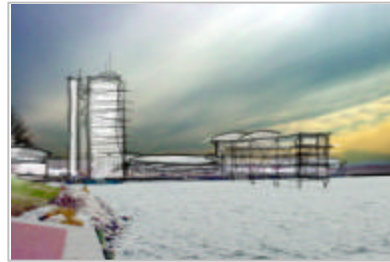


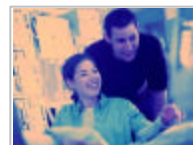
Introduction



Canton Marine is the last address in Baltimore you'll need to remember. Located south of the intersection of Boston and Clinton Streets at the eastern elbow of Baltimore Harbor, Canton Marine is a vibrant, mixed-use waterfront development that captures all of the excitement of living, playing and working in the city.

Celebrating the city's past, but with a decidedly forward-looking attitude, Canton Marine embodies the essence of everything that is wonderful about urban life in Baltimore: waterfront living, 24-hour recreation, a mix of fine retail and dining, and a place to work where you won't mind staying late in the evening. In fact, bring the kids to the office—they'll find plenty to do here.

There's nothing else quite like it in Baltimore.



Executive Summary

Canton Marine is a mixed-use development proposed for one of the last remaining pieces of developable land on Baltimore's waterfront. The project contains nine separate buildings developed in three phases. In addition to the base proposal, this report also looks into the future and recommends the expansion of Canton Marine to include a new, much needed Indoor Arena for the city of Baltimore.

The key components of Canton Marine are as follows:

- Phase I: Urban Sports Complex
- Phase II: Residential Tower with Marina, two Retail Buildings, and a 560-space Parking Garage
- Phase III: Extended-Stay Hotel, Mid-Rise Office Building, a second Residential Tower, and a 1,300-space Parking Garage

In Phase I, the Urban Sports Complex is used to anchor the site, establish it as a place, and generate demand. Phase II builds critical mass by populating the site with residents who become stakeholders in the project, galvanizing its image in the minds of Baltimore citizens. By Phase III, Canton Marine is well established as a place to live, play and work. The riskiest components of the project are thus reserved for this phase, so that they may capitalize on all of the benefits and positive draw created in the preceding phases.

The project will commence construction in August of 2003 and finish in December of 2007. Full target occupancy of all products is expected by August of 2008.

As an investment, Canton Marine provides healthy returns to equity. The key numbers are as follows:

- Leveraged Returns:
 - Return on Equity: **30.1%**
 - Net Present Value @ 25%: **\$3.9 million**
- Total development cost for all three phases of the project: **\$185.6 million.**
- The maximum cumulative equity investment required to develop Canton Marine is **\$47.3 million**, and occurs in 2007 (Year 5 of the project).

All of Canton Marine's properties are financed as separate entities to limit risk and maximize leverage and mortgage terms. The business is organized as a series of LLCs that hold the individual properties. These LLCs are in turn held by a parent, Canton Marine Partners LLC, formed to own, operate and invest in all aspects of the Canton Marine development. Canton Marine Management LLC, also held under the parent LLC, manages all properties within the development except the Urban Sports Complex, and receives fees for performing these services.

