



Hughes Capital Investor Update

Guardian Deal Flow Remains Strong

Guardian purchased about \$550,000 in homes and mortgages last month, with about the same projected for October. The deal flow continues to remain strong, and we continue to restrict it through our underwriting criteria. Like any other type of investing, it is easy to *buy* but not easy to buy *right*. The same goes for underwriting the families who are interested in becoming homeowners. We wish we could approve all of them (or *most* of them — some we really wouldn't want), but we love seeing the deserving ones get into their own home. This can be truly transformative for the families.

We learned this lesson with ROI Strategies' Lease to Owns when we interviewed one of our first families on what they liked about our program. As we were asking them a bunch of standard questions, the mom said, "Can I say something?" We said, "Of course." She went on to tell us that the program had opened doors for her family that they didn't even know were there. She said, "We felt like 2nd class citizens and were really down because we couldn't own our own home. Now, when we walk through our neighborhood and meet our neighbors, we can proudly point and say, 'That is our home over there.'"

Hearing this blew me away. I get too much into the process and finances while forgetting what this means to the families who have become proud homeowners. I am grateful for that lesson learned so early in the journey with our Lease to Owns. And now we offer owner financing for those who have no other way to achieve the American dream!

Advanced Commission Shows Seasonal Slowdown

Advanced Commission had a slow September. Now that this is our second September, we are seeing that it seems to be a seasonal slowdown. Both September and October last year were slower months. We still did 102 advances last month, but that is fewer than our normal 130 to 150 per month. Our marketing efforts have not slowed, and if anything, are ramping up as quickly as we can find ways to produce successful results. One of the most promising strategies we've found is our Broker Ambassador Program. When we get a broker on board, we have access — and are able to market — to all the agents within the brokerage.

The marketing campaigns are set up so that the communications come from the broker (or from Advanced Commission, on behalf of the broker), which makes the agents more open to our message.

ROI Strategies Keeps Consistent Return

ROI Strategies continues to sell a couple Lease to Owns a month. The home we were interested in purchasing for a Hughberry Senior Assisted Living property went into contract with another offer. That's life, but until we find the right deals, ROI is making a nice return of 15% interest on the dollars loaned to Home Partners to buy the starter homes in the Midwest. We also asked a few investors to move a portion of their investment out of ROI and into Guardian since Guardian has more deal flow. Sitting on too much cash dilutes ROI's return since we are not making any money on it. This will help increase the return in the future months.

Lastly, we are experiencing a real challenge with our seven trailers and one home in an oil fracking area of North Dakota. Our rents have continued to go down, but the more concerning issue is that vacancy is over 50%. We work daily to get them rented, and we continue to scout other options, such as moving the trailers down to Nevada, finding land, and either selling them or renting them in a better, more vibrant environment. We will keep you posted.

Assuravest and Sentinel Benefit from Strong Housing Market

As property values increase around the country, we have seen loans from both portfolios move from being underwater to having positive equity. That was always part of the model, but we did not anticipate that so many borrowers would take advantage of this, selling their property. Since we bought these loans at a discount, getting paid off the full balance early is what we like to call a "home run!" Of course, you don't get a lot of home runs in life, but we will sure take them when they come.

Until next month,

Steve Sixberry

Greg Hughes