



Stone Creek Apartments Refinancing

December 29, 2011

We are pleased to announce the refinancing of Stone Creek Apartments, a 160-unit apartment complex located across the street from Colorado State University in Fort Collins, Colorado.

The loan commitment was rate replaced the existing mortgage and substantially increasing value by paying off US Bank, the short-term lender.

SMSI locked a 3.48%, fixed, FHA-Insured loan for 35 years. The FHA 223(f) loan is a 35-year, self-amortizing, assumable, assignable, non-recourse asset of the property.

The loan is in keeping with the SMSI business model to increase NOI by using our expertise in acquiring FHA financing. Over the past 12 months, we have closed a total of 6 additional loans similar to Stone Creek Apartments.

Our Recent Acquisitions.

Stone Creek | Fort Collins, CO
www.StonecreekApartmentHomes.com



The Summit Model

- 1) Great Locations
- 2) Class A Apartments
- 3) Superior Financing
- 4) Secondary and Tertiary Markets

Summit Management acquired Stone Creek, December, 2010. The property is immediately adjacent to the Landmark Apartments (120 units) which was acquired in 2007. Both properties are located across the street from Colorado State University and have nearly 100% occupancy year round. Fort Collins has the lowest vacancy rate in the country for 2010 at 2.8%. The property was purchased for \$13,000,000 with an assumable Freddie Mac loan. Our intention is to refinance the existing loan with an FHA 223(f) mortgage.

Summit's background and expertise in FHA financing will enable the project to receive a mortgage which now becomes a major asset for the future. Our knowledge of 221(d)(4) new construction/major rehab, 223(f) refinancing and 223(a)(7) mortgage resets allows our partners to reap the benefits of refinancing or upon sale, the mortgage becomes a major asset to the property. We have used these financing vehicles for the past forty years.

The secondary and tertiary market philosophy allows Summit Management to dominate markets. Our managerial and marketing knowledge in these markets benefits our partners with lower operating costs and higher occupancy. This translates into higher and predictable "cash on cash" returns.

- **160 Unit Property:** High-end, class A apartment community consisting of luxurious 1 and 2 bedroom apartments catering to both students and conventional renters. Stone Creek is located across the street from Colorado State University and is adjacent to Stone Creek condominium development. The community features numerous lakes, streams and 17 acres of beautiful landscaping. Stone Creek also features a newly remodeled salt water pool. Many of the units feature lofts with sky lights, larger closets, wood burning fireplaces and washer-dryer hook-ups.

Performance Enhancement

Property was purchased with a stabilized 98% occupancy rate. Our goal is to increase returns through effective management while utilizing the new revenue management product thus allowing us to maximize retention and NOI. We are investing additional capital to further enhance the property presentation.

Strategies for the Future

- 1) Sell the project. The mortgage has become one of the most valuable parts of the asset. No one can predict inflation - but as it inevitably increases, the mortgage becomes more valuable.
- 2) Refinance the project in approximately five to seven years. Our interest rates, now at all time lows, allow for much more principal reduction than usual.
- 3) Convert to condominiums or co-ops. We have successfully completed this strategy with other communities.
- 4) Keep the project and accept the cash on cash returns. Perform segregation studies to increase early depreciation.