



Village Sereno

8622 North 59th Avenue | Glendale, AZ 85302

Tenant-in-Common

Property Overview



Property Overview dated December 1, 2011

Property Specifics:

<u>Unit Type</u>	<u>Number</u>	<u>Approx. Sq. Ft.</u>	<u>Stabilized Rents</u>
2Bed / 2 Bath	31	1,061	\$885
2Bed / 2 Bath	6	1,140	\$950
2Bed / 2 Bath	6	1,173	\$925
2 Bed / 2 Bath	25	1,180	\$975
3Bed / 2 Bath	25	1,404	\$1,150

Property Description:

Village Sereno (the “Property”) was built in 2009 as luxury condominiums. The 93 unit Property is located approximately a half-mile away from the Glendale Community College and situated on 5.86 acres between highway 101 and I-17. The subject Property consists of 93 condominium style units with an attractive mix of spacious two and three bedroom floor plans averaging 1,197 square feet. Each unit has central air conditioning and heat, full-size washers and dryers and spacious walk-in closets. The condominium homes feature nine foot ceilings with large open floor plans, faux granite countertops and oversized balconies or patios depending on the unit’s location. Each home comes with a fully equipped kitchen including, garbage disposal, dishwasher, refrigerator and designer raised panel cabinetry. Additionally, each unit has a one car garage with direct private access to the residence as well as additional storage space. The Property also features pitched tile roofs, barbecue and picnic areas, gated access and guest parking.

Beyond the well-appointed condominium style units, tenants will find highly attractive community amenities that will enhance their everyday lifestyle. Tenants may walk their dogs at the properties “*Bark Park*”, or enjoy a sunny day at the resort style pool and spa. Residents may also enjoy a well appointed fitness center complete with treadmill, free weights and a planned new plasma TV. RK Properties plans to also add a business center for the use of all residents as well. Village Sereno offers a true community experience in a pride of ownership complex. This spacious collection of condominium homes provides serenity and tranquility at the end of a long day.

Location Description –Glendale Arizona:

Located in the growing community of Glendale Arizona, Village Sereno is in close proximity to an abundance of employers and potential residents. Glendale community college located just one-half mile north employs over 700 faculty and staff and also has a student population of over 19,000. Additionally, Sereno is in close proximity to the Thunderbird School of International Management, ASU West, with about 7,000 students, auto dealers near downtown Glendale that employ approximately 500 workers, the City of Glendale’s staff in downtown exceeding 500 people, the municipal work forces of Phoenix and Peoria, plus teachers and employees at nearby public schools.

Just South of Village Sereno is the Northern Crossing retail center. This power center of 611,000 SF opened in 2004 and includes stores such as Wal-Mart Supercenter, Ross and Lowe’s. Only three miles to the west of Sereno is the new Westgate City Center planned for 6.5 million SF of retail, entertainment, restaurants, office and hotels and the first phase of the mixed-use project is open. Westgate is projected to attract about 26 million visitors per year. Westgate also includes the new home of the NHL Phoenix Coyotes. Immediately south of Westgate is the new home of the NFL Arizona Cardinals. This \$450-million-dollar facility opened in August 2006 and has hosted several national sporting events since then including the 2008 Super Bowl and the 2011 National NCAA Championship and annual Fiesta Bowl. Westgate and the University of Phoenix Stadium combined represent one of the largest commercial/entertainment projects in the United States and each have planned significant incremental phased development, and are all located just a short distance from the Village Sereno Luxury Condominium Homes.

Financial Overview:*

93 Units purchased from Lender:

Net Purchase Price	\$10,200,000**	Escrow Close	Nov. 2011
Down Payment	\$5,125,000	Cost per Unit	\$109,677
Loan Balance	\$5,125,000	Cost per Foot	\$91.59
Loan to Value (LTV)	50%	Stabilized CAP	6.02%
		Stabilized DCR	267%

*Please refer to the TIC Private Placement Memorandum for details on the Estimated Use of Proceeds.

Investment Highlights:

- Initial TIC Minimum \$225,000
- Projected ROI 10-12%
- Monthly Cash Flow (Based on actual NOI)
- Preferred Annual Return 8%
- Anticipated Hold Period 5-7 Years
- Pass Through of Income and Tax Benefits

**These are investment objectives and there are no assurances they will be achieved. Please refer to the Financial Forecast in the TIC Memorandum.*



Business Plan:



Village Sereno was acquired directly from the equity partner which was also the lender to the original developer. The lender/equity partner took possession of the Property in approximately June 2010 through a deed in lieu of foreclosure. At the time of the transaction the outstanding equity balance on the subject Property was approximately \$15 million. The original developer/owner, prior to losing the Property, had achieved a occupancy at the Property by implementing below market rents and extremely high concessions. Since taking ownership, the Property's seller has retained a new Property management company which has burned off most of the original developer's high concessions and has started increasing the rents to market levels. RK Properties plans to stabilize the Property with market rents and little to no concessions throughout our hold period.

The property is being purchased for \$10,250,000 or \$110,215 per unit and \$92.04 per square foot which is below replacement cost. The seller has contributed \$50,000 of this purchase price towards deferred maintenance items identified during our due diligence process.

The subject Property has been well-maintained and operated, resulting in little to no deferred maintenance. The intent is to hold the Property until an upturn in the local real estate market while we position the Property with multiple exit strategies: (1) Sell the Property as an apartment building with strong historical occupancy and proven financial history; (2) Sell to a developer for a premium and let them complete the conversion; or (3) Sell the units as individual condominiums at a sales price per unit greater than the Fund's purchase price.

Description of Improvements

Exterior Paint Res.	\$30,000	Landscape	\$30,000	Fitness Center	\$15,000
Carpet Reserves	\$40,000	Property Signage	\$25,000	Business Center	\$20,000
Misc.	\$30,000	Interior Fixtures	\$27,900	Interior paint Res.	\$55,800
Seller Credit	(\$50,000)	Def. Maintenance	\$50,000	Capital Reserves (Y1)	<u>\$18,600</u>
				TOTAL	\$292,300

Projected Sale Proceeds*	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>
Sale Price	\$ 14,741,586	\$ 15,431,896	\$ 16,152,838
- Cost of Sale (5.5 %)	\$ 810,787	\$ 848,754	\$ 888,406
- Loans	\$ 5,125,000	\$ 5,052,735	\$ 4,976,583
Proceeds from Sale	\$ 8,805,799	\$ 9,530,407	\$ 10,287,849
- Preferred Return Adjustment	\$ 782,170	\$ 966,066	\$ 1,114,479
Net Proceeds	\$ 8,023,628	\$ 8,564,341	\$ 9,173,370
- Original Capital	\$ 7,122,784	\$ 7,122,784	\$ 7,122,784
- Deferred Asset Management Fee	\$ 200,908	\$ 246,040	\$ 292,978
Return Reserves	\$ 256,250	\$ 256,250	\$ 128,125
Total from Sale	\$ 956,186	\$ 1,451,767	\$ 1,885,733
Interest on Reserves	\$ 6,871	\$ 8,246	\$ 9,620
Cash Flow Received	\$ 2,060,072	\$ 2,444,625	\$ 2,864,661
Preferred Return Adjustment	\$ 782,170	\$ 966,066	\$ 1,114,479
Total	\$ 3,805,300	\$ 4,870,703	\$ 5,874,492
Total R.O.I.	53.4%	68.4%	82.5%
Annualized R.O.I.	10.7%	11.4%	11.8%

Please refer to the Tenants in Common Memorandum for the complete Financial Forecast and Footnotes

RISK FACTORS AND SUITABILITY STANDARDS

This Property Overview is presented as a summary of the information set forth in the Tenants in Common Private Placement Memorandum ("Memorandum") for Village Sereno Townhomes, LLC dated December 1, 2011. This information is incorporated herein by reference and is qualified in its entirety by the applicable provisions of the Memorandum, as supplemented. The financial forecast, figures, analysis and conclusions contained in this Property Overview are believed to be accurate, but no warranty is made as to their correctness. There is no assurance that the actual Property operating results will match the financial forecast set forth in the Memorandum, as supplemented, since it is difficult to estimate future income and expense items accurately. Neither the Fund, RK Properties, nor Rance King Securities Corporation represent or guarantee that an investment in this Property will result in economic gain(s). This Property Overview does not represent an offer to sell any securities by the Fund, RK Properties, or Rance King Securities Corporation. Such an offer may only be made by the Memorandum and Supplements which must accompany or precede this Property Overview. There are numerous risks involved in investing in real estate which are set forth in greater detail in the Memorandum under "Risk Factors". This investment must be considered speculative and there is no assurance that the investment objectives set forth in the Memorandum will be achieved. Shareholders may either be accredited investors or non-accredited investors who meet the minimum net worth and/or income requirements as defined in the Memorandum. Please contact Investor Relations at 800-677-7333 for further information, or to request a Memorandum.

