

Interest Income + Equity Appreciation Opportunity Financing Program

PBG Enterprises LLC ("The Company"), a real estate holding company based in Houston, Texas, is actively seeking investors who require a safe, high-yielding, fixed-income return + equity appreciation.
Get the best of both worlds!

Contact Phillip Guerra for more info: phillip@mylifechanger.com



Incoming rent to Phillip Guerra and Ana Castano's property management company, GC Properties DBA (July 2008).



Investor Benefit's (Why should I invest my money with YOU?!)

REAL Answer: Invest in a CASH COW BUSINESS - SAFELY!

SERIOUS Answer: There is a TICKING, TIME BOMB in place! The housing market is oversold and the Federal Gov't just signed into law (7-30-08) a SWEEPING housing bill that will allow STATES up to \$4 billion to buy up foreclosures, rehab them, decrease the foreclosure supply, and more competition.

- Participation in safe, fixed-income interest **and** realized equity gain at time of property sale
 - High returns of up to **6.85%** interest per year
 - When property is eventually sold within 1-5 years, investor participates in gain and receives **14% of the profit**.
 - Guaranteed off Phillip's salary as an anesthesiologist and on the excess equity of the investment property!
- Loans are collateralized on foreclosed properties purchased \$0.50-0.70 on the dollar - resulting in a safe, below-market price investment
- Investor also **receives \$300** loan underwriting fee
- Proven real estate management experience / **never a missed payment / references** and credit reports available
- No maintenance / management fees
- Full HUD documents, title insurance, and title company closings at no cost to Investor

What Is Required From Investor

- Amount required: \$50,000-\$60,000 per foreclosed house. Investor is 1st and only mortgage holder. Properties are valued at least \$25,000 more than purchase price.
- Terms: 30-year amortization, 10% down payment (90% financing), fixed at 6.85% interest, *full-documentation loans*.
- Exit strategy for Investor: Investor may choose to sell his or her note to a 3rd party note buyer or choose to hold the note, collect the interest payments, and the 14% of the profit when the property is sold within 1-5 years.
- For example: Investor loans \$50,000 in a 90% financed, 30-year, fixed loan at 6.85%. The property nets \$40,000 in profit at sale 3 years later. $\$40,000 \times 14\% = \$5,600$. Investor also receives 6.85% annual interest rate + initial \$300 loan underwriting fee throughout holding period.

General Information

- Name of Business: PBG Enterprises LLC
- Name of Principals: Phillip Guerra, DO (anesthesiologist) and Ana Castano, Realtor
- Purpose of Loan (Mortgage): To acquire foreclosed properties, rehabilitate them, and rent them out for positive cash flow
- Goal: To acquire 120 single family income properties and rent them out for the cash flow, with outsourced professional property management in place at 30-40 units.

Management Profile

- Phillip Guerra, DO and Ana Castano, Realtor are a husband-wife team with proven real estate experience. Phillip is the author of [Retire Using Single-Family Income Properties](#), creator of Rental Property Analyzer 2008. Ana is a Realtor, mentor on www.mylifechanger.com, and a property manager.
- Phillip and Ana have at one time owned up to 12 units, an older 8-unit multifamily and 4 single-families, at 100% occupancy. Now, they are shifting directions.
- They sold their 8 unit multifamily (July 2008) and are now *shifting directions to owning exclusively recent-construction, foreclosed, single-family houses within the Houston area under PBG Enterprises LLC.*

PBG Enterprises LLC Business Description

- History: PBG Enterprises LLC is a real estate holding company that focuses on purchasing recent-construction, foreclosed properties and renting the properties out for positive cash flow. The company has never had a late payment to its lenders due to the use of automatic bank draft or pre-written, per-month checks, up to one year in advance. In addition, the company's properties are always at competitively priced rent, resulting in a high occupancy rate.
- Current business assets: 1 single-family property, purchased at \$76,000, appraised at \$98,000. Property grosses \$900 / month.
- Current business debt: 1 mortgage with \$720 PITI
- Employees: The company contracts with 1099 vendors only.
- Ownership structure: The company is organized as a Limited Liability Company within the state of Texas.
- This is the actual property held in PBG Enterprises LLC and the same type of property that the Investor will be financing in future acquisitions. There are hundreds of these properties available today (See house photos above).

Solid and Successful Business Model (How do we do it so successfully? i.e. hard work and lots of years of experience!)

1. Every 10 units (i.e. houses) equals \$2000-\$3000 in monthly cash flow for the Company. Intermediate-term goals for the Company are set at every 10 units.
2. Using her access to the MLS, Ana finds recent construction (not older than 6 years), 3 bed / 2 bath / 2 car garage, foreclosed properties. This is the "subject property".
3. She then determines the market price using the sales comparables method (i.e. "comps"). **Sales comps** are properties within the same subdivision, +/- 100 sq. ft., same bed/bath configuration, +/- 5 years construction, and sold within the last 6 months when compared to subject property.
4. If there is at least \$25,000 equity, she then determines the **rental comps** using the same technique as the sales comps. The rent is set at a price slightly less than market - to facilitate renting the property quickly (1.5 weeks) and to be conservative on estimates. In addition, single-family properties enjoy the benefit of having low-turnover when compared to multifamily properties.
5. The data are input into Rental Property Analyzer 2008 to determine the feasibility of project. Here is an example of a recent find (7-18-08) and a potential acquisition:

RPA Quick

Mortgage assumptions	
Price	\$54,000.00
Down payment	10%
Interest rate	7.00%

Income/cost assumptions	
Market value	\$96,000.00
Monthly rent	\$920.00
Survey	\$0.00
Appraisal	\$425.00
Escrow Months	0
Tax / year	\$2,652.00
Insurance / year	\$960.00
HOA fees / year	\$0.00
PMI / year	\$250.00
Seller contributions	\$0.00
Rehab	\$4,000.00
Bank/lender fees	\$300.00

Mortgage	
Loan amount	\$48,600.00
Down payment	\$5,400.00

Total cash used	
Down payment	\$5,400.00
Closing costs	\$1,400.00
Rehab	\$4,000.00
Total cash used	\$10,800.00

Income/cost per month	
Rent	\$920.00
P&I	\$323.34
Tax	\$221.00
Insurance	\$80.00
HOA fees	\$0.00
PMI	\$20.83
Cash flow / month	\$274.83

Equity	\$42,000.00
ROE	389%
Cash flow / year	\$3,297.96
Cash ROI	30.54%

P&I=Principal and Interest
HOA = Homeowners association
PMI = Private mortgage insurance
ROE=Return on equity
ROI = Return on investment
For single family properties only
Fill in the boxes highlighted yellow.

- 6.
7. If cash flow is greater than \$220 / month and equity greater than \$25,000, an offer to purchase property is made.
8. Inspections, appraisals, and full hazard insurance policy with Farmer's Insurance are obtained and provided to Investor.
9. House closes and property is marketed for rent and rehab begins (typically takes 1 week)
10. Property is rented out: Tenants pay for all utilities, lawn, appliances, have a \$200 deductible on items that break down.
11. Rent payments from tenants are made in money order (see photo on Page 1) to PBG Enterprises LLC.
12. Investor can choose to have automatic bank draft or 12 pre-written, monthly checks which he/she can deposit at the 1st of each month.
13. After around 30-40 units, a full-time professional management company will be contracted with for 6-7% gross monthly rent per house.

Potential Challenges towards Goal of 120 houses

1. Worst case scenario: major market crash, bank failures, and economic depression resulting in inability to rent out properties at or below PITI prices. However, it should be noted that even during the Great Depression, unemployment was 1 in 4 (25%). Therefore, statistically all properties should be rentable nonetheless since 3 out of 4 potential renters are still employed and still need a place to live. In addition, the properties the Company purchase are "middle-income" properties, which lie on the middle part of the Gaussian bell-curve, and have the greatest number of potential tenants available for renting.
2. Fire / Flood - The Company over-insures property to the full market value, not just the loan amount, resulting in a realized gain in the event of a complete loss. The

Investor also participates in realized gain at the aforementioned 14% portion of the profits in this case. The Company does not purchase properties within the flood plain and therefore requires only full hazard insurance.

3. Lawsuit - Only the Company would be at risk for lawsuits, not the Investor. Nonetheless, with well-developed landlord skills by the Company, purchase of single story houses only, recent-construction houses built up to modern city code, and verified by licensed inspectors, this risk is greatly minimized, unlike for example, multifamily properties.
4. Time - At 10 houses / year, this would take 12 years to reach 120 houses. However, as the Company sells the earlier sets of acquired houses, the profits from these houses will then allow for more houses purchased later which should result in non-linear (i.e. exponential) growth.
5. Changing market conditions - For the foreseeable future (5+ years), there should continue to be foreclosures available to buy; however, it remains possible that as market conditions improve, less foreclosures will be available for purchase.

References

- PMV Ventures Inc. - a privately-held, investment corporation based in Austin, TX is currently financing 1 single-family property for PBG Enterprises LLC.

Take-home message:

Put your money to work, and leverage it safely by financing foreclosed properties with us - before they get bought up by other investors (and, now, by your local government!)

Contact Phillip Guerra to invest TODAY: phillip@mylifechanger.com