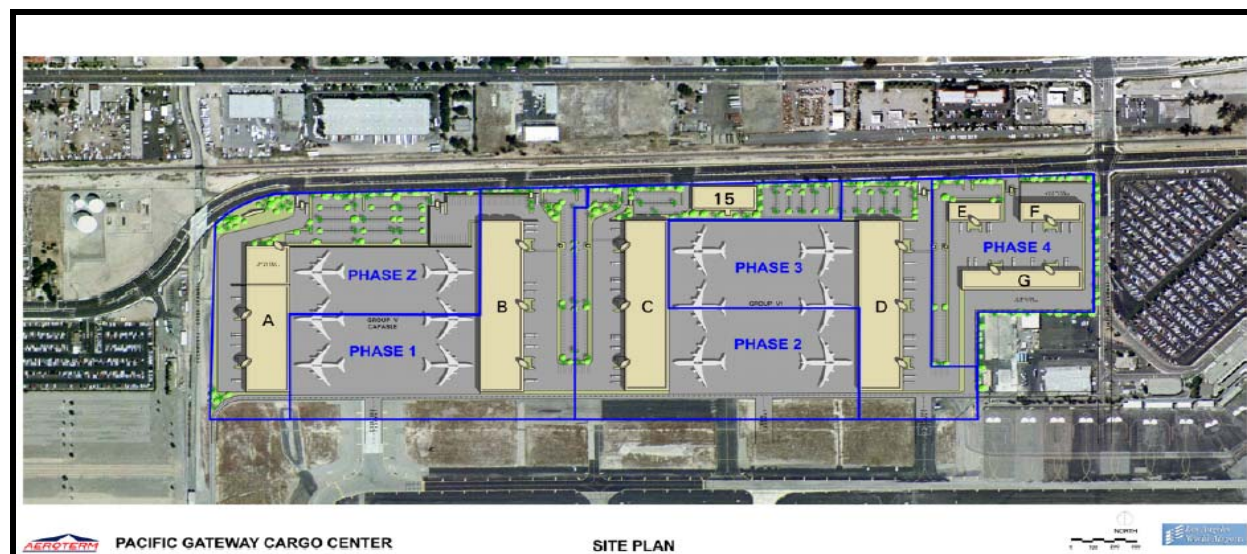


Aeroterm's Pacific Gateway Cargo Center Selected



(Continued from page 1)

We expect all basic transactional and entitlement activities to be completed in mid-2004 and have targeted mid-2005 for the delivery of the first phase. We have designed the first phase to provide space for all segments of the user base including office, truck dock height transfer point/

warehousing space, grade level airside access, and aircraft parking sufficient for wide body freighter aircraft. We are in discussions with a variety of tenants and expect to deliver the first phase to a strong group of intermodal cargo and logistics operators.

Aeroterm's Pacific Gateway Cargo Center Selected



Aeroterm has been selected for the development of a 105 acre intermodal cargo and logistics facility at Ontario International Airport in Ontario, California. Our selection was the culmination of a competitive process between a number of real estate developers who presented LAWA with wide ranging experiences and capital sources. The project is known as the Pacific Gateway Cargo Center (www.pacificgatewaycargo.com).

Our proposal was driven by optimization of the site with a focus toward highly secure aviation oriented cargo operations, integration with LAWA's system wide airport regionalization strategy, and a desire to provide LAWA with favorable and market driven economic benefits. We also plan inclusion of local firms, including outreach to MBE/WBE/OBE firms, in our development process. The com-

petition was very strong and we are pleased to now be in the execution stages of our vision for the project.

The project will be developed in phases and will ultimately consist of over 1 million square feet of covered building space and a similar amount of aircraft parking ramp. The project site's size, its largely vacant nature, and its proximity and access to existing roadways (I-10, I-60, I-15) led LAWA to designate it as a cargo area prior to Aeroterm's involvement, and our site specific land use favors intermodal operations between trucks and aircraft. Major rail and marine facilities are also proximate to the airport and we expect many of the project's tenants to leverage all four transportation modes from their Ontario, California location at our Pacific Gateway Cargo Center.

(Continued on page 4)

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Flexing Our Financing Muscle

Though the real estate business is about the location of functional properties, finance is a critical component for a successful investment. Aeroterm excels at the property management and leasing aspects of the business, but we also shine in finance. Over the past two years Aero-term has formulated and executed on uniquely structured serial tax exempt municipal bond financings. These bonds use a distinctive cross-collateralized, pooled structure which combines assets in 11 states with 10 issuers, making it the first of its kind for multi-tenant air cargo facilities. A very exciting aspect of the pooled structure is the ability to add additional assets and provide the new members equivalent pari-passu collateral with the original members in all of the assets.

The initial tranche of this financing was issued in March 2002 through Salomon Smith Barney, when Aeroterm and our financial partners, Greenfield Partners, structured a sale of \$73 million in bonds through nine airport authorities in eight states. The pool was divided into two series of fixed-rate private activity bonds: \$57 million in Series 2002 senior air cargo revenue bonds, and \$16 million in Series 2002 subordinate air cargo revenue bonds. The bonds earned an investment grade rating from Moody's Investors Service, on the basis of debt



coverage, asset diversification and sponsorship. Moody's rated the senior bonds Baa3, investment grade.

"This is the first time in the air cargo industry where a pool of assets has been cross-collateralized and investment-grade rated," said Kenneth Code, partner of Aeroterm US, Inc. about the sale. "It was a significant coup to assemble the assets and meet all the bonding requirements to create this pooled financing."

In June 2003, Aeroterm and Greenfield Partners, took advantage of the pool's flexibility and added 13 additional on-airport air cargo facilities at five airports in Florida, Oklahoma and Oregon to the collateral pool, thus issuing a second round worth \$40 million of long-term bonds. The bonds included \$33 million of tax-exempt senior and subordinate bonds, rated Baa3. The power of the structure was further exhibited by the inclusion of a taxable financing of \$7 million for the Oregon asset.

With the addition of the second round, the pooled series of financing is up to nearly \$113 million of successful bond sales since March 2002, a period of perilous times in the economy and the aviation industry. The success of this financing is a demonstration of Aeroterm's knowledge, experience, and our creativity, which are all contributing factors in our advancing position as the pre-eminent aviation facility developer.

booth. We always welcome old friends and enjoy meeting new ones.

We are excited that next year's 13th Annual ACI-NA Conference will be held in Houston, TX. This will give us the opportunity to show off our newly constructed building at George Bush Intercontinental Airport. We plan to exhibit at this conference, and we invite everyone to stop by our booth. You are also invited to visit our facilities at IAH. For more information on our Houston properties, please contact Stephen Kradjian at 281-443-1500.

Aeroterm excels at the property management and leasing aspects of the business, but we also shine in finance.

ACI-NA's 12th Annual Conference in Tampa



ACI-NA held its 12th Annual Conference in Tampa, Florida this year addressing many industry issues such as Cargo Security and Emergency Management. Aeroterm exhibited at the September conference, and would like to thank those of you who stopped by our

Featured Property: Kansas City



MCI Fast Facts

- 12 million passengers
- Over 98,000 aircraft movements
- 150,000 tons of cargo
- 62 destinations serviced direct

The building is over 48,000 square feet in size and is adjacent to over 120,000 square feet of aircraft parking. The current aircraft ramp can be expanded to accommodate 2 additional wide-body airplanes. Current tenants include American, Continental, and UPS.

Aeroterm also has rights to develop over 8 acres of land adjacent to the existing facility for additional aircraft parking ramp and facility space. For more information please call 1-800-528-5565.

Jazz, barbecue, and steaks make Kansas City famous, but it is also recognized as a perfect location for cargo distribution. Strategically located in the heart of the Midwest, Kansas City International Airport has easy access to four major highways, making it effortless to take advantage of the city's reputation as a major trucking and railway center. The airport, spanning just over 10,000 acres, is one of the largest in the United States. It is also ranks as the number one (in terms of tonnage) air cargo airport in the six-state region. Boasting the largest on-airport Foreign Trade Zone site in the United States, it offers favorable customs benefits to freight consolidators, air carriers, and large manufacturers.

Kansas City International has dedicated \$1.2 billion to Capital Improvement Projects which are on a 10 year time line. The projects are underway accommodating increased passenger traffic and to improve convenience and comfort for passengers and airlines.

Aeroterm's facility in Kansas City is a one story multi-tenant building offering convenient office, warehouse, and aircraft parking space for cargo operators. The proximity to two interstates (I-439 and I-29) allows for quick access to ground transportation.

Welcome

We would like to extend a hearty welcome and thank you to our new tenants, and our tenants who have chosen Aeroterm once again in the Eastern region.

In Florida, BAX Global signed on for 8,800 sf of office space, 12,400 sf of warehouse, and 73,750 of ramp in Ft. Lauderdale, UPS will occupy 3,000 sf in Fort Myers for 5 years and, in Orlando, DHL/Astar Air Cargo signed for 6,823 sf of warehouse space.

FirstLine Transportation Security, Inc. has taken on 5,000 sf to make use of Kansas City Missouri's central location, and in Norfolk, Virginia, Quantem Aviation Services, Inc. signed for 9,500 sf.

In the Northeast, Swissport CFE, Inc. signed on for 3,000 sf of space in Harrisburg, Pennsylvania and the Transportation Security Administration has taken 9,500 sf in Syracuse.

Kansas City International has dedicated \$1.2 billion to Capital Improvement Projects...



Please look for information on our tenants in Canada and the Western US in our next issue.