20 MILE CENTRAL

PARKER, COLORADO

July 26, 2016

Dear 20 Mile Partners,

I hope this letter finds you in a good place this summer. I am attaching our 2st quarter 2016 financials to this email, verse sending out hard copies. We will continue to store these on the website www.20milecentral.com, under the owners tab. The Password is parkercolorado. We will mail out the checks independently this week.

Not a lot of new information to report, things are kind of boring around here; however boring might not be so bad. Occupancy continues to be in the 100% range, cash flows are good, we continue to distribute cash, pay down our mortgage, and watch our building appreciate.

2nd Quarter 2016:

-Occupancy remains near 100%, with only one limited occupancy with a small suite office turned over. At end of the quarter we are back to 100% occupied.

-Current rent roll of $68,557 for July 1, 2016 which is near record rate

- Continued negotiation on new 5 year lease extension with Vines Wine Bar, which would be the 3rd of our 3 big anchors to sign a new 5 year lease. We have one year remaining, and they have a five year option. We hope to resign them for another five years, with an additional five year option. This would put our three largest tenants all in 5 year plus leases. We are discussing some patio upgrades with them as well.

-Had some annual rent increases to some smaller tenant lease renewals.

-Had some additional meetings with the Town of Parker about our potential lot opportunity (more info below)

Expenses:

-2nd quarter was relatively stable. However we did begin a major HVAC project where we are doing a “deep dive” on every single unit. We saw about $9000 of these expenses flow through during the 2nd quarter, and expect another $10,000-$12,000 through July. Once this is done, we hope to see the long term maintenance costs drop for our HVAC systems. We have been “reserving” for this project for some time, and will pay for this from our reserve fund, while continuing to rebuild the reserves with a regular monthly contribution back into the general reserve fund. We also will be able to pass the repair portion of these costs through to the retail tenants via their CAM(common Area Maintenance) expense for the 9/16-9/17 time period.

- Of all of the units, we have one remaining older AC unit, that we hope to get through this season with, and we will look to replace that unit in early spring. All other units are 12 years or newer.

Profit:

Net income, not including depreciation through June 30th is $98,375. Please keep in mind we paid our annual taxes of $74,269 in the first half of the year, and we will not have this expense during the second half of the year. To maintain the minimum 7.00% cash distributions, we need to generate $99,750, so we are significantly exceeding this level. We also paid down our mortgage an additional $23,058 in the 2nd quarter.

Potential Refinance Opportunities:

With the recent interest rate drops, we are getting some quotes about a possible refinance of our mortgage. We should have some additional quotes in the upcoming weeks. A .50% to .75% rate drop equates to $1500-$3000 monthly payment savings, which is significant in our cash flows. This has to be weighed with potential costs of the refinance. We also are in the last 12 month period of our prepayment period, so we have a 1 %(about $40,000) prepayment period until July 1 of next year. The numbers would have to make a lot of sense to do now, verse waiting. More to follow on these options.

Potential Lot Split Opportunity Update:

There are a few new projects that appear to be coming downtown.

They recently broke ground down the street on a new distillery-bar-restaurant. This is supposed to have a roof top patio as well. This should be a nice complement for our property.

Bigger news, we have found out about final plans to build a 53 room high end "boutique" hotel. I met with the owner, and plans are finalized and they want to break ground in September. This should be great for our downtown retailers and restaurants. The owner expressed interest in participating in any type of parking structure in the downtown area.

This leads us to our lot, and additional discussions. The town planners have met with the town attorney, and have given us the verbal approval of giving us that strip of land, and granting us a "use license" for any potential structure that arches their roadway. They have also said they would participate in some form of parking structure, though they just do not know what that means right now (more to follow). They have commissioned a 3rd party vendor to do a downtown parking study, which includes all of the potential development that has been provided from us, hotel, other buildings etc. This is due back at the end of September. This should help shed more factual answers verse the anecdotal comments we all make. We continue to say "we would love to build on our lot if there is a parking solution". The ultimate solution may be participation from the town and all the nearby property owners, in building a parking structure. This would open up our existing lot for development or sale to a developer, as well as eliminate parking lot maintenance expenses that we currently incur, although we would probably want to participate in the new structure.

Anyway, more to follow, but we continue to have discussions about ideas. I think the end game would be monetizing our parking lot for a financial benefit. The town wants something developed there by someone, so we are in a great position for some financial windfall.

Conclusion:

While being at 100% full is great, it also is limiting our "bullets" to try to create additional revenue. All of our leases all have annual rent escalations built in, which will lead to 3-4% growth in revenues over time. It appears that market rents have increased faster than our current leases. Which is not a bad thing, our tenants recognize that they are renting below market now, which is probably a reason we are at 100%. We will be testing the market when we have some turnover, which should enable us to continue to grow our rent rolls, at a faster pace. While I like being 100% full, some turnover would not necessarily be a bad thing at this point.

We are declaring a 7% cash distribution to Limited Partners, which is $24,937.50 and a $5000 distribution to the General Partner.

As I get more quotes about possible refinance options, I may send out a separate communication on these options.

Thanks again for your support!

Tony Mango
General Partner
20 Mile Central, LLLP