



THE ABSTRACT

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Neville Provides Pre-Purchase Due Diligence Coordination

Since Neville's inception in 1989 the firm has completed hundreds of transactions. The process of completing "due diligence," the compilation and analysis of information necessary to make a fully informed purchase decision, is vital in making a sound purchase.

coordination of the due diligence process. With this assistance our clients are better prepared for their purchase, understand the likely expenses of deferred or anticipated capital improvements, and we, as managers, receive all the information and knowledge we need in order to launch the property operations on a better footing.

While it is possible to have a successful purchase without performing the due diligence process, ones success would be based on luck. When the purchase contract allows for the time to perform this analysis, skipping or avoiding this opportunity would be an unnecessary gamble.

The information gathered in due diligence falls into several categories, which are explored briefly below. The depth of the exploration will depend on each purchasers level of desire for knowledge, financial capability, and the time allowed in the contract. We recommend, when possible, to negotiate a minimum of 60 days for due diligence with an opportunity to walk away from the contract if the purchaser is not satisfied with any aspect of the information gathered.

Neville often assists clients with the

Legal It will come as no great surprise that you will need counsel to assist in your closing. However, most of the legal process occurs after due diligence. As part of due diligence we recommend review of the sale contract, a permit review for existing compliance and compliance with any future use, and preliminary title search. Your locality may generate additional concerns so consult your attorney early in this process.

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Tammy Merchant Receives Rotary Award

Neville Companies was proud to nominate Tammy Merchant for the Rotary Club of South Burlington's Employee Recognition Award. Jeffrey Morin, President of the Rotary Club of South Burlington, presented Tammy with her award plaque on Thursday, May 3, 2007. John Wilking, President of Neville Companies, spoke to Tammy's accomplishments.



Jeff Morin, Tammy Merchant and John Wilking

Tammy's dedication and strong work ethic were immediately evident when she began working for Neville almost 5 years ago in July, 2002. She began her employment with us as a Reception/Administrative Assistant and her performance showed that her skills far surpassed her initial position. Tammy quickly took charge of the office processes to ensure everything ran smoothly. In November of 2004, Tammy was pro-

moted to the position of Accounts Payable / Accounts Receivable clerk. In a position requiring great attention to detail and an ability to work well with deadlines, Tammy has excelled, all the while exhibiting a great confidence level. She enjoys learning and seeks out more efficient ways to accomplish the tasks at hand. She is always willing to take on new projects and expand her responsibilities. As Neville has grown, Tammy has grown with us and she has become an integral part of Neville's accounting team.

On a personal note Tammy manages a full time job at Neville as well as a large family at home in Huntington, VT. Tammy remarried last year and with their combined families, as well as an addition of their own, they have 7 children at home!



NEVILLE COMPANIES

22 McGRATH HIGHWAY
SOMERVILLE, MA 02143
(617) 591-9595

&

30 KIMBALL AVENUE
S. BURLINGTON, VT 05403
(802) 862-0208

INFO@NEVILLECO.COM
WWW.NEVILLECO.COM



Pre-Purchase Due Diligence (from page 1)

Inspection A major function during due diligence is the building inspection to determine whether what you are buying is what you had hoped. On larger projects this building inspection may include securing engineers, including electrical, mechanical, structural, fire safety and civil, to feel comfortable with the asset. You may also wish to hire an architect or engineer to examine permits (similar to legal) and may choose to have a survey performed at the site. If you decide to go with a survey, speak to your attorney about the quality required for the title policy (ALTA or standard). On smaller projects a qualified building inspection service may be adequate. Neville often drops in at this level to look at the building from an operational standpoint and provide the buyer with insight on common area concerns.



Environmental If you will be obtaining commercial financing, you can expect the lender to require a Phase 1 environmental inspection. Even if not required, it would behoove you to complete said inspection. The Phase 1 will give you a historic look at the property and a qualified assessment of the level of risk you may face in terms of current or past environmental hazards. If the Phase 1 reveals any significant concerns, your environmental engineer will likely recommend proceeding to Phase 2, where testing would be completed to determine the level of contamination which might exist and whether the concerns are justified. Prior to proceeding to Phase 2, the seller typically would be brought back into the process to obtain permission for the test (often these tests are intrusive such as soil borings or monitor well insertion) and potentially pay for all or part of this phase. Phase 3, remediation, is typically not a part of due diligence.

Financing Commercial real estate financing is about four things; your personal financial state-

ment, the interest rate, the financing terms, and the hassle factor of the bank. At Neville we will typically help our less experienced clients create an outline of the financing desired including the rate, whether fixed or variable, the term, the amortization, the loan to value ratio, preferred debt coverage ratio, etc.. And then we shop. Each financing institution has different tastes for each deal. You may have a great history with financing office buildings with Bank A, but present them with a development opportunity and the rate may swing wildly. Bank B may be happy with development plays but dislikes restaurant deals. Shop. Shop. Shop. On another financing note, you may wish to examine the financing in place to see if it is assumable and beneficial, or non-cancellable and a concern for the completion of the deal.

Appraisal Where there is financing, there will be an appraisal. Depending on your market, this may be one of the most time-sensitive issues in the due diligence period. It is not unusual to hear that appraisers are scheduling six weeks out for completion. And yet the appraisal should be ordered by your bank in order to comply with financing standards. Therefore, the purchaser needs to make a quick decision on the likely bank and ask them to order the appraisal. Make sure your banker knows that you will expect the appraisal to be re-assigned if the bank does not win your business.

Warranties or Service Contract Obligations As part of your contract, it is important to ask the seller for all operational paperwork, including warranties and service or utility contracts. You, your manager, or your attorney will need to review the warranties to see if transfers are allowed and, if so, whether paperwork is required to transfer. You should be looking for warranties on items such as roofs, HVAC equipment, eleva-

Fresh Faces - Neville Crew Update



Jonathon Lakin

Jonathon Lakin

Neville is pleased to announce the hiring of a new member of our site maintenance team. Jonathan Lakin has been named as the Chace Mill Site Manager.

In property management, Neville is known for taking portfolios and removing the headaches of ownership. When Neville took on a large portfolio of Burlington, VT area retail and office properties, Neville become the beneficiary, finding Jonathan already associated with the portfolio. Jonathan has a meticulous nature and willingness to learn. He possesses a dedication to excellence which makes him a perfect fit for the Neville team. Chace Mill is an historic mill structure located on the Winooski River in Burlington, VT and caters to office and flex tenants from 200 sf to more than 20,000 sf.



Curt Dann



Tim Austin



Art Cameron

Milestones

CURT DANN celebrated his 6th year with Neville and continues as Site Manager at Burton Snowboards.

TIM AUSTIN celebrated his 5th year with Neville and continues as Site Manager at Northern Meridian.

ART CAMERON has recently moved from Site Manager at Chace Mill to our roving maintenance engineer.

tors, exterior finishes, etc. Obviously the newer the structure the more complex this may be. In addition to warranties, there may be non-cancellable service or utility contracts. Ideally you want your sale contract to insist on all contracts being cancelled on purchase, but review the paperwork and make sure you understand the obligations.

Operations Income properties present a host of issues. During due diligence you or your manager will need to read and abstract all leases, review past operating income and expenses to ensure consistency with said leases, build your proforma and compare it to the assumptions pre-contract, establish a capital expenditure budget, review operating concerns and history, and generally create a business plan for post closing. In my history, I have never seen the pre-contract assumptions remain unchanged after this review so pay

close attention to how these alterations may affect your future.

As most of us know, this is a brief overview of due diligence. When one has 60 to 90 days to complete this list, you may be slightly rushed but there is room to complete everything. On many deals these days, when it's a sellers market you may see a 30 day due diligence window. If you are facing this type of schedule you will likely need a strong and well organized team in order to accomplish many of the tasks, even so, time constraints may prohibit the completion of some items.

At Neville, we advise that prior to signing into the contract, you pull your team together and make them aware of the timing required. Neville hopes we can be a member of both your pre-closing and post-closing team.

