

PASSIVE INCOME CAPITAL PRESENTS

AN INVESTMENT OPPORTUNITY IN A 27 UNIT MULTI-FAMILY RENTAL PORTFOLIO IN HAGERSTOWN, MD

A 100%-Occupied Going Concern



16%

Average Annual Return

2.2x

ROI

80/20

LP/GP Split

7.5%

Cap Rate at Purchase

5yr

Minimum Commitment

50k

Minimum Investment

Executive Summary

This property located in Hagerstown, MD is class C and consists of 27 rental units that include single-family homes, mobile homes, efficiency apartments, and mobile home pads. The property is currently 100% occupied with primarily long term tenants having lived there for over 5 years in most cases. Class C residents are typically blue collar workers and are usually considered renters for life. This demographic makes sense considering the area.

Hagerstown, MD is a logistics hub as it is located off of I81 and there are many transportation and warehouse jobs that employ the majority of residents.

The value add opportunity that exists for this project is fairly straight forward. Current rents are under market value. As such, we plan to increase the value of this asset by phasing in higher rents over the next 2 to 3 years to market rents.

The financial analysis shows that at a purchase price of \$1,250,000 and a going-in Net Operating Income of \$93,000 per year, the asset currently has a Cap Rate of 7.5%. However, our projections show that if rents were appropriately at market rents and managed by us, this asset would have a NOI closer to \$117,000 per year thus resulting in a Cap rate of 9.3%. Right off the bat this showed us the asset was undervalued and mismanaged which makes it a very attractive purchase.

The Hagerstown, MD market is an ideal location for a multi-family rental property. Amazon has opened a significant size facility that employs about 500 people currently and plans to expand to employ 500 more. It is near the US 11 and I81 interchange making it a great commercial and industrial hub for commerce on the east coast and is called "Hub City" as a result. It has a population of 40,000 people who are mostly renters. The public school system is above average. There is a diversity of workers including blue-collar, white-collar, service providers, sales and office professionals who predominantly take the bus to commute.

The legal structure of this purchase will be a syndication using the 506-B SEC exemption allowing investors with whom we have a preexisting relationship to participate.

The project will be receiving 75% financing from a bank and as such will need a 25% down payment which translates to \$400,000. Minimum investments for individuals will be \$50,000 per share with a maximum of 3 shares per investor.

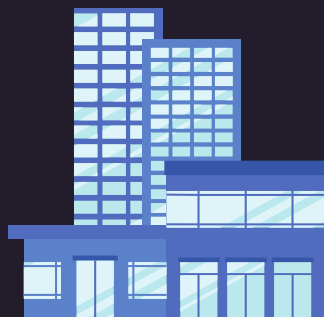
The projected time frame for this investment is 7 years with a cash-out refinance at year 5 when investors will be returned approximately 70% of the initial investment.

In addition, please note, we have projected our refinance and resale returns on a 8% cap rate. Truth is however, the value of the building will most probably be based on a cap rate of 7% which will increase the appraised value at refinance and resale which will result in higher returns to members.

Property Description & Current Unit Mix + Current Rents vs Market Rents

The asset to be purchased is 5.75 Acres of Potential Development Land with a Rehabbed Motel & Mixed Residential Income Units

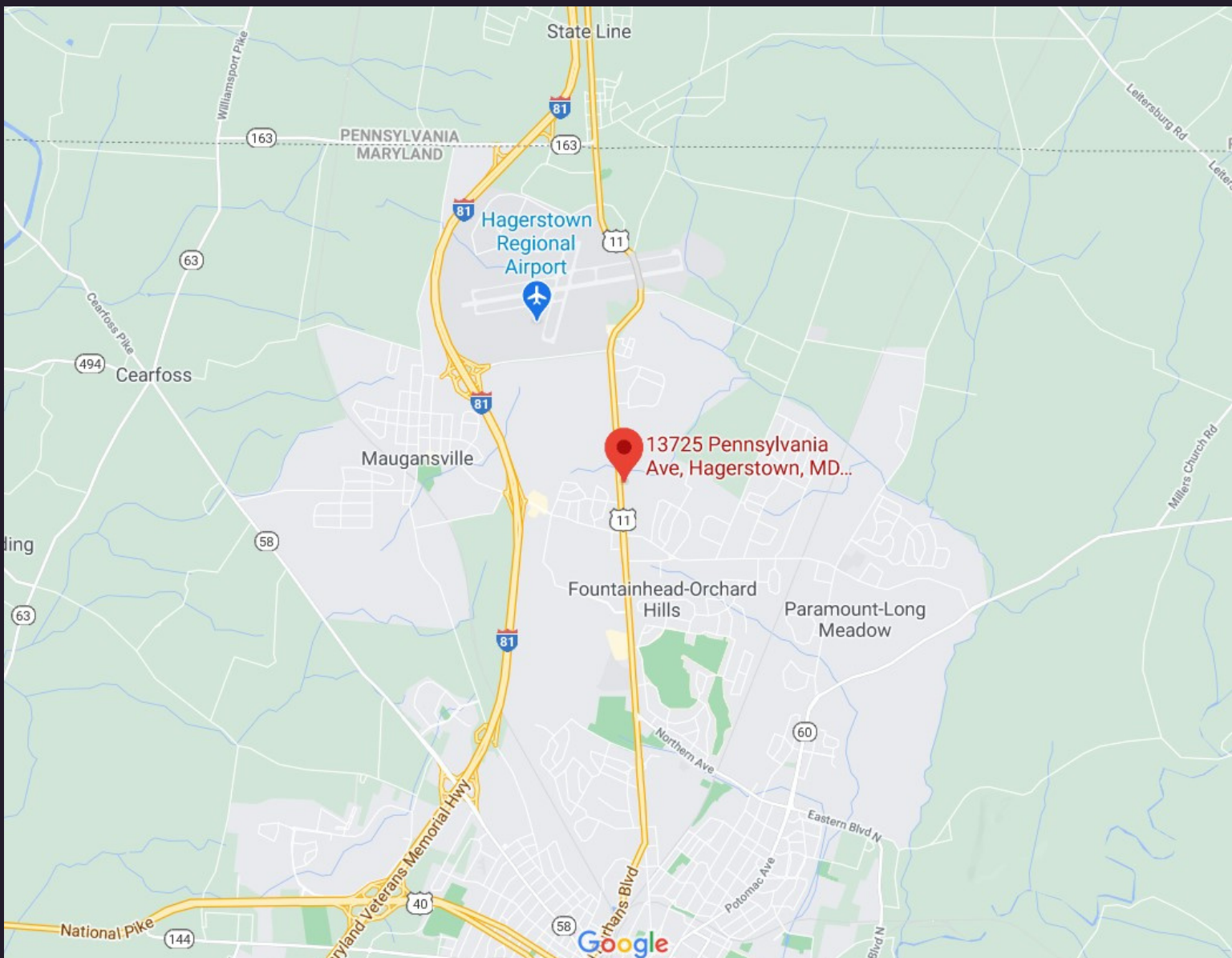
Unit Mix & Target Rent Analysis					
Type	# Units	Current Rent		Target Rent Increase By End of Year 1 of 15%	
		Average	Total	Average	Total
2 room efficiency	1	\$650	\$650	\$748	\$748
2 room efficiency	1	\$650	\$650	\$748	\$748
2 room efficiency	1	\$650	\$650	\$748	\$748
2 room efficiency	1	\$650	\$650	\$748	\$748
2 room efficiency	1	\$650	\$650	\$748	\$748
2 room efficiency	1	\$600	\$600	\$690	\$690
2 room efficiency	1	\$650	\$650	\$748	\$748
3 room efficiency	1	\$750	\$750	\$863	\$863
3 room efficiency	1	\$650	\$650	\$748	\$748
3 room efficiency	1	\$625	\$625	\$719	\$719
3 room efficiency	1	\$750	\$750	\$863	\$863
3 room efficiency	1	\$700	\$700	\$805	\$805
Brick Ranch House - 3/2	1	\$800	\$800	\$920	\$920
Stone Brick Farm House 3/2	1	\$750	\$750	\$863	\$863
House in front/former office 3/2	1	\$1,100	\$1,100	\$1,265	\$1,265
Rear Bungalow	1	\$500	\$500	\$575	\$575
Doublewide	1	\$650	\$650	\$748	\$748
Mobile home	1	\$650	\$650	\$748	\$748
Mobile home	1	\$650	\$650	\$748	\$748
Mobile home	1	\$700	\$700	\$805	\$805
Mobile home	1	\$750	\$750	\$863	\$863
Mobile home pads	6	\$399	\$2,394	\$459	\$2,753
Total	27		\$16,919		\$19,457
Average		\$627		\$721	



Geographic Location

Location Location Location! We've all heard how important an asset's location is when it comes to real estate investing. And we totally agree. So before investing in any asset it's important to understand where an asset is located.

As you can clearly see below, this asset is strategically situated on a main thoroughfare in Hagerstown and almost smack in the middle between downtown Hagerstown and the Airport. We concede that Hagerstown Airport probably isn't the busiest airport in the nation, but nonetheless, it probably attracts a lot of traffic to it and in order to get to it from downtown, one has to pass this asset. This means increased traffic along this route thus making filling vacancies that much easier and faster. This is probably why this asset currently enjoys a 100% occupancy.



Rent Comparables

How do the subject property's current rents compare to the market rents in the area?
As part of this analysis we relied on 2 different approaches.

1) First was an exhaustive search of numerous apartment complexes within the immediate market area.

2) And the second was to utilize a tried and tested online portal known as Rentometer. We were pleased to find current market rents are significantly higher than the current rents being received at the subject property. This is further confirmation there is a significant upside potential for this asset.

Comparable Property Name	Proximity to Subject in Miles	Average Rent, Square Footage, & Rent/Sq. Ft											
		1 bdrm	Sq Ft.	Rent/Sq. Ft	2 bdrm	Sq. Ft	Rent/Sq. Ft	3bdrm	Sq. Ft.	Rent/Sq. Ft	4bdrm	Sq. Ft.	Rent/Sq. Ft
Hunter Hill Apartments, Hagerstown	2.4	\$ 1,097	680	\$ 1.61	\$ 1,117	705	\$ 1.58						
Hyde Park Apartments, Hagerstown	2.5	\$ 1,207	784	\$ 1.54	\$ 1,267	854	\$ 1.48	\$ 1,196	1010	\$ 1.18			
Park View Place, Hagerstown	4.2	\$ 1,069	800	\$ 1.34	\$ 1,225	1000	\$ 1.22	\$ 1,269	1204	\$ 1.05			
Cortland Apartments, Hagerstown	3.3	\$ 1,000	750	\$ 1.33	\$ 1,100	1250	\$ 0.88	\$ 1,250	1300	\$ 0.96			
Seneca Ridge Apartments, Hagerstown	1.7				\$ 945	1050	\$ 0.90						
Fountainview Townhomes, Hagerstown	0.6				\$ 1,075	1368	\$ 0.79	\$ 1,248	1705	\$ 0.73	\$ 1,453	2166	\$ 0.67
Edgewood Hill Apartments, Hagersown	6.7				\$ 1,055	1118	\$ 0.94	\$ 1,185	1234	\$ 0.96			
Average		\$1,093		\$ 1.46	\$1,112		\$ 1.11	\$1,229		\$ 0.98	\$1,453		\$ 0.67

NOTE: In general the above properties are superior in nature to the subject property by the following metrics: age of construction and amenities provided such as cable, wifi, etc. However they are still relevant because they illustrate the competing apartment-stytle options available in the immediate marketplace.

Historical Period Reported	Building Type	Search Radius in Miles	Rentometer Analysis											
			1 bdrm			2 bdrm			3 bdrm			4 bdrm		
			Average	Median	75th %ile	Average	Median	75th %ile	Average	Median	75th %ile	Average	Median	75th %ile
12 month history	All Types - Home, Apartment, Townhomes etc.	5	\$ 778	\$ 750	\$ 893	\$ 863	\$ 835	\$ 981	\$ 1,128	\$ 1,140	\$ 1,366	\$ 1,705	\$ 1,890	\$ 2,119
Average			\$ 778			\$ 863			\$1,128			\$1,705		

Current Rents at Subject Property						
	2 bdrm		3 bdrm	3 bdrm House	Mobile	Mobile Pads
	Current Rent	Current Rent	Current Rent	Current Rent	Current Rent	Current Rent
	\$650	\$750	\$800	\$650	\$399	
	\$650	\$650	\$750	\$650	\$399	
	\$650	\$625	\$1,100	\$650	\$399	
	\$650	\$750	\$500	\$700	\$399	
	\$650	\$700		\$750	\$399	
	\$650				\$399	
	\$600					
Number of Units	7		5	4	5	6
Total Units	27					
Average Rent	\$643	\$695	\$788	\$680	\$399	



Market Research

Blindly investing in any market without doing proper market research is a recipe for disaster. As such, as part of our due diligence, we have thoroughly analyzed the city we are investing in and compared it to the state and nationwide levels.

Even further analysis is done at the neighborhood level because as we have learned from years of personal experience, real estate investing isn't just local, it's hyper-local. Demographics can vary dramatically from street to street or block to block. As such, no stone can be left unturned in the market research process.

As you can see below, we have analyzed several different factors ranging from population, income, house value, crime and job growths. On a neighborhood level, we have drilled down even further to discover how the subject property neighborhood compares to it's surroundings. Having an understanding of the neighborhood's income level as well as the median rent, unemployment, poverty and ethnic mix of the tenant pool are crucial factors in determining the future success or failure of an asset.

	REALFOCUS 1: POPULATION GROWTH			REALFOCUS 2: INCOME GROWTH			REALFOCUS 3: HOUSE VALUE GROWTH		
Cities	Population in 2000	Population in 2020	Population growth (% age)	Median household income in 2000	Median household income in 2017	Median household income growth (% age)	Median house or condo value in 2000	Median house or condo value in 2019	Median house or condo value growth (% age)
USA	282,200,000	331,000,000	17.3%	\$ 41,990	\$ 61,136	45.6%	\$ 119,600	\$ 295,300	147%
Maryland	5,224,000	6,000,000	14.9%	\$ 54,535	\$ 82,093	50.5%	\$ 146,000	\$ 314,800	116%
Hagerstown, MD	36,446	40,291	10.5%	\$ 30,796	\$ 45,784	48.7%	\$ 89,100	\$ 155,700	75%

	REALFOCUS 4: CRIME TREND			REALFOCUS 5: JOB GROWTH %		
Cities	Crime Index 15 Years Ago	Most Recent Year Crime Index (look for # under 500)	Crime Reduction or Increase Percentage	Total Jobs Today	Total Jobs 12 Months Ago	Job Growth or Loss Percentage
USA	469	379	19%	142,629,000	151,998,000	-6.16%
Maryland	704	454	36%	2,615,100	2,776,100	-5.80%
Hagerstown, MD	383.2	346.1	10%	97,600	106,600	-8.44%

	REALFOCUS 1: MEDIAN HOUSEHOLD INCOME	REALFOCUS 2: MEDIAN CONTRACT RENT	REALFOCUS 3: UNEMPLOYMENT RATE			REALFOCUS 4: POVERTY LEVEL	REALFOCUS 5: ETHNIC MIX
Neighborhood	Current median household income	Current median contract rent	City unemployment rate (from google)	Neighborhood unemployment rate	Difference	Neighborhood poverty level	Main slice size
Nationwide - USA	\$61,136	\$1,097	6.5%			13.10%	
State - Maryland	\$82,093	\$1,401	8.0%			9.44%	
City - Hagerstown	\$45,784	\$924	8.6%			27.00%	
Neighborhood - Subject Property - 13725 Pennsylvania Avenue	\$72,697	\$983		4.4%	-4.2%	1.52%	71.9%

Financials

What type of returns can you, as an investor expect in this asset?

Below you will see a breakdown of the overall financial returns for the entire membership and below that you'll see the returns based on the minimum investment of \$50,000.

As you can see, at the end of 7 years, you will have a return of 118% also relayed as a 2.2X return on your investment. Your annual cash on cash return will average 16.78%. In addition, please note by year 5, you can see we have projected that members will be returned approximately 73% of their beginning capital investment.

These projections assume a conservative 2% rent increase on a yearly basis moving forward.

Summary of Projected Member Cash Flows and Returns

	1	2	3	4	5	6	7	Return \$	Return %
Beginning Member Capital Account Balance	\$440,482	\$440,482	\$440,482	\$440,482	\$440,482	\$115,519	\$115,519		
Member Cashflow	\$26,465	\$35,006	\$42,071	\$49,383	\$51,371	\$40,020	\$42,088	\$286,406	
Cash on Cash Return	6.01%	7.95%	9.55%	11.21%	11.66%	34.64%	36.43%		
Average Cash on Cash Return to Date	6.01%	6.98%	7.84%	8.68%	9.28%	13.50%	16.78%		
Net Proceeds/Profits from Refinance or Sale					\$0		\$233,026	\$233,026	
Average Annual Return to Date	6.01%	6.98%	7.84%	8.68%	9.28%	35.25%	64.24%		
Return of Member Capital					\$324,963		\$115,519		
Ending Member Capital Account Balance	\$440,482	\$440,482	\$440,482	\$440,482	\$115,519	\$115,519	\$0		
Total Return on Investment	\$26,465	\$35,006	\$42,071	\$49,383	\$51,371	\$40,020	\$275,114	\$519,431	117.92%
Average Annual Return									16.29%
IRR									16.29%
Average Cash on Cash Return									16.78%

Member Returns Based On Specific \$ Invested

\$50,000

	1	2	3	4	5	6	7	Return \$	Return %
Beginning Member Capital Account Balance	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$13,113	\$13,113		
% of Overall Membership Ownership for \$ Invested	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%		
Member Cashflow	\$3,004	\$3,974	\$4,776	\$5,606	\$5,831	\$4,543	\$4,778	\$32,510	
Cash on Cash Return	6.01%	7.95%	9.55%	11.21%	11.66%	34.64%	36.43%		
Average Cash on Cash Return to Date	6.01%	6.98%	7.84%	8.68%	9.28%	13.50%	16.78%		
Net Proceeds/Profits from Refinance or Sale					\$0		\$26,451	\$26,451	
Average Annual Return to Date	6.01%	6.98%	7.84%	8.68%	9.28%	35.25%	64.24%		
Return of Member Capital					\$36,887		\$13,113		
Ending Member Capital Account Balance	\$50,000	\$50,000	\$50,000	\$50,000	\$13,113	\$13,113	\$0		
Total Return in Investment	\$3,004	\$3,974	\$4,776	\$5,606	\$5,831	\$4,543	\$31,229	\$58,962	117.92%
Average Annual Return									16.29%
IRR									16.29%
Average Cash on Cash Return									16.78%

FINANCIAL ASSUMPTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Annual Rent Escalator	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Expense Escalator	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

	1	2	3	4	5	6	7
INCOME							
Average Monthly Rent	\$721	\$735	\$750	\$765	\$780	\$796	\$812
Gross Potential Income	\$233,482	\$238,152	\$242,915	\$247,773	\$252,729	\$257,783	\$262,939
- Vacancy	(\$23,348) 10.00%	(\$23,815) 10.00%	(\$24,291) 10.00%	(\$24,777) 10.00%	(\$25,273) 10.00%	(\$25,778) 10.00%	(\$26,294) 10.00%
- Concessions, Loss to Lease, Bad Debt	(\$23,348) 10.00%	(\$14,289) 6.00%	(\$7,287) 3.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%
Effective Gross Income	\$186,786	\$200,048	\$211,336	\$222,996	\$227,456	\$232,005	\$236,645
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Income	\$186,786	\$200,048	\$211,336	\$222,996	\$227,456	\$232,005	\$236,645
EXPENSES							
Total Expenses	\$91,173 48.81%	\$93,758 46.87%	\$96,217 45.53%	\$98,736 44.28%	\$100,710 44.28%	\$102,724 44.28%	\$104,779 44.28%
Net Operating Income (NOI)	\$95,613	\$106,289	\$115,119	\$124,260	\$126,746	\$129,280	\$131,866
Property Value	7.0% \$ 1,365,899	\$ 1,518,416	\$ 1,644,563	\$ 1,775,147	\$ 1,810,650	\$ 1,846,863	\$ 1,883,800
	8.0% \$ 1,195,161	\$ 1,328,614	\$ 1,438,992	\$ 1,553,254	\$ 1,584,319	\$ 1,616,005	\$ 1,648,325
	9.0% \$ 1,062,366	\$ 1,180,991	\$ 1,279,104	\$ 1,380,670	\$ 1,408,283	\$ 1,436,449	\$ 1,465,178
Debt Coverage Ratio	1.5	1.7	1.8	2.0	2.0	1.6	1.7

SWOT Analysis



Strengths

- 100% occupied
- strong existing cap rate of 7.5% at purchase price
- strong existing blue-collar job market
- extremely visible site location for ease of vacancy signs located on Route 11 and close to Hagerstown Airport
- buildings have all been well maintained - no deferred maintenance
- diverse mix of existing tenants

Weaknesses

- lower demographic labor market - thus very sensitive to local job market
- several different buildings rather than 1 larger building which means varying capital expenditures at varying times - harder to predict potential repairs

Opportunities

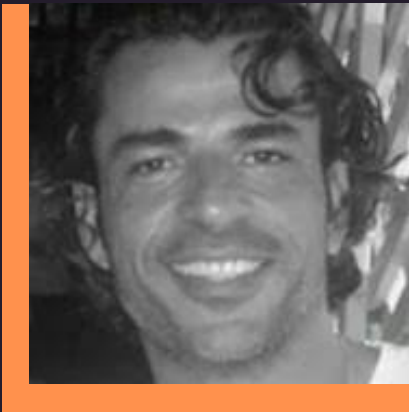
- increase value of asset by simply increasing rents to market rent
- available space on lot for potential value add project such as laundromat or storage units
- increase in housing demand due to amazon expansion into area

Threats

- another pandemic resulting in eviction moratoriums
- jobs in area get outsourced to neighboring cities
- amazon fails to come into city as planned (though we don't need this to succeed)

MEET THE TEAM

There's an old adage, "Bet on the Jockey, Not the Horse". And like horse racing, it's just as important when investing in real estate. As such, here's some info on the 2 General Partners spearheading this project.



MIKK SACHAR

Mikk has an MBA in Finance and has been investing in real estate since 2004. His working career started at KPMG - a big 5 accounting firm - where he worked in the business valuation department. From there he progressed into the mortgage brokerage business where he garnered significant real estate-financing experience. By 2004 however, he discovered his passion was in real estate investing and since then he has never looked back. Over the last 16 years Mikk has been involved in various types of real estate investing ranging from pre-foreclosures, tax sales, commercial property, wholesaling, mortgage note investing and most importantly multi family. Though he has had the opportunity to use various property management companies over the years, Mikk has stayed committed to managing his own rental portfolio which gives him a 1st hand account of exactly how best to manage a rental asset. He currently manages over 25 units personally.

email: mikk@rehabvault.com ph: 717-578-9601 or 717-417-8111



JASON OHRUM

Jason has been investing in real estate since 1999 and comes from a family of real estate agents and brokers. He's a partner in a house flipping business designed to generate investment capital. His focus and passion has been multi-family real estate because he believes it is the best asset class to invest in because it provides monthly income, opportunities for forced appreciation, economies of scale, and reduced risk. He has teamed up with other professionals in the business who own thousands of doors and have over 20 years of large-scale multi family investment experience. He is constantly searching for real estate assets suitable for outside investor participation where the investors can invest passively for not only cash flow but also all the other benefits real estate provides like depreciation and equity participation.

email: jason@ohrum.com ph: 717-858-4058

ADVISORS/MENTORS

Both Mikk and Jason have one particular bonding belief they share wholeheartedly; the never-ending pursuit of self education! As such, both of us have the ear of the 2 industry professionals below as our sounding board and advisors. Rest assured, if there are any circumstances we haven't prepared for, the below advisors, with their abundant nation-wide experience, have.

Michael Blank

Michael is a full-time entrepreneur, investor and real estate coach – specializing in the multi-family asset class.

Through his company Nighthawk Equity, he controls over \$65 million in performing multifamily assets all over the United States. In addition to investing nationwide, he also teaches others how to invest in apartment buildings through his teaching platform at TheMichaelBlank.com as well as additional training programs.

He has helped students acquire over 750 units valued in excess of \$27M and is on track to do a 1,000 units in the next 12 months through his unique coaching and “Deal Desk” program. He’s the the host of the popular podcast “Apartment Building Investing with Michael Blank” and writes regularly for the Bigger Pockets and Flipnerd’s REI Classroom.

He’s an extremely accomplished multifamily investor and coach and a simple online search of his name will yield a tremendous amount of information about him and his coaching programs.

Mikk has personally invested in Michael’s coaching program.

Jens Nielsen

Jens is the principal of Open Doors Capital – a private equity firm specializing in the multi-family asset class.

Through his company Open Doors Capital, he has raised several millions of investment dollars for apartment syndications and is a general partner in over 800 apartment units around the country.

He has also passively invested in 14 syndications/private investments, spanning over 800 apartment units, 2,000 mobile park lots and over 6000 storage units. In addition to apartment investments, Jens also invests in the private mortgage space and is an extremely active private equity lender.

Jens has a passion for coaching investors to enable their success through strategy, accountability and personal growth.

Jason has personally invested in Jen’s coaching program.

FAQs

What is a syndication?

Syndication is the pooling of investor money where the investor is typically a limited partner and the general partner, or active partner, puts the deal together and manages the business plan to provide a return for the benefit of all investors.

What are the Return Projections?

Our goal is to invest in properties that return 7-9% annually and an average internal rate of return in the 15-18% range for the hold period. In a value-add project, a large part of the investor returns come in the year of sale. This is often modeled as year 5-7.

What is the Holding Period?

We target a 5-7 year hold on our deals. This provides time to execute our value-add plan and then cash flow for a few years while looking for an opportunistic sale. Some investor principal could be returned as early as year 4 from a refinancing event or we may want to continue to cash flow till year 7 if market conditions are not favorable. Please, if you have any reservations to not having access to your money for a period of at least 5 years, do not consider this investment. This investment is designed for those investors excited to have their money working for them with very favorably returns over a steady period of time.

When are Distributions made?

We typically pay distributions on a quarterly basis.

Minimum Investment?

Our minimum investment starts at \$50,000 per share and can increase with increments of \$5,000. The maximum number of shares per investor is 3.

Communication frequency?

We communicate regularly:

Monthly Updates:

- Current operations and capital improvements.
- Quarterly Financials: Detailed financial results and distribution information.
- Quarterly Distributions: Distributions sent 15 days after the close of each quarter.
- Tax Documents: A K1 is sent on or before March 31st.

Tax Impact?

Apartment syndications are very tax efficient. As a partner in our limited partnership, you will benefit from your portion of the investment's deductions for property taxes, loan interest and depreciation. We like to use a cost segregation strategy, when appropriate to accelerate depreciation. As such, it's not unusual on a \$100K investment to return actual cash in your pocket of \$8K while experiencing a paper loss on your annual K-1. That loss can then be used to offset other passive income. At time of sale the partnership gains are treated as long-term capital gains.

What are the Financial Risks?

Risks are outlined in the Private Placement Memorandum. That said, here are a few data points. In 2009, at the bottom of the financial crisis, delinquency rates on single family homes was 5% vs 1% on MF apartments. Additionally, vacancies in Class C and B (older properties where value-add syndicators play) remained steady at 8%. We further mitigate risk by targeting proven assets where current owner is generating good cash flow (our due diligence includes auditing the trailing 12-month financials, bank records and tax returns). Additionally, lenders will not loan millions of dollars unless we are experienced, have a good business plan, conservative underwriting (banks will underwrite the deal as well), have adequate insurance, and have an inspection completed by outside experts.

FAQ's Continued...

What happens in an Economic Downturn

During an economic downturn the goal would be to continue to cash flow and hold until the market is healthier to achieve a better price at sale. Class B/C value-add properties tend to hold up much better in downturns because folks need a place to stay and rents are more in line with the market / service economy demographic that is typically still employed in downturns versus the higher paid class A renters whose jobs are more at risk.

Process & Timeline

We'll let you know we have an investment available when we get a property under contract. We start the equity raise process with investors immediately and it runs concurrent to due diligence and the bank's underwriting which takes about 5 weeks. Typically investors reserve their spot in the 1st week. In the 5th week, investors review and sign the PPM and transfer funds to the escrow account. Then we close on the property 2-3 weeks later.

Investing with an IRA, Solo 401K or better yet, a Self-Directed IRA

Yes, you can invest in real estate with certain retirement accounts. We can discuss how to boost your IRA investing returns with real estate investing. One amazing vehicle in fact to invest in real estate is through a self-directed IRA. If you are unaware of this vehicle, please ask us immediately because this is probably one of the most powerful vehicles today if your goal is to maximize investment returns without the burden of taxes. Yes, you read that correct. There is in fact a way to invest in real estate without paying a single dollar in income taxes. We can easily direct you towards well established self-directed IRA custodians.

Sensitivity Analysis?

We model different scenarios to show our break-even point for profitability given a decline in occupancy or if rents drop below projections. Most of our scenarios allow occupancy to go drop between 75-80% to break even. Third party data shows that in our target markets the worst vacancy levels were around 85% during the 2009 financial crisis.

Early Exit?

There is nothing in our prospectus for a workout or formula for such a scenario. The investment should be considered an illiquid investment. That said, the general partner will review your situation and see if there is something that can be done to help. Again, please do not consider this investment if you are not comfortable having your funds be considered illiquid for a minimum period of 5 years.

General Partner's Fees

The returns forecasted to you are after fees. The most common fee is an acquisition fee based on purchase price and is paid closing. This covers the general partner's costs to find the deal and get it under contract. The second most common fee is the asset management fee which is compensation for holding the property manager accountable, to ensure execution of the business plan, bookkeeping, and distribution of checks and K1s. The asset management fee is aligned with the investor's interest as it is based on the property's revenues. Industry averages are 1-3 % for both fees.

What is a PPM?

The Private Placement Memorandum is required by the SEC and describes the offering, risks, includes the partnership agreement, investment summary and subscription agreement. It is a lengthy legal document (approx. 100 pages) prepared by a syndication attorney. The subscription agreement section includes basic information as to amounts being purchased and percent ownership. The risk section highlights just about every possible risk that could happen.

What are Sophisticated and Accredited Investors?

We currently market our investments under SEC regulation 506(b) which allows us to include investors who are either sophisticated or accredited, and with whom we have a relationship. A sophisticated investor is one who has sufficient knowledge and experience in financial and business matters to make them capable of evaluating the merits and risks of the prospective investment.

To be accredited you must have:

Earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, OR Net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence).

Accreditation is simply determination by self-disclosure of the investor via a checkbox in the subscription agreement.