



Hughes Capital Investor Update

New Strategy Proves Successful for Guardian

Guardian is a little ahead of our projections with a 0.95% monthly return and an 11.07% annualized return to date. We have identified an exciting new twist to the business model in which we: 1) identify homes for sale with existing tenants, 2) contact the tenant prior to purchasing the home, and 3) ask them if they are interested in becoming a homeowner. We let them know that if they qualify through our underwriting process, we can offer them a mortgage payment at far less than what they are paying currently in rent. Even with the addition of property taxes and owners' insurance, they'd still be paying very close to their current rent, plus they'd gain some tax deductions. This is a very attractive strategy for both Guardian and the tenants.

The Two Roads to Profit for Assuravest

There is not much to report for Assuravest this month. We continue to do workouts and settlements with borrowers, with settlements being the more common occurrence. Although not what we expected, either solution is a very profitable one. The stats are too small to conclude as to whether settlements over workouts will be the trend.

Sentinel on Target Despite a Few Bumps

We completed the first distribution on the return of investors' capital accounts last month. Sentinel is a "closed-end" fund, which means the intent is to return all investors' capital and their portion of the accumulated return. Shooting for the shortest time frame for the best annualized return, our goal was to have all the notes sold within 12 to 18 months. At month 8, we have sold 40 out of 66 notes. To sell the final 26, it will take another 6 to 12 months.

Why the delay? The servicing transfer of the loans has been anything but smooth. Borrowers sometimes get confused about which servicer to pay, so they'll either continue paying the prior

servicer or use the confusion as an excuse to not pay at all.

Because many borrowers are used to dealing with conventional servicers and banks, they will sometimes assume the worst; as a result, they become unresponsive and stop paying completely. It can take many letters and phone calls to convince them that we have no intention of clobbering them with late charges and fees, but that we just want them to start paying again. (This has been the case with quite a few Sentinel loans that have missed payments.) In the end, we always recover all payments due on the loan, which we will explain more about in next month's update.

ROI Lends to Home Partners at a 15% Return

ROI Strategies is expected to complete two Lease to Owns this month with a third one in the works. Lease to Owns seem to come in small bunches every few months, and we don't expect that cycle to change. ROI continues to lend money to Home Partners, our company that purchases homes in the Midwestern and Southeastern states. The loan, which is secured by the homes, is repaid at an interest rate of 15%, making it a win-win.

Advanced Commission Self-Supporting

Advanced Commission seems to be "Steady Eddie" for the last few months, even though we have increased some of our marketing. We consistently process 25 to 35 advances per week, which amounts to \$75,000 to \$125,000 going out. The beautiful "problem" is that the funds are repaid in about 46 days, so it is a self-supporting machine. For this reason, the business is not in need of additional capital until we can drive some more growth. If you're on the waiting list to put money into Advanced Commission, we haven't forgotten you -- we just don't have need for it yet.

Until next month,