

December 1, 2009

Stonewater 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	<p>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 sale.</p> <p>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</p>
Water	
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 combined lot) 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 are complete and under construction.
History	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 resale contract with Main Street Homes where he resold these lots to Main Street Homes for a reported \$9,500 per paper lot. Then Cash Construction Company (1-512-251-7872) constructed the roads & infrastructure. 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.

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 appx. \$1,450,000. This equates to \$20,948 per acre for this platted subdivision. The exact number of platted lots in Phase 3 should be confirmed with David Coombs, the engineer in Elgin. Mr. Coombs Office telephone is (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 the sellers' analysis of the PID (one of the sellers, Steven Adams, is an MAI appraiser), 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.

The PID should have significant value for the developer once the Phase 3 homes are constructed and occupied by the new homeowners. The profit potentials associated with 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

All profits shown below are estimates, non-discounted for time. The buyer and their broker should conduct their own investigations and analyses into this investment and form their own opinions as to the suitability of this asset for their intended use. The sellers, listing broker, and auctioneer offer no opinion as to the value or profits associated with the land, development, or construction of the homes in this subdivision. The estimates shown below are shown for discussion purposes only.

Horizontal Profit	\$2 million	Per PID calculations above
Lot Profit	\$3 million	Appx. 300 lots @ conservative \$10k/lot profit
House Profit	<u>\$3 million</u>	Appx. 300 homes @ conservative \$10k/home
Sub-Total	\$8 million	Deduct land acquisition from this Sub-Total to derive estimated Profit Total, net of all costs

Market
Demand

There is always the greatest market demand at the lower end of the price curve for starter homes in the Austin area. Stonewater is a starter home community. There is current demand by new home buyers in this area 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 exists, the property is entitled and platted, and the property will be sold at a very attractive land acquisition basis to the buyer.

Commission

Will pay the broker representing the buyer a 3% commission at closing & funding

Listing

This property is listed with Neill McClung, Broker. If you want to buy this property, call or email Neill McClung and submit an offer. Contact information below:

Neill McClung, Broker
McClung Properties, Inc.
2918 RR 620 North
Suite G-130
Austin, TX 78734

Phone (512) 785-6810

Fax (512) 266-9501

Email Neill.McClung@sbcglobal.net

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 one 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. From FM 973, turn onto Suncrest, go 1/8 mile and veer left onto Tower Road, the main entrance into Stonewater is on the left. Refer to maps and aerial photograph in this report.