

# Kansas City MH Portfolio in OZ

Investor Offering Memorandum

*A \$6.0M Fund Focused on 3 Communities in Kansas City*



SARATOGA  
GROUP

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# Saratoga Group Team



**Sam Hales - CEO**

Private Equity Real Estate fund manager with \$360M AUM and Founder of the Saratoga Group. Sam has 15 years of Real Estate and Management experience in distressed asset workouts, land development, redevelopment and lease options. Aside from being the lead investor/developer in the entitlement and development of large tracts of land, since 2009, he has been actively purchasing single-family properties in the Sacramento and Bay Area markets. He has developed/purchased office buildings, industrial buildings, and multi-family buildings and is developing a boutique hotel. Sam is passionate about helping local communities. He is an active member of the Auburn Economic Development Council. Sam currently sits on the board for Auburn Sutter Faith Hospital and volunteers with local Boy Scout and Church youth groups. Sam received his MBA from The Wharton School of Business with an emphasis in Finance and a BS from BYU in Chemical Engineering.



**Kaitlin Do-Luong – CFO**

Kaitlin Do-Luong assumes the esteemed role of Chief Financial Officer at Saratoga Group, bringing with her a wealth of expertise and strong leadership capabilities. Previously serving as the CFO during Saratoga's focused efforts in acquiring single-family homes in California, Kaitlin's experience showcases her profound understanding of the real estate industry and financial management. Despite her California base, Kaitlin proactively engages with the company's operations, making regular visits to the primary office in Knoxville. Looking ahead, Kaitlin's appointment as CFO reflects a strategic decision by Saratoga Group, leveraging her extensive background in mergers and acquisitions (M&A) to adeptly navigate challenges and seize opportunities associated with acquiring larger portfolios of communities. Her invaluable expertise will be instrumental as Saratoga embarks on new ventures and expands its horizons in 2023 and beyond.



**Shawn Felkley – CPO**

Shawn Felkley is the Chief People Officer (CPO) for Saratoga Group, Inc. Shawn has been a trusted advisor in people operations with over 25 years of experience in leadership roles. Prior to Saratoga, she most recently operated as Vice President of Human Resources for 4 years for a Real Estate & Development firm with over \$884m in assets. Shawn is a community advocate, holding board of director positions for multiple well-known non-profit organizations. She has been awarded by non-profit organizations, the Influencer Award and Volunteer of the Year (twice). She has received two business awards, including Regional Community Support Diamond award, and Marketer of the Year award from a Nationally known brand. Shawn holds her Bachelors Degree in Business Management, SHRM-CP® and PHR® certifications, and a Human Resources Executive Development certification from the University of Michigan.



**Luke Hales – CTO**

Luke received his Bachelors and Masters in Civil Engineering from BYU with high honors. He went on to work for ExxonMobil for over a decade, working on multibillion-dollar oil/gas developments in places like PNG, Qatar, India and Indonesia. Luke left the oil industry in 2013, purchased a small organic farm, and began flipping properties in middle TN and Kentucky. Luke was an investor in Saratoga Group since its inception and then joined the company in March 2018. As the CTO he oversees all the capital projects for improving and expanding our communities. Luke's passion is finding distressed trailer parks and turning them into stable, safe, and inviting communities for families and children. If you ask him how he likes the mobile home space he is quick to reply, "Never a boring day!" Luke is fluent in Spanish and very involved in his church congregation and serving the youth and Spanish-speaking members.



**Steve Sacher – COO**

Steve received his Masters in Executive Leadership and Management and is passionate about developing a strong company culture leading to increased engagement and performance. There is nothing that excites Steve more than developing emerging leaders and improving operational efficiencies. Since 2017, Steve has had significant success in transforming distressed mobile home parks into thriving communities. This rewarding work benefits the staff, residents, and investors. Steve is an active member of his church and sits on the board of Health Education Africa Resource Team where he has completed 10 trips to Kenya focusing on community-driven development. In his free time, Steve loves to spend time outdoors with his wife and two boys.



# Opportunity Overview

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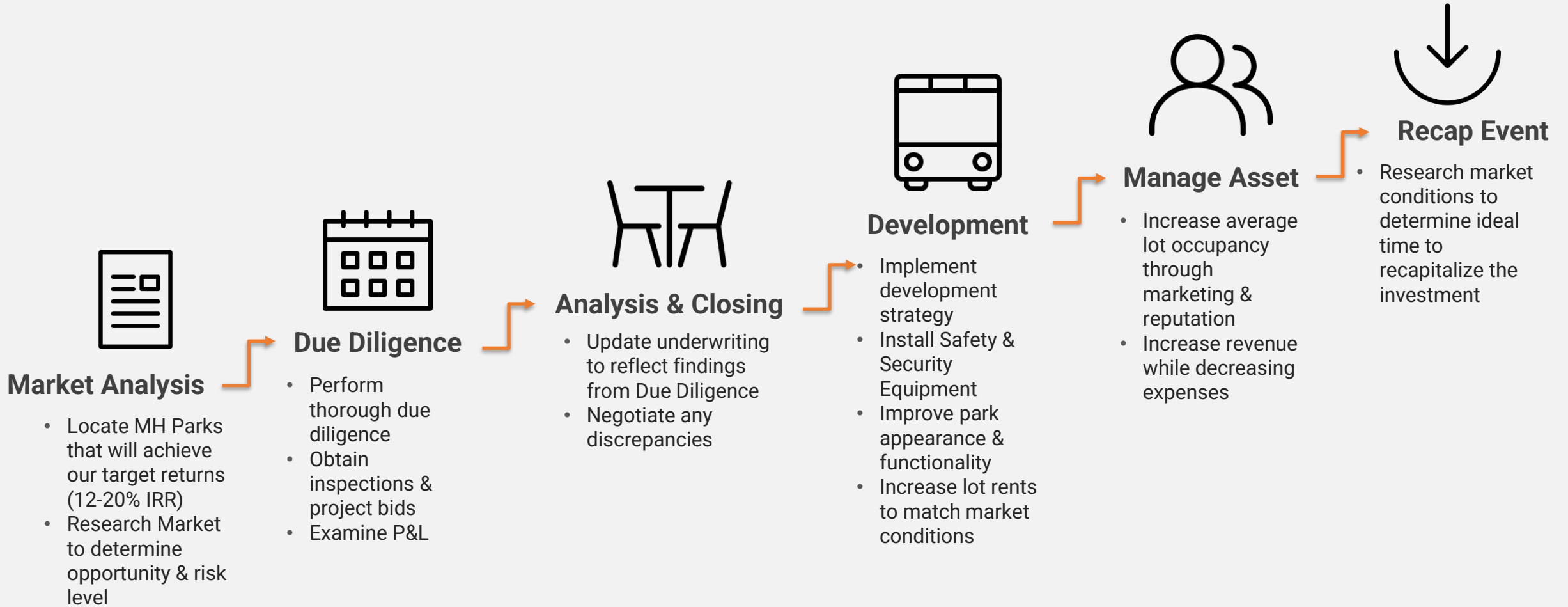
## Target Raise: \$6.0M

### 3 MH Communities

- Total of 7 MH communities in the portfolio. However, 4 of them are located outside Opportunity Zones and are being purchased in a separate Fund.
- These properties were purchased by another operator over the last 4 years. They need to sell to meet financial obligations.
- Saratoga Group Established in 2009 as Private Equity Investment Manager
- \$360M in AUM
- Over 90% of the MHPs nation-wide are owned by “mom and pop” operators who have not raised rents to keep up with competitive housing.

Portfolio was in escrow with a different buyer in Oct 2022 for 35% more than our purchase price!

# Implementation & Process






# Property Locations in Kansas City

**Target Raise: \$6.0M**

**3 MH Communities**

- Refinance in 5-7 years
- We currently own/operate 2 communities in KC. With this portfolio purchase it will be a total of 9 communities and 598 pads.
- Hold & Operate Indefinitely (10 year investor commitment)



-  Current SG Communities (144 Lots)
-  Acquisitions (233 Lots in non-OZ fund)
-  OZ Acquisitions (221 Lots)

# Timeline of Growth

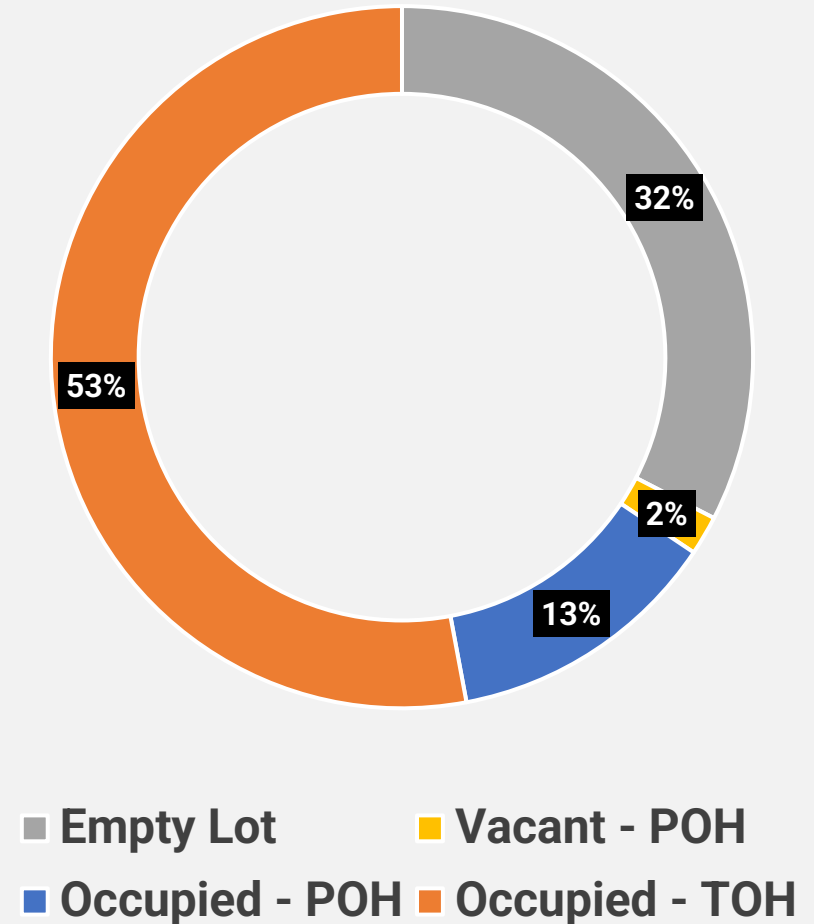
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**Fund Launch: July 2023**

## Objectives:

- Protect Investment Capital
  - Provide Cash Flow
  - Incremental increases in NOI and Value
1. 3 Communities in the Kansas City Metro with 221 lots
  2. Distributions to commence after 1 full quarter of operation
  3. Currently 66% occupied

## Total Lots



# Four Seasons

Warrensburg, MO

**Purchase Date – Aug 2023**

**Purchase Price – \$1,970,000**

**Lot Count – 102 lots**



## Summary Statistics

Initial CAP Rate	13.0%
Investor IRR	14.2%
Initial Occupancy	49%
Occupancy @ 5 Years	95%
Equity Multiple	2.8

### Management:

- Heavy infill requirements. Projecting a pace of about 10 homes per year
- \$350/mo. → \$400/mo. Year 1 rent increase
- Modest rent increases of \$25/mo. projected for the first 5 years (3% per year for years 6-10)

**Cap. Expenditure Budget – \$1,620,000**

### Project Breakdown:

\$34,000 – Tree Removal and Trimming  
\$702,000 – Repave Streets and Driveways  
\$375,000 – Prepping Lots for New Homes  
\$96,000 – Water/Sewer Replacement  
\$60,000 – New Playground



# Lincoln Park

*Ottawa, KS*

**Purchase Date – Aug 2023**

**Purchase Price – \$1,822,000**

**Lot Count – 46 lots**



## Summary Statistics

Initial CAP Rate	7.4%
Investor IRR	13.9%
Initial Occupancy	98.0%
Occupancy @ 5 Years	95.0%
Equity Multiple	3.2

### Management:

- \$75 Rent increase in Year 1  
\$325/mo. → \$400/mo.

**Cap. Expenditure Budget – \$180,000**

### Project Breakdown:

\$56,000 – Tree Removal and Trimming  
\$51,000 – Asphalt Repairs  
\$15,000 – New Monument Signage

# Majestic Hills

*Excelsior Springs, MO*

**Purchase Date – Aug 2023**

**Purchase Price – \$1,693,000**

**Lot Count – 73 lots**



## Summary Statistics

Initial CAP Rate	10.5%
Investor IRR	14.2%
Initial Occupancy	68.5%
Occupancy @ 5 Years	95.0%
Equity Multiple	2.8

### Management:

- \$317/mo. → 375/mo. Year 1 Rent Increase
- Bring in new homes to fill remaining empty lots

**Cap. Expenditure Budget – \$872,000**

### Project Breakdown:

- \$288,000 – New Concrete Driveways
- \$75,200 – Tree Trim & Removal
- \$10,000 – Landmark Sign
- \$30,000 – Street Lights
- \$94,000 – Water/Sewer/Electrical Upgrades
- \$132,000 – Street and Paving

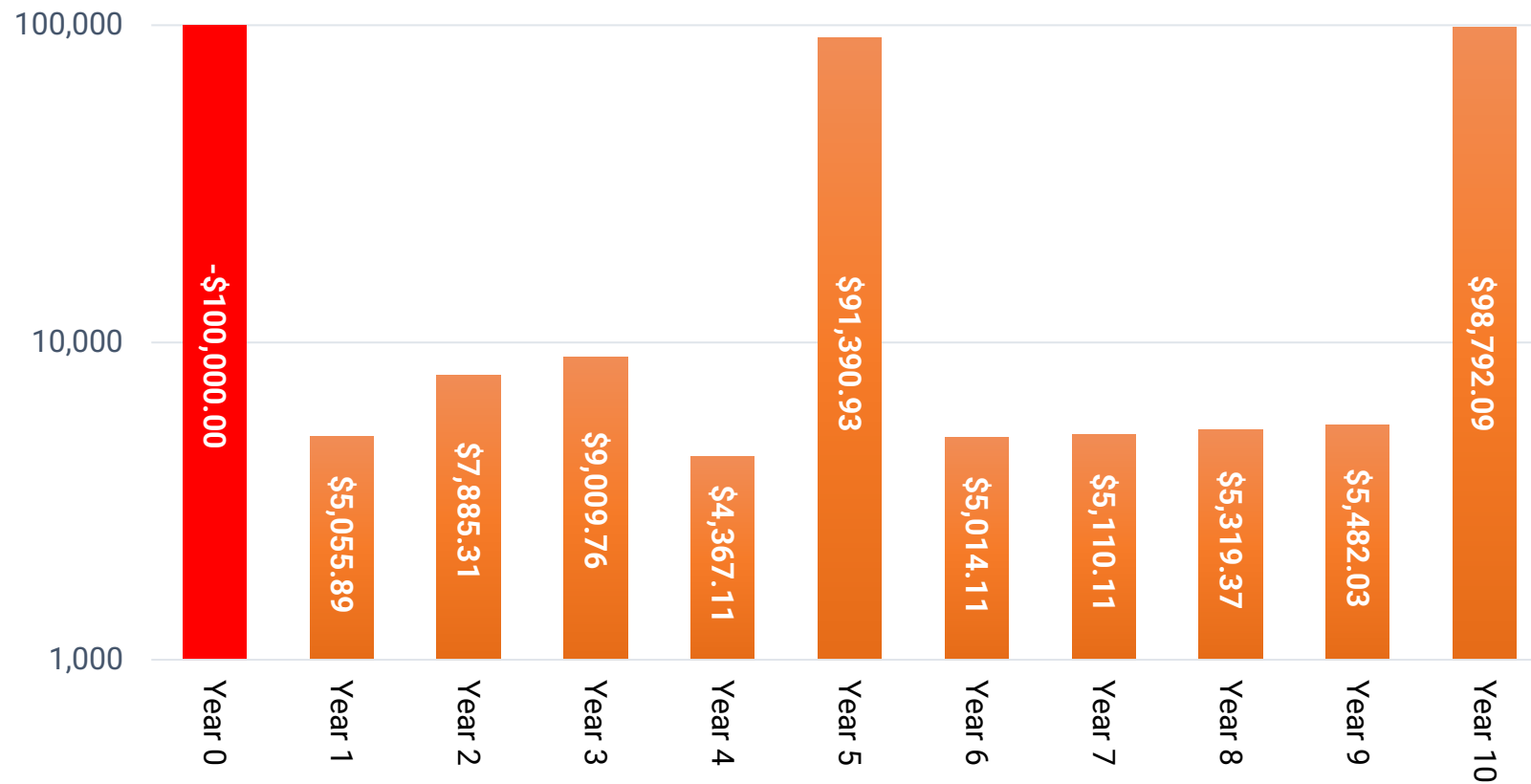
# Rent Comps

Park Name	Address	Avg. Lot Rent	Incl. Utilities
Majestic Hills	Excelsior Springs, MO	\$317	Landscaping Included, Gas, Water/Sewer, Electric, & Trash Billed to Tenant
Twin Lakes	1114 State Hwy H Excelsior Springs, MO 64024	\$335	N/A
Liberty Village	2343 Dogwood St. Liberty, MO 64068	\$482	Gas, Water/Sewer, Electric, & Trash Billed to Tenant
Ferrelwoods MHC	201 6th St. Ferrelview, MO 64163	\$478	Gas, Water/Sewer, Electric, & Trash Billed to Tenant

Park Name	Address	Avg. Lot Rent	Incl. Utilities
Lincoln Park	Ottawa, KS	\$370	Landscaping and Trash Included, Gas, Water/Sewer, & Electric Billed to Tenant
Cherrywoods	711 E Garfield St. Ottawa, KS	\$360	Gas, Water/Sewer, Electric, & Trash Billed to Tenant
Acres Estates	601 S Burroughs St. Ottawa, KS	\$340	Gas, Water/Sewer, Electric, & Trash Billed to Tenant

*\*We already own the competitive park to Four Seasons in Warrensburg. Our rents are \$448/mo. with all utilities included. Cherrywoods and Acres Estates are owned by the same "mom and pop" owner and the rents are artificially low.*

# Cash Flow & IRR Projections



## IRR Projections\*

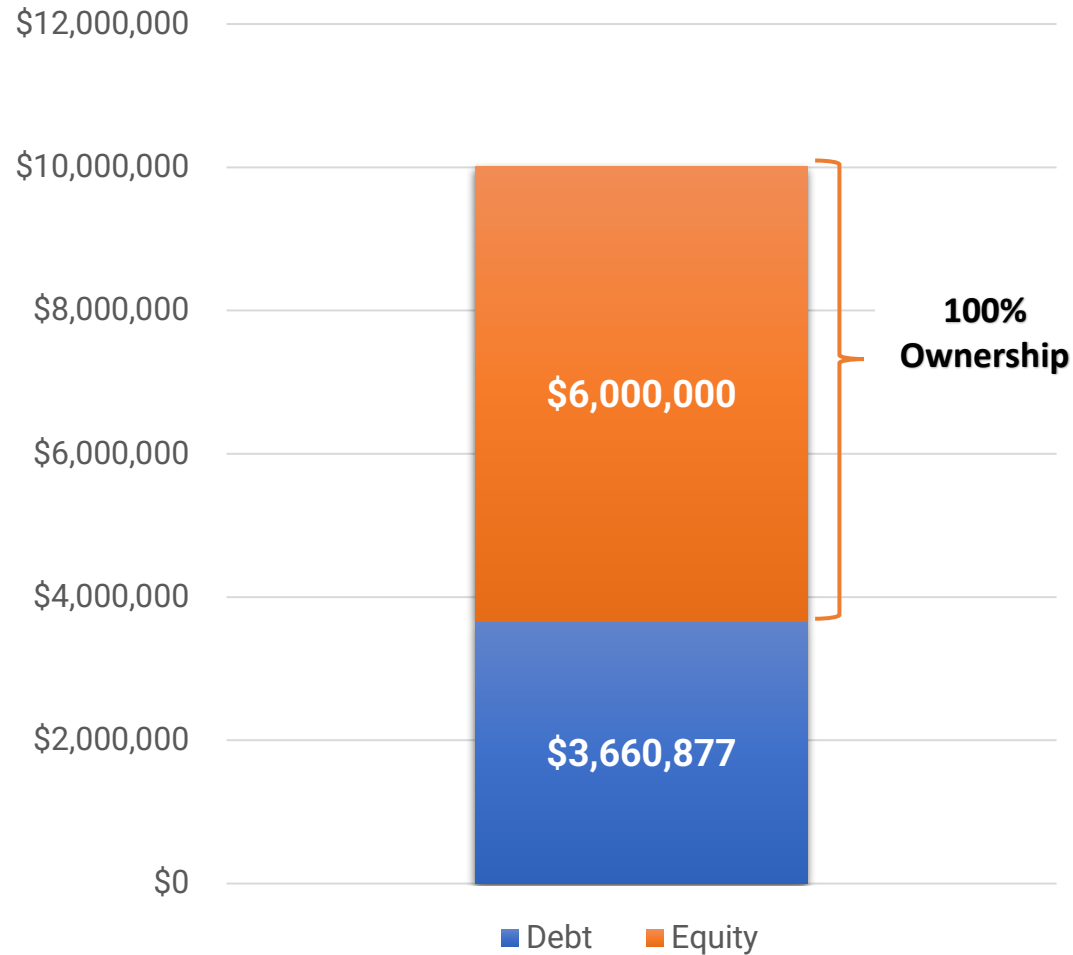
- 16.4% Leveraged Fund
- 12.4% Unlevered Fund

## Investor Returns

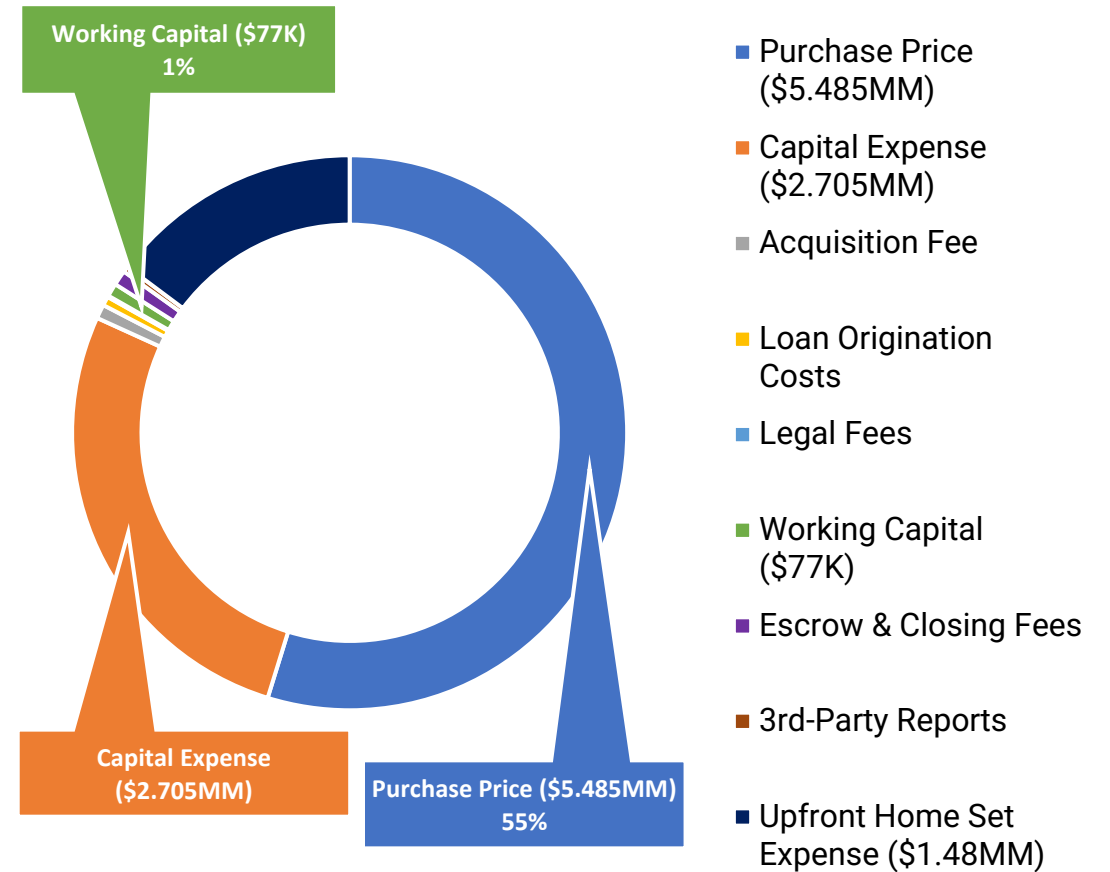
- Leveraged Investor IRR: 14.1%
- Equity Multiple 2.4

*\*based on a 10-year hold*

# Sources & Uses



## Uses Breakdown



# Debt Terms

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- 7.15% Interest Rate
- Five year fixed rate loan
- First two years are interest-only
- 25 year amortization
- 75% LTC at origination
- Midwest Based Regional Bank



# Fees to Sponsor/Manager

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## Manager (Saratoga Group Inc.) fees:

- 1.5% Acquisitions fee of community purchase price
- 1.0% Disposition fee paid upon community sale or refinance
- \$1,000 Commission to manager per home sale
- 1.0% Asset Management Fee of AUM
  - Removed after AUM reaches 0 through refinancing
- 10% Project Management Fee
  - Only applied to large infrastructure, redevelopment or expansion projects

## Additional Fees:

- 7.5% Monthly Property Management Fee of Gross Rents



# Distributions

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- Quarterly Distributions of available funds
- Distributions of available cash resulting from Sale, Refinancing, or Other Capital Event shall be made within 45 days of close

Distribution Waterfall	IRR Hurdle	Split to GP	Split to LP
Preferred Return	Up to 7.0%	0.0%	100.0%
2 <sup>nd</sup> Tier	Up to 14.0%	30.0%	70.0%
3 <sup>rd</sup> Tier	Above 14.0%	50.0%	50.0%





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