

**The Lakes At Fair Meadow**  
**Summary of Land Development Assumptions - Part 1 - 9/16/2012**

SITE INFORMATION	
Project Name	The Lakes At Fair Meadow
Address	Old Fairgrounds, Anytown, NY 12345
County	Fairford County
Land Owner	Jones Family Trust
Current Zoning	Farm
Targeted Zoning	Residential
Maximum Allowable Density	2 Lots/acre
Site Acreage	50 acres
Total Number of Lots	94 Lots

PROJECT TIMING AND SALES VELOCITY ASSUMPTIONS		
	<u>Month #</u>	<u>Date</u>
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	94 Lots	Duration	Start Month #	End Month #	# of Lots
Pre-Development (months)		8 months			
Sitework and Infrastructure Construction		12 months	9	20	
Lot Sales Duration, Start/End Month #, Rate		10 months	21	30	10.00/Month
Lot Deposit to Closing Timing		1 months			
Closings Start / End Month		10 months	22	31	

DEVELOPMENT USES OF FUNDS					
			<u>% Total</u>	<u>\$/Acre</u>	<u>Total</u>
Land and Acquisition Costs	10.00% Deposit		34.92%	\$20,000	\$1,000,000
<b>Total Hard Costs</b>			<b>50.73%</b>	<b>\$15,454</b>	<b>\$1,452,672</b>
Development Hard Costs	\$25,000/acre			\$27,936	\$1,396,800
Hard Costs Contingency	4.00% of Development Hard Costs			\$1,117	\$55,872
<b>Total Soft Costs and Fees</b>			<b>10.73%</b>		<b>\$307,296</b>
Soft Costs	15.00% of Development Hard Costs			\$4,190	\$209,520
Developer Fee	5.00% of Development Hard Costs				\$69,840
CM Fee	2.00% of Development Hard Costs				\$27,936
<b>Financing Costs excl. any Operating Deficit</b>			<b>3.61%</b>	<b>\$2,068</b>	<b>\$103,397</b>
<b>Total Uses of Funds</b>			<b>100.00%</b>	<b>\$57,267.30</b>	<b>\$2,863,365</b>
Operating Deficit (Funded by Equity)					\$64,620
<b>Total Uses of Funds with Operating Deficit</b>					<b>\$2,927,985</b>

DEVELOPMENT SOURCES OF FUNDS					
				<u>Deficit Share*</u>	<u>Total Equity</u>
<b>Equity</b>	<u>% of Total Equity</u>	<u>Initial Amount</u>		<u>% of Cost</u>	
Sponsor Cash Equity	23.08%	\$300,000	\$20,039	10.93%	\$320,039
Third Party Investor	76.92%	\$1,000,000	\$66,796	36.43%	\$1,066,796
<b>Equity Total</b>	<b>100.00%</b>	<b>\$1,300,000</b>	<b>\$86,835</b>	<b>47.36%</b>	<b>\$1,386,835</b>
<b>Acquisition and Development Senior Debt **</b>				<u>% of Cost</u>	<u>Total</u>
Funding Date	2/1/2013	6.50% Interest		52.33%	\$1,532,096
Mortgage Recording Tax	2/1/2013	1.45%			
Loan Fees - Front End	2/1/2013	0.50%			
Loan Fees - At Draws		0.75%			
			<b>Debt Total</b>	<b>52.33%</b>	<b>\$1,532,096</b>
			<b>Property Cash Flow</b>	<b>0.31%</b>	<b>\$9,054</b>
			<b>Total Sources of Funds</b>	<b>100.00%</b>	<b>\$2,927,985</b>

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

**The Lakes At Fair Meadow**  
**Summary of Land Development Assumptions - Part 2 - 9/16/2012**

SALES CASH FLOWS				OPERATING ASSUMPTIONS			
<b>Sales Office / Marketing Spend</b>		<b>\$4,000/mo</b>	<b>3 Mos. prior to Phase 1 Sales Start</b>	Annual Inflation Rate for Operating Expenses/Deficit			<b>2.00%</b>
<b>Developed Lots</b>		<u>Average Price</u>	<u>Average Acreage</u>	Annual Operating Expenses/Lot after Completion			\$5,660
Total	94 Lots	\$53,191	0.53 acres	Real Estate Taxes on Developed Lots			
<b>Revenue</b>			<b>Amount</b>	Average Assessed Value			\$50,000
Lots		<b>10.00%</b> Deposit Amount	\$5,000,000	Tax Rate			0.85%
Selling Costs		<b>4.00%</b>	<u>(\$200,000)</u>	Annual Real Estate Taxes/Lot after Completion			\$425
<b>Total Revenues, Net</b>			<b>\$4,800,000</b>	<b>RETURNS (CALCULATED OFF OF MONTHLY CASH FLOWS)</b>			
					Sponsor	Third Party	Total Project
				Equity Investment	\$300,000	\$1,000,000	\$1,300,000
				Net Return on Equity	\$665,572	\$959,820	\$1,625,392
				Multiple on Equity	3.08x	1.90x	2.17x
				IRR	95.78%	53.63%	65.14%
				NPV off of Monthly CFs	<b>8.00%</b>		\$1,221,346
				IRR Kicker Return Hurdle	<b>0.00%</b>		
				Land Owner Participation %	<b>0.00%</b>		

**NOTES**

Lot Mix and Pricing Details

The Lakes At Fair Meadow

Total Land Acreage 50.00 acres

For Dwelling Type	Average Sales Price per Acre	Average Lot Size	Sales Price	% of Acreage	Total Acreage	# of Lots	\$25,000/acre		
							Base Hard Costs	Hard Costs Premium	Total Hard Costs
<b>For Cape Cod A</b>	\$100,000/acre	<b>0.25 acres</b>	<b>\$25,000</b>	10.00%	5.00 acres	<b>20</b>	\$125,000	<b>0%</b>	\$125,000
<b>For Cape Cod B</b>	\$100,000/acre	<b>0.33 acres</b>	<b>\$33,000</b>	10.56%	5.28 acres	<b>16</b>	\$132,000	<b>0%</b>	\$132,000
<b>For Modern A</b>	\$100,000/acre	<b>0.50 acres</b>	<b>\$50,000</b>	20.00%	10.00 acres	<b>20</b>	\$250,000	<b>10%</b>	\$275,000
<b>For Modern B</b>	\$100,000/acre	<b>0.67 acres</b>	<b>\$67,000</b>	21.44%	10.72 acres	<b>16</b>	\$268,000	<b>10%</b>	\$294,800
<b>For McMansion A</b>	\$100,000/acre	<b>0.75 acres</b>	<b>\$75,000</b>	18.00%	9.00 acres	<b>12</b>	\$225,000	<b>20%</b>	\$270,000
<b>For McMansion B</b>	\$100,000/acre	<b>1.00 acres</b>	<b>\$100,000</b>	<u>20.00%</u>	<u>10.00 acres</u>	<b>10</b>	\$250,000	<b>20%</b>	<u>\$300,000</u>
<b>Average/Total</b>	<b>\$100,000/acre</b>	<b>0.53 acres</b>	<b>\$53,191</b>	<b>100.00%</b>	<b>50.00 acres</b>	<b>94</b>			<b>\$1,396,800</b>

Gross Revenues \$5,000,000

Average Assessed Value at Delivery  
\$50,000

**Operating Expenses and RE Taxes - Per Lot Per Year**

Management	\$785
Administration	\$495
Payroll	\$1,935
Utilities	\$975
Water & Sewer	\$0
Repair & Maint.	\$1,175
Insurance	\$295
Taxes	\$425
<b>Total Operating Expenses</b>	<b>\$6,085</b>

Tax Rate 0.85% >>>

*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 +	23.08%	11.00%			\$300,000				\$320,039	Developer Sponsor Equity +	10.93%
Third Party Investor Equity +	76.92%	36.67%	47.67%		\$1,000,000	<b>\$1,300,000</b>		\$86,835	<u>\$1,066,796</u>	Third Party Investor Equity +	36.43%
AD&C Senior Loan **		<u>52.33%</u>		52.33%	<u>\$1,532,096</u>		<b>\$1,532,096</b>			Senior Loan **	52.33%
<b>Total Sources of Funds (TDC)</b>	<b>100.00%</b>	<b>100.00%</b>			<b>\$2,918,931</b>					Property Cash Flow as Source of Funds	<u>0.31%</u>
<b>Sources of Funds From Above</b>	<b>\$2,918,931</b>										<b>100.00%</b>
<b>Property Cash Flow As Source of Fund:</b>	<b>\$9,054</b>										
<b>Total Sources of Funds</b>	<b>\$2,927,985</b>										

+ 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.



*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
		9/16/2012	9/16/2013	9/16/2014	9/16/2015	9/16/2016	9/16/2017	9/16/2018
Lots Closed	94	0	0	94	0	0	0	0
		<b>Data Series Profile</b>						
	<b>Total</b>							
<b>Sales Revenue, Net of Selling Costs</b>	<b>\$4,800,000</b>	<b>0</b>	<b>0</b>	<b>4,800,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Operating Expenses	\$311,243	0	64,620	246,623	0	0	0	0
<b>Net Revenue After Operating Expenses</b>	<b>\$4,488,757</b>	<b>0</b>	<b>(64,620)</b>	<b>4,553,377</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Senior Loan Mortgage Recording Tax	\$22,215	0	22,215	0	0	0	0	0
Senior Loan Cash Interest Expense	\$9,054	0	0	9,054	0	0	0	0
<b>Total Financing Costs</b>	<b>\$31,269</b>	<b>0</b>	<b>22,215</b>	<b>9,054</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Revenue After Financing Costs</b>	<b>\$4,457,488</b>	<b>\$0</b>	<b>(\$86,835)</b>	<b>\$4,544,323</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
		<b>Financing Cash Flows</b>						
Sponsor Equity Investment	(\$300,000)	(300,000)	0	0	0	0	0	0
Sponsor Operating Deficit Draw	(\$20,039)	0	(20,039)	0	0	0	0	0
Investor Equity Investment	(\$1,000,000)	(813,560)	(186,440)	0	0	0	0	0
Investor Operating Deficit Draw	(\$66,796)	0	(66,796)	0	0	0	0	0
Senior Loan Draw	\$1,459,968	0	1,405,493	54,475	0	0	0	0
Senior Loan Repayment	(\$1,532,096)	0	0	(1,532,096)	0	0	0	0
<b>Net Levered Cash Flow</b>	<b>\$1,625,392</b>	<b>(\$1,113,560)</b>	<b>(\$273,275)</b>	<b>\$3,012,227</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Profit</b>	<b>\$1,625,392</b>							
<b>Internal Rate of Return (XIRR)</b>	<b>52.66%</b>	<i>Off of Annual Cash Flows</i>						
<b>Net Present Value (XNPV) 8.00%</b>	<b>\$1,215,907</b>							

Equity Joint Venture Partnership Structure

The Lakes At Fair Meadow

Total Required Equity (Purchase + Operation)		\$1,386,835	(Includes any Deficit Funding)
Sponsor	10.93%	\$320,039	100.00%
Third Party Investor	<u>89.07%</u>	<u>\$1,066,796</u>	
	100.00%	\$1,386,835	

Profit Sharing

			Preferred Return	Residual Split
			<b>8.00%</b>	
<b>Partnership Structure</b>	% Equity			
Sponsor Equity	10.93%	<i>Profit &gt;&gt;</i>	Sponsor Equity 10.93%	<b>50.00%</b>
Third Party Investor	<u>89.07%</u>	<i>Sharing &gt;&gt;</i>	Sponsor Promote <b>0.00%</b>	
Total	100.00%	<i>Splits &gt;&gt;</i>	Investor Equity <u>89.07%</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	\$320,039	\$1,066,796	<b>\$1,386,835</b>
<i>Share of Equity Investment</i>	<i>23.08%</i>	<i>76.92%</i>	<i>100.00%</i>
Gross Return	\$985,611	\$2,026,616	<b>\$3,012,227</b>
Net Profit (Return on Equity)	\$665,572	\$959,820	<b>\$1,625,392</b>
Multiple on Equity	3.08x	1.90x	<b>2.17x</b>
Internal Rate of Return	95.78%	53.63%	<b>65.14%</b>
Time from Equity Investment to Final Return (months)	31	31	31

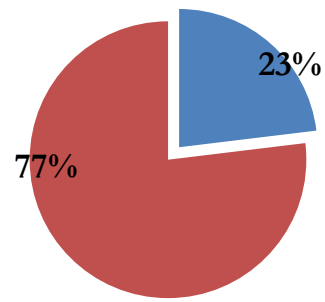
<u>Profit Sharing Summary - Sponsor and Third Party Investor</u>					
Tier	Sponsor Cashflow	Developer Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
ROC and Pref Return	\$145,619	11%	\$1,186,624	89%	\$1,332,242
Tier 1	\$839,993	50%	\$839,993	50%	\$1,679,985
<b>Total</b>	<b>\$985,611</b>	<b>33%</b>	<b>\$2,026,616</b>	<b>67%</b>	<b>\$3,012,227</b>
<b>Less Equity Investment</b>	<b>(\$320,039)</b>	<b>23%</b>	<b>(\$1,066,796)</b>	<b>77%</b>	<b>(\$1,386,835)</b>
<b>Net Profit (Return on Equity)</b>	<b>\$665,572</b>	<b>41%</b>	<b>\$959,820</b>	<b>59%</b>	<b>\$1,625,392</b>

Profit Sharing Structure - Developer and Third Party Investor

	<u>IRR Hurdle Ranges</u>		Developer Promote	Developer Equity Pro-Rata Share	Investor Profit Share	Total (must be 100%)	
	Preferred Return	From					
	0%	through	8%	0%	11%	89%	100%
Residual Split		Above	8%	39%	11%	50%	100%

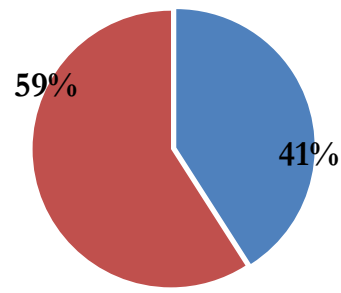
Share of Total Equity Investment

■ Sponsor ■ Third Party Investor



Share of Total Profit

■ Sponsor ■ Third Party Investor



Net Profits

