



CASE STUDY

Ecko Housewares Consolidation

BTS, Entitlements, Job Training World

Kitchen, KKR

Monee, IL

ALLIANCE PROJECT SUMMARY

Alliance was retained for the consolidation of seven operating units to a central distribution depot resulting in a build-to-suit in the tertiary area of the largest industrial MSA in the world, Chicago, submarket Monee, IL.

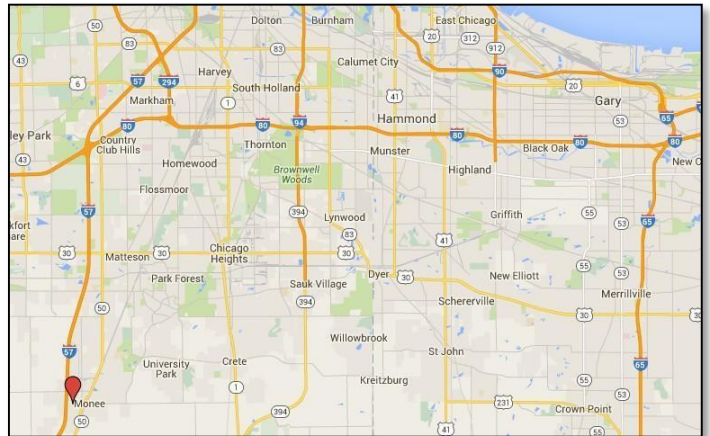
A newly constructed industrial distribution facility was completed by a leading Chicago-area general contractor and served as the main distribution facility for World Kitchen, for its entire U.S. operations. The I-57 Corridor, an ideal location for the

Central region, serves the entire U.S. via Interstate 80. The area became a major hot spot for new build-to-suit facilities based on lower cost for land and property taxes.

World Kitchen is a result of Kohlberg Kravis Roberts (KKR) assembling the lead manufacturers in the housewares industry, ECKO Housewares, along with several other national manufacturing and distribution organizations including Corningware, Pyrex, Revere, Farberware and OXO. The organization has manufacturing and distribution facilities and sales organizational offices throughout the U.S., Canada, South American and Asia-Pacific regions and is the clear leader in the manufacturing and distribution of kitchenware products. Annual revenues totaled over \$750 million in volume. After the purchase by KKR, the company progressed to Chapter 11 to voluntarily restructure its financial organization. The tenant signed a 15-year triple net bond lease.

SPECIFICATIONS

- 700,200 sf expandable facility to 901,500 sf
- Land for 124,000 sf future expansion
- ESFR sprinkler system
- 6,185 sf elevator served office
- Parking facilities for 400 trailers and 190 cars



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- New facilities in the area include the state-of-the-art Sweetheart Cup and Tyco distribution centers.
- 33' clear
- 131 Levelator docks
- 1,200 amp/ 3 Phase 480 Volt

ARP, LLC SUMMARY

ARP, LLC acted as a JV co-invest principal partner. The initial rental was \$2.65 per sf with 2.25% annual escalations (12 year term). Construction commenced shortly thereafter with a total investment of \$24.87m or approximately \$35.51 per sf. The property was sold in early 2010, for a realized proceed of \$48.10m, a gross IRR of 28.6%.

ARP views this project as an excellent consolidation example for direct end users and investor return.

Tenant	Location	Type	sf	Acquisition	Sale	Inv. Cost	Realized Proceeds	Gross IRR
ECKO/World Kitchen	Monee, IL	Industrial	700,200	September 2007	February 2010	24.87 m	48.1 m	28.6%

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ASSUMPTIONS

General Assumptions	
Current List	24,870,000
Purchase Price	24,870,000
\$/SF	2.88
Size (SF)	700,200
Monthly Rent	168,168
Rental Inflation	0.00%
Vacancy Factor	0.00%
Annual Inflation	3.00%
Start Month	Sep-07
Stop Month	Feb-10

Leveraging Assumptions	
% Down	26.66%
Down Payment	6,630,000
Loan Amount	18,240,000
Interest Rate	8.64%
Term	30
Monthly Payment	(142,064)
Annual Payment	(1,704,763)

Re-Sale Assumptions	
Re-Sale Cap Rate	6.49%
Re-Sale Costs	2.00%

Capital Expenses	
Year 1	-
Year 2	-
Year 3	-
Year 4	-

Expense Assumptions	
Property Taxes	-
HOA / Month	-
Insurance / Yr	-
Maintenance / Yr	-
Mgmt Fee (%)	-
Trash / Month	-
Water / Month	-
Utilities / Month	-

Taxes	Future
Actual Value Total	24,870,000
Assessed Percentage	100.0%
Assessed Value	24,870,000
Tax Rate	0.00%
Assessed Tax	-

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SOURCES AND USES

QUARTERLY

YEAR ONE		0	1	2	3
Cash Flows			Starting	Starting	Starting
Discriminator		0	Sep-07	Dec-07	Mar-08
Sources					
Equity					
Partner A	50.00%	3,315,000			
Partner B	37.50%	2,486,250			
Partner C	12.50%	828,750			
Debt		18,240,000			
Net Income			504,505	504,505	504,505
Gross Sales Proceeds			-	-	-
Total		24,870,000	504,505	504,505	504,505
Sources					
Acquisition		(24,870,000)			
Debt Service			(426,191)	(426,191)	(426,191)
Debt Retirement			-	-	-
Sale Expenses			-	-	-
Partner Distribution			(78,314)	(78,314)	(78,314)
		(24,870,000)	(504,505)	(504,505)	(504,505)
Check		-	-	-	-
Partner CF Summary*					
	NPV	10.00%			
	NPV	12.50%			
	Monthly IRR				
	Annualized				

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	4	5	6	7
YEAR ONE	Starting	Starting	Starting	Starting
Cash Flows	Jun-08	Sep-08	Dec-08	Mar-09
Discriminator				

Sources

Equity

Partner A

Partner B

Partner C

Debt

Net Income 504,505 504,505 504,505 504,505

Gross Sales Proceeds - - - -

Total 504,505 504,505 504,505 504,505

Sources

Acquisition

Debt Service (426,191) (426,191) (426,191) (426,191)

Debt Retirement - - - -

Sale Expenses - - - -

Partner Distribution (78,314) (78,314) (78,314) (78,314)

(504,505) (504,505) (504,505) (504,505)

Check - - - -

Partner CF Summary*

NPV

NPV

Monthly IRR

Annualized

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	8	9	10	11	12
YEAR ONE	Starting	Starting	Starting	Starting	Starting
Cash Flows	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Discriminator					

Sources

Equity

Partner A

Partner B

Partner C

Debt

Net Income	504,505	504,505	504,505	-	-
Gross Sales Proceeds	-	-	31,094,300	-	-
Total	504,505	504,505	31,598,805	-	-

Sources

Acquisition

Debt Service	(426,191)	(426,191)	(426,191)	-	-
Debt Retirement	-	-	(17,881,936)	-	-
Sale Expenses	-	-	(621,886)	-	-
Partner Distribution	(78,314)	(78,314)	(12,668,792)	-	-
	(504,505)	(504,505)	(31,598,805)	-	-
Check	-	-	-	-	-

Partner CF Summary*

NPV

NPV

Monthly IRR

Annualized

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EQUITY PARTNERS IRR

Equity Partners IRR*

Sensitivity and Return Analysis				
		Purchase Price		
		\$ 23M	\$ 24.87M	\$ 27M
Terminal Cap Rate	6.00%	43.4%	35.5%	26.5%
	6.25%	40.3%	32.0%	22.5%
	6.50%	37.1%	28.5%	18.5%
	6.75%	33.9%	24.9%	14.3%
	7.00%	30.7%	21.3%	10.1%

Actual Return 28.6% IRR - Implied Cap Rate = 6.49%

** IRR calculation based on debt service, lease payments and known IRR. Other IRR inputs estimated.*

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