

THE LEASING PROCESS

Included for your review, please find several items that we wish you to consider as you enter the leasing process. We highlight these items at this initial stage to provide an opportunity for discussion, and to answer any questions that you may have.

Four persons with whom you should schedule a discussion as you begin your search process are as follows:

1. Accountant or CPA, to begin the preparation of financial information. Most landlords will require profit and loss statements and balance sheets for the past two years as well as a current year to date copy of each. In addition, similar information may be required of any guarantor of a lease.

2. Attorney, to review your lease, once received from the landlord, and to prepare a response to any items questioned. Although key in negotiating major lease items such as price, term, buildout allowance, etc., a Virginia real estate broker cannot provide legal advice. An experienced real estate attorney should review specific lease content and all matters that directly affect your business, and how it is run.

3. Insurance Agent, to review the insurance requirements in your lease. This is usually a small request that can be handled over the phone once you have lease language in hand.

4. Architect and/or Company Appointee, to co-ordinate approvals, build out, carpet and paint selections, systems furniture installation, phones, computers, excess power requirements, etc. It is important to design your new office layout, including any non-standard computer or phone requirements, as early in the process as is possible. Finalizing these plans will have direct bearing on the permitting and construction time frames so critical to projected move in dates.

The following are typical components / steps in a lease transaction where the Landlord has agreed to contribute to the construction of the improvements to the demised premises. This synopsis is offered only as a guideline and the items

listed may not appear in this order, or at all, in any given lease transaction. In addition, your transaction may include steps not included here.

Proposal.

Issued by the Landlord to detail the general terms of the transaction such as suite size, lease rate, term, and buildout allowance. The Tenant will respond and a final version is negotiated.

Financials.

Presented to the Landlord by the Tenant to demonstrate the Tenant's capability to fulfill its lease obligations. Generally, financials are forwarded to the Landlord during the negotiating of the proposal. Although the acceptance of the Tenant by the Landlord will be based upon the financial capability of the Tenant company, the principals of the Tenant, as individuals, may be required to personally guarantee the lease that their company enters.

Space plan.

Prepared with the input of the Landlord's architect to provide a mutually agreeable configuration for the office space and to estimate the cost of its construction. The space plan will usually include one set of revisions and should contain basic information on all of the Tenant's special needs including, but not limited to:

Furniture or Cubicles:

Free standing or multi station units? Type and location of power / phone / computer hookups.

Office Equipment:

Copiers, printers, scanners, kitchen appliances. Size, number, location, power requirements. Are the copiers / printers networked?

Computer Network:

Central server room? Separate workstation at each desk?
Single or multiple high speed lines? Special power or security needs?

Phones:

Phone board in server room? Multiple lines to each desk?

Special lighting or audiovisual needs for conference or meeting rooms.

Generally, furniture, office equipment, computer systems, phones and audiovisual equipment are installed by the Tenant's contractors at the

Tenant's expense. These systems are outlined in the space plan to ensure that the Landlord will provide for their inclusion. The Tenant will want to employ an architect, or to assign a knowledgeable employee, to oversee the space planning process as well as to review and approve the subsequent work letter and construction drawings.

Lease

Issued by the Landlord to detail all terms of the transaction. The Tenant, after consultation with its attorney, will respond and the final terms will be negotiated. The lease document will be signed by the Landlord, Tenant and the guarantors, and the Deposit and first months rent will be forwarded to the Landlord.

Work Letter or Construction Specifications.

Issued by the Landlord to be included as part of the lease document. Often, the work letter is a late addition, particularly if the buildout estimate is delayed. The work letter will include finish details that do not appear on the space plan. Careful review by the Tenant is required, as this is the blueprint for the buildout.

Construction drawings.

Prepared by the Landlord's architect or engineer and based on the space plan / work letter. Upon Tenant approval, these documents will be used to determine the exact cost of the buildout as well as to apply for construction permits. Rarely are construction drawings prepared before the lease is signed. Again, careful review by the Tenant is required.

Construction.

Actual construction can't begin until the local jurisdiction approves the construction drawings, permits are obtained, bids are received and a construction firm is chosen. The Tenant's contractors for furniture, computers, phones and any special needs must be included in the process, at the proper time, in order to maintain the construction / inspection schedule.

Approval.

The Tenant inspects the completed office space and signs off on the buildout. The Tenant will then obtain a certificate of occupancy from the local jurisdiction.

Move in.

As negotiated.

The time required for the complete leasing process, from first inspecting a prospective space to opening for business, can be from 60 to 180 days depending on the complexity of the lease negotiations and the required buildout.

Lease negotiation and revision can be demanding and time consuming. Attaining construction permits and inspections from local jurisdictions in the Washington Metropolitan area can take weeks to months. Delays and frustration are inevitable.

We hope that the information contained in this summary will be of help and we look forward to answering any questions that you may have. Please keep in mind that the summary is offered as a general outline only, and that the information offered herein may vary from one transaction to another.

Finally, we want to thank you for your consideration of Capital Properties LLC as your Broker Representative. We look forward to putting our experience to work on your behalf, in order to solve your space problems quickly and successfully.