

# Portfolio Cash Flow Real Estate Business Plan



**02 MAY 2015**

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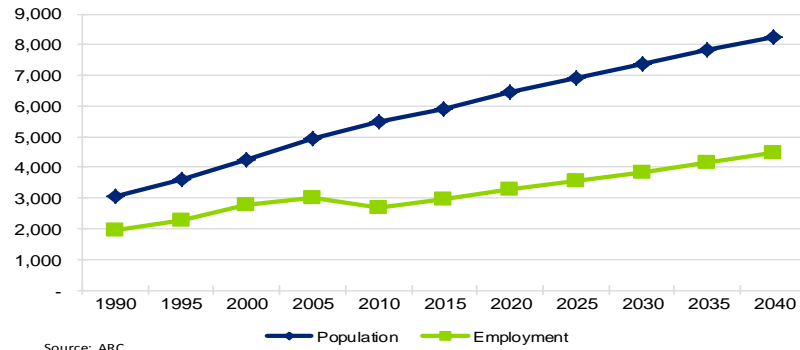
# Executive Summary

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Mission Of The Fund: To Take Advantage of Current Market Fluctuations to Purchase Strategically Located, Distressed Properties to Create Current Investment Income & Future Appreciation

## Market research

ARC's Population and Employment Forecasts 1990-2040, m



## Goals

- To purchase 100 single family homes during this unprecedented buying opportunity of the current real estate market;
- Average purchase price (including any rehabilitation):\$45,000;
- Attract equity financing to fund those 100 homes - \$4.5M;
- To achieve 90% occupancy rate;
- To sell at a net double within 7 years or sooner

## Fund profile

- The Fund will buy fix and hold single family homes in the Atlanta, GA area.

### Main operating cash flows:

- Rent of property;
- Capital gain on future sale of acquired property.

### Target Customer:

- Young professional, dual-income family with fairly good credit and income potential who will be good, long-term renters who pay on time.
- Main characteristics of targeted property: age: 5-11 years old, 3-4 bedrooms, purchase price (including any rehabilitation):\$45,000.

**Target Exit:** Sell at a minimum of a net double in 7 years or less.

## Strengths

- The ability to acquire property at significant discounts;
- Experienced, professional management with proven systems;
- Strategic relationships with real estate professionals and financial institutions established;
- Experienced operations;
- Proven systems in place to keep costs contained and maximize efficiency.

# The Fund Plans to Attract \$4.5m in Debt and/or Equity Financing

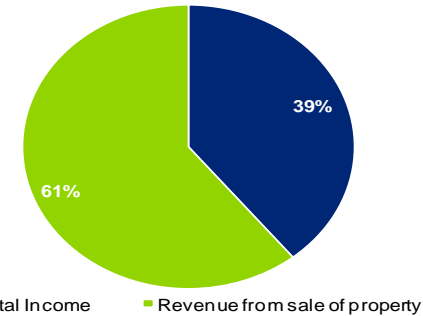
## Financial Projections

Projected Profit And Loss Account	
\$	Year 1-10
Revenue	14,798,889
Operating expenses	(5,459,833)
Gross profit/(loss)	9,339,056
Gross profit margin, %	63%

Source: Management information

## Projected revenue structure

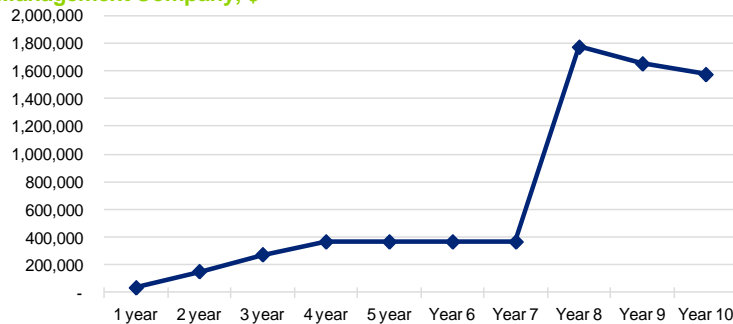
Revenue Structure, %



Source: Management information

## Distribution of Dividends

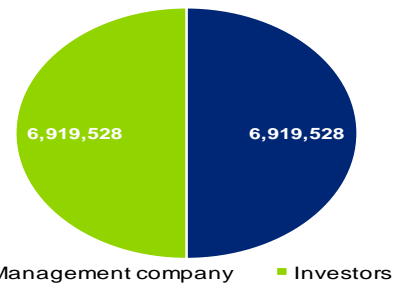
Projected Earnings Distributed To Investors And Management Company, \$



Source: Management information

## Distribution of Dividends

Distribution Of Dividends During 10 years, \$



Source: Management information

# Market Research

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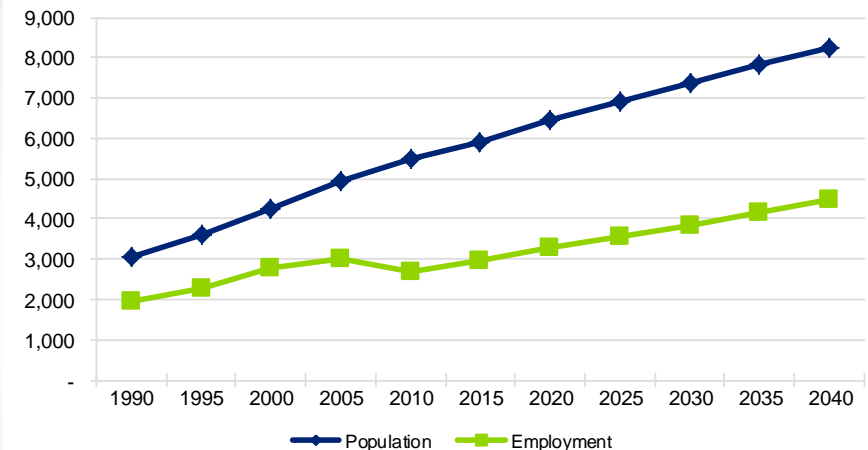
•Population

## Jobs And Population To Grow Strong Through 2040 In Atlanta Area, Says ARC

### Atlanta region, Georgia

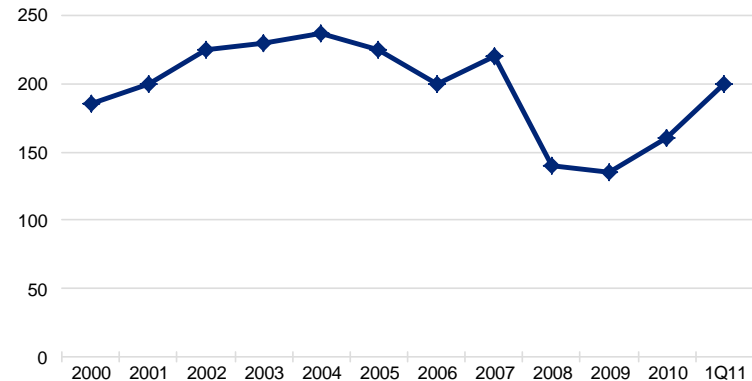
- The Atlanta Regional Commission (ARC) is the regional planning and intergovernmental coordination agency for the 10-county area surrounding Atlanta, Georgia.
- ARC expects that 8.3 million people will call the region home by the year 2040, an increase of roughly three million people from today. Job growth, although not as robust as in the 1990s, will remain strong, as well. ARC forecasts the region to have 4.5 million jobs by 2040, an addition of about 1.6 million jobs from today.
- Metro Atlanta's place as a transportation and logistics hub of the southeast positions it well to remain one of the fastest growing metropolitan areas in the country. During the last eight years alone, the Atlanta region has added 1.1 million people, making it the second-fastest growing metro in the country, behind Dallas.
- While the growth metro Atlanta has experienced during the last two decades will not continue at the same unprecedented rate, ARC forecasts the 20-county Atlanta region to add roughly three million people, for a 2040 population of 8.3 million. Average annual growth is expected to taper off each decade.
- ARC also forecasts the addition of about 1.6 million jobs for a 2040 employment total of 4.5 million jobs. While this is strong growth, future growth will not be as robust as in the 1990s, thanks, in part, to Atlanta's own "lost decade" of 2000 – 2010, with an expected overall job loss of almost 10,000.

ARC's Population and Employment Forecasts 1990-2040, m



## Median Sale Price Increased By 25% To \$200k During In Atlanta Region 1Q11

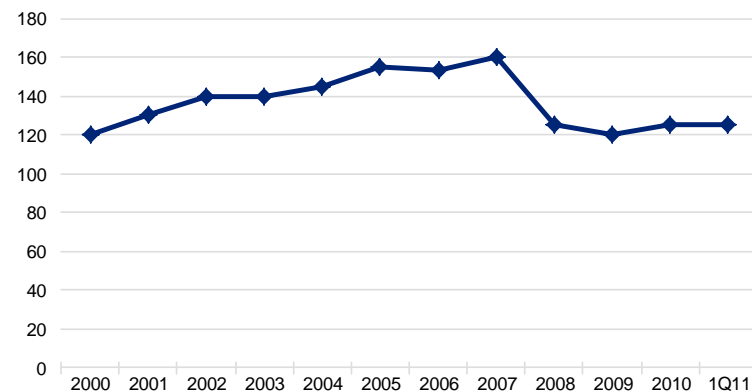
Median Sales Price (3 Bedrooms) - Atlanta Region, \$k



Source: Trulia

This graph shows that as a region, Atlanta appears to have bottomed out and the prices have come back. We are selecting nearby markets that are in the path of this come back.

Average Price Per Sqft - Atlanta Region, \$

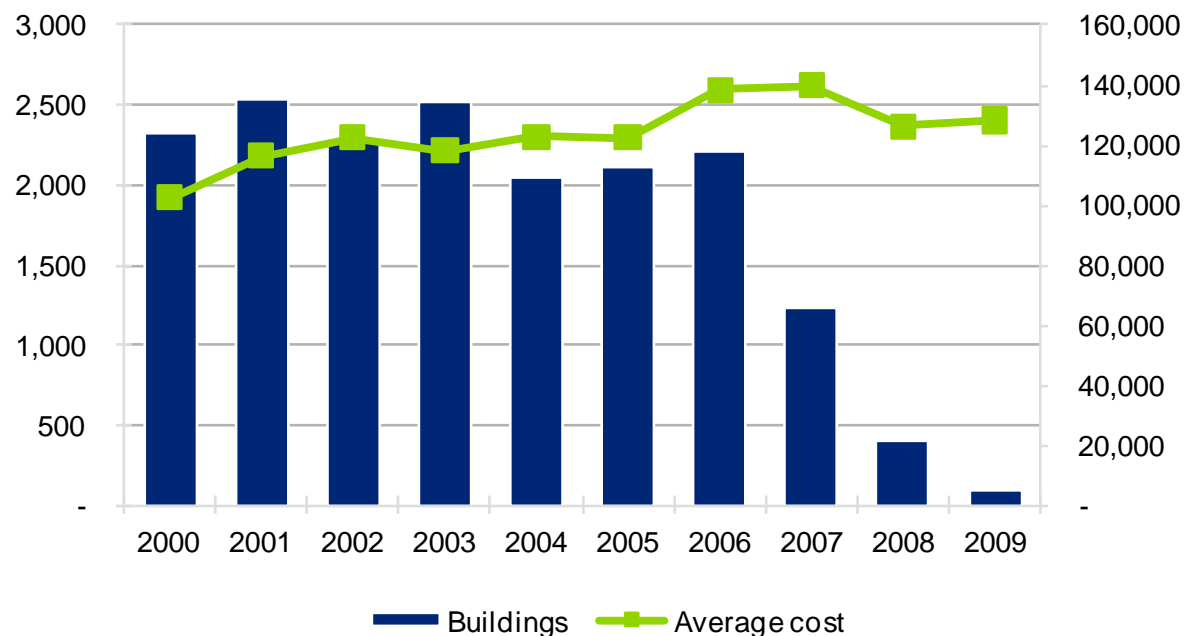


Source: Trulia

This graph shows the rather stable price per square foot in the Atlanta Region. In our select target markets we are buying in the \$30/sq. ft. range. And we feel given current economic conditions, that prices per sq. ft. will continue to rise.

## Leading Indicator Says Now Is The Time To Buy

### Single-family new house construction building permits



Source: city-data Clayton county

- Building permits are an excellent indicator of which way the market is headed and you can see a drastic drop on this graph. This means that the time to buy is now as virtually all the builders have left the market.
- Furthermore, the Atlanta Area was the most overbuilt area of the country in the peak real estate years. These two ingredients combined are what allow us to buy such young homes at such amazingly low prices.



# Clayton County: One of The Smallest Counties Yet One of the Most Densely Populated With an Attractive Life Style

## Clayton County, Georgia

- Clayton County is one of Georgia's smallest counties in land size with an area of 146 square miles. Yet, with more than 251,800 (according to ARC's latest figures), it is one of the most densely populated. A suburban community just minutes south of downtown Atlanta, Clayton County has a relaxed and neighborly feel like a small town, but with all the amenities of a major metropolitan area. An attractive lifestyle, business opportunities, a fine public educational system plus a university, and numerous excellent healthcare facilities make Clayton County a highly attractive place to live, work and play.

## Main characteristics:

- The lowest operating millage rate in Metro Atlanta.
- A county-wide Class 3 Fire Insurance Rating.
- Certified as a Storm Ready Community.
- A state-of-the-art landfill that will meet the county's solid waste needs well into the next century.
- A nationally acclaimed, self-sustaining wastewater treatment system.
- Clayton State University - a four year institution offering masters, baccalaureate and associate degrees along with vocational and technical degrees.
- Atlanta's only designated Foreign Trade Zone which provides tax advantages for Fund's foreign goods in transit .
- As you can see above (by the airplane figure), Clayton has one of the best transportation systems in the region with U.S. interstate highways 1-75, 1-85, 1-285, and 1-675 and rail service by Norfolk-Southern and CSX.



- Convenient air service at the world's busiest airport. Hartsfield-Jackson Atlanta International Airport is located in the northwest corner of the county.
- The second largest convention and exhibition facility in the state. The Georgia International Convention & Trade Center, located in College Park, has 329,000 square feet of space.
- Twenty-five industrial parks - 20 of which house Fortune 500 companies.

## In 2010 Median Rental Rate Was \$955 In Clayton County, Georgia

### Household Income Statistics

2010 Household Income Statistics	Clayton, GA	Georgia	United States
Median Household Income	\$44,312	\$52,162	\$55,970
Average Household Income	\$58,951	\$68,786	\$74,974
Per Capita Household Income	\$24,348	\$25,714	\$28,779

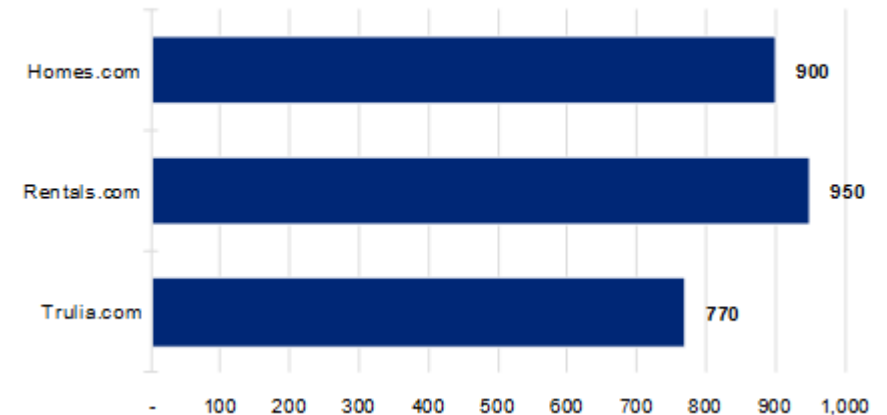
Source: CLRSearch.com

### Home Values and Rental

2010 Homeowner Statistics and Home Values	Clayton, GA	Georgia	United States
Median Value Owner Households	\$123,327	\$169,802	\$177,046
Median Rent	\$955	\$927	\$950

Source: CLRSearch.com

### Current average rent rates per month for single-family home (3+ bedrooms) located in Clayton, GA



**Note** that the ratio of rent to value is far better in Clayton than in Georgia and the US. And we buy far better than the median (\$123,000 vs. \$45,000), giving us a far better ratio.

Our target rent is \$795. By charging below market rent, we are able to occupy our units faster and command longer term leases. This reduces turnover and vacancy, which are the two biggest expenses for a landlord. The bottom line is we offer the most desired product, i.e. 3-4 bedroom young homes vs. apartments, condos or older homes. And we do it with below market rents so we have the pick of the best applicants in the area.

## The Target Market Is Strategically Situated

Median Home Price - Clayton County, GA

County	Co. Seat	Co. Population	Millage Rates (uninc.)	Median Home price
Barrow	Winder	75,158	9.34	\$121,652
Bartow	Cartersville	92,217	7.8	\$127,610
Carroll	Carrollton	114,778	8.5	\$92,090
Cherokee	Canton	205,084	4.38	\$193,606
<b>Clayton</b>	<b>Jonesboro</b>	<b>275,772</b>	<b>11.44</b>	<b>\$61,174</b>
Cobb	Marietta	714,692	6.82	\$211,994
Coweta	Newnan	127,111	6.93	\$168,693
Dawson	Dawsonville	22,555	8.14	\$193,936
DeKalb	Decatur	747,274	8	\$150,732
Douglas	Douglasville	129,703	7.93	\$119,327
Fayette	Fayetteville	106,788	7.39	\$266,509
Forsyth	Cumming	174,520	3.83	\$281,783
<b>Fulton</b>	<b>Atlanta</b>	<b>1,033,756</b>	<b>10.28</b>	<b>\$214,468</b>
Gilmer	Ellijay	29,021	5	\$157,403
Gwinnett	Lawrenceville	808,167	11.78	\$167,991
Hall	Gainesville	187,743	6.25	\$177,278
<b>Henry</b>	<b>McDonough</b>	<b>195,370</b>	<b>10.97</b>	<b>\$132,325</b>
Jackson	Jefferson	63,544	8.61	\$152,928
Lumpkin	Dahlonega	27,528	6.95	\$150,994
Newton	Covington	99,944	9.73	\$101,734
Paulding	Dallas	136,655	6.65	\$116,624
Pickens	Jasper	31,264	6.26	\$147,630
Rockdale	Conyers	84,569	14.53	\$132,524
Walton	Monroe	87,311	10.88	\$138,848

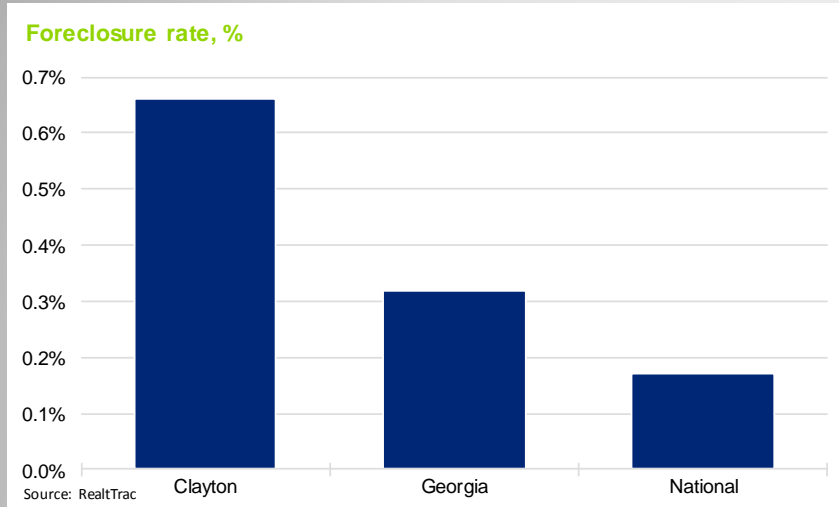
Source: Management information



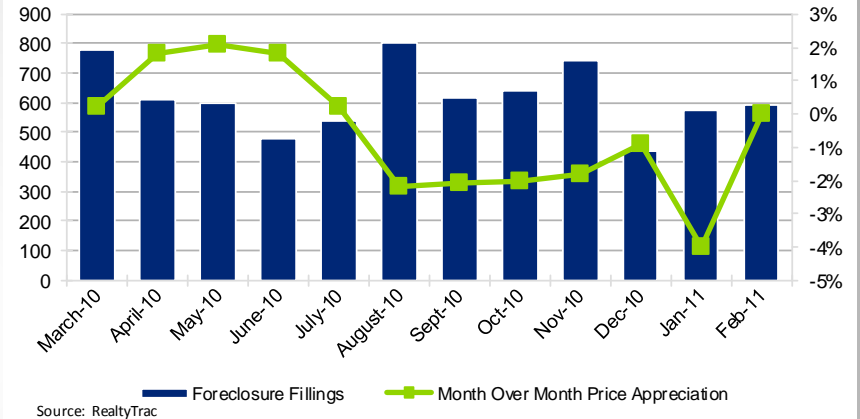
Notice that Henry County, just to the east has a median value of \$132,000, and Fulton County, to the west has a 214,000 median. Both are significantly richer than Clayton at a median of just \$61,000.

This shows why we can buy with lower prices yet we're strategically situated in the growth area neighborhoods.

## Foreclosure Rate In Clayton Exceeds National Level By 261%



**Foreclosure Activity and Home Price Index - Clayton County, GA**



Like the building permits being a leading indicator of future price declines, so is the foreclosure rate. Foreclosures run counter to home values which means as the foreclosures have increased in recent years, the home prices have been pushed down. That cycle makes this one of the most exciting times to be buying right.

## The Market Is Made Up Of Weak Competition

### ***Small "Mom and Pop" Investors***

Our main competition comes from individual investors with limited resources and extremely limited experience. They are basically "Mom and Pop" investors. All they know is that prices are good and that real estate is "on sale right now" so they want to buy some.

They buy without a long-term strategic plan and tend to be poor managers and as we know, good management is the key to long-term profitability and appreciation.

### ***Fix and Flip***

There are those who think you can still be profitable at the "buy, fix and flip" model. HomeVestors of America, is an example of this business model. They are one of the largest buyers of houses in the U.S. with 200 franchisees in 33 states.

However this business model tends to buy older homes that need far more rehab. Thus, they really do not compete in our target market.

### ***Out of Area Investors***

We've seen some out of state investors buying properties in our target market because of the low prices. But they have no trusted contacts that are local experts to find, fix and manage long-term.

This results in a failed business model and they retreat to their original market and leave many homes boarded up and vacant.



# Business Model

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# •Fund profile The Fund Will Buy Strategically Located, Young Single Family Homes, Far Below Replacement Cost, Rent Below Market With Superior Management For Cash Flow And Capital Gains •Business Model

## Fund profile:

- The Fund will buy fix and hold single family homes in the Atlanta, GA area

## Main operating cash flows:

- Rent of property;
- Capital gain on future sale of acquired property.

## Target Customer:

- Young professional, dual-income family with fairly good credit and income potential who will be good, long-term renters who pay on time.

## Main characteristics of targeted property:

- Age: 5 to 11 years old. We are focusing on young houses, which require less repairs;
- 3-4 Bedrooms with a minimum of 2 full baths, as the demand in respect of such property is very high;
- Rent: \$795 per month. It is below market rent rate so we'll rent the property faster with less vacancy;
- Average 2-3 year lease term. It will lead to sustainable earnings;
- Purchase price (including any rehabilitation):\$45,000 with less than half of replacement cost.

**Target Exit:** Sell at a minimum of a net double in 7 years or less



## Beware the New EPA Regs

Because the properties are so young, the rehab to get them up and rented is very low and this in turn makes the costs to operate low as well. Also, it's far less costly to comply with the new government EPA regulations with younger houses than with older houses.

## A Whole House for a Kitchen Remodel?

The average kitchen remodel nationwide costs \$57,215. That's over \$10,000 more than what we pay for an entire house and that's in "rent ready" condition.

<http://www.remodeling.hw.net/2009/costvsvalue/national.aspx>

- **How it Works** The Fund Will Buy Strategically Located, Young Single Family Homes, Far Below Replacement Cost, Rent Below Market With Superior Management for Cash Flow and Capital Gains
- **Business Model**

#### How it works?



**Analysis of expected CF in respect of property acquisition**



**Financing**



**Rehabbing properties**



**Rent**



**Selling properties**

Legal counsel will be engaged in all stages of operational workflows, except preparation of financial projections.



# •How it Works The Fund Will Buy Strategically Located, Young Single •Business Model Family Homes, Far Below Replacement Cost, Rent Below Market With Superior Management for Cash Flow and Capital Gains

## Analysis of expected CF in respect of property acquisition:

Each investment in property will be assessed using the following formulas:

*Cap rate = Net Operating Income(NOI)/Purchase Price*

*Cash on Cash Return = (NOI - P&I payment)/(Acquisition costs + down payment)*

### Targets:

Cap rate > 7%

Cash on Cash Return >15%

## Financing:

Operating activity of the Fund will be financed by private investors.

It will be done on a one for one basis. "One for one" refers to one investor for one property. "Pooled" refers to lots of different investors pooling their money into one pot and then the pot makes the investment.

## Rehabbing properties:

The Fund's approach to rehabbing properties starts when the property is initially considered for purchase. Each property will have a physical inspection by management, professional property inspector (if necessary) or our strategic contractor(s). At that time cost estimates for all repairs will be determined and based on the results of inspection, the purchase price may be renegotiated.

Rehabbing will be outsourced to well-known, certified service providers.

## Rent:

The Fund will receive rents on the properties during the 7 years after acquisition. Properties will be rented through a proven systematic process:

- Multiple Listing Services
- Strategically placed signs
- Proprietary websites
- Internet listings
- Local business bulletin boards
- Current tenant referral programs

## Selling properties:

Properties will be marketed through Real estate agents who will provide a discounted fee as a result of strategic relationships. In addition, we also actively market the property through local newspaper and Internet advertising, along with placing signage on the property and accessing a database of active buyers.

## The Fund Will Attract Debt and/or Equity Financing on a Project Basis

### Process of attracting private investors on a project basis:



**Calculation of  
Expected CF on  
a Project Basis**



**Preparation of  
Private  
Placement  
Memorandum**



**Present to  
Potential  
Investors**

### Capability of the Fund to acquire property with significant discount:

Through various techniques and our exclusive contacts, we will buy single family homes at deep discounts.

We have developed relationships with some of the largest REO Realtors in the Atlanta Metro area through our previous purchases and they actually call us just before they list a new property to gauge our interest.

We get several contracts accepted at much lower prices than the other offers that come in on a property because, one we pay all cash and even more importantly we have the reputation that we don't waste time and we always close.

We get weekly and sometimes daily calls from agents who are in the middle of short sales and beg us to put in a ridiculously low offer just to get the ball rolling for them and sometimes our first offer gets accepted.

We have a system in place that allows us at a push of a button to send out hundreds of offers in a matter of minutes.

We also have contacts with decision-makers at the local, small and regional banks who always have a portfolio of properties for sale.

## Why Invest in Atlanta Region?

- ARC forecasts continued strong population and employment growth for the next 30 years.
- A jump in the number of available jobs is also expected. ARC forecasts that the Atlanta region will add some three million residents and 1.5 million jobs during the next 30 years.
- Metro Atlanta is one of the best-educated places in the U.S. (43% college degrees vs. national average of 27%).
- Huge real estate decline (permits fell by 66,000 from '05 to '09) allows us to buy at huge discounts.
- It's big, business friendly and smart.



## Mission

- Mission of the Fund: To Take Advantage of Current Market Fluctuations to Purchase Strategically Located, Distressed Properties to Create Current Investment Income & Future Appreciation

## Goals

- To purchase 100 single family homes during this unprecedented buying opportunity of the current real estate market.
- Average purchase price (including any rehabilitation):\$45,000
- Attract equity financing to fund those 100 homes - \$4.5M
- To achieve 90% occupancy rate;
- To sell at a net double within 7 years or sooner
- Continue to build strong partnerships with key real property professionals, financial institutions, law firms, contractors and others

# Marketing Plan

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## The Fund Will Maximize the Monthly Cash Flow While Supporting the Long Term Appreciation

### Acquisition Objectives

- Use strategic relationships and systems to buy below replacement cost
- Buy young properties that will need minimal rehab and minimal time
- Buy what is in high demand (i.e. 3-4 bedrooms, 2 baths)
- Get houses to market quickly

### Rental Pricing Strategy

- Price our rent below market value so it gets occupied quicker with longer lease terms

### Maximize Appreciation

- Build in back end profit when we buy at a great discount
- Keep properties well maintained by continually monitoring them

## Cash Flow Real Estate Has High Growth Potential Given Current Market Conditions

### Strengths

- The ability to acquire property at significant discounts;
- Experienced, professional management with proven systems;
- Strategic relationships with real estate professionals and financial institutions established;
- Experienced operations;
- Proven systems in place to keep costs contained and maximize efficiency;
- Buying with all cash allows us to drop rent price if necessary.

### Opportunities

- Foreclosure techniques;
- Great time to invest in real estate at the bottom;
- Huge increase in capital gain is expected in Clayton County;
- Further service/market development is available;
- Further geographical expansion is available;
- If current market trends drive house prices lower, we can buy even better.

### Weaknesses

- Too many properties and not enough money to buy them all;
- Maximum property acquisition is around 10-15 houses per month

### Threats

- Continued economic slowdown (e.g. 20% unemployment and 30% inflation) could have an adverse impact on the ability to collect rent.

## Proven Marketing Techniques Work Every Time

### Marketing Strategies:

- **Maintaining a Property Database.** We maintain a database of all leads generated, allowing us to manage information for a large number of properties and maintain contact with the property owners. The database includes detailed information on each property that we collect from the property owners, including the Maximum Purchase Price Matrix and information on any offers we've made on the properties.
- **Driving Through Neighborhoods.** We regularly drive through our farm area to identify for sale by owner (FSBO) and for rent by owner (FRBO) properties that can potentially be motivated sellers. We also look out for abandoned properties that might be an owner who is in foreclosure or is an estate.
- **Craigslist.** Craigslist.org is one of the fastest growing classified websites on the Internet. There are hundreds of new posting daily in our city. Using a special software program, we continually search through Craigslist based on parameters that we identify (needs work, TLC, fixer upper, etc). The software program notifies us instantaneously by email when a listing meets our criteria so we can call the seller at a moments' notice wherever we are.
- **Real Estate Professionals.** We have several experienced real estate brokers who search our farm areas daily for properties that meet our criteria. Additionally, the MLS system puts us on a "drip" campaign which automatically emails us when new listings come up in our farm area, particularly those marked as "bank-owned" or "short sale".
- We generally make our offers sight-unseen or based on a drive-by viewing of the property so as to maximize our efforts. Each offer is subject to physical inspection, so once we tour the property we can ask the seller for a concession on the price if the property needs more work than anticipated.
- **Automated Letter-Writing Campaign.** We actively utilize the database in our on-going marketing efforts by generating letters to property owners that have contacted us and to property owners in the region that are in foreclosure or are an estate property.
- If we've identified a target property and submitted an offer to the property owner which was not accepted, we continue to pursue the property through an automated letter writing campaign. The letters are a reminder to the owners that we are still interested in the buying the property and are available to discuss the property at any time.



## Proven Marketing Techniques Work Every Time

### Marketing Strategies:

- **Automated Letter-Writing Campaign Continued.** Additionally, we generate letters to local property owners that are in foreclosure or are properties as part of an estate. These property owners are highly motivated to rid themselves of a property they cannot afford. In the case of foreclosures, these property owners have been notified of default by their mortgage lenders. We locate these property owners through a list provided for by propertyfarm.com. The list is imported into our database and we send letters to the properties owners on the list.
- **Door Knocking.** Using the information as described above regarding properties in foreclosure, we knock on doors to try and locate the homeowner. This method is extremely effective because it allows us to talk directly with the owner and try to gain their trust. If the homeowner is unavailable, we leave a custom-printed post-it note or door hanger with a message to call us right away.
- **Signs.** We place signs in targeted neighborhoods to constantly remind the community that our Fund is available to help them sell their home quickly for cash should the need arise. The signs are left in place and checked once a month. Before paying for and installing the signs, we checked our city's sign ordinance to make sure we complied with the city's signage codes
- **Investor Networking.** We believe that our competition can also be one of our strengths. By actively networking with the investor network in our community, we've built a list of investors to whom we can market our properties. We seek out good deals on buying properties and tap the network when we're marketing properties to sell. Additionally, because we have an 'and/or assigns' clause in our sales contracts, we can assign any sales contract to another investor without ever taking possession of the property. We are active members of our community's real estate investor association and take advantage of their education courses and industry contacts.
- **Marketing Plan.** We will generate a monthly marketing budget and weekly action plan to maximize the effectiveness of our marketing plan.

# Financial Projections

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## Assumptions Used in the Model are Based on Pessimistic Data Compared to Current Market Trends

### Assumptions used in the model

	Total
<b>Revenue:</b>	
Monthly rent per single family home, \$	795
Occupancy rate, %	90%
Capital gain in 7 years	100%
<b>Operating expenses:</b>	
Brokerage fee, %	1%
Maintenance expenses, %	15%
<b>Financing:</b>	
Period of investing, years	7
Attracted investments, \$	4,500,000

Source: Management information

The Fund will attract \$4.5m.

### Acquisition of property during 3 years

\$	Average price per one home	Number of property
Single family home*	45,000	100
* including discount and rehabilitation		

Source: Management information

The Fund will purchase 100 single-family homes during first 3 years.

### Schedule of investments in property

\$k	1H01	2H01	1H02	2H02	1H03	2H03
Single Family	720,000	765,000	720,000	765,000	765,000	765,000
Number of property:						
Single Family	16	17	16	17	17	17

Source: Management information

## Projected Revenue Will Reach \$3.2m In Year 10

The Fund will resell property within 7 years.

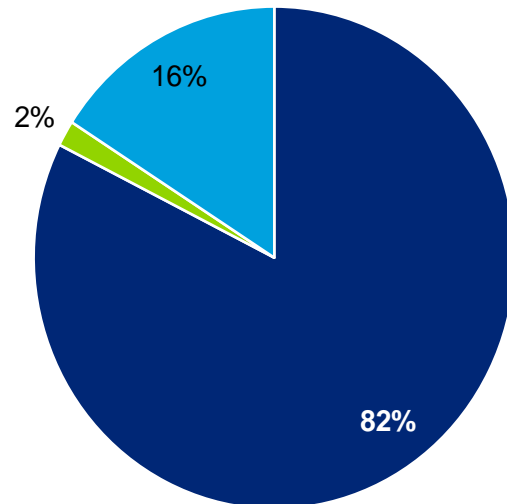
### Projected Profit and Loss account

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue</b>										
Rental Income	76,320	352,026	639,657	858,600	858,600	858,600	858,600	716,931	433,593	145,962
Revenue from sale of property	-	-	-	-	-	-	-	2,970,000	2,970,000	3,060,000
<b>Total revenue</b>	<b>76,320</b>	<b>352,026</b>	<b>639,657</b>	<b>858,600</b>	<b>858,600</b>	<b>858,600</b>	<b>858,600</b>	<b>3,686,931</b>	<b>3,403,593</b>	<b>3,205,962</b>
<b>Operating expenses</b>										
Cost of purchase of property	-	-	-	-	-	-	-	(1,485,000)	(1,485,000)	(1,530,000)
Brokerage fee	-	-	-	-	-	-	-	(29,700)	(29,700)	(30,600)
Holding cost	(11,448)	(52,804)	(95,949)	(128,790)	(128,790)	(128,790)	(128,790)	(107,540)	(65,039)	(21,894)
<b>Total expenses</b>	<b>(11,448)</b>	<b>(52,804)</b>	<b>(95,949)</b>	<b>(128,790)</b>	<b>(128,790)</b>	<b>(128,790)</b>	<b>(128,790)</b>	<b>(1,622,240)</b>	<b>(1,579,739)</b>	<b>(1,582,494)</b>
<b>Gross profit/(loss)</b>	<b>64,872</b>	<b>299,222</b>	<b>543,708</b>	<b>729,810</b>	<b>729,810</b>	<b>729,810</b>	<b>729,810</b>	<b>2,064,691</b>	<b>1,823,854</b>	<b>1,623,468</b>
<b>Dividends distributed to:</b>										
Management company:	32,436	149,611	271,854	364,905	364,905	364,905	364,905	1,032,346	911,927	811,734
Investor	32,436	149,611	271,854	364,905	364,905	364,905	364,905	1,032,346	911,927	811,734
<b>Gross profit margin, %</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>56%</b>	<b>54%</b>	<b>51%</b>

Source management information

61% of Projected Revenue Related to Sale of Property

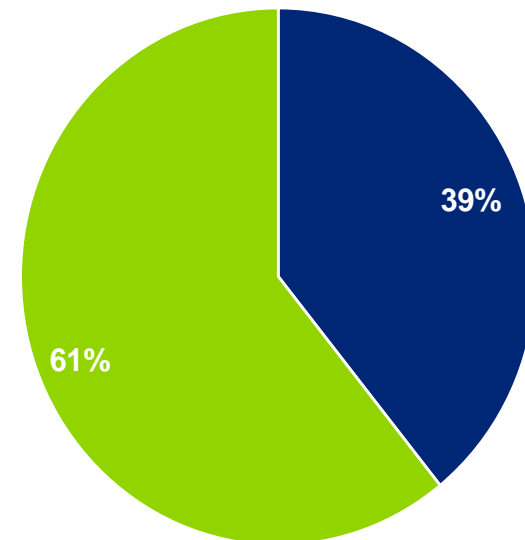
Structure Of Operating Expenses, %



■ Cost of purchase of property ■ Brokerage fee ■ Holding cost

Source: Management information

Revenue Structure, %



■ Rental Income ■ Revenue from sale of property

Source: Management information

## Projected Cap Rate and Cash on Cash Return is 10.4% and 15.4%, Appropriately

Profits will be split equally between Investors and Management Fund every quarter.

### Projected Cash Flows

\$	1 year	2 year	3 year	4 year	5 year	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Receipts &amp; Disbursements</b>										
<b>Beginning cash</b>	-	-	-	-	-	-	-	-	-	-
<b>Receipts</b>										
Rental Income	76,320	352,026	639,657	858,600	858,600	858,600	858,600	716,931	433,593	145,962
Revenue from sale of property	-	-	-	-	-	-	-	2,970,000	2,970,000	3,060,000
Investments made by private investors	1,485,000	1,485,000	1,530,000	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>1,561,320</b>	<b>1,837,026</b>	<b>2,169,657</b>	<b>858,600</b>	<b>858,600</b>	<b>858,600</b>	<b>858,600</b>	<b>3,686,931</b>	<b>3,403,593</b>	<b>3,205,962</b>
<b>Disbursements</b>										
Cost of purchase of property	(1,485,000)	(1,485,000)	(1,530,000)	-	-	-	-	-	-	-
Brokerage fee	-	-	-	-	-	-	-	(29,700)	(29,700)	(30,600)
Holding cost	(11,448)	(52,804)	(95,949)	(128,790)	(128,790)	(128,790)	(128,790)	(107,540)	(65,039)	(21,894)
<b>Dividends:</b>										
Management company	(32,436)	(149,611)	(271,854)	(364,905)	(364,905)	(364,905)	(364,905)	(1,774,846)	(1,654,427)	(1,576,734)
Investors	(32,436)	(149,611)	(271,854)	(364,905)	(364,905)	(364,905)	(364,905)	(1,774,846)	(1,654,427)	(1,576,734)
<b>Total Disbursements</b>	<b>(1,561,320)</b>	<b>(1,837,026)</b>	<b>(2,169,657)</b>	<b>(858,600)</b>	<b>(858,600)</b>	<b>(858,600)</b>	<b>(858,600)</b>	<b>(3,686,931)</b>	<b>(3,403,593)</b>	<b>(3,205,962)</b>
<b>Changes in Cash</b>	-	-	-	-	-	-	-	-	-	-
<b>Ending cash</b>	-	-	-	-	-	-	-	-	-	-

Source: Management information

### Key Performance Indicators (KPI)

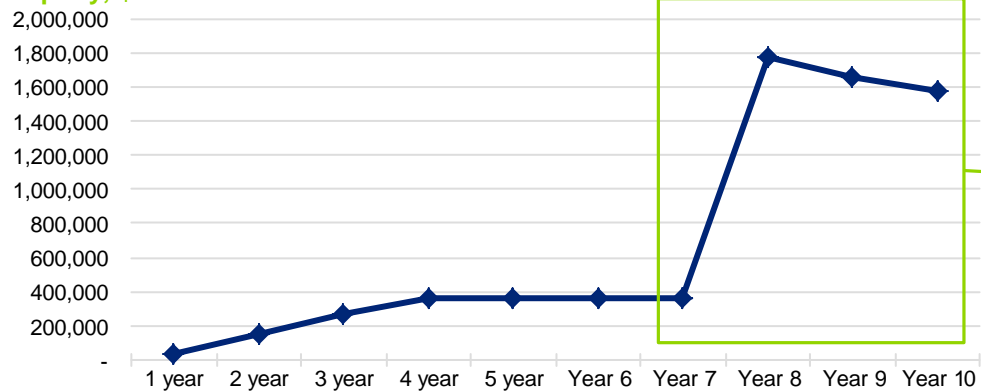
Cash Flow (1-10 years), \$	6,919,528
NOI (1-10 years), \$	4,669,528
CapRate	10.4%
Cash on Cash return	15.4%

The Fund is looking for investments with the following KPI:

CapRate > 7%;  
Cash on Cash Return > 15%.

## Projected Total Dividends Will Amounted to \$13.8m During 10 Years

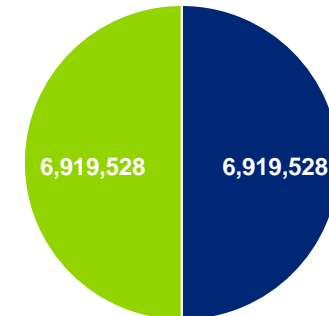
Projected earnings distributed to Investors and Management company, \$



Source: Management information

Increase in dividends are explained by sale of property.

Distribution of dividends during 10 years, \$



■ Management company ■ Investors  
Source: Management information

# Management Profile, Sample Transactions

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<b>Management Profile, Sample Transactions</b>	<b>32</b>
Operating Workflows Of The Fund	35



## Management Profile –

## Sample Transactions

### 9360 Linkside Trace, Riverdale, GA 30274



**Purchase, Rehab & Acquisition Costs**

\$39,534.48

**Insurance**

**Replacement Cost**

\$103,616.25

**(This does not include Lot and Grading)**

**Rented** on 3 Year Lease for \$795.00 per Month

### 374 Eagles Crossing Circle, Riverdale, GA 30274



**Purchase, Rehab & Acquisition Costs**

\$47,358.72

**Insurance**

**Replacement Cost**

\$91,978.75

**(This does not include Lot and Grading)**

**Rented** on a 3 Year Lease for \$795.00 per Month

### 21 Marissa Cove, Riverdale, GA 30274



**Purchase, Rehab & Acquisition Costs**

\$48,348.60

**Insurance**

**Replacement Cost**

\$97,113.75

**(This does not include Lot and Grading)**

**Rented** on a 3 Year Lease for \$795.00 per Month

### 111 Inverness Trace, Riverdale, GA 30274



**Purchase, Rehab & Acquisition Costs**

\$42,735.02

**Insurance**

**Replacement**

**Cost** \$106,242.50

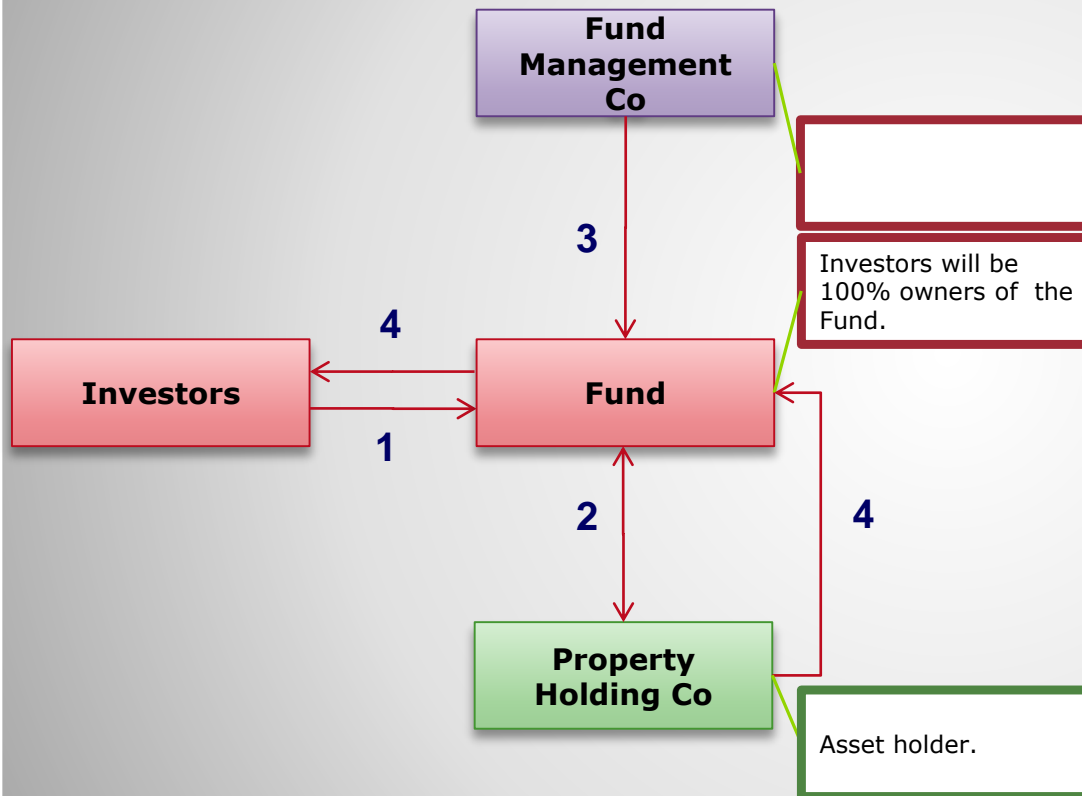
**(This does not include Lot and Grading)**

**Rented** on a 2 Year Lease for \$895.00 per Month

# Operating Workflows of the Fund

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## Operating Workflows of the Fund



#	Description of Operating Workflows:
1	Investors invest \$4.5m. Investments will be allocated among JVs of the Fund on a project basis.
2	The Fund will provide incremental loans up to \$4.5m to The Property Holding Company. The Fund receives as security a deed and note as the first and only trust deed on the individual properties.
3	The management company will be engaged in operating activity of the Fund without any fees providing the following services: <ul style="list-style-type: none"> <li>•Manage the Fund;</li> <li>•Legal support;</li> <li>•Purchase, rehab and eventual sale of property;</li> <li>•Rent the Property;</li> <li>•Manage the properties;</li> <li>•Analyze investments and generate reports for JV's</li> <li>•Maintenance</li> </ul>
4	Net Cash Flows and any Net Proceeds in the event of a sale of one of the properties will be split equally between Investors and Property Holding Co every quarter.