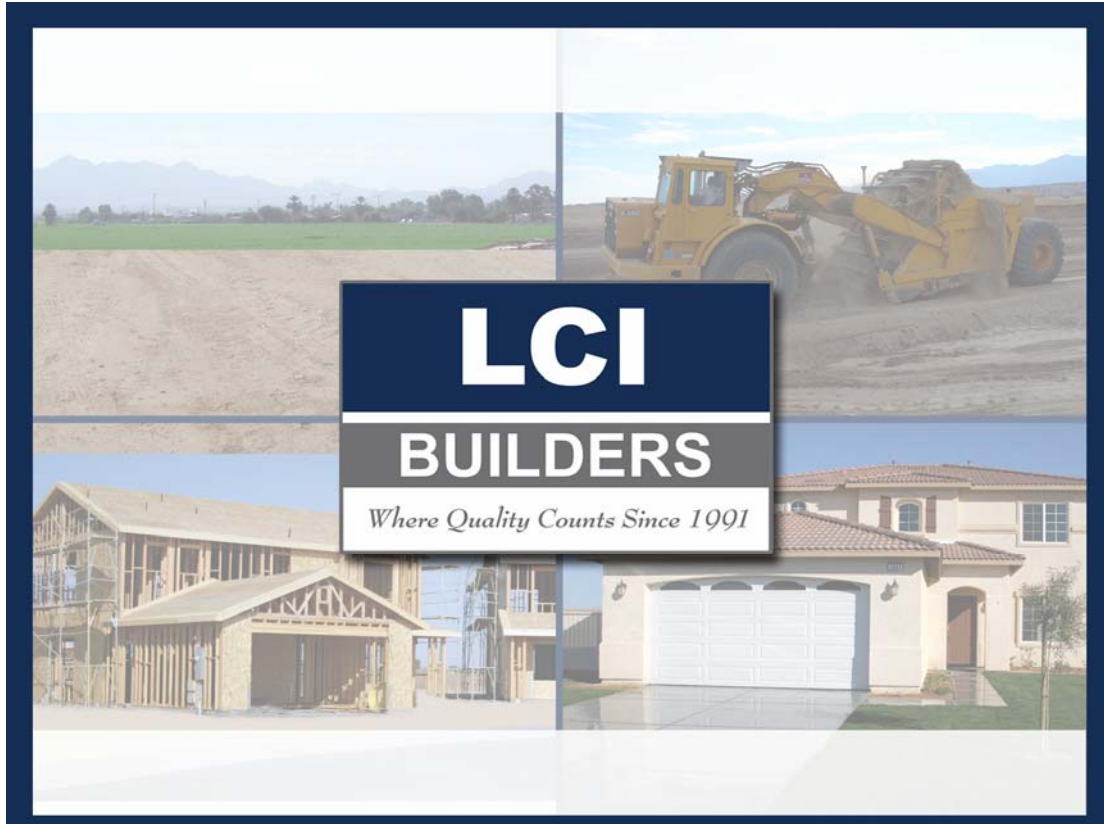


**Alasia
86 Finished Lots
Menifee, CA (Riverside County)**



Executive Summary

December 2007



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I. EXECUTIVE SUMMARY

LCI Builders (“LCI”) is purchasing the Alasia Community (“Subject Property”), a 86 lot subdivision situated in the Menifee Valley area of Riverside County, CA. The Subject Property is at a recorded final map and certified blue top lots. The project is at a builder permit-ready level with all architectural and structural engineering completed. The Subject Property is situated in close proximity to Menifee’s highly rated schools and convenient access to the area’s major transportation corridor – I-15 and 215 freeways.

The following depicts a summary of the core characteristics and attributes for the Subject Property:

- | | |
|-----------------------------|--|
| Purchase Price: | <ul style="list-style-type: none">• \$112,791 per finished lot• Need to close by year-end |
| # of Lots: | <ul style="list-style-type: none">• 86 finished lots |
| Seller: | <ul style="list-style-type: none">• Corman Leigh Communities |
| Property Location: | <ul style="list-style-type: none">• The Subject Property is located at the Northwest corner of Craig Ave. and Evans Rd. in Menifee, CA. |
| Project Description: | <ul style="list-style-type: none">• Finished lots with recorded final map on 35 acres in desirable Menifee Valley;• The lots are nearly finished; certified blue-top conditions, wet utilities are installed, dry utility conduit is, streets are paved with curb and gutter with perimeter wall constructed. Remaining site work includes sidewalks, driveway approaches, final lift and landscape & monumentation;• Builder permit-ready project with architectural design for floor plans and elevations complete, structural engineering complete; |
| Topography: | <ul style="list-style-type: none">• Mostly level with hill at the Northwest corner of the community to remain as open space and a natural community buffer area |
| Municipality: | <ul style="list-style-type: none">• Riverside County |
| APN: | <ul style="list-style-type: none">• 360-160-004• 360-160-022 |

- Proposed Product Mix:**
 - One and two story single-family dwellings ranging from 2,012 to 3,250 sf
- Min. Lot Size:**
 - 7,200 square foot minimums with average lot sizes of 9,264 square feet
- Cost to Improve:**
 - \$13K per blue-top lot for remaining sidewalks, driveway approaches, final lift and landscape & monumentation
- Improvements:**
 - LCI will complete remaining improvements while concurrently constructing model complex
- Estimated Price Point:**
 - \$350K - \$450K
- Surrounding Area Land Uses:**

The surrounding land uses encompass the following:

 - East: Paloma Valley High School
 - West: Single-Family Residences
 - North: Single Family Residences
 - South: Single-Family Residences
- Utilities:**

Wet utilities and dry utility conduit installed intract

 - Gas – Southern California Gas Company
 - Water – Eastern Municipal Water District
 - Sewer – Eastern Municipal Water District
 - Electric – Southern California Edison
 - Telephone – Verizon California
- Assessments:**
 - Seller has formed a CFD with net proceeds estimated at approximately \$27K per lot
- Schools:**
 - Elementary: Menifee Elementary
 - Middle: Menifee Valley
 - High School: Paloma Valley

II. LOCATION MAP



III. CAPITAL REQUIREMENTS

LCI has provided a synopsis of tranches to finance the project for the Alasia Build-Out to allow flexibility for value creation and exit strategies for the capital partner.

1st Tranche: \$ 15,000,000.00

Acquisition:

- Acquisition: \$9,700,000 (\$112,791 per finished lot)

Development: & Model Complex

\$5,300,000

- Miscellaneous loose ended development items.
- Model complex (3 Floor Plans)

2nd Tranche: \$ 35,848,449.00

Progressively borrowed in six production Phases; approximately \$5M - \$6M per phase.

Acquisition:

- Re-payment of loan # 1 (1st tranche) payable in land draws concurrently with the lots released in each construction phase.

Vertical Construction:

\$18M - \$19M

- Hard Costs
- Soft Costs
- Indirect Costs
- Project Supervision
- Builder Overhead
- Community Marketing
- Interest Reserves

Security:

- 1st Trust Deed, if multiple lenders subordinations may be required.

- Corporate Guarantees.
- Personal Guarantees.
- Equity participation (contingent on multiplicity of lenders)

Lending Tranche Notes:

LCI is flexible for non-conventional lending relating to Tranches 1, however, the preference while transitioning into Tranche 2 (Vertical Financing) will be to pay conventional rates for the dollars borrowed.

IV. PROFORMA STATEMENT

Pro-Forma Analysis...

Sources:													
Alasia	\$112,791		\$112,791		Plan ID	Plan Layout				Avg. Sq. Ft. 2,821			
	Finished Lots					Product Mix	Single Story		Two Story		Totals		
	Final Map # 30554						Livable Area Sq. Ft.	1	2	3	4	Single	2-Story
	Menifee, California							12	18	32	24	12	74
County of Riverside				Stories	2,012	2,650	2,900	3,250	24,144		218,500		
				Model Required	1	2	2	2	Ttl Sq. Ft.		242,644		
					1	1	1	1	Total Homes		86		
Gross Revenues													
	1-Story (Avg)	2-Story (Avg)		Percent of cost	Sales per Plan				Totals	Average			
1 Proforma Sales Price	\$173.91	\$148.83	Sq. Ft.		\$349,900	\$409,900	\$439,900	\$459,900	\$36,691,400	\$426,644			
2 Lot Premiums / RV parking	\$7,500		Lot		\$7,500	\$7,500	\$7,500	\$7,500	\$645,000	\$7,500			
3 Net Options & Upgrades	\$15,000	\$20,000	Lot		\$15,000	\$20,000	\$20,000	\$20,000	\$1,660,000	\$19,302			
4 Model Recovery	\$2,750		Lot		\$2,750	\$2,750	\$2,750	\$2,750	\$236,500	\$2,750			
5 CFD Credits	\$27,000	\$27,000	Lot		\$27,000	\$27,000	\$27,000	\$27,000	\$2,322,000	\$27,000			
Total					\$402,150	\$467,150	\$497,150	\$517,150	\$41,554,900	\$483,197			
Uses:													
Land Cost													
5 TTM Land Residual Value	\$1,353,492	\$8,346,534	Project	27.06%	\$112,791	\$112,791	\$112,791	\$112,791	\$9,700,026	\$112,791			
Finishing Cost													
7 Civil Engineering misc / Staking	\$3,000		Lot	0.72%	\$3,000	\$3,000	\$3,000	\$3,000	\$258,000	\$3,000			
8 Infrastructure Improvements	\$15,000		Lot	3.60%	\$15,000	\$15,000	\$15,000	\$15,000	\$1,290,000	\$15,000			
9 Offsite Improvements	\$650,000		Project	1.81%	\$7,558	\$7,558	\$7,558	\$7,558	\$650,000	\$7,558			
Total				6.13%	\$25,558	\$25,558	\$25,558	\$25,558	\$2,198,000	\$25,558			
Subtotal - Finished Lots					\$138,349	\$138,349	\$138,349	\$138,349	\$11,898,026	\$138,349			
Build Cost													
12 Development Impact / TUMF Fees	\$15,000	\$15,000	Lot	3.60%	\$15,000	\$15,000	\$15,000	\$15,000	\$1,290,000	\$15,000			
13 Permits and Fees	\$5,000	\$6,500	Lot	1.51%	\$6,000	\$6,500	\$6,500	\$6,500	\$541,000	\$6,291			
14 School Fees (paid via CFD)	\$4.13	\$4.13	Sq. Ft.	2.80%	\$8,310	\$10,945	\$11,977	\$13,423	\$1,002,120	\$11,653			
15 Architecture & Structural Eng'	\$50,000		Project	0.14%	\$581	\$581	\$581	\$581	\$50,000	\$581			
16 Direct Onsite Costs	\$52	\$50	Sq. Ft.	33.98%	\$104,624	\$132,500	\$145,000	\$162,500	\$12,180,488	\$141,634			
17 Home Site Improvements	\$8,000	\$10,000	Lot	2.33%	\$8,000	\$10,000	\$10,000	\$10,000	\$836,000	\$9,721			
18 Liability & COC Insurance	1.50%		Sales	1.54%	\$5,249	\$6,149	\$6,599	\$6,899	\$550,371	\$6,400			
19 Project Supervision	\$2.00		Sq. Ft.	1.35%	\$4,024	\$5,300	\$5,800	\$6,500	\$485,288	\$5,643			
20 Indirect(s)	\$2.00		Sq. Ft.	1.35%	\$4,024	\$5,300	\$5,800	\$6,500	\$485,288	\$5,643			
Total				40.55%	\$154,811	\$192,274	\$207,257	\$227,902	\$17,420,555	\$169,040			
Construction Subtotal:				46.68%	\$180,370	\$217,833	\$232,815	\$253,461	\$19,618,555	\$194,598			
Total Cost				46.68%	\$293,161	\$330,624	\$345,606	\$366,252	\$29,318,581	\$194,598			
Financing and Soft Costs:													
Finance / Sales Cost													
21 Loan to Cost	85%				\$291,663	\$323,507	\$336,242	\$353,791	\$28,573,798	\$332,253			
22 Loan Rate	11.00%				\$17,381	\$19,602	\$20,490	\$21,714	\$1,738,214	\$20,212			
23 Points	3.0 pts.				\$8,126	\$9,164	\$9,580	\$10,152	\$812,671	\$9,450			
24 Interest Financing	7 mos.	<u>Averaged per loan</u>	Points Reserve	4.85%	\$17,381	\$19,602	\$20,490	\$21,714	\$1,738,214	\$20,212			
25 Total Financed per house	with Points & Reserve		Financed	75.57%	\$270,867	\$305,481	\$319,324	\$338,400	\$27,089,046	\$314,989			
26 Model Upgrades	\$220,000		Project	0.61%	\$2,129	\$2,473	\$2,632	\$2,738	\$220,000	\$2,558			
27 Market Start-up Costs	\$75,000		Project	0.21%	\$726	\$843	\$897	\$933	\$75,000	\$872			
28 Marketing On-going Costs/mo.	\$10,000		14 mos.	0.39%	\$1,355	\$1,574	\$1,675	\$1,742	\$140,000	\$1,628			
29 Sales Commission	3.0%		Gross	3.07%	\$10,497	\$12,297	\$13,197	\$13,797	\$1,100,745	\$12,799			
30 Customer Service/Warranty	\$0.65		Sq. Ft.	0.44%	\$1,308	\$1,723	\$1,885	\$2,113	\$157,719	\$1,834			
31 Buyers Closing Costs	0.5%		Gross	0.58%	\$2,011	\$2,336	\$2,486	\$2,586	\$207,775	\$2,416			
32 General and Admin	3.0%		Gross	3.48%	\$12,065	\$14,015	\$14,915	\$15,515	\$1,246,647	\$14,496			
33 Project Contingency	2%		Gross	2.32%	\$8,043	\$9,343	\$9,943	\$10,343	\$831,098	\$9,664			
Total				18.22%	\$63,639	\$73,369	\$77,699	\$81,632	\$6,529,868	\$75,929			
Estimated Costs:					\$356,800	\$403,993	\$423,305	\$447,884	\$35,848,449	\$416,842			
Costs per Square Foot:					\$177	\$152	\$146	\$138		\$177			
Estimated Profits:					\$45,350	\$63,157	\$73,845	\$69,266	\$5,706,451	\$45,350			
Return:					12.7%	15.6%	17.4%	15.5%		15.3%			