



Tenant: Law Firm 4

NAICS: 541110

Primary Industry: Offices of lawyers

Date: 05.25.17

Powered by

RE|METER
Exclusive Data. Real Time Insights
A Free Market Venture

Table of Contents

Law Firm 4
132 Main Street



TABLE OF CONTENTS

TIL Score Executive Summary	3
Tenant Score Information	4
Tenant Financials	5
Industry Score Information	6
Industry Analysis	7
Lease Score Information	8
Lease Terms - Cash Flow	9
Understanding the TIL Score	11
Glossary	12

(RE)meter provides the TIL Score and related information (“Information”) “as is” and disclaims any and all warranties. You hereby accept all risks arising from your use of the Information. (RE)meter will not be liable for any direct, indirect, special, consequential, punitive or other damages arising out of or related to your use or inability to use the Information. The Information is intended to complement, but not replace, your independent professional judgment.

TIL Score Executive Summary



Tenant: Law Firm 4
 Property: Office Tower
 RSF: 100,000

Primary Industry: Offices of lawyers
 Tenant rated against: 3,403
 Reported at: Reported on NAICS 6, County Level, Chicago, Illinois

OVERALL RISK	RISK COMPONENTS												
<p>454 TIL RISK SCORE™</p> <p>Overall Rating: Moderate Risk The Tenant's ability to afford the proposed lease rates greater than 45.4% of its 125,048 industry peers.</p>	<table border="1"> <thead> <tr> <th>Components</th> <th>Tenant Score</th> <th>Industry Score</th> <th>Lease Score</th> </tr> </thead> <tbody> <tr> <td>Score</td> <td>530</td> <td>373</td> <td>408</td> </tr> <tr> <td>Risk Rating</td> <td>Low</td> <td>High</td> <td>High</td> </tr> </tbody> </table>	Components	Tenant Score	Industry Score	Lease Score	Score	530	373	408	Risk Rating	Low	High	High
Components	Tenant Score	Industry Score	Lease Score										
Score	530	373	408										
Risk Rating	Low	High	High										

(RE)METER RECOMMENDATIONS

Security	Risk Score	Risk Level	Comments
No Security	439	High	The minimum security of 6.3 months is recommended
With Security	454	Moderate	Minimum security target met.

Suggestions: In Moderate range, if possible add more security to obtain an overall score of 526 or above.

Security Deposit				
Risk Adjusted Score	Security Deposit	% of capital	\$/SF	Month(s)
454	\$3,000,000.00	16.7%	\$30.00	6.0

SUMMARY	TENANT PERFORMANCE & RISK FINDINGS
Revenue Growth	Revenue growth is strong.
Operating Profit	EBITDA growth is strong.
Operating Profit	EBITDA Margin is below average.
Overall Profit Margin	Net Income Margin is weak.
Liquidity	Current Ratio is weak.
Leverage	Debt to Equity is below average.
Rent to Sales	Rent to Sales is weak.
Rent Coverage	EBITDA to Rent is below average.

Tenant Score Information

Law Firm 4



INDUSTRY: Offices of lawyers
Reported on NAICS 6, County Level

TENANT VS. LOCAL INDUSTRY COMPETITORS

Overall Tenant Score 530

Business Performance Factors 672

Factor	Tenant	US Industry	Risk Level
EBITDA Margin %	37.0%	37.6%	476
EBITDA Growth Rate %	0.9%	-0.7%	981
Net Revenues Growth Rate %	1.1%	-0.9%	956
Net Income %	9.8%	26.3%	204

Business Performance Factors Financial Industry Benchmarks that reflect growth and financial margins of a company, influenced by the ability of the company to pay rent.

Business Risk Factors 456

Factor	Tenant	US Industry	Risk Level
Current Ratio	1.0	2.0	35
Debt/Equity	2.5	1.6	498
Net Revenues Size (\$000)	\$45,000	\$1,858	753
Asset Turnover	6.4	3.4	950
ROE %	220.0%	215.4%	510
ROA %	62.9%	89.6%	404

Business Risk Factors Financial Industry Benchmarks that reflect size, liquidity, leverage and efficient use of a company's assets, influenced by the ability of the company to pay rent.

TIL Score Key

0-250 251-500 501-750 751-1000

- **Low risk level.** Indicated by a score of 751-1000.
- **Medium to Medium-Low risk level.** Indicated by a score of 501-750.
- **High to Medium risk level.** Indicated by a score of 251-500.
- **High risk level.** Indicated by a score of 0-250.

*Reference page 15 for a higher level explanation of the scale.

**All terms can be found in the glossary section of the (RE)port on page 17.

Tenant Financials

Law Firm 4



	CURRENT PERIOD	PRIOR PERIOD
Type of Financials	Third Party Audited	Third Party Audited
Cash or Accrual	Accrual	Accrual
Number of Months Covered	12	12

INCOME STATEMENT

Denomination	\$ Thousands	\$ Thousands
End of Fiscal Period	Dec 21, 2015	Dec 21, 2014
Net Revenue	\$45,000	\$44,500
EBITDA	\$16,650	\$16,500
Net Income	\$4,400	\$4,300
Corporate Annual Rent Expense	\$1,500	

BALANCE SHEET

Assets

Current Assets	\$4,500
Long Term Assets	\$2,500
Total Assets	\$7,000

Liabilities

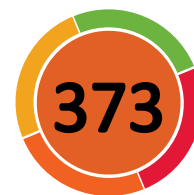
Current Liabilities	\$4,300
Long Term Liabilities	\$700
Total Liabilities	\$5,000

Shareholders Equity	\$2,000
----------------------------	----------------

*All terms can be found in the glossary section of the (RE)port on page 17.

Industry Score Information

Law Firm 4



INDUSTRY: Offices of lawyers

LOCAL INDUSTRY VS. US INDUSTRY

Overall Industry Score

373

Business Performance Factors

237

Factor	Local Industry	US Industry	Risk Level
EBITDA Margin %	29.9%	37.6%	232
EBITDA Growth Rate %	-3.6%	-0.7%	80
Net Revenues Growth Rate %	-3.0%	-0.9%	30
Net Income Margin %	20.6%	26.3%	401

Business Performance Factors Financial Industry Benchmarks that reflect growth and financial margins of a company, influenced by the ability of the company to pay rent.

Business Risk Factors

463

Factor	Local Industry	US Industry	Risk Level
Current Ratio	6.3	2.0	806
Debt/Equity	0.7	1.6	955
Net Revenues Size (\$000)	\$9,429,756	\$232,333,712	517
Asset Turnover	1.4	3.4	100
ROE %	48.6%	215.4%	118
ROA %	29.2%	89.6%	284

Business Risk Factors Financial Industry Benchmarks that reflect size, liquidity, leverage and efficient use of a company's assets, influenced by the ability of the company to pay rent.

TIL Score Key

0-250

251-500

501-750

751-1000

Low risk level. Indicated by a score of 751-1000.

Medium to Medium-Low risk level. Indicated by a score of 501-750.

High to Medium risk level. Indicated by a score of 251-500.

High risk level. Indicated by a score of 0-250.

*Reference page 15 for a higher level explanation of the scale.

**All terms can be found in the glossary section of the (RE)port on page 16.

Industry Analysis

Law Firm 4



INDUSTRY ANALYSIS – Offices of lawyers (NAICS: 541110)

Reporting Level: Reported on NAICS 6, County Level

Local Industry		US Industry	
# of Companies	3,403	# of Companies	125,048
Combined Revenue (\$000)	\$9,429,756	Combined Revenue (\$000)	\$232,333,712
Average Revenue (\$000)	\$2,771	Average Revenue (\$000)	\$1,858
Tenant Revenue (\$000)	\$45,000	Net New Establishments	998
Tenant Revenues Quartile	1st		
Tenant EBITDA Quartile	1st		
Net New Establishments	75		

INDUSTRY TRENDS

	2013	2014	2015	2013vs.2014 % Growth	2014vs.2015 % Growth
# of Establishments					
Local	3,288	3,328	3,403	1.2%	2.3%
National	123,252	124,050	125,048	0.6%	0.8%
# of Employees					
Local	36,856	36,235	36,172	-1.7%	-0.2%
National	936,936	928,079	922,412	-0.9%	-0.6%
Payroll/Net Sales %					
Local	37.7%	36.8%	36.4%	-2.2%	-1.3%
National	29.2%	29.2%	29.3%	0.0%	0.0%
Average Rent – Establishment					
Local	\$201.1	\$192.8	\$185.8	-4.1%	-3.6%
National	\$112.5	\$111.6	\$110.7	-0.7%	-0.8%
Rent Per Employee (\$000)					
Local	\$17.9	\$17.7	\$17.5	-1.3%	-1.3%
National	\$14.8	\$14.9	\$15.0	0.9%	0.6%
Rent to Sales %					
Local	6.9%	6.7%	6.7%	-0.0%	-0.0%
National	6.0%	6.0%	6.0%	0.0%	0.0%

*All terms can be found in the glossary section of the (RE)port on page 16.

Lease Score Information

Law Firm 4



Overall Lease Score



Lease term:	% Term	Tenant	US Industry	Risk Level
Months to B/E (Adjusted for Security 47.3)	43.8%	47.3	N/A	562
Rent Coverage - Corporate Rent Included		2.2	6.3	350
Rent to Sales % - Corporate Rent Included		16.7%	6.0%	45

TIL Score Key

0-250 251-500 501-750 751-1000

- Low risk level. Indicated by a score of 751-1000.
- Medium to Medium-Low risk level. Indicated by a score of 501-750.
- High to Medium risk level. Indicated by a score of 251-500.
- High risk level. Indicated by a score of 0-250.

* Reference page 15 for a higher level explanation of the scale.

LEASE TERMS

Rentable Square Footage	Suite	Security	\$/SF	Amount
100,000			\$30.00	\$3,000,000

Capitalized Costs	Month	\$/SF	Amount
Tenant Allowance	1.0	\$165.00	\$16,500,000
Other	0.0	\$0.00	\$0
Total Capital		\$165.00	\$16,500,000

Lease Commissions	Month	\$/SF	Amount
Tenant Rep		\$0.00	\$0
Landlord Rep	1	\$15.00	\$1,500,000
Total Commissions		\$15.00	\$1,500,000
Total Capital &		\$180.00	\$18,000,000

Rent Abatement	# Months	\$/SF	Amount
Base Rent	0	\$0.00	\$0
Recoveries	0	\$0.00	\$0
Total Free Rent		\$0.00	\$0
Total Inducements		\$180.00	\$18,000,000

LEASE METRICS

Net Rent Break-even Months	47.3	NPV-Lease Deal	\$124.93/SF
----------------------------	------	----------------	-------------

**All terms can be found in the glossary section of the (RE)port on page 15.

Lease Terms – Cash Flow

Law Firm 4
RSF: 100,000



CASH FLOW BASIS

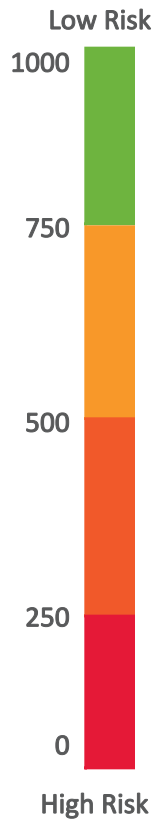
Year	Tenant Allowance	Rent Abatement	Lease Commissions	Legal & Moving Fees	Base Rent	Tenant Pass Throughs	Landlord Tax & Operating	Net Cash Flow \$/Sf	Net Cash Flow
Year 1	(\$165.00)		(\$15.00)		\$45.00	\$15.00	(\$15.00)	(\$135.00)	(\$13,500,000)
Year 2					\$45.00	\$15.30	(\$15.30)	\$45.00	\$4,500,000
Year 3					\$45.90	\$15.61	(\$15.61)	\$45.90	\$4,590,000
Year 4					\$46.82	\$15.92	(\$15.92)	\$46.82	\$4,681,800
Year 5					\$47.75	\$16.24	(\$16.24)	\$47.75	\$4,775,440
Year 6					\$48.71	\$16.56	(\$16.56)	\$48.71	\$4,870,940
Year 7					\$49.68	\$16.89	(\$16.89)	\$49.68	\$4,968,360
Year 8					\$50.68	\$17.23	(\$17.23)	\$50.68	\$5,067,730
Year 9					\$51.69	\$17.57	(\$17.57)	\$51.69	\$5,169,090
Totals	(\$165.00)	\$0.00	(\$15.00)	\$0.00	\$431.23	\$146.32	(\$146.32)	\$251.23	\$25,123,400



APPENDIX

Understanding the TIL Score

RISK SCORE MEANING



- Low Risk:** Based upon the tenant’s financial strength, the proposed lease structure and local industry economics, the TIL Score indicates this transaction is stronger than 76% to 100% of other potential transactions.
- Below Average Risk:** Based upon the tenant’s financial strength, the proposed lease structure and local industry economics, the TIL Score indicates this transaction is stronger than 75% to 51% of other potential transactions.
- Above Average Risk:** Based upon the tenant’s financial strength, the proposed lease structure and local industry economics, the TIL Score indicates this transaction is weaker than 50% to 74% of other potential transactions.
- High Risk:** Based upon the tenant’s financial strength, the proposed lease structure and local industry economics, the TIL Score indicates this transaction is weaker than 75% to 100% of other potential transactions.

INDUSTRY BENCHMARKS USED FOR RISK SCORE

Business Risk Factors Index

Financial Industry Benchmarks that reflect size, liquidity, leverage and efficient use of a company’s assets, influenced by the ability of the company to pay rent.

Business Performance

Financial Industry Benchmarks that reflect growth and financial margins of a company, influenced by the ability by the company to pay rent.

Current Ratio

EBITDA Margin %

Debt/Equity

EBITDA Growth Rate

Asset Turnover

Net Revenues Growth Rate

Net Revenues Size"

Gross Margin %

ROE

ROA

*All terms can be found in the glossary section of the (RE)port on page 16.

Glossary

TIL TERMS

TIL Score:	The TIL Score (Tenant, Industry, Lease) is comprised of 3 components: the tenant vs. its competitors, the tenant's industry vs. the US industry and the tenant's lease vs. its competitors. A TIL Score is the weighted average of the Tenant Score, Industry Score and Lease Score within this report. The TIL Score represents the amount of risk on a scale of 0-1000, with 0 as the highest risk and 1000 as the lowest risk. The number is also associated with a color
Tenant Score:	The Tenant Score differentiates the tenant's financial strengths to its industry competitors locally or nationally.
Industry Score:	The Industry Score differentiates the local industry's financial strengths to the national industry.
Lease Score:	The Lease Score differentiates the proposed lease terms of the tenant vs. its industry competitors rent costs locally or nationally.

FINANCIAL TERMS

Adjusted Gross	A company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale.
Asset Turnover:	Amount of sales or revenue generated per dollar of assets; an indicator of the efficiency with which a company is deploying its assets.
Balance Sheet:	A financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors an idea as to what the company owns and owes, as well as the amount invested by the shareholders.
Cost Of Goods Sold (COGS):	The direct costs attributable to the production of the goods sold by a company. COGS appears on the income statement and can be deducted from revenue to calculate a company's gross margin. Also referred to as "cost of sales." COGS does not include sales costs or indirect labor costs.
Current Assets:	A balance sheet account that represents the value of all assets that are reasonably expected to be converted into cash within one year in the normal course of business.
Current Ratio:	Current Assets divided by Current Liabilities. A liquidity ratio that measures a company's ability to pay short-term obligations including rent.
Debt to Equity:	A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
Depreciation:	A method of allocating the cost of a tangible asset over its useful life. Businesses depreciate long-term assets for both tax and accounting purposes. This is a non-cash charge and is not calculated in EBITDA.
EBITDA:	It is essentially net income with interest, taxes, depreciation, and amortization added back to it. It can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. The EBITDA of a company gives an indication of the current operational profitability of the business, i.e. how much profit does it make with its present assets and its operations on the products it produces and sells. EBITDA margin is EBITDA divided by Net Revenues.
EBITDA Growth Rate:	The year-over-year change in EBITDA measured as a percentage.
Gross Profit:	A company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale. Gross Margin is Gross Profit divided by Net Sales.
Interest Expense:	The amount reported by a company or individual as an expense for borrowed money.
Income Statement:	A financial statement that measures a company's financial performance over a specific accounting period. It also shows the net profit or loss incurred over a specific accounting period, typically over a fiscal quarter or year.

Glossary

Income Tax Expense:	A liability owing to federal, state/provincial and municipal governments. Tax expenses are calculated by multiplying the appropriate tax rate of an individual or business by their income before taxes, after factoring in such variables as non-deductible items, tax assets and tax liabilities.
Long Term Liabilities:	In accounting, a section of the balance sheet that lists obligations of the company that become due more than one year into the future. The portions of long-term liabilities that will become due within the next 12 months are listed under current liabilities, such as the current portion of long-term debt.
Net Income:	A company's total earnings (or profit). Net income is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on a company's income statement and is an important measure of how profitable the company is over a period of time.
Net Revenues:	The amount of sales generated by a company after the deduction of returns, allowances for damaged or missing goods and any discounts allowed. Revenue is also known as sales.
Net Revenues Growth Rate:	The year-over-year change in Net Revenues measured as a percentage.
Net Revenues Size:	Measures the net revenues of a tenant vs. its industry competitors.
One-Time in COGS:	A COGS charge against earnings that is expected to be an isolated one and not likely to occur again.
One-Time in SG&A:	A SG&A charge against earnings that is expected to be an isolated one and not likely to occur again.
ROA (Return On Assets):	A percentage that shows how profitable a company's assets are in generating revenue.
ROE (Return On Equity):	A percentage that measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners.
Shareholders' Equity:	A firm's total assets minus its total liabilities. It represents the amount by which a company is financed through common and preferred shares.

INDUSTRY TRENDS TERMS

Average Rent Per Establishment:	Measures an average cost of rent within an industry.
Employee:	Full and part-time employees, including salaried officers and executives of corporations. Included are employees on sick leave, holidays, and vacations; not included are proprietors and partners of
Establishment:	A single physical location where business is conducted or where services or industrial operations are performed.
Payroll/Net Sales:	Measures the efficiency of employment costs that drive net sales.
Payroll:	Total annual payroll includes all forms of compensation, such as salaries, wages, commissions, bonuses, vacation allowances, sick-leave pay, and the value of payments in kind (e.g., free meals and lodgings) paid during the year to all employees.
Rent Per Employee:	Measures the efficiency of use of rented space.
Rent to Net Sales %:	Measures the efficiency of rent costs that are required to drive net sales.

LEASE TERMS

Base Rent (Net):	The amount of Rent that is paid above operating expenses and real estate taxes. Considered the Landlords "Profit".
Base Year:	The stated value (rate) in a lease that the tenant must pay rent when operating expenses exceed the base year value.
Gross Rent Break-even Years:	Break-even based upon the monthly gross rental rate.
Free Rent:	A tenant inducement that permits the tenant not to pay rent for a period of time during the lease term.

Glossary

Gross Rent:	The total rent paid including Base and operating and real estate taxes paid by the tenant.
Landlord Tax & Operating	Operating expenses a landlord incurs to operate a commercial property. Operating expenses can be utilities, security and real estate taxes. These expenses can be recoverable and paid by tenants as rent.
Lease Commissions:	Commissions paid the real estate brokers who represent the tenant (tenant broker) or the landlord (landlord rep).
Legal & Moving Fees:	Negotiated tenant inducements offered by landlords.
Months to B/E:	The number of months it takes the amount of base rent received equals the amount of cash outlays and free rent paid by the landlord divided by the entire lease term.
Net Cash Flow:	Rent less operating expenses less capital.
Net Rent Break-even Years:	Break-even based upon the monthly base or net rental rate.
NAR:	Net Annuitized Rent - The amortized NPV received on an annual basis.
NPV:	Net Present Value - Cash flow discounted back by an interest rate over the lease term. Represents the total profit or loss of a lease deal.
Other Rent:	Rent paid by the tenant for their proportionate share of operating expenses and Real Estate taxes.
Rent Coverage:	A ratio that measures the tenant's proposed rent to EBITDA and compares the ratio to its industry competitors' rent coverage. A tenant's rent should compare within range to its competitors' rental costs.
Rent to Sales:	A ratio that measures the tenant's proposed annual rent expense to its net sales and compares the ratio to its industry competitors. A tenant's rent should compare within range to its competitors' rental costs.
Tenant Allowance:	A cash inducement paid by the landlord to a tenant for building out a tenants space.
