



Estimated Income Fund I Equity:

Month/Year	August 2016	September 2016
Estimated Value of Fund	\$95,500,000	\$116,000,000 <small>Includes 3MM Cash</small>
Third Party Debt	\$41,500,000	\$51,500,000
Estimated Total Equity of Fund	\$54,000,000	\$64,500,000
Members' Invested Capital (1A, 1B, 1C, 1D)	\$52,000,000	\$56,000,000

As of September 30, 2016

Ask Patty

Thank you for all of your support. As we wind down our fund, we plan on closing our Series 1A - 8.5% by the end of November. This again is due to the proceeds we will be receiving from the refinances.

We are also encouraging our income payout investors to sign up for our direct deposit so you can get your dividend income quicker. We noticed our mail time here in Westlake Village is taking longer than 5 business days.

Feel free to contact me if you have any questions
805-764-5128

Strategic Holdings Monthly Update

Dear Investors,

We hope that everyone has enjoyed the summer; hopefully you've been fortunate enough to take a vacation or two before we enter the holiday season. As we mentioned in our previous newsletter, dated September 2016, we were recently under contract to purchase 3 properties. Since our last newsletter, we acquired The Birches Apartments, a 98 unit property in Richmond, VA, on August 2 for \$5,450,000. We also acquired the second property, Belmont Crossing, a 192-unit apartment community located in Smyrna, Georgia on September 8 for \$11,075,000 in

which the appraisal came in at \$11,500,000. We are under contract to close on the third property, Camelot Apartments at the end of October 2016.

Camelot Apartments

Camelot Apartments is a 150 unit, 1976-vintage apartment complex located in Dothan Alabama that is currently 93% occupied. Dothan is 87 miles north of Florida Gulf Coast and Panama City. The property went under contract on June 27, 2016 at a purchase price of \$6,285,000, or \$41,900/unit. We

have a \$700,000 renovation budget to renovate 131 unit interiors (19 are already renovated), replace most of the HVAC units, and install W/D connections in 32 units, after which we expect rents to be increased at an average of \$71/unit.

Update on Renovations

As many of you already know, our 4 large renovations are winding down and nearing completion and the occupancies are climbing at each location. The renovations are complete at

Oak Garden, our 95 unit apartment complex in Mobile, AL. The current occupancy is 88% and also increasing. We purchased this property on February 11, 2015 for \$1,174,000 with a 60% occupancy at the time of acquisition. After stabilization, the property will be estimated to be worth \$2,750,000 with an estimated net operating income of \$230,000.

Renovations for Camelot Apartments, our 287 unit apartment complex in Jackson MS, are projected to be completed at the end of October 2016. As we renovate units, we are leasing those units quickly as there is strong demand; currently the occupancy is 81%. Camelot was acquired on September 29, 2014 for \$1,548,750 and was 31% occupied at the time of acquisition.

Meadow View is our 650-unit apt complex in Richmond, VA that we acquired at what we deem to be a deeply discounted price of under \$11k per unit, due to major deferred maintenance. Meadow View is physically divided into a 400-unit rectangle parcel and a 250-unit triangle parcel. We embarked upon a 6-phase renovation process, with the triangle being the last two phases that we planned to renovate. We recently decided to sell the triangle piece, and on Sep 16th, we went under contract with a buyer for \$5,250,000. The sale should close in December 2016 and will result in a profit of over \$1.6 million on an investment of \$3.6 million (\$2,695,384 PP + \$902k rehab). Renovations continue on the remaining 400 units and are projected to be completed by the end of the first quarter of 2017.

As we reach the market occupancies, we anticipate a projected portfolio value of approximately \$118 million. We anticipate that refinancing our stabilized properties will result in approximately \$35 million in cash out proceeds. The anticipated \$35 million will allow us to acquire approximately \$100 million in real estate using the very inexpensive ~4% - 4.75% cash proceeds from the refinances as the down payment component. We are able to accomplish this because of today's low interest rate environment. We anticipate that these steps will essentially double the size of the Fund without the need for any further equity from investors, and create a equity cushion for our investors.

Update on the Fund

Today our fund holds 3 commercial real estate notes and 18 apartment complexes. Most of our apartment homes are Class B & C, built in the 60's, 70's and 80's and house working class citizens. Most of our properties are located in the southern and southeast areas of the U.S. (Texas, Mississippi, Alabama, Georgia, Tennessee, and Virginia). We plan to continue to acquire properties as long as opportunities are present.

We would be remiss if we did not take this opportunity to sincerely thank each one of you for the tremendous response on the 2% bonus promotion which ended September 30, 2016. With your support, we successfully closed or will be closing on our 3 new properties mentioned earlier. We also SOLD OUT of our Series 1B – 10% tranche. Series 1A -8.5% is currently open and available. However, as we refinance the stabilized properties, we anticipate winding down the fund to new investments, so that we can efficiently deploy the refinance cash mentioned above to buy what we believe to be suitable properties that fit our investment strategy.

Finally, thank you again for all of your support. We appreciate you. If you have any questions, feel free to contact Patty Franklin / Investor Relations at 805-764-5128.

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