Produced by FA Private Wealth Robert A. Stanger & Co. LLC

2ND ANNUAL

Innovative REAL ESTATE STRATEGIES

HOW ADVISORS CAN ACHIEVE PORTFOLIO DIVERSIFICATION THROUGH REAL ESTATE

Opportunities in Distressed Residential Real Estate

A Case Study of Three Distinct Markets

MODERATOR

Tom Balcom

Founder

1650 Wealth Management

PANELISTS

Dan Bathon

Founder and CEO

VineBrook Partners

Fred Lewis

Owner & Founder

The Dominion Group

Jeff Brock

Founder & CEO

Key Property Solutions, LLC

SINGLE FAMILY HOMES

THE NEW ASSET CLASS

Formation

VINEBROOK PARTNERS

Current Opportunity

- VineBrook Partner's Proven Strategy - Distressed residential real estate
- Take Advantage of Historic Price Correction
- Buy-Renovate-Rent - Distressed single family homes

VineBrook Partners Objectives

- Produce High Yields
- Realize Asset Appreciation – Through timely disposition
- Preserve Capital & Liquidity

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Factors that Drove Price Appreciation

EASY CREDIT

↓

INCREASED OWNERSHIP

↓

OVERBUILDING

↓

OVERSUPPLY

↓

BUBBLE

- Easy Credit – Low interest rates
  - Liquidity surplus
  - Relaxed underwriting standards
  - Mortgage product innovation
  - Increased securitization & globalization
  - Government policy & agency incentives
- Historically High Homeownership Rates
- Overbuilding
- Oversupply
- Creating a "BUBBLE"

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Housing Bubble Burst – 2006

BUBBLE BURST

PRICES DECLINE

FORECLOSURES

NEGATIVE EQUITY

- Financial Crisis, Recession & Unemployment
- Prices Decline – 30% below peak – ($6 trillion)
- Foreclosures
  - Tighter credit standards exacerbates issue
  - 8-10 million in danger of losing homes
- Negative Equity - 10.9 million homes
  - 22% of all mortgages
  - 2.4 million homes near negative equity

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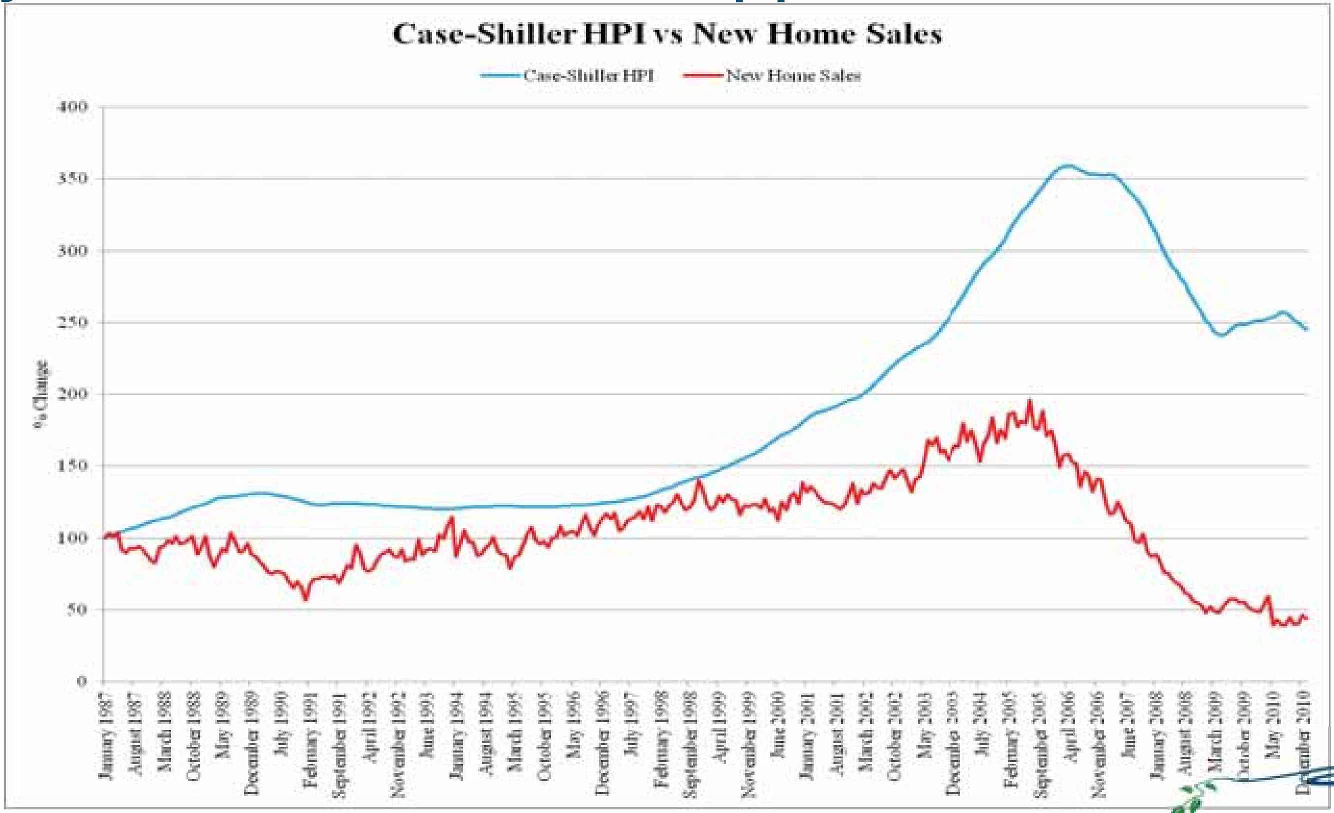
Easy Credit Drove Price Appreciation to a Bubble



As of 9.30.2011

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The Supply Supports Institutional Allocations

Single Family Housing Supply & Demand: Excess Inventory	
Supply	
Units	**Category**
1.4 - 1.7 Million	Distressed
0.5 Million	New Construction
1.9 - 2.2 Million	**Total Annual Supply**
Demand	
0.6 Million	Household Formation (1.2 Million x 0.5 Home Ownership)
0.4 Million	Obsolescence
0.2 Million	2nd Home Purchases
1.2 Million	**Total Annual Demand**
680,000 to 1,000,000 Units Net Annual Oversupply	

Estimates from Amherst Securities Group LP

4 to 6 Million Units of Supply Available Over the Next 4 to 5 Years From 2012-2017

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VineBrook Partners: Developing the Midwest Strategy &Opportunity

The Result: **Massive Supply of Distressed Single Family Homes**

Bubble Burst
↓
Prices Decline
↓
Foreclosures
↓
Negative Equity
↓
New Asset Class

The New Asset Class - Single Family Homes

- 4-6 Million Units of Oversupply
- Ongoing Opportunity to Buy, Renovate and Rent
- Fannie Mae Bulk Sales – 2,500 homes
- Opportunity to Build a Portfolio
- Annual Cash Flow Distributions & Asset Appreciation
- Multiple Exit Strategies

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VineBrook's Midwest City Strategy:

- Fortune 1000 Companies Headquarters
- Large Healthcare Presence
- University System Employers
- No Concentration of Single Industry Manufacturing
- Below Average Construction Based Employment
- Below Average Inventory with Above Average Rental Demand

- Midwest Cities Fitting Our Criteria Include:
  - Cincinnati, OH, Indianapolis, OH,
  - Columbus, OH, Wichita, KS

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Asset Selection & Management

- VineBrook Partners has Reviewed Close to 5,000 Properties, Toured 1,500, Bid On 700, Signed 200 Contracts and Acquired 130 Houses

- Phase II: Acquisition to Cash Flow
  - **Acquisition**: Review, prioritize, visit & bid
  - **Rehabilitation**: Optimize rent and resale value
  - **Marketing & Leasing**: Quickly fill each asset

- Phase III: Tenant & Asset Management
  - **Long Term Tenants** – Goal!
  - **Repairs & Maintenance** – Long term tenants & value

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The Midwest vs. Distressed Cities

City	Population	Population Growth ('00-'08)	Unemployment Rate	Median Household Income	Cost of Living Index	Median Home Cost	Median Income/ Home Cost
January 2009							
Las Vegas	558,383	16.30%	12.30%	$48,475	104	$198,670	24.40%
Midwest	561,975	3.10%	9.14%	$39,820	78	$113,444	**35.10%**
United States	307,829,557	8.75%	9.30%	$44,684	100	$202,300	22.09%
September 2011							
Las Vegas	562,068	17.45%	13.70%	$56,041	109	$121,670	46.06%
Midwest	560,992	2.95%	8.55%	$42,953	89	$119,725	**36.12%**
United States	308,417,090	9.34%	9.10%	$52,954	100	$175,100	30.24%

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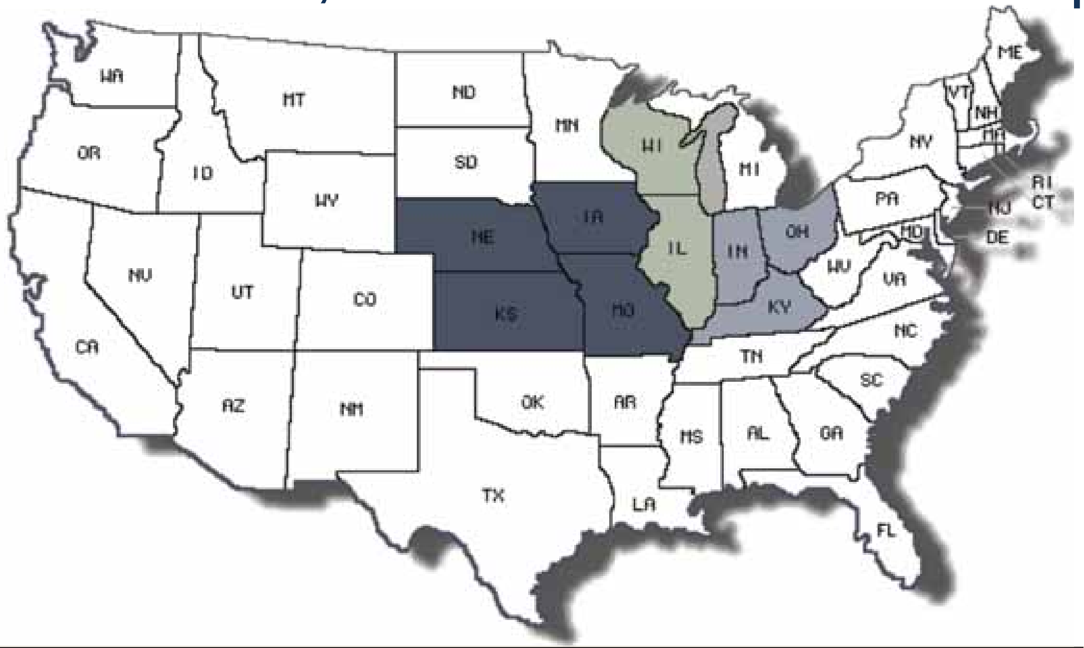
Capital Allocation– 5,000+ Units via a "Hub & Spoke" Approach



	2012			2013			2014		
HUB	Jan	July	Dec	Jan	July	Dec	Jan	July	Dec
Tri-State	*Cincinnati*	Indianapolis	Columbus	Lexington	Louisville				
Lake Michigan			*Chicago*	Aurora	Milwaukee		Madison	Joliet	
Prairie				*Kansas City, MO*		Kansas City, KS	Wichita	St. Louis	Des Moines

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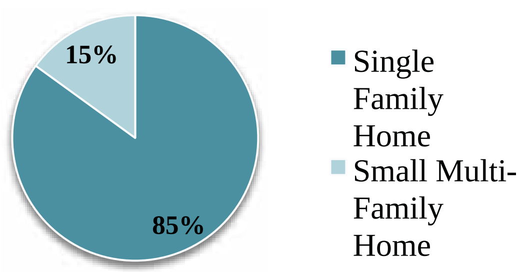
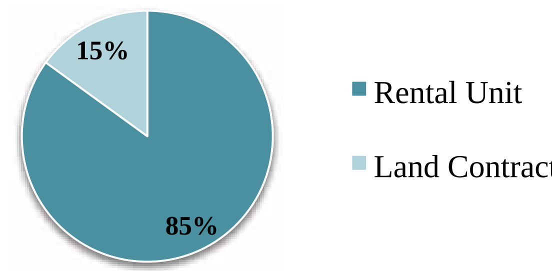
Target Portfolio Breakdown

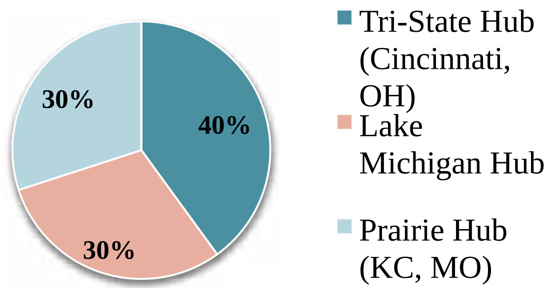
Asset Diversification



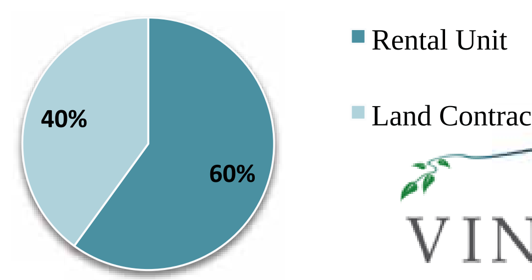
Income Diversification Year 1: Rental & Land Contract



Target Geographic Diversification



Income Diversification Year 3-5: Rental & Land Contract



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Exit Strategies:

- Liquidate Over Time - 5-10 years or longer based on market data
- Sell Portfolio – To financial or operating buyer
- Convert Leases to Land Contracts
- REIT – Form one or sell to one

SINGLE FAMILY HOMES

THE NEW ASSET CLASS

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VineBrook Portfolio & Property Examples

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Property Data	
Purchase Date:	1/9/2009
Purchase Price:	$29,391
Rehabilitation Cost:	$0
Total Cost	$29,391
Sale Price	$48,488
Sale Date	2/9/2009
Holding Period	1 Month

ROI 65.0%, Annualized 779.7%

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Property Data	
Purchase Date:	7/17/2009
Purchase Price:	$52,164
Rehabilitation Cost:	$20,580
Total Cost	$72,744
Sale Price	$112,076
Sale Date	11/3/2009
Holding Period	4 Months

ROI 54.1%, Annualized 162.2%

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VineBrook Partners

Property Data	
Purchase Date:	1/28/2009
Purchase Price:	$19,379
Rehabilitation Cost:	$21,105
Total Cost	$40,484
Monthly Rent	$775
Annual Rent	$9,300

Gross Annual Yield: 23.0%

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Additional Exterior Rehabilitations

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Interior Renovations – Whetsel Street

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Interior Renovations – Whetsel Street

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Interior Renovations – Delta Street

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Interior Renovations – Delta Street

VineBrook Partners Goal is to Become A Major Influence in Developing the Single Family Home Asset Class

- Attracting significant High Net Worth & Institutional Capital
- Scale will increase efficiency and returns
- Compiling unique and valuable data on the asset class
- Potential formation of indices and/or benchmarks
- Potential to become a REIT

Summary:

- VineBrook is at the forefront of a new asset class
- Great yield with significant Asset Appreciation potential

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- For more information or inquiries please contact us:

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Challenges Connecting Wall Street to Main Street

Single Family Real Estate - Unique Characteristics

- Underwriting intensive
- Returns highly dependent upon operational expertise
- High level of market inefficiency
- 300+ basis point spread above corresponding multi-family returns

Traditional Approach

- Single Family as a Cottage Industry
  - Mom & Pop buy house next door and rent it out

- Successful Investor has real estate license, swings a hammer and picks up rent in person

- Three Steps to Guarantee Failure & Headache:

  Open up the phone book and:
    - Find a Realtor
    - Engage a General Contractor
    - Hire a Property Manager

Wrong Financial Incentives

Not Just Property Management… Asset Management.

History of Investing in Single Family Real Estate

Operational Expertise – First and last line of defense

Manages the <u>Entire</u> Process and provides reporting and financial analysis

Return focused compensation structure – your partner in the investment.

"They don't get paid until you get paid"

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SingleFamilyHousing *IS* an Asset Class

Global

Securitized Credit

Housing Market Insights

A Rentership Society

The combination of falling home prices, limited mortgage credit, continued liquidations, and better rental options is fundamentally changing the way Americans live. We believe this change is only beginning, and is moving the country towards becoming a Rentership Society.

Excluding delinquent borrowers, the homeownership rate, which officially stands at 66.4%, would instead be 59.7%. As rental households increase and owner-occupied households remain constrained by tight mortgage credit and distressed liquidations, the official homeownership rate should fall.

The demand for shelter is growing, but the lack of mortgage credit will drive this demand to the rental market at the expense of the owner-occupied market. As household formations grow and distressed liquidations continue, the demand for both multi-family and single-family rental units will likely increase.

Multi-family vacancies are already falling and rents are rising across the country, including in some of the hardest hit regions. Low levels of construction have limited supply, resulting in a booming market for multi-family rentals.

Atlanta as a Case Study

Investment Returns: A Tale of Two Sources

1. A Historic Dislocation Between Rents and Home Prices: While most overall price to rent ratio analysis focuses on average home prices, we choose to break this out by the distressed nature of the sale. In our Outlook for 2011 (see "2011 SPG Outlook", December 8, 2010), we calculated the price to rent ratios for non-distressed prices across several MSAs. Here, we look at the same ratios, but calculated based on the distressed price, since those are the prices that investors are paying for these target rental properties. Across 20 of the largest MSAs in the country, it is clear that not only do the ratios indicate that distressed property is cheap on this basis, but that they are significantly cheaper than they have been since 2000, which includes the pre-bubble period. At the same time, non-distressed prices remain high on the same basis for most MSAs. The conclusion, therefore, is that gross rents are historically attractive relative to current distressed prices. Adding to this attractiveness is the fact that multifamily data shows rents continuing to rise.

2. Capital Appreciation without Home Price Appreciation?: Usually, we would attach the concept of capital appreciation to that of home price appreciation, and model capital returns based on our home price projections. However, in the current market environment, we believe there are actually two separate sources for capital appreciation. First is the fundamental underlying HPA, which we believe will remain close to 0% over the next five years. Second is the capital appreciation that we believe exists from the convergence of distressed to non-distressed prices as the backlog of inventory is cleared. Historically, there has been about a 5% discount for distressed properties due to quality issues. Currently, this discount ranges from 30-45% depending on the MSA. We believe this greater discount is due to the excessive inventory of distressed properties. If this is the case, then eventually when the distressed inventory returns to a more normal level, distressed prices should also converge toward their non-distressed counterparts. While not all of this convergence will be from the bottom up (indeed, we believe non-distressed prices have more to fall), a good amount of capital appreciation should still occur simply due to the magnitude of the current discount. Furthermore, as the distressed inventory is removed from the market, the overall housing environment should improve and eventually lead to fundamental home price appreciation as well.

Price/Rent Dislocations

MSA	Distressed Price-to-Rent Ratio (100% in 2000)[1]	Non-Distressed Price-to-Rent Ratio (100% in 2000)[2]
Detroit	41.8%	60.3%
Cleveland	50.9%	88.1%
Atlanta	59.2%	109.8%
Columbus	63.6%	98.3%
Chicago	64.6%	104.1%
Miami	71.6%	96.4%
Las Vegas	72.7%	84.1%
Phoenix	73.2%	96.7%
San Francisco	79.5%	127.4%
Minneapolis	80.3%	110.4%
Boston	81.4%	125.9%
Jacksonville	81.7%	111.9%
Sacramento	83.4%	100.2%
Seattle	86.8%	127.1%
Washington DC	87.1%	131.5%
New York	87.7%	129.1%
Philadelphia	88.0%	121.7%
Charlotte	89.2%	126.3%
Denver	89.8%	115.7%
San Diego	90.1%	112.9%
San Jose	92.8%	132.7%
Los Angeles	99.2%	132.3%

Distressed Discounts

MSA	Distressed / Non-Distressed Ratio	Potential Appreciation from Convergence
Atlanta	53.9%	85.5%
Cleveland	57.7%	73.2%
Chicago	62.1%	61.0%
San Francisco	62.4%	60.3%
Boston	64.7%	54.7%
Columbus	64.7%	54.5%
Washington DC	66.2%	51.0%
New York	67.9%	47.2%
Seattle	68.3%	46.4%
Detroit	69.2%	44.4%
San Jose	69.9%	43.0%
Charlotte	70.6%	41.6%
Philadelphia	72.3%	38.4%
Minneapolis	72.7%	37.5%
Jacksonville	73.0%	37.0%
Miami	74.3%	34.6%
Los Angeles	75.0%	33.4%
Phoenix	75.7%	32.0%
Denver	77.6%	28.8%
San Diego	79.8%	25.3%
Sacramento	83.3%	20.1%
Las Vegas	86.4%	15.7%

1. Compares the ratio of distressed home prices to multi-family rent in Q2 2011 to the ratio of non-distressed home prices to multi-family rent in Q1 2000
2. Compares the ratio of non-distressed home prices to multi-family rent in Q2 2011 to the ratio of non-distressed home prices to multi-family rent in Q1 2000

Source: CBRE, Case-Shiller, Morgan Stanley Research

Source: DataQuick, Morgan Stanley Research

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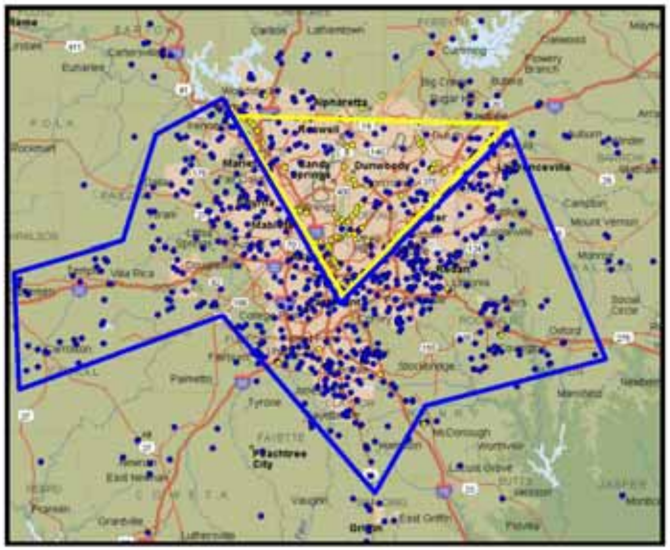
Projected Potential

Comparing apartment REITs' in-fill submarkets to single-family distressed assets

REIT Apartments vs. SF Distressed Sales in Atlanta

REITs concentrate in upper- & upper-middle-income in-fill submarkets



MF REIT Property   SF Distressed Property

Source: MapPoint, Claritas, SNL Financial, Dataquick, Morgan Stanley Research

Comparing single-family & multi-family locational characteristics

- We analyzed 800+ distressed SF transactions that took place in Atlanta during July 2011. The average transaction price for REO/ foreclosure/short-sale was ~$80K
- We compared the locations to the 75 locally-owned REIT properties in Atlanta (including CPT, MAA, EQR, PPS and AIV)
- **REIT apartments are twice as close to core urban nodes** – REIT apartments are on average 10 miles from Buckhead, while the SF distressed homes are 20 miles away on average
- **REIT submarkets have ~70% greater population density.**
- **Average household size is lower (25% lower)**
- **REIT portfolio submarket household income is 22% higher**
- This case study (using Atlanta market as an example) supports our assertion of segmented markets for MF and SF rental markets – both from locational characteristics (**MF closer to urban core centers**), and demographic characteristics (**MF lower household size and higher population density**)

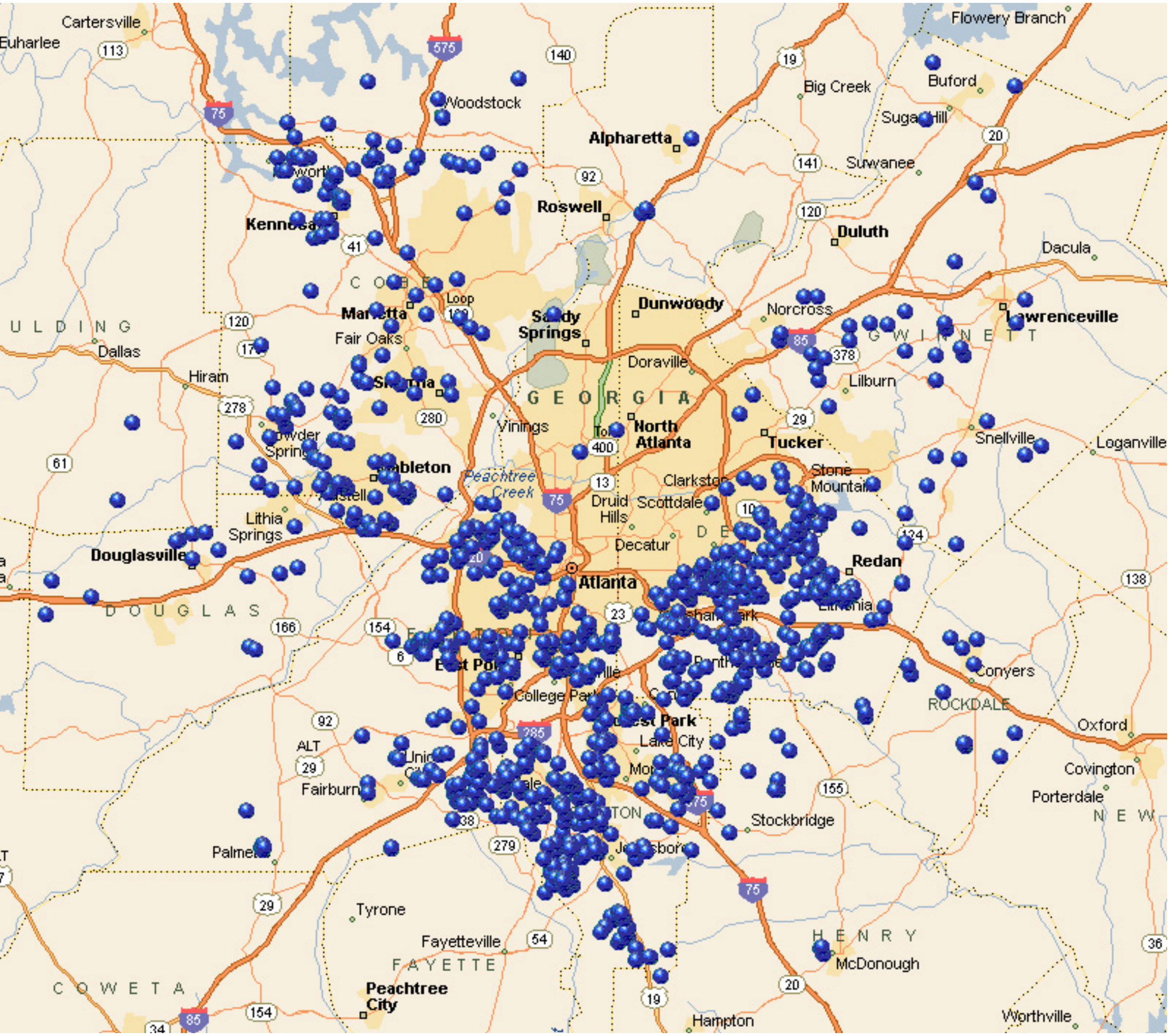
Demographics of MF REIT/ SF Distressed Assets

Demographic and location data show clear segmentation

ATLANTA	MF REIT	SF Distressed
Average Distance to Buckhead (miles)	10	20
Average Household Size	2.17	2.90
Population Density (Pop/sq-miles)	4,511	2,688
Average Household Income ($)	$ 83,045	$ 68,086

Source: Claritas, Dataquick, RCA, Axiometrics, Morgan Stanley Research

Realized Profits



772 Purchases Last 16 Months

20.22% Net Cap Rate at Basis

460 Sold to Individuals or Funds

Over $28,000,000 deployed

What's Next

Continued Individual Sales at 10-14 Net Cap Rates

LP Equity Positions

SFH Reits – First Private – Then Public

Know Your Markets

Know the Operator Better