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**\$7,075,000.00**

**SKB UPTOWN INVESTMENTS, LLC**  
**(a to-be-formed Oregon limited liability company)**

SKB Uptown Investments, LLC, is a to-be-formed Oregon limited liability company (the "LLC") whose purpose shall be to acquire, own and operate the property called Uptown Shopping Center & Apartments located in Portland, Oregon (the "Property"). Purchasers of membership interests in the LLC will be "Investor Members" under the LLC's Operating Agreement. ScanlanKemperBard Companies ("SKB") will be a "Founding Member" and will be entitled to share in profits of the LLC as described in this Memorandum. The Operating Manager of the LLC will either be SKB or a wholly owned subsidiary of SKB.

April 12, 2002

Information Memorandum No.

IN CONSIDERING WHETHER TO PURCHASE MEMBERSHIP INTERESTS IN THE LLC, PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW ALL INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM, **PAYING PARTICULAR ATTENTION TO THE RISK FACTORS** SET FORTH IN THE TAB DESIGNATED "RISK FACTORS."

NO PERSON OTHER THAN AUTHORIZED REPRESENTATIVES OF SKB AND JEFFERSON SECURITIES IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM, AND ANY INFORMATION OR REPRESENTATION (ORAL OR WRITTEN) NOT CONTAINED HEREIN OR OTHERWISE DULY AUTHORIZED BY SKB OR JEFFERSON SECURITIES MUST NOT BE RELIED UPON.

*Jefferson Securities, Inc*  
*Information Memorandum*

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**SCANLANKEMPERBARD COMPANIES**  
**Core Real Estate Investment**

**UPTOWN SHOPPING CENTER AND APARTMENTS**  
**Portland, Oregon**

**April 12, 2002**

**Transaction Summary:**

SKB has negotiated to acquire Uptown Shopping Center and Apartments, a 71,839 SF shopping center and 28,217 SF apartment complex on approximately 6.06 acres of land in Portland, Oregon. Uptown Shopping Center was originally developed in 1913 and Uptown Apartments were built beginning in 1910. The shopping center was totally renovated in 1994 and had new awnings installed in January 2002. The duplex units in Uptown Apartments have recently been renovated. The buildings have concrete foundations and a combination of masonry and timber with steel beams. Uptown Shopping Center is one of the finest shopping centers in Portland and boasts an average occupancy of 99.7% over the past four years. Uptown Apartments has 47 units, including studios (23 units), 1-bedrooms (22) and 2-bedrooms (2). The apartments are currently 92% occupied, and rents have increased an average of 8% annually over the last four years. The property is zoned to allow an additional 300,000 square feet of residential condominiums or apartments over one of the parking lots.

The purchase price of \$20,760,000 (\$207.48 PSF) is equivalent to an 8.78% cap rate on first-year net operating income. This investment is expected to produce a first-year cash-on-cash return of 8.00% to the investor and an average, annual cash-on-cash return over a 5-year hold of approximately 9.57% (not including sale proceeds), with a projected IRR of 16.05% (including sale proceeds) on a \$7,075,000 investment. If the parking lot of approximately 50,000 SF is entitled for residential and sold in Year 3 of the hold period at a price of \$50 PSF for a total of \$2.5 million, the investment is expected to produce an average cash-on-cash return over the 5-year hold period of 11.02% (not including sale proceeds) and a projected IRR of 20.63% (including sale proceeds).

The subject property is located on 23<sup>rd</sup> and Burnside in Northwest Portland – well situated between the West Hills, the Pearl District and downtown. The Northwest Portland retail market, which contains 850,000 square feet of retail space, has a current vacancy rate of 4.5%. The Northwest Portland apartment market consists of over 10,300 units and has a current vacancy rate of 3.83% for all apartments, including 3.01% for studios. The Nob Hill District sub-market, where Uptown is located, has a current vacancy rate of 2.0% for retail space. Although parking is scarce in Northwest Portland, Uptown Shopping Center offers ample off-street parking with 266 spaces (including 10 handicap spaces) for a ratio of 3.7 stalls per 1,000 square feet of leasable retail area. Public transportation is available to the property via the Tri-Met bus system and the new Central City Streetcar System, which runs through downtown Portland and connects with MAX, Portland's award-winning light rail system.

The property has an average of 50,000 vehicles passing per day, as well as a population of 21,500 and an average income of \$52,100 within a 1-mile radius. The shopping center has an excellent tenant roster of grocery, drug, service, food and specialty retail tenants including Zupan's, Washington Mutual, Ben & Jerry's and Elephant's Deli. Current, weighted, average in-place rents of \$1.59 PSF per month compare favorably to estimated market rents for the center at \$2.15 and retail rental rates in downtown Portland, which range from \$1.80 to \$5.00 PSF per month. Tenants in the retail center have an average occupancy of 13 years.

## **Business Plan**

This core investment offers attractive cash-on-cash returns and growth by increasing rents to market as leases expire. Apartment rental rates at the property have increased an average of 8% annually over the past four years. Preliminary analysis indicates that 100,000 to 125,000 square feet of residential apartments or condominiums is achievable on this site. If entitled, this opportunity could produce a land value of up to \$50 PSF, which would translate into an additional \$2.5 million in value for the project (currently this area is 50,000 SF). It would be SKB's intent shortly after closing to develop a request for proposals (RFP) from developers with high-rise residential experience to select a developer to get a condominium project entitled with SKB's input and oversight, with the understanding the developer would purchase the entitled area from the shopping center ownership. This would not remove any parking or detrimentally affect any of the existing shops in the retail center. Although SKB feels getting part of the parking lot entitled for residential use is achievable, there are no guarantees this will happen, and therefore all investment decisions should be made based on achieving no land sale. The retail center has had a 90% retention rate over the past five years. Although the retail center is 100% occupied with no rollover until June 2003, a 3% vacancy factor has been assumed in our analysis. Apartment complexes in Northwest Portland have been selling for sub-8.5% cap rates due to low vacancy rates and increasing rental rates.

## **Recommendation:**

This investment is recommended for the following reasons:

- Uptown Shopping Center has averaged 99.7% occupancy over the past four years. It is 100% occupied and incurs no lease rollover until June 2003.
- Uptown Apartments are currently 92% occupied and have averaged 8% annual rental rate increases in the last four years. The apartments have averaged 97% occupancy annually over the past four years.
- Uptown Shopping Center is the only grocery and drug-anchored center in Northwest Portland, which has led to excellent sales figures for tenants. Ninety percent of current tenants in the shopping center have been in occupancy for five years or longer. Tenant sales for 2001 at the retail center ranged from \$135 to \$2,450 PSF annually. The 2001 average sales PSF per year is \$579, with only two tenants having sales below \$200 PSF annually. This compares favorably to the Nob Hill sub-market, which in 2001 averaged \$325 PSF.
- This core investment offers first year cash-on-cash returns of 8.00%, with a projected average cash-on-cash return of 9.57% over the 5-year hold period, and an investor IRR of 16.05%. If the excess land is entitled and sold in Year 3 of the hold period for \$2.5 million, the investment is expected to produce an average cash-on-cash return of 11.02% over the 5-year hold period and an investor IRR of 20.63%. Land sale proceeds would be distributed \$1.5 million to the investors and \$1 million to pay down principal on the loan.
- Uptown Shopping Center and Apartments is located within three miles of SKB's Portland headquarters. Company principals are intimately familiar with the property and have done residential entitlement work in the city of Portland, providing added value to the management process.
- The property has a parking ratio of 3.70 per 1,000 rentable square feet in a market with very little parking available. Alternate modes of public

transportation are available nearby in the Tri-Met bus system and the new Central City Streetcar System, which runs through downtown Portland.

- Uptown Shopping Center and Apartments has over 110,000 residents within a 3-mile radius, and an average of 50,000 cars pass the center daily.

### **Projected Returns:**

<b>Projected Returns</b>		
	<b>Land Sale</b>	<b>No Land Sale</b>
Year One Cap Rate <sup>1</sup>	8.78%	8.78%
Year One Return on Cost <sup>2</sup>	8.12%	8.12%
Leveraged Year One Cash-on-Cash Returns	8.00%	8.00%
Average Annual Cash-on-Cash over Term of Investment	11.02%	9.57%
Investor IRR upon Disposition	20.63%	16.05%
<sup>1</sup> Cap Rate is defined as the projected next 12 months' net income divided by initial purchase price.		
<sup>2</sup> Return on Cost is defined as the projected next 12 months' net cash flow before debt service divided by all costs associated with closing the transaction, including placement fees, reserved capital expenses, and closing costs.		

### **Investment Structure:**

The proposed transaction calls for the formation of an LLC ("the LLC") to invest \$7,075,000, in conjunction with \$14,500,000 in debt to acquire the property. The LLC also would hire SKB, through an asset management agreement, to execute the LLC's business plan. The costs of the acquisition, the first mortgage and distribution of cash flow are outlined as follows:

#### **Transaction Costs:**

<b>Transaction Costs</b>	
Purchase Price	\$20,760,000
Closing Costs	\$166,250
Jefferson Securities Placement Fee	\$175,000
SKB Acquisition Fee	\$175,000
Third Party Loan Fees (0.75%)	\$108,750
Capital Expenditures	\$140,000
Excess Land Entitlement Reserve	\$50,000
Total Transaction Costs	\$21,575,000
Less Loan Amount	\$14,500,000
<b>Total Equity Required</b>	<b>\$7,075,000</b>

#### **Loan Summary:**

SKB has yet to choose a lender for Uptown Shopping Center and Apartments. However, the following terms are likely to be negotiated for the property:

Loan Summary	
Loan Amount	\$14,500,000
Interest Rate	7.25%
Initial Loan Fee	0.75%
Amortization	30 Years
Terms	Due in 5 years
Prepayment	Locked out for the first 12 months Defeasance thereafter

Investment Structure Terms:

The LLC will enter into an asset management agreement with SKB. The LLC will retain absolute control over the economic decisions that arise when managing the property. The investment structure terms are defined as follows:

<b>Investment Structure Summary</b>	
Placement Fee to Jefferson Securities	\$175,000
Acquisition Fee to SKB	\$175,000
LLC Preferred Return (After Debt Service)	10.0% per annum. Cumulative and compounding on the investors' equity.
Cash Flow Distribution	100% to the LLC (investor). Based on pro-rata ownership until Preferred Return is paid, then 75% to the LLC (Investor) and 25% to SKB.
Sale or Refinancing Proceeds	Debt Repayment; Until return of capital and preferred return, 100% to the LLC (Investor); Thereafter, 75% to the LLC (Investor) and 25% to SKB up to a 25% IRR. Above a 25% IRR, 60% to the LLC (Investor) and 40% to SKB.
Control/Decision Making	LLC manager will have the right to make all economic decisions regarding scheduled capital contributions, sales, or refinancing. Any unscheduled capital contributions, sales, or refinancing must be approved by the members of the LLC. All decisions regarding leasing, management and operations must be approved by the LLC manager.
Asset Management	SKB will receive an annual asset management fee equal to 1.5% of Equity, which will be paid as follows: 1.0% paid quarterly, and the remaining 0.5% paid upon sale or refinance and subordinate to a 16.0% IRR to the investor. This fee is in addition to third party property management fees that will be charged to the property. Upon acquisition, SKB will initially contract out these property management services to third parties. If the subject property is refinanced, SKB will receive a ½ of 1% loan fee for facilitating the recapitalization.

SKB will receive a portion of the sale or refinancing proceeds as described above as compensation for creating additional value in the property after acquisition.

## **Property Overview:**

The subject property enjoys an extraordinary location, on 23<sup>rd</sup> and Burnside in NW Portland. The buildings have a concrete foundation, and a combination of masonry and timber with steel beams. Uptown Shopping Center contains 71,839 SF net rentable in four freestanding buildings and has a parking ratio of 3.7 spaces per 1,000 square feet of retail. Uptown Apartments consist of 47 units covering 28,217 square feet. The duplexes in the apartment complex have recently been renovated and the shopping center had new awnings installed in January 2002. The site totals 6.06 acres in a one-of-a-kind location.

## **Tenant Summary:**

Please refer to the Rent Roll for a detail of expirations and sales information.

### **Tenant Descriptions:**

<b>Bee Tailors &amp; Cleaners</b>
2001 Sales PSF: Does not report 988 SF (1.4% of property)

In business under the same ownership since 1951, Bee's has developed a loyal customer base. This location is a "drop off, pick up" and is located on the going to work side of the street. Bee's has been a tenant at Uptown for 6 years.

<b>Este's Men's Clothing</b>
2001 Sales PSF: \$187 2,660 SF (3.7% of property)

Estes is a full service, high-end men's clothier drawing from an extensive, discriminating Portland clientele. Estes recently renewed its lease through December 2006 and has been a tenant in the retail center for 21 years.

<b>Pharmaca Pharmacy</b>
Annualized 2001 Sales PSF: \$475 4,296 SF (6.0% of property)

Pharmaca Pharmacy integrates traditional and natural medicine products and services in a high quality retail environment. Pharmaca took occupancy in June 2001. The pharmacy did sales of \$277 PSF in 2001 from June to December.

<b>Zupan's</b>
2001 Sales PSF: \$978 14,138 SF (19.7% of property)

Zupan's is Portland's highest quality specialty grocery store. Zupan's is the region's recognized leader for high-end groceries. The private grocery chain has been at this location, its flagship store, for 8 years.

<b>Washington Mutual</b>
2001 Sales PSF: Does not report 5,281 SF (7.4% of property)

Washington Mutual (NYSE: WM) is one of the Northwest's leading financial institutions. The 111 year-old company has a market capitalization of \$32.2 billion. Washington Mutual has been a tenant at Uptown for 6 years.

<b>Uptown Eyecare</b>
2001 Sales PSF: Does not report 1,417 SF (2.0% of property)

Uptown Eyecare provides the latest styles of designer eyeglass frames and also offers an on-site optometrist. Uptown Eyecare has been a tenant at the retail center for 15 years.

<b>Uptown Liquors</b>
2001 Sales PSF: \$2,452 2,548 SF (3.5% of property)

In Oregon, liquor is sold only in state-sponsored stores, creating a supply-constrained market. Uptown Liquors, which has been a tenant at the property for 52 years, is the only store of its type in the area.

<b>General Nutrition Centers</b>
2001 Sales PSF: \$135 1,132 SF (1.6% of property)

GNC is the largest company solely devoted to vitamins and nutritional supplements. It has more than 4,000 stores in all 50 states and over 20 foreign countries. GNC has been a tenant in the retail center for 5 years.

<b>Wolf Camera</b>
2001 Sales PSF: \$678 800 SF (1.1% of property)

Wolf Camera was recently acquired by Ritz, making the combined company the largest retail photography chain in the United States. Wolf Camera has been a tenant at Uptown for 14 years.

<b>Towne Papers</b>
2001 Sales PSF: \$398 1,356 SF (1.9% of property)

Towne Papers features a wide array of cards, gifts, stationery, and specialty items. Towne Papers has been a tenant of the retail center for 21 years.

<b>Elephant's Deli</b>
2001 Sales PSF: \$823 6,466 SF (9.0% of property)

Elephant's Deli is Portland's premiere upscale delicatessen, specializing in gourmet and prepared foods. The tenant is ideally suited to serve the affluent West Hill's customer as well as the discriminating Nob Hill or Pearl District resident. Elephant's has been a tenant at Uptown Shopping Center for 7 years.

<b>Phil's Uptown Meats</b>
2001 Sales PSF: \$741 1,055 SF (1.5% of property)

Phil's is a Portland institution known for its excellent gourmet meats and famous Bento lunches. A tenant at Uptown for 12 years, Phil's prides itself on customer service and has a very loyal clientele.

<b>Uptown Hardware</b>
2001 Sales PSF: \$262 6,125 SF (8.5% of property)

Portland's leading Ace Hardware retailer, Uptown Hardware is the only full service hardware store in NW Portland. Uptown Hardware has been a tenant at the property for 52 years and recently renewed its lease until April 2007.

<b>Foothill Broiler</b>
2001 Sales PSF: \$209 2,030 SF (2.8% of property)

A Portland institution for decades, the Foothill Broiler is a cafeteria-style diner specializing in hamburgers and other grilled sandwiches, salads, and desserts. Foothill Broiler has been a tenant at the retail center for 24 years.

<b>Ben &amp; Jerry's</b>
2001 Sales PSF: \$380 897 SF (1.2% of property)

Ben & Jerry's is known for innovative flavors and social responsibility. Ben & Jerry's, a tenant at the property for 3 years, provides tasty treats to shoppers and benefits from outdoor seating.

<b>Storables Design</b>
2001 Sales PSF: \$314 4,201 SF (5.8% of property)

Storables Design is a locally owned retailer of storage and organizational products. Storables has six stores in Oregon, Washington, and California. The tenant has been at Uptown for 13 years.

<b>Visual F/X Salon</b>
2001 Sales PSF: Does not report 2,238 SF (3.1% of property)

Visual F/X Salon is a full service salon specializing in hair care and other salon services. Visual has developed an extensive clientele. The salon has been a tenant at the retail center for 8 years.

<b>Faces Unlimited</b>
2001 Sales PSF: Does not report 2,962 SF (4.1% of property)

Faces Unlimited provides body and skin care products and services in an upscale environment. The retailer advertises heavily on both television and in newspapers. Faces Unlimited has been a tenant at Uptown for 13 years.

<b>Postal Annex Plus</b>
2001 Sales PSF: \$507 1,340 SF (1.9% of property)

Postal Annex has become the third-largest postal service company in the United States, with 270 franchises. The tenant has been at the property for 12 years.

<b>In Stitches</b>
2001 Sales PSF: \$210 1,580 SF (2.2% of property)

In Stitches is Portland's leading needlepoint specialty store offering materials, books, and classes. In Stitches has been a tenant at the property for 8 years.

<b>Joy's Uptown Style</b>
2001 Sales PSF: \$509 961 SF (1.3% of property)

Joy's Uptown Style is an upscale women's apparel retailer that appeals to the affluent West Hills residents. The tenant has been at Uptown for 7 years.

<b>Edward Jones</b>
2001 Sales PSF: Does not report 872 SF (1.2% of property)

With over 7,500 local branches, Edward Jones is one of the leading financial service companies in the United States. Edward Jones has been a tenant at the property for 2 years.

<b>Hasson Company</b>
2001 Sales PSF: Does not report 6,495 SF (9.0% of property)

The Hasson Company is the largest locally owned residential real estate company in Portland, with over 185 agents in 5 offices. Hasson Company has been a tenant at Uptown, its headquarters, for 9 years.



Area Profile	1-Mile Radius	3-Mile Radius	5-Mile Radius
Population	21,500	111,100	340,500
Average Household Income	\$52,100	\$56,100	\$52,800
Bachelor's Degree or Higher	44.2%	38.8%	32.6%

### **NW Portland Retail Market:**

The Northwest Portland retail market consists of 850,000 SF in two major retail areas, the Nob Hill District (NW 23<sup>rd</sup> and NW 21<sup>st</sup> Streets) and the Pearl District. The current vacancy rate for retail space in this market is 4.5%. The Pearl District is dominated by home furnishings, with over 30 tenants in that category. Restaurants account for most of the remaining space. The largest anchor tenant in Northwest Portland is Powell's Books, which occupies 75,000 square feet. Powell's is the largest bookstore in the United States, generating \$21 million per year in sales.

The Pearl District has seen a flurry of residential activity, as well as a large project on the Brewery Blocks. This \$250 million redevelopment will bring over 1 million SF of space online, 200,000 of which will be retail. Leases have been signed for much of this retail space, and more are under contract. Rents for the shop space in this project range from \$2.65 to \$3.00 PSF per month. In-place average rent in Uptown Shopping Center is \$1.59 PSF per month and there are no lease expirations until June 2003.

### **Nob Hill Sub Market:**

The Nob Hill District sub market spans NW 23<sup>rd</sup> and NW 21<sup>st</sup> Streets in Northwest Portland. NW 23<sup>rd</sup> Avenue is Portland's dominant retail street and is viewed by many as one of the West Coast's most vibrant pedestrian environments. The retail space inventory along NW 23<sup>rd</sup> Street, including Uptown Shopping Center, consists of approximately 325,000 square feet. Home furnishings and gifts dominate the area, followed by restaurants, services, apparel, and neighborhood shopping. Uptown is the only grocery and drug anchored center in the entire Northwest Portland retail market. Uptown also distinguishes itself through its abundance of off-street parking, at a ratio of 3.7 spaces per 1,000 SF, which is scarce in NW Portland.

Rents along NW 23<sup>rd</sup> Street range from \$1.80 per square foot per month to \$3.30 PSF per month. These rental rates for retail space are among the highest in Portland, second only to the Central Business District, which has current retail rental rates between \$1.80 PSF per month and \$5.00 PSF per month. The overall vacancy rate for the NW Portland retail market is 4.5%.

### **NW Portland Apartment Market:**

The Northwest Portland apartment market continues to be the strongest in the state, and demand is not being matched by new construction because of a lack of available land, high construction costs, and a difficult entitlement process. NW Portland has the highest concentration of renters in the state, with approximately 80% of the population renting. The NW Portland apartment market consists of 10,300 units ranging from studio to three-bedroom. The weighted average rental rate for this market is \$1.35 PSF per month, which is 18% above Uptown Apartments' in-place weighted average rent of \$1.14. This market is sought after by not only tenants but investors as well, evidenced by recent apartment project sales at cap rates below 8.5%. Although parking is scarce in this area, tenants of Uptown Apartments are able to park in the

shopping center lot overnight as long as their vehicles are moved before the open of business. The current overall vacancy rate for the Northwest Portland apartment market is 3.83%. The table below compares the subject property's in-place apartment rental rates to NW Portland Apartment market rental rates:

<b>Apartment Rental Rates</b>				
<b>Apartment Type</b>	<b># Units on-site</b>	<b>In-Place Rent PSF</b>	<b>Market Rent PSF</b>	<b>% below Market</b>
Studio	23	\$1.21	\$1.51	19.9%
1 Bedroom	22	\$1.08	\$1.38	21.7%
2 Bedroom	2	\$1.19	\$1.29	7.8%
<b>Total</b>	<b>47</b>	<b>\$1.14</b>	<b>\$1.35</b>	<b>15.6%</b>

**Lease Comparables:**

The following is a summary of recent leases for similar retail projects in Northwest and downtown Portland:

<b>Uptown Shopping Center – Lease Comparables</b>					
<b>Building</b>	<b>Tenant</b>	<b>SF</b>	<b>Rent PSF/Mo</b>	<b>Lease Start</b>	<b>Term (Years)</b>
Uptown	Wolf Camera	800	\$3.00	10/01	2
23 <sup>rd</sup> Avenue	Illuminations	1,640	\$2.67	10/01	10
Uptown	Bee Tailors	988	\$2.25	9/01	5
Uptown	Este's	2,660	\$2.04	9/01	5
Uptown	Pharmaca Pharmacy	4,296	\$2.00	6/01	5
23 <sup>rd</sup> Avenue	Trader Joe's	12,000	\$2.00	4/01	10
616 SW Broadway	DocMartens	1,700	\$4.17	10/00	10
711 SW Alder	LaRog Jewelers	1,800	\$4.42	9/00	10
520 SW Yamhill	Ben Bridge	2,500	\$3.33	8/00	10

**Sales Comparables:**

The following is a summary of recent market comparable sales of similar retail projects:

<b>Uptown Shopping Center – Sales Comparables</b>					
<b>Building - location</b>	<b>Sale Price</b>	<b>SF</b>	<b>Price PSF</b>	<b>Cap Rate</b>	<b>Sale Date</b>
Uptown Shopping Center & Apartments	\$20,760,000	100,056	\$207.48	8.78%	
Sunset Esplanade Hillsboro, OR	\$28,585,700	254,000	\$112.54	9.50%	2/02
Thiele's Square Portland, OR	\$7,926,584	34,754	\$228.08	8.57%	11/01
Raymer Square Bellevue, WA	\$25,318,516	119,082	\$212.61	N/A	12/00
10800 SE 82 <sup>nd</sup> Ave Portland, OR	\$4,250,000	23,201	\$183.18	N/A	10/00
400 Harvard Ave Seattle, WA	\$22,850,000	130,000	\$175.77	9.50%	10/99
Washington Square II Tigard, OR	\$20,000,000	125,293	\$159.63	9.00%	2/99
<b>Comparable Sales Average</b>	<b>\$18,155,000</b>	<b>114,390</b>	<b>\$158.71</b>		

The following is a summary of recent market comparable sales of similar apartment projects in NW and downtown Portland:

<b>Uptown Apartments – Sales Comparables</b>					
<b>Building - address</b>	<b>Sale Price</b>	<b># of Units</b>	<b>Price per Unit</b>	<b>Cap Rate</b>	<b>Sale Date</b>
Goose Hollow Village 1535 SW Clay St	\$5,175,000	60	\$86,250	7.62%	12/01
Chandler Apartments 1104 SW Columbia St	\$1,575,000	34	\$46,254	8.10%	12/01
Springcreek Garden Apts 6810-6820 SW 26 <sup>th</sup> Ave	\$2,200,000	53	\$51,509	8.55%	10/01
Spring Garden Apartments 2222 SW Spring Garden St	\$1,935,000	44	\$43,977	8.57%	9/01
Clifton House 2031 SW 10 <sup>th</sup> Ave	\$1,650,000	30	\$55,000	7.56%	7/01
Irving Street Towers 2109 NW Irving St	\$2,304,290	51	\$45,182	9.17%	7/99
<b>Comparable Sales Average</b>	<b>\$2,473,000</b>	<b>45</b>	<b>\$54,955</b>	<b>8.26%</b>	

The following is a summary of recent market comparable land sales in Portland:

Land Sales Comparables						
Project location	Sale Price	SF	Price PSF	Zone	FAR	Sale Date
Block bounded by 9 <sup>th</sup> & 10 <sup>th</sup> , Lovejoy & Marshall	\$2,300,000	43,000	\$53.49	EXd	5:1	4/00
The Gregory Flanders and Glisan & 10 <sup>th</sup>	\$3,151,535	40,000	\$78.79	EXd	6:1	12/99
Flanders & NW 23rd	\$775,000	12,500	\$62.00	CS	3:1	2/97
Westover Condominiums 500 NW Westover Drive	\$1,800,000	78,962	\$22.80 <sup>1</sup>	R-1	2:1	7/96
<b>Comparable Sales Average</b>	\$2,006,500	43,615	\$46.00			

<sup>1</sup> Developed with a 58-unit luxury condo project. Site is steeply sloping and a portion was not developable.

### **Summary of the Offering:**

The terms of the offering of the Membership Interests are contained in this Information Memorandum and any supplement hereto and in the Subscription Agreement and the LLC's Operating Agreement (collectively, the "Offering Documents"). The Subscription Agreement and Operating Agreement will be provided to those investors who purchase the Membership Interests in the LLC and who request such documents for execution.

### **Investors:**

The Investor Membership Interests are offered only to persons qualifying as "accredited investors", as defined in Rule 501(a) of Regulation D adopted by the Securities and Exchange Commission.

### **Price:**

The offering price of \$7,075,000 has been determined by SKB based on the equity requirements to purchase the Property, to fund any operating or capital reserves, and to pay all closing costs, including (a) reimbursing SKB for a total \$250,000 for earnest money deposited by SKB under the purchase and sale agreement for the Property; (b) reimbursing SKB for all other out of pocket costs incurred in connection with the acquisition of the Property; (c) paying an acquisition fee to SKB in the amount of \$175,000; and (d) paying a placement fee to Jefferson Securities, Inc., in the amount of \$175,000. Jefferson Securities, Inc. is a broker-dealer under common control and ownership with SKB. The foregoing obligations will be assumed and paid for by the LLC or its wholly owned investment entity at and upon the closing of the acquisition of the Property.

### **Payment:**

Payment of Investor Membership Interests will be all cash and will be made to an escrow account established for purposes of closing the offering.

**Minimum-Maximum  
Offering:**

The offering will be on a minimum-maximum basis. Of the \$7,075,000 total equity to be offered (the "Specified Maximum"), at least \$6,075,000 (the "Specified Minimum") must be sold by May 29, 2002 (the "Interim Closing Date"). Investor funds will not be released from the escrow account until after the Specified Minimum has been sold. If the Specified Minimum is not sold by the Interim Closing Date, all funds will be returned to investors. If the Specified Minimum has been sold by the Interim Closing Date and fully paid for with Investor funds that have cleared the banking system, the funds received at the Interim Closing Date will be distributed from escrow to the LLC and will be used to acquire the Property.

To allow the LLC to close on the Property, SKB is prepared to and will lend to the LLC, without interest, on the Interim Closing Date the difference, if any, between the amount raised by the Interim Closing Date and the Specified Maximum, or a total of up to \$1,000,000.

If the Specified Maximum is not reached by the Interim Closing Date, the LLC will continue to seek additional investor funds through July 6, 2002 (the "Termination Date"). If the Specified Maximum is not reached by the Termination Date, SKB will convert its loan to equity and purchase for its own account the balance of the offering amount that remains unsold. Any such purchases by SKB will be intended for investment purposes only.

The Interim Closing Date and the Termination Date may be extended by up to 60 days each at the election of SKB.

**Remaining Due Diligence:**

The Contractual Due Diligence period began March 28, 2002. Remaining due diligence includes securing a loan application, tenant estoppels, engineering reports, environmental review and auditing of leases and operating expenses.

**Critical Dates:**

<b>Releasing Contingencies</b>	<b>May 6, 2002</b>
<b>Wire Funds</b>	<b>May 29, 2002</b>
<b>Closing</b>	<b>June 6, 2002</b>

**Documentation:**

Prior to closing this transaction, definitive Legal Documentation will be completed based on this Information Memorandum, and any subsequently agreed to amendments or negotiations shall include, without limitation, representations and warranties, conditions, covenants, and indemnities which are customary to a transaction of the nature and size described herein.

**Disclaimer:** *This Information Memorandum is presented to accredited investors that have expressed an interest in investments in real estate partnerships. This Memorandum is neither an offer nor a solicitation and has been prepared for informational purposes only. Any offer will be made only by submitting a Subscription Agreement and the LLC's Operating Agreement to those accredited investors who request such documents for execution and who have determined that an investment in the LLC is suitable for their purposes. While the information contained herein is from sources deemed to be reliable, it has not been independently verified by Jefferson Securities, Inc. or ScanlanKemperBard Companies.*

**UPTOWN SHOPPING CENTER**

*Rent Roll (April 2002)*

Tenant	Suite	Square Feet	% of Property	Lease Term		Years on-site	Rent PSF/Year				Rent Steps		2001 Actual	
				Start	Expires		Actual	Monthly	Annual	Market	Date	Amount	Sales PSF	% Rent
In Stitches	25	1,580	2.2%	Jul-94	Jun-03	8	\$18.25	\$2,403	\$28,835	\$25.00	Jul-02	\$19.00	\$210	\$1,477
Wolf Camera	13	800	1.1%	Oct-01	Jul-03	14	\$35.99	\$2,399	\$28,792	\$37.00	Aug-02	\$37.43	\$678	
Wells Fargo Bank	20	1	0.0%	Nov-94	Nov-03	8	\$4,800.00	\$400	\$4,800	\$8,000.00			DNR*	
General Nutrition	12	1,132	1.6%	Aug-96	Dec-03	5	\$21.80	\$2,057	\$24,678	\$24.00	Jan-03	\$23.76	\$135	
Ben & Jerry's	19	897	1.2%	Jan-99	Dec-03	3	\$35.64	\$2,664	\$31,969	\$35.64	Jan-03	\$38.48	\$380	
<b>Total 2003 Expirations</b>		4,410	6.1%				\$27.00	\$9,923	\$119,074	\$30.89				
Joy's Uptown Style	26	961	1.3%	Apr-99	Mar-04	7	\$28.00	\$2,242	\$26,908	\$28.00	Apr-03	\$30.00	\$509	\$5,845
Elephant's Deli	15	6,466	9.0%	Oct-95	Apr-04	7	\$16.60	\$8,945	\$107,336	\$39.56	May-02	\$17.10	\$823	\$128,252
Foothill Broiler	18	2,030	2.8%	Apr-97	Apr-04	24	\$17.00	\$2,876	\$34,510	\$30.00	May-02	\$17.50	\$209	
Edward Jones	27	872	1.2%	Dec-99	Nov-04	2	\$19.63	\$1,426	\$17,117	\$22.00	Dec-03	\$20.82	DNR*	
Hasson Company	29	6,495	9.0%	Dec-99	Nov-04	9	\$19.47	\$10,538	\$126,458	\$22.00	Dec-02	\$20.25	DNR*	
<b>Total 2004 Expirations</b>		16,824	23.4%				\$18.56	\$26,027	\$312,329	\$30.06				
Phil's Uptown Meats	16	1,055	1.5%	Jan-90	Jan-05	12	\$32.45	\$2,853	\$34,235	\$32.45	Feb-03	\$33.75	\$741	\$6,886
Uptown Liquors	11	2,548	3.5%	Oct-00	Sep-05	52	\$18.54	\$3,937	\$47,240	\$22.00	Oct-02	\$19.10	\$2,452	\$5,961
Postal Annex Plus	24	1,340	1.9%	Nov-95	Oct-05	12	\$24.72	\$2,760	\$33,125	\$24.72	Nov-02	\$25.46	\$507	
<b>Total 2005 Expirations</b>		4,943	6.9%				\$23.18	\$9,550	\$114,600	\$24.97				
Faces Unlimited	23	2,962	4.1%	Jun-01	May-06	13	\$24.00	\$5,924	\$71,088	\$24.72	Jun-02	\$24.72	DNR*	
Washington Mutual	5	5,281	7.4%	Apr-96	May-06	6	\$22.50	\$9,902	\$118,823	\$25.00	Jun-02	\$25.00	DNR*	
Pharmaca Pharmacy	3	4,296	6.0%	Jun-01	Jun-06	1	\$24.00	\$8,592	\$103,104	\$24.00	Jun-02	\$24.70	\$475**	
Towne Papers	14	1,356	1.9%	Jul-99	Jun-06	21	\$21.93	\$2,478	\$29,737	\$30.00	Jul-02	\$22.81	\$398	\$10,853
Bee Tailors	1	988	1.4%	Sep-01	Aug-06	6	\$27.00	\$2,223	\$26,676	\$30.00	Sep-02	\$28.08	DNR*	
Este's	2	2,660	3.7%	Sep-01	Dec-06	21	\$24.50	\$5,431	\$65,170	\$28.00	Sep-02	\$25.24	\$186	
<b>Total 2006 Expirations</b>		17,543	24.4%				\$23.63	\$34,550	\$414,598	\$25.83				
Visual F/X Salon	22	2,238	3.1%	Oct-93	Jan-07	8	\$22.00	\$4,103	\$49,236	\$22.00	Feb-04	\$23.34	DNR*	
Storables Design	21	4,201	5.8%	Mar-89	Apr-07	13	\$23.80	\$8,332	\$99,984	\$24.51	May-02	\$24.51	\$314	
Uptown Hardware	17	6,125	8.5%	May-99	Apr-07	52	\$16.23	\$8,284	\$99,409	\$24.00	May-02	\$24.00	\$262	
<b>Total 2007 Expirations</b>		12,564	17.5%				\$19.79	\$20,719	\$248,629	\$23.81				
Uptown Eyecare	7	1,417	2.0%	Sep-89	Sep-08	15	\$18.00	\$2,126	\$25,506	\$18.00	Oct-02	\$18.72	DNR*	
<b>Total 2008 Expirations</b>		1,417	2.0%				\$18.00	\$2,126	\$25,506	\$18.00				
Zupan's Markets	4	14,138	19.7%	Jun-94	Jun-14	8	\$9.38	\$11,057	\$132,682	\$22.00	Jul-04	\$11.68	\$978	\$19,443
<b>Total 2014 Expirations</b>		14,138	19.7%				\$9.38	\$11,057	\$132,682	\$22.00				
<b>Total</b>		<b>71,839</b>	<b>100%</b>			<b>13.63</b>	<b>\$19.03</b>	<b>\$113,951</b>	<b>\$1,367,418</b>	<b>\$25.81</b>		<b>\$20.82</b>	<b>\$579</b>	<b>\$178,717</b>

\*DNR - Does not report sales

\*\*June-December 2001 sales annualized

### CASH FLOW SUMMARY

## Cash Flows

# UPTOWN CENTER

# CASH FLOW SUMMARY

## Financing Assumptions

Loan-to-Cost Ratio	67.21%
Loan Amount	\$14,500,000
Interest Rate	7.25%
Amortization	30

## Mark to Market Calculation:

Market Rent PSF/Year:	
- Weighted Average	\$22.59
Reimb. & Other Income	7.45
Vacancy	(1.07)
Effective Gross Income	\$28.97
Less: Expenses	(7.06)
Market NOI	\$21.91
Implied Cap. Rate	10.56%

## Sale Assumptions

Cap. Rate	8.75%
Sales Proceeds	\$25,336,743
Transactions Costs (1.20%)	(304,041)
Net Proceeds	\$25,032,702
Less Loan Balance	(13,684,923)
Less Equity	(7,075,000)
Less Unpaid Preferred Return	(249,881)
Total Project Profit	\$4,022,898
Exit Price PSF (Gross)	\$250.19

## Profit Splits up to 25%

Investor (75%)	\$3,017,174
SKB (25%)	\$1,005,725

## Profit Splits above a 25%

Investor (60%)	\$0
SKB (40%)	\$0

## Total Profits

Investor	\$3,017,174
SKB	\$1,005,725

	FYE 6/30:	2003	2004	2005	2006	2007
<b>NET CASH FLOW</b>		\$1,752,943	\$1,777,624	\$1,904,866	\$1,952,708	\$1,930,782
Annual Debt Service		(1,186,987)	(1,186,987)	(1,186,987)	(1,186,987)	(1,186,987)
Debt Service Coverage (based on NCF)		1.48	1.50	1.60	1.65	1.63
<b>LEVERAGED NET CASH FLOW</b>		565,956	590,637	717,879	765,721	743,795
Project Levered Cash Returns (9.57% Average)		8.00%	8.35%	10.15%	10.82%	10.51%
Project Return of Capital						7,075,000
Unpaid Preferred Return						249,881
Project Net Sales Proceeds						4,022,898

Project Cash Flow	(7,075,000)	565,956	590,637	717,879	765,721	12,091,575
Project IRR	17.79%					

Investor Preferred Return	707,500	707,500	707,500	707,500	707,500	707,500
Unpaid Preferred Return	(141,544)	(116,863)	10,379	58,221	36,295	
Additional Investor Cash Flow (1)	0	0	0	0	0	0
Total Investor Cash Flow	565,956	590,637	717,879	765,721	743,795	
Investor Levered Cash Returns (9.57% Average)	8.00%	8.35%	10.15%	10.82%	10.51%	
Investor Return of Capital						7,075,000
Unpaid Preferred Return						249,881
Investor Profit Participation Under a 25% IRR						3,017,174
Investor Profit Participation Above a 25% IRR						0

Total Investor Cash Flow	(7,075,000)	565,956	590,637	717,879	765,721	11,085,850
Investor IRR	16.05%					

SKB Placement Fee	350,000						<b>Cumulative</b>
SKB Asset Management Fee		70,750	70,750	70,750	70,750	70,750	<b>Total SKB</b>
SKB Profit Participation		0	0	0	0	1,005,725	<b>Cash Flow</b>
Total SKB Cash Flow	350,000	70,750	70,750	70,750	70,750	1,076,475	1,709,475

(1) - Additional Investor Cash Flow is split 75% to the Investor above a 10% Cash on Cash Return



## CASH FLOW SUMMARY

Equity Assumptions	
Equity Required at Closing	\$7,075,000
Equity Preferred Return	10.00%
Equity Preferred Return (\$)	\$707,500

Leasing Commissions	0	(15,618)	(16,249)	(9,756)	(67,057)
Draw on TI/LC Reserve	0	0	0	0	0
Net TI/LC	0	(21,110)	(24,649)	(15,162)	(99,067)
SKB Asset Management Fee (1.00% Equity)	(70,750)	(70,750)	(70,750)	(70,750)	(70,750)
Land Entitlement Reserve	0	(25,000)	(25,000)	0	0
Capital Reserves	0	(24,876)	(24,876)	(24,876)	(24,876)
<b>Total Non-Operating Expenses</b>	(70,750)	(141,736)	(145,275)	(110,788)	(194,693)

# **UPTOWN CENTER**

# **CASH FLOW SUMMARY**

## **Financing Assumptions**

Loan-to-Cost Ratio	67.21%
Loan Amount	\$14,500,000
Interest Rate	7.25%
Amortization	30

## **Mark to Market Calculation:**

Market Rent PSF/Year:	
- Weighted Average	\$22.59
Reimb. & Other Income	7.45
Vacancy	(1.07)
Effective Gross Income	\$28.97
Less: Expenses	(7.06)
Market NOI	\$21.91
Implied Cap. Rate	10.56%

## **Sale Assumptions**

Cap. Rate	8.75%
Sales Proceeds	\$25,336,743
Transactions Costs (1.20%)	(304,041)
Net Proceeds	\$25,032,702
Less Loan Balance	(12,709,868)
Less Equity	(7,075,000)
Less Unpaid Preferred Return	0
Less Unpaid Asset Mgmt Fee to SKB	(176,875)
Total Project Profit	\$5,070,959
Exit Price PSF (Gross)	\$250.19

<b>Profit Splits up to 25%</b>	\$5,070,959
Investor (75%)	\$3,803,219
SKB (25%)	\$1,267,740

<b>Profit Splits above a 25%</b>	\$0
Investor (60%)	\$0
SKB (40%)	\$0

<b>Total Profits</b>	\$5,070,959
Investor	\$3,803,219
SKB	\$1,267,740

	<b>FYE 6/30:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>NET CASH FLOW</b>		\$1,752,943	\$1,752,624	\$1,879,866	\$1,952,708	\$1,930,782
Annual Debt Service		(1,186,987)	(1,186,987)	(1,186,987)	(1,105,126)	(1,105,126)
Debt Service Coverage (based on NCF)		1.48	1.48	1.58	1.77	1.75
<b>LEVERAGED NET CASH FLOW</b>		565,956	565,637	692,879	847,582	825,656
Project Levered Cash Returns (11.16% Average)		8.00%	7.99%	9.79%	15.20%	14.81%
Project Return of Capital				1,500,000		7,075,000
Unpaid Preferred Return						0
Project Net Sales Proceeds						5,070,959

Project Cash Flow	(7,075,000)	565,956	565,637	2,192,879	847,582	12,971,615
Project IRR	22.65%					

Investor Preferred Return	707,500	707,500	707,500	557,500	557,500
Unpaid Preferred Return	(141,544)	(141,863)	(14,621)	290,082	112,345
Additional Investor Cash Flow (1)	0	0	0	0	116,859
Total Investor Cash Flow	565,956	565,637	692,879	847,582	786,704
Investor Levered Cash Returns (11.02% Average)	8.00%	7.99%	9.79%	15.20%	14.11%
Investor Return of Capital			1,500,000		7,075,000
Unpaid Preferred Return					0
Investor Profit Participation Under a 25% IRR					3,803,219
Investor Profit Participation Above a 25% IRR					0

Total Investor Cash Flow	(7,075,000)	565,956	565,637	2,192,879	847,582	11,664,922
Investor IRR	20.63%					

SKB Placement Fee	350,000						<b>Cumulative</b>
SKB Asset Management Fee		70,750	70,750	70,750	70,750	70,750	<b>Total SKB</b>
SKB Profit Participation		0	0	0	0	1,483,568	<b>Cash Flow</b>
Total SKB Cash Flow	350,000	70,750	70,750	70,750	70,750	1,554,318	2,187,318

(1) - Additional Investor Cash Flow is split 75% to the Investor above a 10% Cash on Cash Return

**Uptown Shopping Center**  
**Consolidated Proforma**  
**As of April 2002**

**ECONOMIC PROFORMA SUMMARY**

**RENTAL INCOME:**

Retail Space	72%	71,839	SF @	\$20.25 PSF/YR	\$1,454,488
Apartment Income	28%	28,217	SF @	\$14.37 PSF/YR	\$405,342
<b>GROSS RENTAL INCOME:</b>	100%	<b>100,056</b>	<b>SF @</b>	<b>\$18.59 PSF/YR</b>	<b>\$1,859,830</b>

**ADDITIONAL INCOME:**

Retail Space:					\$736,218
Apartments:					\$9,230
					<b>\$745,448</b>

<b>TOTAL GROSS INCOME:</b>		<b>100,056</b>	<b>SF @</b>	<b>\$26.04 PSF/YR</b>	<b>\$2,605,278</b>
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Less: Vacancy @ 3.0% on Retail (excluding Zupan's) / 5.0% on Apartments					<u>(75,375)</u>
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<b>EFFECTIVE GROSS INCOME:</b>					<b>\$2,529,903</b>
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**Less Expenses:**

Total Operating Expenses Retail	@	(\$7.08)	PSF/YR		\$508,899
Total Operating Expenses Apartments	@	(\$6.99)	PSF/YR		\$197,311

<b>Total Expenses:</b>					<b>\$706,210</b>
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<b>NET OPERATING INCOME:</b>					<b>\$1,823,693</b>
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Net Operating Income		Cap Rate		Estimated Value (Rounded)
\$1,823,693	@	8.78%		<b>\$20,760,000</b>

Estimated Value:	\$20,760,000	D.S.C. Ratio:	1.54	Annual Debt Service:	\$ 1,186,987
Cap Rate:	8.78%	Amortization:	30	Underwriting Rate	7.25%
Loan Amount:	\$14,500,000	Value psf:	\$207.48	Term:	5
Loan/Value:	69.85%	Loan psf:	\$144.92		

**Uptown Shopping Center - Retail Centers**  
**Stabilized Operating Proforma**  
**As of April 2002**

	SQ. FT. (GLA)	ANNUAL RATE (PSF)		MONTHLY RENT	ANNUAL RENT	\$/SF	PERCENT OF EGI
<b>Total Rental Income</b>	<b>71,839</b>	<b>\$20.25</b>		<b>\$121,207</b>	<b>\$1,454,488</b>	<b>\$20.25</b>	<b>68.1%</b>
<b>Historical Income</b>							
<i>Other Income</i>			<u><b>1999</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002 Budget</b></u>	<u><b>SKB's Estimate</b></u>
Real Estate Tax Reimbursement			140,149	145,472	130,538	164,787	\$164,787
CAM Reimbursement			212,116	314,447	260,113	373,665	\$373,665
Percentage Rent			128,763	158,103	215,460	187,560	\$187,560
Miscellaneous Income			<u>1,983</u>	<u>4,588</u>	<u>4,492</u>	<u>10,206</u>	<u>\$10,206</u>
<b>Total Other Income</b>			<b>\$483,011</b>	<b>\$622,610</b>	<b>\$610,603</b>	<b>\$736,218</b>	<b>\$736,218</b>
<b>Total Income</b>						<b>\$2,190,706</b>	<b>\$30.49</b>
<i>Vacancy</i>							
Vacancy (excluding Zupan's)		3.0% of total income					(\$54,646)
<b>Total Effective Gross Income</b>						<b>\$2,136,060</b>	<b>\$29.73</b>
<i>Reimbursable Expenses</i>			<u><b>1999</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002 Budget</b></u>	<u><b>SKB's Estimate</b></u>
Real Estate Taxes			\$141,220	\$150,014	\$150,742	\$164,789	\$164,789
<i>CAM Expenses:</i>							
Management Fee	2.5% EGI						\$53,314
Utilities			\$45,603	\$32,423	\$41,196	\$42,525	\$42,525
Repairs & Maintenance			\$106,698	\$115,690	\$133,686	\$188,189	\$188,189
Administrative			\$14,738	\$10,176	\$14,412	\$14,550	\$14,550
Insurance			\$19,091	\$20,229	\$23,016	\$45,532	\$45,532
<i>Total CAM Expenses:</i>							\$344,110
<b>Total Expenses</b>						<b>\$508,899</b>	<b>\$7.08</b>
<b>Net Operating Income</b>						<b>\$1,627,161</b>	<b>76.18%</b>
Net Operating Income		Cap Rate				Estimate Value Rounded	
<b>\$1,627,161</b>	@	<b>8.78%</b>				<b>\$18,520,000</b>	

**Uptown Apartments**  
**Stabilized Operating Proforma**  
**As of April 2002**

	NO.	LIVING AREA		MONTHLY RENT			ANNUAL RENT			% EGI
		SF/UNIT	TOTAL SF	\$/UNIT	\$/SF	TOTAL	TOTAL	\$/UNIT	\$/SF	
REVENUES										
<u>Apartment Rentals</u>				Actual Average						
1-BR	22			\$782						
2-BR	2			\$1,123						
STUDIO	21			\$613						
LG. STUDIO	<u>2</u>			<u>\$730</u>						
Subtotal Apartment Rentals	47	600	28,217	\$719	\$1.20	\$33,778	\$405,342	\$8,624	\$14.37	
<u>Additional Income</u>				<u>1999 Actual</u>	<u>2000 Actual</u>	<u>2001 Actual</u>	<u>SKB's Estimate</u>			
Other Income				\$20,311	\$19,161	\$17,803	<u>\$9,230</u>	<u>\$196</u>	<u>\$0.33</u>	
Subtotal Additional Income							\$9,230	\$196	\$0.33	
SCHEDULED GROSS INCOME							\$414,572	\$8,821	\$14.69	105.26
<u>Vacancy, Credit Loss, and Rent Concessions</u>										
Apartments	5.0%						(\$20,729)			(5.26)
EFFECTIVE GROSS INCOME							\$393,843	\$8,380	\$13.96	100.00
EXPENSES										
				<u>1999 Actual</u>	<u>2000 Actual</u>	<u>2001 Actual</u>	<u>SKB's Estimates</u>			
Real Estate Taxes				\$24,750	\$26,291	\$32,774	\$28,496	\$606	\$1.01	7.24
Management Fee	3.0%						\$11,815	\$251	\$0.42	3.00
Common Area Maintenance				\$147,976	\$150,038	\$139,686	\$157,000	\$3,340	\$5.56	39.86
TOTAL OPERATING EXPENSES							\$197,311	\$4,198	\$6.99	50.10
STABILIZED NET OPERATING INCOME							\$196,532	\$4,182	\$6.97	49.90
Net Operating Income Cap Rate Estimated Value										
Rounded										
\$196,532	@	8.78%		\$2,240,000						

## UPTOWN SHOPPING CENTER

### Tenant Income Rollover

TENANTS	SQ. FT.	ANNUAL RATE	LEASE EXP	ANNUAL RENT	2002	2003	2004	2005	2006	2007	2008	2009-2013	2014
IN STICHES	1,580	\$18.25	6/30/2003	\$28,835		\$28,835							
WOLF CAMERA	800	\$35.99	7/31/2003	\$28,792		\$28,792							
WELLS FARGO BANK	1	\$4,800.00	11/30/2003	\$4,800		\$4,800							
GENERAL NUTRITION	1,132	\$21.80	12/31/2003	\$24,678		\$24,678							
BEN & JERRY'S	897	\$35.64	12/31/2003	\$31,969		\$31,969							
JOY'S UPTOWN STYLE	961	\$28.00	3/31/2004	\$26,908			\$26,908						
ELEPHANT'S DELI	6,466	\$16.60	4/30/2004	\$107,336			\$107,336						
FOOTHILL BROILER	2,030	\$17.00	4/30/2004	\$34,510			\$34,510						
EDWARD JONES	872	\$19.63	11/30/2004	\$17,117			\$17,117						
HASSON COMPANY	6,495	\$19.47	11/30/2004	\$126,458			\$126,458						
PHIL'S UPTOWN MEATS	1,055	\$32.45	1/31/2005	\$34,235				\$34,235					
UPTOWN LIQUORS	2,548	\$18.54	9/30/2005	\$47,240				\$47,240					
POSTAL ANNEX PLUS	1,340	\$24.72	10/31/2005	\$33,125				\$33,125					
FACES UNLIMITED	2,962	\$24.00	5/31/2006	\$71,088					\$71,088				
WASHINGTON MUTUAL	5,281	\$22.50	5/31/2006	\$118,823					\$118,823				
PHARMACA PHARMACY	4,296	\$24.00	6/30/2006	\$103,104					\$103,104				
TOWNE PAPERS	1,356	\$21.93	8/31/2006	\$29,737					\$29,737				
BEE TAILORS	988	\$27.00	12/31/2006	\$26,676					\$26,676				
ESTE'S	2,660	\$24.50	1/31/2007	\$65,170						\$65,170			
VISUAL F/X SALON	2,238	\$22.00	4/30/2007	\$49,236						\$49,236			
STORABLES DESIGN	4,201	\$23.80	4/30/2007	\$99,984						\$99,984			
UPTOWN HARDWARE	6,125	\$16.23	9/30/2008	\$99,409							\$99,409		
UPTOWN EYECARE	1,417	\$18.00	9/30/2008	\$25,506							\$25,506		
ZUPAN'S MARKET'S	14,138	\$9.38	6/30/2014	\$132,682									\$132,682
<b>Total Office Income</b>	<b>71,839</b>	<b>\$19.03</b>		<b>\$1,367,418</b>									
Rollover Income					<b>\$0</b>	<b>\$119,074</b>	<b>\$312,329</b>	<b>\$114,600</b>	<b>\$349,428</b>	<b>\$214,390</b>	<b>\$124,915</b>	<b>\$0</b>	<b>\$132,682</b>
Rollover % Income					<b>0.0%</b>	<b>8.7%</b>	<b>22.8%</b>	<b>8.4%</b>	<b>25.6%</b>	<b>15.7%</b>	<b>9.1%</b>	<b>0.0%</b>	<b>9.7%</b>

## UPTOWN SHOPPING CENTER

### Tenant Space Rollover

TENANTS	ANNUAL RENT	ANNUAL RATE (PSF)	LEASE EXP	SQUARE FEET	2002	2003	2004	2005	2006	2007	2008	2009-2013	2014
IN STICHES	\$28,835	\$18.25	6/30/2003	1,580		1,580							
WOLF CAMERA	\$28,792	\$35.99	7/31/2003	800		800							
WELLS FARGO BANK	\$4,800	\$4,800.00	11/30/2003	1		1							
GENERAL NUTRITION	\$24,678	\$21.80	12/31/2003	1,132		1,132							
BEN & JERRY'S	\$31,969	\$35.64	12/31/2003	897		897							
JOY'S UPTOWN STYLE	\$26,908	\$28.00	3/31/2004	961			961						
ELEPHANT'S DELI	\$107,336	\$16.60	4/30/2004	6,466			6,466						
FOOTHILL BROILER	\$34,510	\$17.00	4/30/2004	2,030			2,030						
EDWARD JONES	\$17,117	\$19.63	11/30/2004	872			872						
HASSON COMPANY	\$126,458	\$19.47	11/30/2004	6,495			6,495						
PHIL'S UPTOWN MEATS	\$34,235	\$32.45	1/31/2005	1,055				1,055					
UPTOWN LIQUORS	\$47,240	\$18.54	9/30/2005	2,548				2,548					
POSTAL ANNEX PLUS	\$33,125	\$24.72	10/31/2005	1,340				1,340					
FACES UNLIMITED	\$71,088	\$24.00	5/31/2006	2,962					2,962				
WASHINGTON MUTUAL	\$118,823	\$22.50	5/31/2006	5,281					5,281				
PHARMACA PHARMACY	\$103,104	\$24.00	6/30/2006	4,296					4,296				
TOWNE PAPERS	\$29,737	\$21.93	8/31/2006	1,356					1,356				
BEE TAILORS	\$26,676	\$27.00	12/31/2006	988					988				
ESTE'S	\$65,170	\$24.50	1/31/2007	2,660						2,660			
VISUAL F/X SALON	\$49,236	\$22.00	4/30/2007	2,238						2,238			
STORABLES DESIGN	\$99,984	\$23.80	4/30/2007	4,201						4,201			
UPTOWN HARDWARE	\$99,409	\$16.23	9/30/2008	6,125							6,125		
UPTOWN EYECARE	\$25,506	\$18.00	9/30/2008	1,417							1,417		
ZUPAN'S MARKET'S	\$132,682	\$9.38	6/30/2014	14,138									14,138
<b>Total Retail Income</b>	<b>\$1,367,418</b>	<b>\$19.03</b>		<b>71,839</b>									
Rollover Square Footage					-	4,410	16,824	4,943	14,883	9,099	7,542	-	14,138
Rollover % Square Footage					0.0%	6.1%	23.4%	6.9%	20.7%	12.7%	10.5%	0.0%	19.7%

**RISK FACTORS :** *SKB will form a limited liability company ("LLC") for the purpose of acquiring, owning and operating the subject real property (the "Project" or the "Property"). The Membership Interests of the LLC offered pursuant to the Information Memorandum involve a high degree of risk. Before purchasing the Membership Interests, investors should carefully consider the following risk factors and all other typical risks of a real estate investment and an investment in a private placement offering, as well as all other information provided in the Offering Documents or otherwise made available to investors. Only investors with substantial financial means who can afford to risk their entire investment should consider purchasing Membership Interests.*

**Uncertainties Relating to the Financial Analysis:** The projected returns and cash flow summaries contained in the Memorandum ("Financial Analysis") are a compilation of information that includes projections of possible future events. The Financial Analysis is necessarily based upon a variety of assumptions concerning many economic variables that will affect the Project. The assumptions and the projections that have been made involve factors over which the LLC will have little or no control, including, without limitation:

- a. The status of the broader economy and the availability of mortgage financing, both of which have had, at various times, particularly adverse effects on the real estate industry as a whole;
- b. Vacancy levels and rates of occupancy of the Project, which may be adversely affected by various factors, including, without limitation (1) changes in characteristics of the area in which the Project is located; (2) anticipated and unanticipated construction of other competing facilities in the area; (3) tenant bankruptcies; and (4) other general local conditions;
- c. Rent levels, anticipated operating expenses and escalations of the same; and
- d. Costs to acquire new tenants.

Based on all available information and inquiries that SKB has made, SKB believes that, given the necessity of making assumptions for the purpose of illustration, the assumptions made are reasonable. However, it is extremely unlikely that all of the assumptions made will, in fact, prove to be accurate estimates of the actual conditions. An investment in the LLC necessarily involves a substantial risk that the actual economic conditions experienced by the LLC resulting from its ownership of the Property will be materially less favorable than those assumed in the Financial Analysis. The Financial Analysis is included for the limited purpose of assisting investors in analyzing the potential risks and benefits of an investment in the LLC. **THE MATERIAL INCLUDED IN THE FINANCIAL ANALYSIS SHOULD NOT BE CONSTRUED AS A REPRESENTATION, PREDICTION OR ASSURANCE THAT THE LLC WILL ACHIEVE ANY PARTICULAR RESULTS OR THAT AN INVESTOR WILL RECEIVE ANY PARTICULAR BENEFITS.**

**"AS IS" Purchase:** The Property will be purchased "AS IS, WHERE IS" with all faults and defects. Accordingly, the LLC will have little or no recourse against the seller if any defects or adverse conditions are discovered after closing.

**Offering Price:** The purchase price of the Membership Interests does not establish the value of the Membership Interests, and no assurance is or can be given that any Membership Interest, if transferable, could be sold for the price paid or for any particular amount.

**Fairness; Limitations of Securities Laws:** No federal or state agency has made a finding as to the fairness of an investment in the LLC pursuant to the Information Memorandum. Neither the LLC nor the Operating Manager is under any obligation to redeem or purchase the Membership Interests. Because the Membership Interests have not been registered under the Securities Act of 1933 or applicable state securities "Blue Sky" laws, the sale, resale or other transfer of the Membership Interests is restricted by applicable provisions of such laws. Each investor will be required to represent that the investor is an accredited investor and is purchasing the Membership Interests for investment purposes only and without an intention to distribute the Membership Interests; the LLC will rely on these representations for the securities law exemption under which the Membership Interests will be sold.



**Limited Transferability of the Membership Interests:** No market for the Membership Interests exists or will develop. The transfer of Membership Interests is restricted by the LLC's Operating Agreement, and except in limited circumstances Membership Interests may not be sold, assigned or transferred without the prior consent of a majority of the Members. Furthermore, the Operating Manager may prohibit a transfer unless the prospective transferor provides a written legal opinion or other assurances, prepared at the expense of the prospective transferor and satisfactory to the Operating Manager, to the effect that the transfer has been properly registered under all applicable federal and state securities laws or that an exemption from such registration is available. Among other requirements, the Operating Manager may require a prospective transferor to demonstrate that the prospective transferor did not purchase his or her Membership Interests with a view to distribute such Membership Interest and that the investor would not otherwise be considered an underwriter. Other restrictions may apply. **INVESTORS WHO DO NOT WISH, OR WHO ARE NOT FINANCIALLY ABLE, TO REMAIN AS MEMBERS FOR A SUBSTANTIAL PERIOD OF TIME ARE ADVISED AGAINST INVESTING IN THE LLC.**

**Uncertain Ability to Meet Capital Needs:** In the future, the LLC may require funds in excess of those obtained through the Offering. Currently, the LLC has no additional sources of funding. There can be no assurance that additional capital or financing will be available when needed, or if available, will be available on acceptable terms. Insufficient funds may significantly hamper the LLC's ability to protect its investment.

**Additional Capital; Dilution:** The Membership Interests are not assessable. The Operating Manager has no obligation to make loans to the LLC to cover cash shortfalls, and in any case has limited financial resources. The LLC may submit a capital call to its Members. If at least 66% of the Membership Interests in the aggregate are voted in favor of participating in a capital call, those Members who vote in favor of such capital call must participate. Members not voting in favor of the capital call will not be obligated to make additional capital contributions. However, the percentage Membership Interest of each Member not participating in such capital call will be reduced so that each Member's percentage Membership Interest following all capital contributions will be the ratio of that Member's total capital contributions to all Members' capital contributions. The foregoing procedure is not the exclusive method for raising new capital. For example, Members could approve the issuance of preferred Membership Interests or of other Membership Interests, the financial terms of which could have a dilutive effect on the pre-existing Membership Interests.

**Risk of Members' Capital:** Although a Member's financial risk is generally limited to his or her or its invested capital, a Member may be required to return distributions made by the LLC if the LLC's liabilities exceed the fair value of its assets at the time the distribution is made. In addition, the Operating Manager will be paid a management fee and reimbursed for expenses prior to any return of the Members' capital. Upon liquidation of the LLC, the proceeds realized from disposition of assets will not be available for distribution to the Members until all amounts owed to creditors have been paid. Accordingly, there is no assurance that the Members will recover all or any portion of their investment.

**Reliance and Dependence on Management and Key Personnel:** The LLC will depend upon the management and key personnel of SKB or its affiliates. All decisions with respect to the LLC's investment in the Project and the management of the LLC will be made exclusively by the Operating Manager. The success of the LLC could depend on the quality of the management provided by the Operating Manager. While the Operating Manager may be removed by the decision of the Members, no investor should purchase any of the Membership Interests unless he or she or it is willing to entrust to the Operating Manager all aspects of the management and administration of the LLC and the investment in the Project and has evaluated the Operating Manager's capabilities to perform such functions.

**Conflicts of Interest:** SKB has deposited into escrow non-refundable earnest money for purchase of the Property and has advanced other funds to evaluate and acquire the Property. SKB will be paid an acquisition fee at closing, and Jefferson Securities will be paid a placement fee. SKB also will have a profits interest in the LLC, entitling it to share in profits after the Members' capital is returned together with a preferred return thereon, as described more fully in the Information Memorandum and the LLC's Operating Agreement. In addition, SKB's affiliate will be the Operating Manager and will be paid a monthly management fee. These factors could affect SKB's objectivity.

**Risk of Leverage:** The Project will be debt leveraged in that the LLC will borrow from a commercial lender 70% to 80% of the purchase price to acquire the Property. No assurance can be given that future cash flow of the LLC will be sufficient to make the debt service payments on the borrowed funds and to cover all operating expenses. If the LLC is unable to sell the Project or find a loan to retire its indebtedness prior to maturity and defaults on its payment obligations under the loan, the Property may be foreclosed. A foreclosure by the lender would likely result in the complete loss by the LLC of its investment in the Project.

**Financing Risks:** Commercial real estate financing typically includes: (1) a fixed maturity date, such as five (5) or ten (10) years, which would require a substantial balloon payment to repay the entire remaining principal balance of the loan; (2) prepayment penalties if the loan is paid prior to a specified maturity date; (3) late fees for late payments (typically 5% of the amount due), including late payment of the loan balance at maturity; and (4) restrictions on sale or further encumbrancing of the property. SKB anticipates that the financing for the Project will contain these terms.

**Income/Operating Risks:** The success of the Project will directly depend upon the successful operation of the Project at or near projected rentals and occupancy levels. Achieving and maintaining these levels will depend upon the management skills of SKB and the property manager that SKB selects to manage the Project after its acquisition. However, achieving and maintaining the projected rentals and occupancy levels will also depend upon factors beyond SKB's or the property manager's control, such as increased competition for tenants, changes in the local economy, the financial responsibility of the tenants of the Project, and competition from other commercial facilities. The success of the Project's operations may be jeopardized by unfavorable trends in the economy, changes in interest rates, unfavorable changes in real estate taxes, increased levels of construction activity, decreased demand for commercial facilities, unanticipated increases in operating expenses, increased government regulations and the lack of available opportunities for disposition or refinancing of real estate investments. The Project may experience operating and maintenance costs in excess of anticipated levels or be faced with the need for unforeseen repairs. In particular, latent physical defects and retroactive changes to building codes could lead to significant unexpected expenses. The Project might also experience unexpected increases in property taxes, insurance or other operating costs without being able to obtain corresponding increases in revenues. Moreover, operating costs do not necessarily decrease with decreased revenues from operations.

**Competition:** The real estate business is highly competitive. SKB believes the principal competitive factors are the location of the Project, the current rental rates under existing leases, and the condition and quality of the Project. There are other commercial and residential facilities available for commercial tenants in the same locale. SKB believes that the Project will be able to favorably compete for tenants and purchasers. However, there can be no assurance that the LLC will be able to successfully market its facilities to prospective commercial tenants or real estate purchasers when disposition of the Project is desired.

**Possible Delays in Sale or Refinancing of the Property:** The same factors that affect operations, and others, may also adversely affect the LLC's ability to refinance or sell all or portions of the Project in the time frame assumed in the Financial Analysis.

**Casualty Losses; Insufficient Insurance Proceeds:** While the LLC will carry comprehensive insurance on the Project, including liability and extended hazard coverage insurance, there are certain risks which may be uninsurable or not insurable on terms which the Operating Manager believes are economical. Such risks may include, but are not limited to, earthquakes and floods. Should a fire or other hazard occur, the lender may require the LLC to use any proceeds obtained upon such an occurrence to repay the loan rather than permitting the restoration of the Project. It is also possible that liability limits could be exhausted or that any hazard insurance proceeds obtained by the LLC following a fire or other hazard would be insufficient to completely restore the Project. The investment in the Project would be jeopardized in these situations. Even if insurance proceeds are sufficient to restore the Property and restoration is permitted by the lender, the occurrence of a casualty could impede the LLC's ability to execute effectively on its business plan.

**Environmental Risks:** An environmental assessment of the Project and the Property will be conducted, and there are no known environmental problems with the Property. Nevertheless, there is no assurance that hazardous substances or wastes will not be discovered on the Property in the future. If any hazardous substances or wastes are discovered, the LLC may be required to remove the substances and clean up the Property. There can be no assurance that the LLC would not be fully liable for the entire cost of any such removal and cleanup, or that the cost of such removal and cleanup would not exceed the LLC's investment in the Property. In addition, the LLC could incur liability to tenants and other users of the Property, or users of the neighboring property, including liability for consequential damages. The LLC would also be exposed to the risk of lost revenues during any cleanup. Although, under normal circumstances the Members would not incur any personal liability for these matters, their investment in the LLC could be at risk.

**Sponsor Purchases/Minimum-Maximum Offering:** Membership Interests may be purchased by SKB, its affiliates, or by other persons who will receive fees or other compensation upon the success of this offering. Such purchases will be counted in determining whether the required minimum level of purchases has been met. Investors therefore should not assume that the sale of Membership Interests to reach the Specified Minimum, or in excess of that minimum, indicates that such sales have been made to investors who have no financial or other interest in the offering, or who otherwise are exercising independent investment discretion. The sale of the Specified Minimum, while necessary to the business operations of the LLC, is not designed as a protection to investors to indicate that their investment decision is shared by other unaffiliated investors. No individual investor should place any reliance on the sale of the Specified Minimum as an indication of the merits of this offering. Each investor must make his own investment decision as to the merits of this offering.

**Tax Risks:** The LLC will be taxed as a partnership and all tax attributes will flow through to and be reportable by the Members. Accordingly, the Members will be required to report their respective shares of the LLC's taxable income, gains and losses. All income, gains and losses will be subject to applicable provisions of federal and state income taxation. Changes in state or federal income tax laws could affect the tax consequences of an investment in the Membership Interests.

**Passive Losses:** Losses allocated to a Member in excess of the \$25,000 deduction equivalent amount (if any), will generally be considered passive losses, and may not be used by Members who are subject to the passive loss rules to offset "non-passive income" or "portfolio income" such as salary, dividends and interest income or the tax liability resulting therefrom, subject to certain limited exceptions. Members without sufficient tax liability arising from passive income against which to apply the LLC's passive losses credits would be unable to utilize such losses until such time as income is generated by the LLC.

**Tax Liability in Excess of Cash:** It is possible, although unlikely, that Members eventually will be allocated taxable income and gain from the LLC such that the resulting tax liability will exceed the cash, if any, distributed to them by the LLC. While the LLC anticipates making cash distributions sufficient in an amount to cover any tax liabilities incurred by the Members as a result of their investment in the LLC, there can be no assurance that the LLC will make such distributions or that sufficient distributable cash will in fact be available. If and when tax liabilities exceed cash distributions, payment of state and federal income taxes will be an out-of-pocket liability to the Members.