

MEMORANDUM

DATE: October 15, 2020

TO: CB Downtown Industrial, LLC

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

FROM: Bucky Brooks

RE: **CBDI Q3 2020 UPDATE**

Greetings 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 Q3 2020 recap.

DISTRIBUTION

The Q3 distribution is **\$378,000**. Attached is a calculation for your share of the distribution. For those partners set up with wiring instructions, the Q3 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.

Q3 2020 financial results exceeded budget, with approximately \$628,000 available to distribute. That's after reserving almost \$230,000 to cover short-term insurance costs. However, as a precaution, because the Covid-19 crisis looms as a potential drag on 2020 and 2021 cash flow, we're holding back \$250,000. We'll monitor the effects of this downturn each quarter and update the partners.

The Q1 and Q2 distributions combined for an 8% annualized simple return to the partners to date. The Q3 distribution maintains that rate of return. With funds held back, we expect to meet or exceed the 8% target for the year.

COVID-19 IMPACT

We're keeping a daily keen eye on tenant relief requests as well as delinquencies. We'll continue monitoring this very closely and work with our tenants who need some attention during this unusual time.

LEASING & SALES

Leasing efforts are undeterred and at the present time we're conducting virtual tours and some in person tours for prospects in our available properties. Leasing renewals remain steady. Smart Storage and Parking are seasonally down after the summer. Overall Portfolio occupancy improved again slightly in Q3 to 87.8%.

OPERATIONS

Asset and property management, as well as project accounting and financial operations are also undeterred, although Copaken Brooks personnel are subject to reduced office capacity, part-time, work-from-home scheduling due to Covid-19 restrictions. Building maintenance and security are considered essential and we have them on an adjusted shift rotation. Tenant Improvement projects are moving ahead. We've transitioned project accounting from Jason Nooteboom, who left CB in July, to Julie O'Neil. We're pleased to have Julie on board with CBDI. She's been at CB for 24 years and possesses all the tools, skills and experience to do a great job for us.

INCOME

Total Income of \$7,854,206 is higher than budget by \$23,309. The additional income is a result of: (i) 2019 CAM/Tax/Insurance reconciliations; and (ii) Early Termination Fee from PFS Transportation.

EXPENSES

Total Expenses of \$3,030,205 is lower than budget by \$133,625, a 4.2% decrease. The decrease is a result of: (i) lower real estate taxes due to appeals; and (ii) lower repairs and maintenance expenses than initially projected.

EBITDA

Earnings Before Interest Taxes Depreciation Amortization of \$3,936,026 is higher than budget by \$228,353, a 6.2% increase over budget.

CASH FLOW FROM OPERATIONS

Cash Flow from Operations is **\$1,309,167**.

TOTAL CASH IN BANK AT 09/30/2020:	\$3,102,478
Reserves – Restricted Cash	\$2,073,298
<u>Reserves have been funded for:</u>	
• Real Estate Taxes - \$1,002,974	
• Security Deposits - \$503,124	
• Reserves for Replacement - \$267,200	
• Construction Escrow - \$300,000	
Unrestricted Cash at 09/30/2020:	\$1,029,180

CAPITAL IMPROVEMENTS

Notable capital projects underway include:

- Replacement of the 3101 elevator tower, which has been closed due to its needs for repair. We'll expand the new elevator lobby 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
- Tearing out the failed retaining wall and regrading along Mercier Street just south of 31st Street
- Demolition of Imperial Brewery.

All of the above, except for Imperial Brewery demolition, 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've been light on needs to borrow funds from the line for budgeted capital needs.

We're prepared to move forward to demolish Imperial Brewery, pending an application for Brownfield Grant funds that might be suitable for this project, as well as the Greystone Mine remediation. We expect to hear back from the State of Missouri regarding the Brownfield Grant application by the end of the year. The Imperial Brewery demolition will be funded by the land loan for the OZ development land acquisition, if not by Brownfield Grant funds.

Memo to Partnership
October 15, 2020
Page 4 of 4

In addition, we've been working to rebrand the business parks and provide design and messaging for new marketing initiatives. In addition to upgrading the parks' images and refining/boosting each park's appeal, we'll be implementing improvements to the park entrances and common areas. New park and wayfinding signage will be installed over the next few months.

I've attached preliminary design concepts.

OPPORTUNITY ZONE (OZ) DEVELOPMENT LAND ACQUISITION

Burns & McDonnell, along with CB, is preparing development and marketing plans, and videos for the OZ development sites. We expect to have the plans ready to go in Q4.

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

