CAPSTONE

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**A real estate investment company partnering SMEs**, dedicated to accompanying its client-partners over the long term. Innovative positioning in a non-structured sector. Activity is 75% sale and leaseback of existing buildings, the remaining 25% comprising development of bespoke real estate solutions and services.

1. **Proposal to Equity Investors**
* Participate in the launch of the “SME Real Estate Investment Company” whose object is to provide small and medium sized enterprises with all services related to their real estate requirements: sale and leaseback, bespoke solutions, redevelopment, outsourced management… (unique positioning)
* Create an original fund structure which will be floated on the Paris stock exchange within **5 years** (exit for initial investors) with the following parameters :
	+ Constitution of a **high-yield** real estate portfolio
	+ Risk/return profile : **10/10**
	+ Investment horizon (fund assets) : **10 years**
1. **Management**

Project promoter: Stéphane LIPP

* CNAM Commercial Law, MBA Corporate Finance - Fordham University (NY, USA)
* Wide experience in all aspects of commercial real estate investment (Financière Norbert Dentressangle, DTZ Thouard, Wal\*Mart, …)
* Entrepreneur and investor in commercial real estate

An experienced management team of 4 finance and real estate professionals (average age 45) has been assembled and is ready to execute the business plan.

1. **Trading Parameters**

ACTIVITY

* Asset management and associated services relating to « non-prime » real estate assets of SMEs, comprising sale & leaseback, site restructuring/development and portfolio acquisition.

MANAGEMENT & PROJECTIONS

* Average gross rental yield 10.35%
* Average lease length 10 years
* Leverage 50/50
* Average investment €5.8m
* Recurring revenues > 95%
* Investment markets France, Belgium
* Built area owned in Year 5 535 000m²
* Diversification by asset type, location and industry sector
* Protection of investors’ interests ● Management Team

● Investment Committee

● Board of Directors

1. **Key Projections**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| €m | **A1** | **A2** | **A3** | **A4** | **A5** |
| Rental revenue | 5 | 17 | 31 | 44 | 59 |
| EBITA | 2 | 13 | 26 | 39 | 53 |
| Operating cash flow | 0.1 | 8 | 18 | 27 | 39 |
| Fixed assets | 125 | 227 | 340 | 446 | 550 |
| Bank debt | 64 | 118 | 177 | 236 | 293 |

1. **Financial Parameters**
* Equity investment : €**267m** issued in tranches as follows :
	+ Year 1 : ● First tranche €0.5m - 1January 2011

 ● Second tranche €0.6m - March 2011

 ● **Third tranche €22.0m - July 2011 (acquisition of a light industrial park – 50 tenants)**

 ● Total Year 1: €67m

* + Year 2 – Year 5 : €50m pa approx
* Exit : Year 5 Flotation
	+ **Exit value** €**580m**
	+ **IRR : 25.5%**

Investment by promoter: **€15.08m** (development projects in progress at independent valuation)

1. **Project Status**
* First 3 investments (of which one already in freehold ownership) under exclusive negotiation for a total of €67m.

I would be pleased to present to you, with my advisors, the details of this uniquely positioned investment opportunity, born out of my experience of the real estate needs of SMEs.

**Stéphane LIPP**

20 December 2010