees into disappointments in build-to-suit leases.

However, developers and their architects, engineers and builders can bring much to the table in build-to-suit leases. Many developers have significant expertise in planning certain building types, such as office buildings, distribution centers, etc. They usually possess good knowledge of the real estate market, are highly capable in controlling design and construction costs and schedules and have knowledge of or access to good sources of financing.

Points to Consider Before Setting Out to Acquire the Facility by Build-to-Suit Lease

Does your company have a Strategic Facilities Plan (SFP) that has been updated recently? Is the proposed new leased facility in keeping with the SFP? Maybe an SFP effort ought to be considered before proceeding with a major new lease of any sort. A separate publication on Strategic Facilities Planning is available from Brookwood.

Last Look at Two Alternatives to a Build-to-Suit Lease

1. Is there no fully suitable existing facility in a good location at a reasonable rental rate? If there is, that will be a far smaller burden on management's time, may be easier to schedule, possibly lower in cost (especially in a down real estate market) and quicker. Maybe an existing facility or a facility under construction would work with some modifications.

2. For companies with good financial resources and credit, oftentimes the lowest cost alternative is for the company to go ahead with land acquisition and construction of the facility, get it "right", including all changes and fine tuning

and then sell to a low-cost-of-capital-investor and lease back. Such an arrangement usually is best done with a prior "take out" with lease rate based on a percentage of total cost and an agreed on maximum budget. Competitive lease proposals from prospective investors are best obtained on a very complete form of lease with all of the "blanks" filled in before proposals are obtained.

Should the facts say go forward with the build-to-suit program, the following recommendations apply.

Settle on the Facility's Requirements

This important planning effort is often referred to as "Programming". In the fields of space planning and architecture, the term programming refers to the development of a document of great importance, the Program of Requirements ("Program"). The Program should be completed before space planning and design work proceed. Programming should be done in conjunction with the development of a realistic budget and schedule for the project. Many projects are in trouble from the outset due to the lack of an adequate Program or by the lack of appropriate input into programming by the management of the company.

Control of the Site(s)

One of the best ways for the lessee to obtain the desired facility and location is to find a desirable site, contract for its purchase, probably on a contingency basis, or to obtain an option to purchase. Then the lessee would have the RFP and preliminary design and specifications prepared, based on which competitive build-to-suit lease proposals are obtained.

Under this approach the lessor subsequently buys the land and reimburses the lessee for all related costs and fees. Oftentimes, however, the better sites are controlled by developers or others who prefer to develop rather than sell the land. In these situations, several sites might be identified and the RFP, preliminary plans and specs would be prepared in such a way that the facility can be satisfactorily sited on a number of different land parcels. This approach is referred to in the notes on the cover

continued on back



MILLIKEN - Carpet tile manufacturing and marketing center for the Milliken Company in Yonezawa, Japan. Brookwood provided complete design and project management services for this project built by the Bridging method, including a full time on site team during construction.

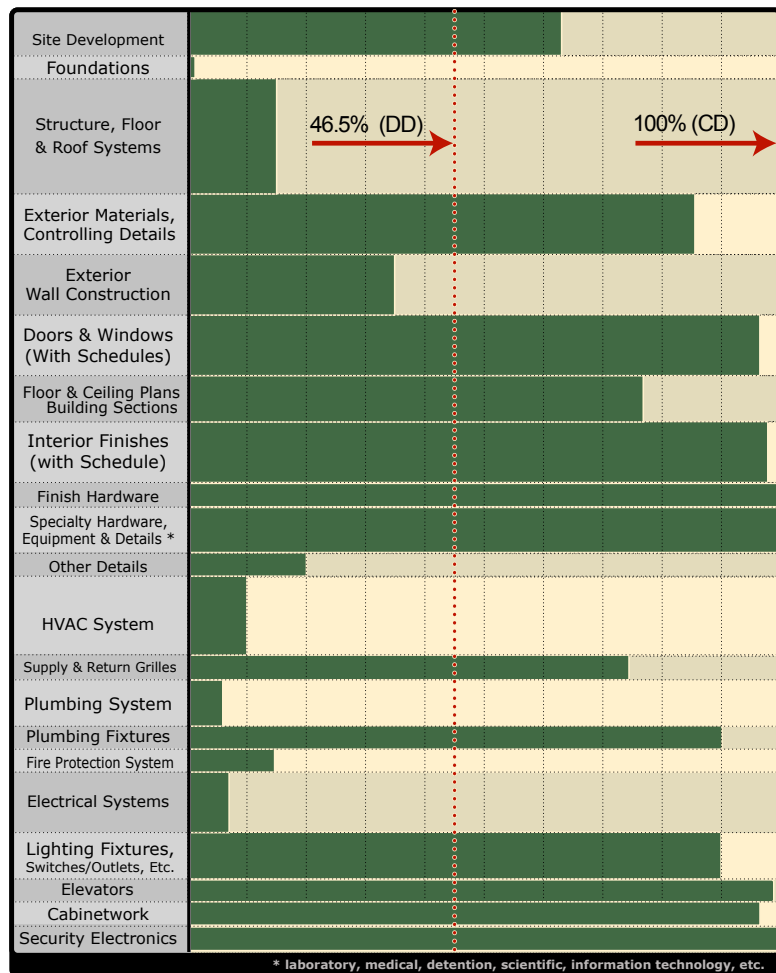
page of this pamphlet. If the lessee's requirements are such that only a limited number of available sites are suitable, it would be wise to obtain some sort of "stand still" agreement with at least two or three site owners. This might be accomplished in exchange for a commitment to allow them to propose on the build-to-suit lease. This can be quite difficult or quite easy, depending on conditions in the local market at the time. An experienced "Tenant Rep" can be of great help in this and many other aspects of procurement of a build-to-suit lease.

Proceeding

A prospective lessee's Tenant Rep can also often be of good help in analyzing other issues as well as in searching for suitable sites and prospective lessors. In any case, in going forward with a build-to-suit lease for a major facility, the procedure outlined on the cover page will pay significant dividends in terms of a more suitable facility, better lease terms, and a smoother acquisition and occupancy process.

RFP Documents

The chart shown below indicates the level of design work, decisions, and documentation in the drawings and specifications that would be typical for a project such as an office building. These drawings and specifications, which Brookwood can prepare, become part of the Lease Agreement, all together making up the RFP for obtaining the build-to-suit lease proposals.



The 100% CDs indicates complete traditional "working drawings" and specifications. The 46.5% point vertical dotted line indicates the level of normal architectural and engineering Design Development documents. Those components that have less detail allow proposing prospective Lessor(s) latitude to provide the best proposal to the prospective Lessee and still protect the interests of the Lessee.

Typical level of design and preparation of drawings and specifications that are exhibits of the RFP and the Bridging Contract Documents of the Agreement between Owner and Design-Builder. The drawings of the RFP/BCD are referred to as "Design Guide Illustrations". Specifications are referred to as "Owner's Minimum Requirements".

