

Skyline Pines East Executive Summary

Location

Rapid City, South Dakota

Located on a hillside in south central Rapid City, which, because of its hillside location, provides excellent views of the city

Opportunity

We have the ability to build approximately 196 condominium homes along with a community center, wellness center and several acres of hiking trails which are expected to be under construction during the summer of 2007

Contributing factors are:

- Superior location in the central part of the city for prime development
- Street and utility improvements provided by Tax Incremental Financing
- Medical facilities (including Black Hills Regional Hospital), several hotels, restaurants and a grocery store are located within blocks of the site making condominium housing appealing to professionals, older adults, and seniors with health issues

Market

Adequate demand exists (see market study attached) for upper end condominiums in the area consisting of a range including one bedroom/bath to two bedroom + den/two baths

Price range from \$180,000 to \$600,000

Nine year build out

Capital Required and Return on Investment

Cash Required for Completion of Phase One

Cash Required Over and Above Bank Loan and TIF Loan as set forth below	\$1,250,000.00
Cash Currently Raised Representing Loan from RC Towers, LLC	\$550,000.00
Limited Partner Investor Cash Required (14 shares @ \$50,000.00 ea.)	\$700,000.00
Cash Currently Raised through General Partner Purchase of Three (3) Limited Partner investor shares	\$150,000.00
Eleven (11) remaining Limited Partner investor shares that will include an investment of \$50,000.00 per share	\$550,000.00

Banking – Great Western

Total Bank Loan for Phase One	\$3,750,000.00
Bank Note Required of each Limited Partner Investor after all fourteen Units have been sold (Calculated as 1/14th of loan amount)	\$268,000 .00
Loan Guarantee Required of each Limited Partner Investor (Calculated as 125% of loan share amount of \$268,000.00)	\$335,000.00

For information about the business plan for bank loans, please see attached documents.

At the end of phase 1, it will be determined whether or not to continue with phase 2. Any limited partner not wishing to continue may redeem his ownership at this time and receive compensation amounting to twice the original purchase price (i.e. a \$50,000 share can be surrendered for \$100,000). This option to redeem is only available if it is determined to continue with Phase 2. As the sequence of construction on this project goes forward, the investors in Limited Partner Investment Units will each be called upon, in the sequence of events, to carry additional promissory notes

with Great Western Bank estimated to be in the amount of approximately \$786,000.00 (calculated as 1/14th of the bank loans that will be required) and provide additional loan guarantees to Great Western Bank estimated to be in the amount of \$983,000.00 (calculated as 125% of the individual loans required of each investor), in connection with the construction of each of the four condominium towers that are planned. Please see attached documentation for further details.

Tax Increment Financing (TIF) Note

Total Tax Increment Financing (TIF) Note
\$3,200,000.00

TIF Loan Guarantee Required of each Limited Partner Investor
(Calculated as 1/14th of Loan Amount
or \$228,600.00 times 125%) \$285,000.00

TIF Financing will be carried by Great Western Bank and is planned to be paid back by increases in Real Estate Taxes on the improved property in the project. The TIF note has 2 years interest built in. In short, the note balance starts at approximately \$2.7 million. The real estate taxes are in first collateral position on this note. The real estate taxes also pay the interest. See at Tab 6 for further explanation.

Total Projected Dollar Return After Repayment of Loans

Collectively, the investors in Limited Partner Investment Units are projected, pursuant to the attached business plan projects, are projected to see a return on investment of approximately \$5,400,000.00. This calculates to a return to each investor in a Limited Partner Investment Unit of \$386,000.00 over the life of the project. These projected returns calculates to an annual projected cash return over the nine (9) year build out of \$43,000.00 per year, which calculates to a cash return of Eighty-Six Percent (86%) per year on the original cash investment of \$50,000.00.

This projected return presumes that the timely sale of lots proposed to be developed for sale during Phase I and that the market conditions exists to justify construction of all four of the condominium towers. The actual return on investment will be dependent upon market conditions that exist as the project goes forward. The investor should be aware that there is a business risk involved in the proposed project and that there is no guarantee that the actual return on investment will be consistent with the above projected return.

Rapid City Towers Process of Build-Out

Shareholder Structure

- 55% General Partner. The General Partner, RC Towers, LLC, is assigning the rights to purchase the real property for the project to Skyline Pines East, LLLP, and providing the development concepts for that property. In addition, the General Partner has agreed to provide an unsecured loan to the partnership in the amount of Five Hundred Fifty Thousand Dollars (\$550,000.00) with interest to be paid at the rate of 30% per annum, simple interest. It is anticipated that this loan will be repaid from Phase I of the project.
- 42% Limited Partner Investment Group Share with a total of fourteen (14) Limited Partner Investment Units available in this project.

Each Limited Partner Investment Unit requires a \$50,000.00 cash investment, together with certain loans and loan guarantees as set forth in these documents.

The total cash investment by the Limited Partner Investors will be \$700,000.00 (\$50,000.00 per share for 14 Shares) representing a 42% equity interest in the project.

Three (3) of the Limited Partner Investment Units have been or will be purchased by RC Towers, LLC, who will hold those shares as a Limited Partner. RC Towers, LLC, is also the General Partner in this limited liability limited partnership.

Eleven (11) Limited Partner Investment Units remain to be purchased at this time. RC Towers, LLC may elect to purchase any unsold Limited Partner Investment Units.

- 3%A 15th Limited Partner share belongs to the real estate brokers for packaging and presenting the investment opportunity. This ownership share does not carry with it a requirement for a cash investment or loan guarantees. Bob Drew, Rich Evans and Jeff Green are members of the ownership entity and are licensed real estate brokers in the state of South Dakota.

Phase 1: Step 1 – Purchase the Land

Before the Partnership purchases the land, at least five (5) more Limited Partner Investment Units need to be sold, bringing the total to at least eight (8) investment units sold. Until such time as the Partnership finalizes financing arrangements with Great Western Bank and there is actually a closing on the purchase of the land for this project, all investment moneys received from Limited Partners investing in Limited Partnership Investment Units will be held by the Partnership on deposit at interest in an account at the Partnership's bank and not used for any purpose. In the event circumstances occur where it is not possible, for some unforeseen reason, for the Partnership to finalize the financing with Great Western Bank and close on the purchase of the land, all moneys invested by Limited Partners in Limited Partnership Investment Units will be returned to those Limited Partners who made such investment, together with such actual interest as was earned thereon by the Partnership.

When a minimum of five (5) additional investment units are sold, Great Western Bank will provide the financing for the Partnership to proceed with the purchase of the land for \$4,300,000.00. The loan from the Bank for the land purchase will be \$3,200,000.00. The remainder of the purchase price will be paid from the cash raised through the cash investment in the Limited Partnership Investment Units and the loan from the General Partner. The loan from the General Partner is an unsecured loan.

On the date of closing on the purchase of the land, each investor in Limited Partner Investment Units, including the General Partner to the extent of its three Limited Partnership Units, shall be required to carry a promissory note for its proportionate share of the bank loan of Three Million Two Hundred Thousand (\$3,200,000.00) based upon the number of Units then sold and provide a loan guarantee to the Bank of one hundred twenty-five percent (125%) of the amount of the Limited Partner's promissory note. If there are eight (8) such Units sold at that time, the promissory notes would be for one-eight (1/8th) of the loan amount or Four Hundred Thousand Dollars (\$400,000.00) and the loan guarantees will be one hundred twenty-five percent (125%) of that amount or Five Hundred Thousand Dollars (\$500,000.00). If more than eight (8) Limited Partnership Investment Units have been sold by the date of closing, the proportionate shares required of the Limited Partner investors would be reduced to be proportionate to the number of such Units then sold.

Step 2 - Finish Investment Share Sales and Market Phase 1 Land

The Partners will thereafter continue to market Limited Partnership Investment Units until there are a total of fourteen (14) Limited Partnership Investment Units.

Simultaneously, the Partnership will begin marketing the excess land not planned for use in the development of the condominium towers. The excess land that will be sold will consist of a restaurant pad next to Ruby Tuesday's, an office/medical building pad, 15 acres of Multi-family land which can also be marketed to a retirement home, and 10 town home lots.

Step 3 - Start the development

After the fourteenth (14th) Limited Partner Investment Unit is sold, Great Western Bank will raise the amount of the land loan to Three Million Seven Hundred Fifty Thousand Dollars (\$3,750,000.00) for the purpose of covering development costs and the Limited Investor promissory notes and loan guarantees to Great Western Bank will be rewritten. Each of the fourteen (14) investors in Limited Partnership Investment Units will then be required to provide Great Western Bank with new or replacement promissory notes for one-fourteenth (1/14th) of the new loan amount of Three Million Seven Hundred Fifty Thousand Dollars (\$3,750,000.00) and loan guarantees of one hundred twenty-five percent (125% of the amount of the promissory notes. The required promissory notes from investors in Limited Partnership Investment Units would at that time be approximately Two Hundred Sixty-Eight Thousand Dollars (\$268,000.00) or loan guarantees would be approximately Three Hundred Thirty-Five Thousand Dollars (\$335,000.00).

Additionally, the partnership will take out a TIF loan, consisting of \$3,200,000.00. Each investor unit will sign a guarantee for approximately \$285,000.00. The TIF loan will be paid back by the increase in tax base caused by the resale of the land and the structures built on that land. The loan will include a 2 year time period before payments begin as so to allow for the build-out of this excess land to catch up and cover the loan repayment.

After the TIF loan is taken out, the partnership will begin grading, and then the selling of the excess land, and marketing the condos.

Phase 2: Build the Towers

Pre-sales will determine whether we move into Phase 2. The Partnership will build one condominium tower at a time at approximately \$11,000,000.00 per tower. According to the business plan, the original development note will have been paid off with the sales of property in Phase I. Therefore the Phase I guarantees will have been released. Pre-sales will drive the decision as to when we will begin building the first tower. This will most likely occur when Phase I has been completed. However, pre-sales may dictate a start date prior to the completion of Phase I. The pre-sales will be firm contracts with large non-refundable earnest money.

At the end of Phase 1: Step 3, the Partnership will own the land for the condominium towers free and clear of any debt and should have approximately \$550,000.00 in the bank, pretax. Construction financing through Great Western Bank for each condominium tower is projected to be approximately \$11,000,000.00. The equity in the land will provide a significant portion of the security for the loan for each condominium tower. Any Limited Partner not wishing to continue into Phase 2 may redeem their shares at this time. Compensation for surrendered shares will be twice the initial value of the share (i.e. a \$50,000 initial investment will return \$100,000). The investors in each Limited Partner

Investment Unit wishing to continue will be required to carry a promissory note with Great Western Bank for their 1/14th share of this construction financing, or approximately \$786,000.00 and provide loan guarantees calculated as 125% of the individual loan values, or approximately \$983,000.00. The loan guarantees will be reduced, pro rata, to each investor in a Limited Partner Investment Unit upon condominium closings.