

Feasibility Analysis Part II

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5. Allocating Profits Using a Waterfall Structure

Figure 5a (Summary of Waterfall Distribution for Book Value of Equity Scenario)

Allocation	Up to	General Partner	Limited Partner(s)
Equity Capital Contribution		0.40	0.60
Tier 1 Preferred Return	8%	0.40	0.60
Tier 2 Preferred Return	10%	0.40	0.60
Tier 3 Preferred Return	12%	0.40	0.60
Tier 4 Preferred Return	Over 12%	0.80	0.20
Equity Contribution (Initial Equity)	(\$21,210,043)	(\$8,484,017)	(\$12,726,026)
Output	LP	GP	Overall
IRR	13.7%	20.7%	16.7%
Share of Cash Flows	52.7%	47.3%	100.0%
Share of Net Profit	46.0%	54.0%	100.0%
Total Cash Flows Received	\$23,177,501	\$20,761,701	\$43,939,202
Net Profit	\$10,451,475	\$12,277,684	\$22,729,159
Net Present Value at 7.5%	\$3,779,342	\$6,218,312	\$9,997,654
Total Promote Cash	NA	\$5,310,034	NA
Promote Cash as % of Total Returns	NA	12.1%	NA

Using the book value of equity calculations, the general partner has a higher IRR (20.7%) than the limited partner does (13.7%). The general partner has a higher rate of return because he is undertaking development risk (Figure 5a) (Appendix 5a). Although the limited partner contributes more equity, the developer takes on more development risk³ by identifying the project opportunity, coordinating the debt and equity partners, providing the land and parking garage, overseeing construction, paying for construction cost overruns, and etc.

In addition to development risk, the general partner gets a higher return because he contributes less equity than the limited partner does. The general partner contributes 40% of the equity while the limited partner contributes 60%. For IRR returns greater than 12%, the general partner gets promote cash. Given that this project's book value of equity IRR (16.7%) is greater than 12%, the general partner's share of cash flows is promoted from 40% to 80% in the Tier 4 Allocation. As a result, the general partner receives total promote cash of \$5,310,034 (12.1% of total returns). This waterfall structure aligns the developers' and limited partners' incentives together. Because the limited partner contributes a higher portion of equity, he receives preferred equity returns. Because he assumes development risk, the developer is compensated with promote cash. The developer receives this promote cash at the back-end of the deal so that he's incentivized to stay until the project's conclusion.

³ http://www.pircher.com/media/publication/50_SACArticle.pdf

Figure 5b (Summary of Waterfall Distribution for Market Value of Equity Scenario)

Allocation	Up to	General Partner	Limited Partner(s)
Equity Capital Contribution		0.60	0.40
Tier 1 Preferred Return	8%	0.60	0.40
Tier 2 Preferred Return	10%	0.60	0.40
Tier 3 Preferred Return	12%	0.60	0.40
Tier 4 Preferred Return	Over 12%	0.80	0.20
Equity Contribution (Initial Equity)	(\$25,385,043)	(\$15,231,026)	(\$10,154,017)
Output	LP	GP	Overall
IRR	12.2%	12.4%	12.3%
Share of Cash Flows	39.7%	60.3%	100.0%
Share of Net Profit	39.3%	60.7%	100.0%
Total Cash Flows Received	\$17,454,226	\$26,484,976	\$43,939,202
Net Profit	\$7,300,209	\$11,253,950	\$18,554,159
Net Present Value at 7.5%	\$2,244,461	\$3,578,193	\$5,822,654
Total Promote Cash	NA	\$303,637	NA
Promote Cash as % of Total Returns	NA	0.7%	NA

The deal dynamics change in the Market Value of Equity scenario because the developer contributes more equity and his IRR decreases. As a result, the Market Value of Equity scenario is particularly unappealing for the developer (Figure 5b) (Appendix 5b). For the developer and limited partner, the Book Value of Equity scenario is more profitable than the Market Value of Equity scenario. In both scenarios, the general partner still has a higher rate of return than the limited partner does.

Going from the Book Value of Equity scenario to the Market Value of Equity scenario, the developer's IRR decreases by 8.3% [(20.7% (BV Equity IRR) - 12.4% (MV Equity IRR))]. The developer suffers a greater decrease in return than the limited partner does. Going from the Book Value of Equity scenario to the Market Value of Equity scenario, the limited partner's IRR decreases by 1.5% [(13.7% (BV Equity IRR) - 12.2% (MV Equity IRR))].

Despite having more development risk (ie. building construction), the developer earns an IRR (12.4%) that's nearly identical to the limited partner's (12.2%) in the market value of equity scenario. The developer's leveraged returns are now smaller in this scenario because he ends up risking more equity in the deal. In this scenario, the developer gives a greater portion of equity (60%) than the limited partner does (40%) because the developer has to acquire the land and parking garage at today's market rate. In the market value of equity scenario, the developer's IRR is not substantially higher than the limited partner's for the amount of risk the developer assumes.

Going from the Book Value of Equity scenario to the Market Value of Equity scenario, the developer's total promote cash decreases from \$5,310,034 (12.1% of total BV Equity returns) to \$303,637 (0.7% of total MV Equity returns). The developer's total promote cash decreases because the project's total IRR decreases going from the Book Value of Equity scenario (16.7%) to the Market Value of Equity

scenario (12.3%). Since the Market Value of Equity IRR clears the 12% IRR threshold (for Tier 4) by a smaller margin (+0.3%) than the Book Value of Equity (+4.7%) does, there's less cash that the general partner can take as promote cash in the Market Value of Equity scenario's Tier 4 Allocation.

The Book Value of Equity scenario also has a larger amount of net profits to distribute (\$22,729,159) than the Market Value of Equity scenario (\$18,554,159) does. This is due to the fact that the market value of equity scenario's total contributed equity (\$25,385,043) is \$4,175,000 greater than the book value of equity's (\$21,210,043).

Appendix

Appendix 5a (Waterfall Distribution for BV Equity Scenario)

Distribution Waterfall		2013	2014	2015	2016	2017	2018
		0	1	2	3	4	5
Cash Flows							
Investment Capital Cash Flow (Equity In)		(\$21,210,043)					
+ Cash Flows from Operations & Cash Out			\$0	\$476,612	\$2,851,071	\$4,057,389	\$1,923,636
+ Net Cash from Sale (Before Tax)							34,630,494
Cash Flow Available for Distribution		(\$21,210,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
IRR		16.7%	<--Note: This IRR has to be greater than 15% given our setup (see cell C6)				
Ownership Changes							
Percent		2013	2014	2015	2016	2017	2018
Limited Partner Equity Contributions	60%	\$12,726,026					
+ General Partner Equity Contributions	40%	\$8,484,017					
Total Capital Investment Basis		\$21,210,043	\$21,210,043	\$21,210,043	\$21,210,043	\$21,210,043	\$21,210,043
Ending Limited Partner Ownership %		60%	60%	60%	60%	60%	60%
Ending General Partner Ownership %		40%	40%	40%	40%	40%	40%
Distribution Tier 1: 0% to 8% IRR							
Beginning Total Equity Capital		(\$21,210,043)	(\$21,210,043)	(\$22,906,847)	(\$24,262,782)	(\$23,352,734)	(\$21,163,564)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
+ Initial Return Hurdle Accrual	8%		(\$1,696,803)	(\$1,832,548)	(\$1,941,023)	(\$1,868,219)	(\$1,693,085)
+ Initial Return Distributions			\$0	\$476,612	\$2,851,071	\$4,057,389	\$22,856,649
Ending Preferred Return Account Balance		(\$21,210,043)	(\$22,906,847)	(\$24,262,782)	(\$23,352,734)	(\$21,163,564)	\$0
Tier1 CF Distribution to Limited Partner	60%		\$0	\$285,967.21	\$1,710,642	\$2,434,433	\$13,713,989.35
Tier1 CF Distribution to General Partner	40%		\$0	\$190,645	\$1,140,428	\$1,622,956	\$9,142,659.56
Remaining Cash Available (Tier 1)		\$0	\$0	\$0	\$0	\$0	\$13,697,481
Tier 1 IRR Check							
Total LP Equity Capital Invested		(\$12,726,026)	\$0	\$0	\$0	\$0	\$0
+ Total LP Distributions at End of Tier		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
Total LP Cash Flow		(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
Tier 1 IRR Check		8%					
Distribution Tier 2: 8% to 10% IRR							
Beginning Total Equity Capital		(\$12,726,026)	(\$12,726,026)	(\$13,998,628)	(\$15,112,524)	(\$14,913,134)	(\$13,970,014)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
Tier 2 Return Hurdle Accrual	10%		(\$1,272,603)	(\$1,399,863)	(\$1,511,252)	(\$1,491,313)	(\$1,397,001)
Tier 1 Return Distributions			\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
Tier 2 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,653,026
Ending LP Preferred Return Account Balance		(\$12,726,026)	(\$13,998,628)	(\$15,112,524)	(\$14,913,134)	(\$13,970,014)	\$0
Tier2 CF Distribution to Limited Partner	60%	\$0	\$0	\$0	\$0	\$0	\$1,653,026
Tier2 CF Distribution to General Partner	40%	\$0	\$0	\$0	\$0	\$0	\$1,102,017
Remaining Cash Available (Tier 2)		\$0	\$0	\$0	\$0	\$0	\$10,942,438
Tier 2 IRR Check							
Total LP Equity Capital Invested		(\$12,726,026)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distributions		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
+ Total Tier 2 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,653,026
Total LP Cash Flow		(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$15,367,015
Tier 2 IRR Check		10%					
Distribution Tier 3: 10% to 12% IRR							
Beginning Total Equity Capital		(\$12,726,026)	(\$12,726,026)	(\$14,253,149)	(\$15,677,560)	(\$15,848,224)	(\$15,315,578)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
Tier 3 Return Hurdle Accrual	12%		(\$1,527,123.10)	(\$1,710,378)	(\$1,881,307)	(\$1,901,787)	(\$1,837,869)
Tier 1 Return Distributions		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
Tier 2 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,653,026
Tier 3 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,786,432
Ending LP Preferred Return Account Balance		(\$12,726,026)	(\$14,253,149)	(\$15,677,560)	(\$15,848,224)	(\$15,315,578)	\$0
Tier3 CF Distribution to Limited Partner	0.60	\$0	\$0	\$0	\$0	\$0	\$1,786,432
Tier3 CF Distribution to General Partner	0.40	\$0	\$0	\$0	\$0	\$0	\$1,190,955
Remaining Cash Available (Tier 3)		\$0	\$0	\$0	\$0	\$0	\$7,965,051

Tier 3 IRR Check							
Total LP Equity Capital Invested		(\$12,726,026)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distributions		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
+ Total Tier 2 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,653,026
+ Total Tier 3 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,786,432
Total LP Cash Flow		(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$17,153,447
Tier 3 IRR Check		12%					
Distribution Tier 4: Above 12%							
Tier4 CF Distribution to Limited Partner	0.20	\$0	\$0	\$0	\$0	\$0	\$1,593,010
Tier4 CF Distribution to General Partner	0.80	\$0	\$0	\$0	\$0	\$0	\$6,372,041
Remaining Cash Available (Tier 4)		\$0	\$0	\$0	\$0	\$0	\$0
Tier 4 IRR Check							
Total LP Equity Capital Invested		(\$12,726,026)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distribution to Limited Partner		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$13,713,989
+ Total Tier 2 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$1,653,026
+ Total Tier 3 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$1,786,432
+ Total Tier 4 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$1,593,010
Total LP Cash Flow		(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$18,746,457
Tier 4 IRR Check		13.7%					

Distribution Return Analysis							
		2013	2014	2015	2016	2017	2018
		0	1	2	3	4	5
Total Distributions							
Capital Contributions		(\$21,210,043)	\$0	\$0	\$0	\$0	\$0
+ Distributions		\$0	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
Total Equity Cashflows		(\$21,210,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
Venture IRR Before Promote		16.7%					
Total Cashflows Received		\$43,939,202					
Net Profit Over Basis		\$22,729,159					
Limited Partner Distributions							
		2013	2014	2015	2016	2017	2018
Limited Partner Contributions		(\$12,726,026)	\$0	\$0	\$0	\$0	\$0
+ Limited Partner Distributions		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$18,746,457
Limited Partner Total Cashflows		(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$18,746,457
Limited Partner IRR after Promote		13.7%					
			Percent				
Total Cashflows Received (Limited Partner)		\$23,177,501	52.7%				
Net Profit Over Basis (Limited Partner)		\$10,451,475	46.0%				
General Partner Distributions							
		2013	2014	2015	2016	2017	2018
General Partner Contributions		(\$8,484,017)	\$0	\$0	\$0	\$0	\$0
+ General Partner Distributions		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$17,807,673
General Partner Total Cashflows		(\$8,484,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$17,807,673
General Partner IRR after Promote		20.7%					
			Percent				
Total Cashflows Received (General Partner)		\$20,761,701	47.3%				
Net Profit Over Basis (General Partner)		\$12,277,684	54.0%				
INVESTMENT CF SUMMARY							
	IRR	2013	2014	2015	2016	2017	2018
Investment Cashflows	16.7%	(\$21,210,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
Limited Partner Investment Cashflows	13.7%	(\$12,726,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$18,746,457
General Partner Investment Cashflows	20.7%	(\$8,484,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$17,807,673

INVESTMENT NET PRESENT VALUE								
Cost of Capital - Discount Rate	5.50%	6.50%	7.50%	8.50%	9.50%	10.50%	11.50%	12.50%
Leveraged Project Net Present Value	\$12,890,193.98	\$11,404,483.85	\$9,997,654.26	\$8,664,808.36	\$7,401,395.77	\$6,203,185.07	\$5,066,238.80	\$3,986,890.62
Limited Partner Net Present Value	\$5,296,382.59	\$4,517,274.95	\$3,779,342.42	\$3,080,036.62	\$2,416,989.05	\$1,787,996.91	\$1,191,010.09	\$624,119.30
General Partner Net Present Value	\$7,593,811.38	\$6,887,208.90	\$6,218,311.84	\$5,584,771.75	\$4,984,406.72	\$4,415,188.15	\$3,875,228.71	\$3,362,771.32
Calculation Of Promote Cash								
		2013	2014	2015	2016	2017	2018	
Distribution to GP at LP's IRR:								
Beginning Equity Capital		(\$8,484,017)	(\$8,484,017)	(\$9,643,242)	(\$10,770,214)	(\$11,101,387)	(\$10,995,284)	
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0	
+ Accrued Return at LP's IRR	13.7%		(\$1,159,225)	(\$1,317,617)	(\$1,471,602)	(\$1,516,852)	(\$1,502,355)	
+ Distributions Allocable to Cash Invested (at LP's IRR)		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$12,497,638	
Ending Preferred Return Account Balance		(\$8,484,017)	(\$9,643,242)	(\$10,770,214)	(\$11,101,387)	(\$10,995,284)	\$0	
Promote Cash Distributable to General Partner	\$5,310,034	\$0	\$0	\$0	\$0	\$0	\$5,310,034	
IRR Check								
		2013	2014	2015	2016	2017	2018	
General Partner Contributions		(\$8,484,017)	\$0	\$0	\$0	\$0	\$0	
+ General Partner Distributions at LP's IRR		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$12,497,638	
Total Cash Flow		(\$8,484,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$12,497,638	
IRR Check for GP's Cash Investment		13.7%						
Total Promote Cash	\$5,310,034							
Promote Cash % of Total Returns	12.1%							

Appendix 5b (Waterfall Distribution for BV Equity Scenario)

Distribution Waterfall		2013	2014	2015	2016	2017	2018
		0	1	2	3	4	5
Cash Flows							
Investment Capital Cash Flow (Equity In)		(\$25,385,043)					
+ Cash Flows from Operations & Cash Out			\$0	\$476,612	\$2,851,071	\$4,057,389	\$1,923,636
+ Net Cash from Sale (Before Tax)							34,630,494
Cash Flow Available for Distribution		(\$25,385,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
IRR		12.3%	<--Note: This IRR has to be greater than 15% given our setup (see cell C6)				
Ownership Changes	Percent	2013	2014	2015	2016	2017	2018
Limited Partner Equity Contributions	40%	\$10,154,017					
+ General Partner Equity Contributions	60%	\$15,231,026					
Total Capital Investment Basis		\$25,385,043	\$25,385,043	\$25,385,043	\$25,385,043	\$25,385,043	\$25,385,043
Ending Limited Partner Ownership %		40%	40%	40%	40%	40%	40%
Ending General Partner Ownership %		60%	60%	60%	60%	60%	60%
Distribution Tier 1: 0% to 8% IRR		2013	2014	2015	2016	2017	2018
Beginning Total Equity Capital		(\$25,385,043)	(\$25,385,043)	(\$27,415,847)	(\$29,132,502)	(\$28,612,032)	(\$26,843,605)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
+ Initial Return Hurdle Accrual	8%		(\$2,030,803)	(\$2,193,268)	(\$2,330,600)	(\$2,288,963)	(\$2,147,488)
+ Initial Return Distributions			\$0	\$476,612	\$2,851,071	\$4,057,389	\$28,991,094
Ending Preferred Return Account Balance		(\$25,385,043)	(\$27,415,847)	(\$29,132,502)	(\$28,612,032)	(\$26,843,605)	\$0
Tier1 CF Distribution to Limited Partner	40%		\$0	\$190,644.80	\$1,140,428	\$1,622,956	\$11,596,437.45
Tier1 CF Distribution to General Partner	60%		\$0	\$285,967	\$1,710,642	\$2,434,433	\$17,394,656.18
Remaining Cash Available (Tier 1)		\$0	\$0	\$0	\$0	\$0	\$7,563,036
Tier 1 IRR Check							
Total LP Equity Capital Invested		(\$10,154,017)	\$0	\$0	\$0	\$0	\$0
+ Total LP Distributions at End of Tier		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
Total LP Cash Flow		(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
Tier 1 IRR Check		8%					
Distribution Tier 2: 8% to 10% IRR		2013	2014	2015	2016	2017	2018
Beginning Total Equity Capital		(\$10,154,017)	(\$10,154,017)	(\$11,169,419)	(\$12,095,716)	(\$12,164,859)	(\$11,758,390)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
Tier 2 Return Hurdle Accrual	10%		(\$1,015,402)	(\$1,116,942)	(\$1,209,572)	(\$1,216,486)	(\$1,175,839)
Tier 1 Return Distributions			\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
Tier 2 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,337,791
Ending LP Preferred Return Account Balance		(\$10,154,017)	(\$11,169,419)	(\$12,095,716)	(\$12,164,859)	(\$11,758,390)	\$0
Tier2 CF Distribution to Limited Partner	40%	\$0	\$0	\$0	\$0	\$0	\$1,337,791
Tier2 CF Distribution to General Partner	60%	\$0	\$0	\$0	\$0	\$0	\$2,006,687
Remaining Cash Available (Tier 2)		\$0	\$0	\$0	\$0	\$0	\$4,218,558
Tier 2 IRR Check							
Total LP Equity Capital Invested		(\$10,154,017)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distributions		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
+ Total Tier 2 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,337,791
Total LP Cash Flow		(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$12,934,229
Tier 2 IRR Check		10%					
Distribution Tier 3: 10% to 12% IRR		2013	2014	2015	2016	2017	2018
Beginning Total Equity Capital		(\$10,154,017)	(\$10,154,017)	(\$11,372,499)	(\$12,546,554)	(\$12,911,713)	(\$12,838,163)
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0
Tier 3 Return Hurdle Accrual	12%		(\$1,218,482.07)	(\$1,364,700)	(\$1,505,587)	(\$1,549,406)	(\$1,540,580)
Tier 1 Return Distributions		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
Tier 2 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,337,791
Tier 3 Return Distributions		\$0	\$0	\$0	\$0	\$0	\$1,444,513
Ending LP Preferred Return Account Balance		(\$10,154,017)	(\$11,372,499)	(\$12,546,554)	(\$12,911,713)	(\$12,838,163)	\$0
Tier3 CF Distribution to Limited Partner	0.40	\$0	\$0	\$0	\$0	\$0	\$1,444,513
Tier3 CF Distribution to General Partner	0.60	\$0	\$0	\$0	\$0	\$0	\$2,166,770
Remaining Cash Available (Tier 3)		\$0	\$0	\$0	\$0	\$0	\$607,275

Tier 3 IRR Check							
Total LP Equity Capital Invested		(\$10,154,017)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distributions		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
+ Total Tier 2 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,337,791
+ Total Tier 3 Distributions		\$0	\$0	\$0	\$0	\$0	\$1,444,513
Total LP Cash Flow		(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$14,378,742
Tier 3 IRR Check		12%					
Distribution Tier 4: Above 12%							
Tier4 CF Distribution to Limited Partner	0.20	\$0	\$0	\$0	\$0	\$0	\$121,455
Tier4 CF Distribution to General Partner	0.80	\$0	\$0	\$0	\$0	\$0	\$485,820
Remaining Cash Available (Tier 4)		\$0	\$0	\$0	\$0	\$0	\$0
Tier 4 IRR Check							
Total LP Equity Capital Invested		(\$10,154,017)	\$0	\$0	\$0	\$0	\$0
+ Total Tier 1 Distribution to Limited Partner		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$11,596,437
+ Total Tier 2 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$1,337,791
+ Total Tier 3 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$1,444,513
+ Total Tier 4 Distribution to Limited Partner		\$0	\$0	\$0	\$0	\$0	\$121,455
Total LP Cash Flow		(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$14,500,197
Tier 4 IRR Check		12.2%					
Distribution Return Analysis							
		2013	2014	2015	2016	2017	2018
		0	1	2	3	4	5
Total Distributions							
Capital Contributions		(\$25,385,043)	\$0	\$0	\$0	\$0	\$0
+ Distributions		\$0	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
Total Equity Cashflows		(\$25,385,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130
Venture IRR Before Promote		12.3%					
Total Cashflows Received		\$43,939,202					
Net Profit Over Basis		\$18,554,159					
Limited Partner Distributions							
		2013	2014	2015	2016	2017	2018
Limited Partner Contributions		(\$10,154,017)	\$0	\$0	\$0	\$0	\$0
+ Limited Partner Distributions		\$0	\$0	\$190,645	\$1,140,428	\$1,622,956	\$14,500,197
Limited Partner Total Cashflows		(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$14,500,197
Limited Partner IRR after Promote		12.2%					
			Percent				
Total Cashflows Received (Limited Partner)		\$17,454,226	39.7%				
Net Profit Over Basis (Limited Partner)		\$7,300,209	39.3%				
General Partner Distributions							
		2013	2014	2015	2016	2017	2018
General Partner Contributions		(\$15,231,026)	\$0	\$0	\$0	\$0	\$0
+ General Partner Distributions		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$22,053,933
General Partner Total Cashflows		(\$15,231,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$22,053,933
General Partner IRR after Promote		12.4%					
			Percent				
Total Cashflows Received (General Partner)		\$26,484,976	60.3%				
Net Profit Over Basis (General Partner)		\$11,253,950	60.7%				

INVESTMENT CF SUMMARY	IRR	2013	2014	2015	2016	2017	2018	
Investment Cashflows	12.3%	(\$25,385,043)	\$0	\$476,612	\$2,851,071	\$4,057,389	\$36,554,130	
Limited Partner Investment Cashflows	12.2%	(\$10,154,017)	\$0	\$190,645	\$1,140,428	\$1,622,956	\$14,500,197	
General Partner Investment Cashflows	12.4%	(\$15,231,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$22,053,933	
INVESTMENT NET PRESENT VALUE								
Cost of Capital - Discount Rate	5.50%	6.50%	7.50%	8.50%	9.50%	10.50%	11.50%	12.50%
Leveraged Project Net Present Value	\$8,715,193.98	\$7,229,483.85	\$5,822,654.26	\$4,489,808.36	\$3,226,395.77	\$2,028,185.07	\$891,238.80	(\$188,109.38)
Limited Partner Net Present Value	\$3,393,148.21	\$2,803,145.88	\$2,244,461.19	\$1,715,150.27	\$1,213,406.74	\$737,550.87	\$286,019.56	(\$142,642.64)
General Partner Net Present Value	\$5,322,045.76	\$4,426,337.98	\$3,578,193.07	\$2,774,658.10	\$2,012,989.03	\$1,290,634.20	\$605,219.24	(\$45,466.74)
Calculation Of Promote Cash		2013	2014	2015	2016	2017	2018	
Distribution to GP at LP's IRR:								
Beginning Equity Capital		(\$15,231,026)	(\$15,231,026)	(\$17,083,342)	(\$18,874,959)	(\$19,459,788)	(\$19,391,950)	
+ Additional Equity Invested			\$0	\$0	\$0	\$0	\$0	
+ Accrued Return at LP's IRR	12.2%		(\$1,852,316)	(\$2,077,585)	(\$2,295,472)	(\$2,366,595)	(\$2,358,345)	
+ Distributions Allocable to Cash Invested (at LP's IRR)		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$21,750,296	
Ending Preferred Return Account Balance		(\$15,231,026)	(\$17,083,342)	(\$18,874,959)	(\$19,459,788)	(\$19,391,950)	\$0	
Promote Cash Distributable to General Partner	\$303,637	\$0	\$0	\$0	\$0	\$0	\$303,637	
IRR Check		2013	2014	2015	2016	2017	2018	
General Partner Contributions		(\$15,231,026)	\$0	\$0	\$0	\$0	\$0	
+ General Partner Distributions at LP's IRR		\$0	\$0	\$285,967	\$1,710,642	\$2,434,433	\$21,750,296	
Total Cash Flow		(\$15,231,026)	\$0	\$285,967	\$1,710,642	\$2,434,433	\$21,750,296	
IRR Check for GP's Cash Investment		12.2%						
Total Promote Cash	\$303,637							
Promote Cash % of Total Returns	0.7%							