



July 10, 2023

Dear Investor,

Great day! You are receiving this letter because you have expressed interest in investing in real estate in the Detroit market. Our main operating company, [The BNIC Network LLC](#), has developed a “**Flip and Hold**” real estate model for the Detroit market utilizing two 100% owned subsidiary companies:

1. A “**Flip**” company that will generate a preferred cash-on-cash Return on Investment (ROI) of 25% over the flip period (3-6 months).
2. A “**Hold**” company that will guarantee the purchase of properties from the Flip company and will generate a preferred cash-on-cash ROI of 10% per year after taxes.

The Flip and Hold companies work together to create a “**Closed Sales System**” where the Flip company has pre-sold a property before it even buys it. This creates a minimum sale amount (and profit) that the Flip company will receive upon the acquisition and rehabilitation of a property. In this letter we will focus on the Flip company, how it makes money, and the investment opportunity it presents to investors like yourself.

What does this mean to you as an investor?

It means an investor (or investment group) can acquire and rehab a property for no more than \$55,000 and turn around sell the property for at least \$61,000 to make at least a cash-on-cash ROI of 25% (using leverage) because a buy and hold investor can take that same property and rent it for \$1,000/month and generate at least \$600/month in net operating income (net cash flow). You can actually sell that income producing property for \$70,000 to an investor who will make at least \$7,200/year in net operating income (before taxes), which is equal to a cap rate of more than 10%.

Let me put this in perspective. The median cap rate for a multifamily apartment investment property in Los Angeles, CA in a suburban Class C neighborhood (usually the highest cap rate you can get for residential) is 4.5% as of May 2023. **That means an investor will make more than twice the amount of revenue by investing the same amount of money in Detroit compared to Los Angeles.**



Background

The Flip company has partnered with [Great Lakes Property Management Company](#), a Black family-owned real estate operating and property management company in Detroit that we have had a relationship with for more than two years. This company has performed property management services in Detroit since 2006 and currently does so for more than 300 investment properties (including more than 40 that they own). The head of the family has focused growing their family's portfolio of income producing properties over the last couple of years through his son's efforts of purchasing distressed properties, rehabbing them, and then renting them at market value. The company has the capacity and ability to purchase and rehab about 10-15 houses per month on behalf of themselves to add to their portfolio, or in association with investors. They do not flip houses, but rather are in the business of creating long-term rental investment properties.

Our Flip and Hold Strategy

Our strategy is straightforward for our Flip company: Purchase and rehab distressed properties in Detroit to flip within a 6-month period and generate at least a 25% cash-on-cash ROI for our investors using leverage. By teaming up with [Great Lakes Property Management Company](#), we instantly have the foundation for an experienced real estate operating team on the ground that can source distressed properties that fit our criteria and oversee the rehabilitation of the properties. Once the properties are complete our Project Managers will focus on selling the properties using these three methods:

1. **Sell it retail:** Sell the property via the MLS using experienced realtors. The realtors will have two months to sell the property at its market value.
2. **Sell it to an investor:** If the property is not able to be sold via the MLS at market value over the initial 2-month period, then the Project Managers will work with the family-run company in Detroit to place a tenant in the property and turn it into a “**Turnkey**” investment property. The Project Managers will then have one month to sell the property off-market to a buy-and-hold investor, preferably one who is out of state.
3. **Sell it to our Hold company:** If the Flip company has not sold the property after three months of the property being rehabbed, then it will sell the property (which now has a paying tenant in it) to our Hold company at an agreed upon pre-determined price.

Using this selling strategy will allow the Flip company to maximize the profit from flipping the property while having a backstop with a related company that will purchase the property at an amount that will generate a minimum cash-on-cash ROI of 25% for investors.

Why Detroit?

We have been working to establish a real estate investment strategy in Detroit since the end of 2020. Why?

- **Detroit is the Blackest city in the nation**, with approximately 80% of the population being Black.
- **Detroit was one of the hardest hit cities economically**. Its population has fallen from a high of 1.85 million in 1950 to its current population of around only 633,000 and it filed the largest municipal bankruptcy in US history in 2013. Detroit has been on the rebound since 2018.
- **Detroit has more than 75,000 vacant parcels**. The [Detroit Land Bank Authority \(DLBA\), a government entity, is the largest property owner in the City of Detroit and it has more than 75,000 parcels \(85% vacant\)](#) it is attempting to revitalize through various sales programs. As such, there are areas in Detroit where a significant amount of housing lots have been razed by the government due to the extreme level of distress in the neighborhood.
- **Property values have appreciated at more than 25% per year since 2021**. The property values in the zip codes we are focusing on in Detroit (48203, 48204, 48206, 48213, 48223, 48228, 48235, and 48238) appreciated at an average of 40% from Q4 2020 – Q4 2021 and 29% from Q1 2021 – Q1 2022.
- **High rent-to-price ratio**. In 2021, the average property project cost (acquisition and rehab) in our market areas for a typical 3-bedroom, 1 bathroom, 1,000 square foot single family home was around \$25,000 and the property rented for an average of \$500/month. Currently that same average single family home project cost is now around \$50,000, but it now rents for an average of \$1,000/month. Rents are keeping pace with property costs to sustain a rent-to-price ratio of around 2%.

How to invest with us

Investing with us is simple and requires as little as \$500. The BNIC Network LLC created its first Series Investment Club (SIC), an independent subsidiary LLC. This investment club is raising \$70,000 to invest exclusively in our Proof-of-Concept real estate project in Detroit. It is raising the funds by allowing investors to become members of the LLC by acquiring membership interest units (there are 70,040 units, each unit is \$1, and the minimum investment is \$500). When an investor acquires one or more membership interest units, they become a member of the LLC with full membership rights, which include voting rights and sharing in profits generated by the LLC. The LLC has a Managing Member (The BNIC Network LLC) who is responsible for running the day-to-day operations of the LLC, including managing the purchase, rehab, rental, and sale of the property. Members will vote on which property to purchase, as well as on the final disposition of the property (sale or keep and rent the property). The Managing Member receives a management fee equal to 10% of the profits received by the LLC for its management services, with the remaining 90% of the profits being distributed to the members based on each members pro rata share of the total membership interest units.

Next Steps

Please review the attached proforma financial overview that serves as “proof of concept” for our investing strategy and contact me if you’re interested in investing. The proforma financial overview is based on a property that [Great Lakes Property Management Company](#) proposed to me and I personally visited during my trip to Detroit (July 6th and 7th).

1. Data Entry:

- a. This screen has the primary details of information used for the real estate deal. Once entered into the Real Estate Deal Management System (REDMS), the system returns a response of “Deal” or “No Deal”.
- b. We only move forward with responses of “Deal”.
- c. This screen also shows the financial summary for the Retail Investor for the first year’s rental income statement.

2. Summary Leveraged:

- a. This starts with the property address and the **Price to Retail Investor**: the price we would sell the turnkey property for to a buy and hold investor.
- b. It then summarizes the cost of the **Flip** company for purchasing and rehabbing the property, the source of the funds for covering the costs (1st mortgage, 2nd mortgage, and cash), and the profit the Flip company would make if it sold the property at the lowest price to the Hold company.
- c. The next section summarizes the cost of the **Hold** company for purchasing the property from the Flip company, the source of the funds for covering the costs (1st mortgage, 2nd mortgage, and cash), and the annual profit the Hold company would make from renting the property.

3. Purchase and Flip:

- a. This is the detailed deal sheet for the purchase, rehab, and sale of the property. It is quite involved, but it considers all the costs associated with the real estate deal.

4. Sell to Buy and Hold

- a. This is the detailed sheet for the rental of the property by the Hold company. It is similar in detail to the Purchase and Flip sheet, but it shows the monthly gross rent compared to the monthly operating costs and the Net Operating Income. It summarizes the first year’s income statement and provides a 30-year schedule of income and operating costs, that also includes the costs and impact of taxes and depreciation.

5. Sell to Retail Investor

- a. This is the detailed sheet for the rental of the property by the Retail Investor. It provides the same information as the Sell to Buy and Hold sheet.

In conclusion, please contact me if you have any questions about the material I've presented and this unique real estate investment opportunity.

Stay blessed and safe!

A handwritten signature in black ink that reads "Michael C. Evans". The signature is written in a cursive, flowing style.

Michael C. Evans
President
The BNIC Network LLC