

Property Profile

# Diamond Run Mall

*1 Route 7 South  
Rutland, Vermont*



Tenant In Common Interests • Available for 1031 Exchange



200 Park Avenue South, Suite 1305, New York, NY 10003

16740 Birkdale Commons Parkway, Suite 301, Huntersville, NC 28078

800.644.7845 • [www.gemini-re.com](http://www.gemini-re.com)

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# INVESTMENT SUMMARY



## Property Description

Diamond Run Mall is an enclosed regional mall in Rutland, Vermont, approximately 5 miles west of the Killington resort area, a year-round outdoor-lifestyle resort destination and largest ski facility in the northeast United States. The mall contains 382,983 square feet of GLA and is anchored by K-Mart, Sears, JC Penney and Old Navy.

Rutland Field House, immediately adjacent to the Mall, is a vital meeting place for the community. The Field House accommodates over 150 regional grade school, high school, college and amateur ice hockey teams for practice and competitive games, in addition to indoor soccer and lacrosse leagues during the summer months.

Due to lack of retail development in Vermont, Diamond Run Mall serves a large trade area that includes nearly 150,000 people living in a 30-mile radius. In addition, over 500,000 tourists visit Killington every year to enjoy skiing, golf, tennis, fall foliage, hiking and a myriad of four season outdoor activities.

## Investment Strategy

Gemini anticipates the Tenants in Common will own the property for a ten year hold period, at the end of which the Property will be sold or refinanced. During the hold period, the objectives will be to (i) preserve the investor's capital, (ii) distribute monthly cash flow to the investors, and (iii) realize capital appreciation at the end of the hold period by increasing net operating income (NOI). Gemini will accomplish these goals by managing the Property with a value-oriented approach and aggressive leasing.

Should a change in market conditions create an environment where a sale prior to the tenth year will maximize value, then the investment strategy will adjust accordingly.

### Projected Investment Returns:

**\$500,000 Equity**

	Yield	Cash Flow
Year 1	8.04%	\$40,186
Year 2	8.51%	\$42,529
Year 3	8.56%	\$42,776
Year 4	9.07%	\$45,367
Year 5	9.10%	\$45,517
Year 6	9.29%	\$46,474
Year 7	9.25%	\$46,242
Year 8	9.26%	\$46,286
Year 9	9.37%	\$46,849
Year 10	9.46%	\$47,320
<b>Total</b>		<b>\$449,547</b>
<b>Average Yield</b>	<b>8.99%</b>	

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## Investment Highlights

**Exclusivity/ Lack of Competition:** The prospect for competitive retail development is extremely limited. Vermont has enacted numerous laws including Act 250 aimed at maintaining the state’s “green” character, and severely restricting further commercial development. As a result of Vermont’s anti-development environment, most new tenants adapt to the reuse of existing properties as opposed to leasing of new development.

**High Quality National Tenants and Stability of Cash Flow:** The mall is currently 92.11% leased to a strong, desirable mix of national and regional retailers that provide the property with a consistent and stable cash flow. National and credit tenants account for approximately 71% of Diamond Run Mall’s income and 81% of the center’s leaseable area. Diversity in the strong tenant mix reduces risk in the Property.

**Future Grow Potential:** The property offers attractive long term upside through a variety of initiatives including. i) Significantly expanded food service on the strength of the Field House. With thousands of families visiting the Mall annually for various sports activities, a need for greater food service has emerged. The soon to be open Sports Legends restaurant will have closed circuit television, airing games live as there are played at the Field House. ii) The few remaining vacancies are ideally suited for tenants wishing to capitalize on synergies making Diamond Run Mall a community destination.

**Added Traffic from Tourism:** Tourists spend over \$3 billion annually in the state of Vermont, and over \$350 million is spent in the Rutland and Killington areas, which are commonly referred to as the “Crossroads of Vermont.” The large number of vacation homes brings a second set of residents to the mall for home furnishings and amenities.

**Exceptional Value:** Investors will have an opportunity to purchase the Property at a low basis of \$139 per square foot. With a \$53,240,000 purchase price, and \$16,440,000 in equity, the investment will yield an 8.04% return in year 1, and has an average yield of 8.99% over the 10-year hold.

**Strategic Advantage to Competing Retail:** Enclosed malls have an advantage in areas subject to inclement weather, such as Vermont, allowing shoppers the ability to comfortably go from store to store. Diamond Run is the only enclosed mall for 45 miles.

**Excellent Physical Condition:** The Property is currently in excellent physical condition, requiring very little in immediate repairs, and allowing Gemini to focus additional capital investment directly on leasing and value creation opportunities.

## Sponsorship and Management

Gemini Real Estate Advisors, LLC structures and markets tenant in common investment opportunities to qualified investors. With 20 active TIC programs, Gemini provides its investors with quality real estate, stable returns, and clear and concise reporting.

Project Description		
<b>Property</b>	Property Address:	1 Route 7 South Rutland, VT 05701
	Property Type:	Regional Shopping Mall
	Total S.F.:	382,983
	Occupancy:	90.63%
	Leasing:	92.11%
<b>Financing</b>	Loan Amount:	\$36,800,000
	Interest Only:	5 Years
	Amortization Schedule:	30 Year
	Interest Rate:	5.91%
<b>Offering</b>	Deal Structure:	Property Management
	Total Capitalization:	\$53,240,000
	Available Equity:	\$16,440,000
	Loan to Value:	69.1%
	Price Per S.F.:	\$139
	Minimum Investment:	\$500,000
	Anticipated Close:	July 2007
<b>Projection</b>	Estimated Hold:	10 Years
<b>Summary</b>	Initial Year Yield:	8.04%
	Average Yield (Over Estimated Hold):	8.99%

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## Major Tenants



### Kmart

[www.Kmart.com](http://www.Kmart.com)

Standard & Poor Rating: BB+  
NASDAQ: SHLD

Lease Expiration: June 2020

Base Rent PSF: \$6.20

Current Rentable Area: 94,841 S.F.

Kmart, a wholly owned subsidiary of Sears Holdings Corporation, is a mass merchandising company that offers customers quality products through a portfolio of exclusive brands that include Jaelyn Smith, Joe Boxer, Martha Stewart Everyday and Route 66. With a total of 1,416 Kmart stores across 49 states, the stores carry a wide assortment of general merchandise, including pharmacies at many locations.



### Sears

[www.sears.com](http://www.sears.com)

Standard & Poor Rating: BB+  
NASDAQ: SHLD

Lease Expiration: July 2010

Base Rent PSF: \$4.45

Current Rentable Area: 82,400 S.F.

Sears is a leading broadline retailer providing merchandise and related services through more than 2,400 Sears-branded and affiliated stores in the U.S. and Canada. With revenues of \$50 billion, Sears is the only retailer where consumers can find each of the Kenmore, Craftsman, DieHard and Lands' End brands together – among the most trusted and preferred brands in the U.S. The company is the largest provider of product repair services with more than 14 million service calls made annually.



### JCPenney

[www.jcpenny.com](http://www.jcpenny.com)

Standard & Poor Rating: BBB-  
NYSE: JCP

Lease Expiration: August 2010

Base Rent PSF: \$4.20

Current Rentable Area: 51,320 S.F.

JCPenney is one of America's largest department store, catalog, and e-commerce retailers, employing approximately 155,000 associates. The company had revenues in 2006 of \$19.9 billion. Founded in 1902, JCPenney currently operates more than 1,000 department stores throughout the U.S. selling family apparel, jewelry, shoes, accessories, and home furnishings through mall-based department stores, catalog, and the internet. The company also provides services such as salon, optical, portrait photography and custom decorating.



### Old Navy

[www.oldnavy.com](http://www.oldnavy.com)

Standard & Poor Rating: BB+  
NYSE: GPS

Lease Expiration: October 2010

Base Rent PSF: \$13.00

Current Rentable Area: 15,709 S.F.

Old Navy is a fully owned subsidiary of The Gap, Inc., which operates as a specialty retailing company. With more than \$15.9 billion in revenues for 2006, The Gap, Inc. also owns Banana Republic and Forth & Towne, including internet destinations for each brand. With more than 3,100 store locations, The Gap, Inc. is a leading international specialty retailer. The Old Navy brand offers affordable, fashionable clothing and accessories for the whole family, such as denim, khakis, and T-shirts, fashion apparel, shoes, accessories, and personal care products.



**REX**

www.rextv.com  
NYSE: RSC  
Lease Expiration: January 2009  
Base Rent PSF: \$10.22  
Current Rentable Area: 9,348 S.F.

REX, headquartered in Dayton, Ohio, is one of the nation's leading consumer electronics retailers, operating more than 160 stores nationwide. REX has also been active in several synthetic fuel investments. REX carries high quality, nationally recognized brands such as Frigidaire, Hitachi, JVC, Panasonic, Philips, and Magnavox. They provide customers with a broad selection of models and price points. In 2006, REX has revenues of \$347 million.



**Deb Shops**

www.debshops.com  
NASDAQ: DEBS  
Lease Expiration: November 2011  
Base Rent PSF: \$11.53  
Current Rentable Area: 7,113 S.F.

Deb Shops, Inc. is a national specialty retailer of fashionable apparel, shoes and accessories for juniors in both regular and plus sizes. The company operates 336 specialty apparel stores in 41 states under the DEB and Tops 'N Bottoms brand names. For the year ended January 31, 2007, total sales were \$324.7 million. With a design and merchandising team focused on staying ahead of trends and fashion direction while responding to the ever changing needs of shoppers, Deb Shops is a trendy place to shop for teenage girls.



**Dollar Tree**

www.dollartree.com  
NASDAQ: DLTR  
Lease Expiration: July 2010  
Base Rent PSF: \$12.39  
Current Rentable Area: 6,213 S.F.

Conveniently located in shopping centers and malls, Dollar Tree Stores, Inc. is a national company with locations in all 48 contiguous states. Each of the more than 3,200 stores are stocked with a wide array of gift bags, party supplies, housewares, seasonal decor, candy and food, toys, health and beauty care, gifts, stationery, books, and a variety of consumer items, each priced at \$1. The store also has more than 40 private label products sold solely in their stores. Sales in 2006 reached \$3.9 billion.



**American Eagle**

www.ae.com  
NYSE: AEO  
Lease Expiration: August 2010  
Base Rent PSF: \$17.73  
Current Rentable Area: 5,899 S.F.

American Eagle Outfitters designs, markets and sells its own brand of laidback, current clothing targeting 15 to 25 year-olds, providing high-quality merchandise at affordable prices. American Eagle currently operates 840 stores in 50 states, the District of Columbia and Puerto Rico, and 74 AE stores in Canada. AE's original collection includes standards like jeans and graphic Ts as well as essentials like accessories, outerwear, footwear, basics and swimwear. Total sales reached \$2.8 billion for 2006, up 20% from the prior year. Contributing to the record sales, comparable store sales rose 12%.



## LOCATION AND MARKET OVERVIEW

### Diamond Run Mall Tenants

Tenant	S.F.	Property	Tenant	S.F.	Property
Kmart	94,841	24.76%	Radio Shack	1,691	0.44%
Sears	82,400	21.52%	GNC	1,425	0.37%
JCPenney	51,320	13.40%	Hannoush Jewelers	1,405	0.37%
Old Navy	15,709	4.10%	Kay Jewelers	1,205	0.31%
Rex	9,348	2.44%	Electronics Boutique	1,097	0.29%
Deb	7,113	1.86%	Today's Nails	1,081	0.28%
Dollar Tree	6,213	1.62%	Angel Nails	1,076	0.28%
American Eagle	5,899	1.54%	Regis Hairstylists	1,041	0.27%
Sports Tavern	5,680	1.48%	Mastercuts	1,040	0.27%
Eastern Mtn Sports	5,445	1.42%	Claire's	1,020	0.27%
Olympia Sports	4,455	1.16%	Wireless Zone	1,004	0.26%
Victoria's Secret	4,455	1.16%	Joli Hair Studio	1,000	0.26%
Shoe Department	4,455	1.16%	Sbarro	931	0.24%
Maurices	4,387	1.15%	Something Sweet	824	0.22%
FYE Music	3,960	1.03%	Orientaste	610	0.16%
Marcia's Hallmark	3,935	1.03%	Subway	604	0.16%
Pacific Sunwear	3,795	0.99%	Verizon Storage	45	0.01%
Kay Bee Toys	3,455	0.90%	Verizon Wireless	Kiosk	Kiosk
Lenscrafters	2,904	0.76%	Unicel	Kiosk	Kiosk
Foot Locker	2,799	0.73%	Sunglass Hut	Kiosk	Kiosk
Waldenbooks	2,782	0.73%	Nextel	Kiosk	Kiosk
Bath & Body Works	2,475	0.65%	PNC ATM	ATM	ATM
Cyberstation	2,425	0.63%	Vacant	30,212	9.37%
Willy's T Haus	2,148	0.56%	<b>Total</b>	<b>382,983</b>	<b>100%</b>

Rutland boasts a demographic mix of deep-rooted local residents (74% of the town's homes are owner-occupied) along with second-home owners. Killington, which is a collection of seven mountains, is the largest ski area in the North East and brings the town more than 1.4 million tourists annually. The area is also home to two PGA golf courses, with 12 area courses just a short drive away.

As a regional shopping center, Diamond Run serves a much larger market than its immediate neighborhood. With only two other malls in the entire State, it is the primary retail destination center for an area that encompasses a 45 mile radius around the city. It has excellent regional accessibility by virtue of its location along U.S. Route 7 and its proximity to U.S. Route 4. This suburban community is composed primarily of middle-income residents.

With an area population of 150,000, the median household income is \$59,000 in a 30-mile radius. Property values have been increasing steadily, and there has been a 14% increase in households since 1990.

The composition of Rutland County's employment base varies widely and includes G.E., Powdr Corporation (owners of the Killington ski resorts), Rutland Regional Medical Center and the State of Vermont. According to the Rutland Business Journal, the Killington ski resorts provide approximately one million visitor days for the winter season. In the non-winter months, thousands of visitors are drawn to the famous Long Trail for hiking, Lake Bomoseen and Lake St. Catherine for water sports and vacations, and the fall foliage season. The Convention Center has become the focal point for trade or convention shows boosting the visitor population in the non-winter season. Clearly, the tourist population provides a strong income potential for Diamond Run Mall.

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