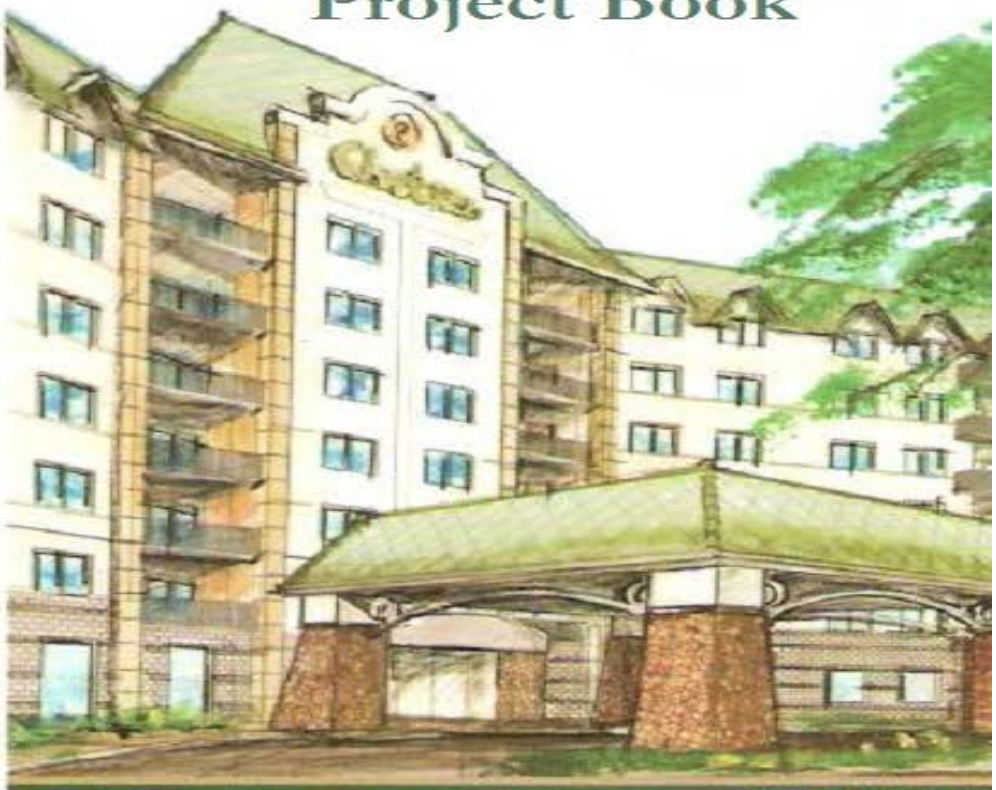
Chateau

at Lake Saint Louis

Project Book



Gracious Living in an Independent Senior Cooperative

Chateau at Lake Saint Louis

Project Book

Developer:

Thomas F. Longeway
Managing Member
Lake Saint Louis Senior Housing, LLC
21324 Long Grove Rd.
Kildeer, Il. 60047
Ph: 847-550-4249
Cell: 847-471-8265
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Email: classsun@aol.com

Introduction

Welcome to the Chateau at Lake Saint Louis, an independent senior living community ready for construction in the city of Lake Saint Louis, Missouri. The Chateau is a full service, upscale community being developed for the active senior lifestyle while offering a wide range of healthcare services at very affordable prices. I invite you to visit the website at http://www.chateaulsl.com to take a tour of the building and learn about the many services that will be offered at the Chateau.

The City of Lake Saint Louis is about 35 miles west of St. Louis and started out as a private, planned resort development in the 1960s. It is a scenic and serene area, built for recreation and comfortable suburban living. Lake Saint Louis has regularly appeared on "best places to live" and “best places to retire” lists.

Lake Saint Louis attracts families, empty nesters and retirees. In fact, 42% of the population is age 45 or better. And, over the last decade, the Lake Saint Louis population has grown 45% while managing to maintain the same peaceful quality of life that brought the first families here nearly fifty years ago.

We have recently updated the development costs and the projected revenue. All the data is supported by 3rd party reports and information as of January 2014.

Executive Summary

- The Saint Louis Senior market is large, underserved and growing.
- The City of Lake Saint Louis was recently rated one of the “top 25 best places to retire” and the “9th best place to live” by Money Magazine.
- We have acquired and control an exceptional site on which to build a retirement community and have already obtained necessary zoning approvals.
- The project has a low breakeven threshold and projects high returns.
- We have assembled a highly qualified Development Team with hands on experience in over 200 communities.
- This project will produce an economic boost for the community by creating over 400 construction jobs and over 100 permanent jobs when operational. The development also projects to be the second largest taxpayer in the city and fifth largest in the county and will generate an estimated $5mm annually to the local economy.

Basic Facts

Building	Size:	Approximately 320,000 square feet ➢ approximately 215,000 square feet: 197 Units ➢ approximately 105,000 square feet: Public Space
	Average Unit Size:	1,087 square feet
	Building Height:	70 feet on two wings, 50 feet on third wing
Land	Reference:	Lot #7 Hawk Ridge Business Park, Lake Saint Louis, MO The land sits on a bluff, tree lined on the north and east, overlooking a 9-hole golf course to the west.
	Size:	12.69 acres
	Zoning:	Zoning in place. Recent changes in city zoning will result in minor modifications to existing building plans.
	Site Condition:	Site is basically level; no extraordinary site work expected.
	Soil Condition:	Excellent for construction of this type of building. Soil test is available.
	Environmental:	No issues. Land is virgin.
	Infrastructure:	Water, sewer, curbs, gutters in place. Utilities are curbside
Other Details	Cost to Complete:	Approximately $60,000,000
	Expenditures to Date:	Approximately $3,900,000
	Estimated Time to Ground Breaking:	90 to 120 days from first funding.
	Estimated Construction Time from Ground Breaking:	15 months
	Building layout and apartment floor plans are available on the website:	http://www.chateaulsl.com

Development & Operational Structure

A. Development Structure

1. The Chateau is being developed by Lake Saint Louis Senior Housing LLC, an LLC registered in the state of Illinois, file # 0081237-4, established November 25, 2002. (Certificate attached.) Its offices are located at:

21324 Long Grove Rd.
Kildeer, IL 60047
Ph: 847-550-4249
Cell: 847-471-8265
Fax: 847-550-4612
E-mail: Classsun@aol.com
Managing Member: Thomas F. Longeway

2. The LLC will oversee the construction, marketing, and contract out the management of the community. The LLC will be the Borrower and remain the owner of the building. The LLC will lease the building under a 99-year triple net lease to the Chateau at Lake Saint Louis Cooperative Housing Corporation. This entity is chartered under the Laws of the State of Missouri 00725963 and was established on March 22, 2006. (certificate attached)

3. Terms of the lease are triple net, which vests in the Chateau Association full control of the building and responsibility for the repair and maintenance of the building and grounds for 99 years.

B. Operational Structure

1. Upon receipt of an Occupancy Permit issued by the city the lease will kick in.

2. The LLC will control the Board of Governors until 92% of the units are occupied.

3. The LLC will take a Master Management Contract for 10 years and will contract out the day to day management to a qualified Senior Housing Operator. The leading candidate is Life Care Services (LCS) of Des Moines, Iowa, which currently owns and manages approximately 200 facilities across the Midwest.

4. LCS will provide day to day services, including meals, maid service, building and grounds maintenance, cash management and report to the Chateau Board of Governors through the LLC.

5. Residents will come into the building by acquiring shares in the Association. This share purchase will give them the sublet leasehold rights to this specific apartment unit. These rights are similar to owning a unit in a condominium. They may be sold at any time for any price the resident is willing to accept. Subject only to an age 55 restriction for residents.

6. Proceeds from the share purchase go to the Chateau Association, who in turn will loan the proceeds to the LLC to retire the development costs of the project. (See Cash Flow Exhibit.)

7. In addition to the "Entrance Fee" residents will be charged a monthly fee to pay the operating costs of the building. Much the same as country club members incur monthly dues and costs for services.

8. These fees will generally be lower than monthly rental fees charged by the rental communities whose operating costs include debt service on their mortgages.

9. In addition the monthly service fees will be lower because the Resident Association is a not-for-profit housing corporation so there will be no need to add on profit margins above the actual cost of the delivery of goods and services.

10. As an example, a couple renting a 1,255 square foot unit at Gatesworth (the #1 community in the market) would pay $7,100 per month in rent. A couple living at the Chateau in a Devonshire unit of 1,350 square feet would pay $3,350 per month and receive the same services.

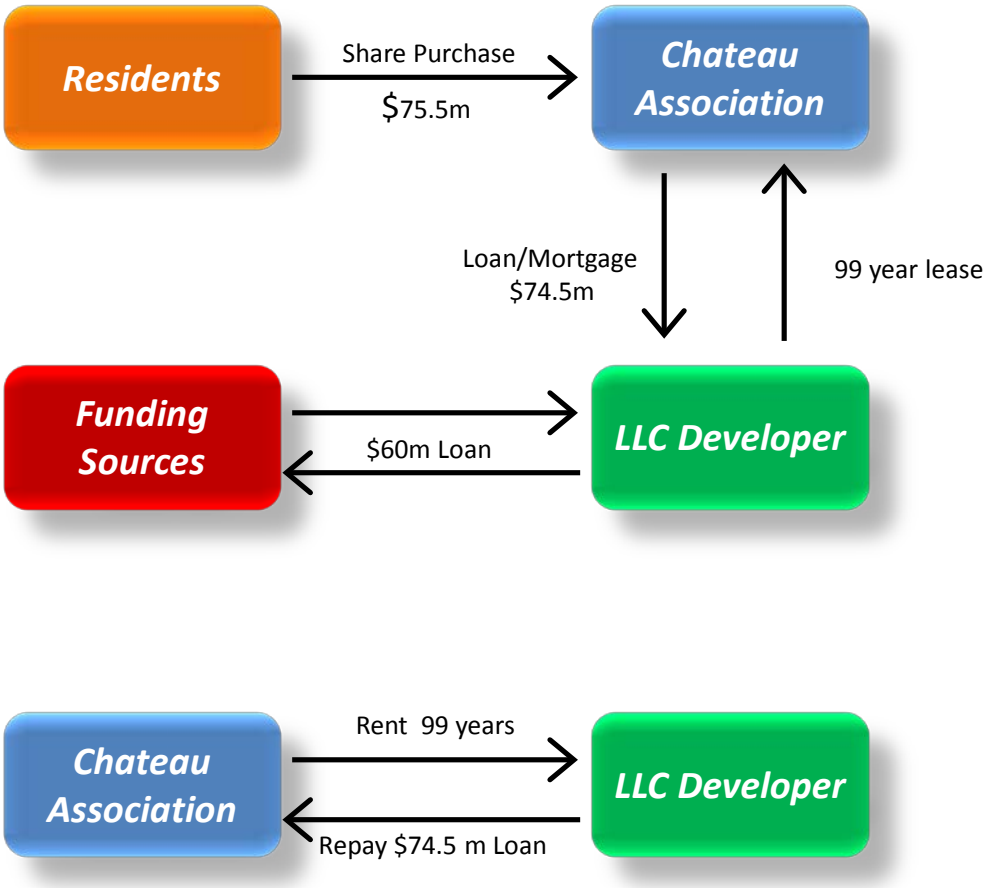
11. A couple living at Fairwinds in a 975 square foot unit will pay $3,750 per month. A couple living in a 1,020 square foot unit at the Chateau will pay $2,750 per month and receive additional services not offered by Fairwinds.

12. Perhaps more important than the financial differential is the fact that Chateau residents:

    a. Self govern the building through their elected Board of Governors
    b. Build up equity in the unit
    c. Have control of their lives and choose to come and go as they please.

There are many additional facets to the concept of resident control that favor the resident and the building ownership, which I will be pleased to discuss with you at your convenience.

Cash Flow Chart



Exit Strategy

Any investor will have a single most important question in their minds from the moment that you are introduced to the project.

How do I get repaid?

There is a Primary Plan to repay the development costs. In addition, we have two back up plans in the event that the economy does not cooperate.

Plan A:

The Cash Flow Chart illustrates the Primary Plan to repay the development costs.

- Estimated cost to complete the development: $60,000,000.
- Resident share purchases: $75,500,000
- Proceeds from the share purchases, less $1,000,000 operating reserve will be loaned to the LLC to pay off the development costs.
- Upon repayment the Association will take a 2nd mortgage until the entire senior debt is retired, approximately 80% occupancy.
- At this time the Association will hold the 1st mortgage on the building, which the LLC will repay as a 40 year term using the existing HUD interest rate.
- Each month the Association pays rent and the LLC makes a return mortgage payment.
- This sets up the LLC with a self-liquidating 40 year mortgage with its tenant.
- At a very conservative absorption rate of five units per month we expect the development costs to be retired in 33 months from first funding.

Considering that a similar development in the marketplace, Park Place, filled at roughly 8.5 units per month, we believe that five units per month is a very conservative projection, and if we allowed for 170 units to fill in 60 months that would be at a rate of 2.8 units per month.

Plan B:

In the event, only have half the building filled in 36 months, we would undertake the following contingency plan.

- 50% of the units occupied
- Revenue = $37,750,000
- Balance of the loan = $22,250,000

- We would then fill a predetermined number of units in a Rental Option Plan. This would be done to reach the operating breakeven level of roughly 58% to maintain operating cost levels.
- Renters would pay market rate prices, roughly $1,000 to $1,500 per month higher than "owners."
- At this point in time, we would have a building with an as-built value of $86,000,000+ (See Site Inspection Report and As Built Appraisal) and a loan balance of $22,250,000 that is operating at breakeven.
- We would then approach several lenders seeking a first mortgage to take out the remaining costs.
- With a LTV of 26%, I expect that we could secure a first mortgage at reasonable terms.

Plan C:

In the very unlikely event that circumstances render Plan A infeasible, we still have the flexibility to adapt the community to a market rate rental senior property.

- We would apply for a conventional mortgage of $60,000,000 with an as-built value of $86,000,000 or 70% LTV.

- Based on market rate rents of upscale senior communities, scaled down amenities to levels comparable to other local senior communities, we expect to fill the building and maintain very healthy profit margins.

- Estimates of the DCR will vary depending on the rates, terms, length of the mortgage that you choose to apply, but the last time we engaged in a math exercise the DCR ranged from 1.35 to 1 to 1.60 to 1, well within any lending guidelines existing today.

In Summary:

Plan A should get the job done in a timely fashion. Unlike other parts of the country, St. Charles County is still a viable market for the resale of residential housing, albeit not at the overly inflated prices of four years ago. The fall back to Plan B would allow us to repay the costs with a 60 month loan term even with the extremely low absorption. Plan C offers the lender the most traditional method of repayment and at a 70% LTV could be structured at any time after the receipt of the Certificate of Occupancy that a lender may deem appropriate.

Development Team

Any project is only as good as the team that is involved in the work. I am quite proud of the team we have assembled to bring the Chateau to completion.

ALTMAN CHARTER - General Contractor

Founded in 1985 when the 37 year old J.J. Altman Co. and 25 year old Charter Construction Co. merged. Their brochure lists 41 senior housing related projects, including remodeling and upgrades of the two Friendship Village properties in the St. Louis Metro area and a new group of villas for Friendship West. They will G-Max the price and bond the building. Among their references is Life Care Services of Des Moines, IA, our selection as operator. Please visit their website at: www.AltmanCharterSeniorLiving.com

LIFE CARE SERVICES – Management

Headquartered in Des Moines, IA, Life Care Services is considered by many as the finest contract operator in the market today. LCS owns and/or operates close to 200 communities across the country, including three communities in the St. Louis metro area, two Friendship Villages and Gambrell Gardens. Ask any knowledgeable senior housing financier, and they will tell you LCS is their first choice of management companies. Please visit their website at: www.LCSnet.com

AEDIS – Architect

Although a small firm, Aedis has a long list of satisfied customers and a strong track record with the City of Lake St. Louis. Their brochure lists several senior, retirement, or healthcare related facilities. Aedis had a long relationship with St. Louis Design Alliance, a specialty consultant in senior communities.

Aedis, Altman Charter and LCS have teamed together on additions to Friendship Village South County. Please visit their website at: www.Aedis.net

ST. CHARLES ENGINEERING

St. Charles County based civil engineering firm conducted various soil tests, detention studies, tree studies, and works under the architect on all civil engineering issues. St. Charles engineering is a preferred vendor of the City of Lake Saint Louis.

BECKER, DUFOUR & YARBOROUGH

Charles DuFour, St. Louis is an attorney with an outstanding reputation and a long history with land development, municipal law and contracts.

In addition to the above the team will add specialists in the areas of interior design, landscaping, environmental amenities, security, and public relations as these needs arise, under the guidance of the above group of experts.

I would be pleased to introduce each of the team members during any site visit that you may care to take.

Market Strength

The obvious question is "if we build it, can we fill it"? The answer in this case is a resounding YES.

- The St. Charles Country Senior population is rapidly growing and is **projected to increase 21.3% by 2018.**
- The population for Seniors in St. Charles and St. Louis Counties is 186,803 and projected to grow to 203,672 (**plus 9%**) by 2018.
- There are more than 40,500 Seniors 65+ within 15 miles of the site.
- The target customers have incomes well-above the national average and have a much higher rate of home ownership than the national average.

The Economic Development Center of St. Charles County has provided us with 32 pages of demographic data for St. Louis County and St. Charles County. Their sources of this data are: Experian, Alteryx and Demographics Now.com

The following are Key excerpts from the report:

2013	St. Charles County	St. Louis County	Total
Total Population	372,538	1,001,507	1,374,045
Households	138,816	406,404	545,220
Seniors 65+	43,587	143,216	186,803
% of Seniors	11.3%	14.3%	13.6%

2018 Projections	St. Charles County	St. Louis County	Total
Total Population	406,824	1,005,237	1,412,061
	+9.2%	+0.4%	+2.8%
Households	138,816	406,404	545,220
Seniors 65+	52,887	150,785	203,672
	+21.3%	+5.3%	+9%

Current	St. Charles County	St. Louis County	U.S.
Houshold Units Owner Occupied	80.5%	71.9%	64.2%
Avg Household Income	$83,456	$84,686	$74,349
Median	$69,126	$56,709	$53,015

Market Strength (cont.)

Lake St. Louis is a large market and is growing rapidly.

- The senior market in St. Charles County is 43,587, of which 40,520 live within 15 miles of the site.
- The 2018 St. Charles Country **Senior population is projected to grow 21.3%.**
- St. Charles County projects a 9.2% overall population growth from 2013 to 2018
- The total market for seniors is 186,803 projected to grow to 203,672 (plus 9%) by 2018.
- The 10 year stabilized market stability factor is even larger. If you want to project stability for 20 years, the 55+ population is 85,056 for St. Charles County.
- Because the Chateau will house on estimated **350 seniors** when filled, we need only 0.8% of the 15 mile residents or 0.19% of the total market.
- The market is also currently **underserved** as all quality service communities are full and the better ones have wait lists.

The target customers have incomes above the national average.

- The average household income of St. Charles County residents in 12.3% above the national average.
- The St. Charles median income of $69,126 is 30.4% above the national average of $52,018.
- 72.2% of St. Charles County seniors have incomes above $30,000, which is the projected resident cost to live at the Chateau.
- St. Charles County's household units are 80.5% owner occupied (vs.64.2% nationwide). This is significant since our residents will be selling homes to acquire shares in the Chateau building.

Because the Chateau is focused on active seniors, our initial marketing generated a much younger population than most senior communities draw. In addition, we use 65+ since our focus is not only today but for the initial 5 year stabilization period.

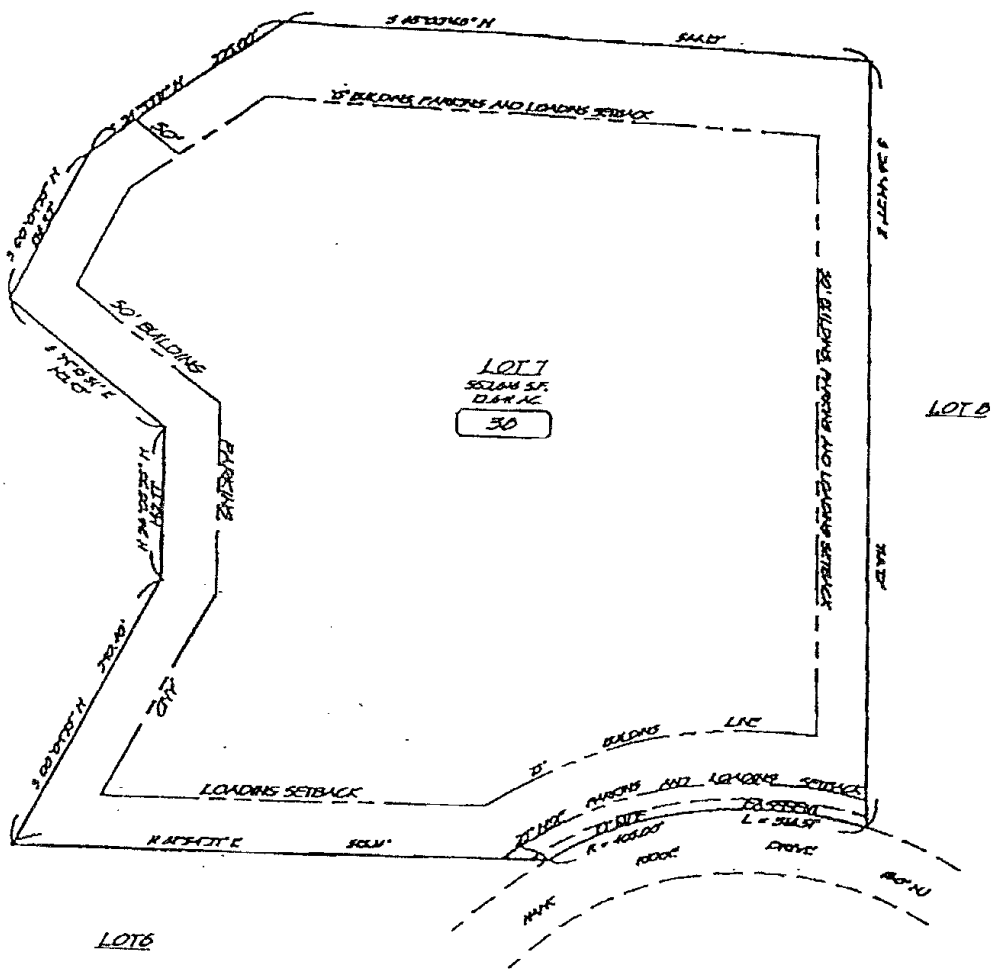
The entire 32 page report is available if the reader seeks more data.

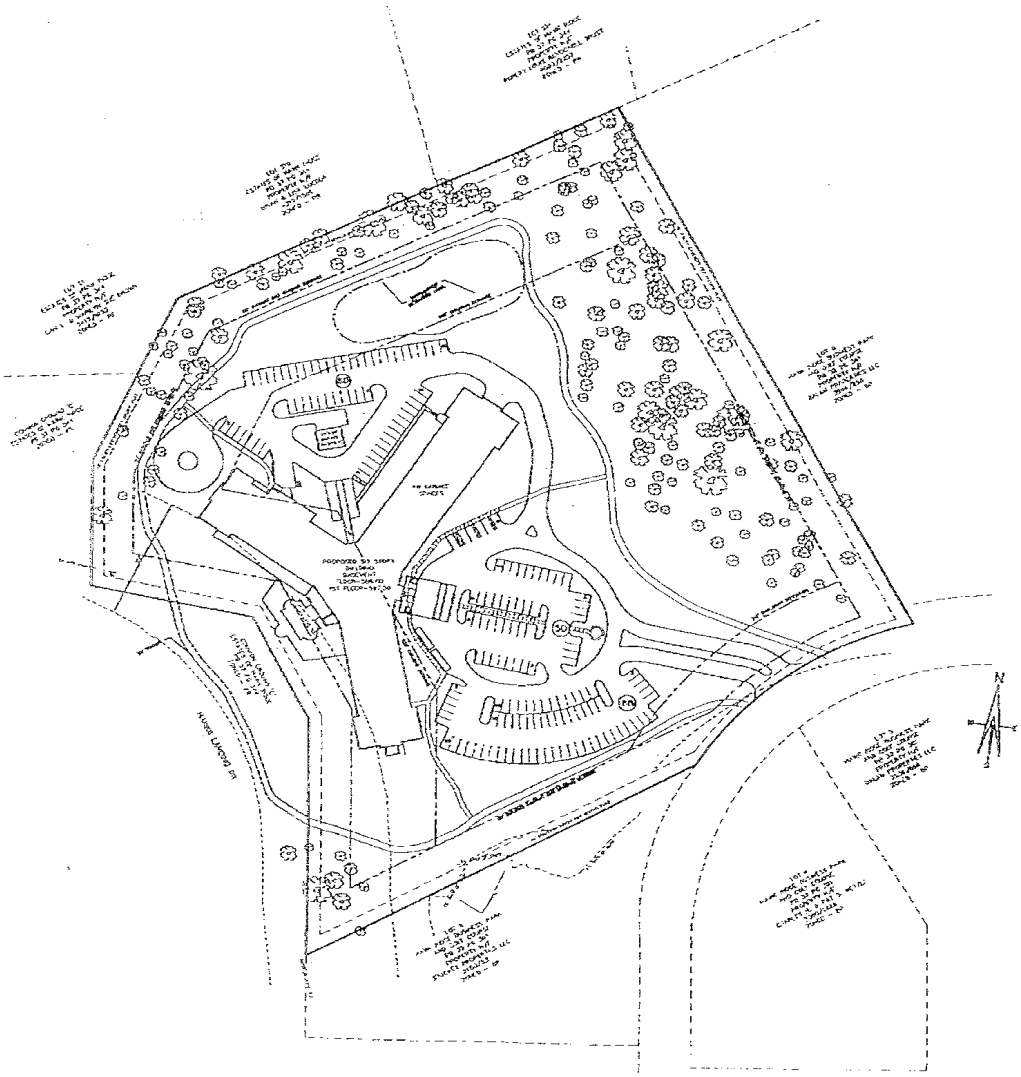
Exhibit List

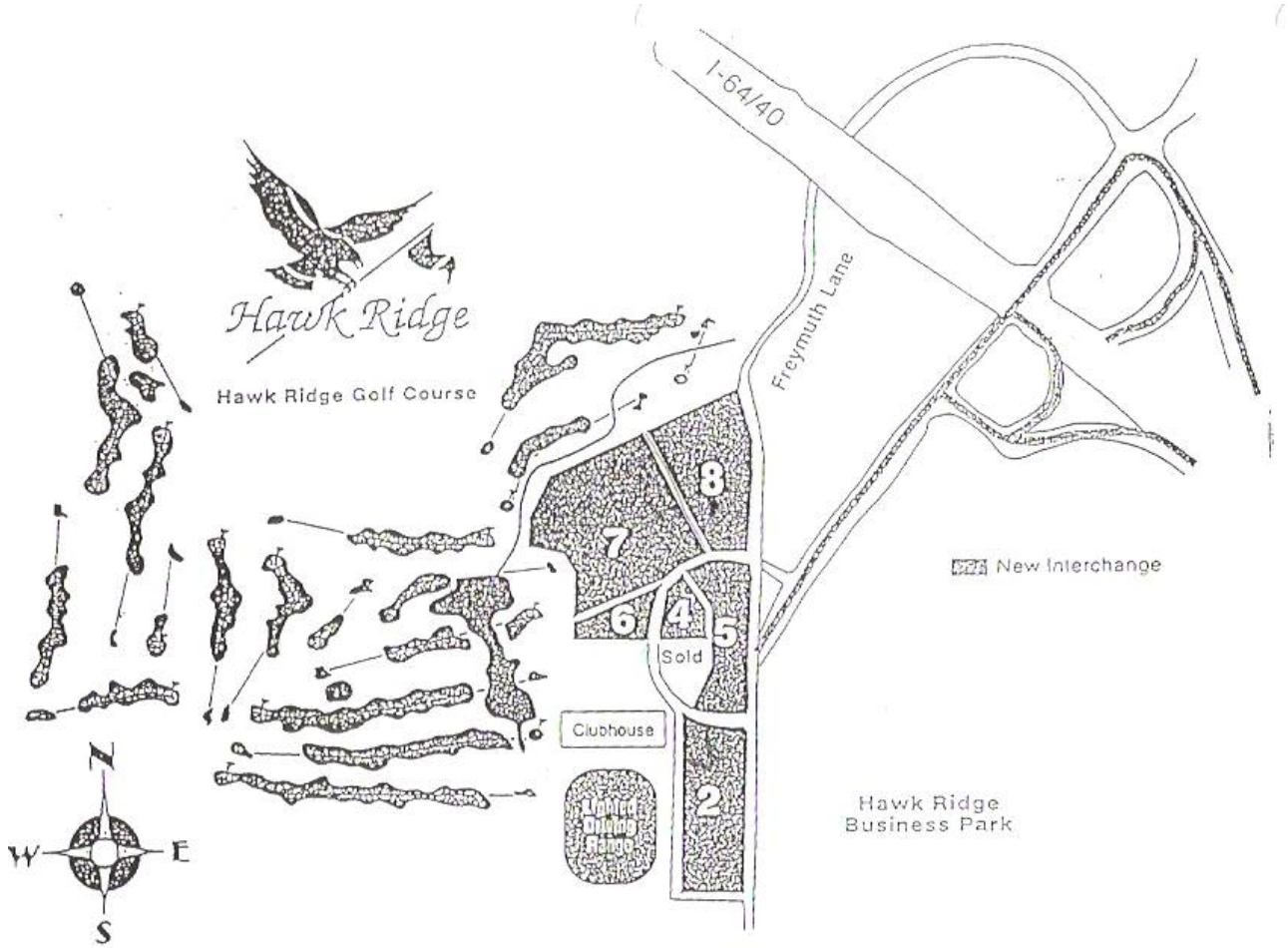
1. Plat of Lot #7
2. Site Plan
3. Local Area Map
4. County Map
5. Building Rendering
6. 1st Floor Plan
7. Terrace Level Plan
8. LLC Certificate
9. Chateau Certificate
10. Sources and Uses—to be revised for lender
11. Construction Loan Estimates
12. Contractor Estimates—to be updated upon commitment
13. Unit Mix and Pricing—will be modified
14. Estimated Population, Monthly & Annual Fees
15. Monthly / Annual Fee Schedule
16. 10 Year Operating Study - Notes
17. 10-year Operating Cash Analysis—LCS Study
18. As Built Appraisal - Notes
19. Site Inspection Report—As-built value page
20. City of Lake St. Louis Official Brochure

BOUNDARY SURVEY
LOT 7 HAWK RIDGE BUSINESS PARK
AND GOLF COURSE

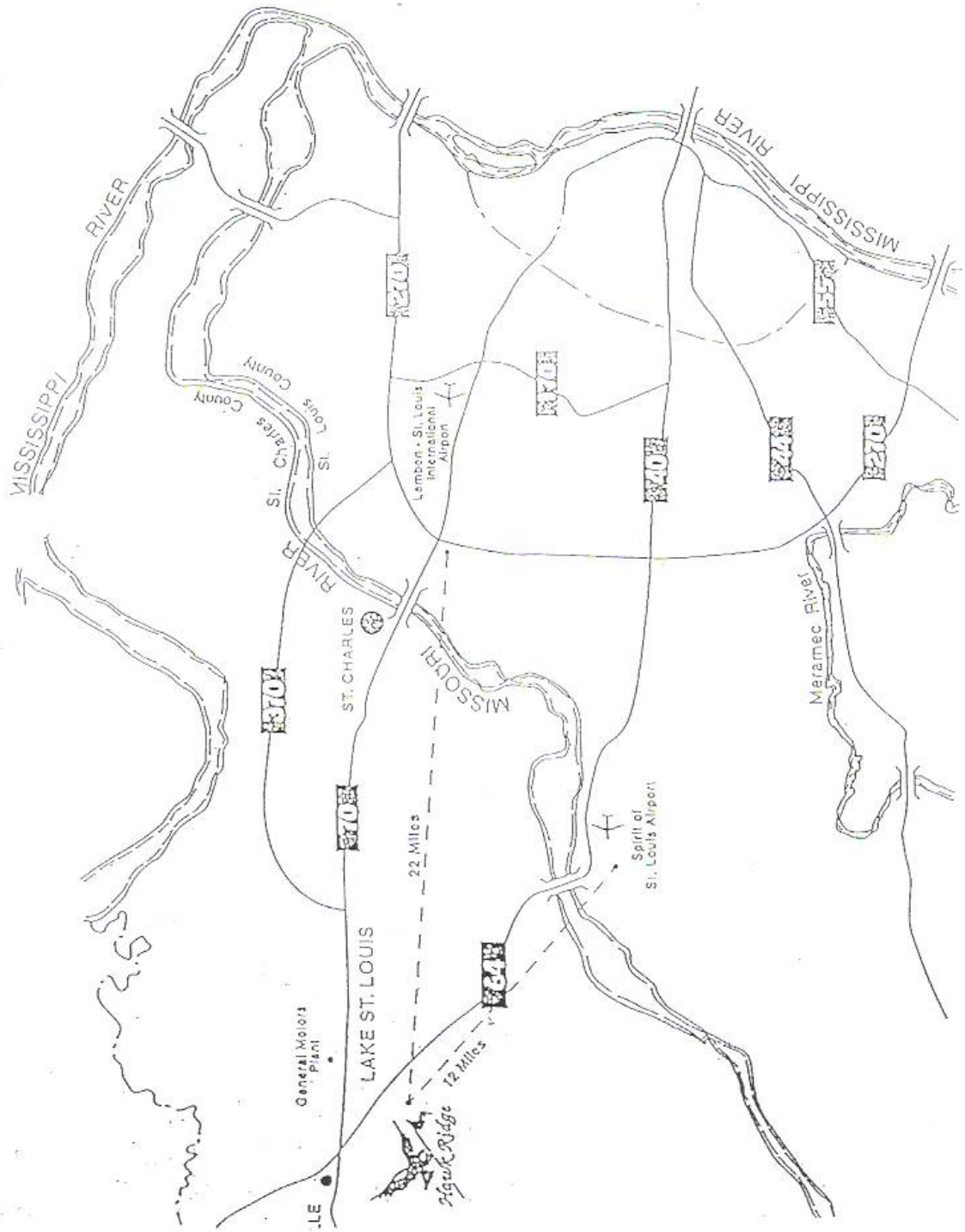
A TRACT OF LAND IN U.S. SURVEYS 425 & 1801, SECTION 4 AND 33, TOWNSHIP 46 AND 47 NORTH, RANGE 3 EAST, CITY OF LAKE ST. LOUIS, RECORDED IN PLAT BOOK 32 PAGE 302, ST. CHARLES COUNTY, MISSOURI

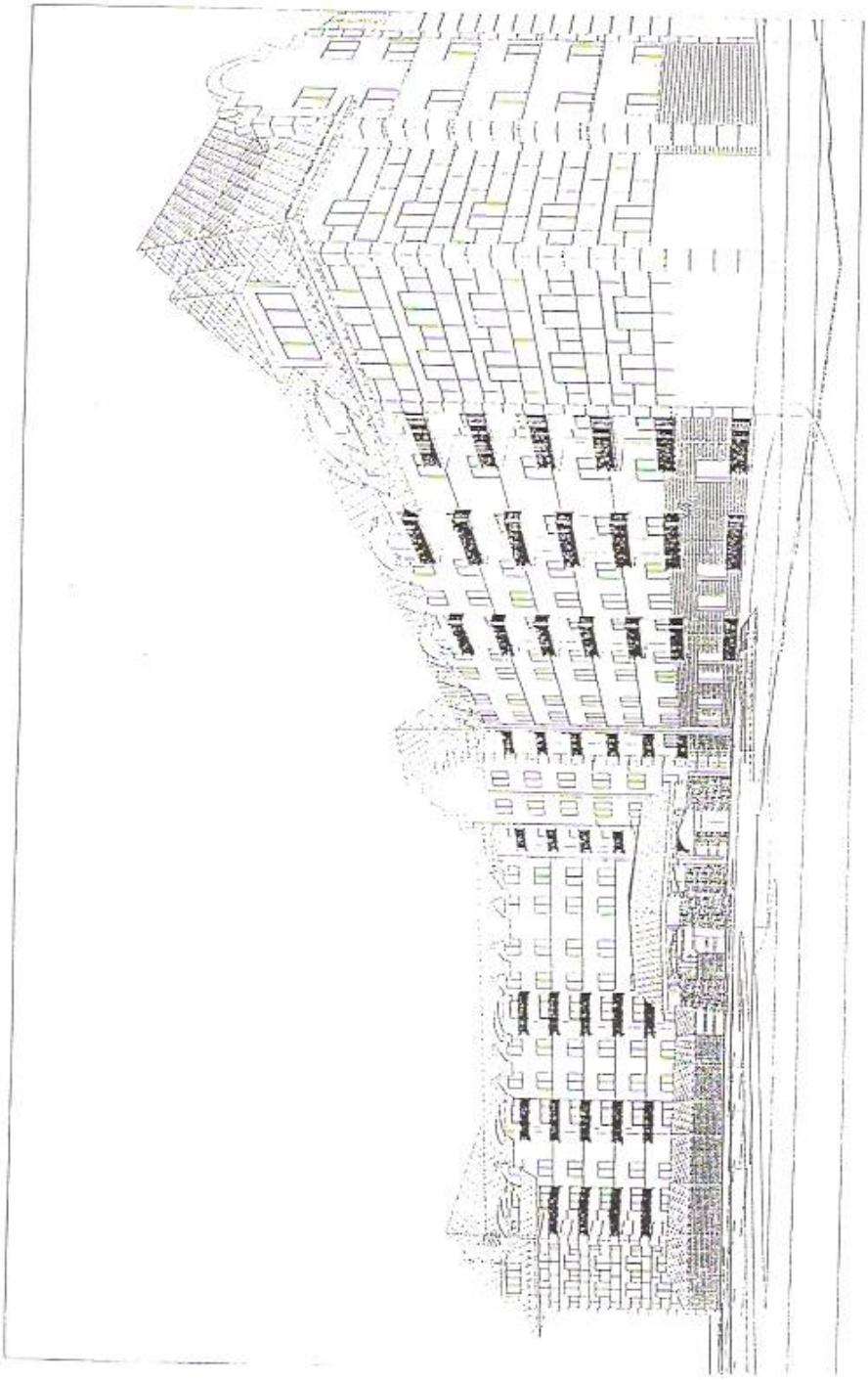






LISTING SALES PRICES
LOT SIZE CHANGES POSSIBLE


MISSISSIPPI
RIVER
St. Charles County
St. Louis County
RIVER
ST. CHARLES
MISSOURI
Lambert - St. Louis International Airport
MISSISSIPPI
RIVER
Meramec River
Spirit of St. Louis Airport
22 Miles
12 Miles
LAKE ST. LOUIS
General Motors Plant
Hawk Ridge



Chateau
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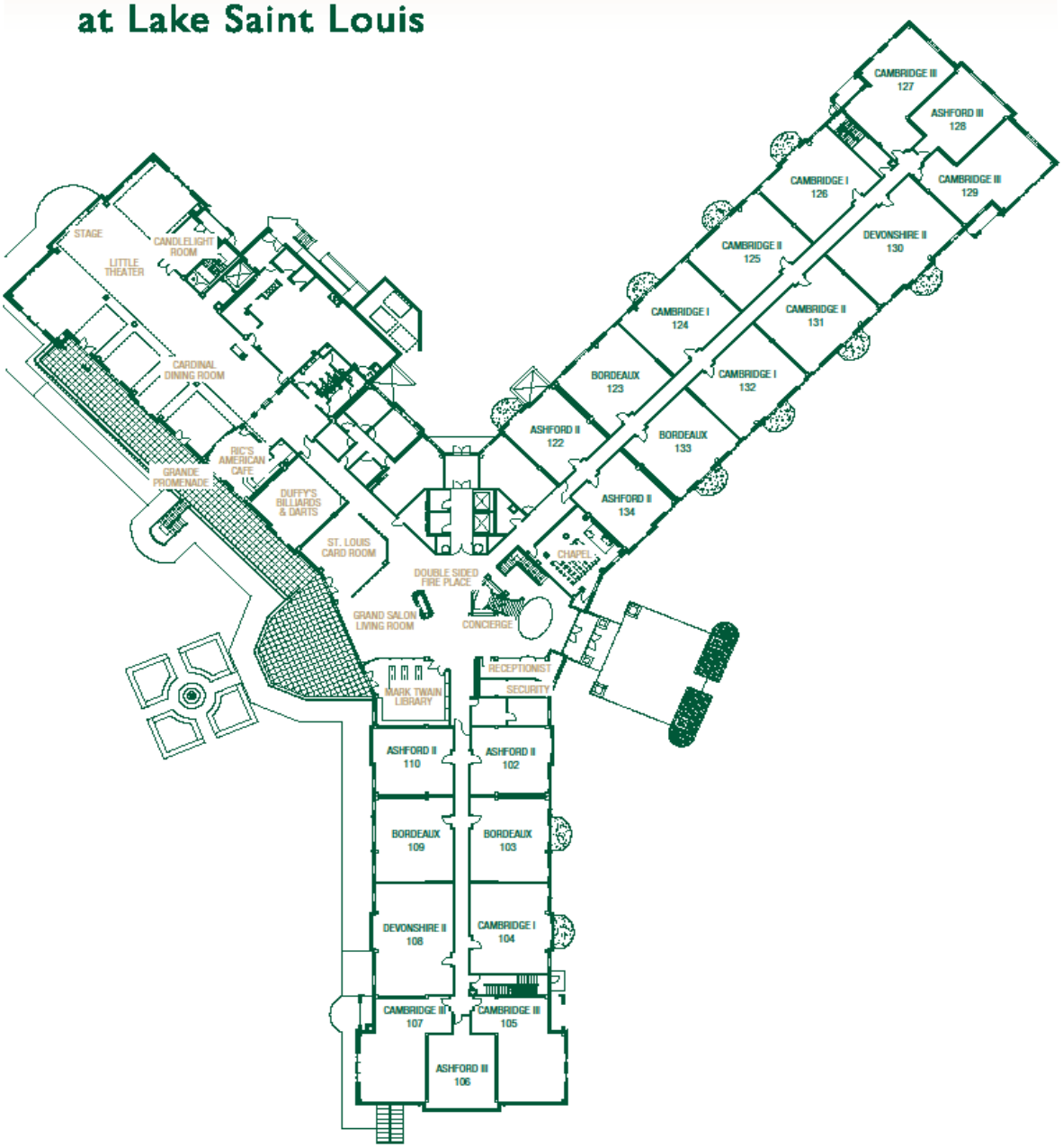
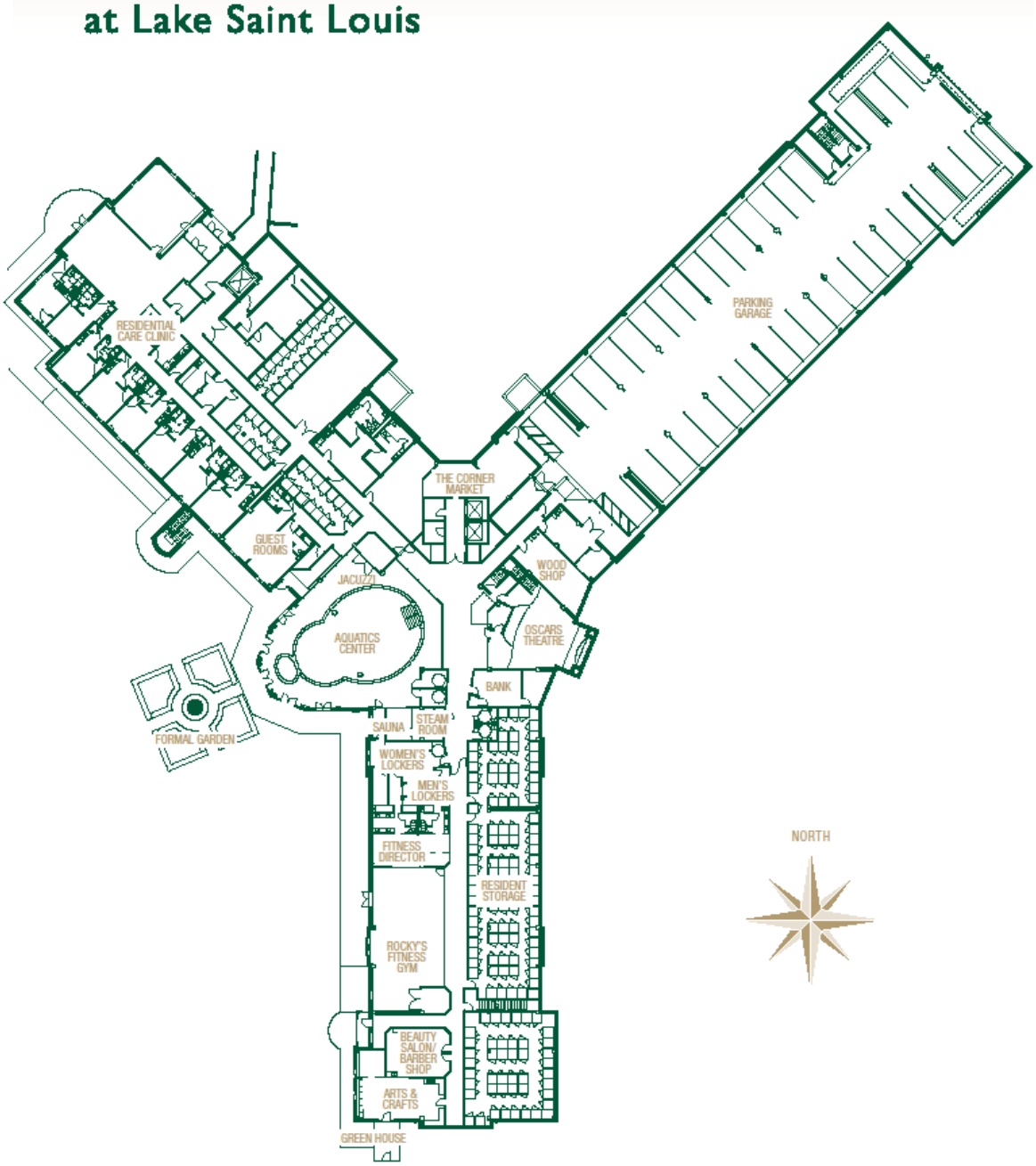


First Floor

Chateau
at Lake Saint Louis



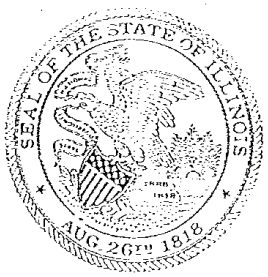
Terrace Level

File Number 0081237-4

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LAKE SAINT LOUIS SENIOR HOUSING L.L.C.,
HAVING ORGANIZED IN THE STATE OF ILLINOIS ON NOVEMBER 25, 2002, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE RELATING TO THE FILING OF THE ARTICLES AND PAYMENT, AND IS ORGANIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 14TH day of MARCH A.D. 2005

Jesse White

SECRETARY OF STATE

C 2602 4/04

STATE OF MISSOURI

Robin Carnahan
Secretary of State

CERTIFICATE OF INCORPORATION

WHEREAS, Articles of Incorporation of

CHATEAU AT LAKE ST. LOUIS COOPERATIVE HOUSING CORPORATION
00725963

have been received and filed in the Office of the Secretary of State, which Articles, in all respects, comply with the requirements of General and Business Corporation Law.

NOW, THEREFORE, I, ROBIN CARNAHAN, Secretary of State of the State of Missouri, do by virtue of the authority vested in me by law, do hereby certify and declare this entity a body corporate, duly organized this date and that it is entitled to all rights and privileges granted corporations organized under the General and Business Corporation Law.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 22nd day of March, 2006.

Robin Carnahan
Secretary of State

SOS #30 (01-2005)

Sources & Uses

Sources

New Funding Sources	$60,000.000
	$60,000,000

Uses

Hard Costs	
Land	2,800,000
Construction	42,000,000
Construction Reserve	2,000,000
Architect	900,000
Marketing	800,000
Overhead	900,000
FF&E	900,000
Legal & Audit	50,000
Operating Reserve	1,000,000
Pre Operating Expense	70,000
Sub Total	$51,420,000
Soft Costs	
Accounts Payable	1,407,343
Short Term Loans	1,196,856
Construction Interest (6% est.)	3,400,000
Origination Fees (2%)	1,200,000
Finders' Fees (2%)	1,200,000
Sub Total	$8,404,199
Total	$59,824,199
Project Reserves	175,801
Total	$60,000,000

Construction Loan Estimates

Two years ago, we asked Altman Charter to “hard bid” the project based on the building plans prepared by Aedis. As we started this year’s review, we asked them to provide updates

Based upon recent bids for current jobs and a review of the data from the last bid, it is their estimate that the costs would increase between 4% and 5% across the board. Most of this is in materials as the labor costs have not increased.

As such, we are increasing the Construction Costs by 5%, from $40mm to $42mm and adding a Construction Reserve category of $2mm. These increases would allow for a total increase of 10% in the construction costs, which is twice the projected cost.

Also, please note that there is a provision for $255,000 if a Performance Bond is required by an investor/lender. The bond cost will remain at $255,000 and probably be issued by Safeco Insurance.

As a general note, the bidding will be “open book”. All subcontractors will be fully vetted and supply full insurance coverage. Investor/Lender representatives will be welcome to participate in the bid process.

ALTMAN CHARTER COMPANY

Our Business is Building

The Chateau at Lake St. Louis
Cost Estimate Breakdown

			2-Oct-09
1.	Excavation & Grading	$	428,800
2.	Paving & Walks		416,500
3.	Site Utilities		419,000
4.	Fencing, Gates, Signage		55,000
5.	Modular Block Retaining Walls		1,600
6.	Landscaping, Lawns and Irrigation		233,900
7.	Structural Concrete Work		8,661,400
8.	Masonry		499,100
9.	Structural and Miscellaneous Steel		463,100
10.	Expansion Joint Assemblies		65,300
11.	Rough Carpentry, Gauge Metal Framing		3,167,700
12.	Finish Carpentry - Millwork & Trim		1,008,100
13.	Waterproofing		102,100
14.	EIFS & Fiber Cement Wall Finish Systems		951,900
15.	Shingle Roof Systems & Trim		623,000
16.	EPDM Roofing Systems		316,100
17.	Architectural Sheet Metal Trim		455,700
18.	Joint Sealants/Fire Caulking		139,900
19.	Doors/Frames/Finish Hardware		554,400
20.	Overhead Doors/Shutters		46,700
21.	Aluminum Entrance Work, Windows, Glazing		784,400
22.	Interior Glazing, Art Glass, Mirrors		41,600
23.	Drywall, Metal Stud Framing and Taping		2,667,100
24.	Acoustical Panel Ceilings		133,900
25.	Finish Flooring		1,089,000
26.	Painting and Wallcovering		751,700
27.	FRP Wall Panels		17,400
28.	Miscellaneous Specialties		269,900
29.	Commercial Laundry Equipment		35,000
30.	Commercial Kitchen Equipment		200,000
31.	Trash Chute		9,500
32.	Residential Appliances		511,200
33.	Theater Seating & Projection Screen		21,800
34.	Kitchen Cabinets, Vanities and Tops		828,600
35.	Window Treatment		71,200
36.	Swimming Pool/Sauna/Steam		175,000
37.	Greenhouse System		10,700
38.	Elevators		587,400
39.	Fire Sprinkler System		1,244,500
40.	Plumbing		2,263,400
41.	Heating, Ventilation and Air Conditioning		2,139,300
42.	Electrical Systems		3,832,800
43.	Subtotal	$	36,294,700
44.	General Requirements	$	2,017,100
45.	Building Permits		240,000
46.	Subtotal	$	38,551,800
47.	Contractor's Fee	$	1,445,700
48.	ESTIMATE TOTAL	$	39,997,500
	Payment/Performance Bond ADD	$	255,000

Chateau at Lake Saint Louis
Forecasted Unit Size, Mix, Revenues

Unit	Name		# of BR	# of Units	Avg SF	Total SF	Avg $P/SF	Avg Price P/U	Est Total Revenue
A	Ashford	A-1	1	5	780	3900	350	273,000	273,000
		A-2	1	23	810	18,630	350	283,500	6,520,500
		A-3	1	17	832	14,444	350	291,200	4,950,400
		A-4	1	4	849	3,396	350	297,150	1,188,600
B	Bordeaux	B-1	1-2	35	1020	35,700	350	357,000	12,495,000
C	Cambridge	C-1	2	24	1080	25,920	350	378,000	9,072,000
		C-2	2	12	1140	13,680	350	399,000	4,788,000
		C-3	2	34	1146	38,964	350	401,100	13,637,400
D	Devonshire	D-1	2	10	1340	13,400	350	469,000	4,690,000
		D-2	2	17	1350	22,950	350	477,500	8,032,500
		D-3	2	16	1465	23,440	350	512,750	8,204,000
Totals				**197**		**214,124**			**$74,943,400**
Parking Spaces				40		15,000			600,000
Total Projected Revenue									**$75,543,000**

Unit Mix Notes:

The current unit count of 197 will most likely be modified to accommodate the city's recent change in setbacks. Any modification will slightly increase the unit count, but will not reduce the count or the 214,124 residential floor areas. As such, the Estimated Revenue will only increase from $75,343,400.

These projections use an average price per unit square feet of $350.00. We will open the pricing at $325 for the first 1/3 of the units, $350 for the second 1/3 and sell the last 1/3 at $375.

Currently the most recent "Entrance Fee" Community to open and fill, Aberdeen Heights, is priced at $415 P/S/F. By opening at $325, we will offer a significant price value to the market.

Unit price adjustments can be made at any time throughout the marketing plan.

Chateau at Lake Saint Louis
Estimated Population, Monthly & Annual Fees

Unit	Est. Population	Total Est. Population	Monthly Fees	2nd Person Fees	Total Monthly Fees	Total Annual Fees
A-1	1.0	5	1,800	600	9,000	108,000
A-2	1.0	23	1,800	600	41,400	496,800
A-3	1.0	17	1800	600	30,600	367,200
A-4	1.0	4	1800	600	7200	86,400
B	1.4	49	2300	600	88,900	1,066,800
C-1	1.6	38.4	2400	600	66,240	794,880
C-2	1.8	21.6	2500	600	35,760	429,120
C-3	1.8	61.2	2650	600	106,420	1,277,040
D-1	2.0	20	2800	600	34,000	408,000
D-2	2.0	34	2800	600	57,800	693,600
D-3	2.0	32	2950	600	56,800	681,600
TOTAL		**305.2**			**$534,120**	**$6,409,440**
		Fees @ 95% Occupancy			**$507,414**	**$6,088,968**

Monthly / Annual Fee Schedule

The Chateau Association will be responsible for the operating costs of the community. These initial projections were used to establish a baseline projection for the operating budgets and the 10 year Cash Flow Projections.

Since the Chateau Association is a not-for-profit housing corporation, their goal is to raise adequate revenue to cover the operating expenses. In the event a surplus is generated, it is allotted to an FF&E Reserve Account.

Should a deficit occur the Board of Governors can 1) call for an assessment to the residents or 2) pull it from the FF&E Reserve Account.

The initial monthly fee schedule will be structured based on both anticipated operating requirements and with an eye on other communities' monthly fee schedule. Local rental communities will, in general, charge $900 to $1,500 more per unit than the Chateau will need to reach an operating breakdown due to their 3rd party debt service needs.

In the case of Aberdeen Heights, their average monthly fee is $3,01 P/S/F. The starting average Chateau fee is $2.16 P/S/F. If we simply match Aberdeen's monthly fee pricing of $3.01, we would add $182,000 monthly and $2,184,064 annually to the operating revenue.

The monthly fee pricing decisions will be made in conjunction with the development team and the operator prior to the opening of the marketing office.

10 Year Operating Study - Notes

The following Chart is the last page of a Third Party Operations study prepared by Life Care Services. The full study included staffing projections both on personnel and wages. The Personnel Staffing levels are consistent with their other managed projects in the "upscale" category. Wages and salaries are based on pay scales at the LCS-managed Friendship Village communities in St. Louis.

The 10 year projections include COLA increases of 3.5% in most categories. Here are some key factors:

- The Beginning Total Cash line reflects the $1mm operating revenue in the Sources & Uses Page.
- This cash balance will run a deficit for the initial fill up period.
- Operating **breakeven should occur at approximately 59% occupancy**.
- Capital Expenditures reflect estimated maintenance and building upgrades each year. We would expect the Chateau Association to spend $300,000 to $400,000 per year under the triple net lease.
- "Second Person" Revenue begins to decline in the 4th year as historically incoming couples become single.
- The Revenue item – Mortgage Payments becomes fixed in the third year as the Association loan reaches full occupancy. This will remain stable for the balance of the 40 year mortgage.
- The Expense category – Rent increases each year.
- The difference between the fixed mortgage payments and escalating rent payments is the basis for the LLC's operating profit.
- The building deprecation is not in this pro forma as it is retained by the LLC.
- The Association Net Operating Income line begins to decrease in year 6. This results primarily from the differential between the mortgage income and rent expense. At some point in time, perhaps year 7, the LLC will set a fixed rent amount on a reduced COLA increase (probably pegged to cover real estate tax increases). This should be done to keep monthly fee schedule competitive with other senior communities.
- Expenses - Management Fees are structured in the pro forma as a percent of Gross Revenues. Our intent is to structure this as a fixed dollar amount instead of a % of revenue.

The Operating Contract will be between the Chateau Association and the Operator (LCS). The 99 year triple net lease is between the Chateau Association and the building owner (LLC). The LLC will control the Chateau Board until 92% of the units are occupied at which time all the development costs will be repaid. The residents will then elect their own Board of Governors.

The entire study is available for your review.

The Chateau at Lake St. Louis
TEN YEAR CASH FLOW

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OPERATING REVENUES:										
APARTMENT REVENUES										
FIRST PERSON	0	243,018	4,655,701	6,060,410	6,368,616	6,590,832	6,822,504	7,061,268	7,309,488	7,564,800
SECOND PERSON	0	33,650	580,928	671,481	652,511	638,753	604,428	566,958	546,368	523,626
TOTAL APARTMENT SERVICE FEES	0	276,668	5,236,629	6,731,891	7,021,127	7,229,585	7,426,932	7,628,226	7,855,856	8,088,426
OTHER APARTMENT REVENUE	0	7,650	146,549	190,766	197,443	204,354	211,506	218,909	226,571	234,501
NET APARTMENT REVENUES	0	284,318	5,383,178	6,922,657	7,218,570	7,433,939	7,638,438	7,847,135	8,082,427	8,322,927
MORTGAGE PAYMENT	0	0	2,597,490	3,833,000	3,833,000	3,833,000	3,833,000	3,833,000	3,833,000	3,833,000
OTHER OPERATING REVENUE	0	6,210	38,568	39,912	41,309	42,755	44,251	45,800	47,403	49,062
TOTAL OPERATING REVENUE	0	290,528	8,019,236	10,795,569	11,092,879	11,309,694	11,515,689	11,725,935	11,962,830	12,204,989
OPERATING EXPENSES:										
GENERAL AND ADMINISTRATIVE	0	277,733	1,099,449	1,161,646	1,202,303	1,244,384	1,287,937	1,333,015	1,379,670	1,427,959
PLANT	0	117,404	828,470	977,817	1,012,040	1,047,461	1,084,122	1,122,066	1,161,338	1,201,985
HOUSEKEEPING	0	81,113	382,984	412,824	427,273	442,228	457,706	473,726	490,306	507,467
DIETARY	0	142,088	1,444,790	1,647,822	1,705,496	1,765,188	1,826,970	1,890,914	1,957,096	2,025,594
RENT	0	0	3,347,490	4,799,964	4,895,963	4,993,882	5,093,760	5,195,635	5,299,548	5,405,539
RESIDENT SERVICES	0	32,424	269,632	299,146	309,616	320,453	331,669	343,277	355,292	367,727
MANAGEMENT FEES	0	144,000	379,522	494,863	508,192	523,369	537,788	552,505	569,088	586,039
START UP	0	73,008	0	0	0	0	0	0	0	0
PROVISION FOR CHANGE IN OCCUP	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	0	867,770	7,752,338	9,794,081	10,060,883	10,336,964	10,619,952	10,911,138	11,212,338	11,522,310
NET OPERATING INCOME	**0**	**(577,242)**	**266,898**	**1,001,488**	**1,031,997**	**972,729**	**895,737**	**814,797**	**750,491**	**682,679**
CAPITAL EXPENDITURES	0	0	(50,000)	(100,000)	(150,000)	(200,000)	(250,000)	(300,000)	(400,000)	(500,000)
NET CHANGE IN TOTAL CASH BALANCE	0	(577,242)	216,898	901,488	881,997	772,729	645,737	514,797	350,491	182,679
BEGINNING TOTAL CASH	1,000,000	1,000,000	422,758	639,656	1,541,143	2,423,140	3,195,869	3,841,606	4,356,402	4,706,894
ENDING TOTAL CASH	1,000,000	422,758	639,656	1,541,143	2,423,140	3,195,869	3,841,606	4,356,402	4,706,894	4,889,573
Assumptions:										
Occupancy %										
Apartments	0.00%	6.60%	78.17%	98.48%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Double Occupants	0.00%	50.00%	45.00%	40.00%	37.00%	35.00%	32.00%	29.00%	27.00%	25.00%
Number of Residents										
First Person	0	13	154	194	197	197	197	197	197	197
Second Person	0	6	70	78	73	69	63	57	53	49
Operating Fee Increases:										
Apartments	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Average First Person Monthly Fee	2,348	2,430	2,515	2,603	2,694	2,788	2,886	2,987	3,092	3,200
Average Second Person Monthly Fee	650	673	697	721	746	772	799	827	856	886
Annual Expense Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

As Built Appraisal - Notes

The following page is the summary page of a 3rd Party appraisal prepared by Quaker State Investments as part of their due diligence review.

At that time, the projected apartment revenue was $62.5m. The re-evaluation of the Revenue stream from resident share purchases is now projected at $75.5m.

As a result, the “as built value” of $86,075,280 should probably be increased as well.

The entire report is available for your review.

Chateau at Lake Saint Louis

Amenities area: $222.41 x 108,000 sq. ft. = **$24,020,280.00**

Living Units Area: $315,000.00 x 197 total units = **$62,055,000.00**

Total As Built Value: $24,020,280.00 + $62,055,000.00 = $86,075,280.00

Orderly Liquidation Quick Sale Discount: -25%

(-25%) x $86,075,280.00 = $64,556,460.00

Rounded Down Value: $64,500,000.00

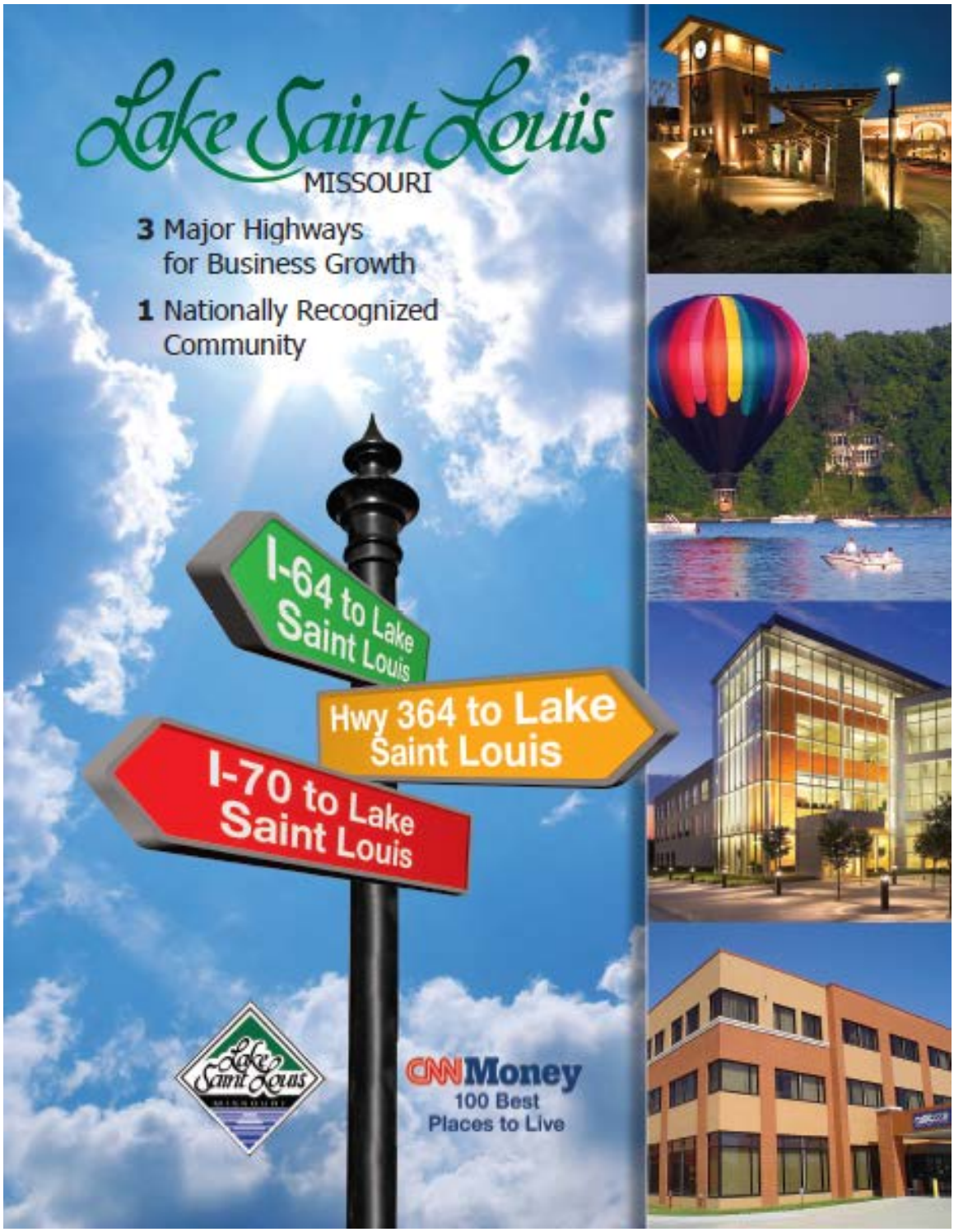
Disclaimer: This report is not to be construed as an appraisal.

Jeffrey Little

Jeffrey K. Little, Real Estate Manager and IT Manager, who joined Quaker State in 2006, earned an Associate Degree in Real Estate from Bucks County Community College. He has held a Real Estate License in the Commonwealth of Pennsylvania for over 20 years.

Jeff was a Prudential Fox and Roach REO Specialist for various banks; valuation, managing and marketing a portfolio of both residential and commercial properties. He has personally completed two subdivisions, and rehabbed and developed numerous residential and commercial properties.

Jeff is Quaker State's in-house Site Inspector, and oversees all OSCF technology activities.


Lake Saint Louis
MISSOURI
3 Major Highways for Business Growth
1 Nationally Recognized Community
I-64 to Lake Saint Louis
Hwy 364 to Lake Saint Louis
I-70 to Lake Saint Louis
Lake Saint Louis
CNNMoney
100 Best Places to Live

Welcome From the Mayor and Board of Aldermen

On behalf of the Board of Aldermen I would like to thank you for considering Lake Saint Louis as a potential location for your business. The City of Lake Saint Louis staff and elected officials strive to create an environment that is business friendly. We value and appreciate the qualities that a business can bring to the community.

Lake Saint Louis has experienced significant growth in recent years, and a number of new businesses have moved into the City. While it has always been a great place to live, the City is now a great place to do business as well. The Board and staff are committed to working with new businesses to help you get started in the City. We try to make the approval process as fair and efficient as possible so there are no surprises in the process. In addition, once you open your doors here, staff is proactive in trying to address any issues that may arise with your business. We always welcome your input on how we can continue to improve and make the City a more welcoming place to do business.

The City of Lake Saint Louis is committed to maintaining a vibrant business community in our City, and we will do all we can to make sure your business is a success. I hope you consider Lake Saint Louis when determining where to locate your business.

Sincerely,

Mayor Mike Potter on behalf of the Lake Saint Louis Board of Aldermen

Home to over 700 businesses
3 major interstates & highways
Top 100 places to live

(2009 and 2011 by CNN/Money Magazine)

Lake Saint Louis began as a planned community, centered around a 625 acre private lake, and offering a wealth of residential amenities to its residents. While remaining a wonderful place to live, over the years the City has also developed a thriving business community, with room to grow well into the future.

One of the top 100 places to live

Our goal is to be in the top 100 places to have a business

The City features a strong and diverse business community. The City is home to several corporate headquarters, including companies such as National Information Solutions Cooperative (NISC), and Medical Transportation Management (MTM). In addition, the City is home to a regional hospital, SSM St. Joseph West, a large industrial park, and the National Equestrian Center, an equestrian facility bringing in visitors from around the Country. Finally, there is a wealth of shopping in the City. The major shopping centers include the Meadows at Lake Saint Louis, anchored by the St. Louis area's only Von Maur department store, the Shoppes at Hawk Ridge, anchored by Super Wal-Mart and Lowe's stores, and the Shoppes at Lake Saint Louis, anchored by a Schnucks grocery store. With over 450 acres of commercially zoned land, however, Lake Saint Louis still has a lot of room to grow.

One of the main reasons for the City's commercial growth is the City's location in the fast growing St. Charles County. Two major interstates go through the City, I-64-40, and I-70 featuring significant daily traffic counts. In addition, in 2014 Page Avenue extension will be completed to link with Highway N at the intersection with I-64-40. This corridor is already a thriving commercial corridor and the addition of this new road promises to make it an increasingly attractive place in which to locate a business.

Lake Saint Louis

See how Lake Saint Louis can be the right place to grow your business. Call (636) 625-1200 or go to lakesaintlouis.com

Business friendly with room for you to grow

Despite an ever growing business community, the City has plenty of room to grow its commercial corridor. If you are looking to locate a business, chances are the City can accommodate you. With available sites ranging from large greenfield locations to small existing buildings, the City has a great location for you.

Recently named to CNN/Money Magazine's top 100 places to live for the second consecutive year, the City of Lake Saint Louis is a great place to live. The City also prides itself on being a great place to do business. ***Come and see all that this great community has to offer!***

Lake Saint Louis Trade Area Demographics 2010

	1-Mile Radius	3-Mile Radius	5-Mile Radius
Population	4,587	91,546	217,964
Total Population Age 25+	3,233	59,497	142,173
Total Households	1,632	32,879	77,077
Population Density (per square mile)	1,460.1	1,165.6	693.8
Median Age	44.1	35.6	36.3
Total Housing Units	1,719	35,056	81,392
Owner-Occupied Units	82.4%	81.2%	83.4%
Average Household Income	$125,560	$87,514	$88,375
Median Household Income	$110,245	$70,871	$73,346
Per Capita Income	$46,257	$31,518	$31,331
Total Average Household Expenditure	$83,214	$64,391	$64,870
Associates Degree	6.9%	8.7%	9.0%
Bachelor's Degree	28.6%	23.0%	24.0%
Graduate Degree	20.0%	11.2%	10.4%

Source: AppliedGeographic Solutions, Inc. / Alteryx, Inc. (2011)

Major Annual Expenditures in Lake Saint Louis Trade Area 2010

	1-Mile Radius	3-Mile Radius	5-Mile Radius
Food and Beverages	$12,096.38	$9,687.35	$9,757.20
Food Away From Home	$5,186.59	$4,004.28	$4,040.46
Entertainment	$4,740.73	$3,633.94	$3,663.39
Health Care	$4,615.24	$3,799.38	$3,817.26
New Vehicle Purchase	$4,527.95	$3,446.68	$3,503.72
Used Vehicle Purchase	$2,302.36	$2,005.00	$2,021.74
Apparel	$4,016.07	$3,076.23	$3,098.18
Gifts	$2,503.42	$1,757.88	$1,763.35
Housewares and Small Appliances	$1,951.53	$1,473.67	$1,491.72
Recreational Equipment and Supplies	$1,793.86	$1,425.55	$1,439.09
Household Supplies	$1,490.21	$1,063.24	$1,071.13

Source: AppliedGeographic Solutions, Inc. / Alteryx, Inc. (2011)

Lake Saint Louis Trade Area Business Summary Major Industry: Employees

	1-Mile Radius	3-Mile Radius	5-Mile Radius
Agriculture, Forestry, Fishing	16	526	1,261
Construction	118	1,726	3,976
Finance, Insurance, Real Estate	115	2,630	6,447
Manufacturing	16	3,457	8,255
Public Administration	85	511	2,249
Retail Trade	512	8,796	22,602
Services	459	10,606	26,214
Transportation, Communication	159	1,187	3,877
Wholesale Trade	32	790	2,196

Source: Applied Geographic Solutions, Inc. / Alteryx, Inc. (2011)

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