

MARION CROSSING

MANAGEMENT PROPOSAL

Prepared for Crestone Companies

PRESENTED BY:



November 28th, 2022

Executive Summary

In the interest of providing you with exceptional service, we are honored to present this proposal for the Marion Crossing development in Sioux Falls, South Dakota. This document will outline a plan for marketing, leasing, and managing operations.

Based on preliminary conversations surrounding this upcoming project, our team is both excited and grateful for the opportunity to partner with you.

Thank you for your time and consideration. We look forward to discussing the contents of this report after your review.

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Marion Crossing Analysis

Property Summary

96 apartment units • Sioux Falls, South Dakota

A-class, new build • Workforce Housing

Competitive Analysis

Marion Crossing will be an A-class property in Sioux Falls, SD. As housing demand has continued to increase in the Sioux Falls area, a record-breaking number of permits have been issued two years in a row. As a result, new developments will be competing with each other for the foreseeable future as the market absorbs the newly constructed units. According to our existing portfolio, the west & northwest parts of Sioux Falls have proven to be strong in terms of leasing, but there have been several newly constructed projects that will position themselves as competitors of Marion Crossing. We have therefore prepared an analysis of 4 comparable properties in the area.

Name	Unit Types	Price Range	Price per Square Foot
Lux North	1-bedroom	\$979-\$1,049	\$1.27-\$1.43
	2-bedroom	\$1,175-\$1,225	\$1.25-\$1.27
Hillcrest Heights	1-Bedroom	\$988	\$1.52
	2-bedroom	\$1,185	\$1.27

Pinnacle Point	1-Bedroom	\$935	\$1.44
	2-Bedroom	\$1,165	\$1.25
University Hills Village	Studio	\$695-\$825	\$1.19-\$1.20
	1-Bedroom	\$875-\$975	\$1.15-\$1.19
	2-Bedroom	\$1,300-\$1,400	\$1.11-\$1.16

Rent Comparables by Bedroom

4140 W 54th St N - Pinnacle Point

Bachelor Comps	One Bed Comps	Two Bed Comps	Three Bed Comps
\$816	\$957	\$1,199	\$1,426
Subject	Subject	Subject	Subject
-	\$942	\$1,150	-

Current Conditions in Rent Comps	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom
Total Number of Units	203	1,286	1,473	404
Vacancy Rate	1.0%	4.5%	5.9%	3.4%
Asking Rent Per Unit	\$816	\$957	\$1,199	\$1,426
Asking Rent Per SF	\$1.53	\$1.29	\$1.18	\$1.11
Effective Rents Per Unit	\$814	\$951	\$1,191	\$1,421
Effective Rents Per SF	\$1.53	\$1.28	\$1.17	\$1.10
Concessions	0.2%	0.6%	0.7%	0.4%
Changes Past Year in Rent Comps	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom
Year-Over-Year Effective Rent Growth	4.4%	3.4%	8.3%	6.2%
Year-Over-Year Vacancy Rate Change	-0.4%	0.2%	0.5%	-0.2%
12 Month Absorption in Units	0	41	54	7

Preliminary Rent Estimates

Preliminary rent estimates for Marion Crossing based off of comparable properties:

Unit Types	Price Range (W/Internet)	Price Sq/ft
Studio	\$700-\$850	\$1.35-\$1.49
1-Bedroom	\$1,000-\$1,100	\$1.35-\$1.49
2-Bedroom	\$1,200-\$1,550	\$1.22-\$1.36



Marion Crossing Operations

Operational Summary

A project of this size will require a proficient, knowledgeable, and experienced multifamily property manager. We are confident in our team's ability to successfully oversee the operational functions of the Marion Crossing Apartments.

Staffing

An executive-level team member will serve as the lead manager of property operations and personnel. Property managers specializing in leasing, maintenance, and billing will support the executive.

Marion Crossing has the added advantage of being close to our headquarters & will have access to backup personnel, if necessary. Moreover, hiring in the large metro area of Sioux Falls is much faster and more reliable than it is in smaller markets.

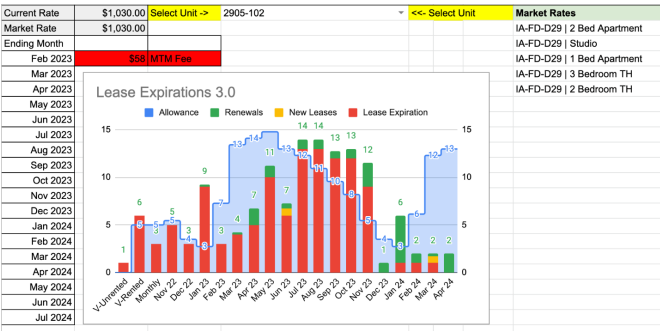
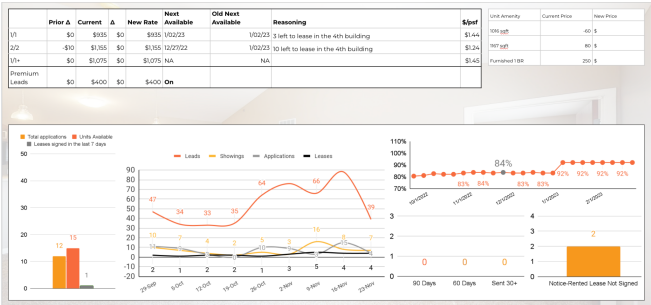
Property manager payroll costs will be managed by Real Property Management Express as part of our management services, and maintenance payroll costs will be charged to the property.

Leasing

An occupied property at market rate rent amounts is the priority. Accordingly, leasing is our highest priority & an area where our team excels. Our team manages some of the competitive multifamily properties in the area, and we are very familiar with the Sioux Falls housing market.

Our position also provides a unique opportunity to cross-sell with the rest of our portfolio, to identify demand and price trends at other communities, and to make beneficial adjustments accordingly.

Rent Rate Adjustments Weekly - The rental market is dynamic. Rent pricing should be dynamic, too. Supply, demand, & other factors cause frequent shifts in what prospective residents are willing to pay for an apartment. Real Property Management Express will leverage real time information during weekly leasing meetings to make continual, responsive & specific adjustments to rent rates according to market demand.



Rent Optimizer - Our proprietary, data-driven tool for optimizing rent rates is at your service. Based on available supply and a specific target number of lease expirations, Rent Optimizer provides clarity to property managers in rent quotes and confidence to investors that their property is driving market rents. It also spreads out lease expirations appropriately and establishes a fair, competitive, market-driving rent price for all units.

Rent Optimizer costs \$1.05 per unit per month, or \$102.90 monthly plus tax.

This tool replaces other revenue management tools, resulting in cost savings for the property. We are including the cost of Rent Optimizer in the operating budget.

Automated Leasing Tools - We employ a self-learning AI leasing tool that we have used to increase our leasing capabilities exponentially. Coupled with our onsite leasing agents and property managers, this automation helps deliver impeccably consistent service by booking showings 24/7.



Normally, the cost of this feature is \$2.50 per unit per month. *You get this benefit as part of your normal management fee.*

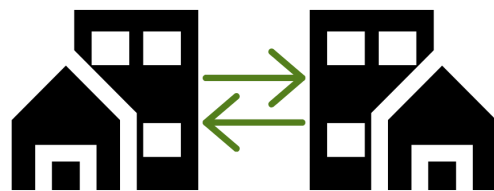
SayRhino & Obligo - Faster leasing, better protection. Prospective residents want flexibility and property owners want to be insulated from risk. Surety bonds and debit authorizations allow us to rent to more people, more quickly, while providing better coverage of damage and rents.

With almost 2 years of usage, we have a 100% claim pay-out rate through Rhino, with 1 extreme example of a claim yielding over \$5,000 to the property for make-ready repairs. From the start of marketing at Marion Crossing, we will ensure the property & residents leverage the benefits of security deposit alternatives.



Smooth Unit Turns - A smooth turn starts with a smooth renewal and notice-to-vacate process. Real Property Management Express takes great pride in quick and efficient apartment turns. We actively nurture our expiring leases 90-120 days ahead of expiration to either get a renewal or establish a move-out date so we can replace them within 7-14 days of the move-out. In tight-vacancy markets, we have even solicited notices to vacate to feed our waitlists & drive the rent per occupied unit. We have reduced our 12-month average turnover and days vacant to 7 days, down from 30 days just 24 months ago.

Extensive Resident Network - Any property manager can advertise your property on the open market where many other properties are also competing for attention. With our extensive presence in the Sioux Falls area, we have a network of current residents and a large pipeline of prospects. Often, unit availability, unit layouts, or particular amenities make one property fall short of what a lead is looking for. We will leverage our resident network to accelerate the rent per occupied unit & occupancy of the Marion Crossing project.



Maintenance

We have extensive experience managing in-house maintenance technicians to address maintenance concerns. Moreover, our network of vendors in Sioux Falls has been built over the course of 12 years in business. We are confident that the property will be kept tidy, functional, and in sound structural condition under our oversight. We anticipate pro-forma estimates will be generally accurate and are confident in our ability to keep operating expenses at or beneath budgeted expectations.

Maintenance labor is a pass-through expense for this property, meaning lower margins on maintenance work are dropped right to your bottom line.



Marion Crossing Marketing & Leasing

Summary

The greatest driver of revenue is a strong leasing pipeline. A new property needs an initial kickstart to get it on the map. Once the property is stabilized, marketing spend can be reduced to sustainability levels.

That being said, we believe there are some ways we can save you marketing costs while still delivering top-notch property performance.

Marketing Essentials

Projects of this size in Sioux Falls typically allocate 1% - 2% of revenue toward the marketing budget.

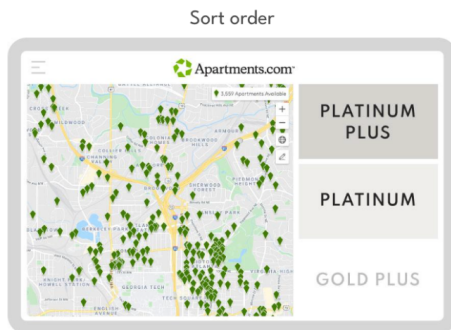
Apartments.com - Apartments.com is consistently the best source of leasing leads. The Platinum Plus listing package will cost an estimated \$1,689/month per month. This package will give Marion Crossing a competitive advantage over its main competitors, Pinnacle Point Apartments, The Brixx Apartments, and University Hills Village. The Platinum Plus package also guarantees first page results on the Apartments.com website. In addition to receiving high-quality leads from Apartments.com, our search engine optimization (SEO) will significantly improve by having Marion Crossing listed on one of the top property rental websites in the nation. Stronger SEO means landing higher in organic search results.

Cross Selling Leads - Selecting Real Property Management Express as your property manager means your property benefits from the lead pipeline of a competitor property! While managing both Marion Crossing and Pinnacle Point Apartments, leads who do not find quite what they are looking for at Pinnacle Point may be persuaded to tour Marion Crossing and vice versa. This will provide additional marketing value for the property.

PLATINUM PLUS

20% MORE EXPOSURE THAN PLATINUM

- Appears at top of Platinum listings
- 8 virtual tours
- 55 hi-res photos
- Includes all Platinum features



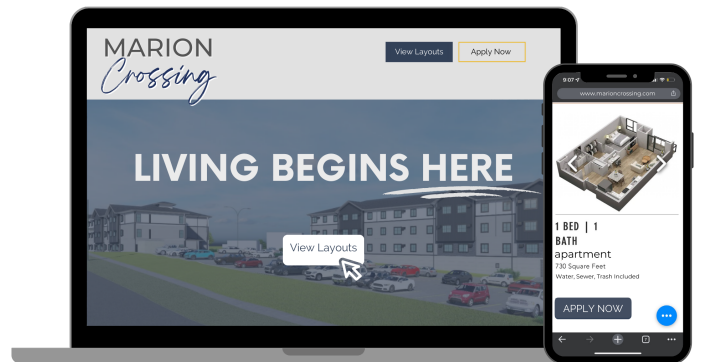
EXPOSURE

- Sorts above Gold Plus listings
- Large ad size
- Listing on 8 websites
- Property ads on Facebook, Instagram, and all across the web

LISTING FEATURES

- 6 virtual tours (4 produced)
- 50 hi-res photos (30 produced)
- Image carousel on search results
- Link to property website URL
- Rent specials on placard

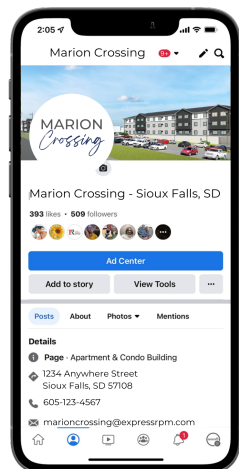
Dedicated Website - A brand-new complex such as Marion Crossing deserves a website as impressive as the asset itself. A remarkable property website is a carefully crafted sales tool. Your website should act as your sales funnel, speaking to prospective residents 24 hours a day, 7 days a week. It should be easy to navigate and should have a clear message, told with high quality graphics, impactful language, and clear calls to action.



By bringing this in-house, we have cut your cost significantly while still providing a high-quality website. The website will cost \$2,495 to build and approximately \$480 annually to host. After the initial build, updates will be billed at \$70/hour. This cost is significantly less than what you would incur using other website builders. Competing website builders will charge between \$2,800 and \$4,000 for the creation alone. By bringing this in-house, we can cut your cost significantly while still providing a high quality website.

Open Houses - As soon as the community room or first units are ready, we will conduct hard hat tours at the property to maximize pre-leasing opportunities. An estimated \$50 per month would cover the cost of those open houses.

Photos & 3D Tours - Virtual showings are more popular than ever before & we have seen a significant number of leases signed with the applicant never having physically visited the property. To take full advantage of the market desire for virtual leasing, we will leverage the power of the Matterport camera to create 3D tours of the units. There is a \$25 per month charge associated with hosting those tours online.



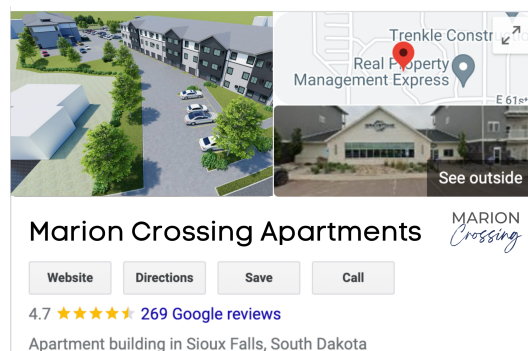
Social Media - Facebook pages are great for apartment communities' access to potential renters. This platform should receive new posts regularly to stay relevant and up to date. Our marketing team will create and manage the new Facebook page for Marion Crossing. We will post multiple times throughout the week, and engage with the online community.

Brochures - A prospect leaving a showing without any collateral is an unlikely lease signer. A professionally printed brochure is a great leasing tool during the lease-up phase & beyond because it gives the prospective resident something to take home with them. We expect to print 500 brochures at a time, and will likely order twice within the first 12 months. On similar projects, we have found that allocating \$500 to this form of marketing is sufficient.

AppFolio Premium Leads - Premium leads are sponsored ad spots on our syndicated marketing platforms. Each lead costs \$10, and Appfolio allows our team to edit and toggle lead spend up or down depending on our need for additional traffic. We recommend enabling premium leads at Marion Crossing and setting a spending cap based on available room in the marketing budget. For properties of this size, allocating anywhere from \$200 to \$300 per month is essential.

Accelerated Reviews - We will be intentional about soliciting reviews early & often for the Marion Crossing Apartment project. Renters relate to other renters, and praise of the property carries more weight coming from a resident than a leasing agent. Being able to confidently encourage prospects to check out our Google reviews is a powerful piece of leasing leverage.

We have found great success on other projects in the nearby market by piling up the great reviews. Positive reviews do not happen automatically. It takes sustained effort on our part to build up a quality online reputation. We encourage our properties to pay a \$20 bonus to the employee who solicits any 4 or 5-star review. We will aim to solicit 4-5 reviews per month.



Marketing Essentials - Budget

The Essentials	Note	One-Time	Monthly
Apartments.com Platinum Plus Listing	A Platinum Plus advertising package on Apartments.com will increase online exposure.		\$1,689
Website Creation & Hosting	\$2,495 includes the initial creation and hosting/domain fees for the first year. Hosting/domain fees will cost \$480 on an annual basis.	\$2,495	
Open Houses	Hard hat tours and open houses in the community room as soon as the buildings are approved for visitors.		\$50
Photos & 3D Tours	Matterport camera 3D tours. This is the cost of hosting them online monthly.		\$25
Brochures & Print Materials	Professionally printed brochures are great leasing tools. During lease up, we expect to print 500 brochures at a time. We anticipate ordering twice in the first year.	\$500	
AppFolio Premium Leads	\$10 per premium ad lead. \$250 max per month.		\$250
Facebook Advertising	Can adjust spending as needed.		As needed
Google Review Bonuses	Estimated \$20/review x 1/week x 4 weeks		\$80
RPM Marketing Fee ¹	0.5% of revenue		\$485
Total		\$2,995	\$2,579

¹ RPM marketing fee includes: graphic creation (i.e social media, flyers, promotions, events), brochure design & printing, Apartments.com management, Facebook advertising management, Rent Optimizer, Matterport scan creation, and management of resident events

Management Proposal - Option 1

We propose a simple management fee structure that has been proven to be easy & profitable for other large multi-family investors in the Sioux Falls area.

- During Lease Up
 - 8% management fee
 - 50% of monthly rent for first lease on each unit
 - ***\$0 manager salary***
 - ***\$0 free rent for manager***
- After each unit has been leased for the first time
 - 8% management fee
 - ***\$0 leasing fee***
 - ***\$0 re-leasing fee***
 - ***\$0 renewal fee***
 - ***\$0 manager salary***
 - ***\$0 manager taxes and benefits***
 - ***\$0 free rent for manager***

This approach provides simplicity for the investor, clarity around expectations, and alignment of incentives between investor and manager. The property manager wins when the property wins.

Benefits

- Excellent property performance.
- Leverage the experience & success of a local property management company & trusted operator.
- Proactive reporting focused on what you, the customer, care about.

Management Proposal - Option 2

Alternatively, we devised a potential solution which provides the same benefits outlined in Option 1 above, but which discounts management fees in exchange for equity in the project.

- During Lease Up
 - ~~8%~~ 6% management fee
 - 3% equity in the project in return for the 2% management fee discount
 - 50% of monthly rent for first lease on each unit
 - **\$0 manager salary**
 - **\$0 free rent for manager**
- After each unit has been leased for the first time
 - ~~8%~~ 6% management fee
 - 3% equity in the project in return for the 2% management fee discount
 - **\$0 leasing fee**
 - **\$0 re-leasing fee**
 - **\$0 renewal fee**
 - **\$0 manager salary**
 - **\$0 manager taxes and benefits**
 - **\$0 free rent for manager**

Benefits

- Excellent property performance.
- Leverage the experience & success of a local property management company & trusted operator.
- Proactive reporting focused on what you, the customer, care about.
- Improved cash flow for the project.
- Enhanced NOI & better corresponding sale price.



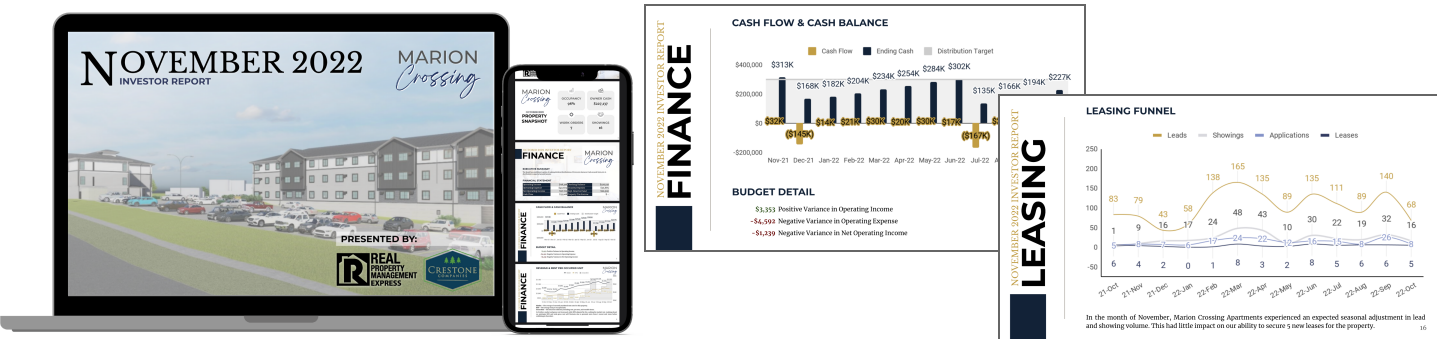
Marion Crossing Asset Management

Reporting

You deserve to know how your property is performing on a monthly basis. You will receive timely, robust, accurate investor reports and financials.

Your monthly reports will include metrics like rent per occupied unit, occupancy trends, marketing efforts, lead conversion rates, budget variances, delinquency, & in-depth financial statements.

Our reports do the heavy lifting so you can spend more time doing the things that you love. We are committed to continual improvement in our reporting practices. We will always aim to deliver more timely, more accurate, and more actionable intelligence to our investors.



Innovation

Everyone is a genius in a bull market. What worked yesterday, might work today, but probably won't work tomorrow. When a downturn in the market does happen, the investors who have the best property & asset managers will survive & thrive.

Liberty Capital Consulting's asset management has led to the following innovations in the last 24 months alone:

1. **Appfolio Investment Manager** with Investor Portal to track reports, contributions, distributions, return of capital, cash on cash, IRR, and equity multiple returns.
2. Portfolio-wide implementation of **SayRhino**.
3. Research, testing, & implementation of **Obligo**.
4. Investment management software for tracking syndication structures, positions & disbursements.
5. **Door fees** & revenue sharing with local internet providers.
6. Proprietary **Rent Optimizer** tool for maximizing revenue & mitigating turnover risk.
7. Research, testing, & implementation of the leasing AI, **Lisa**.
8. **Customized reporting** which adapts to requests from investors.

Pro Forma Development

How much would rent be for this type of unit? What expense ratio should this property sustain? What is the typical monthly expense for common area cleaning?

Building a pro forma is critically important when determining whether or not a property is a quality investment or not. A well-formulated pro forma helps in raising capital for projects & gives the deal sponsor(s) a sense of confidence that their project is a worth-while investment.

We will leverage our industry experience & data to sharpen your pro forma to ensure the projected income & expense is accurate based on today's market, including comparison to the average rates in our wider portfolio.

Budgeting

A pro forma is obsolete the day a project finishes the construction phase. Rent amounts change, expenses fluctuate, & market conditions can impact vacancy rates. It is for those reasons that an annual operating budget for the property is necessary.

We will leverage the data from our thousands of rental units & our understanding of the market to create annual budgets to ensure the property is running at peak performance.

Asset Management Proposal

We propose a simple asset management fee structure that has been proven to be easy & profitable for other large multi-family projects in the Sioux Falls area.

1.5% Asset Management Fee.

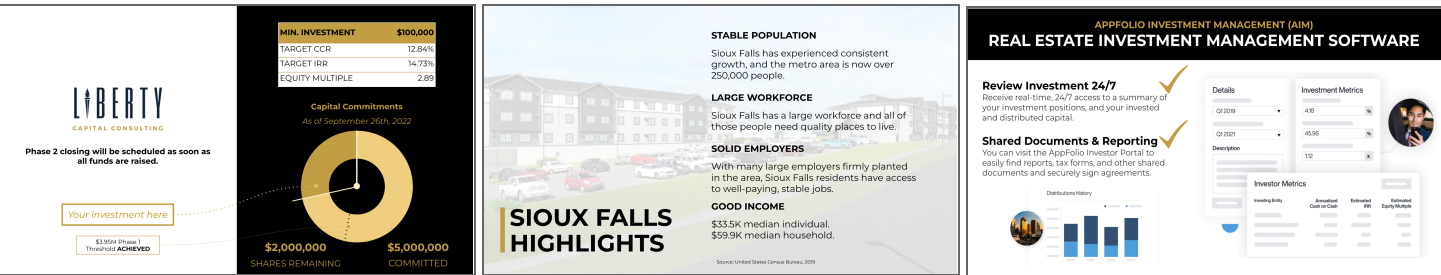
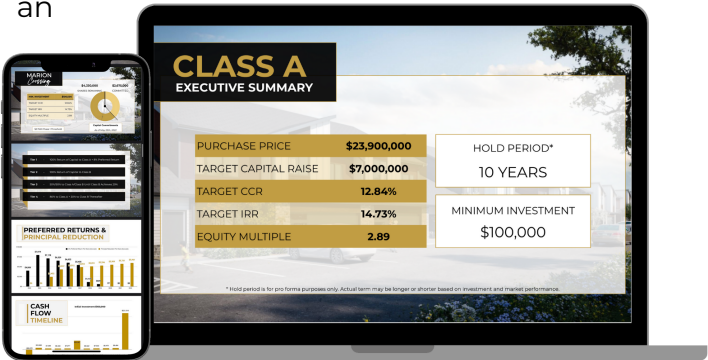


Marion Crossing Capital Raise

Robust Presentation

Investors need to understand the details of an investment. It is the responsibility of the deal sponsor to present the investment details in a way that is easy to understand. Furthermore, investors need to feel as though the assumptions found in the deal are driven by sound data & experience.

Liberty Capital will leverage their in-house marketing experience & property data to create a robust slide deck presentation that helps prospective investors make an informed decision about the investment opportunity.



Prospective Investors

Raising capital for real estate projects is strictly regulated. *Marion Crossing is filed as a Regulation B offering which means the investors need to have a pre-existing relationship with the sponsor of the deal to invest funds.* Raising funds under Regulation B can be quite challenging without an established track record and/or an extensive network of accredited investors.

Liberty Capital Consulting will present the Marion Crossing offering to their network of investors who have a track record of investing in real estate projects like this one, giving your project access to our investor pool.

Administration

Identifying & converting investors is only part of the capital raising process. Tracking commitments, gathering signatures & communicating updates are additional responsibilities of the deal sponsor.

Liberty Capital Consulting will track, administer, & communicate with all of their investors to ensure accuracy & consistency throughout the capital raising process.

Capital Raise Proposal

We propose a simple pricing model that allows for you to pay for performance. If Liberty Capital Consulting fails to raise capital, you pay nothing. You only pay for capital raised, nothing more.

6% of capital raised.

Conclusion

You are a developer and deal maker creating opportunities and assembling teams. You need a partner you can trust to manage the nuts and bolts of the investment once it is live.

We are an ambitious, entrepreneurial team dedicated to driving the performance of this one-of-a-kind development. Our goal is to provide strong and growing value to clients through exceptional asset management.

As always, we appreciate your consideration and the opportunity to serve. We are honored to present this management proposal, and we look forward to discussing the next steps in greater detail.

Respectfully,

Brent Zomer, CRO
Merlin Huff, President
Josh Kattenberg, CEO