

BUSINESS PLAN

SKYFALL RESORT

0 HILLVIEW ROAD TWENTYNINE PALMS, CALIFORNIA 92277

PROPER
DEVELOPMENT

The Overview



What is this document?

This document is a distillation and result of exploring the territory owned by Proactive Properties in Twentynine Palms and a recommendation of the best use of our time, talent, and treasure to execute development properly.

Why do I care?

At Proper Development we are interested in creating value. Economic value for the investor, value for the communities we engage in, recreational value for individuals, and sustainable value to environments impacted by our projects.

How should I use this document?

This document outlines the following: a general scope, deal structure, economic projections, development stages, and casts vision for our shared future.



01

Table of Contents

Contents

- 02 **General Scope**
- 03 **Deal Structure**
- 04 **Economics**
- 05 **Development Steps**
- 06 **Q&A**

02

General Scope

GENERAL SCOPE

What is the General Scope?

At Proper Development we believe the best projects are built on logic and reason, which then allow for creative innovation and beautiful development. This section outlines the general scope of our proposed project.

This scope is a non-exhaustive expression of the **best-use-case** as it relates to real and undeveloped property. It will act as a guide to help provide structure and our first step into the specifics of the property. In no way should this be seen as limiting but rather as focusing. A close analogy are the 12 notes in a musical scale — those 12 notes provide structure and framework for radical creativity, innovation, and soul.

Our method provides clarity to an otherwise maddening process of distilling how, why, and where to develop your property.

Sherman Hwy Ave

General Scope

VISION

Proper Development Company (PDC) plans to develop Proactive Properties' 244-acre and 80-acre parcels into a camping area for travelers looking to experience the desert night sky, Joshua Tree National Park, rock climbing, and an open space escape from urban areas.



General Scope

SITES

Designated campsites will be leased by Proactive Properties or its nominee (Owner/Lessor) to campers (Lessees) who will purchase and install PDC-approved geodesic domes, tiny homes, tents, or other non-permanent dwelling types.

Lessee's dwellings will be constructed under the supervision of PDC-approved contractors pursuant to Covenants, Conditions, and Restrictions (CC&R's) recorded against each leasehold campsite.



**Geodesidome Concept Photo*

General Scope

SITES

The final number of campsites can't be determined until the completion of further site investigation, surveying, engineering, and permitting.

Currently, it is estimated that approximately 400 campsites will be improved and leased

- 150 geodesic domes/tiny homes
- 150 canvas tents.
- 100 designated, but unimproved campsites will be rented on a nightly basis to campers who bring their own tents/vans.



General Scope

LEASE TERMS

Each site lease will be for an initial term of ten (10) years with annual CPI escalations not to exceed 3% per year. A ten-year lease term is needed to fully amortize each Lessee's construction costs. At the end of ten years, the Owner/Lessor has the right to terminate the leases and require each Lessee to remove their improvements from the Property.

Lessees choosing to rent their property on a short-term basis will be obligated to use Proper Management Company (PMC) to market and manage the rental activity at a market rate. PDC may also directly lease campsites for the installation of PDC-owned dwellings to be operated as rental properties by PMC.





SKYFALL RESORT

JOSHUA TREE x CALIFORNIA



03

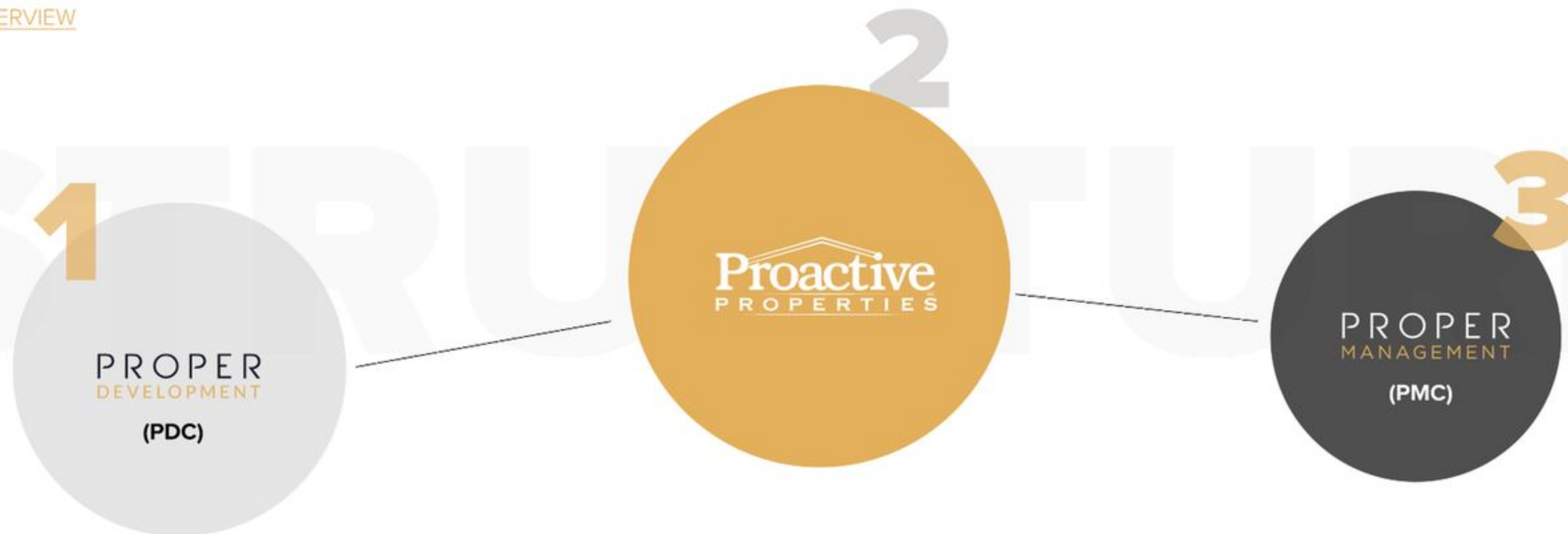
Deal Structure

What is a Deal Structure?

This section will outline how we can work together to achieve our goals, as well as provide an overview of agreements between our organizations.

Deal Structure

OVERVIEW



Deal Structure

PART 1

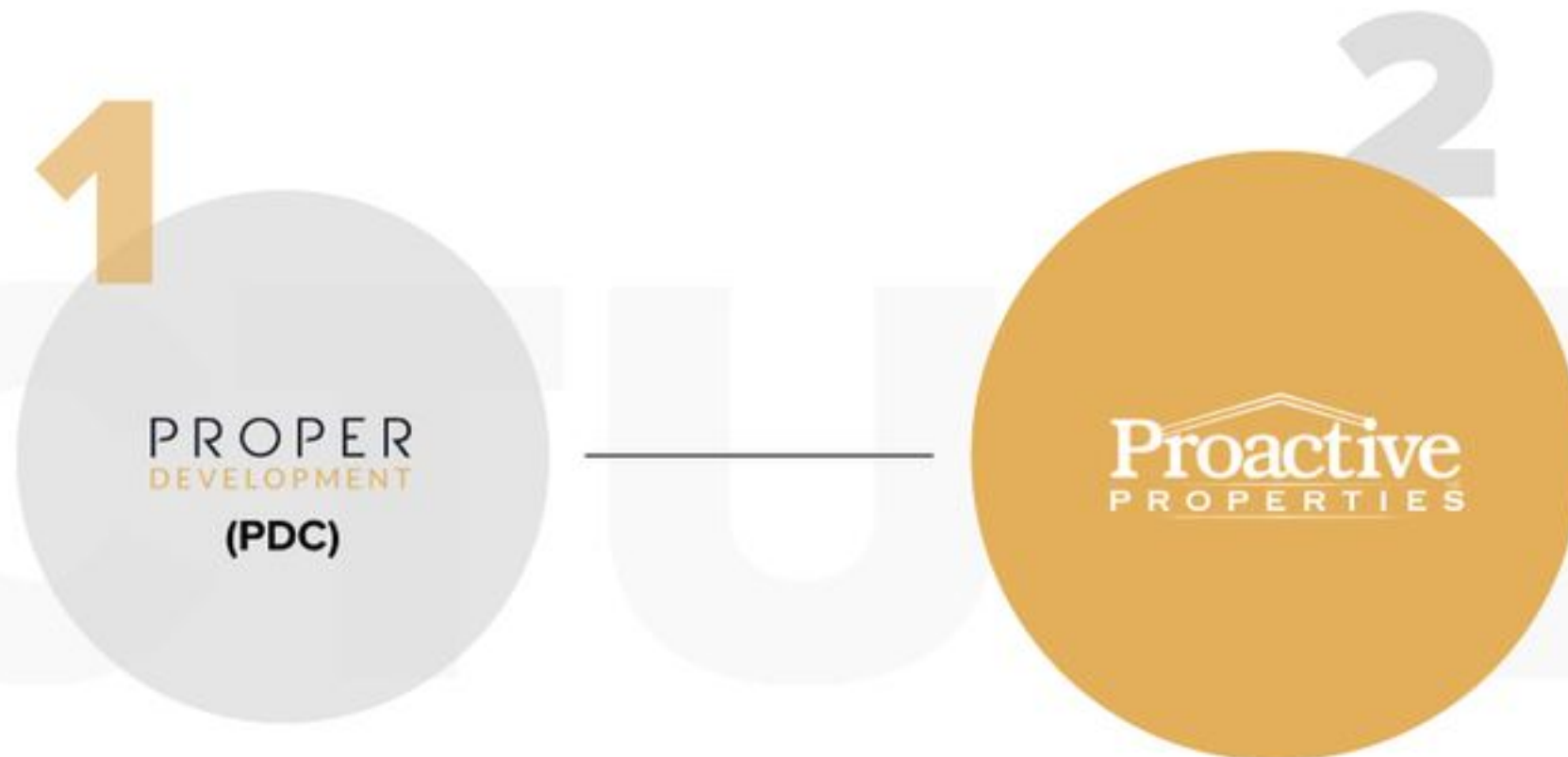
PDC will enter into a Development Agreement (DA) with the Owner/Lessor to construct site improvements to the Property including:

- two access roads
- a gravel parking lot
- a water well
- electricity and water lines to each campsite
- campsite building pads
- common area amenities such as pool & spa, concession, open air stage/amphitheater

(Collectively Site Improvements).

PDC will be responsible for raising the necessary funds from investors to construct the Site Improvements. PDC will seek to raise the funds without encumbering the Property. PDC will assess each Lessee a Site Improvement Fee that will be used to repay the Site Improvement costs funded by investors.

PDC will be responsible for engaging, managing and paying all attorneys, consultants, architect/planners, engineers and contractors required to secure City of Twentynine Palms approvals and construct the Site Improvements.



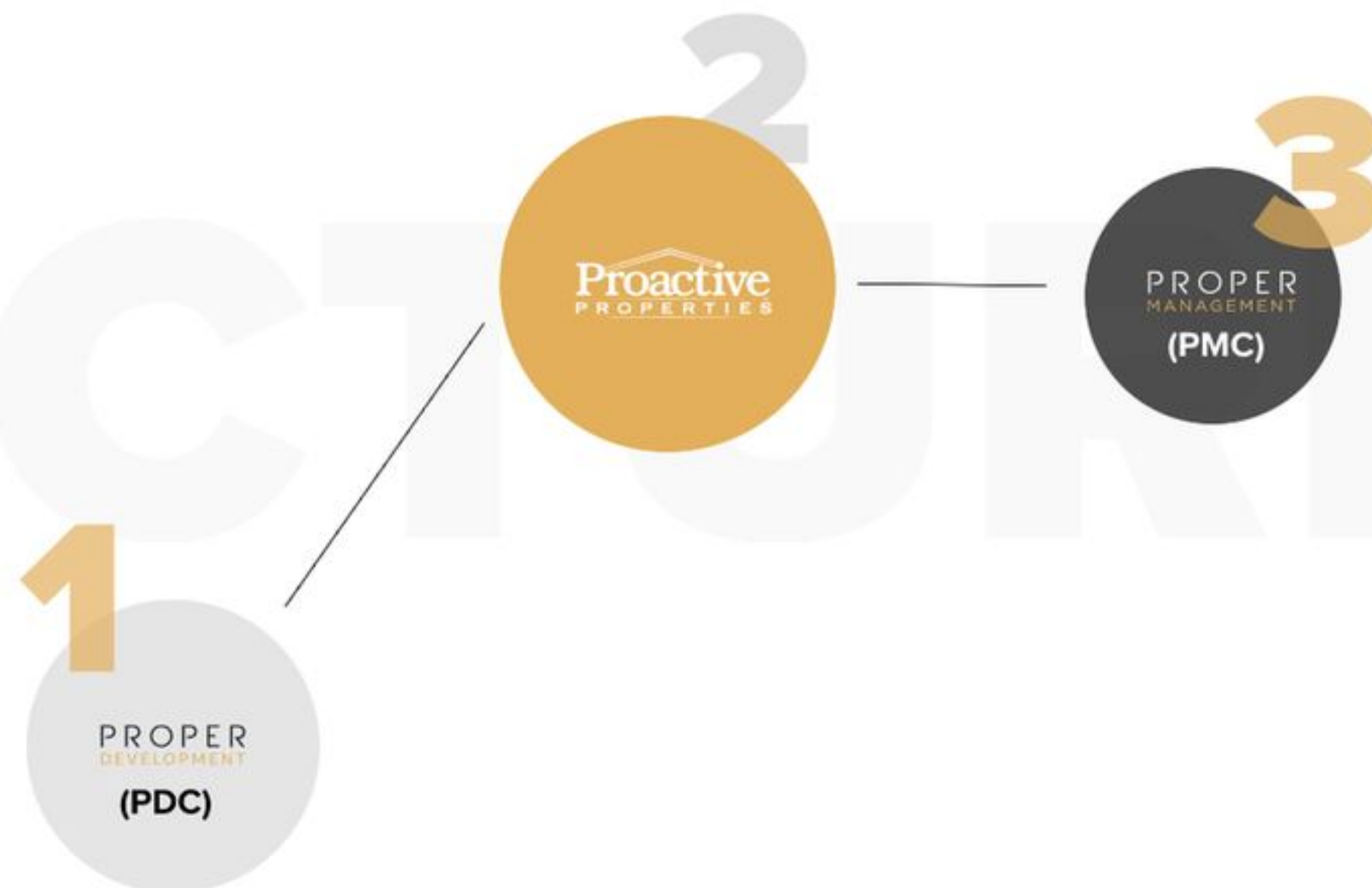
Deal Structure

PART 2

PMC will enter into a Management Agreement with the Owner/Lessor to manage the Property upon completion of the Site Improvements. PMC's income will be derived from marketing and managing the short-term rentals (STR) of the Lessee's campsites.

Since the sand-site camping areas will not be subject to an Owner lease PMC will distribute to Owner/Lessor 50% of all net income related to the sand-site camping areas. PMC projects that each of the 100 campsites will be rented for approximately 125 nights per year at an average nightly rate of \$75.

PMC will distribute all lease payments paid by Lessees for their campsites and 50% of net income generated by the sand-site camping areas to the Owner/Lessor within five days of receipt by PMC.



04

Economics

What are the Economics?

The following tables provide a preliminary projection of Owner revenues based on the above business plan, as well as a sell vs. hold comparison

Economics

LEASE REVENUE



	Domes/ Tiny Homes	Tents	Sand-sites	Total
Total Leases	150	150	N/A	
Monthly Lease Rate	\$200	\$125	N/A	
Projected Annual Lease Revenue	\$360,000	\$225,000	N/A	\$585,000
Total Rental Campsites			100	
Average rental nights/year			125	
Average nightly rental rate			\$75	
Projected Annual Revenue			\$937,500	
Expenses/Reserves	40%		(\$375,000)	
Net Rental Revenue			\$562,500	
Owner Participation	50%		\$281,250	\$281,250
Annual Owner Revenue				\$866,250

Economics

SELL vs. HOLD COMP

The Property has been listed for sale for \$4,500,000 and is currently under contract to sell for an undisclosed price. PMC provides the following “sell vs hold” comparison for the Owner’s consideration:



		<u>Sell</u>	<u>Hold for Campground</u>	
Sale Price - @List Price		\$4,500,000 (1)		
Commission	5.00%	(\$225,000)		
Net Proceeds		\$4,275,000		
Basis		(\$400,000)		
Capital Gain		\$3,875,000		
Capital Gain Tax	23.80%	(\$922,250)		
After-tax cash		\$2,952,750		
Recover Basis		\$400,000		
Net Cash to Invest		\$3,352,750		
Investment Yield	5.00%	\$167,638	\$866,250	5.17 multiple

Note (1) - Comparable Land Sales support land value of approximately \$5,000/ac or \$1,620,000

05

Development Steps



DEVELOPMENT STEPS

- 1 • Legal Documentation
- 2 • Site Planning And Engineering
 - Flood Control
 - Access Roads
 - Easement Investigations/Negotiations
- 3 • Utility Assessment
 - Water (Probably Need A Well)
 - Electricity (Requires Underground Access Via Utah Trail Road)
 - Waste Treatment Options
- 4 • City Approval Process
- 5 • Off- And Onsite Work Commences

06

Q&A

End