

Loan Summary Sheet

1. Name, Address, City, State, Country of Borrower

Steve Kohner
Northway Holdings LLC
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STE 9
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2. Project Name and Location:

Pleasant Hills Project
Waterford City, North Dakota

3. Project Type: Residential Land Development and Construction

4. Amount Requested: \$10,000,000.00

5. Collateral available: \$ 1,428,829.00 Cash

6. Use of Funds: Site Development, Underground Improvements, Residential Construction, Permits, Administration Fees, and Legal Fees. Property is already owned by the Borrower.

7. Type of Funding Requested: Debt

8. Terms Requested: Interest only with principal reduction upon concluding unit sale. It is projected that the project site construction will be finalized within 2.5 years.

Investment Summary

Property Overview:

Description:	Subdivision Development/Single Family and Duplex homes
Developer:	Northway Holdings, LLC
Address:	Watford City, North Dakota
Construction Start:	April 2013
Number of Duplex Units:	12 Units (24 homes)
Number of Single Family Units:	37 Units
Rentable Area:	94,620 Sq. Ft.
Current Market Vacancy:	5%
Land Area:	12.5 Acres

The sponsor currently owns the 12.5 acre subject property (with investors) which was originally purchased for \$2,000,000.00. The sponsor is requesting construction financing in order to continue construction immediately after securing the loan. Completion of all vertical improvements is scheduled for December, 2013. Project stabilization (95% physical occupancy or sale of the units) is expected in less than two years from the date this loan funding, if not sooner.

Property Description:

Pleasant Hills is located in Watford City, North Dakota. The Subject Property is situated in an area that is Central to the bulk of the Drilling Activity in North Dakota. The demand for Residential units for sale or rent has just started to swell, and it is expected that in 2013, every unit in Pleasant Hills will either be Sold to an owner or investor, or held for rental by Northway Holdings, LLC, and be occupied. Watford City is south of Williston, ND, which is considered the hub of the primary drilling activity in North Dakota. The City of Williston is where the initial impact of the Oil Drilling surge has had the most impact. It is located in Williams County in the northwestern part of the State of North Dakota, approximately 55 miles south of the United States/Canada border. The Williston area is located at the center of the drilling activity for the Bakken Formation, which covers a land mass of approximately 15,000 square miles that stretches from Saskatchewan, Canada to northeast Montana and into Central North Dakota. The area has experienced a tremendous economic boom in recent years, as the amount of oil production in barrels per day (bpd) has increased from 3,000 bpd in 2005 to over 545,000 bpd in 2012. Interestingly, many industry experts project that the Basin will produce as many as 1,000,000 bpd of oil once operating at maximum capacity.

The City of Williston is actively embracing this growth and is investing over \$132 million in capital improvements (such as a new wastewater treatment facility and major road expansions) for the rapidly expanding population. Several international energy companies now have major operations in the Williston environs, and the area is home to over 350 oil field service companies. In recent months these oil companies have hired between 300-500 employees per month, with an average salary in the \$80,000 per year range (after including benefits and wages paid for overtime). In March 2011, the international energy giant Halliburton announced they would be hiring between 10,000-13,000 new employees, with the majority being designated for work in the Williston area. The key to this influx of jobs is sustainability, and the Williston Economic Development Corporation indicated that energy companies have stated they will continue hiring in the area for the next five and potentially (more likely) the next 20 years.

Because of this major influx of jobs and a lack of housing supply, Watford City apartments, hotels, and temporary "man camps" are operating at full capacity at nearly all times and demand for new product is very high. This is evidenced by lodging tax receipts that were nearly four times greater in 2010 as compared to 2005, real estate sales prices that have skyrocketed, and monthly rents at apartment complexes that have doubled (or in some instances tripled) due to the increased demand. Construction activity in the Watford City environs is also thriving.

Strengths:

III Well Capitalized Developer and Construction Partner with Significant Experience. Northway Holdings, LLC, owner of Pleasant Hills, is owned by partners KDAK, LLC out of Kimball, Minnesota, and STS-51 Investments, LLC, out of Phoenix, AZ. Both owners, Jerome Kuechle for KDAK, and Stephen A. Kohner, of STS, have over 30 years of development experience each.

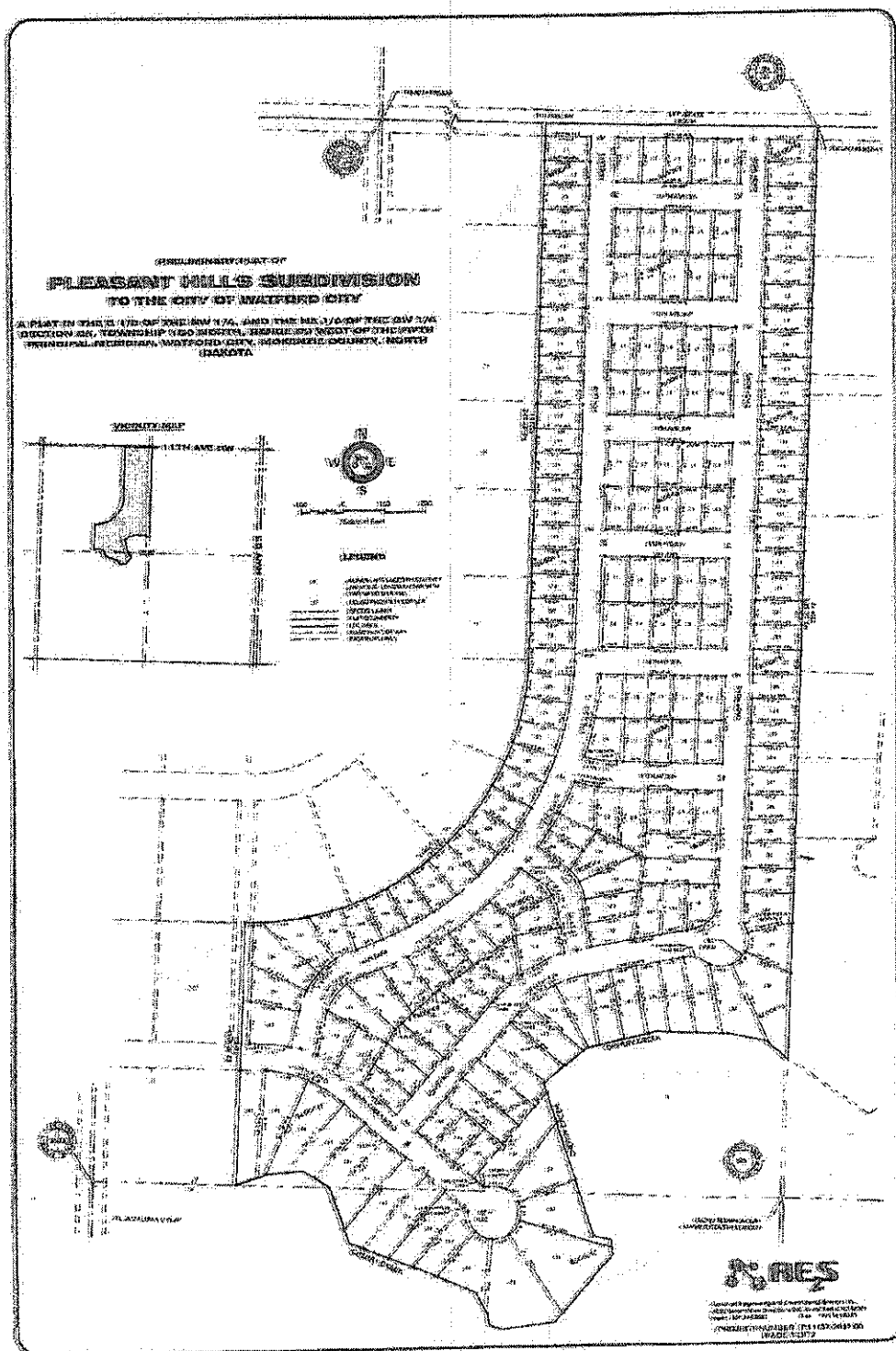
III Preeminent, Desirable, and, Convenient Location. Pleasant Hills is a centrally located project that will provide housing to the number one County in the US for Oil Drilling over the next 20 years.

III Low level of Competition. Due to the recent housing boom in North Dakota, and the rush to get properties up and sold, there are very low inventories statewide of available housing to own or rent.

III Significant Economic Development in Surrounding Areas. The McKenzie County Area is "the place to be" across the Bakken Formation. North Dakota has added jobs back that quadruple its pre-recession level, and is bustling with life every day of the week. Companies are expanding and corporations are relocating to the area. The highly in demand home market has created reasonably valuable real estate which is evident by the sales figures for the surrounding subdivision.

III Superior Value Proposition. While the subject property will be, on average, more than ten years more recent construction than area peers, it will offer rents better than renting or buying a small home. At the same time, the subject property will feature quality living. As such, the subject property will offer the best value among peers for single family living in the McKenzie County market. This competitive advantage should allow the property to easily reach stabilization, achieving pro-forma sales and rents, on schedule.

Maps & Aerials



Objective:

It is our objective to obtain a Construction Loan for the development of Pleasant Hills, and the Vertical Construction of the homes therein. The estimated Total Construction Budget for the 61 units in Phase I is \$7,995,000.00, which equates to approximately \$84.50 / Sq Ft. The land cost was \$2,000,000.00, and the structure of the sale was a \$500,000.00 down payment, and the Seller carried back a note for the balance in 1st position on 37.5 acres leaving the land for Phase 1 free of all liens.

The underground and site improvements for Phase 1 are estimated to cost \$1,830,000.00.

The total per lot cost after improvements is estimated at \$38,200.00

The Construction Loan should have a two (2) year term with two (2) six month extensions and will be "interest only". Northway Holdings is requesting a Construction Loan based on the terms outlined below:

Development Costs:	\$1,830,000.00
Construction Costs:	\$7,995,000.00
Construction Loan Request:	\$9,825,000.00
Construction Loan to Project Value:	62%
Equity & Land Investment In place:	\$500,000.00

CONSTRUCTION LOAN ANALYSIS --

37 Units Single Family -- 55,500 Square Feet
24 Units (12 Duplex Units) -- 39,120 Square Feet

Total Loan Amount:	\$7,995,000.00
Total Loan Per Duplex Unit: Single Duplex	\$125,000.00
Total Cost PSF:	\$ 77.00
Total Loan per Single Family (Avg 1500 Sq Ft)	\$135,000.00
Total Cost PSF:	\$ 85.00
Interest Rate:	10%
Loan Term:	2 years
Interest Only Term:	I.O.
Amortization:	N/A
Loan Constant:	10%
Annual Debt Service:	\$ 799,500.00
Annual Net Income @ 5% vacancy, Stabilized Units	\$ 2,297,000.00
Debt ratio coverage I/O	2.87X
Total Value based on Cap Rate of 10.00%:	\$19,141,000.00
Total Value Per Unit: Duplex Single Unit:	\$ 225,000.00
Total Value Per SFR Unit:	\$ 275,000.00
Total Value Per SF: Combined	\$165.00
Total Loan To Value:	62%
Cash Flow After Debt Service: (Stabilized Pro forma):	\$1,497,500.00