



## Harvest Pointe Development Group



## “Purpose-Built” Residential Real Estate Investment Opportunity

An Opportunity to Provide Quality Town ‘**Villas**’ and Mid-Rise Town ‘**Flats**’  
in Affluent, Major Metropolitan-Linked North American Markets

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## Legal & Contact

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## INVESTMENT HIGHLIGHTS

Harvest Pointe, a Real Estate Development Management Company, organizes investors to Build, Market & Manage Purpose-Built residential homes in affluent, major metropolitan-linked markets.

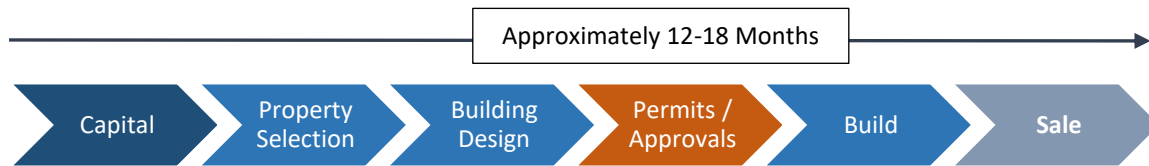
Our business model combines production-line like efficiencies with high-end customization processes and products, enabling us to scale, achieve lowest cost construction status on higher quality products and get to market quicker.

- We are seeking non-binding conceptual agreement and understanding of the strategy, typical project profile and economic terms in advance – to ensure fast decision-making and action as specific opportunities arise. (See Exhibit III)

### “Investor Owns Development from Start to Finish.”

	Town Villas	Town Flats – Mid-Rise
Number of project starts per annum	3 - 5 starts, depending on availability of prime real estate & permitting time	1 - 2 starts, depending on availability of prime real estate & permitting time
Typical development size (estimate)	\$3,200,000	\$5,000,000
Requested equity per development	\$1,100,000 Plus Loan Guarantee	\$1,500,000 Plus Loan Guarantee
Projected Investor Return (Net)	30% +	30% +
Duration of investment (estimated)	9 - 12 months	12 -18 months
Number of Units per development	4	4
Average Square Feet per Unit	2,750 sq ft	3,000 sq ft
Floors (Levels) per Unit	2 (basement option)	1 full floor
Elevator	Option	Yes, private
Markets (Initial Counties)	Fairfield, CT & Westchester, NY	Fairfield, CT & Westchester, NY

### Projected Development-Sale Cycle per Typical “Town Flat” Project:



Avg. Time	--	21-28 days	30-45 days	60-120 days	120-180 days	30 days	Reserve 6 months
Cumulative		28 days	60 days	150 days	330 days	365 days	540 days

## Section I: The Opportunity

**Purpose-built** residential housing represents an opportunity to invest in a real estate sub-market with very strong base fundamentals, a more stable and predictably growing economic profile and a likelihood to out-perform the economy as a whole.

*The opportunity provides attractive returns and a long-term platform to deploy capital.*

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### The Opportunity / Business Proposition

Harvest Pointe, a member of the Five Oceans Group, working in partnership with recognized industry experts, brings forward an opportunity for private funding of “purpose-built” residential housing developments. Our focus is on land acquisition, development, sale and management of *Enhanced Life Style* residential Town Villas and Town Flats (mid-rise buildings).

With the extensive nationwide real estate brokerage and site selection expertise of *TRES Real Estate Advisory Services* and the decades-long construction experience of Harvest Pointe’s select affiliates, a financial partner can be confident it is working with a seasoned team.

### Purpose-Built

Purpose-built real estate is a specific niche within multi-individual housing that includes superior lifestyle housing experiences for individuals resulting from life-changing events such as: divorce, widowers, empty nesters, pure-play downsizers or term corporate executive living accommodations. The markets themselves are oriented around discrete demand centers (affluent, dense metropolitan linked communities) that can be easily be analyzed, tracked, and prioritized. Additionally, these fundamental trends are broad-based, and characteristic of affluent communities in nearly all states across the United States and Canadian Provinces.

Developments are selected and designed to provide a luxury lifestyle, location convenience, quick and easy access to varied transportation modes, desirable amenities, reputable school districts, medical facilities and bed-bath parity for guests.

### Transaction Structure

Our venture is seeking a network of investors able to allocate equity capital over time for us to execute our plan of private development of Purpose-Built housing. Capital will be required as project opportunities arise and the investor will have the opportunity to review and approve specific projects. The intention of the parties is to sell the development upon construction completion and divide the gain.

The funding structure provides the Investor with the opportunity to earn a higher rate of return over a shorter period of time. Harvest Pointe will secure control of the proposed site and then offer it to the Investor to begin the development process. Investor’s funds (equity) would be used in addition to securing short term construction financing.

## Section II: Implementation Plan

Harvest Pointe has developed an initial set of target markets which are underserved and provide the best opportunity with the least amount of competition and risk.

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### Development Timeframe

The development time frame is crucial and a key advantage to our financial success. Any project we commence is targeted for completion within 6 - 12 months. Sale of a development commences half way through the development. By standardizing and streamlining our development process, we reduce interest rate risk and construction cost increases. Therefore, time is of the essence — fast diligence and go/no-go approval by our investors will be critical in order to minimize the risk of delay.

### Target Markets

Taking a deliberate data-driven analytical approach to identify markets with a fundamental supply/demand imbalance, Harvest Pointe has identified multiple target markets which are underserved and can support quality Purpose-built Town Villas and Mid-Rise developments.

We have chosen to develop two types of properties, **Town Villas** and **Town Flats in mid-rise buildings**, in **Fairfield County, CT** and **Westchester County, NY**. As we evaluate a market, we choose which property type or types would be suitable for that locale, based on our criteria, the competitive landscape and available real estate.

### Land Acquisition - Responsive Due Diligence

Due to the limited availability and competition for prime sites, Harvest Pointe will move swiftly to put prospective development sites under contingent contracts on a speculative basis, perform the market due diligence and prepare the site evaluation study (including all costs, revenue and financial modeling, project returns), and present within 14-21 days, the opportunity for the first consideration of Investor. If approved, the Investor shall be assigned the contract and continue the development process with Harvest Pointe.

### Target Returns

It is our intention to secure construction, and long-term debt where appropriate, on the properties to minimize the cash equity investment (maximum 40% equity) and boost cash-on-cash returns. Our wholesale approach will allow our investors to achieve superior investment returns compared to purchasing stabilized assets. Our target return on cash invested when property is sold upon completion is 25% and up.

## Section III: Harvest Pointe Approach

### Market Research

Harvest Pointe's approach to the purpose-built target market and site selection is analytical and data-driven. We closely monitor changes in our key decision-making criteria, including changes in affluence levels and divorce rates at the national, regional, and municipal level to understand how housing demand is evolving in our niche markets. We leverage our broad network of relationships to stay abreast of near to mid-term growth ambitions.

We also have expertise understanding the competitive landscape in general housing markets. Given our partners' decades long knowledge and insight in housing development and management, we understand how age, construction quality, technology and amenity packages affect property demand, and what types of properties outperform current offerings. We will regularly track rent, sales, construction and occupancy trends in markets across the nation to flag areas of potential over and under supply.

### Development Planning

As an input into the development planning process, Harvest Pointe conducts target audience preference surveys, economic analysis and market studies to determine demand, rental rate elasticity and preferences for various unit types and amenities. This results in a clear understanding of how to deliver maximum value for the dollar for each region's unique profile to ensure that Harvest Pointe delivers new product that offers a compelling value proposition to the market.

While development planning is underway, additional site-related studies determine soil and environmental conditions, zoning and entitlement requirements, utility locations, drainage and detention requirements and any other site-related conditions that may impact the project. These analyses, combined with a targeted outreach approach aimed at establishing positive relationships with local stakeholders, guide the scope and features of the building program.

### Design

During the design phase, Harvest Pointe holds the following principles to be absolutely essential to developing a successful product:

- Design to last – we take pride in our product
- Design to the market – offer an experience and an amenity package that fills a hole in the market
- Design to the budget – our buyers are value-conscious, and target sales price or rental rates are a key input into design

Harvest Pointe chooses project architects based on an assessment of which architectural firms will be best suited to partner effectively in achieving the above objectives for a specific development, and to create an engaging and appealing design appropriate for the local market in question.

As the design process gets underway, the Harvest Pointe team leverages its extensive industry experience and market knowledge to provide up-front scoping and design intent to the architect. Harvest Pointe leadership team members are repeatedly engaged in the process of reviewing site plans, building programs, unit plans, amenity designs, technology integration and common spaces so that iterations are fast and the final concept is agreed as timely as possible.

### Financial Structuring

We use detailed financial models to develop and update the project proforma with each change in the program, project scope, schedule, financing plan, and budget. This modeling begins at a high level before a development site is put under contract and evolves in both level of detail and robustness of assumptions as the development moves forward. We track every decision made by the project team and determine its potential impact on the overall financial performance of the project. We also run numerous scenarios and examine a number of financing options prior to closing.

In close consultation with our debt underwriters and equity providers, we closely monitor fluctuations in financial markets and immediately adjust our financial models accordingly to ensure our assumptions are always in line with current market conditions even in the early stages of project feasibility. As the development planning and design processes move forward, our senior executives review overall project progress and study the latest financial models to ensure compliance with our internal market assessment and risk mitigation plans.

### Preconstruction & Construction Management

During construction, Harvest Pointe manages and coordinates activities between relevant contractors, and concurrently establishes a meeting and reporting regimen for key stakeholders. Harvest Pointe's capabilities during construction oversight include permitting and planning, estimating, site logistics, construction coordination, progress monitoring, expediting, and project close out.

Harvest Pointe's team is well experienced anticipating potential delays and ensuring the timely completion of projects. Fast identification of potential problems or conflicts, and equally fast decision-making, are critical.

## Section IV: Development Fees

### ACQUISITION PROCESS:

Harvest Pointe will be responsible for locating suitable parcels of land, based on the Harvest Pointe market analysis, in accordance with the stated purpose of developing purpose built residential housing. If Harvest Pointe approves a development site, Harvest Pointe will use commercially reasonable efforts to negotiate a PSA with the land seller. Once the PSA is executed, Harvest Pointe will send to Capital Provider a Development Offering Memorandum ("DOM") for such Development. If Capital Provider elects to purchase such land and develop such Development, the Capital Provider may participate with Harvest Pointe in conducting the remaining DD and proceed with the closing under the PSA with terms and conditions acceptable to Capital Provider. In conducting such DD, Harvest Pointe will conduct all or parts of the DD which must be approved by Capital Provider. While Harvest Pointe shall conduct the DD, the Capital Provider shall be responsible for the funding of all third-party costs in connection with the DD and acquisition of such land, provided that Capital Provider shall have the right, at its election, to work together with Harvest Pointe to obtain financing in connection with the acquisition and/or development of any such land on such terms as Capital Provider shall elect.

### DEVELOPMENT FEE:

*10% of project costs, excluding land*

Harvest Pointe shall earn a development fee equal to ten (10%) percent of all project costs actually paid or financed by Capital Provider to third parties in connection with each Development (excluding land costs and all associated costs in connection with the acquisition of the land, such as transfer taxes and legal costs and excluding all financing costs). The schedule of payment shall be fifty (50%) percent at closing of the project financing and fifty (50%) percent payable monthly in arrears over the construction term of the Development.

### CONSTRUCTION ADMIN FEE:

*2% of hard costs*

Harvest Pointe shall earn a construction administration fee equal to two (2%) percent ("CA Fee") of all project hard costs actually paid or financed by Capital Provider to third parties in connection with each Development (excluding land costs and all associated costs in connection with the acquisition of the land, such as transfer taxes and legal costs and excluding all financing costs). The CA fee will be included in the monthly draw for construction costs and will be paid pro-rata over the construction term of the Development.

### PROPERTY MANAGEMENT FEE:

*4% of gross revenue*

Harvest Pointe Management Group, LLC, ("HPMG"), shall have an option, where applicable, to act as the property manager for each Development and manage the Development for a term not less than five (5) years and shall be entitled to receive a fee equal to four (4%) percent ("Management Fee") of the gross revenues received by each such Development, which fee shall be due and payable to such manager on the first day of each succeeding month for the term of the management contract.

### REAL ESTATE BROKERAGE FEE:

*4% of sale price upon sale of asset*

Harvest Pointe, or as it may assign, shall be paid a Brokerage Fee on any Development where it is sold to an unrelated third party. The fee shall be four percent (4%) of the Sale Price.

### PROFIT PARTICIPATION (CARRY):

*Develop and sell: 30% carried interest*

Harvest Pointe, prior to closing, will create a new special purpose entity with Capital Provider.

When Capital Provider sells the development upon construction completion, Harvest Pointe will receive an earn out equal to thirty (30%) percent of the profit that is realized by Capital Provider, after deducting selling brokerage fees.

## Exhibit I: Sample Pro-Forma Financial Model

The following sample pro-forma financial model provides insight into the return profile expected from representative residential housing developments under the proposed financial structure.

It is based on the detailed pro-forma development model of a purpose-built **Town Villa** (Model A) development project in an affluent, major metropolitan-linked North American market.

### Projected Summaries

Product	No. Units	Total Devel. Cost <sup>(1)</sup>	Investor Equity	Total Sales	Total Returned to Investor	Investment Period (mths)	Investor Profit	Investor ROI %
Town Villas	4	\$4,999,107	\$1,499,732	\$5,833,333	\$1,960,850	18	\$461,118	30.7%

<sup>(1)</sup> Includes cost of Land acquisition

### Worksheet Overview

<b>Assumptions and Tracking</b>	Houses major assumptions for the model, and provides a high-level summary of the model outputs
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## Financial Model A – Town Villas

### Project Assumptions & Tracking - SAMPLE PROJECT

Project Development Cost		
Project type	Town Villas	
Location Type	Urban Mid \$	
Location 1	Connecticut	
Location 2	-	
Building type	Villas-TH	
Number of Levels / sq ft per Level	3	1,250
Number of Units in Project	4	
Sq Ft per Unit / Total Unadjusted Project Sq Ft	3,750	15,000
Building efficiency / Sq Ft per Level Adjusted	90.0%	1,389
Total Gross Sq Ft (GSF) / Common space Sq Ft	16,667	1,667
Hard cost per square foot	\$ 185.00	
Hard costs	\$ 3,083,333	
<b>Land costs</b> % Dev cost A		
Land Cost	\$1,250,000	25.5%
Closing costs	\$12,500	0.3%
<b>Hard costs</b>		
Construction	\$3,083,333	62.9%
<b>Soft costs</b> % Dev cost A		
Preclosing Costs	\$28,000	0.6%
Architectural & Engineering	\$55,500	1.1%
FF&E	\$31,000	0.6%
Start Up Costs	\$19,317	0.4%
Construction Admin. Fee	\$61,667	1.3%
Pre-Development Costs	\$6,000	0.1%
Development Fee	\$324,798	6.6%
Development Contingency	\$30,833	0.6%
<b>Subtotal development cost A</b>	<b>\$4,902,949</b>	<b>100.0%</b>
<b>Other costs</b> % Dev Cost		
Construction interest	\$96,159	1.9%
<b>Total Development Cost</b>	<b>\$4,999,107</b>	<b>101.9%</b>
Development cost per Unit / per Sq Ft	\$1,249,777	\$299.95

Construction Information		
Construction start date	8/1/2017	
Construction duration / to Sale (months)	12	
Construction end date / Sale date	8/1/2018	

Land Description		
Land Area - Sq Ft / Acres	10,890	0.2500
Minimum Development Footprint (Sq Ft)	5,556	
Minimum Lot Size Required (Sq Ft)	7,778	
Zoning	<b>Residential</b>	
Land Cost Only	\$1,250,000	
Closing Costs	\$12,500	
Total Land Acquisition Cost	<b>\$1,262,500</b>	
Cost per Sq FT	\$115.93	
Cost per Adjusted Development Sq FT	<b>\$75.75</b>	

Model tracking window - Return/Profit	Sell
Equity source - IRR	30.7%
Project Cash-on-Cash Net Return	12.0%
Total Equity Invested	<b>\$1,499,732</b>
Profit to Investor	<b>\$461,118</b>
Investor Preferred Rate Return	\$134,976
Investor Carried Interest	\$326,142

Financing Structure	Sell
Total Development Cost	<b>\$4,999,107</b>
Loan to cost ratio	70.0%
Total debt financing	\$3,499,375
Total equity financing	\$1,499,732
Loan interest rate	5.25%
Interest only period (months)	12
Preferred Investor return	6.00%
Carried Interest to Investor	70%
Carried interest to Developer	30%
Brokerage fee at sale	4.00%

Model tracking window	Sell
Investment Hold period (months)	18
Sale date (estimated)	02/01/19
Sales price per Sq FT per Unit	\$350.00
Cost per Sq Ft per Unit	\$299.95
Gross Profit per Sq Ft per Unit	\$50.05
Gross Profit Margin	14.3%
Sales price per Unit	\$1,458,333
Cost per Unit	\$1,249,777
Gross Profit per Unit	\$208,557

Model tracking window	Sell
Sales Price	<b>\$5,833,333</b>
Total Development Cost	<b>\$4,999,107</b>
Outstanding Debt	3,499,375
Equity Balance	\$1,499,732
Net Profit Before Brokerage	<b>\$834,226</b>
Brokerage Fee (Sale to 3rd Party)	\$233,333
<b>Net Profit</b>	<b>\$600,893</b>
Outstanding Investor Preferred	\$134,976
<b>Carried Interest</b>	<b>\$465,917</b>
Carried Interest - Investor	\$326,142
Carried Interest - Developer	\$139,775

## Exhibit II: Select Development Partners



**TRES Real Estate Advisory Services, LLC** has deep roots in the brokerage networks throughout the USA and Canada and will act as the real estate advisory arm of the venture, assisting Harvest Pointe in securing sites and executing on the plan with Harvest Pointe to secure new opportunities. Since 2002, TRES has acquired, developed and leased over 3,000,000 square feet of projects and managed construction budgets well over a billion dollars, throughout the US and Canada.



**Westchester Modular Homes, Inc.** is an industry leader with more than 30 years in high quality modular home construction, capable of providing Harvest Pointe with the full spectrum of integrated development, construction oversight and administration services for its **Town Villas program** in both Westchester County and Fairfield County. The concept of building efficiently and quickly, in a weather protected environment, with on-time delivery and cost control is the essence of modular construction and has made systems-built housing one of the fastest growing segments in the housing industry. The company offers innovation in design, superior craftsmanship and customization in line with Harvest Pointe's concepts, criteria and superior quality requirements.

**NON-BINDING EXPRESSION OF INTEREST TO PARTICIPATE**

Harvest Pointe Development Group  
Norwalk, CT 06850

The undersigned (the “**Investor**”) hereby confirms that they are ready, willing, and able, at their sole discretion and with no legal obligations whatsoever, to invest in Purpose-Built residential real estate development opportunities offered to us through Harvest Pointe Development Group (“Harvest Pointe”). We are basing our initial expression of interest on the information which we have received directly from Harvest Pointe.

Any actual investment decision will be subject to the satisfactory completion of our due diligence in our sole discretion and then, only with the execution of definitive legal documents.

This letter does not constitute a legally binding obligation to invest but is an expression of our interest to participate only. For greater clarity, under no circumstances are we legally obligated in any way whatsoever to invest in this or any other investment/development opportunity presented by Harvest Pointe.

**INVESTOR:**

**INDICATION OF INVESTMENT INTEREST:**

\_\_\_\_\_  
(Print Name)

US\$ \_\_\_\_\_

\_\_\_\_\_  
(Date)

**REFERENCE ID:**

\_\_\_\_\_  
\_\_\_\_\_