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CONSULTING / STRATEGIC PLANNING

S. Sunshine & Associates' methodology, to provide organizations with strategic real estate services, can be broadly divided into three phases:

PHASE ONE — NEEDS ANALYSIS

During this phase, S. Sunshine & Associates will present the organization with an understanding of financial, operational and qualitative consequences and the risks associated with pursuing all possible occupancy and real estate strategies, as well as the ability of its real estate assets to serve its needs now and in the future.

The goals of the Needs Analysis include:

- Understand the organization's current situation, including the value of owned real estate, if applicable, as well as positive attributes and deficiencies of its space, buildings and locations
- Help the organization reach consensus on the criteria to be used in evaluating its real estate assets
- Identify and present the benefits of pursuing different occupancy and real estate structuring strategies
- Select a strategy to pursue for each location

The three major steps of the Needs Analysis phase are criteria development, option development and implementation:

1. Criteria Developments

Sunshine & Associates will conduct a series of interviews with the appropriate personnel (e.g., division heads, real estate task force members, etc.) to ensure that the input of all relevant individuals is factored into the Criteria Development process. S. Sunshine & Associates

will assist the organization in hiring an architect to develop a space plan, which is an essential component in defining an organization's space needs. The ultimate goal will be the implementation of a strategy that meets the developed criteria.

2. Market Analysis

Once the organization's criteria is established, S. Sunshine & Associates will perform an in-depth market analysis in order to understand the markets and pricing context in which its objectives can be met. Our Market Analysis will:

- Establish the overall direction of the market and trends specific to the type and use of each property
- Examine variables that could impact general market conditions, such as new and redevelopment projects, foreclosures, etc.
- Analyze the relative advantages and disadvantages of the current ownership position or lease structure.

3. Owned vs. Leased Space

There are pros and cons to leasing vs. owning property. Some of the advantages and disadvantages are outlined below.

- Ownership Advantages
 - Exemption from real estate taxes
 - Increased control
 - Design flexibility / no approval process
 - Building operating costs
 - Building quality / capital investments
 - Potential residual appreciation
 - Ability to extract value through various structuring techniques
- Ownership Disadvantages

- Divert focus and resources from primary operations - Ongoing capital requirements
- Leasing Advantages
 - Relative certainty of occupancy costs – no residual variations - Minimizes involvement in operating real estate
 - Focus remains on primary mission
- Leasing Disadvantages
 - Typically more difficult to dispose (especially if toward the end of a lease term)
 - Limited control over building operations
 - No participation in future appreciation
 - Potential to be a “captive tenant” with minimal leverage

4. Scenario Planning

The objective of the scenario planning phase is to explore alternative deal structures, timing and occupancy strategies, and to detail opportunities and risks.

For each scenario, S. Sunshine & Associates will develop a financial model to determine occupancy costs of each strategy

The benefits and drawbacks of each potential strategy will be analyzed and summarized. In addition, the economic risk associated with pursuing each alternative will be quantified through sensitivity analysis, which tests the key assumptions affecting each strategy.

The results of the Scenario Planning phase, along with the results of S. Sunshine & Associates’ Criteria Development and Market Analysis work, will be presented in a report.

5. Timing

As many of Phase I activities rely on the internal decision-making process, the time required to complete the situation analysis varies. At the outset of Phase I, S. Sunshine & Associates will establish a mutually agreed upon timeline for deliverables.

PHASE TWO — OPTION DEVELOPMENT

The key objectives of Phase II are to identify and focus on specific market opportunities based on the occupancy objectives selected by the organization, and to optimize the opportunities through detailed analysis and direct negotiations with the selected landlord(s). The end result of the Option Development phase is the authorization to draw legal documents in order to formalize the alternative selected.

1. **Identification and Targeting of Market Opportunities**

As potential occupancy strategies become more defined in Phase I, S. Sunshine & Associates will begin to identify market opportunities capable of satisfying the organization's particular space requirements. As part of the process, S. Sunshine & Associates will document not only those properties that are acceptable and meet the criteria, but also the properties that are unacceptable and the specific reasons why they were rejected.

2. **Building Analysis**

Having identified viable market alternatives, S. Sunshine & Associates will then conduct a detailed analysis of the identified properties. The analysis will include contracts and encumbrances, a financial review of ongoing occupancy costs and detailed financial models. The buildings will be analyzed and ranked both from the operational factors as described above and from qualitative factors identified and weighted in Phase I.

3. **Opinion of Value/Appraisal**

For sales transactions, S. Sunshine & Associates will assist the organization in obtaining either a broker opinion of sale value or an appraisal. This appraisal will contain a summary of procedures, methodologies and value conclusions, including building facts, neighborhood analysis, highest and best use, known deed restrictions, major land use issues (zoning lot development agreements, landmark status, etc.) as well as market analysis including recent sale comparables and competitive properties for sale.

4. **Financial/Valuation Analysis**

S. Sunshine & Associates will develop comprehensive Financial Models to analyze the economic implications of various occupancy strategies, transaction structures and time-

lines in order to measure all potential opportunities and risks inherent in alternative scenarios prior to officially engaging the market. Our models will: (i) evaluate the feasibility of various restructuring scenarios of existing facilities and (ii) quantify the timing, economic and risk implications of each scenario. The models will incorporate such economic variables, as existing asset valuations, rental income, operating expenses, real estate taxes, utilities, etc.

5. Strategic Recommendation

S. Sunshine & Associates will develop a comprehensive real estate strategy – one that proposes specific real estate solutions that meet the organization’s objectives, requirements and constraints within the context of market “realities.” These recommendations will address the current situation, the underlying value of real estate assets and, if appropriate, potential transaction structures which allow the monetization of select assets.

6. Negotiations

With a short list of properties identified, S. Sunshine & Associates will begin negotiations with the various owners identified. For each building, we will develop a negotiating strategy that maximizes the probability of achieving stated objectives.

The diversity of investors, landlords, properties and market segments require that S. Sunshine & Associates tailor its negotiating strategy based on a clear understanding of such factors, as owner profile, building status and market situation.

S. Sunshine & Associates’ unmatched knowledge of the factors listed above allows the firm to develop a negotiating strategy that maximizes the organization’s leverage. In effect, the knowledge allows S. Sunshine & Associates to pinpoint where the bottom line is for a particular owner or developer.

7. Review and Approval

As negotiations continue, S. Sunshine & Associates will refine its financial models and narrow the alternatives for the organization’s direction. On the basis of negotiated terms and conditions at each alternative and the resulting financial consequences, the organiza-



tion will select its alternative and S. Sunshine & Associates will prepare a comprehensive Letter of Intent between both parties for review and execution.

PHASE THREE — PROJECT IMPLEMENTATION

S. Sunshine & Associates will develop an implementation strategy that maximizes the probability of achieving its financial, operations, and qualitative objectives. S. Sunshine & Associates will work to implement any marketing programs and finalize any pricing strategies. During negotiations, we will refine our financial models and narrow the alternatives at your direction. Ultimately, on the basis of negotiated terms and conditions at each alternative and the resulting financial consequences, the organization will select an alternative, and S. Sunshine & Associates will prepare comprehensive letters of intent between all associated parties for review and execution.

1. Transaction Documentation

It is common that a significant amount of negotiation and interpretation occurs. S. Sunshine & Associates will actively assist and participate with the organization's counsel in the negotiation of the final documentation, paying special attention to all business issues. S. Sunshine & Associates, along with other consultants, will review and comment on all transaction issues, including services, facilities standards, infrastructure, construction schedule, operating expenses, work provisions, delivery condition, delay provisions, sublet, assignment and options. S. Sunshine & Associates will document all comments for distribution. S. Sunshine & Associates's involvement in the transaction from inception makes the firm's participation during negotiations particularly valuable.

2. Project Coordination

A real estate assignment demands the expertise of specialists in numerous areas, including real estate market conditions, facilities planning, building technology, design and construction, engineering, law and finance. Throughout the course of the assignment, the coordination of all required disciplines will be critical to maintaining "the pace" of the transaction, assuring that no one element can bring the entire process to a halt.

S. Sunshine & Associates' will help bring in architects, and when necessary project management specialists, and can help coordinate the activities of all required third party ex-



perts from project inception to move-in, including budgeting, design and construction, solicitation of bids, selection of design and construction firms, and construction management. Services include:

- Strategic planning – development of program space requirements, conceptual budgets and schedules.
- Design and construction management – value engineering, progress monitoring and payment application review.
- Move management – vendor selection and coordination and continual progress monitoring.
- The firm’s coordination will assure project continuity and consistent adherence to the organization’s requirements up to the time of occupancy.