Main and Clay (the "Project")
Louisville, KY

Preliminary Project Summary

UNIT MIX SUMMARY		Quantity	% of total
1 Bedrooms		154	62%
2 Bedrooms		93	38%
3 Bedrooms			
Total		247	100%
Avg Unit Size			817 SF
Density	1.50 Acres		165 units / acre

INCOME AND INVESTMENT PARAMETERS	
Avg Rent per Unit	$1,537
Avg Rent per SF	$1.88
Net Operating Income	$2,917,962
Stabilized Return on Total Development Cost	6.42%

DEVELOPMENT COST AND SCHEDULE	*Total*	*per SF*	*per Unit*
Total Development Cost	$45,473,428	$225.46	$184,103
Begin Construction			January '15
Deliver First Units			August '16
Complete Construction			October '16

EQUITY AND DEBT FINANCING	Amount	% of total Cost
Investor	$10,231,428	22%
Developer Equity	$1,137,000	3%
Bank	$34,105,000	75%
Total Development Cost	$45,473,428	100%
Loan Amount to Total Cost		75%

Need for Incentives Expressed in Net Operating Income

Actual Total Development Costs	$45,473,428
Needed Stabilized Return on Total Costs	7.15%
Net Operating Income Needed to Achieve Desired Return	$3,251,350
Actual Net Operating Income	$2,917,962
Increase in Net Operating Income Needed to Achieve Desired Stabilized Return	($333,388)

Need for Incentives Expressed in Development Costs

Net Operating Income	$2,917,962
Needed Stabilized Return on Total Costs	7.15%
Total Costs Needed to Obtain Desired Return	$40,810,653
Actual Total Development Costs	$45,473,428
Decrease in Costs Needed to Obtain Desired Return	($4,662,775)

Main and Clay (the "Project")
Louisville, KY

Units	247
Net Square Feet	201,695

Development Budget

BUDGET ITEM	BUDGET	PER SF	PER UNIT
Land & Related			
Land	$4,050,000	$20.08	$16,397
Permits & Fees	$615,377	$3.05	$2,491
Total Land & Related	$4,665,377	$23.13	$18,888
Construction & Other Hard Costs			
Construction Costs	$33,481,106	$166.00	$135,551
Retail Shell Construction Costs	$0	$0.00	$0
Furniture, Fixtures, & Equipment	$569,000	$2.82	$2,304
Contingency	$1,450,000	$7.19	$5,870
Total Construction & Other Hard Costs	$35,500,106	$176.01	$143,725
Design & Consultants			
Architects, Engineers, & Consultants	$1,516,933	$7.52	$6,141
Financing Costs			
Financing Costs	$348,000	$1.73	$1,409
Interest Reserve	$875,000	$4.34	$3,543
Working Capital	$180,000	$0.89	$729
Total Financing Costs	$1,403,000	$6.96	$5,680
Other Soft Costs			
Builders' Risk & GL Insurance	$207,406	$1.03	$840
Legal, Title, & Closing	$242,106	$1.20	$980
Property Taxes during Construction	$75,000	$0.37	$304
Market Study & Appraisal	$8,500	$0.04	$34
Marketing & Pre-Opening Operations	$240,000	$1.19	$972
Misc. Soft Costs	$75,000	$0.37	$304
Total Other Soft Costs	$848,012	$4.20	$3,433
Developer Fees			
Construction Management	$200,000	$0.99	$810
Development Fee	$1,340,000	$6.64	$5,425
Total Developer Fees	$1,540,000	$7.64	$6,235
TOTAL DEVELOPMENT COST	**$45,473,428**	**$225.46**	**$184,103**

Main and Clay (the "Project")
Louisville, KY

Unit Mix and Rental Income

UNIT TYPE	NAME	# OF UNITS	% OF TOTAL	NET SF	RENT / MONTH	Notes	RENT / SF	*Stabilized Pro Forma* MONTHLY TOTAL	ANNUAL TOTAL
1 BEDROOMS									
1BR/1BA	A1	36	15%	570	$1,115		$1.96	$40,140	$481,680
1BR/1BA	A2	40	16%	620	$1,210		$1.95	$48,400	$580,800
1BR/1BA	A3	52	21%	690	$1,340		$1.94	$69,680	$836,160
1BR/1BA	A4	26	11%	760	$1,440		$1.89	$37,440	$449,280
1 BEDROOM TOTAL		**154**	**62%**	**656**	**$1,271**		**$1.94**	**$195,660**	**$2,347,920**
2 BEDROOMS									
2BR/2BA	B1	27	11%	995	$1,840		$1.85	$49,680	$596,160
2BR/2BA	B2	40	16%	1,070	$1,960		$1.83	$78,400	$940,800
2BR/2BA	B3	13	5%	1,150	$2,085		$1.81	$27,105	$325,260
2BR/2BA	B4	13	5%	1,240	$2,220		$1.79	$28,860	$346,320
2 BEDROOM TOTAL		**93**	**38%**	**1,083**	**$1,979**		**$1.83**	**$184,045**	**$2,208,540**
TOTALS		**247**	**100%**	**201,695**				**$379,705**	**$4,556,460**
WEIGHTED AVERAGES				**817**	**$1,537**		**$1.88**		

Notes:

Main and Clay (the "Project")
Louisville, KY

Units	247
Net Square Feet	201,695

Operating Expenses

EXPENSES		Per Unit / Year	Annual Total
Controllable Expenses			
General & Administrative		$250	$61,750
Advertising & Promotional		$250	$61,750
Repairs & Maintenance		$450	$111,150
Contract Services		$300	$74,100
Payroll		$1,250	$308,750
Utilities		$550	$135,850
CONTROLLABLE EXPENSES		$3,050	$753,350
UNCONTROLLABLE EXPENSES			
Property Management Fee	3.00%	$542	$133,981
Real Estate Taxes		$2,200	$543,400
Insurance		$275	$67,925
UNCONTROLLABLE EXPENSES		$3,017	$745,306
CAPITAL RESERVES		$200	$49,400
TOTAL OPERATING EXPENSES		**$6,267**	**$1,548,056**

Main and Clay (the "Project")
Louisville, KY

Units	247
Net Square Feet	201,695

Stabilized Pro Forma

INCOME				**MONTHLY TOTAL**	**ANNUAL TOTAL**
	Quantity		*Monthly Amount per Unit*		
Gross Potential Income	247	@	$1,537 Ave / Unit	$379,705	$4,556,460
Rent Premiums	62	@	$40	$2,470	$29,640
Retail Income	2,400	@	$1.50	$3,600	$43,200
Storage Income	55		$50	$2,750	$33,000
Garage Income	0	@	$0	$0	$0
Miscellaneous Income	3.00%			$11,656	$139,869
Total Potential Income				$400,181	$4,802,169
Less Vacancy Loss	7.00%			($28,013)	($336,152)
Effective Gross Income				**$372,168**	**$4,466,017**

EXPENSES			**MONTHLY TOTAL**	**ANNUAL TOTAL**
		Annual Amount per Unit		
General & Administrative		$250	$5,146	$61,750
Advertising & Promotional		$250	$5,146	$61,750
Repairs & Maintenance		$450	$9,263	$111,150
Contract Services		$300	$6,175	$74,100
Payroll		$1,250	$25,729	$308,750
Utilities		$550	$11,321	$135,850
Property Management Fee	3.00%	$542	$11,165	$133,981
Real Estate Taxes		$2,200	$45,283	$543,400
Insurance		$275	$5,660	$67,925
Capital Reserves		$200	$4,117	$49,400
Operating Expenses and Reserves		**$6,267**	**$129,005**	**$1,548,056**

NET OPERATING INCOME	**$2,917,962**

Stabilized Return on Cost **6.42%**

Main and Clay (the "Project")
Louisville, KY

September '17	First Stabilized Month:
September '17	Permanent Financing:

10 Year Outlook

STABILIZED YEAR:		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Year Ended:		**August '18**	**August '19**	**August '20**	**August '21**	**August '22**	**August '23**	**August '24**	**August '25**	**August '26**	**August '27**
Annual Income Growth Rate		Pro Forma	3%	3%	3%	3%	3%	3%	3%	3%	3%
Gross Potential Income		$4,556,460	$4,693,154	$4,833,948	$4,978,967	$5,128,336	$5,282,186	$5,440,652	$5,603,871	$5,771,987	$5,945,147
Other Income		$105,840	$109,015	$112,286	$115,654	$119,124	$122,698	$126,378	$130,170	$134,075	$138,097
Miscellaneous Income	3.0%	$139,869	$144,065	$148,387	$152,839	$157,424	$162,147	$167,011	$172,021	$177,182	$182,497
Less: Vacancy Loss	7.0%	($336,152)	($346,236)	($356,623)	($367,322)	($378,342)	($389,692)	($401,383)	($413,424)	($425,827)	($438,602)
Effective Gross Income		**$4,466,017**	**$4,599,998**	**$4,737,998**	**$4,880,138**	**$5,026,542**	**$5,177,338**	**$5,332,658**	**$5,492,638**	**$5,657,417**	**$5,827,139**
Annual Expense Growth Rate		Pro Forma	3%	3%	3%	3%	3%	3%	3%	3%	3%
Management Fee	3.0%	$133,981	$138,000	$142,140	$146,404	$150,796	$155,320	$159,980	$164,779	$169,723	$174,814
Uncontrollable Expenses		$611,325	$629,665	$648,555	$668,011	$688,052	$708,693	$729,954	$751,853	$774,408	$797,640
Controllable Expenses		$753,350	$775,951	$799,229	$823,206	$847,902	$873,339	$899,539	$926,525	$954,321	$982,951
Capital Reserves		$49,400	$50,882	$52,408	$53,981	$55,600	$57,268	$58,986	$60,756	$62,578	$64,456
Operating Expenses and Reserves		**$1,548,056**	**$1,594,497**	**$1,642,332**	**$1,691,602**	**$1,742,350**	**$1,794,621**	**$1,848,459**	**$1,903,913**	**$1,961,030**	**$2,019,861**
Net Operating Income		**$2,917,962**	**$3,005,501**	**$3,095,666**	**$3,188,535**	**$3,284,192**	**$3,382,717**	**$3,484,199**	**$3,588,725**	**$3,696,387**	**$3,807,278**
Unleveraged Return on Cost		**6.42%**	**6.61%**	**6.81%**	**7.01%**	**7.22%**	**7.44%**	**7.66%**	**7.89%**	**8.13%**	**8.37%**
Net Operating Income		$2,917,962	$3,005,501	$3,095,666	$3,188,535	$3,284,192	$3,382,717	$3,484,199	$3,588,725	$3,696,387	$3,807,278
Net Cash Flow during Lease Up		$412,291									
Less: Interest Only Debt Service		$0	$0								
Less: Permanent Loan Debt Service		($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)	($2,490,526)
NET CASH FLOW		**$839,726**	**$514,974**	**$605,139**	**$698,009**	**$793,665**	**$892,191**	**$993,673**	**$1,098,198**	**$1,205,860**	**$1,316,752**
Current Preferred Return Paid											
Investor	9.0%	$755,742	$463,470	$544,617	$628,199	$714,288	$802,960	$894,292	$988,363	$1,085,258	$1,185,058
Developer Equity	9.0%	$83,984	$51,505	$60,522	$69,811	$79,378	$89,231	$99,381	$109,835	$120,603	$131,693
Total Current Preferred Return Paid		**$839,726**	**$514,974**	**$605,139**	**$698,009**	**$793,665**	**$892,191**	**$993,673**	**$1,098,198**	**$1,205,860**	**$1,316,752**
Accrued Preferred Return Paid											
Investor		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Developer Equity		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Accrued Preferred Return Paid		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Residual Cash Flow Paid											
Investor	63.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Developer Equity	7.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
0	30.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Residual Cash Flow		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL CASH FLOWS											
Investor											
Cash Flow from Operations		**$755,742**	**$463,470**	**$544,617**	**$628,199**	**$714,288**	**$802,960**	**$894,292**	**$988,363**	**$1,085,258**	**$1,185,058**
Annual Return on Equity		**7.39%**	**4.53%**	**5.32%**	**6.14%**	**6.98%**	**7.85%**	**8.74%**	**9.66%**	**10.61%**	**11.58%**
Developer Equity											
Cash Flow from Operations		**$83,984**	**$51,505**	**$60,522**	**$69,811**	**$79,378**	**$89,231**	**$99,381**	**$109,835**	**$120,603**	**$131,693**
Annual Return on Equity		**7.39%**	**4.53%**	**5.32%**	**6.14%**	**6.98%**	**7.85%**	**8.74%**	**9.66%**	**10.61%**	**11.58%**
0		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Main and Clay (the "Project")
Louisville, KY

September '17	First Stabilized Month:
September '17	Permanent Financing:

10 Year Outlook

STABILIZED YEAR:		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Year Ended:		**August '18**	**August '19**	**August '20**	**August '21**	**August '22**	**August '23**	**August '24**	**August '25**	**August '26**	**August '27**
PROPERTY SALE ANALYSIS											
Net Operating Income		$2,917,962	$3,005,501	$3,095,666	$3,188,535	$3,284,192	$3,382,717	$3,484,199	$3,588,725	$3,696,387	$3,807,278
Cap Rate:	5.75%										
Property Sale Price		**$50,747,159**	**$52,269,574**	**$53,837,661**	**$55,452,791**	**$57,116,375**	**$58,829,866**	**$60,594,762**	**$62,412,605**	**$64,284,983**	**$66,213,533**
Less: Cost of Sale	1.50%	($761,207)	($784,044)	($807,565)	($831,792)	($856,746)	($882,448)	($908,921)	($936,189)	($964,275)	($993,203)
Net Sales Proceeds		**$49,985,952**	**$51,485,530**	**$53,030,096**	**$54,620,999**	**$56,259,629**	**$57,947,418**	**$59,685,841**	**$61,476,416**	**$63,320,708**	**$65,220,330**
Less: Outstanding Loan Balance		($34,191,479)	($33,740,165)	($33,261,014)	($32,752,311)	($32,212,231)	($31,638,841)	($31,030,085)	($30,383,783)	($29,697,618)	($28,969,132)
Less: Equity Repayment											
Investor		($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)	($10,231,428)
Developer Equity		($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)	($1,137,000)
Less: Outstanding Preferred Return											
Investor		($2,819,788)	($3,530,928)	($4,224,923)	($4,897,796)	($5,545,139)	($6,162,070)	($6,743,193)	($7,282,546)	($7,773,546)	($8,208,935)
Developer Equity		($313,358)	($392,386)	($469,508)	($544,283)	($616,221)	($684,780)	($749,359)	($809,296)	($863,860)	($912,244)
Remaining Proceeds		**$1,292,898**	**$2,453,624**	**$3,706,223**	**$5,058,181**	**$6,517,610**	**$8,093,299**	**$9,794,775**	**$11,632,363**	**$13,617,257**	**$15,761,591**
Remaining Proceeds Distribution											
Investor	63.0%	$814,513	$1,545,759	$2,334,885	$3,186,605	$4,106,031	$5,098,700	$6,170,614	$7,328,276	$8,578,740	$9,929,650
Developer Equity	7.0%	$90,515	$171,777	$259,471	$354,122	$456,296	$566,609	$685,729	$814,378	$953,340	$1,103,464
Developer Promote	30.0%	$387,869	$736,087	$1,111,867	$1,517,454	$1,955,283	$2,427,990	$2,938,433	$3,489,709	$4,085,177	$4,728,477
		$1,292,898	**$2,453,624**	**$3,706,223**	**$5,058,181**	**$6,517,610**	**$8,093,299**	**$9,794,775**	**$11,632,363**	**$13,617,257**	**$15,761,591**
CUMULATIVE CASH FLOW & NET PROCEEDS FROM SALE											
Investor		**$4,390,043**	**$6,295,899**	**$8,323,636**	**$10,476,428**	**$12,757,485**	**$15,170,045**	**$17,717,373**	**$20,402,751**	**$23,229,473**	**$26,200,830**
Equity Multiple		**1.43x**	**1.62x**	**1.81x**	**2.02x**	**2.25x**	**2.48x**	**2.73x**	**2.99x**	**3.27x**	**3.56x**
IRR		**10.9%**	**11.6%**	**11.9%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.0%**
Developer Equity		**$487,858**	**$699,652**	**$924,991**	**$1,164,226**	**$1,417,716**	**$1,685,820**	**$1,968,899**	**$2,267,321**	**$2,581,449**	**$2,911,651**
Equity Multiple		**1.43x**	**1.62x**	**1.81x**	**2.02x**	**2.25x**	**2.48x**	**2.73x**	**2.99x**	**3.27x**	**3.56x**
IRR		**10.9%**	**11.6%**	**11.9%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.0%**
Developer Promote		**$387,869**	**$736,087**	**$1,111,867**	**$1,517,454**	**$1,955,283**	**$2,427,990**	**$2,938,433**	**$3,489,709**	**$4,085,177**	**$4,728,477**
Total Project (Leveraged)		**$16,634,198**	**$19,100,066**	**$21,728,921**	**$24,526,537**	**$27,498,912**	**$30,652,282**	**$33,993,133**	**$37,528,209**	**$41,264,526**	**$45,209,386**
Equity Multiple		**1.46x**	**1.68x**	**1.91x**	**2.16x**	**2.42x**	**2.7x**	**2.99x**	**3.3x**	**3.63x**	**3.98x**
IRR		**11.7%**	**12.6%**	**13.0%**	**13.2%**	**13.3%**	**13.3%**	**13.2%**	**13.2%**	**13.1%**	**13.0%**

Main and Clay (the "Project")
Louisville, KY

Footnotes to Financial Model and Incentive Rationale

1. The Preliminary Project Summary (first page) contains the metric that is most important to us in determining the feasibility of a development.
    a. It is the “Stabilized Return on Total Development Cost” shown at the bottom of the upper right quadrant. This is the unleveraged return on investment using the net operating income once the community reaches 93% occupancy divided by the total development cost. We believe this yield needs to be 7.15% or higher in order to successfully obtain financing. This will allow us to obtain both a construction loan from a commercial bank and an equity investment of approximately $11.3 million (of which Bristol principals will contribute 10%). Two factors enter significantly into our judgment about initial yield requirements. First, we understand that any likely incentives would be structured so that they expire at some point in the future, meaning the project must achieve a satisfactory return on its own at that time. Second, the risk of unknowns at this stage of development is still high. Though we are carrying a contingency for unknowns (approximately 4.5% of total construction-related costs), that amount can be quickly expended in the event we encounter any variety of issues, including unsuitable soils, unanticipated environmental remediation, unforeseen utility requirements, or unanticipated code requirements. At the bottom of the Summary page we have added calculations showing the need for incentives to reach a 7.15% return level, measured in two alternate ways: (1) the increase in net operating income needed, or (2) the savings in costs needed. For example, to reach a 7.15% return by increasing net operating income, we need to reduce operating expenses (such as property taxes) or increase revenue by approximately $333,000. If we accomplished this, the decrease in costs needed as shown in the table below would drop to zero. Alternately, if we reduced development costs by approximately $4.7 million, the increase in net operating income needed would drop to zero. So this is simply two alternate ways of looking at the need for incentives.
    b. The Summary page also shows the structure of financing, in the lower right block - 75% from a construction loan plus 25% equity, of which 10% or 15% is typically provided by Bristol principals and the balance from either an institutional investor (such as an insurance company) or from high net worth individual investors.

2. The Development Budget summarizes all of the major cost categories involved in designing, building and marketing this community. Highlights include:
    a. The land cost is the amount of our contract with the land seller, who is unrelated to us.

b. The construction cost is the total estimated construction pricing from Doster Construction Company, a general contractor headquartered in Birmingham AL. This will be the seventh multifamily community Doster has built for Bristol. They are currently building our community in Norton Commons. In addition the are building an urban-style student apartment community near University of Louisville for another developer. Doster is not related to us.
c. Costs of (1) preserving the façade of the small brick and cinder block building on East Main St, (2) preserving and re-using the façade of a brick house on Washington St as a component of this project, and (3) preserving the brick from the corner building at E. Main St & Clay St to use as a component of this project.
d. A development fee to our company equal to 3% of total costs plus a $200,000 reimbursement for construction management costs.

3. The Unit Mix and Rental Income page reflects our preliminary schedule of unit sizes and projected rental rates. Based on our experience in other urban communities, we believe we can achieve these rents. However, they are significantly above any existing rental communities in Louisville.

4. Operating Expenses include:
    a. an estimate of property taxes at $2,200 per unit. This is based on extrapolating the PVA valuation of Water Side at River Park prior to the reduction they received for not being occupied at 95%. Because the yield in #1 above is based on stabilized net operating income we need to take into account the likely taxes at 95% occupancy. The estimated property tax valuation is based on an appraisal of approximately $171,000 per unit with a millage rate of $1.298 per $100 value. For this model we have assumed no IRB or other reduction in property taxes so the pro forma is bearing the full cost of the fully stabilized property taxes.
    b. The other operating expenses are based on our actual experience with similar properties in numerous markets. The expenses include a property management fee of 3% of income. This fee will go to an unrelated professional property management company that we will hire to lease and manage the property on a daily basis. Those property management companies are unrelated parties.

5. The Stabilized Pro Forma summarizes all rent and other income, then deducts operating expenses to arrive at net operating income. Note that we have anticipated that at least 2,400 sq ft of usable space be devoted to street level retail on East Main St. Our preliminary conversations with local sources lead us to believe this is viable. Good quality retail not only enlivens the street, but acts as an additional amenity to our residents. We hope that further investigation shows we can convert more street level residential space to retail.

6. The Ten Year Outlook page is a 2 page summary of each year's net cash flow after debt service (summarized as the Annual Return on Equity) and the hypothetical results of a sale in each year based on that year's net operating income and a particular exit capitalization rate (5.75% in this model). A focus on the three most important parameters on this page to the investor shows that the returns provided without incentive assistance are inadequate to attract any investment. Those parameters are:
    a. Annual Return on Equity (the cash return on cash invested expressed as a percentage). This starts in the first stabilized year (ending July 2018) at 7.39%. The first year amount is misleading because it includes the distribution of the cash flow accumulated during the

lease-up period when there is no debt service. Note that the second and following years show returns at approximately 4.5% growing gradually over time. This Annual Return on Equity only occurs if the investors continue to hold the property year after year. The following two measures show the results of a sale in any given year and are considered more important in determining the final outcome of the investment.

b. The Equity Multiple is shown near the bottom of the second page. This is the multiple of the original investment that the investor receives over the life of the investment if a sale takes place in any given year. As an example, if a sale took place at the end of August 2018 (the end of the 1^{st} stabilized year), the Equity Multiple is 1.43x. That means the investor got back $143 for every $100 invested. That is for a total holding period of approximately 3½ years. Our experience is that most institutional investors that provide development and construction financing have a minimum threshold of 2.0x for this multiple in the first stabilized year.

c. The Internal Rate of Return (abbreviated IRR) is a time sensitive rate of return. It is calculated taking into account the timing of the cash investment (all up front) and the delayed nature of the payback. The minimum threshold for the IRR for most institutional investors that provide development and construction financing is a first year stabilized return of 17% or higher. As shown, we are well below that level, with the first year at 10.9%.