

The Meadows at Fair Lakes
Summary of Development Assumptions - 8/28/2012

SITE INFORMATION	
Project Name	The Meadows at Fair Lakes
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	60 acres
Total Allowable Housing Units	240 Housing Units
Phases (not necessarily an even housing count in each)	3
Staggered Land Take Down	Yes

PROJECT TIMING, PHASING AND SALES VELOCITY ASSUMPTIONS		
	<u>Month #</u>	<u>Date</u>
Analysis Start Date	Mo. 1	4/1/2012
Land Deposit Date Phase 1	Mo. 6	9/1/2012
Land Closing Date Phase 1	Mo. 9	12/1/2012
Land Deposit Date Phase 2	Mo. 14	5/1/2013
Land Closing Date Phase 2	Mo. 21	12/1/2013
Land Deposit Date Phase 3	Mo. 21	12/1/2013
Land Closing Date Phase 3	Mo. 32	11/1/2014

Event	Duration				
Phase 1 Pre-Construction (months)	8 months	Go To Gantt Chart			
Phase 1	95 Homes	Duration	Month #	End Month #	# of Homes
Sitework and Infrastructure Construction Start			9		
Construction Duration (months) / End	14 months			22	
Post-Foundation House Construction Cycle	6 months				
First House Foundation Start			10		
Foundation Starts (Consecutive months)	7 months				15.00/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					

Phase 2	0 Homes	Duration	Month #	End Month #	# of Homes
Sitework and Infrastructure Construction Start			0		
Construction Duration (months) / End	0 months			0	
Post-Foundation House Construction Cycle	0 months				
First House Foundation Start			0		
Foundation Starts (Consecutive months)	0 months				0.00/Month
Maximum Unit Closings per Month					0.00/Month
Unit Sales	0 months		0	0	0.00/Month
Closings Start / End Month	0 months		0	0	
Months foundation takes to cure fully: 1					

DEVELOPMENT USES OF FUNDS				<u>% Total</u>	<u>\$/Housing Unit</u>	<u>Total</u>	
Land and Acquisition Costs				6.85%	\$25,000	\$2,375,000	
Phase 1 Land	10.00% Deposit				\$25,000	\$2,375,000	
Phase 2 Land	5.00% Deposit				\$30,000	\$0	
Phase 3 Land	7.00% Deposit				\$50,000	\$0	
Total Hard Costs		Phase 1	Phase 2	Phase 3			
Development Hard Costs		\$120/SF	\$0/SF	\$0/SF	76.60%	\$279,493	\$26,551,840
Owner Directed Hard Costs		\$200,000	\$0	\$0		\$264,695	\$25,146,000
Model Home(s) FF&E		3 Mos. prior to Phase 1 Sales Start					\$200,000
Hard Costs Contingency	4.00% of Development Hard Costs					\$10,588	\$1,005,840
Total Soft Costs and Fees					15.96%		\$5,532,120
Soft Costs	15.00% of Development Hard Costs					\$39,704	\$3,771,900
Developer Fee	5.00% of Development Hard Costs						\$1,257,300
CM Fee	2.00% of Development Hard Costs						\$502,920
Financing Costs excl. any Operating Deficit					<u>0.59%</u>	<u>\$2,136</u>	<u>\$202,915</u>
Total Uses of Funds					100.00%	\$364,862	\$34,661,875
Operating Deficit (Funded by Equity)							\$108,596
Total Uses of Funds with Operating Def.							\$34,770,471

DEVELOPMENT SOURCES OF FUNDS						
Equity	<i>% of Developer Equity</i>	<i>% of Total Equity</i>	Initial Amount	Deficit Share*	<i>% of Cost</i>	Total Equity
Sponsor Land Equity	0.00%	0.00%	\$0	\$0	0.00%	\$0
Sponsor Cash Equity	0.43%	0.11%	\$30,000	\$121	0.09%	\$30,121
Equity Partner (if Any)	99.57%	25.90%	\$7,000,000	\$28,123	20.21%	\$7,028,123
Third Party Investor		<u>73.99%</u>	<u>\$20,000,000</u>	<u>\$80,352</u>	<u>57.75%</u>	<u>\$20,080,352</u>
Equity Total		100.00%	\$27,030,000	\$108,596	78.05%	\$27,138,596
Debt	<i>Closing Date</i>				<i>% of Cost</i>	Total
Land Loan	12/1/2012	0.00% Interest	Current PMT's			\$0
Mortgage Recording Tax		0.00%				
Origination Cost - Paid in Cash		0.00%				
Mezzanine Loan		10.00% Interest			0.00%	\$0
Loan Fees - Front End	7/1/2013	0.75%				
AD&C Senior Loan **	9/1/2013	6.50% Interest			21.64%	\$7,522,613
Mortgage Recording Tax	9/1/2013	1.45%				
Loan Fees - Front End	9/1/2013	0.50%				
Loan Fees - At Draws		0.75%				
Debt Total (excludes any Land Loan)					21.64%	\$7,522,613
Property Cash Flow					0.31%	\$109,261
Total Sources of Funds (excludes any Land Loan)					100.00%	\$34,770,471

AD&C Senior Loan **						
9/1/2013 6.50% Interest 21.64% \$7,522,613						
Mortgage Recording Tax 9/1/2013 1.45%						
Loan Fees - Front End 9/1/2013 0.50%						
Loan Fees - At Draws 0.75%						
Debt Total (excludes any Land Loan)					21.64%	\$7,522,613
Property Cash Flow					0.31%	\$109,261
Total Sources of Funds (excludes any Land Loan)					100.00%	\$34,770,471

* Operating Deficit and Financing-related Deficits

** Loan amount includes capitalized interest and capitalized points/fees

The Meadows at Fair Lakes
Summary of Operating Assumptions - 8/28/2012

SALES CASH FLOWS

Sales Office / Marketing Spend		\$10,000/mo	3 Mos. prior to Phase 1 Sales Start
Developed Units		<u>Average Price</u>	<u>Average SF</u>
Phase 1	95 Units	\$392,105	1,974 SF
Phase 2	100 Units	\$446,250	2,075 SF
Phase 3	<u>45 Units</u>	<u>\$519,444</u>	<u>1,989 SF</u>
Total	240 Units	\$438,542	2,019 SF
Revenue			Amount
Residential Units Excluding Options	Deposit Amount	10.00%	\$105,250,000
Options Income			
Phase 1 Sales		\$7,500/Unit	\$712,500
Phase 2 Sales		\$7,500/Unit	\$750,000
Phase 3 Sales		\$7,500/Unit	\$337,500
Gross Revenues			\$107,050,000
Selling Costs		4.00%	<u>(\$4,282,000)</u>
Total Revenues, Net			\$102,768,000

OPERATING ASSUMPTIONS

Annual Inflation Rate for Operating Expenses/Deficit	2.00%
Annual Operating Expenses/Unit after First C of O	\$5,660
Real Estate Taxes on Residential Units	
Average Assessed Value	
Phase 1	\$325,000
Phase 2	\$350,000
Phase 3	\$375,000
Tax Rate	0.85%
Annual Real Estate Taxes/Unit after First Completion	\$8,925

RETURNS (CALCULATED OFF OF MONTHLY CASH FLOWS)

	Sponsor	Equity Partner	Third Party	Total Project
Equity Investment	\$300,000	\$7,000,000	\$20,000,000	\$27,300,000
Net Return on Equity	\$5,880,428	\$1,026,082	\$5,934,521	\$11,814,948
Multiple on Equity	1.80x	1.69x	1.29x	1.43x
IRR	33.33%	30.37%	23.06%	27.35%
NPV off of Monthly CFs	8.00%			\$6,899,325
IRR Kicker Return Hurdle	0.00%			
Land Owner Participation %	0.00%			

NOTES

Housing Mix and Pricing Details

The Meadows at Fair Lakes

Maximum Allowable Homes

240

Phase 1							\$120 PSF			
Unit Type	Average Sales Price PSF	Average Unit Size	Sales Price	% of SSF	SSF	# of Homes	Base Hard Costs	Hard Costs Premium	Hard Costs	Total Phase 1 Hard Costs
Cape Cod A	\$204 PSF	1,350 SF	\$275,000	14.40%	27,000 SSF	20	\$162,000	0%	\$162,000	\$3,240,000
Cape Cod B	\$200 PSF	1,500 SF	\$300,000	8.00%	15,000 SSF	10	\$180,000	0%	\$180,000	\$1,800,000
Modern A	\$232 PSF	1,400 SF	\$325,000	14.93%	28,000 SSF	20	\$168,000	10%	\$184,800	\$3,696,000
Modern B	\$265 PSF	1,700 SF	\$450,000	22.67%	42,500 SSF	25	\$204,000	10%	\$224,400	\$5,610,000
McMansion A	\$143 PSF	3,500 SF	\$500,000	18.67%	35,000 SSF	10	\$420,000	20%	\$504,000	\$5,040,000
McMansion B	\$150 PSF	4,000 SF	\$600,000	21.33%	40,000 SSF	10	\$480,000	20%	\$576,000	\$5,760,000
Average/Total	\$199 PSF	1,974 SSF	\$392,105	100.00%	187,500 SSF	95				\$25,146,000

Phase 2							\$135 PSF			
Unit Type	Average Sales Price PSF	Average Unit Size	Sales Price	% of SSF	SSF	# of Homes	Base Hard Costs	Hard Costs Premium	Hard Costs	Total Phase 2 Hard Costs
Cape Cod A	\$241 PSF	1,350 SF	\$325,000	13.01%	27,000 SSF	20	\$182,250	0%	\$182,250	\$3,645,000
Cape Cod B	\$233 PSF	1,500 SF	\$350,000	7.23%	15,000 SSF	10	\$202,500	0%	\$202,500	\$2,025,000
Modern A	\$268 PSF	1,400 SF	\$375,000	13.49%	28,000 SSF	20	\$189,000	10%	\$207,900	\$4,158,000
Modern B	\$232 PSF	1,700 SF	\$395,000	20.48%	42,500 SSF	25	\$229,500	10%	\$252,450	\$6,311,250
McMansion A	\$171 PSF	3,500 SF	\$600,000	16.87%	35,000 SSF	10	\$472,500	20%	\$567,000	\$5,670,000
McMansion B	\$188 PSF	4,000 SF	\$750,000	28.92%	60,000 SSF	15	\$540,000	20%	\$648,000	\$9,720,000
Average/Total	\$215 PSF	2,075 SSF	\$446,250	100.00%	207,500 SSF	100				\$31,529,250

Phase 3							\$150 PSF			
Unit Type	Average Sales Price PSF	Average Unit Size	Sales Price	% of SSF	SSF	# of Homes	Base Hard Costs	Hard Costs Premium	Hard Costs	Total Phase 3 Hard Costs
Cape Cod A	\$296 PSF	1,350 SF	\$400,000	15.08%	13,500 SSF	10	\$202,500	0%	\$202,500	\$2,025,000
Cape Cod B	\$283 PSF	1,500 SF	\$425,000	8.38%	7,500 SSF	5	\$225,000	0%	\$225,000	\$1,125,000
Modern A	\$321 PSF	1,400 SF	\$450,000	15.64%	14,000 SSF	10	\$210,000	10%	\$231,000	\$2,310,000
Modern B	\$279 PSF	1,700 SF	\$475,000	18.99%	17,000 SSF	10	\$255,000	10%	\$280,500	\$2,805,000
McMansion A	\$214 PSF	3,500 SF	\$750,000	19.55%	17,500 SSF	5	\$525,000	20%	\$630,000	\$3,150,000
McMansion B	\$213 PSF	4,000 SF	\$850,000	22.35%	20,000 SSF	5	\$600,000	20%	\$720,000	\$3,600,000
Average/Total	\$261 PSF	1,989 SSF	\$519,444	100.00%	89,500 SSF	45				\$15,015,000

Totals/Averages

	Sales	Assessed Value at Delivery	Operating Expenses and RE Taxes - Per Unit Per Year	
Phase 1	\$37,250,000	\$325,000	Management	\$785
Phase 2	\$44,625,000	\$350,000	Administration	\$495
Phase 3	\$23,375,000	\$375,000	Payroll	\$1,935
	\$105,250,000		Utilities	\$975
			Water & Sewer	\$0
			Repair & Maint.	\$1,175
			Insurance	\$295
			Taxes	\$8,925
			Total Operating Expenses	\$14,585
				Tax Rate 0.85%

Capital Structure

The Meadows at Fair Lakes

	% Equity	% TDC	Equity % TDC	Debt % TDC	Amount *	Total Equity excl. Deficits ^	Total Debt *	Share of Developer Equity	Deficits Funded by Equity	Equity Investment including Deficit Liabilities		% TDC - Actual %s
Sponsor Land Equity	0.00%	0.00%			\$0			0.00%		\$0		
Sponsor Equity	1.10%	0.31%			\$300,000			4.11%	\$286,968	\$303,153	Developer Sponsor Equity +	0.30%
Developer Partner Equity	25.64%	7.25%	28.27%		\$7,000,000	\$27,300,000		95.89%		\$7,073,582	Developer Partner Equity +	6.99%
Third Party Investor Equity	73.26%	20.71%			\$20,000,000					<u>\$20,210,233</u>	Third Party Investor Equity +	19.98%
Mezzanine Loan		14.83%			\$15,000,000					\$27,586,968	Mezzanine Loan	14.83%
Senior Loan **		<u>56.90%</u>		71.73%	<u>\$57,560,246</u>		\$72,560,246				Senior Loan **	56.90%
Total Sources of Funds (TDC)	100.00%	100.00%			\$100,147,214						Property Cash Flow as Source of Funds	<u>0.99%</u>
Sources of Funds From Above					\$100,147,214							100.00%
Property Cash Flow As Source of Funds					\$1,004,821							
Total Sources of Funds					\$101,152,035							

+ 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 Senior Loan Amount 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 T for adjusted totals.

Annual Cash Flow and Returns Summary

The Meadows at Fair Lakes

	Project Year Calendar Year	1 Year 2012 8/28/2012	2 Year 2013 8/28/2013	3 Year 2014 8/28/2014	4 Year 2015 8/28/2015	5 Year 2016 8/28/2016	6 Year 2017 8/28/2017	7 Year 2018 8/28/2018	8 Year 2019 8/28/2019	9 Year 2020 8/28/2020	10 Year 2021 8/28/2021	
Units Closed	240	0	50	95	95	0	0	0	0	0	0	
	Total	Data Series Profile										
Phase 1 Revenue, Net	\$36,444,000	0	20,979,276	15,464,724	0	0	0	0	0	0	0	
Phase 2 Revenue, Net	\$43,560,000	0	0	24,048,750	19,511,250	0	0	0	0	0	0	
Phase 3 Revenue, Net	\$22,764,000	0	0	0	22,764,000	0	0	0	0	0	0	
All Sale Revenue, Net	\$102,768,000	0	20,979,276	39,513,474	42,275,250	0	0	0	0	0	0	
Revenue Net of Selling Costs	\$102,768,000	0	19,181,053	39,042,947	44,544,000	0	0	0	0	0	0	
Total Operating Expenses	\$1,047,904	20,000	324,555	374,839	328,510	0	0	0	0	0	0	
Net Revenue After Operating Expenses	\$101,720,096	(20,000)	18,856,497	38,668,108	44,215,490	0	0	0	0	0	0	
Cash Interest Expense	\$170,284											
Land Loan	\$0	0	0	0	0	0	0	0	0	0	0	
Mezzanine Loan	\$12,066	0	0	12,066	0	0	0	0	0	0	0	
Senior Loan	\$158,218	0	0	44,095	114,122	0	0	0	0	0	0	
Total Financing Costs	\$1,117,407	0	112,500	890,785	114,122	0	0	0	0	0	0	
Net Revenue Less Interest	\$100,602,689	(20,000)	\$18,743,997	\$37,777,324	\$44,101,368	\$0	\$0	\$0	\$0	\$0	\$0	
Financing Cash Flows:												
Sponsor Equity Investment	(\$300,000)	(300,000)	0	0	0	0	0	0	0	0	0	
Sponsor Operating Deficit Draw	(\$3,153)	(220)	(2,210)	(400)	(323)	0	0	0	0	0	0	
Partner Equity Investment	(\$7,000,000)	(6,278,373)	(721,627)	0	0	0	0	0	0	0	0	
Partner Operating Deficit Draw *	(\$73,582)	(5,128)	(51,563)	(9,343)	(7,547)	0	0	0	0	0	0	
Investor Equity Investment	(\$20,000,000)	0	(20,000,000)	0	0	0	0	0	0	0	0	
Investor Operating Deficit Draw *	(\$210,233)	(14,652)	(147,323)	(26,695)	(21,563)	0	0	0	0	0	0	
All Loan Draws	\$71,599,715	0	14,644,886	40,011,779	16,943,050	0	0	0	0	0	0	
Land Loan Repayment	\$0	0	0	0	0	0	0	0	0	0	0	
Mezzanine Loan Repayment	(\$15,000,000)	0	(13,369,505)	(1,630,495)	0	0	0	0	0	0	0	
Senior Loan Repayment	(\$57,560,246)	0	0	(33,729,608)	(23,830,638)	0	0	0	0	0	0	
Net Levered Cash Flow *	\$11,814,948	(\$6,598,373)	(\$5,754,251)	\$3,896,842	\$20,270,730	\$0	\$0	\$0	\$0	\$0	\$0	
Net Profit	\$11,814,948											
Internal Rate of Return (XIRR)	32.46%											
Net Present Value (XNPV) 8.00%	\$7,506,090											

Off of Annual Cash Flows

** Exclusive of any NOI from Existing Apartments*

Joint Venture Partnership Structure

The Meadows at Fair Lakes

Total Required Equity (Purchase + Operation) \$27,586,968 (Includes Operating Deficit Funding)

Sponsor Land Equity	0.00%	\$0	
Sponsor Cash Equity	1.10%	\$303,153	4.11%
Equity Partner	25.64%	\$7,073,582	<u>95.89%</u>
Sponsor	26.74%	\$7,376,735	100.00%
Third Party Investor	<u>73.26%</u>	<u>\$20,210,233</u>	
	100.00%	\$27,586,968	

Profit Sharing

Waterfall #1

Partnership Structure	% Equity	
Sponsor Equity	26.74%	<i>Profit >></i>
Investor	<u>73.26%</u>	<i>Sharing >></i>
Total	100.00%	<i>Splits >></i>

Note: By its nature, the Preferred Return (Tier 1) includes the Return of Capital.

IRR Hurdle Rates

	Pref: 11%	Tier 1: 14%	Tier 2: 18%	Tier 3: 18%	Tier 4: > 18%
Sponsor Equity	26.74%	26.74%	26.74%	26.74%	26.74%
Sponsor Promote	0.00%	20.00%	25.00%	25.00%	40.00%
Investor Equity	<u>73.26%</u>	<u>53.26%</u>	<u>48.26%</u>	<u>48.26%</u>	<u>33.26%</u>
	100.00%	100.00%	100.00%	100.00%	100.00%

Waterfall #2

Sponsor Structure	% Sponsor Equity	
Owner/Developer	4.11%	<i>Profit >></i>
Equity Partner	<u>95.89%</u>	<i>Sharing >></i>
Total	100.00%	<i>Splits >></i>

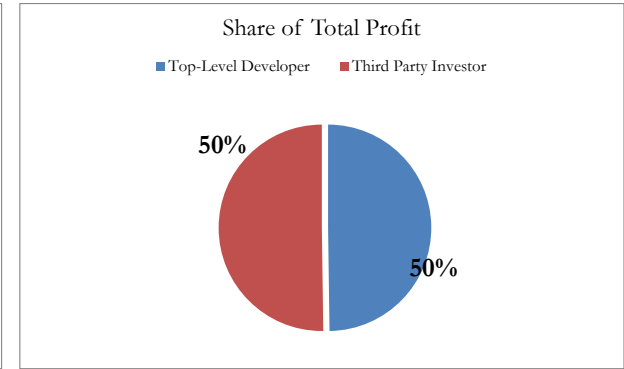
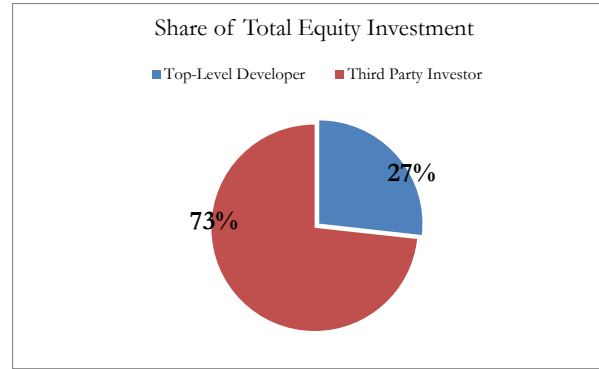
Note: By its nature, the Preferred Return (Tier 1) includes the Return of Capital.

	Pref: 6%	Tier 1: 12%	Tier 2: 16%	Tier 3: 20%	Tier 4: > 20%
Sponsor Equity	4.11%	4.11%	4.11%	4.11%	4.11%
Sponsor Promote	0.00%	10.00%	12.00%	15.00%	18.00%
Developer Partner Equity	<u>95.89%</u>	<u>85.89%</u>	<u>83.89%</u>	<u>80.89%</u>	<u>77.89%</u>
	100.00%	100.00%	100.00%	100.00%	100.00%

Joint Venture Return Detail - 3 Equity Players

The Meadows at Fair Lakes

	Sponsor	Developer Partner	Third Party Investor	Total Project	Top-Level Developer (Sponsor and Partner)
Equity Investment	\$303,153	\$7,073,582	\$20,210,233	\$27,586,968	\$7,376,735
Share of Equity Investment	1.10%	25.64%	73.26%	100.00%	26.74%
Gross Return	\$1,329,235	\$11,927,928	\$26,144,754	\$39,401,916	\$13,257,163
Net Profit (Return on Equity)	\$1,026,082	\$4,854,346	\$5,934,521	\$11,814,948	\$5,880,428
Multiple on Equity	4.38x	1.69x	1.29x	1.43x	1.80x
Internal Rate of Return	63.74%	30.37%	23.06%	0.00%	33.33%
Time from Equity Investment to Final Return (months)	38	38	38	38	38

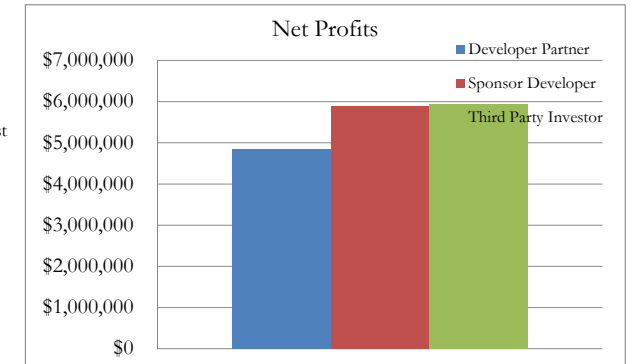


Waterfall #1 Summary - Top-Level Developer and Third Party Investor

Tier	Developer (Sponsor and Partner) Cashflow	Developer Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
Preferred Return	\$8,290,178	27%	\$22,712,817	73%	\$31,002,996
Tier 1	\$683,348	47%	\$778,674	53%	\$1,462,022
Tier 2	\$1,193,621	52%	\$1,113,342	48%	\$2,306,964
Tier 3	\$0	0%	\$0	0%	\$0
Tier 4	\$3,090,015	67%	\$1,539,920	33%	\$4,629,935
Total	\$13,257,163	34%	\$26,144,754	66%	\$39,401,916
Less Equity Investment	(\$7,376,735)	27%	(\$20,210,233)	73%	(\$27,586,968)
Net Profit (Return on Equity)	\$5,880,428	50%	\$5,934,521	50%	\$11,814,948

Waterfall #1 Structure - Top-Level Developer and Third Party Investor

	IRR Hurdle Ranges			Developer Promote	Developer Equity Pro-Rata Share	Investor Profit Share	Total (must be 100%)
	From	through	Above				
Preferred Return	0%	11%	Above	0%	27%	73%	100%
Tier 1	Above 11%	14%	18%	20%	27%	53%	100%
Tier 2	Above 14%	18%	25%	25%	27%	48%	100%
Tier 3	Above 18%	18%	40%	25%	27%	48%	100%
Tier 4	Above 18%	18%	40%	40%	27%	33%	100%



Waterfall #2 Summary - Sponsor and Developer Partner

Tier	Sponsor Cashflow	Sponsor Share	Partner Cashflow	Partner Share	Total Cashflow
Preferred Return	\$332,835	4%	\$7,766,150	96%	\$8,098,985
Tier 1	\$132,869	14%	\$808,827	86%	\$941,696
Tier 2	\$117,565	16%	\$612,217	84%	\$729,781
Tier 3	\$158,796	19%	\$672,179	81%	\$830,975
Tier 4	\$587,170	22%	\$2,068,556	78%	\$2,655,726
Total	\$1,329,235	10%	\$11,927,928	90%	\$13,257,163
Less Equity Investment	(\$303,153)	4%	(\$7,073,582)	96%	(\$7,376,735)
Net Profit (Return on Equity)	\$1,026,082	17%	\$4,854,346	83%	\$5,880,428

Waterfall #2 Structure - Sponsor and Developer Partner

	IRR Hurdle Ranges			Sponsor Promote	Equity Pro-Rata Share	Partner Profit Share	Total (must be 100%)
	From	through	Above				
Preferred Return	0%	6%	Above	0%	4%	96%	100%
Tier 1	Above 6%	12%	16%	10%	4%	86%	100%
Tier 2	Above 12%	16%	20%	12%	4%	84%	100%
Tier 3	Above 16%	20%	18%	15%	4%	81%	100%
Tier 4	Above 20%	20%	18%	18%	4%	78%	100%

