



Estimated income Fund I Equity:

| Month/Year | August 2017 | September 2017 | |
|--------------------------------------|---------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Est. Value of Fund | \$148,491,620 | \$147,741,620 | <u>Strategic Holdings Corporate Office Headquarters Address</u> 4550 E. Thousand Oaks Blvd. Ste.200 Westlake Village, CA 91362 <u>Investor Relation Phone numbers</u> Main Office: (805) 410-4622 Patty Franklin: (805) 764-5128 Diane Rangel: (805) 367-8835 <u>Seminar & Lunch and Learns</u> Investor Brunch Sat. Oct. 7th at 10:30 am in Westlake Village Please Call to RSVP Wed. Nov. 15th at 12 pm Located at our Corp. Office in Westlake Village |
| Third Party Debt | \$76,914,769 | \$76,902,305 | |
| Est. Total Equity of Fund | \$71,576,851 | \$70,839,315 | |
| | | | |
| Series 1 M (Equity Cushion) | \$5,552,434 | \$4,548,599 | |
| Series 1D | \$3,178,746 | \$3,499,944 | |
| Series 1C | \$21,867,031 | \$21,659,960 | |
| Series 1B | \$23,634,035 | \$23,380,137 | |
| Series 1A | \$17,344,604 | \$17,750,674 | |
| Total Member Invested Capital | \$66,024,417 | \$66,290,716 | |

“As of September ,28 2017 our fund is estimated to be valued at \$147,741,620”

Dear Investors,

We are happy to announce the occupancy rate for the entire portfolio is now 91.7% as of September 20, 2017. We had sought to reach over 90% by the end of the year and managed to beat expectations by 3 months. Our fund started acquiring distressed assets back in 2013. Our targeted goal was to reposition, stabilize, prudently finance, and obtain market rate occupancy. We have managed to reach our goals for 2017.

As many of you might recall, in November 2014 we acquired 650 distressed apartment units

(Meadow View Apartments) in Newport News, Virginia for \$7,008,750. The property comprised of two separate parcels: the square parcel consisted of 400 apartment units and the triangle portion 250 apartment units. We developed a six phase renovation plan with the triangular portion being phases five and six. In late 2016, management elected to sell the triangular portion at a profit. The acquisition price of the triangular portion was \$2,695,673. Very few renovations were performed on the 250 unit triangular piece prior to it being sold for \$4,875,000 on September 11, 2017. We recently completed all of the renova-

tions on the 400 units and are targeting 90%+ occupancy in the fourth quarter of 2017. Meadow View apartments was the biggest asset in our portfolio and is the last of the “big renovation” properties in our portfolio.

Strategic Holdings is also under contract to sell Patriots Place, which is a 64 unit apartment complex located in Conway, South Carolina. In November 6, 2013, we purchased the mortgage from U.S. Bank for \$616,000 and acquired title via a deed-in-lieu of foreclosure in February 2014. After acquiring title, we invested \$482,000 in



Meadow View Apartments—Newport News, VA

The square parcel is 400 units and the triangle parcel is 250 units

**(250 unit only) Sales Price: \$4,875,000 Acquisition Price: \$2,695,673
Profit: \$2,179,327**

capital expenditures with an all in cost basis of \$952,000. Patriots place currently is in escrow for \$2,200,000 with an anticipated closing date in October 2017. Patriots Place is located in a tertiary market and management intends to redeploy the sales proceeds in a more dynamic market like Atlanta, GA or Jacksonville, FL.

In 2013 when we launched our fund, we acquired mostly smaller properties and apartment buildings under 100 units. Although we feel we did well, as our fund continues to grow and stabilize, we want to attempt to continue to improve our holdings. We plan on trying to sell some more of our smaller non-core assets over time. This allows us to upgrade our portfolio by acquiring apartment buildings greater than 100 units and in markets that we believe have significant upside potential over time due to strong economic drivers and population growth. Our focus is to acquire properties that fall in the top 50 Metropolitan Statistical Areas (MSA) for rental growth.

We are currently under contract to buy two more properties this year. The first is a 192 unit apartment complex in Atlanta, Georgia called Brook-

stone Gardens Station for approximately 16.9 million dollars. Atlanta is located in the 9th largest MSA in the United States and spans 39 counties with an estimated population of 6.2 million people and growing. We see a good possibility for continued market strength, fueling job growth and household growth.

The second property is a 328 unit apartment complex in Jacksonville, Florida which we have under contract for \$23.75 Million. Jacksonville is the 40th largest MSA, spanning 5 counties with an estimated population of 1.4 million people. Although this market is much smaller than Atlanta, according to Zillow (as of 7/31/2017), Jacksonville ranks among the top 10 markets for household and employment growth in the U.S. We also see some of the strongest recent home price appreciation and forecasted rent growth in the nation. We will continue to update you as we complete our acquisition of these properties.

One of our primary target objectives has been, and will continue to be, to generate stable cash-flow by acquiring income producing assets primarily focused on multi-family apartment build-

ings. Moving forward, we will continue to pursue what we believe to be “value-add” multi-family properties that are 90%+ occupied at time of acquisition and have strong potential upside for rent growth. This allows us to upgrade the unit interiors and increase rents to the current market rate for that particular market. The benefits of the increased rents are that without any additional operational expenses, we can potentially have an increase in Net Operating Income, which can increase the estimated value of the multi-family apartment buildings. Our focus will also be on targeting liquidity, and strong cash balances with reasonable and prudent leverage on the portfolio. It has been and continues to be our policy to seek to maintain at least one years’ worth of liquidity in order to service the interest payments to our members. As of September 20, 2017; our overall fund leverage is 53% loan to estimated value. Attached is our quarterly Schedule of Real Estate, Schedule of Debt, and Occupancy report. Feel free to contact me if you have any questions. Thank you for your continued support.

7th Amendment Ballot

We will be extending out deadline for the 7th Ballot to October 20, 2017. Several investors have not received their 7th Amendment Ballot information in time and have expressed that they needed more time to review the terms. We strongly encourage all investors to vote in order for the results to be valid. Several investors have had great questions on what this 7th amendment ballot means to investors, to the fund, and to the manager. Feel free to consult with your professional advisor(s) and as always, feel free to contact Patty Franklin at 805-764-5128 if you have any questions.

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