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## Section II Production

### Appendix 11.1

#### Windfall Calculation ~~Example~~

**Windfall = Construction Period Profit – Equivalent Period Historic Profit**

**Construction Period Profit = Construction Period Net Operating Income – Equivalent Period Underwritten Debt Service**

**Equivalent Period Underwritten Debt Service = Number of days in construction period/365 x Underwritten Debt Service (including MIP)**

**Equivalent Period Historic Profit = Number of days in construction period/365 x Annual Historic Profit**

**Annual Historic Profit = Trailing Twelve Months Net Operating Income – Underwritten Debt Service (including MIP)**

**Notes:**

**(1) The Trailing Twelve Months Net Operating Income and Construction Period Net Operating Income should not include any bond premium returned to the Borrower, depreciation and salaries to principals in expenses. It should include a 5% management fee and underwritten ongoing deposit to the reserve for replacement account as expenses. In addition, The Construction Period Net Operating Income should not include interest, taxes, insurance and any other items certified to as capital cost items in the cost certification.**

**(2) The Construction Period is defined as the period from initial closing to cutoff date.**

**(3) The windfall calculation is not applicable when the Borrower and Operator are unrelated entities.**

<b>Windfall Calculation Example</b>	
Number of Days in Construction Period	252
Trailing Twelve Months Net Operating Income (TTM NOI)	\$856,000
Annual Debt Service (Principal and Interest)	\$450,000
Annual Mortgage Insurance Premium	+ \$35,000
Total Underwritten Debt Service (Principal + Interest + MIP)	\$485,000
<b>Construction Period Net Operating Income (NOI)</b>	<b>\$683,000</b>
Annual Historic Profit (TTM NOI – Total UW Debt Service)	\$371,000
Equivalent Period Underwritten Debt Service ((Number of Days in Construction Period /365 days)*Total UW Debt Service)	\$334,849
<b>Construction Period Profit</b> (Construction Period NOI – Equivalent Period UW Debt Service)	<b>\$348,151</b>
<b>Equivalent Period Historic Profit</b> ((Number of Days in Construction Period /365 days)*Annual Historic Profit)	<b>\$256,142</b>
<b>Windfall</b> (If Construction Period Profit is greater than the Equivalent Period Historic Profit, then the difference equals the Windfall)	<b>\$92,009</b>