



December 2, 2013

Ms. Elaine Miller
Milwaukee Department of City Development
809 North Broadway, 2nd Floor
Milwaukee, WI 53202

Dear Ms. Miller:

The following is my brief analysis of the two Proposals regarding the commercial space located at 1118 North 4th Street within the Highland Garage at 324 West Highland Avenue. The analysis is brief due to the limited information submitted with each Proposal and available through public records. A more detailed credit analysis would be available with additional financial information from each Lessee.

Proposal A ("A"): United Broadcasting Group Incorporated
Proposal B ("B"): Downtown Silk MKE, LLC

Analysis:

Base Lease Amount: Proposal B indicated a higher per month base rent, as well as a lower broker commission and a longer initial term. However, it did also propose a lower annual rent adjustment. Netting the commission against the gross rents for the first five years of the lease, the additional benefit B provides to the landlord is approximately \$56,610 annually. In the next five years of the lease, assuming renewal of A to compare the proposals, the additional benefit to the landlord would reduce to approximately \$40,310 per year.

Additional Lease Renewals: Proposal B indicates an initial term of ten years, with four renewal options of five years each. Proposal A indicates an initial term of five years with one five year renewal. As mentioned above, during the first ten years B provides an additional benefit to the landlord of approximately \$484,605. However, if A were to renew for additional options similar to B, the annual benefit would continue to shrink, with A providing a small benefit to the landlord beginning in year 16 and beyond. At this point the rent per square foot would approximate just under \$20.

Assuming, for comparison purposes only, both leases would be renewed for a full 30 years under the original proposals provided, in year 30 A would be leasing in excess of \$51 per square foot while B would be leasing at just above \$25 per square foot. Therefore the additional benefit A may provide to the landlord in years 16-30 would be less likely to occur.

Improvements: A provides a budget of \$350,000 or approximately \$41.67 per square foot. This budget is generally adequate for the business plan; however, it may not be adequate to market the

Highland Garage Proposals

Restaurant/Lounge & Social Club as “upscale”. B provides a budget of \$1,160,000 or \$138.10 per square foot. This should be more than adequate to build out the facility.

Improvement Financing: Both Proposals indicate the improvements will be financed with cash or personal funds; however I was not provided evidence of available funds.

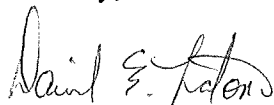
A is a newly created corporation specifically for this venture. In its proposal it indicates the Operator has an interest in Urban Broadcasting Inc., which operates 36 broadcast stations nationwide. Without additional financial information no determination can be made on the credit strength of the proposal.

B has indicated that it is affiliated with three other similar businesses through common ownership, which have been operating for 10 years. While A indicates that all operations are “thriving”, without additional financial information no determination can be made on the credit strength of the proposal.

Market Conditions: Both Proposals are for entertainment businesses and would be considered destination type of businesses. While this location is not directly located by other everyday entertainment venues, it is in close proximity to other major venues. However, as destination entertainment, neither will be dependent upon drawing business from the other venues.

Summary: While it is believed both businesses could attract customers to the location, both are startups and the strength of any lease is based on the credit worthiness of the lessee. Therefore, even though Proposal B could provide an additional cash flow benefit to the landlord, without detailed financial information on the proposed lessee’s an evaluation to determine which lessee would be more credit worthy is not possible.

Sincerely,



David E. Latona
President