

## Estimated Gain on Held Assets: September 2014\*

ASSET TYPE	TOTAL INVESTED	ESTIMATED REALIZABLE VALUE	ESTIMATED GROSS PROFIT
Notes	\$6,300,000	\$10,300,000	\$4,000,000
Real Estate	\$21,500,000	\$23,600,000	\$2,100,000
Total	\$27,800,000	\$33,900,000	\$6,100,000

\*As of September 30, 2014



### THE CEO'S DESK:

**A closer look at our acquisition process**

*Dear Investors,*

What you may not know is that for each property in our portfolio, hours were spent analyzing hundreds of other potential deals.

The process includes exploring numerous databases of properties from around the country. First, we look at the basics: asking price, average rents, square footage, number of units, year built, location, current occupancy rate, and local market occupancy rate. If the asset looks promising we delve much further into the local economy, employment rates, local market rental rates, and many other factors. We use various tools in analyzing potential markets and purchases in that market. CoStar is a service that we subscribe to that provides extremely valuable information including comparable properties' rents,

occupancies, current listings and recent sales in the local market. We also subscribe to REIS, which is a service that analyzes the local markets' economies, population trends, employment rates, occupancy rates, and planned construction of new units among many other topics.

We aim to buy in areas that are thriving or on the up-swing. Once we've narrowed the list down further, we contact the property managers, receivers, brokers, owners, city and county officials, and financiers. A site visit is planned when we are certain that we would like to purchase the property or note. During the site visit, we complete thorough interior and exterior inspections, we confirm occupancy and rental rates, and interview the

current onsite management and maintenance staff to potentially retain them as employees. Surrounding properties are also visited to confirm rental and occupancy rates. We view each property's physical appearance to see if the neighborhood is on the upswing or downswing, and if a crime element is present.

We also gather valuable information by simply talking to the surrounding properties' management staffs. Then, we underwrite the investment, formulate a maximum bid, and either place a bid, or bid on the property or note in a live auction.

Our strict acquisition requirements ensure that we get the deals with the greatest cash flow and profit potential. The profit is made on the acquisition!




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## Strategic Holdings' upcoming purchases in Memphis, TN: Sunridge Townhomes & Cedarwood Apartments

Strategic Holdings is closing escrow on the Sunridge Townhomes and the Cedarwood Apartments on October 15, 2014, for the purchase price of \$3,200,000 or \$24,427/unit.

Sunridge Townhomes is a townhome community built in 1975 and renovated in 2013. The property consists of 51 two to four bedroom units, currently running at 92% occupancy. The Cedarwood Apartments complex was built in 1973 and renovated in 2012. The property consists of 80 two bedroom units and is currently running at 100% occupancy. The combined NOI (net operating income) is \$350,000 with room for upside in the Cedarwood rents.

The Cedarwood market rent is \$550 and they are currently averaging only \$505 which means that there is a potential increase in the NOI of \$39,000/yr making the potential NOI \$389,000/yr. Using a 9% CAP rate, the value of both properties would be \$4,322,000.

The two properties are located within two miles of each other, in an area with a vacancy rate currently at 8.8%, which shows the great housing demand. The properties are located in Memphis, near several major employers: FedEx, Methodist Healthcare, Naval Support Activity Mid-South, Baptist Memorial Healthcare, and many others. Memphis is located on the Mississippi River and is intersected by five major freight railroads, and two interstate highways: I-40 and I-55.

The local economy is strong and the city is ideally situated for commerce in the transportation and shipping industries. Two additional interstate highways, I-69 and I-22, are currently under construction. The city is also home to the Memphis International Airport, the world's second busiest cargo airport.

Many of you have referred your friends and family to us. We thank you for your trust, and want you to know we offer \$500 as a token of our appreciation.

### ASK PATTY



*EVP of Investor Relations*

When I describe our fund to people, one thing everyone asks me is if Strategic Holdings is an alternative investment. The phrase alternative investment seems to be the hot topic on Wall Street right now. For those of you who do not know what an alternative investment is, it is an investment that is not one of the three traditional asset types: stocks, bonds, and cash.

We are considered an alternative investment as opposed to a traditional investment because we are a Fund backed by commercial real estate. Our investment is resistant to any stock market volatility or interest rate sensitivity. The stability of a fund like ours is what money managers and investors are looking for to hedge those types of risk.