



Blue Chip Realty Focus Fund: Investing Principles Analysis

The investment objective of the fund is to provide an ongoing flow of current income together with long-term growth of capital through the ownership of a diversified portfolio of real estate assets.

The Fund focuses on investing in a diversified portfolio of positive cash flow income properties and development properties and targets varying risk profiles including:

- Rental Income opportunities
- Foreclosure/Wholesale Purchasing opportunities

The fund also invests in individual mortgage notes and mortgage note portfolios which provide a reliable and consistent stream of monthly cash flow income.

The Fund directs investments through joint-ventures with local operating partners that have extensive experience in development projects. Together with our joint venture development partners we find, acquire, improve and manage lucrative real estate properties, and offer shared ownership in these assets to other like-minded investor partners. The Fund provides two services to investors:

1. **Investment Management:** Alternative investment opportunities in real estate to investors that would not normally be available; for example, the Fund will routinely invest in Mortgage note portfolios and Single family/Multi-family properties for rental income and Foreclosure/Wholesale real estate properties for capital gains. Investors will be able to reap the investment returns from all investments in the portfolio, generating higher returns and mitigating risk factors; and
2. **Financing Alternatives:** Provide capital to established real estate developers and sellers in the form of equity investment joint-ventures, debt financing, and 100% equity acquisitions.

Focus on Growth and Stability	
Joint Ventures	The joint ventures formed will allow the Fund to leverage the visionary mindset these developers possess, while offering financial expertise that is in high demand in this target market.
High Returns	High returns will be targeted through developments that add-value to small and middle market consumers and mitigate escalating capitalization rates paid into larger and slow growth real estate markets.

INVESTMENT STRATEGY

The Fund invests in a diversified portfolio of single and multi-family rental properties and commercial properties. These investments are structured as equity and/or debt commitments. Each investment may be in conjunction with local market partners, or developers, that offer the Fund potentially higher yielding investment opportunities. A significant portion of the investment



capital will be allocated to earning interest income from 1st position performing mortgages secured by real estate properties, with a maximum loan to value ratio (LTV) of 80%. Interests in mortgages will be purchased from banks, insurance companies, government agencies, pension funds or private note holders.

The Fund seeks to assemble a diversified portfolio that will reflect a mix of risk profiles by targeting performing mortgage portfolios and properties within varied markets. The investment mix varies by asset type and includes: single and multi-family homes, apartment buildings, commercial retail plazas, office, and industrial properties. The Fund’s investment strategy is designed to enable the Fund to capitalize on opportunities as they present themselves. By targeting properties with a range of investment returns, the Funds’ Manager believes the Fund presents an investment vehicle that will offer the potential for stable attractive returns generated from steady increasing cash flow income and capital gains. The Fund targets investment opportunities that are expected to generate, upon stabilization of the Fund, total returns of 10% to 15%.

In certain instances the Fund may partner with other real estate developers who have expertise in a chosen area. In return for the capital provided to each project, the Fund takes an ownership interest in the property through individually tailored joint-ventures and have specific transaction structures. Each joint-venture’s terms will vary based on the type of property, location, demographic market, and risk profile. In addition, the credit profile and experience of the developer will play a large role in the amount of structural mechanics designed to maintain expected returns. A brief description of the current real estate structures provided to developers are outlined below:

Types of Financing Structures	
Development & Management Agreement	Blue Chip Realty Focus Fund takes complete ownership of the property and provides 100% of the financing through both debt and equity. Through a development agreement, Blue Chip contracts the developer to build and manage the asset in return for participation in the property’s cash flows. This structure is ideally suited for developers with very low access to capital.
Joint Venture	A traditional equity investment into the ownership of the property is made to capitalize on property cash flow and to provide a financial partner to the developer. Cash flow of the property is distributed on a pro rata ownership basis.

While investment opportunities will change over time and vary between markets, the strategy of the Fund is focused yet flexible to take advantage of differentiating market conditions. The following represents a summary of the type of opportunities the Fund intends to pursue:

Real Estate Mortgage Notes.

The Mortgage Note portfolio helps individuals and/or institutions who want or need access to cash by arranging the purchase of their Privately Held Mortgage Notes and future payment streams in exchange for cash. Many people who hold assets, such as a private mortgage note, or business note, do not realize that they can sell them for cash. Often, these individuals would rather have a lump sum in lieu of their note but do not know how, or where, to liquidate their notes and future payment streams. It doesn't matter where they are located, we can help.



These real estate notes are known by various names such as, privately held mortgages, vendor take back mortgages, contracts for deeds, deeds of trust, land sale contracts, real estate contracts, trust indentures, trust deeds and promissory notes, depending on what country the original sale took place in.

These debt instruments provide the holders of these real estate cash flow notes with income over the long-term. However, many times a noteholder's circumstances may change. People sell notes for less than face value for the same reasons people sell anything for less than its worth: because they need the money due to some unexpected circumstance. This makes the option of large lump sum payment now more appealing and useful than the smaller monthly payments for a variety of reasons including:

- Taxes
- Retirement needs
- Investment Opportunities
- Vacation or college tuition
- Unexpected financial changes
- Or simply being free from the worry of late payments or the possibility of having to foreclose on the buyer.

How much a mortgage note is worth depends on several factors:

- The interest rate on the mortgage
- Whether it is current or not
- If it is a first or second mortgage
- The size of the mortgage to the value of the property (Loan to Value)
- The credit report of the borrower
- How many payments have been received (Is the mortgage "aged")
- The type of property

We will have the ability to purchase mortgages on the following property types:

- Single Family Residences
- Multi-Family Units
- Condominiums / Townhouses
- Land (improved and unimproved)
- Commercial Properties

Rental Income Opportunities.

The Fund will focus on making real estate investments that enable it to capitalize on Rental Income development transactions. These types of real estate investments involve properties and/or land that are not performing at their full potential and where the game plan is to bring to



bear the talent and experience of an operating partner to increase the properties value and thus investment returns to investors. Examples of Rental Income investments include:

1. Renovation of older properties to increase rents; and
2. New income property construction and development

These types of investments involve more risk because of the uncertainty of the success of the Rental Income projects, and thus strive for higher returns. Typical Rental Income returns range between 10-15% over the life of the project.

Foreclosure/Wholesale Purchasing Opportunities.

The Fund will also focus on making Foreclosure/Wholesale Purchasing real estate investments to boost returns. Foreclosure/Wholesale Purchasing investments are available through real estate market inefficiencies. Foreclosure/Wholesale Purchasing investments will include:

1. Purchasing single and multi-family homes at below market prices and;
2. Providing capital for property upgrades or improvements that increase the asset value over historical averages.

These types of investments require an experienced operating partner that we will joint venture with. The Fund Manager will ensure that it thoroughly understands each target market and capitalize on the experience of each operating partner. The Fund plans to execute Foreclosure/Wholesale Purchasing investments that reward it for higher risk investments. Typical returns on foreclosure/Wholesale Purchasing investments range above 20%.

Development Properties. The Fund will pursue development opportunities that include rental apartments, small retail commercial plazas, hotels, small office buildings and/or build-to-suite opportunities where the economics are compelling and other developments where supply and demand constraints offer the potential for attractive risk-adjusted investment returns. These types of opportunities, which will leverage the considerable development expertise of the sponsor and can provide the Fund with access to high quality real estate assets at wholesale pricing.

Small Retail Commercial Plazas. Retail plazas present the Fund with stable Rental Income opportunities and include multi-tenant buildings centrally located in high traffic locations. The typical tenants in shopping plazas are retail stores, restaurants, food stores, electronic stores, professional offices and jewelry stores. Most shopping plazas are triple net lease, which means the respective tenants are required to pay for all related costs of the plaza. These costs include utilities, taxes, and interior structural changes. Shopping plazas are the least capital-intensive property type and have reasonable construction timeframes of 12-24 months.

The Fund intends to partner with developers to finance several Rental Income retail shopping plazas that offer acceptable returns and strong leasing platforms. Shopping plazas are most valuable in high population growth areas with strong economic outlooks.

Small Office Buildings. Office properties include multi-tenant office parks and single and multi tenant office buildings. While office markets tend to be more volatile than other property types (due to longer development and construction cycles), that same volatility can present compelling



investment opportunities. Office properties are also the most capital-intensive property type as a result of ongoing tenant improvement requirements and other capital costs.

Office properties provide significant Rental Income opportunities where market inefficiencies are present in the leasing and retention of tenants. Development opportunities that present an opportunity to offer improvements in business housing, while earning above-market rental rates, will be the focus of this asset class. When identifying possible office property prospects, Campanile Partners places a high priority on locating an area with good long-term growth, convenient access and nearby amenities. A diversified rent roll and long lease agreements will also help diversify risk. The Fund will be open to partnering with developers to invest in small office buildings.

Hotels. The Fund may invest in a portfolio of high quality, domestic focused service branded hotels flagged under leading brands and then increase investors value and return on invested capital by maximizing the use of the brand's reputation, use of our real estate and enhancing cash flow by way of professional efficient property management.

The demographics of our target hotels are as follows:

- Moderate to high barriers to market entry by future competitors.
- Located in markets with a population base of at least 75,000.
- Assets with significant revenue enhancement potential.
- Minimum of 90 rooms.

The Fund intends to partner with experienced operators to finance hotel properties that offer capital appreciation and income.

Developers. The Fund may invest in new development projects throughout the world by providing developers (operating partners) with private equity commitments. By partnering with established property developers, the Fund is able to capitalize on the experience and local market knowledge that operating partners possess. Operating partners offer the Fund investment opportunities, a highly motivated managing partner, a value enhancement strategy, and the ability to execute the construction plan.

The Fund intends to provide private equity capital to quality, well established developers as demonstrated by their prior projects and success history. Stringent due diligence will be performed on all projects, with strict attention to the developer and their abilities to complete each project. The Fund will rely heavily on each operating partner's ability to manage the development process and manage the property upon stabilization of the rental income. The Fund will have an integral part in each project as an investor and/or the financial provider and can have certain governance rights including: resale, financing, annual budgets, major leases. All developer ownership interest in each joint-venture will be transferable to the Fund should the operating partner not meet construction expectations.

As a result of the partnership the Fund will partake in, for each project, the Funds' managers will perform a series of due diligence checks and verifications before investing in any project. The Fund Manager utilizes a "know your developer" philosophy and understands the importance of partnering with operating partners that are highly motivated and passionate about each investment. Due diligence will include, but not limited, to the following:



1. Face-to-face introductions;
2. Evaluation of each property through feasibility analysis;
3. Criminal and civil background checks; and
4. Full property projection analysis