

Albemarle Square Apartments

A Development Proposal by:

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Executive Summary

A development opportunity has been identified in the recently re-developed Baltimore City neighborhood of Albemarle Square. A vacant site is available and ready for development on which 9 multifamily units and six parking spaces will be developed. The project to date has been identified, researched, and planned and is ready for significant engineering and architecture to begin.

- **The Developer**

- Graduate of Johns Hopkins University Real Estate Program
- Resident of Baltimore City
- Well connected within the development community
- 2 years commercial real estate experience
- Experience developing in Baltimore City

- **Equity**

- An anticipated hold period after stabilization of 10 years with approximately \$82,000 in annual net operating income
- Equity requirement of \$271,000, limited to 3 investors
- 7.92% 10 year average cash on cash return
- Projected Leveraged Internal Rate of Return of 17.14%
- Equity to value ratio of 28%

- **Debt**

- Construction financing has been secured with a 2 year building and stabilization term and option of a 5 year mini-perm loan thereafter
- Loan to value ratio of 75%
- Permanently leveraged amount of \$796,750

- **Development Plan**

- Develop 9 multifamily units located next to major employment areas in an underserved market near the Central Business District of Baltimore, MD,
- Lease up property in less than 12 months using marketing campaign managed by Property Management Services of Baltimore, a well qualified leasing and property manager very active in the market
- How the design meets the demand identified in the market study
- Ten year holding period from initial equity contribution to reversion

- **Strengths**

- Walking distance to Central Business District, Inner Harbor, Harbor East, & Little Italy
- High demand in immediate area from young professionals, students, and medical professionals
- Direct access to subway, bus network, and the Jones Falls Express (Interstate 83)

- Small deal size reduces investment risk
- Conservative underwriting was kept in mind throughout project inception, research, and pro forma underwriting
- Real estate is the ultimate hedge against inflation which has been predicted for the near future
- **Weaknesses**
 - Property sits on a one way westbound thoroughfare
 - Uncertain economic times will exist at least through 2011
 - Multifamily rents have the potential to remain stagnant or decrease for the near term
 - Property tax incentive programs could be cut as City of Baltimore and State of Maryland seek to recover budget deficits
 - Financing the project seems certain but terms could shift to less or more favorable as capital markets continue in to be in a state of volatility

Every effort has been made to thoroughly underwrite upside as well as the potential downsides of this investment. Each section of this report should be reviewed prior to making any decision to be active in this project. Details of each aspect of the project from initial idea inception through construction and stabilization are included in this report. The developer has sought the insights and opinions of experts active in the community to assemble the best development team and implement the best development to be implemented here.

Strategic Development Plan

The goal of this project is to establish the presence of a much needed community asset within the Albemarle Square neighborhood. By capturing the demand and needs from the established market area, this development will provide a quality housing option and growth of the community and neighborhood services with the addition of retail space while maximizing return on and of investment.

The project team will consist of:

- Travis Mitchell, Developer and Project manager
- Arsh Mirmiran, Consulting Developer
- Jeff Gunning, RTKL, Architect and Designer
- Property Management Services, LLP, Property Manager and Leasing Agency
- John Glover, VP, The Columbia Bank

The anticipated timeline for successfully completing this project from start to finish is outlined below. When terms to purchase the property have been reached, timing and strategy will have to be well planned out and implemented to ensure full design and approvals have been reached prior to earnest money going firm and closing on the property. Every obstacle and risk of this project has been considered but it should be noted that unforeseen occurrences can and will arise. As such is the case, the developer and members of the development team will, to the best of their knowledge, abilities, and judgment, handle such occurrences as they see fit which may require the alteration of the initial project timeline, design, structure, etc.

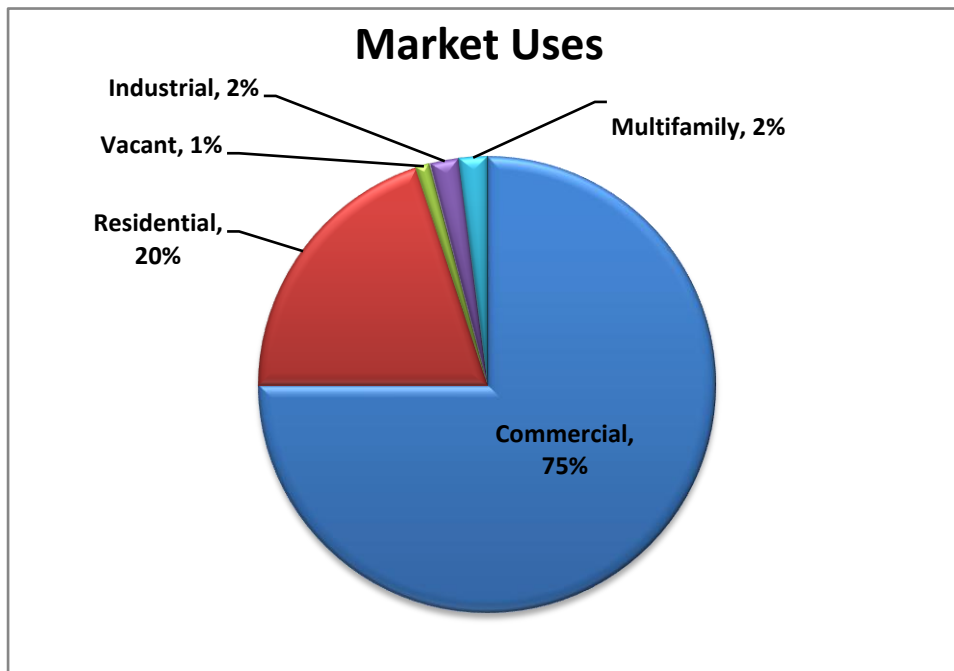
It is anticipated that the project will be held for the long-term cash flow. Depending on, market timing and conditions, it is likely that a reversion will not occur before year 10. Because of this, a rate of return analysis has been included in the financials of this report and demonstrates which portion of the internal rate of return comes from annual cash flow and which portion comes from anticipated reversion in year 10. The project is inline with the developer's moderate appetite for risk and is seeking at least a 15% leveraged equity IRR. This is largely driven by the projected returns which equity contributors require before making an investment. The multifamily sector is still viewed by many active in the market as a stable asset class although rent growth might be limited for the near-term, values are projected to remain stable therefore making this asset class a good hedge against anticipated inflation.

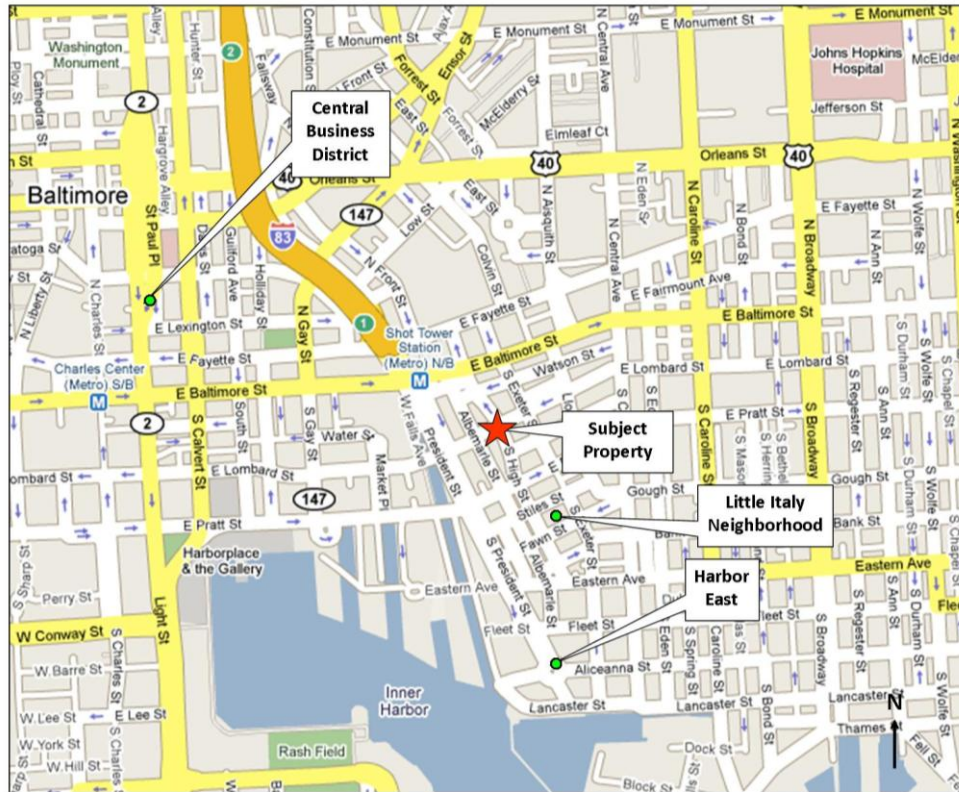
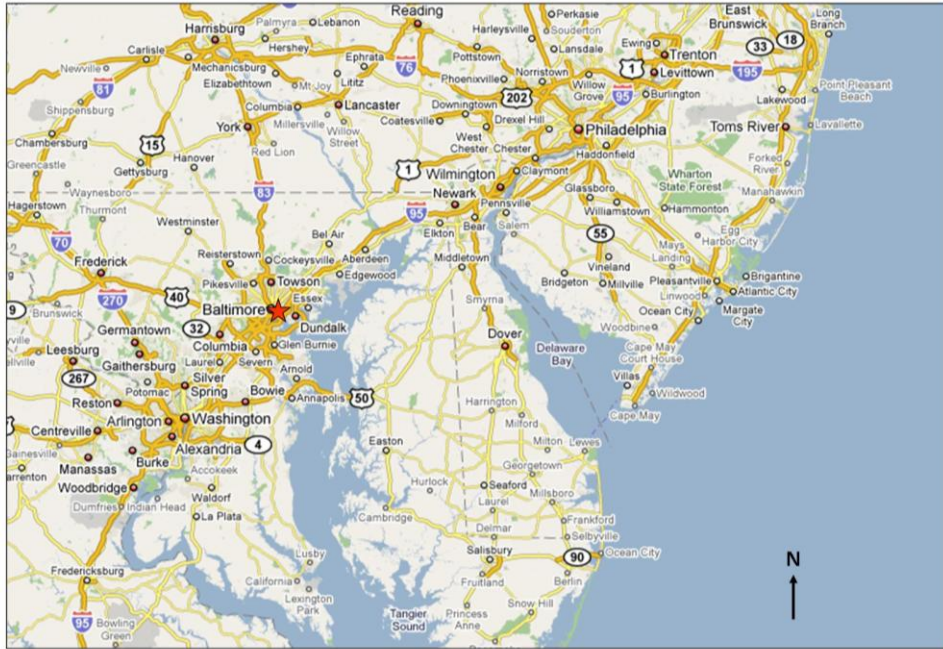
Property Information

The City of Baltimore is in the Mid-Atlantic region of the United States approximately 100 miles south of Philadelphia, PA and 40 miles north of Washington, DC. The City has transitioned from a major transportation and industrial hub into a service oriented economy with major industries consisting of healthcare, education, and government related. A more in-depth analysis of Baltimore's economic indicators will be discussed later in this report.

The subject property is located at 1004-1006 E Lombard Street, Baltimore, MD 21202 in the market area of Jonestown which is located in southeast Baltimore just east of the central business district and north of Harbor East. The boundaries of Jonestown are Central Avenue to the east, Eastern Avenue to the south, Fayette Street and Gay Street to the North, and President Street to the west. The market area is 75% commercial, 20% residential, 1% vacant land, 2% industrial, 2% multi-family (Baltimore Housing RFP). Some of the townhomes in the immediate area date back to the early 1800's. In the area north of Pratt Street, the majority of the residential properties are new construction having been built where high rise government housing was originally located. With the recent large home development in the area, the Albemarle Square neighborhood appears to show demand for neighborhood and convenience-oriented product. Such users might include convenience stores, restaurants, banks, pharmacies, and/or office space, any of which could have a residential or office component above.

Downtown Baltimore is within walking distance of the area. The Johns Hopkins Medical Center is also in close proximity to the subject market area. This medical center is Maryland's largest private industry employer and consistently ranked as one of the best hospitals in the world. Shopping is convenient with a growing number of specialty shops in the neighborhood and in Fells Point which is also in close proximity.





Zoning

The property is currently in a vacant undeveloped state zoned B-2-3 by the City of Baltimore. The site presents potential complications from a land-use regulation and zoning standpoint because it is zoned by the City of Baltimore and also regulated by the Jonestown Urban Renewal plan. Prior to the recent development of the Albemarle neighborhood, the developer enacted a PUD through the city which contains the ultimate use restrictions. Pre-development meetings with members of Planning & Zoning as well as Baltimore Housing will need to be held to ensure the regulations found by the developer are correct, which they appear to be.

The B-2-3 zoning in place for the site in the PUD allows for virtually any type of retail without outdoor table service, schools and education centers, light manufacturing and industrial, medical, as well as others. The city enacted this use to encourage mixed use and urban infill development in older parts of the city. Yard and setback requirements are as follows: none required on the front, none required on interior side, none required on interior corner, and the rear yard must be at least 30 feet deep.

The Floor-Area-Ratio (FAR) is defined as the total building square footage divided by the site size square footage. Zoning allows a maximum FAR of 5.0 which translates in to a maximum building size for the subject property of 26,355 square feet. This number was arrived at by completing the formula:

$$[(\text{Lot size of } 5,271) \times (\text{FAR of } 5)] = \mathbf{26,355 \text{ Square Feet}}$$

which allows for more than enough square feet than what was anticipated by the developer at the outset of this study.

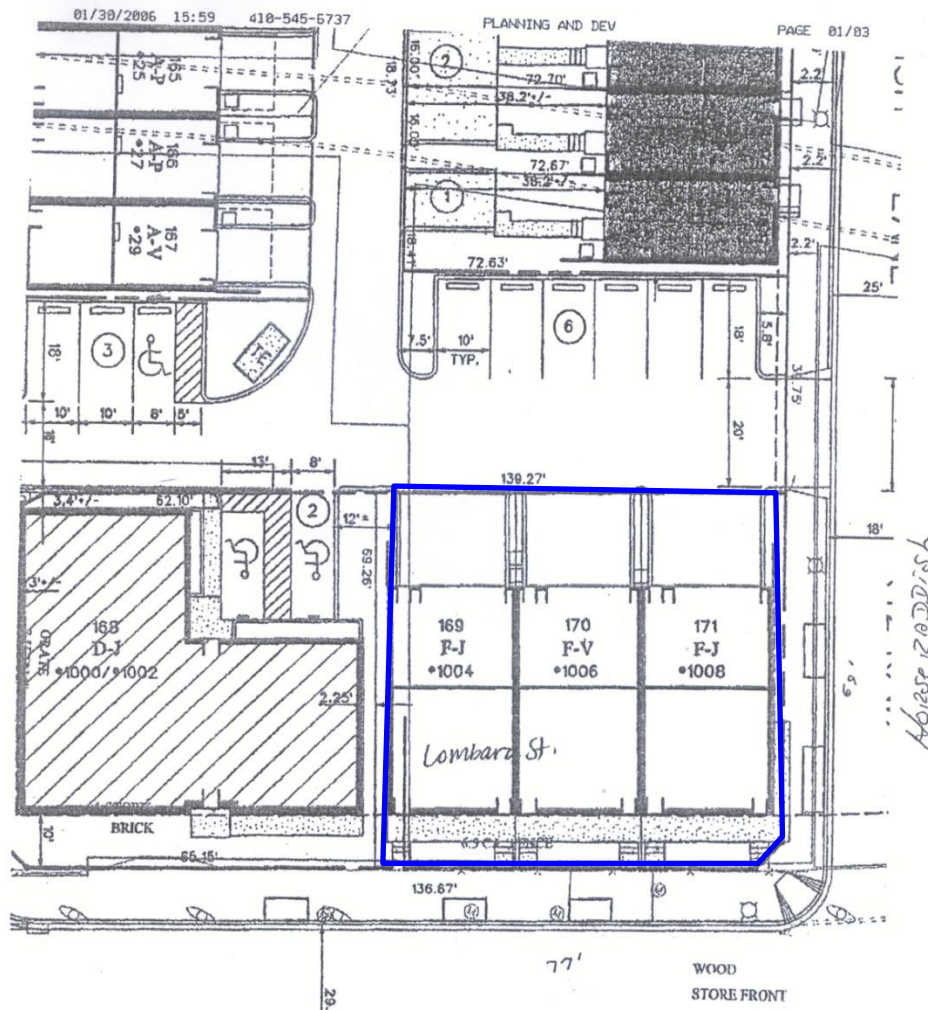
If a residential component is incorporated into the site, the current zoning requires that there be a minimum of 275 square feet per rooming unit, 375 square feet per efficiency unit, and/or 550 square feet per other type of dwelling unit. Efficiency units have not been popular within the downtown region of Baltimore City and rooming houses are not favored because of their varied cash flows due to greater turnover and more substantial management requirements. Therefore the remaining requirement of 550 square feet per dwelling unit will be divided into the lot area of 5,271 square feet.

$$(5,271 \div 550) = \mathbf{9.5836 \text{ Units.}}$$

Overall, the zoning is more than favorable for the anticipated use and should not need any changes or variances.

Lombard Street is a one-way thoroughfare which fronts the subject property with traffic flowing west into downtown. The delis along Lombard Street overflow during lunch because they are known as a Baltimore icon. Cars and pedestrians crowd the street to pick up lunch during both weekdays and weekends during which time parking becomes an issue. Six dedicated spaces are part of the acquisition of this property and are contained in the required rear setbacks. Additional spaces will need to be negotiated with the Albemarle neighborhood association which has more than enough parking and, according to the PUD documents, is required to allocate parking to future development.

The final design of the structure should conform to the existing architecture and height of the neighborhood. Support from the Albemarle Square Neighborhood Association should also be sought. Conversations with community association board members and area residents have contributed to this plan. Letters of support from these community members and organizations will need to be gathered in order to facilitate required city permitting and approvals to demonstrate the support of the community.



Property Challenges

The site presents several obstacles such as the size of the property, current neighborhood, and difficulty in determining accurate demand. The size of the subject property limits the site considerably in terms of onsite parking, floor area, access, and visibility which ultimately limits potential users of the property thus limiting returns to investors. The Albemarle Square Neighborhood has seen an extreme transition from the days of Flaghouse Courts, a government subsidized housing project, which had extremely negative connotations in the city of Baltimore and exist in older resident's minds today.

Realizing demand with the currently outdated demographic information along with the current state of the economy is difficult when attempting to forecast and capture market demand. This leads to a search for more recent and alternative sources of demographic information. These alternative sources of data must be thoroughly evaluated to determine accuracy and trustworthiness.

Demographics

The demographics for the majority of the immediate trade area can be especially misleading when looking at historical data pertaining to population and income figures. As mentioned previously in this report, the development of Albemarle Square was made possible with assistance from the US Housing and Urban Development's Hope VI program. High density subsidized housing existed in the neighborhood prior to the demolition of Flag House Courts which included a larger neighborhood population with lower incomes. The neighborhood was redeveloped as a mixed income townhome development meaning that the overall population has decreased. While decreases in population do not typically inhibit new development opportunities, it should be noted that all demographic reports must be examined holistically with numerous factors such as income, employment, population, and others. The effects of this major neighborhood redevelopment and demographic transformation have been taken into account by the developer and should be noted by all users of this study.

Population

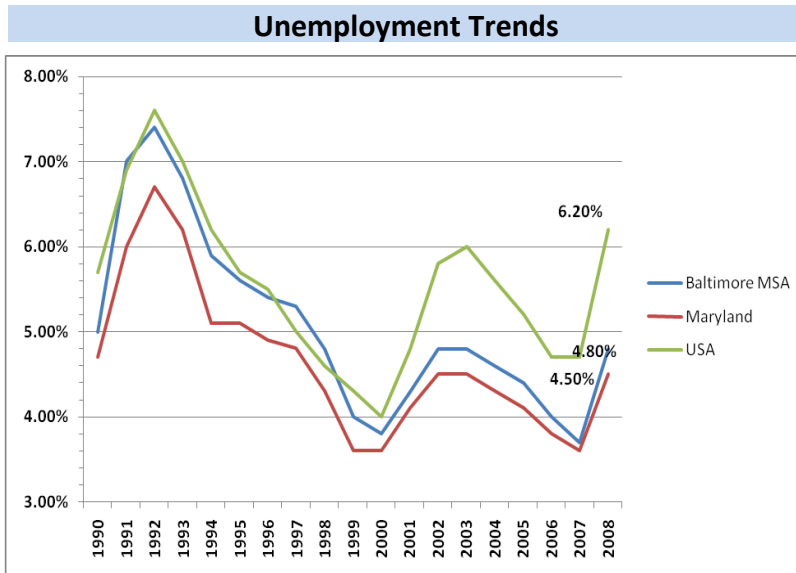
The U.S. Census Bureau estimates the current population of Baltimore to be 637,455 people. The Maryland State Data Center projects that the population of Baltimore will begin to increase by 2010 and recover from the more than 100,000 people that left the city from 1990 to 2005. Within the immediate area of the subject property, 41,633 reside in a one mile radius according to 2007 data from Map Info Co., a Demographics and Economic research firm. Total households within the one mile radius subject property have increased slightly since 2000 most likely due to the development of Harbor East neighborhood just south of the subject property. Forecasts of both total households and total population show that the city and the immediate area will continue to see modest gains over the next five years.

Population	1 Mile Radius	3 Mile Radius	5 Mile Radius
2007 Population	41,633	275,512	561,631
Change 1990-2007	-2,190	-65,720	-98,380
2012 Population Projection	43,108	251,703	535,740
2007 Total Households	17,008	103,511	217,723
Household Change 2000-2007	264	-3,931	-4,658

Employment

Baltimore's current workforce is made up of 259,719 employed persons with 7.5% of the total workforce unemployed. The state of Maryland Baltimore is driven by the education and healthcare industries which account for eight of the top ten largest employers. The largest employment district is the central business district (CBD) with a current workforce of 115,000. 17,000 new jobs are anticipated to relocate to the CBD within the next five years as part of the Base Realignment and Closure Act.

The Johns Hopkins Hospital is the largest employment center outside of the CBD with 13,750 total employees. The hospital is consistently the top ranked hospital in the nation and is a major research and teaching facility. Both the CBD and Johns Hopkins Hospital are very accessible by subway, bus, car, or on foot from Albemarle Square. It is no doubt that Baltimore has been and will continue to suffer the effects of the current economic crisis. Unemployment rates will likely increase but should fare better than the national average due to the heavy healthcare, government, and non-profit job sectors.



*Bureau of Labor Statistics, 2008

Income

The per capita personal income for the City of Baltimore was \$28,325 as compared to the Maryland per capita income levels of \$37,616, both in 2005. Income is expected to grow in Baltimore by an average of 1.5% per year through 2015. Within a one mile radius of the subject neighborhood per capita income is \$24,300 and within a three mile radius per capita income is \$22,706 (City Data, 2007). These levels are noticeably lower than the total city level in 2005 and should be taken into account if retail space will be included in the final highest and best use product mix. Income levels could see higher than projected gain as new home construction and sales have risen since these 2005 figures. Below is 2007 Income data within one, three, and five mile concentric circles of the subject property.

Income	1 Mile Radius	3 Mile Radius	5 Mile Radius
2007 Median Income	\$38,222	\$34,483	561,631
2007 Per Capita Income	\$27,252	\$22,538	\$21,851
2007 Average Household Income	\$66,772	\$55,875	\$54,779

Market Study - Retail

Accessing “neighborhood necessity businesses” within Baltimore typically involves walking a portion of the distance due to sparse and costly parking options in the CBD and Harbor East areas. Upon analyzing distances, types of businesses, and impromptu discussions with residents, it is evident that each type of need is being served but there does appear to be demand for more of these types of businesses (bank, medical clinic, hardware) within the neighborhood area. Below are neighborhood necessities with walking distances.

Major Grocery

Name	Location	Distance From Site
Safeway	2610 Boston St. Baltimore, MD 21224	1.9 Miles
Whole Foods	1001 Fleet St. Baltimore, MD 21202	0.5 Miles
Super Fresh	222 North Charles St. Baltimore, MD 21201	0.9 Miles

Medical

Name	Location	Distance From Site
Johns Hopkins Hospital	600 North Wolfe St. Baltimore, MD 21287	0.9 Miles
Mercy Hospital	301 Saint Paul Pl Baltimore, MD 21202	1 Mile
University of Maryland Medical Center	22 S Greene St Baltimore, MD 21201	1.6 Miles
CVS Pharmacy	630 S Exeter St Baltimore, MD 21202	0.5 Miles
Walgreens Pharmacy	19 E Fayette St Baltimore, MD 21202	1.1 Miles
Rite Aid Pharmacy	200 E Baltimore St Baltimore, MD 21202	0.7 Miles
CVS Pharmacy	31 Light St Baltimore, MD 21202	1 Mile

Financial

Name	Location	Distance From Site
M&T Bank	400 E Pratt St Baltimore, MD 21202	0.6 Miles
Sun Trust	501 E Pratt St Baltimore, MD 21202	0.6 Miles
Columbo Bank	224 Albemarle St Baltimore, MD 21202	0.5 Miles
Bank of America	10 Light St Baltimore, MD 21202	1.1 Miles
Harbor Bank of Maryland	1000 Lancaster St # C Baltimore, MD 21202	0.8 Miles
Wachovia	7 Saint Paul St Baltimore, MD 21202	0.9 Miles

**All distances are approximate and were determined using Google Maps with a starting address of 1004 East Lombard St, Baltimore, MD 21202*

As of the third quarter of 2008 there was 9,334,182 square feet of inventory within Baltimore City at an average asking rate of \$19.27. Downtown, specifically the Inner Harbor, saw the greatest amount of activity with 60 new retail locations setting up shop in 2007. In 2008, 163,000 square feet of additional retail entered the market in downtown (DBP pg 16). Asking rates have held steady to date but absorption slowed to negative 19,300 square feet in the third quarter of 2008 which shows a softening of the market and the potential to lower asking rates going forward. The rise in housing through 2007 has certainly fueled the increase in retail space and contributed to steady asking rates but with the decline in residential units, retail will certainly follow the same trend of demand as housing which is discussed later in this proposal (CB Richard Ellis, 2008).

The Downtown Partnership of Baltimore conducted a survey of what new retail is desired by area residents. The survey found that 22% wanted to see some more department store/big box retail/Target type product come to the market. Thirteen percent stated that food/grocery is needed and 10% wanted new restaurant establishments (DBP, 2008).

Within the Jonestown/Old Town neighborhood, there are two delicatessens and a dry cleaner which are all along Lombard Street. When visiting the neighborhood during the lunch rush hour, street parking and double parked vehicles makes navigating the neighborhood extremely difficult, especially during school days. Neighboring Little Italy district has numerous locally owned eateries and bakeries and is popular with area visitors and holds several street festivals throughout the year.

Because of the nature of the subject property such as size and accessibility, the site is best physically suited for a neighborhood type service establishment such as convenience grocer, coffee shop, or bank. To directly identify demand for retail in the Old Town neighborhood, data from the Drill Down Study commissioned by the City of Baltimore and completed by Social Compact, a market study group, was analyzed. Estimated annual retail revenue within the neighborhood was \$80.4 million while annual resident retail spending within the neighborhood was only \$33.6 million, a leakage of \$44.8 million into the neighborhood. This evidence suggests that more is spent in Old Town by people residing

outside the neighborhood which leads to the conclusion that there is no current demand for additional neighborhood retail services. Thus, retail space will not be considered as part of this project.

Market Study - Multifamily

Vacancy in the central Baltimore City multifamily sub-market was down 0.2% after the first quarter of 2009 to 8.1% and remained the highest vacancy rate within the Baltimore Metro Area which posted an average vacancy of 5.9%. Gross effective rents remained among the highest in the area at \$1,069 per month which can be attributed to more high-end product coming online throughout downtown and Harbor East. Asking rents are projected by Marcus and Millichap to remain stable with little chance of increasing during the next year. Because of a weakening economy concessions are expected to rise as well resulting in the slower growth of effective rents which is projected to increase only slightly. In 2008, a noticeable amount of supply hit the market in the first 6 months with 399 units coming into the market. 2009 will see less than 2008 with 275 units currently under construction in central Baltimore (Marcus & Millichap, 2009).

All market rate units within the 21202 zip code were on the west side of Interstate 83 or south of the neighborhood near Harbor East and Little Italy (DPB, 2008). All existing multifamily units inside the Albemarle Square neighborhood have been leased but are low income housing tax credit based and will not participate in market studies. As the immediate subject area continues its positive transition, more interest is likely to be shown by renters due to the area's proximity to many of the major employment centers and accessibility to retail and restaurants as well as other entertainment amenities.

By analyzing organic demand, it is possible to estimate the number of new rental households Baltimore will realize through anticipated growth. At the last confirmed report of the US Census Bureau and the Maryland State Data Center, Baltimore City had a confirmed population of 637,455 in 2005 with anticipated growth through the year 2010 of 644,850 or, spread evenly, 910 people per year. The US Census Bureau estimates the ratio of the number of households to the total population to be 2.48 people per household. By dividing this statistic by the anticipated growth rate per year, it is possible to realize the organic growth in terms of new households which Baltimore will realize. This number is calculated to be approximately 377 households. When comparing this figure of organic growth to homeownership rates within the city of Baltimore, the number of new renters can be realized. The average homeownership rate in Baltimore was estimated to be 69.5%. By then multiplying this rate by the number of new households, it is possible to estimate the number of renters that will be generated through organic growth. The number of new renter households generated by organic growth will be approximately 112 households annually. Organic growth is calculated as:

$$\left(\frac{\text{Projected Annual Population Growth}}{\text{Residents per Household}} \right) = \text{New Households}$$

$$\left(\frac{910}{2.48} \right) = 377 \text{ New Households}$$

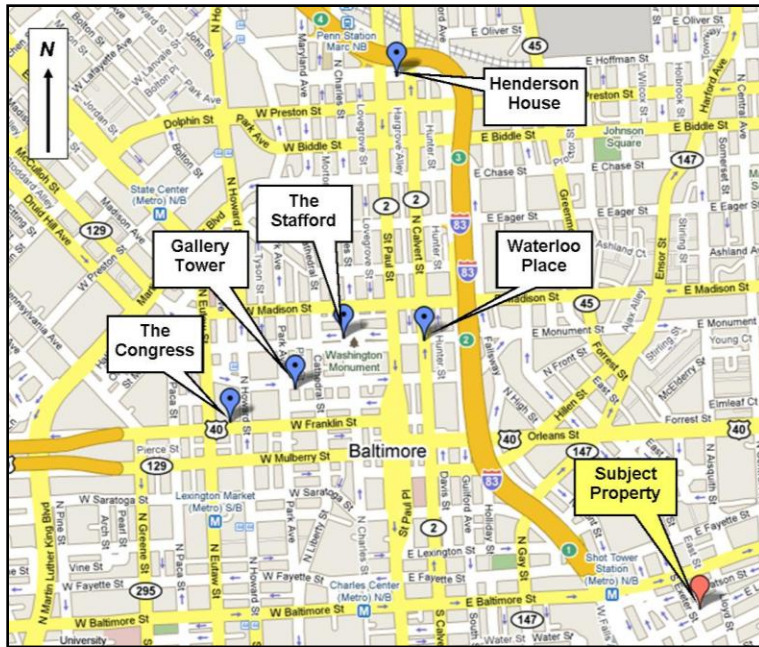
$$\begin{aligned} (\text{New Households}) \times (1 - \text{Homeownership Rate}) &= (377) \times (1 - 69.5\%) \\ &= \underline{\underline{112 \text{ New Renter Households Per Year}}} \end{aligned}$$

The above organic growth projection is an estimate based on numbers from the days of easier credit for homebuyers. The number of homebuyers is likely to decrease due to current economic conditions which will in turn increase the demand for more economical rental properties near major employment areas. The subject property could not be situated in a better location in terms of both of

these factors.

Five multifamily properties within a 1.5 mile radius have been identified as direct competition and will be considered as comparables to the subject property. They include the Gallery Tower Apartments, Henderson House Apartments, Stafford Apartments, The Congress Apartments, and Waterloo Place apartments. These properties are mapped and compared below according to a rigid and consistent set of factors and then adjusted up or down to achieve an equal comparison of rent per square foot for the development proposed at the subject property.

Comparable Residential Rental Adjustment Grid						
Comparable	1	2	3	4	5	SUBJECT
Address	The Congress	The Stafford	Waterloo Place	Gallery Tower	Henderson House	1004-8 E. Lombard
Total Size						10,000
1 X 1 Unit (SF)	612	525	752	573	770	646
Monthly Rent	\$975	\$885	\$1,052	\$1,080	\$1,025	
Rent/SF/Month	\$1.59	\$1.69	\$1.40	\$1.88	\$1.33	\$1.58
2 X 2 Unit (SF)	891		1,030		1,070	997
Monthly Rent	\$1,250		\$1,360		\$1,515	
Rent/SF/Month	\$1.40		\$1.32		\$1.42	\$1.38
Age/Quality/Condition	10%	-5%	0%	0%	8%	13%
Neighborhood	5%	-10%	-5%	-10%	5%	-15%
Amenities	0%	0%	0%	-5%	0%	-5%
Size (SF)	5%	10%	0%	7%	0%	22%
Total Other Adjustments	20%	-5%	-5%	-8%	13%	15%
Adjusted Rent Per SF 1X1	1.91	1.60	1.33	1.73	1.50	1.62
Adjusted Rent Per SF 2X2	1.68		1.25		1.60	1.51



Based on the data from comparable property analysis, it can be concluded that rent of \$1.62 per foot for a 1 X 1 unit and \$1.51 per foot for a 2 X 2 unit are what the market is able to sustain. It can also be concluded that the average size for a 1 X 1 unit is approximately 646 square feet while a 2 X 2 unit is 997 square feet. These findings will not be the exact finished unit sizes once the project is designed but it is a good goal to aim for in the initial design process. After shopping several properties within the direct market area, it was discovered that none are offering leasing incentives. Outside of the direct market area in neighborhoods such as Harbor East and Federal Hill, Incentives range from \$1,000 off to 2 months free. These properties are not seen as direct comparables but could still have an impact on the leasing assumptions on the subject property. Units within the direct market area tended to be smaller in size as compared to those in Federal Hill and Harbor East.

February 2009 Market Rent Comparison

Averages of Applicable Comps to Projected Rents for Albemarle						
Apartment Type	Square Footage	Avg Base Rent	Average Rent/SF	Incentives	Net Rent	Net Rent/SF
Market 1x1 Average	693	1,060	1.53	0.00	1,020	1.50
Albemarle 1x1 Average	684	1,030	1.51	0.00	1,030	1.50
Market 2x2 Average	829	1,318	1.59	0.00	1,188	1.50
Albemarle 2x2 Average	1,014	1,625	1.60	0.00	1,625	1.60

Henderson House						
Type	Square Footage	Rent	Rent/Sq Ft	Incentives	Net Rent	Net Rent/SF
1x1 Avg	788	\$1,143	\$1.45	\$0.00	\$1,142	\$1.45
2x2 Avg	0	\$0	\$0.00	\$0.00	\$0.00	\$0.00

Waterloo Place						
Apartment Type	Square Footage	Rent	Rent/Sq Ft	Incentives	Net Rent	Net Rent/SF
1x1 Avg	840	\$1,194	\$1.42	\$0.00	\$1,034	\$1.23
2x2 Avg	1,030	\$1,560	\$1.51	\$0.00	\$1,300	\$1.26

Gallery Tower						
Apartment Type	Square Footage	Rent	Rent/Sq Ft	Incentives	Net Rent	Net Rent/SF
1x1 Avg	650	\$1,080	\$1.66	\$0.00	\$1,080	\$1.66
2x2 Avg	-	-	-	-	-	-

The Stafford						
Apartment Type	Square Footage	Rent	Rent/Sq Ft	Incentives	Net Rent	Net Rent/SF
1x1 Avg	493	\$824	\$1.67	\$0.00	\$824	\$1.68
2x2 Avg	628	\$1,076	\$1.71		\$1,075	\$1.73

The proposed one bedroom rents are right inline with the market in terms of price per square foot and size. Two bedroom units are larger and more expensive than the market but it is anticipated that the majority of these units will be roommate situations thus the higher price will not have as much of an impact when split between two occupants. In addition to this, the newer product type when compared to existing the competing market will be more than capable of commanding higher rents to compensate for the age difference between this project and existing product in the market.

Proposed Unit Mix

	Floor 1	Floor 2	Floor 3	Total Units
2x2	1	1	1	3
1x1	2	2	2	6
Units/ Floor	3	3	3	9

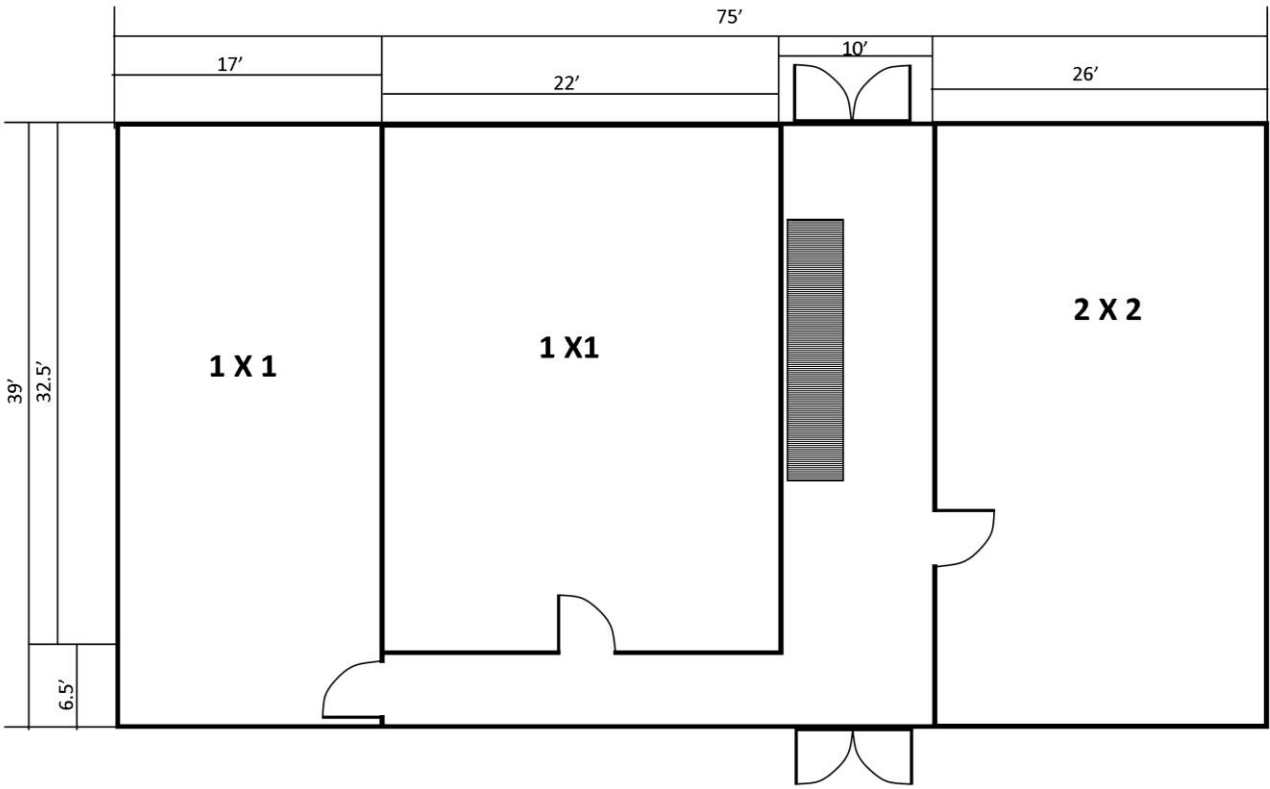
Design

The building is designed to adhere to the existing architecture within the Albemarle Square Neighborhood of the traditional Baltimore row house. Demand and space allow for a unit mix of one and two bedroom units which will appear from Lombard Street as 3 row homes accessible via a single entry. Each floor will contain two one bedroom one bath units and one two bedroom two bath unit. Diagrams of the INITIAL elevation and floor plans are exhibited below. Per PUD requirements, a brick façade must be incorporated on Lombard and Horseradish streets and has been accounted for in the INITIAL elevation plan.

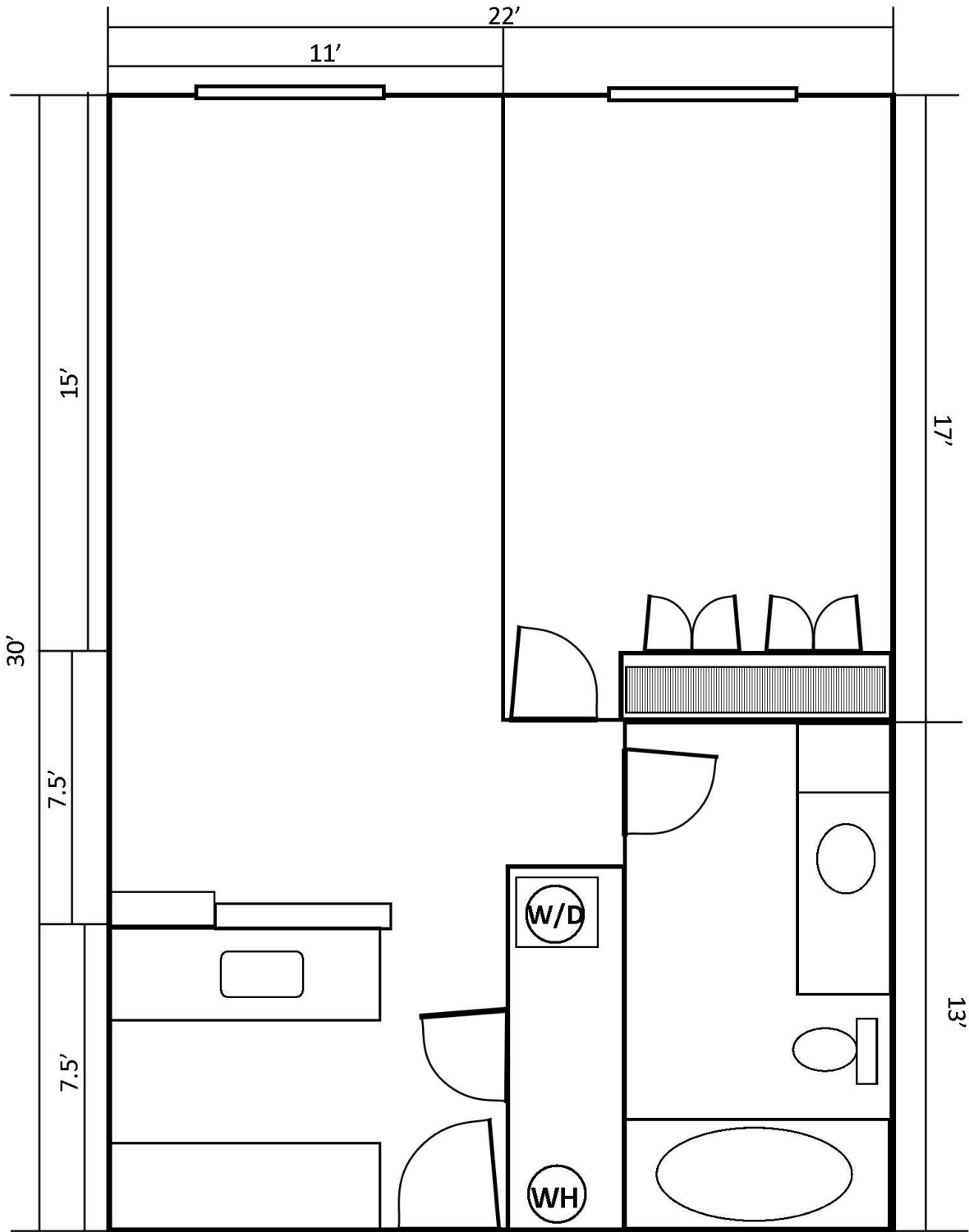
LOMBARD STREET ELEVATION



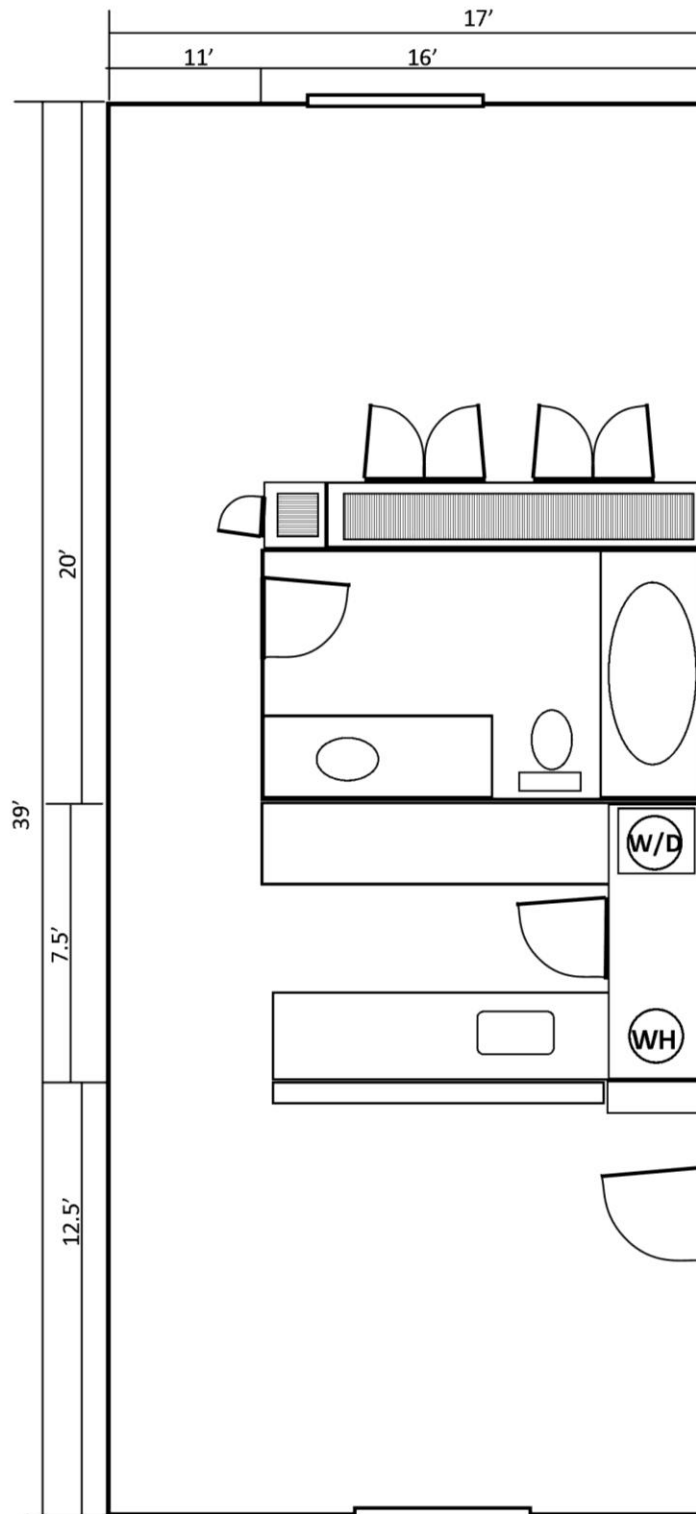
Floor Plate



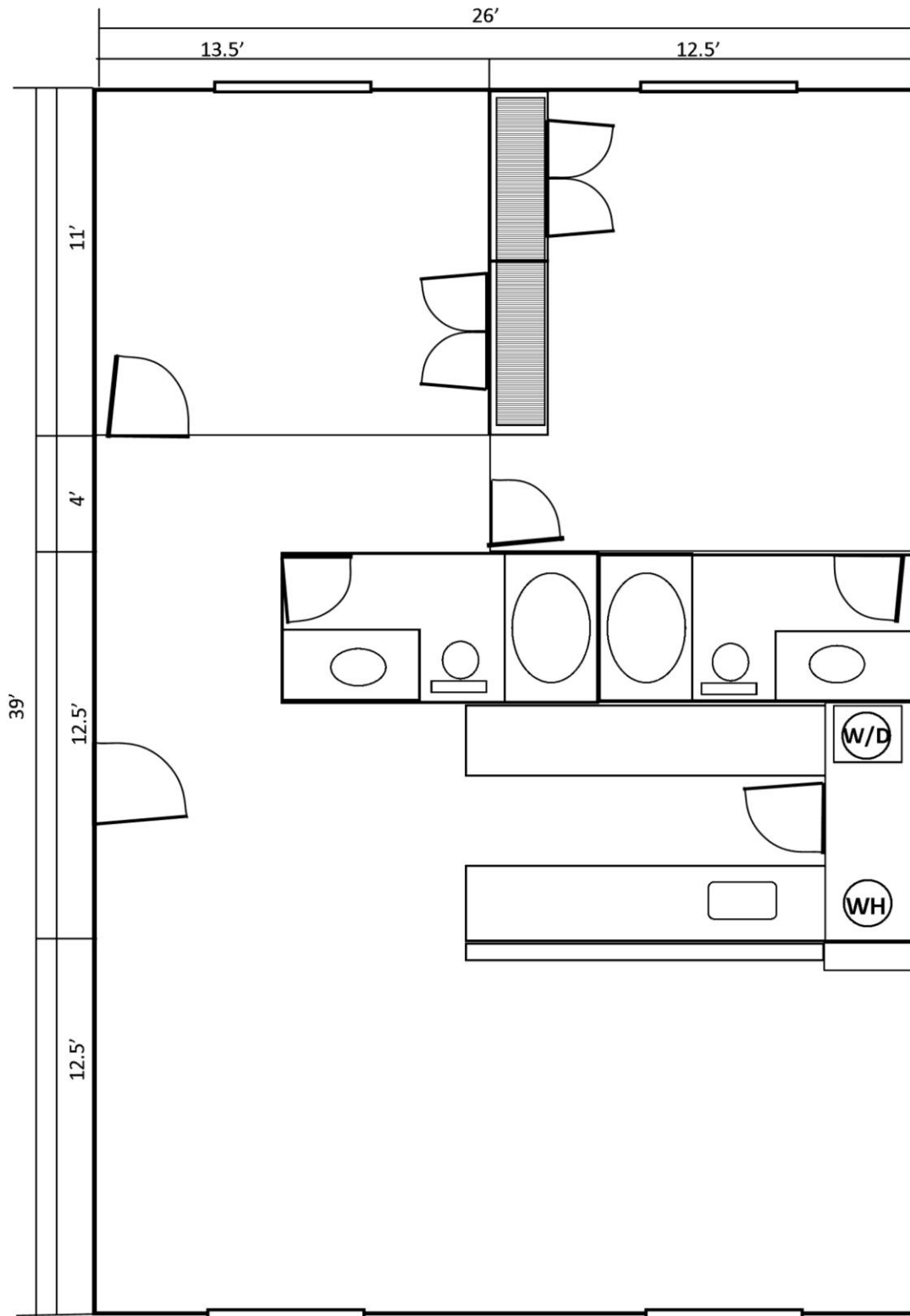
1 Bedroom, 1 Bathroom; Plan A – 663 Square Feet



1 Bedroom, 1 Bathroom; Plan B – 704 Square Feet

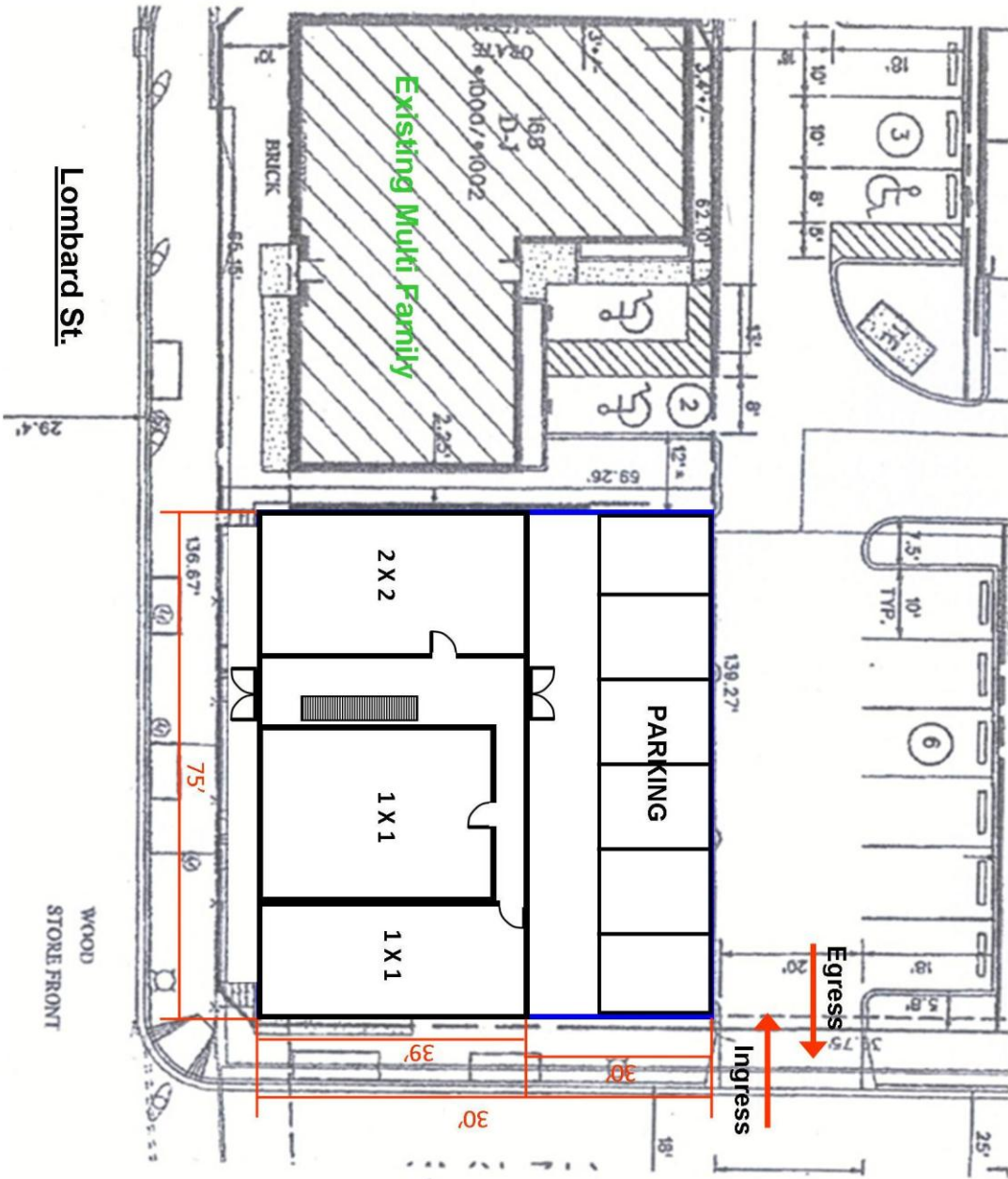


2 Bedroom, 2 Bathroom – 1,014 Square Feet



Current zoning code (B-2-3, Flaghouse PUD) requires that one off street parking space exist per dwelling unit. The property contains enough rear setback for six spaces and an additional three spaces will be accounted for through the Albemarle neighborhood association which currently exceeds the required ratio. Access to all of these spaces is possible by using the existing curb cut and driveway on the east side of the property along Horseradish Street. The site plan below depicts parking, site layout, and accessibility.

SITE PLAN



	
Albemarle Square 1004-1008 E Lombard Baltimore, MD 21202	
Lot Size	Lot 1 Area: 1,830' Lot 2 Area: 1,655' Lot 3 Area: 1,786'
Total Area: 5,271SF	
Setback:	30' - From Rear
Onsite Parking:	6
Zoning:	BC3
Max FAR:	5
Utility / Size	
Water:	6" in Lombard
Sewer:	8" in Lombard
Gross Building	
Footprint:	75' x 39' = 2,925 SF
Level 1:	2,925'
Level 2:	2,925'
Level 3:	2,925'
GBA:	8,775 SF
Core:	
522 x 3	= 1,566 SF, 18%

Total lot size is approximately 5,271 square feet, of which 2,925 is usable because of the 30 foot setback required in the rear of the building. Each floor plate utilizes the maximum amount of space and is built with 3 stories making the total building area 8,709 square feet. Building access and utility space yields a core factor of 18% equaling 1,566 total unusable square feet netting out approximately 7,143 square feet of net rentable space.

One bedroom units are 663 or 704 square feet which are inline with market average sizes for one bedroom units in the target market area. The two bedroom units are all 1,014 square feet which are below the market average but it should be noted that the market average for two bedroom units contained a very broad mix of sizes and inefficient outdated units. It is the opinion of the market researcher, architect, and developer that these units are inline with market demand. Please refer to the market study/demand portion of this report for further market information.

Each unit will contain a stackable full-size washer and dryer, onsite parking-a significant advantage within the market-, large and higher finished kitchens which are typical of the Baltimore market as a whole but above the level found within the target market, and a walk able neighborhood from which downtown, falls point, the Inner Harbor, as well as other popular Baltimore entertainment and employment centers. The property will be the only new, ground-up, market rate rental property within the direct target area and on of only a handful within the secondary market.

The contract between the owner and the architect will be based on the American Institute of Architect's Document B101. Initial estimates from knowledgeable architects with previous experience designing multifamily properties in the Mid-Atlantic region indicate a common compensation of 6% of the total cost to construct the project. This AIA agreement is a fair and balanced promulgated form that is customizable as each project takes shape from its current form.

Constructability

The improvement to be constructed on the subject property, based on demand and site constraints, will be three stories and contain nine units consisting of 3 different floor plans and sizes per floor. The structure will be wood frame due to the fact that steel or concrete are not economical for a project of this scope and scale. A brick façade is required on elevations facing Lombard and Horseradish avenues per PUD restrictions. The remaining building face will be hardy plank or other comparable siding material. In terms of value engineering, methods currently being explored include using concrete bricks rather than clay and keeping window sizes to standard sizes in order to avoid expensive custom windows.

The level of finish in the units will be somewhat modern in feel but again, economical in order to minimize the overall cost per unit while maximizing revenues. The typical unit will have a tiled entry with a neutral color carpet and paint. Kitchens and utility areas will be linoleum floor surfaces and countertops will consist of wood and laminate. Bathroom floors will consist of the same linoleum surface used in the kitchen and closet areas along with a standard bathtub/shower, toilet, sink and countertop. Appliances will be standard black or white and ran on electricity due to the reduced risk of fire. An oven, refrigerator, microwave, and stacked washer and dryer will be provided in each unit. Hot water heaters and the heating system will be fueled by natural gas due to the reduced cost of operating. Each unit will have an individually controlled HVAC unit with condenser units located on the roof of the structure in order to maximize available ground space at the site.

It was the initial intent of the developer to implement the seemingly more efficient design-build delivery method for this project. Having since conducted in depth research as to the pros and cons of several methods of delivery, it has been concluded that a design-bid-build method will be the best course of action for this project. Design-build, relies heavily on the relationship between the architect and contractor and comes with a guaranteed max price on the project. It is inevitable that change orders will occur during this process. With Design-bid-build, the contractor is already under contract and has no incentive to find the most economical outlet for completing the change which leads to higher costs. Design-bid-build will actually be a cheaper delivery method because the contractor can be incentivized to find the lowest priced items for change orders and the architect will be able to complete more thorough designs. Oversight and maintaining the initial ideas and objectives of the project will be the key to receiving complete and accurate construction documents from the design team which will then reflect more accurate bids from the construction team. The promulgated AIA form B201-2007 document will be used as the contract for the architect's services. The architect will be compensated based on milestones as design and construction documents are completed. The promulgated AIA form A101-2007 document will be used to engage the contractor's services. Bids will be solicited competitively and selected based on price, capabilities of the contractor, and track record of the contractor. Payment will be based on a percentage of the hard costs of the project. General contractors generally receive 3% to 4% of cost as compensation on a project.

Green and Sustainability Components

The city of Baltimore is implementing new sustainability standards for new construction and significant rehabilitation projects. Any project over 10,000 built after July 1, 2009 will have to conform to requirements similar to the US Green Building Council's Leadership through Energy Efficiency and Design's (LEED) silver building standards. Certification through LEED will not be required but is encouraged. The Albemarle apartments will not be subjected to these standards because it will have a gross building area under 10,000 square feet. It is the intent of the developer to implement as many

sustainability features as possible without over extending the development budget. Energy efficient measures such as building radiant barrier insulation to the roof, low flow shower heads, a bicycle rack, low E windows, recycled materials, and energy star approved appliance will reduce operating costs and provide an environmentally correct atmosphere to inhabit.

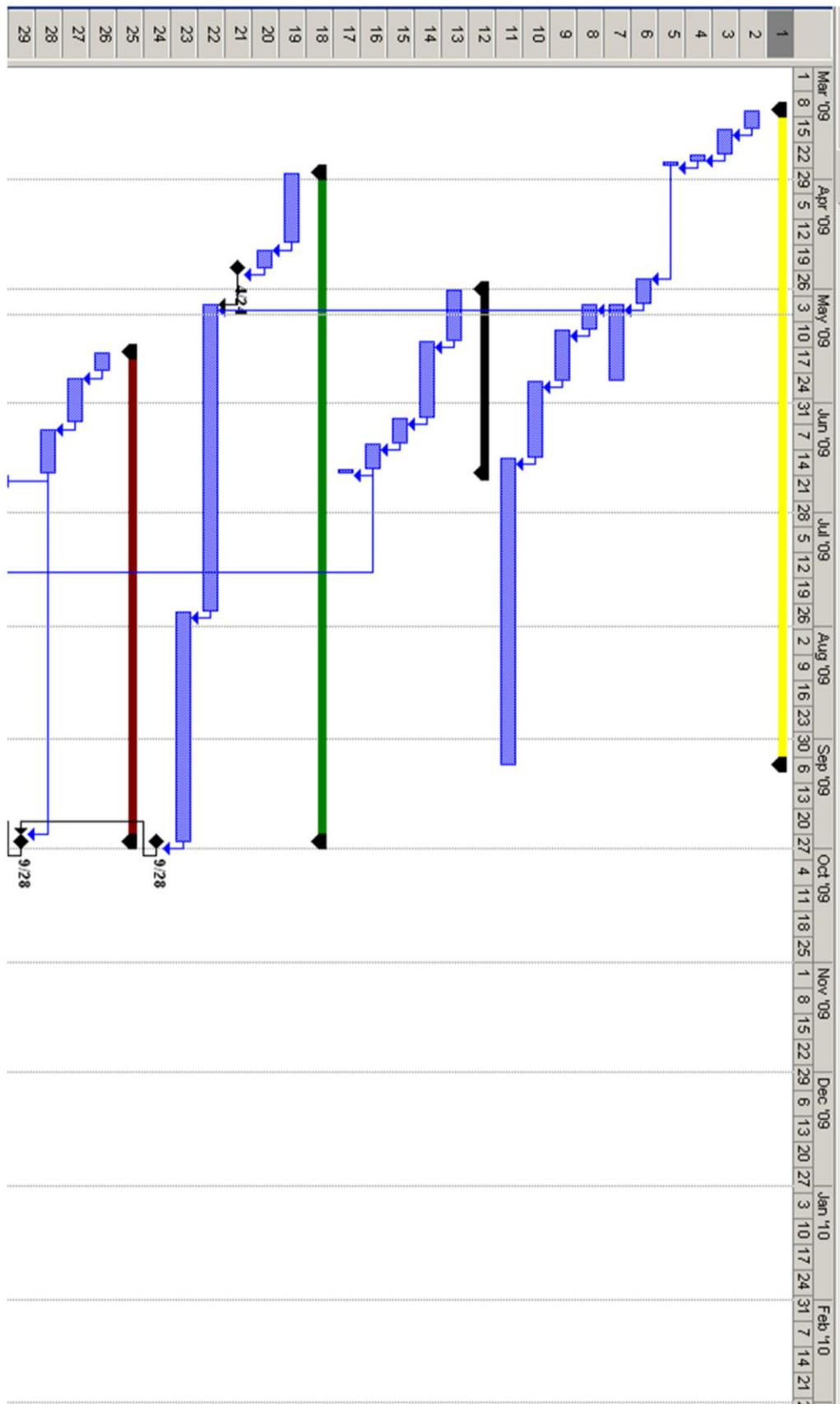
Project Timeline

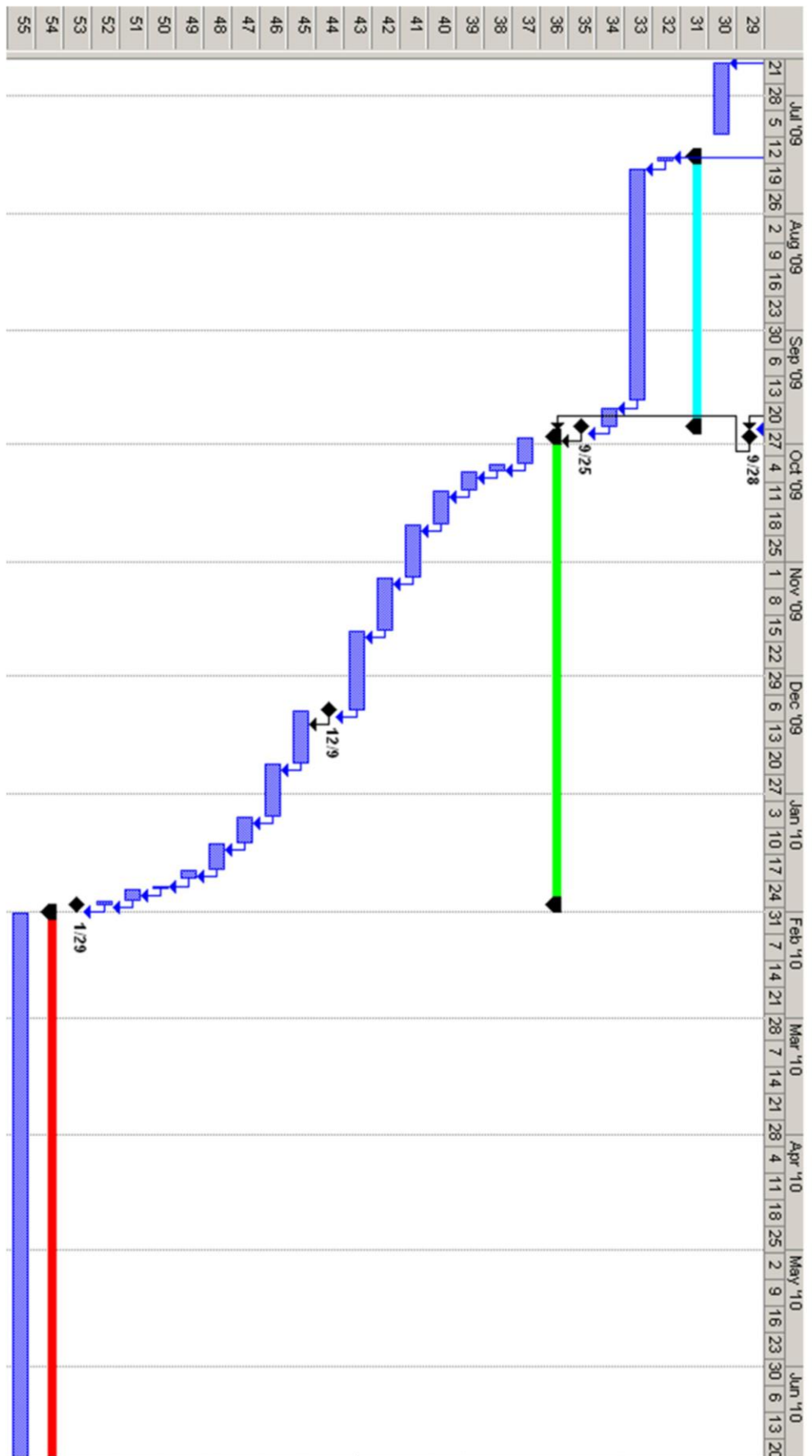
The nature and scope of the Albemarle project allows for an expedited design and construction period thus shortening the timeline of the deal from inception to construction completion. Based on conversations with construction managers Tom Huber and Lisa Decker, Marks Thomas Architects, and various local developers, it is anticipated that the construction period should take approximately 6 months and complete at the end of March 2010. A completion in mid to late April is generally a favorable time to enter the market as lease up will occur more quickly than opening were to occur in the middle of winter. This conclusion does assume that major milestones such as closing, permitting, and construction go according to plan. The project task list and timeline are presented below. Note that each numbered task matches the numbers on the Y axis of the Gantt chart (timeline). Every effort has been made to delay the title and financing settlement dates until design, financing, permits, and construction have all been scheduled and secured. This allows interest payments and construction time to be minimized.

Project Task List

ID	Name	Duration	Start	Finish
1	Due Diligence/Feasibility	127.d	3/13/2009 8:00	9/7/2009 17:00
	Determine Zoning & Use			
2	Restrictions	3.d	3/13/2009 8:00	3/17/2009 17:00
3	Create Preliminary Design	5.d	3/18/2009 8:00	3/24/2009 17:00
4	Gather Market Data	2.d	3/25/2009 8:00	3/26/2009 17:00
5	Run BOE Numbers	1.d	3/27/2009 8:00	3/27/2009 17:00
6	Phase 1	5.d	4/28/2009 8:00	5/4/2009 17:00
7	Phase II (if needed)	15.d	5/5/2009 8:00	5/25/2009 17:00
8	Title Search & Abstract	5.d	5/5/2009 8:00	5/11/2009 17:00
9	Survey	10.d	5/12/2009 8:00	5/25/2009 17:00
10	Geo-Tech Analysis	15.d	5/26/2009 8:00	6/15/2009 17:00
11	Tax Credit Program Application	60.d	6/16/2009 8:00	9/7/2009 17:00
12	Engineering & Design	36.d	5/1/2009 8:00	6/19/2009 17:00
13	Select Architect/Designer	10.d	5/1/2009 8:00	5/14/2009 17:00
14	Create Schematic Design	15.d	5/15/2009 8:00	6/4/2009 17:00
15	Design Review	5.d	6/5/2009 8:00	6/11/2009 17:00
16	Neighborhood/Community Input	5.d	6/12/2009 8:00	6/18/2009 17:00
17	Tax Credit Program Process	1.d	6/19/2009 8:00	6/19/2009 17:00
18	Purchase Agreement	131.d	3/30/2009 8:00	9/28/2009 17:00
19	Negotiations With Seller	15.d	3/30/2009 8:00	4/17/2009 17:00
20	Finalize Terms	5.d	4/20/2009 8:00	4/24/2009 17:00
21	Contract Signed & In Title Co.	.d	4/24/2009 17:00	4/24/2009 17:00
22	Due Diligence Period	60.d	5/5/2009 8:00	7/27/2009 17:00
23	Closing Period	45.d	7/28/2009 8:00	9/28/2009 17:00
24	Last Day to Close	.d	9/28/2009 17:00	9/28/2009 17:00
25	Debt & Equity	96.d	5/18/2009 8:00	9/28/2009 17:00
26	Prepare Lender Packages	5.d	5/18/2009 8:00	5/22/2009 17:00
27	Meet with Potential Lenders	10.d	5/25/2009 8:00	6/5/2009 17:00
28	Finalize Terms	10.d	6/8/2009 8:00	6/19/2009 17:00
29	Loan Funding	.d	9/28/2009 17:00	9/28/2009 17:00
30	Syndicate Equity	15.d	6/22/2009 8:00	7/10/2009 17:00
31	Construction Documents	51.d	7/17/2009 8:00	9/25/2009 17:00
	Preliminary Construction			
32	Documents	1.d	7/17/2009 8:00	7/17/2009 17:00
33	Permitting	45.d	7/20/2009 8:00	9/18/2009 17:00
	Make Changes per City			
34	Feedback	5.d	9/21/2009 8:00	9/25/2009 17:00
35	Final Permit Approval	.d	9/25/2009 17:00	9/25/2009 17:00
36	Construction	89.d	9/29/2009 8:00	1/29/2010 17:00
37	Site Conditioning	5.d	9/29/2009 8:00	10/5/2009 17:00
38	Set Forms	2.d	10/6/2009 8:00	10/7/2009 17:00
39	Plumbing & Electrical Set	3.d	10/8/2009 8:00	10/12/2009 17:00
40	Foundation	7.d	10/13/2009 8:00	10/21/2009 17:00
41	Framing	10.d	10/22/2009 8:00	11/4/2009 17:00
42	Roofing System	10.d	11/5/2009 8:00	11/18/2009 17:00
43	Electrical & Plumbing Rough	15.d	11/19/2009 8:00	12/9/2009 17:00

44	Inspection	.d	12/9/2009 17:00	12/9/2009 17:00
45	Insulate and Dry Wall	10.d	12/10/2009 8:00	12/23/2009 17:00
46	Cabinets	10.d	12/24/2009 8:00	1/6/2010 17:00
47	Paint & Wall Coverings	5.d	1/7/2010 8:00	1/13/2010 17:00
48	Flooring	5.d	1/14/2010 8:00	1/20/2010 17:00
49	Hang Doors	2.d	1/21/2010 8:00	1/22/2010 17:00
50	Walk Through	1.d	1/25/2010 8:00	1/25/2010 17:00
51	Site Cleanup	3.d	1/26/2010 8:00	1/28/2010 17:00
52	Final Walk	1.d	1/29/2010 8:00	1/29/2010 17:00
53	Completion	.d	1/29/2010 17:00	1/29/2010 17:00
54	Stabilization	261.d	2/1/2010 8:00	1/31/2011 17:00
55	Lease Up	261.d	2/1/2010 8:00	1/31/2011 17:00





Financing and Investment Structure

The financial world presents increasing challenges as each day passes. Loan values of up to – and in some cases above 85% are over and non-recourse loans from conventional lenders are a thing of the past given the present lending environment. The search for debt began by exploring FHA and government sources of funds which allowed very favorable characteristics but it became abundantly clear early in the process that these loan packages would not be a clear fit. FHA offers up to 95% loan-to-value in some cases along with non-recourse default clauses. Underwriting to FHA can take up to 6 months and incur additional costs of up to \$30,000 prior to any approvals of commitments. In addition to this, FHA is not as likely to lend on projects under \$3,000,000. Because of these circumstances, a conventional approach to financing must be utilized.

For construction financing, typical terms are up to the lesser of 75% of LTV or LTC, 6% interest rate, and an 18 to 24 month term, which is flexible based on conversations with various lenders currently active in the market. The Columbia bank will be the chosen construction lender because of favorable terms and their local nature of business. A hybrid approach to permanent financing will be used once construction and stabilization are achieved. FannieMae financing is available on multifamily assets with qualities comparable to that of an FHA loan. This decision was arrived at because of the favorable rates, terms, and although FannieMae has a lengthy underwriting process, the property has the option of extending the construction loan as a last course of action if absolutely necessary.

The financial reports appendix of this report details these decision more thoroughly. A lender grid comparing our financing situation is presented on the following page. Net worth requirements will need to be established by the developer as the guarantor of the loan which will require a statement of personal wealth and liquidity requirements to ensure the project completes construction and begins leasing. Lenders will look for the developer/sponsor to have liquid assets and equity that can be tapped should a project suffer from cost over-runs and/or unexpected cash flow deficiencies. Net worth and liquidity will correlate to the size of the overall deal. In the instance of this project, someone sponsoring a \$1 million deal will likely have a smaller net worth than someone sponsoring a \$50 million deal therefore, it is the expectation of the lender to see six figure liquidity in some combination of cash, marketable securities, etc with a combined net worth greater than \$500,000. As far as the selection of a lender, Columbia Bank is the best option for this project because of their familiarity with the area and involvement in developments similar in nature to this project. Additionally, this opportunity will lead to a more established relationship with Columbia Bank and its affiliates for future projects.

The developer is being compensated a total of 4% of the total cost to construct this project. Half of this fee, or 2% of the project cost, is attributable toward the developer's overhead and the remainder is attributable to the developer's profit margin. As an incentive to maintain the partnership, the developer will be compensated based on the price appreciation at reversion after all outstanding equity has been returned. 20% of all profits after return of equity will be paid to the developer.

Lender Quotes

	Columbia Bank	M&T Bank	Northmarq Capital
<u>Construction Loan*</u>			
Term	18 Mo	18 Mo	18 Mo
Rate	4.25	7	6
LTV/LTC	75%	65%	75%
Origination	1 Bps	1 Bps	1 Bps
<u>Permanent Loan</u>			
	Mini*	FNMA	FNMA
Term	5	30	30
Amort. Schedule	25 Yrs	30 Yrs	30 Yrs
Rate	7.00%	6.00%	6.00%
LTV	75%	80%	75%
DSCR	1.25	1.25	1.25
Origination	1 Bps	1 Bps	1.5 Bps
Vacancy	5%	5%	5%
Annl Reserves	\$2,700	\$1,800	\$1,800
L/O Name	John Glover	Matt Johnson	Jason Smith

*Full recourse & personal guarantee requirement

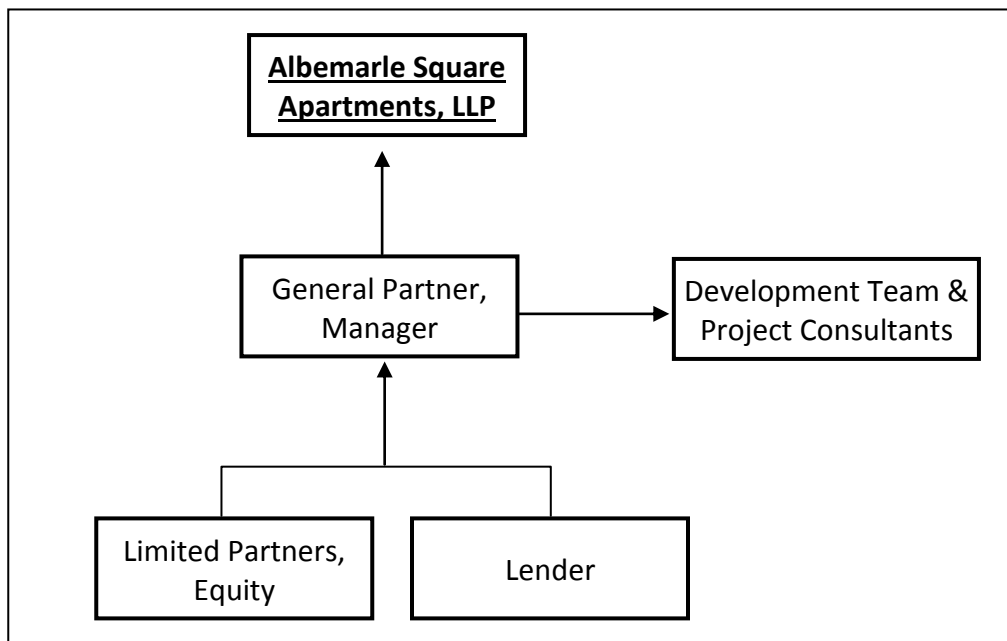
Proposed Sources and Uses

SOURCES			USES	
80%	Financing	\$780,375	Acquisition of Property	\$127,000
20%	Equity Contribution	\$199,080	Development Costs	\$852,455
	Deferred Developer Fee	\$16,089	Deferred Developer Fee	\$16,089
	Total Sources	\$995,544	Total Uses	\$995,544

Projected Equity Cash Flow After Debt Service

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
-\$199,080	\$61,806	\$162,988							
-\$199,080	\$61,806	\$47,964	\$139,842						
-\$199,080	\$61,806	\$47,964	\$13,395	\$178,029					
-\$199,080	\$61,806	\$47,964	\$13,395	\$13,421	\$222,600				
-\$199,080	\$61,806	\$47,964	\$13,395	\$13,421	\$13,255	\$266,827			
-\$199,080	\$61,806	\$47,964	\$13,395	\$13,421	\$13,255	\$13,428	\$370,270		
-\$199,080	\$61,806	\$47,964	\$13,395	\$13,421	\$13,255	\$13,428	\$16,790	\$408,014	
<u>-\$199,080</u>	<u>\$61,806</u>	<u>\$47,964</u>	<u>\$13,395</u>	<u>\$13,421</u>	<u>\$13,255</u>	<u>\$13,428</u>	<u>\$16,790</u>	<u>\$20,163</u>	<u>\$503,307</u>
<u>Cash on Cash Returns</u>									
	31.05%	24.09%	6.73%	6.74%	6.66%	6.74%	8.43%	10.13%	252.82%
<u>Leveraged Equity IRR</u>									
	---	7.33%	10.44%	15.31%	18.01%	19.13%	21.74%	21.14%	21.82%

Partnership Diagram



Valuation

A ten year holding period with reversion occurring in year ten is the assumed duration of this investment. For analysis purposes, a reversion value is given in each year to effectively model price appreciation and returns. When forecasting rents and expenses it was imperative to the developer to remain realistic and conservative in order to accurately forecast any volatility and risk of the cash flows.

Growth rates of expenses and rents have been determined by utilizing the consumer and producer price index data trends which are available from the Bureau of Labor Statistics for at least the past twenty years. Most of these trends are specific in nature to the Baltimore Washington area and are the most accurate way to make projections and assumptions. More specifically, rents are projected to grow at 2.98% annually which is not as fast as some operating expenses grow but is still true to the historical trend. These assumptions have been reflected and analyzed using ARGUS valuation software and development models using excel.

Once expenses and rent had been projected, a reversionary cap rate was applied to year 11 cash flow as a direct capitalization method to determine the selling price in year ten. The cap rate used for the year 11 cash flow is 7.75% and reflects a modest improvement in current market conditions. In conversations with lenders regarding permanent financing, all value calculations at stabilization are determined using cap rates of no less than 8.5%. 8.5% reflects, again, the conservative nature of this analysis.

A stabilization period of 12 months will begin after construction is complete where lease up and absorption will begin. It is estimated that 2 units per month will be absorbed with full occupancy occurring in month five. According to Marcus & Millichap's 2nd quarter 2009 Baltimore Multifamily Report, vacancy in Baltimore City stood at 8.2% which was down from 8.4% vacancy the year before. Revenues and vacancies in this submarket have remained resilient and are expected to slow even further yet remain positive. Given these numbers and the lack of new supply scheduled to come online within the next year, the absorption of 2 units per month at the subject property is a realistic assumption.

To complete the discounted cash flow analysis, the sum of projected cash flows from each of the ten years were then discounted back to the present. The discount rate was quantified using the weighted average cost of capital formula which is given below.

$$WACC = \left[\left(\frac{\text{Equity}}{\text{Project Cost}} \right) * (\text{Required Rate}) \right] + \left[\left(\frac{\text{Debt}}{\text{Project Cost}} \right) * (i \text{ Rate}) \right]$$

The leveraged required rate of return has been set at 20% which is the desired rate of many investors and developers in the current market. Each other variables are determined by project cost, financing cost, and debt-equity ratios. The completed formulas is calculated as:

$$\begin{aligned} WACC &= \left[\left(\frac{\$199,080}{\$995,544} \right) * (18\%) \right] + \left[\left(\frac{\$814,750}{\$995,544} \right) * (6.5\%) \right] \\ &= 8.9\% \end{aligned}$$

Thus the weighted average cost of capital is 8.9% and has been used as the discount rate in the discounted cash flow model. To show fluctuations in this rate, a range of 5 discount rates are shown with 8.9% as the median value.

Present Value Summary

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 8.40%	P.V. of Cash Flow @ 8.65%	P.V. of Cash Flow @ 8.90%	P.V. of Cash Flow @ 9.15%	P.V. of Cash Flow @ 9.40%
Year 1	Feb-2011	61,806	57,017	56,885	56,755	56,625	\$56,495
Year 2	Feb-2012	72,207	61,449	61,168	60,887	60,608	60,332
Year 3	Feb-2013	72,013	56,536	56,146	55,760	55,378	55,000
Year 4	Feb-2014	72,039	52,174	51,695	51,222	50,755	50,291
Year 5	Feb-2015	71,873	48,019	47,470	46,928	46,392	45,865
Year 6	Feb-2016	72,046	44,406	43,796	43,196	42,606	42,025
Year 7	Feb-2017	75,408	42,875	42,190	41,516	40,855	40,207
Year 8	Feb-2018	78,781	41,323	40,568	39,829	39,105	38,395
Year 9	Feb-2019	82,024	39,690	38,875	38,079	37,302	36,542
Total Cash Flow		658,197	443,489	438,793	434,172	429,626	425,152
Property Resale @ 8% Cap Rate		1,178,550	\$570,275	\$558,574	\$547,138	535,962	525,040
Total Property Present Value			\$1,013,764	\$997,367	\$981,310	\$965,588	\$950,192
			=====	=====	=====	=====	=====
Rounded to Thousands			\$1,014,000	\$997,000	\$981,000	\$966,000	\$950,000
			=====	=====	=====	=====	=====
Per Unit			112,640	110,819	109,034	107,288	105,577
Percentage Value Distribution							
Prospective Income			43.75%	44.00%	44.24%	44.49%	44.74%
Prospective Property Resale			56.25%	56.00%	55.76%	55.51%	55.26%
			=====	=====	=====	=====	=====
			100.00%	100.00%	100.00%	100.00%	100.00%

Government Support for Project

New Construction Tax Credit

Representatives from the Baltimore Development Corporation, Housing Authority of Baltimore, and from Enterprise Baltimore were all contacted for information and clarification on incentivize programs. The project qualifies for the “Newly Constructed Dwelling Property Tax Credit” program administered through the City of Baltimore which incentivizes property owners who complete new construction or substantial rehab of a dwelling or multi-unit dwelling. The program offers property tax credit incentive beginning with a 50% tax credit in the first taxable year of the project and stepping down 10% each year until the full tax rate is owed each year. One requirement of this program is that the property must be owner occupied. A variance approval will be required in order to participate in this program or a PILOT could be utilized through the city proposed with the same benefits of this program. Navigating the process for acceptance into this program has been allocating in the project timing section.

The application process is to begin within 90 days of closing on the property or, in the case of Albemarle Apartments, substantial completion of new construction. If the process is not begun, it is still possible to be accepted into the program but the market tax rate will be owed for the pro-rated portion of the year in which the property was not admitted in the program. Without property tax incentives, annual taxes would be roughly \$24,000 or \$2,600 per unit. With this program, taxes will begin at approximately \$12,000 annually, \$1,300 per unit, and increase 10% annually.

Neighborhood Association Input

The Albemarle square neighborhood association has been mentioned numerous times in the market study section of this report as well as other portions. It is the intent of the developer to seek the input and thoughts of this community group. Having community group support can be overwhelmingly convincing should complications with the municipal arise at anytime during the development process. In impromptu conversations with current residents, it seems that the overwhelming majority wants to see something developed on the subject lot. One resident went so far as to say “build anything there and build it fast, I’m tired of all the dust blowing around. The community is hoping that a multi-use project with such uses such as ground level retail with dwelling units above is built. With the high level of architectural restriction currently in place as part of the Flaghouse Court PUD and the Jonestown Urban Renewal Plan, development does not seem to concern area property owners because of these added safeguards.

A strategy to ensure the community association’s support should be enacted prior to the permitting process. Once initial architectural renderings are completed, a representative will present the development plans at the community meeting to receive thoughts and concerns from members of the community. A letter of support will be requested from the association and sent to members of planning board, city council, and other municipal leaders for their consideration in the case that regulatory issue arise.

Project Returns

The total equity requirement for this project is \$199,080. Equity contributions will be syndicated with no more than three equity contributors as limited partners due to the smaller nature of the investment. Projections of internal rate of return are not exorbitant due to the conservative nature of the underwriting of this project. Multifamily has been one of the more stable real estate asset classes not only in Baltimore but throughout the nation. Keeping with the assumed 10 year holding period, reversion in year 10 will yield a 17.95% IRR. This meets the desired IRR of the investors and the developer. Detailed annual cash flows and corresponding annual IRRs are presented in Appendix E of this report.

To determine the preliminary maximum purchase price of the land, a back of the envelope approach was used. The construction cost of the project was subtracted from the value of the project which yielded the maximum amount that the land can be purchased for and still break even on the investment. A 15% margin was applied to the construction cost and then this number was subtracted from the project value yielding approximately \$127,000. The current asking price of the land is \$200,000 according to the broker which is more than the maximum purchase price. The current owner of the land is the City of Baltimore. Current efforts are being made on the City's behalf to swap this land for a near by parcel. It would be possible in this instance to explore joint venture opportunities with the new land owner should the swap occur. In this instance, the land would be contributed as equity toward the investment by the new land owner. Another option is to come to terms with the city for acquiring and developing the land in exchange for increased tax revenues on the increase in value and additional neighborhood amenities such as construction of a park and playground on another parcel in the neighborhood. Efforts for either scenario are currently in process.

Hard Costs		\$	611,116
Soft Costs		\$	86,264
Contingency		\$	29,175
Total Construction Costs		\$	726,555
Dev. Fee & Overhead	4.0%	\$	29,062
Cost to Develop		\$	755,617
Margin	15%	\$	113,343
Total		\$	868,960
Max Land Purchase		\$	126,977.72
TOTAL DEVELOPMENT COST		\$	995,937.50
Multi Family Stabl. NOI		\$	79,675
Terminal Cap	8.0%		
Income Approach		\$	995,937.50

A sensitivity analysis was completed to determine the estimated returns given a set of circumstances. Adjustments were made to the percentage rent can increase annually and then the net cash flow was analyzed on a leveraged basis. The scenarios run include rent increasing at 5% per year, not increasing over the life of the investment, and remaining at a constant 3% per year which is the anticipation of the developer that has been supported by the Bureau of Labor Statistics annual rent growth for the past 20 years in the Mid-Atlantic region of the United States. These scenarios were each given a probability of occurring and the blended return was then analyzed. Individual returns have also been isolated in each scenario to provide an effective sensitivity. Assuming the worst case scenario, rents do not grow over the life of the investment, the net cash flow to the investors remains positive and the IRR is also positive. While this is scenario does not provide a favorable yield, it remains possible to still recoup initial equity provided. This “worst case” scenario is not anticipated but does have a chance of occurring as no investment is without risk.

Sensitivity

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>Most Likely</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 61,806	\$ 47,964	\$ 13,395	\$ 13,421	\$ 13,255	\$ 13,428	\$ 16,790	\$ 20,163	\$ 22,901
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	480,406
Total Annual Cash Flow	\$ (199,080)	\$ 61,806	\$ 47,964	\$ 13,395	\$ 13,421	\$ 13,255	\$ 13,428	\$ 16,790	\$ 20,163	\$ 503,307
IRR	21.83%									
<u>Pessimistic</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 60,006	\$ 14,571	\$ 11,286	\$ 8,135	\$ 4,708	\$ 1,530	\$ 1,453	\$ 657	\$ 445
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	142,304
Total Annual Cash Flow	\$ (199,080)	\$ 60,006	\$ 14,571	\$ 11,286	\$ 8,135	\$ 4,708	\$ 1,530	\$ 1,453	\$ 657	\$ 142,749
IRR	3.63%									
<u>Optimistic</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 62,673	\$ 67,330	\$ 13,982	\$ 16,294	\$ 18,580	\$ 21,371	\$ 27,531	\$ 34,421	\$ 22,901
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	755,391
Total Annual Cash Flow	\$ (199,080)	\$ 62,673	\$ 67,330	\$ 13,982	\$ 16,294	\$ 18,580	\$ 21,371	\$ 27,531	\$ 34,421	\$ 778,292
IRR	29.00%									

Asset Management

Managing the property will begin prior to construction by selecting a construction manager to meet with the architect and fully identify the most suitable construction methods and final plan. Because of the interesting economic times which we live in, a general contractor or construction manager who worked on smaller projects such as multi-family rowhouse projects, should be readily available. In conversations with realtors and local developers, it is favorable to allow 5% of total hard costs as a fee for this service. Construction managers ensure project scheduling, coordinate contractors, and inspecting the overall process for quality control and assurance.

To begin stabilization and lease up once construction is complete, three local management firms specializing in small multi-family and rental property asset management were considered. Long and Foster Property Management, Property Management Services (PMS) of Baltimore and American Management were each interviewed. These firms offer a myriad of services depending on the clients need and can custom tailor a management package. It is the plan of the developer to hire a management service to handle all maintenance and tenant requests, leasing services, and rent collection. Each of these firms are well equipped to do exactly this. Fees range in price from 7% of gross income to 10% with leasing costs of $\frac{3}{4}$ of one month's rent up to 100% of one month's rent as well as 25% of one month's rent for renewal leases. After lease up and stabilization of the property, the existing management strategy will be reevaluated and the developer could potentially take over leasing and management to an in house operation which will have to be evaluated at that time. This would allow higher cost effectiveness and a more direct approach in maintaining the value of the asset. Again, this will be re-evaluated after lease up.

The strategy for initial lease up efforts will be geared toward the target market as addressed in the market study of this report. This group contains young professionals and students who are likely to share a unit or seek to live somewhere proximal to work, school, restaurants and entertainment. The management companies under consideration all suggested a similar approach in marketing the property which includes a mix of multi-family websites such as rent.com and apartment guide which can be found online and as a published periodical. The most effective tool currently used within this market segment is the Craigslist website. The management company will design a professional web listing to be posted on craigslist.org marketing the property. Another important factor involved in selecting a property manager is their ability to manage the asset offsite as there will not be a leasing office at the property. A management company with the ability to allow tenants to file maintenance requests and pay rent online is important so that tenants will not feel abandoned. Once units have been leased, the management company will handle all maintenance requests including utilizing their network of skilled professionals to maintain the property.

The firm Property Management Services, LLC has been identified as the candidate that meets each of the criteria set forth above. They have offered to pre-screen the property, double check the market study, present a comprehensive leasing strategy prior to ground-breaking, and provide detailed monthly accounting statements. The structure of their fees is also most favorable and is diagramed below with details on each segment offered available in Appendix G of this report.

Property Management	<i>7% of Gross Income</i>
Leasing Fee	<i>1/2 Month's Rent</i>
Services Included	<i>Maintenance</i> <i>Periodic Inspections</i> <i>Property Level Accounting</i> <i>Payment of Expenses</i> <i>Rollover Inspections & Make Ready</i> <i>Leasing Documents</i> <i>Tenant Screening</i> <i>Evictions</i> <i>Rental Market Analysis</i>

The partnership will be managed inhouse by the developer and his appointed staff of CPAs, attorney, and administrators. An annual administrative and accounting and legal fee will be assed to the partnership. K-1 statements will be issued between January 1 and March 15 of each year with detailed reporting criteria and distribution procedures outline in the partnership documents which will follow this development plan.

Summary & Conclusions

The development and investment of Albemarle Square Apartments is a smart, well researched, and effective project to undertake. The economic climate is less than favorable but during times of disaster, opportunities can show themselves as they certainly have here. Stable and steady rent growth, a proven location near major employment centers, a well connected site, and a stable supply of renters for the foreseeable future are all factors which contribute to this. The development plan presented has been effectively researched from extensive site due diligence through management and disposition of the asset. Each possibility has been explored and modeled into the development plan based on knowledge of experts in the development community in the Mid-Atlantic region.

The design conceptualized by the developer and the architect maximizes the ground area of the site while minimizing the overall construction costs. Initial equity requirements of 25% of loan to cost might seem high given the previous years of excessive lending, it demonstrates the future more conservative nature of lending rather than overleveraging. Conservative growth rates in rents coupled with realistic operating expenses do not over value the asset. Multifamily assets will continue to be the most stable investments in real estate for foreseeable future and the Albemarle Apartments presented here is no exception.

Appendices

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Appendix A, Project Pictures



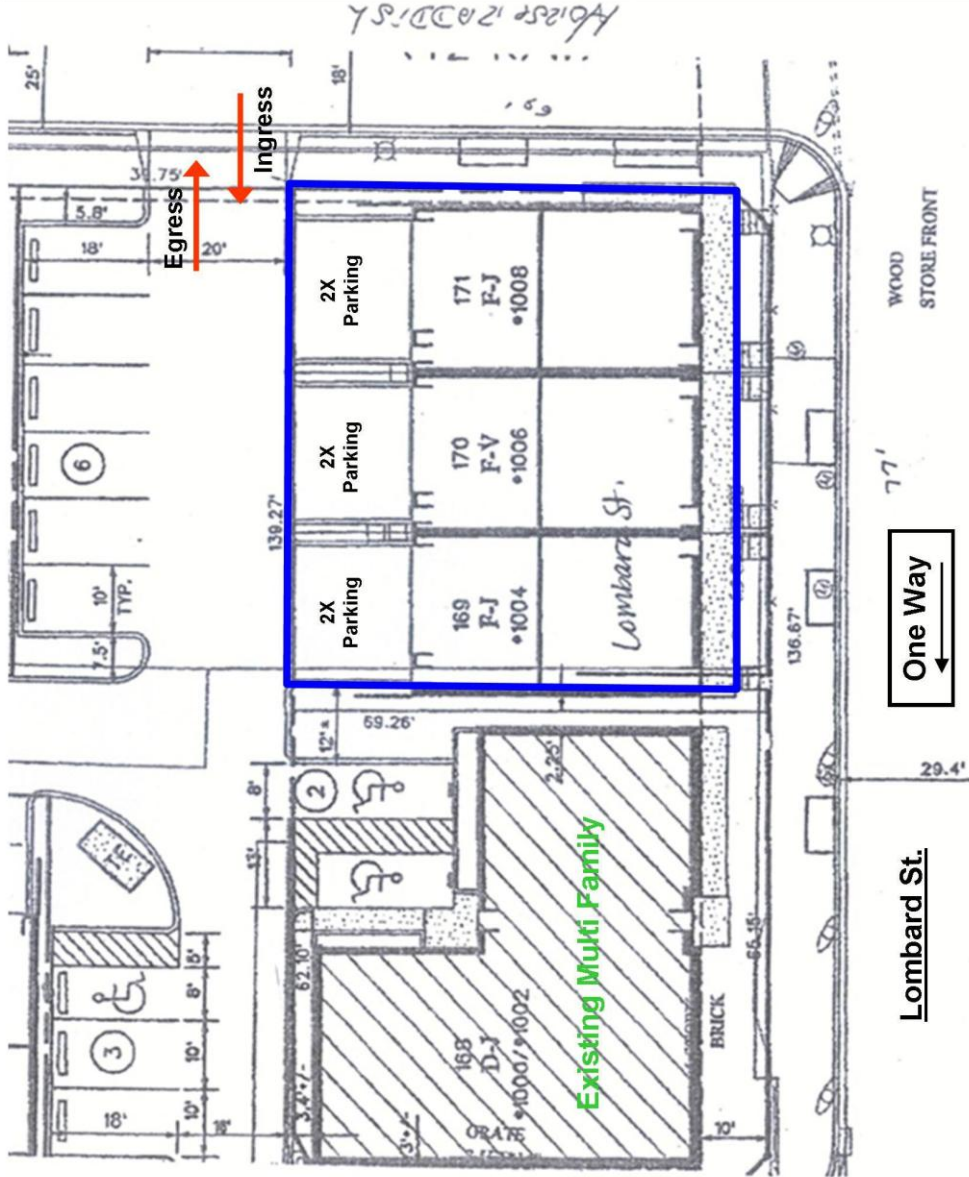
Albemarle Square
 1004-1008 E Lombard
 Baltimore, MD 21202

Lot Size
 Lot 1 Area: 1,830'
 Lot 2 Area: 1,655'
 Lot 3 Area: 1,786'
Total Area: 5,271'

Setback: 0.00'
Onsite Parking: 6
Zoning: BC3
Max FAR: 5

Utility / Size
 Water:
 Sewer:
 Gas:

Other Information:





Hard Corner of Subject Property



Rear view of subject with ingress / egress



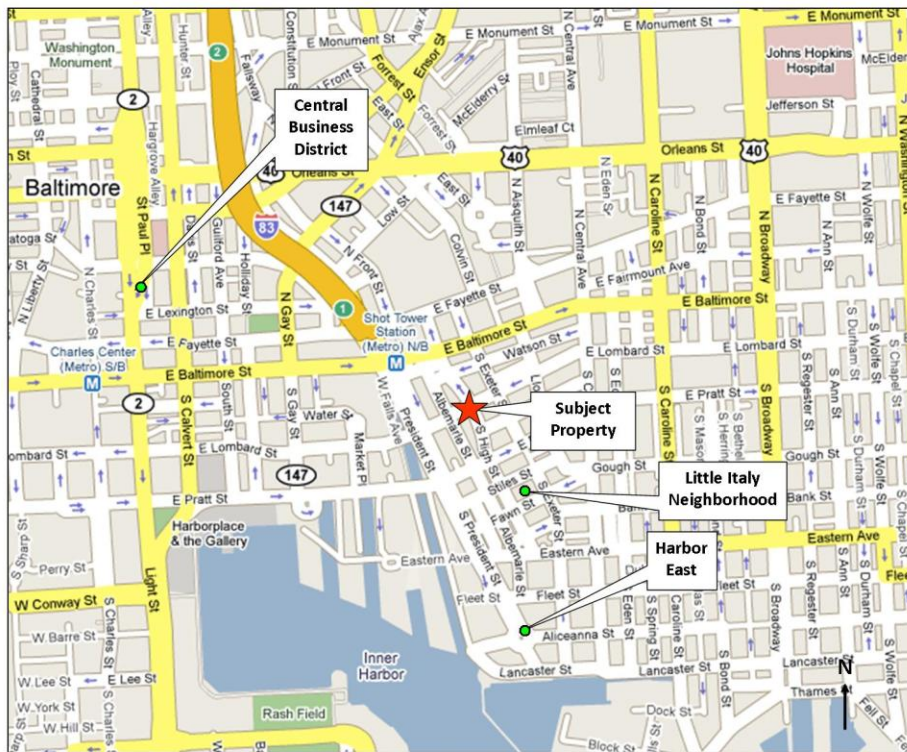
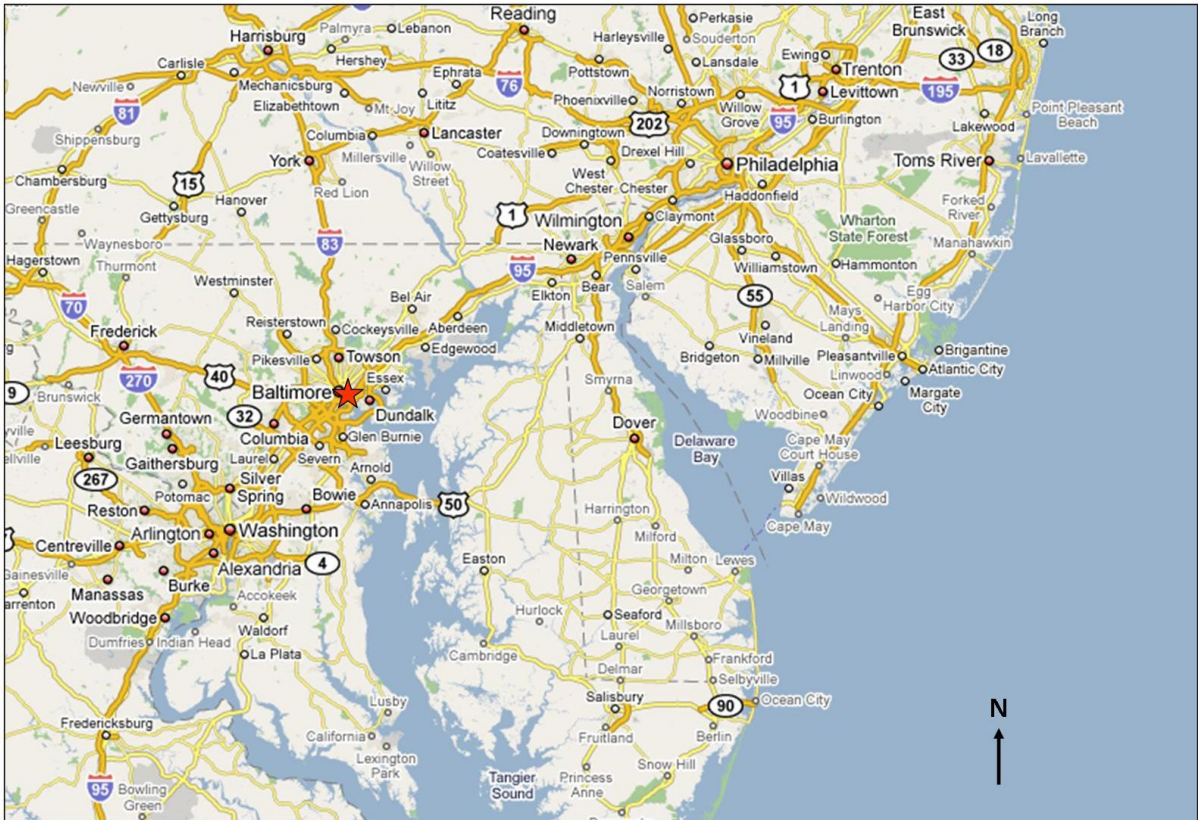
Neighborhood streetscape



Local businesses across Lombard from subject



Altman's Deli across Lombard from subject property



Appendix B, Market Data

CLASS B/C PROPERTIES FACE SIGNIFICANT DEMAND CHALLENGES

Some areas within the Baltimore apartment market continue to hold up, although continued layoffs are moderating demand metrowide. Job losses have been pronounced in service-oriented and blue-collar professions, particularly the construction and trade, transportation and utilities sectors, which have eliminated a total of 23,500 positions in the past year. Consequently, vacancy has increased throughout the metro, although the current rate remains relatively healthy in the low-6 percent range. Rents also are higher than one year ago, but the first three months of this year will likely mark the last quarterly rent improvement until 2010. Although vacancy rates slipped in all property segments during the first quarter, top-tier complexes fared considerably better than Class B/C buildings, counter to the trend in many other major markets, due to pent-up demand for luxury rentals. On the supply side, development activity is accelerating this year, though nearly 60 percent of the deliveries are due in the Central Baltimore City and Glen Burnie/Harundale/Odenton submarkets, where demand for high-end rentals is greatest.

Apartment investment activity in Baltimore is limited by the lack of available capital and many buyers taking a wait-and-see approach. The smaller number of investors in the market has pressured sellers to cut prices, with the annual median decreasing for the first time since 2002. Despite more tepid acquisition activity metrowide, transactions continue to take place in Baltimore's core, where properties are trading at cap rates approximately 50 basis points higher than one year ago. Going forward, sales velocity throughout the market will likely remain low, although some sellers still may seek assets in the Glen Burnie/Harundale/Odenton submarket. In this area, operating fundamentals are healthier than in the rest of the metro, and several thousand government jobs are expected to be shifted to Fort Meade in the coming years.

2009 ANNUAL APARTMENT FORECAST



Employment: This year, a loss of 31,600 jobs, or 24 percent of total employment, is projected. In 2008, payrolls shrank by 17,900 positions.



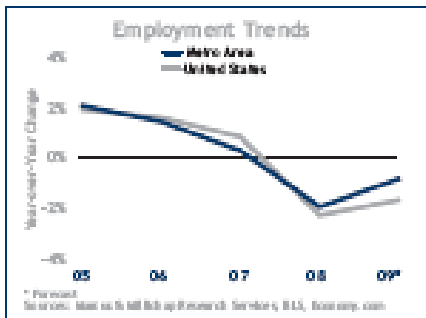
Construction: Apartment deliveries are forecast at more than 1,400 units in 2009. Last year, builders added 975 units to rental inventory.



Vacancy: Elevated completions, along with continuing job cuts, will underpin a 130 basis point increase in vacancy to 6.9 percent this year. In 2008, vacancy rose 70 basis points.



Rents: Slackening rental demand will cause owners to cut asking rents by 15 percent to \$969 per month in 2009. Effective rents are expected to decline 1.6 percent to \$985 per month.

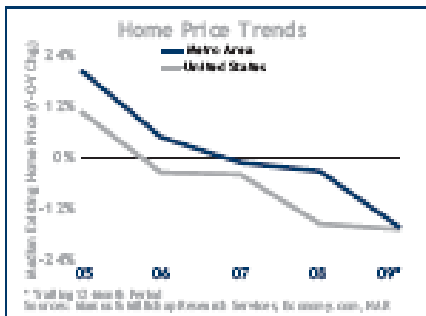


ECONOMY

- Baltimore employers cut 31,100 jobs in the 12-month period ending in the first quarter, a reduction of 2.4 percent. In the previous year, payrolls expanded by 0.4 percent, or 5,700 workers.
- The education and health services sector has generated 1,900 positions in the last year, or an increase of 0.8 percent. Despite the year-over-year improvement, employers in this industry have shed 1,500 jobs during the past six months.
- The local unemployment rate ended the first quarter at 7.3 percent, 350 basis points higher than in the corresponding period last year.
- Outlook: A loss of 31,600 jobs, or 2.4 percent of total employment, is projected this year. In 2008, payrolls shrank by 17,900 positions.

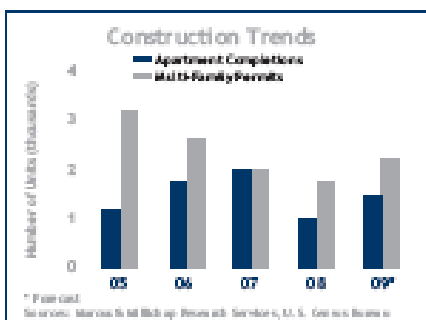
HOUSING AND DEMOGRAPHICS

- Single-family permitting activity has declined approximately 43 percent over the past year, with the number of requests falling to 2,500 units. In contrast, multi-family permit issuance has increased 26 percent to 2,160 units.
- Economic uncertainty continues to weigh on single-family housing demand, as the median home price in the metro has depreciated by more than 16 percent in the past 12 months to \$234,000. The number of existing-home sales has surged 57 percent during the same period, however, due to an increase in purchases of foreclosed residences.
- The typical mortgage payment on the area's median-priced home is currently \$16 per month above the average Class A asking rent of \$1,195 per month.
- Outlook: As layoffs intensify through mid-2009, many renters will not be willing to make the jump into homeownership. An upswing in foreclosed home purchases, though, may signal small investors' attempts to convert single-family residences into competing shadow rentals.



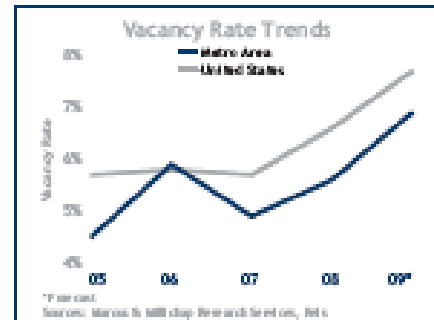
CONSTRUCTION

- Construction activity in the Baltimore market has slowed during the past year, with developers completing just under 500 rental units. In the preceding 12 months, local apartment stock expanded by 2,400 units.
- Approximately 2,900 rental units are planned in the metro. While the availability of construction financing remains uncertain, three projects totaling 700 units have tentative start dates slated for mid-2009.
- Development is elevated in the Glen Burnie/Harundale/Odenton sub-market, where 560 units are forecast to come online this year, all during the second half. The first phase of The Elms at Stoney Run Village will account for 280 of those units; the project is due in the third quarter.
- Outlook: Apartment deliveries are expected to total more than 1,400 units in 2009. Last year, builders added 975 units to rental inventory.



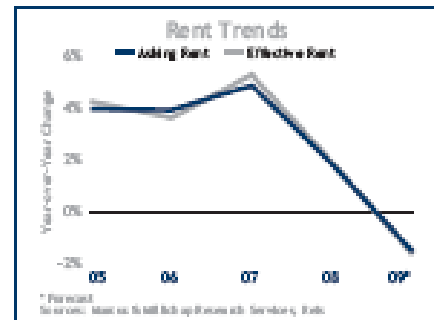
VACANCY

- Vacancy in the Baltimore apartment market has pushed up 60 basis points to 5.9 percent in the last year, although the softening economy contributed to a 30 basis point increase during the first quarter of 2009.
- Vacancy in Class A complexes began to rise at the start of this year, though the metro's average rate of 5.7 percent in the first quarter was 50 basis points lower than one year earlier. Top-tier vacancy retreated 80 basis points in the previous 12-month period.
- In Class B/C properties, vacancy has spiked 170 basis points year over year to 6.3 percent. In the first quarter alone, vacancy increased 60 basis points.
- Outlook: Vacancy is forecast to rise 130 basis points to 6.9 percent this year. In 2008, vacancy pushed up 70 basis points.



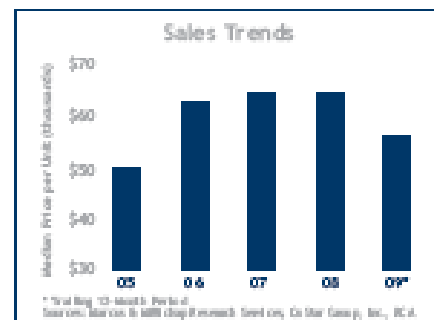
RENTS

- Asking rents increased 1.4 percent over the past year to \$985 per month in the first quarter. During the same period, effective rents advanced 1.7 percent to \$952 per month. Despite the annual gains, both asking and effective rents declined by 0.5 percent in the first three months of 2009.
- Asking rents among Baltimore's top-tier apartment properties have appreciated 1.9 percent to \$1,195 per month in the past year. In Class B/C complexes, asking rents have pushed 1.2 percent higher to \$853 per month. So far in 2009, asking rents in Class A buildings have advanced 0.4 percent, while lower-tier asking rents have fallen 0.2 percent.
- Despite steady rent growth on a year-over-year basis, vacancy increases have mitigated revenue improvements. Gross revenue gains were held to 1.1 percent during the 12 months ending in the first quarter.
- Outlook: Slackening rental demand will cause owners to cut asking rents by 1.5 percent to \$969 per month in 2009. Effective rents are expected to decline 1.6 percent to \$935 per month.



SALES TRENDS**

- Strained capital markets and investors' continued focus on other East Coast metros over the past year have underpinned a 48 percent drop in sales velocity in Baltimore. The number of acquisitions declined 35 percent in the prior 12-month period.
- In step with falling velocity, the median price has retreated 13 percent to \$56,460 per unit during the last year. In the preceding two years, the median price was static at \$65,000 per unit.
- In the past 12 months, cap rates have ascended to the mid-7 percent range, a year-over-year increase of approximately 50 basis points. Limited price fluctuations kept initial yields steady over the preceding two-year period.
- Outlook: As investors remain cautious through midyear, transaction velocity will continue to be slow. Nevertheless, sellers are expected to still bring properties to market in areas like Baltimore City and Baltimore County, where the slowdown in velocity will likely support even greater cap rate increases.



** Data reflect a full 12-month period, calculated on a trailing 12-month basis by quarter.

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CAPITAL MARKETS

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- Despite ongoing uncertainty in the financial markets and among some of the country's largest banks, debt financing remains available for multi-family loans. Standards have tightened considerably, however, with lenders requiring LTVs of 55 percent to 75 percent marketwide. Debt-service coverage ratios are in the 1.25 to 1.30 range, higher than in recent years, but closer to historical norms.
- The apartment sector has benefited from the presence of Fannie Mae and Freddie Mac, as both agencies continue to fund deals. The yield on the 10-year Treasury has been volatile, dropping to nearly 2 percent late last year, prompting many lenders to favor all-in rates, which are averaging in the high-5 percent to mid-6 percent range for agency loans. Commercial banks and life insurance companies are issuing loans with all-in rates ranging from the mid-6 percent range to 8 percent.
- With apartment fundamentals weakening and delinquencies creeping higher, lenders are devoting greater attention to sponsorship. A borrower's asset base and potential economic stresses that may affect the underlying assets are playing a significant role in determining loan terms.

SUBMARKET OVERVIEW

- Tenant demand has been resilient in the Central Baltimore City submarket, where owners have recorded the market's highest gross revenue improvements in the last year at 3.1 percent. Metro-leading completions of 275 rental units, however, are expected to ease revenue gains.
- With no multi-family deliveries scheduled for 2009, the Columbia/Howard County submarket is positioned to remain strong through the economic downturn. It is unlikely, however, that gross revenue growth in the area will reach 28 percent, the increase recorded last year.
- Towson University recently announced plans to establish a satellite campus in Bel Air, located in the Harford County submarket. While the development is not projected to be completed until 2011, investor interest in the area may begin to increase due to the additional rental demand expected to be generated by the enrollment of 6,000 students.

SUBMARKET VACANCY RANKING

Rank	Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Effective Rent	Y-O-Y % Change
1	Pikesville/Carnegie/White Marsh	57%	0	\$848	-0.5%
2	Columbia/Howard County	45%	-140	\$1,154	1.5%
3	Dundalk/Eves/Rosedale	47%	130	\$684	-1.0%
4	Harford County	52%	200	\$794	-4.8%
5	Glen Burnie/Harundale/Odenton	54%	-70	\$985	0.8%
6	Towson/Timonium	58%	300	\$975	2.8%
7	Pikesville/Owings	65%	20	\$978	1.4%
8	Central Baltimore City	81%	-30	\$1,069	2.9%
9	Woodlawn/Catonville	82%	190	\$849	0.9%
10	Annapolia/Crofton	90%	580	\$1,241	-0.4%

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Appendix C, Contracts

CONTRACT OF SALE

THIS CONTRACT (this "Contract") is made and entered into by and between Housing Authority of Baltimore ("Seller") and **Albemarle Square Apartments, LLP**

("Purchaser"), upon the terms and conditions which follow:

PURCHASE AND SALE

Seller hereby agrees to sell and convey to Purchaser, and Purchaser hereby agrees to purchase and acquire from Seller, that tract of land containing approximately 5,271 Square Feet .121 acres, more or less, located in Baltimore City, Maryland, being more particularly described in *Exhibit "A"*, attached and incorporated by reference, together with Seller's right, title, and interest in and to all easements, streets, alleys, and rights-of-way, and all rights of Seller relating to ingress and egress (all such real property rights and appurtenances being collectively referred to as the "Property"). The Property to be conveyed shall include any of Seller's interest in the oil, gas, lignite, and other minerals (and mineral rights) lying in or under the Real Property, which interests are expressly reserved to Seller. After the Survey has been prepared and approved by Purchaser, the legal description on Exhibit "A" attached hereto will be replaced with the Survey legal description (without any further notice required by the parties hereto), and such Survey legal description shall be used in all documents to be delivered at Closing.

PURCHASE PRICE

The purchase price for the Property shall be \$127,000 total.

EARNEST MONEY AND INDEPENDENT CONSIDERATION

Within two (2) business days of the final execution of this Contract by both parties (the "Effective Date"), Purchaser shall deliver the Earnest Money (as described below) to Equitable Land Title Group, 1125 Light St, Baltimore, MD 21230; Attention: Jane Thompson (the "Title Company"). The Earnest Money shall thereafter be held by the Title Company in escrow, to be applied or disposed of by the Title Company as provided in this Contract. The Earnest Money shall be evidenced by delivery of the sum of \$10,000.00, by cash or cashier's check (the "Deposit"). If Purchaser fails to timely deliver the Deposit within the time period provided, Seller may, at its option, terminate this Agreement by delivering written notice to Purchaser. If Seller delivers such a termination notice, this Agreement shall terminate and neither Seller nor Purchaser shall have any further rights or obligations pursuant to this Agreement. Within five (5) business days following its receipt of the Deposit, the Title Company shall deliver to Seller \$1,000.00 of the Deposit ("Independent Consideration") as consideration for this Agreement. The Deposit (less the Independent Consideration) and any interest thereon is hereinafter referred to as "Earnest Money." Title Company shall deposit the Earnest Money into a non-interest-bearing deposit account maintained at a federally insured bank or savings and loan located in Maryland. If the transaction contemplated hereby is consummated in accordance with the terms and provisions hereof, the Independent Consideration shall be credited against the Purchase Price at Closing (hereafter defined) and the Earnest Money shall be paid to Seller and credited against the Purchase Price. If the transaction is not so consummated, the Earnest Money shall be held

and delivered by the Title Company as hereinafter provided, and the Independent Consideration shall be retained by Seller.

PAYMENT OF PURCHASE PRICE

The full amount of the purchase price shall be payable in immediately available funds by bank wire transfer at closing.

SURVEY

Within 25 days after the Effective Date, Seller shall, at Purchaser's sole cost and expense (subject to reimbursement by Seller upon Closing as set provided in paragraph 11.4(e) below), cause to be prepared and furnished to Purchaser and the Title Company a current or recertified on-the-ground plat of survey (the "Survey") of the Property, prepared by a duly licensed Maryland Registered Professional Land Surveyor in accordance with the requirements established for a Category 1A Land Title Survey of the appropriate "Condition" as established in the most current version of the *Manual of Practice for Land Surveying in Maryland*, published by the Maryland Society of Professional Surveyors. Such Survey shall be staked on the ground, and shall show the location of all utilities, improvements, paved or unpaved roadways, fences, easements, encroachments, protrusions, rights-of-way, and flood plain or flood prone areas, if any, and shall set forth the number of total gross square feet and net square feet comprising the Property, together with the metes and bounds description of the Property and, if applicable, a description by reference to a recorded map or plat. The Survey shall be sufficient to allow the Title Company, at Purchaser's sole cost and expense, to amend the boundary and survey exception in the owner's policy of title insurance described in the next section to be amended to read and except only to "shortages in area".

The term "gross square feet", as used in this Contract, shall mean the total square feet within the exterior boundaries of the Property. Square footage shall be calculated to the nearest 1/1000th of an acre.

TITLE COMMITMENT

Within 20 days after the Effective Date, Seller shall, at Seller's sole cost and expense, cause the Title Company to deliver to Purchaser a current commitment for an owner's policy of title insurance (the "Commitment"), setting forth all exceptions to title, including easements, restrictions, rights-of-way, covenants, reservations, mineral leases, and other conditions, if any, of record affecting the Property which would appear in the owner's title insurance policy, if issued. Accompanying such Commitment, the Title Company shall furnish Purchaser with photocopies of all recorded documents affecting the Property referred to in the Commitment.

REVIEW OF SURVEY AND COMMITMENT

In the event any exceptions appear in the Commitment, title documents, or Survey, other than the standard printed exceptions, that are unacceptable to Purchaser, Purchaser shall, within 15 days after actual receipt of the last of such Commitment, title documents, or Survey, give written Notice of such unacceptability to Seller. The Seller may, if it so elects, eliminate or modify any or all of the unacceptable portions of the Survey and/or Commitment to the reasonable satisfaction of the Purchaser.

In the event that Seller elects not to attempt to cure, or is unable to cure, any such objections within 10 days after actual receipt of written Notice from Purchaser stating Purchaser's objections, Purchaser may (a) terminate this Contract by Notice in writing to Seller and Title Company, and receive an immediate refund of the Earnest Money, or (b) accept such title and Survey as Seller can deliver and proceed to closing by notifying Seller within 10 days after receiving notice from Seller that it will not cure such unacceptable item(s). The failure by Purchaser to give notice to Seller under either (a) or (b) above shall be deemed to be Purchaser's acceptance of the item(s) and election to proceed to Closing. In the event of such termination, this Contract shall become null and void for all purposes, the Earnest Money shall be returned by the Title Company to the Purchaser, the Independent Consideration shall be forwarded by the Title Company to the Seller, and the parties shall have no further obligation or liability to each other under this Contract.

Any exceptions to the Commitment and/or Survey to which Purchaser does not object within such 10 day period, or to which Purchaser objects but are uncured by Seller and subsequently accepted by Purchaser, shall be deemed to be "Permitted Exceptions", and all matters set forth on the Commitment and Survey shall be deemed approved. The Permitted Exceptions shall be described in Exhibit "B" to the "Deed" (described in paragraph 10.2(b) below).

Seller and Purchaser make no warranty or representation and hereby disclaim any liability with respect to the accuracy or completeness of any documents or other items delivered to the other party pursuant to this Contract. In addition, Seller shall have no liability, and Purchaser shall have no claim or defense to its obligations under this Contract, on the basis of Seller's failure or inability to deliver any item required to be delivered pursuant to paragraphs 5.1 and 6.1 of this Contract. In the event that such items are not delivered to Purchaser within 30 days after the Effective Date, Purchaser, as its sole remedy for same, may terminate this Contract by the delivery of written notice to Seller no later than five days after the expiration of such 30 day period, in which event all Earnest Money and the Independent Consideration shall be returned to Purchaser and neither party shall have any further liability under this Contract. In the event that such items are not delivered within 30 days after the Effective Date and Purchaser should fail to so terminate this Contract, then Purchaser shall be deemed to have waived any right to terminate this Contract or assert a claim against Seller on the basis of Seller's failure to deliver the Commitment or Survey and the Review Period shall expire on the date originally scheduled for its expiration.

CONDITIONS TO CLOSING

The obligations of Purchaser to consummate the transactions contemplated by this Contract are subject to and conditional upon the following: Purchaser shall have a period of 90 days from and after the date of full execution of this Contract (the "Review Period") to inspect the Property, to conduct such tests and feasibility studies of the Property as Purchaser deems advisable, to meet with governmental entities regarding the feasibility of future development of the Property, and to secure financing necessary to purchase the Property. If Purchaser, in its sole discretion, shall determine that the Property is not suitable for Purchaser's needs or Purchaser is unable to secure such financing prior to the expiration of the Review Period, Purchaser may terminate this Contract by giving written Notice to Seller and the Title Company, which Notice must actually be received by Seller and the Title Company on or before 5:00 P.M. local time on the last day of the Review Period. Upon such termination, the Earnest Money shall be returned to Purchaser,

this Contract shall be null and void, and the parties shall have no further rights or obligations to the other.

All approvals shall be obtained on or before the expiration of the Review Period. Seller shall reasonably cooperate with Purchaser in this regard with no obligation to incur any monetary expense.

If Seller has not received said Notice of Purchaser's intent to terminate, in writing, by the end of the Review Period as discussed above, all conditions precedent to Purchaser's obligation to purchase the Property pursuant to this Contract shall be deemed satisfied.

TITLE POLICY

At closing, Seller agrees to furnish to Purchaser, at Seller's sole cost and expense, the owner's title insurance policy, issued by the Title Company, in the form prescribed by the Board of Insurance Commissioners of the State of Maryland, in Purchaser's favor, in the full amount of the purchase price for the Property, insuring Purchaser's indefeasible fee simple title to the Property, subject only to the Permitted Exceptions and the standard printed exceptions contained in the standard form of a Maryland owner's title insurance policy.

PRORATIONS

Ad valorem taxes for the then-current year shall be prorated to the date of closing. If the closing date occurs before the tax rate is fixed for the then-current year, the apportionment of taxes shall be on the basis of the tax rate for the preceding year, applied to the latest assessed valuation without further adjustment after the closing. Any charges, assessments, or obligations for public improvements that are made against the Property, and all other obligations that may be imposed upon the owner of the Property prior to the closing shall be the responsibility of Seller and shall be paid in full at closing, and any such assessments or obligations made thereafter shall be the sole responsibility of the Purchaser. Purchaser shall be solely responsible for any taxes or assessments attributable to the Property for any period prior to or after the closing date which result from a change in land usage or ownership of the Property shall be paid by Purchaser, and Purchaser shall indemnify and save Seller harmless from and against all claims and liabilities for such taxes. This provision shall survive the closing of this Contract.

CLOSING

The closing of this Contract shall take place at the offices of the Title Company at 1125 Light St Baltimore, MD 21230, at 3:00 P.M. local time on or before the 30th day following the expiration of the Review Period (as it may be extended), or at such other time, date, and place that Seller and Purchaser may agree upon in writing.

At closing, Seller shall deliver to Purchaser, at Seller's sole cost and expense, each of the following items:

- (a) the owner's title insurance policy required to be delivered by Seller to Purchaser as described above;

- (b) a special warranty deed (the “Deed”) duly executed and acknowledged by Seller, and in the form attached to this Contract as *Annex “1”* and incorporated by reference, conveying good and indefeasible fee simple title to the Property to Purchaser, subject only to the Permitted Exceptions;
- (c) an affidavit stating that Seller is not a “foreign person” in compliance with Section 1445 of the United States Internal Revenue Code; and
- (d) such other documents as may be necessary to evidence the authority of Seller to convey the Property, or to effectuate the intents and purposes of this Contract.

At closing, Purchaser shall deliver to Seller each of the following items:

- (a) the purchase price as discussed in the preceding paragraphs 2 and 4; and
- (b) such other documents as may be necessary to evidence the authority of Purchaser to perform or to effectuate the intents and purposes of this Contract.

Each party shall be responsible for paying the legal fees of its legal counsel in negotiating, preparing, and closing the transaction contemplated by this Contract. All other closing costs, including without limitation, recording and escrow fees, shall be assessed to the respective parties as follows:

- (a) the basic premium for the owner’s title policy shall be paid by Seller;
- (b) mortgagee’s title policy and any and all endorsements (including, without limitation, the premium attributable to the amendment of the survey exception to read “shortages in area only,” if any) shall be paid by Purchaser;
- (c) fees due to or by reason of Purchaser’s lender (if any) shall be paid by Purchaser;
- (d) escrow fee shall be paid one-half by Seller and one-half by Purchaser;
- (e) Up to \$800.00 for the actual cost of the Survey shall be reimbursed by Seller to Purchaser upon Closing; and
- (f) all filing or recording fees shall be paid by Purchaser.

Possession of the Property shall be delivered to Purchaser by Seller at closing.

DEFAULTS AND REMEDIES

Breach by Seller. In the event that Seller shall fail to fully and timely perform any of its obligations under the terms of this Contract, except by reason of Purchaser’s default, Purchaser may, at its option, and as Purchaser’s exclusive remedies, (a) terminate this Contract by giving written Notice of termination to the Seller and the Title Company on or before the closing date and thereby be entitled to the immediate return of the Earnest Money, or (b) enforce specific performance under this Contract. Purchaser shall have no right to bring suit for damages against the Seller, said right being expressly waived under this Contract.

Breach by Purchaser. In the event Purchaser shall fail to consummate the purchase of the Property, the conditions of Purchaser’s obligations being satisfied and the Purchaser being in default and Seller not being in default under the terms of this Contract, Seller may, as Seller’s sole and exclusive remedy, terminate this Contract and retain the Earnest Money as liquidated

damages for Purchaser's breach of this Contract. Such amount is agreed upon in advance by and between Seller and Purchaser as liquidated damages, due to the difficulty and inconvenience of ascertaining and measuring actual damages, and the uncertainty of said damages.

COMMISSIONS

If, as, and when the closing occurs, Seller hereby agrees to pay in cash for services in connection with this transaction a commission to Mackenzie Commercial Retail (the "Broker(s)") pursuant to separate commission agreements executed between Seller and such Broker(s). Seller and Purchaser hereby represent and warrant to the other that, except as to the Broker(s) and the real estate sales commission specified above, (a) no broker, agent, finder, or salesman has been involved in the origination, negotiation, or consummation of the transaction contemplated by this Contract, (b) no fee, commission, or similar payment is due to any broker, agent, finder, or salesman as a result of the origination, negotiation, or consummation of the transaction contemplated by this Contract, and (c) Seller and Purchaser each hereby indemnify and agree to hold the other harmless from and against any and all loss, cost, or expense (including attorneys' fees and expenses) resulting from any claim for any fee, commission, or similar payment by any broker, agent, finder, or salesman as a result of any action of Seller or Purchaser, respectively, related to the origination, negotiation, or consummation of the transaction contemplated by this Contract.

NOTICES

Any notice, approval, waiver, objection, or other communication ("Notice") required or permitted to be given under the terms of this Contract shall be in writing, and shall be deemed to have been served and given (a) if hand delivered, when delivered in person to the party to whom Notice is given, or (b) if sent by telephonic document transfer, when sent to the recipient's current facsimile telephone number, unless transmission is completed after 5:00 local time of the recipient, in which case transmission shall be deemed to have been made on the following day, or (c) if mailed, when placed in the United States mail, certified mail, return receipt requested, postage prepaid, addressed to the respective party at the address set forth below:

Seller:

Baltimore Housing Authority

417 E Fayette St # 1346

Baltimore, MD 21202

410-396-3232

Attention: X.X.

With copy to:

B. Scott Huffman

PARKS HUFFMAN MCVAY SHEPARD & WELLS, P.C.
503 East Lombard Street
Baltimore, MD 21201
Fax No. 410-469-1000

Purchaser

Albemarle Square Apartments, LLP

100 N Charles Street

Baltimore, MD 21201

214.808.5083

Attention: Travis Mitchell

Any party may change its address for Notice by Notice given in accordance with this section, and said change shall be deemed effective only when actually received by the other party.

MISCELLANEOUS

This Contract may be assigned by Purchaser to an entity related to or controlled by Purchaser or its principals.

This Contract shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, successors, and assigns where permitted by this Contract.

Any of the representations, warranties, covenants, and agreements of the parties, as well as any rights and benefits of the parties, pertaining to a period of time following the closing of the transactions contemplated by this Contract, shall survive the closing and shall not be merged in the closing.

This Contract shall be construed under and in accordance with the laws of the State of Maryland, and all obligations of the parties created under this Contract are performable in Baltimore City, Maryland.

In case any one or more of the provisions contained in this Contract shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Contract, and this Contract shall be construed as if the invalid, illegal, or unenforceable provision had never been contained in this Contract.

This Contract constitutes the sole and only agreement of the parties, and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter contained in this Contract. Any modification, agreement, representation, or obligation of a party which varies from or conflicts with the terms of this Contract must be in a writing signed by the party against whom enforcement is sought. There are no oral agreements between the parties.

Time is of the essence of this Contract.

Words of any gender used in this Contract shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

This Contract may be executed in any number of counterparts, each of which shall be an original, but all of such counterparts shall constitute one and the same instrument.

In the event the final date of any period which is set out in any provision of this Contract falls upon a Saturday, Sunday, or legal holiday under the laws of the United States or the State of Maryland, then, and in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday, or legal holiday.

In the event either Purchaser or Seller should bring suit against the other in respect to any matters provided for in this Contract, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees in connection with such suit.

Each person executing this Contract, by his or her execution, represents and warrants that he or she is fully authorized to do so, and that no further action or consent on the part of the party for whom he or she is acting is required as to the effectiveness and enforceability of this Contract against such party following such execution.

In addition to the acts and deeds recited in this Contract and contemplated to be performed at the closing, Seller and Purchaser agree to perform such other acts and to execute and/or deliver such other instruments and documents as either Seller or Purchaser, or their respective counsel, may reasonably require in order to effect the intents and purposes of this Contract. Further, Seller and Purchaser each agree to deliver to the Title Company affidavits and such other assurances as may reasonably be necessary or required to enable the Title Company to issue the policy(ies) of title insurance as contemplated in this Contract.

Except as otherwise specifically stated in this Contract, Seller hereby specifically disclaims any warranty, guaranty or representation, oral or written, past, present, or future, of, as to, or concerning (a) the nature and condition of the Property or other items to be conveyed hereunder, including, without limitation, the water, soil and geology, the suitability thereof and of the Property or other items conveyed hereunder for any and all activities and uses which Purchaser may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos or other hazardous material) or compliance with applicable environmental laws, rules or regulations; (b) except for any warranties contained in the deed or in this Contract, the nature and extent of any right-of-way, lease possession, lien, encumbrance, license, reservation, condition or otherwise; and (c) the compliance of the Property or its operation with any laws, ordinances or regulations of any governmental entity or body. Purchaser acknowledges that it has inspected the Property and that it is relying solely on its own investigation of the same and not on any information provided or to be provided by or on behalf of Seller except as provided by Seller pursuant to this Contract. Purchaser further acknowledges that any information provided with respect to the Property was obtained from a variety of sources, and Seller (1) has not made any independent investigation or verification of such information; and (2) except as otherwise specifically stated herein, does not make any representations as to the accuracy or completeness of such information. The conveyance of the Property shall be made on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis, and Purchaser expressly acknowledges that, except as otherwise specified herein, Seller has made no warranty or representation, express or implied, or arising by operation of law, including, but not limited to any warranty of condition, title (except as may be specifically set forth and limited in the special warranty deed or in this Contract), habitability, merchantability or fitness for a particular purpose with respect to the Property, or any portion thereof, all such representations and warranties, as well as any implied warranties being hereby expressly disclaimed.

PURCHASER IS HEREBY ADVISED THAT HE, SHE, OR IT SHOULD BE FURNISHED WITH OR OBTAIN A POLICY OF TITLE INSURANCE, OR PURCHASER SHOULD HAVE THE ABSTRACT COVERING THE PROPERTY EXAMINED BY AN ATTORNEY OF PURCHASER'S OWN SELECTION.

In the event Purchaser has not returned to Seller a duplicate copy of this Contract, fully executed and signed by Purchaser, by 5:00 P.M. on February ___, 2009, this Contract shall be deemed null and void, and neither party shall have any further obligations to the other.

Seller shall retain the right to reasonably approve the architectural plans for any improvements contemplated to be constructed upon the Property, to be compatible with existing or contemplated development of adjacent properties. Prior to Closing, Seller and Purchaser shall

negotiate an agreement setting forth such architectural standards to be filed of record, which agreement shall further contain a provision for reciprocal parking and access to adjacent properties.

The Effective Date of this Contract shall be the date this Contract has been signed by whichever of Purchaser or Seller is the last to sign this Contract.

SELLER

Baltimore Housing Authority

Date signed by Seller

By:_____

Printed Name:_____

Title:_____

PURCHASER

Albemarle Square Apartments, LLP

By:_____

Printed Name:_____

Title:_____

Date signed by Purchaser

RECEIPT

The Title Company hereby acknowledges receipt of a fully executed copy of this Contract and the Earnest Money and Independent Consideration referred to in same, and agrees to accept, deposit in a non-interest bearing account, hold, and return the Earnest Money and Independent Consideration and disburse any funds received under this Contract in accordance with the provisions of this Contract. The Earnest Money is deposited with the Title Company with the understanding that the Title Company is not (a) a party to this Contract and does not assume or have any liability for the performance or the failure of performance by any party to this Contract, except that it shall be liable (subject to the ensuing provisions contained in this paragraph) for its own failure, if any, to hold and disburse the Earnest Money and other funds received hereunder in accordance with the requirements of this paragraph, and (b) liable for any loss of Earnest Money caused by the failure of any banking institution in which such funds have been deposited. If both parties should make a demand for payment of the Earnest Money, the Title Company shall have the right to commence an interpleader action with respect to such funds or to make such other disposition thereof as the parties shall agree, thereby releasing the Title Company from liability to either party. If only one party makes demand for payment of the Earnest Money, the Title Company shall promptly give Notice to the other party of such demand. The Title Company is authorized and directed to honor such demand unless the other party objects to the Title Company in writing within five days after receipt of the Title Company's Notice.

Receipt of Contract and \$_____ Earnest Money in the form of _____, is acknowledged on this _____ day of _____, 20_____.

TITLE COMPANY:

ALAMO TITLE COMPANY

1125 Light Street

Baltimore, MD 21230

METRO (443) 451-8800 FAX (443) 451-1000

By:_____

Exhibit "A"

Property Legal Description

Exhibit "B"

Permitted Exceptions

SPECIAL WARRANTY DEED

(CASH SALE)

STATE OF Maryland §
 §
CITY OF BALTIMORE §

That **Baltimore Housing Authority** (“Grantor”) for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration paid to Grantor by **Albemarle Square Apartments, LLP** (“Grantee”), the receipt and sufficiency of all of which are hereby acknowledged and confessed, hereby GRANTS, SELLS, CONVEYS, ASSIGNS and DELIVERS to Grantee the real property situated in Baltimore City, Maryland described in *Exhibit “A”*, attached and incorporated by reference, together with all improvements thereon and fixtures affixed thereto (said real property, improvements and fixtures are referred to as the “Property” but do not include any items specifically conveyed hereunder without covenant or warranty), subject to general real estate taxes and assessments and special assessments on the Property; zoning laws, regulations and ordinances of municipal and other governmental authorities, if any, affecting the Property; and those matters of record affecting the Property or revealed by a survey or inspection of the Property described in *Exhibit “B”*, attached and incorporated by reference (the “Permitted Exceptions”).

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, into Grantee, Grantee’s successors and assigns forever, and Grantor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular the Property unto Grantee, its successors and assigns against every person whomsoever lawfully claiming, or to claim the same, or any part thereof by, through or under Grantor, but not otherwise, subject, however, to the Permitted Exceptions.

For the same consideration, Grantor hereby GRANTS SELLS, CONVEYS, ASSIGNS and DELIVERS to Grantee, without covenant or warranty express or implied (whether under Section 5.023 of the Maryland Property Code or otherwise), all right, title and interest, if any, of Grantor, as owner of the Property but not as owner of any other property, in and to (i) strips or gores, if any, between the Property and abutting properties (except to the extent, if any, that such strips or gores abut or provide access to other properties owned by Grantor), (ii) any land lying in or under the bed of any street, alley, road or right-of-way, opened or proposed, abutting or adjacent to the Property, (iii) any leases and rental agreements (whether written or verbal) that grant a possessory interest in or that otherwise grant rights with regard to the use of all or any portion of the Property, and (iv) any easements, rights of way, rights of ingress and egress or other interest in, on, or to, any land, highway, street, road or avenue, open or

proposed, in, on, across from, in front of, abutting, adjoining or otherwise appurtenant to the Property, as well as all other rights, privileges and appurtenances owned by Grantor and in any way related to the Property and other rights and interests of Grantor hereunder conveyed; provided, however, that such conveyance is without prejudice to, and does not transfer, any rights or benefits held by Grantor, its successors and assigns to the extent they benefit any other properties owned by Grantor to which such rights are appurtenant.

Notwithstanding anything contained in this deed to the contrary, Grantor hereby reserves for Grantor and Grantor's heirs, successors and assigns forever, all oil, gas, and other minerals in and under and that may be produced from the Property; however reservation of same shall not interfere with Grantee's use of the surface of the Property. If the mineral estate is subject to existing production or an existing lease, this reservation includes the production, the lease, and all benefits from it.

EXCEPT AS OTHERWISE SPECIFICALLY STATED IN THIS CONVEYANCE, GRANTOR HEREBY SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE, OF, AS TO, OR CONCERNING (a) THE NATURE AND CONDITION OF THE PROPERTY OR OTHER ITEMS CONVEYED HEREUNDER, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL AND GEOLOGY, THE SUITABILITY THEREOF AND OF THE PROPERTY OR OTHER ITEMS CONVEYED HEREUNDER FOR ANY AND ALL ACTIVITIES AND USES WHICH GRANTEE MAY ELECT TO CONDUCT THEREON, THE EXISTENCE OF ANY ENVIRONMENTAL HAZARDS OR CONDITIONS THEREON (INCLUDING BUT NOT LIMITED TO THE PRESENCE OF ASBESTOS OR OTHER HAZARDOUS MATERIAL) OR COMPLIANCE WITH APPLICABLE ENVIRONMENTAL LAWS, RULES OR REGULATIONS; (b) EXCEPT FOR ANY WARRANTIES CONTAINED IN THIS DEED, THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE POSSESSION, LIEN, ENCUMBRANCE, LICENSE, RESERVATION, CONDITION OR OTHERWISE; AND (c) THE COMPLIANCE OF THE PROPERTY OR OTHER ITEMS CONVEYED HEREUNDER OR ITS OPERATION WITH ANY LAWS, ORDINANCES OR REGULATIONS OF ANY GOVERNMENTAL ENTITY OR BODY. GRANTEE ACKNOWLEDGES THAT IT HAS INSPECTED THE PROPERTY OR OTHER ITEMS CONVEYED HEREUNDER AND THAT IT IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE SAME AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY OR ON BEHALF OF GRANTOR. GRANTEE FURTHER ACKNOWLEDGES THAT ANY INFORMATION PROVIDED WITH RESPECT TO THE PROPERTY OR OTHER ITEMS CONVEYED HEREUNDER WAS OBTAINED FROM A VARIETY OF SOURCES, AND GRANTOR (1) HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION; AND (2) DOES NOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THIS CONVEYANCE IS MADE ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS, AND GRANTEE EXPRESSLY ACKNOWLEDGES THAT, EXCEPT AS OTHERWISE SPECIFIED HEREIN, GRANTOR HAS MADE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF CONDITION, TITLE (EXCEPT AS MAY BE SPECIFICALLY SET FORTH AND LIMITED IN THIS DEED),

HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PROPERTY, AND OTHER ITEM CONVEYED HEREUNDER OR ANY PORTION THEREOF, ALL SUCH REPRESENTATIONS AND WARRANTIES, AS WELL AS ANY IMPLIED WARRANTIES BEING HEREBY EXPRESSLY DISCLAIMED.

GRANTEE HEREBY ASSUMES THE PAYMENT OF ALL AD VALOREM TAXES AND ASSESSMENTS AND ALL SPECIAL ASSESSMENTS OF WHATEVER KIND AND CHARACTER AFFECTING THE PROPERTY AND OTHER ITEMS CONVEYED HEREUNDER, INCLUDING BUT NOT LIMITED TO TAXES BECOMING DUE BECAUSE OF A CHANGE IN LAND USAGE OR OWNERSHIP, AND GRANTEE AGREES TO INDEMNIFY AND HOLD HARMLESS GRANTOR FROM ANY AND ALL CLAIMS AND LIABILITY FOR THE PAYMENT THEREOF.

GRANTOR:

Baltimore Housing Authority

By: _____

Printed Name: _____

Title: _____

ACCEPTED:

GRANTEE:

Albemarle Square Apartments, LLP

By: _____

Appendix D, Lender Package

Lender Package

Memo

TO: **LENDER**
FROM: Travis Mitchell
JT Mitchell & Assoc.
johntravismitchell@yahoo.com
214.808.5083
RE: 1004 – 1008 East Lombard Street
Albemarle Square Multifamily

Location: 1004—1008 E. Lombard St

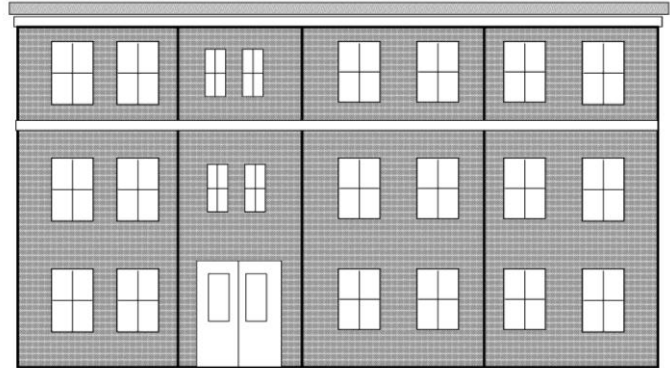
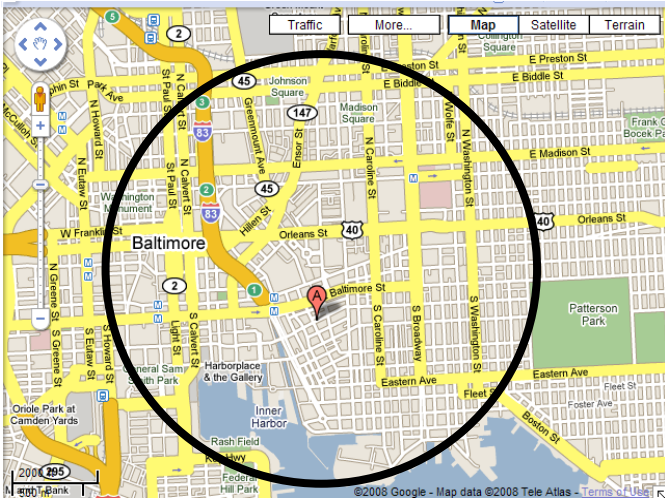
Current Use: Vacant land

Property: 9 Unit Multifamily; 8,200 SF GBA - 7,200 SF GLA
6 car parking pad on site, ample off street parking in shared lot adjacent to the property
Quality finishes
Washer and dryer in every unit
Near Harbor East, Little Italy, & Central Business District

Construction: 3 level wood framed structure, 2 sides brick façade, 2 sides hardy plank sided, on shovel-ready site.

Cost to Construct: \$1,020,000

Timeline: 6 month build time



Potential Income Statement at Stabilization

Total Potential Gross Revenue	\$124,486
General Vacancy & Collection Loss	(\$2,490)
Effective Gross Revenue	\$121,996
Operating Expenses	
Common Area Electricity	\$2,491
Insurance	\$2,040
Taxes	\$14,645
Maintenance	\$9,209
Property MGMT	\$6,100
Legal & Accounting	357000%
Reserves	\$1,800
Total Operating Expenses	\$39,855
Net Operating Income	\$82,141
Leasing & Capital Costs	
Preparation Costs	\$1,800
Leasing Costs	\$567
Security Deposits	(\$5,694)
Investment of Capital	\$5,694
Distribution from Investment	(\$5,000)
Deposit Refund	\$5,000
Total Leasing & Capital Costs	\$2,367
Cash Flow Before Debt Service	\$79,774



CONFIDENTIAL
 Personal Financial Statement
 Statement Date as of: _____

PERSONAL INFORMATION

NAME (APPLICANT)		NAME (CO-APPLICANT)	
	NO. YRS.	HOME ADDRESS	NO. YRS.
PREVIOUS ADDRESS IF AT HOME ADDRESS LESS THAN 3 YRS) _____/OWN _____/RENT		PREVIOUS ADDRESS IF AT HOME ADDRESS LESS THAN 3 YRS) _____/OWN _____/RENT	
HOME PHONE	SOCIAL SECURITY NO.	HOME PHONE	SOCIAL SECURITY NO.
EMPLOYER	NO. YRS.	EMPLOYER	NO. YRS.
BUSINESS PHONE	TITLE/POSITION	BUSINESS PHONE	TITLE/POSITION
NAME OF PREVIOUS EMPLOYER (IF LESS THAN 3 YRS.)		NAME OF PREVIOUS EMPLOYER (IF LESS THAN 3 YRS.)	
TITLE/POSITION	NO. YRS.	TITLE/POSITION	NO. YRS.

ACTUAL CASH INCOME AND EXPENDITURES STATEMENT FOR YEAR ENDED _____

ANNUAL INCOME	APPLICANT	CO-APPLICANT	ANNUAL EXPENDITURES	APPLICANT	CO-APPLICANT
SALARY			FEDERAL INCOME & OTHER TAXES		
BONUSES & COMMISSIONS			STATE INCOME & OTHER TAXES		
RENTAL INCOME (GROSS)			RENTAL PROPERTY EXPENSES		
INTEREST & DIVIDEND INCOME			MORTGAGE PAYMENTS (PMI ONLY)		
PARTNERSHIP DISTRIBUTIONS			PROPERTY TAXES		
OTHER INCOME (LIST BELOW)**			PRINCIPAL PAYMENTS ON INSTALLMENT LOANS & CREDIT CARDS		
			INSURANCE (HOME, MEDICAL, LIFE, AUTO, ETC)		
			INVESTMENT EXPENSES(EXCLUDING TAX SHELTERS)		
			ALIMONY/CHILD SUPPORT		
			TUITION		
			OTHER LIVING EXPENSES		
			MEDICAL EXPENSES		
			OTHER EXPENSES		
TOTAL APPLICANT(S)			TOTAL APPLICANT(S)		
	TOTAL INCOME			TOTAL EXPENDITURES	

PLEASE ATTACH EXPLANATION IF DIFFERENT INCOME REPORTED ON TAX RETURN.

Any significant change in income or expenditures expected in the next 12 months? _____ Yes _____ No (If yes, explain below)

** Income from alimony, child support, or separate maintenance income need not be revealed if the applicant or co-applicant does not wish that information to be considered as a basis for repaying obligation.

ASSETS	AMOUNT(S)	LIABILITIES	AMOUNT(S)
CASH AT THE COLUMBIA BANK(SCHEDULE A)		NOTES PAYABLE BANK-SECURED (SCHEDULE F)	
CASH IN OTHER FINANCIAL INSTITUTIONS (SCHEDULE A)		NOTES PAYABLE BANK-UNSECURED (SCHEDULE F)	
MUTUAL FUNDS & MARKETABLE SECURITIES (SCHEDULE B)		NOTES PAYABLE TO OTHERS -SECURED (SCHEDULE F)	
NON-READILY MARKETABLE SECURITIES (SCHEDULE B)		NOTES PAYABLE TO OTHERS -UNSECURED (SCHEDULE F)	
TRUSTS		ACCOUNTS PAYABLES & CREDIT CARDS(SCHEDULE F)	
ACCOUNTS & NOTES RECEIVABLE		MARGIN LOAN(S) PAYABLE	
CASH SURRENDER VALUE OF LIFE INSURANCE(SCHEDULE C)		NOTES DUE PARTNERSHIPS & BUSINESS VENTURES (SCH. D)	
RESIDENTIAL REAL ESTATE (SCHEDULE D)		TAXES PAYABLE - FEDERAL	
INVESTMENT REAL ESTATE (SCHEDULE D)		TAXES PAYABLE - STATE	
PARTNERSHIPS & BUSINESS VENTURES (SCHEDULE D)		TAXES PAYABLE - OTHER	
IRA, KEOGH, 401K, PROFIT-SHARING & OTHER RETIREMENT		MORTGAGE DEBT - RESIDENTIAL REAL ESTATE (SCHEDULE D)	
DEFERRED INCOME		MORTGAGE DEBT - INVESTMENT REAL ESTATE (SCHEDULE D)	
AUTOMOBILES		LIFE INSURANCE POLICY LOANS (SCHEDULE C)	
PERSONAL PROPERTY		OTHER LIABILITIES (LIST BELOW)	
OTHER ASSETS (LIST BELOW)			
		TOTAL LIABILITIES	
		NET WORTH (TOTAL ASSETS - TOTAL LIABILITIES)	
TOTAL ASSETS		TOTAL LIABILITIES & NET WORTH	

ARE ANY ASSETS PLEDGED OR RESTRICTED? _____ IF YES, ATTACH DETAILS REGARDING DOLLAR AMOUNTS AND ASSETS PLEDGED OR RESTRICTED.

CONTINGENT LIABILITIES

Contingent liabilities are financial obligations of other individuals, partnerships, or companies which you have endorsed, guaranteed, or otherwise agreed to or have a statutory obligation to honor in the event of certain contingencies and any direct obligations that are not reflected in the balance sheet above that you will be required to honor in the event of certain contingencies. These include obligations to The Columbia Bank as well as to other banks or creditors of any kind. You must disclose all such guarantees, endorsements, etc., in this schedule.

1. AS GUARANTOR OR ENDORSES		3. LEGAL CLAIMS OR JUDGEMENTS		5. STANDBY LETTER OF CREDIT	
2. ON LEASES OR CONTRACTS		4. INCOME TAX CLAIM OR DISPUTE		6. OTHER (ATTACH EXPLANATION)	
TYPE NO 1-6)	NAME OF PRIMARY OBLIGOR	DUE TO	MAX. LEGAL AMOUNT	MATURITY	EXPLANATION **

** EXPLANATION: INCLUDE WHETHER OR NOT YOU ANTICIPATE HAVING TO HONOR THIS LIABILITY AND WHETHER SUCH IS COLLATERALIZED.

I (we) understand that the following questions are address to me (us) and I (we) have answered them as appropriate. I (we) have attached explanations of all "yes" answers.

- YES NO 1. Are any of the assets listed herein held under a trust agreement, in estate, or in any other name or capacity?
- YES NO 2. Are any of your real estate properties used by you in your business?
- YES NO 3. Do any of your assets secure any debts which have not been reported above?
- YES NO 4. Have you ever filed for personal bankruptcy, had property subject to foreclosure, or settled or made assignment for the benefit of creditors?
- YES NO 5.) Has any corporation or partnership in which you were (are) a principal owner or general partner ever filed for bankruptcy, had property subject to foreclosure, or settled or made assignment for the benefit of creditors?
- YES NO 6.) Are you or any corporation or partnership in which you are a principal owner or general partner, a party to any suit or legal action, or are there any unsatisfied judgements against you?
- YES NO 7.) Personal tax returns have been filed through (year) _____. Are any income tax returns, whether personal or that of any business in which you are a principal owner or general partner currently being audited or contested?
- YES NO 8. Are you named as beneficiary of a trust, will, or estate?
- YES NO 9. Are you an officer, director, or principal shareholder of a banking institution?

 The information contained in this statement is provided for the purpose of obtaining, or maintaining credit with The Columbia Bank, the creditor indicated on page one hereof, on behalf of the undersigned, or persons, firms, or corporations in whose behalf the undersigned may either separate or jointly with others, execute a guaranty in your favor. Each of the undersigned understands that The Columbia Bank is relying on information provided herein (including the designation made as to ownership of property) in deciding to grant or continue credit. Each undersigned represents and warrants that the information provided is accurate and complete and that The Columbia Bank may consider this statement as continuing to accurate and correct until written notice of a change is given to The Columbia Bank by the undersigned. The Columbia Bank is authorized to make inquiries necessary to verify the accuracy of the statements made herein, and to determine my/our credit-worthiness. The Columbia Bank is authorized to answer questions about the Bank's credit experience with me/us.

SIGNATURE (APPLICANT)	_____	DATE SIGNED	_____
SOCIAL SECURITY NUMBER	_____	DATE OF BIRTH	_____
SIGNATURE (CO-APPLICANT)	_____	DATE SIGNED	_____
SOCIAL SECURITY NUMBER	_____	DATE OF BIRTH	_____

Appendix E, Financial Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
92											
93	Leasing & Capital Costs	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,600	\$1,800	\$1,400	\$1,600	\$1,400
94	Preparation Costs	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
95	Leasing Costs	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
96	Security Deposits	(\$6,000)	(\$5,694)	(\$5,866)	(\$6,042)	(\$6,410)	(\$5,967)	(\$6,801)	(\$5,700)	(\$6,560)	(\$5,626)
97	Investment of Capital	\$6,000	\$5,694	\$5,863	\$6,039	\$6,219	\$5,967	\$6,798	\$5,696	\$6,558	\$5,624
98	Distribution from Investment	(\$1,000)	(\$5,000)	(\$5,694)	(\$5,866)	(\$6,042)	(\$6,410)	(\$6,619)	(\$6,149)	(\$7,044)	(\$5,888)
99	Deposit Refund	\$1,000	\$5,000	\$5,694	\$5,863	\$6,039	\$6,406	\$6,619	\$6,146	\$7,040	\$5,886
100											
101	Total Leasing & Capital Costs	\$1,800	\$9,294	\$9,462	\$9,639	\$10,008	\$9,367	\$10,398	\$8,895	\$9,960	\$8,824
102											
103	Cash Flow Before Debt Service	\$61,806	\$72,207	\$72,013	\$72,039	\$72,046	\$75,408	\$78,781	\$82,024	\$87,240	\$90,740
104											
105											
106	Commercial Loan Debt Service (Prin. ar	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797
107	Total Debt Service	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797	\$61,797
108											
109											
110	CASH FLOW	\$9	\$10,410	\$10,216	\$10,242	\$10,076	\$13,611	\$16,984	\$20,227	\$25,443	\$28,943
111											
112	NET CASH FLOW AFTER DEBT	\$9	\$10,410	\$10,216	\$10,242	\$10,076	\$13,611	\$16,984	\$20,227	\$25,443	\$28,943
113											
114											
115											

Sources and Uses

Sources & Uses				
Sources	Uses			
1st Position Debt	780,375	Acquisition Price of Property	\$ 127,000	\$30.97 per sf
Equity Contribution	199,080	Development Costs	\$ 868,544	\$211.79 per sf
<u>Deferred Developer Fee</u>	<u>16,089</u>	<u>Deferred Developer Fee</u>	<u>16,089</u>	
Sub-Total	\$ 995,544	Sub-Total	\$ 995,544	\$242.76 per sf
Balance	\$ -			
Construction Loan				
Stabilized Net Operating Income	\$81,475			
Stabilized Cap Rate	<u>8.00%</u>			
Concluded Value "At Stabilization"	\$ 1,018,438			
Proposed Acquisition/Construction Loan Amount	\$ 780,375			
Proposed Acquisition/Construction Loan Term	18 Months	1.50 Years		
Financial Institution Maximum Loan to Value	75.0%	Actual Loan to Value	76.62%	-1.62% variance
Financial Institution Maximum Loan to Cost	75.0%	Actual Loan to Cost	78.39%	-3.39% variance
Contributed Equity to Cost			20.00%	
Underwritten Construction Rate - Interest Only Rate (locked)	4.25%	Prime 3.25%	SPREAD OF 1.50%	
Percentage of Loan Outstanding During Construction/Leaseup	65.00%			
Months Outstanding	17.00 months			
Avg. Outstanding Balance During Construction/Leasing	\$ 507,244			
Interest Over Const. Period	\$ 21,558			
Interest Monthly	\$ 1,796			
Interest Carry - Calculated from % O/S	\$ 30,540	26.38% variance		
Budgeted Interest Carry During Construction/Leaseup -from b	\$ 41,485			
Calculated Interest from Draw Schedule	\$ 41,485	0.00% variance		

Calculated Interest from Draw Schedule	3	41,485	0.00% variance
Permanent Loan - Takeout			
"DSCR Test"			
Stabilized Net Operating Income	\$	81,501	
Permanent Loan Amount	\$	814,750	
Maximum Loan to Value		85.00%	
Actual Loan to Value		80.00%	
Actual DSC		1.39x	
Required Minimum DSC for Takeout Loan		1.25x	
Interest Rate (locked) for Takeout Loan		6.00%	
Amortization for Takeout Loan		360 Months	30 Years
Debt Service		\$58,618	
Loan Gap Analysis for Takeout by Permanent Lender			
Loan Constant	▶	7.19%	
Equity Payback at Refinance	\$	34,375	
Balance of Equity in Deal after Perm Takeout	\$	164,705	
GAP		None	
Valuation Analysis			
Stabilized NOI	\$	81,501	Year 3
Stabilized Value	\$	1,018,438	\$142.58 per sf
Stabilized Cap Rate		8.5%	
Value/SFNRA	\$	142.58	
Loan/SFNRA	\$	114.06	
LTV		80.00%	
Max Loan to Value			
Max LTV		80.00%	
Stabilized Value	\$	1,018,438	
Perm Loan Proceeds (LTV Test)	\$	814,750	
Perm Loan Proceeds (DSCR Test)	\$	906,000	
Max Perm Loan Proceeds	\$	814,750	

Construction Budget

Construction Budget		Uses	
Category		/RentableSF	Project Costs
Land Purchase Price	8,313	\$ 17.78	\$ 127,000
HABC Administrative Fee		0.00	0
	Subtotal	\$ 14.58	\$ 127,000
Hard Costs			
Structure Cost		\$75/SF	\$ 653,175
Paving		\$1.70/SF	1,275
Refrigerator	570	9*9 Units	5,130
W/D	467	9*9 Units	4,203
Electric Rang & Oven	430	9*9 Units	3,870
Dishwasher, built in	515	9*9 Units	4,635
Microwave	200	9*9 Units	1,800
Off-Site Utilities		\$268/SF	6,700
Contingency @		5.00%	32,659
Other		0.00	0
Subtotal Hard Costs		\$ 81.92	\$ 713,447
Architectural			
Structural Engineer/MEP (included in architectural)		6%	\$ 42,807
Geotechnical Engineer		0.00	
Building Permit		0.56	4,000
Transfer Taxes		1.40	10,000
Builder's Risk Insurance/Performance Bond		0.28	2,000
Property Taxes		0.50	3,567
Utilities & Insurance		1.77	12,645
Legal Services		0.98	7,000
Recordation Fees		0.56	4,000
Survey		0.21	1,500
Environmental		0.49	3,500
Subtotal Soft Costs		\$ 10.45	\$ 91,019

Loan Interest Carry @			2.80	20,000
Loan Fees @			1.04	7,400
Construction Inspection Fee	1.0%		0.21	1,500
Appraisal			0.42	3,000
Other			0.00	0
		Subtotal Financing/Carry	3.66	31,900
Developers Overhead @			2.25	16,089
Developer's Profit @	2.26%			
		Subtotal Miscellaneous	3.69	32,179
TOTALS			139.37	995,544

Project Returns

LEVERAGED ANALYSIS

	Construction/Leasing			Stabilization									
	1	2	3	4	5	6	7	8	9	10			
	Dec-09	Dec-10	Dec-11 *	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18			
Property Cash Flow Before Debt	\$0	\$ 61,806	\$ 72,207	\$ 72,013	\$ 72,039	\$ 71,873	\$ 72,046	\$ 75,408	\$ 78,781	\$ 82,024			
Annual Payment	\$0	\$ -	\$ 58,618	\$ 58,618	\$ 58,618	\$ 58,618	\$ 58,618	\$ 58,618	\$ 58,618	\$ 58,618			
Cash Flow After Debt	\$0	\$ 61,806	\$ 13,589	\$ 13,395	\$ 13,421	\$ 13,255	\$ 13,428	\$ 16,790	\$ 20,163	\$ 23,406			
DSCR	\$0	\$ -	1.23	1.23	1.23	1.23	1.23	1.23	1.29	1.34			
Cash on Cash Return on Investment (3)	\$0	31.05%	24.09%	6.73%	6.74%	6.66%	6.74%	8.43%	10.13%	252.82%			
Capitalized Value		\$958,529	\$960,918	\$990,242	\$1,025,675	\$1,059,688	\$1,150,697	\$1,173,148	\$1,254,194				
LEVERAGED IRR		-68.95%	7.33%	10.44%	15.31%	18.01%	19.13%	21.74%	21.14%	21.82%			
	Construction/Leasing			Stabilization									
Holding Period	1	2	3	4	5	6	7	8	9	10			
3 YEARS	Dec-09	Dec-10	Dec-11 *	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18			
4 YEARS	-\$199,080	\$61,806	\$162,988	\$47,964	\$178,029	\$222,600	\$266,827	\$370,270	\$408,014	\$503,307			
5 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$178,029	\$222,600	\$266,827	\$370,270	\$408,014	\$503,307			
6 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$13,395	\$13,395	\$13,421	\$13,428	\$16,790	\$20,163			
7 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$13,395	\$13,395	\$13,421	\$13,428	\$16,790	\$20,163			
8 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$13,395	\$13,395	\$13,421	\$13,428	\$16,790	\$20,163			
9 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$13,395	\$13,395	\$13,421	\$13,428	\$16,790	\$20,163			
10 YEARS	-\$199,080	\$61,806	\$47,964	\$13,395	\$13,421	\$13,255	\$13,428	\$16,790	\$20,163	\$23,406			
% IIR -BTCFo			9%	21%	25%	26%	26%	24%	27%	27%			
% IIR -BTCFs			91%	79%	75%	74%	74%	76%	73%	73%			

Present Value of Future Cash Flows

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 8.40%	P.V. of Cash Flow @ 8.65%	P.V. of Cash Flow @ 8.90%	P.V. of Cash Flow @ 9.15%	P.V. of Cash Flow @ 9.40%
Year 1	Feb-2011	61,806	57,017	56,885	56,755	56,625	\$56,495
Year 2	Feb-2012	72,207	61,449	61,168	60,887	60,608	60,332
Year 3	Feb-2013	72,013	56,536	56,146	55,760	55,378	55,000
Year 4	Feb-2014	72,039	52,174	51,695	51,222	50,755	50,291
Year 5	Feb-2015	71,873	48,019	47,470	46,928	46,392	45,865
Year 6	Feb-2016	72,046	44,406	43,796	43,196	42,606	42,025
Year 7	Feb-2017	75,408	42,875	42,190	41,516	40,855	40,207
Year 8	Feb-2018	78,781	41,323	40,568	39,829	39,105	38,395
Year 9	Feb-2019	82,024	39,690	38,875	38,079	37,302	36,542
Total Cash Flow		658,197	443,489	438,793	434,172	429,626	425,152
Property Resale @ 8% Cap Rate		1,178,550	\$570,275	\$558,574	\$547,138	535,962	525,040
Total Property Present Value			\$1,013,764	\$997,367	\$981,310	\$965,588	\$950,192
Rounded to Thousands			\$1,014,000	\$997,000	\$981,000	\$966,000	\$950,000
Per Unit			112,640	110,819	109,034	107,288	105,577
Percentage Value Distribution							
Prospective Income			43.75%	44.00%	44.24%	44.49%	44.74%
Prospective Property Resale			56.25%	56.00%	55.76%	55.51%	55.26%
			100.00%	100.00%	100.00%	100.00%	100.00%

Sensitivity Analysis

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>Most Likely</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 61,806	\$ 47,964	\$ 13,395	\$ 13,421	\$ 13,255	\$ 13,428	\$ 16,790	\$ 20,163	\$ 22,901
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	480,406
Total Annual Cash Flow	\$ (199,080)	\$ 61,806	\$ 47,964	\$ 13,395	\$ 13,421	\$ 13,255	\$ 13,428	\$ 16,790	\$ 20,163	\$ 503,307
IRR	21.83%									
<u>Pessimistic</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 60,006	\$ 14,571	\$ 11,286	\$ 8,135	\$ 4,708	\$ 1,530	\$ 1,453	\$ 657	\$ 445
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	142,304
Total Annual Cash Flow	\$ (199,080)	\$ 60,006	\$ 14,571	\$ 11,286	\$ 8,135	\$ 4,708	\$ 1,530	\$ 1,453	\$ 657	\$ 142,749
IRR	3.63%									
<u>Optimistic</u>										
Net Annual Cash Flow	\$ (199,080)	\$ 62,673	\$ 67,330	\$ 13,982	\$ 16,294	\$ 18,580	\$ 21,371	\$ 27,531	\$ 34,421	\$ 22,901
<u>Reversion</u>	-	-	-	-	-	-	-	-	-	755,391
Total Annual Cash Flow	\$ (199,080)	\$ 62,673	\$ 67,330	\$ 13,982	\$ 16,294	\$ 18,580	\$ 21,371	\$ 27,531	\$ 34,421	\$ 778,292
IRR	29.00%									

Appendix F, Property Management

PMS - Property Management Services LLC

"Your Cure to the Monthly Headaches of Property Management"



**Serving D.C., Prince George's County, Anne Arundel County and Baltimore **

At PMS, we strive to provide personalized, professional and cost effective residential property management. Our services consist of the following:

1. LEAD INSPECTIONS
2. RENTAL MARKET ANALYSIS
3. TENANT SCREENING
4. LEASING
5. DOCUMENT PREPARATION
6. LEASE SIGNING
7. MANAGEMENT
8. SHORT-TERM PROPERTY CARE
9. ACCOUNTING
10. MULTI-UNIT LEASING & MANAGEMENT
11. MAINTENANCE ONLY MANAGEMENT
12. . PRE-PURCHASE ANALYSIS
13. EVICTON ONLY SERVICES
14. SITE INSPECTIONS

RENTAL MARKET ANALYSIS (RMA) - \$45 per property (Online Payments Accepted!)

Are you a homeowner or investor interested in renting your home but not quite sure if you want to hire a property manager?

Are you looking to lease and manage your own property but you're not sure of how much your home can rent for in your area?

Not a problem! P.M.S. can help you out. We now offer a rental market analysis for homeowners for a nominal fee*. If you are interested in this service, please contact us with your property address and any details that may help in our research (i.e., have there been any recent renovations, additions, upgrades, pictures, etc.).

Within 24-72 hours of receiving your request, we can provide you with the pertinent information you need to begin your self-leasing services.

This fee is waived for clients who sign a leasing and/or management contract with us.

TENANT SCREENING - \$50 per property (Online Payments Accepted!)

If you are a homeowner/investor who already has a potential tenant to occupy your property, but do not have the resources or time to investigate their background to ensure they are qualified to rent your home, then we'd like to offer you our Tenant Screening service which includes the following:

- Our rental application will provide for the verification of identification, employment and income,
 - Most recent paystubs required
 - Copies of two forms of government issued ID required
- Prior landlords contacted
- Personal references contacted
- Current credit reports reviewed and analyzed
- Criminal background check

LEASING (50% of the first full month's rent with a Leasing and Management Agreement) or (100% of the first full month's rent for Leasing only)

Our leasing services include marketing, tenant screening and document preparation.

Marketing

Our goal is to give your property its optimal appeal when advertising to potential applicants and future tenants. To achieve this we will:

- Visit your property
- Take digital photographs to upload on various sites
- Offer suggestions or recommendations for improvements if necessary
- Advertise property via websites, newspaper ads, signs, etc.
- Schedule appointments to tour property with potential applicants

Tenant Screening

- Our rental application will provide for the verification of identification, employment and income,
 - Most recent paystubs required
 - Copies of two forms of government issued ID required
- Prior landlords contacted
- Current credit reports reviewed and analyzed
- Criminal background check

Our thorough screening process will allow us to determine the qualifications of each applicant to provide you with the perfect tenant! Don't worry, after we find the perfect tenant for your property, we will also do ALL of the paperwork!

Document Preparation

- Detailed inspection report of property prior to occupancy (including photographs for file)
- Preparation and execution of lease and other necessary documents
- Collection of Security Deposit

DOCUMENTS ONLY PACKAGE (\$50 per property) (Online Payments Accepted!)

We will provide you with electronic copies of all of the documents you need to complete your very own lease signing. This is a one-time fee with no agreement to sign!! You receive the professional documents of a property management company without the commitment or cost of signing a leasing or management agreement.

Document Package includes:

- Rental Application
- Draft lease in Microsoft Word enabling you to enter your own information
- Lead Documents (if applicable)
- Move-in Inspection Form
- Security Deposit Receipt

Simply email us your contact information, rental property address, and pay the fee online and you will receive your document package within 24-72 hours of receiving your request.

LEASE SIGNING PACKAGE (\$250 per property) (Online Payments Accepted!)

Have you secured a new tenant for your rental property but are unable to physically meet with them to execute their new lease, perform a move-in inspection and coordinate their move-in date? If so, our lease signing package is just what you need.

PMS can arrange to meet with your new tenant to sign their lease, complete a move-in inspection, provide necessary documents to the tenant, collect their security deposit and rent, and hand over their new keys. Once the lease signing is complete, PMS will forward you the documents for your records and deposit the rent and security deposit into your personal account of choice. The tenant will then be instructed to make their monthly payments directly to you using whichever method you specify in their lease.

Lease Signing Package includes:

- Prepare lease
- Provide lead documents (if applicable)
- Schedule an appointment to meet with the new tenants to sign the lease
- Perform a move-in inspection and complete the move-in inspection form (with photo documentation)
- Collect 1st month's rent and security deposit
- Provide payment receipt
- Hand over keys
- Deposit payments into owner's account or mail a check

To order this service, please provide us with your contact information, rental property address, new tenant's contact information and pay the fee online. Once your

request is received we will contact you to discuss in detail.

MANAGEMENT (monthly fee 7% or minimum of \$75 per month) (Online Payments Accepted!)

Our management services include:

- Preparation of property prior to, or after a tenant's move (Scheduling of cleaning services, carpet steaming, painting, etc.)
- Monthly rent collection and timely disbursement of funds to owner
- Payment of monthly expenses from rent collected
 - Mortgage
 - Taxes
 - Insurance
 - Utilities
 - Condo or HOA fees
- Maintenance and repair (Contact contractors/handyman and coordinate repairs with tenants)
- Periodic inspections of property (interior and exterior)
- Final inspection of property upon tenant's move-out

MAINTENANCE ONLY MANAGEMENT (\$50 per month per property - \$150 per month 3-4 unit apartment buildings) (Online Payments Accepted!)

If you are an owner/investor that collects your own rent from tenants but do not want to deal with the hassles of tenant maintenance requests, then we have the perfect solution for you!

For a nominal monthly fee, PMS can be the point of contact for all of your tenant(s) maintenance needs! Because of our long-standing relationships with some of the top contractors in the area, we are able to quickly and cost-effectively handle all of our clients' maintenance issues. Best of all, you do not need to maintain an account with PMS because you will pay contractors directly.

Here's how it works:

PMS will receive the calls from the tenants and then contact one of our professional contractors for an estimate. Once we schedule a repair time, you will be contacted and

given a cost estimate at which time you will need to approve the repair and cost before the contractors begin any work. Once authorization is given, the work will be promptly completed. Lastly, we will forward you an invoice for payment once the job is satisfactorily completed!

That's all there is to it. We receive the late night phone calls from tenants, we call to schedule the estimates and repairs, saving valuable time and giving you peace of mind.

PRE-PURCHASE ANALYSIS (PPA) (\$150 per property) (Online Payments Accepted!)

Are you an out of state investor looking to purchase a property in the Baltimore area? If so, we now offer a Pre-Purchase Analysis. This service includes:

- Visit to property
- Photos of property
- Photos of neighborhood and surrounding area
- Neighborhood analysis

This service is performed by a former Baltimore City Police Detective and current Federal Law Enforcement who will provide you with his expert opinion on the current state of the criminal activity within the area of the prospective property you are looking to purchase.

Simply email us your contact information, rental property address, and pay the fee online and you will receive your PPA within 2-3 business days of receiving your request.

SHORT-TERM PROPERTY CARE

Are you a homeowner that will be relocating out of state for a short period of time or taking an extended vacation and in need of someone to look after your property? If so, please contact us to discuss your specific needs for short-term property management.

ACCOUNTING

Detailed accounting statements will be provided monthly and yearly.

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PMS - Property Management Services LLC

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