

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON

- B. Business 522: Real Estate Finance (Also Known as Business 551, as of Semester II, 1974-75)
 - 3. Case Study Example: James A. Graaskamp, "Financing Arrangements for the Seminole Shopping Center", Spring 1963

UNIVERSITY OF WISCONSIN
School of Commerce

FINANCING ARRANGEMENTS FOR THE SEMINOLE
SHOPPING CENTER

This case was prepared by James A. Graaskamp for the University of Wisconsin at Madison as a basis for class discussion. The right of reproduction is withheld.

Spring, 1963

THE GOOD LIFE INSURANCE COMPANY
Inter-Office Correspondence

To: Mr. Jack Webb, Manager
Commercial Mortgages and Real Estate

Date: June 13, 1960

From: Irish Ford, Manager
Florida Regional Office

Regarding: Seminole Shopping Center
Midland Florida

Our correspondent in Midland, Bill Dew, has brought to us the Seminole Shopping Center which is presently being planned in that area. I think it is one of the best shopping centers we have been offered to date in our territory and comes the nearest to filling your prerequisites in regard to this type of investment.

The center will contain 428,293 square feet, of which 361,781, or approximately 82% is leased to national or strong regional credits.

The two leading department stores in Midland will occupy space in the center, Blair's and Good Goods Company. Neither one of these stores has a suburban branch at this time. It is estimated that Blair's does about \$10,000,000 annual sales volume, and Good Goods about \$13,000,000 so they are the largest merchants in the city.

The Seminole family has owned the tract of land for a long period of years. The family is presently composed of three sisters who own the controlling stock in the Second State Bank of Midland. The land, which comprises some 72 acres, is worth about \$1.00 a square foot. It is completely surrounded by the city of Midland and has residential areas on all sides. It is located at the intersection of three arterials, one of which is a limited access highway with an egress and ingress road by this property. Recent sales immediately surrounding this tract indicate land value of around \$1.25 a square foot.

The Seminole sisters are organizing a real estate holding corporation to own this property and will not be personally on the note. They and the president of the bank, Mr. August, will own 144,000 shares of the stock. The contractors, Ponder and Stew, will own 14,000 shares of the stock, as their profit. Ponder and Stew, incidently, are the largest commercial contractors in Florida. Both of them are millionaires and definitely know their business. In addition, we have asked about a participating equity in the center, and the Seminoles have indicated they will be willing to give a portion of their share of the stock to the mortgagee.

The construction cost of this center, including lighting and paving, will be \$5,000,000. The rather elaborate department store layouts have run up the cost. The borrowers presently have about \$70,000 invested in the deal in the form of land leveling and grading at this time and will ultimately have about \$200,000 cash plus the land in the deal before our loan.

They of course, wish to borrow the full \$5,000,000 for the cost of the construction of the center. Bill Dew is closely affiliated with Second State Bank, which is the reason they are placing the shopping center in his hands. He represents exclusively a number of the largest insurance companies and has the best commercial and residential loan reputation in the area. Several other large companies have solicited the loan directly from the bank and have been referred to Bill Dew.

I think it is a good deal. We have minimum guarantees which will support the loan, and I am sure construction and location are well above average. It will be the only regional shopping center and will completely dominate the residential side of the city. In fact it might very well bust some of the community centers in its trade area.

We have told these people that we were interested, but have not quoted any interest rates or loan amounts. Rather I am writing you this general inquiry to see if you are interested. We have broken our backs on so many shopping centers that I hesitate to get out on a limb on this one in spite of the fact that I think it is choice and we are dealing with excellent people. Bill Dew has talked to the Peoples Mutual about the loan and has told them that he is offering it to Good Life and giving us first choice as he feels that it conforms more to our shopping center lending program than it does to Peoples Mutual's. I would appreciate your reviewing this situation and giving me the authority to pursue the loan.

Very truly yours,

Irish Ford

To: Mr. Irish Ford, Manager
Florida Regional Office

Date: June 20, 1960

From: Mr. Jack Webb, Manager
Commercial Real Estate

Re: Seminole Shopping Center
Midland, Florida

After reviewing the captioned inquiry in this office, I am afraid that we can offer little encouragement for the deal. Despite an excellent location and a fine list of tenants, the deal just does not fit into our lending pattern. The Finance Committee continues to look for shopping centers that are sponsored by strong local department stores or exceptionally strong individuals or corporations that will lend their liability to the loan. In those cases where the leading tenant is not the major stockholder, our loans are usually limited to two-thirds of a reasonable valuation. While the land in this case is quite valuable, it appears to us that it will be extremely difficult to support the owners' valuation with the net income from the project.

We notice that the developers have not estimated their expenses; however, our experience would indicate that we should allow 60¢ to 70¢ per square foot of rentable area for expenses, exclusive of utility and common area expenses that are passed on to the tenant. In most cases the center will produce 3¢ to 10¢ per square foot of rentable area in net utility and common area income. Taxes,

which are included in the 60¢ to 70¢ mentioned above, are the largest factor in increasing expenses. In Sterling Court, we projected taxes of 28¢ per square foot and they are now 53¢ per square foot. Our experience in Old Forest and West Center has been similar. As a result of the increased expenses, most of our centers are showing a return of about 6% on cost. Fortunately, they were financed during a period of lower interest rates, so we are not faced with any problems but the centers are no bonanza either.

In view of our experience in other centers, it would be difficult to project a net income in excess of \$450,000 from this deal. As a result, we feel that the property could not be valued at much more than \$6,000,000 for mortgage loan purposes.

It would appear to me that we could not touch this deal unless the borrowers were willing to put \$1,000,000 into the construction or to sign the note personally. They might own some other property that could be pledged to further secure the deal. In either event, I think we would want something in excess of 6%.

Perhaps the Seminoles will not be successful in securing the financing they desire. In which case, we would be interested in looking at the deal again, on the basis of a reduced loan or personal liability or both.

I am sorry that we cannot be more encouraging.

Sincerely,

Mr. Jack Webb

(A sharp reply to this chilling response of the loan department pointed out that a 6% return on cost was very good considering the relatively high cost of centers which Good Life had mortgaged. Moreover it was pointed out that the regional office was in no position to judge expenses because the home office never shared its cumulative experience. This note brought the following reply.)

To: Mr. Irish Ford, Manager
Florida Regional Office

Date: July 12, 1960

Re: Shopping Centers in General

We certainly must agree with you that a number of our centers are "over-built" in comparison with the net return. However, in most cases the return would be pretty good if the taxes had not increased substantially above our estimates at the time the laons were voted. The one expensive center in the country that is doing well is in Akron. The total cost was about \$32,000,000 and the 1959 net income before depreciation and debt service was \$2,815,000.

You are correct, expenses of 60¢ to 70¢ per square foot does refer to expenses before debt service. While I am attempting to secure more information before putting anything out on shopping center expenses, I think you will find the following table of interest. It is based on 1959 operations.

	Rental Inc. per sq. ft.	Net utility inc. per sq. ft.	Total exp. (excludes util. and common area) per sq. ft.	Net income* per sq. ft.
Sterling Court	\$1.63	.12	.66 ⁽¹⁾	1.25
West	2.60	(2)	.69	1.91
Gilman	3.45	(2)	.66	2.79
Old Forest	2.71	.21	.84	2.08
Sunnyvale	1.69	.03	.68	1.04

*before depreciation and debt service

(1) Includes 16¢ per sq. ft. which is equal to the taxes paid by the department store land lessor

(2) Net utility income is applied to reduce total expense and not reported separately.

The above figures are based on net rentable area.

To illustrate the trend of real estate taxes, the following table is enclosed.

	<u>Real Estate taxes per sq. ft. rentable area</u>				
	1956	1957	1958	1959	est. 1960
Sterling Court (opened Aug. 1956)		.32	.47	.53	
West (opened July, 1957)		.35	.52		
Old Forest (opened Oct. 1956)		.14	.26	.35	.47
Sunnyvale (opened Sept. 1951)	.35	.38	.43	.49	
Woodale (opened Aug. 1958)			.13	.24	
Hawkshaw (opened Sept. 1951)		.50	.52	.55	

I might say that our original estimates of taxes were in the neighborhood of 28¢ to 30¢ per sq. ft. In some cases these estimates are exceeded by the end of the first full operating year, despite the fact that the taxes reported are after the previous year's taxes payable in the current year.

I hope that the information presented here is helpful. If we can be of any further assistance, please feel free to call on me.

Sincerely,

Jack Webb

Table #1

Operating Statistics in Shopping Centers

<u>Center</u>	Income	Expenses	Taxes ⁽¹⁾	Net Income
	Per Sq. Ft. (rank)	Per Sq. Ft.	Per Sq. Ft.	Per Sq. Ft.
Sterling Court	\$1.75 (7)	.66 ⁽²⁾ (3)	.53 ⁽²⁾ (1)	1.25 (5)
West	2.60 (3)	.69 (2)		1.91 (3)
Woodale	2.08 (4)	.48 (8)	.26 (6)	1.60 (4)
Gilman	3.45 (1)	.66 (4)		2.79 (1)
Old Forest	2.71 (2)	.63 (6)	.47 (3)	2.08 (2)
Sunnydale	1.69 (8)	.65 (5)	.43 (4)	1.04 (7)
Madison (est.)	1.77 (6)	.75 (1)	.51 (2)	1.02 (8)
Seminole (est.)	1.80 (5)	.60 (7)	.40 (5)	1.20 (6)

(1) Included in expenses.

(2) Includes taxes paid by department store land lessor.

The expenses are net after payment of operating expenses from tenants.

The Seminole Center will default at \$1.54 per sq. ft., which is approximately 90% of occupancy.

Comparative Loan Data - Shopping Centers

<u>Center</u>	Loan Per Sq. Ft.	Total Cost	<u>Rentable Area</u>
	<u>Rentable Area</u> (rank)	Per Sq. Ft. <u>Rentable Area</u>	
Sterling Court	\$16.20 (5)	20.30 (5)	795,217 sq. ft. (2)
West	21.99 (1)	33.88 (1)	1,044,210 (1)
Woodale	20.37 (4)	23.94 (2)	515,579 (4)
Old Forest	20.84 (2)	20.88 (3)	654,570 (3)
Sunnydale	13.35 (7)	17.74 (6)	489,008 (5)
Marshall	20.75 (3)	20.75 (4)	473,240 (6)
Belaire	13.18 (8)	17.58 (7)	368,976 (9)
Madison	13.48 (6)	16.09 (8)	389,468 (8)
Seminole	11.30 (9)	12.88 (9)	442,600 (7)

(On September 13 Mr. Irish Ford wrote a long letter to Mr. Webb analyzing the general growth characteristics of Midland, location of the Seminole Center, design and construction of the center building, quality of its tenants, the nature of potential competition, and the quality of its developers.

The city of Midland had enjoyed almost explosive growth to a population of 272,000 by the 1960 census. However its immediate trading territory contained another one-half million. More than 25,000 military personnel were on bases which formed part of the boundaries of the community. These bases and certain geographic limitations channeled almost all future growth potential to the area surrounding the shopping center. Moreover the growth potential was there because of an expanding industrial base in chemicals, electronics, clothes, and military contract industries. The economic prognosis for Midland was, in short, excellent.

The Good Life Insurance Company was furnished a map of Midland indicating all the shopping centers in the city except a few small service centers and free-standing supermarkets. It was estimated that Midland had 2.3 million square feet of retail area including all downtown stores which accounted for 45% of the total. About 1.4 million square feet could be found outside the downtown area of which 200,000 represented poorly located, cheap retail outlets.

The proposed Seminole Center of 437,000 gross square foot area would account for 19% of the total retail area. In the four mile trade area of the Seminole Center are located five shopping centers which would comprise about 450,000 square feet gross area, or roughly another 20%. Of these five competitors three were given close scrutiny. Osceola Center, a 150,000 square foot strip development a mile from the proposed Seminole Center, had enjoyed good profitability as the oldest suburban center. In 1958 the owner put a bank on its arterial frontage and used up a lot of parking area which was about three to one at that time and choked up the view of the center. It is now rather congested and has inadequate parking.

Further away from the Seminole Center and the best from a sales and profit standpoint is the Sunset Center. It was originally mortgaged by Peoples Mutual at 100% of construction cost at five and one-half percent interest with no side deals. A tenant roster and other data for 1959 of the Sunset Center appears in Table #2. It is cheaply built, crowded for parking, and unable to expand its store area. It is now threatened by a bigger, more attractive neighborhood center of about 200,000 square feet under construction and half-leased.

The Seminole Center by its size and tenant roster completely overshadows all these other suburban shopping facilities. It would be the only really integrated center with full line stores in Midland. It is located on thru streets connecting with all major population centers and since traffic flow in Midland is not yet congested it would only take about twenty minutes to drive across town to the center. Tenants are enthusiastic over the location.

The letter provided further information on the site which the bank originally acquired by foreclosure years before. About 70 acres of the original 90 acre parcel remain, of which 12 acres is committed to the Delaware Motel. This acreage sold for \$.75 per square foot but other tract sales in the area have since sold from \$1.14 to \$1.25 per square foot. For mortgage purposes Irish Ford gave a physical valuation of \$.75 per square foot for 2,221,560 square feet, or . . . \$1,670,000.

Table #2

Sunset Shopping Center
El Paso, Texas
(Opened 1957)

Original 92,000 sq. ft. rent. area
Enlarged to 142,000 sq. ft. in 1960

<u>Tenant</u>	<u>Sq. Footage</u>	<u>1959 Sales</u>	<u>1959 Sales Per Sq. Ft.</u>	<u>Remarks</u>
Liquor Store	1,000 sq. ft.	\$227,549	\$228.00	
Local Drug Store	5,000 sq. ft.	683,640	137.00	
Barber	808 sq. ft.	59,608	74.00	
Beauty	1,255 sq. ft.	89,101	71.00	
Jewelry	1,087 sq. ft.	56,214	52.00	
West Auto	6,850 sq. ft.	321,994	47.00	
Woolworth	13,225 sq. ft.	568,855	43.00	
Kiddie Mart	1,900 sq. ft.	98,057	52.00	
Stone Shoe	3,000 sq. ft.	150,189	50.00	
Dress Well	1,300 sq. ft.	76,494	59.00	
Given Bros.	8,250 sq. ft.	367,333	45.00	
Stevens, C.R.	10,570 sq. ft.	541,595	51.00	
Quality Fabric Singer	3,765 sq. ft.	109,509	29.00	Figures Unknown
Mass Apparel	Small Store	81,266	?	
Lindstrom Lmbr.	4,500 sq. ft.	104,181	23.00	Only Tenant not pay-
Food Mart	15,100 sq. ft.	2,700,281	179.00	ing Percentage Rents
Cleaner	3,125 sq. ft.	112,350	36.00	

Selected Income Figures

	1958	1959
Gross Rentals	146,409	178,742
Operating Income	37,000	27,000
Expenses Include:		
Depreciation	36,100	34,500
Officers' Salaries	10,800	20,800
?	33,000	31,000
Real Estate Taxes	15,000	17,000

(Seminole Center buildings will be built on a reinforced concrete slab with steel structure, steel joist decks with concrete roof, and with concrete block and brick veneer curtain wall sides. They will be fully air-conditioned. Each of the major units will have its own separate air-conditioning system. The smaller stores at this time are planned on a central system. The center will have an open mall through the middle and the stores will have fronts on both the interior mall and the exterior parking area side.

There will be 425,000 square feet of lease space and about 437,000 square feet of total gross area. On the basis of preliminary drawings the architect estimates completed cost of buildings including parking and lighting to be \$5.3 million. The builders are optimistic and on the basis of their experience see completion on a turn-key basis for less than \$5 million. It is their opinion the smaller stores can be constructed for \$8.00 to \$8.50 per square foot, and the department stores for \$12.00 to \$12.50. The Safe-way market would run almost as high as the department stores as their specifications are more stringent than the normal super market. On this basis the contractors assume the entire center can be completed for something less than \$11.80 a square foot, perhaps even \$11.00. \$11.40 on 437,000 square feet of gross area would mean a construction cost of \$5 million.

The report then estimated the capitalized income value of the center according to two estimates of income and expense, which follow:

Table #3

INCOME AND EXPENSE

	<u>Borrowers</u> <u>Estimate</u>	<u>Goodlife</u> <u>Estimate</u>
Income:		
Guaranteed Minimum	\$710,326	\$710,000
Percentage Rents	(1)	- 0 -
Common Area Charge	<u>42,500</u>	<u>42,500</u>
	\$752,826	\$752,500
Expenses:		
Taxes	\$120,000 (2)	\$139,000 (2)
Insurance	20,000	20,000
Area Maintenance	42,500	42,500
Real Estate Com. (Management)	17,200	17,200
Advertising	12,000	12,000
Franchise Tax	13,400	13,400
Miscellaneous	<u>2,000</u>	<u>60,000 (3)</u>
	\$227,100	\$304,100
Net Income Before Depreciation and Income Tax	\$525,726	\$448,400
Annual Debt Service		\$409,174.56

1. Borrowers are not calculating any percentage rents in initial years.
2. First year's taxes as computed by assessor are \$113,000. Midland is well fixed municipal debt wise and should not encounter any spectacular increase in advalorem taxes. The downtown area still maintains its value due largely to conventional trade and tourist business. This is particularly true of the

retail section. Therefore, we do not foresee any great pressure being applied by downtown owners on the assessor to increase outlying property taxes. Assessments are relatively fair at this time and uniformly applied. Midland has one of the higher tax schedules of any city in the Southwest. Our estimate is \$.31½ per square foot of 437,000 square feet or \$.32 ¾ of leased area of 425,000 square feet.

3. \$58,000 of this amount we consider as loss of income from vacancies and changes in the smaller tenants occupying some 51,275 square feet of the total area, or 12%, and accounting for \$118,900 in income, or 16% of the total.

Irish Ford then summarized his estimate of value for the Seminole Center by indicating alternative values as follows:

Land value and building cost equals \$6,670,000.

Borrowers income estimate capitalized at 8% equals \$6,550,000.

Goodlife estimate of income capitalized at 8% equals \$5,630,000.

Mr. Ford recommended that the capitalization rate should be 7½% as this would produce a value of about \$6 million for the center. A loan of \$4,665,000 would then represent 78% of value.

The report analyzed at some length the wealth and business background of the stock holders in the borrower, Seminole Center Inc., a corporation expressly formed to own the site and develop the center. A list of stockholders and their relative interest appears in Table #3 along with the basic financial structure of the corporation. In addition to the bank and the Seminole sisters, the minority stockholders included a gravel company, the contractors, an unexplained out-of-state interest, and two individuals who received stock for the re-purchase of land which was sold to them by the Seminoles and then re-purchased so that the land area would be contiguous. No one involved in the ownership of the stock need rely on the shopping center for his support, and to the surprise of Goodlife, indicated that no dividends were to be paid until the loan was completely liquidated.

However, none of the stockholders were willing to co-sign personally any mortgage obligation of the corporation. The bank cannot sign because of bank examiner policy, and in fact, is only permitted to own an interest in the property because it does not carry it as an asset and because it has disposed of parts of the property periodically.

As to the leases, all of the tenants are either well established local operations or national in character. In reviewing the tenant situation in common, however, one flaw developed with a major tenant, Blairs, the department store. There never had been need or opportunity to screen their credit, and it was assumed from their strong reputation and popularity in the area that it was the normal, successful local downtown department store. Sales volume has not coincided with this reputation. Annual sales from 1950-1960 range between \$5 and \$6 million dollars, indicating no loss in sales but no appreciable gain during a time when Midland has had a rather large gain in population. The net profit picture is very interesting as it has remained rather consistent in spite of the fact that there have been variances in sales volume, indicating rather tight control of operating costs and overhead. Blair has an IBM billing procedure which would be used in the new store as well with great benefit. Their downtown store contains 130,000 square feet, is very cut-up, and lacks parking facilities. The new store will contain 101,376 square feet, which means it will have to do \$5,000,000 in annual sales to justify the rental. The Blair operation will have to double its sales total for two stores, a rather hard thing to achieve. It would probably take them 3 to 5 years to reach this anticipated sales volume, and a portion of this volume would

be drained away from the existing store. This drain might not be as much as in other cities, as Blair has yet to tap the great expansion in the Midland suburbs. The insurance company discussed the problem with the bank, which was convinced that Blair could do the job. As a backstop the bank furnishes Blair most of its credit, and is therefore in a position to look into the operation on a more than casual basis. If Blair is not succeeding the bank could reinforce it with additional loans or jump into the situation and place it under different management.

As additional security for Blair is the fact that national department store chains have tried to buy into Midland without success, so the bank feels there would be a market for the Blair operation if the need ever arose. A further factor in the Blair operation is the fact that Amsurits Mutual loaned them 450,000 dollars about 8 years ago to buy out the interest of two vice-presidents who apparently were brought in from the outside to administer the business and then were not successful. It cost Blair close to \$1 million in 1952-1954 to eliminate these interests from the business. Nevertheless, Amsurits Mutual increased its commitment to \$750,000 to supply funds needed for fixtures and inventory in the new store.

The Good-Goods operation can be criticized for too strong a cash position, but following the recent death of one of the founders who was most conservative, the firm has exhibited considerable talent at aggressive merchandising.

The stockholders of Seminole Center Incorporated voted to give Goodlife Insurance Company 25% stock in the corporation if Goodlife would finance the center to a maximum of \$5 million. Should the loan be for something less and the total cost of the project \$5 million, the borrower corporation would put in \$295,000 in cash plus \$50,000 to assure promotion capital when the loan was closed. In that situation Goodlife would get 10% of the stock and a loan of \$4,665,000. A finders fee of \$17,000 was recommended for Bill Dew.

At this point in the development Goodlife was prepared to make such a loan when it was learned that construction cost estimates were low, and that a larger loan would be necessary. A letter providing the details of this news follows.

To: Mr. Jack Webb, Manager
Commercial Mortgages and Real Estate

Date: January 3, 1961

From: Irish Ford,
Manager
Florida Regional
Office

I just met with the principals in the Seminole Center loan including contractors, architect, and leasing agents.

The contractors, Ponder and Stew, who are also partners in the deal, have now completed their cost analysis figures and have taken bids on two large department stores and one other block of stores in the center. There were from five to nine bidders for all this work, so it was competitive and with a good deal of interest on the part of the sub-contractors. They have found that the cost of the project will exceed \$5,000,000 to complete. They state that the main reason for the increase in costs is the type of construction and the quality of construction of the center. They could junk the existing plans and start over again with a set of minimum plans and complete the center for \$5,000,000 or a little under, but it would be a light construction job, and the bank as the major partner as well as the Seminole clan do not feel they want to develop that type of center, and therefore have insisted upon adherence to the architect's plans and specifications.

Further, the bank, in its capacity as a bank advancing construction money and not a partner, has insisted that the contractors, Ponder and Stew, give them a firm guaranteed total cost on the project. On the basis of Ponder and Stew's bids and analysis of the deal and the guaranteed costs they must provide, they have arrived at a figure of \$5,700,000. This represents an increase of some 13% of their original estimates and a cost of \$12.84 per square foot.

I attach a spread sheet (Table #4) showing the breakdown of each of the stores in the center. In the lower right-hand corner are the corrected totals. The size of the center is being increased from 425,000 to 442,878 square feet, of which 413,900 square feet is ground floor area and 29,500 square feet basement area.

In the total cost of \$5,700,000 are included the architect's fees of \$240,000 which will be paid in cash. This is a reduction of around \$80,000 over his first fee. There is also a financing charge which includes interim financing costs and stand-by fees of \$140,000 which, upon checking it out, looks to be just about right. There is no contractor's profit in this figure, either the \$40,000 or the \$100,000 mentioned earlier in our conversations. There is, however, their actual overhead costs of supervision and out of pocket expense.

Because the contractors had to give the bank a guaranteed price, they have allowed 4% for contingencies in their price of \$5,700,000. They feel that they should be able to complete the project for less than \$5,700,000; however, there is only \$20,000 allowed in their figure for landscaping, and any savings on the total contract would probably have to be put back into landscaping. It is my opinion as well as Mr. August, President of the Bank, that the project including landscaping will probably end up costing right at \$5,600,000.

You will note in the spread sheet in the lower right hand corner there are some deductions, one entitled Class "A" Not Affecting Leases of some \$84,000. These are changes in the structure and design and substitution of materials which will affect cost savings, but which do not have to be approved by any of the tenants, and Class "B" are cost savings which are effected by substitution of materials and which have to be approved by the tenants, such items as asphalt tile for vinyl tile, limitation on terrazzo, marble siding for ceramic, etc. They feel that probably 60% of this \$93,800 will be approved by the tenants, possibly all of it. If all of it is not approved, it will have to come out of the 4% contingency allowance.

To sum up, therefore, relative to the construction, the first guaranteed cost is \$5,700,000. There should be no further cost increases of any kind whatsoever. If there are, they will have to be borne by the contractors, who are financially able to do so. Because it is a firm guarantee, undoubtedly the figure is on the high side, but it is enough to guarantee a quality building both in construction and design.

The bank feels that due to the rather sizable increase in the cost, they will have to have an increase in the loan. They wish to increase the loan to \$5,000,000 based upon a \$5,700,000 cost. Any reduction in the final completed cost will be deducted from the amount of the loan. In other words, there will have to be \$700,000 of equity in the deal, not including the land.

They wish to be allowed to increase their junior debt from \$350,000 to \$550,000, the remaining amount of cash they have already advanced into the deal. They will pay 6 1/8 for the additional \$500,000, all other terms and conditions to remain the same.

Original Physical Value - September 14, 1969

Land:

52 acres at \$.75 per square foot \$1,670,000

Buildings:

425,000 square feet at \$11.80 per square foot \$5,000,000

Total \$6,670,000

Physical Value as of January 4, 1961

Land:

\$.75 per square foot \$1,670,000

Buildings:

442,878 square feet at \$12.84 \$5,686,000

Total \$7,356,000

Economic Valuation as of January 4, 1961

Income - Guaranteed Minimum Leases \$749,000

Common Area Service Charge \$ 40,000

Total Income \$789,000

Expenses - \$.60 per square foot \$265,000

Net Income \$524,000

Net Income Capitalized at 7½% \$7,000,000

Using our original value arbitration of \$6 million and adding to the increase in costs of \$7,000,000 gives a total value of \$6.7 million. A loan of \$5 million would have a ratio of 74.5% of value and create an annual debt service requirement of \$386,017.32 on a 22.5 year loan.

Relative to the economic valuations, we have used a figure of \$.60 per square foot as a cost factor. The bank has used this figure also in their analysis and feel it has a very high safety margin. The actual expenses are estimated on a very firm analysis between \$.40 to \$.45 per square foot. The main reason for the large discrepancy is our estimate of taxes over theirs. The original tax estimate is in your file with Goodlife. Midland has an extremely stable situation in this regard, and I think that there is an excellent margin in our economic analysis. For your information, I enclose a cash throw-off sheet prepared by the bank on the basis of the original \$4,500,000 loan which shows the cash balances that accumulate through use of depreciation. These figures indicate that there is a good deal of cash potential in the project and that an increased loan could easily be handled.

You will also note that the guaranteed minimums have been increased from \$711,000 to \$749,000. This increase will be effected mainly by the increases in rents from the smaller shops and also by the elimination of some 9,000 square feet of basement space which was renting for \$1.00 and which cost \$8.00 a square foot to build. The contractors feel that \$8.00 a square foot for basement space is unusually high, but due to the design, the plumbing, finishing and electrical requirements set down by the architect, that is what their competitive bids show the costs to be. Therefore, the borrowers have eliminated all the basement space that was not leased to tenants and added it back on first floor retail area, which in effect, increased the rate per square foot from \$2.22 as originally estimated to around \$2.50.

In regard to the leasing program, they have now in signed leases and in leases under negotiation on which they feel there is no doubt but signatures imminent some 394,000 square feet of space. The requirement in our commitment is 395,000. They anticipate that, in fact, they will have to have before the bank starts advancing construction money, the leasing satisfactorily completed to conform to our commitment, and they feel that this will be accomplished in thirty to sixty days.

There is presently \$187,000 in cash invested in the project. Before any construction money is advanced the remaining portion of equity totaling \$700,000 will be put into the project. The Second State Bank in Midland will then extend their limit of \$900,000 as construction money. The Big City Bank has been contacted and have indicated that they would be interested in handling the interim construction money in conjunction with the Second State Bank. A formal application has not been made, however, due to the increase in the construction cost, and the bank has held up the start of the actual construction of foundations until the increase in the loan has been satisfactorily negotiated. They have asked if we would be interested in advancing construction money on the basis of taking up the bank's construction loans on a two or three month interval. If any guarantees are required for this, I am sure they will consent to them. The possibility of another increase in costs I believe is firmly eliminated.

Therefore, I recommend that our commitment issued October 25, 1960 be amended as follows:

The loan increased to \$5,000,000 for 22 years and 6 months at 6.0125% with the provision that the center is to cost not less than \$5,700,000 and if the cost is less than that figure the loan to be reduced by the exact amount of cost reduction; the borrowing company to be allowed to create junior debt not to exceed \$550,000, said junior debt to carry interest rate of not more than 4% non-cumulative and non-compounded with interest to be paid only if earned; the Company to advance construction money on the basis of an advance of not more than once every two months, said advances to take up the Second State Bank's interim construction loan and the advances to be based upon architect's certificates and assignment of the bank's liens, etc.; the Company to charge a stand-by fee of one-tenth of one percent on the unadvanced balance of the loan beginning February 1, 1961 and the note interest on the advanced portion of the loan from the day the funds are advanced with interest payable quarterly during the construction period; all other terms of the commitment of October 25, 1960 to remain unchanged.

Very truly yours,

Irish Ford

(A loan commitment was secured from Goodlife Insurance for \$5 million, provided the stockholders had invested \$700,000 plus land in the new Center. The stockholders were to purchase \$550,000 of subordinated, non-cumulative income bonds. The equity investment of stockholders as of the time the loan was secured is indicated in Table #5.

The terms and conditions of the loan as abstracted from the letter of commitment appears as follows:

1. Definitions - The terms defined in this paragraph shall have the indicated meanings:

Seminole Center - a site of approximately 51.8 acres in Midland, Florida to be developed by construction of a group of retail and service buildings and related site improvements and access facilities, all as shown on preliminary plans and sketches heretofore submitted by you to Goodlife. (The Seminole Center is outlined in red on the attached plat.)

Easterly Tract - a tract of approximately 10.247 acres which is owned by you and which adjoins the eastern end of Seminole Center. (The Easterly Tract is outlined in blue on the attached plat.)

Cost of Construction - the aggregate of the amounts actually paid for the following items only, in connection with the construction of Seminole Center, and subject to the following limitations:

- (a) Construction of Buildings, Site Improvements and Access Facilities - including, among other items, amounts paid for economic surveys, land surveys, test borings, builder's risk and workmen's compensation insurance, title fees and contributions for off-site highway improvements; but not including any general contractor's construction fee or profit to Ponderand Stew (see item (b) below), or any contributions by tenants;
- (b) Architectural and Engineering Fees;
- (c) Legal Fees;
- (d) Out-of-pocket Leasing Costs;
- (e) Interim Financing Charges;
- (f) The Commitment Fee required by paragraph (17) below;
- (g) Initial Working Capital (not to exceed \$50,000); and
- (h) Prime Contractor's Profit (not to exceed \$100,000 plus 10% of your capital stock).

Closing Date - any date, to be set by you on not less than ten days' written notice, on which Goodlife shall pay over any of the proceeds of the loan to you.

Available Earnings - the amount by which, in any fiscal year of Seminole Center would be the sum of

- (a) its net income, after deduction of all charges required to be deducted by standard accounting practice including without limitation charges for taxes, depreciation, and interest

Table #5

January 11, 1961

Regarding Financing of Seminole Center

Loan Commitment from Good Life Insurance Co., \$5,000,000.00 - provided stockholders have \$700,000.00, plus land, in the Center. Stockholders to purchase \$550,000.00 debentures.

Seminole Center has spent:

Market Survey	\$ 8,060.50	
Audit	1,350.00	
Legal	7,064.38	
Architect	51,841.83	
Engineering	5,166.67	
Insurance	199.23	
State, County and City Taxes	33,650.44	
Earthwork and walls	75,720.25	
Miscellaneous	1,310.37	
Interest	2,035.30	
Allowed contractors fee	60,000.00	
Bank Balance	4,312.87	
Prin. & Int. on Delaware note due in 1961	<u>13,335.09</u>	
		\$264,046.93
Less Bank Debt		<u>97,500.00</u>
		\$166,546.93
Debentures		<u>550,000.00</u>
		\$716,546.93
The Center expects to receive:		
From filling station site	\$ 40,000.00	
150,538 Shares @ 3.6536	\$550,005.53	

plus

- (b) an amount equal to the charges included in (a) above for depreciation

exceeds the sum of

- (c) the principal payments required to be made in such year on this loan

plus

- (d) such additions to working capital as your stockholders shall direct.

2. Amount and Purpose of the Loan - The loan will be in the amount of \$5,000,000 to be used by you (together with certain other funds) in payment of the cost of construction of Seminole Center. You will complete Seminole Center substantially in accordance with the preliminary plans heretofore submitted by you to Goodlife, and in accordance with detailed plans and specifications to be submitted by you and approved by Goodlife.
3. Interest Rate - The loan will bear interest before maturity at the rate of 6.02% per annum.
4. Maturity - The loan will be for a term of 22 years and 6 months, commencing on the closing date. Principal and interest will be payable in level monthly installments of \$34,215, said payments to begin on the first to occur of the following: (a) six months from the last closing date; or (b) December 1, 1962.
5. Prepayment - You will have the non-cumulative privilege of making additional payments on principal on any monthly payment date in an amount or amounts not exceeding an aggregate of \$350,000 in any one year of the term of the loan, without premium.
6. Disbursement of the Loan - (a) The total amount of the loan will be paid out upon fulfillment of the following conditions:
 - (i) Retail buildings containing a rentable area of not less than 442,600 square feet have been completed, substantially in accordance with the approved plans and specifications.
 - (ii) The department store space and not less than 80% of the non-department store space is leased under leases satisfactory to Goodlife.
 - (iii) The minimum rentals required by the leases referred to in (ii) shall equal or exceed the aggregate of debt service on this loan plus annual expenses to be estimated as 60¢ per square foot of total rentable area.
 - (iv) You have furnished to Goodlife evidence that all costs incurred by you in the construction of Seminole Center, and not covered by the proceeds of this loan, have been paid.

- (b) At your option and upon your written requests we will advance the loan in installments made not oftener than bimonthly, commencing on or after March 1, 1961, in amounts of not less than \$500,000 (except that the last installment may be less than \$500,000), as construction progresses, against the receipt of architect's certificates supported by lien waivers satisfactory to Goodlife; the amounts so advanced to be applied in payment of interim financing advances made by the Second State Bank of Midland.

Our making of such advances shall be subject to the following limitations:

- (i) No such advance shall be made until you have met the requirements of (ii) and (iii) of subparagraph (a) and such other requirements as may be deemed necessary by our counsel.
- (ii) No such advance shall be made until an equity contribution of not less than \$700,000 has been applied toward the cost of construction.
- (iii) At the time of each advance Goodlife will retain an amount sufficient to complete construction of the Seminole Center.
7. Junior Debentures - Of the minimum of \$700,000 in equity contribution which this commitment requires (see paragraph 16 below), not more than \$550,000 may be represented by junior debentures, on the following terms:
- (a) The junior debentures will carry an interest rate of not to exceed 4%, non-cumulative and non-compounded, with interest to be payable in any year only if, and to the extent, you have available earnings for such year.
- (b) Annually, all available earnings, after payment of interest on junior debentures, shall be applied in prepayment without premium of the junior debentures until fully retired.

The source of the entire cost of construction of Seminole Center in excess of this loan shall be junior debentures and/or equity contribution, and no current income of Seminole Center shall be used for this purpose.

8. Security - The Loan is to be secured by a direct first mortgage on the land, buildings and improvements constituting Seminole Center, and by assignment of leases and rents (see paragraph 9 below). The mortgaged property shall include all engines, boilers, elevators, machinery, heating apparatus, electrical equipment, air-conditioning, equipment, escalators, water and gas fixtures, shades, awnings, screens, storm sashes and blinds and all fixtures of every description owned by the obligor, but shall not include any trade fixtures which are the property of such tenant. The loan is to be additionally secured by a mortgage on the service station site adjacent to the southwest corner of Seminole Center, which latter mortgage shall be subordinate to the present Kidstuff Oil lease and mortgage.

9. Leases - All leases of space in Seminole Center are to be satisfactory to Goodlife. Specific assignments of leases and rents, and notice to tenants of such assignments, will be required as additional security for the loan.
10. Title Matters and Procedure - You at your expense will furnish to us a satisfactory abstract of title showing good and merchantable title in fee simple, together with a title opinion to that effect from a local attorney acceptable to Goodlife. If construction advances are made under paragraph 6(b) you will furnish to us upon each closing such title evidence as may be required by our counsel.
11. Insurance - You will maintain fire and extended coverage insurance for the full insurable value, with satisfactory co-insurance, in companies acceptable to Goodlife.
12. Stock of Seminole Center, Inc. - (a) As further consideration for this commitment and the making of the loan, you shall cause to be conveyed to Goodlife on the first closing date 20% of your issued and outstanding stock, full-paid and non-assessable, with stock transfer taxes paid. At the time of transfer of such stock to Goodlife, you shall have not less than \$50,000 of working capital and no indebtedness other than this loan, junior debentures of not to exceed \$550,000 and liabilities arising in the usual course of business. In the event additional stock is thereafter issued while this loan is still outstanding, the proportional stock interest then held by Goodlife shall not be diminished without its consent.

(b) Upon the transfer of such stock, your outstanding shares shall be held in substantially the following proportion:

<u>Stockholder</u>	<u>Proportional Stock Interest</u>
Second State Bank	52,519 shares
Corinthia Seminole	17,506 shares
Desiree Seminole	17,506 shares
A	7,757 shares
B	4,889 shares
C	4,500 shares
D	4,500 shares
E	3,000 shares
F	2,000 shares
G	2,000 shares
Archie August	1,657 shares
H	1,500 shares
I	1,500 shares
J	52 shares
K	100 shares
L	100 shares
Second State Bank, Trustee	22,452 shares
Archie August, Trustee	7,000 shares
Goodlife	37,634 shares

All of your stockholders listed above shall enter into an agreement containing the following provisions:

- (i) during the first 10 years of the loan none of them will transfer their respective interests listed above without the prior written consent of all other stockholders; and
- (ii) thereafter and so long as the loan remains unpaid, each of them shall grant a right of first refusal to the others.

Provisions (i) and (ii) above shall not apply to any transfer within the immediate family of any of the above listed individual stockholders, provided that the transferee shall become a party to the said agreement; and provision (i) above shall not apply to any transfer between any two of the above listed stockholders, so long as the proposed transferee would not by reason of the transfer become the owner of more than 45% of your issued and outstanding stock.

- (c) So long as any portion of the loan remains unpaid you shall not declare or pay any dividends or make any other distribution to stockholders; except that after the junior debentures have been fully retired such dividends or distributions may be paid from available earnings if working capital is not reduced below \$50,000 as the result of any such payment.

13. Guarantee of Construction Costs - Before the first closing date you will furnish to Goodlife the joint and several guarantee of the payment of all costs of construction in excess of the loan, executed by Corinthia Seminole and Desiree Seminole and the contractors.
14. Easterly Tract - (a) You will furnish without charge such perpetual easements and rights of way across portions of the Easterly Tract as shall be necessary and advisable to provide access to the Seminole Center from adjoining streets and from the proposed north-south extension of Andrew Jackson Boulevard.
 - (b) So long as the loan remains unpaid, you will not convey the Easterly Tract, construct any improvement thereon, or use or permit others to use the same for any commercial or industrial purpose, without in each such case obtaining the written consent of Goodlife thereto. The purpose of this provision is to prevent the development or use of the Easterly Tract in a manner incompatible with the character, or inimical to the best interests, of Seminole Center; and Goodlife agrees that it will not unreasonably withhold the aforesaid consent.
15. Legal Matters - All such documents and proceedings shall be delivered and taken as may be necessary or advisable to complete the loan and to comply with the foregoing terms and conditions, and such documents and proceedings shall be subject to approval by Goodlife's Law Department
16. Reduction in Amount of Loan - The amounts of money specified in paragraphs 4 and 5 above are based upon the assumption that the construction cost will be not less than \$5,700,000. In the event such construction cost is less than \$5,700,000 the total amount of our loan will be reduced by the difference, and the amounts set forth in paragraphs 4 and 5

will be reduced proportionally. In no event shall Goodlife's commitment hereunder exceed \$5,000,000.

17. Commitment Fee - You will pay to Goodlife on February 1, 1961 and on the first day of each month thereafter, to and including the month in which the last closing date occurs, a commitment fee equal to 1/10 of 1% of of the undisbursed portion of our total loan commitment of \$5,000,000.
18. Fiscal Information - Goodlife shall be furnished copies of your annual audits, interim operating statements and Federal income tax returns, and all sales reports furnished to you by tenants.
19. Expiration Date - The last closing date shall be not later than August 1, 1962, and Goodlife's obligation to make this loan shall expire on that date unless extended in writing by it.

This commitment shall not be effective unless accepted by you not later than January 31, 1961. Such acceptance shall be endorsed on the enclosed copy of this letter and the endorsed copy returned to Goodlife, whereupon this letter will constitute a binding agreement between us.

Yours very truly

GOODLIFE INSURANCE COMPANY

(Bill Dew representing the Seminole Center replied immediately to the offer of Goodlife in the latter which follows. The Summary referred to has appeared as Table 5.)

Mr. Jack Webb, Manager
Comeercial Mortgages and Real Estate
Goodlife Insurance Company

January 16, 1961

Dear Jack:

We have now had opportunity to review the commitment letter of January 10, and are, in general, quite pleased with the wording of the commitment. Several members of the Seminole Center Corporation have raised several questions which they hope can be agreed to by letter as they do not feel that the commitment need be re-drawn.

First, they have prepared, and we are attaching the original and one copy, of a Summary of money spent by Seminole Center up to this time. They have added to this amount \$550,000.00 to cover debentures and arrive at a total of \$716,546.93. The Summary continues with the sources and amounts to cover the sources of funds to meet the requirement for equity in the Center. They would like to have this list of costs approved at this time, as eligible costs.

Under paragraph 1 (h), they would like to have it understood that the actual profit to be paid to Ponder and Stew will be \$40,000.00 even though they are allowed to put in as eligible costs a maximum profit of \$100,000.00 for the Prime Contractor. They would also like to have it understood, that at the time the arrangement was made with Ponder and Stew, there were outstanding 136,538 shares. 14,000 shares were sold to Ponder and Stew at \$2.00 per share for their children's Trust. This money was actually paid from monies in the children's Trust Accounts.

Under paragraph 6 (b), they do need to have a change regarding advances under interim financing, as we all know the Bank's limit is \$900,000. They definitely feel that at certain stages of this construction, they will be required to advance more than \$900,000.00 in a bimonthly period. They do require that this advance be changed to monthly or each time advances amounting to \$700,000 has been reached at the bank.

In connection with paragraph 6 (b)(i), the attorney for the Seminole Center seriously objects to the following; "as such other requirements as may be deemed necessary by our Counsel." Mr. August has made no serious objection to this phraseology, since he believes your Company will be fair in these requirements. It is hoped that this clause can be made more specific and it might be well for your attorney to talk to the attorney for the Center.

In connection with paragraph 10, the Center would like to have their attorney furnish the opinion on this title. This is merely a matter of holding down expenses. The Center's attorney is a partner in the firm of Smorgisbord & Boyardee. This is a well known firm in Midland, and we believe your attorneys can easily ascertain their rating.

Under paragraph 12, the Center hopes there can be a clarification regarding the \$50,000 working capital. They would like to have established that since construction funds will be advanced, this \$50,000 working capital will not need to be put up until the final disbursement. In other words, they would like to use the \$50,000 during the course of construction, to hold down interim borrowing.

Sincerely,

Bill Dew

(A letter from the Legal Department of Goodlife provided clarification and definition of the commitment letter accepting the suggestions of the Seminole Center's Attorneys. The one specific clause was corrected to recognize unfinished paper work requirements of Goodlife in regard to leases, abstracts and title, etc. On January 31 Goodlife received the following letter which closed the financing negotiations for Seminole Center.)

THE GOODLIFE INSURANCE COMPANY

TO: Mr. Jack Webb, Manager
Commercial Mortgages and Real Estate

Date: January 31, 1961

From: Irish Ford, Manager
Florida Regional Office

Relative to the Seminole Center, I herewith enclose a copy of our commitment of January 10 duly accepted by the borrowers and a copy of our amendment to the commitment dated January 19, also duly accepted by the borrowers. I also enclose a cost expenditure to date of the Seminole Center, duly signed by an officer of the corporation.

Everyone seems to be very happy with the workout, and Mr. August asked me to personally express his thanks to you, Mr. Webb and the officers for the amendment in the commitment and going along with the further changes.

They have now climbed all over their leasing agent and are forcing him to bring the minimum requirements up to our commitment prerequisites. They have started some construction, and I understand will probably announce construction plans publicly in the paper on February 1.

I have your letter relative to the tenants' acceptance of the leases and have so advised the borrowers; in fact, they are having a meeting this week relative to the comments by you on the leases, and we should have a report from them subsequently. They anticipate no difficulty with the changes of construction dates mentioned in the leases, or the tenants' approval of the plans and specifications. Relative to the parking area, there actually will be more than 4,000 car spaces provided under the present plans, and here again, no difficulty is anticipated.

There are still a lot of these little loose ends that have to be tied up relative to the tenants' approval, changes in the dates in the leases, etc. I presume that I will have to go out and have a meeting just before we make the first advance to clear up all this red tape so that we can start our advances on a clean basis. I would anticipate we will not be asked to make an advance for at least two, or possibly three months, and this should give them enough time to clear up these details. From what they have told me, once we start advancing, it should be in relatively heavy sums as the contractors plan to throw a veritable army into this project and still feel that it can be completed and the majority of tenants occupying the premises in October. This I personally doubt, but I hope they are successful in hitting it on that date.

Very truly yours,

Irish Ford

Table #4A

December 13, 1960

SEMINOLE CENTER LEASE INFORMATION

SPACE LEASED

I. DEPARTMENT STORE LEASES SIGNED:		
1. Blair's	103,981 sq. ft.	
2. Good Goods Company	<u>91,158</u>	
TOTAL DEPARTMENT STORE SPACE LEASED:	195,139	195,139 sq. ft.
II. NON-DEPARTMENT STORE LEASES SIGNED:		
1. S. S. Kresge Company	28,000 sq. ft.	
2. Safeway Stores, Inc.	21,372	
3. Watt Brothers	9,000	
4. Ruby Jewelers	3,900	
5. Sally's Apparel	5,200	
6. Woos Cafeterias	12,500	
7. Teacher Stores	13,000	
8. Walgreen Drug	17,000	
9. Import Sewing Machine Co.	7,500	
10. Kennedy Shoe Company	7,000	
11. Executive Fashion	8,000	
12. Takon Inc.	10,800	
13. Glass and Frame	<u>9,500</u>	
TOTAL NON-DEPARTMENT STORE SPACE LEASED:	152,772	<u>152,772</u>
TOTAL SPACE LEASED:		<u>347,911 sq. ft.</u>
III. SUMMARY (Leased Space):		
Total space required by loan commitment		425,000 sq. ft.
Total space in above leases		<u>347,911</u>
Additional space necessary for loan commitment		77,089
Total space in above leases	=	347,911 sq. ft.
Total department store space	=	<u>195,139</u>
Total Non-Department store space in above leases	=	<u>152,772</u>
Total space required by loan commitment	=	425,000 sq. ft.
Total Department store space	=	<u>195,139</u>
Non-Department store space required by loan	=	<u>229,861</u>
Non-Department Store space required for closing loan (229,861 x 80%)	=	183,888 sq. ft.
Non-Department Store space in above leases	=	<u>152,772</u>
NO. SQ. FT. STILL TO BE LEASED TO MEET LOAN REQUIREMENTS:		31,116
IV. LEASES WE FEEL SURE WILL BE SIGNED		
1. Citrus Auto Supply Company	13,000 sq. ft.	
2. Three Brothers	9,000 sq. ft.	
3. Optical Store	2,000 sq. ft.	
4. Beauty Shop	2,000 sq. ft.	
5. Barber Shop	1,000 sq. ft.	
6. Tony's	1,350 sq. ft.	
7. Music Shop	1,500 sq. ft.	
8. Cleaners	2,000 sq. ft.	
9. Automatic Laundry	<u>2,000 sq. ft.</u>	
Sub-Total	33,850 sq. ft.	33,850 sq. ft.

V. OTHER LEASES THAT SHOULD BE SIGNED:

1. Sport Shirt Shops	3,750 sq. ft.	
2. O'Brien & Shapiro	6,300 sq. ft.	
3. Work Shoes	1,500 sq. ft.	
4. Gals Goods	<u>1,500 sq. ft.</u>	
Sub-Total	13,050 sq. ft.	<u>13,050 sq. ft.</u>
TOTAL SPACE IN IV AND V (UNSIGNED LEASES)		46,900 sq. ft.

TOTAL NO. SQ. FT. IN SIGNED AND UNSIGNED LEASES ABOVE: 394,811 sq. ft.

VI. SUMMARY:

Total Rentable Area	=	437,261 sq. ft.
Total No. Sq. Ft. In The Above Leases	=	<u>394,811</u>
TOTAL NO. SQ. FT. AVAILABLE FOR OTHER LEASES	=	42,450

RENTAL INCOME

I. DEPARTMENT STORE LEASES SIGNED:

1. Blair's	\$119,578.15	
2. Good Goods Company	<u>137,648.58</u>	
TOTAL DEPARTMENT STORE RENTAL:	\$257,226.73	\$257,226.73

II. NON-DEPARTMENT STORE LEASES SIGNED:

1. S.S. Kresge Company	\$ 35,000.00	
2. Safeway Stores, Inc.	28,532.00	
3. Watt Brothers	18,000.00	
4. Ruby Jewelers	12,500.00	
5. Sally's Apparel	11,200.00	
6. Woos Cafeterias	25,000.00	
7. Teacher Stores	25,500.00	
8. Walgreen Drug	29,000.00	
9. Import Sewing Machine Co.	12,000.00	
10. Kennedy Shoe Company	16,000.00	
11. Executive Fashion	15,000.00	
12. Takon Inc.	24,300.00	
13. Glass and Frame	<u>20,000.00</u>	
TOTAL NON-DEPARTMENT STORE RENTAL:	\$272,032.00	<u>\$272,032.00</u>
TOTAL RENTAL FROM SPACE LEASED:		\$529,258.73

III. SUMMARY (Rental):

Amount of Rent Required by Loan Commitment	=	\$624,360.00
Total Rental from Signed Leases as of this Date	=	<u>529,258.73</u>
AMOUNT OF ADDITIONAL RENTAL NECESSARY TO MEET LOAN REQUIREMENTS:		\$ 95,101.27

IV. LEASES WE FEEL SURE WILL BE SIGNED:

1. Citrus Auto Supply Company	\$ 22,750.00	
2. Three Brothers	18,000.00	
3. Optical Store	6,000.00	
4. Beauty Shop	5,000.00	
5. Barber Shop	2,500.00	
6. Tony's	3,375.00	
7. Music Shop	3,750.00	
8. Cleaners	4,000.00	
9. Automatic Laundry	<u>4,000.00</u>	
Sub-Total	\$ 69,375.00	\$69,375.00

V.	OTHER LEASES THAT SHOULD BE SIGNED:		
	1. Sport Shirt Shops	\$ 9,375.00	
	2. O'Brien & Shapiro	15,750.00	
	3. Work Shoes	4,500.00	
	4. Gals Goods	3,750.00	
	Sub-Total	<u>\$ 33,375.00</u>	\$ 33,375.00
	TOTAL RENTAL FROM LEASES IN IV AND V (UNSIGNED LEASES):		<u>\$102,750.00</u>

VI.	TOTAL RENTAL FROM SIGNED AND UNSIGNED LEASES ABOVE	=	\$632,008.73
	RENTAL REQUIRED FOR LOAN COMMITMENT:	=	624,360.00
	Rental in excess of loan requirement:	=	<u>\$ 7,648.73</u>

VII.	ADDITIONAL RENTABLE SPACE:		
	Total rentable sq. ft. of space	=	437,261 sq. ft.
	Total Sq. Ft. in Signed & Unsigned Leases Above	=	<u>394,811</u> sq. ft.
	No. of Sq. Ft. to be Leased not in Above Leases	=	42,450 sq. ft.

VIII.	ANTICIPATED TOTAL RENTAL:		
	Rental from above signed & unsigned leases	=	\$632,008.73
	Anticipated from 5,100 sq. ft. of basement space @ \$1.00	=	5,100.00
	Minimum anticipated from 37,350 sq. ft. of 1st floor space @ \$2.00	=	74,700.00
	TOTAL ANTICIPATED RENTAL		<u>\$711,808.73</u>

IX.	OTHER POTENTIAL LEASES:		
		Sq. Ft.	Rental
	1. Candy Store @ \$3.00	1,000 sq. ft.	\$ 3,000.00
	2. Bakery @ \$2.50	1,200 sq. ft.	3,000.00
	3. Maternity Shop @ \$2.50	1,000 sq. ft.	2,500.00
	4. Pet Shop @ \$2.50	1,200 sq. ft.	3,000.00
	5. Corset Shop @ \$2.50	1,000 sq. ft.	2,500.00
	6. Tot & Teen Shop @ \$2.50	5,200 sq. ft.	11,200.00
	7. Winnies @ \$2.00	5,850 sq. ft.	11,700.00
	(May need 5,850 sq. ft. basement)		
	8. Tea Room @ \$2.50	3,000 sq. ft.	7,500.00
	9. Finance Company @ \$3.00	1,000 sq. ft.	3,000.00
	10. Savings & Loan @ \$3.00	1,200 sq. ft.	3,600.00
	11. Ice Cream Store @ \$2.50	1,000 sq. ft.	2,500.00
	12. Camera Store @ \$2.50	1,200 sq. ft.	1,200.00
	13. T.V. & Appliance Sales & Repair @ \$2.00	2,000 sq. ft.	4,000.00
	14. Florist @ \$2.00	1,500 sq. ft.	3,000.00
	15. High-Priced Ladies' Ready to Wear @ \$2.50	2,500 sq. ft.	6,225.00
	16. Piano Store @ \$2.00	2,000 sq. ft.	4,000.00
	17. Photographic Studio @ \$2.00	1,000 sq. ft.	2,000.00
	18. Hobby Shop @ \$2.50	1,000 sq. ft.	2,500.00
	19. Card & Party Shop @ \$2.50	2,000 sq. ft.	5,000.00
	TOTAL OF POTENTIAL LEASES:	<u>35,850 sq. ft.</u>	<u>\$81,425.00</u>

X.	OTHER POSSIBLE INCOME:	
	1. From Community Hall	3,000.00
	2. From Taxi Stand	2,400.00
	3. Advertising on light poles could be	10,000.00
	TOTAL OTHER POSSIBLE INCOME:	<u>\$15,400.00</u>

NOTE: The total common area costs will remain the same whether we build 400,000 sq. ft. or 600,000 sq. ft. Therefore, the more space we can lease at better than average rent the better the return on the investment will be.

SEMINOLE CENTER

PROPOSED RENT SCHEDULE

TENANT	NO. SQ. FT. LEASED	BASEMENT	ANNUAL SQ. FT. LEASED	ANNUAL GUARANTEED RENT	% RENT	LEASE TERM (YRS.)	PARKING CHARGE
1. Blair's	101,376		\$1.15	\$116,582.40	2½	20	10¢
2. Good Goods Co.	86,500		1.51	130,615.00	2½	25	10¢
3. Watt Brothers	6,000		2.50	15,000.00	5	20	10¢
	3,000	Basement	1.00	3,000.00			
4. Kennedy Shoe Co.	6,000		2.50	15,000.00	5	20	10¢
	1,000	Basement	1.00	1,000.00			
5. Walgreen Drugs	17,000	Incl.5000B.	1.80	30,600.00	3-2½	20	10¢
6. Safeway Stores, Inc.	21,372		1.33	28,532.00	1½	20	10¢
7. S. S. Kresge Co.	28,000		1.25	35,000.00	4	15	10¢
8. Teacher Stores	13,033	Incl.3283B.	2.00	26,066.00	4	20	10¢
9. Citrus Auto	13,000		1.75	22,750.00	3	10	10¢
10. Woo's Cafeterias	10,125		2.00	20,250.00	4	20	10¢
11. Sport Shirt Shops	3,500		2.50	8,750.00	5	15	10¢
	1,000	Basement	1.00	1,000.00			
12. Three Brothers	9,000		2.25	20,250.00	4	15	10¢
13. Takon Inc.	9,000		2.25	20,250.00	5	15	10¢
14. Optical Store	1,200		3.00	3,600.00	6	15	10¢
15. Work Shoes	1,200		3.00	3,600.00	5	15	10¢
16. Gals Goods	1,200		3.00	3,600.00	5	15	10¢
17. Import Sewing Center	9,000		1.75	15,750.00	4	10	10¢
	3,000	Basement	1.00	3,000.00			
18. Ruby Jewelers	3,000		3.87	11,600.00	5	20	10¢
	900	Basement	1.00	900.00			
19. Plaza Men's Wear	1,500		4.00	6,000.00	6	10	10¢
20. Lindstrom Hardware	4,375		2.00	8,750.00	5	15	10¢
21. Executive Fashion	7,500		2.50	18,750.00	5	15	10¢
SUB-TOTAL:	361,781			\$570,195.40			
22. Glass and Frame	10,000		2.50	25,000.00	5	10	10¢
23. Sally's Apparel	3,000		2.50	7,500.00	5	10	10¢
	1,000	Basement	1.00	1,000.00			
24. Cleaner	2,000		2.00	4,000.00	7½	10	10¢
25. Automatic Laundry	2,000		2.00	4,000.00	10	10	10¢
26. Barber Shop	1,000		2.50	2,500.00	6	10	10¢
27. Beauty Shop	1,500		2.50	3,750.00	7½	10	10¢
28. Children's Shop	3,000		2.50	7,500.00	5	10	10¢
	1,000	Basement	1.00	1,000.00			
29. Music Store	3,000		2.50	7,500.00	5	10	10¢
	1,000	Basement	1.00	1,000.00			
30. Gift Shop	1,200		3.00	3,600.00	5	10	10¢
31. Camera Shop	2,000		2.50	5,000.00	5	10	10¢
32. Florist	1,000		2.00	2,000.00	5	10	10¢
33. Hosiery	500		3.00	1,500.00	7½	10	10¢
34. Candy Store	500		3.00	1,500.00	7½	10	10¢
35. Coffee Shop	1,500		2.00	3,000.00	5	10	10¢
SUB-TOTAL:	396,981			\$651,545.40			
36. Other Stores	31,312		2.00	62,625.00			
GRAND TOTAL:	428,293 sq. ft.			\$714,170.40			

SEMINOLE CENTER QUESTIONS

1. Prepare a pro forma balance sheet and cash flow statement for Seminole Center, Inc.
2. Determine some basic measures of profitability and safety, such as return on equity, invested capital, coverage of debt service, default points, etc.
3. Analyze loan commitment in terms of restrictions on future financial organization and policies of Seminole Center Incorporated.
4. Which would be more valuable to the insurance company, 6½% interest, with no stock option; 6% interest with a 10% stock option; or 6% interest with a 20% stock option subject to a repurchase option in 10 years of \$100,000.00?
5. How do you explain the original reluctance of Goodlife to negotiate financing with the Center? What played a key role in changing their mind? What might have happened to the competition for this loan and how would this have affected the terms of a mortgage commitment?
6. Does the loan as made by Goodlife fully qualify as a real estate investment under Wisconsin law governing real estate investment by life insurance companies?
7. What depreciation policy should Seminole Center, Inc. follow in regard to organization expense, transfer of shares to Goodlife, and construction costs assuming pre 1963 tax laws? What might they do to anticipate the threat of possible changes to the tax law in 1963?
8. What choices in financial policy remain open to directors of Seminole Center, Inc. in regard to their subordinated debentures?
9. About how many months elapsed between the idea of a shopping center development, securing a finance commitment, and actual operation as a shopping center? What are the implications of this for the would-be developer? For the developer who must buy his land? What devices would be available to such a developer to shorten the lead time involved in shopping center development and to reduce his development financing costs?
10. What alternative development plan might have been possible to reduce equity and debt needs of Seminole Center, Inc. which would have still created a Shopping Center of the same size and value?
11. Would the estate plans of the Seminole family affect the decision of Goodlife?