



## 2. SCOPE OF WORK

To accomplish your goals, we will conduct the following scope of work:

- **Definition of Competitive Market Area:** Based on travel patterns and the City's boundaries, define appropriate competitive markets for retail uses. We will consider a larger trade area than just the City given the competitive nature of the market and travel distances. This may include the I-15 corridor from Temecula to Corona.
- **Economic & Housing Market Update (Brief):** Summarize overall economic and demographic conditions in the City of Lake Elsinore, with a focus on projected conditions over the next few years. Items analyzed will include job and household growth, etc. This will set the stage for understanding how the retail markets are likely to perform going forward.
- **Commercial Real Estate Broker Interviews:** Interview local commercial brokers to generate qualitative insights on the retail market.
- **Retail Market Overview:** Summarize the retail market in the City of Lake Elsinore and the competitive market by compiling and analyzing macro-level statistics such as leasing activity, absorption, lease rates, vacancy, etc. This will help lay the foundation from which retail planning can commence.
- **Retail Competitive Analysis:** Confirm a suitable competitive market trade area and inventory competitive existing, planned and under construction office buildings. We will research size, location, access, quality, age and condition, rental/vacancy rates, etc.
- **Retail Demand Assessment:** Consider the potential retail center types based unmet demand in the market area, and the population guidelines they require to be supportable – both in terms of drive-time population and radius population. Overlay the expected population levels, local retail competition level and size/location attributes to determine if the Subject could support a given center type. Estimate demand for retail space in various trade areas (a local trade area, mid-sized trade area and larger trade area) by understanding annual revenues at existing retailers in the local market (supply), as compared to resident consumer expenditures (demand) to determine the level of potential demand for additional retail uses. Finally, estimate total supportable retail square feet by tenant type.
- **Key Conclusions and Recommendations:** Estimate a supportable amount of retail space in the City in the near term and in future buildings in the longer term. Recommend a reasonable array of tenant types (merchandising mix), space sizes and lease rates based on the research conducted above. Comment on the potential lease-up timeframe

## 3. DELIVERABLES AND TIMING

Our research will be presented in a concise, presentation-style market report (the "Report," which term includes any drafts and the final thereof) that includes both written findings and key illustrative exhibits such as trend graphs, positioning charts, maps, photos, etc. **We anticipate delivering a draft of the Report within**

**approximately six weeks** after our receipt from you of the Initial Payment (as such term is defined below).

#### 4. TEAM RESOURCES

The Zonda Advisory team resources for the services under this Agreement include the following:

**Tim Sullivan**, Senior Managing Principal, oversees the advisory services we conduct throughout the country. Mr. Sullivan is an expert in residential and mixed-use feasibility studies, strategic planning and product development and has conducted market analyses all over the United States and northern hemisphere in his 40 years of experience in the Real Estate Industry.

**Evan Forrest**, Vice President. Mr. Forrest has over 18 years in the Real Estate Industry. Mr. Forrest has sourced, developed, performed feasibility analysis, and positioned real estate (residential, commercial, retail, industrial, etc.) throughout the country as well as assisting with capital raises and expert witness cases.

**Shaun McCutcheon**, Vice President. Mr. McCutcheon has 21 years of experience in the Real Estate Industry and specializes in market analysis for our residential and commercial consulting assignments. Mr. McCutcheon regularly works all over the United States on a variety of asset types.

## 5. FEE REQUIREMENTS

Professional Fees. The professional fees for the scope of services under this Agreement are: **\$22,000**. Such fees include one kickoff call and one conference call to review findings. Additional meetings will be billed at our standard hourly rates. **(Upon concurrent approval of both Office Demand Analysis and Retail Demand Analysis by the Client, the fee for each study shall be set at \$18,000).**

Direct Expenses. Zonda Advisory will be reimbursed for all out of pocket costs, including but not limited to travel, mileage, copies and data costs.

Non-Itemized Administrative Fee. Client also will be charged and responsible for an administrative fee equal to 4% of the professional fees under this Agreement.

Initial Payment. Upon execution of this Agreement, Zonda Advisory requires from Client a payment equal to 50% of the above-specified estimated professional fees (the "Initial Payment").

Balance Invoice. Zonda Advisory will submit an invoice for the balance due for the professional fees plus expenses and the non-itemized administrative fee. This balance invoice is due upon delivery of the first Draft Report. Any delay or inaccurate information provided by the Client that causes additional analysis or additional work that is outside the scope of this engagement, if any, will be billed separately at Zonda Advisory's then-current rates.

Payments, etc. Except as otherwise expressly provided in the above Balance Invoice paragraph, payment will be due upon receipt of invoice. Zonda Advisory reserves the right to charge up to 1.5% interest per month (or, if less, the maximum rate permitted by applicable law) on any outstanding invoices not paid within 30 days of the invoice date. Upon demand, Client shall reimburse Zonda Advisory for its costs of collection, including reasonable attorneys' fees and, where lawful, collection agency fees. Payment by Client of Zonda Advisory's fees and expenses is not any way contingent upon any factor.

Termination Prior to Research Completion. If for some reason the Client decides to end this engagement before completion, upon written notification thereof, Zonda Advisory will stop work immediately and bill for work completed to date.