



Investor News

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Estimated Income Fund 1 Equity

Month/Year	August 2018	September 2018
Est. Value of Fund	\$ 197,366,620	\$ 201,941,620
Third Party Debt	\$ 113,290,671	\$ 116,286,585
Est. Total Equity of Fund	\$ 84,075,949	\$ 85,655,035
Series 1 M (Equity Cushion)	\$ 6,465,012	\$ 6,855,534
Series 1D	\$ 3,617,564	\$ 3,642,363
Series 1C	\$ 21,674,073	\$ 21,873,095
Series 1B	\$ 22,828,393	\$ 22,845,400
Series 1A	\$ 29,490,907	\$ 30,438,643
Total Member Invested Capital	\$ 77,610,937	\$ 78,799,501

"As of September 20, 2018 our fund is estimated to be valued at \$201,941,620"

**** Currently Open: Series 1A ****

Dear Investors,

Update: The Birches Student Housing

In our July 2018 Newsletter, we informed you that Strategic Holdings was in the early stages of negotiations with Virginia Union University ("VUU") regarding converting part or all of the Birches into student housing. Strategic Holdings is pleased to announce that The Birches signed a two-year

contract with VUU for renting 44 units at a price which we believe has the potential to increase Net Operating Income by approximately \$335,000 per year on the 44 units. There was an approximate one-time cost of \$500,000 to convert the 44 units into student housing, the costs included furniture. If successful, by increasing the Net Operating Income by \$335,000, at a 6.5% capitalization rate, the value of the Birches would potentially increase by approximately

\$4.6 million dollars after factoring in the \$500,000 invested in the conversion.

In addition, Strategic Holdings is currently in negotiations to lease the entire building to VUU for a ten-year period. The ten-year agreement will need to be approved by the Board of Directors of VUU. If we obtain the ten-year agreement, then Strategic Holdings will probably sell off the building to a new investment group based upon the higher rents backed by VUU as the tenant. This would have the potential to create a profit for the Fund as well as create an investment opportunity for new investors.



The Birches - Richmond, VA

Thompson Village 29 Townhome Development Project

Strategic Diversified Real Estate Holdings recently invested approximately \$5.7 million in Thompson Village: \$3.7 million in equity and \$2.0 million in preferred equity. The Loan-to-Value of the

construction loan and preferred equity is estimated at 60.80%.

Thompson Village is an approved 29-unit development located in Midtown Ventura approximately 0.5 miles from the beaches and access to the 101 Freeway. Demand for housing in this geographic area is robust and has been exacerbated by the approximate 440 homes that burned down in the City of Ventura during the Thompson Fire December 2017. In addition, there is strong demand from a growing economy and from Santa Barbara commuters and retirees seeking a cheaper alternative to Santa Barbara. The project is fully entitled with a Tentative Map and Design Review Approval. The land was placed into the partnership based upon its 2014 acquisition price. The developer has substantial experience in entitling and has participated in approximately six very successful projects in the past with one of our executives at Strategic Holdings.



Ventura, CA

Refinance

Collins Park is a 104-unit apartment complex located at 4211 Britain Court in North Charleston, South Carolina. Strategic Holdings bought the non-performing note for \$3,070,000 in October of 2013. Strategic completed the foreclosure and acquired title to the property in April 2014. This property was appraised for \$8,700,000 in 2017 and then reappraised for \$10,800,000 in September 2018. On September 14, 2018, we completed an \$8 million-dollar refinance on Collins Park. The loan is for 10 years, with the first five years being interest only. The loan is a variable rate loan tied to one-month LIBOR with a spread of 186 basis points. The initial starting rate is 4% and replacing a fixed rate loan of 4.75% that amortizes monthly. Based on the \$10,800,000 appraisal the fund was able to “cash out” about \$2.75 million. The \$2.75 million “cash out” and the repatriation of the funds back to Strategic Diversified Real Estate Holdings, LLC, the fund now has zero hard dollars invested in Collins Park. In other words, the fund has all of its original equity out, so any future distributions represent a return on investment.



Collins Park Villas - North Charleston, SC

ANNOUNCEMENT

ANNUAL INVESTOR BRUNCH

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM

**LOCATION: HYATT REGENCY IN
WESTLAKE VILLAGE**

**880 S. WESTLAKE BLVD.
WESTLAKE VILLAGE, CA 91361**

REGISTRATION BEGINS AT 10:00 AM

**RSVP is Required - Please RSVP by
Friday, October 19, 2018 with Diane
Rangel by calling (805) 367-8835 or email
Diane.Rangel@StrategicHoldings.com**

Investor Relations Phone numbers

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Patty Franklin

Chief of Investor Relations / Investment Advisor

Currently available: Series 1A

**Please contact Patty Franklin at
(805) 764-5128
for more information.**

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