



What is a real estate syndication?

A real estate syndication is when a group of investors pool their capital to jointly purchase a large asset.

Who should I invest with?

Only invest in opportunities where you know, like, and trust the sponsorship team. Take time to build a relationship with the lead sponsor(s) on a deal, so they know exactly what you're looking for.

What are the major risks of investing in syndication offerings?

The two primary categories of risk are: market risks and operational risks. Market - changes to the job market, local population, lending environment, etc. Operational - inability to increase property revenue and/or improve the value of the asset.

How much money do I need to invest?

The minimum amount varies with each investment, although the typical minimum investment amount is \$50k. Broadly speaking, the minimum amount can range from \$25k - \$100k.

What money sources can I use to invest?

There are several ways to invest in apartment deals:

	Pros	Cons
Cash Savings	Readily available; can be quickly wired	None
Stocks & Bonds	Fairly liquid; can sell for cash to invest in a multifamily deal	Time to sell varies depending on market liquidity
Self-Directed IRA	Can access retirement funds for alternative investments	Takes time to move funds; UBIT taxes; distributions must be deposited to IRA
Qualified Retired Plan (QRP)	Can access retirement funds; exempt from UBIT	Higher setup costs than a (SDIRA); takes time to move funds



BIRCH
PROSPER

Apartment Syndication FAQ

Things You Should Know Before You Invest

How often are distributions made?

Depending on the deal, preferred returns will be distributed on a monthly or quarterly basis, or as otherwise defined in the legal documents of the deal. Upon the sale of the property, a final distribution payment will be made.

How will I be updated about my investment?

You will receive a monthly report containing a summary of the activities, performance, and any relevant metrics about the property.

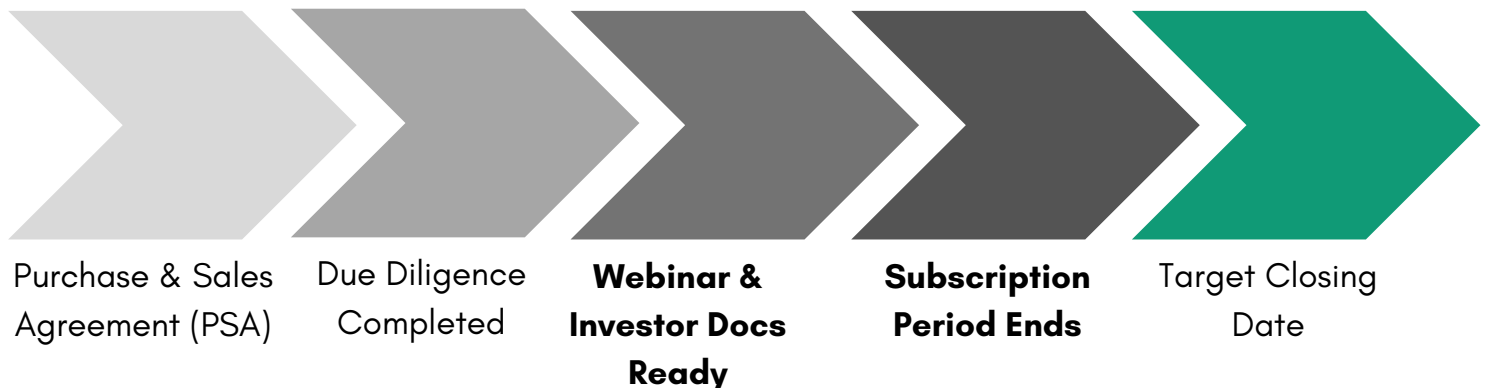
Do you have "skin in the game" in your investment opportunities?

Yes. We invest along with our investors on every deal that we are sponsors or co-sponsors on. We believe in our business plan, and in our ability to perform as operators. We strive to exhibit our core values of community, integrity, competence, and accountability in everything we do.

Can I withdraw the money before the end of the hold period?

Syndications should be considered illiquid and non-transferable. However, each deal is different, and, in some cases, there are provisions in the legal documents to allow for a withdrawal of funds. (If permissible, this typically requires finding a suitable investor to purchase the shares to be withdrawn.)

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Accredited Investor

An individual or business entity that meets the criteria as defined by the SEC under Regulation D (current requirements are an individual income of \$200k, or \$300k for joint income, for the last 2 years, or an individual or joint net worth exceeding \$1M).

Sophisticated Investor

A person deemed to have sufficient investing experience to comprehend the risks of an investment opportunity.

Pro Forma

The projected budget (income, expenses, cash flow) for the next 1 - 5 years.

Letter of Intent (LOI)

A non-binding agreement provided by a buyer with their proposed purchase terms.

Sponsor / Operator / Syndicator

Interchangeable terms for the lead person or company leading acquisitions & operations.

General Partner (GP)

The active partner, or group, in a syndication responsible for the day-to-day operations of the apartment project.

Limited Partner (LP)

The passive partner, or group, in a syndication who funds a portion of the equity investment.

Preferred Return

The minimum return the LP will receive before the GP receives payment.

Private Placement Memorandum (PPM)

A document outlining the investment terms and risk factors.

Value-Add Investing

A strategy focused on generating heightened yields by realizing untapped revenue potential or creating value through property upgrades.

	Property	Neighborhood
Class A	New construction; high-end	Affluent; high median incomes
Class B	10-15yrs old; well maintained	Middle-class; safe neighborhood
Class C	15-30yrs old; deferred maint.	Low-to-moderate income
Class D	+30yrs old; needs serious work	High crime; bad neighborhood



What are the building blocks of apartment property analysis?

- The Asset**
 - ▶ Market vs Actual Rent
 - ▶ Cause(s) of Vacancy, LTL
 - ▶ Income Stream(s) Potential
 - ▶ PM Impact on Eff. Gross Inc.
 - ▶ Controllable Expenses
 - ▶ Non-Controllable Expenses
 - ▶ Does the Asset Cash Flow?
- The Business Plan & Exit Strategy**
 - ▶ Value-Add / Opportunistic / Core Strategy
 - ▶ What is the ROI on Capex?
 - ▶ What is the Rehab Schedule?
 - ▶ Interior, Exterior Rehab Plan
 - ▶ How To Maximize Revenue?
 - ▶ How To Minimize Expenses?
 - ▶ What is the Holding Period?
 - ▶ Purchase vs Sale Cap Rate
 - ▶ Next Buyer Analysis
- The Returns**
 - ▶ How/When Do You Get Paid?
 - ▶ Mo./Qtr. Cash Distributions
 - ▶ Pref. Return? IRR? Multiple?
 - ▶ **What is My Overall Return on Investment? (In Plain English!)**

Apartment Syndication Cash Flow Formula:

	Gross Potential Rent
+	Other Income
-	Vacancy & Loss-to-Lease
	Effective Gross Income
-	Operating Expenses
	Net Operating Income
-	Renovation & Capital Expenses
	Cash Flow Before Debt
-	Debt Service
	Levered Net Cash Flow
-	LP Distribution
-	GP Distribution
=	Cash Flow Remaining