

Rio Nuevo Presentation

Update Report #10 Pursuant to Section 2.2 Settlement Agreement & Amended & Restated Development Agreement for BP Post Developers, LLC
January 1st, 2016

PROPERTIES

- Annex Building
- Indian Trading Post
- The Post (City Park)

DEVELOPMENT ACTIVITIES – Activity Since Report #9 (Between - 10/01/15 – 1/1/16)

- Annex
 - Bourn Companies remained fully operational out of their 3rd floor space during the quarter.
 - Smart Things, a wholly-owned subsidiary of Samsung, was fully operational out of their 2nd floor space during the 4Q15 and continue to interview and hire additional employees.
 - SBBL was engaged to continue designing efforts of the 1st floor vacant space. The newly designed space is envisioned to become a retail use consistent with the adjacent new project. We continue to market this space and anticipate its occupancy during 2016.
 - We continue to work on layouts for the lower level of the building that would accommodate employment growth of the existing tenants in the building, along with smaller users who have expressed interest in this space, along with additional conference rooms and large break area that would service all building tenants. We anticipate its occupancy early-to-mid 2016.
- The Post (City Park)
 - The Rio Nuevo board approved the new design of the overall project, which will be known as City Park (www.cityparktucson.com). A new 6-story building will be constructed between the Indian Trading Post and Annex buildings, with a feeling that the project is connected between the old and new designs via a line of sight through each building.
 - Since Rio Nuevo board approval, design continued to be refined (and we believe improved!)
 - The first floor “food and entertainment hall” has been expanded to approximately 14,000 square feet and the first floor has been increased to a 21’

ceiling height, providing an ability to have a significant mezzanine level if deemed beneficial in the future.

- The building has gone from a metal to concrete building, providing a better long term solution and allowing for better design features.
- Please see the latest renderings and site plan attached.
- We are moving forward with the final design and have begun to engage consultants including a civil engineering team.
- The new building will include 3 levels of for rent residential lofts on the upper floors. The lofts will range in size from 500-700 square feet with the ability to combine the units to create larger units. The residential lofts will feature concrete floors and ceilings, exposed duct work and expansive glass, and will include operable sliding doors to maximize indoor-outdoor living and entertaining.
- The 2nd and 3rd floors will be comprised of a total of 20,000 square feet of creative office lofts. Like the residential lofts, the open office space will feature concrete floors and ceilings, exposed ductwork and expansive glass and also have the benefit of the onsite retail amenities.
- On the 1st floor, at street level, we are in the leasing stages for Downtown Tucson's first market-style food hall. The food hall will be a collaboration of 10-15 retail and restaurant vendors, featuring local chefs and artisans each in unique dedicated kiosks with shared seating and services. With its proximity to daytime office employees and downtown residents, the food hall concept will put more people in front of the restaurateur, and since it is more affordable than a standard brick and mortar location, both the enterprise and the community will benefit.
- Given the overall capital requirements for a project such as City Park, we will be applying for incentives to be utilized in conjunction with this development. Without such incentives, the project remains infeasible.
- Indian Trading Post
 - We recently received updated structural and mechanical bids to restore the space.
 - The marketing package will be updated once design is complete and is deliberately lagging the efforts of the adjacent project so as to allow marketing the project as a whole.

- We are marketing the project for retail / restaurant use on the 1st floor and lower level. The 2nd floor is being marketed as flexible space available for retail, office and/or residential.

MARKETING

- Annex Building
 - After the scaffolding was removed, the 20 E. Congress Street building continues to have significant street presence. We have received many walk-ins of inquiries for office space in the building.
 - We have been working with a small Tucson business, and their broker, who has grown out of their current location. We are space planning the lower level to accommodate their unique requirements.
 - During the quarter, we met with a global company looking for new office space for their US headquarters, in downtown Tucson. We provided several options for this office space requirement from a portion of the lower level, to incubating the 1st floor vacant retail space, to subleasing space on the 3rd floor of the building, which is currently occupied by Bourn Companies.
 - Consistent with our goal of bringing unique, top quality entrepreneurs to the project, we will be opening an art gallery in the office lobby space on the 1st floor highlighting the artist's photography. We believe the artist's work is truly exceptional and will become another downtown destination. Marketing of the remaining 1st floor available space is ongoing. We continue to market this ~3,600 square feet as retail space, and also have discussed incubating this space with an office user through construction of City Park.
 - We have focused marketing efforts on the entire project including the remaining space available at the Annex Building, Indian Trading Post and the development on the Post land.

The Post (City Park)

- We have revamped our overall marketing material to focus on the project as a whole highlighting the strong demographics both day and night. We are in the process of developing a website (www.cityparktucson.com) for the project and have placed ads showcasing the project, for instance in the guide for the Jazz Festival at a neighboring venue, the Fox Theatre.

- We have been marketing the food hall to both potential operators and tenants. There has been very strong interest for a multitude of retail and restaurant concepts, both well established and up and coming tenants.

Indian Trading Post

- Potential users continue to tour the space and express interest in this historic building located on a prominent corner of Congress and Scott.
- During the quarter, we toured a few local, established, operators of multiple restaurants and concepts.
- Marketing of Indian Trading Post has benefited from the completion of the Annex Building as locals can notice the building improvements on the street. The marketing will continue to benefit from the construction of the new building and the Indian Trading Post will be an integral anchor retail/restaurant to the smaller retail options in the food hall.

INVESTMENTS SINCE REPORT #9

Q4 2015

Construction	33,712
RE Taxes	24,121
A&E	24,548
Legal	4,834
Miscellaneous Project Costs	953
Commissions	-
Financing	27,150
	<u>115,318</u>

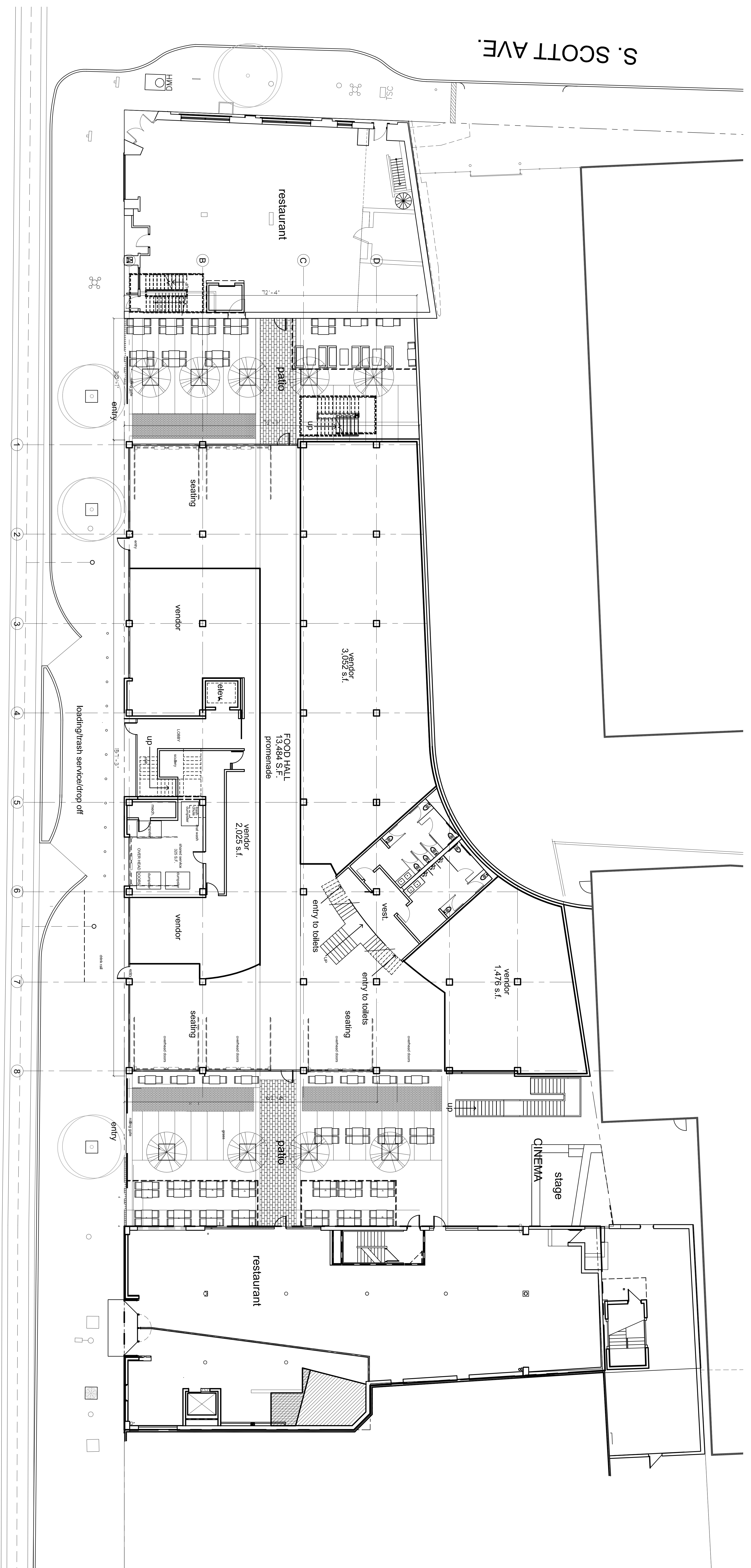




MUSIC . FARE & LIBATION

MARQUEE MOON

BAURBAN STEAK



FIRST LEVEL
 VENDOR SPACE 6,552 S.F.
 SEATING 4,483 S.F.

1 FIRST LEVEL FLOOR PLAN
 3/32" = 1'-0"
 NORTH

