

OM 3-0

SYNDICATION OPERATIONS

OPERATIONS MANUAL: LEVERAGING SYNDICATION TO CREATE PASSIVE INCOME



DISTRIBUTION RESTRICTION:

Approved for public release: distribution is unlimited.

HEADQUARTERS, H SQUARED CAPITAL, LLC



GET YOUR TIME BACK



USING LEVERAGE



H SQUARED
CAPITAL

*"Money needs to
keep moving and
that is why it's
called currency."*

-BILL ALLEN

OUR MISSION

To bring together retired Service Members and high-net-worth individuals to buy apartment buildings that provide cash flow and income.

WHY SYNDICATION?



True diversification of your investment portfolio that complements your investment strategies.



Conservative underwriting that offers capital preservation with high-yield returns.



Economy of scale and exceptional tax savings.

A black and white photograph of a dense city skyline, likely New York City, with numerous skyscrapers. An orange diagonal graphic element is in the top right corner.

Syndication Partnerships

BUILDING GREATER WEALTH TOGETHER

Capital or Passive Investors are typically **Limited Partners** who passively rely on the **General Partners** to act as the operating sponsor for asset acquisition, management and business plan execution.

Passive Investors save time and headache by not spending countless hours on phone calls and looking for deals.

FINDING THE DEALS

- The average sponsor analyzes 100 properties, submits 10 offers and may get just one property under contract.

ANALYZING DEALS

- This is critical to determining whether a property has the potential for profit and takes knowledge, time and money.
- Sponsors can spend days underwriting a deal and months gathering all of the necessary information.

COMMUNICATING WITH BROKERS

- In order to get profitable properties, sponsors must put in a lot of time and energy into building relationships with brokers in the market.





When buying apartments, the buyer must have a balance sheet with enough net worth and liquidity in order to get a loan.

DEBT AND EQUITY

- Debt (i.e., the loan) is acquired from a lending institution or agency.
- Equity is raised from sponsors and passive investors.
- Lenders require the buyer securing the loan to have a net worth equal to the amount of the loan.

PROPERTY MANAGEMENT

- Poorly managed properties result in high-turnover and cost money.
- Apartment owners using 3rd-party management **MUST** be in constant contact with the property managers.

LEGAL TEAM

- While you should always have your attorney look over any agreement you sign, the sponsors' legal team handles drafting all the documents in compliance with SEC regulations.

H SQUARED CAPITAL, LLC

ASSET MANAGEMENT ORGANIZATION CHART





OPERATIONS MANUAL:

ACQUIRE APARTMENTS FCOUSED ON CASH FLOW

Our Deal Criteria

TRANSACTION SIZE:

- \$1-15 million
- 50-200 Units

CAP RATE:

- Min. 7% (based on current financials)

ASSET TYPE:

- B to C- class multifamily. Prefer C+ class in B market or growing market.

GENERAL CRITERIA:

- Potential high income streams.
- 20% below replacement cost.
- Value-add opportunities with slight to light rehab.

OCCUPANCY:

- Prefer stabilized properties (approx.85% occupancy).
- Will consider lower occupancy if property has value-add upside.

PROPERTY CRITERIA:

- Utilities - Prefer individual metered units but not required.
- Roofs - Prefer pitched roof construction, but not required.
- Prefer stabilized properties with below market rents and minimal deferred maintenance

TARGET MARKET:

- Alabama
- Florida
- Georgia
- The Carolinas
- Tennessee

TARGET RETURNS AND INVESTMENT PERIOD:

- 8% Cash on Cash return (based on current financials).
- 5-7 year hold period (medium to long-term)

H SQUARED CAPITAL, LLC

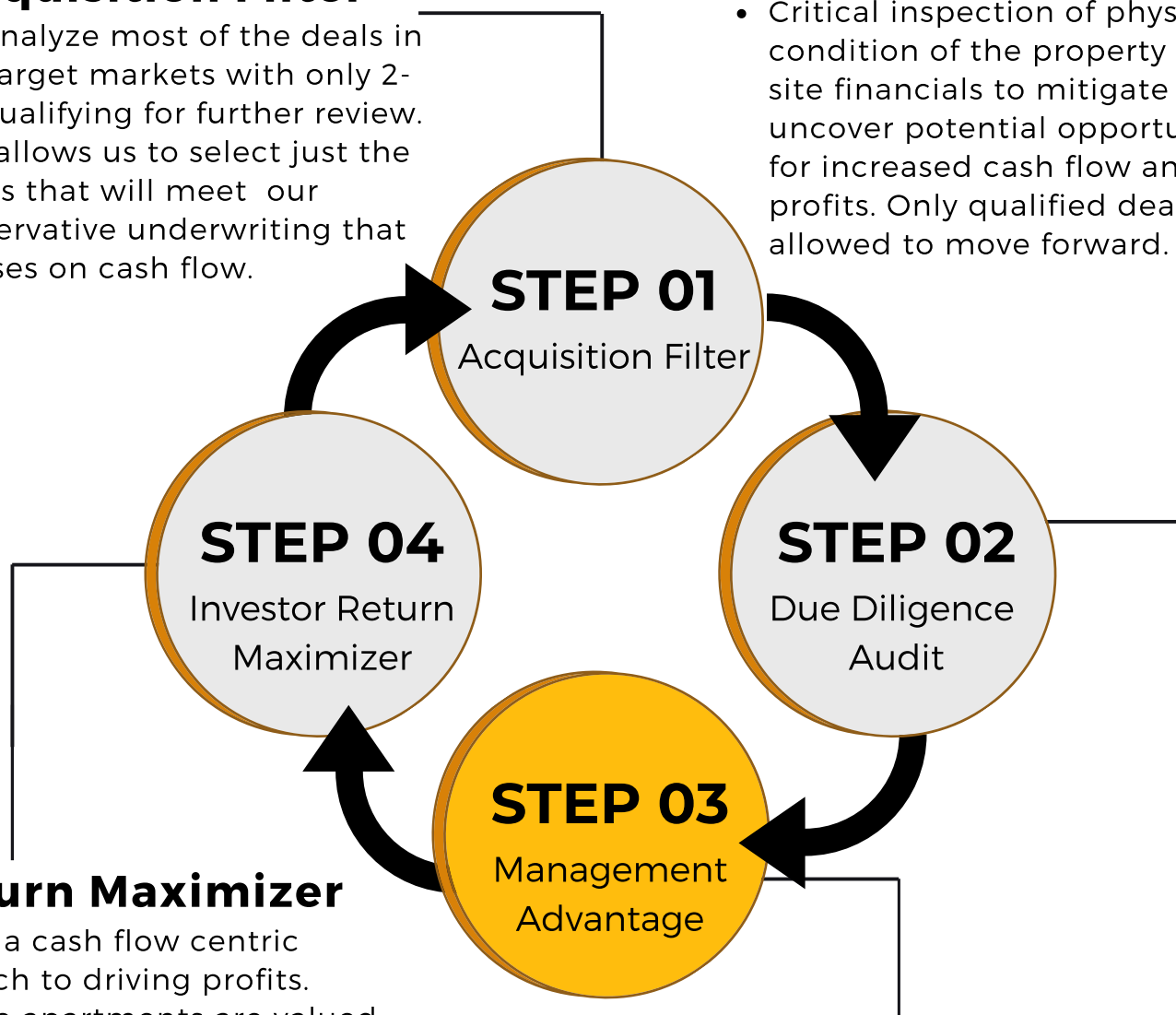
CASH FLOW FORMULA FOR SUCESS

#1 Acquisition Filter

- We analyze most of the deals in our target markets with only 2-3% qualifying for further review. This allows us to select just the assets that will meet our conservative underwriting that focuses on cash flow.

#2 Due Diligence Audit

- Critical inspection of physical condition of the property and on-site financials to mitigate risk and uncover potential opportunities for increased cash flow and profits. Only qualified deals are allowed to move forward.



#4 Return Maximizer

- We use a cash flow centric approach to driving profits. Because apartments are valued by their Net Operating Income, we can increase the value of the property (a.k.a. force appreciation) by improving the property's cash flow.

#3 Resident-Focused Management

- We believe residents are the **KEY** to consistent cash flow. As such, we stay on top of our property management teams to ensure we are providing safe, affordable housing that makes people feel at home and want to stay.

H SQUARED CAPITAL, LLC EXECUTIVE TEAM



Shelon "Hutch" Hutchinson, Co-Founder

Hutch is a Master Sergeant (E-8) in the United States Marine Corps. Hutch immigrated from Jamaica in 1998 and has been serving this great nation for over 20 years. He has served in many leadership roles in Marine Corps aviation and has led teams of various sizes that performed effectively in training and combat operations. Hutch has successfully executed over \$2.4 million in real estate transactions which include over \$870k as a real estate agent (currently not active). Hutch has earned a Bachelor of Science in Aeronautics from Embry Riddle Aeronautical University.

Heath G. Jones, PhD, Co-Founder

Dr. Jones is a professional researcher with a degree in Neuroscience. He has over 15+ years of experience with data collection, analysis and interpretation. He has developed and managed several NIH and DoD funded research projects totaling over \$3.1 million in budget dollars. Heath and his wife have successfully acquired several multifamily properties for their own personal portfolio and are currently managing over \$1.1 million dollars in rental real estate assets. In his spare time, Heath is an active triathlete and has finished several Ironman events.



HUTCH & HEATH



**H SQUARED
CAPITAL**

Hutch@HSquaredCapital.com
850-466-8490

Heath@HSquaredCapital.com
334-470-1221