

EXECUTIVE SUMMARY

INFORMATION ITEM: ASU Research Park Annual Report for Fiscal Year 2005/2006

Marketing.

Ground Lease Activity. In August 2005, a lease was executed with Reproductive Medical Institute (RMI) for 4.16 net acres located on lot 34. Over the course of the fiscal year, RMI completed construction of their 36,000 square foot fertility clinic and research center on the site. In addition, Edward Jones completed the second of their three planned buildings in December 2005.

Real Estate Community Outreach. Major outreach events to the brokerage community included the Park's exhibition at CORENET (Corporate Real Estate Network), the nation's largest gathering of site selectors and facility managers, in Las Vegas. The Park also continued to foster activity with the local brokerage community through presentations to various brokerage houses.

Website and Newsletter. Updates to the website launched in FY2005 provided information regarding real estate availability, Park tenants and activities. In addition, a hard copy of the annual newsletter was mailed to 2,400 contacts, including site selectors, brokers, and prospective tenants.

Technology Initiatives. The Park actively supported bio- and technology industries in several ways this past year. The Park, the Biodesign Institute and Arizona Technology Enterprises (AzTe) jointly sponsored the lecture series forum in the Arizona Pavilion at the 2006 Bioindustry Organization Conference (BIO), held in Chicago on April 6-10. The conference is attended by over 20,000 international members of the bioindustry community. In addition, the Park was a main sponsor of the 2nd Annual Commercializing Arizona Life Sciences Forum (CALSF) on April 20-21, 2006, which was attended by 150 entrepreneurs, bio companies, and investors. The Park hosted the second Arizona Women's Health Conference featuring researchers from TGen, NAU and various healthcare providers. Finally, the Park hosted the Arizona Electronics Advanced Manufacturing Forum in April, and hosted the opening reception for the National Board Meeting of the Electronics Association in February.

Park Awareness/Information. In order to increase awareness of the Park to its target audience, the Park routinely provides tours to various groups, including economic development agencies, international delegations and other interested parties.

Operations.

Capital Improvements. Several small capital expenditures were made, including an acid injection system for the landscape water and repainting the block wall adjacent to the western boundary of the Park. A contract was also issued for a survey of the improvements and easements at the corner of Warner Road and the 101 frontage road, in order to design an appropriate monument sign and/or landscape improvements at that intersection.

Ground Lease Tenant Status.

- Percentage Leased: 78%
- Acres Remaining: 53

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- Completed Buildings: Sixteen, consisting of 1,704,150 square feet
- Tenants: Edward D. Jones & Co., L.P.; Global ASML*, LLC (with subtenant ASML); ASML Lexington Tempe LP (formerly Wells Operating Partnership, LP, with subtenant ASML Training Center); Philips Semiconductor; Nanotechnology Research L.L.C.; Motorola, Inc.; Rimrock Investors II, LLC (formerly Motorola, Inc.) Iridium Satellite; Transamerica Research Center; the Institute for Supply Management; Elliot 101 LLC (formerly Cytec Fiberite); Tempe Investment Associates, LLC (formerly Insignia ESG**); Walgreens Mail Services; LSAC Tempe LP (formerly (i)Structures, with subtenant Infocrossing, parent company of (i)Structures); Bright Horizons Child Development Center; Wells Operating Partnership, LP (two separate ground leases and facilities subleased to Countrywide Insurance and Avnet); North Central Association, Commission on Accreditation and School Improvement; Reproductive Medical Institute; Verizon Wireless; and the Park-owned Lakeside Technology Center.

Lakeside Technology Center.

- Facts: 45,398 square feet on 6.8 acres
- Percentage Leased: 99%
- Tenants: Phoenix Analysis and Design Technologies (24,152 square feet); CMC Wireless (7,800 square feet); Laser Components DG, Inc. (5,950 square feet); Power One (6,930 square feet).

Financial.

- Ending Cash Balance (Ground Lease Operations): \$0
- Ending Cash Balance (Lakeside Technology Center): \$0
- Payments to ASU in FY2006 YTD: \$3,569,987
- Budgeted Transfer to ASU in FY2007: \$1,116,544

Significant Items:

On May 10 2006, the Park refunded and defeased \$17,615,000 Series 1995 bonds with an interest rate of 5.02%, with new series 2006 bonds totaling \$12,975,000, at an interest rate of 4.1%. Funds from the Research Park's prepaid rental assets were utilized to defease \$4,200,000 of the 1995 bonds. Net economic gain resulting from this transaction, after accounting for the pay-down from the prepaid rents, is \$675,331.

In addition, \$2,180,000 of the prepaid rents were utilized to pay a total of \$3,069,987 to ASU at year-end, in full repayment of previous transfers. ASU Research Park, Inc. retained \$1,492,727 of the prepaid rents, which were reinvested in marketable securities.