

Maggs Property: Project background

The Maggs Property is a residential subdivision of 12 single family detached lots and an open space lot in the City of Brigantine, Atlantic County, New Jersey (the "Project"). The Project is located in the R-2 Zoning District and has received both Preliminary Plan Approval and Final Plan Approval from the City of Brigantine. The plan was recorded in Atlantic County in 2007.

According to the Housing and Fair Share Plan of the City of Brigantine (Adopted: Dec. 8, 2008) in the 1980's, the Property was the subject of an illegal subdivision that was litigated and resulted in adding deed restrictions that enforced non-residential zoning. Subsequently, B & J Realty, LLC ("B&J") sued the City of Brigantine for exclusionary zoning on June 30, 2003 and sought the right to construct residential units including affordable housing. A settlement agreement was executed between B & J and the City of Brigantine in June 2004 allowing for the development of twelve (12) 55' wide single family lots.

In October of 2004, B & J sold the property to GC Realty, LLC ("GC Realty"). In early 2006, GC Realty transferred the lots to MDF Holdings, LLC. In 2007, MDF Holdings, LLC ("MDF Holdings") recorded the plan in Atlantic County, NJ. Brigantine on the Bay, LLC ("Brigantine on the Bay") in March 2008 purchased the lots and by July 2008 a majority of the site improvements were in place according to the release of Financial Security.

Construction of model home began soon thereafter and, to our knowledge, no further work has been done on the home or the site since November of 2008.

The Project is proposed to have sidewalks, public sewer, public water, and on lot storm water management. In addition, the approved plan required road improvements to Golf Course Drive as well as sewer and water infrastructure improvements.

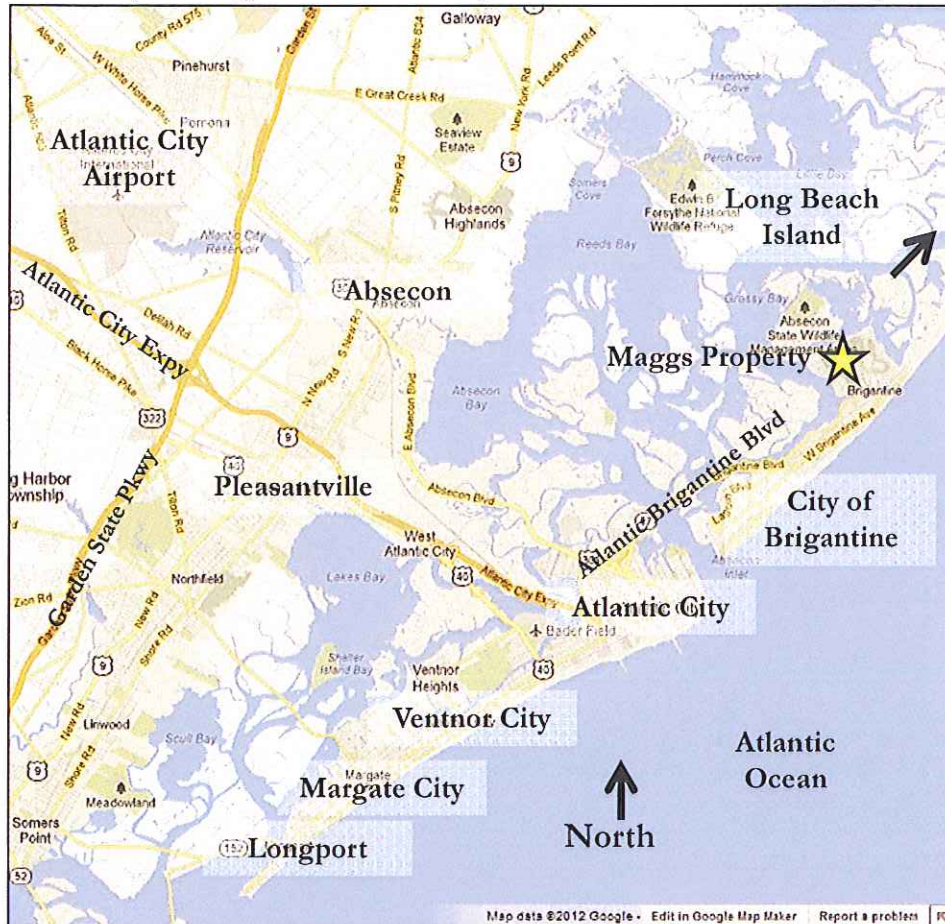
Today, the Project is owned by Brigantine on the Bay with a first mortgage benefitting Sun National Bank ("SNB"). William J. Bigham, Esq. of Sterns & Weinroth, P.C. as counsel to SNB requested that Arcadia Land Company ("Arcadia") perform a due diligence and market research report for the Project.

Please note that due to Hurricane Sandy, Arcadia was unable to perform a New Jersey Department of Environmental Protection file review as well as follow up with Brigantine City offices regarding certain specific site improvement questions.



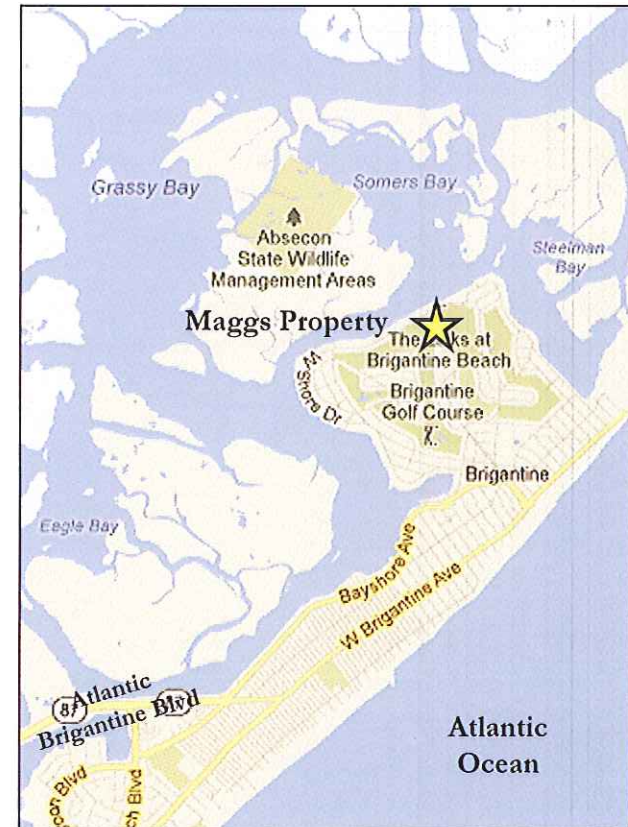
Maggs Property: Location

The City of Brigantine is located just north of Atlantic City, NJ.



The site is:

- 5 miles northeast of Atlantic City, NJ.
- 15 miles east of Garden State Parkway.
- 70 miles southeast of Philadelphia, PA.



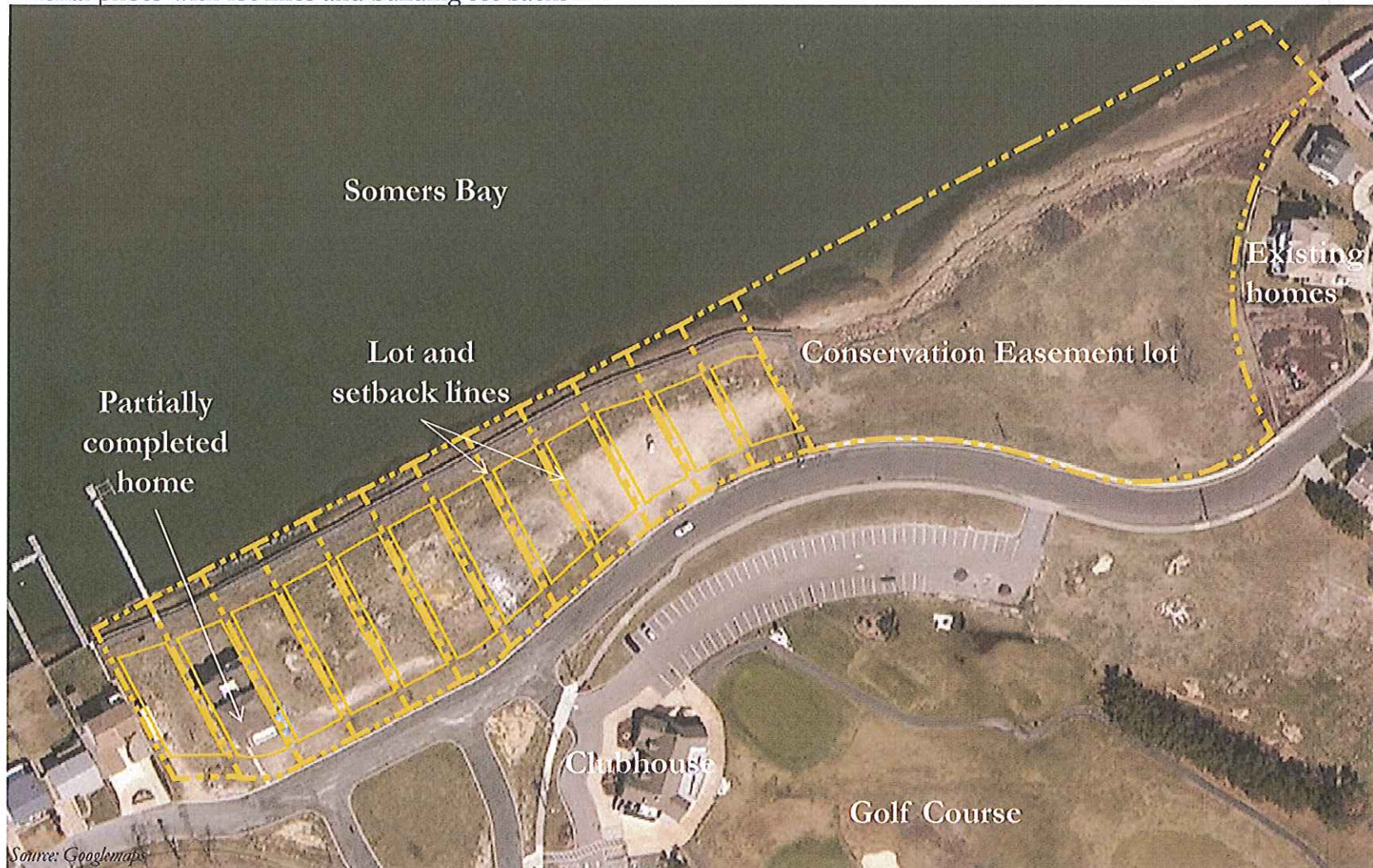
Location Description

The Maggs Property is located on the north side of Golf Course Drive across from The Links at Brigantine golf course clubhouse.

Maggs Property

Maggs Property: Existing features

Aerial photo with lot lines and building set backs



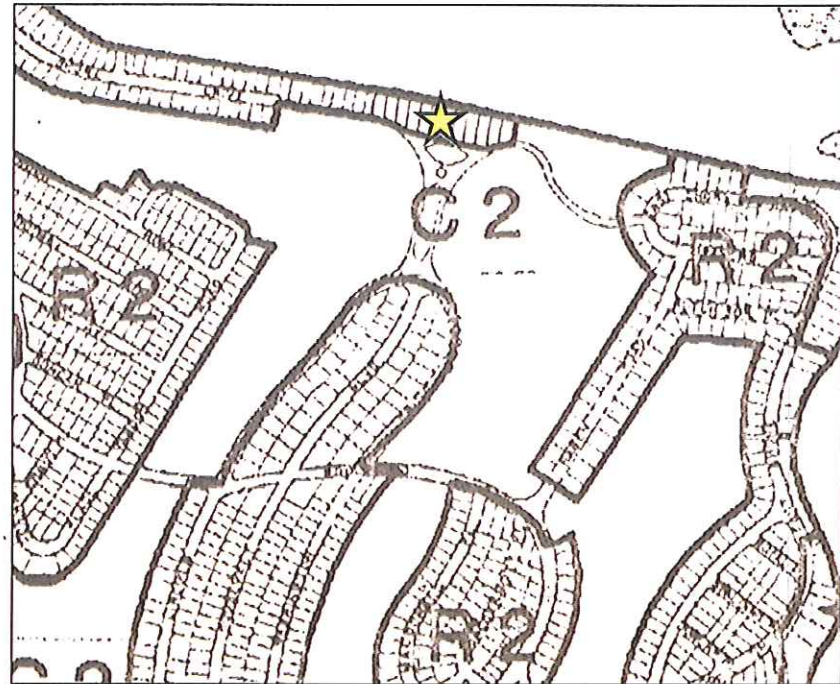
Maggs Property

Prepared for Sterns & Weinroth, P.C. counsel to Sun National Bank by Arcadia Land Company, Narberth, PA 610.664.0270 November 2012 page 5

Maggs Property: City of Brigantine Zoning

Zoning District - R-2

Min lot area:	4,500 sqft
Lot Width :	50'
Lot Depth:	90'
Front Setback:	20'
Rear Setback:	20'
Side Setback:	One side - 7' / 2 nd side - 3' / Min 10' between buildings
Impervious coverage:	60%
Building coverage:	40%



Brigantine City Zoning Map

Revised 7/29/2004

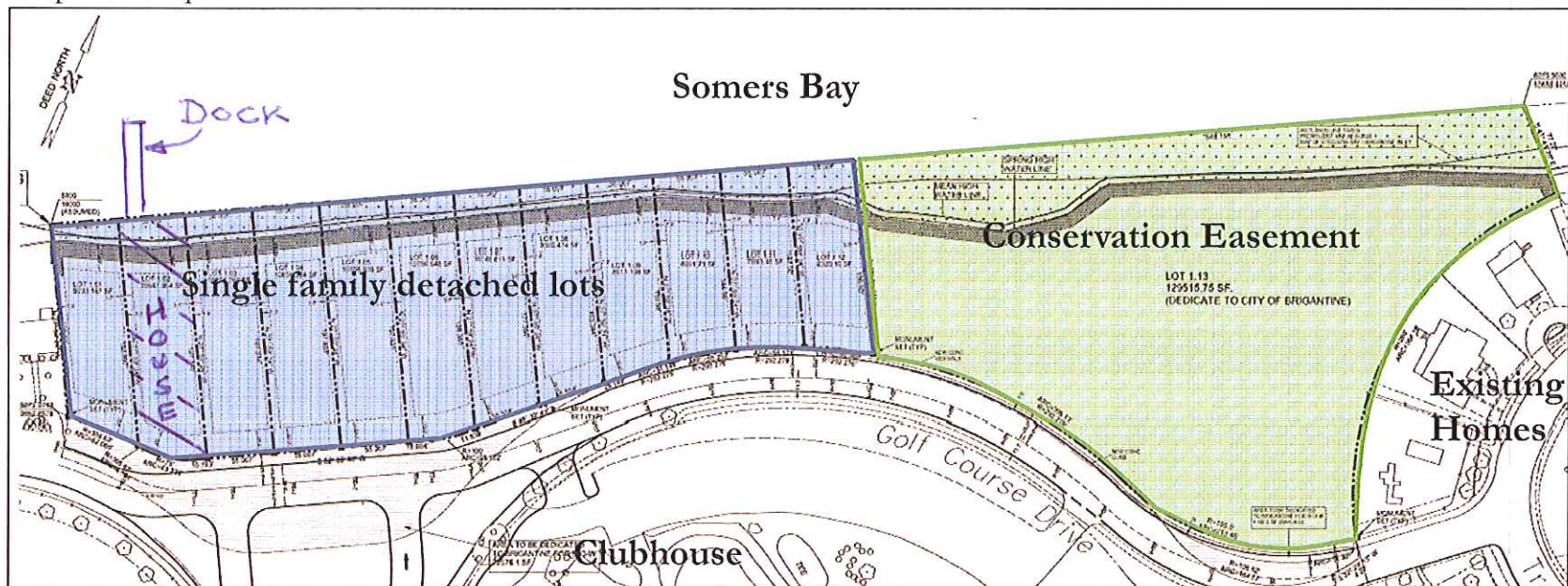
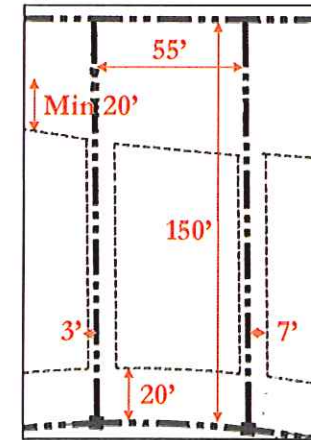


Maggs Property: Recorded plan details

Single family detached units:	12
Typical lot area:	1/5 acres
Typical lot width :	55'
Typical lot depth:	150'
Front setback:	20'
Rear setback:	min 20'
Side setback:	min 3' & 10' cumulative
Building envelope range:	45' x 80' to 135'

Note: Even the lots near the Conservation Easement with a building envelope of approximately 45' x 80' could handle the existing house (footprint of 45' x 75'), but may not meet impervious requirements

Typical lot dimensions



Maggs Property: Permit/Approval Summary Chart



Stable – no action required



Watch – action may be required






Issue – Immediate action required

Jurisdiction	Approval	Date	Expiration Date	Comments	Status
The City of Brigantine and the Planning Board of the City of Brigantine	Settlement Agreement	6/14/2004	NA	This Settlement Agreement laid the groundwork for approval of a 12-lot subdivision. There are a number obligations of the Settlement Agreement that have not been met, and may jeopardize the ability to construct new homes.	
City of Brigantine Planning Board	Ordinance No. 32 of 2004: Amendment to the Zoning Map	10/13/2004	NA	The City of Brigantine Planning Board approved an amendment to the zoning map that changed the zoning of the Property from C2 to R2.	
City of Brigantine Planning Board	Preliminary Plan Approval	1/26/2005	1/26/2008	The City of Brigantine Planning Board approved the preliminary plan on 1/26/2005. The final approval preserves the zoning for 3 years with two 1-year extensions available. (N.J.S.A. 40:55D-49).	
City of Brigantine Planning Board	Final Plan Approval	10/26/2005	10/26/2007	The City of Brigantine Planning Board approved the final plan on 10/26/2005. The final approval preserves the zoning for 2 years with three 1-year extensions available. (N.J.S.A.40:55D-52) Expiration is likely extended to 12/31/2014 under New Jersey Permit Extension Act because the expiration fell within the original "extension period" of 1/1/2007 to 7/1/2010. (N.J.S-743/A-1338)	
Atlantic County Department of Regional Planning and Development	Notification of Approval of Land Development	9/21/2005	No expiration		
Atlantic County Recorder of Deeds	Final Plan of Lots Recordation	5/14/2007	NA		

Note: All expirations should be reviewed by legal counsel to determine applicability of New Jersey Permit Extension Act (PEA)



Maggs Property: Permit/Approval Summary Chart (cont.)

Jurisdiction	Approval	Date	Expiration Date	Comments	Status
Cape Atlantic Conservation District	Stormwater discharge permit	7/14/2005	1/14/2009 (extended until 6/31/2015)	The District approved stormwater discharge permit on 7/14/2005. The permit will have to be transferred to new ownership on NJDEP's electronic database. This permit is covered by the permit extension act.	
Cape Atlantic Conservation District	Stormwater management plan Application No. 324-05-AC	7/19/2005	1/14/2009 (extended until 6/31/2015)	The Project was issued a deficiency notice 4/2/2008. This does not void approval, but does require informing the District of the desire to move forward and go over the stormwater management plan with them and the site contractor.	
NJ DEP	Permit No. 0103-04-0032.1, CAF040001	9/1/2005	9/1/2010 (extended until 6/31/2015)	<p>Coastal Area Facility Review Act regulates "construction activities of a single family house or duplex that...[is] within 150 feet of the mean high water line of a tidal water body..."</p> <p>This permit granted permission for the (a) removal of existing improvements, (b) construction of 12 single-family dwellings and associated infrastructure.</p> <p>The permit also required the applicant to submit plans for a 25' vegetative screen on Lot 1.13 before construction activities took place. Additionally, it required the details of the curb cuts along areas adjacent to the infiltration basins.</p> <p>Arcadia believes that this permit is covered under the Permit Extension Act (PEA) because it is not in area excluded by the PEA due to environmental concerns and was within the extension period. This should be confirmed by a land use attorney.</p>	

Note: All expirations should be reviewed by legal counsel to determine applicability of New Jersey Permit Extension Act (PEA)



Maggs Property: Municipal Approvals

Settlement Agreement between Brigantine and B & J

Background: B & J sued the City of Brigantine for exclusionary zoning on June 30, 2003 and sought the right to construct residential units including affordable housing. A settlement agreement was executed between B & J and the City of Brigantine on 6/14/2004. **Below are the relevant and applicable sections of the Settlement Agreement. The full Agreement can be found in the Entitlement Binder.**

4. The Property shall be rezoned to allow sufficient area for twelve (12) 55' wide lots at the south end of the Property.

Status: No action. Property rezoned on 10/13/2004.

6. B & J will not seek subdivision approval for more than 12 lots and must be single family homes. Any application submitted to Brigantine Planning and Zoning will be variance free and will be in conformance with the R-2 zone.

Status: No action. Property received Preliminary Plan Approval on 1/26/2005.

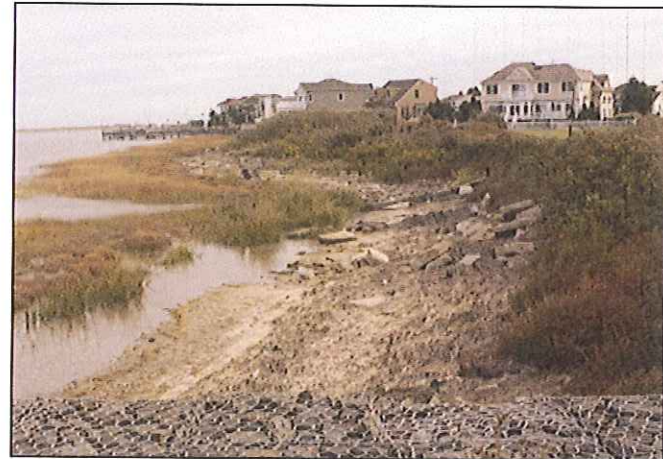
7. B & J shall dedicate the area designated as open space on the plan at the time of the filing of the subdivision plat.

Status: No action. Open space area deeded to City on 2/22/2008.

8. B & J agrees to bulkhead the Property and the entire open space area if permitted by the NJDEP.

Status: We did not have an opportunity to review NJDEP files and were not able to document why the open space is not bulk-headed. We presume that NJDEP did not want the open space disturbed. **City Engineer feels that this issue is closed.**

9. B & J will realign existing road as shown on the Plan as well as sewer, water, etc.
Status: Additional improvements required according to most recent release of security.



Looking north and showing the edge of the installed gabion system.
Source: Arcadia image.



Aerial showing road realignment, sidewalks, and location of the installed gabion system.
Source: GoogleEarth.



Maggs Property: Municipal Approvals (cont.)

Settlement Agreement (cont.)

10. B & J will demolish the old golf course clubhouse.

Status: Completed.

12. B & J will not sue the City nor object to the City's Application for Substantive Certification that will be submitted to the New Jersey Council of Affordable Housing (COAH) for 10 years of the agreement.

Status: This paragraph expires on 6/14/2014.

The City agreed that it will not take any action to condemn the Property for a period of 6 years from the date of this agreement. "After the 6 year period expires, provided that B&J has not commenced construction of the homes on the property, defined as having either at least 3 foundations (i.e. pilings) in place or one Certificate of Occupancy ("CO") for a home on the Property, the City shall have the right to pursue the down zoning of the Property and any other action permitted by law."

Status: The Developer did not meet the conditions of this paragraph by 6/14/2010. Therefore, the City may have the right to down zone the Property.

Settlement Agreement (cont.)

15. Part 1 B & J Realty, LLC shall make a voluntary contribution of \$120,000 to the City's Affordable Housing Trust Fund. The contribution shall be made as follows: (i) \$60,000 within 10 days of B&J's receipt of Preliminary Plan Approval, and the remaining portion of the contribution to be paid on a pro-rata basis based on the number of lots that are approved within 10 days of the issuance of each building permit. No CO shall be issued without the payment of the pro-rata contribution. In exchange for the contribution, the Property shall be referred to as a contributing site in the City's Housing Element and Fair Share Plan.

Status: The Property was referred to as a contributing site in the 2008 Brigantine Housing and Fair Share Plan. \$65,000 of the \$120,000 has been paid, but \$55,000 is still owed, \$5,000 at each building permit.



Maggs Property: Municipal Approvals (cont.)

Settlement Agreement (cont.)

Paragraph 15 Cont.

15. Part 2. In the event the Bulkhead is not approved, the contribution shall be increased by a difference between 110% of the cost of the bulkhead on the open space less the cost of waterfront treatment ("Gabions") on the open space area that is approved. There shall be no additional contribution due if the cost of the bulkhead is less than 110% cost of the waterfront treatment. B&J's engineer shall submit an estimate of probable cost and plan showing both the bulkhead and the Gabions installed in the open space to the City Engineer for review and approval.

Background: According to the 2004 Settlement Agreement between the B&J and City of Brigantine, B&J agreed to bulkhead the open space area if permitted by the NJDEP. Additionally, if NJDEP did not approve the bulkhead or a like system, B&J was required to increase their contribution to the City by the 110% of the difference between the bulkhead and the cost of a waterfront treatment.

History: In August of 2007, Ed Stinson, then as the City's outside engineer determined the amount of the contribution. The developers original construction estimate prepared by Ocean Ridge Transport Corp amounted \$626,720 based on the on 2/19/2007 plans while the estimate from the 7/20/2007 revised plan came to \$406,336 and a contribution of \$220,384.00.

Settlement Agreement (cont.)

Subsequently, Ed Stinson further revised the estimate based on changes in unit cost which adjusted the Contribution to \$202,195 on 9/10/2008.

According to Ed Stinson, the Settlement Agreement required B&J to make the additional contribution payments based upon the percentage of any reduction of the Financial Security. On 8/6/2008, the Financial Security was reduced from \$1,084,410 to \$142,554 or 87% and therefore the partial payment due to the City was \$175,909.65 or 87% of the bulkhead contribution. This partial payment was made and Chris Johansen, C.F.O. of Brigantine confirmed the remaining balance owed to the City is \$26,285.35.

Status: The City of Brigantine is owed \$26,285.35 which will be paid as percentage of the reductions in Financial Security. Please note that the contribution amount amounted to 100%, not 110%. Due to Hurricane Sandy, Arcadia was unable to follow up with the City regarding this issue.

Settlement Agreement actions/recommendations:

- 1) Engage counsel to determine whether the subdivision of the Property prohibits the City from taking action to condemn the Property.
- 2) The City is due a \$5,000 contribution to the Affordable Housing Trust Fund with each building permit.
- 3) The City is due a bulkhead contribution of \$26,285.35 to be paid as percentage of reduction in the Financial Security.



Maggs Property: Municipal Approvals (cont.)

Preliminary Plan Approval 1/26/2005

Background: The City of Brigantine Planning Board approved the Preliminary Plan on 1/26/2005 which was memorialized in Decision and Resolution No. 29-2004 subjected the applicant to the following obligations:

5. Realign portions of Roosevelt Blvd and Golf Course Dr. as part of the application and curbing and sidewalk on the north side of Golf Course Dr.

Status: Roosevelt Blvd and Golf Course Dr. have been realigned, but the fully sidewalk has not been installed.

7. Dedication of Lot 1.13 and the island in Roosevelt Blvd.

Status: MDF Holdings, LLC deeded Lot 1.13 to the City on 1/18/2007 and was recorded on 2/22/2008, but we have not heard back from the City regarding the island.

11. All shore protection systems, as approved by the DEP will be completed at the same time, prior to the construction of dwellings on any of the residential lots.

Status: The shore protection systems have only been completed for the 12 residential lot areas. We assume that NJDEP did not want to disturb the open space with a shore protection system and thus did not require it to be installed.

Actions/recommendations: Sidewalks will need to be installed after the homes are installed.

Final Plan Approval 10/26/2005

Background: The City of Brigantine Planning Board approved the Final Plan on 10/26/2005 which was memorialized in the Decision and Resolution and subjected the applicant to the following obligations:

7. The N.J.DEF required that the site be constructed with a gabion retaining system.

Status: Done. Please refer to the status of Paragraph 11 for the status of the open space.

11. The approvals shall be conditioned upon the applicant paying its proportionate share of the off site improvements to the water and/or sewer distribution system as set forth in the proposed agreement between the applicant and the City.

Status: Done, according to Ed Stinson, engineer for the City.

14. The final major subdivision approval shall be expressly conditioned upon the following:

c. Dedication of Lot 1.13 to the City of Brigantine

Status: Done, 2/22/2008.

d. Planning Board, and all agreements regarding off-site Compliance with the Settlement Agreement entered between the applicant's predecessor in title, the City of Brigantine, and the sewer/water improvements.

Status: Done.



Maggs Property: Municipal Approvals (cont.)

Final Plan Approval 10/26/2005 (cont.)

Engineer Review Comments:

2. A letter of Verification from the NJDEP as to the accuracy of the designated wetlands line.

Status: Unable to confirm due to canceled file review, but assumed because of installed bulkhead work.

4. The applicant should supply an improvement plan for Lot 1.13 showing any grading, landscaping, etc.

Status: Done, City accepted the dedication of the lot.

14. Fire Department approval.

Status: Unable to confirm due to Hurricane Sandy, but we can assume it was done given the project moved forward with improvements.

20. Sewer extension permit and treatment works approval prior to final approval.

Status: Done.

22. Sewer improvements to North Shore Drive Sanitary Sewer Pump Station should be the responsibility of the applicant.

Status: Improvements bonded for in the Financial Security.

26. Each lot shall have an individual recharge system from each downspout and should be designed for the 100 yr. storm.

Status: To be completed with the construction of each home.

Final Plan Approval 10/26/2005 (cont.)

30. The applicant is proposing to install curb and sidewalk along each of the twelve residential lots.

Status: Curb has been installed, but sidewalks have not. Sidewalks, however are typically installed after the home is constructed.

31. Landscaping plan for the center island at the intersection of Roosevelt Blvd and Golf Course Dr.

Status: Not installed, but bonded for in the Financial Security.

Actions/recommendations: Please note that each lot is to have a stormwater recharge system.

Atlantic County, NJ Approval

Background: Atlantic County Department of Regional Planning and Development reviews all subdivision plans with a specific interest in their impact on state roads.

Status: According to Brian Walters, Atlantic County Planner since this Project did not impact any New Jersey roads and it was easily approved on May 14, 2007.

Actions/recommendations: None



Maggs Property: Site improvements

Required Financial Security

Background: The City of Brigantine requires Financial Security on the public improvements related to all development. The public improvements overseen by the City of Brigantine include sewer and water connections, roadway improvements, and other general public improvements. The City requires Financial Security for 100% of an approved site improvement cost estimate as well as an additional 20% of the cost estimate for contingency.

History: MDF Holdings, LLC initially provided a Letter of Credit in the amount of \$1,084,140.00 issued by SNB and dated 6/19/2006 to the City of Brigantine for improvements to the Property. This amount was based on a site improvement cost estimate provided by Arthur W. Ponzio & Associates, Inc dated 10/10/2005 and revised on 1/3/2006.

Subsequently, the Property was sold to Brigantine on the Bay, LLC and SNB issued a substitute Irrevocable Standby Letter of Credit in the amount of \$1,084,140.84 dated 3/4/2008. This action released the original letter of credit to MDF Holdings, LLC and was memorialized by Brigantine City Council through Resolution 2008-49.

According to Ed Stinson, the City of Brigantine does not require yearly Financial Security letter of credit increases.

Required Financial Security (cont.)

Current status: On 8/6/2008, City of Brigantine City Council authorized the reduction in the Sun National Bank letter of credit dated 3/4/2008 from \$1,084,140.00 to \$142,554.00 to reflect 120% of the estimated cost of the remaining site improvements.

Actions/recommendations: None.

Inspection Fee Escrow

Background: The City of Brigantine requires an inspection fee escrow of 5% of total site improvement cost estimate including contingency.

Status: The Developer submitted the required inspection escrow of \$54,207 and the remaining balance is \$16,230.79 as of 10/24/2012 according to Chris Johansen, C.F.O of Brigantine.

Actions/recommendations: Done.



Maggs Property: Site improvements

Remaining bonded improvements

Status: The Financial Security site improvement estimate is our best sense of the cost to complete the remaining improvements. This estimate suggests there are approximately \$119,000 worth of improvements remaining. Arcadia's Director of Infrastructure reviewed the estimate and confirmed the estimate is within a reasonable range based on today's unit costs.

The outstanding major items include:

- Road resurfacing - \$54,150.
- Sidewalk - \$10,250.
- Curb work - \$18,585.
- Landscaping - \$20,500 (includes \$15,000 of island landscaping).

Arcadia estimates that SNB would be responsible for approximately \$70,000 of these improvements.

Actions/recommendations: Most of the major items cannot be completed until the Project is complete. The installation of the island landscaping is possible, but may not make sense considering the installation of trees on each lot. Additionally, the City Engineer feels that the remaining Financial Security would cover the full cost of the remaining the work.

Item	Description	Unit	Original Quantity	Unit Price	Balance to Completion	Total	Responsibility
I. Site Work							
1	Clearing Site and Rough Grading	ACRE	3	\$5,500.00	0	\$0.00	Complete
2	Stabilized Construction Entrance	EA	1	\$1,500.00	0	\$0.00	Complete
II. Roadway and Concrete							
3	1.5" Bit. Conc. Surface Course, Mix 1-5	S.Y.	3445	\$9.00	4100	\$36,900.00	Bank
3a	Leveling Course	S.Y.		\$5.00	1500	\$7,500.00	Bank
3b	Construction Stakeout-Paving	L.S.		\$1,000.00	1	\$1,000.00	Bank
4	3" Bit. Conc. Stab, Base Course, Mix 1-4	S.Y.	2300	\$12.00	500	\$6,000.00	Bank
4a	Reset Castings			\$250.00	5	\$1,250.00	Bank
5	6" Dense Aggregate	C.Y.	385	\$15.00	100	\$1,500.00	Builder
6	Concrete Sidewalk 4" Thick	S.Y.	315	\$50.00	205	\$10,250.00	Builder
7	6" Thick Concrete Driveway Apron	S.Y.	100	\$60.00	136	\$8,160.00	Builder
8	Handicap Ramp		4	\$150.00	4	\$600.00	Builder
9	6" x 8" x 18" Concrete Curb	L.F.	1910	\$21.00	660	\$13,860.00	Builder
10	6" x 8" x 18" Depressed Concrete Curb	L.F.	225	\$21.00	225	\$4,725.00	Builder
III. Storm Water Management							
11	Swale excavation	C.Y.	110	\$10.00	55	\$550.00	Builder
IV. Utility Construction							
12	Sanitary Manholes	EA	5	\$2,000.00	0	\$0.00	Complete
13	Sanitary Sewer Main (10" PVC)	L.F.	613	\$50.00	0	\$0.00	Complete
14	Water Service Main	L.F.	300	\$50.00	0	\$0.00	Complete
15	Fire Hydrant	EA		\$1,800.00	1	\$1,800.00	Bank
IV. Soil Erosion and Sediment Control							
16	Inlet Protection	EA	4	\$200.00	2	\$400.00	Builder
17	Silt Fence	L.F.	1360	\$2.50	680	\$1,700.00	Builder
V. Landscaping							
18	Aristocrat Pear 2.5" Cal	EA	20	\$275.00	20	\$5,500.00	Builder
19	Interior Island Landscape	L.S.	1	\$15,000.00	1	\$15,000.00	Bank
VI. Miscellaneous							
20	Gabion System	L.F.	1100	\$600.00	0	\$0.00	Complete
21	Traffic Signs	EA	2	\$300.00	2	\$600.00	Bank
22	Line Striping	L.S.	1	\$1,500.00	1	\$1,500.00	Bank
Subtotal						\$118,795.00	
20% Contingency						\$23,759.00	
Grand Total						\$142,554.00	



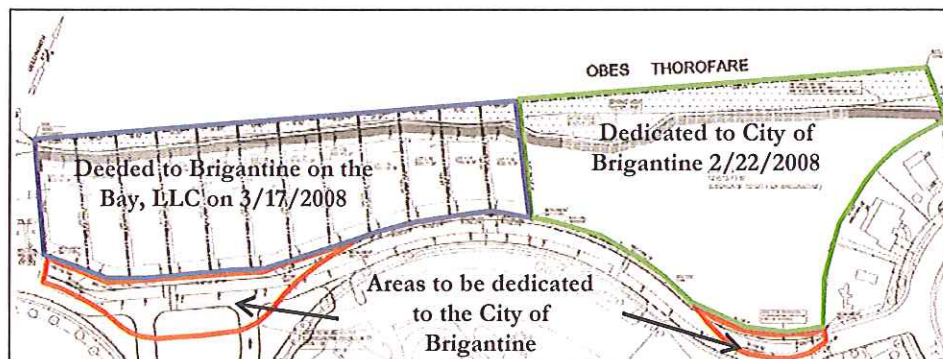
Maggs Property: N. Roosevelt Blvd island & road improvements

Background: Paragraph 7 of the Preliminary Plan Approval required B&J to dedicate the Lot 1.13 and the island on Roosevelt Blvd to the City. This island was created by realignment of Golf Course Dr. during the site improvements to the Project.

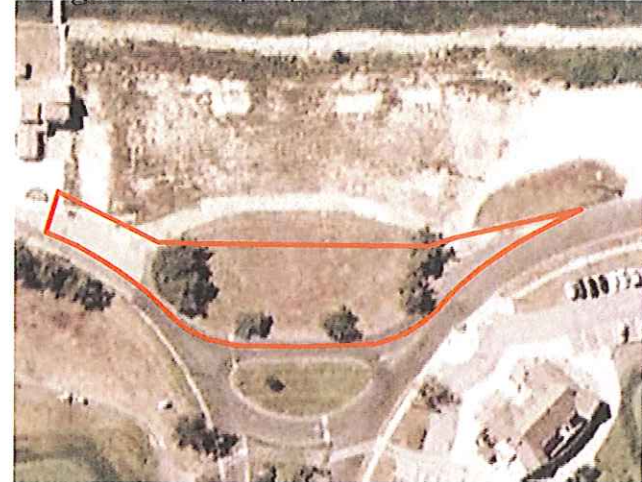
Status: Lot 1.13 was dedicated on 2/22/2008. The Roosevelt Blvd island has not been dedicated to the City and will need to be once the required landscaping improvements are installed.

There will be one small title nuance to the dedication process. In the sale of the Project from MDF Holdings, LLC to Brigantine on the Bay, LLC they transferred only Lots 1.01 through 1.12. Lot 1.13 had already been dedicated to the City by the time of the sale, but the dedication areas of the island and another small portion of the Golf Course Drive never changed ownership. Arcadia believes MDF Holdings, LLC still holds title to these areas, and will have to dedicate these areas at the Project's completion.

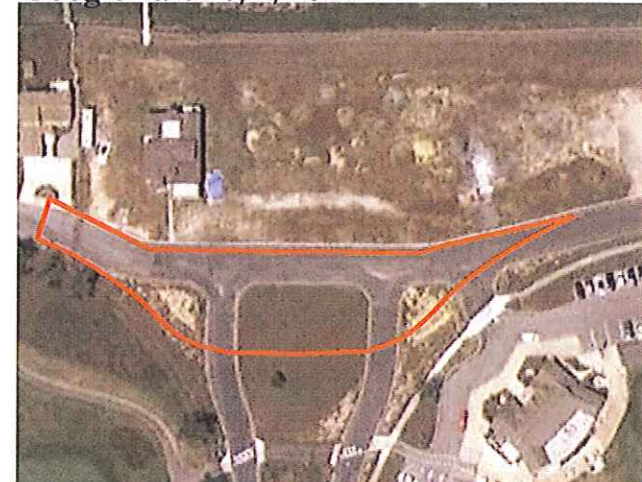
Actions/recommendations: Review issue with counsel and City solicitor.



GoogleEarth 12/31/2001



GoogleEarth 6/1/2011



Maggs Property: Erosion and Sediment Controls

Cape Atlantic Conservation District

Background: The Cape Atlantic Conservation District ("District") reviews all stormwater management and erosion measures for disturbances over 5,000 square feet to ensure they are consistent with state standards. District personnel will also meet with the applicant and the site contractor for a pre-construction meeting to review details of the plan. As NJDEP's delegate, the District also reviews stormwater discharge permits.

Status: The District approved their application #324-05-AC on 7/19/2005 and the stormwater discharge permit on 7/14/2005 (typically 3.5 year expiration). According to David Reilly, Cape Atlantic Conservation District Manager since the approval the Project was issued a deficiency notice on 4/2/2008, for construction entrance and sediment barrier deficiencies, and were corrected.

Actions/recommendations: As long as there are not revisions to the plan, Mr. Reilly suggested that for the Project to move forward, the Project would have to be reviewed/inspected by the District and a preconstruction meeting scheduled.

The District permit would transfer with new ownership, and the stormwater discharge permit would have to be resubmitted through an electronic NJDEP system, but would not require additional review. The permit extension act covers these permits until June 2015, unless there are change requiring updating their application.

Maggs Property: Declaration of Covenants and Restrictions

MDF Holdings, LLC and Brigantine on the Bay, LLC recorded a Declaration of Covenants and Restrictions on 4/9/2008

Highlights of the document include:

- 3.01 – Permitted Use. No lot...shall be used for any purpose other than as and for a **single family residence.**
- 3.15 – Minimum Habitable Building Size – No owner shall construct, or cause to be constructed any **single family home having a heated floor area of less than 3,000 square feet.**

Actions/recommendations: None, but any buyer of lots should know there is a minimum square footage requirement for the homes.



Maggs Property: Utilities

Sewer

Background: The Brigantine Department of Public Works manages all wastewater on the island. The wastewater is collected and sent to the City Island Plant in Atlantic City.

Status: According to Ed Stinson, sewer capacity is allocated during the plan approval process. The application for Treatment Works Approval was filed with the New Jersey Department of Environmental Protection in November of 2005 for the extension of the sewer main with 5 new man holes. Additionally, Preliminary Plan Approval required upgrades to the North Shore Drive Sanitary Sewer Pump Station. These upgrades have been installed and is reflected in the most recent Financial Security reduction.

According to the Brigantine Utility Billing Department, the connection of the house to the sewer has not been made. In order to connect their will a connection fee of \$1,000. Additionally, there is a yearly charge of \$370 for sewer rental service, and a charge of \$2,500 if the streets need restoration after the connection is made.

Actions/recommendations: No immediate action necessary, until a builder wishes to complete the home.

Water

Background: The Brigantine Department of Public Works manages all water on the island.

Status: According to the Brigantine Utility Billing Department, these connections have not been made and to complete the home their will a connection fee of \$1,000. Additionally, there is a yearly charge of \$520 for the water meter, and a charge of \$2,500 if the streets need restoration after the connection is made.

Actions/recommendations: Please be mindful of these fees for the current home and homes in the future.



Maggs Property: Utilities (cont.)

Electric

Background: Atlantic City Electric provides electric service to Brigantine. Typically, the developer applies for service, and a field engineering technician is assigned the job. The technician would install the service meter, and then an electrician would apply for a permit from the City to connect to the service meter.

Status: According to the Jamiil Garcia, Field Engineer Technician for Atlantic City Electric, an easement for electric services was recorded on 1/21/2009, and an application for temporary electric service to the home on Lot 1.02 was applied for. Subsequently, Atlantic City Electric service removed the temporary structure and canceled the application because no work had moved forward.

In order for electric service to be connected to the house, Jamiil Garcia of Atlantic City Electric would have to be contacted to re-initiate the process.

Fees: Moving forward the new owner would have to submit a plan and provide an upfront deposit based on the costs to install to Atlantic City Electric. These costs would be reimbursed as the connections are made.

Actions/recommendations: No immediate action necessary.

Gas

Background: South Jersey Gas provides natural gas service to the City. Builders typically apply for gas service while digging the foundation for the property. South Jersey Gas' engineers then design the connection and provide a cost estimate for the work. They will then apply for a construction permit through the City for the connection and move forward with the work,

Status: According to Kathy Clark, New Construction manager at South Jersey Gas, the property has a meter and was connected to, but was disconnected as of January 2009.

Fees: Deposit for the meter is an estimate of two months of gas usage. There is also a \$20 connection charge.

Actions/recommendations: No immediate action necessary.



Maggs Property: Taxes

Unpaid Brigantine municipal taxes

Background: When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State law requires that investors bid on the interest rate delinquent homeowners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

Status: City of Brigantine municipal taxes have been sold to investors as of March 2012.

Land	Date	Date recorded	Grantor	Grantee	Address	Amount	Interest	Total	Cost of sale	Premium Paid
Block 8102, Lot 1.01	3/6/2012	7/26/2012	Brigantine on the Bay, LLC	Actlien Holding	501 Centennial Street Schwenksville, PA 19472	\$ 8,197.76	\$ 740.02	\$ 8,937.78	\$ 115.00	\$ 2,500.00
Block 8102, Lot 1.02	3/6/2012	5/9/2012	Brigantine on the Bay, LLC	US Bank Cust for Crestar Cap	2 Liberty Place 50 South 16th St-Suite 1950 Philadelphia, PA 19102	\$ 8,008.15	\$ 719.98	\$ 8,728.13	\$ 115.00	\$ 13,500.00
Block 8102, Lot 1.03	3/6/2012	6/12/2012	Brigantine on the Bay, LLC	Stonefield Invest. Fund I, LLC	21 Robert Pitt Drive #202, Monsey, NY 10952	\$ 8,071.97	\$ 726.72	\$ 8,798.69	\$ 115.00	\$ 3,100.00
Block 8102, Lot 1.04	3/6/2012	6/12/2012	Brigantine on the Bay, LLC	Stonefield Invest. Fund I, LLC	21 Robert Pitt Drive #202, Monsey, NY 10952	\$ 8,071.97	\$ 726.72	\$ 8,798.69	\$ 115.00	\$ 3,100.00
Block 8102, Lot 1.05	3/6/2012	7/26/2012	Brigantine on the Bay, LLC	Actlien Holding	501 Centennial Street Schwenksville, PA 19472	\$ 8,071.97	\$ 726.72	\$ 8,798.69	\$ 115.00	\$ 3,300.00
Block 8102, Lot 1.06	3/6/2012	4/2/2012	Brigantine on the Bay, LLC	Garden State Investment	6601 Ventnor Ave, Suite 103 Ventnor, NJ 08406	\$ 8,071.97	\$ 726.72	\$ 8,798.69	\$ 115.00	\$ 3,400.00
Block 8102, Lot 1.07	3/6/2012	4/2/2012	Brigantine on the Bay, LLC	Independent Investors	24 Shawnee Court Medford, NJ 08055	\$ 8,170.34	\$ 737.13	\$ 8,907.47	\$ 115.00	\$ 3,700.00
Block 8102, Lot 1.08	3/6/2012	6/12/2012	Brigantine on the Bay, LLC	Stonefield Invest. Fund I, LLC	21 Robert Pitt Drive #202, Monsey, NY 10952	\$ 7,754.69	\$ 693.16	\$ 8,447.85	\$ 115.00	\$ 3,900.00
Block 8102, Lot 1.09	3/6/2012	7/26/2012	Brigantine on the Bay, LLC	Actlien Holding	501 Centennial Street Schwenksville, PA 19472	\$ 7,560.60	\$ 672.64	\$ 8,233.24	\$ 115.00	\$ 4,000.00
Block 8102, Lot 1.10	3/6/2012	6/12/2012	Brigantine on the Bay, LLC	Stonefield Invest. Fund I, LLC	21 Robert Pitt Drive #202, Monsey, NY 10952	\$ 7,431.21	\$ 658.95	\$ 8,090.16	\$ 115.00	\$ 3,400.00
Block 8102, Lot 1.11	3/6/2012	4/2/2012	Brigantine on the Bay, LLC	Garden State Investment	6601 Ventnor Ave, Suite 103 Ventnor, NJ 08406	\$ 7,431.21	\$ 658.95	\$ 8,090.16	\$ 115.00	\$ 3,400.00
Block 8102, Lot 1.12	3/6/2012	6/18/2012	Brigantine on the Bay, LLC	Stonefield Invest. Fund I, LLC	21 Robert Pitt Drive #202, Monsey, NY 10952	\$ 7,566.80	\$ 673.29	\$ 8,240.09	\$ 115.00	\$ 3,900.00
Total						\$ 94,408.64	\$ 8,461.00	\$ 102,869.64	\$ 1,380.00	\$ 51,200.00

Actions/recommendations: Typically these liens must be paid within two (2) years of their sale to prevent the lien owner from taking title to the property.



Maggs Property: Environmental

Coastal Area Facility Review Act (“CAFRA”)

Background: In 1973, New Jersey enacted CAFRA, which is designed to protect the vital shore areas of New Jersey from being overdeveloped. CAFRA regulates “construction activities of a single family house or duplex that...[is] within 150 feet of the mean high water line of a tidal water body...”

Authorized/required activities: The New Jersey Department of Environmental Protection (“NJDEP”). NJDEP issued a CAFRA permit to allow the removal of all existing improvements, construction of 12 single family homes with associated infrastructure, stormwater management facility, driveways, and landscaping improvements. Additionally, the permit allowed the construction of approximately 1,200 linear feet of gabion wall, upland of the Spring High Water Line. Further, the permit requires a landscaping buffer between the open space and Lot 1.12.

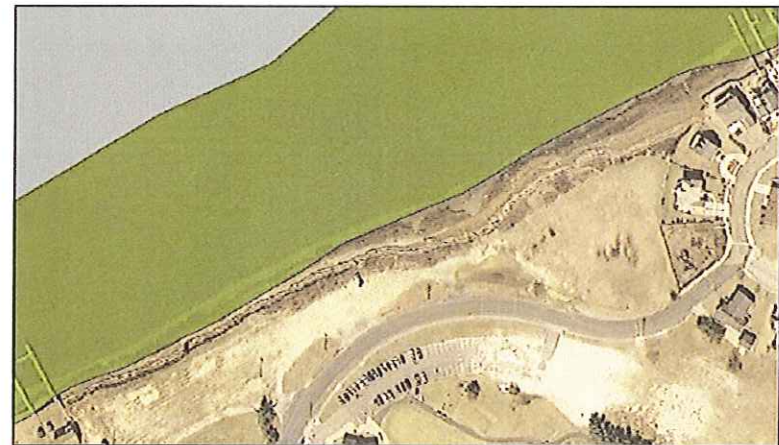
Permit/PEA Status: The permit was issued and effective as of 9/1/2005, with an expiration date of 9/1/2010, but the PEA extends it to at least 6/31/2015. The permit still allows the construction of the remaining homes.

Actions/recommendations: Check with NJDEP regarding the landscape plan for Lot 1.13. Most likely included in the required Financial Security.

Waterfront Development

Background: The NJDEP regulates all wetland crossings and the installation of structures and requires permits for all of these installations. In locations with quality shellfish, they require a payment proportional to the quality, type of shellfish as well as the total area disturbed.

Status: All of the remaining lots must obtain a Waterfront Development permit. More information on this permit is in the section related to the partially build home.



Source: NJDEP-GeoWeb, Shellfish classification Seasonal Jan-April



Maggs Property: New Jersey Permit Extension Act of 2008 (“PEA”)

Background: The Act tolls (postpones or extends) the running of the period of the approval for any governmental approvals in existence from the period of 1/1/2007 through 7/1/2010. The tolling period cannot extend such approvals beyond 12/31/2010.

Extensions: Subsequently the PEA modified twice, with the most recent extending all permits through 12/31/2014 and up to 6/30/2015.

PEA exclusions: Not Applicable. CAFRA permits in planning Area 4B, Planning Area 5 or critical environmental sites are not extended, but our site is in Planning Area 5b. Arcadia confirmed this with Priya Sundaram of NJDEP that the site is in an area covered by the PEA.

Actions/recommendations: None.



- PA5 Environmentally Sensitive Planning Area
- PA5B Env. Sensitive/Barrier Islands Planning Area

Source: New Jersey State Development and Redevelopment Plan



Project Assessment Recommendations

Agreements/approvals

- Engage land use counsel to review.
 - Provision of the Settlement Agreement concerning that the “City shall have the right to pursue the down zoning of the Property and any other action permitted by law.”
 - Dedication of the Roosevelt Blvd island to the City.

Homes

- Are restricted to single family detached homes over 3,000 square feet.
- Builder must install sidewalks and stormwater recharge systems.

Site work

- There is \$118,795 in financial security for site work. Arcadia estimates that \$70,000 of this would be the responsibility of the property owner. Other expenses would typically be paid by the builder.
- The Cape Atlantic Conservation district must be notified of ownership changes. They have requested a meeting to review plan before commencement of any site work.
- CAFRA permits extended until June 2015.

Contributions/taxes

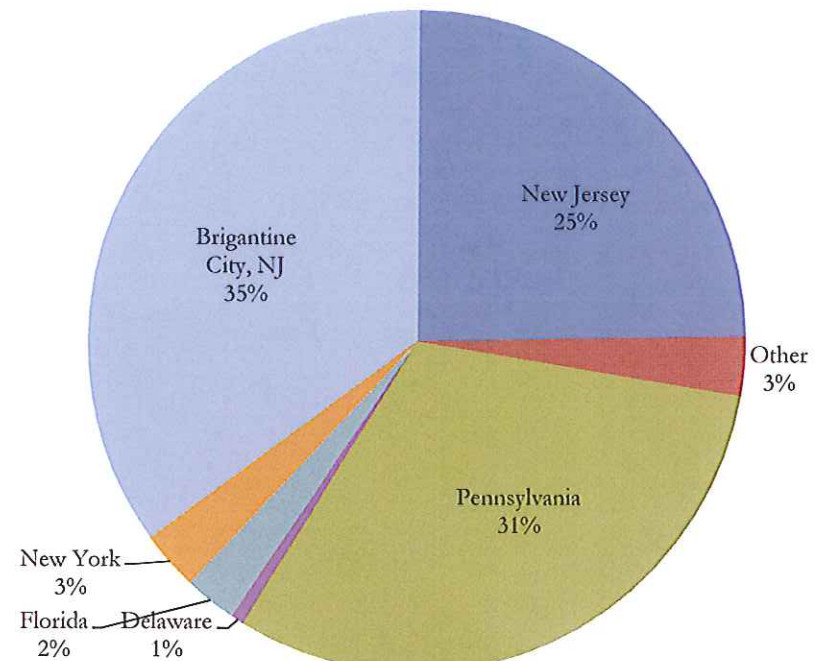
- Municipal Tax Liens – \$102,869 of back taxes as well as 2012 taxes.
- COAH Contribution - \$55,000 (\$5,000 due at each building permit).
- Bulkhead Contribution - \$26,285.35 (due as a percent of the reduction in financial security).



Brigantine home market driven by second homes.

- 35% of residential property owners make the City of Brigantine, NJ their primary address.
- Nearly 65% of the home owners on the island live outside of the City of Brigantine, NJ.
- 56% are from NJ and PA which indicates these are second homes or rental properties.

Mailing address of City of Brigantine, NJ
residential property owners



- 65% of mailing addresses are outside the City of Brigantine.
- Highly discretionary nature of second home market increases price volatility.

Please note: This breakdown of ownership is based upon the mailing address of the property tax bill. Source: Atlantic County Tax Assessor data, Arcadia analysis.

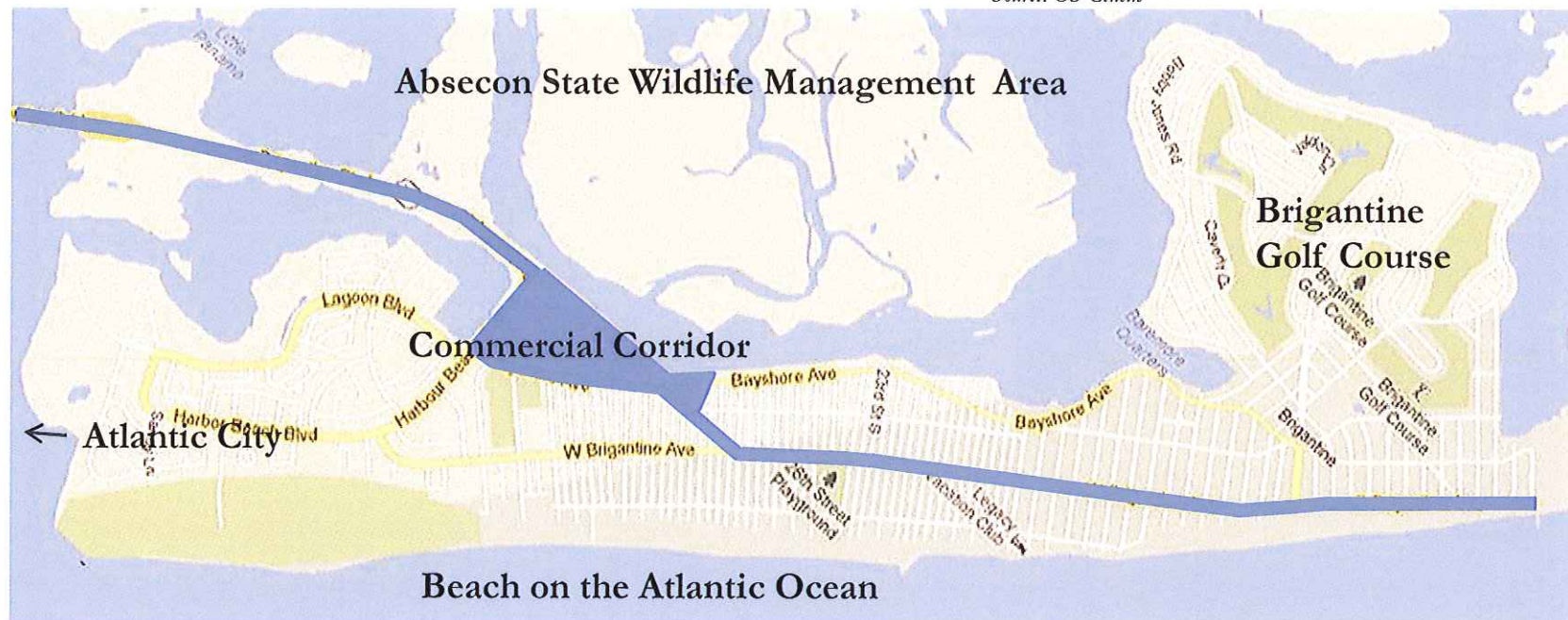
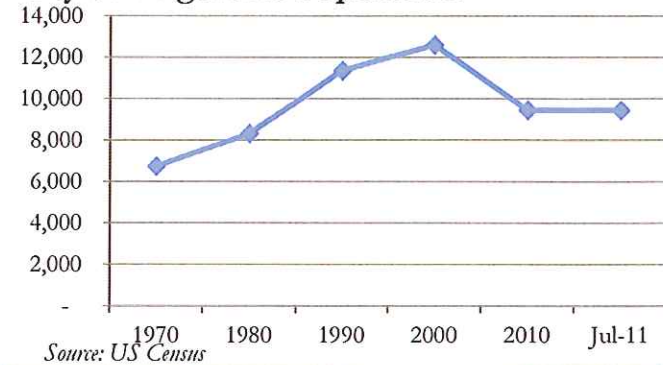


Maggs Property Market Study: City of Brigantine overview

Beach oriented residential island.

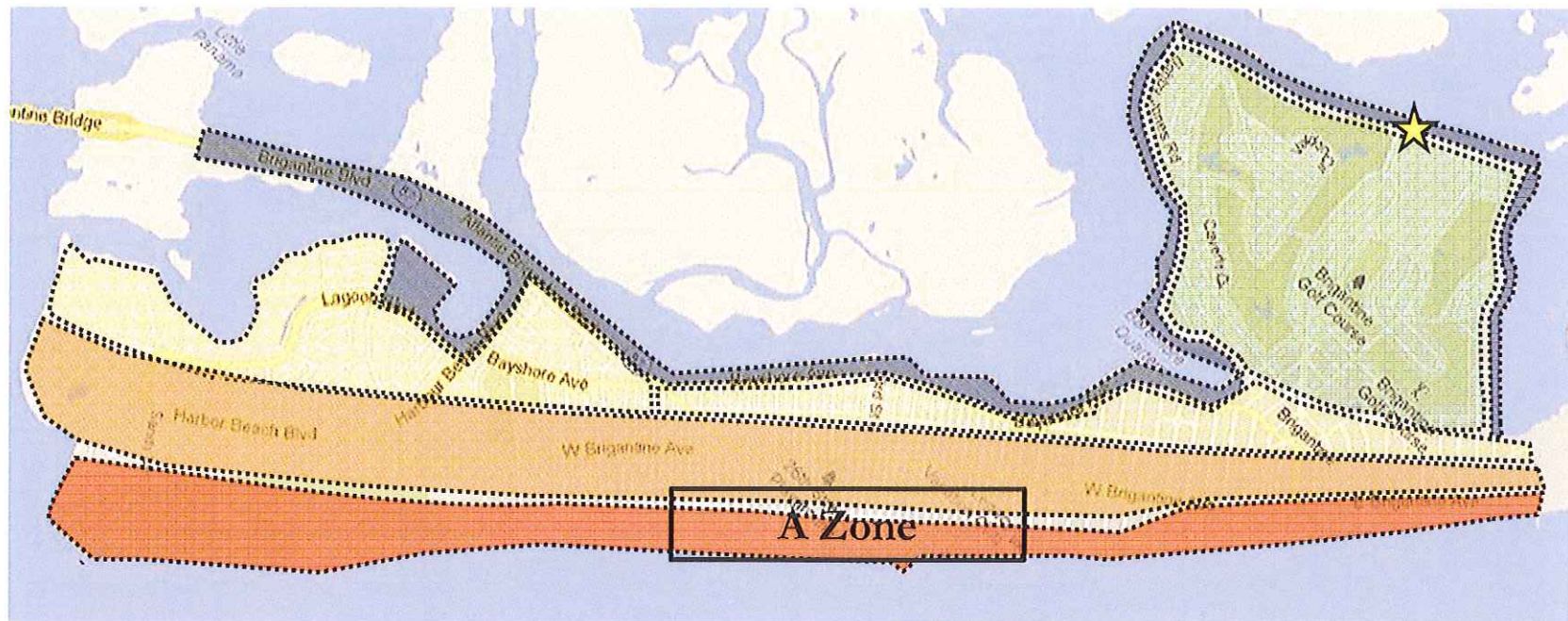
- Atlantic Brigantine Boulevard provides the commercial backbone of the island.
- Majority of island is collection of mostly single family dwellings (SFD/SFA) as well as a number of multifamily buildings.
- Over the past 12 years, population on the island has declined.
- There is no boardwalk.
- Large depth of island provides for a breadth of housing types.

City of Brigantine Population



Maggs Property Market Study: Arcadia segmented the market into multiple categories.

- Beach oriented area.
 - Red - "300 block" Ocean views and shortest walk.
 - A Zone most desirable.
 - Orange - "200 block" Longer walk to beach.
 - Yellow - "100 block" Longest walk to beach.
- Blue - Bay access with docks/views of Atlantic City or preserved lands.
- Green – Golf Course.



Sources for transactions and listings: TrendMLS, Zillow.com, Trulia.com, & Brigantine Tax Parcel Information through October 15, 2012.



Vacant lot and Project conclusions/recommendations

Listing price must be adjusted to reflect current market.

Vacant Lots			
Revenue	Bank Costs*	Builder costs*	Notes
Sale @ \$440,000 each	\$ 4,840,000	\$ -	Estimated listing price per Scott DiStefano & Michael Becker.
Expenses			
Settlement fees	\$ 24,200	\$ -	Estimated at .5% of sales price.
NJ real estate transfer tax	\$ 46,464	\$ -	\$4.80/\$500 of consideration in excess of \$200,000 but not in excess of \$550,000.
Dock license/engineering	\$ -	\$ 55,000	Estimate of \$5,000 per lot from Ponzio Co. & Associates.
Broker commission	\$ 290,000	\$ -	6% listing commission.
Shellfish contribution	\$ -	\$ 58,000	Estimate based of \$5,229 per lot from Lot 1.02.
Municipal taxes (past due)	\$ 94,000	\$ -	From March 2012 tax sale/ does not include 2012 taxes.
Total	\$ 455,000	\$ 113,000	
Net revenue for vacant lots			
	\$ 4,385,000		
Other			
Expenses	Bank Costs*	Builder costs*	Notes
Remaining site improvements	\$ 70,000	\$ 49,000	\$118,795 to complete the site improvements.
Bulkhead contribution	\$ 26,000	\$ -	Due as a percentage of escrow released.
COAH contribution	\$ -	\$ 55,000	\$5,000 per building permit.
Total	\$ 96,000	\$ 104,000	

*Rounded to nearest thousand

Market conclusions

- List lots for between \$400,000 - \$500,000 (\$440,000 in our valuation).
 - Dock approvals may increase value of lots.

Agreements/approvals

- Engage land use counsel regarding provision of the Settlement Agreement that says the "City shall have the right to pursue the down zoning of the Property and any other action permitted by law."
- Dedication of the Roosevelt Blvd island to the City.

Be mindful of contributions/taxes

- Municipal Tax Liens
- COAH Contribution
- Bulkhead Contribution

