

MEMORANDUM

DATE: April 20, 2020

TO: CB Downtown Industrial, LLC

- Dean Realty Co,
- BMPI Downtown Industrial, LLC
- CB Downtown Industrial Investors, LLC

FROM: Bucky Brooks

RE: **CBDI Q1 2020 UPDATE**

Dear CBDI Partners,

I hope this email finds you safe and healthy.

Copaken Brooks continues to do our part to protect our people and tenants, and contain the COVID-19 virus. We're taking all of the appropriate and necessary precautions while fully operating and managing the portfolio during this challenging time.

Below is the Q1 2020 recap.

DISTRIBUTION

The Q1 distribution is **\$236,250**. Attached is a calculation for your share of the distribution. For those partners set up with wiring instructions, the Q1 distribution will be transferred this week. For those partners who prefer to receive checks, your check is being mailed to you accompanying a hard copy of this correspondence.

Q1 2020 financial results exceeded budget, with approximately \$510,000 available to distribute. However, as a precaution, because the Covid-19 crisis is likely to have a negative impact on 2020 cash flow, the Q1 distribution is reduced. We'll monitor the effects of this downturn each quarter and update the partners.

COVID-19 IMPACT

We're keeping a daily keen eye on tenant relief requests as well as delinquencies. We'll know much more by the end of April and into May and June.

To date, we're working with 13 tenants plus a number of small self storage customers who have requested some form of rent restructuring due to the Covid-19 restrictions to their businesses. This group represents 12% of tenants and 5% (roughly \$40K collectively per month) of gross revenue. The tenants' requests have generally been focused on near term rent abatement in exchange for either increased rent when cash flow picks back up again after 90 days, or adding 90 days to the end of the lease, to make up the difference.

It appears that our prepaid rents trend is unchanged as of mid-April. Delinquencies are trending higher, but this is due almost entirely to collection for 2019 net charge recoveries, which is a normal April occurrence.

RENT RELIEF POSITION

For now, CBDI's position is to understand each tenant's particular situation and agree to not take any formal action for past due rent in April. We're also prompting tenants to apply for the appropriate government small business economic relief programs, which are designed to assist with the payment of business expenses, including rent. Come May 1, and as we all gain more visibility toward reopening the economy, we'll revisit each tenant's status and work with them on a case-by-case basis.

LEASING & SALES

Leasing efforts are undeterred and at the present time we're conducting virtual tours for prospects in our available properties. Leasing renewals remain steady and Smart Storage and Parking continue a positive trend. Portfolio occupancy is at 84%.

We're finalizing a lease for Superior Moving to relocate their headquarters from 21st and Walnut in the Crossroads to 3177 Mercier in Downtown Business Park. Superior has two smaller space leases in Downtown Business Park and Downtown Underground. The new headquarters lease will fill our largest vacant space of 70,000 square feet. Superior Moving will sign a 7-year deal and they will pay for their own improvements, which includes new offices plus air conditioning the warehouse, for an estimated \$450,000. Once the lease is signed, we'll be excited to welcome this 100-year-old Kansas City company to the Downtown Business Park. The Superior deal is planned to commence in Q3.

OPERATIONS

Asset and property management, as well as project accounting and financial operations are also undeterred, although Copaken Brooks personnel are subject to a work-at-home policy during the stay-at-home KCMO mandate that was extended through May 15. Building maintenance and security are considered essential and we have them on an adjusted shift rotation. Tenant Improvement projects, notably MVP Law Firm, got completed right under the wire.

INCOME

Total Income of \$2,733,00 is higher than budget by \$194,702, a 7% increase. The additional income is a result of: (i) 2019 CAM/Tax/Insurance reconciliations; and (ii) realized rent slightly higher than projected.

EXPENSES

Total Expenses of \$1,265,000 is lower than budget by \$215,000, a 17% decrease. The decrease is a result of: (i) lower wages; and (ii) lower repairs and maintenance expenses than initially projected for Q1.

CAPITAL IMPROVEMENTS

In Q1, the below items were implemented to grow Smart Storage in the Underground and make it one of the most up to date and secure and economical self storage options in Kansas City:

- New front gate and added/updated security cameras throughout Downtown Underground
- New security keypads for all of the Smart Storage suites, replacing the old doorkeys
- 20 new units containing a total of 2,700 square feet of additional self storage space

In 2020, notable planned capital items include:

- New branding and park signage
- Rehabilitation and expansion of the 3101 elevator tower, which has been closed due to its needs for repair. We're looking into the possibilities to add a small expansion to the new construction to accommodate a street front leasing/sales office and stock room for Smart Storage, visible/accessible from 31st Street in the 3101 elevator parking lot
- Correcting the ceiling pan and drainage to prevent water from dripping in on the ingress/egress drive and Liberty Bend in Downtown Underground

All of the above are funded through the line of credit that was established to fund the expenses necessary to stabilize the portfolio, including capital improvements to the parks, tenant improvements and leasing commissions. Thus far, we have been light on needs to borrow funds from the line for budgeted capital needs.

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OPPORTUNITY ZONE (OZ) DEVELOPMENT LAND ACQUISITION

The Portfolio is under contract and pursuing the acquisition of the 50.43 acres of vacant development land. An updated status of the acquisition has been circulated to the partners in a separate communication. We are excited to fold the OZ land back into the Portfolio. The land investment is projected to be accretive to the overall Portfolio LP investment returns. Additionally, proper development of this land will certainly bolster property valuation and vitality of the overall Portfolio.

Please call me with any questions. Thank you for investing with us.

CB Downtown Industrial, LLC Distribution Calculations

Tier 1 - Distribution of Operating Proceeds Paid up to 8%			
LP Investment of 95%	Equity Contribution	LP Equity Percentage	1st QTR 2020
Dean Realty Co.	15,000,000	79.37%	178,125.00
BMPI Downtown Industrial, LLC	2,000,000	10.58%	23,750.00
CB Downtown Industrial Investors,	1,900,000	10.05%	22,562.50
	18,900,000	100.00%	224,437.50
GP Investment of 5%			
Copaken Brooks Realty Capital, LLC	0.00	5.00%	11,812.50
			11,812.50
Total Distributed			236,250.00

CB Downtown Industrial Investors, LLC Distribution Calculation

Members	Equity Contribution	Equity Percentage	1st QTR 2020
CP KC Downtown Industrii	500,000	26.32%	5,937.50
Robert A. Brooks, Jr. Trust	355,000	18.68%	4,215.63
Robert A. Brooks III	315,000	16.58%	3,740.63
James Copaken Trust	210,000	11.05%	2,493.75
Jon Copaken Trust	210,000	11.05%	2,493.75
Keith Copaken Trust	210,000	11.05%	2,493.75
John Coe Family	50,000	2.63%	593.75
LVE Downtown LLC	50,000	2.63%	593.75
	1,900,000	100.00%	22,562.50
Total Distributed			22,562.50