

TAN-TAR-A
ESTATES

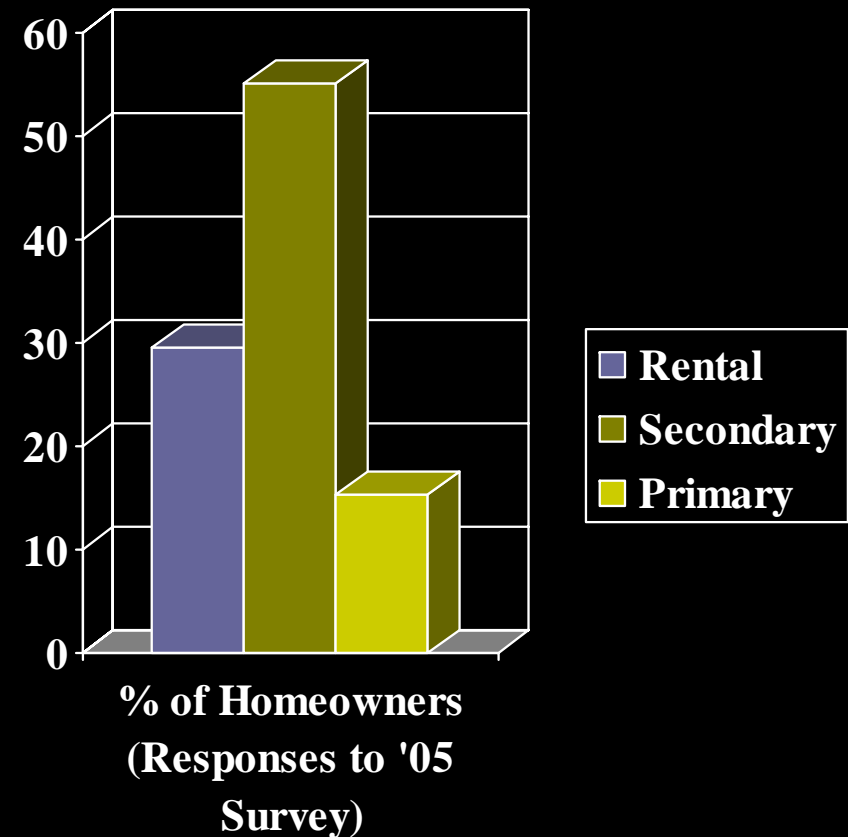
Tan-Tar-A Estates - A Little History

- Tan-Tar-A Estates was begun in the 1960s as a complement to the Resort
- It is a natural, wooded lakefront and golf course residential community comprised of 360 homes



Tan-Tar-A Estates - Types of Homeowners

- Homeowners include:
 - Full-Time Residents
 - 2nd Home/Vacation Owners
 - Investor Owners



Tan-Tar-A Estates - Land Lease



One of the most frequently asked questions about homeownership in Tan-Tar-A Estates is about the land lease, and that is what this presentation is about ...

Tan-Tar-A Estates - Land Lease

- What is a land lease?
- What are the mechanics of the land lease?
- What are the advantages of a land lease?

Tan-Tar-A Estates - What is a land lease?

- A land lease property is one in which the land beneath the building is owned by someone else
- The owner of the building leases the land for a specified period
- Land leases are frequently used for commercial properties and may also be found in premiere residential locations

How Does the Tan-Tar-A Estates Land Lease Work?

- The land lease is for a period of 50 years
 - Normally the lease is for an initial period of 20 years, with three ten year renewals
 - The length of the initial term and renewals can be negotiated, within the 50 year bracket, such as:
 - 30 years with two ten-year renewals
 - 40 years with one ten-year renewal
 - 45 years with one five-year renewal

How Does the Tan-Tar-A Estates Land Lease Work?

- The owner of the building pays Tan-Tar-A Estates, LLC annual rent
 - The annual lease payment is made quarterly, in advance
 - The lease payment is subject to a cost of living adjustment every three years (CPI Adjustment)

Tan-Tar-A Estates - The Advantages of Leasing

- Buy Larger Estate Home



- The advantage of leasing rather than purchasing the land is that leasing allows the purchaser to buy a more expensive home. It is particularly advantageous for a lake lot, or a bluff lot with an incredible view

Tan-Tar-A Estates - The Advantages of Leasing

- Financing –
 - Assets are kept liquid, instead of tying up cash in land ownership, the land down payment assets remain liquid so that investments at a potentially higher rate of return may be made. By comparison, if the land was purchased and money is needed later, the buyer would need to borrow against the equity, which creates added debt and higher monthly payments.



Tan-Tar-A Estates - The Advantages of Leasing

- Larger Market for Home on a Leased Lot-
 - Homes on leased land are lower in price. A home with a lower price can appeal to a larger market segment, more people can afford and obtain financing



Tan-Tar-A Estates - The Advantages of Leasing

- Estates professionally managed-
 - Because the developer has a long-term interest in the Estates, it benefits everyone, as they ensure minimum standards are met and maintained in architecture, environmental, and overall ambiance
- Tax treatment-
 - For investors, the IRS does not consider a lease to be a purchase, but rather a tax-deductible expense. Therefore lease payments may possibly be a deduction against income

Tan-Tar-a Estates - The Advantages of Leasing

- Losses from Rental Real Estate Activities
 - If a homeowner actively participated in a passive rental real estate activity, they may be able to deduct up to \$25,000 of loss from the activity from their non-passive income. This special allowance is complex and we strongly recommend consulting a tax accountant or attorney regarding the limitations associated with residential rental property and/or vacation rental property

Tan-Tar-A Estates - The Advantages of Leasing

- These benefits:

- Professional management
- Security
- Stability
- Confidence that the Estates will be maintained and approved standards must be met

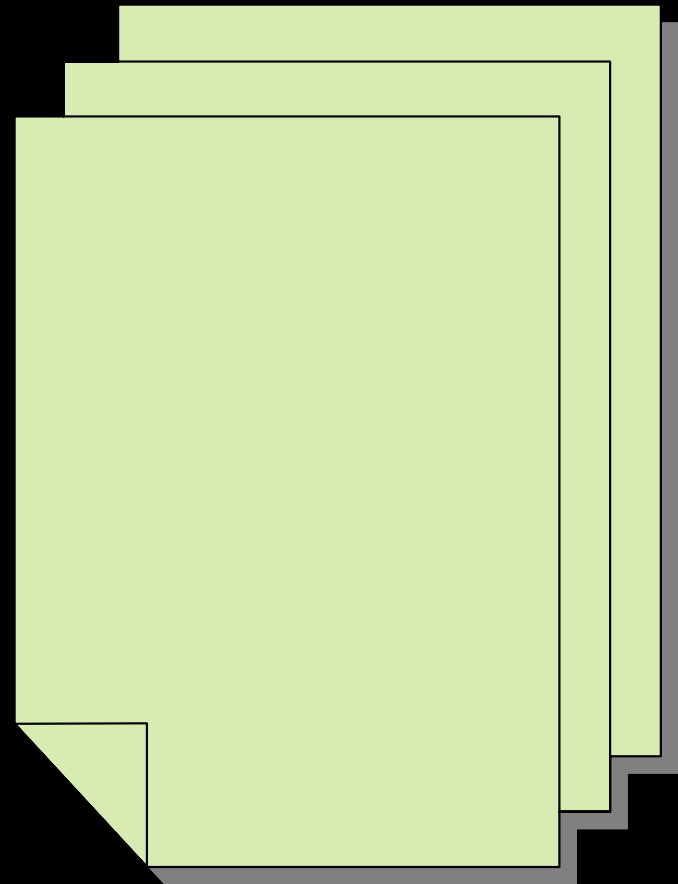
all result in a better place to live and valuable
peace of mind!

Tan-Tar-A Estates - Some Other FAQs

- Is assignment of the lease permitted?
 - Upon prior written approval of the Lessor, the Lessee may sublease or assign the lease
 - Please note that the Lessee is not released from the obligations and liabilities if there is a release or assignment
 - Any subsequent releases or assignments must also be consented to by the Lessee and the Lessor

Tan-Tar-A Estates - Some Other FAQs

- What Documents are Required?
 - Land Lease
 - Memorandum of Lease
 - Termination of Lease
 - Quit Claim Deed
 - Agreement to Mortgage (if financing)



Tan-Tar-A Estates - Some Other FAQs

- Is a Lessee allowed to finance the leasehold estate?
 - The Lessee **may** mortgage the Lessee's leasehold estate, secured by a deed of trust, and subject to the Agreement to Mortgage
 - Financing may not exceed 80% of the fair market value of the residence

Tan-Tar-A Estates - Some Other FAQs

- Is there a Restrictive Agreement?
 - There is a restrictive agreement that covers items such as:
 - Land use
 - Building type and architectural control
 - Nuisances
 - Assessments
 - Duties and powers of the trustees
 - Lessee's responsibilities regarding maintenance

Tan-Tar-A Estates - Some Other FAQs

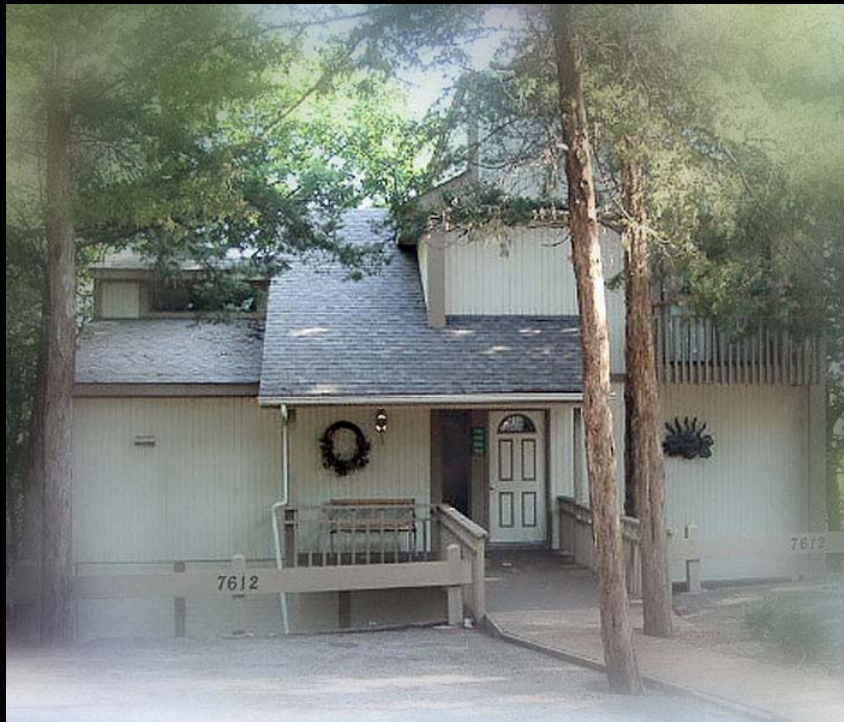
- Besides the land lease, what other costs or expenses will a Lessee be responsible to pay?
 - An annual assessment for common area maintenance
 - Trash service
 - Sewer service
 - Real estate taxes
 - Fire and extended coverage insurance
 - Utilities such as electric, phone, cable and/or internet service

Tan-Tar-A Estates - Some Other FAQs

- What amenities are available?
 - Two swimming pools
 - The Landing - A picnic/fishing area
 - Two community docks with slips for lease
 - Access for a fee to Tan-Tar-A Resort amenities, including water park, golf and spa



Tan-Tar-A Estates - Some Other FAQs



- May homes be rented or leased?
 - Most homes in the Estates may be rented or leased in all or in part
 - The Lessor does not have a property rental program, but there are several providers available at this time

Tan-Tar-A Estates - Some Other FAQs

- How can we get more information?
 - We are happy to help with any questions! Please contact **Tina Carr**, Real Estate Manager for Duenke Enterprises at:
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 - 573-348-0093 (fax)
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