JACKSON HEALTH SYSTEM

Business Plan

for

Civica Tower

Prepared

January 2010

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BUSINESS PLAN

The following is a summary version of the Business Plan prepared by Jackson Health System (the "Hospital") to ascertain the desirability and viability of the Swerdlow Development Company, LLC's (the "Developer") proposed Civica Tower office complex (the "Project") as the primary home to the Hospital's administration and affiliated uses. Contained within, or attached to this plan are condensed versions of schedules and analyses prepared in order to create the Business Plan.

History

Hospital staff began preliminary discussions with Swerdlow Group approximately eighteen months ago. Heery International, Inc. ("Heery") had been engaged by the Hospital several years earlier to prepare a new comprehensive Master Plan for the Hospital and the Health District. There were several conclusions that could be drawn from this planning process which led directly to the Hospital's interest in the project.

1. *Scarcity of Clinical Space* - The Hospital's primary objective is to provide the highest quality health care to the citizens of Miami-Dade County. With this primary objective in mind, it was apparent that all space suitable for clinical space should be returned to its intended use.

2. *Scarcity of Land* - The Hospital and County own or control very limited amounts of surplus land within the Health District. Staff, including Phill Frye, a consultant to the Hospital specializing in facilities, concluded that the limited amounts of surplus land should be reserved for future expansion of health care facilities.

3. *Inefficiency and Cost of Decentralized Administrative Space* - While it is impossible to quantify the exact impact of this inefficiency in dollars, it is obvious that having the administrative staff dispersed among numerous locations results in extreme operating inefficiencies. Additionally, much of the existing administrative space is antiquated resulting in further cost inefficiencies. (A schedule of space proposed for relocation is attached hereto as Exhibit "A".)

4. *Limited Control of Operating Costs and Expansion Space* - The Hospital has experienced escalating operating costs at its "off campus" locations. Even with reasonably well negotiated lease documents, landlords continued to escalate operating expense reimbursables at rates that exceed industry standards. Parking is another area where costs for either the Hospital or its employees have been exceedingly difficult to control. In most cases, employees are forced to seek parking at off-site lots where operators are able to be opportunistic. (A schedule of the costs associated with the off-campus administrative locations is attached hereto as Exhibit "B".)

The Developer had contracted to acquire the Day's Inn site on 14th Street, which was one of the last privately owned sites in the Hospital District. The Developer was in the midst of obtaining approvals for a 578,000 square foot office building and had commenced preliminary discussions with a number of prospective tenants, both public and private. The discussions that were taking place with Hospital staff became more critical and formative as the results of the master plan studies were being analyzed.

Goals and Objectives Identified

As the discussion evolved, Staff communicated certain goals and objectives, which it believed were critical to the Project being favorably received at both the Health Trust and the County Commission, to the Developer. The primary elements of these criteria were as follows:

1. *Maintain or Reduce Occupancy Cost* - Due to current budget constraints at both the Hospital and the County, Staff determined and communicated to the Developer that for the Project to be considered the occupancy cost for the administrative staff could not increase without consideration to increased operating efficiencies or intangible benefits. (Attached Exhibit "C" will demonstrate how this objective was achieved.)

2. *Consolidate Administrative Functions of Hospital* - The studies conducted identified approximately 280,000 square feet of administrative space located both on and off campus. 150,000 square feet are located in various locations off campus with the majority being in downtown Miami. 123,000 square feet are located on campus in space that the Heery Master Plan identified as more suitable for clinical or support space. This decentralization creates inherent inefficiencies and cost, therefore, consolidating this space in a state-of-the-art facility is a primary objective.

3. *Create Flexibility for Future* - Staff entered discussions with the Developer with the view that the Project should provide a 30-50 year solution to the administrative needs of the Hospital. As will be described in more detail later in this memorandum, the design and lease structure of the Project should provide the hospital with adequate expansion and contraction opportunities within reasonable time intervals.

4. *Enhance Image of Jackson Health System* - While less tangible than the other goals and objectives described above, the increased visibility and quality of the new facilities will heighten the stature of the Hospital within the community. Our belief is that this will enhance the Hospital's ability to achieve its operating objectives.

Proposed Solutions

Since Staff and the Developer began extensive negotiations more than a year ago, tremendous strides have been made towards formulating a transaction that achieves the goals and objectives outlined above. A brief summary of the proposed solutions (which are more thoroughly illustrated in the attached Exhibit "A") are as follows:

1. *The Facility* - The Developer, with considerable input from Staff, has designed a 578,000 square foot state-of-the-art office building with 1,000 parking spaces that has been approved by the City of Miami. This is a significant accomplishment as recent changes to the zoning code will make the approval of a similar building much less likely in the future. The major components of the building are as follows:

Hospital Administrative Uses	280,000 sf
Medical Office Space including Hospital Owned Practices	250,000 sf
Conference Facilities and Restaurants	27,000 sf
Ground Level Retail	21,000 sf
	578,000 sf

2. *Financial Structure and Cost* - As the Developer and Staff began pricing the cost of construction and financing alternatives it became apparent that the current environment provides one of the most advantageous times to finance and construct a project of this magnitude. The Developer estimates that construction costs are down approximately 30% from peak levels of several years ago and the largest component of the financing will be provided by federal stimulus bonds with the most attractive rates in a favorable interest rate environment.

In order to take advantage of these favorable conditions, a formula was designed to calculate the Hospital's base occupancy cost using the total verified cost of the Project and multiplying it by the rate required to service the bond financing. The Developer will guaranty a maximum cost with any savings below the guaranteed price resulting in a benefit to the Hospital. The Developer will receive a 15% profit based on cost for taking the financial risk of acquiring the land, expending pre-development expenses, assuming the construction risk and providing its professional expertise. This profit level is considered modest by industry standards.

The only variable outstanding in the calculation of base occupancy cost is the debt service rate on the bonds, which will not be precise until the bonds price at issuance. In order to gain comfort that the Hospital's occupancy cost would not exceed current levels, we calculated the debt service rate that resulted in an occupancy cost at current levels ($22/sf weighted average per attached schedule). The resulting debt service rate is 6.3%. Extensive review of the transaction has been performed by Wells Fargo who has concluded that the debt service rate will likely fall well below the 6.3% threshold. Once again, all savings below that rate will result in a further decrease to the Hospital's occupancy cost. Additionally, in all of the Hospital's off-site locations real estate taxes are included in the operating reimbursements; that will no longer be the case with the Hospital's space being held in a tax exempt entity. Therefore, one may conclude that in almost any reasonable scenario, the proposed transaction will result in a decrease in the

Hospital's occupancy cost from current levels while further benefiting from increased operating efficiencies. (See attached Exhibit "C" for base occupancy cost calculation.)

3. *Revenue Sharing and Flexibility* - As illustrated in the attached exhibits, the maximum base occupancy cost under any normal conditions is $22 per square foot. The Hospital's studies, and our experience as the major property owner in the area, indicate that the market rent for this space is $32-35 per square foot based on the location and quality of the Project. Additionally, there are significant revenue opportunities associated with valet parking and signage. Furthermore, the ground floor retail, which is ideally suited for a drug store/pharmacy, may be one of the most desirable locations in Miami-Dade County.

Staff and the Developer were able to design a structure whereby the Hospital could participate in the windfall revenues while limiting any potential shortfalls associated with unforeseeable vacant space. The Hospital and Miami-Dade County would be the master tenant and issuer of the bonds. This locks in the low financing cost which, in turn, will benefit the Hospital for the next 30 years. As the master tenant, the Hospital would have the ability to expand or contract their space as required.

The Hospital and the Developer will share the building revenue above the master tenant lease on a 50-50 basis. This includes rents collected from third party office space which exceeds $22 per square foot, signage, valet parking and potentially a profit sharing with an operator of the conference and catering facilities. Our conservative estimate of the Hospital's share of this revenue is approximately $2.5 million annually. (See attached schedule as Exhibit "C".)

Both the Hospital Staff and the Developer have surveyed the market extensively and are highly confident that there is adequate, if not excessive, demand from third parties for the 250,000 square feet of office space not occupied by the Hospital. This demand can be attributed to five major sources among many. These sources are as follows:

- Jackson Health System: The Hospital has acquired, or partnered with, numerous medical practices over the past several years and this trend is expected to continue. Many will remain in the community while others will want to relocate to space near the Hospital to better serve their patients.
- Doctors Located On Campus: Over the years physicians that have had internship programs at the Hospital have remained on campus even though their practices have evolved beyond their original intent. Currently no revenue is being realized for these practices. The Hospital is creating an inventory of these spaces and will offer the tenants various options, one of which is the relocation of the practice. These physicians may determine it is a benefit to remain on campus and relocate to Civica Tower.
- Doctors Located at Cedars Medical Center: Physicians currently located at Cedars are being displaced as part of that facility's re-structuring. These

medical practices are ideally suited for relocation to this project. Additionally, University of Miami is actively recruiting additional practices to expand their system.

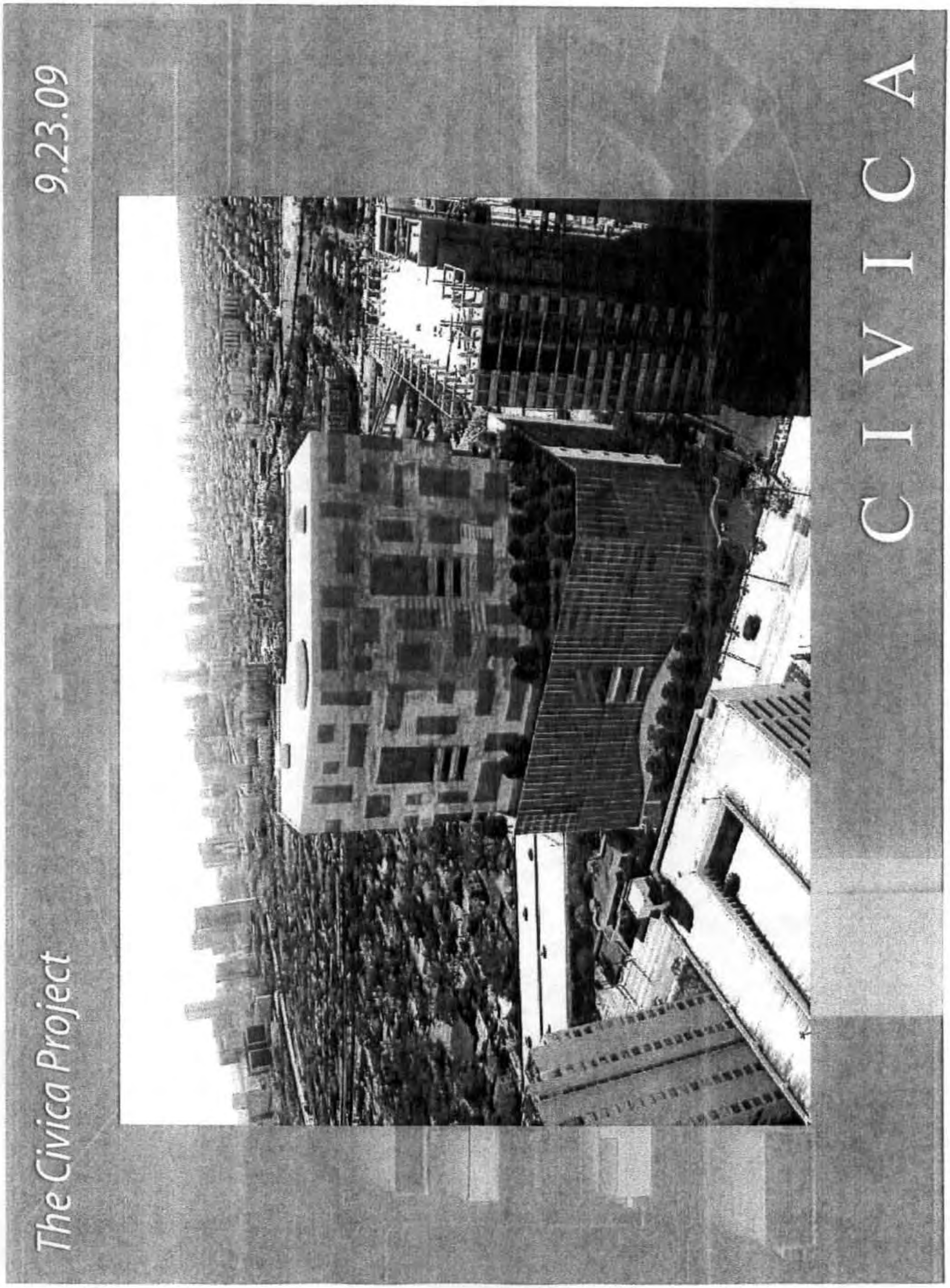
- Florida International University Doctors: FIU is currently working with the hospital to expand their intern program on the campus. Physicians may require an additional presence near the hospital to house their support staff or expand their practice beyond the intern program.
- Pharmaceutical and Drug Companies: Our contacts in the pharmaceutical and drug industry have expressed a desire to have presence in the Health District. The benefits to them are obvious. (See attached graphic.)

In the unforeseen event that leasing of third party space has not reached a level that fully supports the master lease. The Developer has agreed to fund shortfalls until such time as the space returns to profitability. Upon a return to profitability, the funds extended by the Developer will become a priority and after repayment the distribution of profits will return to 50/50. Our analysis indicates that the third party space becomes profitable at 50% occupancy. (See attached Exhibit "C").

<u>Conclusion</u>

As outlined in this memorandum, staff and the developer have worked diligently to structure a transaction that achieves the goals and objectives identified at the onset of these negotiations. In summary, our studies and analyses indicate that this transaction will have a significantly positive impact on the Hospital's bottom line in the near term while greatly enhancing the operating efficiency and profitability over the next 30 years. We strongly recommend that the Health Trust and Miami-Dade County Commission continue to support our efforts in making this project a reality that will benefit the community for years to come.

Exhibit "A"



Presentation Agenda

- Review Project Opportunity
- Off site centralized space inventory
- Relocated campus space options
- Potential Clinical programs for Inpatient campus
- Next Steps

CIVICA

Project Opportunity

- Centralize approximately 156,592 square feet of off campus administrative space to near campus

- Realize benefits of administrative centralization
  - Less Cost than current leasing
  - Efficiencies in operations
  - Proximity to Campus
  - Expenses related to lost time and travel
  - Grant and Economic opportunities not present in other buildings

- On-campus benefits
  - Additional Clinical and Swing Space
  - Reduction in Parking Demand
  - Support and Ancillary expansion opportunities
  - Ability to capture revenue from existing buildings

C I V I C A

Off Site Centralized Space inventory:

- 156,592 square feet from consolidated "off site" departments, primarily downtown financial and support space located in A.I Dupont, Jackson Medical Towers and other leased buildings

169 E. Flagler Street - Administration	64,321 RSF
355 S. Miami Avenue	28,594 RSF
20201 NW 37th Avenue, Mental Health Administraiton	10,000 RSF
9275 SW 152nd Street , Jackson South Educ/Admin	3,469 RSF
Jackson Medical Towers	50,208 RSF

- Certain Clinical functions were identified yet not considered for relocation given their community need

CIVICA

Jackson Tower

50,208 Departmental Gross Square Feet considered for relocation

Areas considered for Relocation

JHS Integrity Group	4575 DGSF
JMH School of Nursing	26000 DGSF
Procurement – Future Tenant	7563 DGSF
The Int'l Jackson Foundation	6046 DGSF
JMH Health Office	2827 DGSF
JMH Managed Health Care	775 DGSF
JMH Clinical Trials	1317 DGSF
JMH Professional Fees Management Provider	1105 DGSF

Opportunities:

–Retail Expansion and Support
–Additional Leased Opportunity with enhanced revenue stream
–Parking capacity non-staff expansion and enhanced revenue stream

C I V I C A

The Civica Project

9.23.09

Relocated Campus Space Options:

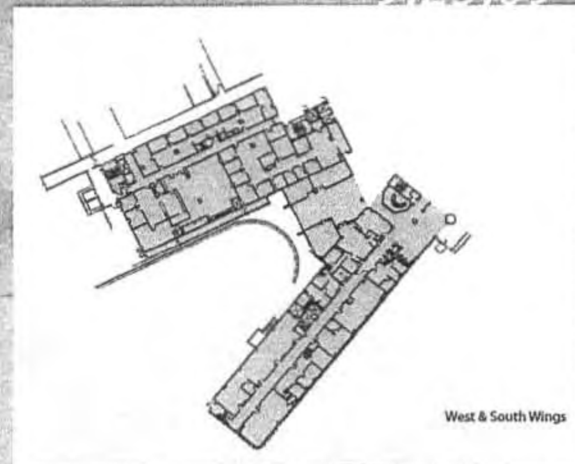
•Approximately 144,534 DGSF considered for relocation which will decant existing buildings and provide opportunity for the following:

- –Swing Space- West Wing, Green Garage, East Tower
- –Clinical Opportunities – ACC East and ACC West
- –Ancillary support – East Tower
- –Retail Expansion and support – Park Plaza E. and W.
- –Revenue generation – Park Plaza East and West
- –Parking capacity improvement without building parking structures

•Further investigation and confirmation of proposed departments to be relocated should continue with stakeholders

*Square footage tabulation includes potential wellness and conference center

CIVICA



West, Central and South Wings

30,680 Departmental Gross Square Feet
considered for relocation

West Wing:	9218 DGSF	Executive Offices
Central Wing:	14,640 DGSF	Patient Relations, Foundation, Utilization Management
South Wing:	6822 DGSF	Office of Financial Planning

Future Opportunities:

- –Inpatient beds at South Wing
- –Clinical Expansion at Central Wing – OP/Surgery Support
- –Patient Support and counseling
- –Swing Space

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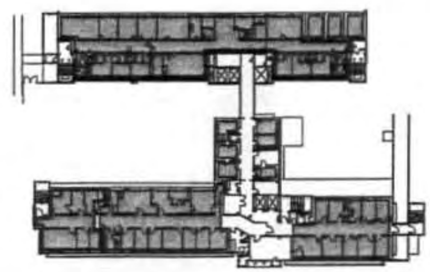


Institute & Annex Buildings

Institute and Annex

Institute – 10,766 Departmental Gross Square Feet considered for relocation

Departments Considered for Relocation:

Children and Family	Level 2	3407 DGSF
Hazardous Materials	Level 3	598 DGSF
Capital Projects and Engineering	Level 4	6761 DGSF

Annex – 10,896 DGSF considered for relocation

Director of Finance, Ambulatory Services	Level 1	169 DGSF
Coordinator, State and Governmental Relations	Level 1	265 DGSF
TB Control	Level 2	354 DGSF
Management Systems / Engineering	Level 2	2231 DGSF
Center for Patient Safety / Anesthesia	Level 3	7877 DGSF

Opportunities:

- –Swing Space
- –Required on campus Office, Support and Call Opportunities
- –Varied Clinical Opportunities

CIVICA

Ambulatory Care Center East

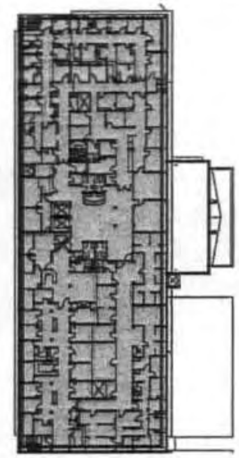
4,061 Departmental Gross Square Feet considered for relocation

Department Considered for Relocation:

Employee Health Level 2 4061 DGSF

Backfill Opportunities:

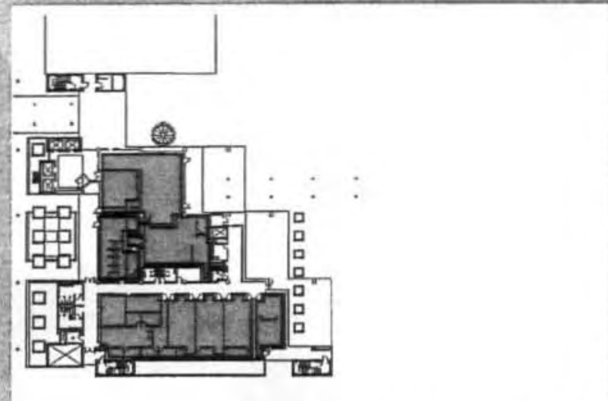
Swing Space
Clinical expansion



Ambulatory Care Center East

CIVICA

Ambulatory Care Center West


Ambulatory Care Center West

23,856 Departmental Gross
Square Feet considered for relocation

Areas considered for relocation:

Health Information Mgmt Support	Basement	20,067 DGSF
Quality and Patient Safety	Basement	1,766 DGSF
Risk Management	Basement	687 DGSF
Utilization Management	Basement	619 DGSF
Wound/Ostomy Conference/Mgmt	Basement	717 DGSF

Backfill Opportunities:

Swing Space
Outpatient Clinical expansion

CIVICA

The Civica Project

Park Plaza West (Green Garage)

25,286 Departmental Gross Square Feet considered for relocation – basement and first levels

Areas considered for relocation:

Basement

Wound Ostomy Continence Management	717 DGSF	Patient and Financial Services Information	1102 DGSF
Ambulatory Healthcare Connect	1824 DGSF	HR Service Center	604 DGSF
Disease Management Programs	2166 DGSF	Classroom	424 DGSF
IT Conference/Ed/Training/Charge Services	2657 DGSF	Utilization Management	640 DGSF
ERM/ESM/IT Scheduling	209 DGSF	Unassigned Office	979 DGSF
Finance / Medicaid Accounts Receivable	1062 DGSF	JHS IT Customer Service	2098 DGSF
IT Nursing Administration	1057 DGSF	Center for Bloodless Medicine and Surgery	3271 DGSF
Director of Labor Relations	527 DGSF	Infection Prevention and Control	1291 DGSF
IT Jacks	2710 DGSF	IT Applications	2272 DGSF
Computer Training	521 DGSF	CMS	952 DGSF
Auditor's Office	211 DGSF		

Future Opportunities:

–Retail Expansion and Phasing Support
–Basement Support of Retail
–Parking capacity expansion for non-staff

CIVICA

Park Plaza East (Red Garage)

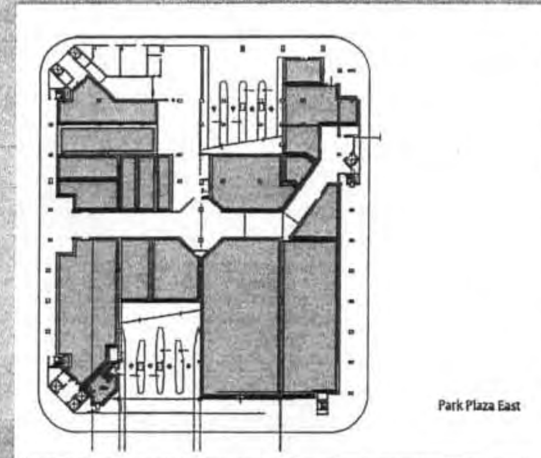
5,110 Departmental Gross Square Feet considered for relocation

Areas considered for relocation

Jackson Memorial Foundation	2457 and 2653 DGSF
JMF Kids Fund	531 DGSF

Backfill Opportunities:

- –Retail Expansion and Support
- –Non-Staff parking capacity expansion



CIVICA

Highland Professional Building (Yellow Garage)

6,248 Departmental Gross Square Feet considered for relocation

Areas considered for relocation

JMH Health Plan Quality Improvement	440 SF
JMH Health Plan Utilization	1256 SF
JMH Health Plan Case Management	832 SF
JMH Health Plan Administration	2570 SF
JMH Health Plan IS	1150 SF

Backfill Opportunities:

–Third Party Lease Opportunities

C I V I C A

The Civica Project

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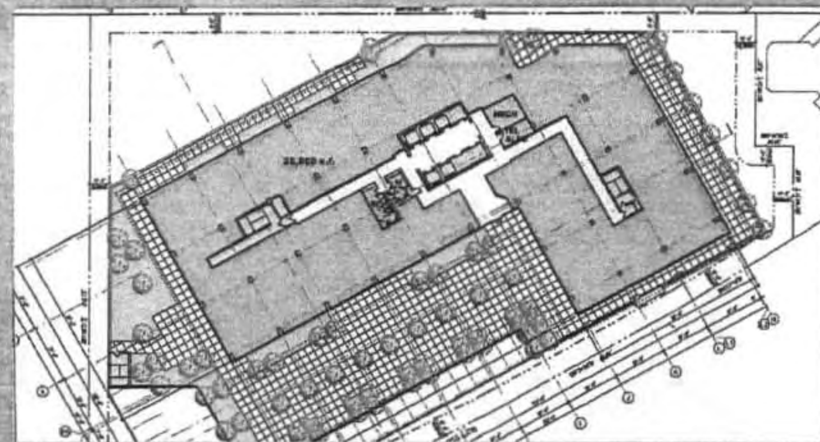
Potential Education and
Wellness Center
Plaza Level

Conference Center 17,631 SF
Wellness Center 10,000 SF



CIVICA

The Civica Project

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Clinical Opportunities by relocating "on campus" administrative space:

–Inpatient expansion and bed creation

–Swing Space

–Additional on-campus clinical and direct patient care activities

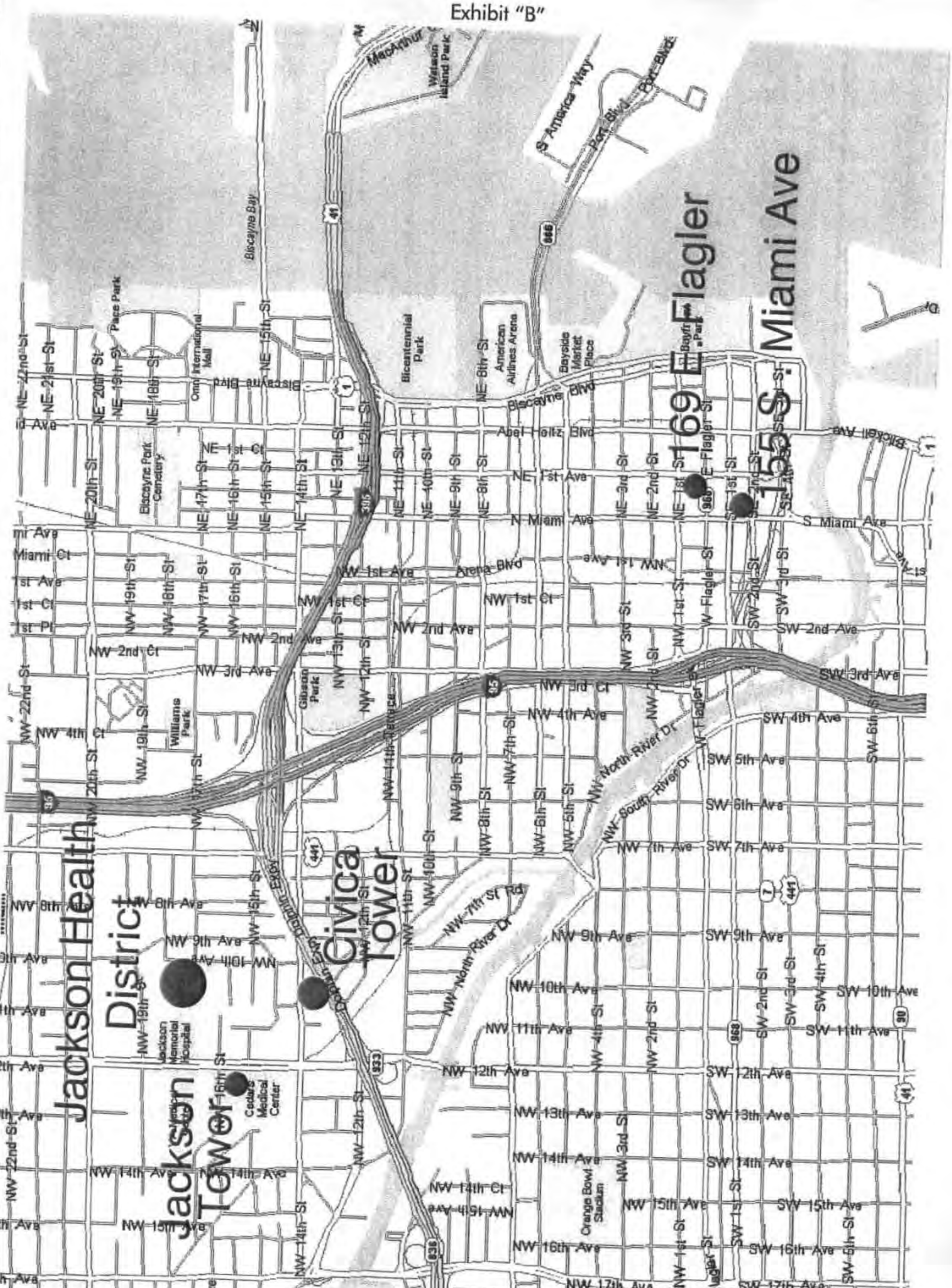
–Centralized support departments and enhanced efficiencies

–Ancillary and inpatient support

–Enhanced parking on campus without construction

C I V I C A

Exhibit "B"


Jackson Health District
Jackson Tower
Civica Tower
169 E. Flagler
155 S. Miami Ave

Off Campus
Occupancy Costs

Description	Quantity S.F.	Total Cost $/S.F.	Total Cost 2011	Comments
Downtown				
A.I. DuPont 169 E. Flagler Suite 400 & 500	32,960	$26.24	$864,870.40	Parking Use 3.2/1,000 S.F. at $105 calculated at 2/1,000
A.I. DuPont 169 E. Flagler Suite 1100 & 1300	21,717	$26.04	$565,510.68	Parking Use 3.2/1,000 S.F. at $105 calculated at 2/1,000
A.I. DuPont 169 E. Flagler Suite 700	9,644	$26.04	$251,129.76	Parking Use 3.2/1,000 S.F. at $105 calculated at 2/1,000
155 S . Miami Ave. 110 , 501 & 1100	20,561	$28.28	$581,465.08	Parking Use 5.7/1,000 S. F. at $194 calculated at 2,1,000
155 S . Miami Ave. 500	8,003	$32.59	$260,817.77	Parking Use 5.7/1,000 S. F. at $194 calculated at 2,1,000
9275 152 Street Suite 200	2,000	$23.37	$46,740.00	Parking 2/1,000 at $50
9275 152 Street Suite 100	1,469	$26.56	$39,016.64	Parking 2/1,000 at $50
Jackson North				
20201 NW 37th Ave	10,000	$41.10	$411,000.00	12 acres county appraisal $4.7 million, cost to financed at 7% Parking 2/1,000 at $50
Sub Total	**106,354**		**$3,020,550.33**	
Sub Total Cost Per S.F.			**$28.40**	
Jackson Tower (cost reimbursement by third party)				
Currently Occupied	50,208	$28.70	$1,440,970	Parking 2/1,000 at $50
Sub Total	**50,208**		**$1,440,970**	
Sub Total Cost Per S.F.			**$28.70**	
Total	**156,562**		**$4,461,519.93**	
Total Cost Per S.F.			**$28.50**	

Total Cost Includes
- 2011 Rent
- Maintenance
- Efficiency of Location of 10%
- Parking

Off Campus
Rental Rates

Description	Quantity	Rent 2011	Tax	Cleaning Common	Repairs Main.	Elec.	Water Sewer	Grounds Common	Security Common	Insuranc
A.I. DuPont 169 E. Flagler Suite 400 & 500	32,960	$20.56	Incl.	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
A.I. DuPont 169 E. Flagler Suite 1100 & 1300	21,717	$20.38	Incl.	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
A.I. DuPont 169 E. Flagler Suite 700	9,644	$20.38	Incl.	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
155 S . Miami Ave. 110 , 501 & 1100	20,561	$19.14	$1.34	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
155 S . Miami Ave. 500	8,003	$24.40	Incl.	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
9275 152 Street Suite 200	2,000	$19.15	%	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
9275 152 Street Suite 100	1,469	$22.05	%	Incl.	$1	Incl.	Incl.	Incl.	Incl	Incl.
20201 NW 37th Ave	10,000	JMH								
	106,354									

Admin	Total	Efficiency Location	2011 Total	Parking	Total Cost $/S.F.	Total Cost	Comments
Incl.	21.56	10%	23.72	$2.52	$26.24	$864,790.55	Parking Use 3.2/1,000 S.F. at $105 Calculated at 2/1,000
Incl.	21.38	10%	23.52	$2.52	$26.04	$565,441.83	Parking 3.2/1,000 S.F. at $105 Calculated at 2/1,000
Incl.	21.38	10%	23.52	$2.52	$26.04	$251,099.19	Parking 3.2/1,000 S.F. at $105 Calculated at 2/1,000
Incl.	21.48	10%	23.63	$4.65	$28.28	$581,419.43	Parking 5.7/1,000 S. F. at $194 Calculated at 2/1,000
Incl.	25.40	10%	27.94	$4.65	$32.59	$260,817.77	Parking 5.7/1,000 S. F. at $194 Calculated at 2/1,000
Incl.	20.15	10%	22.17	$1.20	$23.37	$46,730.00	Parking 2/1,000 at $50
Incl.	23.05	10%	25.36	$1.20	$26.56	$39,009.30	Parking 2/1,000 at $50
					$41.10	$411,000.00	12 acres county appraisal $ 4.7 million land $5.4 million total
							All parking calculated at 2 stalls / 1,000
						$3,020,308.07	
						$28.40	

Exhibit "C"

Proposed Occupancy Costs

PROFORMA #1
Floors 18-25 of Civica Towers

Owner: Jackson Health System

Total Square Feet		280,000
Cost	$	77,760,000
Financing Structure		
Facilities Bonds	$	40,000,000
Tax Exempt Bonds	$	37,760,000
Blended Rate		6.30%
Debt Carrying Cost PSF	$	17.50
Yield on Developer's Profit (15% margin on building cost @ 11%rate)		4.50
Jackson base occupancy cost for owning floors 18-25 of Civica Towers	$	22.00 psf

NOTES:

1 Developer anticipates operating expenses to be $6.00 psf for floors 18-25, excluding real estate taxes. Jackson Health System is exempt from real estate taxes on this space.

2 Jackson Health System has the right at any time to buy Developer out of this section of the building for a one-time fee of 15% of cost.

3 $37,760,000 of tax exempt bonds will be financed through Wells Fargo.

4 Any savings on the blended rate will go 100% as a reduction of Jackson Health System's overall occupancy cost for owning this portion of the building.

PROFORMA #2
Floors 11-17 of Civica Towers
@ 95%

Owner: Swerdlow Development Company

Master Leasee: Jackson Health System for Third-party Space

Sub-leases:			
Third party Physician practices owned or affiliated with Jackson		250,000	
Retail		21,000	
Plaza Operators		27,000	
Total Square Feet		298,000	
Cost		$ 82,240,000	
Financing Structure			
RZ Facility Bonds		$ 60,000,000	
Equity, Construction Line or Taxable Bonds		$ 22,240,000	
Blended Rate		6.30%	
Jackson's Master Lease payment		$ 6,556,000	
		$ 22.00	PSF
PROFORMA			
Doctor occupancy		@ 95%	
Projected Rents			
Doctors	$35.00 /net	$ 8,310,000	
Plaza	$35.00 /net	945,000	
Retail	$50.00 /net	1,050,000	
		10,305,000	
Garage valet		500,000	
Signage		900,000	
		11,705,000	
Jackson's Master Lease payment reimbursement		(6,556,000)	
Net Income		$ 5,149,000	
Jackson share (50%)		$ 2,574,500	

NOTES:

1 Developer anticipates operating expenses to be $10.00 psf for floors 11-17, including real estate taxes.

2 $22,240,000 will be financed either by traditional equity, a construction line, taxable bonds sold by Wells Fargo or any combination of these. For example, Developer may purchase a portion of the bonds sold by Wells Fargo.

3 Any savings on the blended rate will go 100% to the benefit of Jackson Health System.

4 If costs for operating non-Jackson Health System space exceeds income, any shortfall will be covered by Developer.

5 The Retail space is assumed to be at 100% leased regardless of Doctor's occupancy due to the fact that the drug store and restaurant will service the remaining tenants as well as the surrounding hospital district area.

PROFORMA #3
Floors 11-17 of Civica Towers
@ 50%

Owner: Swerdlow Development Company

Leasee: Jackson Health System for Third-party Space

Sub-leases:			
Third party Physician practices owned or affiliated with Jackson			250,000
Retail			21,000
Plaza Operators			27,000
Total Square Feet			298,000
Cost		$	82,240,000
Financing Structure			
RZ Facility Bonds		$	60,000,000
Equity, Construction line or Taxable Bonds		$	22,240,000
Blended Rate			6.30%
Jackson's Master Lease payment		$	6,556,000
		$	22.00
PROFORMA			
Doctor occupancy			@ 50%
Projected Rents			
Doctors	$35.00 /net	$	4,380,000
Plaza	$35.00 /net		945,000
Retail	$50.00 /net		1,050,000
			6,375,000
Garage valet			250,000
Signage			900,000
			7,525,000
Jackson's Master Lease payment reimbursement			(6,556,000)
Net Income			969,000
less: operating expense shortfall (vacant space)	@ $7.50 /psf		(937,500)
		$	31,500
Jackson share (50%)		$	15,750

NOTES:

1 Developer anticipates operating expenses to be $10.00 psf for floors 11-17, including real estate taxes.

2 $22,240,000 will be financed either by traditional equity, a construction line, taxable bonds sold by Wells Fargo or any combination of these. For example, Developer may purchase a portion of the bonds sold by Wells Fargo.

3 Any savings on the blended rate will go 100% to the benefit of Jackson Health System.

4 If costs for operating non-Jackson Health System space exceeds income, any shortfall will be covered by Developer.

5 The Retail space is assumed to be at 100% leased regardless of Doctor's occupancy due to the fact that the drug store and restaurant will service the remaining tenants as well as the surrounding hospital district area.

6 Unspent funds of approximately $10,000,000 for the buildout of the unleased Doctor's offices will remain in escrow.