

# REVA RALEIGH COLONNADE DST

**100% Leased through 2023**  
**7.39% average cash flow**  
**13.97% expected IRR**



# REVA

***UPDATED with Valeant \$15.8 billion acquisition closed in April to create a company with \$10.5 billion in 2015 revenues***



**Class A Office Investment Opportunity in the heart of Tech-focused Raleigh, NC**



### VALEANT PHARMACEUTICALS HAS ACQUIRED SALIX

On February 20, 2015 Valeant agreed to purchase Salix for \$14.5 billion in cash, the offer was later amended upward to \$15.8 billion and the transaction closed in April. The recent price increase successfully fended off rival offers and is a clear validation of the enormous enterprise value that Salix Pharmaceuticals represents.

The crown jewel at Salix is the Raleigh, NC based industry leading captive sales force that has come to dominate the gastroenterology markets along with a patent and brand library that leads the market. At \$15.8 billion, Valeant's purchase price is a ringing endorsement of the future of this enterprise and the unique value of the proprietary sales team.

Valeant's acquisition and subsequent announcements indicate that there will be a staffing reduction in Raleigh. Although the credit quality has improved, enhancing the value of this investment opportunity at Colonnade II, the likelihood of the tenant exercising the early termination option has also increased. This creates an opportunity to collect over \$5.1 million in fees and to re-tenant the space with a new company at market rates approximately 20% higher, enhancing the value even more.

With Salix as a part of Valeant, our tenant is now owned by a company with immense resources, a diverse product set and broad revenue stream. The two companies combined are estimated by Zack's Investment Services to generate more than \$10.5 billion in revenue in 2015.

The Colonnade II asset is the newest building, with exceedingly high quality finishes, in the tightest submarket of a very strong Raleigh market. Where Raleigh has been named one of the best commercial markets and job growth continues to outpace the nation, Colonnade II is very well positioned to deliver positive investment returns.



### NEW BUILDING IN THE IDEAL LOCATION

Colonnade II was completed in 2008 with Salix taking occupancy in 2011 making it the newest building in the tightest submarket of the Raleigh MSA. The Six Forks submarket has less than 5% vacancy in Class A office space and Colonnade II offers unparalleled sophistication and elegance.

Salix boasts state of the art facilities with gourmet kitchens, lighted glass wall training rooms featuring full technological capabilities and sophisticated conference rooms and meeting rooms all enabled with teleconferencing and full connectivity. With a multi-million dollar investment in top quality finishes, excellent facilities and a lease rate that is 20% below market- the facilities at Colonnade II are incredibly desirable and in great demand.



## Transaction Summary

Property Type	Class A Office
Location	Raleigh, NC
Sale Price to DST	31,000,000
Equity Raised	10,750,000
Debt Financing	20,250,000
Property Square Footage	126,926
Sale Price to DST per SF	241.09
Sale to DST Cap Rate	6.38%
Leverage Ratio	65.32%
5 Yr Avg Cash Returns	8.00%
5 Yr IRR	13.08%

## 5 Year Summary Cash Flows

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>NOI</b>	1,904,714	1,970,954	2,028,573	325,471	1,727,858
Tenant Improvement	0	0	0	700,973	1,202,919
Leasing Commission	0	0	0	536,102	835,930
Capital Reserves	13,238	13,635	14,042	14,464	14,898
Contingency Reserves	-148,000	-109,000	-78,000	-3,046,000	-2,473,000
<b>Debt Service</b>					
Mortgage Loan Interest	896,346	882,195	866,656	850,429	833,483
Mortgage Loan Principal	336,614	350,765	366,304	382,531	399,477
<b>Total Debt Service</b>	1,232,960	1,232,960	1,232,960	1,232,960	1,232,960
<b>Cash Flow to DST</b>	806,516	833,359	859,571	886,972	914,151
<b>Cash on Cash Return</b>	<b>7.50%</b>	<b>7.75%</b>	<b>8.00%</b>	<b>8.25%</b>	<b>8.50%</b>





Salix maintains its global corporate headquarters at Colonnade II, occupying the entire 126,926 square foot building with overflow space in Colonnade I. Raleigh based since 1998, relocated from Research Triangle to Colonnade II in 2011 to improve employee recruiting and quality of life. Since their relocation to the Six Forks area, Salix has been in high growth mode as the company executes its business model of building a talented, market leading captive sales force to market drugs developed, owned and acquired by Salix. This strategy reduces risk and uncertainty, allowing Salix to leverage its in-house sales force to increase revenues.

Salix is a global leader in therapies for all types of gastrointestinal maladies and diseases. Salix is focused on maximizing the value of its highly trained captive sales force targeting gastroenterologists throughout the United States in selling proprietary product line which currently includes: Colazal (ulcerative colitis), Azasan (immune system suppressant), Proctocort & Anusol-HC (hemorrhoids), Xifaxan (diarrhea), Pepcid OS (acid reflux), Visicol, MoviPrep and OsmoPrep (pre-colonoscopy) to name a few.

The recently announced acquisition of Salix by Valeant Pharmaceuticals creates a tenant whose parent offers an improved credit profile and revenues in 2015 forecast to exceed \$10.5 billion. The favorable tax profile, global reach and combined market value of nearly \$80 billion means the combined enterprise increases the strength, stability and growth prospects for the Salix Raleigh sales team to deliver increased dominance in the gastroenterology markets. [www.salix.com](http://www.salix.com)

**SALIX PROFILE**

Employees	605
Sector/Industry	Pharmaceuticals/Healthcare
Sales/Revenue	\$1,113 million (2014 fiscal)
1-Year Sales Change	+24.05%

**LEASE PROFILE**

SF Leased	126,926
Lease Expiration	April 14, 2023





**RALEIGH-DURHAM MSA**

The Raleigh-Durham MSA exhibits vibrant growth that exceeds national trends, and enjoys a diverse and powerful economy with excellent job opportunities and a quality of life that has captured the attention of many who follow relocation trends. National publications have brought international recognition to the region for its pro-business atmosphere and affordable high-quality lifestyle. Several factors distinguish the area from most other desirable MSA's, including a diversified economy, excellent transportation infrastructure and a high quality of life.



As a testament to the strength of its economy and quality of life, the Triangle region receives dozens of national awards and rankings every year. Below is a sample of recent accolades:

- #2 Best City for Young Professionals, Forbes | August 2014
- #1 Best Place for Business in 2014, Forbes | July 2014
- #4 City for Finding a Great Tech Job, TechRepublic | July 2014
- #2 Fastest Growing Large Metro through 2020, The U.S. Conference of Mayors | June 2014
- #4 Best City to Start a Business, Nerd Wallet | May 2014
- #1 Best City for Raising a Family, Forbes | April 2014
- #2 Fastest-Growing City in 2014, Forbes | February 2014
- #1 Best Value Public College (University of North Carolina at Chapel Hill), Princeton Review/ USA Today | January 2014
- #3 U.S. City for Business Prosperity in 2014, Business Review USA | January 2014
- #2 Metro with Highest Annual Population Growth 2009 – 2012, The Atlantic Cities | October 2013
- #10 City for Biotech Investing, Fierce Biotech | March 2014
- #3 Best Place for Business and Careers, Forbes | August 2013
- #1 Best Large Metro for Homeownership, Nerd Wallet | January 2014
- #3 Best City for Young Entrepreneurs, Credit Donkey | February 2014
- #5 Emerging Tech Hub in the World, TransferWise | February 2014
- #4 Best City for a Tech Job, Forbes | October 2013



## INCOME & POPULATION

The Raleigh-Durham MSA does not have a dominant central city. Only 24% of residents of the metro area live in the largest city, Raleigh, the capital of the state of North Carolina. Raleigh was voted the #1 Best Place for Business in 2014 by Forbes (July 2014). It was also ranked #2 Fastest Growing Large Metro through 2020 by The U.S. Conference of Mayors (June 2014).

### RALEIGH-DURHAM MSA

Population:	
2014 (Estimated)	1,750,092
2019 (Projected)	1,881,948
2010 Census	1,634,847
Growth 2010-2014	7.05%
Growth 2014-2019 (Estimated)	7.53%

Households:	
2014 (Estimated)	677,575
2019 (Projected)	728,945
2010 Census	633,053
Growth 2010-2014	7.03%
Growth 2014-2019 (Estimated)	7.58%
2014 (Estimated) Average HH Income	\$77,593

Source: CBRE Fast Reports

### SELECTED AREA DEMOGRAPHICS- RALEIGH-DURHAM MSA

As the previous table demonstrates, the population for the Raleigh-Durham MSA exhibited growth of over 7% between 2010 and 2014. The 2014 Average Household Income in the Raleigh-Durham MSA stands at \$77,593. Income levels are currently increasing at very aggressive rates, and the number of households represented by higher income levels is considerably higher than they were ten years ago. A breakdown of the household income characteristics for the Raleigh-Durham MSA is shown in the below table.

### HOUSEHOLD INCOME CHARACTERISTICS RALEIGH-DURHAM

	1990	2004	2014* ESTIMATE
\$0-\$14,999	15.26%	11.7%	11.3%
\$15,000-\$24,999	16.95%	9.0%	9.3%
\$25,000-\$34,999	16.24%	11.0%	10.3%
\$35,000-\$49,999	18.86%	14.6%	13.4%
\$50,000-\$74,999	16.83%	20.0%	18.0%
\$75,000-\$99,999	5.54%	13.5%	12.4%
\$100,000-\$149,999	2.03%	12.2%	14.4%
\$150,000+	1.35%	8.1%	10.9%
TOTALS	100.0%	100.0%	100.0%

\* Estimated; Source: CBRE Fast Reports

## ECONOMY

The area's stable employment base is reflected in unemployment trends with relatively smooth peaks and valleys. With a tough economy, the unemployment rate has ranged from a high of 8.5% to a low of 5.0% within the past three years. The current unemployment rate of 5.0% in the Raleigh-Durham metro area was substantially lower than the statewide and national unemployment rates of 6.4% and 6.1%, respectively. The MSA ranks in the Top 12 major markets nationally for lowest unemployment. The 850,000+ member labor force within the region is supplemented each year by graduates of the area's top-tier universities (Duke University, University of North Carolina, North Carolina State University & North Carolina Central University) and by workers and companies relocating from outside the area.

### UNEMPLOYMENT PERCENTAGES

	Raleigh	US	NC
1Q11	7.7%	8.8%	10.1%
2Q11	7.9%	9.2%	9.9%
3Q11	8.5%	10.5%	9.1%
4Q11	8.4%	8.5%	9.9%
1Q12	8.4%	8.2%	9.7%
2Q12	7.7%	8.2%	9.4%
3Q12	7.8%	7.8%	9.6%
4Q12	7.2%	7.8%	9.1%
1Q13	7.1%	7.6%	9.2%
2Q13	7.5%	7.6%	8.8%
3Q13	6.8%	7.4%	8.7%
4Q13	5.3%	7.0%	7.4%
1Q14	5.2%	6.7%	6.4%
2Q14	5.0%	6.1%	6.4%



### RALEIGH REMAINS AT THE TOP OF MANY INVESTORS' WISH LISTS

Due largely to the region's strong growth, educated workforce, pro-business environment, and a dynamic economy Raleigh is at the top of many investors, wish lists. Colonnade II is an ideal investment for both those firms that are already own assets in the market, and those seeking to make their first acquisition.

Within a three mile radius of Colonnade II is a well-educated and affluent population with 54.4% holding a Bachelor's degree or higher and boasting an average housing value of \$312,988. Comprised of beautiful neighborhoods, golf courses, parks, and highly ranked schools, the Six Forks Submarket in North Raleigh is home to a highly educated and affluent population. This prosperous community enjoys a strategic location adjacent to both the Raleigh and points west like RDU International Airport.

### EPICENTER OF REGIONAL TECHNOLOGY CORRIDOR

Centrally located in a dynamic area – Raleigh, Durham, Research Triangle Park, Chapel Hill, Cary – Colonnade II offers high technology firms a well-educated labor force. With numerous institutions of higher learning, namely the University of North Carolina, North Carolina State University, Duke University, and Wake Forest, Colonnade II and the North Raleigh area has a strong appeal to rapidly growing and well-established technology companies as the area offers and excellent amenity base, superior housing and top notch public schools.

### TRIANGLE REGION'S CONTINUED SUCCESS

Key factors present in the Triangle region that provides a competitive advantage for businesses in the area include: high labor productivity, a modest cost-of-living, affordable higher education, and an excellent primary education system. While the Triangle region has always been known for its resilient economy, the area has outperformed most of the country throughout the recent recession. All indicators point to the recession as being the worst economy in the U.S. in more than 50 years. Evidence of the Triangle's resiliency is that since late 2009 there have been more than 7,000 jobs announced in the region. While most markets nationwide have been losing jobs at a rapid rate, the Raleigh-Durham area has been a bright spot in the national economy with the aforementioned 7,000 plus jobs and more than \$700 million in capital investments in the area over the past 12 to 18 months. In addition to the jobs which have been announced, regional economic developers are now working with 58 companies who seek a Triangle location for either an expansion or a new operation.

These companies represent more than \$2.7 billion in investment and 13,000 jobs. A list of the recently announced Triangle area companies looking to add a minimum of 100 jobs are noted on the table to the right.



Company	Jobs Announced	Industry
MetLife	1,300	Insurance
IBM	600	Information Technology
Cree, Inc.	575	Manufacturing / LED Lights
Red Hat	540	Software
IEM	430	Information Technology
Wal-Mart	430	Retail
North American Aerodynamics, Inc.	375	Manufacturing / Parachutes
AW North Carolina	360	Manufacturing / Auto Parts
United Therapeutics	350	Pharmaceuticals
Citrix	337	Information Technology
Deutsche Bank Global Technology	319	Technology / Banking
EMC Corporation	290	Software
Talecris Biotherapeutics	259	Biotechnology
QVC, Inc.	200	TV Network / Retailer
ACW Technology	155	Manufacturer / Radio Devices
Eaton Corp.	120	Manufacturer / Auto Parts
Palziv North America	100	Manufacturer / Plastics
Novartis	100	Pharmaceuticals

### GROWING URBAN REGION

Raleigh-Durham is among the fastest growing metropolitan regions in the United States having experienced 42% growth since 1990 – ranking fifth among major metropolitan regions. Perhaps the greatest celebration of this growth is the preservation of a great quality of life for families relocating to the area. Raleigh-Durham's national status as a technology employment center continues to spawn in-migration, adding daily to a current population of over 1,520,000. The largest population gains have occurred in southwest Wake County, Northeast Raleigh, and South Durham, a growth crescent that contains the Colonnade II.





#### PROPERTY SUMMARY

The site consists of one, Class A five-story office building that is 100 percent leased to a Salix Pharmaceuticals. It is located at 8510 Colonnade Center Drive in the City of Raleigh, North Carolina.

#### ADDRESS

8510 Colonnade Center Drive, Raleigh, NC 27615

#### BUILDING SIZE

130,656 Gross Square Feet

126,926 Net Rentable Square Feet

#### TAX PARCEL

Wake County Pin: 1708319502 000

Real Estate ID: 0295587

#### LAND AREA

6.80 Acres

#### YEAR CONSTRUCTED

2008

#### FOUNDATION

Concrete slab supported by concrete piers, grade beams and/or footings.

#### STRUCTURAL SYSTEM

Five story concrete building with steel framing.

#### EXTERIOR CURTAIN-WALL SYSTEM

Concrete and tinted glass windows set in metal frames.



### LOBBY/ENTRANCE

The entrance area features marble flooring with granite accents, sheetrock walls, combination painted sheetrock and acoustical ceiling panels with both indirect fluorescent and suspended incandescent fixtures.

### ROOF SYSTEM

Rubber membrane over a steel deck.

### COMMON AREAS

The ground floor elevator core features marble flooring and walls with painted sheetrock ceiling with both indirect fluorescent and suspended incandescent fixtures.

Hallways of all the floors generally feature acoustic ceiling tiles with recessed LED and fluorescent lights, commercial grade carpet and both vinyl-covered and painted sheetrock walls.

### LEASE SPACE

High quality finish throughout with LEED platinum light fixtures wherever available, high quality carpet and wood glass trim and accents throughout.

### RESTROOMS

Restrooms generally feature ceramic tile floors and sheetrock walls, recessed fluorescent and incandescent lights. Stalls are floor-mounted, and countertops are marble with ceramic sinks. Doors leading to the restrooms are 8-foot solid-core, fire-rated doors set in metal frames.

### BUILDING ELEVATORS

Three elevators serve the building, including two passenger elevators and one freight elevator. Vertical access is also available via stairwells.



### HVAC

The heating, ventilating and air conditioning system consists of roof mounted package units and air handlers. The HVAC system is controlled by an energy management system.

### ELECTRICAL SYSTEM

All electrical is assumed to meet or exceed required code specifications.

### LIFE SAFETY

Wet sprinkler system with heat-activated heads located throughout the building. The building is also equipped with a card-key access system for security, as well as after-hours ingress and egress.

### EXTERIOR DOORS

Front entry and side entry doors are glass set in polished frames.

### PARKING

Parking is provided by 416 open asphalt paved parking spaces. This equates to a ratio of 1 space per 305 square feet of gross building area, which is more than adequate to meet the parking needs of the subject and exceeds municipal parking ratio standards.

### LANDSCAPING

Landscaping includes a combination of grass and shrubs.

### EXCELLENT ACCESS AND VISIBILITY

Few office buildings in the market can offer a similar unique combination of proximity and ease of access as Colonnade II. It's location in the geographic center of the north Raleigh area; the center of north Raleigh's thriving high-end housing market offers tenants the ability to quickly access the entire Raleigh marketplace. Moreover, this area of Raleigh features a highly educated workforce, ideal for Salix's operation. The Property is one of only a handful of office properties in the north Raleigh area with comparable access to I-540; and as a result, the building represents long-term value over and above its competitive set. In addition, the highly-visible monument and building signage on Six Forks Road offers Salix Pharmaceuticals the ability to brand themselves to nearly 30,000 vehicles each day.

### ATTRACTIVE AREA AMENITY BASE

The Colonnade II building is well supported by numerous area amenities as the Property is in close proximity to downtown Raleigh, Raleigh-Durham International Airport, I-540, I-440, Research Triangle Park, and many banks, parks, retail shops, restaurants, hotels, upscale residential neighborhoods, and recreational facilities are located in the area. Salix employees find numerous venues nearby serving every need during their business day. As the Triangle region continues to rapidly gain population, many additional amenities are likely to spring up in the future.

### SUMMARY

The opportunity to acquire Colonnade II represents the ability to own one of the most preferred locations within Raleigh's top suburban submarkets. The Class "A" quality and location combined with the 100% leased occupancy and credit term and tenancy offer an investor premier stable investment opportunity. The energy of the surrounding area stands only to improve as the neighborhoods benefit from continued retail and commercial densification and the further expansion on I-540 and the Triangle expressway. As such, Colonnade II is certain to maintain its position as a highly prominent and competitive office environment befitting present and future corporate tenants targeting the Raleigh and Triangle marketplace.





Even a great property needs an

# Excellent Team

to drive **Superior Results**



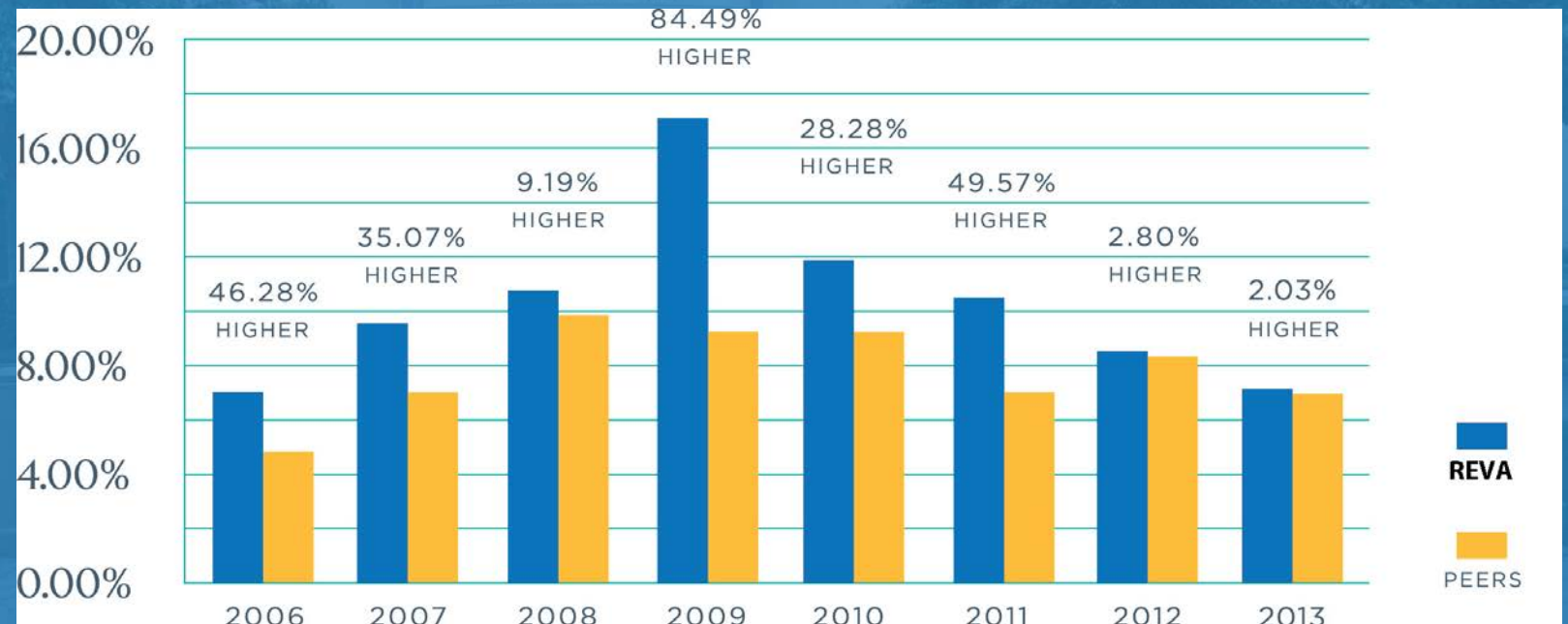
# REVA



The REVA team delivers solid performance over the life of your investment.

Execution matters, details matter and with REVA Raleigh Colonnade, we are focused on a business plan that delivers exceptional tenant service, a zero hassle occupancy and complete satisfaction to assure the highest asset value and ongoing cash flow to investors.

Superior outcomes, solid returns and personal service are all part of what REVA delivers every day.





The Company is newly formed for this transaction and has no operating history.

While the Sponsor has completed seven syndications utilizing the TIC structure, this is only their fourth investment syndication utilizing the DST structure.

The subject property is a Class A office building that is 100% leased to a single tenant, Salix Pharmaceuticals, Inc. and the performance of the investment is dependent upon that lease.

The Salix Pharmaceuticals, Inc. lease has certain provisions that should be carefully evaluated including a termination option on September 14, 2018 requiring tenant to pay a \$5,168,437 fee and give twelve months notice to exercise as well as expiration on April 14, 2023.

The Valeant acquisition of salix is believed to increase the likelihood that the early termination option will be exercised. This will return to ownership nearly half of the invested equity and allow the property to be re-tenanted with market rate occupants at rental rates that are about 20% higher than what Salix is obligated to pay through september 2018.

There are significant limitations on the ability to sell or transfer DST interests.

The owner/investor is completely reliant upon the Trustee to manage and operate the property.

There are various risks specific to the ownership and operations of a Class A office building in Raleigh, NC that should be understood and evaluated along with risks related to IRC Sec 1031.

This is not a diverse investment and performance is closely linked to the lease, its terms and the tenant's ability to honor the lease.

Salix Pharmaceuticals, Inc. has a secured debt rating of Ba1 from Moody's which is one notch below investment grade and was recently placed on watch for downgrade due to GAAP accounting changes required for inventory in possession of wholesalers.

There are various conflicts of interest among Sponsor, Manager, Property Manager and/or their affiliates and there is no plan in place to address any real or perceived conflicts.

The investment price being paid includes all normal transaction costs, funded reserves and certain other expenses related to a DST syndication. The price is arbitrarily determined by the Sponsor and may be above appraised value, market value and/or property value.

The acquisition of the property was capitalized with a \$20,250,000 non-recourse loan with a 10-year term, 30 year amortization and 4.43% note rate. from Natixis who is also the lead lender in a \$1.2 billion credit facility. Mortgage debt can increase risk of loss.

*The summary information presented herein is neither an offer to sell nor a solicitation of an offer to purchase securities of any kind. This material is authorized for use only when accompanied by or preceded by the definitive confidential private placement memorandum. The memorandum contains important information regarding the risks of investing and terms of the offering. All information in this summary is qualified by the memorandum and in the event of any conflict, the memorandum is authoritative. The memorandum must be reviewed in depth and acknowledged prior to any investment in the offering.*

# Investment Risk Summary

Investments of this kind carry significant risks and should be considered only by those able to withstand the risk of loss of their entire investment.

The Confidential Private Placement Memorandum is the controlling document, contains important disclosures and risk information and must be read in full prior to making any investment.

## REVA

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