



April 30, 1998

Jim Motta
Arvida Company
7900 Glades Road
Boca Raton, FL 33434

Dear Jim:

Enclosed is financial information for the development of I'On in Mt. Pleasant. Included is a sales and marketing strategy for 1998 through the year 2000. This information represents an executive summary of the community and should serve as a continuance of the dialogue we began in December.

Infrastructure costs are based on actual experience to date. Pricing and absorption is based on local market conditions. Wider draw area dynamics are anticipated as word of the neighborhood spreads outside the Charleston area, but this factor is not taken into account in the financial model.

The wet winter delayed our construction schedule, but we expect roads in the first sub-phase to be paved and a final plat recorded by the end of May. To date 10 lots have been sold and 62 more are under contract. A purchaser is required to have an approved house plan and contract with a builder before closing.

Please call me after reviewing the package to let me know what further detail, if any, is needed at this point. I look forward to discussing this with you soon.

Sincerely,

Vincent G. Graham

cc: Peter Rummell

bcc: Charles Fraser

Executive Summary

I'On is a walking neighborhood built in the manner of traditional coastal towns and cities like Beaufort, Charleston, and the Old Village of Mt. Pleasant. I'On is located on a 243 acre "in-fill" site in the town limits of Mt. Pleasant – the fastest growing area in the Charleston region.

This report provides a financial summary and background information for I'On. It also outlines the sales and marketing strategy through the year 2000 for the sale of approximately 300 lots in the first three phases of the neighborhood's development. This strategy incorporates the neighborhood plan, location, natural amenities, and manmade facilities to produce strong cash flow, and set the stage for maximum value creation for the remaining lots in subsequent phases of I'On.

Lot distribution and price range by phase is as follows:

See Exhibit A	NUMBER OF LOTS BY PHASE BY PRICE RANGE										
	PHASE	TOTAL	<\$40k	\$40's	\$50's	\$60's	\$70's	\$80's	\$90's	\$100k to \$140K	\$150K to \$200K
1	164	18	45	34	25	12	11	14	3	0	0
2	109	0	9	30	14	12	2	4	9	11	18
3	28	1	17	9	1	0	0	0	0	0	0
3F	19	1	0	16	0	0	2	0	0	0	0
4	67	2	8	17	8	17	10	4	1	0	0
5	153	27	18	37	37	8	7	3	7	4	5
6	93	7	14	25	10	7	1	0	10	7	12
7	93	1	5	25	18	7	2	5	11	2	17
8	46	0	18	24	1	1	2	0	0	0	0
TOTAL	772	57	134	219	114	64	37	30	41	24	52

Executive Summary, continued

Net lot proceeds through build out and average price/cost per lot resulting from this pricing and sales strategy is as follows:

See Exhibit B		NET LOT PROCEEDS		
Year	Lot Sales	Selling Exp. Cost of Lots	Net Proceeds	
1998	4,296,729	3,285,463	1,011,266	
1999	7,037,350	5,276,045	1,761,305	
2000	7,885,008	5,098,590	2,786,418	
2001	8,675,115	4,756,172	3,918,943	
2002-2006	31,970,708	16,206,409	15,764,299	
	<u>59,864,910</u>	<u>34,622,679</u>	<u>25,242,231</u>	

See Exhibit C		AVERAGE PER LOT				Total
Phase	# of Lots	Price	Selling Exp.	Cost	Proceeds	Proceeds
One	164	59,333	3,857	43,868	11,608	1,903,779
Two	109	92,215	6,916	52,066	33,233	3,622,360
Three	31	45,129	2,934	29,946	12,249	379,723
Four	83	78,218	5,084	31,307	41,827	3,471,635
Five	153	69,620	4,525	33,628	31,467	4,814,466
Six	93	96,344	6,262	36,222	53,860	5,008,960
Seven	93	102,372	6,654	46,018	49,700	4,622,108
Eight	46	66,507	4,323	31,332	30,852	1,419,199
Total	<u>772</u>					<u>25,242,231</u>

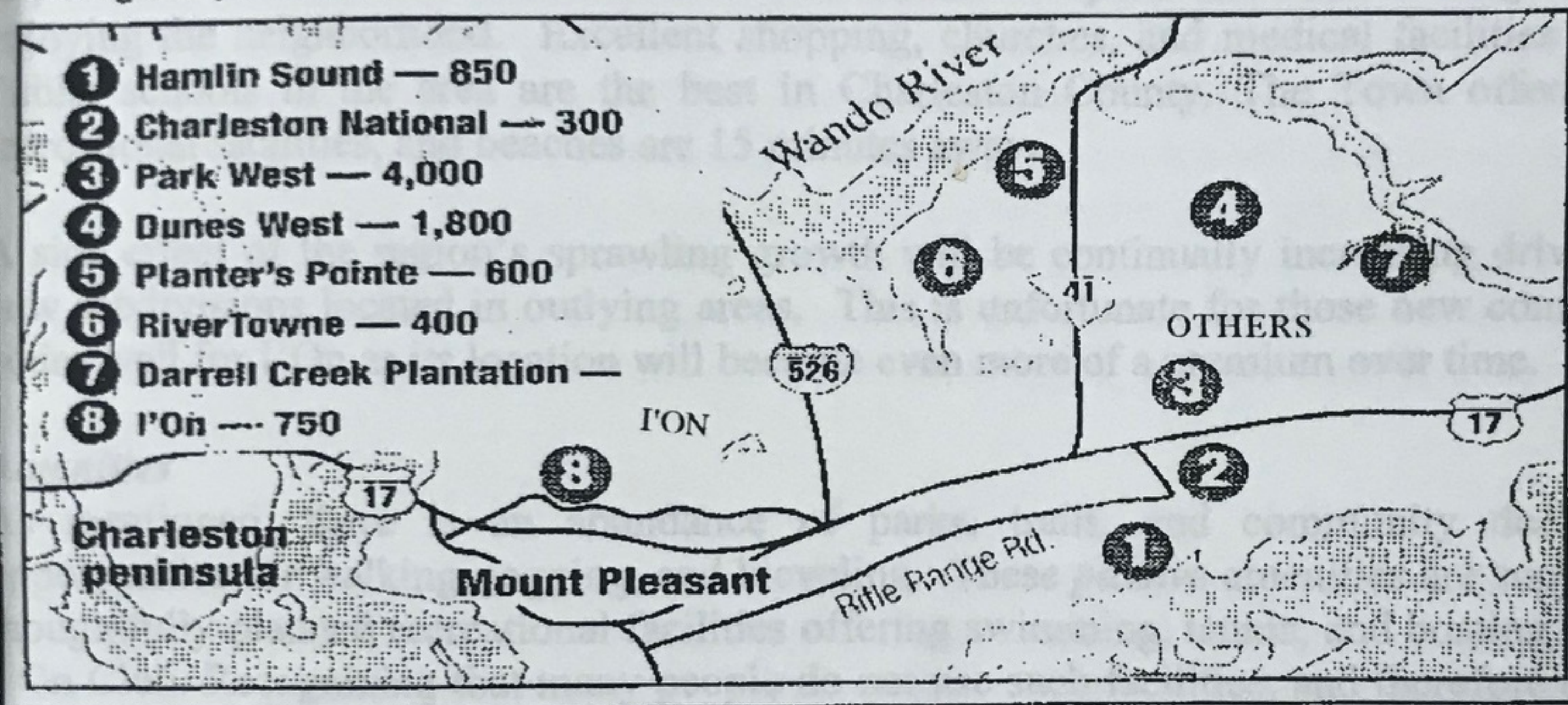
Positioning

Competition

New single family homes in Mt. Pleasant generally take the form of three or four bedroom "tract built" houses in conventional suburban development segregated by use, product size, and price range. Virtually all new home product is located in subdivisions outside the Mark Clark Expressway (I-526) along US 17 or SC 41. See map below. Marketing and planning emphasis is typically placed on privacy and exclusivity, with any sense of "community" limited to the project's entry signage and common swimming facilities.

Mount Pleasant growth spurt

Here are some of the houses or apartments planned in the bigger new subdivisions taking shape in Mount Pleasant, according to plans announced by the developers.



Post and Courier Graphic by S. Williams

Source: November 1997 Post & Courier

I'On

I'On takes a different approach. By incorporating the latest advances in community building and technology with planning principles used in creating neighborhoods in historic Charleston and the Old Village of Mt. Pleasant, I'On appeals to a broad spectrum of potential purchasers who share an appreciation for craftsmanship, architecture, community, and an enriched quality of life.

I'On offers the individual home owner PLACE: (Plan, Location, Amenities, Community, and Excellence). These elements are managed to reinforce the neighborhood's social value which is leveraged to maximize economic value. The sales and marketing effort capitalizes on this organization to enhance awareness of I'On as the most desirable new neighborhood in the Charleston area, if not the State of South Carolina. The goal is for I'On to quickly be regarded as an exemplary model of community building for the new millenium.

Plan

The land plan calls for a continuous network of sidewalks, streets, and paths leading to green spaces and parks. Tree lined streets are designed to "calm" automobiles and be friendly to pedestrians and bicyclists. Varied lot sizes, a mixture of building types, accessibility to linear parks along the marsh and lakes (especially important in this coastal environment), and the conveniences of neighborhood shops and services enable I'On to offer product to a broad market while enhancing value across the board.

Homes offer timeless design with modern conveniences in the best vernacular traditions of the South Carolina Lowcountry. The homes reinforce and enhance the sense of neighborhood established by the land plan.

Location

I'On's location – 10 minutes from the heart of downtown Charleston, and 20 minutes from the airport and North Charleston – enables its residents to spend less time driving and more time enjoying the neighborhood. Excellent shopping, churches, and medical facilities are close by. Public schools in the area are the best in Charleston County. The Town offers outstanding recreational facilities, and beaches are 15 minutes away.

A side effect of the region's sprawling growth will be continually increasing drive times from new subdivisions located in outlying areas. This is unfortunate for those new communities, but bodes well for I'On as its location will become even more of a premium over time.

Amenities

As mentioned, there is an abundance of parks, trails, and community docks providing opportunities for walking, jogging, and bicycling. These *passive* amenities are supplemented by thoughtfully planned recreational facilities offering swimming, tennis, and boating as part of the I'On Club. Recognizing that many people do not use such facilities, and therefore don't wish to pay for them, Club membership is optional with dues payable on an annual basis.

The convenience of the I'On Square with its neighborhood shops, restaurants, and offices offers an amenity for residents of I'On.

Community

In conventional suburban developments offering privacy and exclusivity, each new home detracts from what is being offered – the development becomes less private and exclusive. I'On offers a sense of neighborhood and community. The homes and land plan work in concert to create a public realm that encourages civic life. As a result, neighbors come to know one another, forming the bonds of community. This "amenity" is enhanced with each new family moving into the neighborhood.

Two bodies govern I'On's common areas. The I'On Assembly is a well organized homeowners association managing the physical responsibilities of the public realm. The I'On Trust, on the

other hand, maintains the "social infrastructure" of the neighborhood through a continual celebration of community spirit. It supports artistic, environmental, and cultural activities in I'On and Mt. Pleasant.

Excellence

A growing percentage of the marketplace is demanding higher quality than is currently being offered in the Mt. Pleasant marketplace. I'On's team of experienced professionals have the ability to deliver a well executed traditional walking neighborhood which creates significant value to the home buyer and generates healthy returns on investment. They are committed to making I'On the best it can be.

Sales Strategy and Goals

No amount of marketing materials can enable a prospect to see, and more importantly *feel*, how a traditional neighborhood differs from a conventional subdivision. To have a neighborhood requires neighbors. And to have neighbors requires homes for them to live in. Therefore, the initial thrust will be to get quality homes built as soon as possible which embrace the space between the buildings. "Neighborhood" is achieved when there are kids on bikes, parents pushing strollers and walking dogs, and a frequency of informal porch visits. The strategy involves the creation of strong builder relationships; and the maintenance of a diversified inventory selection of "spec" and custom home sites ranging in price from just under \$200,000 to more than \$600,000.

1998

Primarily due to press coverage and public relations over the lengthy approval process, and the national attention of Newport, pent-up demand exists for I'On's product. Initially, the marketing focus is to convert this demand into the building of homes that define the public realm and establish I'On's sense of place. To support this focus, lots are released in small increments, reservations are taken, closings occur when plans are approved (roughly one hundred fifty days from reservation), and building begins within two weeks of closing. By the fall a fully completed section of I'On will be in place.

Concurrent with building homes, the sales and marketing efforts must also focus on the generation of additional prospects. This is done by enhancing public awareness of I'On and indoctrinating area realtors and consumers about I'On's assets. At the same time it will reinforce the interest of existing prospects and the purchase decision of I'On's new homeowners (creating additional enthusiastic "sales people" promoting the neighborhood's benefits). The goal is to make I'On an admired neighborhood and a household name throughout the Mt. Pleasant and Charleston area so that friends, neighbors, prospects, and opinion leaders are talking about "what's happening at I'On." During this first year of development, the sales and marketing effort will generate construction starts on approximately 75 home sites. A break down of homes sold in 1998 is estimated as follows:

I'On, Mount Pleasant, South Carolina

\$200,000 - 250,000	25 homes
\$250,001 - 300,000	25 homes
\$300,001 - 400,000	15 homes
\$400,001 and above	10 homes

1999

With momentum established in 1998 through rapid sales and the creation of neighborhood, prospects are able to see and feel how the homes and public realm of I'On differ from the conventional subdivision. With additional infrastructure in place, lot inventory now includes canal, deep water, and marsh front home sites. Price points are carefully escalated on premium home sites while maintaining absorption of middle and lower priced homes and lots. Because the neighborhood has been established, some lots, particularly those on the marsh, will not have as severe building time constraints as those purchased earlier.

I'On's draw area dynamics expand throughout the southeast with exposure from articles in *Coastal Living* magazine and other regional and national media. Increased awareness, attention from area realtors, and word of mouth advertising broadens I'On's market and attracts prospects who would otherwise purchase in the Old Village or downtown Charleston.

I'On Realty anticipates selling the following number of homes in 1999:

\$200,000 - 250,000	25 homes
\$250,001 - 300,000	30 homes
\$300,001 - 400,000	30 homes
\$400,001 and above	15 homes

2000

All infrastructure for the first three phases will be completed in 1999. Amenities will be in place, and shops in the Square opened. The neighborhood's notoriety will continue to spread. The focus will be on selling the remaining inventory of interior, lakefront, canal, and marsh front home sites in Phase II and III. Concurrently, lot layout for Phases IV through VIII will be reevaluated and sales and marketing strategy fine tuned to maximize value creation through sell out. Future possibilities may include building another lake and/or getting into the home building business.

I'On Realty anticipates selling the following number of homes in 2000:

\$200,000 - 250,000	20 homes
\$250,001 - 300,000	30 homes
\$300,001 - 400,000	30 homes
\$400,001 and above	20 homes