

David Lothspeich

From: Bob Duncan [BobDuncan@greencourtepartners.com]
Sent: Tuesday, May 25, 2010 4:15 PM
To: David Lothspeich
Cc: mdr@mariarodriguez.com; ed woodbury
Subject: Joint Marketing/Leasing Proposal

Dave,

I appreciated your call Friday and your thoughts regarding our joint marketing/leasing proposal. I wanted to take this opportunity in advance of your meeting tonight to address a few of your concerns and to, hopefully, better explain our thinking.

Both the Village and Green Courte's interests are closely aligned in bringing new retailers to Long Grove that will be a catalyst for reinvigorating the downtown retail district. The premise of our proposal is that we can accomplish more, and accomplish it more cost effectively, by working together rather than individually.

The premise of the Village's Archer Pad plan was to add new, destination retailers that draw new customers to Long Grove, benefitting the entire downtown district. With the substantial decline in downtown retail sales, the successful execution of the Archer Pad plan is needed sooner, rather than later, to stem further retailer failures and an overall decline of the district.

Our view is that the unsuccessful effort by RN Realty reflects a lack of commitment, inadequate incentives, and a flawed approach. The traditional leasing broker approach won't work in this situation because commission-only brokers will typically market only the pad sites (not the "holistic vision" for downtown Long Grove), will not invest in marketing beyond a sign and a website, and will end up spending their time on easier deals where they can make a quicker commission.

In our view, the marketing/leasing of the Archer pads is a very tough assignment that no one would be willing to take "on spec" in today's market or in the foreseeable future. The challenge is to: 1) create, market, and sell a "holistic vision" of what downtown Long Grove can be, and why new restaurants/retailers can be successful in downtown Long Grove, and 2) proactively identify and reach out to successful retailers that are a good fit for Long Grove.

We are proposing to team with McCaffery Interests to execute a joint marketing/leasing effort for both the Archer pads and for vacancies in our existing properties. With McCaffery, we have a real estate organization with a proven track record of "placemaking" and creating retail destinations attractive to retailers and shoppers. They are willing to invest significant effort and their reputation to make this assignment work, but require a consulting fee to "pay the bills" for their effort plus a significant marketing budget to reach retailers.

We (Green Courte) have also proposed an option to acquire the Archer pads at appraised value, if the leasing effort is successful. We would invest the capital required to build the buildings and McCaffery would manage the development. In order for the leasing effort to be successful, retail tenants need to know who the development team is and that they can deliver. We are not viewing this as a lucrative opportunity and are frankly very concerned about our downside risk. Given our existing investment in Long Grove, however, we are willing to invest in what we hope will be a catalyst to reinvigorate downtown.

At issue is who pays for this effort. We have proposed a sharing of costs based on relative space to be leased, which we thought was a fair approach. Our share is more than we are currently spending for leasing-related marketing and PR for our properties. We also think it is fair for the Village to bear its share of the proposed marketing/leasing cost, since this initiative will likely create value that will accrue

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to the Village by increasing the appraised value of the pads. In today's weak real estate market and with the likely thin margin on the Archer pad project, I doubt whether any developer would spec this cost. However, we are willing to fund this cost on behalf of the Village in the form of a loan that would be credited at the option/sale closing or else repaid by some outside date.

In summary, I believe we have a fair proposal that has at least a reasonable chance of success. We have the best and most committed team in-place. There is no immediate funding requirement from the Village. The retail district desperately needs the Archer pad retail to happen soon to help reverse its decline! With the economy beginning to recover, now is the time to get started!

We should figure out a way to start moving forward! Let's meet or plan a conference call with Ed Woodbury over the next few days to discuss feedback from the Village Board.

Regards,
Bob

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PRELIMINARY DRAFT FOR DISCUSSION PURPOSES – 5/10/10

**Long Grove
Joint Marketing and Leasing Agreement
Summary of Key Terms**

The Village of Long Grove (“Village”) and Green Courte Partners (“GC”) will conduct a joint marketing and leasing program to attract new retail tenants to the Archer Road pad sites and the Green Courte properties (Fountain Square and Mill Pond). Our goal is to attract new “destination” retailers to Long Grove in order to revitalize the downtown retail district. This goal can only be achieved through an aggressive marketing and retail leasing campaign that conveys an appealing vision of the retail potential for a revitalized downtown Long Grove. McCaffery Interests (“MI”) will manage and execute the marketing and leasing program.

The parties will enter into a Joint Marketing and Leasing Agreement having the following key terms:

1. GC will have exclusive marketing rights related to the Archer Lot pad sites for a period of 18 months.
2. GC will subcontract with MI to perform marketing and leasing activities with the goal of securing new retail tenants for the Archer Road pad sites and vacancies at the GC properties.
3. A marketing fund of \$220,000, exclusive of leasing fees and as detailed on Exhibit I, will be established for the marketing/leasing effort.
4. Funding responsibility will be allocated 71% to the Village (\$157,000) and 29% to GC (\$63,000), based on relative retail space to-be-leased (25,000sf for Archer pads and 10,000sf of GC vacancies). GC will fund both its share and the Village’s share of the marketing costs as incurred. Village will be obligated to reimburse GC for marketing costs that GC funds on behalf of the Village, plus interest. The reimbursement will be due upon the earlier of: a) the sale of any of the Archer Lot pad sites, or b) at the expiration of the Option Term. This obligation will be documented as a promissory note bearing interest at a 9.5% annual rate and secured by a mortgage on the Archer Road pad sites.
5. Village and GC will be responsible for leasing fees for their respective properties.
6. GC and MI will provide a monthly progress report to Village summarizing the status of marketing initiatives and leasing prospects.
7. GC will have an option to purchase each of the Archer Road pads on the following terms:
 - a. The option purchase price will be at appraised value, as determined by a qualified MAI appraiser.
 - i. The appraiser will determine the subject parcel’s net operating cash flow by considering actual lease transactions for the Archer pads or comparable retail space in the downtown retail district, deduct a 10% vacancy reserve to reflect normal vacancy/turnover, and deduct customary replacement and leasing rollover reserves in determining the parcel’s net operating cash flow.
 - ii. The appraiser will deduct estimated development costs, including hard cost, tenant improvement allowances (based on actual or comparable lease s), soft costs, and financing costs.
 - iii. The appraiser will utilize a capitalization rate of at least 9.5% and an unlevered IRR of at least 12.5%, reflecting the risk of development.
 - iv. If the appraised value is less than development cost, Village will provide additional subsidies necessary to reduce the total development costs to the appraised value in the form of: 1) waiver of permit fees and development period taxes, 2) TIF subsidies (to fund landscaping, outdoor improvements, façade upgrades, etc.), and 3) real estate tax and SSA abatement for up to 10 years.
 - b. The Option Term will be 3 years. Purchase options can be exercised individually for each parcel. The Option Term can be extended by 2 years if at least one parcel has closed within the initial term.

Exhibit 1
Long Grove Leasing/Marketing

LG marketing materials "Repackaging" for Real Estate Community includes presentation and collateral materials, printing, website/webblasts, social media

Plans, 3-D Model

	18 Month Budget
	25,000
	10,000
	36,000
	15,000
	15,000
	29,000
	90,000
	220,000

Advertising	cost/run	freq/yr	yrs
Heartland / SC Business	6,000	4	1.5
Retail Traffic	5,000	2	1.5
SC Today	5,000	2	1.5
Mailings/Other			
Consulting Fee	5,000	12	1.5
Total			

18 Month Total	Monthly
62,857	3,492
157,143	8,730
220,000	12,222

Allocation based on space to be leased:

	SF Vacant	% Total
GCP	10,000	28.6%
VOLG	25,000	71.4%
Total	35,000	100%