

Dear _____

BUY LOW - SELL HIGH

BUY WHERE THE FEAR IS

You are well aware of the collapse in home prices. The number of foreclosed houses and home mortgages in default keeps rising each month. California, Florida, Nevada and Arizona are particularly hard hit by the housing collapse. The supply of unsold single family houses has been steadily increasing each month. In California, Florida, Nevada and Arizona single family houses have fallen in price by 25% to 40%. The collapse in the single family residential market since 2005 is perhaps the biggest since the 1930's.

Once every few decades a major asset class collapses in value and gives an investor a major opportunity to buy at prices considered unimaginable only a few years ago. The single family entry level housing market is at this juncture right now.

GKV Capital Management Company is establishing a limited partnership which will exclusively invest in medium to low priced single family houses. These homes will be primarily purchased directly from banks which have repossessed the properties through foreclosure proceedings. GKV has established precise parameters in screening properties to purchase. These properties are expected to be held for approximately five years, a time period in which the housing cycle should reach bottom, return to normal and begin to show price appreciation. During the next couple of years we do not anticipate any price appreciation in the acquired properties, but as the markets normalize gradually, we expect to see a slow steady rise in the value of these properties. It is worth noting that many of the houses, which we will acquire, are now selling for less than the cost to build them.

While we wait for price appreciation to occur, these properties will be rented. We expect annual cash on cash returns on investment from rental income to be 3 to 6 percent per year after all costs, such as insurance, real estate taxes and maintenance.

We project that these properties will appreciate in total value during the next five years by about 30% from today's price levels. This equals about 6% average capital appreciation per year. We estimate that the total annual return on investment, income plus capital appreciation, from each property will be between 9 and 11 percent per year on average for the next five years. After a single family house is purchased, improved and rented, we will consider placing a first mortgage on the house if the housing market has stabilized. Debt service on a property will be limited to its cash flow after expenses. With the judicious and gradual use of mortgage financing on rented properties, we

estimate the total annual return on each investment could be enhanced by about 3% per year.

To test our hypothesis that the medium to lower end housing market is an attractive investment category at this time, we analyzed the Thousand Oaks/Westlake housing market. After reviewing dozens of properties, we purchased for cash two houses from banks which met our criteria. The first house carried an **\$800,000** first mortgage and we purchased it for **\$490,000**. The second house had a first mortgage of **\$750,000** and we purchased it for **\$520,000**. After modest repair expenses of about **\$15,000** for each house, they were listed for rental. In the first three days of advertising the houses for rent on the internet, we received eight inquiries of interest. Conventional real estate firms were **not** used to rent these properties. Tenant interviews were conducted. Both houses are now rented at **\$2,400/month** and **\$2,500/month**. The annual rate of return on investment from rental income alone for each property will be about **4.4%** and **4.1%** respectively. We expect to receive monthly rental income of **\$2,400** to **\$2,900** for houses purchased by the partnership. We will manage the properties directly. A property management company will not be employed.

The proposed limited partnership will be illiquid. A minimum limited partnership investment per limited partner will be **\$50,000**. There is no maximum. All properties will be purchased for cash. Favorable pricing for the buyer increases dramatically when the purchase offer is all cash. The management fee to the general partner will be **2%** per year plus **10%** of profits after a **10%** performance hurdle. The performance will be calculated based on the aggregate gain of all properties sold in a calendar year. The first **10%** gain will be distributed to investors and any additional gain will be subject to a **10%** performance fee. An investor in this partnership should not expect a return of capital (a distribution of all or any part of their original investment) for at least five years.

Enclosed is an article from the August 6th edition of the Wall Street Journal. Other very large financial entities have also realized that the single family housing market is perhaps the most attractive asset class currently available in the market place for the investor. This is the asset class which gives the investor the opportunity to **buy low – sell high**. **In other words, it allows the investor to invest correctly.**

If you have any interest in considering an investment in this limited partnership, please call me or email me at pvogel@gkvcapital.com so we can discuss the details and answer all of your questions. The "indication of interest" time period will be open until **December 15.**

Sincerely,