



Hughes Capital Investor Update

March 2018

Dear Mom and Dad,

I have good news and bad news. First, the bad news: I wrecked the car last week, but it wasn't my fault. I found out I am pregnant, but I am really in love with the boy. He is terrific and has a great job at McDonald's. Oh, one last little thing. I need a place to live because I have been kicked out of my college dorm for smoking pot.

Now, for my good news: None of that is true, but could you please send me some money?

Love,

Your Daughter

Remember that update that was sent from a college kid to her parents? This is going to be one of those updates.

Guardian: Good News, Bad News?

Our good AND bad news is that Guardian is out of capital. It is *good news* because that means we have deployed all of our capital that was previously sitting in cash and not making us any money. It is *bad news* because we have deployed all of our capital that was in cash!

Guardian has really hit its stride as our systems and processes are starting to pay off, and our expectation for deal flow remains in the \$500K to \$1M range for each month.

What does that mean to you as a parent — I mean — investor? *Please send more money!*

Seriously, at this point, we can turn the deal flow on or off with just a little planning, and it will need to match our capital-raising as we move forward. This is a much better "problem" to have than not being able to find and purchase enough high-quality deal flow.

Guardian is producing just slightly higher than a 10% annualized return, and we expect it to stay between 10%

and 11%. It could inch higher if we were to bring in more debt from individual lenders. We are currently at \$7.2M in assets with \$6.4M in equity and \$800K in debt, so we are barely leveraged at an 11.1% loan-to-value.

We really like what we have going with Guardian. It is performing exactly as we hoped it would with very little downside risk, lots of safety for investors and lenders, and consistent returns. I find that it's the perfect formula for a more restful sleep!

Out of our four primary cities— Cleveland, Toledo, Memphis, and Birmingham — Cleveland has been our shining star. The rent matrix we use for evaluating and purchasing homes requires that the home's value meet a minimum rent ratio, including any needed rehabilitation work, and Cleveland is exceeding these minimums. Of course, it is always subject to change, and in reality, Cleveland is not performing *significantly* better than the other three cities but maintains the lead for now. Should the time come when we need to expand into additional geographic areas, we have another ten cities identified.

Managing all these homes, rehabs, and property managers has proven to be a lot of work. As a result, we continue to add more boots on the ground in each of the cities where we have homes, and we're expanding our team here in Reno. In fact, we have welcomed two new people to the Reno office in the last month. We're confident that the addition of key personnel, combined with improved office workflow and systems, will position us for continued growth throughout 2018.

ROI Strategies' Mobile Home Park in Escrow

The close of escrow is still on track for the mobile home park in Columbia, S.C. (Escrow may have closed by the time you read this.) A delay in the appraisal caused a delay in closing. You know how it works — it's real estate! We don't foresee any more delays, but most deals take longer than expected, accounting for a little extra time to dot the "i's" and cross the "t's."

Until next month,

Steve Sixberry

Greg Hughes