



# STAKE

INVESTORS

STAKE INVESTORS | CONFIDENTIAL & PROPRIETARY

[www.stakeinvestors.com](http://www.stakeinvestors.com)

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# EXECUTIVE SUMMARY

## STAKE INVESTORS LAUNCH THE SECOND MULTI-FAMILY REAL ESTATE FUND NOW IN THE US

- Stake Investors will connect highly sought-after investment opportunities with its partnering investors.
- Stake Investors will identify exceptional investment opportunities, purchase and renovate the asset, and increase its value and returns over time.
- **Stake Investors 2 years vision is to have 15M under management.**
- Industry veteran, Andrés Cuenca, who has achieved remarkable successes in the Los Cabos, Mexico market will be leading Stake Investors, translating his expertise and experiences into capturing the US market.

## FOSTERING AND MAINTAINING AUTHENTIC RELATIONSHIPS WITH ITS INVESTORS AND PARTNERS

- To differentiate from competitors, Stake Investors treat investors not as an intermediary, but rather as a valuable partner in every investment opportunity.
- Stake Investors’ unique protocol reflects its high standard of transparency and accountability to its partners.
- Prioritizing transparency and open-communication, Stake Investors will leverage an investment management platform, IMS (investment management system), in communicating with key partners. IMS enables investors to easily gain insight and transparency about each investment at any time, create common return metrics, download investment data, reports and view new offerings.

## INVESTMENT FUND AND OPPORTUNITY

- Stake Investors is pleased to present its investment fund II opportunity consisting of a \$2.5 Million capital investment within 3 to five-year hold period.

Asset Class	Multi Family Real Estate
Min/Max Investment	\$100K / \$2.5 M
Projected IRR	12% - 18%
Hold Period	3 to 5 years
Cash Flow Distributions to LP	Every 3 Months

# COMPANY ANALYSIS

## ABOUT STAKE INVESTORS

Stake Investors (also referred to as “the Company”) is a real estate investment company that specializes in identifying, evaluating, and selecting multi-family real estate investment properties and connecting investors with these highly sought-after opportunities. By engaging in a diverse range of real estate investment methodologies across a variety of geographies, the Company strives to source exceptional opportunities and create unique value in all of its real estate holdings.

Founded by Andrés Cuenca in 2018, Stake Investors has accumulated significant real estate investment expertise specifically in the Los Cabos, Mexico market. Recently, Stake Investors raised \$4 million generating an annual preferred return of 9% and an estimated of internal rate of return of 18% to 22%. Stake Investors has raised over \$4 million equity with 11 investors to generate an estimated portfolio value of \$6 million. The Company will capitalize on its previous successes, expertise, and innovative strategy as it expands its operations to the US and Australia, uncovering more exceptional opportunities for its investors across the world.

The Company’s mission is to provide partners with access to quality investment opportunities, while maintaining a high standard of transparency and accountability. Stake Investors differentiates itself from the competition by building, fostering, and maintaining authentic relationships with its investors and partners. This unique protocol has helped formulate the Company’s reputation of being more than just an intermediary, but rather, a valuable partner in every investment opportunity. By leveraging the extensive track record of Andrés and his team, Stake Investors aims to connect these opportunities with fitting partners and to enhance the value of the investment together.

## INVESTMENT FUND II OPPORTUNITY

Stake Investors is pleased to present its investment fund opportunity consisting of a \$2.5 Million capital investment with a five-year hold period, targeting multi-family real estate properties in Southern California that fit into the following key criteria.

<b>Asset Type:</b>	Multi-Family Real Estate
<b>Unit Mix:</b>	10+ Units
<b>Market Areas:</b>	Los Angeles, Orange County, San Diego
<b>ROI:</b>	12%+ Annually

### COMPANY NAME:

Stake Holdings LLC

### HEADQUARTERS:

1111, Bayside Drive,  
Newport Beach, CA  
92625

### FUND OVERVIEW:

Multi-Family Real Estate,  
Investment Fund in  
Southern California

### FUND AMOUNT:

\$2.5M

### HOLD PERIOD:

3 to 5 Years

### FUND STRUCTURE:

LLC Partnership

### FEES:

Acquisition Fee 3%  
Asset management 5%  
Monthly Gross Income

### PERFORMANCE FEES 3/30

7% (hurdle rate) LP  
3% GP

After 10%  
70% LP 30% GP



## OUR INVESTMENT PROCESS

### Raise Capital

Stake Investors will raise capital from qualified investors interested in multi-family real estate.

### Find Target Multi-Family Properties

The Company will target multi-family properties that have positive cash flow and fit within its key criteria.

### Property Due Diligence & Vetting Process

After finding potential investment properties, the Company will perform due diligence and engage in a detailed vetting process to ensure the property is in good condition and provides investors with a low risk, high ROI investment opportunity.

### Property Acquisition

Stake Investors will acquire the targeted multi-family real estate property by leveraging funds raised from investors.

### Property Renovation (Light Cosmetic Upgrade)

Following acquisition, the Company will undergo light cosmetic renovations for at least one year in order to maximize the market rate potential and increase the value of the property.

### Apartment Rentals to Generate Monthly Cash Flow

The multi-family property will be managed in-house property management or by an outsourced management company. Each property will reach 90% to 95% occupancy rate, generating monthly cash flow for both the investors and the Company. Each year, 1% of the annual gross income will be budgeted for additional renovations and repairs to maintain the condition of the property.

### Quarterly Distribution of Investor Returns

Every quarter, the positive cash flow will be distributed among investors based on Stake Investors' business model.

## OUR BUSINESS MODEL

**Stake Investors engages in the purchase of long-term, low-risk multi-family real estate assets that have immediate positive cash flow opportunities with added value from renovations and long-term appreciation.** The Company's business model can be broken down into 4 key steps, illustrated below.



Following the acquisition of a property, Stake Investors will increase the value of the real estate through renovation as needed. The Company will rent out the finished product for cash flow purposes, generating a consistent stream of revenue for both the Company and its investors.

Stake Investors will be charging at 3% fund management fee and 3/30 performance fee. Following a minimum of 7% hurdle rate, positive cash flow will be distributed every quarter based on the waterfall structure below.

<p><b>Hurdle Rate</b></p>	<ul style="list-style-type: none"> <li>• Investors (limited partner): at least 7% in annual preferred return</li> </ul>
<p><b>Past Preferred Return</b></p>	<ul style="list-style-type: none"> <li>• Investors (limited partner): 7%</li> <li>• General Partner: additional 3%</li> </ul>
<p><b>Remaining Return Profit Share</b></p>	<ul style="list-style-type: none"> <li>• Investors (Limited Partner): 70% split</li> <li>• General Partner: 30% split</li> </ul>

Stake Investors will be increasing its rent by 20% to 35% in the first 5 years after renovations in order to maximize the return on asset. Approximately 5 to 10 years down the line, the Company will follow through with one of the two liquidity options, either selling the property once it has generated maximum return or refinancing the property.





## VALUE PROPOSITION

Stake Investors differentiates from other investment funds by providing its investors with the following key areas.

- **Extraordinary Investment Opportunities:** Stake Investors is committed to sourcing multi-family real estate investment opportunities that will generate added value for its investors.
- **More Than a Syndicate:** Stake Investor is more than a syndicate. The Company is committed in every aspect of the partnership, treating and caring for its investors through its unique protocol. The Company maintains close relationships with past and existing investors by constantly presenting them with investment opportunities in both Mexico and the US.
- **Recurring Distribution of Investor Returns:** The Company will also distribute investor returns on a quarterly basis to demonstrate its accountability and commitment to the partnership.

## KEY INVESTMENT HIGHLIGHTS

With the positive population and employment growth in Southern California, there will be continued demand for new homes. This is reflected through the significant market size and constant growth in US real estate. Stake Investors' management team will utilize its industry expertise and experiences to capitalize on this growing market opportunity. In order to do so, Stake Investors has developed several key success factors and benchmarks that it will achieve in order to ensure the success and profitability of the Company's operations. These factors are summarized below.

- Consistently optimize the balance of sales absorptions and gross margins to maximize returns in each of the multi-family real estate within its portfolio
- Manage real estate properties efficiently to generate consistent positive cash flow from operations
- Budgeted SG&A and management fees to reduce expenses and optimize profit
- Invest in multi-family properties where opportunities in increasing its value exist
- Be opportunistic while maintaining discipline
- Improve cash flow generation by strategically acquiring, renting, and liquidating





# FINANCIAL PLAN

## PROPERTY PRO FORMA EXAMPLE

Stake Investors has prepared a pro forma statement to show the sample economics of one potential investment property. A breakdown of the gross effective rents, operating expenses, and net operating income can be seen below.

### Property Information

Purchase price	\$ 2,200,000
Square Feet	6360
Lot Square Feet	7001
Number of Units	10
Vacancy	5%
Price Per Unit	\$ 299,500
Price per Sq Ft	\$ 471
Price per Lot Sq Ft	\$ 428
GRM on Current Rents	14.76%
GRM on Market Rents	13.92%
Cap Rate on Current Rents	6.9%
Cap Rate on Market Rents	8.2%
Year Built	1954

### Initial Investment

Down Payment	\$ 2,200,000
Closing Cost	\$ 59,900
Renovation Budget	0
Total Initial Investment	\$ 2,259,900

### Unit Mix and Rent Summary

Unit Type	# of units	Total current	Total Market	Upside
Studio	0	\$ -	\$ -	0%
1- Bed	6	\$ 10,800	\$ 11,556	7%
2- Bed	4	\$ 8,400	\$ 8,988	7%
3- Bed	0	\$ -	\$ -	0%
4- Bed	0	\$ -	\$ -	0%

### Annual Operating Forecast

	Current	Pro Forma
Gross Scheduled Rents	\$ 230,400	\$ 246,528
Less: Vacancy Allowance	\$ (9,813)	\$ (10,335)
Net Rental Income	\$ 220,587	\$ 236,193
Annual Parking Income	\$ 5,400	\$ 7,200
Annual Other Income	\$ 1,200	\$ 1,200
Effective Gross Income	\$ 227,187	\$ 244,593
Less: Expenses	\$ (75,258)	\$ (63,437)
Net: Operating Income	\$ 151,929	\$ 181,156
Less: Annual Debt Service	\$ -	\$ -
Cash Flow After Debt Service	<b>\$ 151,929</b>	<b>\$ 181,156</b>

### Operating Expenses

	Current	Pro Forma
Taxes	\$ 37,438	\$ 37,438
Insurance	\$ 2,417	\$ 2,417
Repairs and Maintenance	\$ 6,300	\$ 6,300
Property Mgmt	\$ 22,059	\$ 23,619
Utilities	\$ 4,995	\$ 4,995
Pest control	\$ 540	\$ 540
Cleaning and gardening	\$ 1,080	\$ 1,080
City licensing and permits	\$ 429	\$ 429
Total Expenses	\$ 75,258	\$ 76,818
Expense Ratio	27%	28%

### Combined Returns

	Year 1	% Return	Year 2	% Return	Year 3	% Return
Stabilized Market Value	\$ 2,376,000		\$ 2,566,080		\$ 2,771,366	
Gain From Appreciation	\$ 176,000	8.6%	\$ 190,080	9.3%	\$ 205,286	10.0%
Cash Flow	\$ 151,929	6.7%	\$ 193,837	8.6%	\$ 207,406	9.2%
Tax Shelter Benefits	\$ 23,040	1.0%	\$ 24,653	1.1%	\$ 24,653	1.1%
Total Return	<b>\$ 350,969</b>	<b>16.3%</b>	<b>\$ 408,570</b>	<b>18.9%</b>	<b>\$ 437,345</b>	<b>20%</b>

## FUND TERMS AND CONDITIONS

<b>Fund II</b>	
Asset Class	Multi-Family Apartments
Fund Manager	Stake Residential LLC
Fund Size	\$2.5M
Min/Max Investment	\$100K / 2.5M
Instrument	Partnership Agreement
Projected IRR	12% - 18%
Hold Period	3 to 5 years
Cash Flow Distributions to LP	Every 3 Months

# SAMPLE OPPORTUNITIES

## A) Santa Ana, Orange County

Stake Investors may take advantage of the market opportunity in this mature community in Orange County and will purchase this highly occupied and conveniently located multi-family real estate.

### Opportunity Details

Selling Price	\$3,895,000
Units	20
Average Rent	\$1,035/month
Occupancy Rate	90%
Gross Rent Multiplier	15.9



### Unit Breakdown

Unit Breakdown	Number of Units	Average Home Size
Studios	14	500 sq ft
1Bd1Ba	6	750 sq ft



### Market Comparable

Market Comparable	Selling Price	Cap Rate	Units
1434-1438 Minnie St	\$4,799,000	5.79%	20
1402 N Durant St	\$3,550,000	6.00%	16
<b>Market Average</b>	<b>\$4,174,500</b>	<b>7.00%</b>	<b>18</b>



### Financial Highlights (2019)

Effective Gross Income	\$335,000
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## B) Santa Ana, Orange County

Stake Investors will be purchasing another real estate property in the same maturing community of Orange County. This multi-family real estate has recently been renovated and located in a convenient neighborhood.

### Opportunity Details

Selling Price	\$2,790,000
Units	11
Average Rent	\$1,539/month
Gross Rent Multiplier	13.56
Cap Rate	4.96%



### Unit Breakdown

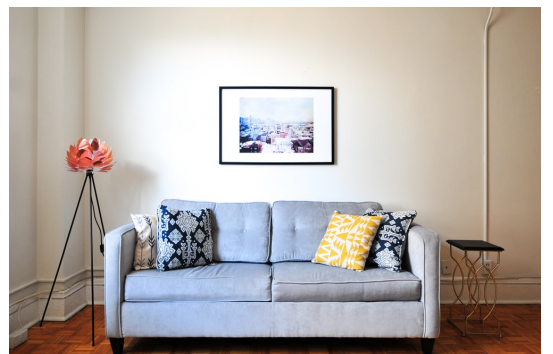
### Number of Units

1Bd1Ba	9
2Bd1Ba	2



### Market Comparable

Market Comparable	Selling Price	Cap Rate	Units
1434-1438 Minnie St	\$4,799,000	4.62%	20
1402 N Durant St	\$3,550,000	6.00%	16
<b>Market Average</b>	<b>\$4,174,500</b>	<b>7.40%</b>	<b>18</b>



### Financial Highlights (2019)

Effective Gross Income	\$308,913
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## MANAGEMENT TEAM

### **ANDRÉS CUENCA - FOUNDER & CEO**

Andrés Cuenca is the founder and CEO of Stake Investors. Andrés has accumulated over 13 years of management experience in the real estate Industry, specializing in commercial and development parcels, along with managing funds. Armed with extensive knowledge and experiences, Andrés founded Stake Investors in 2018 and has accomplished extraordinary results since. Because of the growing success of Stake Investors in Los Cabos, Mexico, Andrés is expanding the Company's operations to the US and Australia.

A year after starting his real estate career in Los Cabos in 2005, Andrés became the CEO and partner of a well-known company named Cabo Realtors, a local real estate brokerage specializing in selling commercial and development parcels. Ten years later, he became the CEO and partner of GLC company, a company that was exclusively created to manage a Mexican fund. In 2018, Andrés founded Stake Investors.

Through his real estate career, Andrés strongly believes in integrity, professionalism and efficiency. Andrés' first priority is always to always serve the needs of his clients, establishing strong relationship with open communication. This is reflected through his recent acquirement of an investment manager system (IMS). The new investment manager system is a customer relationship management (CRM) tool that provides investors with the immediate, updated statistics on their investments. IMS represent Andrés' principals as it offers better capital relationships and open communication with investors at all times. Andrés' expertise and principled beliefs has led to many outstanding successes with double digit returns on all of his investments, which he will capitalize on to expand his operations.

## THE TEAM

### **Property Managers & Project Managers**

The Property Managers report directly to the CEO of the Company. These seasoned veterans are responsible for managing all projects in addition to maintaining close relationships with investors.

### **Creative Director**

The Creative Director oversees the renovation and repair process of each property to ensure the renovations and repairs will increase the value of the asset, ultimately increasing rent rate and generating more return. The Creative Director is also responsible for the marketing and social media aspect of the business.

### **Operations Director**

The Operations Director *managed* the administrative works at the Company to make sure it is operating efficiently. The Operations Director responsibility is to oversees the Financial Assistant, Tax Advisor, IT Director and Lawyer.

### **IT Director**

The IT Director *reports* to the Operations Director. The main role of the IT Director is to maintain the Company's IT systems and infrastructures, including IMS SYSTEM, the new investment management software.

### **Analyst**

The Analyst is responsible for analyzing asset performances using IMS system and developing solutions to maximize its return on investment.



## CLOSING REMARKS

Stake Investors will leverage the extensive expertise and experiences of its management team, foster authentic and transparent relationships with its investors, and present highly sought-after multi-family real estate investment opportunities to its partners. The Company will purchase assets with incredible potential, renovate them to increase value and return over time, and sell them after achieving the highest return on investment. Thus, Stake Investors seeks for \$5 million to acquire multi-family real estate holdings with positive monthly cash-flow and long-term appreciation upside in the Southern California market.

## NEWPORT BEACH

### **Market Overview**

Newport Beach is home to one of the largest harbors in the west coast. Its close proximity to striking beaches and luxury shopping destinations, along with an extremely low crime rate of 1.2%, make it an ideal location for real estate investment. Home values in Newport Beach have increased 1.5% from last year and are currently at \$2.15 million. However, the home values are expected to decline next year at a rate of 2.5%.

Newport Beach real estate median list prices have been steadily growing since 2015, reaching its pinnacle in January 2019. However, the median list price has gradually begun to decline at a rate of 13% and is expected to continue to decrease. Despite the decrease, prices are still soundly positioned in the highest range witnessed in the last few years.



# APPENDIX A: INDUSTRY ANALYSIS

## REAL ESTATE FUNDS INDUSTRY

Committed to connecting investors to superior real estate investment opportunities, Stake Investors is classified within the Real Estate Funds Industry. The industry encompasses companies that invest in both commercial and residential income-generating real estate.

**Figure 3: Real Estate Funds Industry in the US: Industry Snapshot (IBISWorld, 2019)**

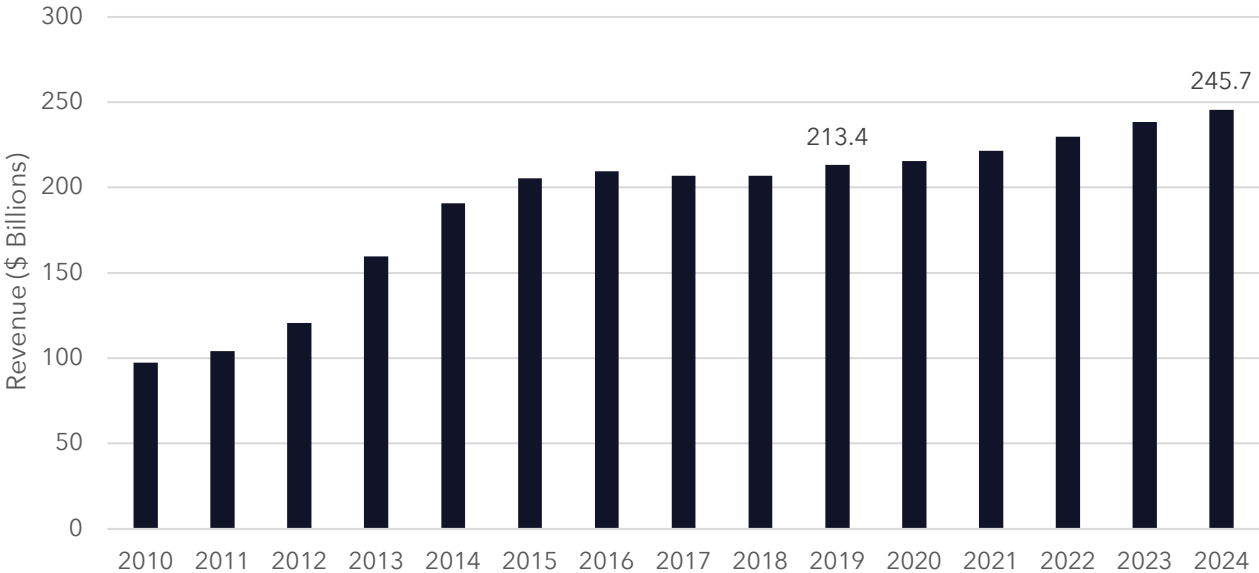
Industry Revenue (2019) <b>\$213.4 bn</b>	Industry Profit (2019) <b>\$34.6 bn</b>	Annual Growth (‘14 - ‘19) <b>2.2%</b>	Annual Growth (‘19 - ‘24) <b>2.9%</b>
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## INDUSTRY PERFORMANCE

**The rising property values and increasing investment by institutional investors led to the expansion of the Real Estate Funds industry.**

In light of a burgeoning property market and historically low interest rates, these favorable economic conditions resulted in an increase in industry revenue at an annualized rate of 2.2% to \$213.4 billion over the past five years to 2019. This includes an expected growth of 3.1% in 2019 alone. In addition to the increase in industry revenue, the average industry profit margin has also increased primarily due to the gradual expansion in property values. Measured as earnings before interest and taxes, the industry profit margin increased from 14.7% of industry revenue in 2014 to an estimated 16.2% in 2019.

**Figure 4: Real Estate Funds Industry in the US: Historical and Future Revenue Estimates (IBISWorld)**





## INDUSTRY OUTLOOK

IBISWorld forecasts industry revenue to increase at an annualized rate of 2.9% to \$245.7 billion over the next five years. However, it is notable that the demand for real estate investment firms will likely be hampered by a rising interest rate environment, increased investor uncertainty during the outlook period and the negative impact of corporate tax cut on corporate profit.

## KEY EXTERNAL DRIVERS

The key external drivers for the Real Estate Funds industry include per capita disposable income and S&P 500.

### **Per Capita Disposable Income**

Per capita disposable income is defined as personal income minus current personal taxes. Consumer confidence and disposable income levels largely determine consumer spending and saving habits. As per capita disposable income increases, consumers have more disposable income to set aside for savings, eventually for investing in real estate. Per capita disposable income is expected to increase in 2020.

### **S&P 500**

The Standard & Poor's 500 stock index (S&P 500) is an indicator of stock market performance. Given that real estate investment funds often serve as an alternative for other market securities, the overall performance of the stock market tends to reflect the condition that would benefit industry operators. The S&P 500 is expected to increase in 2020. However, the S&P 500 is forecast to grow at a significantly slower rate than the previous year, posing as a potential threat to the industry.

### **Homeownership Rate**

An increase in homeownership rate suggests that more consumers are looking to purchase a house, which lowers the risk for investors as their investment is likely to sell. The homeownership rate is expected to increase in 2020, presenting an opportunity to the industry.