

Confidential Private Placement Memorandum  
Last Updated January 1, 2019



Maximum Offering: \$5,000,000  
Minimum Investment: \$5,000  
Offering Price: \$107 Per Share of Class A Common Stock (Non-Voting)

Clark Brothers Capital Corporation  
(a Michigan Corporation)

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**THE SECURITIES BEING OFFERED BY CLARK BROTHERS CAPITAL CORPORATION, A MICHIGAN CORPORATION (THE "COMPANY") (I) MAY ONLY BE SOLD TO "ACCREDITED INVESTORS," WHICH FOR NATURAL PERSONS, ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS, AS SUCH TERM IS DEFINED IN SECURITIES EXCHANGE COMMISSION ("SEC") RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), (II) ARE BEING OFFERED IN RELIANCE ON ONE OR MORE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (III) ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE SECURITIES ACT. THE SEC HAS NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES BEING OFFERED BY THE COMPANY, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE "RESTRICTED SECURITIES" AS THAT TERM IS DEFINED IN RULE 144(A)(3) OF THE SECURITIES ACT. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE COMPANY'S GOVERNING DOCUMENTS, THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.**

**THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (TOGETHER WITH ANY UPDATE, SUPPLEMENT OR AMENDMENT HERETO, THIS “MEMORANDUM”) IS BEING FURNISHED ON A CONFIDENTIAL BASIS TO PROSPECTIVE INVESTORS CONSIDERING THE PURCHASE OF CLASS A COMMON STOCK, NO PAR VALUE (“SHARES” OR “SECURITIES”) OF THE COMPANY. THIS MEMORANDUM CONSTITUTES CONFIDENTIAL AND PROPRIETARY INFORMATION OF THE COMPANY. BY ACCEPTING THIS MEMORANDUM, THE RECIPIENT AGREES NOT TO DIVULGE ANY OF ITS CONTENTS TO ANY PERSON OTHER THAN HIS OR HER ADVISORS CONSULTED CONCERNING THE ADVISABILITY OF INVESTING. THE RECIPIENT ALSO AGREES NOT TO COPY, REPRODUCE, OR RE-DISTRIBUTE THE MEMORANDUM IN WHOLE OR IN PART, AND HE OR SHE FURTHER AGREES TO PROMPTLY RETURN THE MEMORANDUM TO THE COMPANY IF THE RECIPIENT DECIDES NOT TO PURCHASE ANY OF THE SHARES. THIS MEMORANDUM MAY BE AMENDED, UPDATED, SUPPLEMENTED OR OTHERWISE CHANGED AT ANY TIME AND WITHOUT PRIOR NOTICE.**

**THE COMPANY WILL BE AN ILLIQUID INVESTMENT SUBJECT TO SUBSTANTIAL RISK OF LOSS. SEE “CERTAIN RISK FACTORS.” IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SHARES HAVE NOT BEEN APPROVED OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR, PRIOR TO THE SALE OF ANY SHARES TO SUCH INVESTOR, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM REPRESENTATIVES OF THE COMPANY, INCLUDING BY ALLOWING SUCH INVESTOR TO INSPECT THE PROPERTIES.**

**THE SHARES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE, AND ARE OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN CONSIDERING THE PRIOR PERFORMANCE INFORMATION CONTAINED HEREIN, PROSPECTIVE INVESTORS SHOULD BEAR IN MIND THAT PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS AND THAT THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL ACHIEVE COMPARABLE RESULTS.**

**THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE COMPANY’S GOVERNING DOCUMENTS, THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THERE ARE ALSO FURTHER SUBSTANTIAL RESTRICTIONS ON THE TRANSFERABILITY OF THE SHARES UNDER THE COMPANY AMENDED AND RESTATED ARTICLES OF INCORPORATION (“ARTICLES”) AND BYLAWS.**

**NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES FROM AN INVESTMENT IN THE COMPANY. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY. PROSPECTIVE SHAREHOLDERS ARE NOT TO CONSTRUE THIS MEMORANDUM AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT COUNSEL AND ACCOUNTANT FOR ADVICE CONCERNING THE VARIOUS LEGAL, TAX AND ECONOMIC CONSIDERATIONS RELATING THIS INVESTMENT.**

**THIS MEMORANDUM IS BASED ON INFORMATION AVAILABLE AS OF ITS DATE. NEITHER DELIVERY OF THIS MEMORANDUM NOR ANYTHING STATED HEREIN SHOULD BE TAKEN TO IMPLY THAT ANY INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO SUCH DATE. THE OBLIGATIONS OF THE COMPANY ARE SET FORTH IN AND WILL BE GOVERNED BY THE SUBSCRIPTION AGREEMENT, NOTICE OF ISSUANCE, ARTICLES, BYLAWS AND PUT OPTION AGREEMENT, ALL OF WHICH ARE SUBJECT TO REVISION BY THE COMPANY. ALL OF THE STATEMENTS AND INFORMATION CONTAINED HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE AGREEMENTS.**

**CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED OR IS DERIVED FROM SOURCES PREPARED BY THIRD PARTIES. WHILE SUCH INFORMATION IS BELIEVED TO BE ACCURATE, NONE OF THE COMPANY, ITS AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, PARTNERS, SHAREHOLDERS OR AGENTS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OF SUCH INFORMATION. CERTAIN INFORMATION CONTAINED IN THIS MEMORANDUM CONSTITUTES "FORWARD-LOOKING STATEMENTS", WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "ANTICIPATE", "TARGET", "PROJECT", "ESTIMATE", "INTEND", "CONTINUE" OR "BELIEVE", OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. DUE TO VARIOUS RISKS AND UNCERTAINTIES, ACTUAL EVENTS OR RESULTS OR THE ACTUAL PERFORMANCE OF THE COMPANY MAY MATERIALLY DIFFER FROM THOSE REFLECTED OR CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS.**

**NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MEMORANDUM, THE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF (I) THE COMPANY AND (II) ANY OF ITS TRANSACTIONS, AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF THE FIRST DISCUSSIONS BETWEEN THE COMPANY OR ITS REPRESENTATIVES AND THE INVESTOR REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.**

**INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**






## I. Overview

Clark Brothers Capital Corporation (“Company,” “we” or “us”) is a Michigan corporation focused on acquiring, renovating and leasing single-family homes as rental properties. We commenced operations on May 1, 2014 to continue the investment activities of Short South Realty Group, Inc. (“Short South”), which was co-founded in 2005 by John A. Clark, our president and chairman of the board of directors. Our business management, acquisition, renovation and leasing functions are performed by Short South, to whom we pay a fee for such functions.

Our business objective is to use the rent collected from our rental properties to generate dependable, consistent and monthly cash dividends for our shareholders, with a target annual dividend yield of 7.5% based on the original share price of \$100 per share. As of January 1, 2019, the Company had paid dividends to shareholders totaling more than \$280,000.

As of January 1, 2019, we, through our subsidiaries, owned sixteen properties – thirteen single-family properties, one multi-family property and two multi-use property. We have acquired this portfolio using only equity. We intend to use the proceeds raised from this offering, along with cash remaining after the payment of our targeted dividend yield, to continue to acquire and renovate single-family properties in Grand Rapids and other cities in West Michigan.

## II. Our Properties

	Address	Profile	Target Rent	Estimated Cost	Gross Cap Rate
	1637 Jefferson Ave Grand Rapids, MI  Acquisition Date: May 1, 2014	3 Bedrooms 1 Bathrooms	\$800 month	\$60,000	16.00%
	716 Watkins St Grand Rapids, MI  Acquisition Date: May 1, 2014	3 Bedrooms 1.5 Bathrooms	\$850 month	\$60,000	17.00%
	614 Neland Ave Grand Rapids, MI  Acquisition Date: May 1, 2014	3 Bedrooms 1 Bathrooms	\$875 month	\$65,000	16.15%
	742 Neland Ave Grand Rapids, MI  Acquisition Date: May 1, 2014	2 Bedrooms 1 Bathrooms (2 Units)	\$1775 month (2 Units)	\$106,000	20.01%
	831 Watkins St Grand Rapids, MI  Acquisition Date: May 1, 2014	3 Bedrooms 1.5 Bathrooms	\$950 month	\$65,000	17.54%

	1101 Jefferson Ave Grand Rapids, MI  Acquisition Date: May 1, 2014	3 Bedrooms 1 Bathrooms	\$1100 month	\$60,000	22.00%
	735 Alexander St Grand Rapids, MI  Acquisition Date: February 12, 2015	3 Bedrooms 1 Bathrooms	\$715 month	\$50,000	17.16%
	708 Watkins St Grand Rapids, MI  Acquisition Date: March 20, 2015	3 Bedrooms 1 Bathrooms	\$850 month	\$50,000	20.40%
	954 Sigsbee St Grand Rapids, MI  Acquisition Date: October 1, 2015	4 Bedrooms 1.5 Bathrooms	\$1025 month	\$70,000	17.57%
	821 Burton St Grand Rapids, MI  Acquisition Date: October 29, 2015	2 Bedrooms 1 Bathrooms  (2 Units) (Mixed Residential and Commercial)	\$1450 month (2 Units)	\$90,000	19.33%
	614 Prince St Grand Rapids, MI  Acquisition Date: November 17, 2015	3 Bedrooms 1.5 Bathrooms	\$990 month	\$70,000	16.97%
	832 Burton St SE Grand Rapids, MI  Acquisition Date: February 1, 2016	2 Bedrooms 1.0 Bathrooms	\$850 month	\$65,000	15.70%
	936 Prince St SE Grand Rapids, MI  Acquisition Date: May 2, 2016	3 Bedrooms 1.0 Bathrooms	\$995 month	\$65,000	18.37%

	932 Alexander St SE Grand Rapids, MI  Acquisition Date: December 1, 2016	4 Bedrooms 1.0 Bathrooms	\$1000 month	\$60,000	20.00%
	2032 S Division Grand Rapids, MI  Acquisition Date: April 20, 2017	3 Apartments 2 Commercial  (5 Units) (Mixed Residential and Commercial)	\$2300 month	\$150,000	18.40%
	957 Eastern Ave SE Grand Rapids, MI  Acquisition Date: July 18, 2017	4 Bedrooms 1.0 Bathrooms	\$900 month	\$60,000	18.00%

### III. Industry Overview and Market Opportunity

After nearly a decade of continuing appreciation, home prices declined by approximately 35% from the peak in July 2006 to the trough in March 2012 in some of the largest housing markets in the United States (as measured by the S&P/Case-Shiller Composite 20 Home Price Index). We believe that home prices remain significantly below replacement costs in most of these markets, and we believe the same is true in Grand Rapids, Michigan. Compared with the long-run averages and based on the Case-Shiller Home Price Index (CSHPI), we believe homes are significantly undervalued relative to rents, disposable incomes and other assets such as commercial real estate and equities. The CSHPI indicates that home prices are stabilizing, but the recent market dislocation has greatly impacted the composition of the housing industry, the financial profile of the American family, and the lending practices of banks, and has changed public opinion on the merits of homeownership.

Over the next several years, a substantial number of non-performing loans will need to be resolved through foreclosure, short-sale, conversion through a bank deed-for-lease program, or through other channels. We expect home prices to remain under pressure for a sustained period due to this apparent shadow stock. We believe current market conditions present a unique opportunity to purchase single-family homes in Michigan at distressed prices, rent them to tenants, manage and position the assets for revenue growth, stability and capital appreciation, and thereby achieve attractive rates of return.

In particular, we believe Grand Rapids is an ideal investment market. In May 2015, All Property Management, an online network of property management services, released its annual survey of Rental Property Investment Scores (RPI Scores), which is a measure of a market's attractiveness for rental real estate investment. According to All Property Management, Grand Rapids remained as one of the top markets in the Midwest and the Country due to its strong jobs growth, strong rental prices and continued escalation in home prices.

Regional Ranking		National Ranking	Vacancy Rate	Rent Variance	Capitalization Rate	Property Appreciation	Job Growth	Days on Market	Job Avail. Rank <sup>1</sup>	Rental Avail. Rank <sup>2</sup>	T & I Cost Rank <sup>3</sup>
<b>Midwest</b>											
1	Columbus, OH	10	5.50%	9.90%	7.77%	4.20%	1.61%	52	23 <sup>rd</sup>	18 <sup>th</sup>	36 <sup>th</sup>
2	Grand Rapids, MI	18	2.50%	-0.46%	6.94%	6.65%	1.97%	51	33 <sup>rd</sup>	27 <sup>th</sup>	29 <sup>th</sup>
3	Toledo, OH	27	4.40%	3.65%	9.80%	3.86%	2.32%	68	20 <sup>th</sup>	72 <sup>nd</sup>	41 <sup>st</sup>
4	Indianapolis, IN	30	11.20%	0.74%	8.75%	3.74%	2.36%	67	26 <sup>th</sup>	30 <sup>th</sup>	14 <sup>th</sup>
5	Kansas City, MO	35	5.00%	0.93%	8.23%	5.11%	1.71%	65	29 <sup>th</sup>	41 <sup>st</sup>	49 <sup>th</sup>
6	Omaha, NE	36	6.50%	3.24%	7.39%	4.48%	1.15%	44	27 <sup>th</sup>	33 <sup>rd</sup>	57 <sup>th</sup>
7	Detroit, MI	39	8.50%	0.40%	8.17%	7.06%	2.27%	46	39 <sup>th</sup>	66 <sup>th</sup>	50 <sup>th</sup>
8	Cincinnati, OH	40	15.20%	5.83%	8.16%	3.21%	2.20%	68	35 <sup>th</sup>	48 <sup>th</sup>	26 <sup>th</sup>
9	Minneapolis, MN	42	6.70%	2.03%	6.69%	3.60%	1.66%	51	24 <sup>th</sup>	29 <sup>th</sup>	51 <sup>st</sup>
10	Cleveland, OH	45	6.10%	-1.69%	9.50%	5.21%	1.41%	73	25 <sup>th</sup>	70 <sup>th</sup>	29 <sup>th</sup>
11	Akron, OH	48	14.60%	3.86%	7.25%	5.53%	0.00%	66	3 <sup>rd</sup>	59 <sup>th</sup>	32 <sup>nd</sup>
12	St. Louis, MO	51	8.70%	6.13%	8.28%	3.73%	1.38%	70	43 <sup>rd</sup>	63 <sup>rd</sup>	36 <sup>th</sup>
13	Milwaukee, WI	54	4.90%	2.40%	7.07%	3.41%	0.97%	61	28 <sup>th</sup>	60 <sup>th</sup>	46 <sup>th</sup>
14	Chicago, IL	57	7.20%	-8.05%	6.91%	4.36%	1.31%	63	15 <sup>th</sup>	58 <sup>th</sup>	41 <sup>st</sup>
15	Dayton, OH	59	7.00%	0.00%	10.58%	3.00%	1.00%	69	18 <sup>th</sup>	73 <sup>rd</sup>	32 <sup>nd</sup>

1 - Job Availability Index. Ranks metropolitan areas by the ratio of population to current job openings.

2 - Future Rental Availability Index. Ranks metropolitan areas by comparing their population growth to the amount of housing under construction within them.

3 - Tax and Insurance Cost Index. An aggregate ranking of annual homeowner insurance premiums and property taxes.

#### IV. Business Growth and Strategy

Our strategy is to buy homes in Grand Rapids, Michigan that generate at least a 15% Gross Cap Rate from rental income, produce significant value enhancement through high quality renovation, and have the potential for considerable capital appreciation. We compute “Gross Cap Rate” by dividing the estimated gross yearly rental income by the total cost to us to prepare the property for initial leasing, including costs such as the purchase price, renovation costs and associated fees paid to Short South. For example, if we believe a property will generate \$8400 a year in gross rent (\$700 per month), we would seek to purchase and fully renovate such property for no more than \$56,000 ( $\$8400/\$56,000 = 15\%$ ).

We believe that the dysfunction causing historically low property valuations, a stable rental market and positive growth in Grand Rapids presents a significant opportunity to purchase single-family homes at our targeted Gross Cap Rate. While the duration of this window of opportunity is uncertain, we anticipate there will be another twelve to eighteen months where these buying conditions will continue to exist. As long as valuations remain below replacement cost the potential for assembling a portfolio of properties that generate favorable yields, and can be sold at advantageous cap-rates, should persist.

## V. Our Competitive Strengths

We believe that the following strengths enable us to implement our business and growth strategies and compete effectively in the single-family home rental market.

- *Experienced and tenured management.* We believe the significant experience, expertise and relationships of our executive team drive our business and growth. Our executive team, headed by Mr. John Clark, our president and chairman of the board of directors, has a successful track record of managing and growing real estate investments through all stages of the real estate investment cycle. Mr. Clark has been the president of Short South since 2005, a licensed real estate professional since 2010 and a licensed real estate broker since 2013. Mr. Clark holds a Bachelor of Science in Engineering (Mechanical) from Western Michigan University.
- *Proven Track Record of Distressed Investing.* We benefit from our executive team's deep expertise in distressed investing and developing asset management capabilities. Over its 10-year history, Short South has bought, sold and managed millions in real estate. We benefit from this substantial experience in sourcing, acquiring, renovating and managing single-family rental homes.
- *Geographically Focused.* We believe that the concentration of our assets in Michigan, and more specifically in Grand Rapids, gives us a competitive advantage through centralized and specialized management, enhanced local market knowledge and superior vendor networks. We view Grand Rapids as landlord friendly with strong demographic trends, which we believe reduces our short and medium-term political and economic risk.
- *Scalable Technology Infrastructure.* We believe Short South's technology infrastructure, applications and operations are a key differentiator for us. Short South uses cloud-based products to drive efficiency. By utilizing an agile approach to implementation and cloud-based technologies, Short South is able to scale its technology to meet the needs of its business in real-time. The key component of Short South's technology is the Propertyware platform, which provides us and our tenants real-time access into Short South's management activities.

## VI. Description of Shares

The information in this section does not purport to be complete in scope and is qualified in its entirety by the full text of (i) the Amended and Restated Articles Incorporation of the Company, (ii) the Bylaws of the Company, and is incorporated into this section by reference, and (iii) the form of Put Option Agreements, which are incorporated into this section by reference.

### *General*

The following is a description of the principal characteristics of the Class A Common Stock, no par value ("Class A Common Stock") and Class B Common Stock, no par value ("Class B Common Stock"), each based on the terms and provisions of the Company's Amended and Restated Articles Incorporation ("Articles") and Bylaws. No shares of Class B Common Stock are being offered to investors in this offering.

- *Authorized Capital Stock.* The Company is authorized to issue 50,000 shares of Class A Common Stock and 10,000 shares of Class B Common Stock.
- *Preemptive Rights.* Class A Common Stock have no preemptive rights to maintain their percentage of ownership in future offerings or sales of shares of Class A Common Stock.
- *Voting Rights.* Shares of Class A Common Stock have no voting rights. All of the voting rights are assigned to the Class B Common Stock. Consequently, Class A Common Stock stockholders will not have any right to elect directors or to vote on any other matter that requires a vote of the Company's stockholders.



- *Stockholder Meetings.* Even though the Class A Common Stock has no voting rights, the Company holds an annual meeting of stockholders. All holders of Class A Common Stock may receive notice of the annual meetings of stockholders, where they are given the opportunity to discuss with management the Company's performance and plans.
- *Fully Paid.* All outstanding shares of Class A Common Stock are fully paid and non-assessable.
- *Dividends.* Under the Company's Articles, all shares of the Company's common stock, whether Class A Common Stock or Class B Common Stock, share dividends pro rata, if, as and when declared by the board of directors out of funds legally available therefor. Any future determination to pay cash dividends will be at the discretion of the Company's board of directors.
- *Liquidation, Dissolution and Winding Up.* Upon liquidation, dissolution or winding up of the Company's affairs, the holders of the Class A Common Stock and the holders of the Class B Common Stock will be entitled to participate equally and ratably, in proportion to the number of shares held, in the Company's net assets available for distribution to holders of common stock.

#### *Put Option Agreements*

The Company intends to enter into Put Option Agreements with investors who purchase shares of Class A Common Stock in this offering. Under the Put Option Agreements, the Company will grant to the shareholder party thereto the right, but not the obligation, to cause the Company to purchase all or a portion of the Class A Common Stock held by each such shareholder at the "Put Purchase Price" as calculated therein, beginning on the one-year anniversary of the execution of the Put Option Agreement.

#### *Limitation on Directors' Liability*

The Company's Articles provide that a director or officer will not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by the Michigan General Corporation Law. The inclusion of this provision in the Company's Articles may have the effect of reducing the likelihood of derivative litigation against directors and officers, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited the Company and its stockholders.

## **VII. Fees Payable to Short South**

The following fees will be paid to Short South by the Company:

- *Property Management Fee.* Short South will be entitled to receive 10% of revenue received from tenants as a property management fee.
- *Maintenance Fee.* Short South will be entitled to a fee of approximately \$30 per hour for general maintenance services and 10% markup of the cost of supplies.
- *Construction Management Fee.* Short South will be entitled to receive a construction management fee equal to approximately 10% of the cost of renovations for the oversight of construction.
- *Leasing and Lease-Renewal Fees.* Short South will be entitled to lease renewal fees and leasing fees equal to one half month's rent.
- *Acquisition and Disposition Fee.* In acquisition situations, Short South will represent the Company as a "buyer's agent" and receive the commission negotiated with the seller's agent, typically 3% of the purchase

price. In disposition situations, Short South will represent the Company as a “seller’s agent” and receive a 6% commission on any sale, inclusive of any commissions paid to a buyer’s agent, if any.

The information in this section does not purport to be complete in scope and is qualified in its entirety by the full text of the form of Management Agreement which is incorporated into this section by reference. As more fully set forth in the individual Management Agreements, the foregoing fees are subject to adjustment by Short South.

### **VIII. Restrictions on Transfer**

Shares of Class A Common Stock will be restricted as to transferability under state and federal laws regulating securities, and our Articles and Bylaws. Shares of Class A Common Stock have not been registered under the Securities Act, or any similar state statute, in reliance upon exemptions from the registration requirements contained therein. Accordingly, all such shares will be considered “restricted securities” as defined in Rule 144 of the Securities Act. As “restricted securities,” an investor must hold them indefinitely and may not dispose or otherwise sell them without registration under the Securities Act and without registration under any applicable state securities laws, unless an exemption from registration is available.

### **IX. Taxation**

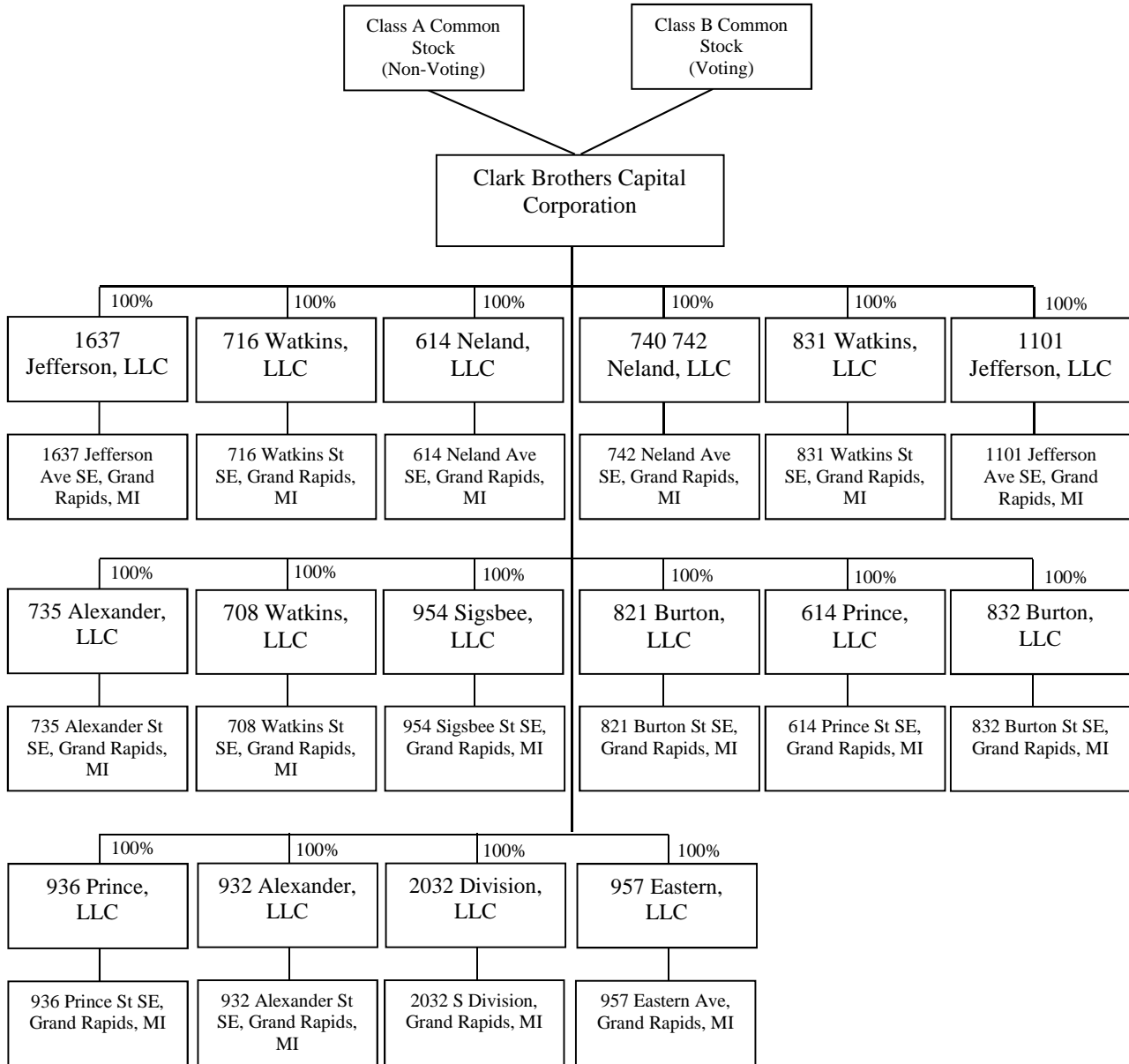
The Company has elected to be treated as an “S” Corporation for federal income tax purposes and, accordingly, income or loss passes through to the shareholders’ individual income tax returns and no Federal income tax is imposed on the Company. If our “S” Corporation election was not properly made and maintained, we would be liable for federal and state income tax since our inception, together with interest thereon and, possibly, penalties. Such taxes and penalties would likely be material to our operating results and our ability to pay dividends to shareholders.

The Company intends to furnish to each shareholder after the close of each calendar year specific tax information, including a Schedule K-1, which describes his or her share of the Company’s income, gains, losses and deductions for the preceding taxable year. The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each shareholder to adjust a prior year’s tax liability, and possibly may result in an audit of his or her return.

Due to restrictions on “S” Corporations, our designation as an “S” Corporation may affect our ability to grow. To continue to qualify for “S” Corporation status, we must meet the following requirements: (1) be a domestic corporation; (2) have only allowable shareholders including individuals, certain trusts, and estates and may not include partnerships, corporations or non-resident alien shareholders; (3) have no more than 100 shareholders, (4) have only one class of stock and (5) not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations), among other requirements.

## X. Corporate Entity Structure

We were formed as a Michigan corporation on April 9, 2014. The following chart illustrates our organizational structure. Each limited liability company listed below is a Michigan limited liability company and we are the sole member of each such limited liability company.



## **XI. Certain Risk Factors**

Although the Company believes that substantial returns can be achieved by investing in the Company, such investment involves a substantial degree of risk. There can be no assurance that the Company's investment objectives will be achieved and each shareholder must be prepared for the potential loss of their investment. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Company. Prospective shareholders should read this Memorandum and consult with their own advisors before deciding whether to invest in the Company.

The risks of an investment in the Company arise both from the risks associated with investments in real estate and from the risks attendant upon the Company's ability to achieve its investment objectives. Such risks include, but are not limited to, the following:

### *Risks Related to Investments in Real Estate*

*General Real Estate Risks.* Ownership of shares of the Company will be subject to the risks incident to the ownership and operation of real estate, primarily but not necessarily exclusively to, residential properties. The Company will be subject to the following risks that may affect the value of investment properties: risks associated with the general economic climate, local real estate conditions, community conditions, population trends, local employment conditions, changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building), energy and supply shortages, various uninsured or uninsurable risks, terrorism, war, natural disasters, the ability of the Company and third parties to manage the real properties, changes in applicable laws and government regulations (including tax laws), potential environmental and other legal liabilities, general availability of financing and changes in interest rate levels. Certain of these risks cannot be predicted with certainty or controlled by the Manager. The Company will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. Once a property has been rented, the Company will bear the risks of tenant defaults, physical damage caused by tenants, liability to third parties caused by tenants' actions or omissions, and legal and other costs of eviction and enforcement. There is no assurance that there will be a ready market for resale of properties because investments in real estate generally are not fully liquid.

*Lack of Diversification.* The Company will invest primarily in a single asset class, homes in the Grand Rapids, Michigan, so the Company will have little or no diversification. Lack of diversification may increase volatility and the risk of loss.

*Availability of Insurance against Certain Catastrophic Losses.* Certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related our properties. If a major uninsured loss occurs, the Company could lose both invested capital in and anticipated profits from the affected properties.

*Environmental Liabilities.* The Company may be exposed to substantial risk of loss from environmental claims arising from the acquisition of properties with undisclosed or unknown environmental problems (including, without limitation, asbestos, mold and other pollutants). In addition, if the Company acquires property with known environmental problems, the costs associated with the removal or remediation of the applicable hazardous or toxic substance may be greater than we anticipated. Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's or operator's liability therefor as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner or operator. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Company's return from such investment. Environmental claims with respect to a specific property may exceed the value of such property, and under certain circumstances, subject the other assets of the Company to such liabilities. In addition, properties may be subject to restrictions on use, including zoning laws, occupancy limits, and wetlands protection.

*Lack of Control Over Tenants.* The Company intends to derive a significant portion of its income from rent payments under leases with tenants in the real property invested in by the Company. The Company has no control over the tenants under such leases nor does the Company have control over such tenants' financial condition. As such, the Company's tenants may delay lease commencement or renewal, fail to make rent payments (including, without limitation, any common, maintenance or housing association charges or fees) when due, declare bankruptcy, default under the lease, or damage or fail to maintain the real property. Any tenant's default under its lease, failure to make rent payments when due or bankruptcy could result in the termination of such tenant's lease (without the Company recovering all of its damages despite its rights and remedies under the lease). In addition, such defaults and other circumstances outside of the Company's control (as discussed in other portions of this Certain Risk Factors section) could result in a termination of a lease and the Company may have difficulty obtaining new tenants at the rental rate the Company desires. Further, on expiration of any lease, market conditions may impair the Company's ability to re-lease the applicable real property at desirable rental rates.

#### *Risks Related to the Company*

*Conflicts of Interests.* Short South, which provides services to us necessary to operate our business, including business management, acquisition, renovation and leasing functions, and to whom we pay fees for such services, is owned by John Clark. Short South, its directors, officers and employees, and John Clark engage and/or may engage in other real estate investment activities and earn profits therefrom. Short South, its directors, officers and employees will not be required to refrain from such real estate investment activities or any other activities and, except to the extent necessary to perform their obligations under our Articles, will not be required to devote all or any particular part of their time and effort to the Company. There can be no assurance that such conflicts or other conflicts of interest with the potential for adverse effects on the Company will not arise. By acquiring Class A Common Stock, each shareholder will be deemed to have acknowledged the existence of, and to have consented to, the actual and potential conflicts of interest among the Company, John Clark and Short South and any of the Company's or Short South's affiliates, officers, directors, and employees, and to have waived any claim with respect to the existence of any such conflict of interest, regardless of when it arises.

*Nature of Investment.* Real estate investments require a long-term commitment, with no certainty of return. The investments made by the Company are likely to be fairly illiquid, and there can be no assurance that the Company will be able to realize returns on such investments in a timely manner. If the Company is unsuccessful in renting its properties there could be little or no near-term cash flow available to the shareholders.

*Prior Performance.* Although our president and chairman of the board, John Clark, has significant experience in managing, purchasing, renting and selling private homes, the industry of aggregating single-family real-estate is relatively new, with limited operating history. Prospective investors should not rely on the prior performance of any accounts and/or funds managed by John Clark, Short South, or any entity with which they have been affiliated, as an indication of the future performance of the Company. In addition, past performance is not indicative of future performance since, among other reasons, there may be differences in investment opportunities and the economic and regulatory climate today.

*Unspecified Transactions; Difficulty of Locating Suitable Investments.* Apart from the properties currently owned by the Company, this offering is a non-specified asset offering and the investors will generally not have an opportunity to evaluate specific assets prior to investing. As a result, the uncertainty and risk of an investment in the Company is increased to the extent that investors are unable to evaluate for themselves, prior to subscribing, the economic merit of any future investments that the Company may make. The shareholders, therefore, will be relying on the ability of the Company to select the investments to be made. However, the Company may be unable to find a sufficient number of attractive opportunities to meet the Company's investment objectives.

*Reliance on John Clark, Short South and Third Parties.* The success of the Company is substantially dependent on the Company's ability and/or the ability of third parties it engages to identify and consummate suitable investments and to manage and dispose of such investments of the Company at a profit. Should John Clark become incapacitated or in some other way cease to participate in the Company, its performance could be adversely affected. There can be no assurance that John Clark will continue to be affiliated with the Company throughout its term. In addition, there can be no assurance that the Company will be able to maintain long-term relationships with the third

parties it engages, and to the extent that the Company has to develop new local relationships, the Properties could suffer.

*Tax Considerations.* An investment in the Company involves complex federal, state and local income tax considerations which may differ for each investor depending upon their particular facts and circumstances. Certain investors may have special tax considerations. Furthermore, all investors may become subject to state and local income taxes and possibly withholding thereof in jurisdictions where the Company acquires real estate or otherwise conducts activities or is deemed to be engaged in business.