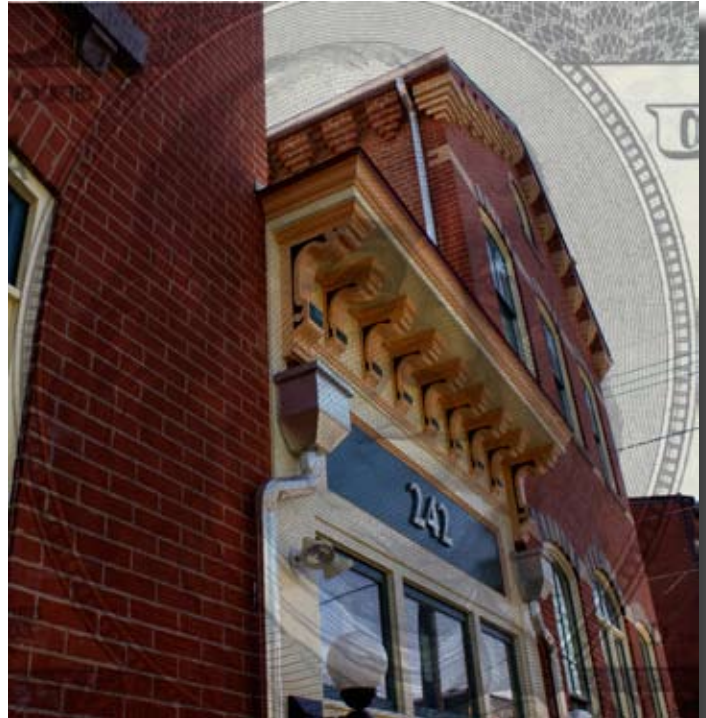


REAL ESTATE TAXES

No one likes to pay real estate taxes, and the reality is that New Jersey's are high. That's the bad news.

The good news is that for many of our buyers, offsetting tax savings make living in the Cracker Factory a real bargain, despite NJ's real-estate tax crunch. We start with a 5 year tax abatement, which means that your taxes will start at about \$1,000 in the first year. They'll increase each year for 5 years, then level off. You'll save more than \$15,000 during the abatement period. But even after the abatement ends, the cost of living in your Cracker Factory loft remains a relative bargain.

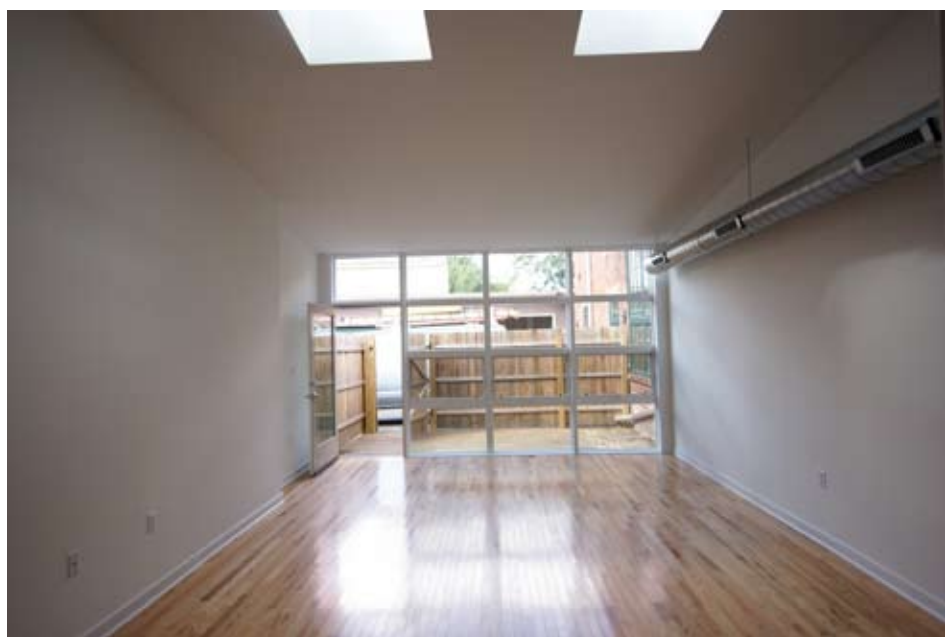
To illustrate how big of a bargain, let's look at a typical buyer profile: for example, a single person who lives and works in New York City, making \$75,000 taxable income a year, who plans to continue commuting into the city from Trenton.



As soon as the buyer moves to Trenton, he (or she) will save \$2,249 per year in New York City Personal Income Tax. Because of the Cracker Factory tax abatement, this annual savings alone could offset all of the real estate taxes during the first 3 years of living in the Cracker Factory.

Keep in mind that both mortgage interest and real estate taxes are deductible from both Federal and State income taxes, whereas rent isn't deductible at all. In our example, a single person working in NYC will save approximately 32¢ for every dollar spent on mortgage interest or real estate taxes (see note 6, page 2). This is on top of the savings in NYC Personal Income Tax already quantified.

Looked at this way, Cracker Factory lofts are extremely reasonable. For example, Unit CF-6 (at \$179,000) costs our "typical buyer" (after tax savings are taken into account) the equivalent of \$972 monthly rent in the first year. But even in year 6, *after* the tax abatement runs out, the equivalent rent is still only \$1,301. [See how these equivalent rents were calculated on the other side of this sheet].



Unit CF-6 of the Cracker Factory represents an amazing quality of living space for its cost. It is a 2-bedroom, 2-bath duplex loft of approximately 1,425 SF. The kitchen features granite counter tops, GE® stainless steel energy-star rated appliances (including dishwasher and microwave), deluxe Wood-Mode® cabinets with solid wood doors, and a washer/dryer. It has four skylights, and 12' cathedral ceilings in the master bedroom. Bathrooms are fully tiled, and the master bath is finished with premium Kohler® Stillness faucets. It features heat and central air conditioning via a highly efficient 15 SEER electric heat pump, which is more cost effective than gas.

In addition to the loft itself, included in the purchase price is use of a garage, and a generous basement storage locker.

HHG Development Phase 1, LLC 165 Mercer Street Trenton, NJ 08611

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“Equivalent Rent” Calculation:

Single buyer, making \$75,000/year Currently Renting and Working in NY City

Estimated Monthly Cost	Year 1	Year 6
Mortgage Payment ¹	\$988	\$988
Association Fee ²	295	295
Real Estate Taxes ³	92	544
Condo Insurance ⁴	60	60
Total Monthly Out of Pocket Expense	1,435	1,887

Impact of Income Tax Savings		
NYC Personal Income Tax ⁵	(187)	(187)
Mortgage Interest Deduction ⁶	(246)	(226)
Real Estate Tax Deduction ⁷	(29)	(173)

“Equivalent Rent”	972	1,301
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Notes:

1. Based on \$179,000 (100%) HMFA financing rates in effect on 7/15/10 for qualified buyers: 5.25% including PMI for a 30 year fixed-rate mortgage with zero points.
2. Association fee in effect on 12/3/09. Subject to change. Association fee includes water and gas utilities.
3. Real estate taxes based on 2010 City of Trenton general tax rate. First year assessed value based on current, actual assessment. Assessed value after expiration of the tax abatement (Year 6), estimated at 2010 tax ratio times purchase price. Both tax ratio and general tax rate are subject to change.
4. Estimated at 0.4% of purchase price. Actual premium may vary.
5. Commuters do not pay NY City Personal Income tax. Estimate based on NY City tax table of \$2,249 per year for \$75,000 of taxable income.
6. Based on monthly interest component of mortgage payment. Estimated at \$773 (Year 1, payment 12), or \$708 (Year 6, payment #72), and a marginal tax rate of 31.85%. This is based on the current marginal Federal tax rate of 25% and NY State rate of 6.85%. NJ residents who commute to NYC pay NY State taxes on income earned in NY. NY taxes are credited against NJ income taxes, so a commuter that earns all of his or her income in NYC pays only NY State income tax, and no NJ income tax.
7. Savings based on deduction of Real Estate Taxes (see note 4) at the marginal tax rate of 31.85% (see note 6).

Please note: The estimates prepared for this example are believed to be a fair and accurate depiction of the costs and tax savings from owning a Cracker Factory loft for the specific buyer profile described, as of July, 2010. However, we are not tax accountants and are not responsible for errors in our analysis, or changing assumptions and tax laws. In addition, your actual savings will depend on your income, residency, job location, and other tax liabilities, among other factors. Please consult your accountant or tax professional before making a purchase decision.



As of December, 2009, 38% of Cracker Factory residents commute daily to NY City via NJ Transit trains. The newly-renovated train station is 9/10 of a mile from the front door of the Cracker Factory, and most residents walk. Ample parking is also available at the station.

The NJ Transit train service is superb. There are over 50 trains in each direction between Trenton and New York on a typical weekday. The earliest train to New York leaves the Trenton Transit Center at 3:47 AM. The last train leaving New York City departs at 1:41 AM. Express trains are frequent during the day, and are scheduled to take as little as 1:12 between Penn Station, New York and the Trenton Transit Center.*

Because Trenton is the originating station for NJ Transit trains, you are virtually guaranteed to find a seat on the way into New York. All trains are air conditioned, and many of the rush hour trains are a new “double-decker” design in which all seats are either on the window or the aisle (no middle seats). You can easily read, work on your laptop, or snooze during your commute.

*Train times and frequency based on current NJ Transit schedule, published 11/19/2009 and is subject to change.

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