

EXECUTIVE SUMMARY

MULTI-FAMILY COMMUNITIES REDEVELOPMENT

PROPONENT

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ICC No:	101000584
Project Cost:	\$64,601,000

THE PROJECTS

Bruce I. Forrester, through a new entity, proposes to acquire and substantially improve 5 multi-family communities comprising 1,150 apartments and townhomes. Acquisition costs total \$43,570,000 and preliminary improvement budgets total \$21,031,000 -- together totaling \$64,601,000.

A corporation owned by Forrester is the day-to-day property manager of 4 properties and previously managed the 5th property. Another controlled corporation has an interest in 3 of the properties. All properties have a history of profitable operations. The primary investor in 4 of the 5 properties chooses not to make the proposed improvements while the owner of the 5th property has indicated a desire to sell. Each property will be treated as a development phase, as follows

PROPERTY	UNITS	STYLE	\$ ACQUIRE	\$ IMPROVE
Walnut Creek	83	Townhomes	6,120,000	1,031,000
Prince Frederick	80	Townhomes	4,530,000	2,000,000
Beaver Ridge Run	148	Apts & T'homes	6,530,000	3,000,000
LaFeuille Apts.	209	Apartments	6,360,000	4,000,000
Centerville Park	630	Apts & T'homes	20,030,000	11,000,000
TOTAL	1,150		43,570,000	21,031,000

While each property has unique needs and opportunities, Walnut Creek Townhomes is presented as a prototypical redevelopment plan. Each phase will develop a similarly detailed plan.

Phase 1 is the acquisition of Walnut Creek. Shortly after redevelopment commences, the Phase 2 acquisition of Prince Frederick Townhomes is initiated etc. It is contemplated that there will be 2 or 3 properties concurrently undergoing redevelopment. The goal is to complete all properties within 2 years

The plan will provide employment for an estimated 20 craftspeople and installers as well as over \$10,000,000 revenues for product suppliers as well as provide attractive and affordable housing and will improve each community's quality of housing stock. Thus, the employers will benefit from an increased availability of nearby human resources. Residents will benefit by improved housing opportunities in established neighborhoods. Further, in order to truly include all stakeholders, including residents, rent increases to existing residents will be very modest, generally limited to recovering increased taxes, insurance and other operating, non-improvement related expenses during the first two years. These benefits will contribute to stronger communities

As these projects progress, we expect to expand the scope of activities, with a view of selecting properties that offer a meaningful opportunity to enhance communities, to provide jobs for skilled craftspeople, to provide upgraded and affordable housing alternatives in established neighborhoods and to provide career opportunities for multi-family administrative and maintenance staffs. I sincerely believe this approach to property purchase and enhancement, if broadly implemented, will have a profound economic and social impact.

PHASE 1 – WALNUT CREEK

Walnut Creek Townhomes is a multi-family community comprised of 83 townhomes built in the early 1970's, located in Blue Ash, an upper middle class suburb of Cincinnati, Ohio. This "green spaces" city has a substantial commercial and industrial base of employment as well as a rather expensive residential housing stock. The daytime population is estimated to be 70,000, while the evening residential population is about 13,000. Many of the employees are unable to afford housing in and or near their Blue Ash employers.

In mid-1993, Cornerstone Realty Corp. became the successor general partner, brought the partnership out of Chapter 11 bankruptcy and successfully turned around the property. While in previous years the present owner has completed property upgrades and has well maintained the property, its age is apparent. Accordingly, it has limited appeal to "renters by choice" and others preferring to reside in Blue Ash but unable financially to avail themselves of Blue Ash's attributes -- superior schools, outstanding family recreational, entertainment and cultural activities -- all close to their place of employment.

The current limited partner/investor of Walnut Creek chooses not to make the necessary upgrades. The president of Walnut Creek Limited Partnership's general partner proposes to acquire the property and to complete a very substantial rehabilitation of the property and to manage the property in a manner that will be an asset of the community and will provide an attractive housing alternative for

those that would benefit from living in the community. CRMC will continue to day-to-day manage the property.

MANAGERIAL FEASIBILITY

Bruce I Forrester is president of Cornerstone Realty Corp. (CRC), the general partner of Walnut Creek's owner, and Cornerstone Realty Management Corp., (crmc) the day-to-day manager of the property.

Bruce I Forrester through ownership of Cornerstone Realty Corporation and CRC Investments Ltd. is the general partner of one (1) limited partnership and managing member of seven (7) limited liability companies. The portfolio totals 1,102 apartments and townhomes, having an estimated market value of \$55 million. E. Michael Zicka, a prominent home builder and developer with 30 years experience, is the sole 80% member in all portfolio holdings except Walnut Creek. CRC has the remaining ownership interest in each of the other portfolio properties.

In May, 2004, CRMC assumed day-to-day, fee-based management of a real estate portfolio comprised of 1,324 apartments and townhomes.

Bruce I. Forrester, president and secretary/treasurer of the corporations, through the corporations as well as CRC investments Ltd. is the managing member of all the property entities. He holds undergraduate (1962) and graduate (1963) business degrees from the University of Cincinnati. His background includes positions as Lecturer in Finance at U C, Director of Research and institutional sales activities at a NYSE member firm, principal in two SEC registered investment counsel firms and senior management positions in two venture capital deals. Prior to forming Cornerstone he was senior vice president of a company engaged in syndicating multi-family properties, land development and single family construction as well as president and principal of a related NASD member firm. He is a board member, past treasurer and currently president-elect of the Ohio Apartment Association as well as board member, past chairman of the Ohio Legislative committee and current treasurer of the Greater Cincinnati/Northern Kentucky Apartment Association.

Brian K. Forrester is vice president of operations. Prior to joining Cornerstone he spent 12 years in the food service business. In 1998 he began as a part time leasing agent and property administrator and progressed to manager of a 215 unit apartment community. Prior to becoming vice president of operations he successfully managed two properties and shared in the responsibilities of overseeing fee-based management of a 630 unit apartment community. In 2000 he achieved the CAM professional designation.

Sheryl Sullivan is a regional property manager, currently responsible for the fee-based management of 6 properties totaling 1,324 units. In 1996 she began her multi-family career as leasing consultant and rose to manager of the 630 unit property, with an administrative staff of 6 and as many as 12 maintenance,

grounds and housekeeping staff during the period of property repositioning. For a brief period she was a contractor for HUD of Assisted Housing, conducting property audits throughout 19 counties. She is about to enter the CAM certification program.

Sean Steiner has 10 years experience in the hotel and multi-family industries, with duties primarily in the area of facilities maintenance. As the lead maintenance technician at a 215 unit Cornerstone community, he was responsible for scheduling, purchasing and overseeing independent contractors as well as participating in rehabbing decisions and the implementation of those decisions. Recently he has joined the regional property manager of fee-based properties, with emphasis on identifying and supervising matters relating to deferred maintenance and property rehab activities. He graduated from the University of Minnesota with an undergraduate degree in business.

The following is summary information of the properties wherein Cornerstone has an ownership interest:

Augusta Square Apartments		Acquired March, 1992
Fairfield, Ohio	96	2 Bedroom 2.0 Bath Apartments
144 Apartments	48	3 Bedroom 2.0 Bath Apartments
Beaver Ridge Run Apts.		Acquired May, 1999
Kettering, Ohio	32	1 Bedroom 1.0 Bath Apartments
148 Apartments & Townhomes	16	2 Bedroom 1.5 Bath Apartments
	16	2 Bedroom 2.0 Bath Apartments
	12	3 Bedroom 2.0 Bath Apartments
	66	2 Bedroom 1.5 Bath Townhomes
Governours Square		Acquired March, 2000
Centerville, Ohio	56	1 Bedroom 1.0 Bath Apartments
200 Apartments & Townhomes	68	2 Bedroom 1.0 Bath Apartments
	28	3 Bedroom 2.0 Bath Apartments
	48	2 Bedroom 1.5 Bath Townhomes
Ivy Hills Place		Constructed 1995 – 1997
Newtown, Ohio	24	1 Bedroom + Den 1.0 Bath Apts
164 Apartments & Townhomes	93	2 Bedroom 2.0 Bath Apartments
	21	3 Bedroom 2.0 Bath Apartments
	20	3 BR + Den 2.5 Bath Townhomes
	6	2 Bedroom 2.5 Bath Townhomes
Kenwood Towers & Bluffs		Acquired June, 1991
Cincinnati, Ohio	64	1 Bedroom 1.0 Bath Apartments
215 Apartments	85	2 Bedroom 1.0 Bath Apartments
	43	2 Bedroom 2.0 Bath Apartments
	23	3 Bedroom 2.0 Bath Apartments
Kugler Mill Square		Acquired March, 1990

Cincinnati, Ohio	7	1 Bedroom 1.0 Bath Apartments	
68 Apartments & Townhomes	59	2 Bedroom 1.0 Bath Apartments	
	2	3 Bedroom 1.5 Bath Townhomes	
Prince Frederick Townhomes			Acquired March, 1990
Cincinnati, Ohio	40	2 Bedroom 1.5 Bath Townhomes	
80 Townhomes	40	3 BR + Den 2.5 Bath Townhomes	
Walnut Creek, Townhomes			Acquired July, 1993
Blue Ash, Ohio	64	2 Bedroom 1.5 Bath Townhomes	
83 Townhomes	19	3 Bedroom 1.5 Bath Townhomes	

The following is summary information of the fee-based managed properties:

Four Towers at Ferguson	156	1, 2 & 3 Bedroom Apartments
Four Towers Apartments	592	1, 2 & 3 Bedroom Apartments
Four Towers Place	181	1 & 2 Bedroom Apartments
Lafeuille Apartments	209	1,2 &3 BR Apts and Townhomes
Mayridge Apartments	108	1, 2 & 3 Bedroom Apartments
Westbrook Apartments	78	1, 2 & 3 Bedroom Apartments

ECONOMIC FEASIBILITY

Walnut Creek is the sole townhome-only rental community in Blue Ash, a vibrant suburb of Cincinnati. Nearby employment opportunities abound – Fidelity Investments, Citicorp, Procter & Gamble Tech Center, Toyota, Johnson & Johnson Ethicon Division, U. S. Financial Life Insurance Co., Ohio National Life, University of Cincinnati Raymond Walters Branch, Jewish Hospital and surrounding support medical offices, regional shopping center Kenwood Towne Centre, Sycamore Place Shopping Center. While older areas of Blue Ash and adjacent neighborhoods offer moderate price housing (under \$200,000), housing generally is in the range of \$300,000 - \$750,000+. In fact, teardowns have become very common, increasing the price of older housing and effectively reducing moderately priced housing availability.

FINANCIAL & MARKET FEASIBILITY

The rental market peaked in 2000 – 2001, due mainly to accelerated home buying fueled by low interest rates. Occupancy declined while at the same time major expenses such as real estate taxes, insurance and health care increased significantly. Walnut Creek has remained financially viable; however, net operating income has dropped from a \$450,000 peak to \$330,000. Recently, the rental market has shown signs of improvement. Occupancy rates seem to have stabilized and rental concessions are declining. An improving market combined with substantial capital improvements should support improved occupancy and rent increases to offset higher costs.

POLITICAL, SOCIAL & OTHER FEASIBILITY

Blue Ash has a record of strong community planning and development. Based on past experience, the proposed improvements will be well-received by the city administration. Nearly all the contemplated improvements do not require permits. The property is compliant with all zoning and usage regulations. Both Walnut Creek and Blue Ash will benefit from the improvements, resulting in a more attractive, enhanced housing alternative at an attractive rental rate.

The improvements will create job opportunities. Required tradesmen include finish carpenters, framing carpenters, countertop fabricators, tile installers, landscapers, window installers.

There are no environmental or safety issues that must be addressed.

PRELIMINARY ESTIMATE OF FUNDS USAGE

PHASE 1

Purchase Property	Immediate
Purchase all Ownership Interests	2,660,000
Repay Current Loan	3,400,000
Supervision, Legal, Acctg., Loan Prepayment Fee	60,000
Feasibility study to be done by The Rutland Group	TBD
Engineering study to be done by Etruscan Group	TBD
Total	6,120,00

Exterior Activities	2 Months
Purchase & install Energy Efficient Windows	159,400
Purchase & install Patio French Doors	49,100
Purchase & Install Entry Doors	34,000
Upgrade landscape	20,000
Repair/replace Privacy Fences	30,000
Purchase & Install Vinyl Siding	3,000
Project Supervision Cost	7,000
Total	302,500

Carpentry & Related	3 Months
Purchase & Install 6 Panel Interior Doors	253,700
Purchase & Install Crown Molding	34,900
Purchase & install Carpet, as Needed	6,600
Project Supervision Cost	10,500
Tenant Relocation Cost – 2 days	10,000
Total	315,700

Kitchen & Bath	4 Months
Purchase & Install Remaining Kitchen Cabinets	5,500

Purchase & Install Remaining Vanities	3,000
Purchase & Install Remaining Pedestal Sinks	,1,900
Purchase & Install Granite Kitchen C'top & Sink	169,200
Re-tile Bathtub Surround	174,300
Purchase & install Corian Vanity C'top & Bowl	24,900
Tenant Relocation Cost – 4 days	20,000
Project Supervision Cost	14,000
Total	412,800

Grand Total Phase 1 **7,151,000**

PHASE 2

Purchase Property

Purchase Prince Frederick Townhomes	4,500,000
Legal and Accounting	30,000
Feasibility study to be done by The Rutland Group	TBD
Engineering study to be done by Etruscan Group	TBD
Total	4,530,000

Redevelopment

Estimated – detailed costs to be determined **2,000,000**

Total **6,530,000**

PHASE 3

Purchase Property

Purchase Beaver Ridge Run	6,500,000
Legal and Accounting	30,000
Feasibility study to be done by The Rutland Group	TBD
Engineering study to be done by Etruscan Group	TBD
Total	6,530,000

Redevelopment

Estimated – detailed costs to be determined **3,000,000**

Total **9,530,000**

PHASE 4

Purchase Property

Purchase La Feuille Apartments	6,330,000
Legal and Accounting	30,000
Feasibility study to be done by The Rutland Group	TBD
Engineering study to be done by Etruscan Group	TBD
Total	6,360,000

Redevelopment

Estimated – detailed costs to be determined **4,000,000**

Total **10,360,000**

PHASE 5

Purchase Property

Purchase Centerville Park 20,000,000

Legal and Accounting	30,000
Feasibility study to be done by The Rutland Group	TBD
Engineering study to be done by Etruscan Group	TBD
Total	20,030,000
Redevelopment	
Estimated – detailed costs to be determined	11,000,000
Total	31,030,000

MORE BACKGROUND INFORMATION

www.crmc-communities.com