

## Section II Production

### Appendix 11.2

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## Windfall Calculation Explanation

**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 endorsement to cutoff date.
- (3) The windfall calculation is not applicable when the Borrower and Operator are unrelated entities.