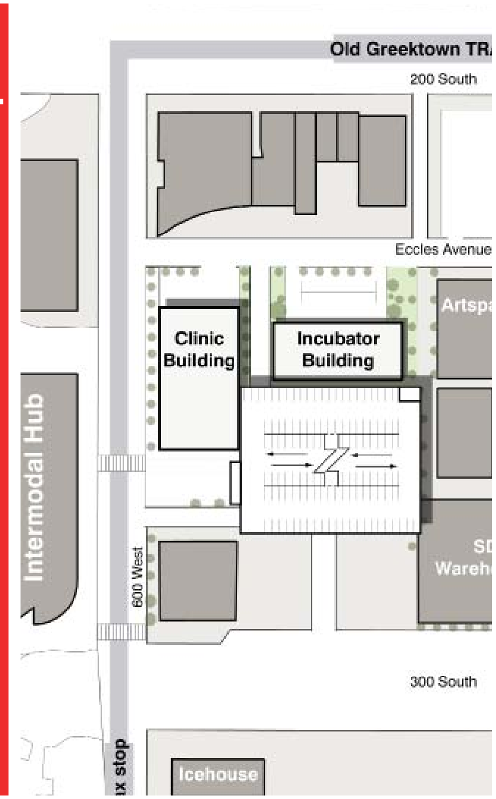
University of Utah Downtown Center

Salt Lake City

Real Estate Business Plan
Spring 2010

Project Name:
The University of Utah Downtown Center

Project Location:
2.99 Acres at 250 S 600 West,
Salt Lake City, Utah 84101



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Exhibits

The Need:

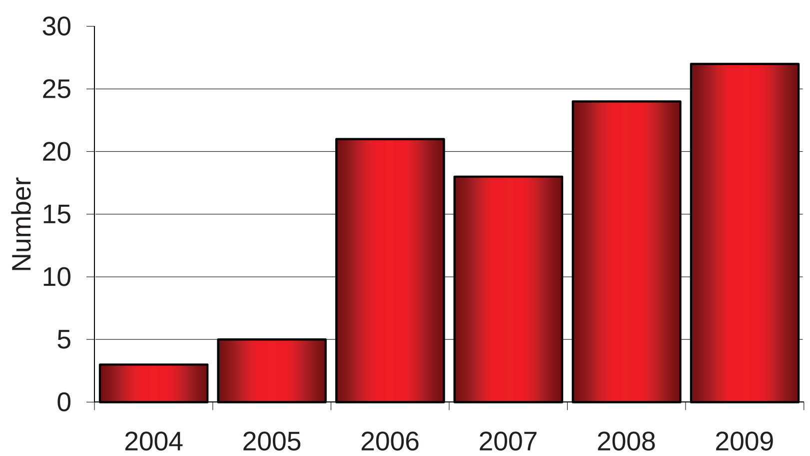
1. The University of Utah (The University) needs additional incubator office space for start-up companies and would like to have an increased downtown presence

2. The University of Utah Community Medical Clinic desires to increase its service footprint with a downtown presence near a public transit hub

3. The Utah Transit Authority requires additional parking spaces in and around the Intermodal Hub to meet government grant

4. The Salt Lake City Redevelopment Agency (RDA) is focused on developing and rejuvenating specific downtown areas one of which is the depot district

Figure 1 U of U Start-up Companies



The University of Utah Downtown Center project will provide affordable office and wet lab space to the University's start-up companies. The UUDC campus will include business incubator space (business incubators are office space that start-up companies use in the infancy/ early stages of the business) and a University Medical Clinic that will serve the growing urban population and downtown area.

The University Medical Clinic executives would like to have a downtown presence and be able to serve the downtown area with a medical clinic. The easy access to multiple public transit lines makes the UUDC location work well for the medical clinic requirements.

The University has begun executing plans to create an increased downtown presence, and would like to have an "urban campus environment" in downtown Salt Lake City. The University creates 20-25 start-ups yearly that need office space; space at The University Research Park will fill up within the next 2-3 years. The Salt Lake City RDA has completed a small area plan for the site that includes a downtown start-up incubator facility

The project will include a partnership with the Utah Transit Authority in building the parking structure that will serve both the UTA and the new UUDC development. UTA requires some 500 additional spaces to accommodate their future plans for the Intermodal Hub.

The established location is in an RDA designated block of the downtown area. The UUDC will be located in the block between 500 and 600 south and 300 and 400 West.

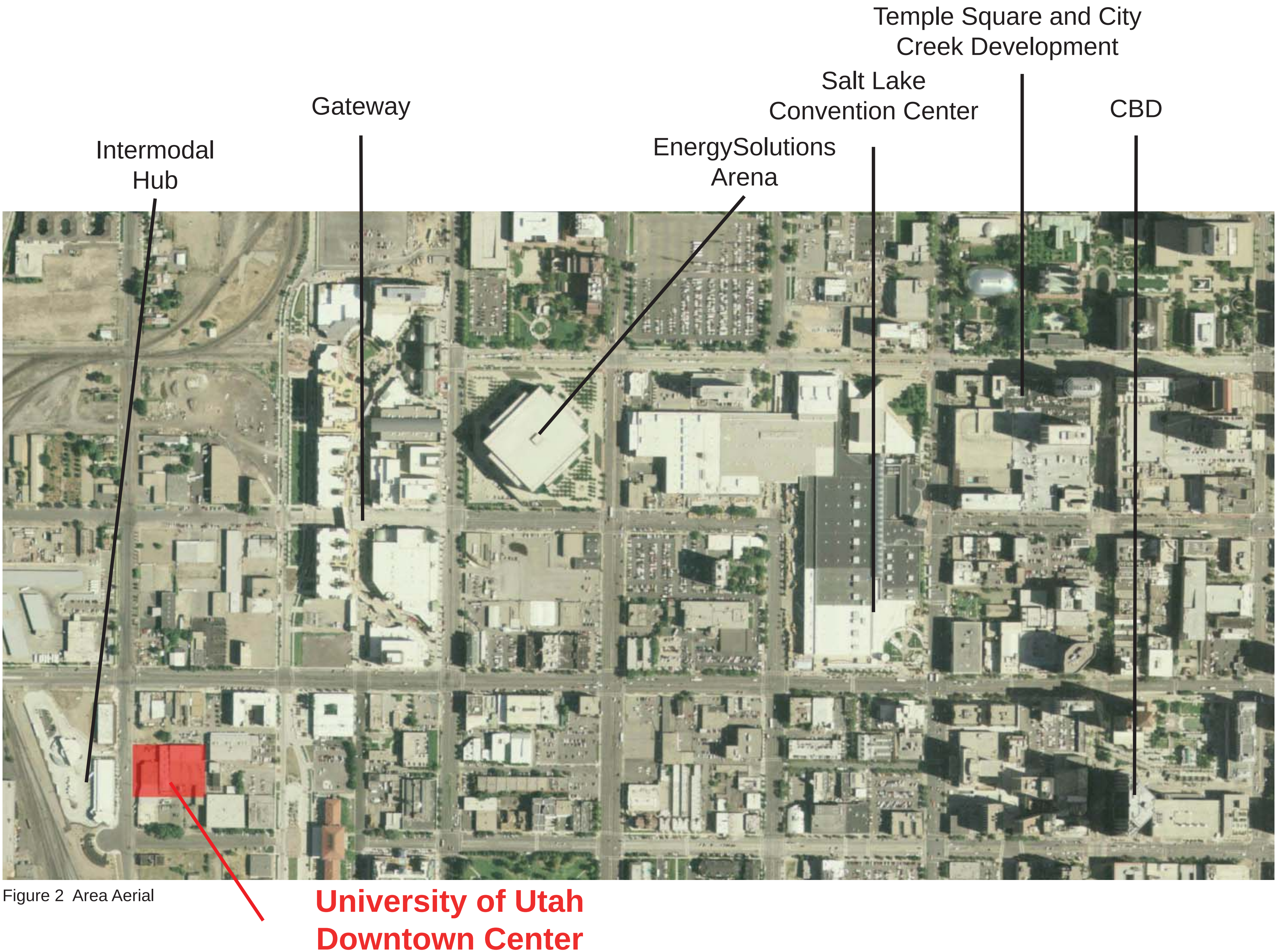


Figure 2 Area Aerial

The Project:

- Develop 3 story, 56,250 sq. ft. state of the art clinic space to fulfill the needs of the Medical Clinic Group
- Restore 3 story, 36,000 sq. ft. historical Intermountain Furniture warehouse building to be commercial offices for University Startup companies
- Build 6 story, 250,000 sq. ft., 721 stall parking structure to serve the newly developed office space and fulfill the UTA parking requirements
- Develop and rejuvenate the Depot District aligning the visions of all four interested parties and fulfilling the RDAs charge to bring life back to the area through financial development

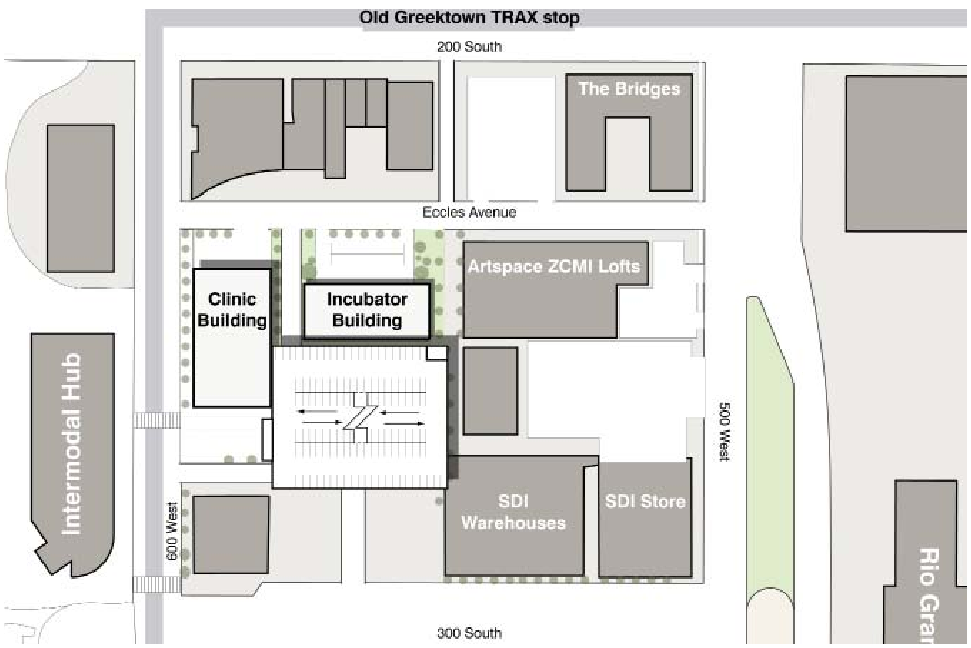


Figure 3: Proposed Site Plan

The Investment:

- **The Ask: $2.4 million in cash equity and $900,000 in deferred development fee equity in return for a 72.5% equity stake of the project, as well as preferred investor status in possible later phases**.
- The total project cost will be $20.0 million
- The University of Utah Technology Commercialization Office will be a credit tenant and will provide the new start-up business tenants of the incubator space on a constant basis
- The University of Utah Community Medical Clinic will be the second credit tenant
- **Projected cash on cash return of 12.8%**
- **Projected 10-yr leveraged IRR on leasing revenues is 14.2%**
- Investors will have the option to invest in potential Phases II and III on the adjacent RDA land in the future
- Equity partners in this real estate project will also receive an equity stake in all of the start-up businesses moving though the incubator building, providing potential for windfall returns. (Potential gains from start-up company equity stakes would be additional to proforma returns on leasing revenues, and are not factored into the 14.2% IRR)

Figure 4: Project Summary

Project Description:

The area near the Intermodal Hub and the rail lines at 500 South in Salt Lake City were originally the heart of the economic development for the area in the 1860s. This Depot District created an industrial center for the city triangulating the Rio Grande rail road station, the Interstate, and the warehouse district. This area was at one point the economic engine of the Salt Lake City. The UUDC project helps give this area the economic anchor and rebirth to regain its vibrant status.

The UUDC project is a 3 building, 310,000 sq. ft. project with 86,471 net leasable sq. ft. which will be used as space for the University of Utah TCO and the University Community Medical Clinic. Located between 2nd and 3rd South and 5th and 6th West in downtown Salt Lake City on 1.64 acres of RDA land, the UUDC development is a perfect location for tenants to commute between downtown Salt Lake City and the University. The land to GLA ratio is .8 with a land to building ratio of 2.6.

The UUDC project includes:

- 56,250 sq. ft. of new construction dedicated to the University Medical Clinic Medical offices
- 52,941 sq. ft. Net Leasable Area
- Adaptive reuse of the historic Intermountain Furniture warehouse dedicated to incubator office space and wet lab for University start-up businesses
- 33, 529 sq. ft. Net Leasable Area

- 6-story structured parking facility
- 250,000 sq. ft. total parking
- 721 parking spaces
- 221 for the University Downtown Center
- 500 paid for and sponsored by UTA

BUILDING BREAKDOWN		
	Useable SF	*let Rentable SF*
Phase 1		
UUHN Clinic	45000 sf	52941 sf
IM Furniture	28500 sf	33529 sf
Land to GLA		0.8
Land to Building Footprint		2.6

PROJECT DATA		
Total Gross Square Footage		91,875 sf
Total Net Rentable SF		86,471 sf
Total Usable SF		73,500 sf
R/U Factor		1.18
Percentage pre-leased		100.0%
Size of Land Tract (net acres)		1.64
Percentage of Site Coverage		39%
Avg Rent PSF/Yr (Triple Net Lease)	$	17.51
Expenses PSF/Year	$	6.85
Parking Spaces (total)		221
Parking Ratio per 1,000 sf		3.0

PROJECT COST		
Total Project Cost	$	20,016,156
Total Cost PSF	$	217.86
Hard Cost PSF	$	165.37
Total Land Cost	$	1,215,704
Land Cost PSF	$	17.00
Land Cost Per Buildable SF	$	13.23

Deal Economics:

The strategic relationships coming together in UUDC project make the deal economics an exciting opportunity for an equity partner. First, two University entities, the UTA, and Salt Lake City government want this project to happen. By leveraging these needs our project aims to take advantage of a credit tenant relationship, a lower cost of capital, written down land costs, and lower construction costs due to market timing. The following diagrams and discussion show the projected capital stack and list of our sources and uses.

The land for this project consists of three adjacent parcels. All parcels are currently ownedby the Salt Lake City RDA. Total size of the parcels is 1.64 acres. The total projected cost of the land is $1.2 Million (6.1% of the total capital needed). This is based on the $17 sq. ft. land cost mentioned in our pro forma.

The soft costs of the project consist of the standard developer, financing, and service provider fees. Additionally, we have planned for a contingency of 5% of hard costs and an interest reserve as a grossed up amount put into the loan. The hard costs contain the typical building costs, fees and tenant improvements. The land, soft, and hard costs total to a full project cost of $20.0 million.

Uses:

LAND:		
Land Acquisition of 1.64 acres of RDA land.	**$1,215,704**	**6.1%**
SOFT COSTS:		
Soft Costs Developer fee, architectural fees, financing fees, legal and phase 1 investigative costs, leasing commissions, and impact fees.	**$2,005,713**	**10.0%**
Contingency 5% of Hard Costs, excluding GC fee.	**$759,652**	**3.8%**
Interest Reserve Grossed-up amount to cover interest payments on bank-issued construction loan, equal to monthly interest payments on total loan multiplied by a 55% factor to account for draws over 24-month term.	**$842,049**	**4.2%**
HARD COSTS:		
Hard Costs New Construction and Renovation Costs, Parking, Landscaping, T.I.'s, GC Fee	**$15,193,038**	**75.9%**
TOTAL USES	**$20,016,156**	**100%**

Use Allocation

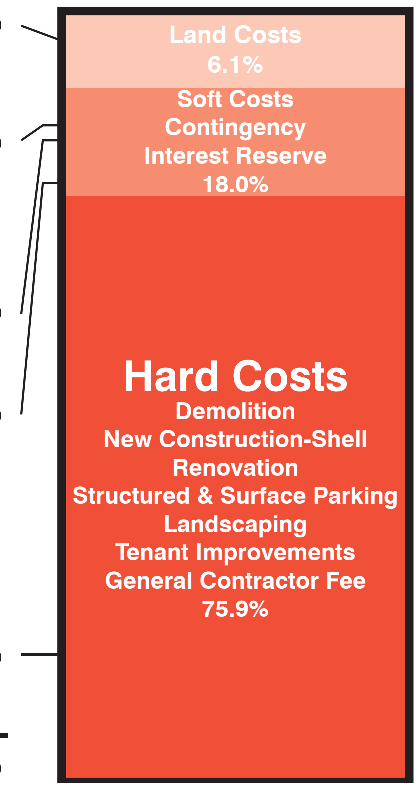


Figure 5: Uses

To finance the project we will be using debt and equity while incorporating the use of additional financing tools and incentives provided by the Salt Lake City RDA. The equity for the project totals $3.3 million and includes the General Contractor, deferred development fees, and land purchase amount. The project financing includes an RDA renovation loan that comes through a program designed to promote the renovation and development of RDA owned properties. This loan will be a permanent loan in second position to the collateralized senior debt.

Part of our project is the rehabilitation of the historic Intermountain Furniture warehouse. The RDA will provide a rehabilitation loan of 50% of our rehabilitation project costs at a 0% interest rate. This loan is similar to a typical second lien cash flow loan with the added benefit of 0% interest rate. Payments on the loan are due only when the project has positive cash flow. Additionally, our senior lenders will see this loan as a second lien (Junior) on the project and still be willing to give us a 64.8% LTC or 70% LTV on the project.

One additional highlight of our project is the opportunity for the equity investor on the real estate side to receive an equity stake in all of the incubator tenants. Typical incubator office space providers receive a small portion of equity in each of the tenants housed in the offices for providing the lower, subsidized rent. With the typical life cycles of these start-up companies an investor could anticipate a 25% turnover in the companies that are in the incubator space. This gives our equity investor the opportunity to own stock in over 75 new start-up companies after holding this real estate investment for 10 years. These companies would be expected to provide a return to equity holders similar to the current portfolio of University companies. Because these returns are non-traditional to typical real estate investments we do not include them in the profitability and projections of this project. We do, however, believe these returns could be a significant boost to the leveraged IRR.

Sources:

EQUITY: $3,315,134

Deferred Development Fee **$913,053** **4.6%**
Deferment of developer and GC fee

Cash **$2,402,081** **12.0%**
Invested cash from equity partner will purchase currently available land from the Salt Lake City RDA & fund design and other development costs.

DEBT: $16,701,3022

RDA Renovation Loan **$3,746,422** **18.7%**
Subordinated permanent RDA High Performance Renovation loan, covering 50% of eligible costs at 0% rate, 20 yr. amortization with a 10-year call option. Initially issued as a construction loan then rolled into a permanent loan upon confirmation of LEED-standard construction.

Senior Construction Loan **$12,954,600** **64.7%**
Traditional bank issued senior construction loan at a 6.0% rate with Interest-Only payments over a 24 month term, to be replaced at stabilization by a permanent loan at 6.5% and a 30 yr. amortization

TOTAL DEBT + EQUITY **$20,016,156** **100%**

Capital Stack

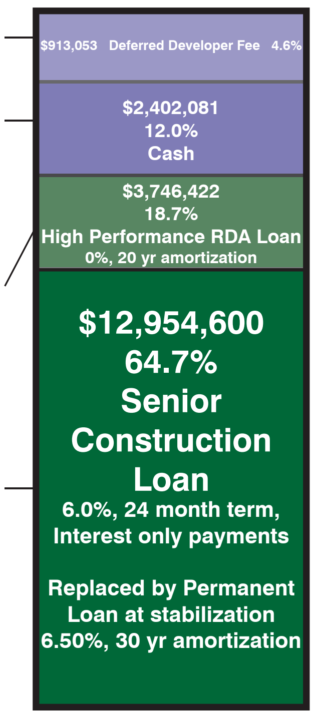


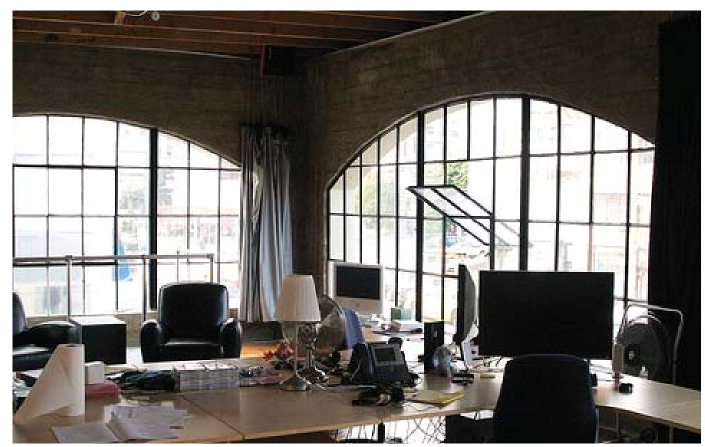
Figure 6: Uses

Stabilized Proforma

University of Utah Downtown Center

Leasing Revenues	
U of U Clinic (52,942 sf @ $21,00 psf, NNN)	$1,111,782
U of U Incubator (33,537 sf @ $12,00 psf, NNN)	$ 402,439
Parking Revenues ($40 monthly per spot)	$ 75,411
Pass-Through Expense Reimbursement ($6.85 psf)	$ 592,495
Less: Vacancy @ 5%	($109,106)
Effective Gross Income	$2,073,021
TIF Reimbursment (10 Yr, payback of clinic & parking property taxes) (replaced in year 11 by negotiated rent escalation)	$ 114,221
Less: Operational Expenses	($592,495)
Net Operating Income	**$1,594,747**
Less: Debt Service	
Bank-Issued Perm Loan 25 yr. amort @ 6.5%	($982,583)
RDA High Perforance Building Renovation Perm Loan, 20 yr @ 0%	($187,321)
Cash Flow After Debt Service	**$424,843**
Cash on Cash Return (assuming $3,315,134 equity)	12.8%





Feasibility Study:

Why a <u>Downtown</u> Center?

University officials have a master plan to create more “urban campus environments” throughout downtown Salt Lake City. The University has recently purchased the former LDS Business School building, has a lease on one of the floors in the City Commerce building, and has various other downtown properties under development.

Downtown Salt Lake City is an evolving economic hub for Utah. In the next 3-5 years, the City Creek development will completely transform the downtown area, bringing an additional 800,000 sq. ft. of retail space, six stories of new office space, and 700 residential unit. Upon completion in 2012, City Creek will further cement the downtown area’s growing reputation as an employment center, destination shopping and entertainment district, and urban neighborhood.

The Depot District area used to be a bustling industrial neighborhood. Over the years, the employment in the industrial industry decreased and the area became stale. As we looked into the needs of Salt Lake, we realized the location would be ideal as an incubator space and a medical clinic. Utah has a strong entrepreneurial presence. An incubator space is the perfect solution to help spur innovation, inspire future entrepreneurs to stay in Utah to grow their venture, and bring additional talent to the state.

All of the interested parties in the project share in our common vision to revitalize the area. In working with the UTA, the RDA of Salt Lake, and the University of Utah the project has become an intersection of vision and interest for all of these groups. The RDA would like to see this area flourish with activity and by partnering with the University of Utah to bring in two strong credit tenants to master lease the clinic and the incubator space. The UTA will also be fulfilling their grant requirements through the proposed parking structure.

Why an Downtown Incubator?

University officials have a master plan to create more “urban campus environments” throughout downtown Salt Lake City. The University has recently purchased the former LDS Business School building, has a lease on one of the floors in the City Commerce building, and has various other downtown properties under development.

The University of Utah’s Technology Commercialization Office (TCO) is responsible for creating new businesses based on new technology and intellectual property derived from the University’s research. According to Business Week, The University has been ranked second in the nation at spinning out start-up companies (1st in the nation among all universities). With The University’s history of success, the amount of companies will continue to increase. In the last 5 years the TCO has created more than 100 start-up businesses. Currently these companies use office space in Research Park adjacent to the University. Research Park is close to full capacity and the University’s demand for additional incubator space is high. Our incubator space will house up to 22 University start-up companies at a time. The University of Utah TCO will sign a master lease for the incubator space and provide the start-up companies that will be tenants in the building.

The TCO has a vision of keeping on pace with the number of businesses spun out each year. Currently the TCO has over 1,700 technologies in their portfolio. Of these technologies the TCO currently focuses on about 350 which allows for significant growth in the number of companies generated and opportunity for tenants of our project.

The companies started by the University in the past have generated significant return for the University and other investors in the companies. Since these companies are set up separately from the University there are certain requirements they must abide by. One of the requirements that the start-up companies have is to form an “arms-length” relationship with the University including finding their own office space off of the University Campus. For research projects that receive any type of government grants, 50% of the company’s research is required to be done off campus. Research Park was created to serve this purpose. Due to neighborhood covenants Research Park cannot construct anymore buildings, perpetuating a great need for additional University incubator space. Research Park projected to be full in the next 2-3 years. The federal requirements and space constraints come together to create a need for the University to place its start-up businesses in alternative incubator office space.

The downtown presence of incubator office space also allows the startup companies to be closer to the economic district of the city as well as business service providers working with these companies. Our project is also strategically located at the center of the public transit system and gives easy access to the University Campus as well as other areas in the Salt Lake City area.

Figure 8: Rehabbed Warehouse/Incubator exterior scheme

Figure 9: Rendering View

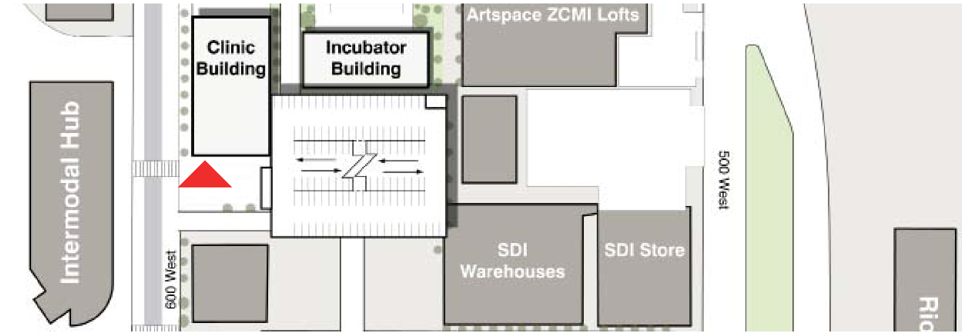


Figure 10: South Clinic Entrance Rendering

Why a <u>Downtown</u> University Medical Clinic?

The University Community Medical Clinic desires to have a downtown presence near the Intermodal Hub to better serve the growing urban population in Salt Lake City. With no current clinic locations in the downtown area the UUDC is the preferred option for the Medical Clinic. With development of the Downtown Center, the clinic would sign a master lease the 56,250 SF of building space. The Clinic is a strong credit tenant with a 20 year lease.

The magnet of downtown presents an opportunity for the downtown clinic's services to conveniently fold into existing routines and uses currently hosted by the Central Business District. Beyond the residents of the immediate area, an additional 65,000 people work in the downtown areas, within an easy TRAX ride or walk to a lunch hour appointment. 3.2 Million people visit downtown each year to eat, shop, do errands and attend cultural events

The Depot District area is in further need of revitalization. When the Gateway Shopping Mall was built, it helped bring revenue and life back into the area by integrating retail, office space, and residential units in one area. The area surrounding the Gateway is still being developed and the RDA has expressed interest that a clinic and incubator would a perfect project to stimulate revenue and foot-traffic. By creating the UUDC with the Medical Clinic as an anchor, the project fulfills a need for the area's population as well as Salt Lake City's push for revitalization. The University of Utah Medical Center would like to have a presence in the downtown area where they would master lease the building. They have clinics in areas surrounding downtown Salt Lake, but do not presently have one in the area. It provides the high population density of downtown with their medical needs.

The University of Utah currently has four clinic locations in Sugarhouse, Redwood, Foothill, and Centerville. The proposed location for the downtown clinic will be across the street from the Intermodal Hub (Salt Lake Central Station). The clinic will have access to UTA's 1400 square mile service area, which serves about 75% of Utah's population across six counties (Salt Lake, Utah, Davis, Weber, Box Elder and Tooele).

This location provides direct access to the University TRAX line and the future Airport Line, FrontRunner, the Grey Hound and local bus hub, and the Amtrak station. The City has also begun pursuing a new trolley line that would also pass by the incubator property. These transportation benefits serve to make our property a great downtown location for the clinic. It is located about 5 minutes from downtown Salt Lake by TRAX. With City Creek Center projected to finish in 2012, the amount of residents in the downtown area will increase dramatically with 700 condo units being built and a high-end retail area with stores such as Nordstrom's and Macy's.

We estimate that roughly 90,000 people may live within a half-hour's door-to-door UTA trip from the Intermodal Hub, from as far away as Layton, Murray, the east bench of Salt Lake City, and west Salt Lake City. The many bus, TRAX, and Frontrunner lines passing through Salt Lake Central Station will minimize the amount of walking and transfers needed to make the trip.

Figure 11: U of U Salt Lake City "Community Clinics"

The downtown area presents a unique opportunity for a clinic location. There is a large professional population who commute daily into Salt Lake from Davis County and Utah County for work. There are about 65,000 people who work downtown each weekday. Professionals can easily take TRAX or walk to the clinic during their lunch hour for a doctor's appointment. With such a large commuter population, many professionals do not have a luxury of taking several hours off for one appointment. Due to this, some may choose to forego seeing a doctor because of the inconvenience. The downtown clinic location provides a solution to this problem.

In addition to professionals who commute, the Bureau of Economic and Business Research has estimated 3.2 Million people visit downtown each year to eat, shop, do errands, and attend cultural events. There are 182,000 people who reside in Salt Lake. The clinic would cater to residents located in Capitol Hill, Downtown, Rose Park, Poplar Grove, North Temple, western Avenues, Central Salt Lake, and North Salt Lake City. There are 1.2 million people located in the Salt Lake area

The clinic will capture part of the student population from the University of Utah, LDS Business School, Westminster, and Salt Lake Community College. All of the universities and colleges are located near a TRAX stop or bus lines. UTA provides students free passes to use on any bus and TRAX line making it more appealing for students to utilize the clinic if their commute includes a stop near the intermodal hub.

Figure 12: Population around existing U of U vs. proposed UUDC clinics

UUDC Medical Clinic
252 South 600 West
Salt Lake City, 84101

	1 Mile	3 Mile	5 Mile	10 Mile
2009 Total Population	9,393	119,562	202,316	624,248
2014 Population Estimates	11,714	131,044	222,816	703,975
Population Growth (2000-2009)	16.50%	5.50%	5.80%	7.00%
Population Growth (2009-2014)	7.10%	3.80%	4.10%	5.30%
2009 Avg HH Income	$43,972	$54,312	$59,872	$70,032
2009 Per Capita Income	$17,193	$21,932	$23,764	$17,193

Redwood Clinic
1525 West 2100 South
Salt Lake City, 84119

	1 Mile	3 Mile	5 Mile
2009 Total Population	7,500	87,852	314,192
Population Growth (2009-2014)	7.30%	5.40%	4.00%
Per Capita Income	$15,235	$17,523	$22,347
Average Age	30.40	31.50	33.30
Average Household Size	3.55	2.86	2.60
Average Travel Time to Work	20 min	20 min	20 min

Madsen Clinic
555 South Foothill Boulevard
Salt Lake City, 84112

	1 Mile	3 Mile	5 Mile
2009 Total Population	9,898	100,104	203,183
Population Growth (2009-2014)	1.80%	2.10%	3.20%
Per Capita Income	$26,589	$31,752	$27,344
Average Age	31.90	35.90	35.60
Average Household Size	2.50	2.18	2.37
Average Travel Time to Work	16 min	18 min	19 min

Sugarhouse Clinic
1138 East Wilmington Avenue
Salt Lake City, 84106

	1 Mile	3 Mile	5 Mile
2009 Total Population	19,259	145,837	299,207
Population Growth (2009-2014)	2.10%	2.90%	3.50%
Per Capita Income	$30,141	$27,356	$27,160
Average Age	35.10	35.60	35.50
Average Household Size	2.16	2.34	2.40
Average Travel Time to Work	19 min	19 min	20 min

Why partner with the RDA?

We have chosen to develop the UUDC within one of the designated RDA areas of downtown Salt Lake City for financial and logistical reasons. The City has created a master area plan for this RDA land including desired elements of rehabilitation and development. One of the projects that the City has designated for its support is a business incubator in the downtown area. Over the last two years the Salt Lake City RDA has had discussions with the University trying to put an incubator project in place. Our project fulfills both the University needs as well as the City's desires.

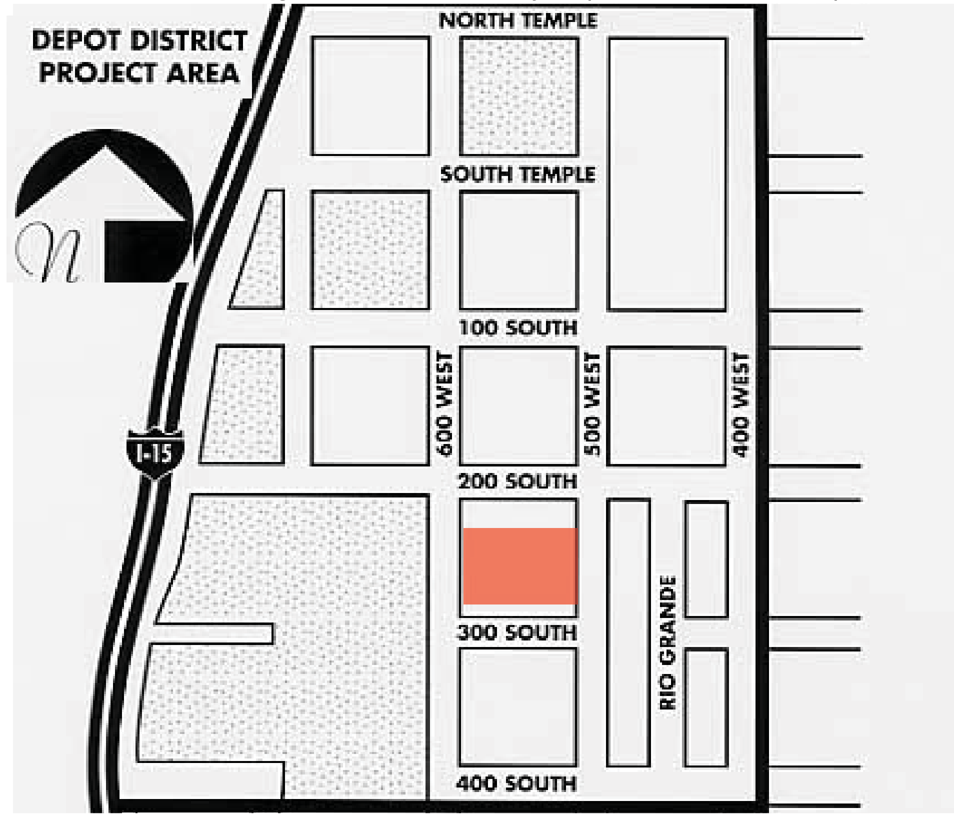
The RDA has been charged by the Salt Lake City government to redevelop and rejuvenate areas within the city. Part of their mission is to bring blighted areas into a highest and best use scenario. The agency is primarily funded through the increase in taxes that their efforts bring forth. The projects that they back must drive economic development and increased property value.

The RDA has put together a preliminary master plan for the targeted depot district and any proposal for development in this area should work within this master plan. For several years the RDA has pursued the development of business incubator space in the downtown area and we believe that portion of our project fully fulfills their needs.

In our project plan we have also addressed the RDA's desire for a more welcoming atmosphere to the public. We have included public open space and provided foot traffic walk ways and car access to the internal section of the block. This part of our plan allows the development of this block to fit nicely into the RDA's desire to create easy access from the Intermodal Hub to the Gateway project and the rest of the downtown area. By bringing in multiple small business tenants into the incubator space and building a medical clinic our project will bring an increase of foot traffic and activity to the area.

We will be purchasing the land for this project from the RDA at an established price that is defined by the market and highest and best use. Our pro forma calculations dictate that the purchase price will be $17/sq. ft. taking into account that the existing buildings will have to be razed. The RDA will be providing low cost, rehabilitation financing and Tax Increment Financing for the project. These RDA programs

Figure 13: Salt Lake City Depot District Redevelopment Area



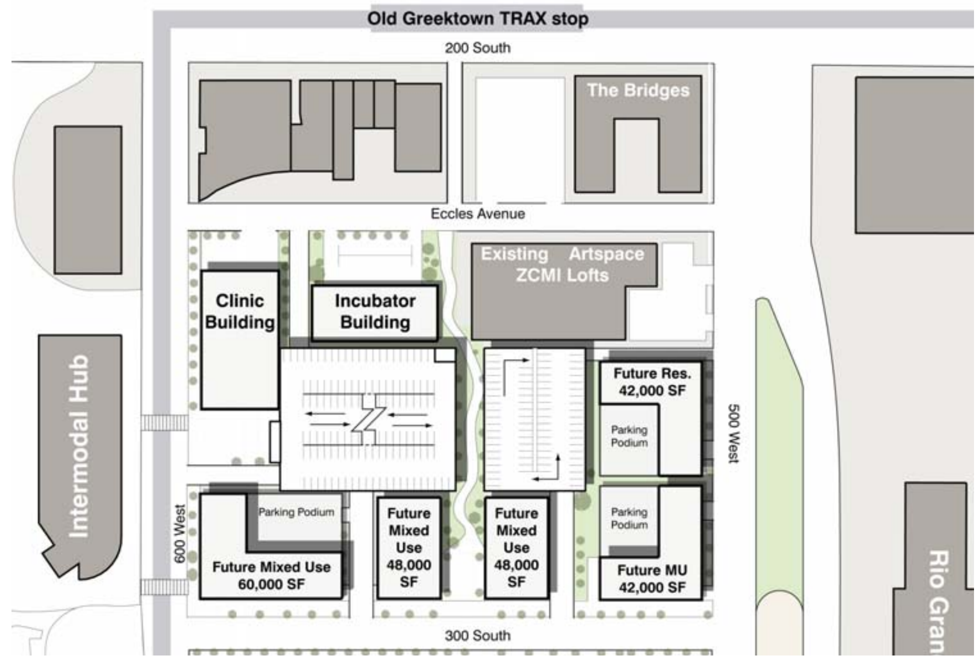


Figure 14: Phantom Developers Area Master Plan, including additional phases of UUDC

Figure 15: RDA Loan Eligibility Worksheet

RDA High Performance Renovation Loan Amount Eligibility		
Demolition Costs	$	424,000
Renovation Hard Costs	$	3,017,647
Parking Requirement Costs	$	1,197,000
Landscaping Costs	$	74,075
T.I Costs (includes mechanical upgrade)	$	2,137,500
GC Fee	$	321,311
Architectural	$	321,311
Total Renovation Eligible Costs	$	7,492,844
RDA Loan Amount Eligibilty 50% of HC	$	3,746,422
Renovated Building NOI	$	402,353
Annual debt service payment at 1.1 DSC	$	365,775
Maximum amortization term, in years		20
Annual Rate		0.0%
RDA Loan Amount Eligibility	$	7,315,508
RDA Loan Amount Eligibility (Lowest Figure)	**$**	**3,746,422**

TIF PROJECTIONS CLINIC			
TIF Eligible? (Yes or No)			Yes
2009 Valuation		$	724,390
2009 Property Taxes Paid		$	10,009
Mil rate			0.013817143
New Valuation		$	10,001,860
New Property Taxes		$	138,197
Property Taxes per SF		$	2.61
Property Tax Increase/year		$	128,188
Flow to RDA	75%	$	96,141
Split with RDA	50%	$	48,071
Term (years)			10
TIF Flowback Total		$	480,705
Annual Flowback		$	48,071

Figure 16: TIF Projection Worksheet, UUHN Clinic Building

cannot be used on the same part of the project therefore, we are splitting these programs up to benefit specific pieces of our plan. We will use these programs as follows:

1. **Low cost financing** -- Part of the financing program we will use is a rehabilitation loan program. We will be rehabilitating the historic warehouse that is existing on the property and the terms of the loan are very beneficial to the financing of our project. According to the terms of the loan we will receive a loan of 50% of our project costs with a 0% interest rate. This loan would be specific to the rehabilitation piece of the overall project.

2. **Tax Increment Financing (TIF)** – The TIF program is a 10 year reimbursement of a portion of the incremental (additional) taxes that are collected because of the development of associated land. The RDA receives 75% of the incremental taxes collected on the property and the project owner could get as much as 50% of that back each year. This means that if the taxes collected from the land parcel go up by $100/yr. because of the new development then the project would be reimbursed $37.50 per year for 10 years.

Figure 17: TIF Projections for UUDC's portion of Parking Stracture

TIF PROJECTIONS PARKING GARAGE		
TIF Eligible? (Yes or No)		Yes
Parking Type (Structured or Underground		Structured
RDA Payback per spot	$	3,000
Total RDA Payback	$	661,500
Term (years)		10
Annual Flowback	$	66,150

Why partner with the UTA?

The Utah Transit Authority has a vested interest in the development of the Depot District. Due to the presence of the Intermodal Hub it is necessary to work with the UTA to align the development vision for the area. The University Medical Clinic and the TCO expressed interest in the shared synergies of locating near the transportation hub of the valley.

The UTA has an immediate need in and around the Intermodal Hub for additional parking space. As part of their grant which enabled the completion and development of the hub they are required to build out a 200 space parking structure. While this need is immediate for the UTA, economics of the times have limited their ability to comply with the grant stipulations. UTA is looking for a partner in building their parking structure. In working with the UTA we have learned that beyond their immediately required 200 parking spaces, there is a desire to add an additional 300 spaces for future development slated to centralize the Authority's office functions on the Intermodal Site. UTA and Phantom will contribute financially in proportion to the percentage of spots each group will be claiming. Efficiencies will be found in sharing the costs of land and infrastructure. Phantom may also be able to claim additional developer fees for managing UTA's portion of the parking structure. These potential fees are not part of our present proforma.

Our project will completely address the needs of the UTA as far as parking and the shared vision of development in the district. The UTA has recently applied for an $8.5 million government grant devoted entirely to their parking structure needs. The UTA has expressed a strong desire to partner with a development group in the construction of the parking structure. The UTA is very open to supporting the

Figure 19: Intermodal Hub and UTA Riderships Numbers

Intermodal Hub Ridership		2009 Ridership	
Average weekday riders	+12,000*	Average Weekday Riders	141,047
Average monthly riders	+360,000	Average Monthly Riders	3,448,598
Average annual ridership	+4,320,000	2009 Annual Ridership	37,969,645

*Source: Ryan McFarland, Manager of Transit and Economic Development project by paying for their portion of both land and construction costs of the parking structure. At this point we estimate the UTA's contribution to be slightly over 70% of both land and construction costs. The aforementioned grant would be earmarked for such a synergistic partnership.

The UTA ridership is significant in attracting our two University credit tenants to our development. The UTA ridership has increased significantly over the past decade. In 2008, UTA had a 12.5% increase from 2007 and ridership is expected to grow this number in 2009 and 2010. UTA serves more than 75% of Utah's population. It is estimated that 1.8 million people take some type of public transportation in their daily life. UTA is hoping to expand to add more public transportation in the next few years. UTA is currently working on a TRAX line to the airport and more light rail lines throughout the Salt Lake Valley. There are plans for the FrontRunner line to extend to Utah County in the next 5 years. Below are ridership figures as of Dec. 2009 (UTA Bus, TRAX, FrontRunner, Paratransit, Vanpool, etc.) UTA serves Utah, Salt Lake, Weber, Davis, and Tooele counties as well as parts of Box Elder.

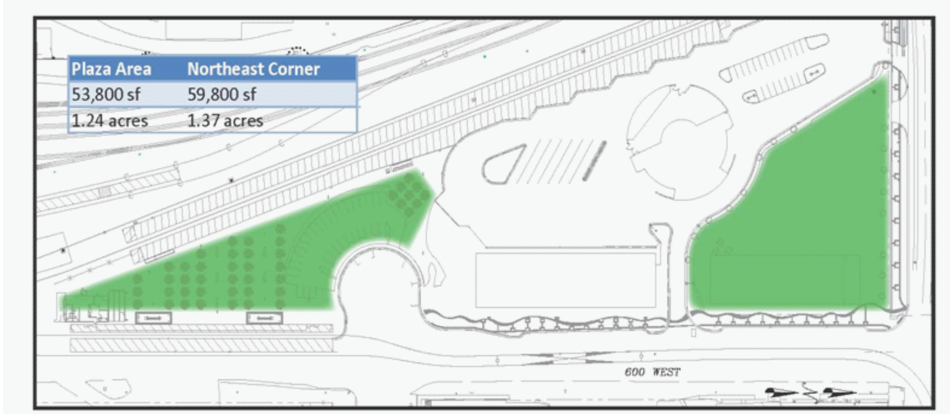


Figure 20: Areas on Intermodal Hub Site for UTA office space developement

Figure 21: Sketch of Possible UTA Development, across 600 W from UUDC Clinic

Sustainability:

Economic

The project is economically sustainable for developer, equity partner, users, and Salt Lake City as a whole. The Salt Lake City government wants to create an environment where novel ideas are shared between inventors and entrepreneurs. By supporting new and growing businesses, the incubator at the University of Utah Downtown Center will help spur economic growth and jobs centered here in downtown Salt Lake, **while also generating the need for future phases of office space in the area for companies emerging from the incubator**. Recognizing this, the Salt Lake City RDA has offered financial incentives to make the project profitable. The land chosen for the project is located in the Depot District of the RDA. By developing the UUDC on RDA land the RDA offers a variety of tax incentives to help revitalize those areas, including a loan for the LEED-certified adaptive re-use of the Intermountain Warehouse, including these terms:

High Performance Building Construction Grant & Loan Criteria

- RDA provides grants to developers who construct new buildings that are LEED certified
- Grants will cover up to 50% of the architectural and engineering fees on the project
- RDA has some options to provide low interest loans for development costs not covered by private financing
- RDA will lend up to 50% of the associated hard costs of the renovations with a 0% loan for 10 years (renewable at loan termination date)

Community

The incubator and Medical Clinic are located in an area that is in need of growth and revitalization. By putting an incubator near a transportation hub, it provides easy transportation access from the University to downtown. With City Creek projected to finish in 2012, tenants will have access to numerous restaurants, shopping facilities, and luxury city living. The University Community Clinic serves as a staple of healthcare in the community. Even so, the Clinic is underrepresented in the downtown area thus making the UUDC a perfect fit for a downtown location. The University Community Clinic will service an underserved area with a large socio-economic range. The Clinic and TCO tenants will create jobs and revenue and help create life in a portion of Salt Lake City where it has previously been difficult to stimulate growth.

Environmental:

- As the project is being built, the developers will make sure all of the buildings are energy efficient and LEED certified. There are more upfront costs to make our project LEED certified, but it lowers the operational costs over time making advantageous to pursue this avenue. LEED certification benefits the environment, but it also saves costs for the clinic and incubator buildings.
- The plan for the area includes open space for the public to use. Creating public space aligns with the vision of developing a walking area where people use more public transportation. (Exhibit X)
- Part of our plan is to renovate the Intermountain Furniture Warehouse. Renovating the building for the project makes use of the existing building and recycles materials.
- With the area close to the Intermodal Hub, the project will closely pair with UTA to support all of their initiatives to promote public transportation.
- Development of green space.

Figure 23: South side of UUDC Clinic, facing Intermodal Hub

Return Scenarios:

Efficiency Incentive Return Scenario:
The equity holders (cash investors and deferred equity investors) receive a 10% cumulative preferred return on their investment for the life of the project. After the 10% return is paid the additional income will be split giving the developer a 20% promote, with the equity investors splitting the remaining 80% according to their stake. This preferred return is cumulative and begins the day that the funds are received from the investor. Since the developer only sees a return after the investors gets a 10% cumulative return, and the construction period is part of the cunulative period, an incentive is created for the developer to finish the construction quickly and keep the operations of the property as efficient as possible while generating as much cash flow as possible.

Income Sharing Return Scenario:
Equity partners will share all returns that the project generates on a pro rata basis of equity ownership. No cumulative returns will accrue during the construction period. This income sharing model will continue for the life of project with a possible buyout or sale scenario in year 15. This also gives the investors a chance to share in the entire income of the project, at the expense of accruing return during the construction period.

Figure 22: Return Summary

RETURN SUMMARY			
Cash on Cash Return			**12.8%**
Leveraged IRR			**14.2%**
Valuation @	**8.00%**	**$**	**18,506,572**

EQUITY BREAKDOWN			
Cash		$	1,186,377
Land (Cash Purchase)		$	1,215,704
Deferred Developer Fee		$	913,053
Total Equity Contributed		**$**	**3,315,134**
Investment Ask	$ 2,402,081		72.5%

CONSTRUCTION LOAN DEBT		
Senior Loan Amount	$	12,954,600
Senior Loan PSF	$	181.78
Senior Loan to Cost		**64.7%**
Senior Loan to Value		**70.0%**
Interest Rate		6.50%
Intrerest Only Coverage Ratio		1.76
Market Rate Appraisal Value (if completed	$	18,506,572
LTV based on Appraised Value		70.0%
Appraised Value psf	$	214.02

Exhibit 1 15 Year Projected Income Statement

15-YEAR INCOME STATEMENT		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
GENERAL INCOME ASSUMPTIONS		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Inflation Factor	0.0%	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
GLA Absorbed		-	-	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941	52,941
Incubator Area Absorbed		-	-	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537	33,537
Vacancy Factor	5%		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Net Lease Revenue per SF	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 24.00	$ 24.00	$ 24.00	$ 24.00
Incubator Revenue per SF	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 12.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
Operating Expenses per SF	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85	$ 6.85
DEVELOPMENT COSTS		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Development Costs		$ (13,344,104)	$ (6,672,052)														
Percent Built by Year																	
Total Development Costs																	
NET OPERATING INCOME		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Clinic Leasing Revenues			$ -	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,111,782	$ 1,270,588	$ 1,270,588	$ 1,270,588	$ 1,270,588
Incubator Leasing Revenues			$ -	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 402,439	$ 503,049	$ 503,049	$ 503,049	$ 503,049
Pass-Through Expense Reimbursements	$ 6.85			$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495	$ 592,495
Parking Revenues, per month, per spot	$ 40.00		$ -	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ 75,411	$ -	$ -	$ -	$ -
Less: Vacancy	5%		$ -	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (109,106)	$ (118,307)	$ (118,307)	$ (118,307)	$ (118,307)
Effective Gross Income			$ -	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,073,020	$ 2,247,825	$ 2,247,825	$ 2,247,825	$ 2,247,825
TIF Revenues				$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ 114,221	$ -	$ -	$ -	$ -
Less: Op. & Maint. Expenses (per SF)	$ 6.85		$ -	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)	$ (592,495)
Net Operating Income			**$ -**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,594,746**	**$ 1,655,330**	**$ 1,655,330**	**$ 1,655,330**	**$ 1,655,330**
PROJECT CASH FLOW		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Net Operating Income			$ -	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,594,746	$ 1,655,330	$ 1,655,330	$ 1,655,330	$ 1,655,330
Market Rate Terminal Value																	$ 18,506,572
Cost of Sales	5%																$ (925,329)
Development Cost Outflow		$ (13,344,104)	$ (6,672,052)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
RDA Renovation Loan Debt Service 20 YR @	0.0%			$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (187,321)	$ (1,123,927)
Senior Bank Loan Debt Service 30 YR @	6.5%			$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (982,583)	$ (9,758,586)
Annual Cash Flow After Debt Service		$ (13,344,104)	$ (6,672,052)	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 485,427	$ 485,427	$ 485,427	$ 8,354,060
EQUITY PARTNER FREE CASH FLOW		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
NOI After Debt Service				$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 485,427	$ 485,427	$ 485,427	$ 8,354,060
Equity Request		$ (3,315,134)															
Equity Partners Cash Flow After Debt Service		$ (3,315,134)	$ -	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 424,843	$ 485,427	$ 485,427	$ 485,427	$ 8,354,060
Annual Cash-on-Cash				12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	14.6%	14.6%	14.6%	

Exhibit 2 Project Summary

BUILDING BREAKDOWN	Useable SF	Net Rentable SF
Phase 1		
UUHN Clinic	45000 sf	52941 sf
IM Furniture	28500 sf	33529 sf
Land to GLA		0.8
Land to Building Footprint		2.6

PROJECT DATA		
Total Gross Square Footage		91,875 sf
Total Net Rentable SF		86,471 sf
Total Usable SF		73,500 sf
R/U Factor		1.18
Percentage pre-leased		100.0%
Size of Land Tract (net acres)		1.64
Percentage of Site Coverage		39%
Avg Rent PSF/Yr (Triple Net Lease)	$	17.51
Expenses PSF/Year	$	6.85
Parking Spaces (total)		221
Parking Ratio per 1,000 sf		3.0

PROJECT COST		
Total Project Cost	$	20,016,156
Total Cost PSF	$	217.86
Hard Cost PSF	$	165.37
Total Land Cost	$	1,215,704
Land Cost PSF	$	17.00
Land Cost Per Buildable SF	$	13.23

RETURN SUMMARY			
Cash on Cash Return			**12.8%**
Leveraged IRR			**14.2%**
Valuation @	**8.00%**	**$**	**18,506,572**

EQUITY BREAKDOWN			
Cash		$	1,186,377
Land (Cash Purchase)		$	1,215,704
Deferred Developer Fee		$	913,053
Total Equity Contributed		**$**	**3,315,134**
Investment Ask	$ 2,402,081		72.5%

CONSTRUCTION LOAN DEBT		
Senior Loan Amount	$	12,954,600
Senior Loan PSF	$	181.78
Senior Loan to Cost		**64.7%**
Senior Loan to Value		**70.0%**
Interest Rate		6.50%
Intrerest Only Coverage Ratio		1.76
Market Rate Appraisal Value (if completed	$	18,506,572
LTV based on Appraised Value		70.0%
Appraised Value psf	$	214.02

Exhibit 3 Construction Budget

	CONSTRUCTION BUDGET	Sources: Equity Proceeds	Sources: Loan Proceeds	Uses: Cost	Breakdown: Cost Per Leasable SF	Breakdown: Cost Per Gross SF	Percent Of Total
	Budget Line Item						
LAND	Land	$ 1,215,704	$ -	$ 1,215,704	$ 22.96	$ 14.06	6.1%
LAND	**TOTAL LAND**	$ 1,215,704	$ -	**$ 1,215,704**	**$ 14.06**	**$ 13.23**	**6.1%**
HARD COSTS	Demolition Costs	$ 93,717	$ 330,283	$ 424,000	$ 4.90	$ 4.61	2.1%
HARD COSTS	New Construction Shell Costs	$ -	$ 5,294,118	$ 5,294,118	$ 100.00	$ 94.12	26.4%
HARD COSTS	Renovation Costs	$ -	$ 3,017,647	$ 3,017,647	$ 90.00	$ 84.71	15.1%
HARD COSTS	Landscaping	$ -	$ 74,075	$ 74,075	$ 0.86	$ 0.81	0.4%
HARD COSTS	Infrastructure/Parking	$ -	$ 3,087,221	$ 3,087,221	$ 35.70	$ 33.60	15.4%
HARD COSTS	Tenant Improvements	$ -	$ 2,572,500	$ 2,572,500	$ 29.75	$ 28.00	12.9%
HARD COSTS	G.C. Fee		$ 723,478	$ 723,478	$ 8.37	$ 7.87	3.6%
HARD COSTS	**TOTAL HARD COSTS**	$ 93,717	$ 15,099,321	**$ 15,193,038**	**$ 175.70**	**$ 165.37**	**75.9%**
SOFT COSTS	Developer Fee / Overhead	$ 913,053	$ -	$ 913,053	$ 10.56	$ 9.94	4.6%
SOFT COSTS	Architecture/Engineering	$ 632,050	$ -	$ 632,050	$ 7.31	$ 6.88	3.2%
SOFT COSTS	Legal	$ 50,000	$ -	$ 50,000	$ 0.58	$ 0.54	0.2%
SOFT COSTS	Origination Fees	$ 167,010	$ -	$ 167,010	$ 1.93	$ 1.82	0.8%
SOFT COSTS	Title / Closing	$ 114,731	$ -	$ 114,731	$ 1.33	$ 1.25	0.6%
SOFT COSTS	Impact Fees	$ 52,369	$ -	$ 52,369	$ 0.61	$ 0.57	0.3%
SOFT COSTS	Misc. (Phase 1, ALTA, etc.)	$ 26,471	$ -	$ 26,471	$ 0.31	$ 0.29	0.1%
SOFT COSTS	Leasing Commissions	$ 50,030	$ -	$ 50,030	$ 0.58	$ 0.54	0.2%
SOFT COSTS	Contingency	$ -	$ 759,652	$ 759,652	$ 8.79	$ 8.27	3.8%
SOFT COSTS	Interest Reserve	$ -	$ 842,049	$ 842,049	$ 9.74	$ 9.17	4.2%
SOFT COSTS	**TOTAL SOFT COSTS**	$ 2,005,713	$ 1,601,701	**$ 3,607,414**	**$ 41.72**	**$ 39.26**	**18.0%**
	TOTAL PROJECT COSTS	**$ 3,315,134**	**$ 16,701,022**	**$ 20,016,156**	**$ 231.48**	**$ 217.86**	**100.0%**

					Cost	Cost Per Leasable SF	Cost Per Gross SF	Percent Of Total
EQUITY SOURCES	**Equity Needed**	**$ 3,315,134**						
EQUITY SOURCES	**EQUITY**							
EQUITY SOURCES	Land				$ 1,215,704	$ 14.06	$ 13.23	6.1%
EQUITY SOURCES	Deferred Developer Fee				$ 913,053	$ 10.56	$ 9.94	4.6%
EQUITY SOURCES	Cash				$ 1,186,377	$ 13.72	$ 12.91	5.9%
EQUITY SOURCES	**TOTAL EQUITY CONTRIBUTED**				**$ 3,315,134**	**$ 38.34**	**$ 36.08**	**16.6%**
DEBT SOURCES	**DEBT**							
DEBT SOURCES	RDA Building Renovation Loan (Subordinated)				**$ 3,746,422**	**$ 43.33**	**$ 40.78**	**18.7%**
DEBT SOURCES	RDA New Construction (Subordinated)				**$ -**	**$ -**	**$ -**	**0.0%**
DEBT SOURCES	Senior Loan	70%	Lesser of:	Loan to Cost	**$ 12,954,600**	**$ 149.82**	**$ 141.00**	**64.7%**
DEBT SOURCES		70%		Loan to Value				
DEBT SOURCES	**TOTAL CONSTRUCTION LOAN AMOUNT**				**$ 16,701,022**	**$ 193.14**	**$ 181.78**	**83.4%**

Exhibit 4 Rent Roll

RENT ROLL										TENANT EXPENSE REIMBURSEMENTS (PSF)										TOTAL STABILIZED INCOME	PRELEASED INCOME ONLY
Tenants	Phase	Lease Status (1)	Term - Months	Usable SF	R/U Factor	Rentable SF	Base Rent PSF	Rental Income	Lease Full Service or Triple Net	Taxes	Ins	CAM	Admin	Reserves	Utilities	Mgmt Fee	Other	Total PSF	Reimburse Income		
Leased Space																					
1) U of Utah Clinics	1		120	45,000	1.18	52,942	$ 21.00	$ 1,111,782	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 362,757	$ 1,474,539	$ 1,474,539
2)			-		1.18	-	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sub-Total				45,000		52,942	$ 21.00	$ 1,111,782		$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 362,757	$ 1,474,539	$ 1,474,539
Incubator Space, Master Leased and assigned by the University of Utah TCO																					
1) Design Company	1			1,250	1.18	1,471	$ 12.00	$ 17,652	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 10,079	$ 27,731	$ 27,731
2) Design Company	1			1,250	1.18	1,471	$ 12.00	$ 17,652	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 8,565	$ 26,217	$ 26,217
3) Design Company	1			1,250	1.18	1,471	$ 12.00	$ 17,652	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 8,565	$ 26,217	$ 26,217
4) Design Company	1			1,250	1.18	1,471	$ 12.00	$ 17,652	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 8,565	$ 26,217	$ 26,217
5) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
6) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
7) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
8) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
9) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
10) Computer/IT Company	1			750	1.18	882	$ 12.00	$ 10,588	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,727	$ 15,727
11) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
12) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
13) Computer/IT Company	1			750	1.18	883	$ 12.00	$ 10,596	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,735	$ 15,735
14) Computer/IT Company	1			750	1.18	882	$ 12.00	$ 10,588	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 5,139	$ 15,727	$ 15,727
15) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
16) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
17) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
18) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
19) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
20) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,236	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,940	$ 41,940
21) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,235	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,939	$ 41,939
22) Wet Lab	1			2,000	1.18	2,353	$ 12.00	$ 28,235	Triple Net	$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 13,704	$ 41,939	$ 41,939
Total University of Utah TCO Master Lease				28,500		33,537	$ 12.00	$ 402,439		$ 3.00	$ 0.32	$ 1.15	$ 0.45	$ 0.25	$ 0.55	$ 1.13	$ -	$ 6.85	$ 229,792	$ 599,235	$ 599,235
To Be Leased Space																					
1)					1.18	-		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Sub-Total				-		-	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	% Preleased: 100.0%
NON-INCUBATOR TOTAL/AVERAGE				**45,000**		**52,942**	**$ 21.00**	**$ 1,111,782**		**$ 3.00**	**$ 0.32**	**$ 1.15**	**$ 0.45**	**$ 0.25**	**$ 0.55**	**$ 1.13**	**$ -**	**$ 6.85**	**$ 362,757**	**$ 1,474,539**	**$ 1,474,539**
TOTAL/AVERAGE				**73,500**		**86,479**	**$ 17.51**	**$ 1,514,221**		**$ 3.00**	**$ 0.32**	**$ 1.15**	**$ 0.45**	**$ 0.25**	**$ 0.55**	**$ 1.13**	**$ -**	**$ 6.85**	**$ 592,549**	**$ 2,073,774**	**$ 2,073,774**

Exhibit 5 1 Year Operating Statement

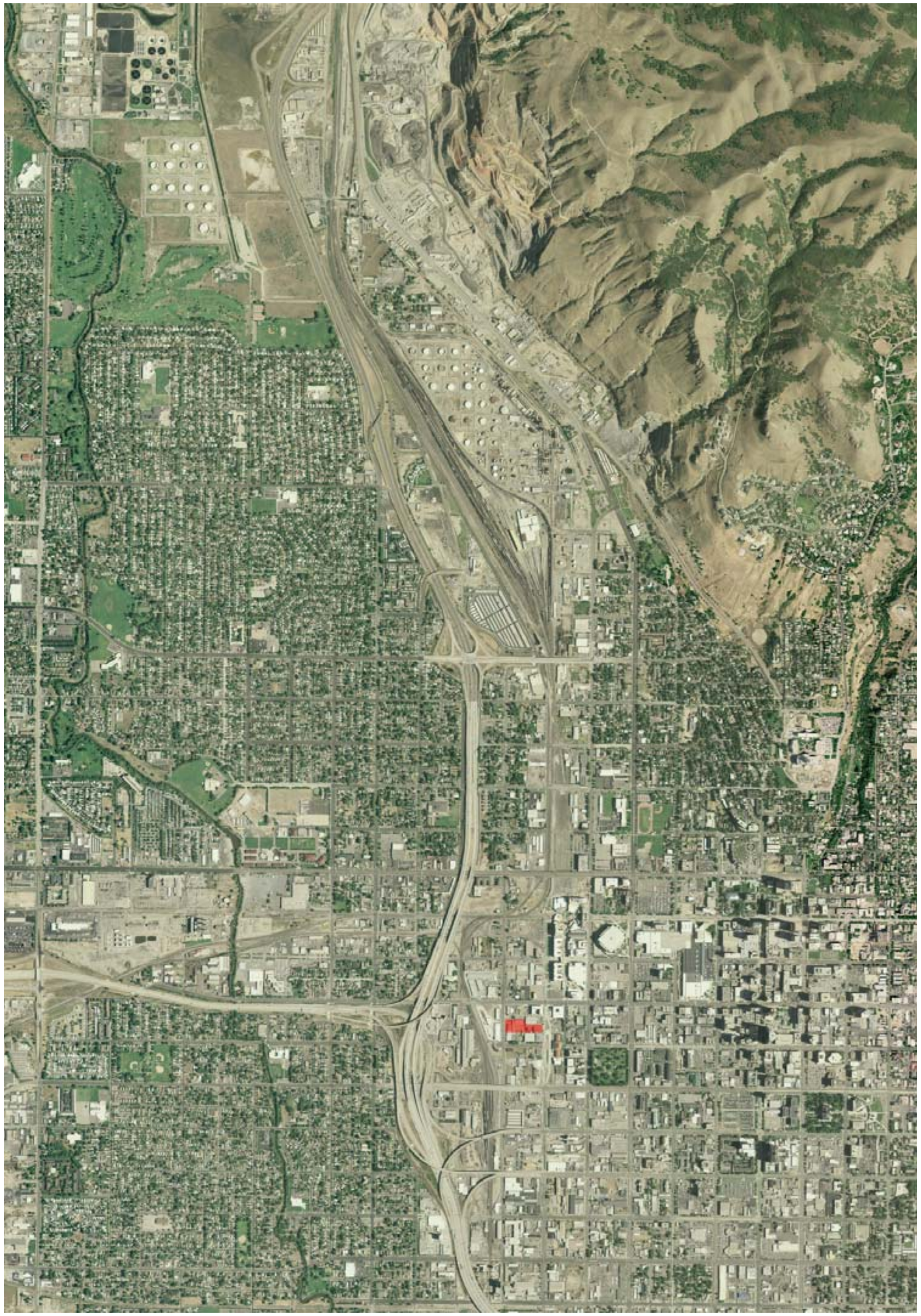
ANNUAL OPERATING STATEMENT

Rental Income	Square Feet	% of Total SF	Average Rent PSF	Rental Income	% of Total Income	Pass-thru Income PSF	Pass-thru Income	Total Income	PRELEASED ONLY
Pre-Leased Space									
U of U Hospital Network	52,941	61%	$ 21.00	$ 1,111,782	73%	$ 6.85	$ 362,752	$ 1,474,534	$ 1,474,534
U of U TCO	33,529	39%	$ 12.00	$ 402,439	27%	$ 6.85	$ 229,743	$ 632,182	$ 632,182
To Be Leased Space									
	-	0%	$ -	$ -	0%	$ -	$ -	$ -	
Total/Average	86,471	100%	$ 17.51	$ 1,514,221	100.0%	$ 6.85	$ 592,495	**$ 2,106,716**	**$ 1,474,534**
				Parking Structure Income				$ 75,411	$ 75,411
				Less Vacancy:			5.0%	$ (109,106)	$ -
				Effective Gross Income (EGI)				**$ 1,997,609**	**$ 1,474,534**

Average Expenses	Fixed/ Variable		PSF	Total Expenses	PRELEASED ONLY
Real Estate Taxes	F		$ 3.00	$ 259,412	$ 158,824
Insurance	F		$ 0.32	$ 27,671	$ 16,941
Common Area Maintenance	V		$ 1.15	$ 99,441	$ 60,882
Reserves	V		$ 0.25	$ 21,618	$ 13,235
Mgmt. Fee	V	3.00%	$ 1.13	$ 97,883	$ 59,928
Administration Expense	F		$ 0.45	$ 38,912	$ 23,824
Utilities (HVAC, Mechanical)	V		$ 0.55	$ 47,559	$ 29,118
Total Expenses			**$ 6.85**	**$ 592,495**	**$ 362,752**
NET OPERATING INCOME				**$ 1,480,526**	***$ 1,187,193***

Loan Amount	$ 12,954,600
Less: Unfunded Portion of TI	$ -
Less: Unfunded Portion of Leasing Commission	$ -
Adjusted Loan Amount	$ 12,954,600
Annual Interest Payments	$ 842,049
Interest Only Coverage	1.41
Yield to Debt (Constant Coverage)	9.2%

Exhibit 6 Area and Site Aerials



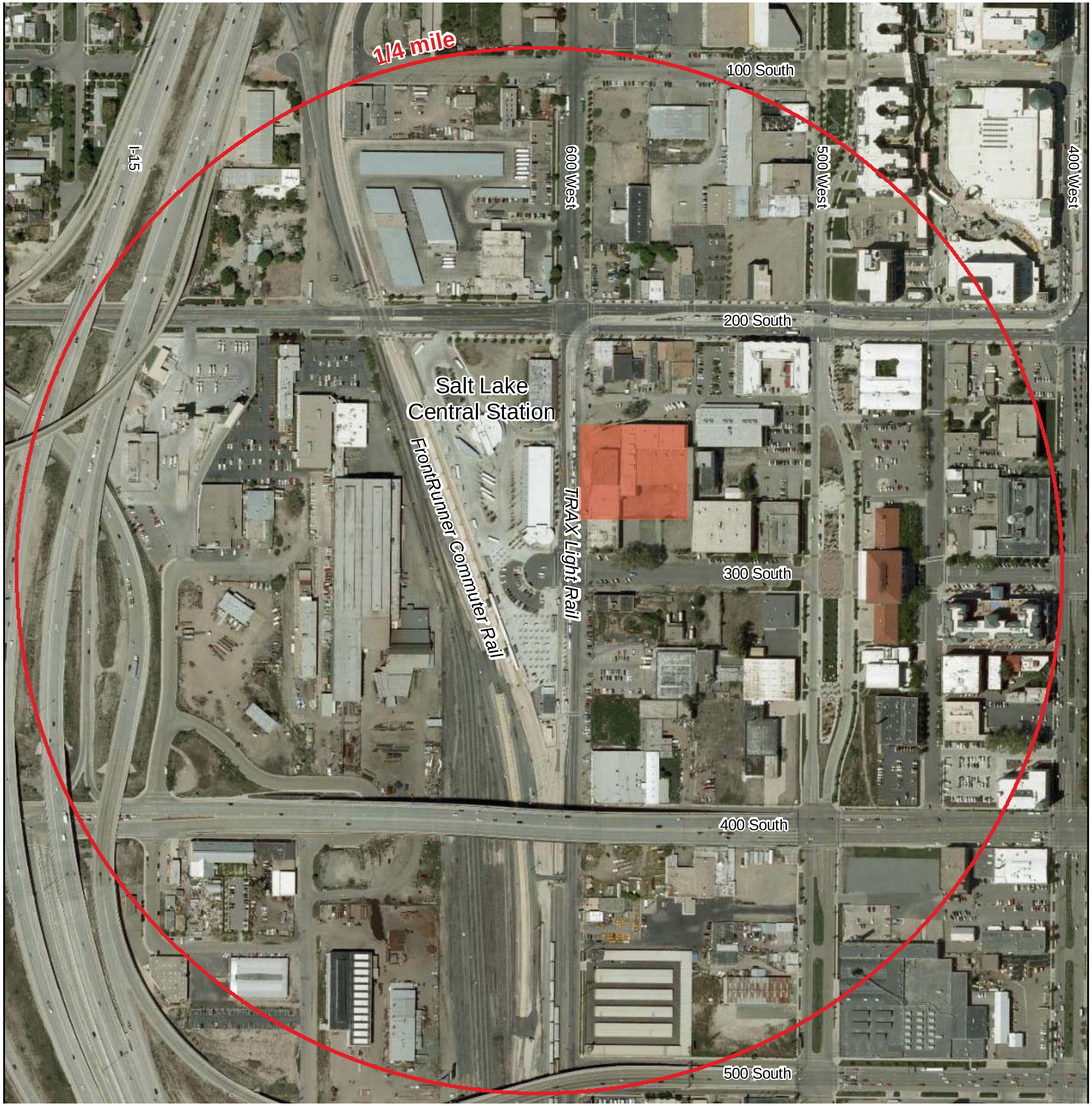

1/4 mile
100 South
I-15
600 West
500 West
400 West
200 South
Salt Lake
Central Station
FrontRunner Commuter Rail
TRAX Light Rail
300 South
400 South
500 South

Exhibit 7 1 Site Plan 1" = 100'

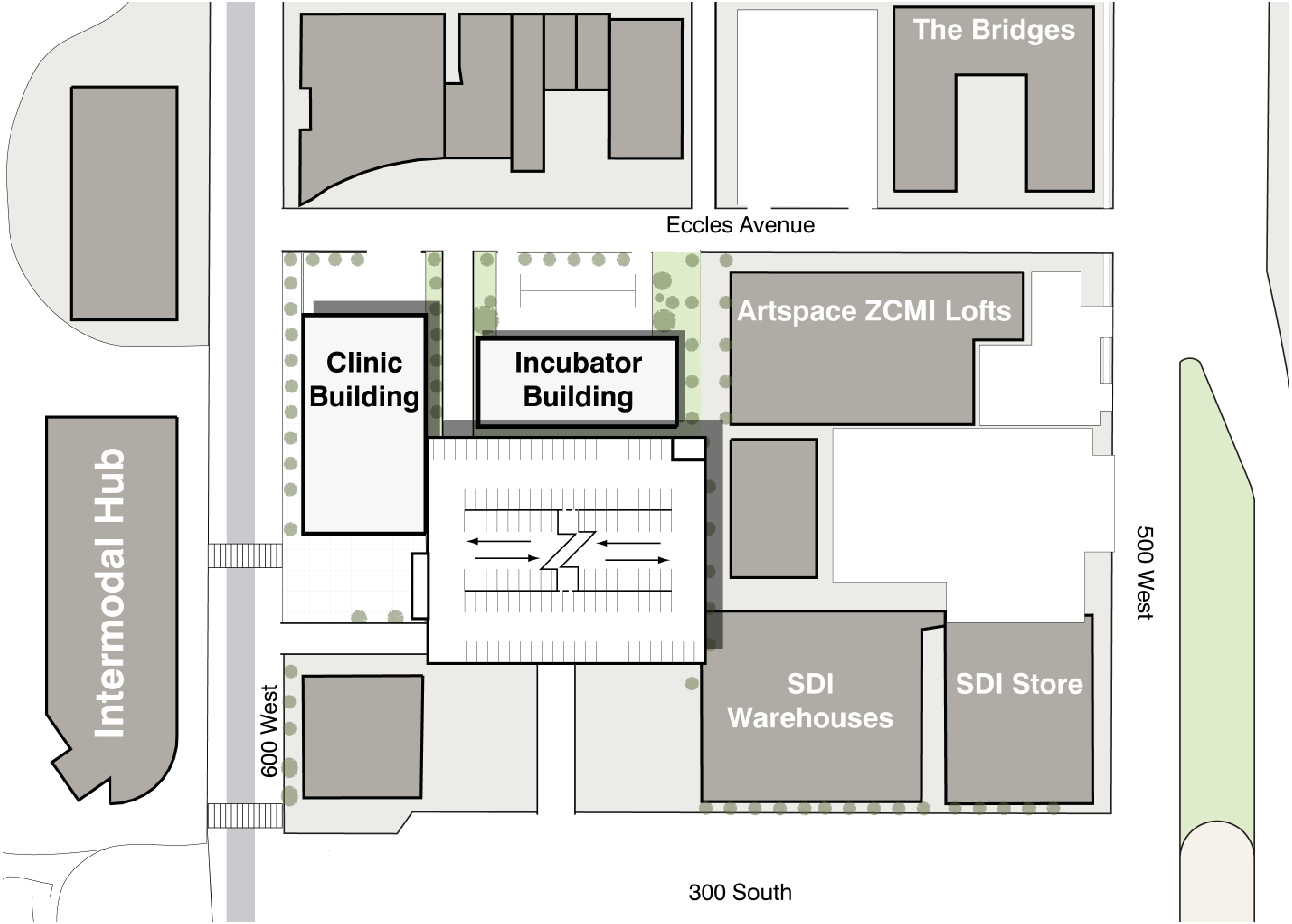


Exhibit 8 Area Master Plan With Potential Future Phases 1" = 100'

Exhibit 9 Incubator North Elevation Scheme

Exhibit 10 Incubator First Floor Plan 1”=40’

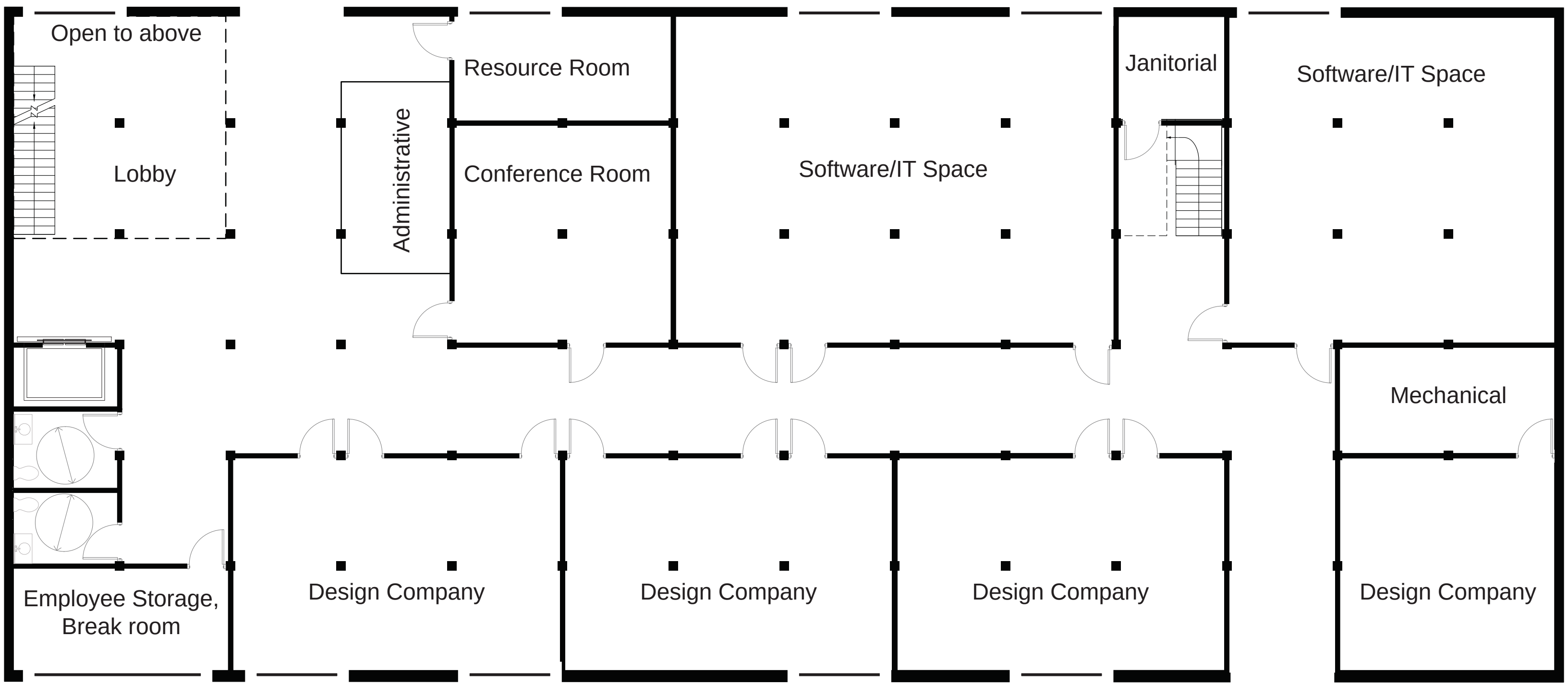


Exhibit 11 Incubator Second Floor Plan 1” = 40’

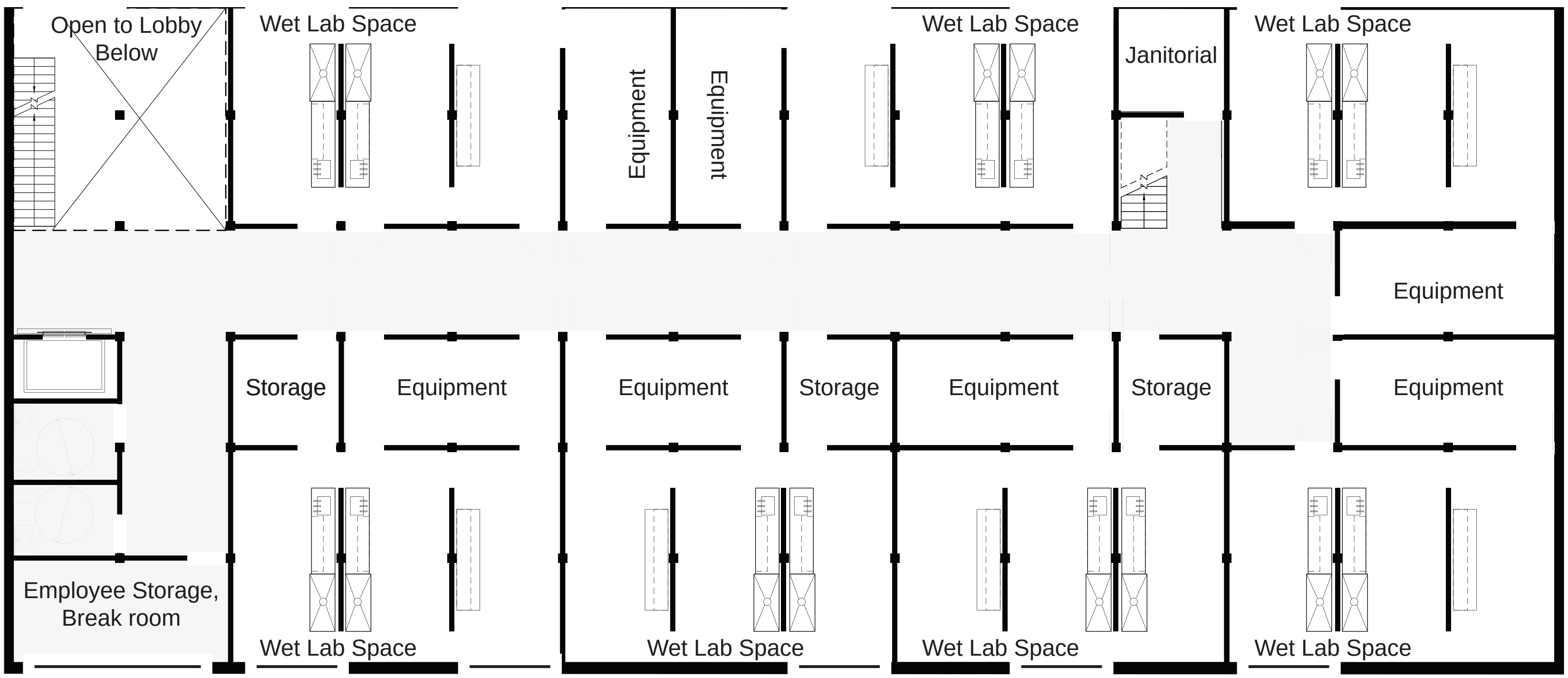


Exhibit 12 Clinic Scheme Renderings

Clinic, South face, from the Intermodal Hub

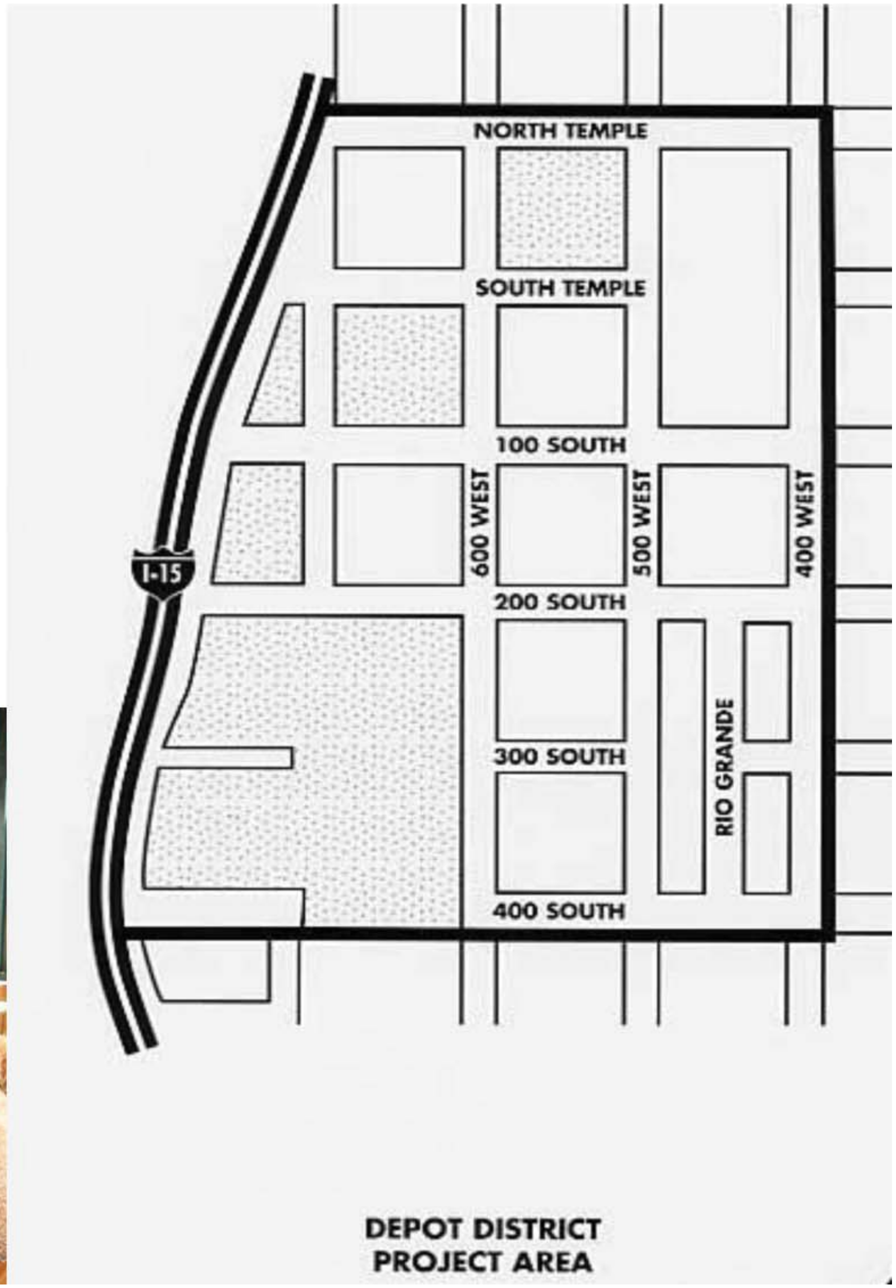
Clinic Entry Close-up

Clinic, South face, from parking structure entry/exit

Exhibit 13 Oral Presentation Slides

The Vision

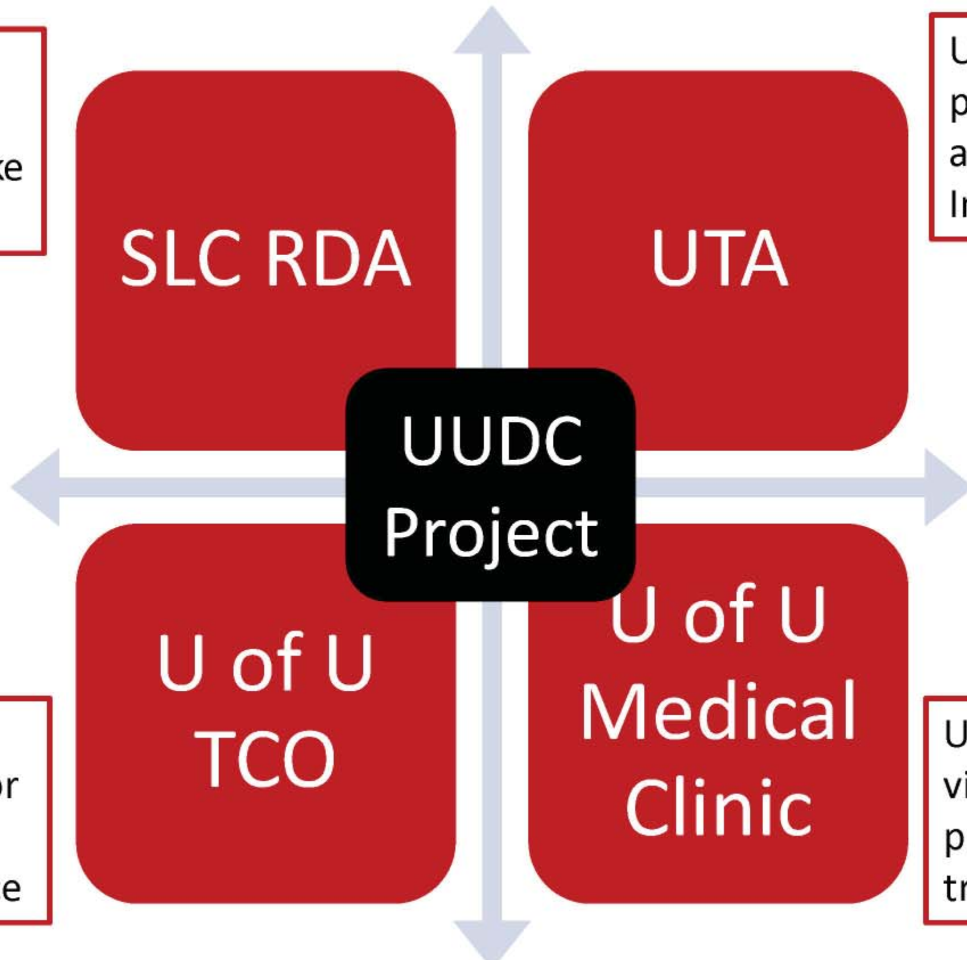
- Tenant Driven
- Alignment of Interests
- Financially Feasible



Vision Intersection

SLC RDA needs to rejuvenate downtown Salt Lake City

UTA needs 500 new parking spaces around the Intermodal Hub



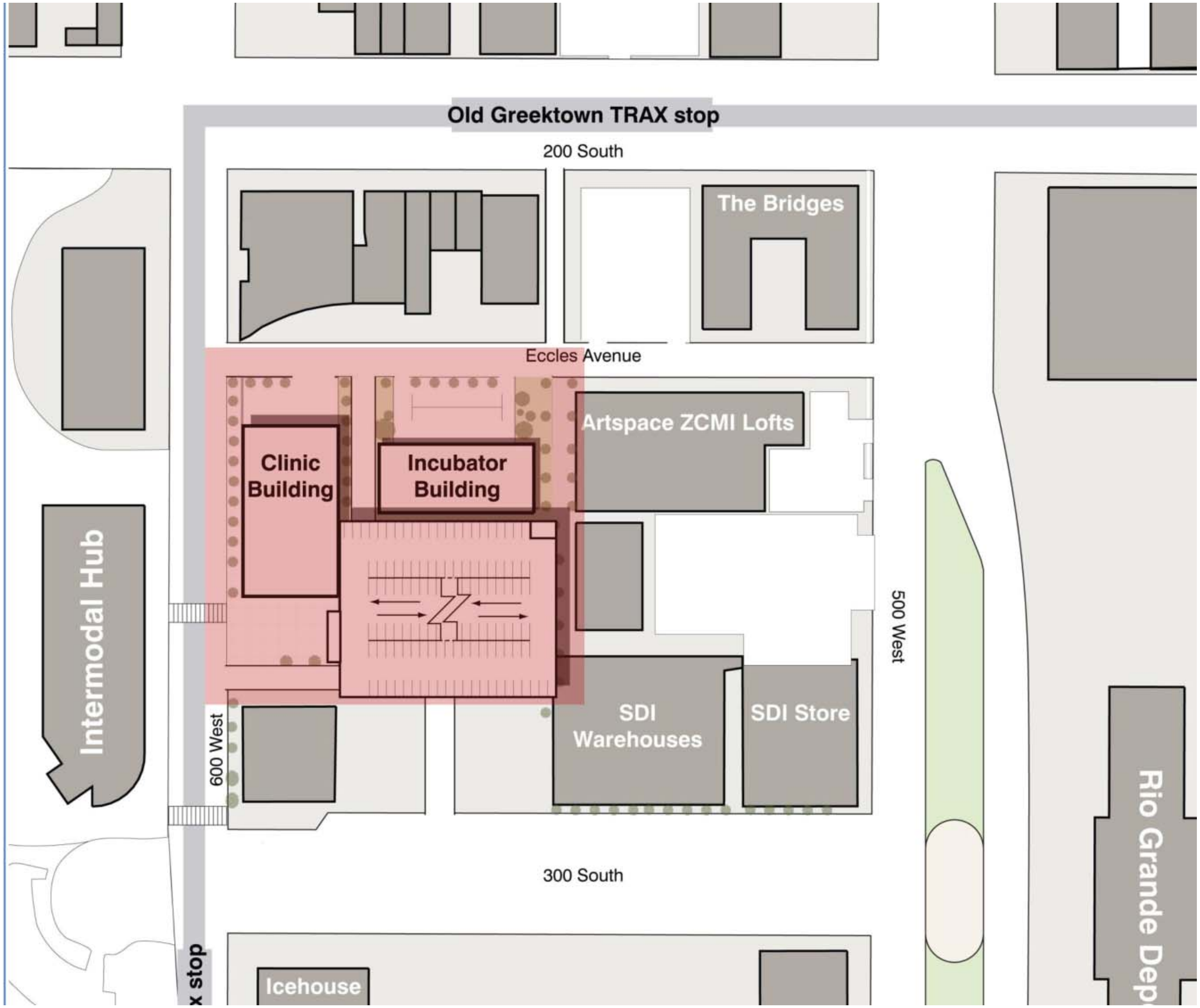
TCO needs additional incubator space and wants a downtown presence

U of U Medical Clinic vision of downtown presence near transit

The Project

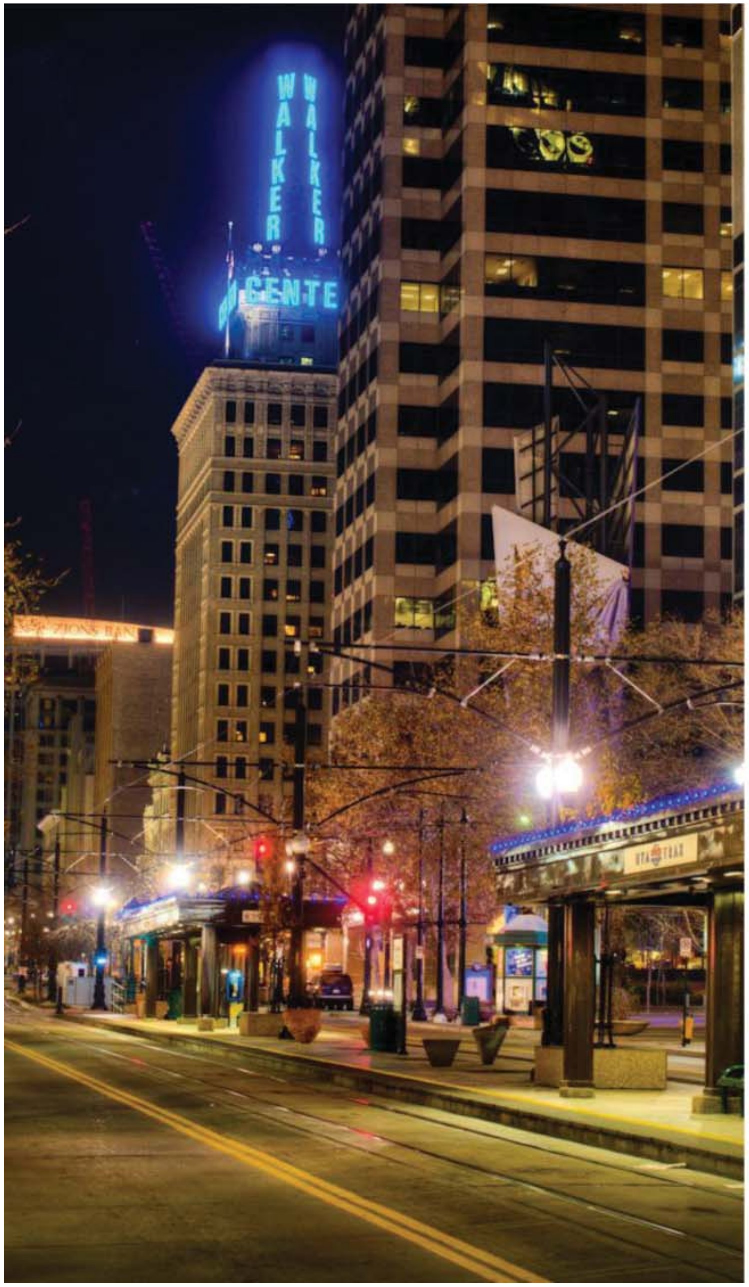
Type	Gross Sq. Ft.	Purpose	Net Leasable Sq. Ft.
New Construction	56,250	Medical Clinic	52,941
Rehab Construction	38,000	Incubator Offices	33,529
Parking Structure	250,000	UTA/UUDC	- 221 stalls for UUDC - 500 stalls for UTA

Site Plan



Old Greektown TRAX stop
200 South
The Bridges
Eccles Avenue
Artspace ZCMI Lofts
Clinic Building
Incubator Building
Intermodal Hub
500 West
600 West
SDI Warehouses
SDI Store
300 South
Icehouse
x stop
Rio Grande Dep

Project Renderings



Feasibility

- Why a Downtown Center?
  - Tenant needs
  - Alignment of Visions
- Why an Downtown Incubator?
  - TCO growth and needs
  - Economic development
  - Access to business service providers
- Why a Downtown Medical Clinic?
  - Serve downtown population
  - Access to public transit

Feasibility

- Why partner with the RDA?
  - Financial incentives
  - Master plan fulfillment
- Why partner with the UTA?
  - Cost distribution
  - Synergies with public transit

Sustainability

- Economic
  - RDA Partnership
  - Spur Urban Economic Engine
- Community
  - Growth and Revitalization
  - Public Transportation
- Environmental
  - LEED Certified and Rehabilitation
  - Public Green Space

Stabilized Pro Forma

Stabilized Proforma

University of Utah Downtown Center

Leasing Revenues	
U of U Clinic (52,942 sf @ $21,00 psf, NNN)	$1,111,782
U of U Incubator (33,537 sf @ $12,00 psf, NNN)	$ 402,439
Parking Revenues ($40 monthly per spot)	$ 75,411
Pass-Through Expense Reimbursement ($6.85 psf)	$ 592,495
Less: Vacancy @ 5%	($109,106)
Effective Gross Income	**$2,073,021**
TIF Reimbursment (10 Yr, payback of clinic & parking property taxes) (replaced in year 11 by negotiated rent escalation)	$ 114,221
Less: Operational Expenses	($592,495)
Net Operating Income	**$1,594,747**
Less: Debt Service	
Bank-Issued Perm Loan 25 yr. amort @ 6.5%	($982,583)
RDA High Perforance Building Renovation Perm Loan, 20 yr @ 0%	($187,321)
Cash Flow After Debt Service	**$424,843**
Cash on Cash Return (assuming $3,315,134 equity)	12.8%

Sources & Uses

Sources:

EQUITY:	$3,315,134	
Deferred Development Fee Deferment of developer and GC fee	**$913,053**	**4.6%**
Cash Invested cash from equity partner will purchase currently available land from the Salt Lake City RDA & fund design and other development costs.	**$2,402,081**	**12.0%**
DEBT:	$16,714,365	
RDA Renovation Loan Subordinated permanent RDA High Performance Renovation loan, covering 50% of eligible costs at 0% rate, 20 yr. amortization with a 10-year call option. Initially issued as a construction loan then rolled into a permanent loan upon confirmation of LEED-standard construction.	**$3,746,422**	**18.7%**
Senior Construction Loan Traditional bank issued senior construction loan at a 6.0% rate with Interest-Only payments over a 24 month term, to be replaced at stabilization by a permanent loan at 6.5% and a 30 yr. amortization	**$12,954,600**	**64.7%**
TOTAL DEBT + EQUITY	**$20,016,156**	**100%**

Capital Stack

Sources & Uses

Uses:

LAND:		
Land Acquisition of 1.64 acres of RDA land.	**$1,215,704**	**6.1%**
SOFT COSTS:		
Soft Costs Developer fee, architectural fees, financing fees, legal and phase 1 investigative costs, leasing commissions, and impact fees.	**$2,005,713**	**10.0%**
Contingency 5% of Hard Costs, excluding GC fee.	**$759,652**	**3.8%**
Interest Reserve Grossed-up amount to cover interest payments on bank-issued construction loan, equal to monthly interest payments on total loan multiplied by a 55% factor to account for draws over 24-month term.	**$842,049**	**4.2%**
HARD COSTS:		
Hard Costs New Construction and Renovation Costs, Parking, Landscaping, T.I.'s, GC Fee	**$15,193,038**	**75.9%**
TOTAL USES	**$20,017,164**	**100%**

Use Allocation

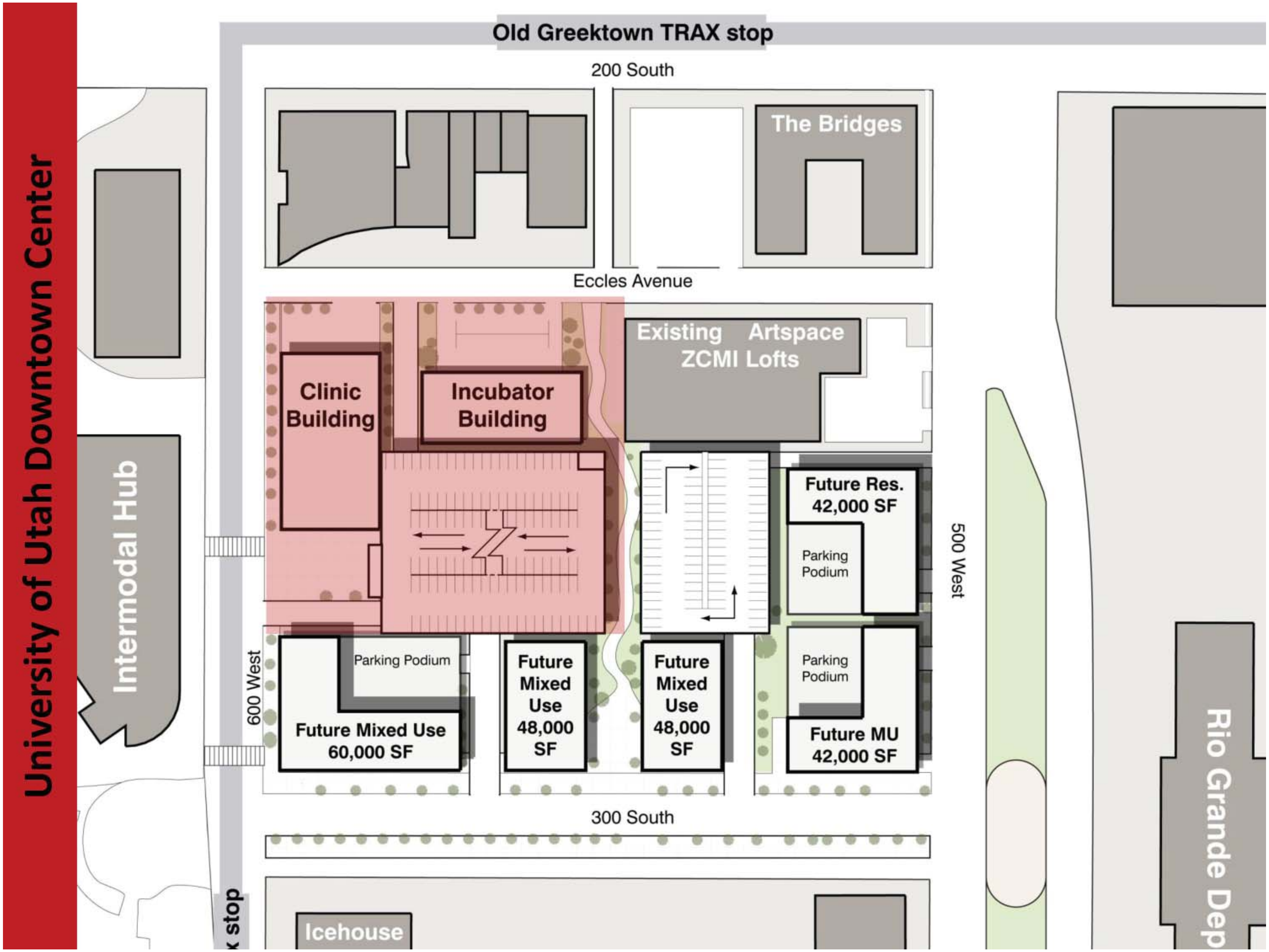
Return Scenarios

Efficiency Incentive

•Equity investors receive 10% preferred return
•Income above 10% to be split 20/80 promote
•Fast completion
•Efficient operations
•Aligns incentives

Income Sharing

•Equity partners share net income
•Buyout or sale scenario in year 10
•Partner relationship with the developer and investor
•Alignment of goals


University of Utah Downtown Center
Old Greektown TRAX stop
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Intermodal Hub
Existing Artspace ZCMI Lofts
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Incubator Building
Future Res. 42,000 SF
Parking Podium
500 West
600 West
Parking Podium
Future Mixed Use 60,000 SF
Future Mixed Use 48,000 SF
Future Mixed Use 48,000 SF
Parking Podium
Future MU 42,000 SF
300 South
Icehouse
Rio Grande Dep
x stop

FOR IMMEDIATE RELEASE

Feb. 19, 2010
Contact: Lisa Harrison Smith
c. 801-913-9748

Forbes Names Salt Lake City as Best City in America for Commuters
Strong City Infrastructure and Public Transportation Alternatives Cited

Salt Lake City – Forbes Magazine named Salt Lake City as the country's best city for commuters. Forbes ranked commutes in the nation's 60 largest metropolitan areas by measuring travel time, traffic delays, and road congestion. The study measured dependability of commute times by comparing delays during rush hour to ideal travel conditions.

Leading the other top ten cities including Buffalo and Rochester, N.Y. , Salt Lake City's exceptional grade on the "Green Commuter "report card took into account unexpected weather, bus and train delays. Forbes credited Salt Lake City's commuting experience to the state's investment in public transit systems and infrastructure and variety of alternative transportation options. Forbes highlighted the city's 44 miles of carpool lanes and the 20 percent of commuters who get to work by carpooling, or use alternatives to driving such as public transit, walking, or biking.

"Salt Lake City is a large part of the fastest growing metropolitan area in the country last year and we see every promising sign of this trend continuing," said Mayor Ralph Becker. "We are excited to be recognized nationally for our transportation vision and continue to strive to improve options throughout the City."

Always striving to improve traffic flow, Salt Lake City will be initiating an independent consultant review of the City's traffic signal timing efforts through an Energy Efficiency and Conservation Block Grant to develop and implement timing plan changes. National signal timing experts will begin reviewing the City's signal system later this month to offer a report of recommendations for improvements. Results of the report are expected in August 2012 and will then be submitted to the public for review.

###

U of Utah Ranks First with MIT in Startup Companies
Released: 2/16/2010 9:00 PM EST
Source: University of Utah
Newswise — The University of Utah now is ranked first in the country along with the Massachusetts Institute of Technology (MIT) in creating new startup companies from research-based inventions.
This puts the University of Utah in front of prestigious institutions such as Columbia, Michigan and Johns Hopkins. The accomplishment is based on the latest survey by the Association of University Technology Managers (AUTM), which ranks over 150 public and private research institutions throughout the country.
According to AUTM, the University of Utah started 20 new companies in fiscal year 2008 from technologies based on its varied research. For the previous two years, the University of Utah has ranked second to MIT.

"This is the University of Utah's first year with a first-place ranking, which was a surprise," said Jack Brittain, the university's vice president for technology venture development. "It was a surprise because this ranking is based on 2008 data when the university's operation was still growing and implementing new programs." The average number of startup companies created by U.S. universities is three.

The University of Florida and California Institute of Technology followed the University of Utah and MIT with 14 startup companies in FY 2008. The University of Utah's accomplishment is even more significant because MIT received almost five times more research funding, $1.3 billion, compared with Utah's approximately $273 million. On average, universities ranked by the annual AUTM survey receive approximately $288 million in research funding.
"Much of this success is the result of the support we provide new companies. Although the path to success can be long and challenging, we try to shorten the time frame to success by supporting these young companies," said Brian Cummings, director of the University of Utah's Technology Commercialization Office (TCO).

The TCO has been focused on economic development since 2005, when the Office of Technology Venture Development was created under Britain's leadership. This was an innovative shift away from the traditional organizational structure that exists at most universities. It has allowed the TCO to function at a higher level by responding to the needs of university inventors and staff.

"The support from the state of Utah and the local business community is one reason why the University of Utah has been so successful in getting new companies started," said Cummings. "The state has established an extremely friendly climate for entrepreneurs. The results are reflected by these national rankings." The annual AUTM survey tracks commercialization activities at all the major U.S. universities and is designed to present the outcomes from federally funded research.

"The entrepreneurial culture of this university and its faculty are the source of these results," says Brittain. "It is the same entrepreneurial culture and innovative environment that allows faculty such as Mario Capecchi to win a Nobel Prize for his ground-breaking research. Our innovative faculty is always looking at the big picture impact of their research. This has been manifest by the results of the latest AUTM survey."

The TCO at the University of Utah evaluates almost 200 new inventions every year, some of which are nurtured and become new companies. Since the inception of a specialized Office of Technology Venture Development, more than 83 new companies have started from the university. These new companies represent advances in energy, medical devices, personalized medicine, graphic design, software, nanotechnology, disease diagnostics and more.

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