Michigan Housing & Investment, LLC Business Proposal

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Acquisition Cost:

Average purchase price	$15,000.00	
Remodeling	$5,000.00	
Administrative expenses (property search, utilities, marketing, insurance and management)	$1,000.00	
Total cost per home	$21,000.00	
Appraisal after remodeling	$120,000.00	(2002 - 2004 price assumption)
Mortgage 21.8% LTV	$21,000.00	
Equity after remodeling	$99,000.00	
%age of equity in the house	82.50%	

Acquisition Schedule:

Fiscal Year	Number of acquisitions per year	Acquisition cost	Market Value in 5 years (2008 - 2013)	Equity in 5 years	Loan to Value (LTV)	Growth in 5 years
1st Year	150	$3,150,000.00	$18,000,000.00	$14,850,000.00	**17.5%**	**571.43%**
2nd Year	150	$3,150,000.00	$18,000,000.00	$14,850,000.00	**17.5%**	
Total	**300**	**$6,300,000.00**	**$36,000,000.00**	**$29,700,000.00**		

Additional Expenses:

Office manager Salaries = $30000.00
Tax return = $2000.00
Attorney and court fee for tenant related = $2000.00
Office building rent = $12000.00
Vehicle lease and maintenance (lease =200.00, gas=600.00, insurance=120.00) = $11040.00
Misc (city and property compliance costs) = $5000.00
CEO Salary = $100,000.00

Total **-$162,040.00**

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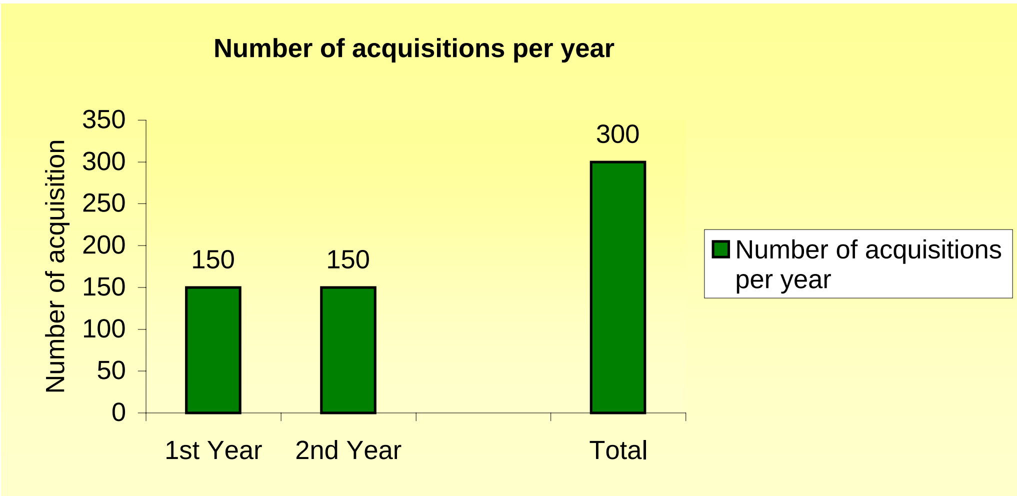

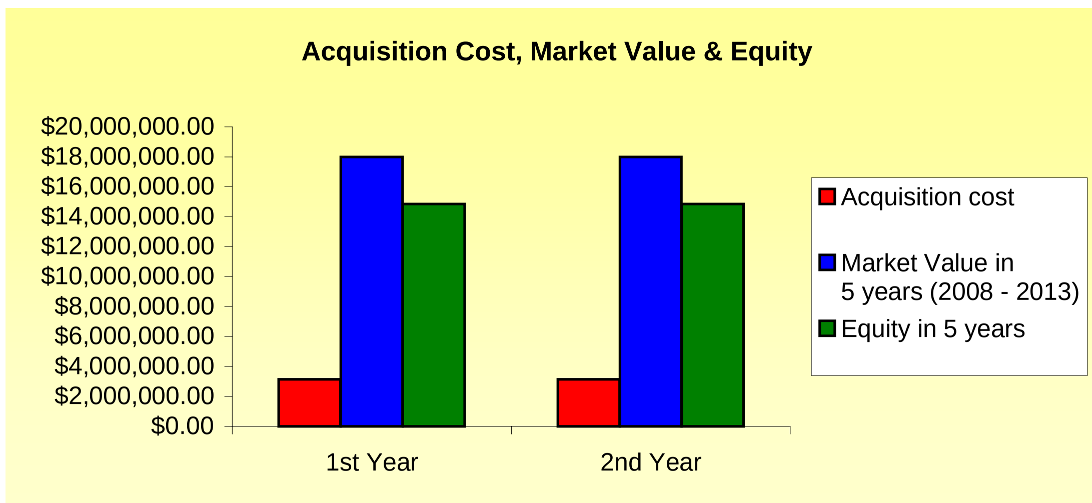

Investment strategies to raise capital for the project: **There are three different investment opportunities available to the investers based on their personal preferences.**

1) Real estate ownership: Company will buy the property, rehab, get certified from the city (obtain certificate of occupancy) and help to rent. The sale price will be determined by the following table. After the sale, the company can manage the property if purchhaser/invester so desire at 10% monthly management fee.

2) 10% return on investment secured by real estate. Potential invester invests with us on certain return. LTV (Loan To Value) will be less than 50%. Interest will be paid each month and principal will be returned at a mutually agreed duration.

3) Private equity partner investment. This investment will receive about 8 to 10% dividend each year and after 5 years will get about 40% dividend. See the detail below.

Investment strategy - 1

1) Real estate ownership:

Investment strategy 2:

Scenario - A (Vacancy rate 5%)

Expenses per year per property:

Interest rate	10.00%
Mortgage per year 7%	-$2,100.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$6,900.00**
Additional expense page1	**-$162,040.00**

Revenue per year each property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	5.00%	
Revenue after vacancy rate	**$9,405.00**	

Expenses per year for all properties:

Expenses 1st year	-$1,197,040.00
Expenses 2nd year	-$2,232,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,410,750.00
Gross Revenue 2nd year	$2,821,500.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$213,710.00**
Net Income 2nd Year	**$589,460.00**

Investment strategy 2:

Scenario - A (Vacancy rate 10%)

Expenses per year per property:

Interest rate	10.00%
Mortgage per year 7%	-$2,100.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$6,900.00**
Additional expense page1	**-$162,040.00**

Revenue per year each property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	10.00%	
Revenue after vacancy rate	**$8,910.00**	

Expenses per year for all properties:

Expenses 1st year	-$1,197,040.00
Expenses 2nd year	-$2,232,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,336,500.00
Gross Revenue 2nd year	$2,673,000.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$139,460.00**
Net Income 2nd Year	**$440,960.00**

Investment strategy 2:

Scenario - A (Vacancy rate 15%)

Expenses per year per property:

Interest rate	10.00%
Mortgage per year 7%	-$2,100.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$6,900.00**
Additional expense page1	**-$162,040.00**

Revenue per year each property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	15.00%	
Revenue after vacancy rate	**$8,415.00**	

Expenses per year for all properties:

Expenses 1st year	-$1,197,040.00
Expenses 2nd year	-$2,232,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,262,250.00
Gross Revenue 2nd year	$2,524,500.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$65,210.00**
Net Income 2nd Year	**$292,460.00**

Investment strategy 3:

Scenario - A (Vacancy rate 5%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year each property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	5.00%	
Revenue after vacancy rate	**$9,405.00**	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,410,750.00
Gross Revenue 2nd year	$2,821,500.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$528,710.00**
Net Income 2nd Year	**$1,219,460.00**

Scenario - B (Vacancy rate 10%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year per property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	10.00%	
Revenue after vacancy rate	**$8,910.00**	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,336,500.00
Gross Revenue 2nd year	$2,673,000.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$454,460.00**
Net Income 2nd Year	**$1,070,960.00**

Scenario - C (Vacancy rate 15%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year per property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	15.00%	
Revenue after vacancy rate	$8,415.00	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,262,250.00
Gross Revenue 2nd year	$2,524,500.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$380,210.00**
Net Income 2nd Year	**$922,460.00**

Scenario - D (Vacancy rate 20%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year per property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	20.00%	
Revenue after vacancy rate	$7,920.00	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,188,000.00
Gross Revenue 2nd year	$2,376,000.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$305,960.00**
Net Income 2nd Year	**$773,960.00**

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Scenario - E (Vacancy rate 30%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year per property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	30.00%	
Revenue after vacancy rate	**$6,930.00**	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

Gross Revenue 1st year	$1,039,500.00
Gross Revenue 2nd year	$2,079,000.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$157,460.00**
Net Income 2nd Year	**$476,960.00**

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Scenario - F (Vacancy Rate 40%)

Expenses per year per property:

Interest rate	0.00%
Mortgage per year 7%	$0.00
Insurance per year	-$1,000.00
Property taxes	-$3,500.00
Maintenance	-$300.00
Total	**-$4,800.00**
Additional expense page1	**-$162,040.00**

Revenue per year per property:

Average Rent	$825.00	(Rent range is $750.00 - $925.00)
Rental Revenue per year	$9,900.00	
Vacancy rate	40.00%	
Revenue after vacancy rate	**$5,940.00**	

Expenses per year for all properties:

Expenses 1st year	-$882,040.00
Expenses 2nd year	-$1,602,040.00

Revenue per year for all properties:

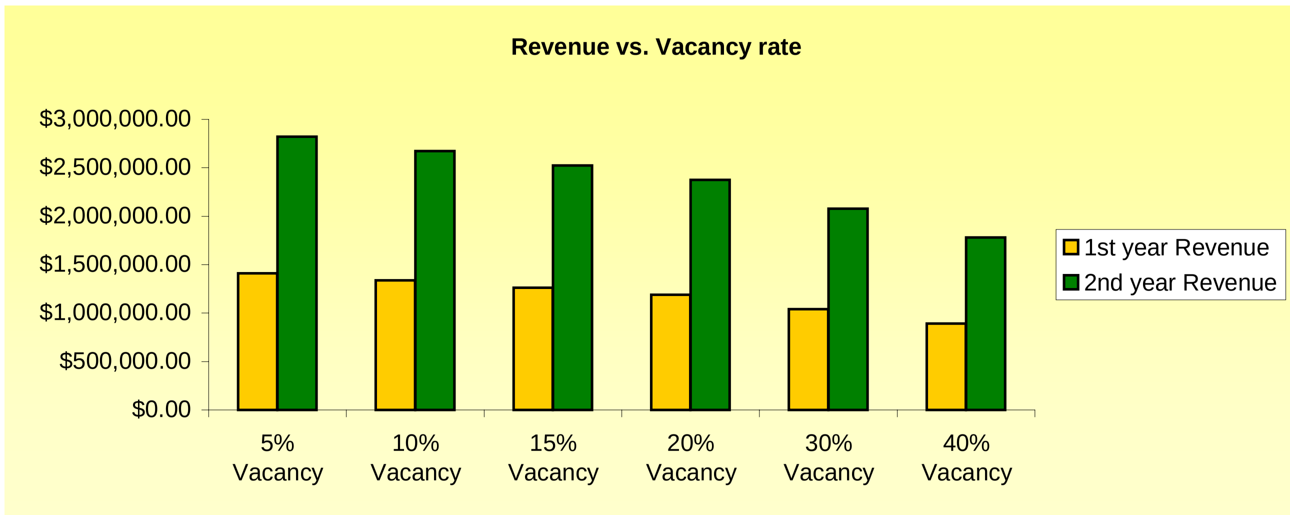
Gross Revenue 1st year	$891,000.00
Gross Revenue 2nd year	$1,782,000.00

EBITDA (Earning Before Income Tax, Depreciation and Amortization)

Net Income 1st Year	**$8,960.00**
Net Income 2nd Year	**$179,960.00**

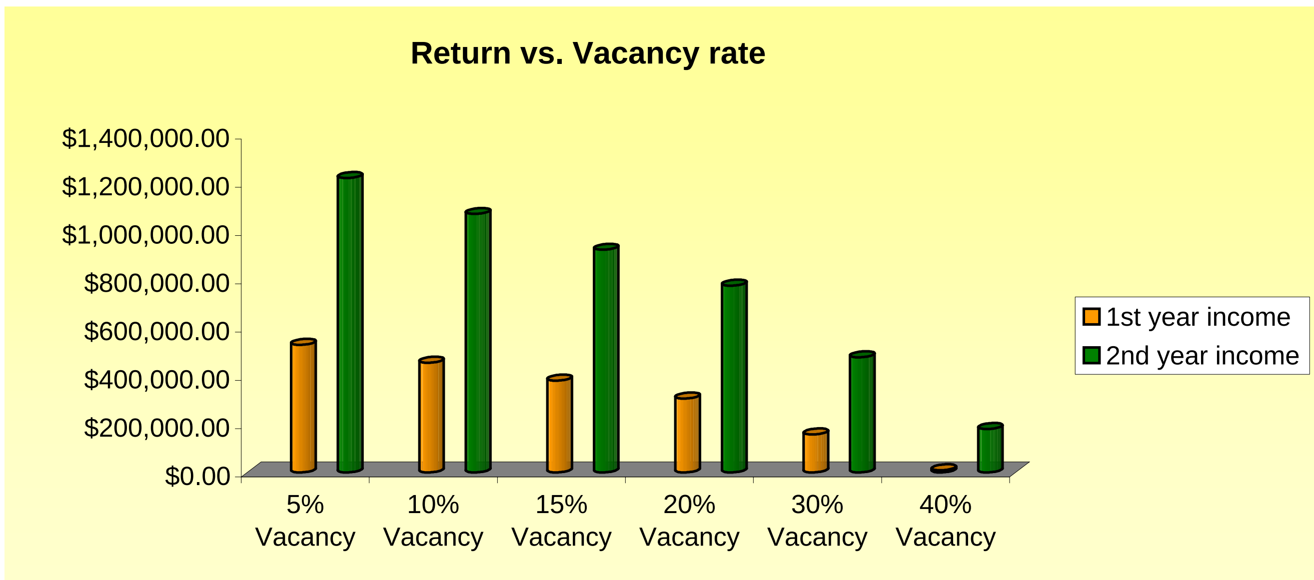
Scenario Summary

Vacancies Rate	5% Vacancy	10% Vacancy	15% Vacancy	20% Vacancy	30% Vacancy	40% Vacancy
1st year Revenue	$1,410,750.00	$1,336,500.00	$1,262,250.00	$1,188,000.00	$1,039,500.00	$891,000.00
2nd year Revenue	$2,821,500.00	$2,673,000.00	$2,524,500.00	$2,376,000.00	$2,079,000.00	$1,782,000.00



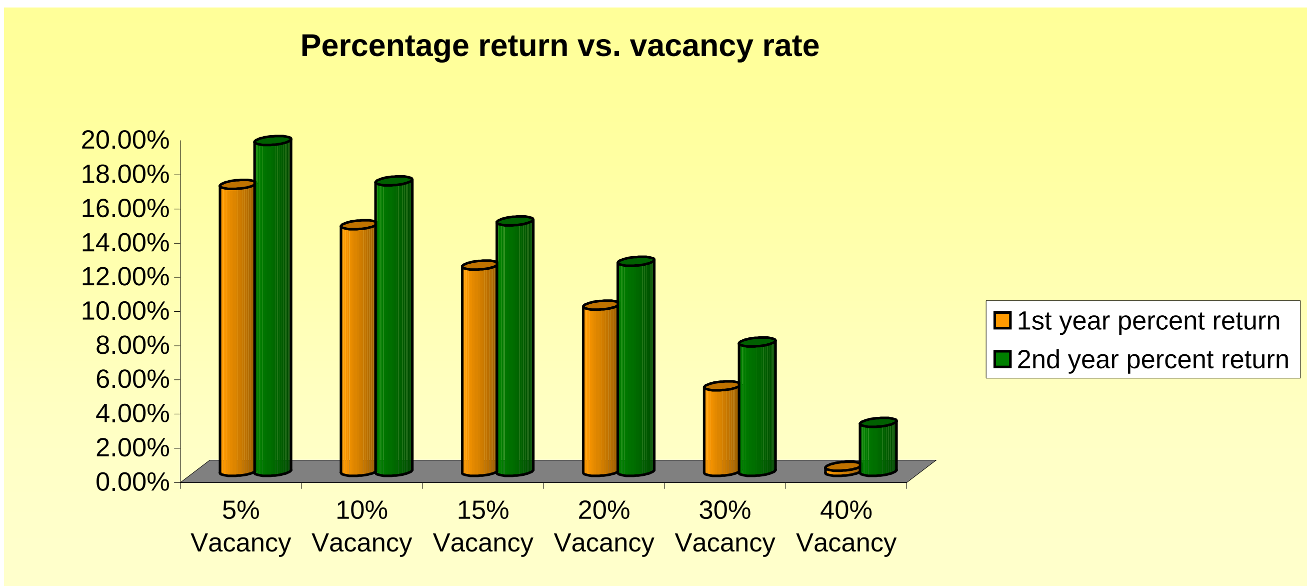
Scenario Summary

Vacancies Rate	5% Vacancy	10% Vacancy	15% Vacancy	20% Vacancy	30% Vacancy	40% Vacancy
1st year income	$528,710.00	$454,460.00	$380,210.00	$305,960.00	$157,460.00	$8,960.00
2nd year income	$1,219,460.00	$1,070,960.00	$922,460.00	$773,960.00	$476,960.00	$179,960.00



Scenario Summary

Vacancies Rate	5% Vacancy	10% Vacancy	15% Vacancy	20% Vacancy	30% Vacancy	40% Vacancy
1st year income	$528,710.00	$454,460.00	$380,210.00	$305,960.00	$157,460.00	$8,960.00
2nd year income	$1,219,460.00	$1,070,960.00	$922,460.00	$773,960.00	$476,960.00	$179,960.00
1st year percent return	16.78%	14.43%	12.07%	9.71%	5.00%	0.28%
2nd year percent return	19.36%	17.00%	14.64%	12.29%	7.57%	2.86%



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Advantages of owning single family homes vs. multi family building/units:

1) Loan to Value (LTV) is relatively low at approximately 20%
2) Rental cash flow is 15% to 20% due to low acquisition cost
3) Business model for housing division strategically avoids multi-unit buildings
   A) to achieve geographical diversification.
   B) to allow easier piece-meal liquidation of assets when necessary.
   C) to rent using section 8 Housing Choice Voucher (HCV)
4) Secured income from Section 8 (Government subsidies to low income households) program
5) All utilities (water, gas and electrical) are paid by the tenant
6) All appliances are provided by the tenant
7) Maintenance/remodeling
   A) Little or none required for targeted homes being placed in the portfolio.
   B) Low maintenance during tenancy is also a selection criterion of the targeted investment homes.
8) Lawn care and snow removal is tenant's responsibility
9) Dedicated, MHI-employed maintenance crew with ten years of southeast Michigan experience for cost control and in-house knowledge base of the investment homes.
10) High inventory at low foreclosure prices for 80% to 90% discounting.
11) Buying and rehabilitating: MHI has:
   A) Direct access to banks and foreclosure institutions.
   B) Established relationships with all SE Michigan Section 8 offices to assure captive tenants.
12) Michigan Housing Investment LLC features:
   A) Long standing good customer service in SE Michigan
   B) Rapid turnaround and service via online presence (www.mihousing.com) and online services (tenant applications, listing, credit application approvals, reporting of maintenance issues, etc.)

Assumptions:

1) Purchase homes in the state of Michigan which is worst hit foreclosure market
2) Fast purchase of homes while the foreclosure good homes inventory is available in abundance to choose from
3) Renovate homes quickly and rent them as soon as possible
4) Rent homes to Government sponsored Section 8 program
5) Rental market is high due to foreclosure and people still need a place to live
6) Rental market is high due to home buying is low due to the market condition
7) In the last six months Section 8 has issued several hundred new vouchers to new clients who are now looking for place to rent
8) Lot of small landlords are in financial trouble due to high purchase cost of their homes
9) This increases the rental market demand
10) MSHDA (Michigan State Housing Development Authority) administers approximately 24,000 Housing Choice Vouchers in the sate of Michigan. We need only 1.2% of this business to fill all our homes.

Business Risks and Risk Mitigation

1) Investment Risk: Desired 300 homes scenario is threatened by inventory utilization. Not enough homes available to purchase at the price we want to pay.

1) Risk Mitigation: This will be addressed by watching the market constantly and buying homes in bulk directly from the banks/financial institutions . board up these homes and work on them few at a time. That way we will have the desired inventory of homes to meet our goals of 300 homes.

2) Utilization Risk: Vacancy rate rises to 20% or higher due to fewer section 8 vouchers.

2) Risk Mitigation: This risk can be mitigated by offering rental homes to stable/fixed income non section 8 clients. There are other government programs like FIA (Family Independent Agency), Social Security.

3) Revenue drop: Revenue drops due to decrease in section 8 payment standard

3) Revenue Drop: This risk will be mitigated by purchasing homes in the best possible areas where section 8 program allows the tenant to pay the deficit.

4) Vandalism: Remodeling/acquisition cost will increase if more properties are vandalized by tress passers due to vacancy.

4) Risk Mitigation: This risk will be mitigated by boarding up the homes and also installing portable surveillance/security system. Once the property is rented then security system can be removed and installed to the next vacant home. I have worked through local churches where local Church can help you to find people who can watch your homes while homes are being remodeled and are vacant.

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Business Risks and Risk Mitigation

5) Revenue delay due to Rents not paid on time: If rent is not paid on time then we may not be able to pay our obligations

5) Risk Mitigation: Section 8 send their portion of the rent by 5th of each month,. Resident are encouraged to pay by the 5th of each month without late fee and after the due date $100.00 late fee applies as per the lease agreement. This motivates the tenants to pay on time. Also if tenant is consistently late on their portion of the rent then section 8 can start a disciplinary action and this can terminate the tenant from Section 8 program. This motivates the tenant to pay their obligation on time.

6) Market Risk: Foreclosure good deals may not lost for long.

6) Risk Mitigation: This risk can be mitigated as in step 1.

7) Exit timing Risk: When will house values actually rebounds. If it does not rebound as we assumed by 2013.

7) Risk Mitigation: If the housing value does not rebound by 2013 then we can adjust our business plan to extend by little longer to realize the full benefit of our investment. Please note that we are still making 10 to 15% return on rentals.

8) Key person unable to operate: If the key person is unable to operate the business then who will manage the business operation in his/her absence.

8) Risk Mitigation: The business has been running by well written/well defined work flow processes so that it does not completely depend on any individual person. Also there will be one back up person who will know the business in case primary operator unable to conduct the business.

Business Risks and Risk Mitigation

9) House remodeling is not fast enough: If homes are not remodeled fast to make them available to rent.
9) Risk Mitigation: This will be managed by having multiple contractors on hand. Also things can be standardized so that it becomes more efficient eg one type of plumbing, electrical, doors, paint, kitchen, water heater, furnaces etc.
10) Material cost increases the remodeling expenses: If the material cost increases due to fuel pricing and other market conditions then remodeling/acquisition cost of the homes will increase and our profit might go down.
10) Risk Mitigation: From my past experience this can be managed by buying bulk and directly from the suppliers. Contractors discounts are offered by the vendors. Lot of material can be purchased from the resale, habitat stores.
11) Blight violation tickets: If debris is found at your property city can issue a citation up to $3500.00 per incident and several city inspectors are deployed for this purpose and they constantly monitor that.
11) Risk Mitigation: This can be addressed by monitoring the vacant properties and also having a dedicated dumpster.
12) US Government policies on international investment changes: If the US Government policies changes on the foreign investment in real estate then we may not have enough funds to run this business.
12) Risk Mitigation: If this happens then we will look for local investors.

Business Risks and Risk Mitigation

13) Non Diversified business proposal: If housing business does not turn around in the projected manner then projected income may not be realized.
13) Risk Mitigation: We have hotel/motel experience and this can be explored and see the business perspective.
14) Conflict of interest: CEO has similar business that may cause conflict of interest to compete with this proposed business entity.
14) Risk Mitigation: This can be addressed by purchasing the existing Michigan Housing and Investment, holdings to jump start the business and to address this issue.
15) Decline in value of real estate: Instead of going up if the housing price further goes done then we will not be able to realize the profit we have predicted in our business plan.
15) Risk Mitigation: We are buying the homes at 80% to 90% below the market value and hold them till the prices goes up in the next five years. While we are waiting for the price to go up we are generating income through rental.
16) Increased competition: Due to low housing prices this might increase the rental competition and it might effect our business.
16) Risk Mitigation: Completion is good for the business and keep you in check. We must buy good properties in good neighborhoods. We must keep properties in all areas eg east, west and suburb. From my 10 Years experience will help to identify where to buy and where not buy. My connections with the local housing commissions will be a great asset for success of this business. Also there is space for others to do business as people need houses to live.

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Business Risks and Risk Mitigation

17) Increases in property taxes and operating expenses: This might effect the cash flow.

17) Risk Mitigation: We will hardly have any control our the property taxes but we can keep our operating expenses to absolute minimum. Also recently I discovered that you should only be taxed on the purchase price of the property and I am exploring this can challenge the tax and

18) Neighbor hood deteriorates: If the neighborhood goes done the property values might go down and we may not be able to reach our profit targets.

18) Risk Mitigation: We will buy homes in nicer/good neighborhoods and which historically has kept up.

19) Home owners tax credit by the Government: This might cause a risk of not having enough homes avaible to purchase and it might be an issue to reach our target 300 homes.

19) Risk Mitigation: There is tens of thousand of foreclosure property on the market. Public sentiments are low and people don't want to spend the money unless they absolutely have to. So 300 homes in two years in a very conservative target.

Exit strategy:

1) Pay 10% dividend each year for first four years
2) Pay 40% at the end of 5th year and also return the principal investment to the investors (about 9 Millions)

How to fund exit:

1) Conventional bank mortgage from one and/or multiple financial institutions
2) Sell about 120 homes to raise 9 Millions

Year	1st year	2nd year	3rd year	4th year	5th year
Investment return	10.00%	10.00%	10.00%	10.00%	40.00%