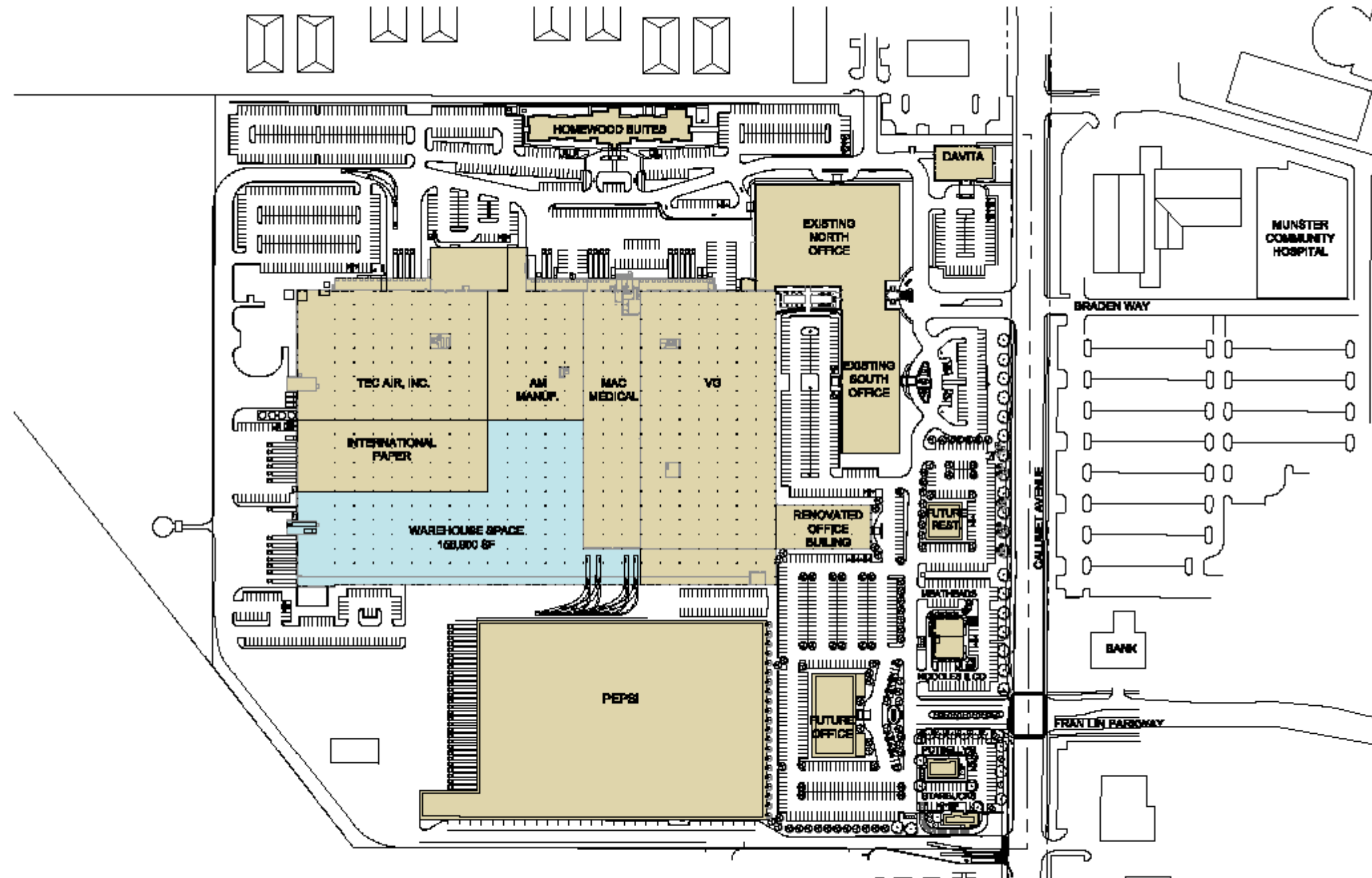


Part of LBC

Affiliated  
with LBC

Not Part of  
LBC





## INTRODUCTION

We purchased The Lake Business Center in February, 2006. At the time of our purchase, the LBC consisted of two industrial buildings, the North Warehouse (approximately 648,000 rentable square feet) and the South Warehouse (approximately 475,000 rentable square feet), and two attached office buildings, the North Office (containing approximately 71,000 rentable square feet) and the South Office (containing approximately 34,000 rentable square feet).

The LBC is approximately 61 acres in size and is located 1 mile from the full Interchange of I-80/94. The Property features 1500 feet of frontage on Calumet Avenue, the main thoroughfare in Munster and a street on which many improvements have or are being constructed.

This area will also be the site of the new South Shore train station as plans move forward to extend the commuter train service from Hammond, approximately 3.5 miles to the North.

Our intention was to level the entire complex and build a Lifestyle Center. We spent hundreds of thousands of dollars in architectural and other fees pursuing this project, but pulled the plug on it in the Fall of 2007 due primarily to a competing project nearby and the general economic environment.

### Operation of the LBC as a Business Park

Our plan for the Lake Business Center is based on looking at the Property not just as a whole but as consisting of 5 components: 1) the South Warehouse, converted to a 252,000 SF building with Pepsi leasing same until at least 2023 (“RSW”); 2) the 13 acres of frontage on Calumet Avenue to be developed for retail and office uses (the “Frontage”)(made available by moving Pepsi); 3) the 100,000 SF North Office Building; 4) the 650,000 SF North Warehouse Building; and the 5) the 11 acres of land in the rear of the Property.

While the LBC is located in the most prosperous community in Northwest Indiana and near the Illinois border and major highways, the LBC was “tired” in appearance. After we and the Town of Munster participated in several “beauty contests” to attract the type of retail, office and corporate users that we and the Town wish to locate at the Lake Business Center, it became abundantly clear that to attract these types of users, certain improvements (the “Base Improvements”) needed to be performed at the Lake Business Center.

In a nutshell, our Project received \$16,100,000 in TIF Proceeds from the Town to: 1) perform “Base Improvements” to the Lake Business Center; 2) construct an extended stay hotel; and 3) pay down a portion of our debt on the Property. Over \$9 million of the Bond Proceeds was used to perform “Base Improvements” at the Lake Business Center, such as the demolition of a portion of the South Warehouse, the partial redevelopment of the South Office Building - replacing the façade and interior cosmetic improvements, and constructing parking fields and interior roadways.

The sole purpose of the Base Improvements was to bring the Lake Business Center to a condition that will be attractive to prospective business owners. The Base Improvements are designed so as to be suitable for any potential use of the spaces at the LBC. The cost of the improvements to finish the space – to make them suitable for specific users - the “Tenant Improvements”.

The primary Base Improvements were as follows:

- Demolition of the eastern portion of the South Warehouse that now borders the Pepsi Space which will remove up to 200,000 square feet of building and former office space. Once the demolition is completed, the area will be redeveloped.
- Renovation of the existing South Warehouse.
- Fully renovate the South Office Building and upgrade the North Office Building. This includes replacing the building facades, parking fields, new bathrooms and providing ADA access and numerous porte cocheres.
- Installation of new water mains and hydrants.

- Upgrade the entire heating/ventilation/air conditioning system servicing the entire Lake Business Center. Currently an inadequate boiler system is used. High-efficiency gas-fired air exchange systems will be installed. The new mechanical system will cut heating and cooling costs by 60 percent.
- Construction of new internal roads and parking fields.
- Installation of new signage.
- Installation of new landscaping on sections of the Property.

### **The Lake Business Center:**

- features over 900,000 SF of Industrial Space that offers flexible floor plans, massive power and ample docks;
- features 100,000 SF of Class A Office Space that is unlike any other building in the area in that it is single-story, meets all Life Safety Requirements for medical uses and features 6 separate access points;
- is located 1 mile from the full Interchange of I-80/94, the first entry point from the Illinois border. Given Illinois' financial problems and Indiana's low tax rates and pro-business laws and regulations, Indiana will continue to be attractive for businesses seeking to locate within a 20-30 minute drive of Chicago;
- is the closest Business Park of any size in Indiana to both O'Hare & Midway Airports, is a short drive to Gary Airport and is down the street from a private airfield that can accommodate private jets and helicopters;
- is located in the center of Munster, the most prosperous community in Northwest Indiana;
- is located across the street from Community Hospital, the primary hospital facility of the Community Healthcare System, the top hospital system in the region. Also, the LBC is located between 2 hospitals of the Franciscan Health Care System;
- is located next to Pepsi's bottling & distribution facility, an operation which supplies various products, including canned soda and restaurant syrup cartons, to Ohio, Wisconsin, Indiana, Illinois, South Dakota and North Dakota;
- offers 2 hotels for businesses to utilize;
- is well served by numerous routes and public transportation;
- is located near a substantial skilled labor force from which employers can draw - the LBC is at least 20 minutes closer to the South Suburbs of Chicago than any other Indiana business park;
- is within 15 miles of 9 technical colleges and a half hour drive from the campuses of the University of Chicago, University of Illinois-Chicago and Purdue University-Calumet. University of Notre Dame is an hour's drive; and
- is located between the future 2 Munster Stations of the South Shore Commuter Train Service, which will connect Munster to Downtown Chicago by rail. The closest stop now is in Hammond, 3.5 miles away.

INVESTMENT HIGHLIGHTS

Industrial Buildings

- **Pepsi:** 252K SF | 24.4% of Warehouse  
Pepsi S&P: A The South Warehouse is located immediately adjacent to Pepsi’s Munster bottling plant (separately owned by Pepsi and not part of the Loan collateral). This facility is owned by Pepsi and generates 40 million Pepsi cases per annum and has been in Munster since 1968. Pepsi’s facility at the LBC is used for storage and distribution as Pepsi has no room in its own facility for such critical operations.
- **International Paper:** 56.8K SF | 6.3% of Warehouse
- IP S&P: BBB
- IP invested \$1.3MM in space
- Other Industrial Tenants have spent millions of their own money to build out their spaces and install equipment
- Located in a strategic, high-visibility location off of Interstate 94 at Calumet Avenue, the first entry point from the Illinois border
- Flexible floor plan with heavy power and ample loading
- Occupancy by a diverse group of tenants with a staggered rent roll
- The LBC offers the closest proximity of any possible site in Indiana to Chicago’s two International Airports, O’Hare and Midway. In addition, the LBC is only 7 miles away from the fast-growing Gary/Chicago International Airport
- The Lansing Airport is only 2 miles away from the LBC and provides air taxi services and supports jets, other aircraft and helicopters
- Upside in leasing the balance of the vacant space
- Indiana drivers:
  - Low cost labor
  - Low cost real estate taxes and utilities
  - Right-to-Work state
  - Pro-business government

PEPSI

Pepsi is the sole Tenant in the 252,000 SF South Warehouse. Pepsi has been operating in Munster, Indiana since 1968 and owns and operates its approximately 200,000 SF office and bottling plant across an interior road from the subject Property. Pepsi-Cola General Bottlers, Inc. is the owner of this facility which was built in 1968.

The Pepsi operation supplies various products, including canned soda and restaurant syrup cartons, to Ohio, Wisconsin, Indiana, Illinois, South Dakota and North Dakota. This bottling plant produces more than 40 million cases of soft drinks annually. The entire Pepsi operation in Munster employs more than 350 people in the bottling facility and in its sales office.

The South Warehouse is: 600’ L x 420 W, 20’ clear and was built in 1957.

PEPSI LEASE BASICS

Rentable Square Feet:	252,000
Lease Type:	NN
Lease Term:	20 Years
Lease Commencement Date:	5/1/2003
Lease Expiration Date:	10/31/2023
Term Remaining on Lease:	4.5 Years
Renewal Options:	2 Five-Year Options



REAR OF THE SOUTH WAREHOUSE





VIEW OF INTERIOR OF SOUTH WAREHOUSE



Partial North elevation of the North Warehouse



Partial North elevation of the North Warehouse





Partial West elevation of the North Warehouse



Partial West elevation of the North Warehouse



## Office Building

- 85,886 Square Foot, Single-Story Office Building | 84 Percent Occupied
- Anchoring Tenants: Community Hospital (Community Foundation of Northwest Indiana) & Midwest Orthopaedics at Rush (Rush University Medical Center Obligated Group)
- CFNI Reported \$28.6 Million in Operating Income and \$1.1 Billion in Assets for 2014
- Midwest Orthopaedics at Rush is Recognized as the Regional Leader in Comprehensive Orthopedic Services | Part of the Rush University Medical Center Obligated Group (Moody's: A1)
- 8,500 Square-Foot, Single-Tenant Medical Office Building | Fully Occupied by DaVita Dialysis
- DaVita is the Leading Provider of Kidney Care in the United States | Controls 27 Percent of the Total National Dialysis Market
- Triple-Net (NNN) Lease with 10 Years of Base Term Remaining | Two, Five Year Options to Renew
- Demographics trends Indicate an Increasing Demand for Dialysis Services
- Located Adjacent to the 449-Bed Munster Community Hospital | Member of the Community Healthcare System
- Part of the Lake Business Center | \$60 Million, 62-Acre Commercial Renovation Project
- Five-Mile Population Approximately 220,000 | Average One-Mile Household Income Exceeds \$94,000
- Within 15 miles of 9 technical colleges and a half hour drive from the campuses of the University of Chicago, University of Illinois-Chicago and Purdue University-Calumet
- 10-20 foot high ceilings, 8-foot wide hallways, 360 degree windows, and perimeter hallways





## DAVITA DIALYSIS



- **Location Proximity to Medical Centers** – Across the street from Community Hospital of Munster and within 1 mile of both locations for Franciscan Hospital. The Lake Business Center also has numerous medical tenants including 2 surgical centers.
- **Location in Center of Munster on Primary Road with abundant Surface Parking** – Located on Calumet Avenue, the main thoroughfare in Munster and is located 1.5 miles from the full Interchange of I-80/94.
- **Build-To-Suit Construction** - Large Tenant Investment and specialization of facility for the ability to provide dialysis services.
- **NNN Lease & Attractive Rental Increases** - NNN, 15 year base lease with 3% annual rental during the base term and option periods.
- **Relocation of Existing Location to Larger Facility with more Dialysis Stations** – Subject property built to replace smaller, 20+ year old existing facility approximately 0.25 miles to the North.
- **Strong Demographics** - Average household income in excess of \$75,000 within 3 miles.

## OFFICE BUILDING



**Community Hospital (Community Foundation of Northwest Indiana is its operating entity)** has three separate operations in 2 spaces in the Office Building. CFNI Reported \$81.95 Million in Operating Income and over \$1.5 Billion in Assets for 2018.

**Midwest Orthopaedics at Rush (Rush University Medical Center Obligated Group)** is Recognized as the Regional Leader in Comprehensive Orthopedic Services and occupies over 17,000 SF of space.



**SEH of Indiana, LLC**, is a team of planners, designers, architects and engineers with the expertise to help you craft tomorrow's waterfront, neighborhood, municipal or industrial project. In addition, SEH of Indiana works closely with clients to identify and secure the funding necessary to bring projects to fruition. For more information, see <http://www.sehinc.com/about/subsidiaries>

**Northwest Indiana Neurological Associates** are dedicated to serving the adult and pediatric neurological needs of Munster, Indiana and the surrounding communities. We provide state-of-the-art diagnosis and treatment using the latest neurological innovations.

For more information, see <http://www.nwineuro.org/>

**Munster Specialty Surgery Center LLC & Great Lakes Surgical LLC** were established by the SurgCenter Development Team and local hospital and clinical personnel to offer safe, high-quality out-patient surgical care.

For more information, see <http://www.surgcenter.com/>

**Surgery Center of Munster, LLC.** Blue Chip Surgery Centers, the principals behind this Tenant, develop, manage and optimize ambulatory surgery center businesses. By taking care of financial, payor, legal and operational matters, Blue Chip Surgical enables its surgeon-partners to focus on delivering quality care in comfortable, convenient and patient-friendly environments they control.

For more information, see <http://bluechipsurgical.com/>



View from North Interior Road (West of DaVita)

## *QUICK FACT SHEET FOR MUNSTER, INDIANA*

### **SCHOOL SYSTEM**

The School Town of Munster is the Town's public school system. There are 3 elementary schools, 1 middle school, and 1 high school. There is also an early childhood educational center. All five schools in the system are recognized as Indiana Blue Ribbon schools and have been awarded five star ratings. Munster High School is one of several schools from Indiana on Newsweek's Top High Schools List. In addition, there are 2 parochial elementary schools – St. Paul's Lutheran School & St. Thomas More School.



### **HOUSING**

Munster's Housing Market is vibrant and offers single-family homes such as affordable Cape Cod-style homes in the heart of Munster's Independence Park neighborhood to large newly-constructed Estates.



### **PARKS & RECREATION**

Centennial Park, opened in 2007, incorporates several environmentally friendly design elements conformant to the [LEED](#) Silver Guidelines. The 205 acre Centennial Park is a hallmark project constructed in honor of the Town's centennial celebration. Centennial Park features many public amenities including a nine-hole golf course, an amphitheater, a clubhouse, restaurant and botanic gardens. The Town has over 400 acres of developed park land.



The Pavillion in Centennial Park - Munster, Indiana

### **PEOPLE**



There are 24,000 people, 9,015 households, and 6,540 families residing in Munster. As of 2010, the median income for a household in the town was \$69,633 while the mean income for a household in the town was \$89,232. The median income for a family was \$94,643, and the mean income for a family is the highest in Lake County at \$111,144.

**BUSINESS**

Munster is home to a number of local, regional and national companies and extensive community resources. Among them are The Community Hospital, The Centre for Visual and Performing Arts, The Times of Northwest Indiana newspaper, a PepsiCo bottling and distribution facility, and a Whole Foods Market distribution Center and the World-Famous Three Floyds Brewery.



HealthGrades has placed The Community Hospital in Munster on its list of America's 50 Best Hospitals for five consecutive years – the only Indiana Hospital to achieve this designation.

THE COST OF DOING BUSINESS

While much of the press and the politicians have been focusing on Illinois’ dramatic increase in individual and corporate taxes, this is only part of the story.

For businesses and real estate owners, the real focus is on what are the Actual Costs of Doing Business in the various states regardless of governmental incentives.

According to The Tax Foundation:

Table 1. 2019 State Business Tax Climate Index Ranks and Component Tax Ranks						
	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Rank	Property Tax Rank
Illinois	36	39	13	36	42	45
Indiana	10	18	15	12	11	2

For Medical Professionals, the difference in Rates for Medical Malpractice Insurance Coverage between Illinois and Indiana are equally jarring:

	Illinois	Indiana		Illinois	Indiana
Specialty	Average Rate	Average Rate		Max Rate	Max Rate
Internal Medicine No Surgery	\$26,566	\$6,350		\$65,887	\$8,239
Family Practice No Surgery	\$23,888	\$6,350		\$43,575	\$8,239
Occupational Medicine	\$14,294	\$4,565		\$31,110	\$6,389
Pediatrics No Surgery	\$20,497	\$5,430		\$42,521	\$6,731
Emergency Medicine	\$53,520	\$12,311		\$125,435	\$15,640
Anesthesiology	\$28,950	\$7,394		\$63,782	\$9,719
Obstetrics and Gynecology Major Surgery	\$109,702	\$27,544		\$233,864	\$37,843
Psychiatry	\$15,914	\$4,384		\$38,268	\$5,384
Radiology - Diagnostic	\$30,256	\$7,711		\$55,292	\$9,719
General Surgery	\$73,958	\$21,278		\$146,483	\$34,143
Orthopedic Surgery No Spine	\$73,389	\$17,547		\$159,453	\$26,742
Cardiovascular Disease Minor Surgery	\$38,291	\$9,867		\$79,058	\$11,940
Ophthalmology No Surgery	\$16,973	\$4,384		\$33,355	\$5,384
Neurology No Surgery	\$30,659	n/a		\$52,117	n/a
Gastroenterology No Surgery	\$29,050	n/a		\$55,458	n/a
General Practice No Surgery	n/a	\$6,350		n/a	\$8,239
Pathology No Surgery	n/a	\$6,158		n/a	\$8,239
Source: <a href="http://www.gallaghermalpractice.com/state-resources">http://www.gallaghermalpractice.com/state-resources</a>					