

MCAFEE MODULAR SYSTEMS

A Joint Venture For The Production Of Modularly Constructed Affordable Housing

Executive Summary

A Joint Venture, McAfee Modular Systems, LLC (“MMS”), is being formed to develop a manufacturing facility to produce modularly constructed affordable housing.

The MMS System. . . MMS will employ the proprietary McAfee Modular System to manufacture modular components to construct affordable single and multi-family housing. Developed by Charles F. McAfee, a practicing architect with over 35 years experience in the construction industry, the innovative system has gained national recognition and received numerous awards for innovation in affordable housing construction. McAfee Modular System homes are well-designed, quality built, indistinguishable from traditional “stick-built” homes in exterior and interior finish and affords great flexibility in size and floor plans.

Modular components are produced at the manufacturing facility, transported to the site, erected and finished. Computer-controlled, machine-tool accuracy assures a perfect fit of components at all times and quality control guarantees structural integrity, a process that cannot be duplicated with on-site construction.

The modular homes include carpeting, interior finish of painted gypsum board, bath and kitchen fixtures, custom cabinets, brand name kitchen appliances, high efficiency central forced air heating/air conditioning, vinyl siding and single ply or standard pitched roof. The homes are erected on concrete wall foundations with crawl space. Basic landscaping is seeded on front lawn and concrete driveway. A variety of options are available for all homes such as attached/detached garages, basement, varying roof pitches, plaster, wood or brick siding, and a choice of gas or electric.

The MMS Facility. . . MMS will enter into a lease/purchase agreement for a 120,000sf facility to be renovated and refurbished to provide 100,000 of production area and 20,000 office/exhibition space. The facility will have 12 production lines, overhead crane support and widened doors for truck/crane traffic.

The manufacturing capacity of the facility is measured in the number of modules produced. At full capacity, approximately 186 basic modules will be produced per 8 hour shift and 40 hour workweek per month representing 50,220sf of housing. That equates to an annual production of 602,640sf of housing or 502.2 1,200sf homes per year.

The MMS facility will provide substantial employment opportunities. Plant employees are cross-trained to handle several different type jobs in the assembly process and are regularly rotated on tasks within employee teams and between teams.

The Market. . . MMS marketing is based on the concept of **affordability**, that no family should spend more than 31% of their income for quality housing. **Affordability** has largely been ignored by the conventional housing market, which has led to the collapse of the housing market. Even with the glut

of foreclosed homes as a consequence of the burst “housing bubble”, prices of existing homes remain **unaffordable** for middle and lower income families.

MMS primary market is 1,000sf to 1,440sf single family homes (Living area) with a secondary market of multi-family housing including duplexes, quadplexes, apartment complexes and senior housing. MMS units will be sold on a Factory Direct Bulk Sales basis through developers, for-profit investor groups, non-profit agencies and Federal, State and Local Housing Authorities within a 300 mile radius from the site of the initial facility (Because of the replicability of the MMS facility, it is anticipated that the first site will be one of several located in regions of the country where the need for **affordable** housing is especially acute).

The site will allow MMS to service the total Gulf Region where estimates of the number of homes to be replaced range from 38,000 to over 60,000 in the New Orleans area alone. It's estimated that the number of new and replacement homes within the MMS market area exceeds 500,000 homes.

MMS Costs. . . The estimated cost for development and operation is \$15,000,000. \$1,740,000 of that amount is applied to Building Renovation, \$1,200,000 to Plant Equipment, \$1,095,000, \$250,000 for utility Deposits, \$450,000 for Legal and Financing Fees, \$5,000,000 for an internally funded Warehouse Facility, and \$5,265,000 for a Working Capital reserve.

MMS Revenues. . . Revenue forecasts are based on the number of modules produced. It's estimated that it will take 165 to 195 days to complete renovation of the facility with hiring and training a cadre of employees such that production is to begin on the ninth month from date of capitalization. It's estimated that module production will increase from an average of 27.5 per month for the four months of the first year to an average of 372 per month at the fifth year of operation. Accordingly, it's expected that a \$1,720,451 loss will be incurred the first year with an \$11,818,646 profit at the fifth year.

MMS Organization & Capitalization . . . MMS will be organized as a Member Managed Limited Liability Company and capitalized by the private placement of Membership Units for \$15,000,000. Investors will be granted a 40% Capital Interest in MMS but, subject to Internal Revenue Regulations, will be afforded a 60% special allocation of MMS gains and losses until such time as their Capital Contributions have been recovered.

Based on financial forecasts for five full years of production, the MMS investment will provide a 25.743% Internal Rate of Return with a Net Present Value of \$17,493,349 at a 10% discount (the revolving Production Reserve is not calculated).

Additional, detailed information is available upon request. You are encouraged to visit the website www.mcafee3.com and especially scroll to the housing video for a view of the construction process to be employed and the houses constructed. Inquiries should be directed to:

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