

MORGAN STANLEY**MEMORANDUM**

TO: Walter Lembi
(via fax: 415-241-1427)

DATE: December 16, 1997

FROM: Spencer Young
Meridith Schwartz
Christian Curry

CC: John Westerfield
Russell Rahbany
Steven Stern
Shirish Godbole
George Kok

Tom Kimball - Mellon
Michael Murphy - Mellon
Phillip Clock - Mellon
John Busillo - Cadwalader

SUBJECT: Proposed Timetable for Refinancing

We are pleased you have selected Morgan Stanley Mortgage Capital Inc. to refinance twenty-five multifamily, retail, office and hotel properties located in San Francisco and Burlingame, CA. Although we have put an outside date of February 27, 1997 to close the transaction, we have developed a timetable to do so by January 30, as you requested. To this end, we have prepared the below timetable for your review and comments.

Task	Responsibility	Target Date	Done?
Remit application fee	Lembi	--	Y
Order third party reports (appraisal; environmental; engineering; & seismic)	Mellon	--	Y
Order surveys and title work	Lembi	Wed. 12/17	
Execute <u>Revised</u> Funding Commitment	Lembi / MSMC	Wed. 12/17	
Submit application for financing (refer to application checklist in Funding Commitment)	Lembi	Fri. 12/19	
Select servicer	MSMC	Fri. 12/19	
Submit organizational documents to MSMC and CWT for review	Lembi	Fri. 12/19	
Request tenant estoppels and subordination and non-disturbance agreements from all commercial tenants	Lembi	Mon. 12/22	
Deliver copies of commercial leases and form of multifamily leases used. to CWT and Mellon	Lembi	Mon. 12/22	
Complete site visits	Mellon	Wed. 12/31	
Issue initial draft of master loan agreements and loan documents for <u>senior debt</u> (Loan Groups A, B, C & D)	CWT	Wed. 12/31	

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Task	Responsibility	Target Date	Done?
Issue initial draft of loan agreements for <u>secondary debt</u> on Loan Group C & D	Imperial	Wed. 12/31	
Deliver copies of management agreements to CWT and Mellon	Lembi	Wed. 12/31	
Comment on <u>senior debt</u> master loan agreements and mortgage loan documents for Loan Groups A, B, C & D	Lembi	Wed. 1/7	
Comment on <u>secondary debt</u> loan agreements for Loan Group C & D	MSMC / CWT	Wed. 1/7	
Deliver executed tenant estoppels and subordination and non-disturbance agreements for all commercial space to CWT and Mellon	Lembi	Wed. 1/7	
Distribute initial draft of non-consolidation opinion to CWT	Morris	Wed. 1/7	
Distribute initial draft of Intercreditor Agreement	CWT	Wed. 1/7	
Third party reports completed	Mellon	Thu. 1/15	
Review of third party reports finished	Mellon	Tue. 1/20	
Assemble property level information (photos, standard lease forms, rent rolls, maps, site plans, operating statements, etc.), and prepare asset summaries	Mellon	Wed.. 1/21	
Prepare credit approval / securitization packages in Morgan Stanley AMOS software.	Mellon	Thu. 1/22	
Review final borrowing entities organizational documents, surveys, zoning, etc.	CWT / MSMC	Fri. 1/23	
Securitization committee review	MSMC	Mon. 1/26	
Approve loans	MSMC	Wed. 1/28	
Issue closing letter	MSMC	Thu. 1/29	
Execute all agreements and documents; finalize opinions	Lembi / MSMC	Fri. 1/30	
Close transaction	MSMC	Fri. 1/30	

Key: Lembi = The Lembi Group and/or its affiliates and/or BSchoenberg (Counsel to Lembi)
Morris = Mike Morris (Bankruptcy Counsel to Lembi)
MSMC = Morgan Stanley Mortgage Capital Inc.
CWT = Cadwalader, Wickersham & Taft
Mellon = Mellon Mortgage Company
Imperial = Imperial Thrift & Savings

**The Lembi Group
Multifamily & Commercial Property Refinancing
Working Party List**

Company	Contact / Role	Business Phone / Fax	Home Address/Phone/Fax
The Lembi Group 2111 Market Street at Church San Francisco, CA 94114 (415) 861-1111	Frank E. Lembi Managing Partner	Tel. (415) 861-1168 Fax (415) 241-1427 Mobile (415) 269-4543	
	Walter R. Lembi Managing Partner	Tel. (415) 861-1111 Fax (415) 241-1427 Mobile (415) 531-6304	Tel. (415) 344-3779 Fax (415) 375-1264
Morgan Stanley Dean Witter 1585 Broadway (37th Floor) New York, NY 10036	John Westerfield Group Head	Tel. (212) 761-4996 Fax (212) 761-0508	26 Locust Lane Bronxville, NY 10708 Tel. (914) 337-1677 Fax (914) 793-7688
	→ Spencer Young MSMC Credit Committee Team Leader	Tel. (212) 761-4512 Fax (212) 761-0512	74 Eakins Road Manhasset, NY 11030 Tel. (516) 365-2487 or 8 Fax (516) 365-4110
(2nd Floor)	Steven Stern MSMC Credit Committee Whole Loan Trader	Tel. (212) 761-2061 Fax (212) 761-0709	1333 Boxwood Drive East Hewlett Harbor, NY 11557 Tel. (516) 374-5644
	Meredith Schwartz Associate	Tel. (212) 761-4527 Fax (212) 761-0524	303 East 83rd Street, Apt. 19F New York, NY 10028 Tel. (212) 517-2115
	→ Christian Curry Analyst	Tel. (212) 761-8163 Fax (212) 761-0508	560 West 43rd Street, Apt. 36J New York, NY 10036 Tel. (212) 947-1529
	Shirish Godbole Large Loan Program Head	Tel. (212) 761-8251 Fax (212) 761-0524	171 East 84th Street, Apt. 35B New York, NY 10028 Tel. (212) 717-0581
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	Cynthia Deutsch Loan Closer	Tel. (212) 782-2511 Fax: (212) 782-2524	200 E. 82nd Street, #11B New York, NY 10028 Tel. (212) 879-8589

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Company	Contact / Role	Business Phone / Fax	Home Address/Phone/Fax
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	Philip Clock Senior Investment Analyst	Tel. (415) 328-3294 Fax (415) 328-7036	
Cadwalader, Wickersham & Taft 100 Maiden Lane New York, NY 10036	Chris White	Tel. (212) 504-6633 Fax (212) 504-6492	19 Hirst Road Briarcliff Manor, NY 10510 Tel. (914) 762-7665 Fax (914) 923-1653
(Counsel for MSMC)	John Busillo Real Estate Partner	Tel. (212) 504-6312 Fax (212) 504-6666	35 Quaker Road Princeton Junction, NJ 08550 Tel. (609) 936-1757
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	Yanon Ernst Bankruptcy Associate	Tel. (212) 504-6245	(212) 876-3652
	Susan Chalfin Securitization Counsel	Tel. (212) 504-6120	Tel. (212) 473-9822
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Cadwalader, Wickersham & Taft 1333 New Hampshire Ave., NW Suite 700 Washington, DC 20036	Diana R. de Brito	Tel. (202) 862-2409 Fax (202) 862-2400	4610 Dexter Street, NW Washington, DC 20007 (202) 337-1414
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Bernard
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Imperial Bank

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TO: Walter Lembi (via fax: 415-241-1427) **DATE:** January 8, 1998
 Bernard Schoenberg (via fax:415-362-1162)

FROM: Spencer Young
 Meridith Schwartz
Christian Curry

CC: Michael Murphy / Phil Clock - Mellon
 (via fax:415-328-7036)
 John Busillo - Cadwalader (212-504-6666)

SUBJECT: Timetable for Lembi Portfolio Refinancing

The below timetable should reflect that which we agreed in our conference call on 1/6. Please feel free to comment and add to it. Thanks to all for participating -- let's make this happen.

Task	Responsibility	Target Date	Done?
Operating statements by property to Mellon	Lembi	Fri. 1/9	X
Occupancy % & rent roll statements by property	Lembi	Fri. 1/9	X
Aging of receivables (last twelve months) by property	Lembi	Fri. 1/9	X
Copies of real estate tax bills for all properties	Lembi	Fri. 1/9	X
Statement of use of loan proceeds (separately for loan groups A, B, and C & D)	Lembi	Fri. 1/9	X
Service contracts to Mellon (Elevator, Janitorial & Security for 1155 Market -- Pending for Hotels maybe -- >\$5,000)	Lembi	Fri. 1/9	X
Skyline & Hotel Group of America management agreements with each borrower (all signed - receipt pending 7 contracts -- one for each entity)	Lembi	Fri. 1/9	1/16
Salaries / benefits of on-site employees	Lembi	Fri. 1/9	X
Certification of existing debt	Lembi	Fri. 1/9	X
Borrowing entity organizational documents to Mellon & CWT (will send one corporate and one LLC initially)	Melissa		Initial drafts by 1/15 all in by Weds 1/21

Operating statements by property and financial statements for borrower and principal owners	Lembi	Fri. 1/9	X
Resume of borrowers and principal owners	Lembi	Fri. 1/9	X

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Task	Responsibility	Target Date	Done?
Property insurance policies	Lembi	Fri. 1/9	X
Explanation of judgments and liens	Lembi	Fri. 1/9	X
Letter from borrower certifying debt, equity, funds to Mellon	Lembi	Fri. 1/9	1/15
Tax returns from borrowing entity and principal owners	Lembi	Fri. 1/9	X
Summary of Capital Expenditures (1997, 1996, 1995)	Lembi	Fri. 1/9	X
Bank statements for multi-family (Last twelve months)	Lembi	Fri. 1/9	X
Percentage rent reports (1995, 1996, 1997)	Lembi	Fri. 1/9	X
Payments on third party retainers (NO PAYMENTS HAVE BEE RECEIVED!) -- Call Stanley Gray ;and move up date	MSMC	Fri. 1/9	
Certification of occupancy/copies of originals from City Hall, title endorsements (16 of 20 properties have C of Os have been received)	Lembi	Mon. 1/12	16 C of O to CWT 3R reports by 1/20
Response to organizational documents to Lembi	CWT	Fri 1/23	
Allocations of loan proceeds, spreads, and preliminary UCF for each property, taking into account the collateral type components to the UCF (e.g., a breakout of the hotel and retail components in the Diva Hotel) to Lembi & MSMC	Mellon	Wed. 1/14	Group AB&C 1/15; D 1/16
Tenant estoppels and SNDA's: (CWT will advice -- Lembi will send piecemeal)	Lembi	Mon. 1/19	
Surveys (10 by Fri. -- 10 by Fri.)	Lembi / Young	Mon. 1/21	
Comments back on the loan documents	Lembi	Fri 1/16	
Loan Documents from Imperial Bank	Imperial	Fri. 1/16	
Title Work - Exception documents on A, C&D			
Leases to CWT		1/15	
Environmental (215 Church, 1155 Mkt, 2075 Mkt)		Mon 1/19	
Structural (2101 Mkt, 1155 Mkt, 2075 Mkt)		Mon 1/19	

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Appraisals (All in)		Mon 1/19	
Address PMLs:= 30% 50%-60% (Diva, Union Square, 500 Stanyon, Burlingame) -- from Eckland Consider BML analysis.-- conference call with EMG & Eckland			
Enforceability opinions (One for NY and one for CA -- CWT to send a form opinion)	Lembi	Tue 1/20	
Non-consolidation opinion -- CWT to send a form opinion	Lembi	Tue 1/20	
Intercreditor Agreement		Wed 1/21	

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TO: Walter Lembi (via fax: 415-241-1427) **DATE:** January 21, 1998
 Bernard Schoenberg (via fax:415-362-1162)

FROM: Spencer Young
Meridith Schwartz
Christian Curry

CC: Michael Murphy / Phil Clock - Mellon
 (via fax:415-328-7036)
 John Busillo - Cadwalader (212-504-6666)

SUBJECT: Remaining Punch List for Lembi Portfolio Refinancing

The below reflects that which we agreed to in our conference call today.

Task	Responsibility	Target Date	Done?
Letter from borrower certifying debt, equity, funds to Mellon	Lembi		Thu. 1/15
Initial draft of borrowing entity organizational documents to Mellon & CWT -- one corporate and one LLC.	Lembi CWT comments	Thu. 1/22 Mon. 1/26	
Call Surveyor (Stanley Gray) to address retainer payment and accelerate the delivery date on the surveys on each property	MSMC		Thu. 1/15
Title Work - Exception documents on A, C&D to CWT	Lembi	Thu 1/15	Documents in - being reviewed by CWT
Copies of leases to CWT	Lembi	Thu. 1/22	
Address PMLs:= 30%-60% on Diva, Union Square, 500 Stanyon, Burlingame so far -- from Eckland. Review in context of EMG PMLs -- consider EMG analysis. 12 finished - EMG doing desk review for Eckland on 8 other properties.	MSMC	3 by 1/23 5 to follow	

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Task	Responsibility	Target Date	Done?
Revised Allocations of loan proceeds, spreads, and preliminary UCF for each property, taking into account the collateral type components to the UCF. This should be done incorporating the following underwriting adjustments – Proposition 13 effect on property taxes and 3.0% vacancy rate on multifamily components to the properties. In addition, the DSCR using the minimum constants per the funding commitment shall be shown for each property.	Mellon	Open	
Comments back on the senior debt loan documents	Lembi	Fri 1/23	
CWT response	CWT	Tue. 1/27	
Revised documents		Fri. 1/30	
Initial draft of mezzanine debt loan documents to CWT for review	Imperial	Thu. 1/22	Loan Agreement in
CWT comments on Loan Agreement		Wed. 1/28	
Revised documents to CWT			
Skyline Management and Personality Hotels management agreements with the respective borrowing entities to Mellon and CWT	Lembi CWT	Fri. 1/16 Wed. 1/21	
Retainer payments to third parties -- Mellon, Rosenthal, Eckland. Surveyor paid.	MSMC	Open	
Certificates of occupancy -1155 Market, 2099 Mkt., 1401 Jones, 2677 Larkin, 215 Church	Lembi	Open	
Environmental reports pending (all in except 8 final copies from Eckland)	Mellon	Fri. 1/23	
Structural reports pending (12 done in Group A, 8 from Eckland coming)	Mellon	Fri. 1/23	
Appraisals (CB short)	Mellon	Fri. 1/23	
Enforceability opinions (One for NY and one for CA)	Lembi NY CA	Thu. 1/29 Thu. 1/22	
Non-consolidation opinion	Lembi	Thu. 1/22	
Credit approval / securitization packages in Morgan Stanley AMOS software completed and received by MSMC	Mellon Group A Group C&D	Mon. 1/26 Wed. 1/28	

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Task	Responsibility	Target Date	Done?
3R reports on all 20 properties issued by San Francisco municipality to be forwarded to CWT	Lembi	Mon. 1/26	
Rating agency (S&P and Fitch) approval of Imperial Bank as mezzanine debt holder	MSMC	Need Imperial documents to discuss with Rating Agencies	
Complete final set of mortgage documents	Lembi	Fri. 2/6	
Intercreditor Agreement to Imperial Bank	CWT	Wed 1/21	
Tenant estoppels and SNDA's	Lembi	Fri. 1/30	
Surveys (all to be in on 1/26)	Lembi	Mon. 1/26	
Finalize Intercreditor Agreement	CWT	Fri 1/30	
Review final borrowing entities organizational documents, surveys, zoning, etc.	CWT / MSMC	Fri. 2/6	
Securitization / Credit Committee review	MSMC	Open	
Approve loans -- Closing contingencies finalized and communicated to Lembi	MSMC	Open	
Dry closing in New York at CWT offices; finalize opinions, Group A, C & D	Lembi, MSMC, CWT	Tue. 2/10	
Close transaction on Group A, C&D	MSMC	Wed. 2/11	
Closing on Group B		End of Feb.	

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