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MEMO: from David Reid Homes (Hawkes Bay) Ltd

SUBJECT: Show Home / Display Home Proposal

OVERVIEW

David Reid Homes build show homes / display homes in its franchise areas, and generally upgrade these every 12-24 months.

The strategy is to always and without exception construct an awe inspiring home whilst still keeping it relevant to the area in which it is constructed. The show home / display home must be a window to some of the very best that our Company can offer.

David Reid Homes has always out sourced the financing of the show homes / display homes to investors and / or developers, who have made capital gains on the properties. These gains can be attributed to many elements - the quality of the construction, the superb design, the homely feel created, the colour schemes or furnishings, or the brand recognition. Although all these facets contribute, the most important element is acquiring the show home / display home at a very competitive price.

To this end David Reid Homes has always genuinely passed on a wholesale price to their investors. In the past this has created a pool of eager investors in New Zealand, some of which are on to their 2nd or 3rd show home investment.

PROPOSAL

David Reid Homes will identify opportunities with vendors / developers, sometimes with the assistance of real estate people or the like and often be invited to purchase "show home sites" sometimes with terms far superior to a retail buy. David Reid Homes then undertake to pass on these discounts and / or any favourable terms to the investor.

David Reid Homes will design a home relative to the area, but sitting quite a few percentage points above "an average". This then ensures a much better end product than what is available to the public for viewing in the local area.

This not only assists the Company to receive praise and assert high end brand recognition but also helps the investor in receiving a home which is considered a far better product than any other show home in the area.

After David Reid Homes have identified the land which is suitable for a show home, they will negotiate terms with the vendor. Alternatively if an investor has their own land that is appropriate for a show home / display home then David Reid Homes will negotiate the building design & construction direct with the investor.

After the show home is completed it is leased back by the David Reid Homes Franchisee for a period of generally a minimum of 12 months, at a return (subject to agreement between all parties) to the investor.

BENEFITS

Sale of land for vendor / developer / client - potential to generate further interest in the area and further sales in the sub division / area.

A quality home in the area which provides benchmark for other dwellings.

Capital gain potential and rental return

Taxation advantages – please consult your accountant.

Some advantages in dealing with David Reid Homes are

1. custom build specialists
2. performance guarantees
3. Master Builder
4. franchise operation which has strong support & back up
5. national deals with suppliers therefore offering competitive pricing
6. complete package
7. flexibility with changes

If you are interested in investing in a David Reid Homes show home / display home then please contact David Reid Homes (Hawkes Bay) Limited for a discussion and further details.

Tony Southey
Manager