

# sunset cooperatives

*Richard Bole, Chief Executive Officer*

*Aaron Harris, Chief Marketing Officer*

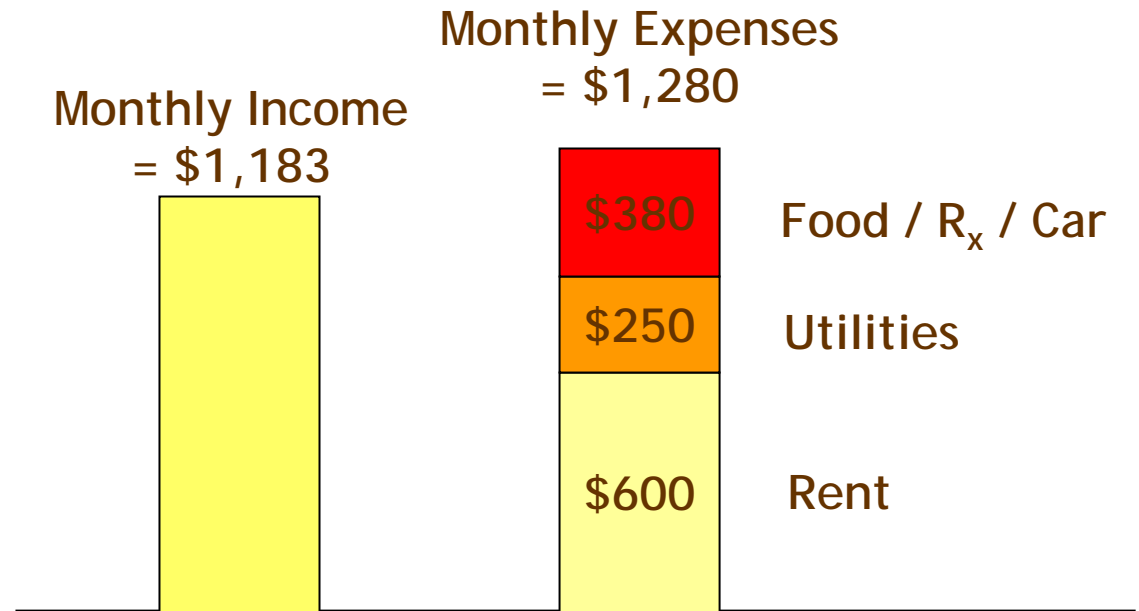
Sustainable Venturing Business Plan Competition  
Leeds School of Business  
University of Colorado

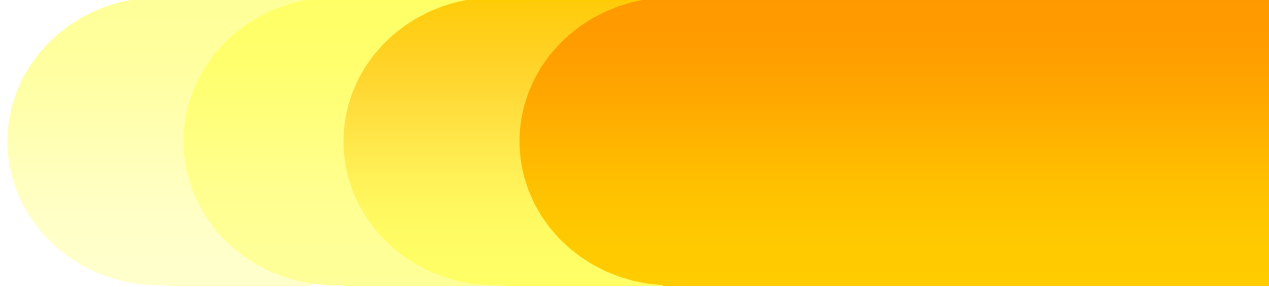
February 23-24, 2006

# Affordable Senior Housing - The Unmet Demand



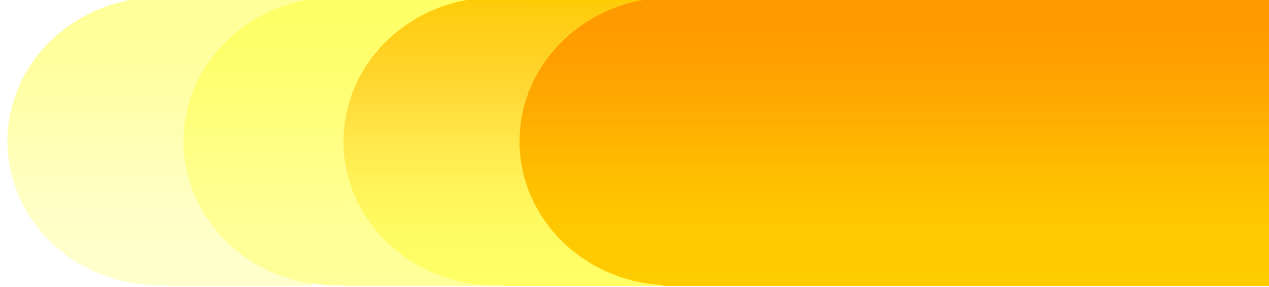
Jessie Woodbridge





# Management Team

<u>Team Member</u>	<u>Position</u>	<u>Education</u>	<u>Expertise/Skills</u>
<b>Richard Bole</b>	Chief Executive Officer	MBA MS - Natural Resource Economics	<ul style="list-style-type: none"> <li>• Real Estate Finance</li> <li>• Construction</li> <li>• Energy Efficiency</li> </ul>
<b>Aaron Harris</b>	Chief Marketing Officer	MBA MS - Environmental Policy	<ul style="list-style-type: none"> <li>• Real Estate Entrepreneur</li> <li>• Property Management</li> <li>• Marketing</li> </ul>
<b>Stephanie Hartshorn</b>	Director of Community Relations	MBA MSW - Social Work	<ul style="list-style-type: none"> <li>• Affordable Housing</li> <li>• Social Work</li> <li>• Urban Homelessness</li> </ul>



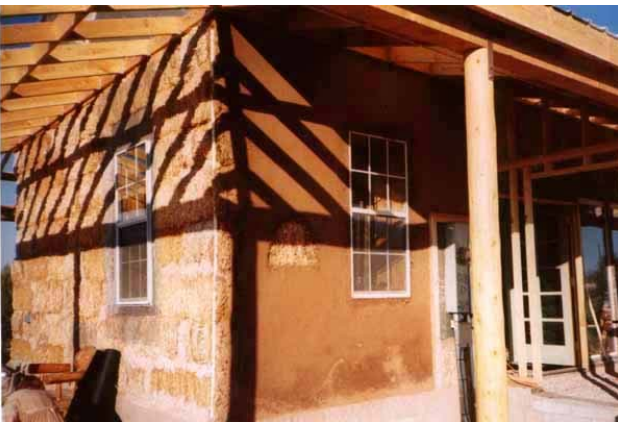
# Low-Income Senior Housing: Sunset Benchmarked

	The Enterprise Foundation	sunset SC cooperatives
<b>Cost to Build</b>	\$45,000-\$90,000	<b>\$31,200</b>
<b>Winter Utilities</b>	\$80-\$165	<b>\$55</b>
<b>Market Rent</b>	\$520-\$1,000	<b>\$380</b>
<b>Subsidies Req.</b>	LIHTC, Section 8	<b>None</b>



# Building Sunset Cooperatives

Innovative Built Form



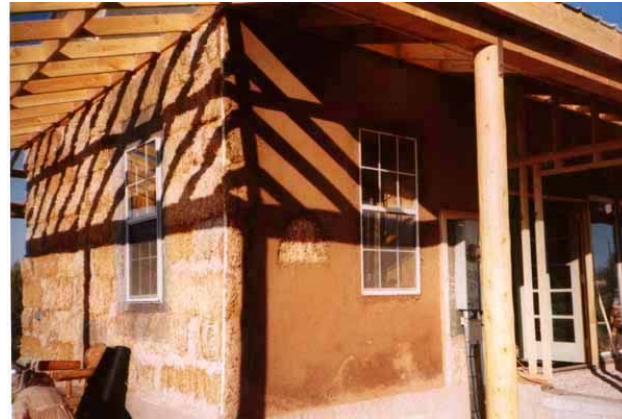
Land Acquisition



Cooperative Concept



## Innovative Built-Form

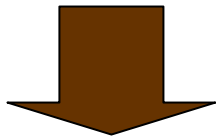


- Cost saving techniques: load-bearing straw-bale walls, downsized heating system, slab-on-grade foundation
- Construction cost: \$50/sq. ft. compared to \$64/sq.ft.



## Cooperative Concept

- Residents govern cooperatively
- Activities include gardening, cooking, activity planning



- Empowers seniors
- Lowers operating costs for company

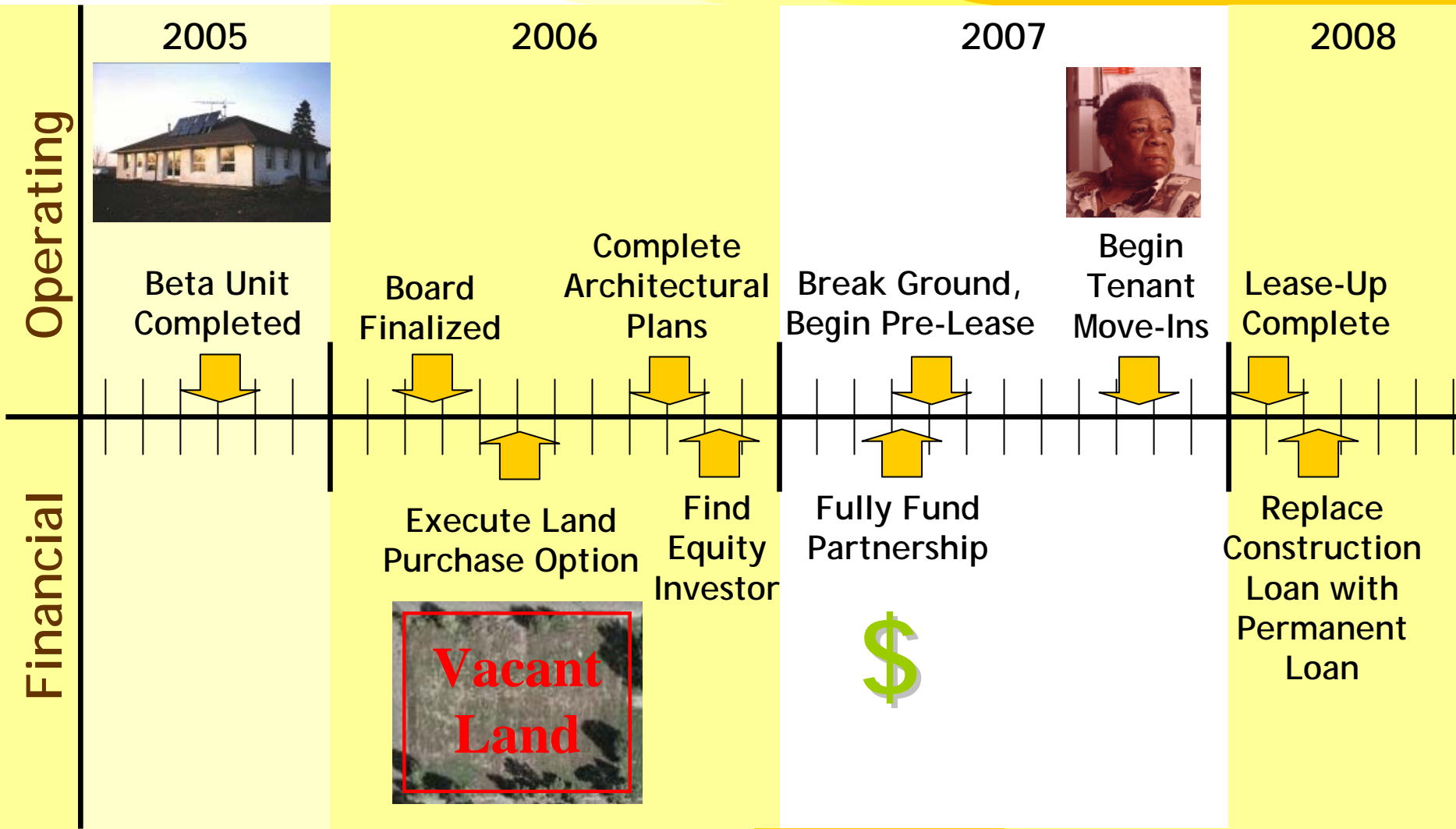


## Marketing and Sales Strategy

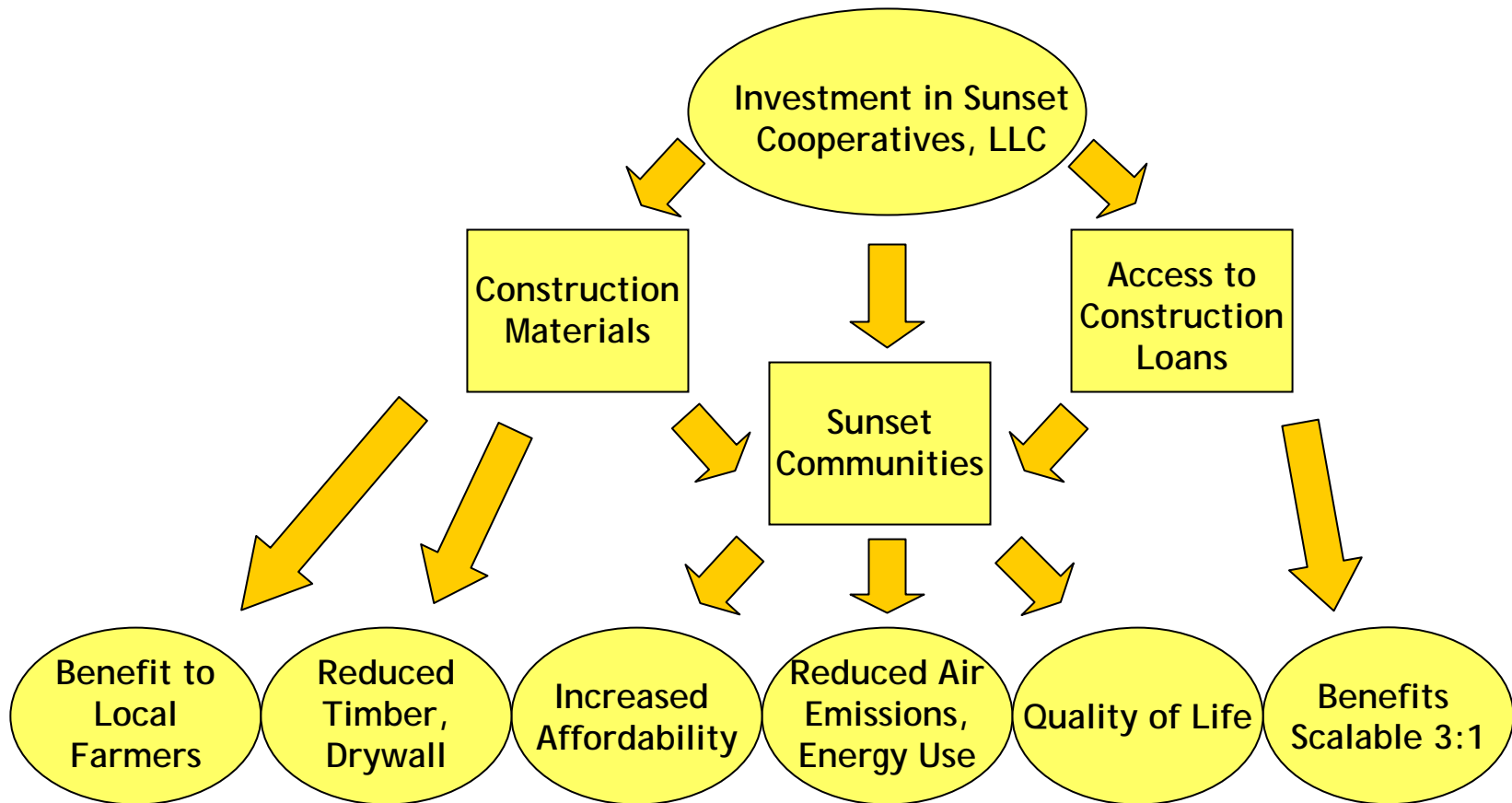
- Target Population: 55 or older, \$14,400+ income
- Demand will exceed supply at \$380/month, partnerships will ensure attraction of best tenants

## Partner Organizations

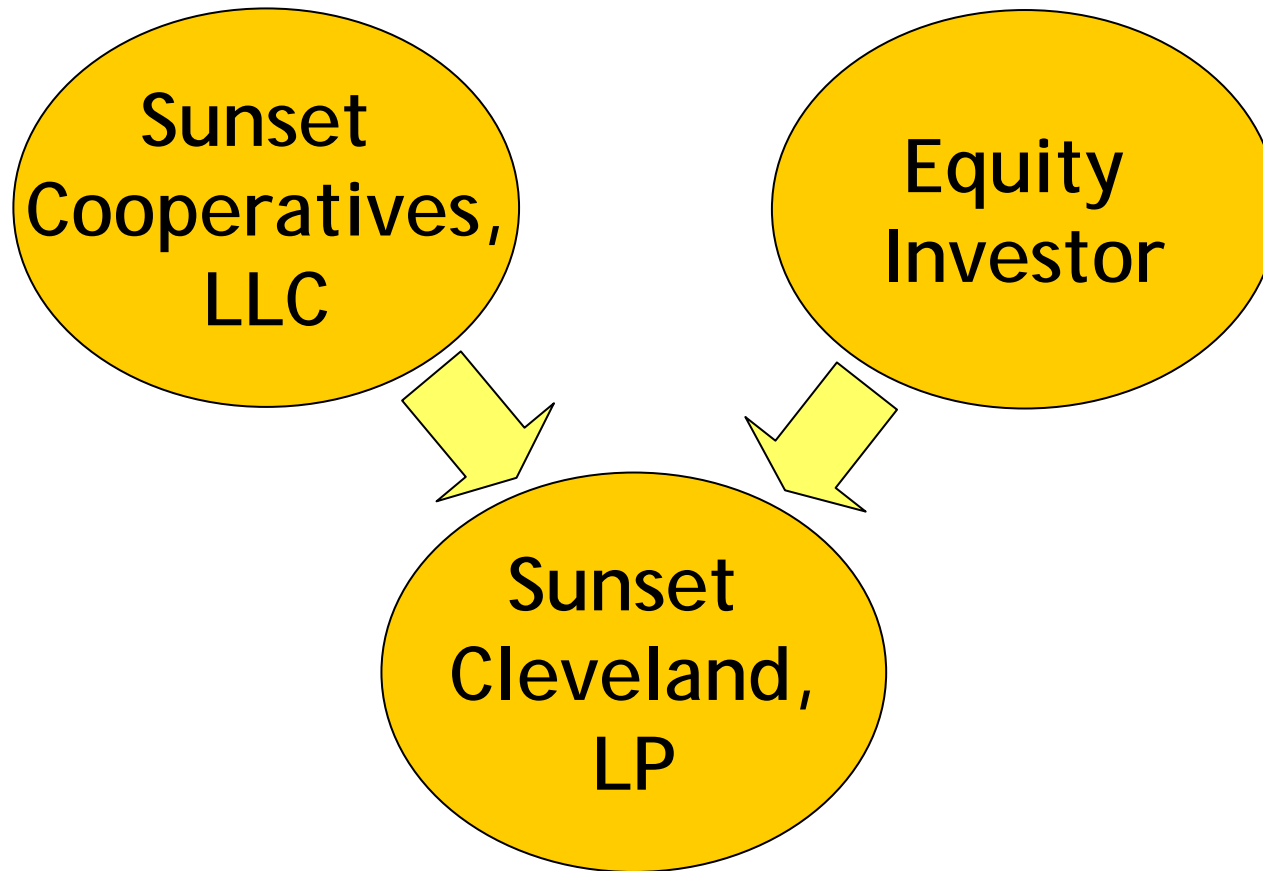




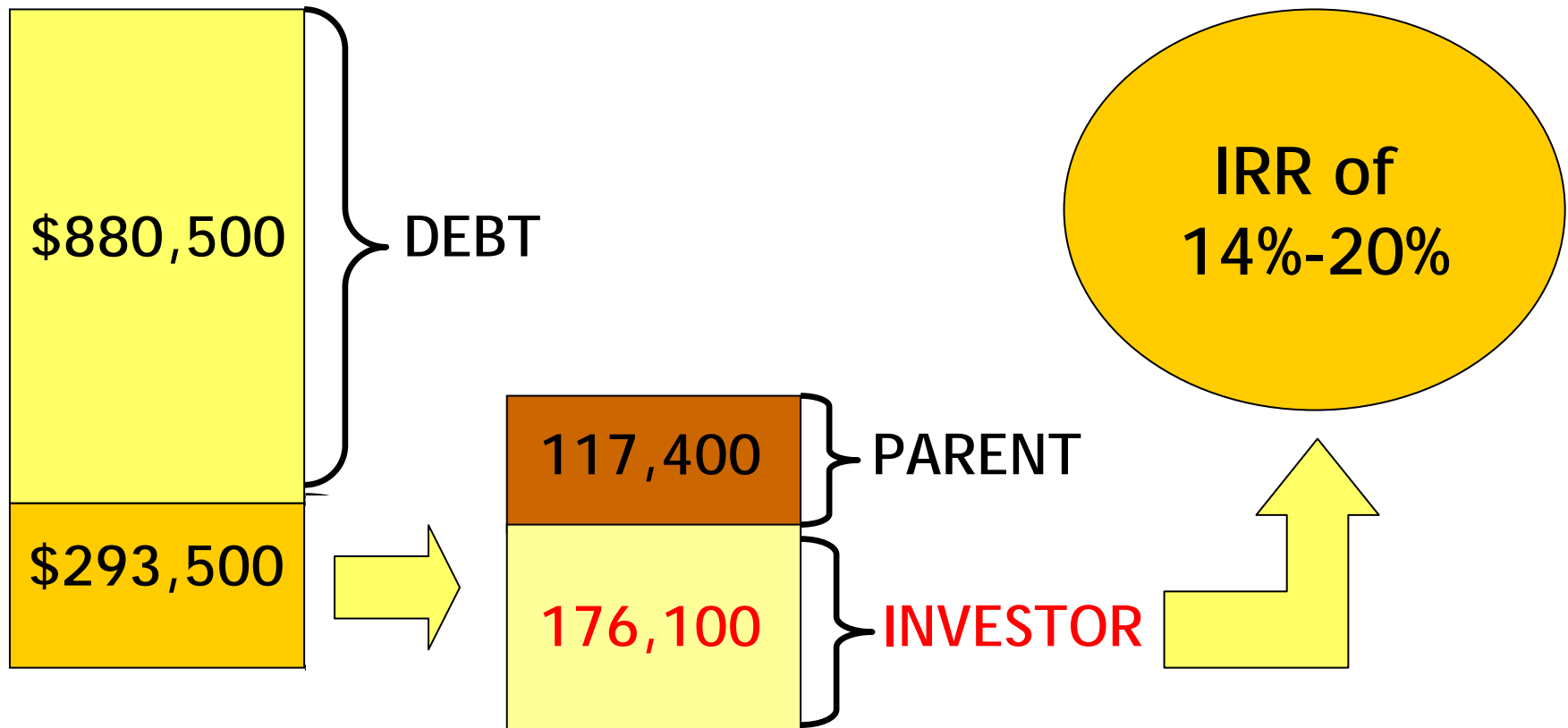
# Sunset's Sustainability Dividends



## Legal Entity



# Capital Structure

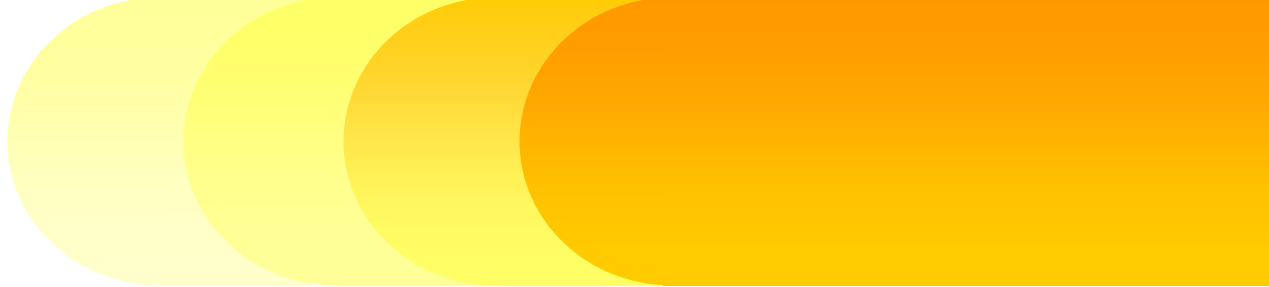


sunset SC cooperatives



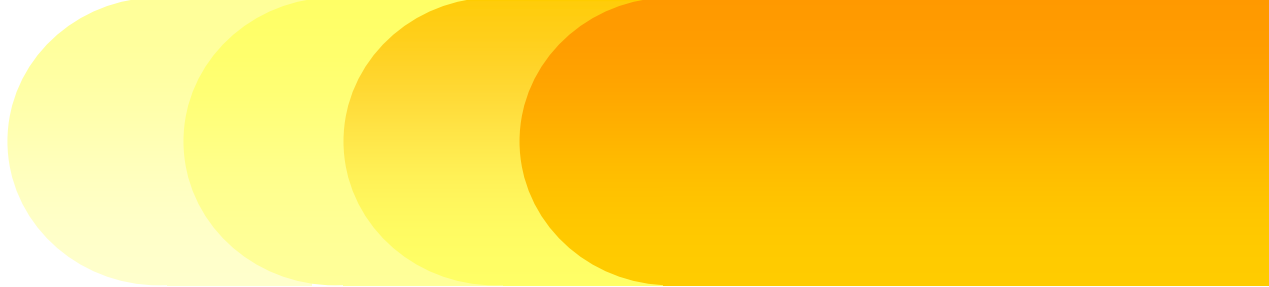
sunset SC cooperatives

The Difference



## Risk Mitigation

<u>Risk</u>	<u>Mitigation Strategy</u>
Political	<ul style="list-style-type: none"> <li>• Strong community ties</li> <li>• Entitlements before land purchase</li> </ul>
Tenant	<ul style="list-style-type: none"> <li>• Screen tenants, cooperation pledge</li> <li>• Partner with key social service organizations</li> </ul>
Construction	<ul style="list-style-type: none"> <li>• Strong subcontractor contacts</li> <li>• Subsidies don't slow the process</li> <li>• Local waste product = no price fluctuation</li> </ul>
Scalability	<ul style="list-style-type: none"> <li>• Pulte/Toll Brothers model</li> </ul>
Competition	<ul style="list-style-type: none"> <li>• Trade secret</li> <li>• Integrated strategy hard to duplicate</li> </ul>



## Benefits of Straw Bale

### Exceptional Insulation Quality

- Highly insulated efficient walls
- Reduced HVAC size

### Ease of Construction

- Straw bale walls go up easily and fast

### Structural Stability

- Strawbale buildings are exceptionally stable with less potential for damage from hurricanes and earthquakes

### Environmentally Friendly

- Uses an annually renewable product
- Reduces air pollution from farmers burning
- Reduces the amount of lumber needed
- Reduces the size of lumber
- Non-Toxic materials

### Community Benefits

- Provides an additional income for farmers from what is a waste by-product of grain production

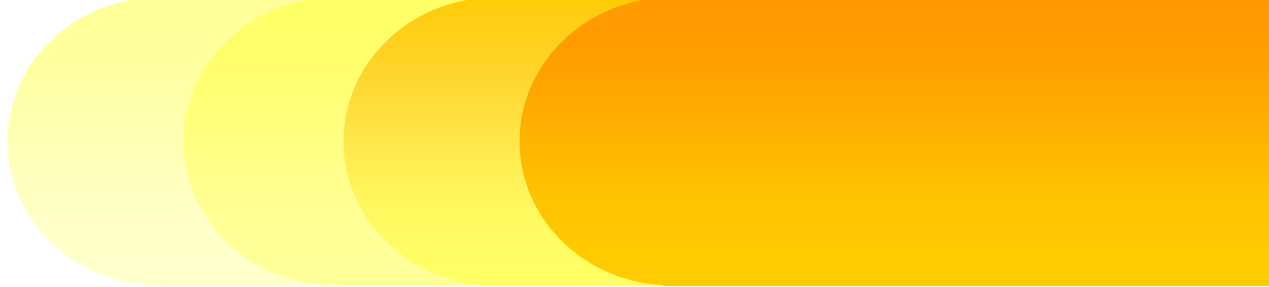
### Improved Fire Ratings

- Sheathed in 1-1.5 inches of stucco, straw-bale walls have greater fire resistance



**Income Statement (in thousands, except per share and margin data)**

	<i>Year Ended December 31,</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenue</b>	\$0	\$129,960	\$133,989	\$138,142	\$142,425
Operating Costs	\$18,400	\$22,869	\$23,578	\$24,309	\$25,063
Gross Profit (Loss)	<b>(\$18,400)</b>	\$107,091	\$110,411	\$113,833	\$117,362
<i>Gross Margin</i>	NA	82.4%	82.4%	82.4%	82.4%
Construction Loan Interest	\$41,948	\$0	\$0	\$0	\$0
Permanent Loan Interest	\$0	\$66,038	\$65,399	\$64,712	\$63,974
Depreciation	\$27,085	\$39,797	\$39,797	\$39,797	\$39,797
Operating Income (Loss)	<b>(\$87,432)</b>	\$1,257	\$5,215	\$9,324	\$13,591
<i>Operating Margin</i>	NA	1.0%	3.9%	6.7%	9.5%
Tax Expense (Benefit)	<b>(\$30,601)</b>	\$440	\$1,825	\$3,264	\$4,757
<b>Net Income (Loss)</b>	<b>(\$56,831)</b>	\$817	\$3,390	\$6,061	\$8,834
<i>Net Margin</i>	NA	0.6%	2.5%	4.4%	6.2%



## Investment Summary for Equity Partner in Sunset Cleveland, LLC

	<i>Year Ended December 31,</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Equity Investment	\$293,500				
Partner Investment	\$176,100				
Income Before Depreciation	(\$60,348)	\$41,053	\$45,012	\$49,121	\$53,388
Revenue From Asset Sale					\$256,262
Partner Dividends	(\$36,209)	\$24,632	\$27,007	\$29,473	\$32,033
<b>Investor IRR</b>	<b>14%</b>				

<b>Balance Sheet</b>	Days receivable	5		Days payable	14
	<i>December 31,</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Assets</b>					
Current Assets					
Cash & Equivalents	(\$29,712)	\$1,449	\$31,892	\$64,209	\$99,185
Receivables	\$0	\$1,780	\$1,835	\$1,892	\$1,951
Inventory	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Current Assets	<u>(\$29,712)</u>	<u>\$3,229</u>	<u>\$33,728</u>	<u>\$66,102</u>	<u>\$101,136</u>
Plant, Property & Equipment	\$1,174,000	\$1,174,000	\$1,174,000	\$1,174,000	\$1,174,000
Accumulated Depreciation	\$27,085	\$66,881	\$106,678	\$146,475	\$186,271
PP&E Net of Accum. Depreciation	\$1,146,915	\$1,107,119	\$1,067,322	\$1,027,525	\$987,729
<b>Total Assets</b>	<u><u>\$1,117,204</u></u>	<u><u>\$1,110,348</u></u>	<u><u>\$1,101,050</u></u>	<u><u>\$1,093,627</u></u>	<u><u>\$1,088,865</u></u>
<b>Liabilities &amp; Shareholder's Equity</b>					
Current Liabilities					
Payables	\$35	\$877	\$904	\$932	\$961
Construction Loan	\$880,500	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	<u>\$880,535</u>	<u>\$877</u>	<u>\$904</u>	<u>\$932</u>	<u>\$961</u>
Permanent Loan	\$0	\$871,984	\$862,830	\$852,990	\$842,411
Other	\$0	\$0	\$0	\$0	\$0
Total Liabilities	<u>\$880,535</u>	<u>\$872,862</u>	<u>\$863,735</u>	<u>\$853,922</u>	<u>\$843,372</u>
Shareholder's Equity					
Equity	\$293,500	\$293,500	\$293,500	\$293,500	\$293,500
Retained Earnings	(\$56,831)	(\$56,014)	(\$56,185)	(\$53,795)	(\$48,007)
Total Shareholder's Equity	<u>\$236,669</u>	<u>\$237,486</u>	<u>\$237,315</u>	<u>\$239,705</u>	<u>\$245,493</u>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<u><u>\$1,117,204</u></u>	<u><u>\$1,110,348</u></u>	<u><u>\$1,101,050</u></u>	<u><u>\$1,093,627</u></u>	<u><u>\$1,088,865</u></u>

**Ongoing Revenue & Cost Buildup**

Vacancy Allowance 5%

*Year Ended December 31,*

<b>Revenue Buildup</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Units	30	30	30	30	30
Average Monthly Rent (Unit)	\$380	\$380	\$392	\$404	\$416
Possible Annual Rent (Project)	\$0	\$136,800	\$141,041	\$145,413	\$149,921
Vacancy Allowance	\$0	\$6,840	\$7,052	\$7,271	\$7,496
<b>Total Revenue</b>	<b>\$0</b>	<b>\$129,960</b>	<b>\$133,989</b>	<b>\$138,142</b>	<b>\$142,425</b>

Other Expenses as a % of Rent: 12.0%      Permanent Loan Payment \$74,553

<b>Cost Buildup</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Real Estate Taxes	\$0	\$0	\$0	\$0	\$0
Insurance	4,000	4,124	4,252	4,384	4,520
Trash & Recycling	2,400	2,474	2,551	2,630	2,712
Lawn & Landscaping	6,000	6,186	6,378	6,575	6,779
General Maintenance	4,000	4,124	4,252	4,384	4,520
Snow Removal	2,000	2,062	2,126	2,192	2,260
Management Fees	0	3,899	4,020	4,144	4,273
<b>Operating Cost</b>	<b>\$18,400</b>	<b>\$22,869</b>	<b>\$23,578</b>	<b>\$24,309</b>	<b>\$25,063</b>

Permanent Loan					
Starting Balance	0	\$880,500	\$871,984	\$862,830	\$852,990
Borrowings/(Repayments)	0	(\$8,516)	(\$9,154)	(\$9,841)	(\$10,579)
Ending Balance	0	\$871,984	\$862,830	\$852,990	\$842,411
Interest Expense	0	\$66,038	\$65,399	\$64,712	\$63,974
<b>Total Cost</b>	<b>\$18,400</b>	<b>\$88,907</b>	<b>\$88,977</b>	<b>\$89,021</b>	<b>\$89,037</b>

### Construction Cost Buildup

	2007 Quarter Ended				2007
	31-Mar	30-Jun	30-Sep	31-Dec	
<b>Construction Costs</b>					
Grading, Parking, Sidewalks, Soft Costs	\$180,000	0	0	0	\$180,000
Community Center Square Footage	3200	0	0	0	3200
<i>Per Square Foot</i>	\$80	\$80	\$80	\$80	\$80
Total Period Cost	\$64,000	\$0	\$0	\$0	\$64,000
One Bedroom Units	6	6	6	6	24
Square Feet per Unit	600	600	600	600	600
<i>Per Square Foot</i>	\$50	\$50	\$50	\$50	\$50
Total Period Cost	\$180,000	\$180,000	\$180,000	\$180,000	\$720,000
Two Bedroom Units	0	2	2	2	6
Square Feet per Unit	700	700	700	700	700
<i>Per Square Foot</i>	\$50	\$50	\$50	\$50	\$50
Total Period Cost	\$0	\$70,000	\$70,000	\$70,000	\$210,000
<b>Total Construction Costs</b>	<b>\$424,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$1,174,000</b>

### Construction Loan

		Interest Rate			
Beginning Loan Balance	\$0	\$318,000	\$505,500	\$693,000	\$0
Additional Borrowing/(Paydown)	\$318,000	\$187,500	\$187,500	\$187,500	\$880,500
Ending Balance	\$318,000	\$505,500	\$693,000	\$880,500	\$880,500
Interest Expense	\$5,565	\$8,846	\$12,128	\$15,409	\$41,948