

The Lakes At Fair Meadow
Summary of Development Assumptions - 8/28/2012

SITE INFORMATION	
Project Name	The Lakes At Fair Meadow
Address	Old Fairgrounds, Anytown, NY 12345
County	Fairford County
Land Owner	Jones Family Trust
Zoning	Residential-4
Maximum Allowable Density	4 DUs per acre
Site Acreage	25 acres
Total Allowable Housing Units	100 Housing Units

PROJECT TIMING AND SALES VELOCITY ASSUMPTIONS		
	Month #	Date
Analysis Start Date	Mo. 1	4/1/2012
Land Deposit Date	Mo. 6	9/1/2012
Land Closing Date	Mo. 9	12/1/2012

Event	Duration	
Pre-Construction (months)	8 months	Go To Gantt Chart

100 Homes	Duration	Month #	End Month #	# of Homes
Sitework and Infrastructure Construction Start		9		
Construction Duration (months) / End	17 months		25	
Post-Foundation House Construction Cycle	6 months			
First House Foundation Start		10		
Foundation Starts (Consecutive months)	10 months			10.00/Month
Maximum Unit Closings per Month				10.00/Month
Unit Sales	10 months	11	20	10.00/Month
Closings Start / End Month	10 months	17	26	
Months foundation takes to cure fully: 1				

DEVELOPMENT USES OF FUNDS				
		% Total	\$/House	Total
Land and Acquisition Costs	10.00% Deposit	7.49%	\$25,000	\$2,500,000
Total Hard Costs		74.85%	\$249,805	\$24,980,520
Development Hard Costs	\$110/SF		\$238,755	\$23,875,500
Owner Directed Hard Costs				\$100,000
Model Home(s) FF&E	3 Mos. prior to Phase 1 Sales Start			\$50,000
Hard Costs Contingency	4.00% of Development Hard Costs		\$9,550	\$955,020
Total Soft Costs and Fees		15.74%		\$5,252,610
Soft Costs	15.00% of Development Hard Costs		\$35,813	\$3,581,325
Developer Fee	5.00% of Development Hard Costs			\$1,193,775
CM Fee	2.00% of Development Hard Costs			\$477,510
Financing Costs excl. any Operating Deficit		1.92%	\$6,394	\$639,363
Total Uses of Funds		100.00%	\$333,725	\$33,372,493
Operating Deficit (Funded by Equity)				\$43,701
Total Uses of Funds with Operating Def.				\$33,416,194

DEVELOPMENT SOURCES OF FUNDS					
	% of Total Equity	Initial Amount	Deficit Share*	% of Cost	Total Equity
Equity					
Sponsor Cash Equity	16.67%	\$2,000,000	\$58,188	6.16%	\$2,058,188
Third Party Investor	83.33%	\$10,000,000	\$290,942	30.80%	\$10,290,942
Equity Total	100.00%	\$12,000,000	\$349,131	36.96%	\$12,349,131
Debt				% of Cost	Total
AD&C Senior Loan **	6/1/2013	6.50% Interest		63.04%	\$21,064,113
Mortgage Recording Tax	6/1/2013	1.45%			
Loan Fees - Front End	6/1/2013	0.50%			
Loan Fees - At Draws		0.75%			
Debt Total				63.04%	\$21,064,113
Property Cash Flow				0.01%	\$2,951
Total Sources of Funds				100.00%	\$33,416,194

* Any Operating Deficit and Financing-related Deficits
 ** Loan amount includes capitalized interest and capitalized points/fees

The Lakes At Fair Meadow
Summary of Operating Assumptions - 8/28/2012

SALES CASH FLOWS				OPERATING ASSUMPTIONS				
Sales Office / Marketing Spend		\$4,000/mo	3 Mos. prior to Phase 1 Sales Start	Annual Inflation Rate for Operating Expenses/Deficit			2.00%	
Developed Units		<u>Average Price</u>		<u>Average SF</u>			\$5,660	
Total	100 Units	\$419,500		1,950 SF	Real Estate Taxes on Residential Units			
Revenue				Amount	Average Assessed Value		\$400,000	
Residential Units Excluding Options		10.00% Deposit Amount		\$41,950,000	Tax Rate		0.85%	
Options Income		\$7,500/Unit		\$750,000	Annual Real Estate Taxes/Unit after First Completion		\$3,400	
Gross Revenues				\$42,700,000	RETURNS (CALCULATED OFF OF MONTHLY CASH FLOWS)			
Selling Costs		4.00%		(\$1,708,000)		Developer	Investor	Total Project
Total Revenues, Net				\$40,992,000	Equity Investment	\$2,000,000	\$10,000,000	\$12,000,000
					Net Return on Equity	\$2,709,370	\$4,756,972	\$7,466,342
					Multiple on Equity	2.32x	1.46x	1.60x
					IRR	76.92%	49.66%	57.18%
					NPV off of Monthly CFs	8.00%		\$5,574,073
					IRR Kicker Return Hurdle	0.00%		
					Land Owner Participation %	0.00%		

NOTES

Capital Structure
The Lakes At Fair Meadow

	% Equity	% TDC	Equity % TDC	Debt % TDC	Amount *	Total Equity excl. Deficits ^	Total Debt *	Deficits Funded by Equity	Equity Investment including Deficit Liabilities		% TDC - Actual %s
Developer Sponsor Equity +	16.67%	6.16%			\$2,000,000				\$2,058,188	Developer Sponsor Equity +	6.16%
Third Party Investor Equity +	83.33%	30.80%	36.96%		\$10,000,000	\$12,000,000		\$349,131	<u>\$10,290,942</u>	Third Party Investor Equity +	30.80%
AD&C Senior Loan **		<u>63.04%</u>		63.04%	<u>\$21,064,113</u>		\$21,064,113			Senior Loan **	63.04%
Total Sources of Funds (TDC)	100.00%	100.00%			\$33,413,244					Property Cash Flow as Source of Funds	<u>0.01%</u>
Sources of Funds From Above	\$33,413,244										100.00%
Property Cash Flow As Source of Funds	\$2,951										
Total Sources of Funds	\$33,416,194										

+ While the equity slices are shown stacked vertically, note that this is simply the graphic representation and does not imply that there is any Preferred equity in the transaction.

* The AD&C Senior Loan Amount sizes on a residual basis after designating the dollar amounts of the other sources of funds.

** Principal Amount includes Funded Interest Reserve and Funded Loan Fees.

^ Equity amounts in this column do not include the pro-rata portion of the Operating and Financing Deficits to be funded by the Equity investors. See Column S for adjusted totals.

Housing Mix and Pricing Details

The Lakes At Fair Meadow

Maximum Allowable Homes 100

Unit Type	Beds	Baths	Garage	Average Sales Price PSF	Average Unit Size	Sales Price	% of SSF	SSF	# of Homes	\$110 PSF			Total Hard Costs
										Base Hard Costs	Hard Costs Premium	Hard Costs	
Cape Cod A	2.0	2.0	1.0	\$233 PSF	1,350 SF	\$315,000	13.85%	27,000 SSF	20	\$148,500	0%	\$148,500	\$2,970,000
Cape Cod B	2.0	2.5	2.0	\$240 PSF	1,500 SF	\$360,000	11.54%	22,500 SSF	15	\$165,000	0%	\$165,000	\$2,475,000
Modern A	2.0	2.0	2.0	\$286 PSF	1,400 SF	\$400,000	14.36%	28,000 SSF	20	\$154,000	10%	\$169,400	\$3,388,000
Modern B	3.0	3.0	3.0	\$265 PSF	1,700 SF	\$450,000	21.79%	42,500 SSF	25	\$187,000	10%	\$205,700	\$5,142,500
McMansion A	6.0	5.0	3.0	\$143 PSF	3,500 SF	\$500,000	17.95%	35,000 SSF	10	\$385,000	20%	\$462,000	\$4,620,000
McMansion B	6.0	6.0	4.0	\$150 PSF	4,000 SF	\$600,000	20.51%	40,000 SSF	10	\$440,000	20%	\$528,000	\$5,280,000
Average/Total				\$215 PSF	1,950 SSF	\$419,500	100.00%	195,000 SSF	100				\$23,875,500

Totals/Averages

Sales
\$41,950,000

Assessed Value at Delivery
\$400,000

Operating Expenses and RE Taxes - Per Unit Per Year

Management	\$785
Administration	\$495
Payroll	\$1,935
Utilities	\$975
Water & Sewer	\$0
Repair & Maint.	\$1,175
Insurance	\$295
Taxes	\$3,400
Total Operating Expenses	\$9,060

Tax Rate 0.85%

Annual Cash Flow and Returns Summary

The Lakes At Fair Meadow

	Project Year	1	2	3	4	5	6	7
	Calendar Year	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
		8/28/2012	8/28/2013	8/28/2014	8/28/2015	8/28/2016	8/28/2017	8/28/2018
Units Closed	100	0	50	50	0	0	0	0
		Data Series Profile						
	Total							
Sales Revenue, Net of Selling Costs	\$40,992,000	0	20,496,000	20,496,000	0	0	0	0
Total Operating Expenses	\$153,165	8,000	94,206	50,958	0	0	0	0
Net Revenue After Operating Expenses	\$40,838,835	(8,000)	20,401,794	20,445,042	0	0	0	0
Senior Loan Mortgage Recording Tax	\$305,430	0	305,430	0	0	0	0	0
Senior Loan Cash Interest Expense	\$2,951	0	2,694	257	0	0	0	0
Total Financing Costs	\$308,380	0	308,123	257	0	0	0	0
Net Revenue After Financing Costs	\$40,530,455	(8,000)	\$20,093,670	\$20,444,785	\$0	\$0	\$0	\$0
Financing Cash Flows								
Sponsor Equity Investment	(\$2,000,000)	(2,000,000)	0	0	0	0	0	0
Sponsor Operating Deficit Draw	(\$58,188)	(1,333)	(56,855)	0	0	0	0	0
Investor Equity Investment	(\$10,000,000)	(2,228,060)	(7,771,940)	0	0	0	0	0
Investor Operating Deficit Draw	(\$290,942)	(6,667)	(284,276)	0	0	0	0	0
Senior Loan Draw	\$20,733,130	0	16,077,733	4,655,397	0	0	0	0
Senior Loan Repayment	(\$21,064,113)	0	(16,361,292)	(4,702,821)	0	0	0	0
Net Levered Cash Flow	\$7,466,342	(\$4,236,060)	(\$4,039,562)	\$15,741,964	\$0	\$0	\$0	\$0
Net Profit	\$7,466,342							
Internal Rate of Return (XIRR)	50.90%	<i>Off of Annual Cash Flows</i>						
Net Present Value (XNPV) 8.00%	\$5,519,802							

Equity Joint Venture Partnership Structure

The Lakes At Fair Meadow

Total Required Equity (Purchase + Operation)		\$12,349,131	(Includes any Deficit Funding)
Sponsor	6.16%	\$2,058,188	100.00%
Third Party Investor	<u>93.84%</u>	<u>\$10,290,942</u>	
	100.00%	\$12,349,131	

Profit Sharing

			Preferred Return	Residual Split
Partnership Structure	% Equity		8.00%	
Sponsor Equity	6.16%	<i>Profit >></i>	6.16%	50.00%
Third Party Investor	<u>93.84%</u>	<i>Sharing >></i>	0.00%	
Total	100.00%	<i>Splits >></i>	<u>93.84%</u>	<u>50.00%</u>
			100.00%	100.00%

Note: By its nature, the Preferred Return includes the Return of Capital.

Joint Venture Return Detail

The Lakes At Fair Meadow

	Sponsor	Third Party Investor	Total Project
Equity Investment	\$2,058,188	\$10,290,942	\$12,349,131
<i>Share of Equity Investment</i>	<i>16.67%</i>	<i>83.33%</i>	<i>100.00%</i>
Gross Return	\$4,767,559	\$15,047,914	\$19,815,473
Net Profit (Return on Equity)	\$2,709,370	\$4,756,972	\$7,466,342
Multiple on Equity	2.32x	1.46x	1.60x
Internal Rate of Return	76.92%	49.66%	57.18%
Time from Equity Investment to Final Return (months)	26	26	26

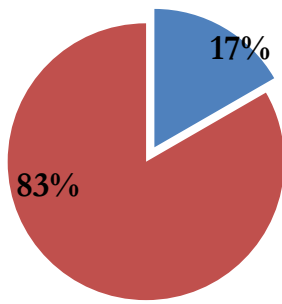
<u>Profit Sharing Summary - Sponsor and Third Party Investor</u>					
Tier	Sponsor Cashflow	Developer Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
ROC and Pref Return	\$722,152	6%	\$11,002,507	94%	\$11,724,658
Tier 1	\$4,045,407	50%	\$4,045,407	50%	\$8,090,815
Total	\$4,767,559	24%	\$15,047,914	76%	\$19,815,473
Less Equity Investment	(\$2,058,188)	17%	(\$10,290,942)	83%	(\$12,349,131)
Net Profit (Return on Equity)	\$2,709,370	36%	\$4,756,972	64%	\$7,466,342

Profit Sharing Structure - Developer and Third Party Investor

IRR Hurdle Ranges	Developer Promote	Developer Equity Pro-Rata Share	Investor Profit Share	Total (must be 100%)
0% through 8%	0%	6%	94%	100%
Above 8%	44%	6%	50%	100%

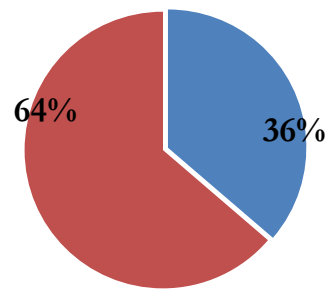
Share of Total Equity Investment

■ Sponsor ■ Third Party Investor



Share of Total Profit

■ Sponsor ■ Third Party Investor



Net Profits

