

Sovereign Property Investments
Investment Options for Authorized Investors
(This is for Illustration Purposes Only and does not constitute an investment offer)

Option 1 – Equity Investment

- **Definition:** In an equity investment you purchase an ownership stake in the business. This ownership stake entitles you to share in all profit and loss that the business experiences.
- **How do I make money?**
 - Warning: Actual results may vary from the forecast. There are risks associated with this investment and it is possible to lose up to all of the money that you invest. It is the responsibility of the investor to understand the risks. We advise that you seek financial advice from a qualified advisor.
 - Profit Distributions – As the business brings in cashflow we will periodically pay out dividends to investors in proportion to their equity position (how much money they invested).
 - We anticipate that the dividends will be paid out 1 - 2 times per year depending on the cashflow of the business. Our goal is to maintain an appropriate amount of capital in the business and pay out all excess cash in the form of dividends.
 - Profit on Sale of Business – After we rehab the building and create a stable business, we are planning to sell the business. We estimate that this process will take 5-10 years, but it could be longer or shorter depending on market conditions or other factors. When we sell the business the gain or loss on the sale will be distributed to investors in accordance to their equity position (how much money they invested).
- **Pros**
 - Higher potential for making money
 - Projected Compounding Annual Rate of Return: 8% - 10% *Actual results will likely vary from projection*
 - It is possible for the actual results to be higher or lower than the projected results depending on business operations, the real estate market, and other factors.
- **Cons**
 - Higher Risk – If the business loses money for any reason, the equity partners will share in the loss in proportion to their equity position (how much money they invested).
 - Less consistent payouts
 - Dividends will be paid based on the actual performance of the business. Business results may vary and result in varying dividend payouts in terms of both amount and timing.
 - Unknown total profit – There is no way to know how much money you will make or lose until the completion of the project. This is because the most significant transaction is the sale of the property. The sale price at the end of the project is the single most important part of the project. We will not know what the total distributions will be until the completion of the sale.

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Option 2 – 7% Term Loan (10 Years)

- **Definition:** A loan in which the lender receives *interest payments only* until the end of the loan. The principal is returned to the lender at the end of the loan term or when the property is sold (whichever comes first).
- **How do I make money?**
 - Warning: Actual results may vary from the forecast. There are risks associated with this investment and it is possible to lose up to all of the money that you invest. It is the responsibility of the investor to understand the risks. We advise that you seek financial advice from a qualified advisor.
 - The interest payments will be made monthly.
 - The principal is returned at the end of the loan term or when the property is sold.
- **Pros**
 - Lower Risk
 - Negative business results do not affect the interest payout unless the business defaults on the loan.
 - First Lien on the property – If the business defaults on the loan the lender has the right to sell the property to recover the owed amount.
 - Consistent Payout – Monthly
 - Predetermined profit – The annual interest rate is 7%. For example, if a lender gives us a \$100 loan, they would make \$7 per year (paid in monthly payments).
- **Cons**
 - There is no opportunity to make more money if the business experiences a lot of success.