Ashburn Crossing
Loudoun County, Virginia

Presented by:

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TOTS Development
1625 Massachusetts Avenue
Washington, DC 20036

St. John Properties, Inc.
2560 Lord Baltimore Drive
Baltimore, MD 21244

Dear Edward St. John,

Enclosed for your review is an investment proposal on Ashburn Crossing, 100.5 acres of land owned by St. John Properties. We propose a 200-unit multi-family apartment complex located on 10 acres of land located in the north. St. John Properties will act in a Joint-Venture Partnership with TOTS Development, contributing with a total of 10 acres of land at $3,250,000. This report provides supporting information on all attributes of the planned development: the location, the property, the market, the people, the risks, and the returns.

The Location

Ashburn Crossing is at the corner of Loudoun County Parkway and Gloucester Parkway in Ashburn, VA. Loudoun County is known for its proximity to Washington D.C., agriculture, and rich household income. It has the highest per capita income in the United States at a median income of $119,134 (2011 Census). Also, the population of Loudoun County nearly quadrupled in the last three decades. Located just few minutes from Dulles Toll Road, I-95, I-495, and I-66, Ashburn Crossing is a convenient place to live with an easy access to the nation´s capital. Dulles Airport, Reston Town Center, and Tyson’s corner are nearby the property. Additionally, the Metrorail (silver line) will be extended into Loudoun County by 2018.

The Property

A 3-story garden-style apartment buildings with total of 200,000 net rentable SF will be developed. The architectural style of the development will reflect the surrounding residential nature with an attractive two color brick facade and high quality exterior and interior finishes. There will be a total of 200 units ranging from 650 SF to 1,465 SF. There are 75 units with a balcony. The project will provide a diversified unit mix, starting from junior 1 bedrooms + 1 bathroom, up to 3 bedroom & 2 bathroom units. There are a total of 340 parking spaces allotted for the development.

The Market

The market study compares the potential of different uses on the property. We narrowed down the search to industrial or residential for the feasible land use on site. After a thorough review and analysis of both, residential has the highest and best land use for the site.
The Loudoun County submarket apartment vacancy is favorable at only 4.2% in 2012. With a stabilization rate of 95.8% this proves our area to be a strong market. Also, apartment rents grew at a controlled rate of 3.1% in 2012. The estimated silver line completion in 2018 will strengthen the multifamily market in Loudoun County, as it will provide a connection between Dulles International Airport and the edge cities of Tysons Corner, Reston, Herndon, and Ashburn. Moreover, the continuation next year of route 7 will link our location to the community shopping centers located nearby and faster access to the major freeways and businesses like the Dulles Toll

Road and Airport. TOTS Development proposes to take advantage of the opportunity to build this multifamily asset while current vacancy is low, future demand is estimated to grow, and the accessibility of the subject property is going to increase in the years to come.

The People

TOTS Development has a strong team of employees to assure the success of the proposed investment and development. Our company has created relationships with industry leaders such as Bozzuto Management Company and Clark Construction. We will be using both of these companies for this project. H&A Architects and Engineering will lead the design and engineering along with Moyes & Associates, PLLC providing the legal representation. As mentioned, the proposed development will be a joint venture (JV) between TOTS Development and St. John Properties. St. John Properties is the landowner and will contribute the land as equity. Wells Fargo will provide the debt, HUD loan for the project.

The Risks & Returns

Many risks were critically evaluated as a part of the due diligence on this investment. Among all, market risk, inflation risk, and interest risk are considered most notable. As described and supported later it is our expertise and a strong base of prominent companies involved in the development that will minimize these risks and create a product that will be atop of the market.

The equity contribution of St. John Properties is in form of the land provided, at $3,250,000. TOTS Development will contribute $3,537,072 of equity. The total equity therefore consists of $6,787,072. The JV will borrow a construction loan of $27,259,237 at 4.15%. The permanent loan of $31,781,414 at 4.6% interest rate will replace the construction loan upon completion.

The preferred return offered to both equity partners is 8% with St. John Properties having the first priority over TOTS Development. According to our conservative financial analysis, returns are achieved already in the first full year of stabilization. The first year of stabilization will yield a return on cost of 7.61%, which exhibits a large spread between the cap rates and interest rates, resulting in significant returns in the future. The target IRR for St. John Properties is forecasted to be 20%. The cash flow is split 55/45 with 45 going to TOTS. The reversion split is 45/55 with TOTS receiving 55% of reversion.

We recommend that St. John Properties invests $3,250,000 for a general partnership interest in the Ashburn Crossing Building in Loudoun County, Virginia. Our team of experienced professionals, innovative design, and ideal time to hit the market, we project returns earning an IRR of 20+%. Please let us know if you have any questions after reading the following details in the report.

Sincerely,

TOTS Development Company
1625 Massachusetts Avenue
Washington, DC 20036
Enclosure:

I. Property Analysis

A Location

Our site, Ashburn Crossing, is at the corner of Loudoun County Parkway and Gloucester Parkway in Ashburn, VA. Loudoun County is known for its proximity to Washington DC, agriculture, and affluent household income. This area is undergoing a very positive (pro-growth) transformation.

The county is home to many successful individuals, as it has the highest per capita income in the United States at a median income of $119,134 (2011 Census). Loudon County, located in Northern VA, is approximately 30 miles outside of Washington DC. Also, it is nearby to the Dulles Airport, Reston Town Center, and Tyson's corner, which drives many individuals to this area.

For more than two centuries, agriculture was prominent in Loudoun County. That began to change in the early 1960s, when Dulles International Airport was built in the southeastern part of the county. The airport attracted new businesses, workers, and their families to the area.

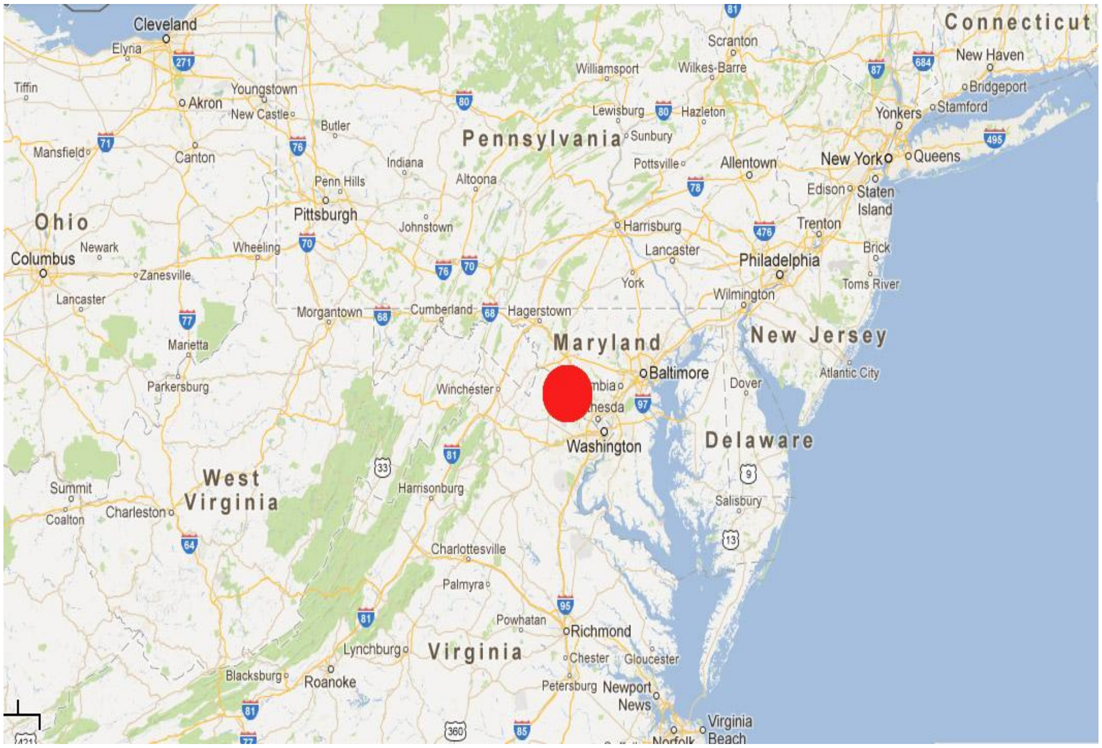
At the same time, the metropolitan Washington, D.C., area began a period of rapid growth. Major road improvements made commuting from Loudoun County much easier, attracting more and more people to the eastern part of the county. In the last three decades, the population of Loudoun County nearly quadrupled.

The site is located within the Dulles Technology Corridor. Ashburn is home to many high-tech businesses. In fact, Up to 70% of the world's Internet traffic is already flowing through Loudoun County data centers every day and it is home to industry leaders like Facebook, Microsoft and Amazon. The area has the largest number of Internet, satellite, and defense companies in the nation" according to Moody's Economy.com

Land values have continued to increase throughout the area. The technology sector employment, large influx of single-family home developments, potential improvements to transportation, and high per capita income creates great potential for development in Ashburn, VA.

The following 5 pictures exhibit the location of our site and parcels of land.

Exhibit 1 - Location of Subject Property within a state overview map

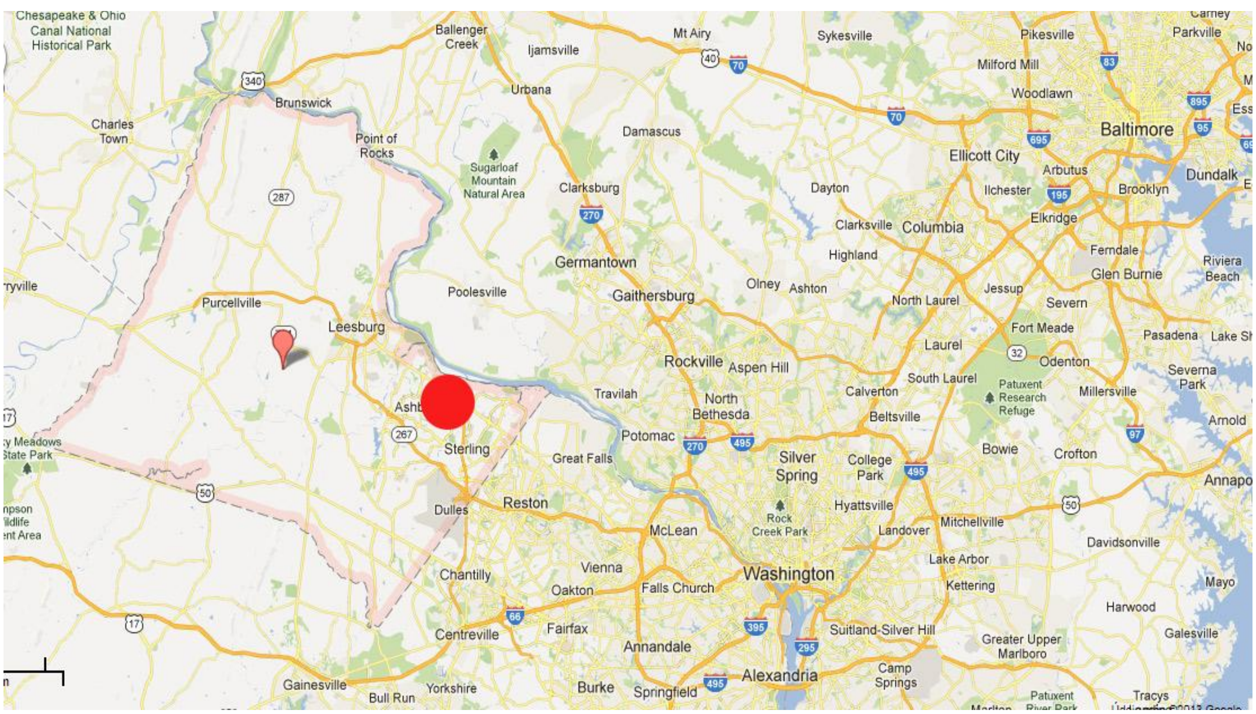


Legend:

Subject Property - Ashburn Crossing

Exhibit 2 - Location of Ashburn Crossing within the Counties of Maryland, Virginia & DC

Exhibit 3 - Location of Ashburn Crossing within Loudoun County



Legend:

Loudoun County

Subject Property - Ashburn Crossing

Exhibit 4 - Ashburn Crossing parcel location

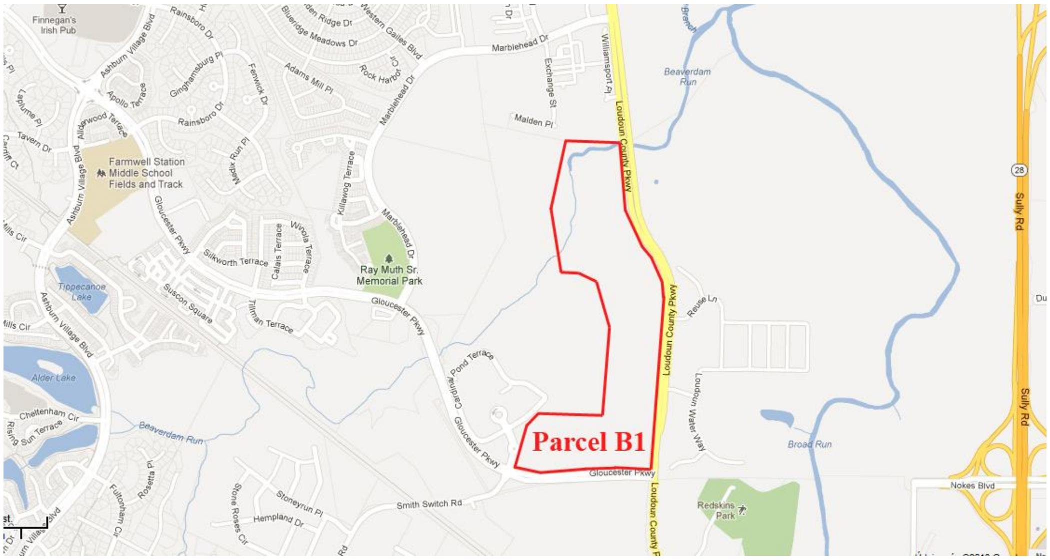
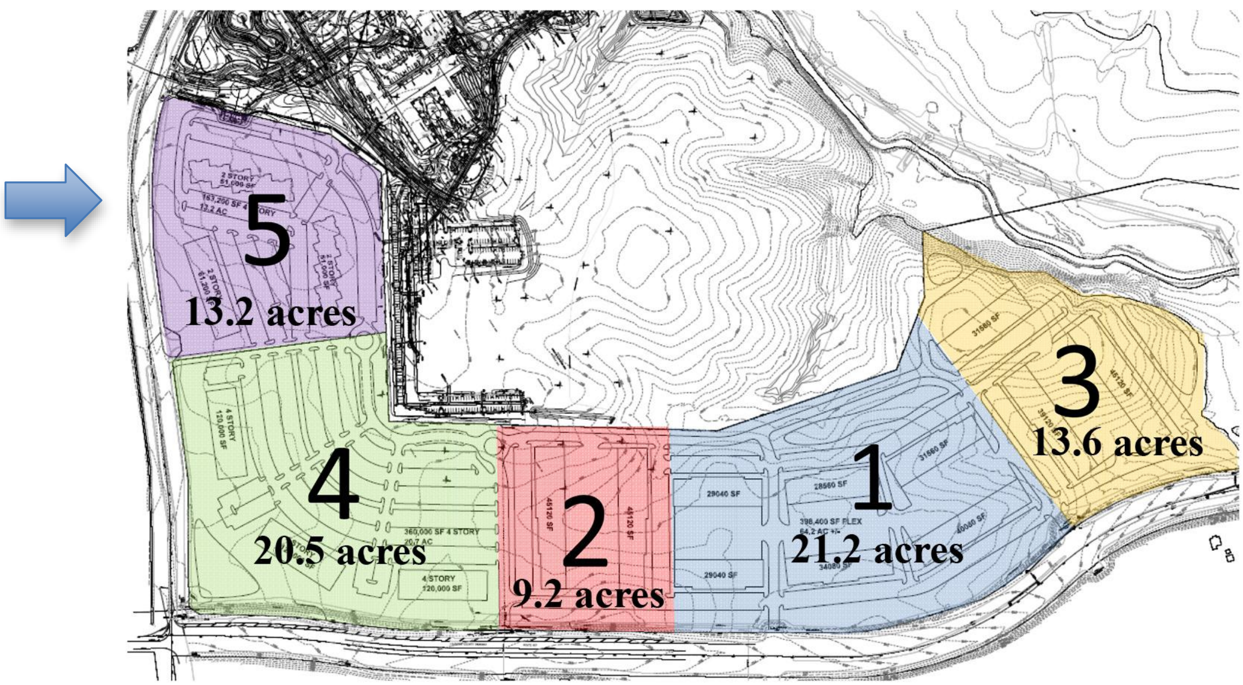


Exhibit 5 - Parcels division within the property and acreage associated



**The Property is in Parcel 5. St. John Properties owns all 100.5 acres of land. As noted later in the deal, they will contribute 10 acres to the project as equity. The site will be located in Parcel 5. The property lines will be re-established as 10 acres located along the northern edge closest to the existing sr. living community.

B Accessibility

Highway Network (well-connected):

There is a modern and advanced highway network, including Dulles Toll Road, I-95, I-495, and I-66, as well as VA Routes 7, 28 and 625. It provides easy connections from our site to all points in North Virginia/Washington D.C. metropolitan area. Adjacent to Washington Dulles International Airport, our site is surrounded by an abundance of business amenities and a highly educated and talented labor pool throughout North Virginia job market.

Major Locations / Accessibility	**Distance**
Dulles International Airport	7.4 miles
Future Silver Line Metro	3.6 miles
Washington D.C.	30 miles
Dulles Greenway Toll Road	3.2 miles
I-66 Road	14 miles
I-95 Road	30 miles
I-495 Road	18 miles
VA Route 7	2.7 miles
VA Route 28	2.8 miles

Gloucester Parkway Extension (Increase traffic count and pattern):

Gloucester Parkway will be extended past the Redskins Park to connect with Route 28. This will result in new traffic patterns through the area allowing residents and businesses to easily access roadways outside of the Dulles Toll Road. It will connect the communities and relieve traffic counts off of the Toll Road hence increasing traffic past our site location. This extension of Route 28 (complete by 2015) will be beneficial to our sites traffic, visibility, and accessibility.

New Metrorail in 2018:

Additionally, the Metrorail (silver line) will be extended into Loudoun County by 2018. This extension of the Metrorail will be a welcomed addition to transportation, business, retail, and households in the Ashburn/Loudoun county community.

C Neighborhood

Residential:

There are many single-family home developments in the area. With high incomes and a family oriented community, the majority of residential developments are single family and townhome builders. One Loudoun is the newest development, which will be a brand new mixed-use development. One Loudoun ranges from single-family homes/townhomes, retail, and office. This will be the newest upscale community in the neighborhood.

Erickson Sr. Living Center, which contains 275 independent living units for seniors is adjacent to Parcel 5. Our main competition in multi-family projects is Ashburn Meadows (176 units), Parc Dulles Apartments (291 units), The Ashborough (504 units), Saddle Ridge (216 units), and Village at Potomac Falls (247 units). These are all within 3 miles of the site.

Properties in close proximity are garden style luxury communities. They are comprised of larger units with limited studios, one-bedrooms, and a higher percentage of two and three bedroom units (close to 50%).

Industrial
Northern Virginia is a logical hotspot for data centers given the typical clustering around companies or government agencies that need to store large amounts of electronic data. Beyond being a regional hub, Ashburn has also emerged as one of the hottest pockets in the country for new data centers. There is a network of more than 4 million square feet of data centers already built or under construction in or around Ashburn by companies such as Verizon, Carpathia Hosting, RagingWire and Sabey Data Center Properties. Equinix Inc. plans to add another 1.2 million-square-foot complex called Parkway Center at Beaumeade, which will be located adjacent to the site at Gloucester Parkway. Up to 70% of the world's Internet traffic is currently emitted through Loudoun County.

Office:
Three main clusters of office buildings surround our site, Loudoun Technology Center, Ashburn Technology Park, and University Center respectively. Class-A Office space in this area consist of Lakeview Building, Sully Rd-Building and Crossroads Overlook. These projects are within a 2-mile radius of the site. Since the recession many multi-story Class-A office space in the neighborhood remains vacant, as the supply is greater than the demand.

Retail:
Adjacent retail is not well developed due to the large area of vacant land and data centers. However, at Leesburg Pike and Cascades Parkway there are many small retail stores. Within a 5 miles radius, several nationwide retail chains are anchored such as Walgreens, Giant, Safeway, Harris Teeter, Wegman's, Target, and Home Depot. Other neighborhood services such as Medical Spas, Pet Centers, Tire/Auto services, Mobile telecom carriers and banks are distributed nearby. Ashburn Town Square Shopping Center is the nearest shopping center at 3 miles from our site. Tysons Corner is a large retail shopping center - 20 miles away. One Loudoun will provide additional retail once delivered.

Other:
Southeast to the site is a training center for the NFL Washington - Redskins. It is called Redskins Park and situated on a 162-acre former dairy farm.

Additionally, there is a minor league baseball team coming to the area. Bob Farren's VIP Sports and Entertainment Group is moving the minor league baseball team's new home stadium site from the Kincora mixed-use community to One Loudoun (within 3 miles from the site). This provides entertainment for the local families and is expected to drive traffic and appeal for the area.

D Site

<u>Size:</u>
Total size of our lot is 100.5 acres owned by St. John Properties. The projected multifamily development we will remain on the 10 acres of land located in the northern corner by Erickson Sr. Living community (See Picture No. 1 - Parcel).

<u>Fair Value Price of Land:</u>
The 100.5 acres fair market value of land is assessed at 19,345,000 as of December 2012. Since we are utilizing a smaller piece of land, we found the fair value for 10 acres of multifamily land in Loudoun County is trading between $300,000 to $380,000 per an acre.

E Current Zoning

The site is currently zoned as PDIP. To summarize the current zoning regulations we have listed the following criteria from the local zoning ordinance. Please note we will be re-zoning the property to R-24 (multifamily use) which will be elaborated on after.

<u>Use</u>
(PDIP) Pl*anned Development-Industrial Park:* Light and medium industrial uses with supporting accessory uses and facilities designed with a parklike environment.

Maximum FAR: 0.4 or 1,751,130 SF
Maximum lot coverage: 45% or 1,970,021 SF
Maximum building height: 35'
Minimum lot area: 1 acre
Minimum lot width: none

<u>Setbacks</u>

Adjacent to ROUTE 607: 100'
Adjacent to GLOUCESTER PKWY: 75'
Adjacent to Agriculture or Residential: 15'
Adjacent to NON-Residential use: 15'

<u>Yards</u>

Between buildings on individual lots: 30'
Between buildings on one lot: 25'

Soil

The soil is classified as 73B and considered moderately deep well-drained silty soils on a sloping convex landscape; developed from Triassic siltstones and shale. For general development this is considered good potential soil with few problems.

Topography

The slope of the land is considered B-Slope. Loudoun county designates slopes by letter. B-slope equates to a slope of about 2-6%. A steep slope is considered 15% or higher, so the land is considered flat with minimal changes in the soil level needed at development.

Frontage

Good frontage at the corner of Loudoun Parkway and Gloucester Parkway.

Shape

The developed parcel will be approximately 3 by 3.33 acres (total 10 acres).

Visibility

Approximately 2270’ along Loudoun County PKWY and 1153’ along Gloucester PKWY.

Utilities

Electric	The site is located across the street from Dominion Power who provides all electricity in Virginia
Water	The site is located across the street from Loudoun Water. The specialty of this water company is they provide potable water and greywater. The grey water is vital in sustainability and the operation of technological facilities
Gas	The lines are adequate and drawn to the property line
Stormwater	A “SWM” system will be created at time of development. The water runs down the low areas of the land to Beaver Run to the north. In development, a system to collect, treat, and convey all stormwater on site will be needed.
Sewage	This will need to be created and treated at time of development.
Cable / Internet	Cable and internet is primarily run through Verizon, Comcast, or Cox cable in Northern, VA. This will be tied into the property. The main internet hubs in the nation are located across the street of Gloucester Parkway

Policy Area

This area is classified as a suburban area in Ashburn, located in Loudoun County.

F Rezoning to R-24 Multifamily Residential

As mentioned previously, the site will be rezoned to R-24. This has been done on similar parcels of land in Ashburn, VA. The rezoning process to R-24 for this parcel has been completed and was relatively painless. We incurred minimal costs in the process which are shown in the development pro forma attached in the appendices.

The following items have changed the PDIP zoning. Some of the criteria remains constant at which we have noted below.

Purpose
The R-24 Multifamily Residential district is established to primarily provide multiple family dwelling units at gross residential parcel densities not to exceed twenty-four (24) units per acre.

Size
Size: no less than 2 acres, no more than 25 acres

Lot Requirements
Size: minimum of 8,000 sq. ft.
Width: minimum of 80 feet
Length/Width Ratio: maximum of 6:1

Building Requirements
Lot Coverage: maximum of 60%
Building height: 45 feet (maximum of 60 feet, provided 1 foot of extra set back from the street for every 1 extra foot of the building height)

Additional Development Standard
Active recreation space: minimum of 5,000 SF for every 10 units.

Yards
Front: Min. 40 feet from centerline of travelway without parking / 45 feet including parking
Side:
Buildings placed side-to-side: min. 20 feet between buildings
Buildings placed back-to-side: min. 35 feet between buildings
Buildings placed back-to-back: min. 50 feet between buildings
End buildings: min. 25 feet to the property line
Rear: Min. 25 feet

All of the following remain the same as stated in the initial zoning critera:
Soil Topography Frontage Shape Visibility

Utilities
Same (Constant)
Additional:

All utility distribution lines in the R-24 district shall be placed underground.

Policy Area
This area is classified as a suburban area in Ashburn, located in Loudoun County.

G Development Budget / Improvements

The property has been rezoned to R-24 which allows for a substantial multi family/residential development on the lot of 10 acres.

Improvements:
Total GBA: 250,025 SF
Total Net Rentable: 200,000 SF
Total Units: 200 units
Average Unit Size: 1,000 SF

Unit Mix: Junior 1 Bedrooms/1 Bath = 15%
1 Bedrooms/1 Bath = 35%
2 Bedrooms/1 Bath = 15%
2 Bedrooms/2 Bath = 17%
3 Bedrooms/2 BATH = 18%

Floors = 4 Floors
Parking Spaces = 340 surface parking spaces ($5,000) space

Exterior:
The building will be comprised of first floor of concrete and 2-4 wood. Sound insulation will be used to maximize sound quality within the units.

Interior:
The high-end interior finishes will consist of luxurious homes featuring granite countertops, shaker inspired cabinetry, Italian porcelain tile, chef kitchen sinks, select units with upgraded African hickory hardwood (most units with upgraded Berber carpeting), marble countertops in the bathrooms, and a keyless entry system to enter your apartment home.

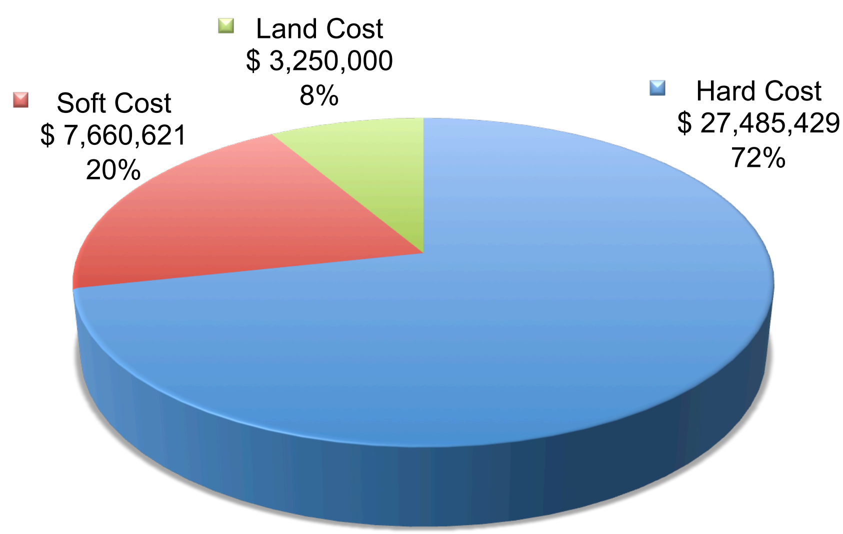
Common Areas:
The common areas in the clubhouse will contain a study area/computer lounge, fitness center, pool, resident lounge with free Wi-Fi access, and a party room to be rented out by tenants on a first come first serve basis.

Reasoning:
We have found the generation Y renter comprised of 20-34 year olds are requiring these finishes in the apartment homes both in DC and the suburbs. Our amenities and finishes will be at the top of the market, hence hedging the development in the long term for having a better product to compete with existing supply.

Development Budget:
The development budget consists of an in-depth analysis and can be seen in the appendices. The total hard cost vs. soft cost vs. land cost is as follows:

*The Land Cost is a low percentage due to deal structure and zoning

Exhibit 6 – Development budget, cost allocation



The Development Budget in more detail is summarized below:

Exhibit 7 – Detailed development budget

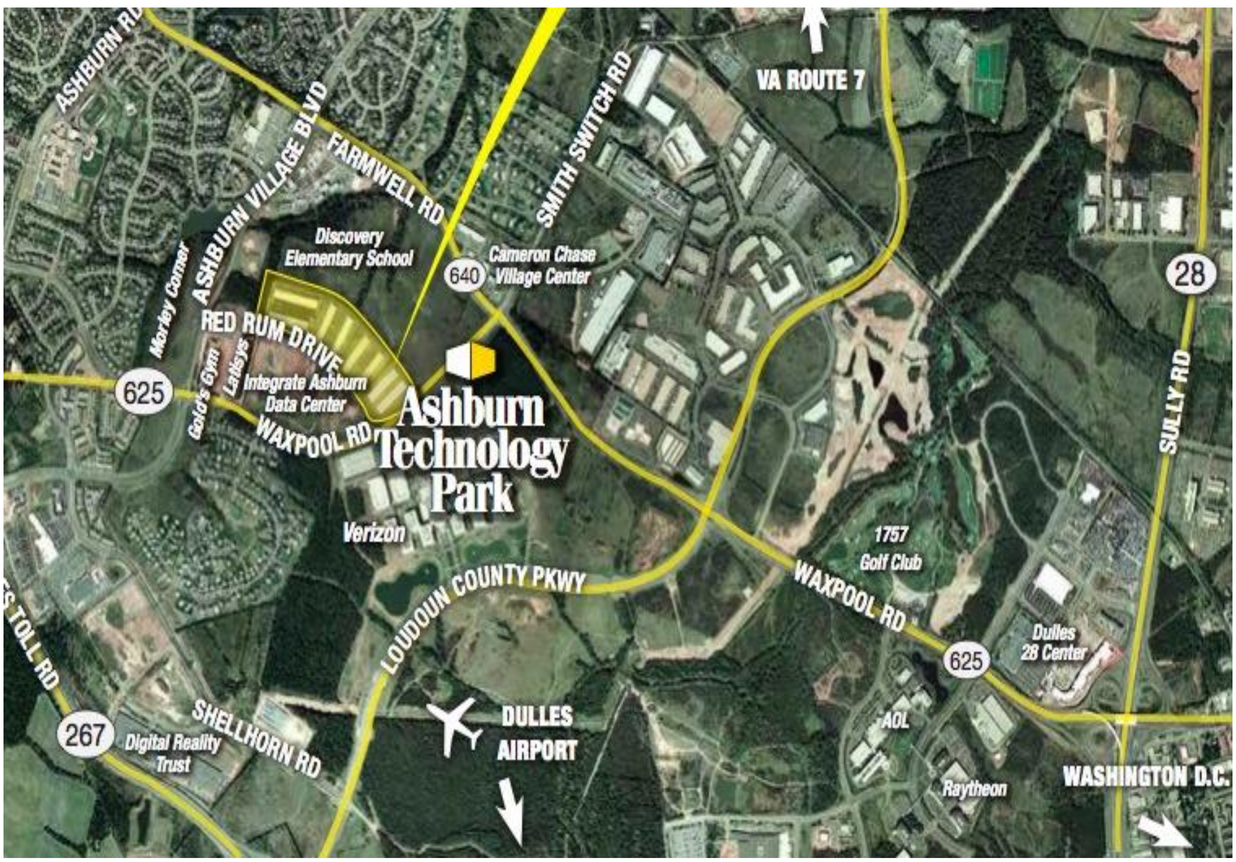
SOURCES:						
HUD 221(d)4 Loan	31,781,414					
Capital Contribution (Developer)	3,537,072					
Land Contribution (St. John Prop)	3,250,000					
TOTAL SOURCES:	38,568,486					
USES:			**PROJECT BUDGET**	**PER UNIT**	**PER Buildable SF**	**% REPC COST**
Construction Contract			**26,125,649**	**130,628.24**	**100.95**	**67.74%**
Owners Construction Costs			**1,359,780**	**6,798.90**	**5.44**	**3.53%**
Design & Engineering			**2,110,409**	**10,552**	**8.44**	**5.47%**
Financing Fees & Interest (Before Fee)			**1,666,490**	**8,332**	**6.67**	**4.32%**
ADDITIONAL Perm Loan Fee	3.00%		925,672	4,628	3.70	2.40%
Developers Costs			**2,177,292**	**8,941**	**8.71**	**5.65%**
Land	10	325,000	3,250,000	16,250	13.00	8.43%
Developer's Fee	3.00%		953,194	4,766	3.81	2.47%
TOTAL REPLACEMENT COST			**38,568,486**	**186,269**	**147.02**	**100.00%**

II. Market Analysis

A Market Information

Technology Park - High-tech Park
As stated in the location overview, there is a network of more than 4 million square feet of data centers already built or under construction in or around Ashburn by companies such as Verizon, Carpathia Hosting, RagingWire, and Sabey Data Center Properties. Equinix Inc. The location of data centers drives the technology market, which drives employees to the area. The technology sector is one of the higher paying job sectors and the influx of employees to the Dulles Corridor and Loudoun County will help drive demand for residential use. The map below in picture 6 exhibits the Ashburn Technology Park.

Exhibit 8 - Local aerial map of the adjacent uses



Outstanding Amenities
George Washington University and Strayer University have educational campuses in Ashburn. In December 2009, it was announced that George Mason University is planning to set up a campus in Ashburn, to be located at Exit 6 off the Dulles Greenway. Also, Loudoun County Public Schools are the fastest growing school division in Virginia and one

of the fastest growing public school districts in the United States, serving over 60,000 students in the 2012-2013 school year. The public education in Loudoun is amongst the best in Virginia and has helped drive population in the area. Since the area is family oriented, potential renters with families will be happy with their children's education.

Hospital

Ashburn is served by Inova Loudoun Hospital, located less than 2 miles (3.2 km) from Ashburn in neighboring Lansdowne, Virginia.

Dulles Corridor/Airport

The largest international airport in D.C. metropolitan area: Washington Dulles International Airport is located in Chantilly, VA. The airport will help drive demand for multiple uses. It is an attraction for employers and renters, especially for individuals who need to travel a lot. The potential for corporate long-term stay units will have a large presence in the market with its location to the airport.

Tysons Corner

Tysons Corner Center was one of the first super-regional malls in the country, helping draw customers from a multiple states. It's approximately a 20-minute drive to Tysons Corner.

B Demographics

In order to elaborate on the market area related to Ashburn Crossing, we will now have a look into the macro and microeconomic data as well as demographics and other facts and figures.

Estimates:

Demographic estimates are produced for years between decennial censuses, up to the present time. The reference date of the figures is April 1 of the specified year.

County Current Estimates

• 2012 Employment:	148,800	• 2012 Housing Units:	114,902
• 2012 Households (Occupied Housing Units):	109,827	• 2012 Population:	328,533

(Updated January 17, 2013)

Loudoun County Facts & Figures

Important figures stated below are the population of 328,533 in the county, along with highest median income in the United States.

Land Area	520 square miles
Median Household Income	$119,134 - #1 Ranked in USA (2011, U.S. Census Bureau)
Population	328,533 (2012 Estimate); 312,311 (2010 Census)
Civilian Labor Force	188,286 (2011, Virginia Employment Commission)
County Founded	1757
County Seat	Leesburg
Community Centers	11
Library Branches	7
Colleges & Universities	7
Public Schools	82 (2012/2013)
School Enrolment	68,289 (as of September 28, 2012)
Tax Rate	$4.20 per $100 in assessed value for personal property $1.24 per $100 in assessed value for real property

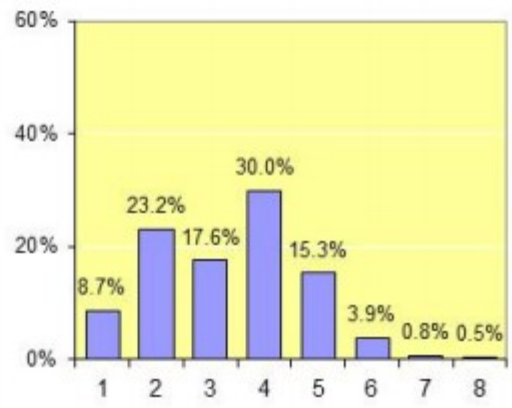
Type of Housing

Almost two thirds of residents (66.1%) live in single-family detached homes, making single-family the most common type of housing. About one-quarter (22.4%) of residents lives in townhomes or duplexes and (11.4%) lives in apartments or condominiums.

Household Size

Residents of Loudoun County report an average household size of 3.37 (including the respondents themselves). Three out of ten residents who responded to the survey live in a household of four people, which is the most common household size, while 8.7 percent of the residents who responded to the survey live alone and only about five percent live in households of six or more. See Figure below.

Exhibit 9 - Household sizes of Loudoun County

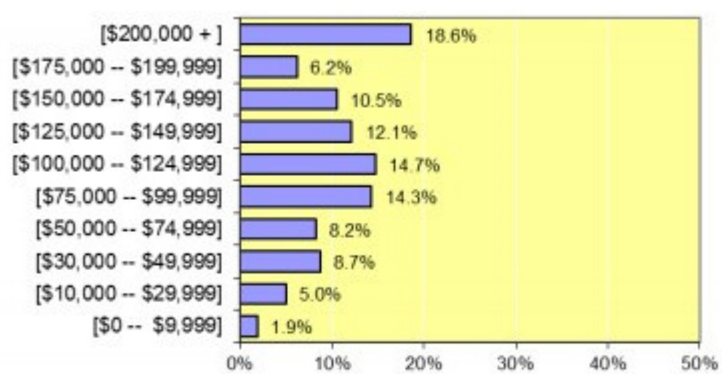


Household Income

When asked to place their income within a range of categories, a plurality of residents (18.6%) reported annual incomes of over $200,000. About 15 percent of residents reported incomes lower than $50,000.

The luxury apartment market will be targeting incomes between $50,000 to $175,000, allowing for a large range of demand and potential renters who are in a temporary situation for either work or family circumstances. The chart below exhibits the range of incomes.

Exhibit 10 - Household income of Loudoun County



Ages of Household Members

Including children of all ages (under 18), the average age of a Loudoun County resident is 32.5. There is a large range of adults in their 40's and children under 18. However, there still is over 20% of the population between 20-34 years of age. This is a prime demographic for the area renter. These numbers are projected to take a dramatic shift once the metro opens in 2018 and new demand creates changes in the demographic environment.

While many older individuals in the past have lived in single-family or townhomes in Loudoun County, the median age of 34 shows the younger generation is growing in the area and they are the potential tenants for a residential asset.

C Market Overview Introduction

On this site, there are four possible uses, residential, industrial/ flex, office, and retail. Retail is not considered to be a high valued use on this site due to the current surroundings and high flux of retail development nearby at One Loudoun. Office is also not a good choice due to the oversupply in the market. From 2009 to 2012, the vacancy rate of office market in Washington DC metropolitan area is from 16.9% to 19%. In the following paragraphs, we will demonstrate the market conditions of residential and industrial/flex to estimate the highest and best use of our property.

1. Residential Use

Traditionally, single families dominate the residential market of Loudoun County. In general, it's a low-density, more rural area without enough public transportation for a concentrated multi-family site. According to the demographic data, in this area, about 70% percent of the households are homeowners and only 30% of the households will rent housing units. But with the change of lifestyle, more and more people are willing to rent an apartment rather than own one since younger people do not want to be stuck in a permanent situation. They would like to pursue a more flexible and free and luxurious lifestyle, which allow them move or relocate easily.

<u>Increase of Renters:</u>
The demographic data proved this trend. From 2010 to 2012, within 2 years, the percentage of housing unit renters raised two points.

<u>Corporate Housing Demand:</u>
Also, there is a large demand in the area for corporate housing. One of the main factors for a corporate provider like Marriott Executay is location and price. The new metro line in the future will increase accessibility. Also, the continuation next year of route 7 will link our location to the community shopping centers located nearby and faster access to the major freeways and business like the Dulles Toll Road and Airport.

<u>Increasing Demand:</u>
The multifamily demand in Washington DC has increased at an accelerated rate, According to the DC metro multifamily 4th quarter report in 2012, the metro absorbed 3,300 units, easily the strongest quarter for the year. Northern Virginia led the way renting out 1,700 additional units, the District of Columbia with 1,000 units, and Suburban Maryland with 600 units.

Rent Growth and Vacancy:
Metro-wide apartment vacancy finished the year at a razor thin 3.9%, This is the tightest the multifamily sector has been in more than a decade. Apartment rents grew at a controlled rate of 3.1% in 2012. In the Loudoun County submarket, vacancy rate was 4.2%. With a stabilization rate of 95.8% this proves to be a strong market. With no construction in our immediate market area, we find the influx of supply in DC will not affect our demand calculations in Loudoun County.

DC Oversupply?
Loudoun County has a large demand from their residential assets coming from the Dulles Corridor. With an influx of major developments located in the heart of the CBD, the risk is mitigated in the Loudoun County Corridor. While rents in the area have the potential to drop from this oversupply, we feel comfortable developing multifamily in Loudoun County due to the non-existent pipeline, area demand factors, and scarce competition for brand new high-end units.

With the expansion of the city and urbanization of rural areas, there will great opportunity. The silver line will provide a connection between Dulles International Airport and the edge cities of Tysons Corner, Reston, Herndon, and Ashburn. The estimated silver line completion in 2018 will strengthen the multifamily market in Loudoun County. We propose to take advantage of the opportunity to build multifamily project while current vacancy is low and future demand is estimated to grow (see below).

Potential Demand Calculation - Residential

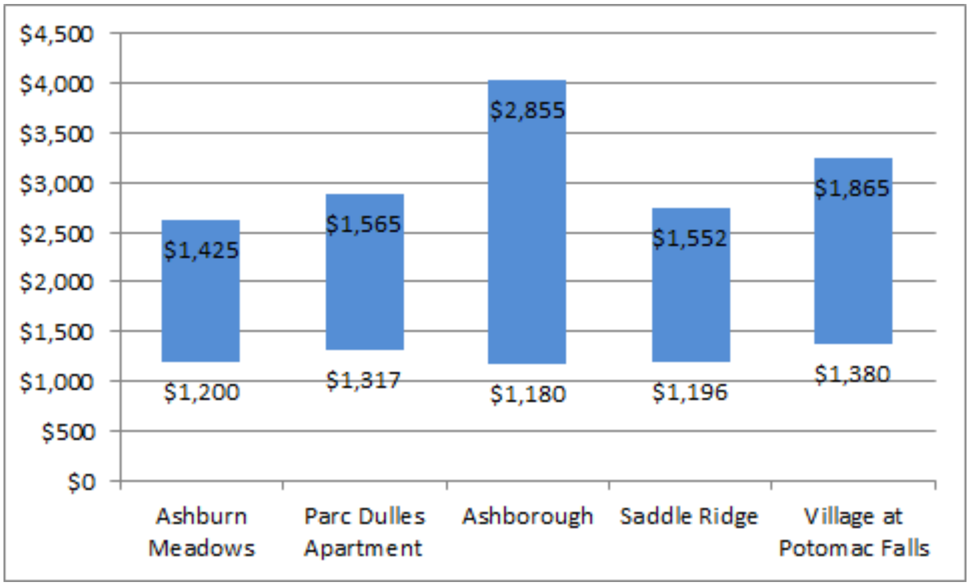
The following calculation exhibits the multifamily demand in our market. We used a number of factors including the population, income, % of renters, and class of apartment buildings. After analyzing the marginal demand against supply we believe there is a excess current demand of 259 units and in 2018 there will be 475 units of demand. This number is extremely conservative, as we did not take the population increase due to the metro expansion into consideration for these numbers.

Exhibit 11 - Multifamily Demand Calculation

Line ID	Demand Category	Current Year	Year 5	Data Source/Comment
1	Population forecast	29,176	32,874	Reconciled Forecast
2	Persons per household	3.37	3.3	Analyst's forecast
3	Occupied housing unit demand (total household)	8,658	9,962	Line 1 divided by Line 3
4	Percentage of apartment units	32%	31%	Analyst's forecast
5	Potential demand for apartment units	2,770	3,088	Line 3 x Line 4
6	Additional Segmentation as Needed (% Class, Design, etc)	85.0%	85.0%	Analyst's forecast
7	Potential Demand for Subject Type Units	2,355	2,625	Line 5 x Line 6
8	Percentage able to afford units in subject economic segment	80.0%	80.0%	Based on minimum and maximum income
9	Multifamily Market Area Demand	1,884	2,100	Line 7 x Line 8
10	Existing sq.ft. of competitive space	1711	1711	Survey of space like Line 6 in primary market area
11	Forecasted new Competition	0	0	proposed/under construction projects
12	Total Supply	1711	1711	Line10+Line11
13	Less Frictional Vacancy @5%	86	86	
14	Supply net of frictional vacancy	1625	1625	Line12-Line13
15	Marginal Demand	259	475	Line9-Line14

Existing competitors consist of Ashburn Meadows, Parc Dulles Apartment, Ashborough, Saddle Ridge, and Village at Potomac Falls. The following chart indicates these competitors asking rents.

Exhibit 12 - Competitors asking rents range in 2012



<u>Conclusion / Summary</u>

Based on the potential demand calculation, there is a 259-supply gap on the submarket and the gap is growing. It's a good time for us to enter the market and we expect reasonable rents and high occupancy rates. According to our analysis, a residential asset of approximately 180-210 units will be feasible and conservatively meet demand.

2. Industrial Use (To cover all analysis basis)

<u>Overview:</u>

According to Cassidy Turley, flex and warehouse markets in the Washington metro region continued to experience positive net demand in the third quarter of 2012. Demand from public and private sector tenants fueled positive net absorption of 61,000 square feet in flex space and 479,000 square feet in warehouse inventory in the third quarter of 2012. This brought net absorption for all industrial products in the region to 1.7 million square feet for the first nine months of the year.

Unemployment in the Washington region has decreased 1.5 percentage points since the third quarter of 2011, indicating healthy growth for the regional economy in the past year. Going forward, a continuing economic recovery will aid industrial real estate in the region by generating more demand for manufacturing and trade services.

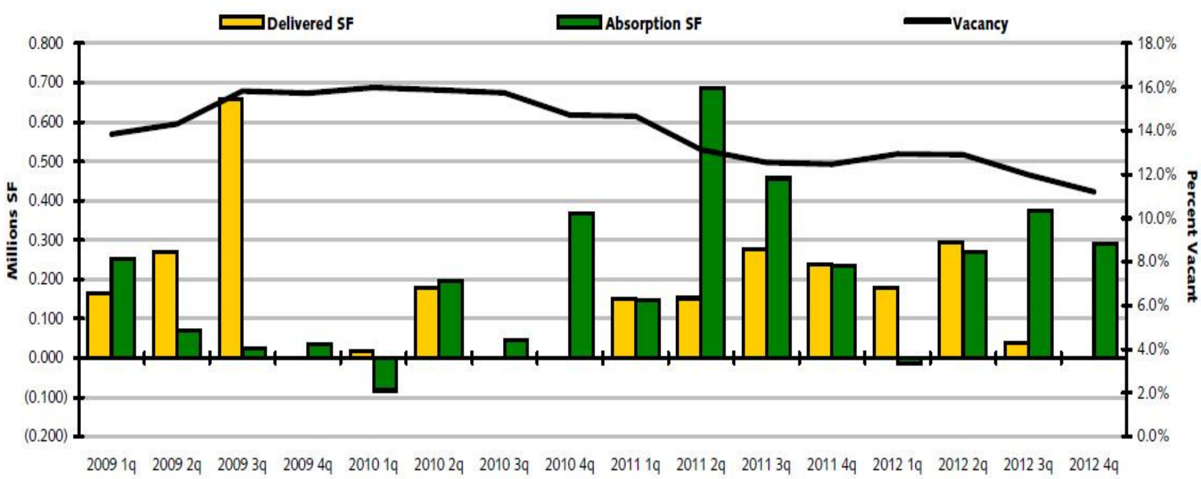
However, upcoming federal government requirements to reduce data center spaces nationally could pose a challenge for local industrial markets. This is expected to have a greater effect on older, outdated inventory as government and contractor tenants consolidate in an effort toward more efficient space uses.

While Loudoun County vacancy is average for the surrounding markets, it is alarming that the rate of vacancy stands at 14.2%. There is already almost 400,000 SF of flex space under construction at this time, which will add to the vacancy rate in the county. Also, as mentioned before, Equinix Inc. plans to add 1.2 million SF industrial data center complex adjacent to our site. We believe the new supply and uncertainty of the markets with the sequestration creates a risk over time that will drastically decrease the value of our property in a down cycle.

Although the vacancy rate in our area saw a declining trend in the past, it is expected to raise in the next period of time due to significant delivery of the industrial / warehouse / flex space. This is alarming as flex space is a unique demand and the supply of good quality flex tenants is not common in the area.

The chart below exhibits the vacancy, delivered SF, and absorption rates in the area.

Exhibit 13 - Absorption, Delivery and Vacancy Rate for Flex and Warehouse shown quarterly, Dulles Corridor Market.



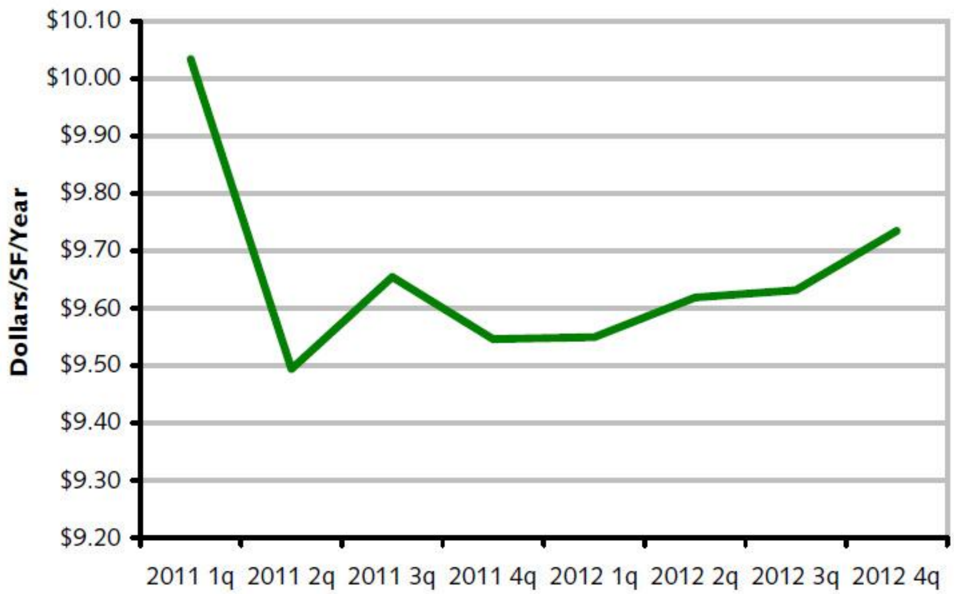
Source: CoStar Property®

Rental Rates

Asking rents for industrial product in the region continued to inch upward during 2012. The total average asking rent for warehouse space rose by 16 cents per square foot (per SF) to $7.48 per SF on a triple net (NNN) basis from its recent low of $7.32 at the end of 2011. As for flex inventory, the average asking rate declined by 33 cents per SF since the end of 2011 to $11.33 NNN. With future flex demand of 368,000 and the high vacancy rate, the future pricing projections are insecure and unable to properly project.

When looking at the feasibility analysis between residential and industrial we had to examine the rental markets for what tenants will pay. The chart below exhibits the extremely low figures for the flex office space that was alarming in the pre-financial feasibility stages of our development analysis

Exhibit 14 - Quoted Rental Rates - combined for Flex and Warehouse; Dulles Corridor Market, Q1 2011 - Q4 2012



Source: CoStar Property®

Industrial Conclusion / Summary

Even if rents escalated by 5 percent each year, the project would not be feasible in the foreseeable future. There is a significant amount of industrial/flex space under construction and planned to be developed in Loudoun County. With this space coming to the market, our market area will have excess of industrial/flex space, resulting in higher vacancy and consequently, lower rental rates. There is also a big uncertainty regarding the government´s initiative to reduce data center spaces nationally, as it will affect the local industrial markets.

3. Residential Vs. Industrial / Pre-Feasibility Decision / Does it work on paper?

The final deciding factor in going with Residential was the pre-feasibility analysis to understand does the project really work on paper. As you can see below, the highest and best use for the land with a land value of 3.6 million was residential. With the cost to build flex, low rents, and high vacancy, the risk was to immense to move forward with an industrial/flex development.

Exhibit 15 – Comparison of residential and industrial initial feasibility study

RESIDENTIAL Vs. INDUSTRIAL PRE-ANALYSIS FEASIBILITY					
Residential			**Industrial**		
Gross Income	$	3,597,254	Gross Income	$	2,121,800
(-) Vacancy	$	179,863	(-) Vacancy	$	233,398
Effective Gross	$	3,417,392	Effective Gross	$	1,888,402
(-)Operating Expenses	$	1,171,200	(-)Operating Expenses	$	500,000
Net Operating Income	$	2,246,192	Net Operating Income	$	1,388,402
(/) Debt Coverage Ratio		1.2	(/) Debt Coverage Ratio		1.2
Mortgage Payment	$	1,871,826	Mortgage Payment	$	1,157,002
(/) Mortgage Constant		0.0564	(/) Mortgage Constant		0.0691
Mortgage Value	$	33,188,411	Mortgage Value	$	16,750,661
Net Operating Income	$	2,246,192	Net Operating Income	$	1,388,402
(-) Mortgage Payment	$	1,871,826	(-) Mortgage Payment	$	1,157,002
Cash Flow (before taxes)	$	374,365	Cash Flow (before taxes)	$	231,400
(/) Required Cash Return		13%	(/) Required Cash Return		13%
Equity Value	$	2,879,733	Equity Value	$	1,780,003
(+) Mortgage Value	$	33,188,411	(+) Mortgage Value	$	16,750,661
Max we can pay (w/ return)	$	36,068,144	Max we can pay for land (w/ return)	$	18,530,664
CHECK			**CHECK**		
Project Cost (No Land)	$	32,400,000	Project Cost (No Land)	$	19,350,000
(-) Mortgage Value	$	33,188,411	(-) Mortgage Value	$	16,750,661
Required Equity	$	2,879,733	Required Equity	$	2,599,339
Cash Flow	$	374,365	Cash Flow	$	231,400
(/) Required Equity	$	2,879,733	(/) Required Equity	$	2,599,339
Year 1 Cash-on-Cash Return		13.00%	Year 1 Cash-on-Cash Return		8.90%
Projected Payment for Land	$	3,668,144	**Projected Payment for Land**	$	(819,336)
Total Project Cost	$	36,068,144	*** Total Project Cost**		Not Feasible

**As seen above the project has a negative land value for industrial. To understand if the project works, the main factor was to look at the second to last line at "Projected Payment for Land". Given the required returns for each project (constant between the two at 13%) the residential proved to be a less risk averse and feasible project when completing a simple feasibility analysis in the early stages.

Please note an in depth financial pro forma and analysis is in the appendix and all returns are financing are based off of the pro forma and not the pre-feasibility analysis shown above.

III. People

A The Lender – Wells Fargo

The merger of Wells Fargo and Wachovia doubled their size. Wells Fargo are no longer defined as just a regional bank. They're a national company, with operations that stretch across the globe. With this growth in size and scope, They're a community-based, diversified financial services company.

Wells Fargo offer project level financing for construction of all commercial property types. They can also provide recourse, partial recourse or non-recourse funding. Loans may be held on the bank's books, syndicated or participated with other lenders, or sold in secondary markets. Typical loan size starts at $2 million, but they can work with us, no matter how much we need to borrow.

They offer short-term loans for both middle market and large commercial investors and developers for construction and substantial rehabilitation of commercial properties.

Wells Fargo offers a full spectrum of on-balance-sheet structured construction, repositioning, mini-perm, interim, and permanent financing for all stages of a commercial real estate project.They have built the strongest commercial real estate finance platform in the industry . As a real estate lender with a strong appetite and capacity for real estate transactions, they can meet all our needs with their full spectrum of commercial real estate services

B The Borrower - TOTS Development Company

We have been in the multifamily development industry for 25 years. TOTS Development Company does both private development and third party consulting for developers. Our company has a team of A-players. T.O.T.S is a dynamic company hosting it's own professional architecture and engineering team. The team was created for the development of Ashbrook Crossing consists of:

Joey Qi - Lead Architect
Janka Durisova - Lead Engineer
Cheng Ji - Sr. Developer
Doreen Liu - Sr. Developer
Sherlock Zhou - Sr. Project Manager
Zach Kayce - Sr. Financial Analyst

This dynamic team integration has been successful in the past with projects in the Washington DC, metropolitan area. We have completed over 10,000 units in the CBD and suburbs of Northern Virginia. Our knowledgeable employees allow us to minimize costs in the development process. According to historic development data within our company, approximately 95% of our development projects have been finished under the projected total cost. This allows for substantial returns upon stabilization and future resale.

Our teams of developers and analysts have studied the market in Loudoun County and understand the target demands of the area. With an increasing demand and new metro being built in the area, our development team is ready to deliver a project that will provide significant returns for everyone involved.

C The Equity Partner – St. John Properties (Land Owner)

St. John Properties will act in a Joint-Venture Partnership with TOTS Development. They will contribute the land as equity.

The land owned by St. Johns Properties, is a prime site for 200 units of multifamily. It was bought back in 2005 for 300,000/acre. St. John Properties will remain landowner to all adjacent land unused in the 100.5-acre lot.

The land that St. John Properties is contributing will be a total of 10 acres at $3,250,000. This land contribution will be used as a JV with TOTS Development Company. All required equity outside of the land value of 3,250,000, will be contributed by TOTS Development. The preferred returns and splits will be exhibited in the following section of the financial analysis.

St. John Properties, Inc. is one of the Mid Atlantic region's largest and most successful privately held commercial real estate firms. Headquartered in Baltimore, MD, the company owns and has developed nearly 17 million square feet of office, research and development/flex, retail and warehouse space.

Due to the demand requirements for multifamily and inexperience of St. John Properties in Loudoun County residential developments, we will bring our expertise to deliver a Class-A multifamily asset.

D Architecture Company - H&A Architects and Engineering

H&A is a multidisciplinary firm offering a wide array of engineering and design services and capabilities. H&A organizes its internal structure based on the client and the market, with team members dedicated to each segment. These market-based teams understand the complexities of the core areas they serve.

As design specialists, H&A is able to solve any building challenge. But they recognize that every client and project is unique, and they integrate their collective resources to offer a customized, streamlined solution for every mission – focusing on communication and quality control.

They provide service in Architecture, Building Engineering, Construction Administration, Interior Design, Planning, BIM, Building Sciences, Integrated Facilities Services, and Sustainability.

They have designed several mid-rise multifamily projects in Virginia such as 210 Rock at Rocketts Landing, a residential building located in Rocketts Landing in Richmond.H&A started with a simple design premise for this six-story, 93,000 square foot condominium building – the box. The simple box is seen in the building's rough, pale-colored brick. These boxes capture activity from the street and light from the sky. The 58 one- and two-bedroom flats range from 870 SF to 2,100 SF and feature floor-to-ceiling windows as well as views of the river and skyline. The first floor of the building offers 15,000 square feet of retail space.

E The Legal Consultant - Moyes & Associates, PLLC

Moyes & Associates, P.L.L.C. is a Loudoun County law firm located in historic Leesburg, Virginia providing comprehensive legal representation to individuals and business clients across Loudoun County, including business owners, developers, real estate agents, land owners, investors, and farms. David Moyes and Jack Hanssen have more than 40 combined years of experience handling a diverse range of legal matters.

The firm also houses Union Title & Escrow, Inc., a real estate settlement and title company, so that we can provide a complete package of real estate services under the same roof.

They provide a number of services including:

- Residential real estate contracts and leases
- Title, defects, encumbrances and liens
- Title examinations
- Drafting deeds and deeds of trust
- Easement and restrictive covenants
- Subdivision
- Mechanic's Liens
- Real estate closings
- Land use and zoning issues
- Conservation easements

F Construction Company – Clark

Clark Construction Group, LLC has steadily grown from a small excavating company begun in 1906 into one of the nation's most experienced and respected providers of construction services.

- Years in Business: 107
- Headquarters: Bethesda, MD

- Local/National Awards Won by Our Projects: 1,200
- LEED Accredited Professionals: 350+

Clark provides a full complement of construction services to meet clients' needs: pre-construction, general contracting, self-performance of key trades, design-build, and turnkey capabilities. Clark performs under multiple contract types and delivery methods depending on clients' requirements and preferences, including lump sum, Guaranteed Maximum Price or negotiated procurement.

Clark has constructed millions of square feet of office buildings, hospitals, research facilities, schools, retail centers, manufacturing facilities, sports complexes and convention facilities across the country. They have experience in building mid-rise multifamily in relatively rural area. 2008, they complete Pearson Square in Falls Church, a 4 story mid-rise multifamily project with one ground story retails. And 2006, Dulles Station Building G in Herndon, a 169-unit, four-story structure, with first floor retail, fitness center and above-grade parking, includes two landscaped courtyards highlighted by a swimming pool, fountain and outdoor fireplace.

We decided to corporate with Clark Construction because they are one of the most experienced construction teams and deliver promising construction quality. Furthermore, they have created a series of divisions, subsidiaries, and affiliates that address a spectrum of construction-related services and project types. Although large, they are a flexible organization. They combine these specialized divisions when it best benefits the needs of individual projects.

G Management Company – Bozzuto Management Company

We have selected Bozzuto Management Company as the managing partner on the project. With a specialty in high-end luxury apartments through the mid-Atlantic up to the northeast, they have years of experience in the industry. They have experience with high-rise multifamily to garden-style projects showing their diverse portfolio of expertise.

Their ability to maximize rents, lower vacancy, and bring a project through the stabilization process with minimal problems qualifies them as the best company for brand-new lease-up and existing properties. Their track record of success with ownerships and keeping their word has created relationships of a lifetime. Other companies in the area highly recommended their expertise and we have been working with them through the pre-development stages to qualify our rents, operating expenses, and pro forma to exhibit real life scenarios on the project at opening.

They have experience in Northern Virginia at properties like The Halstead Square (fastest lease-up in VA), Regents Park, Pearson Square, and many more. They manage over 30,000 units and have an increasing portfolio due to their expertise and professionalism in the industry.

They are highly qualified and they will manage the pre-leasing, lease-up, and stabilization periods of the asset.

IV. Risks

Risk Analysis

In any real estate transaction there are risks and opportunities. We feel with the vacant land the brand new ground up development has risk in the beginning stages up through stabilization. While these risks are apparent, our expertise will be able to minimize these risks and create a product that will be atop of the market. Three risks of this investment can be divided in market risk, inflation risk and Interest Rate risk.

A Market Risk

The primary risk in the investment is market risk. Because of the uncertainty of Loudoun residential market could influence the rent and occupancy level in the future. The apartment market could be weakening in the future years by the oversupply of competitive properties when the metro comes on board n 2018 (units coming on board are not planned at this time). Moreover, the market is currently in equilibrium, and continued new job creation should decrease the possibility of oversupply even if competitive properties are built in the future. Also, even if supply grows when the metro is built, a large amount of demand and population growth is projected which will exceed supply of new development. One way to hedge the market is to build to a higher standard of the competition of which we have underwritten a product that is superior to the rest in the market at this time.

B Inflation Risk

U.S. inflation rate, which was 1.7% measured by the CPI, was quite low in 2012. The forecast of inflation in 2013 is that the CPI will most likely increase to 3.0%. Because of a series of economic recession, particularly in Europe, the uncertainty in global finance market could grow and raise the overall risk in real estate market.

C Interest Rate Risk

The interest rate risk is present due to the forward commitment nature of the loan. The risk occurs if interest rates rise beyond their current level. Interest rates typically increase along with rising inflation, which would result in an increase in nominal yield due to the participation feature of this investment. If interest rates rise there is less money for buyers to buy the product when we are ready to sell. This affects the cap rates, which will increase and lower the overall reversion. With a steady projected income from cash flow and a high DCR with the FHA HUD loan, we project any interest rate risk affecting the cap rates will essentially fall through the cycle at which we will sell when the markets come back around. We have a sufficient DCR to cover debt service in these cycles.

V. Returns

A Deal Structure

The proposed investment will be a Joint Venture (JV) between TOTS Development and St. John Properties. St. John Properties is the landowner and will be using the land as equity. The land totals 10 acres at $3,250,000. All required equity outside of the land value would be contributed by TOTS Development ($3,537,072). The total equity in the deal consists of $6,787,072.

The JV will borrow a construction loan at 4.15% interest rate. The 4.15% interest will be drawn based on the construction schedule and paid off with the FHA HUD perm loan at the end of construction. The total Construction Loan with interest accrued will equal $27,259,237.

**For clarification the multifamily HUD loan secured is the: HUD 221(d)4 Loan

Due to the HUD Financing an escrow deposit is needed to secure the construction and perm loan financing and rates. They require an escrow deposit of $3.65 million. Due to the risk that TOTS will be incurring, they will receive a 5% return on this escrow, which is incorporated, into the development budget and the interest is rolled into the perm loan.

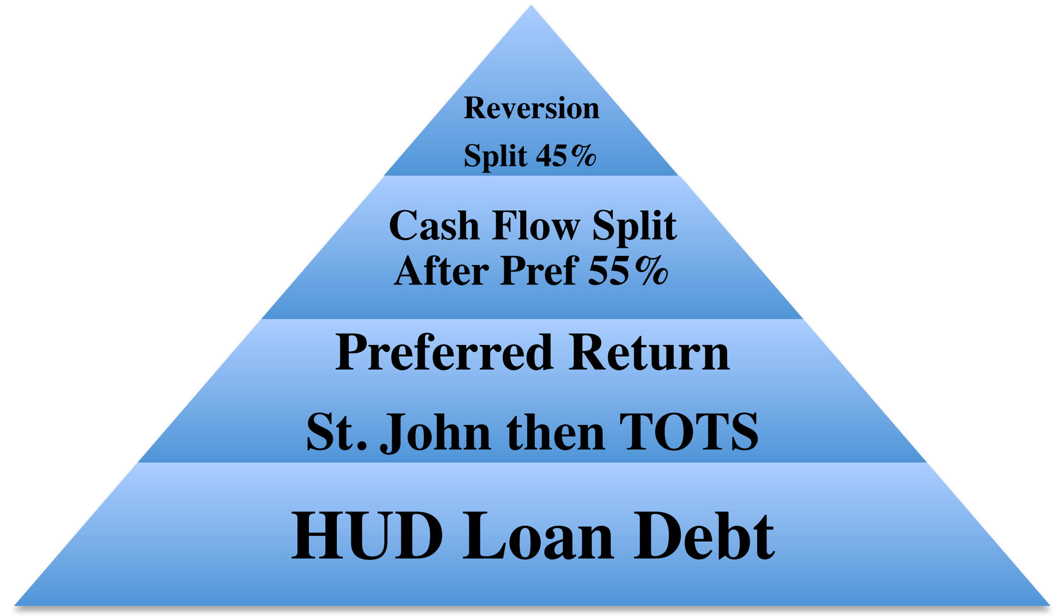
After two years construction period, the construction loan outstanding balance will be converted into a permanent loan at 4.6% interest rate, 40 years amortization. The total perm loan will be for $31,781,414. This incurs a fixed debt service of $1,739,121 in the pro forma.

B Capital Stack

The capital stack is exhibited below. The lender will hold 82.4% LTC ratio (max 92% for this loan). The first year of stabilization has a 1.49 DCR and increases from their in pro forma.

The equity returns are split as follows. St Johns. Properties receive an 8% preferred return that accrues if cash flows are not sufficient in a given year. TOTS will receive the same 8% preferred return after St. Johns has received theirs. This pref starts in year 2016, as does TOTS Developments pref. After all prefs are paid the remaining cash flow split is 55/45 with 45 going to TOTS. The reversion split is 45/55 with TOTS receiving 55% of reversion.

Exhibit 16 – Capital stack visualized



B Pro Forma

Construction will take approximately 24 months starting in June 2013. However, marketing and lease-up will begin in August 2014, well before the final units are delivered. The overlapping of the leasing and move-in phases will help add income and minimize the time the property sits vacant with no income.

Based on area absorption it will take approximately a year to lease up. A detailed lease-up schedule can be referenced in the Excel files attached. The estimated rental rates are calculated based on weighted average asking rents of our competitors. The initial rent rates range from 1.32 to 1.63 per square feet or from 900 to 2,200 per unit based on unit size. After the lease-up period, estimated stabilized vacancy rate is 5% with 1% collection loss. The estimated initial total operating expense are currently 5.70 PSF (rentable) and 6.11 PSF (rentable) at stabilization.

Exhibit 17 - Key assumptions as follow for 2013 market standards:

TYPE OF UNIT		% MIX	# UNITS	NET RENTABLE SQUARE FEET	MONTHLY RENT PER UNIT
Jr. 1BR/1BA		15.00%	30	680	900
1BR/1BA		35.00%	70	800	1,300
2BR/1BA		15.00%	30	980	1,700
2BR/2BA		17.00%	34	1,220	1,825
3BR/2BA		18.00%	36	1,465	2,300

Below exhibits the 2013 operating expense projections incurred once the property is opened for occupancy. (These expenses will increase between 2013 and opening – included in the pro-forma)

Exhibit 18 – Operating expense projections for 2013

TOTAL EXPENSES	1,746,174	5.70	5,184
TOTAL CONTROLLABLE EXPENSES	606,000	3.03	3,030
TOTAL NON-CONTROLLABLE EXPENSES	1,140,174	2.67	2,154

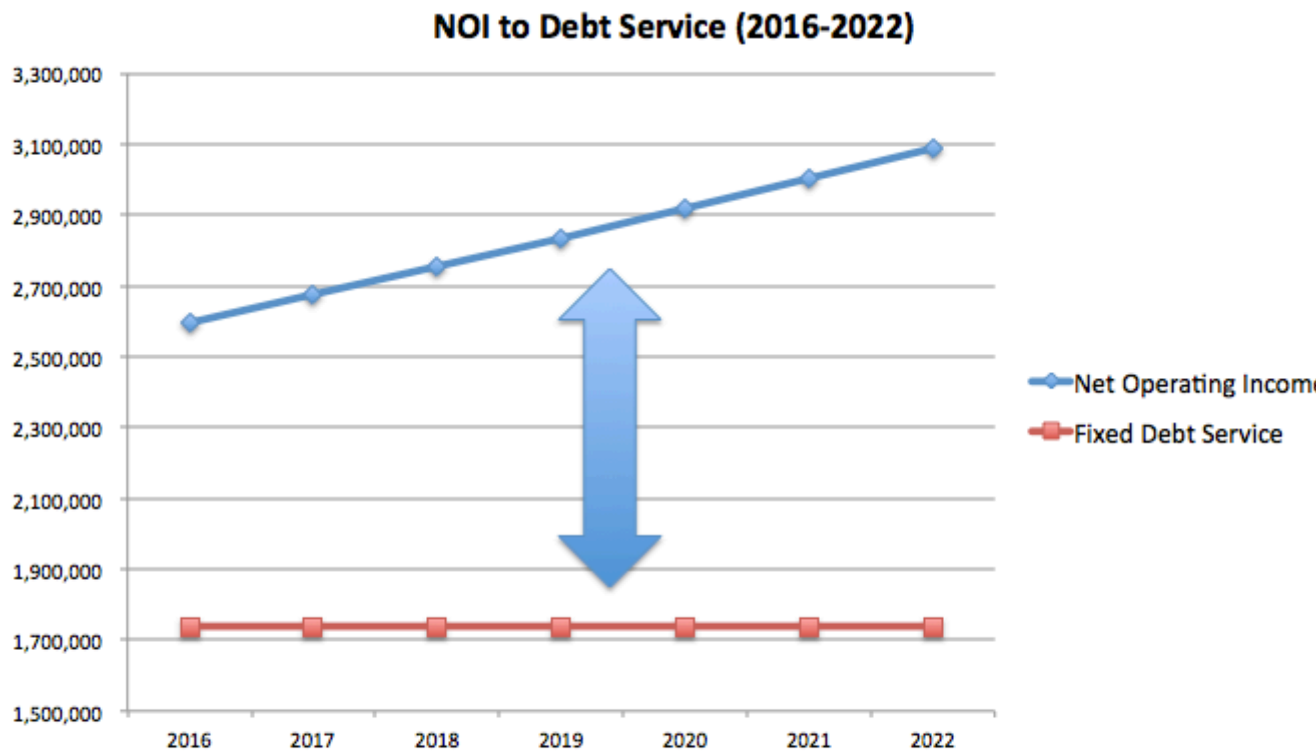
C Net Operating Income:

The net operating income at stabilization is $2,595,989. With debt service at $1,739,121, this projects steady cash flows and returns throughout the life of the asset in the most likely scenario.

The following Graph exhibits the trends of NOI from Year 1 of full stabilization through Year 7 (2022) when we plan to sell the property in an exit strategy. As you can see in the graph there is a steady trend of Net Operating Income increasing over the life cycle. This mitigates risk to the cap rate as we can sell at the opportune time since there are no time constraints in the JV private partnership.

The arrow exhibits the increasing spread of profit between the NOI and Debt Service.

Exhibit 19 – The trends of NOI from year 1 through year 7 (stabilization)

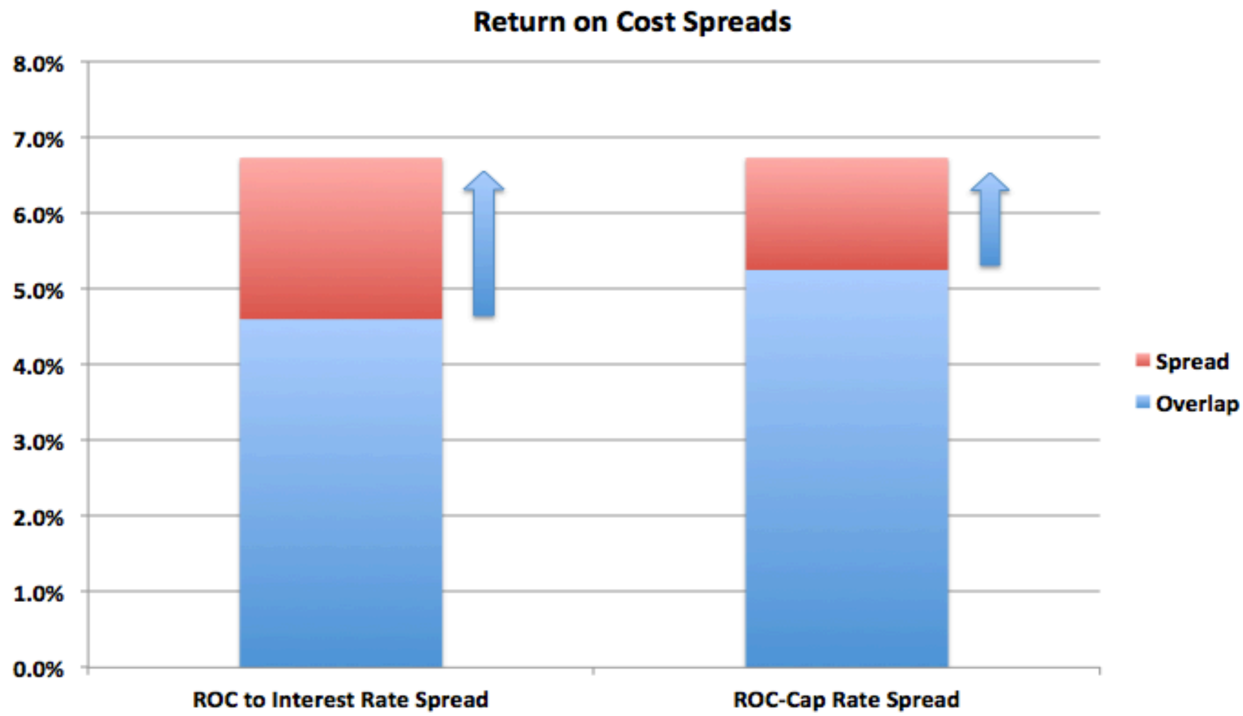


D Return on Cost:

The return on cost is substantial. Typically in our development standards we look at the spread between return on cost and the leverage interest rate along with the return on cost and current cap rate at development. This spread of at least 150-200 basis points between ROC and the interest rate typically will perform with a high teens-low 20's IRR on investment for equity partners.

Year 1 (2016) is shown as a return on cost at 6.73% with the fixed-rate perm loan at 4.6%. The following graphs show the spread and how it relates to the returns in the later sections. The arrows show the spread or where the profit is made in the long run over the life.

Exhibit 20 – Return on cost spreads



*Year 2016 (Spread increases in years going forward)

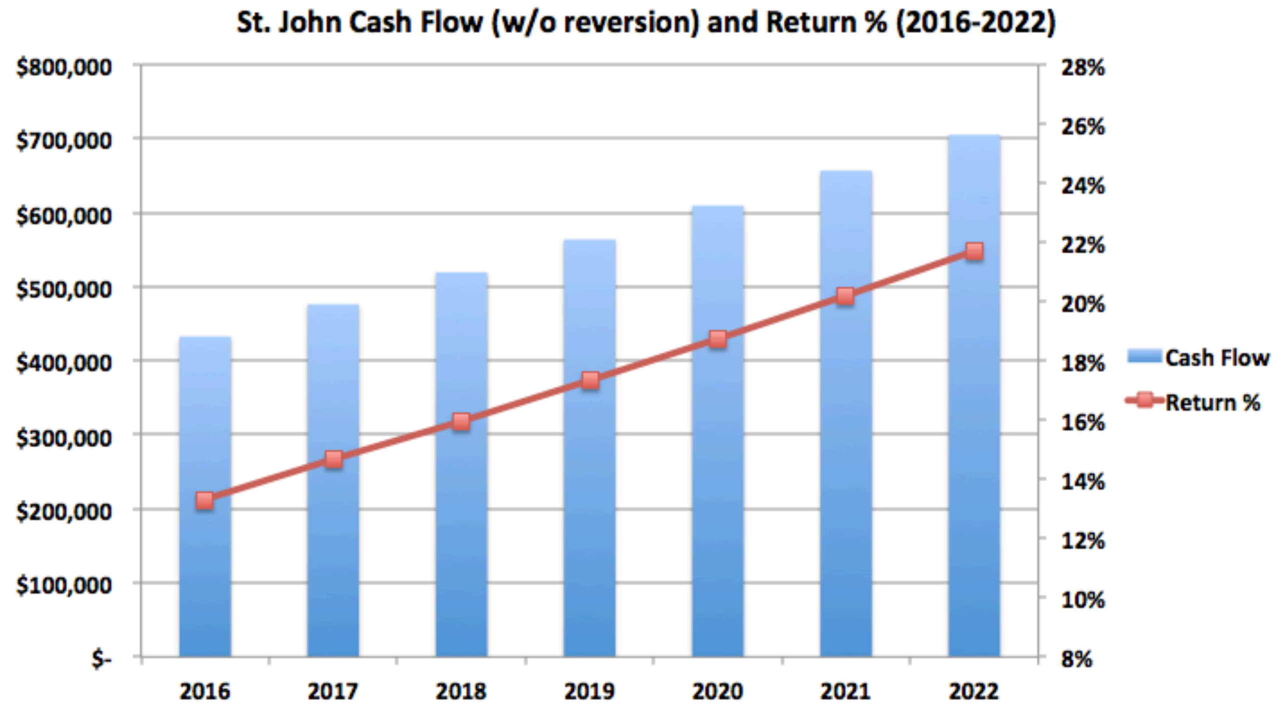
E Exit Strategy

The asset will be sold at the end of year 7 or (2022). The Metrorail will be completed by 2018 to 2022. This will allow ample time for rents to climb due to the growth in population and local amenities in Loudoun County. This exit strategy can be flexible as it is a private partnership and the exit strategy is based on selling at the most opportune time. The cap rate spread from the current cap rate is 150 basis points, hence asking for a terminal cap rate of 6.75% in the most likely scenario. Cap rates over the years have not deviated much higher, so this assumption is conservatively drawn.

F Leveraged Return (St. John Properties)

The 8% pref is projected to be returned every year to both partners in the JV (St. John Properties with the first preferred return). In the graph below it exhibits the actual dollars amounts coming in each year for St. John Properties for the 7 years of the asset lifecycle. The graph also exhibits what percent of their original investment (the land @$3,250,000) they will be receiving each year.

Exhibit 21 – St. John Properties´ cash flows and returns



The most likely scenario IRR for St. John Properties ranges from 13.44% in Year 1 to 20.28% in 2022 (year 7) reversion. The steady increase in IRR is shown in the return spreadsheet attached to this document in the appendices.

The target return for St. John Properties will be the 20.28% IRR.

G Sensitivity Analysis (Best Case / Worst Case Scenarios)

As many professionals understand with high returns comes risk. Our risk in the project was exhibited in the earlier section. One of those risks was market risk. We picked 3 variables to compute the best and worst case scenarios. In these scenarios we used statistical driven numbers to compute those scenarios for each variable. The variables chosen were market rent, vacancy, and the terminal cap rate. While our analysis proved that the project does have a probability of loss (as all real estate assets do) it was minimal. In the worst-case scenario, years 1-6 of stabilization show a loss on the investment.

However, it is important to note the property has a high DCR and the NOI still covers the Debt Service consistently every year in the worst-case scenario. This allows for us to hold onto the asset and allow the markets to come full swing and increase over time. In the worst-case scenario in year 7 the IRR still produced a 4.2% return for St. John Properties. In the best-case scenario the IRR increased from the most likely IRR of 20.28% to 30.02%.

The stacked graph below shows the range of return between the best and worst case scenarios. This means the IRR is most likely to fall in-between these numbers shown by the arrow on the graph and will most likely hit the projected IRR of 20.28%.

Exhibit 22 – Worse case and best case IRRs for St. John Properties

*Year 2022 – The arrow shows everything in-between those two cases.

Please refer to all documents attached in the appendices. They exhibit an in depth pro forma analysis along with the returns for the asset on a leveraged and unleveraged basis

VI. Conclusion

The proposed multi-family apartment complex has the essential elements of a successful real estate venture. The project has excellent accessibility and exposure in a growing suburban multi-family market. The risks in this investment have been carefully evaluated and reduced to an acceptable level by the deal structure described above.

This development projects an attractive long-term equity investment with outstanding yields, achieving a 20% IRR in 2022.

Therefore, we recommend St. John Properties to join in a Joint-Venture Partnership with TOTS Development, contributing a total of 10 acres of land at $3,250,000.

VII. Appendices

Appendix I - Pro Forma

Appendix II - Return on Investment

Appendix III - Development Budget

Appendix IV - Construction Draw

Appendix V - Lease-up Schedule

Appendix VI - Rent Schedule

Appendix VII - Debt

Appendix VIII - Operating Expenses Budget

Appendix IX - Demographic Data

Appendix X - DC Metropolitan area statistics for multifamily: