Fax Cover Sheet

To: Dave Langness
Company: MDC
Phone:
Fax: 314-777-1012

From: Steve Barker
Company: McDonnell Douglas Realty Company
4060 Lakewood Blvd., 6th Floor
Long Beach, CA 90808
Phone: 310-627-3063
Fax: 310-627-3109

Date: 4-17-96

Pages including cover : Two (2)

~~TAO~~ ☐

MEMORANDUM

TO: TOM M ☐

(Same Pkg. sent to Hotel/Poulin)

TO: DAVE LANGNESS
FROM: TOM OVERTURF TAO.
DATE: APRIL 9, 1996
SUBJECT: FACTORY ORDER NUMBER FH 902-165/H350 (Copy Attached)

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1. Proposed add to "Statement of Work": It is understood that budgeted personnel, equipment, operating expenses and other activities included in 1996 and 1997 component charge rates, shall **not** be charged under this factory number, but shall continue on the books of respective components. It is further understood that cost estimates will be provided in advance by each component to MDRC/Corporate Audit Team for approval. Work not required to be performed under existing corporate agreements (such as moving and transporting goods) will be delineated, tabulated, and estimated at least thirty (30) days in advance by each component to MDRC/Corporate Audit Team to allow competitive outsourcing bids.

2. Proposed add to "Tasks": It is understood that the following schedule for vacation is agreed as follows:

June 1, 1996	Buildings 34, 36, 37 and the North Annex to Building 1
July 1, 1996	Buildings 33 and 61
August 1, 1996	Buildings 57, 58 and 67
November 30, 1997	Remainder of C-6 Site

3. Proposed revised language for "End Product/Anticipated Accomplishments/Special Instructions": Completely vacated buildings ready for demolition. This F.O. is for the move preparation and non-budgeted, non-overhead, union-related, mandatory work only. It **does not include** labor/material for the study of options as to inventory disposition or move-to locations which are assumed to be either currently budgeted, overhead costs or special projects requiring intercomponent agreements. Corporate objective is to achieve **overall budget - neutral situation to dislocated components**.

4. Attached also is April 9, 1996 Preliminary Absorption and Gain Analysis.

TAO:kk KKTO1733

Attachment

cc: Steve Bisset
Phil Cyburt
Steve Barker
Mario Stavale
Merle Pautsch
Jean Hostetter
Terralyn Schwartz

TORRANCE - C6 FACILITY

PRELIMINARY MARKET ABSORBTION AND GAIN ANALYSIS

	PH 1 39 Acre Retail Jan-98	PH 2 40 Acre vacant Office Park 1998-1999	PH 3 76 Acres Remainder	Total
Acres	39	40	76	155
Land sf	1,698,840	1,742,400	3,310,560	6,751,800
Sales Value psf	$ 10.10	$ 11.00	$ 12.00	$ 11.26
Bldg Demo Area	610,580	100,000	1,689,420	2,400,000
Land Sale Base	**$ 17,158,284**	**$ 19,166,400**	**$ 39,726,720**	**$ 76,051,404**
Commissions	195,000	600,000	1,200,000	1,995,000
Legal & Misc	190,000	200,000	400,000	790,000
Entitlements	716,000	800,000	1,520,000	3,036,000
Moving DAC	2,400,000	400,000	6,650,000	9,450,000
Demolition	900,000	150,000	2,550,000	3,600,000
Offsites	850,000	2,620,000	5,000,000	8,470,000
Contingency	650,000	480,000	1,580,404	2,710,404
Total Costs to deliver site	**$ 5,901,000**	**$ 5,250,000**	**$ 18,900,404**	**$ 30,051,404**
Environmental / Asbestos Costs	**2,225,000**	**2,775,000**	**20,000,000**	**25,000,000**
Net Cash Proceeds	**$ 9,032,284**	**$ 11,141,400**	**$ 826,316**	**$ 21,000,000**
Less Net Book Value Est.	4,300,000	700,000	11,000,000	16,000,000
Environmental Reserve Contribution (Applied)	3,732,284	8,441,400	(12,173,684)	-
Pretax Gain	**$ 1,000,000**	**$ 2,000,000**	**$ 2,000,000**	**$ 5,000,000**

BOE-C6-0113061

FACTORY ORDER NUMBER:	FH902-165
DEPARTMENT TO BE CHARGED:	H350

MCDONNELL DOUGLAS CORPORATION-CORPORATE OFFICE

REQUEST FOR FACTORY ORDER CHARGE NUMBER

Project/Service Name: Torrance Project

Budgeted /Estimated Cost For Current Year: $500,000

Start Date: 01 April 1996

Estimated Completion Date: 01 October 1996

For internal, external, and Federal audit purposes, please provide a detailed description of the work to be performed. Attach additional documentation when available.

Components Authorized Usage:

___ MDA-Tactical Aircraft & Missle Systems- St. Louis MO
X MDA-Transport Aircraft-Long Beach CA
X DAC-Commercial-Long Beach CA
X MDA Space Systems-Huntington Beach CA
Other_____

Open on CCA to: ___GA ___IT ___TR ___PM ___EN ___PS ___MP ___MA ___TL ___QA ___SH ___MC

Statement of Work:
The removal, movement, and/or scrapping of inventory for the preparation of Phase I of the Torrance Facility sale.

COST TO BE BILLED TO MD-REALTY (A/C 2891) ON A WEEKLY BASIS.

Tasks:
All labor, material, cartage, and associated activities required to vacate all affected buildings.

End Product/Anticipated Accomplishments/Special Instructions:
Completely vacated buildings ready for demolition. This F.O. is for the move only and does not include labor/material for the study of options as to inventory disposition or move-to locations.

X-20286

Authorizing Approval — Dept: _____ Date: 3/28/96

David G. Langness — Dept: H350 — Date: 28 Mar 96
MDC Project Leader/Contact

Accounting Approval — Dept: _____

Attn: J. Hostetler
8-627-3109
8-627-3178

Return to Corporate Office Accounting M/C 100-2(

A:PROCECURE:RFFO.WK4
13-Apr-95

** TOTAL PAGE.01 **

RE: TORRANCE C FACILITY OPTIONS ANALYSI

3.22.96 / BRETT
COPIES TO: MARIO ☐
MERLE ☐
file: KIM
TAO

I **BUILD-TO-SUIT SCENARIO**

BUILDING COSTS	Floor Area Ratio	% of Costs	$/SF	Sq. Ft.	Extension		
Warehouse Area			16.00	700,000	11,200,000		
Office Area 2.0%			43.00	14,000	602,000		
						11,802,000	
Permits			2.00	700,000	1,400,000		
Development Fees		10.0%			1,180,200		
Contractor's Overhead		2.00%			236,040		
Developer's Fee		2.50%			295,050		
Project Contingency		2.00%			236,040		
						3,347,330	
Land Cost	50.0%		8.00	1,400,000		11,200,000	
Total Building Cost w/Land						26,349,330	37.64

LEASING ASSUMPTIONS	100% Equity	40% Equity	35% Equity	30% Equity	25% Equity
Lease term in years	10	10	10	10	10
Beginnning monthly rate per SF NNN	$ 0.34	$ 0.305	$ 0.30	$ 0.295	$ 0.29
6% increase every 30 months					
Based on above costs					
Pre-Tax IRR	11.7%	11.8%	11.8%	11.6%	11.5%

These are NNN rates. The tenant is responsible for all building costs (i.e. RE taxes, insurance, operating expenses, repairs & maintenance).

II **LEASE EXISTING BUILDINGS**

WATSON BLDGS. CARSON

	$/SF/Mo	
Lease rate NNN	$ 0.38	Years 1-5
	$ 0.42	Years 6-10

The above rates apply to a class A wareshouse/distribution building with 28 to 30 foot clear height. These are NNN rates. The tenant is responsible for all building costs (i.e. RE taxes, insurance, operating expenses, repairs & maintenance).

The high lease rates are the result of efficient buildings with a lower tax basis.

III **UPS/MASCO HUNTINGTON BEACH SITE - Large warehouse facility, close proximity to A-3 HB.**

HUNTINGTON BEACH

	Bldg SF	Acreage	Price	Lease Rate	
UPS-Warehouse	425,000	28	$ 10,000,000	$ 0.25	
MASCO-Warehouse	213,000	17	$ 12,000,000	$ 0.33	
MASCO-Office	51,676				
Total Warehouse SF	638,000	45	$ 22,000,000	$ 0.28	Weighted Average
Total Office SF	$ 51,676				

Excess land represents 13 acres of the 45 acre site.

These are NNN rates. The tenant is responsible for all building costs (i.e. RE taxes, insurance, operating expenses, repairs & maintenance).

IV **SALE/LEASEBACK SCENARIO**

Lease term in years	10
Beginnning monthly rate per SF NNN	$ 0.33
6% increase every 30 months	

These are NNN rates. The tenant is responsible for all building costs (i.e. RE taxes, insurance, operating expenses, repairs & maintenance).

	$/SF	Total Price
Sell building at	$42.71	$29,900,000

Building area is 700,000 SF

TORRANCE BUDGET UPDATE

	PHASE I		PHASE II		PHASE III				TOTAL
	1996	1997	1998	1999	2000	2001	2002	2003 +	ALL PHASES
1. Market Absorption Assumptions:	**39 Acre Retail**		**40 Acre vacant land**		**76 Acres with remaining buildings.**				
Absorption Period									
Acres Sold		Business Park	20	20	20	20	20	16	**155**
Land S.F.			871,200	871,200	871,200	871,200	871,200	696,960	**6,751,800**
Sales Value P.S.F.			$ 11.00	$ 11.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	**$ 11.26**
Bldg. Demo Area		610,580	100,000	100,000	1,689,420				**710,580**
Land Sale Base			**9,583,200**	**9,583,200**	**10,454,400**	**10,454,400**	**10,454,400**	**8,363,520**	**76,051,404**
Acres Sold		Retail Jan-98	39						
Land S.F.			1,698,840						
Sales Value P.S.F.			$ 10.10						
Land Sale Base			**17,158,284**						
TOTAL LAND SALES			**26,741,484**						
2. Unit Cost Assumptions: (Applied to Phases II and III)									
A. Broker Commission at 3%	-	-	482,496	287,496	313,632	313,632	313,632	250,906	**1,961,794**
B. Legal and Misc. @ $5,000/Acre	250,000	350,000	190,000						**790,000**
C. Entitlement @ $20,000/Acre	1,000,000	1,500,000	536,000						**3,036,000**
D. On-Site Infrastructure @ $1.70/B.S.F.	200,000	800,000	2,000,000	950,000					**3,950,000**
E. Offsite Infrastructure:									
1. Internal Streets/Utilities @ $0.81/S.F.	-	1,530,000	3,000,000	1,000,000					**5,530,000**
2. External @ $0.44/S.F.	-	940,000	2,000,000						**2,940,000**
F. Demolition @ $1.50/S.F. Bldg.	700,000	200,000	150,000	1,550,000	1,000,000				**3,600,000**
G. Remediation/Asbestos (Allowance)	725,000	1,500,000	1,400,000	1,375,000	6,000,000	1,000,000	1,000,000	11,200,000	**24,200,000**
H. Insurance Proceeds ($6,500,000 less $800,000 DAC to date)	(725,000)	(1,500,000)	(1,400,000)	(1,375,000)	(700,000)				**(5,700,000)**
I. Capitalized Interest	900,000	1,700,000	700,000		1,000,000				**4,300,000**
I. Contingency	300,000	350,000	300,000	180,000	1,000,000	580,404		33,206	**2,743,610**
Total Development costs incurred	3,350,000	7,370,000	9,358,496	3,967,496	8,613,632	1,894,036	1,313,632	11,484,112	**47,351,404**
J. Net Book Value	-	-	6,090,323	2,064,516	2,064,516	2,064,516	2,064,516	1,651,613	**16,000,000**
Cost of Land Sold			24,114,405	8,174,375	8,174,375	8,174,375	8,174,375	6,539,500	**63,351,404**
K. Gain Deferred			2,627,079	1,408,825	2,280,025	2,280,025	2,280,025	(10,875,980)	**0**
3. Estimated Pre-Tax Gain	-	-	-	-	-	-	-	**12,700,000**	**12,700,000**
4. Period Move Costs:									
D. Moving Costs @ $2.30/S.F.:									
A. Phase I	1,400,000								**1,400,000**
B. Phase II	1,200,000	2,400,000	500,000						**4,100,000**
Total Move Period Costs	**2,600,000**	**2,400,000**	**500,000**	-	-	-	-	-	**5,500,000**
Capitalized Interest (Offsets other Interest Expense)	**(900,000)**	**(1,700,000)**	**(700,000)**	-	**(1,000,000)**	-	-	-	**(4,300,000)**
Impact to Operation Plan - Expense (Income)	**1,700,000**	**700,000**	**(200,000)**	-	**(1,000,000)**	-	-	-	**1,200,000**
Total Cash Receipts	-	-	**26,741,484**	**9,583,200**	**10,454,400**	**10,454,400**	**10,454,400**	**8,363,520**	**76,051,404**
Total Cash Expenditures	**5,050,000**	**8,070,000**	**9,158,496**	**3,967,496**	**7,613,632**	**1,894,036**	**1,313,632**	**11,484,112**	**48,551,404**
Total Cash (Required) Provided	**(5,050,000)**	**(8,070,000)**	**17,582,988**	**5,615,704**	**2,840,768**	**8,560,364**	**9,140,768**	**(3,120,592)**	**27,500,000**

Notes:

1. MDRC should not pay "Domino" or "Double Moves", "Disruption" or "Dual Operating Costs" since they could be eliminated by outsourcing indirect labor, or off-site moves.
2. MDRC should not pay for currently budgeted personnel, equipment, maintenance, improvement, or other indirect costs, only those necessary additional, overtime or outsource costs.
3. MDRC could recognize the estimated gain on sale sooner than projected (2003) as estimates become known amounts and contingencies are eliminated.
4. The Remediation cost shown in 2003 represents the estimated future cost of the long-term remediation plan. Actual expenditures will be incurred over an extended period of time.

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BOE-C6-0113064

FAX TO TOM MOTHERWAY
ATTACH 4.17.96 PROFORMA.

TORRANCE ROM RELOCATION COSTS

Phase 1 - Relocate Organizations from North Section of C6

Item #	Organizations	Internal Costs Direct	Internal Costs Indirect	Disruption Costs	Dual Operating Costs	Organization Totals	Transportation Costs	Facilities Costs	MDRC Totals	Project Totals
	Commercial									
1	DAC Tooling Commercial / Military	$23,200	$3,770			$26,970	$10,500		$37,470	$39,790
2	DAD&SC - Bldg. 36 & Misc. Items	$232				$232			$0	$[illegible]
3	C6 Facilities		$15,080			$15,080			$15,080	$85,028
4	Commercial Material - Building 57	$36,400				$36,400		$14,704	$51,104	$55,744
5	RAMS Parts Relocated to DAD&SC		$37,050			$37,050			$37,050	$37,636
6	ART LINASCHKE RAMS Relocation to C1	$72,500		$129,920	$46,400	$248,820	$35,000	$133,400	$417,220	$438,820
7	Clear 6303 Stockroom (C6)	$5,000				$5,000		$0	$5,000	$5,464
8	Remove Spar Mills & Prepare Area		10,000					$38,000	$38,000	$48,000
9	Relocate 5201 Stockroom & ADPE	$46,600				$46,600	$11,550	$35,000	$93,150	$103,282
10	Video Library						$3,500	$9,172	$12,672	$19,226
11	Misc.. Equipment / Outside Areas							$20,000	$20,000	$20,[illegible]
12	Relocate Communication System							$163,000	$163,000	$163,000
	TOTALS	$183,932	$55,900	$129,920	$46,400	$416,152	$60,550	$413,276	$889,746	$1,016,686

RAE 4/12/96

Note - Analysis does not include costs to relocate utilities or environmental cleanup.

P. Berry

E. Benham

J. Dailey

A. Linaschke

D. Prescott

T. Overturf ✓

BOE-C6-0113065