PROJECT OFFERING ROADMAP

# Raising equity for an office repositioning

A general layout for sponsors considering a single-asset offering to buy an under-leased Class B office building at a discount, upgrade it, lease it up and sell or refinance on stabilization. It covers business plan, underwriting, structure, team, legal, capital and exit, in the order investors will diligence them.

> **Office investors start from skepticism.** Investors will underwrite the leasing plan before anything else, and they expect a conservative basis, real tenant demand and enough reserves to fund leasing costs.

## Illustrative project profile

HYPOTHETICAL · FOR DISCUSSION

| | | | |
|---|---|---|---|
| EQUITY RAISE<br>**$11.2M**<br>Common equity for one asset | ASSET<br>**120,000 SF**<br>Suburban Class B office | BASIS<br>**$150/SF**<br>Purchase price | OCCUPANCY<br>**62% → 90%**<br>In-place to stabilized |
| LEVERAGE<br>**60% LTC**<br>Senior acquisition and capex loan | STRUCTURE<br>**Single-asset LLC**<br>Sponsor as managing member | TARGET HOLD<br>**3–5 years**<br>Through lease-up | INVESTORS<br>**Accredited**<br>Family offices, RIAs, HNW |

THE TWELVE STEPS

## From business plan to final distribution

SPONSOR · COUNSEL · PLACEMENT AGENT · SERVICE PROVIDERS

PHASE I

### Plan & underwriting

What the building needs, what it will cost, and why tenants will come.

#### 01 Define the business plan

Investors will want to know exactly what changes and why it attracts tenants.

- Basis below replacement cost
- Lobby and amenity upgrades
- Spec suites
- Building systems
- Leasing strategy and target tenants
- Hold period

SPONSOR · PLACEMENT AGENT: MARKET POSITIONING

#### 02 Underwrite the asset

Build the case from the leases up, not from market averages.

- Rent roll and lease abstracts
- Tenant credit
- Lease rollover schedule
- Submarket comps and absorption
- Property condition report
- Tax and insurance

SPONSOR · LEASING BROKER · ENGINEER

### 03 Structure the project entity

A single-purpose LLC owns the building. The sponsor is managing member; investors are non-managing members. Common sponsor economics are an acquisition fee, an asset management fee and a promote over a preferred return.

SPONSOR · SECURITIES & TAX COUNSEL

### 04 Size the capital stack

Size the stack to the full business plan, including TI and leasing commissions, so the project does not need new money mid-lease-up.

- Senior loan: ~60% of cost
- Common equity: ~40% of cost
- Optional preferred equity
- Sponsor co-investment

SPONSOR · PLACEMENT AGENT: INVESTOR-DEMAND READ

---

PHASE II

## Team & legal

The people investors underwrite and the documents that make the offering lawful.

### 05 Assemble the team

- Asset manager
- Leasing broker
- Property manager
- Construction manager
- Architect / space planner
- Securities counsel
- Tax counsel

SPONSOR

### 06 Select the securities exemption

Most single-asset offerings rely on Regulation D. Rule 506(b) prohibits general solicitation; Rule 506(c) permits public marketing if every investor is accredited and that status is verified. The choice is counsel's call.

SECURITIES COUNSEL · PLACEMENT AGENT: INPUT ON RAISE STRATEGY

### 07 Engage offering counsel

Do not skip experienced securities counsel. They draft:

- Private Placement Memorandum
- LLC Operating Agreement
- Subscription Agreement
- Investor Questionnaire

OFFERING COUNSEL

---

PHASE III

## Capital & operations

Debt, investor materials and the back office.

### 08 Secure financing

Office lenders are selective. Expect lower leverage, larger reserves for TI and leasing, and recourse or completion guarantees from the sponsor.

- Regional and community banks
- Debt funds
- Life companies for stabilized refinance
- Preferred equity providers

SPONSOR · LENDERS · MORTGAGE BROKER

09

### Prepare investor materials

Pitch deck · Project one-pager · Leasing plan and pipeline · Financial model with downside case · Due diligence questionnaire · Virtual data room

Show what happens to returns if lease-up takes a year longer than planned.

SPONSOR · PLACEMENT AGENT: REVIEW & POSITIONING · COUNSEL: CONSISTENCY WITH PPM

10

### Set up project operations

Administrator or accountant · Banking and reserve accounts · Construction draw process · Investor portal · Capital call process · Quarterly reporting

SPONSOR · ADMINISTRATOR · PROPERTY MANAGER

PHASE IV

## Raise & exit

Who invests, and how capital comes back.

11

### Raise capital

Family offices · Opportunistic real estate investors · Real estate-focused RIAs · Private wealth advisors · High-net-worth individuals

Office equity tends to come from contrarian investors who want a deep basis discount and a clear downside case.

PLACEMENT AGENT · SPONSOR

12

### Define the exit strategy

Sale on stabilization · Refinance with long-term debt · Hold for cash flow · Alternative-use or conversion optionality · Distribution waterfall

SPONSOR · COUNSEL: OPERATING AGREEMENT TERMS

INVESTOR DILIGENCE

## What office investors scrutinize

LEASES

**WALT and rollover**

Weighted average lease term and how much expires during the hold.

TENANTS

**Credit and utilization**

Tenant financial strength and how much of their space they actually use.

LEASING COST

**TI and commissions per SF**

Cost to sign each new lease, funded up front in reserves.

BASIS

**Price vs. replacement cost**

How far below rebuild cost the purchase price sits.

DEBT

**Reserves and guarantees**

Lender reserves, recourse, and extension tests.

EXIT

**Exit cap and buyer pool**

Who buys a stabilized suburban office building, and at what yield.

TYPICAL STRUCTURE

## Who sits where

MANAGING MEMBER

**[Sponsor] Office Partners LLC**

Earns acquisition and asset management fees and a promote

→ manages

PROJECT ENTITY

**[Sponsor] 100 Main Office, LLC**

Owns the building; borrows the senior loan

← commit capital

INVESTOR MEMBERS

**Accredited investors**

Family offices, RIAs, HNW individuals

UNIT ECONOMICS · ILLUSTRATIVE

## One 120,000 SF building

| LINE ITEM | AMOUNT |
|---|---|
| Purchase (120,000 SF × $150) | $18,000,000 |
| Capital improvements ($50/SF) | $6,000,000 |
| Tenant improvements & commissions | $3,000,000 |
| Closing, carry & reserves | $1,000,000 |
| **Total cost** | **$28,000,000** |
| Stabilized NOI at 90% occupancy | $2,900,000 |
| Exit value at 8.0% cap | $36,250,000 |
| Selling costs (1.5%) | $543,800 |
| **Profit** | **$7,706,200** |



Profit is 27 . 5% of total cost, unlevered and before debt costs and sponsor fees. The result is highly sensitive to lease-up speed and exit cap rate.

DISTRIBUTION WATERFALL · COMMON FORM

## How proceeds flow back

1 **Return of capital** — 100% investors

Investor members receive their contributed capital back first.

2 **Preferred return** — 8%

Investors receive an 8% preferred return on contributed capital.

3 **First promote tier** — 70 / 30

Proceeds split 70% to investors and 30% to the sponsor until investors reach a 15% IRR.

4 **Second promote tier** — 60 / 40

Remaining proceeds split 60% to investors and 40% to the sponsor.

Tiered promotes are common in single-asset deals. Final terms are set in the operating agreement by offering counsel.

ROLES AT A GLANCE

### What your placement agent does

- Advises on market positioning, raise size and investor appetite
- Reviews pitch deck, one-pager and DDQ for investor readiness
- Introduces the offering to suitable accredited and institutional investors
- Coordinates the raise timeline and investor diligence
- Refers sponsors to experienced fund, securities and tax counsel

Stapleton Frost does not form or structure entities, prepare or file legal documents, or manage or administer funds or properties.

### What your counsel and providers do

- Choose the entity structure and securities exemption
- Draft the PPM, operating agreement, subscription documents and questionnaires
- Advise on fees, promote, waterfall and sponsor obligations
- Handle Form D and state notice filings
- Fund administrators, auditors and property managers run operations and reporting

**Important information.** This material is a general educational overview for prospective sponsors. It is not an offer to sell or a solicitation of an offer to buy any security, and it is not legal, tax or accounting advice. All figures, including raise size, leverage, hold periods, rents, occupancy, cap rates, margins, waterfall terms and target returns, are hypothetical illustrations, not projections or guarantees of any result. Any offering will be made only through definitive offering documents prepared by the sponsor's counsel. Sponsors should consult their own securities, tax and legal advisors.

Securities offered through Britehorn Securities, Member FINRA/SIPC. Stapleton Frost Capital, LLC and Britehorn Securities are not affiliated entities.