

Cooperative Research and Development Project between FUB/CDT and TERRACAP

Technical and Economic Feasibility Study for
Digital Capital Technology Park
[Parque Tecnológico Capital Digital – PTCD]

Product 5.4 – Economic and Financial Feasibility Study	
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1 INTRODUCTION

Companhia Imobiliária de Brasília (Terracap), established through Law No. 5861, of December 12th, 1972, is a state-owned enterprise under the Government of the Federal District (GDF). It is governed by the law under which it was established, its articles of incorporation and the applicable law of corporations, and Terracap's purpose is to operate in the real estate business for the best interest of the Federal District in exchange of compensation, and this business comprises use, acquisition, management, provision, development, encumbrance or disposal of properties.

Pursuant to Law No. 4586, of July 13th, 2011, Terracap also took on the role of Development Agency for the Federal District by designing, deploying and implementing economic and social development programs and projects for the Federal District, and it may also foster public-private partnerships, incorporation of special purpose companies (SPEs) and engage in urban joint ventures for the deployment and development of projects considered to be strategic by the Government of the Federal District. In view of this backdrop, Terracap plays a key role in the public policies included in programs that are being implemented by the Federal District Government, in particular with regard to the Parque Tecnológico Capital Digital [Digital Capital Technology Park] – PTCD.

Considering the existing collaboration between the University of Brasilia Foundation (FUB) and the Ministry of Planning, Budget and Management's Federal Property Department – SPU established in January 2009, with coordination of the Decision Making Technology Laboratory – LATITUDE, University of Brasilia's Department of Electrical Engineering, through three projects for the development of SPU's processes, methodologies and management tools, Terracap realized that the approach to dealing with Federal property can be extended and applied to Federal District's properties, in particular to the management of the PTCD project.

Furthermore, issues related to the PTCD implementation strategy have been addressed in previous studies conducted by UnB upon request by the GDF (FAPDF-FUB Project, 2008), thus enabling management of PTCD to be addressed on an informed basis. This experience underpins the participation of the LATITUDE Laboratory team this in this new environment. Also, the PTCD is an information and communications technology park and its feasibility study will need to provide answers to questions such as: type and

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size of companies in the ICT sector that can operate at the park; types of services and products with the greatest potential; labor capabilities, existing and required professional skills (electrical, network, computing, production, and automation and control engineers, computing and information scientists, technologists); academic institutions in a position to research, innovate and transfer technologies to the park, etc.

In view of the above, and considering CDT/UnB's extensive experience in the preparation of technical and economic feasibility studies (TEFS), Terracap and the LATITUDE Laboratory, with support from CDT/UnB, started discussing the possibility of conducting a cooperative research and development project in order to carry out a TEFS for the PTCD with a view to improving the Federal District's property management and fostering strategic ventures for the Federal District.

As a result, an agreement has been established between Terracap and FUB for the development a technology and information services project to support implementation of the PTCD, with preparation of the products that will make up the respective Technical and Economic Feasibility Study.

Project deliverables includes "Product 5.4 – Economic and Financial Feasibility Study," which is covered in this technical report. This product is intended to summarize the projected investments and payments by providing a cash flow for the project.

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2 ECONOMIC AND FINANCIAL FEASIBILITY STUDY FOR THE PTCB

The purpose of this paper is to assess the technical and economic feasibility of the commercial development of Lot 1 of the Digital Capital Technology Park. The project's feasibility is assessed in terms of a positive Net Present Value.

2.1 Assumptions

All assumptions in this paper derive from previous reports. Below is the set of assumptions used in this paper:

- Nominative capital cost: 18.5% per year;
- Inflation: 4.5% per year;
- Cost of debt (BNDES): 6.5% per year;
- Partnership's investment: R\$1,214,710,883.65;
- Price of land paid-in by Terracap: R\$1,080,000,000.00;
- Number of rounds of investment: 4;
- Initial investment:
 - Terracap: R\$1,080,000,000.00 and
 - Partner: R\$243,052,509.84.
- Investment in the beginning of the first year:
 - Terracap: R\$0.00 and
 - Partner: R\$407,165,754.71.
- Investment in the beginning of the second year:
 - Terracap: R\$0.00 and
 - Partner: R\$273,463,637.99.
- Investment in the beginning of the third year:
 - Terracap: R\$0.00 and
 - Partner: R\$291,028,981.11.

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The investment rounds by the partner were based on the distribution of the existing Landfill in Lot 1, and those areas that can be used more easily are allocated to the initial construction works. A discussion on the land conditions can be found in Section 5.1 of this documentation.

Thus, a simulation of land occupation stages has been conducted in terms of percentage of the total area in Lot 1:

- Start of construction works: Stage 1: 17%, total 17%;
- Throughout Year 1: Stage 2: 23%, total 50%;
- Throughout Year 2: Stage 3: 25%, total 75%; and
- Throughout Year 3: Stage 4: 25%, total 100%.

Therefore, at the beginning of the first year, 17% of the area with a commercial potential was assumed to be ready for lease; by the beginning of the second year of the project, 50%; early in the third year, 75%, and by the beginning of the fourth year, 100%. Cash flows follow this rationale.

For the lease, a real growth of 1.5% in the price paid by tenants is assumed. Services related to maintenance, security, leasing of vacancies and management of vacancies are expected to have a real growth of 1% per year. For the electricity supply, only inflation adjustments are assumed.

In terms of costs, expenses on maintenance and security personnel and equipment are consistent with the same real growth of 1% in revenues per year. Administrative personnel and other costs are expected to increase by 0.5% per year in real terms.

The most significant increase in lease rates and other services is due to the assumption that over time the ability of the PTCO to add value to companies in operation will increase and, as a result, lease rates and the price of other services provided by the SPE may be adjusted in real terms.

2.2 Simulations Regarding the Positive Net Present Value

Table 1 provides the first simulation, which assumes that the Partner and Terracap will split the profits from the SPE according to their respective interests in the company's

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Equity Capital. It shows that for the partner to meet the nominal return target of 18.5% on its capital, it needs to raise 27.1% of the investment, i.e., R\$329,186,649.50 as a loan from the BNDES.

Table 1: Profit as per equity capital

Scenario 1 (sharing based on Equity Capital)		
NPV	R\$	(608,086,326.38)
PayBack		15 years
Real IRR		6.25%
Nominal IRR		10.75%
Required funding by the BNDES		27.1%
Cost of Real Leveraged Capital		10.75%
Leveraged NPV	R\$	652,437.95

According to Table 2, the share of Terracap in the profits generated by the SPE was reduced to 50% of the amount to which it would be entitled given the land it paid in. As a result, the payback for the partner falls from 15 to 12 years and the volume of funds borrowed from BNDES for the nominal target of 18.5% to be reached drops to 7% of the partner's investment, i.e., R\$85,029,761.86.

Table 2: Reduction of Terracap's share by 50%

Scenario 2 (Terracap's share is 50% of its payment)		
NPV	R\$	(114,935,641.45)
PayBack		12
Real IRR		8.71%
IRR		13.21%
Required funding by the BNDES		7%
Cost of Real Leveraged Capital		13.20%
Leveraged NPV	R\$	1,858,555.11

The share of Terracap's in the profits is reset under the simulation in Table 3. In this case, there is no need to borrow funds from the BNDES, and the payback period is reduced to 9 years.

Table 3: Terracap's share in the profits is equal to zero

Scenario 3 (100% of the profits go to the partner)	
NPV	R\$ 378,215,043.49
PayBack	9 years
Real IRR	13.38%
IRR	17.88%
Required funding by the BNDES	0%
Cost of Real Leveraged Capital	14.00%
Leveraged NPV	R\$ 378,215,043.49

2.3 Cash Flow Used in This Analysis

The cash flow for calculating the economic feasibility is provided in Table 4.

Table 4: Consolidated Cash Flow

Year	0	1	2	3	4	5	6	7
REVENUE	0.00	64,346,798.10	191,488,794.25	290,625,980.76	391,118,308.81	395,748,063.44	400,436,711.81	405,185,034.68
Real property lease	0.00	27,929,974.16	83,379,187.57	126,944,813.08	171,798,647.03	174,375,626.74	176,991,261.14	179,646,130.06
Management fee (10% of cond.)	0.00	507,705.00	1,508,182.50	2,284,896.49	3,076,993.94	3,107,763.88	3,138,841.51	3,170,229.93
Receivables – Proprietary parking spots	0.00	2,412,096.00	7,165,344.00	10,855,496.16	14,618,734.83	14,764,922.18	14,912,571.40	15,061,697.11
Parking lot management	0.00	636,357.60	1,890,356.40	2,863,889.95	2,892,528.85	2,921,454.13	2,950,668.68	2,980,175.36
Security and maintenance services	0.00	29,521,044.00	87,694,866.00	132,857,721.99	178,915,065.61	180,704,216.27	182,511,258.43	184,336,371.02
Electricity services	0.00	1,405,560.00	4,134,000.00	6,201,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00
Broadband services	0.00	1,934,061.34	5,716,857.78	8,618,163.10	11,548,338.56	11,606,080.25	11,664,110.65	11,722,431.20
EXPENSES	1,323,532,509.97	439,680,682.92	378,806,239.21	444,762,357.90	240,495,548.66	248,269,760.32	245,826,841.81	248,546,232.54
<u>Personnel</u>								
Administrative personnel	480,000.00	960,000.00	11,577,600.00	11,635,488.00	11,693,665.44	11,752,133.77	11,810,894.44	11,869,948.91
Security and maintenance personnel	0.00	19,188,678.60	57,001,662.90	86,357,519.29	116,294,792.65	117,457,740.58	118,632,317.98	119,818,641.16
Technical personnel – IT	0.00	353,667.15	1,045,398.49	1,575,938.22	2,111,757.21	2,122,316.00	2,132,927.58	2,143,592.22
Technical personnel – electrical grid	0.00	392,963.50	1,161,553.88	1,751,042.47	2,346,396.91	2,358,128.89	2,369,919.53	2,381,769.13
<u>Infrastructure</u>								
Land	1,080,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adaptation of land	37,575,355.24	48,458,113.01	22,360,273.07	39,925,616.19	0.00	0.00	0.00	0.00
Urban and technology infrastructure	42,339,247.37	82,187,950.78	62,263,599.07	62,263,599.07	0.00	0.00	0.00	0.00
Communal laboratory	27,251,200.00	27,251,200.00	0.00	0.00	0.00	0.00	0.00	0.00
Customs office	7,475,666.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction of SPE's buildings	128,411,040.78	249,268,490.92	188,839,765.85	188,839,765.85	0.00	0.00	0.00	0.00
Technology maintenance and upgrade	0.00	0.00	0.00	0.00	0.00	5,126,256.27	0.00	0.00
Maintenance of facilities	0.00	642,055.20	1,888,397.66	2,832,596.49	3,776,795.32	3,946,751.11	4,124,354.91	4,309,950.88
<u>Taxes</u>		5,488,781.88	16,333,994.15	24,790,396.16	52,136,070.56	52,753,216.86	53,378,213.68	54,011,165.12
Free Cash Flow	-1,323,532,509.97	-375,333,884.82	-187,317,444.96	-154,136,377.13	150,622,760.16	147,478,303.12	154,609,870.00	156,638,802.14
FREE CASH FLOW	-1,323,532,509.97	-375,333,884.82	-187,317,444.96	-154,136,377.13	150,622,760.16	147,478,303.12	154,609,870.00	156,638,802.14
TRADE SURPLUS	-1,323,532,509.97	1,698,866,394.79	1,886,183,839.75	2,040,320,216.88	1,889,697,456.73	1,742,219,153.60	1,587,609,283.60	1,430,970,481.46

Table 4: Consolidated Cash Flow (continued)

Year	8	9	10	11	12	13	14	15
REVENUE	409,993,823.52	414,863,880.65	419,796,019.39	424,791,064.20	429,849,850.90	434,973,226.73	440,162,050.61	445,417,193.22
Real property lease	182,340,822.01	185,075,934.34	187,852,073.35	190,669,854.45	193,529,902.27	196,432,850.80	199,379,343.57	202,370,033.72
Management fee (10% of cond.)	3,201,932.23	3,233,951.55	3,266,291.07	3,298,953.98	3,331,943.52	3,365,262.95	3,398,915.58	3,432,904.74
Receivables – Proprietary parking spots	15,212,314.08	15,364,437.22	15,518,081.60	15,673,262.41	15,829,995.04	15,988,294.99	16,148,177.94	16,309,659.72
Parking lot management	3,009,977.12	3,040,076.89	3,070,477.66	3,101,182.43	3,132,194.26	3,163,516.20	3,195,151.36	3,227,102.87
Security and maintenance services	186,179,734.73	188,041,532.07	189,921,947.39	191,821,166.87	193,739,378.54	195,676,772.32	197,633,540.05	199,609,875.45
Electricity services	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00
Broadband services	11,781,043.36	11,839,948.58	11,899,148.32	11,958,644.06	12,018,437.28	12,078,529.47	12,138,922.11	12,199,616.72
EXPENSES	251,302,366.40	254,095,953.78	262,183,426.79	259,798,436.74	262,708,861.62	265,659,800.37	268,652,077.11	277,074,955.10
<u>Personnel</u>								
Administrative personnel	11,929,298.65	11,988,945.15	12,048,889.87	12,109,134.32	12,169,679.99	12,230,528.39	12,291,681.03	12,353,139.44
Security and maintenance personnel	121,016,827.57	122,226,995.85	123,449,265.81	124,683,758.46	125,930,596.05	127,189,902.01	128,461,801.03	129,746,419.04
Technical personnel – IT	2,154,310.18	2,165,081.73	2,175,907.14	2,186,786.67	2,197,720.61	2,208,709.21	2,219,752.76	2,230,851.52
Technical personnel – electrical grid	2,393,677.98	2,405,646.37	2,417,674.60	2,429,762.97	2,441,911.79	2,454,121.35	2,466,391.95	2,478,723.91
<u>Infrastructure</u>								
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adaptation of land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Urban and technology infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal laboratory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customs office	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction of SPE's buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technology maintenance and upgrade	0.00	0.00	5,255,700.66	0.00	0.00	0.00	0.00	5,388,413.69
Maintenance of facilities	4,503,898.67	4,706,574.11	4,918,369.94	5,139,696.59	5,370,982.93	5,612,677.17	5,865,247.64	6,129,183.78
Taxes	54,652,176.68	55,301,355.29	55,958,809.38	56,624,648.86	57,298,985.12	57,981,931.12	58,673,601.35	59,374,111.86
Free Cash Flow	158,691,457.12	160,767,926.87	157,612,592.60	164,992,627.47	167,140,989.28	169,313,426.36	171,509,973.50	168,342,238.12
FREE CASH FLOW	158,691,457.12	160,767,926.87	157,612,592.60	164,992,627.47	167,140,989.28	169,313,426.36	171,509,973.50	168,342,238.12
TRADE SURPLUS	1,272,279,024.34	1,111,511,097.47	953,898,504.87	788,905,877.40	621,764,888.12	452,451,461.76	280,941,488.26	112,599,250.14

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Table 4: Consolidated Cash Flow (continued)

Year	16	17	18	19	20	21	22	23
REVENUE	450,739,537.24	456,129,977.46	461,589,420.98	467,118,787.39	472,719,008.93	478,391,030.66	484,135,810.66	489,954,320.22
Real property lease	205,405,584.23	208,486,667.99	211,613,968.01	214,788,177.53	218,010,000.19	221,280,150.20	224,599,352.45	227,968,342.73
Management fee (10% of cond.)	3,467,233.79	3,501,906.12	3,536,925.18	3,572,294.44	3,608,017.38	3,644,097.55	3,680,538.53	3,717,343.92
Receivables – Proprietary parking spots	16,472,756.31	16,637,483.88	16,803,858.72	16,971,897.30	17,141,616.28	17,313,032.44	17,486,162.76	17,661,024.39
Parking lot management	3,259,373.90	3,291,967.64	3,324,887.32	3,358,136.19	3,391,717.55	3,425,634.73	3,459,891.08	3,494,489.99
Security and maintenance services	201,605,974.20	203,622,033.94	205,658,254.28	207,714,836.82	209,791,985.19	211,889,905.05	214,008,804.10	216,148,892.14
Electricity services	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00
Broadband services	12,260,614.81	12,321,917.88	12,383,527.47	12,445,445.11	12,507,672.33	12,570,210.70	12,633,061.75	12,696,227.06
EXPENSES	274,764,069.36	277,885,564.56	281,051,959.26	284,264,215.44	293,047,803.97	290,830,316.35	294,186,244.89	297,592,205.23
<u>Personnel</u>								
Administrative personnel	12,414,905.14	12,476,979.66	12,539,364.56	12,602,061.38	12,665,071.69	12,728,397.05	12,792,039.03	12,855,999.23
Security and maintenance personnel	131,043,883.23	132,354,322.06	133,677,865.28	135,014,643.94	136,364,790.38	137,728,438.28	139,105,722.66	140,496,779.89
Technical personnel – IT	2,242,005.78	2,253,215.81	2,264,481.89	2,275,804.30	2,287,183.32	2,298,619.23	2,310,112.33	2,321,662.89
Technical personnel – electrical grid	2,491,117.53	2,503,573.12	2,516,090.99	2,528,671.44	2,541,314.80	2,554,021.37	2,566,791.48	2,579,625.44
<u>Infrastructure</u>								
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adaptation of land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Urban and technology infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal laboratory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customs office	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction of SPE's buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technology maintenance and upgrade	0.00	0.00	0.00	0.00	5,524,477.89	0.00	0.00	0.00
Maintenance of facilities	6,404,997.05	6,693,221.92	6,994,416.91	7,309,165.67	7,638,078.12	7,981,791.64	8,340,972.26	8,716,316.01
Taxes	60,083,580.31	60,802,126.00	61,529,869.82	62,266,934.36	63,013,443.89	63,769,524.39	64,535,303.56	65,310,910.89
Free Cash Flow	175,975,467.88	178,244,412.89	180,537,461.72	182,854,571.95	179,671,204.96	187,560,714.31	189,949,565.77	192,362,114.99
FREE CASH FLOW	175,975,467.88	178,244,412.89	180,537,461.72	182,854,571.95	179,671,204.96	187,560,714.31	189,949,565.77	192,362,114.99
							1,162,194,149.3	1,354,556,264.3
TRADE SURPLUS	63,376,217.74	241,620,630.63	422,158,092.36	605,012,664.31	784,683,869.27	972,244,583.58	5	4

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Table 4: Consolidated Cash Flow (continued)

Year	24	25	26	27	28	29	30	31
REVENUE	495,847,544.00	501,816,480.24	507,862,140.94	513,985,552.06	520,187,753.72	526,469,800.39	532,832,761.10	539,277,719.66
Real property lease	231,387,867.88	234,858,685.89	238,381,566.18	241,957,289.68	245,586,649.02	249,270,448.76	253,009,505.49	256,804,648.07
Management fee (10% of cond.)	3,754,517.35	3,792,062.53	3,829,983.15	3,868,282.98	3,906,965.81	3,946,035.47	3,985,495.83	4,025,350.79
Receivables – Proprietary parking spots	17,837,634.63	18,016,010.98	18,196,171.09	18,378,132.80	18,561,914.13	18,747,533.27	18,935,008.60	19,124,358.69
Parking lot management	3,529,434.89	3,564,729.24	3,600,376.53	3,636,380.29	3,672,744.10	3,709,471.54	3,746,566.25	3,784,031.92
Security and maintenance services	218,310,381.06	220,493,484.87	222,698,419.72	224,925,403.91	227,174,657.95	229,446,404.53	231,740,868.58	234,058,277.26
Electricity services	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00
Broadband services	12,759,708.19	12,823,506.73	12,887,624.27	12,952,062.39	13,016,822.70	13,081,906.82	13,147,316.35	13,213,052.93
EXPENSES	301,049,327.15	310,222,756.03	308,121,765.05	311,739,535.49	315,413,379.71	319,144,632.24	328,741,674.14	326,784,932.87
<u>Personnel</u>								
Administrative personnel	12,920,279.23	12,984,880.62	13,049,805.02	13,115,054.05	13,180,629.32	13,246,532.47	13,312,765.13	13,379,328.95
Security and maintenance personnel	141,901,747.69	143,320,765.16	144,753,972.82	146,201,512.54	147,663,527.67	149,140,162.95	150,631,564.58	152,137,880.22
Technical personnel – IT	2,333,271.21	2,344,937.56	2,356,662.25	2,368,445.56	2,380,287.79	2,392,189.23	2,404,150.17	2,416,170.93
Technical personnel – electrical grid	2,592,523.56	2,605,486.18	2,618,513.61	2,631,606.18	2,644,764.21	2,657,988.03	2,671,277.97	2,684,634.36
<u>Infrastructure</u>								
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adaptation of land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Urban and technology infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal laboratory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customs office	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction of SPE's buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technology maintenance and upgrade	0.00	5,663,977.88	0.00	0.00	0.00	0.00	5,807,000.41	0.00
Maintenance of facilities	9,108,550.23	9,518,435.00	9,946,764.57	10,394,368.98	10,862,115.58	11,350,910.78	11,861,701.77	12,395,478.35
Taxes	66,096,477.62	66,892,136.82	67,698,023.39	68,514,274.09	69,341,027.57	70,178,424.39	71,026,607.05	71,885,720.03
Free Cash Flow	194,798,216.85	191,593,724.21	199,740,375.89	202,246,016.57	204,774,374.01	207,325,168.15	204,091,086.96	212,492,786.79
FREE CASH FLOW	194,798,216.85	191,593,724.21	199,740,375.89	202,246,016.57	204,774,374.01	207,325,168.15	204,091,086.96	212,492,786.79
TRADE SURPLUS	1,549,354,481.20	1,740,948,205.41	1,940,688,581.30	2,142,934,597.87	2,347,708,971.87	2,555,034,140.02	2,759,125,226.98	2,971,618,013.77

Table 4: Consolidated Cash Flow (continued)

Year	32	33	34	35
REVENUE	545,805,774.83	552,418,040.57	559,115,646.25	565,899,736.84
Real property lease	260,656,717.79	264,566,568.56	268,535,067.09	272,563,093.09
Management fee (10% of cond.)	4,065,604.29	4,106,260.34	4,147,322.94	4,188,796.17
Receivables – Proprietary parking spots	19,315,602.28	19,508,758.30	19,703,845.88	19,900,884.34
Parking lot management	3,821,872.23	3,860,090.96	3,898,691.87	3,937,678.79
Security and maintenance services	236,398,860.04	238,762,848.64	241,150,477.12	243,561,981.89
Electricity services	8,268,000.00	8,268,000.00	8,268,000.00	8,268,000.00
Broadband services	13,279,118.20	13,345,513.79	13,412,241.36	13,479,302.56
EXPENSES	330,696,888.38	334,672,071.06	338,712,065.99	348,772,149.22
<u>Personnel</u>				
Administrative personnel	13,446,225.60	13,513,456.73	13,581,024.01	13,648,929.13
Security and maintenance personnel	153,659,259.02	155,195,851.61	156,747,810.13	158,315,288.23
Technical personnel – IT	2,428,251.78	2,440,393.04	2,452,595.00	2,464,857.98
Technical personnel – electrical grid	2,698,057.53	2,711,547.82	2,725,105.56	2,738,731.09
<u>Infrastructure</u>				
Land	0.00	0.00	0.00	0.00
Adaptation of land	0.00	0.00	0.00	0.00
Urban and technology infrastructure	0.00	0.00	0.00	0.00
Communal laboratory	0.00	0.00	0.00	0.00
Customs office	0.00	0.00	0.00	0.00
Construction of SPE's buildings	0.00	0.00	0.00	0.00
Technology maintenance and upgrade	0.00	0.00	0.00	5,953,634.45
Maintenance of facilities	12,953,274.87	13,536,172.24	14,145,299.99	14,781,838.49
Taxes	72,755,909.78	73,637,324.81	74,530,115.65	75,434,434.92
Free Cash Flow	215,108,886.45	217,745,969.51	220,403,580.27	217,127,587.63
FREE CASH FLOW	215,108,886.45	217,745,969.51	220,403,580.27	217,127,587.63
TRADE SURPLUS	3,186,726,900.2	3,404,472,869.7	3,624,876,450.0	3,842,004,037.6
	2	3	0	3

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2.4 Assessment of the Company's Feasibility

The probable sources of revenue and expenses from the project and discussed in other reports in the UnB-Terracap agreement confirm that the Digital Capital Technology Park is economically and financially feasible.

It is worth emphasizing that a more flexible NGB with regard to Lot 1 – for example, a 50% increase in the maximum buildable area – would have a significant impact on the project's risks, which in turn would increase the likelihood of the project achieving the desired nominal return.

2.5 Assessing the Possibility of Selling the Land

Terracap's focus has historically been on the sale of real estate belonging to the Government of the Federal District. Therefore, any assessment of new business cannot be complete without a comparison between the new business and the work traditionally performed by Terracap.

For an appropriate assessment of the two options, it is necessary to ascertain the capital cost implied in Terracap's business. This is based on Bid Notice No. 02/2012, the latest Notice released by Terracap. Given the amounts indicated in this Notice, Terracap's nominal cost of capital is between 6.18% and 10.03% per annum.

Assuming a hypothesized constant real growth rate of 1% in cash flows after the 36th year, the value for continuing the project would be:

- For 6.18%: R\$3,513,391,385.53;
- For 10.03%: R\$2,164,781,531.64.

With a nominal cost of capital of 6.18%, even if Terracap did not receive any profit during the 35 years of business, paying the land into the business is economically more advantageous than simply selling the land, and provides a Net Present Value of R\$834,600,987.47.

For a nominal cost of capital of 10.03%, Terracap's interest in the business is economically preferable to selling the land as long as Terracap's share in profits is not less than 35%, in which case the Net Present Value of the project is R\$206,482.61.

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Considering that Terracap currently acts as the regional development agency and the project has a strong potential to influence changing the rationale of developing the Federal District, there would be no reason to reject using 6.18% as the appropriate cost of capital to assess the business.

So even in the worst-case scenarios materializes, with Terracap relinquishing its entire share in the profits for 35 years and using a cost of capital which has already been used by Terracap in its projects, participation in the business is economically preferable to simply selling Lot 1.

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3 CONCLUSION

Through a coordinative and interdependent effort between Terracap's and the University of Brasilia's teams, the activities for the development of Product 5.4 were planned, discussed, implemented and documented.

The probable sources of revenue and expenses for the PTCD and an analysis of positive NPV for the business as a private organization confirm that the Digital Capital Technology Park is economically and financially feasible. It should be pointed out that this solution is also advantageous with respect to simply selling the land in Lot 1 of the PTCD.

It is worth emphasizing that a more flexible NGB with regard to Lot 1 – for example, an increase in the maximum buildable area –, which would increase the likelihood of the project achieving the desired nominal return.

Please also note that the economic feasibility study for the PTCD is based on the return from the provision of shared infrastructure and services. However, it is reasonable to predict that the managing company of the Park may also have return from other activities that are under its direct administration or in association or subcontracting with third parties. These include:

- Convivial services: food, fitness, banking, retail;
- Incentive to technology innovation: participation in joint ventures, development of an investment fund for the PTCD, allocation of risk capital, etc.
- Encouragement of cooperative interactions between the institutions operating at the PTCD: participation in research and development activities, patenting and copyright management, incubation, establishment of startups, etc.

Estimating costs and returns related to such items is more susceptible to uncertainties at the present moment, but the managing company of the PTCD may set up a specific unit to look into such possibilities, regardless of the existing economic and financial feasibility assessment since the estimated return is already tangible simply with the provision of shared infrastructure and services.

The activities involved in this stage formally followed the steps in the approach listed for project management – PMP/PMI.

UnB's team believes that they had access to all information necessary for adequate performance of the work, and that the provision of such information by TERRACAP's team,

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as well as the joint analysis work and discussions, have helped complete the design stage.

Brasília, 30 de March de 2012.

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