



Hughes Capital Investor Update

Guardian Is Official

Guardian is officially up and running as our fifth fund with just shy of \$500,000 now invested in it. It has been a good start. As of early March, we found 5 deserving families and set them up with mortgages on our homes. We expect to have more by the time you read this update.

Almost \$5,000,000 in Commission Advances

Advanced Commission is getting close to hitting the \$5,000,000 mark with advances. It continues to produce 25 to 35 advances per week for a total of \$85,000 to \$135,000 advanced per week. We have actually slowed down our marketing a bit to see how it affects us. One amazing aspect of this business is that almost every week about 50% of the advances are repeat clients. Because of that and the money recycling on average about every 45 days, we haven't needed to raise that much money for it lately. We are working through some of the non-payers that are now in breach of their contract. We are chasing a reasonable sum of money between \$200,000 to \$250,000. That is a slightly higher default rate than we built into the model, but we should still be able to collect a large portion of it. Two advances worth a total of \$9,000 won't be collected as the Realtors have filed for bankruptcy. We will know more in a few months as we refine our collection process. Not fun, but just part of the business and why we have to charge the high rates we do.

Slow Progress on Senior Assisted Living Homes

As for ROI Strategies, the one home we bought in south Reno for the senior assisted living property is moving at glacier speed, or at least that's what it feels like. We hope to be submitting plans for our special use permit by the time you read this. If approved, that will allow us to have 15 bedrooms, each with a full bathroom. Unfortunately, our deal to purchase two homes that were existing senior assisted living operations has fallen through, at least for the time being. The seller is experiencing some challenges with another property of his and doesn't want to give up the income from his existing operation until that has come to some type of conclusion.

ROI is also participating in purchasing the homes in the Midwest and Southeastern states by lending the money for the purchase. Part of the reason for not purchasing these homes directly out of ROI is to provide a layer of liability

protection for the fund. We are paying ROI a 15% interest rate on the money loaned and it is of course fully secured by the assets. We consider that to be fair and we have enough margin to do so. To date, we have purchased 77 homes (keep in mind they don't cost much).

Sentinel's First Distribution Coming Soon

Sentinel has made its first sale of 5 of its mortgages. Yeah! We have another 16 ready and seasoned to go to sale. In total, we own 66 mortgages. It has taken longer than expected to get these borrowers moved to our servicer and also to get all the mortgages purchased. That has slowed up the process. We like to have two to four payments received with us as the mortgage holder before they are put up for sale on the open market. We still expect to have the majority of them sold by the 12-month mark of when we purchased the first batch in September of last year. After the sale of a few more, we should have enough to make our first distribution to our equity investors and pay down some of the debt with our lenders.

Is That Note Really Worthless?

As you may know, Assuravest buys non-performing notes and attempts to create workouts with the borrower that the banks just could not or would not do. We buy these notes in large pools at a steep discount and some are homeruns with ridiculous returns while some are a total loss. In fact, we have estimated 21% of them to be worthless which would just be the portfolio performing normally. We learned this month that not all the worthless notes turn out to be worthless. We had a note in the state of New York where the borrower was in chapter 7 bankruptcy, the senior lien position had initiated foreclosure, and between the two loans the house was underwater. Our junior position note would surely be wiped out, worthless! However, this was not the case, as we were able to negotiate payment from a short sale and got more than half of what we paid for it back. We also had another short sale this month in CA where we more than doubled our investment in just 7 months. The bulk of the workouts are not projected to happen until at least 18-24 months from purchase, so we will see a lot of activity over the next couple years.

Until next month,

Steve Sixberry

Greg Hughes