



**TWO BRIDGES**  
— ASSET MANAGEMENT LLC —

159 20<sup>TH</sup> STREET, SUITE 2B  
BROOKLYN, NEW YORK 11232  
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EMAIL: INFO@TWOBRIDGESMGMT.COM

JANUARY 23, 2015

Mr. Kareem Slater  
Ms. Amanda Sparks  
Ledic Management Group LLC  
2730 Cumberland Boulevard, Suite 200  
Smyrna, GA 30080

Re: Timbercreek Apartments -2015 Budget & Business Plan

Dear Kareem & Amanda:

Thank you for all your help closing the Timbercreek Apartments transaction this week. I am writing with some revisions to the budget and to lay out Two Bridges Timbercreek Apartments LLC's ("TBTA") business plan for the asset in 2015.

**Business Plan**

Our business plan for Addison Townhomes is as follows.

- Two Bridges Asset Management LLC ("TBAM") will waive its asset management fee through December 2015. Starting in January 2016, it will charge an asset management fee of \$16,500/year, or \$1,375/month.
- TBTA must pay its investors an 8% preferred return on \$1,650,000 of equity, or \$132,000. TBAM is entitled to receive the next 2% of distributions, or \$33,000. Any distributable cash over \$165,000 per annum will be distributed 80% to the investors and 20% to TBAM.
- The property is legal non-complying for handicap parking spaces and needs 3 additional spaces. You received an estimate of \$850 per space. Please undertake this work as soon as possible.
- We would like to implement certain of Billy Rogers' recommendations for repairs to the property in the Capital Needs Assessment prepared by Ledic during due diligence. Please have the gutters cleaned and tree canopy raised where trees are touching the buildings. Please obtain estimates for the rest of the work Billy outlined, and we will decide at the time which projects to implement and which to hold over until 2016.



- Currently, the property is billing back for utilities. However, the property is not collecting, or is inconsistently collecting, pet rent, trash and pest fees. Please implement the full suite of charges, including pet rent, trash, pest, and utility chargebacks.
- Our underwriting assumes 3% rent increases, which work out to approximately 1.8% increase in revenue over the course of Year 1. However, we do not want to raise rent aggressively if it results in a loss of occupancy. For existing tenants, please institute fees before raising rents. If the fee charges amount to less than a 3% increase, increase rents to make a 3% total increase.
- On the expense side, we want to manage to maximize occupancy and minimize vacancy and turnover expense. In addition, we want to minimize bank charges coming from sweeping the clearing account too frequently. Please set up to sweep on the 1<sup>st</sup>, 6<sup>th</sup>, 15<sup>th</sup>, and 25<sup>th</sup> of each month, or such other sweep schedule as makes sense in your experience.

### **Budget Items**

Thank you for the preliminary budget for Addison. At closing, certain costs became finalized and are different from the budget you provided. In addition to whatever changes are required by the business plan, please incorporate these changes and forward a new 2015 budget.

- Insurance cost will be \$25,414 in 2015 (pre-paid at closing).
- Insurance escrow for 2016 insurance will be \$26,684.70.
- The property tax escrow for 2015 will be \$133,510.78.
- The interest rate will be 4.3% on a loan of \$4,215,000. The loan constant is \$20,858.83 per month. Please report entire debt service amount on financials.
- We obtained a \$20,000 credit at closing for increased property taxes due to the fault of the seller. We will place this money in the special reserve account. Please reserve this money against a distribution shortfall. However, if the property experiences a funds shortfall, these funds may be accessed with permission from TBAM.



**Conclusion**

We want to manage the property to maintain high occupancy and minimize vacancy and turnover expense. Our goal is to achieve at least \$160,000 in net income after the payment of interest and principal on the mortgage.

Sincerely,

A handwritten signature in black ink that reads "Jonathan D. Twombly". The signature is written in a cursive style with a large initial "J".

Jonathan D. Twombly  
President

Cc: Pierce Ledbetter & Terri Benskin