

Interstate Land Development Company, Inc.

Addendum to Executive Summary

On October 18, 1973, the Developer requested that NCA waive an existing default under Section 5.07 of the Indenture of Mortgage and Deed of Trust, which requires that it receive Development Revenues during each of its fiscal years in an amount which when added to the Amount Carried Forward from its two immediately preceding fiscal years, is not less than 120% of Fixed Expenses.

In a certified statement of the computation of the ratio of Development Revenues to Fixed Expenses for the fiscal year ended June 30, 1973, prepared by Arthur Andersen & Company (Exhibit A), development revenues totaling \$2.092 million are shown to be 81% of fixed expenses totaling \$2.596 million. The Developer, however, incurred land development costs during the fiscal year sufficient to justify a withdrawal from the escrow account of approximately \$2.4 million. It would, therefore, have been able to avoid a deficiency in development revenues and the resultant default had it completed the issuance of a Subsequent Series of Debentures in the amount of \$5.5 million by June 30, 1973. All the conditions to the issuance of a Subsequent Series of Debentures had not been fulfilled at that time; consequently the debentures were not issued.

At NCA's request, the Developer has submitted a projected statement of the computation of the Ratio of Development Revenues to Fixed Expenses for the period July 1, 1972 - December 31, 1973 (Exhibit B). As indicated, development revenues totaling \$6.936 million are shown to be 156% of fixed expenses totaling \$4.448 million. Accordingly, for the eighteen-month period, the Developer will not be in default under Section 5.07 following the proposed issuance of a Subsequent Series of Debentures in the amount of \$5.5 million.

The probable result should NCA refuse to grant the requested waiver of default and thereby prevent the issue of \$5.5 million of debentures is that the Developer will not have sufficient funds to make its December interest payment on the HUD guaranteed debentures. In that event, the Secretary would be required to make such payment and pursue his remedies under the terms of the Indenture and Project Agreement.

Although NCA does not believe that the issue of an additional \$5.5 million will necessarily assure the Developer's financial success over the long term, such funds are critical to meet short-term cash requirements during the next twelve-month period. Furthermore, since the use of such funds is restricted to eligible costs of land acquisition and land development, the downside financial risk to HUD in the event of future default and foreclosure is somewhat reduced. Finally, since NCA is not presently organized to assume management responsibility for development of a new community project, any reasonable action should be taken which would avoid such necessity at this time.

In consideration of the above, as well as the discussion contained in the foregoing Executive Summary, NCA recommends that the Developer's request for a waiver of default under Section 5.07 be granted on condition that the Developer agree prior to Closing Date to amend the Development Plan as required by the General Manager to clarify the operation of the annual review of the Developer's one-year, three-year and long-term plans. In view of present and anticipated problems in reaching satisfactory resolution of various development plan issues, such a condition is both necessary and desirable in order to achieve the Purposes of the Act.

October 23, 1973

INTERSTATE LAND DEVELOPMENT COMPANY, INC.STATEMENT OF RATIO OF DEVELOPMENT REVENUES TO FIXED EXPENSESFOR THE PERIOD JULY 1, 1972 THROUGH JUNE 30, 1973

DEVELOPMENT REVENUES:

Cash from escrow		\$ 875,730
Proceeds of borrowing -		
Purchase money mortgages		140,500
Affiliated Companies		194,406
Interest received		25,139
Consideration received from sale of property -		
Revenue accrued on land sales contracts	\$627,809	
Less- Cost of sale	(197,467)	430,342
Amount carried forward from 1972		426,209
Total development revenues		----- \$2,092,326 =====

FIXED EXPENSES:

Interest on debentures	\$1,433,750
Other interest costs	410,063
Property taxes and assessments	25,986
Rents	13,733
Insurance	5,370
Payroll	130,317
Annual fee	92,500
Other current costs	429,105
Debt retirement	55,437
	----- \$2,596,261 -----

INTERSTATE LAND DEVELOPMENT COMPANY, INC.
PROJECTED STATEMENT OF RATIO OF DEVELOPMENT
REVENUES TO FIXED EXPENSES

For the Period July 1, 1972 through December 31, 1973
(Dollars in Thousands)

Development Revenues:

Cash from escrow	\$4,950
Proceeds of borrowing	835
Interest received	55
Consideration received from sale of property	670
Amount carried forward from 1972	<u>426</u>

Total Development Revenues

\$6,936

Fixed Expenses:

Interest on Debentures	\$2,151
Other Interest Costs	615
Property taxes and assessments	56
Rents	15
Insurance	10
Payroll	238
Annual fee	139
Other current costs	639
Debt retirement	<u>585</u>

Total fixed expenses

\$4,448

Ratio of Development Revenues to
Fixed Expenses

156%

AMENDMENT TO DEVELOPMENT PLAN

THIS AMENDMENT TO DEVELOPMENT PLAN dated the 5th day of November, 1973 between the UNITED STATES OF AMERICA, represented by The Secretary of Housing and Urban Development, acting through the Community Development Corporation, ("Secretary"), and Interstate Land Development Company, Inc. ("Developer"), a Delaware Corporation engaged in a project named St. Charles Communities.

WHEREAS, the Secretary entered into a Project Agreement on the 15th day of December, 1970, with the Developer pursuant to Title IV of the Housing and Urban Development Act of 1968; and

WHEREAS, the Development Plan is Exhibit G to the Project Agreement; and

WHEREAS, the Development Plan may be amended by mutual consent of the Secretary and the Developer; and

WHEREAS, the parties hereto wish to amend the Development Plan in accordance with the following.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, the parties agree as follows:

Substitute the following for the PURPOSE AND OPERATION OF THE DEVELOPMENT PLAN:

PURPOSE AND OPERATION OF THE DEVELOPMENT PLAN

"The purpose of the Development Plan is to assure the Secretary of compliance by the Developer with the Act and the Regulations during the development of the Project. The undertakings of the Developer are set forth in long-term, three-year and one-year plans incorporating the Schedules contained in the Development Plan and are reflected in a comprehensive financial plan.

Not later than March 1, 1974, and no later than March 1 of each following year, the Developer will submit, for the Secretary's review, an evaluation of the accomplishments to date of the current one year plan for the then current fiscal year, a statement of changed or changing conditions affecting development, a proposed plan for the coming fiscal year, a proposed three year plan for the next following three fiscal years, any proposed changes in the long term plan with respect to each development category contained in this Plan, and a proposed comprehensive financial plan of the Project until the end of the Development Period, which, in a format acceptable to the Secretary reflecting the proposed long-term, three-year and one-year plans, estimates in reasonable detail, by year, the projected cash costs and revenues for carrying out the Project.

Beginning with the financial plan to be submitted by March 1, 1975, such plans will identify amendments and changes to the then current financial plan which is effective as herein provided, together with appropriate documentation for such proposed amendments.

If such proposed annual, three-year, long-term or financial plans, would result in changes in the Development Plan, which in the reasonable judgment of the Secretary, in accordance, with the terms of Section 6.02 of the Project Agreement, would materially affect the achievement of the Purposes of the Act, then such changes are substantial and require approval (in whole or in part or with modifications) by the Secretary.

Within 60 days after receipt of any such plan the Secretary shall either approve or disapprove such substantial changes contained therein. If the Secretary disapproves any such change, he shall within such 60 day period give written notice to the Developer stating his reasons for such disapproval. If prior to July 1 of each year in which the Secretary so disapproves, the Developer and

the Secretary have not agreed to any such change, the Secretary shall have the right to modify the portion of the plans which result in a substantial change. If any such change is to a long-term plan, the Secretary's modification shall be only to return to the then current long-term plan. If any such change is in a three-year or one-year plan, the Secretary's modification shall only reflect the Developer's projected undertakings in the long-term plan (together with accompanying schedules) to be in effect on July 1 of the year in which the modification is made and shall state the activities to be completed to meet the projections contained in the Schedules and elsewhere herein. The Developer will carry out all plans as approved or modified.

The various schedules of the Development Plan shall be up-dated, supplemented or further detailed as required herein to reflect changes in the Development Plan. Any reference to a schedule in the Development Plan or to a financial statement or projection made under, or pursuant to, this Project Agreement shall mean and include the latest revision, up-dating, supplementing or detailing of that schedule or financial statement or projection, except as otherwise expressly provided.

In the event of a conflict between any map or schedule of the Development Plan and language contained in any Section of the Development Plan the language of the Development Plan shall prevail. Any financial projection contained in financial plans which the Developer has submitted or is required to periodically submit for acceptance by the Secretary, shall in no way be construed to modify or reduce the commitments of the Developer contained in the Project Agreement or in any Section of the Development Plan.

In the case of sale or lease of land, the Developer will assure that such land is utilized in accordance with this Development Plan by inserting appropriate provisions, either in lease contracts or by deed covenants running with the land.

The terms defined in Article I of the Project Agreement shall have the respective meanings stated for all purposes of this Development Plan (except as otherwise expressly provided or unless the context otherwise requires). The Development Plan for the Project is set out according to the following format where appropriate:

1. Objectives (development goals in accordance with the Purposes of the Act);
2. Mature System (the process or state of physical development anticipated to be achieved in the Project at the conclusion of the Development Period);
3. The Long-Term Development Activities (activities projected to be undertaken by the Developer to achieve development of the Project in accordance with the Development Plan);
4. Three Year Plan (the activities projected to be undertaken or completed during a three-year period);
5. One Year Plan (the activities to be completed during a one-year period-for the purpose hereof the first year is to be from the date hereof until June 30, 1972).
6. Schedules-The schedules appended hereto.

For purposes of this Development Plan fiscal year shall mean the twelve month period commencing July 1."

THE UNITED STATES OF AMERICA

BY: COMMUNITY DEVELOPMENT CORPORATION

BY:

Robert F. Fleming Jr.
Authorized Agent

INTERSTATE LAND DEVELOPMENT COMPANY, INC.

BY:

Gordon McKim
Vice President