



Hughes Capital Investor Update

Guardian Gets a Package Deal on 13 Off-Market Homes

Guardian is the proud owner of thirteen more homes in St. Louis. We purchased them in a package from a single investor. Our property manager in St. Louis has been managing them for years and gave us the opportunity to purchase the homes when they became available. This is a good example of how we find homes with the people we work with in each market. The homes were never put on the MLS so we were able to get a good deal on them since they were off-market. **Perhaps even more important is that the property manager is already managing both the properties and the tenants, so we don't expect any unpleasant surprises there.**

Return for Guardian Equity Investors Will Increase After Leveraging the Portfolio

Part of our strategy for Guardian is to leverage the fund, so that it bumps up the return for equity investors. We've been working with a private equity group that we know very well (they were long-time lenders for ROI Strategies, our first fund). We plan to leverage somewhere between \$1 to \$2 million of the portfolio with this private equity group. The terms will be 65% to 70% loan to value with an interest rate in the high sixes. It's a great exercise because they look at what we're doing with Guardian inside and out to assure that we meet all their lending criteria. We also know this lender is extra stringent because they always underwrite to sell off the paper. **This has created a lot of work for us and our staff but it's also rewarding to know an outside, sophisticated lender approves of our assets and financials.**

ROI Strategies Mobile Home Park Intact After Hurricane Florence and Upgrades Almost Complete

Great news! Our mobile home park suffered no damage from the hurricane that passed through the Carolinas. **Mobile home parks and hurricanes do not get along well, but this park has been around since the 1980s, so it's seen its fair share.**

Our business partner is getting close to finishing up most of the upgrades to our mobile home park. So far, we have spent \$180,000 to redo the streets, \$3,000 for a new mailbox kiosk, \$2,500 for a security fence, \$4,800 to remove and prune the trees, \$40,000 on redoing the underground plumbing, \$4,500 to put individual water meters at each space, and \$4,000 for a new mower. All of these expenses are within our budget, as expected. Imagine that!

Frozen North Dakota Home Being Replaced and Should Sell for a Small Profit

In not such great news, we are still dealing with our home in North Dakota that froze last winter. In an unfortunate series of events, the home had recently been vacated when a pipe burst, flooding the home with water. A neighbor noticed the water and ice forming outside. Our handyman and a local contractor recommended we leave it frozen over the winter since there was no way to work on it during the below zero temperatures. We lined up a national contractor, Belfor Restoration, to jump on it this spring, but after 6 weeks of waiting, we had to find an alternate contractor. Welcome to North Dakota. By the time the new contractor could strip the home for rehab, there was already extensive mold and rot, rendering the home destroyed. We've been fighting with the insurance company all year long to get the existing home replaced, which is always fun. We finally squeezed enough money out of them to cover the replacement home which we secured from a vendor in Minot. Luckily, both homes are modular, so we expect to have the new home finished by the end of October. **We are already working with a local Realtor® and plan to sell the property for a small profit as soon as it is finished.**

Sincerely,

Steve Sixberry

Greg Hughes