



Serving People in Their Housing Needs

COMPANY BUSINESS PLAN



Partnering with Investors to Build a Large Portfolio of Cash Flowing Properties

HISTORY

Bill Syrios started investing in real estate in 1980. He began Stewardship Properties in 1989 in Eugene, OR and has accumulated 500 houses and apartment units, many being campus rentals around the Univ. of Oregon. He is also a partner in multi-family buildings in Dallas. During 2007-2010 Bill led a team that flipped nearly 200 properties, mostly foreclosures and short sales.

Bill partnered with his sons, Andrew and Phillip in January 2011 with a buy and hold strategy in the Kansas City metro area. Bill has been a full-time real estate investor for 23 years, Andrew for nine and Phillip for three years. This partnership owns 100+ houses and 50+ units in smaller multifamily: duplexes, fourplexes and apt. buildings.

MISSION: To Be Good Stewards

Build an enduringly great company

by carefully managing entrusted resources
to serve people in their housing needs.

This will build long-term wealth and
increase opportunities for our team members.

PERSONNEL

Currently Stewardship has teams in Eugene, Kansas City and Dallas that includes 30 employees.



Eugene Office: 1247 Villard St.



KC Office: 7215 Troost Ave.

New Partnership Opportunities

Starting in 2014 we are posed to partner with fix and flip investors who would like to become buy and hold investors and take their business to the next level. While not a franchise, the idea is similar in the sense that Stewardship provides company-wide resources and support, especially for financing and property management. If you are interested in such an opportunity, please watch the videos and fill out the application at StewardshipFunding.com.

Looking for the RIGHT PEOPLE in the RIGHT PLACES

RIGHT PEOPLE:

- 1) Has rock-solid integrity which is the basis for any successful real estate partnership.
- 2) Works hard and smart by creating solid business systems and a team of A-players.
- 3) Has access to at least \$50,000, has flipped some properties and has some rentals.
- 4) Wants a partner to build a large portfolio of properties for long-term wealth creation.

RIGHT PLACES:

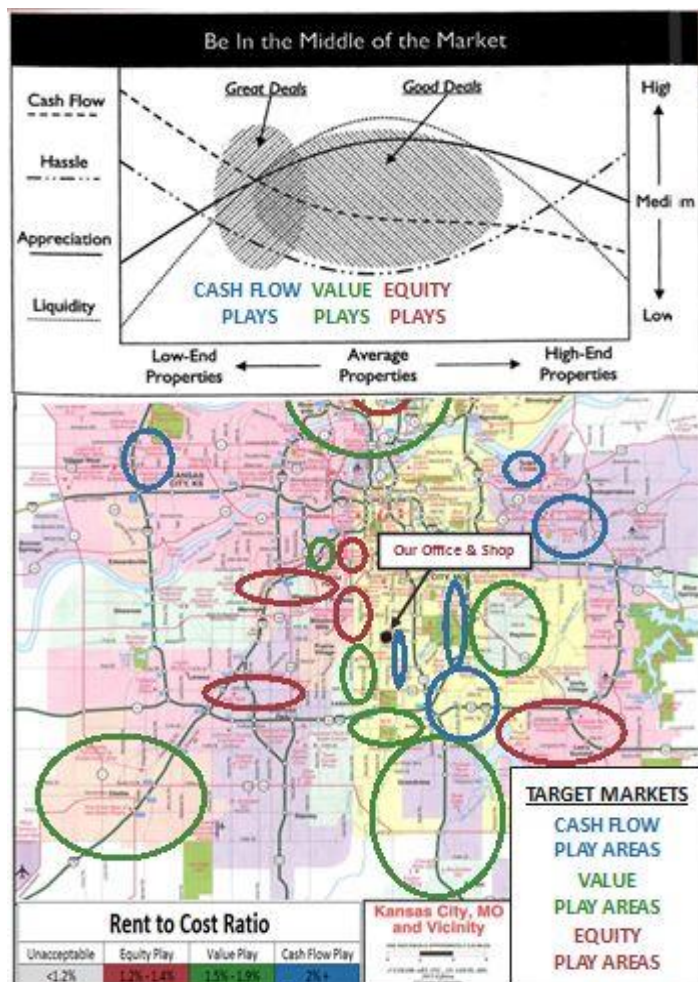
We look for locations with real estate friendly submarkets that investors can focus on the “sweet spot” where strong cash flow and a minimum of property management hassle intersect.

These metro areas include:

-High Rent-to-Cost Ratios: Areas of relatively high rents yet comparably modest purchase prices. **The goal is to acquire, rehab and rent properties with a 1.2%* or better rent-to-cost ratio in working-class areas that can be managed for cash flow.** (Rent-to-cost ratio equals monthly rent divided by purchase price.)

Three targeted rent-to-cost submarkets:
 Lower: **CASH FLOW PLAYS (2% or more)**
 Lower-middle: **VALUE PLAYS (1.5-1.9%)**
 Middle: **EQUITY PLAYS (1.2-1.4%)**

Rent to Cost Ratio			
Unacceptable	Equity Play	Value Play	Cash Flow Play
<1.2%	1.2% - 1.4%	1.5% - 1.9%	2%+



***NOTE:** Our goal is to be above a 1.2% rent-to-cost ratio but 1% is acceptable in some markets. So, a 100,000 house would need to rent for \$1,000 per month. At a 1% rent-to-cost ratio there will likely be little, if any, cash flow, just breaking even with a 5-6% FULLY financed mortgage.

-Purchases/rehab at 20%+ off market: In order to make our 100% back-end financing strategy work we need to have properties appraise for at least 20% above our purchase/rehab price.

-Economic Stability: The areas we and our partners invest in should have relatively low unemployment, steady population growth and good outlook for the future.

-Sizable Population Base: For growth sake we are ideally looking for metro area of 150,000+ with many viable 1% or better rent-to-cost submarkets.

KANSAS CITY is a Test Case and Model

Our rent-to-cost criterion (1% minimum) means that only certain areas of the country work well as target markets. Since September 2011 Kansas City has proven an ideal market to build such a buy and hold real estate portfolio. In our **first 46 months** there we made **948 offers** (20.6 per month) and purchased **116 properties** (12.24% of offers). These statistics can be duplicated or even improved as we partner with investors, bringing together our mutual strengths.



2010	September	October	November	December	TOTAL
Offers	8	0	6	2	16
Purchases	2	0	0	1	3
Percentage	25.00%	0.00%	0.00%	50.00%	18.75%

2011	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Offers	4	8	8	10	12	5	5	4	4	6	12	30	108
Purchases	0	0	1	1	2	1	0	0	1	0	3	1	10
Percentage	0.00%	0.00%	12.50%	10.00%	16.67%	20.00%	0.00%	0.00%	25.00%	0.00%	25.00%	3.33%	9.26%

2012	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Offers	32	25	58	39	11	17	15	36	6	23	49	30	341
Purchases	4	2	3	5	1	1	1	3	0	3	7	5	35
Percentage	12.50%	8.00%	5.17%	12.82%	9.09%	5.88%	6.67%	8.33%	0.00%	13.04%	14.29%	16.67%	10.26%

2013	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Offers	66	54	50	18	23	23	40	26	45	6	12	4	367
Purchases	11	8	7	0	3	4	5	7	5	2	2	0	54
Percentage	16.67%	14.81%	14.00%	0.00%	13.04%	17.39%	12.50%	26.92%	11.11%	33.33%	16.67%	0.00%	14.71%

2014	January	February	March	April	May	June	TOTAL
Offers	31	13	11	15	10	36	116
Purchases	3	1	3	3	0	4	14
Percentage	9.68%	7.69%	27.27%	20.00%	0.00%	11.11%	12.07%

TOTALS	
Offers	948
Purchases	116
Percentage	12.24%

The Financing Solution

Short-Term Financing on the Front-End

Stewardship purchases properties with private money at 9% (interest-only, no points) on the front-end, before the properties are rented and rehabbed. The company does not use hard money lenders, but instead individuals with reasonable means to lend. Given Stewardship's longevity of 33 years in real estate and its perfect record of making its loan payments, the company has a large group of enthusiastic private lenders for front-end financing.



Long-Term Financing on the Back-End

After acquisition, rehab and rent up, we seek back-end financing by "packaging" 15-30 properties for 1-2,000,000 loans (30-year amortization, approx. 5.5%, 1 point). We have developed relationships with a number of lending institutions for this purpose.

This short-term/long-term financing strategy allows properties to be purchased and rehabbed at 100% LTV with relatively inexpensive private money. Then we refinance private lender funds out with 100% LTV (or nearly 100%) conventional loans to lower long-term cost of funds and raise ROI substantially. This continual cycle necessitates buying good deals and provides a source of continual funding.



The Components of Stewardship Investment's Strategy

Although Stewardship has flipped properties in its past, it has primarily been a buy & hold company to take advantage of the wealth-building opportunities of real estate. This strategy includes a continual cycle of investment, construction, management and maintenance.



INVESTMENT > CONSTRUCTION > MANAGEMENT > MAINTENANCE

INVESTMENT—Overview

Stewardship acquires a good mix of properties in order to have some with higher cash flow and others in better areas (see page 2) that allow for a greater likelihood of appreciation and are somewhat easier to manage. Appreciate, equity build-up and tax benefits are “icing on the cake” while positive cash flow from solid property management is priority number one.

The company takes advantage of multiple tactics to acquire properties; primarily making offers on listed REO’s, HUD, Fannie and Freddie properties, but in addition, using wholesalers, craigs-list, mailings, going to auctions and other such opportunities to acquire the best properties for the best prices on the market today.

The key to acquire properties at deep discounts is to make a large number of offers, and to only accept the best of the best (see chart on page 3). On average we make 20 offers a month and purchased about 12% of the properties we made offers on.

INVESTMENT—Due Diligence

The company’s due diligence includes the following:

- Preliminary Analysis Sheet with rehab estimate and strike price
- (Upon accepted offer) A walk through/scope of work with our construction manager to determine the necessary repairs
- scoping the sewer line
- A financial analysis to determine the cap rate and rent-to-cost ratio
- A home, foundation, roof or HVAC inspection if deemed necessary by our construction manager.

The preliminary analysis sheet looks as follows:

Property Analysis Sheet					
Address			List Price	Offer	Strike Price
746 Walnut, KCR Med			\$450k	31K	34K
Bd	Bath	Approx Sq. Ft.	Seller	Rehab Estimate	Rent Estimate
1/2	1			11K	\$ 725
Garage/Carport	Basement	Neighborhood		Age	School
0/1/1/2	YN	A/B/C/D = 0			
Roof	Years Left	Condition	Location and Land Notes		
	7	3/2/3/4/5	Concrete garage		
Ext. Paint	Repair Yes/No	Color	1/22 for bit		
	NO		Floors need		
Int. Paint	Repair Yes/No	Color	Refr		
	NO				
Flooring	Carpet / Hardwood	Wood / Tile			
	0/1/1	0/1/1			
Replace	Y/N	Y/N			
Mix?					
Garage		1/2/3/4/5	Rehab Notes and Estimate Breakdown		
Foundation	Ft. Basement	Basement / Full	Can make 4 bed		
	CONCRETE Y/NO	REINFORCED Y/NO			
	Y	Y			
Basement	Ft. 5/8/4/5	5/8/4/5			
Electrical		1/2/3/4/5			
Plumbing	Hot/Cold/HOT/COLD	WATER/NO WATER	-exits		
	Y/NO	Y/NO			
HVAC	Central A/C	1/2/3/4/5			
	Y/NO	1/2/3/4/5			
Kitchen	Cabinets	1/2/3/4/5	I set for an		
	PLUM	1/2/3/4/5	Chg my kitchen		
Appliances	Refrigerator	1/2/3/4/5	some things		
	NO	1/2/3/4/5			
Windows	Type	1/2/3/4/5	to dig		
	DOUBLE	1/2/3/4/5			
Doors	Broken/Missing	1/2/3/4/5	need door to stand for		
	NO	1/2/3/4/5	left door		
Bed	Master/No Master	1/2/3/4/5			
	NO	1/2/3/4/5			
Bed		1/2/3/4/5			
		1/2/3/4/5			
Bath	Full / 1/2 / Half	1/2/3/4/5			
		1/2/3/4/5			
Other		1/2/3/4/5			
		1/2/3/4/5			

With larger purchases, a Phase 1, Alta-Survey and the bank required appraisal are added. The long list of due diligence ensures that Stewardship will only be buying quality properties.

INVESTMENT—Financing

Our front-end/back-end financing as described on page 4 should free local investors from the burden of continually looking for capital. This allows them to concentrate on marketing and finding great deals, overseeing the rehab and helping to ensure quality property management.

CONSTRUCTION REHAB

Stewardship’s approach is to fix houses up slightly nicer than the neighborhood around it. This attention to detail attracts the best tenants without overspending on remodeling. Since many of the properties purchased were built in the ‘50’s-70’s, the goal is to “re-create” them for a more modern lifestyle—with attractive curb appeal, a “great room feel,” updated kitchen and appliances, larger master bedrooms and extra baths when possible.

We primarily use our own employees but also high quality contractors and sub-contractors who are willing to work within Stewardship’s guidelines which include a high degree of planning. (All use Home Depot’s Pro-Desk for ordering consistent materials.) This ensures the work is done in a timely manner at a reasonable cost. The company oversees and constantly reviews its employees/contractors’ work as well as their bids to make sure they continue to provide quality, cost effective work. Before work begins a budget is made and then reviewed after the fact to help ensure results are in line with the expectations and adjusted accordingly.



MANAGEMENT—Leasing

Our company-wide name for the sake of branding is *Stewardship Properties*, but local property management companies may want to call themselves something different for the sake of their local market.



In Kansas City, Stewardship has branded itself with its phone number as an easy to remember name for marketing purposes: (816) **333-RENT** and **333Rent.com**. In other markets we offer our partners websites for marketing at no cost to help with marketing and other services as well.

Because Kansas City provides favorable rent-to-cost ratios, the company can afford to price its rentals slightly under market. Fixing up its properties better than the neighbors' properties, yet renting for less, allows us to have our pick of prospective tenants. Such a strategy also helps attract long-term residents who pay their rent on time. We also constantly use our website and craigslist for marketing.

Screening however, is the most important thing. To ensure quality residents the company:

1. Does not accept any evictions no matter how old. (Tenants want to avoid an eviction on their record and if they have none, they are much less likely to allow a first to happen.)
2. Does not accept any violent felonies no matter how old.
3. Does not accept any recent felonies.
4. Requires 3 times the monthly rent in income and a strong employment reference.
5. Requires strong reference or a co-signer if they don't have much of a rental history.

MANAGEMENT—Collections

Collections, especially in working class neighborhoods, are of the utmost importance. By having strict screening, the company avoids most collections issues. But when collection problems occur, it is best to deal with them quickly.

We offer residents one payment plan. If they fail to keep up, an attempt is made to come to an agreement for them to move (as to save an eviction on their record and the eviction costs). If that fails too, we move quickly to evict as to avoid losing any more rent.

MANAGEMENT—Accounting

Keeping up-to-date records is critical for self-evaluation and financing, so Stewardship puts extra emphasis on keeping the books in great shape. The company uses a powerful web-based software product called *RentManager* for both its property management and accounting. This product cost \$75 per month per workstation. It allows us to access rental incomes, operations expenses along with its construction/rehab expenses from any office in real time. Eugene Stewardship's office gives support to other offices as needed.

MAINTENANCE

Stewardship intends to provide its residents with high quality housing so they will stay a long time and recommend their friends and family. To that end, the company has an on-staff maintenance crew and, if possible, a shop/garage to operate from. The company makes sure to deal with all emergencies that same day and all maintenance concerns within a week.



The company has also implemented semi-annual maintenance inspections to make sure that long standing problems don't linger. Some residents are hesitant to call in problems, and when it is possible to fix them earlier, it's cheaper and the residents are happier. We assign individuals as responsible solely for turnovers and punch outs on rehabs to make sure vacant properties don't sit around for long.

OTHER: From insurance, to tax appeals, to private lender relations, we make sure to stay on top of every aspect of the business to ensure it isn't leaving any money on the table and is also building a strong reputation.

Stewardship Properties has proven systems in place to grow at a fast but sustainable rate in a unique time in the real estate cycle when a great number of opportunities are available.

STEWARDSHIP'S SMaC LIST—Specific, Methodical and Consistent practices

Acquisition

1. Target areas that are lower-middle and middle working class areas, stay out of high end areas and war zones.
2. Make a large number of offers through multiple mediums (property tours, mailings, craigslist, HUD offers, auctions, etc.). No more than 10% to 15% of the houses and apartments that offers are made on will likely be purchased.
3. Perform thorough due diligence on each acquisition. Houses get a final walkthrough, sewer scoping and foundation check. Apartments get a walkthrough, Phase 1, roof inspection, sewer scope, inspection and verification of the leases and expenses

Finance

4. **Front-End:** Use our own funds or short-term private loans from people who are willing to take a reasonable interest rate and no points prior to rehab and rent-up.
5. **Back-End:** Secure long-term conventional financing sources once groups of properties are rehabbed and rented.

Rehab

6. A scope of work and a preliminary budget will be put together before each rehab. Contractors and employees shall justify any changes to the scope.
7. Employees and contractors will be held to strict due dates to prevent cost overruns and unnecessary holding costs. We will use Home Depot's Pro-Desk to increase efficiencies.
8. Final expenses for each project shall be compared to the preliminary expenses. If there are cost overruns, they need to be justified. Bid out contractors and subcontractors

against each other and always look for new contractors while evaluating those currently working for the company.

Management

9. All available rentals will be marketed aggressively with craigslist, signs, referrals and newspapers, always pointing people to our website. Avoid rent discounts if possible.
10. We shall be very diligent in its screening. While it may vary from building to building, rental criteria include: No evictions without a co-signer, no violent felonies, no recent felonies and strong recommendations from prior landlords. Tenants must make 3 times the monthly rent and have solid employment and personal references.
11. We will be very active in collecting the rent by posting notices shortly after rent is late, calling tenants and knocking on their doors when they are behind. They must fill out a payment plan if they are not to be evicted, which will allow the company to email and text reminders to them. The company will also utilize cash-for-keys to get back each rental property quickly when necessary.

Maintenance

12. Before any property is leased after a rehab or turnover, a systems' check and subsequent punch out shall be performed in a timely manner to ensure a quality product
13. All maintenance concerns shall be sent to the office, in writing, and dealt with in a prompt manner; Emergencies within one day, other requests within a week.

Accounting

Stewardship will be diligent in keeping records up to date so we can monitor progress and spot problems to resolve them in a timely manner. In addition, we automate as much as possible (be paperless/ACH) and monitor to make sure all payments are made.

STEWARDSHIP is looking for a few GOOD MEN and WOMEN



For the right investors the opportunity to partner together in a buy/hold strategy will produce long-term wealth. Such a relationship provides a synergistic mix of local know-how and energy along with the experience and support of a company who has “been there, done that.” Additionally, the Stewardship’s financial resources and brand adds up to an efficient and systems driven approach.

Please let us know if you are interested in applying to become a partner with us. Thanks.

Apply: StewardshipFunding.com • **Contact:** Bill Syrios • 541-221-4242 • bsyrios@hotmail.com