

October 1, 2008

Stonewater SFR Subdivision Executive Summary

Location	Manor, Texas, a suburb of Austin, Texas
Address	On Johnson Road, just east of FM 973, 2.1 miles north of US 290. Only 5 minutes to newly opened SH 130 Toll Highway and 25 minutes to downtown Austin.
Roadway	FM 973 recently improved & widened, Johnson Road repaved
Project	Stonewater Subdivision, Phase 3
Size	69.22 acres of land with preliminary plat in place for appx. 300 lots. Original development was 196 acres divided into three Phases. Phases 1 & 2 have been taken down and are being built out with homes by Main Street, leaving Phase 3 of 69.22 acres (appx. 300 lots) remaining, available for purchase.
Water	Public water furnished by City of Manor - the actual water line is in place and is located on Phase 1 and is either close or stubbed to Phase 3 – see engineer for utilities & infrastructure details
Wastewater	Public wastewater furnished by City of Manor - the actual wastewater line is in place and is located on Phase 1 and is either close or stubbed to Phase 3 – see engineer for utilities & infrastructure details
Zoning	Single family residential
Size	Average lot size appx. 42'x115'. Lots can be developed as-is with single family residences or lots can be combined into larger lots. Lots in Phases 1 & 2 are of the same/similar size as Phase 3 lots. Attached duplex homes can be built (two on an 84 foot wide combined lot), subject to city approval. Possible duplexes for rent can be also be built, subject to city approval.
Activity	Main Street Homes has installed roads, utilities, the clubhouse, & infrastructure for lots in Phases 1 & 2 and over 100 homes have been completed.
History	<p>Rick Jenkins, working with Main Street Homes, took down Phases 1 & 2 for about \$4,000 per paper lot average (Phase 1 was a little lower than this average and Phase 2 was a little higher than this average). Rick had a resales contract with Main Street Homes where he resold these lots to Main Street Homes for a reported \$9,500 per paper lot.</p> <p>Cash Construction Company (512) 251-7872 then constructed the roads & infrastructure in Phases 1 & 2. Phase 3 can be accessed directly via Johnson Road or existing paved roads in Phase 1 or 2 can be extended into Phase 3 to provide access from Tower Road to Phase 3.</p>

The market value of the finished lots, with infrastructure in place, is \$20,000 - \$25,000 per lot. The finished homes are in the \$100,000 - \$125,000 price range, starter homes for the Austin market. The approved PID by the City of Manor provides for city water, city wastewater, and infrastructure reimbursement to the developer of Phase 3.

Asking Price

Based on the comparable sales, preliminary platted paper lots with city water, city wastewater, & an approved PID are currently worth \$5,000 - \$7,000 per lot. Asking \$5,000 per paper plat or \$1,500,000. This equates to \$21,670 per acre for this platted subdivision. Farmland in the area without entitlements is currently trading for \$10,000 - \$15,000 per acre. The exact number of platted lots in Phase 3 should be confirmed with David Coombs, the engineer in Elgin. Mr. Coombs telephone is Office (512) 281-3500.

PID

There is a PID in place & approved with the City of Manor which provides the owner/developer with reimbursement of the infrastructure through a payment of a monthly fee by the homeowners (similar to a MUD).

Rick Jenkins obtained an appraisal of the PID several years ago. The final appraisal was not provided to the current ownership, but based on discussions between the sellers and Mr. Jenkins, we believe the total PID value for the whole development was about \$6 - \$8 million. If you take the lower end of this range at \$6 million x .33 (Phase 3 remaining) = estimated \$2 million value of the PID associated with Phase 3.

Assuming a finish-out cost of \$12,500/lot x 300 lots = \$3,750,000 infrastructure cost/reimbursement to the developer.

Based on the above analyses, the final PID/infrastructure reimbursement value range to the investor/developer is \$2 - \$3.75 million and a final single point figure of \$3 million is concluded for the value of the PID.

The profit centers for this development are a) the horizontal subdivision profit, including the PID reimbursement b) the finished lot profit and c) the vertical or home construction profit.

Pro Forma

Horizontal Profit	\$3 million	Per PID calculations above
Lot & House Profit	<u>\$3 million</u>	Appx. 300 homes @ conservative \$10k profit
Total Project Profit	\$6 million	Combined building & PID total profit

Market Demand

There is always the greatest market demand at the lower end of the price curve in the Austin area. Stonewater is a starter home community. There is current demand by new home buyers in the subject location given the country feel, the existing clubhouse amenity, the close proximity to Austin social, recreational, & employment opportunities, and the easy access and commute via US 290 and SH 130.

This subdivision can be built-out and sold or can be land banked for several years, at the option of the buyer/developer.

The key to this development is to identify a lending source to qualify the buyers of the homes.

The market demand for this type product does currently exist, the property is entitled and platted, and the property will be sold at an attractive cash price to the buyer or a take-down schedule provided to the builder/buyer to facilitate this transaction.

**Listing &
Commission**

One of the partners, Steven Adams, will act as broker representing the seller. The partnership will pay a 3% commission to the broker representing the buyer.

Directions

US 290 to FM 973 in Manor. Turn north onto FM 973. Proceed 2.1 miles to Johnson Road. Turn right (east) onto Johnson Road. Johnson Road dead ends into the subject property after about ½ mile.

Phases 1 & 2 of Stonewater are located adjacent to the subject property to the south and can be accessed by finished roads off Suncrest Road to Tower Road. To access Phases 1 & 2, from FM 973, turn right onto Suncrest, then turn onto Tower Road, go about ¼ mile and the main entrance to Stonewater will be on the left. Refer to maps and aerial photographs contained in this report.

Disclaimer

Information provided to the buyer and their agents by the seller and his agents is offered to all prospective buyers, brokers, and agents and no warranty as to the accuracy of this information is expressed or implied. The information has been compiled from a variety of sources, including third parties. The Pro Forma is a projection and is subject to proper management of the project by the developer/builder, future market conditions, etc. The user of this information should independently confirm the accuracy of the information to their satisfaction prior to making an offer or purchasing a property. The property and descriptions are subject to errors, omissions, prior sale, or withdrawal without notice.