

EXECUTIVE SUMMARY

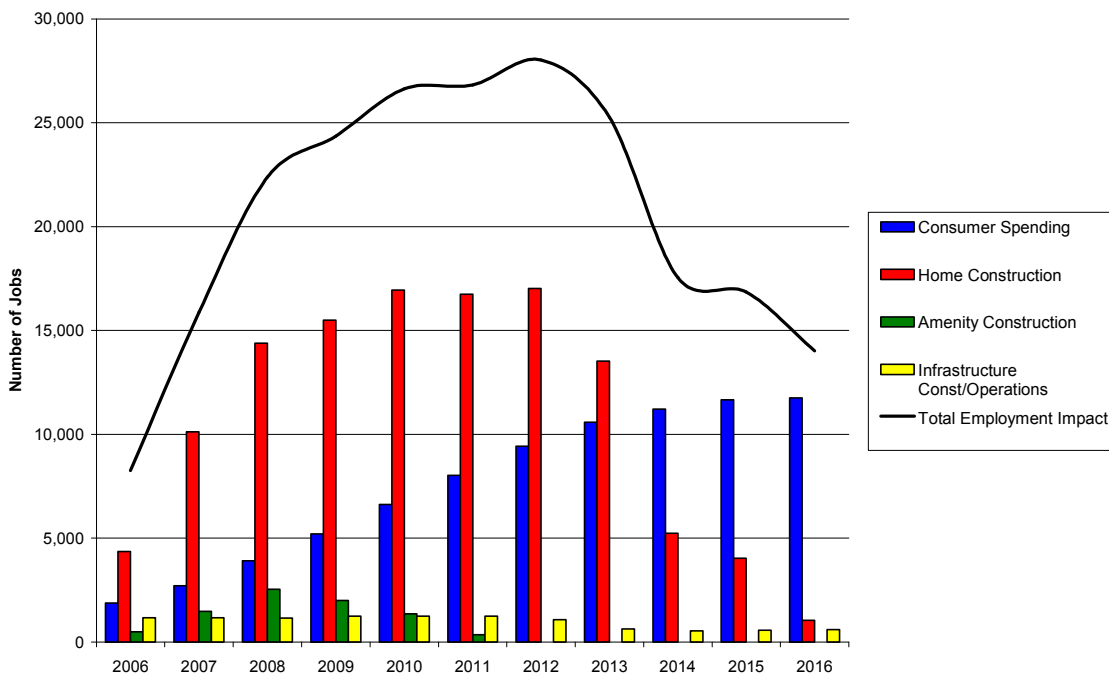
PRIVATE AND PUBLIC SECTOR IMPACTS OF THE CLIFFS COMMUNITIES, INC.: THE FOUR COUNTY REGION

The Cliffs Communities provide an important stimulus to economic growth in the region (Buncombe County, NC, and Greenville, Pickens, and Oconee Counties, SC). Construction of new homes, amenities and infrastructure in the Cliffs Communities injects new dollars into the regional economy. Consumer purchases by new Cliffs' residents sustain growth in the private sector and increase tax revenues for local governments.

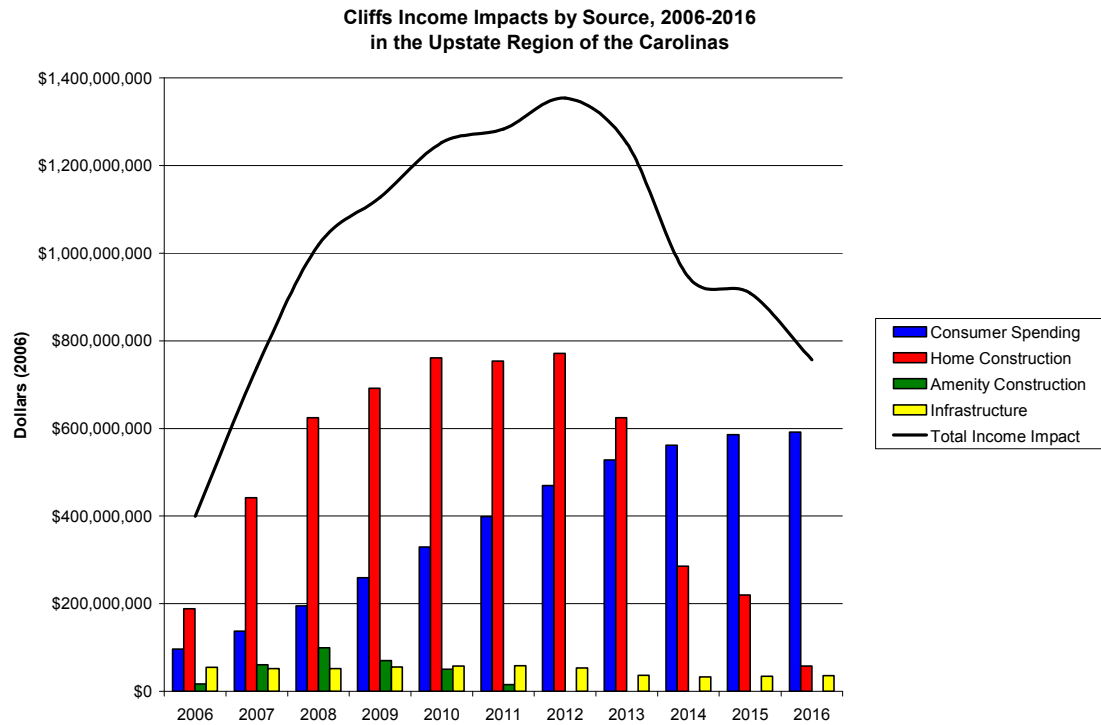
PRIVATE SECTOR IMPACTS

Employment. Spending associated with new home construction, new resident consumer spending, and the construction and operation of amenities and infrastructure is expected to increase Cliffs' employment impacts from **8,253 workers in 2006** to a peak of **28,028 in 2012**. Employment growth is driven primarily by home construction and linked activities (17,023 jobs) and increased personal consumption expenditures (9,436 jobs). After 2012, fewer new homes are built and Cliffs' related employment stabilizes at approximately **14,000 jobs in 2016**.

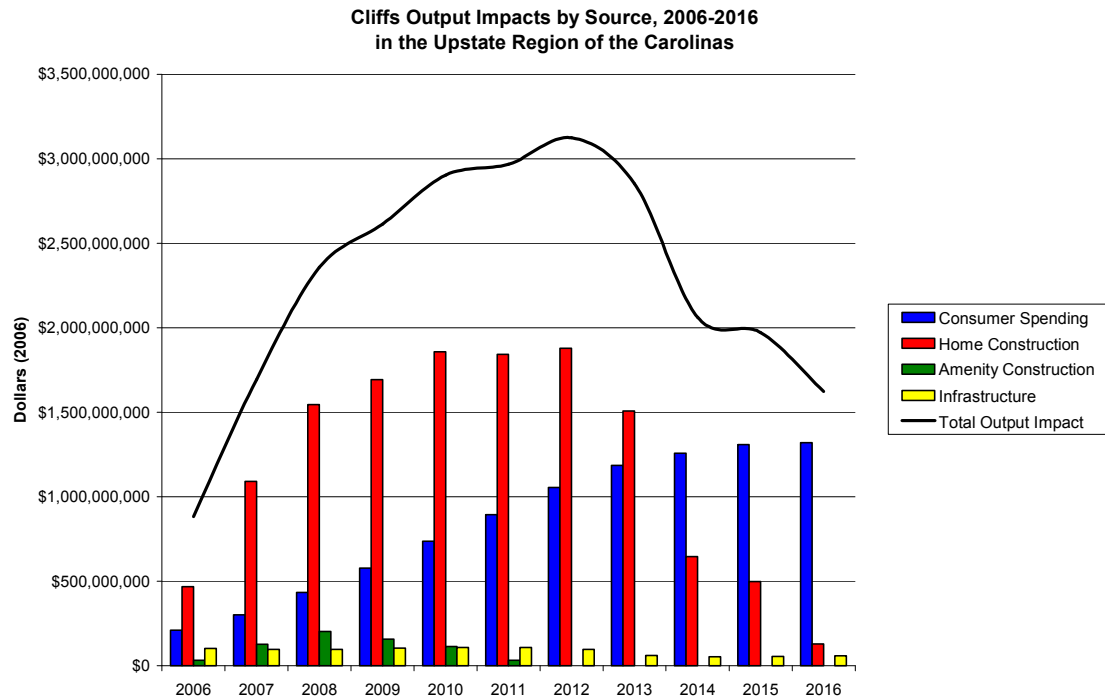
Cliffs Employment Impacts by Source, 2006-2016
in the Upstate Region of the Carolinas



Income. Local incomes (wages, rent, and profit income) follow a pattern similar to that of employment. Income impacts increase from **\$377.7 million** in 2006 to a high of **\$1.3 billion** (in constant 2006 dollars) in 2012.



Output. Gross sales (output) generated by Cliffs Communities increase from **\$0.8 billion** in 2006 to **\$3.1 billion** in 2012. Over time, the increase in consumer spending impacts will counter declining construction related impacts and regional income and gross sales stabilize at **\$721 million** and **\$1.623 billion** respectively.



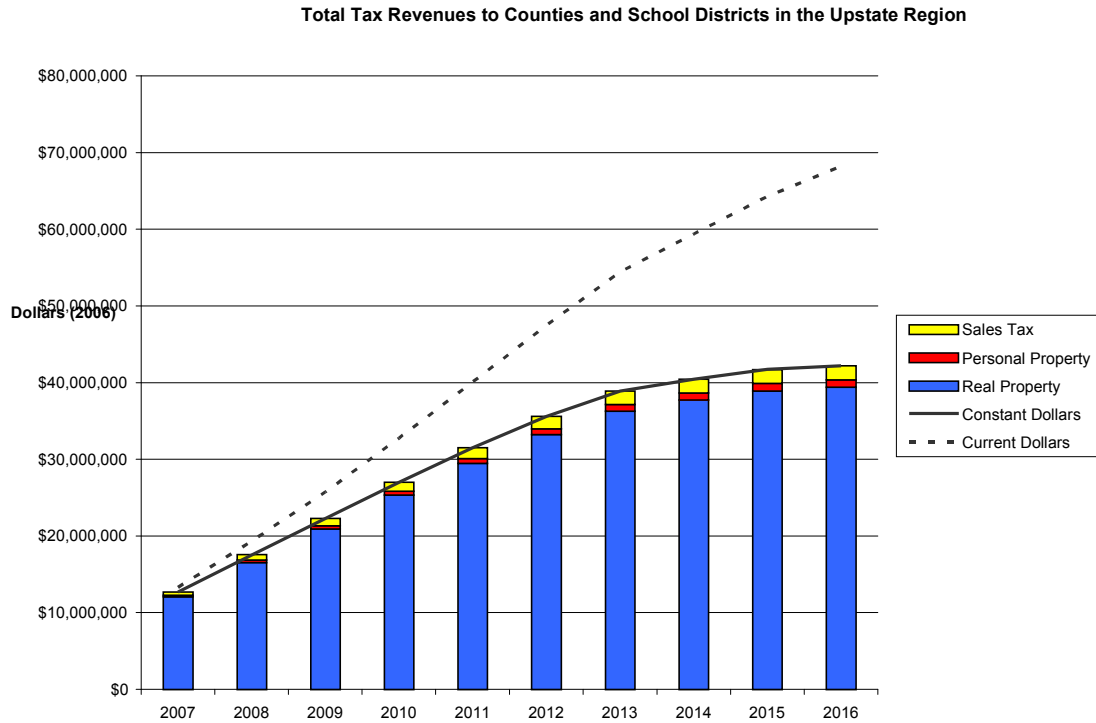
PUBLIC SECTOR IMPACTS

County and school district tax revenues will be enhanced by real property taxes on homes in the Cliffs Communities, as well as Cliffs' infrastructure and amenities. New tax revenues also will accrue from personal property taxes on selected assets of new residents of the Cliffs Communities (e.g., cars and boats), and from local option sales taxes on new resident retail purchases in some counties in the region.

Property Tax Revenues. County and school district property tax revenues from Cliffs Communities properties in constant 2006 dollars are projected to expand from **\$12.3 million** in 2007 to **\$40.4 million** in 2016. Assuming real and personal property appreciate at a rate of 5% annually, total property tax revenues increase to **\$65.8 million** in 2016.

Local Sales Tax Revenues. In Pickens County, SC and Buncombe County, NC, which levy local sales taxes on retail purchase of 1 percent and 2.5 percent respectively, Cliffs resident spending will provide additional sources of county revenues. Local sales taxes in the two counties attributable to Cliffs Communities are estimated to be **\$443,500** in 2007. In constant 2006 prices, these revenues increase to almost **\$1.8 million** a decade later, in 2016. In current dollars, revenues increase to **\$2.4 million** by 2016.

Total County and School Tax Revenues. Together, the local option sales taxes and property tax revenues are expected to generate **\$12.7 million** for counties and school districts in 2007, in constant 2006 dollars. In constant 2006 prices, these revenues increase to **\$42.2 million** in 2016. With property tax base appreciation of 5% per year and sales tax base of 3% per year, tax revenues to the counties and school districts are expected to rise to **\$68.2 million** by 2016.



Summary. Economic growth often means added public sector costs, however, new burdens placed on county and school districts in the region by the Cliffs Communities appear to be low. First, most local public services will be provided by Cliffs Communities' special purpose districts. Second, few children will be included in the new households, and added costs to school districts are expected to be small. Accordingly, the Cliffs Communities are likely to provide net fiscal benefits to both the county governments and school districts.

SUMMARY

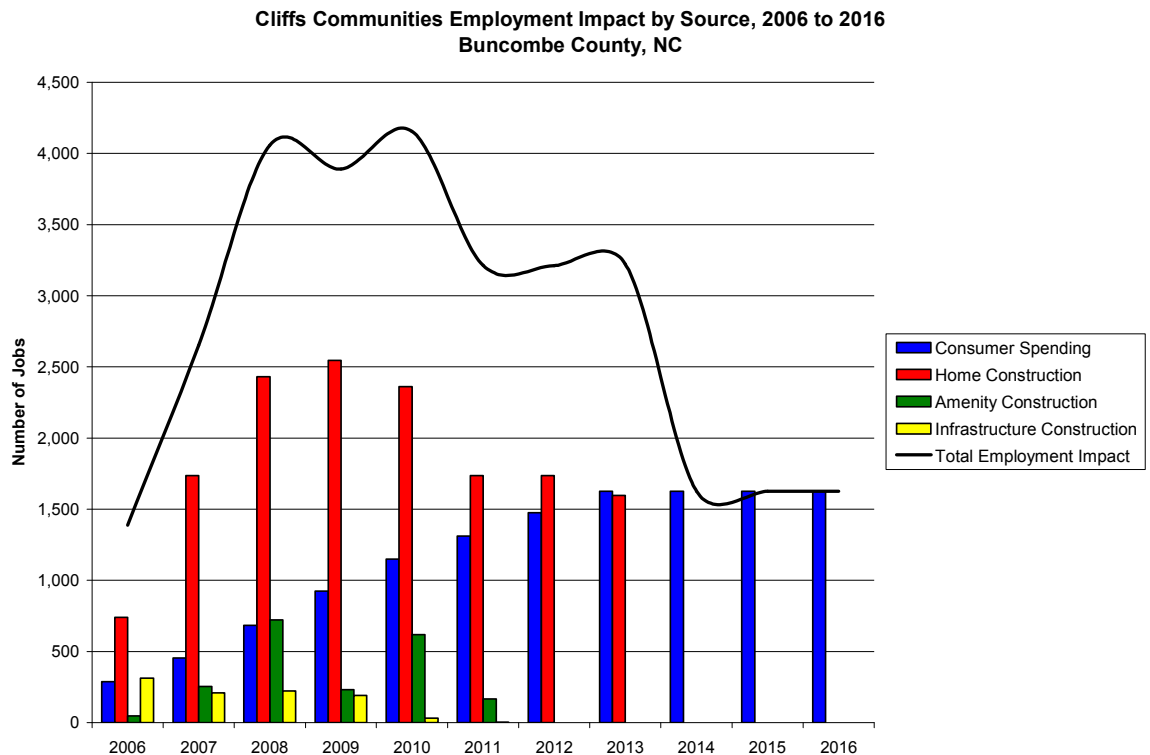
PRIVATE AND PUBLIC SECTOR IMPACTS OF THE CLIFFS COMMUNITIES, INC.:

BUNCOMBE COUNTY, NC

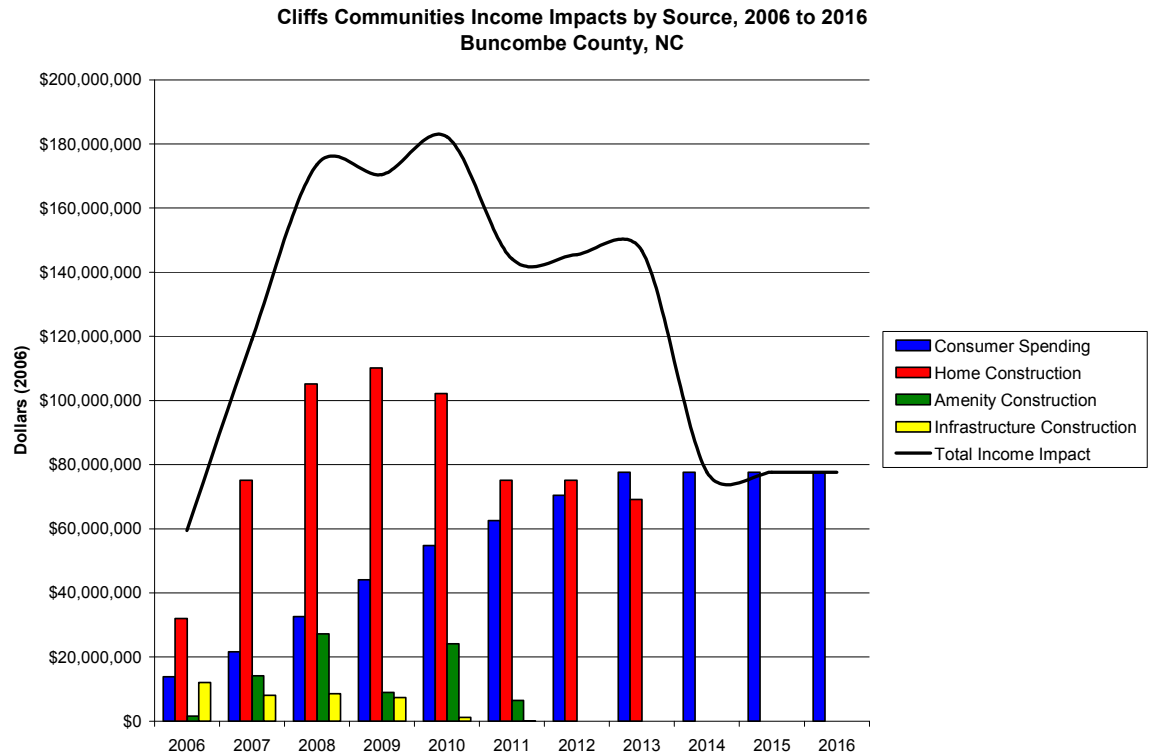
The Cliffs at Walnut Cove provides an important stimulus to economic growth in Buncombe County, North Carolina. Construction of new homes, amenities and infrastructure at Walnut Cove injects new dollars into the regional economy. Consumer purchases by new Cliff's residents sustain growth in the private sector and increase tax revenues for local governments.

PRIVATE SECTOR IMPACTS

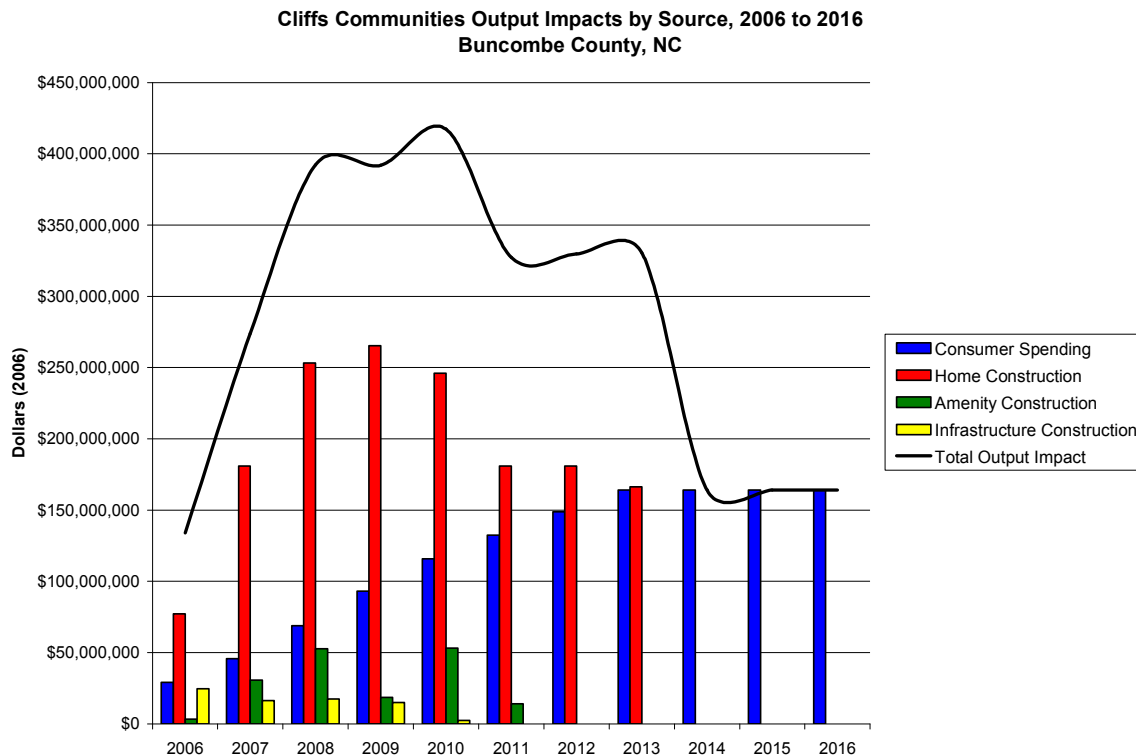
Employment. Spending associated with new home construction, new resident consumer spending, and the construction and operation of amenities and infrastructure is expected to increase Walnut Cove's employment impacts from **1,387 workers in 2006** to a peak of **4,156 in 2010**. Employment growth is driven primarily by home construction and linked activities (2,361 jobs) and increased personal consumption expenditures (1,147 jobs). After 2009, fewer new homes are built and Cliff's related employment stabilizes at approximately **1,627 jobs in 2016**.



Income. Local incomes (wages, rent, and profit income) follow a pattern similar to that of employment. Income impacts increase from **\$59 million** in 2006 to a high of **\$182 million** (in constant 2006 dollars) in 2010.



Output. Gross sales (output) generated by The Cliffs at Walnut Cove increase from **\$134 million** in 2006 to **\$417 million** in 2010. Over time, the increase in consumer spending impacts will counter declining construction related impacts and county income and gross sales stabilize at approximately **\$78 million** and **\$164 million** respectively.



PUBLIC SECTOR IMPACTS

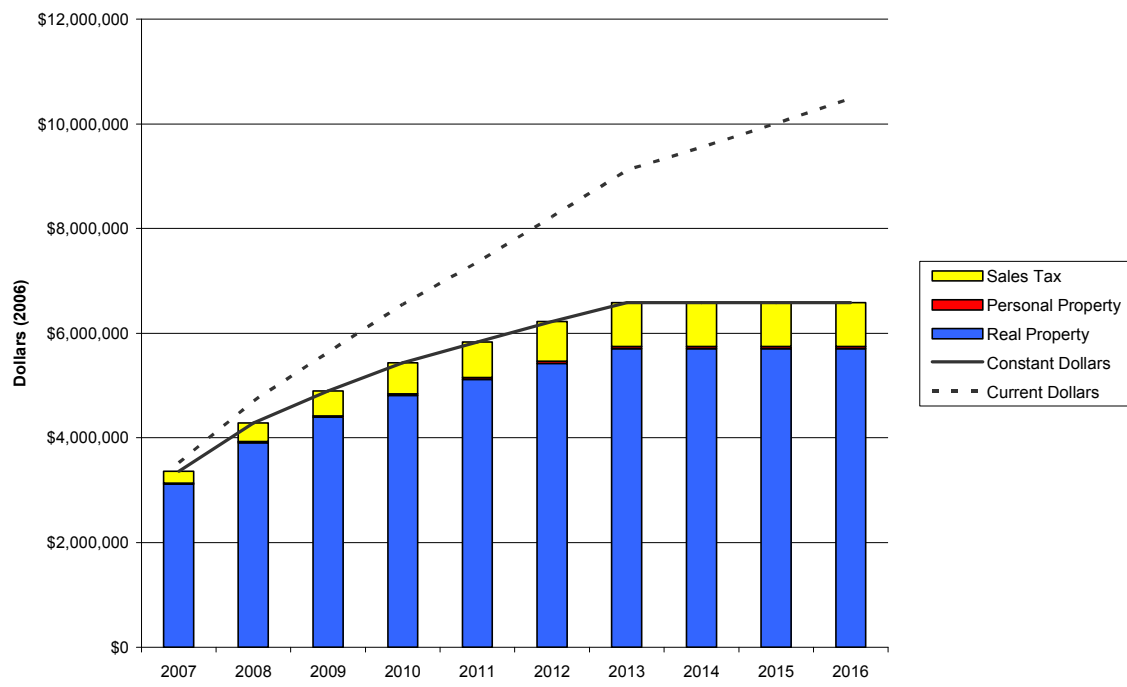
County and school district tax revenues will be enhanced by real property taxes on homes in the Cliffs Community, as well as Cliff's infrastructure and amenities. New tax revenues also will accrue from personal property taxes on selected assets of new residents of the Community (e.g., cars and boats), and from sales taxes on new resident retail purchases in the county.

Property Tax Revenues. County and school district property tax revenues from Cliffs Communities properties in constant 2006 dollars are projected to expand from **\$3.1 million** in 2007 to **\$5.7 million** in 2016. Assuming real and personal property appreciate at a rate of 5% annually, total property tax revenues increase to **\$9.4 million** in 2016.

Local Sales Tax Revenues. Buncombe County's 2.5 percent sales tax on retail purchases will provide additional sources of county revenues. Local sales taxes in the county attributable to the Cliffs are estimated to be **\$233,000** in 2007. In constant 2006 prices, these revenues increase to almost **\$836,000** a decade later, in 2016. In current dollars, revenues increase to over **\$1.1 million** by 2016.

Total County and School Tax Revenues. Together, the local sales tax and property tax revenues are expected to generate **\$3.4 million** for the county and school district in 2007, in constant 2006 dollars. In constant 2006 prices, these revenues increase to **\$6.6 million** in 2016. With property tax base appreciation of 5% per year and sales tax base of 3% per year, tax revenues to the counties and school districts are expected to rise to **\$10.5 million** by 2016.

Tax Revenues to Buncombe County and School District



Summary. Economic growth often means added public sector costs. However, new burdens placed on the county and school district by the Cliffs at Walnut Cove appear to be low for two reasons. First, most local public services will be provided by Cliffs Communities’ special purpose districts. Second, few children will be included in the new households, and added costs to school districts are expected to be small. Accordingly, Walnut Cove is likely to provide net fiscal benefits to both the Buncombe County government and school district.

SUMMARY

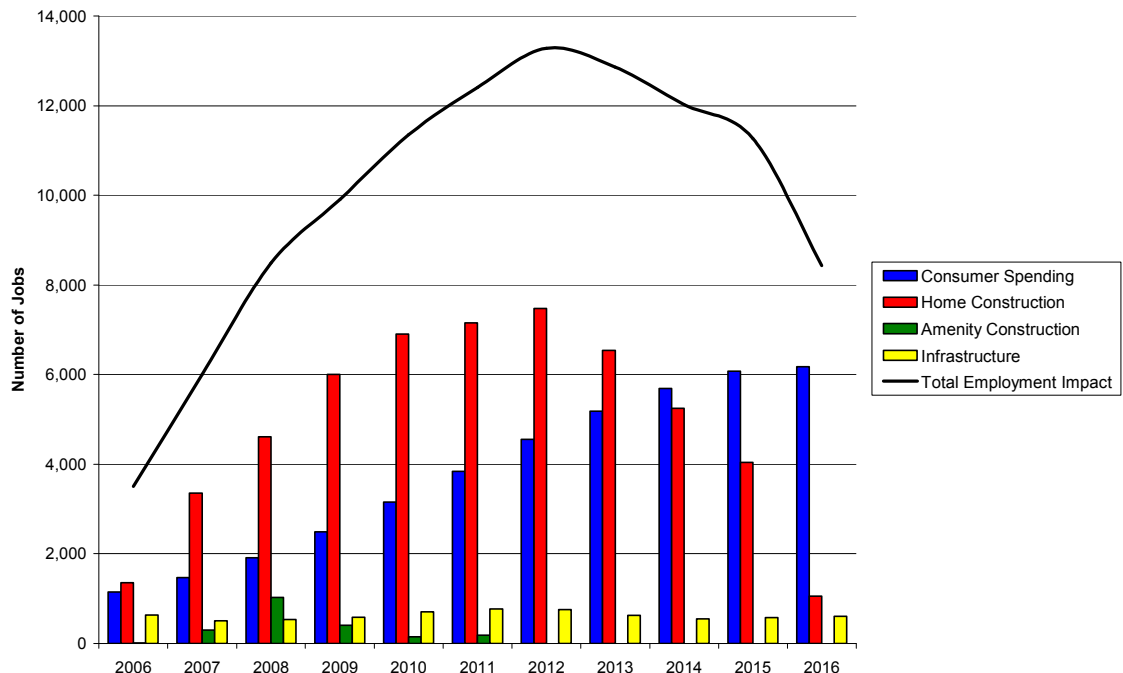
PRIVATE AND PUBLIC SECTOR IMPACTS OF THE CLIFFS COMMUNITIES, INC.: GREENVILLE COUNTY, SC

The Cliffs at Glassy, Cliffs Valley, and The Cliffs at Mountain Park provide an important stimulus to economic growth in Greenville County, South Carolina. Construction of new homes, amenities and infrastructure in Greenville County's Cliffs Communities injects new dollars into the regional economy. Consumer purchases by new Cliffs' residents sustain growth in the private sector and increase tax revenues for local governments.

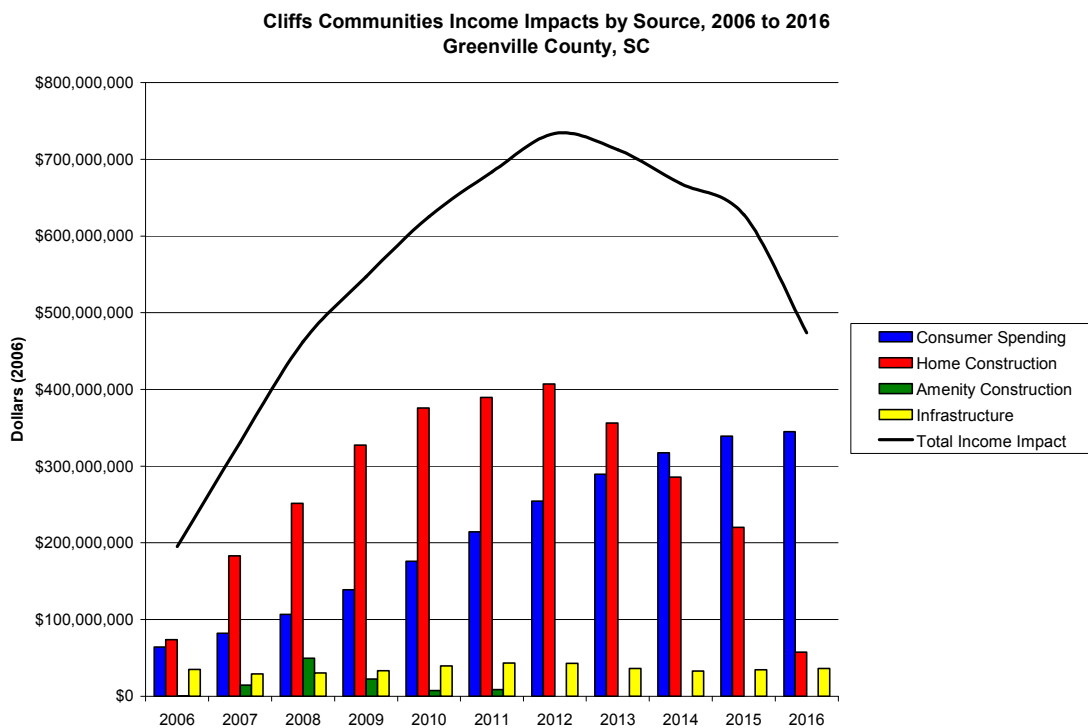
PRIVATE SECTOR IMPACTS

Employment. Spending associated with new home construction, new resident consumer spending, and the construction and operation of amenities and infrastructure is expected to increase Cliff's employment impacts from **3,505 workers in 2006** to a peak of **13,285 in 2012**. Employment growth is driven primarily by home construction and linked activities (7,474 jobs) and increased personal consumption expenditures (4,556 jobs). After 2012, fewer new homes are built and Cliff's related employment stabilizes at approximately **8,000 jobs in 2016**.

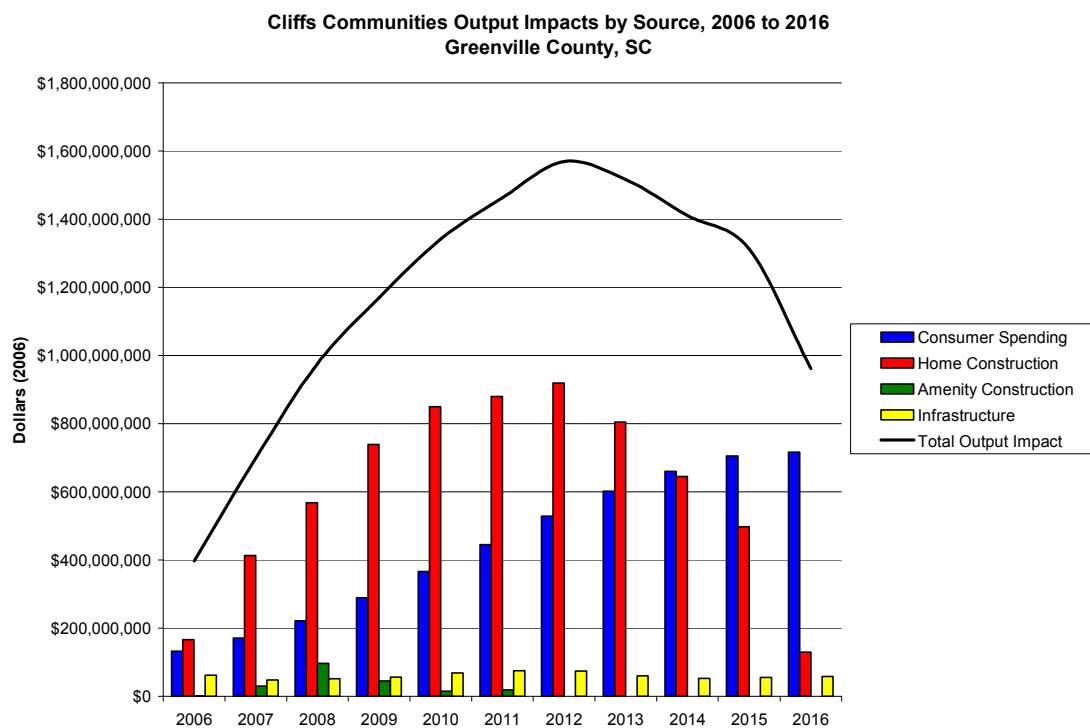
Cliffs Communities Employment Impacts by Source, 2006 to 2016
Greenville County, SC



Income. Local incomes (wages, rent, and profit income) follow a pattern similar to that of employment. Income impacts increase from **\$195 million** in 2006 to a high of **\$734 million** (in constant 2006 dollars) in 2012.



Output. Gross sales (output) generated by Greenville County’s Cliffs Communities increase from **\$397 million** in 2006 to **\$1.6 billion** in 2012. Over time, the increase in consumer spending impacts will counter declining construction related impacts and county income and gross sales stabilize at approximately **\$474 million** and **\$962 million** respectively.

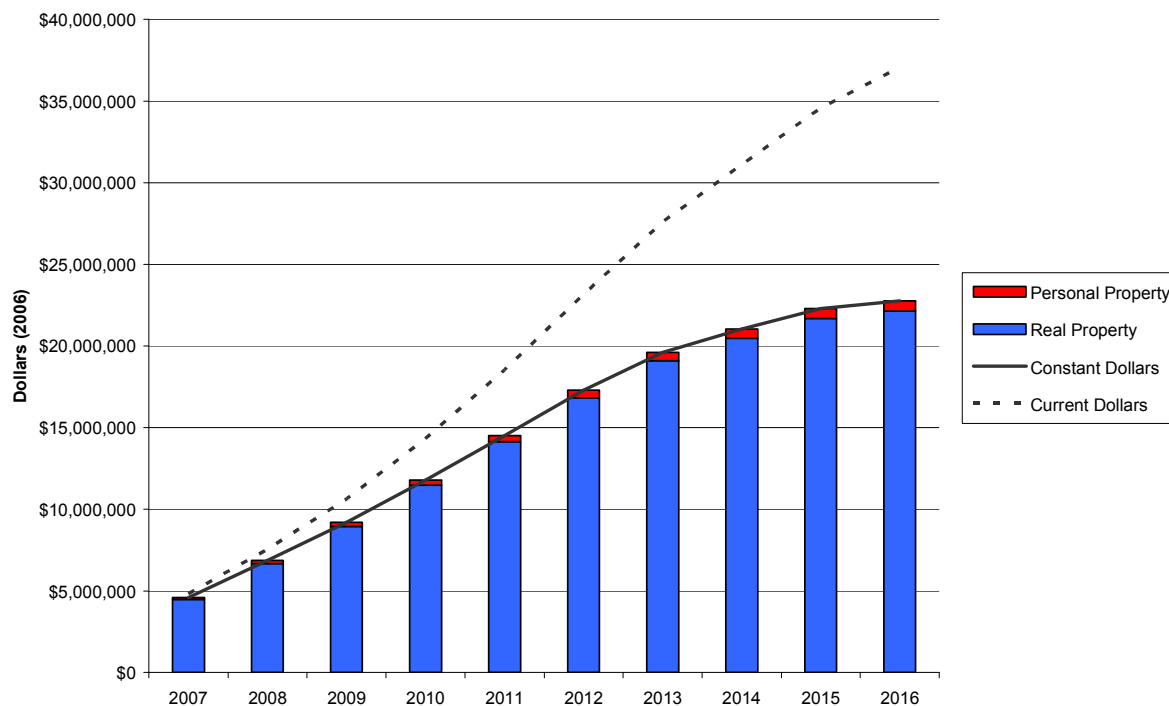


PUBLIC SECTOR IMPACTS

County and school district tax revenues will be enhanced by real property taxes on homes in the Cliffs Communities, as well as Cliff's infrastructure and amenities. New tax revenues also will accrue from personal property taxes on selected assets of new residents of the Cliffs Communities (e.g., cars and boats).

Total County and School Tax Revenues. County and school district property tax revenues from Cliffs Communities properties in constant 2006 dollars are projected to expand from **\$4.6 million** in 2007 to **\$22.8 million** in 2016. Assuming real and personal property appreciate at a rate of 5% annually, total property tax revenues increase to **\$37.1 million** in 2016.

Tax Revenues to Greenville County and School District



Summary. Economic growth often means added public sector costs, however, new burdens placed on the county and school district by the Cliffs Communities appear to be low for two reasons. First, most local public services will be provided by Cliffs Communities' special purpose districts. Second, few children will be included in the new households, and added costs to school districts are expected to be small. Accordingly, Greenville County's Cliffs Communities are likely to provide net fiscal benefits to both the county government and school districts.

SUMMARY

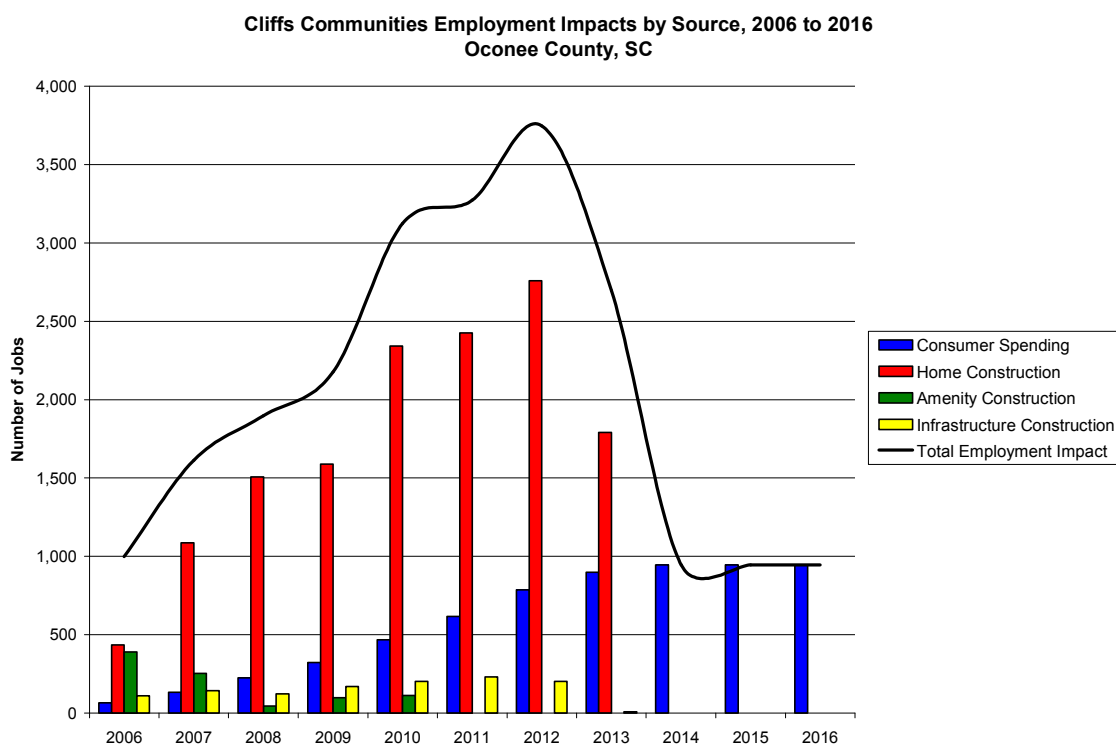
PRIVATE AND PUBLIC SECTOR IMPACTS OF THE CLIFFS COMMUNITIES, INC.:

OCONEE COUNTY, SC

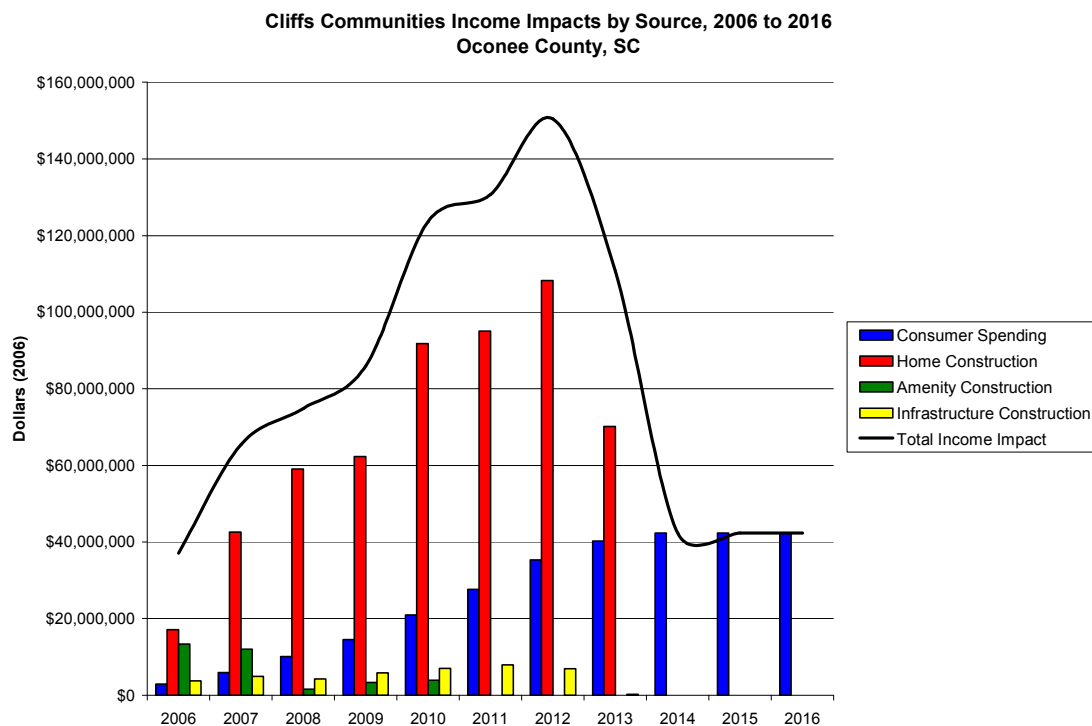
The Cliffs at Falls South provide an important stimulus to economic growth in Oconee County, South Carolina. Construction of new homes, amenities and infrastructure at Falls South injects new dollars into the regional economy. Consumer purchases by new Cliffs' residents sustain growth in the private sector and increase tax revenues for local governments.

PRIVATE SECTOR IMPACTS

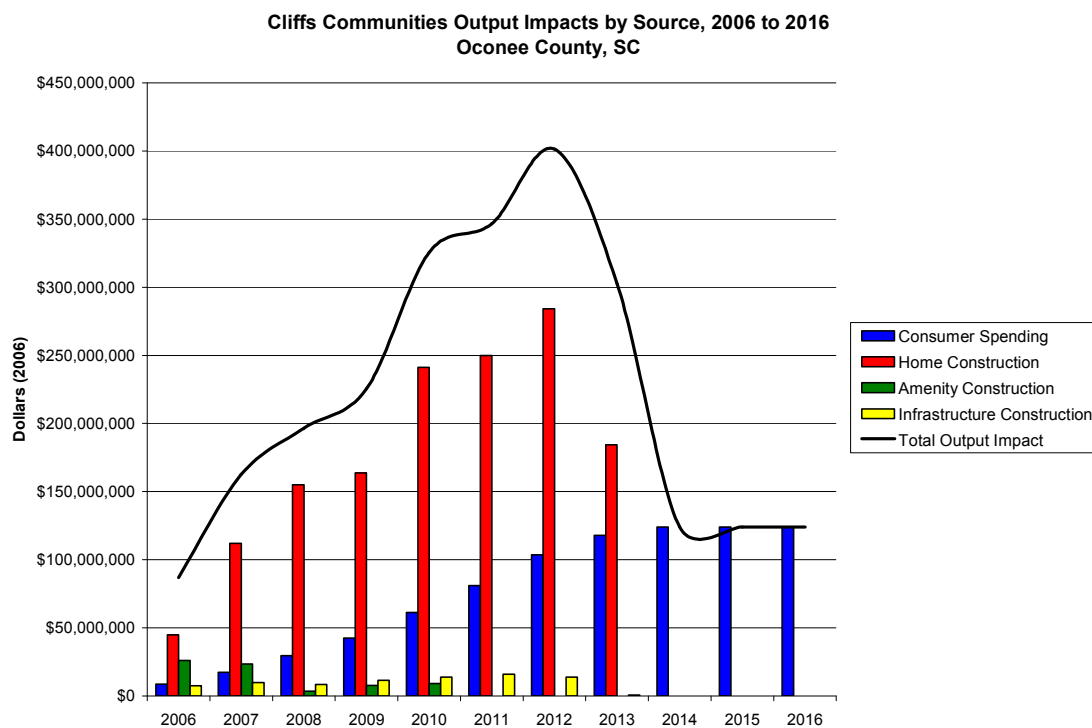
Employment. Spending associated with new home construction, new resident consumer spending, and the construction and operation of amenities and infrastructure is expected to increase Falls South's employment impacts from **998 workers in 2006** to a peak of **3,748 in 2012**. Employment growth is driven primarily by home construction and linked activities (2,760 jobs) and increased personal consumption expenditures (787 jobs). After 2012, fewer new homes are built and Cliff's related employment stabilizes at approximately **945 jobs in 2016**.



Income. Local incomes (wages, rent, and profit income) follow a pattern similar to that of employment. Income impacts increase from **\$37 million** in 2006 to a high of **\$150 million** (in constant 2006 dollars) in 2012.



Output. Gross sales (output) generated by the Cliffs at Falls South increase from **\$87 million** in 2006 to **\$401 million** in 2012. Over time, the increase in consumer spending impacts will counter declining construction related impacts and county income and gross sales stabilize at approximately **\$42 million** and **\$124 million** respectively.

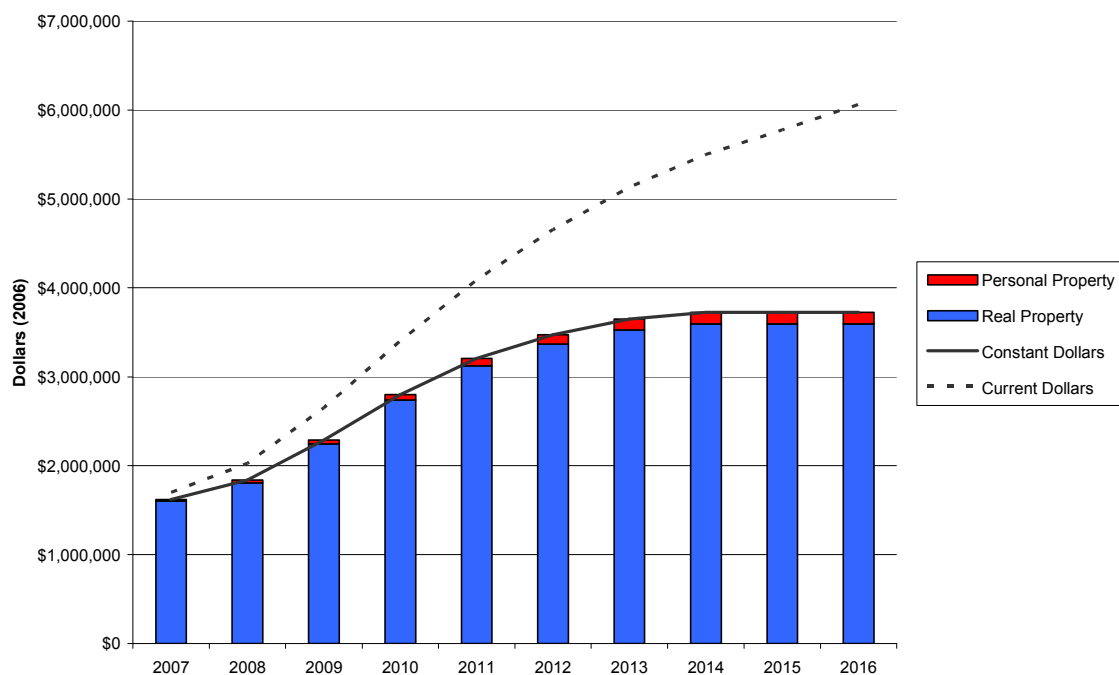


PUBLIC SECTOR IMPACTS

County and school district tax revenues will be enhanced by real property taxes on homes in the Cliffs Community, as well as Cliff's infrastructure and amenities. New tax revenues also will accrue from personal property taxes on selected assets of new residents of the Cliffs Community (e.g., cars and boats).

Total County and School Tax Revenues. County and school district property tax revenues from the Cliffs property in constant 2006 dollars are projected to expand from **\$1.6 million** in 2007 to **\$3.7 million** in 2016. Assuming real and personal property appreciate at a rate of 5% annually, total property tax revenues increase to **\$6.1 million** in 2016.

Tax Revenues to Oconee County and School District



Summary. Economic growth often means added public sector costs. However, new burdens placed on the county and school district by the Cliffs at Falls South appear to be low for two reasons. First, most local public services will be provided by Cliffs Communities' special purpose districts. Second, few children will be included in the new households, and added costs to school districts are expected to be small. Accordingly, Falls South is likely to provide net fiscal benefits to both the Oconee County government and school district.

SUMMARY

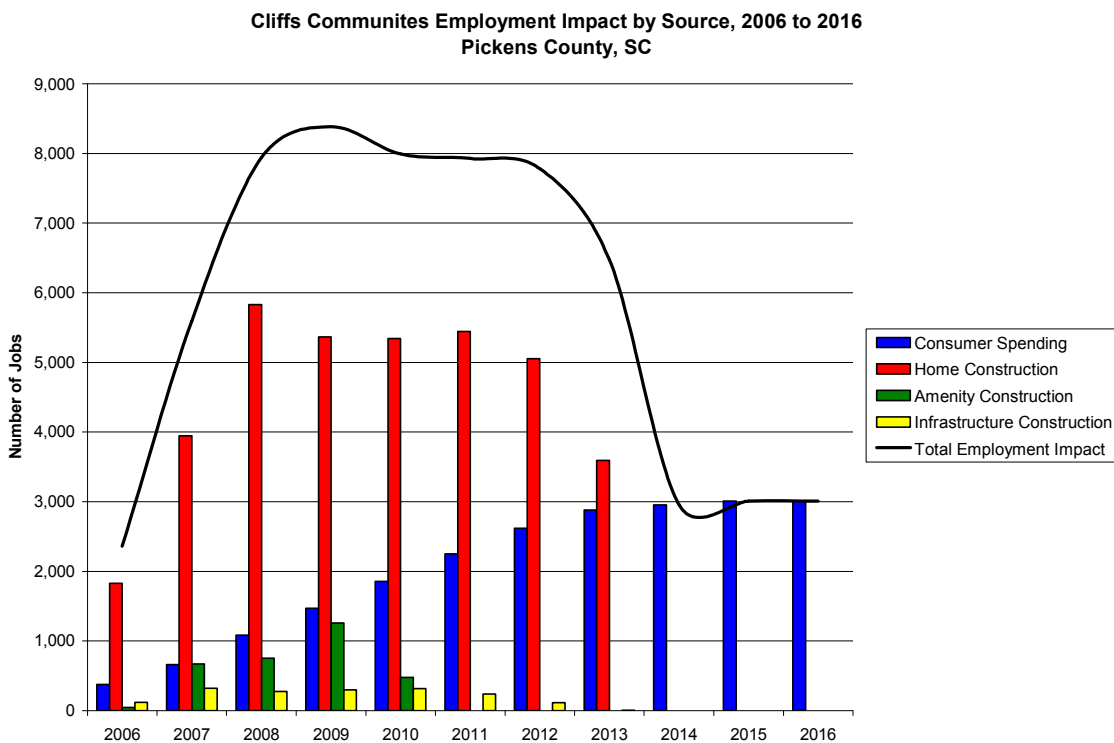
PRIVATE AND PUBLIC SECTOR IMPACTS OF THE CLIFFS COMMUNITIES, INC.:

PICKENS COUNTY, SC

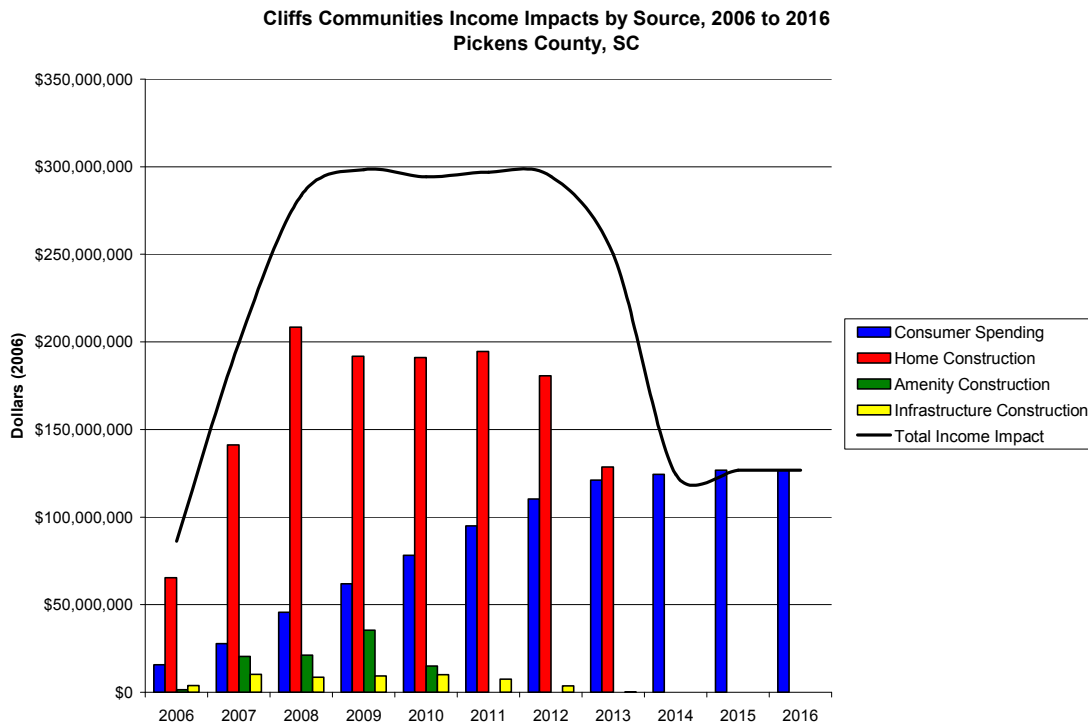
The Cliffs at Keowee Vineyards and The Cliffs at Keowee Springs provide an important stimulus to economic growth in Pickens County, South Carolina. Construction of new homes, amenities and infrastructure in Pickens County’s Cliffs Communities injects new dollars into the regional economy. Consumer purchases by new Cliffs’ residents sustain growth in the private sector and increase tax revenues for local governments.

PRIVATE SECTOR IMPACTS

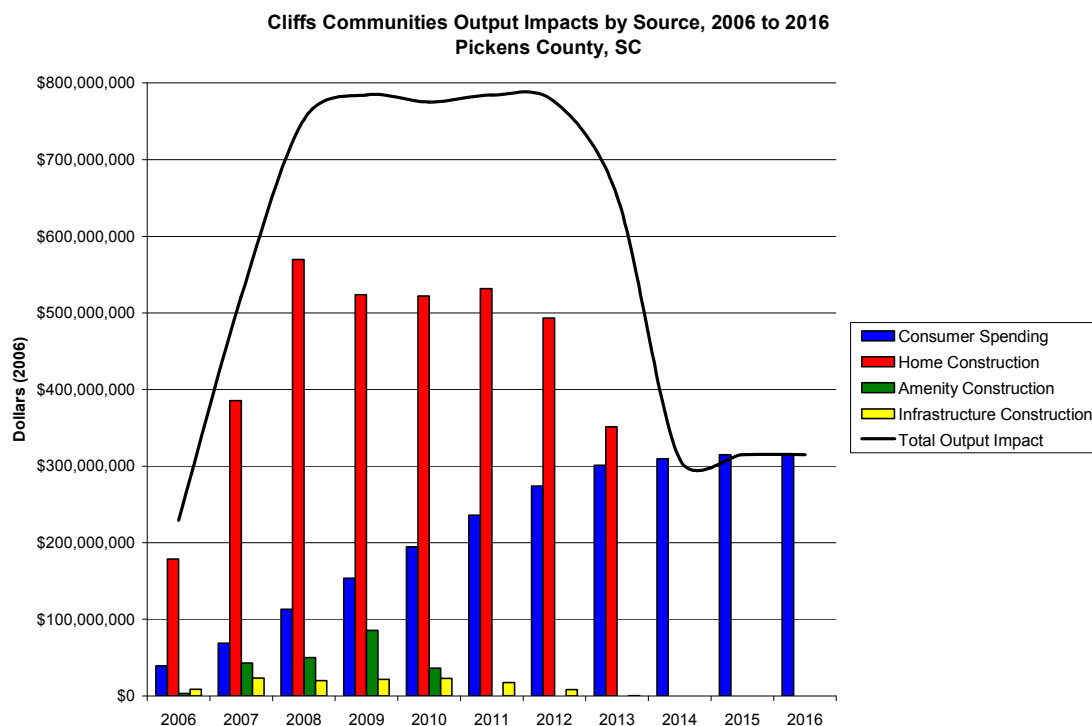
Employment. Spending associated with new home construction, new resident consumer spending, and the construction and operation of amenities and infrastructure is expected to increase Cliff’s employment impacts from **2,363 workers in 2006** to a peak of **8,386 in 2009**. Employment growth is driven primarily by home construction and linked activities (5,364 jobs) and increased personal consumption expenditures (1,469 jobs). After 2011, fewer new homes are built and Cliff’s related employment stabilizes at approximately **3,000 jobs in 2016**.



Income. Local incomes (wages, rent, and profit income) follow a pattern similar to that of employment. Income impacts increase from **\$86 million** in 2006 to a high of **\$298 million** (in constant 2006 dollars) in 2009.



Output. Gross sales (output) generated by Pickens County’s Cliffs Communities increase from **\$229 million** in 2006 to **\$784 million** in 2009. Over time, the increase in consumer spending impacts will counter declining construction related impacts and county income and gross sales stabilize at approximately **\$127 million** and **\$315 million** respectively.



PUBLIC SECTOR IMPACTS

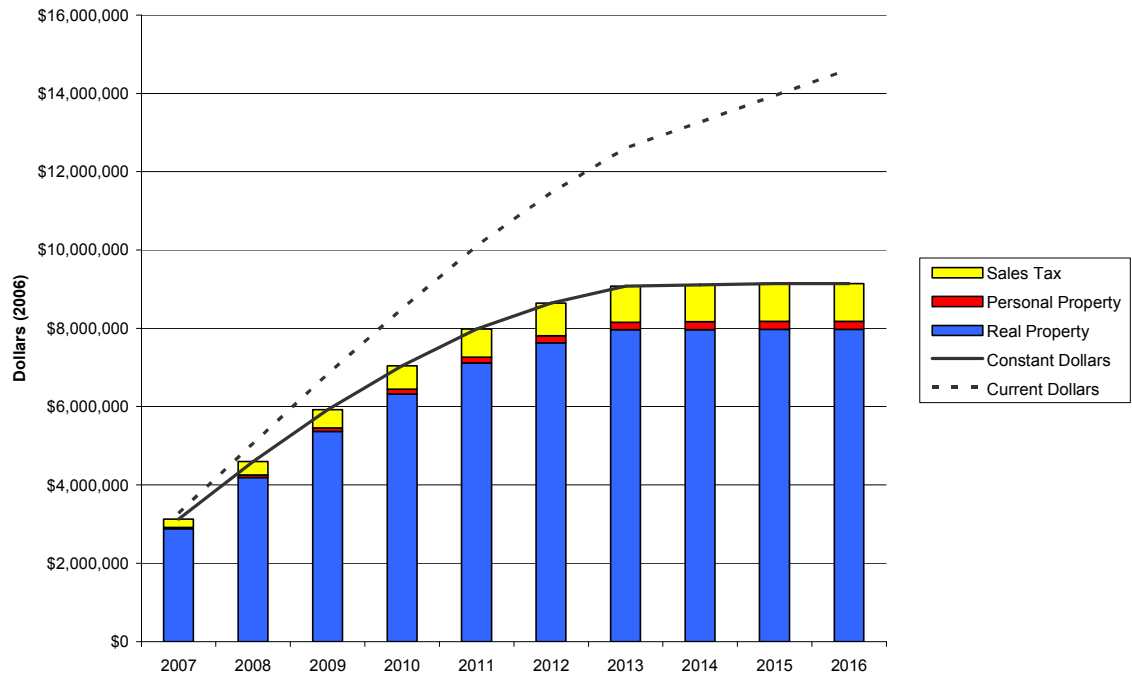
County and school district tax revenues will be enhanced by real property taxes on homes in the Cliffs Communities, as well as Cliff's infrastructure and amenities. New tax revenues also will accrue from personal property taxes on selected assets of new residents of the Cliffs Communities (e.g., cars and boats), and from local option sales taxes on new resident retail purchases in the county.

Property Tax Revenues. County and school district property tax revenues from Cliffs Communities properties in constant 2006 dollars are projected to expand from **\$2.9 million** in 2007 to **\$8.2 million** in 2016. Assuming real and personal property appreciate at a rate of 5% annually, total property tax revenues increase to **\$13.3 million** in 2016.

Local Sales Tax Revenues. Pickens County's 1 percent local option sales tax on retail purchase will provide an additional source of county revenue. Local sales taxes in the county attributable to Pickens's Cliffs Communities are estimated to be **\$210,600** in 2007. In constant 2006 prices, these revenues increase to almost **\$961,650** a decade later, in 2016. In current dollars, revenues increase to **\$1.3 million** by 2016.

Total County and School Tax Revenues. Together, the local option sales tax and property tax revenues are expected to generate **\$ 3.1 million** for the county and school district in 2007, in constant 2006 dollars. In constant 2006 prices, these revenues increase to **\$9.1 million** in 2016. With property tax base appreciation of 5% per year and sales tax base of 3% per year, tax revenues to the counties and school districts are expected to rise to **\$14.6 million** by 2016.

Tax Revenues to Pickens County and School District



Summary. Economic growth often means added public sector costs. However, new burdens placed on the county infrastructure and school district by the Cliffs Communities appears to be low for two reasons. First, most local public services will be provided by Cliffs Communities’ special purpose districts. Second, few children will be included in the new households, and added costs to school districts are expected to be small. Accordingly, Pickens County’s Cliffs Communities are likely to provide net fiscal benefits to both the county government and school district.