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 Densiy		4 DUs per acre								
Site Acreage		25 acres								
Total Allowable Housing Units		100 Housing Units								

PROJECT TIMING ANI	O SALES VEL	OCITY ASSU	JMPTIONS	
		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 Operation	ng Deficit	<u>1.92%</u>	<u>\$6,394</u>	<u>\$639,363</u>								
Total Uses of Funds		100.00%	\$333,725	\$33,372,493								
Operating Deficit (Funded by Equity)				\$43,701								
Total Uses of Funds with Operatir	ng Def.			\$33,416,194								

	DEVEI	OPMENT SOURCES	OF FUNDS			
				Deficit		
Equity		% of Total Equity	Initial Amount	Share*	% of Cost	Total 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
<u>Debt</u>					% of Cost	Total
AD&C Senior Loan **	6/1/2013	6.50% Interes	t		63.04%	\$21,064,113
Mortgage Recording Tax	6/1/2013	1.45%	6			
Loan Fees - Front End	6/1/2013	0.50%	6			
Loan Fees - At Draws		0.75%	0			
				Debt Total	63.04%	\$21,064,113
			Property	Cash Flow	0.01%	\$2,951
			Total Source	es 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	S CASH FLOWS			OPERA	TING ASSUMPT	TIONS	
Sales Office / Marketing Spend		\$4,000/mo	3 Mos. prior to Phase	e 1 Sales Start	Annual Inflation Rate for Operating	2.00%		
		. 5.			Annual Operating Expenses/Unit af			\$5,660
Developed Units		Average Price		<u>Average SF</u>	Real Estate Taxes on Residential Uni	ts		
Total	100 Units	\$419,500		1,950 SF	Average Assessed Value			\$400,000
					Tax Rate			0.85%
					Annual Real Estate Taxes/Unit after	er First Completion		\$3,400
Revenue				Amount				
Residential Units Excluding Options		10.00% Do	eposit Amount	\$41,950,000	RETURNS (CALCULAT	ED OFF OF MO	NTHLY CASH	FLOWS)
Options Income		\$7,500/Unit	ī	\$750,000				,
Gross Revenues				\$42,700,000		Developer	Investor	Total Project
					Equity Investment	\$2,000,000	\$10,000,000	\$12,000,000
Selling Costs		4.00%		<u>(\$1,708,000)</u>	Net Return on Equity	\$2,709,370	\$4,756,972	\$7,466,342
_					Multiple on Equity	2.32x	1.46x	1.60x
Total Revenues, Net				\$40,992,000	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		\$2.40.1.21	\$10,290,942	Third Party Investor Equity +	30.80%
								\$349,131	\$12,349,131		
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				Propert	y Cash Flow as Source of Funds	0.01%
Sources of Funds From Above	\$33,413,244										100.00%

\$2,951

\$33,416,194

Property Cash Flow As Source of Funds

Total Sources of Funds

⁺ 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

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										\$110 PSF			
Unit Type	Beds	Baths	Garage	Average Sales Price PSF	Average Unit Size	Sales Price	% of SSF	SSF	# of Homes	Base Hard Costs	Hard Costs Premium	Hard Costs	Total 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	<u>\$600,000</u>	<u>20.51%</u>	40,000 SSF	<u>10</u>	\$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	Assessed Value at Delivery	Operating Expenses and RE Taxes - Per Unit Per Year			
	\$41,950,000	\$400,000	Management	\$785		
			Administration	\$495		
			T) 11	A4 00#		

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

Tax Rate 0.85%

USES OF FUNDS	Project Year Calendar Year Total	Data Series Profile	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	11 Year 2022 8/28/2022
Land & Acquisition Costs	\$2,500,000		2,500,000	0	0	0	0	0	0	0	0	0	0
Development Hard Costs	\$23,875,500	_1_	477,510	20,055,420	3,342,570	0	0	0	0	0	0	0	0
Owner Directed Hard Costs	\$100,000		2,000	84,000	14,000	0	0	0	0	0	0	0	0
Model Home(s) FF&E	\$50,000		50,000	0	0	0	0	0	0	0	0	0	0
Hard Costs Contingency	\$955,020		19,100	802,217	133,703	0	0	0	0	0	0	0	0
Total Hard Costs	\$24,980,520	_I_ _I_	548,610	20,941,637	3,490,273	0	0	0	0	0	0	0	0
10m 1m 2 5500	421,700,020		5 10,010	20,5 (1,00)	0,170,270	· ·	v	v	v	v	v	v	v
Developer Fee	\$1,193,775	_1_	23,876	1,002,771	167,129	0	0	0	0	0	0	0	0
CM Fee	\$477,510	1.	9,550	401,108	66,851	0	0	0	0	0	0	0	0
Soft Costs	\$3,581,325	H	1,146,024	1,504,157	931,145	0	0	0	0	0	0	0	0
Total Soft Costs	\$5,252,610	.I.	1,179,450	2,908,036	1,165,124	0	0	0	0	0	0	0	0
Subtotal Eligible Development Costs for Senior Loan Funding	\$32,733,130	_1_	\$4,228,060	\$23,849,673	\$4,655,397	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Financing	0407 204	_	0	105 221	0	0	0	0	0	0	0	0	0
Capitalized (funded) Front End Loan Fee Capitalized (funded) Loan Fees at Loan Draws	\$105,321 \$155,498		0	105,321 120,583	0 34,915	0	0	0	0	0	0	0	0
Loan Interest - paid in Cash	\$70,164	i.	0	70,164	0	0	0	0	0	0	0	0	0
Capitalized (funded) Loan Interest Reserve	\$2,951	i.	0	2,694	257	0	0	0	0	0	0	0	0
Mortgage Recording Tax - paid in Cash	\$305,430		0	305,430	0	0	0	0	0	0	0	0	0
Total Financing Costs	\$639,363	I_	0	604,191	35,172	0	0	0	0	0	0	0	0
T. (1D. 1	#22 2FO 4O2		64 220 060	#24 4F2 9C4	¢4.600.570	Φ0.	Φ0	00	Φ0	Φ0	00	Φ0.	60
Total Development Costs (TDC) before Operating Deficit Operating Deficit	\$33,372,493 (\$43,701)		\$4,228,060 (8,000)	\$24,453,864 (35,701)	\$4,690,570	\$0	\$0						
Total Development Costs including Operating Deficit	\$33,416,194		\$4,236,060	\$24,489,565	\$4,690,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
						•			•			•	<u> </u>
SOURCES OF FUNDS													
Developer Sponsor Equity													
Direct Project Costs Draw	\$2,000,000		2,000,000	0	0	0	0	0	0	0	0	0	0
Operating Deficit and Financing-related Deficits Draw Total Funding	\$58,188 \$2,058,188		1,333 2,001,333	56,855 56,855	0	0	0	0	0	0	0	0	0
Total Fullding	φ2,030,100	-	2,001,333	30,633	Ü	U	U	U	U	U	U	U	Ü
Third Party Investor Equity													
Direct Project Costs Draw	\$10,000,000	.1	2,228,060	7,771,940	0	0	0	0	0	0	0	0	0
Operating Deficit and Financing-related Deficits Draw	\$290,942	_	6,667	284,276	0	0	0	0	0	0	0	0	0
Total Funding	\$10,290,942	_1	2,234,727	8,056,215	0	0	0	0	0	0	0	0	0
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Total Equity Contribution	\$10,290,942	-1	\$4,236,060	\$8,113,071	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Senior Loan													
Beginning Balance			0	13,450,653	47,423	0	0	0	0	0	0	0	0
Direct Project Costs Draw	\$20,733,130	ī.	0	16,077,733	4,655,397	0	0	0	0	0	0	0	0
Loan Fees - Front End	\$105,321		0	105,321	0	0	0	0	0	0	0	0	0
Loan Fees - At Loan Draws	\$155,498	I.	0	120,583	34,915	0	0	0	0	0	0	0	0
Funded Interest Reserve	\$70,164		0	70,164	0	0	0	0	0	0	0	0	0
Cash Interest Payments, if any Repayment from Net Revenues	\$2,951 (\$21,064,113)	‡	0	2,694 (16,361,292)	257 (4,702,821)	0	0	0	0	0	0	0	0

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	.14	8,000	94,206	50,958	0	0	0	0
Net Revenue After Operating Expenses	\$40,838,835	Ш	(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	1	0	16,077,733	4,655,397	0	0	0	0
Senior Loan Repayment	(\$21,064,113)	1	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	Ф7 <i>АСС</i> 240								
	\$7,466,342	0% (4 10 151							
Internal Rate of Return (XIRR)	50.90%	Off of Annual Cash Flows							
Net Present Value (XNPV) 8.00%	\$5,519,802								

Equity Joint Venture Partnership Structure

The Lakes At Fair Meadow

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

100.00% \$12,349,131

Profit Sharing				Preferred Return	Residual Split
				8.00%	
Partnership Structure	% Equity				
Sponsor Equity	6.16%	Profit >>	Sponsor Equity	6.16%	50.00%
Third Party Investor	93.84%	Sharing >>	Sponsor Promote	0.00%	
Total	100.00%	Splits >>	Investor Equity	93.84%	<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	Total Project
		Investor	
Equity Investment	\$2,058,188	\$10,290,942	\$12,349,131
Share of Equity Investment	16.67%	83.33%	100.00%
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	26	26	26
Final Return (months)			

Profit Sharing Summary - Sponsor	and Third Party	Investor			
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

				Developer	Developer Equity Pro-		Total (must
	IRR Hu	rdle Ranges		Promote	Rata Share	Profit Share	be 100%)
Preferred ReturnFrom	0%	through	8%	0%	6%	94%	100%
Residual Split		Above	8%	44%	6%	50%	100%





