



MEMORANDUM

Date: January 24, 2007
To: Carolyn Smith
From: Mark T. Burger
Re: Our Feathered Friends at Valencia Business Park

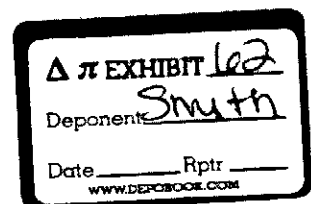
We had several communications with Mark Petrarca regarding a potential building for Our Feathered Friends at the Valencia Business Park. During late 2005 we worked on several site plans for their potential building and on 1/2/2006 Mark Petrarca approved the site plan. During the remainder of the year we kept Mark informed of our progress in negotiating the DDA with the City of San Diego. As you recall there were several delays in receiving final approval of the DDA.

As we neared final approval in November 2006 for the project we engaged Coast Pacific Builders, (an experienced industrial building contractor) to perform a thorough cost analysis for the project. It was determined that the hard building cost and site work for Our Feathered Friends would be approximately 108.22 per sq. ft. (based on 10,000 sq. ft.) not including land costs nor soft costs which include the following: A&E, Building and City fees, Title and Recording, Inspection and Testing, Appraisal, Legal/Consulting, CM/Dev Fees, Signage, Taxes during Construction, Bank Finance and Carrying Costs, as well as contingency. When one considers that soft costs are typically 25% to 35% of hard costs, it became apparent to me that we would never be able to deliver a building that would cost us a minimum of \$135.00 per sq. ft to Our Feathered Friends for \$73.00 per sq. ft.

I hope this is helpful in explaining why we must go in a different direction on the project.

Mark T. Burger

Mark T. Burger



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