

# Offering Summary

## PGP Cambridge Apartments, LLC

Sponsored by Prudent Growth Partners, LLC : April, 2016



**DISCLAIMER:** By accepting and reviewing this Offering Memorandum (the “Memorandum”), you acknowledge your agreement with and understanding of the legal notices and terms of use which are contained herein, including, but not limited to, those contained in the “Important Disclaimers” section set forth hereinbelow. If for any reason you do not agree to receive and abide by all these legal notices and terms of use, please do not use this Memorandum.

Prudent Growth Partners, LLC, a North Carolina limited liability company (“PGP” or the “Sponsor”), is offering certain qualified investors who meet the minimum suitability requirements (the “Investors” or “Members”) the opportunity to purchase an investment in the form of units of ownership interest (the “Units”) in PGP Cambridge Apartments, LLC (the “Company”), a North Carolina limited liability company which will purchase and own an existing apartment complex located at 3300 N. Elm Street, Greensboro, NC 27405 (the “Property”).

## Summary of deal:

PGP Cambridge Apartments, LLC will be purchasing an existing apartment complex located at 3300 N. Elm Street, Greensboro, NC 27405. Cambridge Apartments is an attractive complex located in an established and highly preferred neighborhood of Northern Greensboro. **Currently, occupancy is 89%, with below market rents, which sets the stage for PGP to add value to the investment through some needed upfit, better management, and better pricing.**

Cambridge Apartments' 36 units are nestled away in a **vibrant and rapidly growing area between Lake Jeanette and New Irving Park**. This location places its residents within walking distance to big city attractions with a variety of restaurants, banks, 24-hr. grocery store, drug stores, healthcare, public transportation, dry cleaning, spas and many more unique shops located on Pisgah Church Road, one of the most sought after retail areas of the city. Cambridge is also minutes away from the Downtown Area of Greensboro with loads of entertainment, city parks, sports, and dining.

The apartments, constructed in the early 1970s, present themselves as a mature, stable community, with well-tended gardens and an attractive parking lot. Situated on 2.3 acres of land, they are comprised of 12 large 1 BR/1 BA apartments, and 24 2 BR/2 BA units. The current rent for the complex is averaging approximately \$425 per month on the one-bedroom units and \$499 on the two-bedroom units. **These rents are \$100 to \$125 per month under market rent for the area, so the potential upside is \$45,000 in gross rental income once we adjust rents higher over the first two years of ownership.**

While the current owner has been renovating some units at turnover, most are only partially done. The planned improvement budget includes renovating all units at turnover, at an average \$5,000 per unit, which will take two to three years to accomplish. There are some exterior improvements planned as well – new roofs, repainting of the exterior, landscape work, parking lot sealing and re-striping – that will significantly increase the curb appeal of the property. The funds necessary for these improvements are built into the initial capital raise.

The current NOI of the Cambridge Apartments is \$130,000, based on the actual effective rental income of \$199,500. **This makes the purchase price of \$1,260,000 an actual cap-rate purchase of 10.25%**, which provides PGP and its investors with a very attractive entry point for the investment. Within a year, the goal is to have transitioned tenants to new leases at rents that are closer to market levels. For newly renovated units, the asking rent will be \$550 for one-bedroom units and \$650 for two-bedroom units. **At the end of year three, the gross potential rental income will be \$250,000 with an NOI of \$150,000. This would value the complex at \$1,765,000 using a cap-rate of 8.50%.**



## Important Disclaimers

*Prudent Growth Partners, LLC ("PGP") is not utilizing this Memorandum to provide investment or other advice, and nothing in this Memorandum is to be deemed a recommendation that you buy, sell or hold any security or other investment or that you pursue any investment style or strategy. If you would like investment, accounting, tax or legal advice, you should consult with your own advisors with respect to your individual circumstances and needs.*

*PGP has compiled this Memorandum in good faith and while PGP has used reasonable efforts to include accurate and up-to-date information in this Memorandum, this Memorandum is provided on an "as is" basis with no warranties of any kind. PGP does not warrant that the information in this Memorandum is accurate, reliable, up-to-date or correct. Your use of this Memorandum and your use or reliance upon any of the materials in this Memorandum is solely at your own risk.*

*The investment discussed in this Memorandum will be offered in North Carolina and such other states as may be determined by the Manager from time to time in compliance with applicable state securities laws and pursuant to Rule 506(b) of Regulation D as promulgated under Section 4(2) of the Securities Act to a limited number of prospective Investors who qualify as accredited investors, with each of such offerees, to the extent required by applicable law, possessing a level of expertise, knowledge and sophistication in matters such as those described herein so as to make intelligently and knowingly a proper economic decision relative to the investment discussed in this Memorandum. Because the investment is being sold only to accredited investors, this Memorandum concerning the investment does not contain all information that would be required to be disclosed under the Securities Act if the investment was being made to persons other than accredited investors.*

*Receipt of this Memorandum constitutes an agreement by the recipient and each of its representatives to maintain the confidentiality of all information contained herein (including all information and results, all financial statements or projections, any exhibits, and all other information provided or contained in this Memorandum) and in any materials provided in connection with this offering. Reproduction of this Memorandum or other offering materials is strictly prohibited without the express prior written permission of PGP. Notwithstanding the foregoing, potential Investors receiving this Memorandum (and each of their representatives) may disclose to their tax preparers and tax advisors the tax treatment and tax structure of the investment described in this Memorandum and all materials of any kind that are provided to the potential Investors relating to such tax treatment and tax structure. Potential Investors receiving this Memorandum (and each of their representatives) may also disclose the contents of this Memorandum to their attorneys, accountants, and financial advisors to the extent reasonably necessary for such potential Investor to evaluate the investment discussed in this Memorandum as long as such Investor's attorneys, accountants, and financial advisors acknowledge the confidentiality of this Memorandum and its contents and agree to keep the same confidential.*

*The information contained in this Memorandum, and each of the documents comprising the Subscription Documents, is accurate only as of the dates respectively first set forth herein and therein, regardless of the time of delivery of this Memorandum or of any sale of any Units in the Company discussed herein. The Company's business, financial condition, results of operations, and prospects may have changed since the date of this Memorandum. This Memorandum is summary in nature and should only be read in conjunction with the Subscription Documents. Neither the delivery of this Memorandum nor any sale made in connection with the investment in the Company discussed herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Company after the date hereof. No person should purchase a Unit in the Company discussed herein without having carefully reviewed this Memorandum, any amendments or supplements hereto, the Subscription Agreement, and all other Subscription Documents.*

*The Company obtained the industry, market, and competitive position data used throughout this Memorandum from its research, studies conducted by third parties, independent industry associations or general publications and other publicly available information. The Company and the PGP make no representations or warranties about the accuracy of any of this information or data or the conclusions reached in these third party studies. Industry experts may disagree with these assumptions and with the Company's and PGP's view of the market and the prospects for the Property and the Company. Investors may wish to conduct a separate investigation of the Company's industry or the specific market and prospects for the Property to obtain broader insight in assessing the Company's prospects.*

*In making an investment decision, Investors must rely on their examination of the Company and the terms of the offering discussed in this Memorandum, including the merits and risks involved. An investment in the Company involves special considerations, and Investors should carefully review all of the information contained in this Memorandum. While this Memorandum summarizes certain material documents relating to the Company and the offering discussed herein, such summaries do not purport to be complete. Accordingly, reference should be made to the Company's Operating Agreement, the other Subscription Documents, and all supporting documents and other information furnished in connection with this offering for complete information concerning the rights and obligations of Investors in this offering. The information contained in this Memorandum supersedes any other oral or written information previously provided in connection with the offering discussed herein. No person has been authorized to give any information or to make any representation on behalf of the Company or PGP related to the offering other than as set forth in this Memorandum, and no such information or representation should be relied upon. See Risk Factors.*



Purchase Price:	\$1,260,000
Effective Gross Rental Income, Year 1:	\$216,618
Net Operating Income, Year 1:	\$135,244
Investor Net Cash Flow, after debt service and fees:	\$62,888
Total Equity Raise (includes reserves and closing costs):	\$550,000
Preferred Investor Return:	8.00%
Year 1 Projected Investor Cash-On-Cash Return (net of fees):	11.43%
Cap Rate at Purchase:	10.00%

#### Summary of cash-on-cash Investor returns:

Year	Project cash flow after fees and debt service	First: Investors 8% preferred dividend	Second: Investors share of excess return	Total cash distributions available to investors	Cash return on equity	Cumulative Return
Year 1	\$69,184	\$44,000	\$18,888	\$62,888	11.43%	\$62,888
Year 2	\$56,269	\$44,000	\$9,201	\$53,201	9.67%	\$116,090
Year 3	\$67,361	\$44,000	\$17,521	\$61,521	11.19%	\$177,610
Year 4	\$77,208	\$44,000	\$24,906	\$68,906	12.53%	\$246,516
Year 5	\$83,062	\$44,000	\$29,297	\$73,297	13.33%	\$319,813
Year 6	\$89,091	\$44,000	\$33,818	\$77,818	14.15%	\$397,631
Year 7	\$95,299	\$44,000	\$38,474	\$82,474	15.00%	\$480,105
Year 8	\$101,691	\$44,000	\$43,268	\$87,268	15.87%	\$567,373
Year 9	\$108,274	\$44,000	\$48,205	\$92,205	16.76%	\$659,578
Year 10	\$115,052	\$44,000	\$53,289	\$97,289	17.69%	\$756,867

# Financial Projections: PGP Cambridge Apartments, LLC

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Property Income</b>										
Annual Gross Rent	\$229,680	\$241,164	\$253,222	\$265,883	\$273,860	\$282,076	\$290,538	\$299,254	\$308,232	\$317,479
Miscellaneous Fee Income (Late Fees, move-out fees, etc)	\$14,500	\$14,790	\$15,086	\$15,388	\$15,695	\$16,009	\$16,329	\$16,656	\$16,989	\$17,329
Loss-to-Lease (2%)	(\$4,594)	(\$4,823)	(\$5,064)	(\$5,318)	(\$5,477)	(\$5,642)	(\$5,811)	(\$5,985)	(\$6,165)	(\$6,350)
Vacancy Factor (10% years 1-2, 7% thereafter)	(\$22,968)	(\$24,116)	(\$17,726)	(\$18,612)	(\$19,170)	(\$19,745)	(\$20,338)	(\$20,948)	(\$21,576)	(\$22,224)
<b>Effective Gross Income after Reserves</b>	<b>\$216,618</b>	<b>\$227,014</b>	<b>\$245,518</b>	<b>\$257,341</b>	<b>\$264,908</b>	<b>\$272,698</b>	<b>\$280,719</b>	<b>\$288,977</b>	<b>\$297,480</b>	<b>\$306,234</b>
<b>Operating Expenses</b>										
Property Taxes	\$11,123	\$17,514	\$17,514	\$17,514	\$17,514	\$17,514	\$17,514	\$17,514	\$17,514	\$17,514
Insurance	\$6,500	\$6,500	\$6,695	\$6,896	\$7,103	\$7,316	\$7,535	\$7,761	\$7,994	\$8,234
Utilities: Electric	\$3,958	\$3,958	\$4,077	\$4,199	\$4,325	\$4,455	\$4,588	\$4,726	\$4,868	\$5,014
Utilities: Water and Sewer	\$14,700	\$14,700	\$15,141	\$15,595	\$16,063	\$16,545	\$17,041	\$17,553	\$18,079	\$18,622
Utilities: Trash Removal	\$2,328	\$2,328	\$2,398	\$2,470	\$2,544	\$2,620	\$2,699	\$2,780	\$2,863	\$2,949
Utilities: Gas	\$702	\$702	\$723	\$745	\$767	\$790	\$814	\$838	\$863	\$889
Repairs and Maintenance (\$500 per unit)	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200
Extermination	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299	\$1,325	\$1,351	\$1,378	\$1,406	\$1,434
Grounds Maintenance	\$4,500	\$4,590	\$4,682	\$4,775	\$4,871	\$4,968	\$5,068	\$5,169	\$5,272	\$5,378
Property Management (7%)	\$15,163	\$15,891	\$17,186	\$18,014	\$18,544	\$19,089	\$19,650	\$20,228	\$20,824	\$21,436
Tax and Accounting/Court Fees/Credit Card Fees	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914
Miscellaneous	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610
Total Operating Expenses (Opex)	\$81,374	\$88,757	\$91,169	\$93,145	\$94,857	\$96,618	\$98,431	\$100,297	\$102,218	\$104,194
<b>Net Operating Income (NOI)</b>	<b>\$135,244</b>	<b>\$138,257</b>	<b>\$154,349</b>	<b>\$164,196</b>	<b>\$170,051</b>	<b>\$176,080</b>	<b>\$182,287</b>	<b>\$188,680</b>	<b>\$195,262</b>	<b>\$202,040</b>
<b>Debt Service:</b>										
Principal	\$0	\$15,929	\$16,645	\$17,394	\$18,177	\$18,995	\$19,850	\$20,743	\$21,677	\$22,652
Interest	\$45,360	\$45,360	\$44,643	\$43,894	\$43,111	\$42,293	\$41,439	\$40,545	\$39,612	\$38,637
Total Debt Service	\$45,360	\$61,289	\$61,289	\$61,289	\$61,289	\$61,289	\$61,289	\$61,289	\$61,289	\$61,289
PGP Manager Fee for LLC Management	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300
Capital Improvement Reserves (\$400 per unit)	\$14,400	\$14,400	\$19,400	\$19,400	\$19,400	\$19,400	\$19,400	\$19,400	\$19,400	\$19,400
<b>Net Cash Flow: Project Level</b>	<b>\$69,184</b>	<b>\$56,269</b>	<b>\$67,361</b>	<b>\$77,208</b>	<b>\$83,062</b>	<b>\$89,091</b>	<b>\$95,299</b>	<b>\$101,691</b>	<b>\$108,274</b>	<b>\$115,052</b>
Preferred 8% Dividend to Investor	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000
Additional 75% of Excess Cash Flow to Investor	\$18,888	\$9,201	\$17,521	\$24,906	\$29,297	\$33,818	\$38,474	\$43,268	\$48,205	\$53,289
<b>Net Cash Flow: Investor Level</b>	<b>\$62,888</b>	<b>\$53,201</b>	<b>\$61,521</b>	<b>\$68,906</b>	<b>\$73,297</b>	<b>\$77,818</b>	<b>\$82,474</b>	<b>\$87,268</b>	<b>\$92,205</b>	<b>\$97,289</b>
<b>Cumulative Cash Flow: Investor Level</b>	<b>\$62,888</b>	<b>\$116,090</b>	<b>\$177,610</b>	<b>\$246,516</b>	<b>\$319,813</b>	<b>\$397,631</b>	<b>\$480,105</b>	<b>\$567,373</b>	<b>\$659,578</b>	<b>\$756,867</b>
<b>Analysis : Returns After All Fees and Splits</b>										
<b>Cash on Cash Return (ROI) : Investor Level</b>	<b>11.43%</b>	<b>9.67%</b>	<b>11.19%</b>	<b>12.53%</b>	<b>13.33%</b>	<b>14.15%</b>	<b>15.00%</b>	<b>15.87%</b>	<b>16.76%</b>	<b>17.69%</b>
<b>Total Return (Cash + Loan Pmt) : Investor Level</b>	<b>11.43%</b>	<b>12.57%</b>	<b>14.21%</b>	<b>15.69%</b>	<b>16.63%</b>	<b>17.60%</b>	<b>18.60%</b>	<b>19.64%</b>	<b>20.71%</b>	<b>21.81%</b>
Project Cap Rate (NOI Income ÷ Purchase Price)	10.7%	11.0%	12.2%	13.0%	13.5%	14.0%	14.5%	15.0%	15.5%	16.0%
Debt Coverage Ratio (NOI Income ÷ Debt Service)	3.0	2.3	2.5	2.7	2.8	2.9	3.0	3.1	3.2	3.3
<b>Analysis : Property Value, Capital Improvement Reserve Account, Loan Balance, Net Equity Projection</b>										
Capital Improvement Account Start of Year + Additions	\$255,700	\$114,600	\$83,500	\$58,400	\$33,300	\$31,700	\$22,600	\$33,500	\$44,400	\$55,300
Capital Improvement Account Spend	(\$155,500)	(\$50,500)	(\$44,500)	(\$44,500)	(\$21,000)	(\$28,500)	(\$8,500)	(\$8,500)	(\$8,500)	(\$8,500)
Capital Improvement Account Balance End of Year	\$100,200	\$64,100	\$39,000	\$13,900	\$12,300	\$3,200	\$14,100	\$25,000	\$35,900	\$46,800
Property Value at Future Projected Cap-Rates	\$1,591,107	\$1,626,557	\$1,815,874	\$1,931,721	\$2,000,600	\$2,071,525	\$2,144,559	\$2,219,763	\$2,297,203	\$2,376,945
Loan Balance End of Each Year	\$1,008,000	\$992,071	\$975,426	\$958,031	\$939,854	\$920,859	\$901,009	\$880,266	\$858,589	\$835,937
Net Equity	\$583,107	\$634,485	\$840,448	\$973,689	\$1,060,745	\$1,150,666	\$1,243,550	\$1,339,497	\$1,438,614	\$1,541,008
Potential Cap Rate for analysis purposes	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%

## Planned Improvement Spending:

<b>Capital Improvement Account Start of Year</b>	<b>\$ 241,300</b>	<b>\$ 100,200</b>	<b>\$ 64,100</b>	<b>\$ 39,000</b>	<b>\$ 13,900</b>	<b>\$ 12,300</b>	<b>\$ 3,200</b>	<b>\$ 14,100</b>	<b>\$ 25,000</b>	<b>\$ 35,900</b>
Capital Improvement Reserves (\$400 per unit)	\$ 14,400	\$ 14,400	\$ 19,400	\$ 19,400	\$ 19,400	\$ 19,400	\$ 19,400	\$ 19,400	\$ 19,400	\$ 19,400
Unit Remodels	\$ (60,000)	\$ (42,000)	\$ (36,000)	\$ (36,000)	\$ (12,500)	\$ (12,500)	\$ -	\$ -	\$ -	\$ -
HVAC Replacements	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)
Appliances	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)
Roofing Replacement	\$ (30,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Signage and Entrance	\$ (2,500)									
Common Area Painting and Flooring	\$ (12,000)									
Landscaping Cleanup and Concrete	\$ (15,000)									
Repainting	\$ (20,000)									
Parking Repair	\$ (7,500)	\$ -	\$ -	\$ -	\$ -	\$ (7,500)	\$ -	\$ -	\$ -	\$ -
<b>Reserve Account Balance End of Year</b>	<b>\$ 100,200</b>	<b>\$ 64,100</b>	<b>\$ 39,000</b>	<b>\$ 13,900</b>	<b>\$ 12,300</b>	<b>\$ 3,200</b>	<b>\$ 14,100</b>	<b>\$ 25,000</b>	<b>\$ 35,900</b>	<b>\$ 46,800</b>

## Loan Amortization Schedule:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Loan Amortization Schedule</b>										
Beginning Balance	\$1,008,000	\$1,008,000	\$992,071	\$975,426	\$958,031	\$939,854	\$920,859	\$901,009	\$880,266	\$858,589
Principal	0	15,929	16,645	17,394	18,177	18,995	19,850	20,743	21,677	22,652
Interest	45,360	45,360	44,643	43,894	43,111	42,293	41,439	40,545	39,612	38,637
Total Payment	45,360	61,289	61,289	61,289	61,289	61,289	61,289	61,289	61,289	61,289
Ending Balance	1,008,000	992,071	975,426	958,031	939,854	920,859	901,009	880,266	858,589	835,937

Below is an analysis of the possible range of values based on cap-rates and assuming the NOI projections can be achieved - target is a 7.50 to 8.00 cap rate

### Building Value Analysis

9.0 Cap Rate	1,502,712	1,536,192	1,714,992	1,824,403	1,889,455	1,956,440	2,025,417	2,096,443	2,169,581	2,244,893
8.5 Cap Rate	1,591,107	1,626,557	1,815,874	1,931,721	2,000,600	2,071,525	2,144,559	2,219,763	2,297,203	2,376,945
8.0 Cap Rate	1,690,551	1,728,216	1,929,367	2,052,453	2,125,637	2,200,995	2,278,594	2,358,498	2,440,778	2,525,504
7.5 Cap Rate	1,803,255	1,843,431	2,057,991	2,189,284	2,267,346	2,347,729	2,430,500	2,515,732	2,603,497	2,693,871
7.0 Cap Rate	1,932,059	1,975,105	2,204,990	2,345,661	2,429,299	2,515,423	2,604,107	2,695,427	2,789,461	2,886,290
6.5 Cap Rate	2,080,679	2,127,036	2,374,605	2,526,096	2,616,169	2,708,918	2,804,423	2,902,767	3,004,035	3,108,313

Below is an analysis of the possible range of equity in the LLC based on cap-rates and assuming the NOI projections can be achieved - target is a 7.50 to 8.00 cap rate

### Equity Analysis

9.0 Cap Rate	494,712	544,121	739,567	866,372	949,601	1,035,581	1,124,408	1,216,177	1,310,992	1,408,956
8.5 Cap Rate	583,107	634,485	840,448	973,689	1,060,745	1,150,666	1,243,550	1,339,497	1,438,614	1,541,008
8.0 Cap Rate	682,551	736,145	953,941	1,094,422	1,185,783	1,280,137	1,377,585	1,478,233	1,582,189	1,689,567
7.5 Cap Rate	795,255	851,360	1,082,565	1,231,252	1,327,492	1,426,870	1,529,491	1,635,466	1,744,908	1,857,934
7.0 Cap Rate	924,059	983,033	1,229,564	1,387,630	1,489,445	1,594,564	1,703,098	1,815,161	1,930,872	2,050,354
6.5 Cap Rate	1,072,679	1,134,964	1,399,179	1,568,065	1,676,314	1,788,059	1,903,414	2,022,502	2,145,446	2,272,376

## Summary of Property:

Number of Units:	36
Unit Composition:	12    1 BR/1BA, 750 square feet, current rent \$425, market rent is \$550
	24    2 BR/1BA, 900 square feet, current rent \$499, market rent is \$650
Total Acreage:	2.3 acres
Occupancy:	90-95%
Average Rent per sf:	\$0.59 for 1 BR units and \$0.55 for 2 BR units
Target Purchase Price per Unit:	\$35,000 (assuming a zero price for the building lot)
Comparable Sales:	\$42,000 to \$45,000 per unit

## Physical Attributes:

- Style: Garden Style
- Buildings: 3
- Exterior Walls: Brick and Shingle
- Floors: Partial wood laminate, carpeting, vinyl flooring
- Windows: Metal insulated frames
- Roof: Asphalt Shingle
- Gutters: Aluminum on all buildings
- Laundry: Washer/Dryer connections in all units
- Trash: Waste Industries – two pickups per week included in rent
- Parking: Minimum 2/unit, asphalt paved lot



Location and Photos of Cambridge Apartments:











## Investment Summary:

Prudent Growth Partners, LLC, a North Carolina limited liability company (“PGP”) is offering certain qualified Investors who meet the minimum suitability requirements (the “Investors” or “Members”) the opportunity to purchase an investment in the form of a unit of ownership interest (the “Unit”) in PGP Cambridge Apartments, LLC (the “Company”), which will own and operate the Cambridge Apartment complex located at 3300 North Elm Street, Greensboro, NC (the “Property”).

The Company believes that the Units offer Investors the opportunity to participate in the acquisition of the Property at a favorable price, which will provide the Investors with an attractive cash-on-cash return in the short term. Longer-term gains are possible with experienced management, appropriate financial leverage, and a strategic view towards an exit using a refinancing event or an outright sale of the Property.

PGP is the sponsor for this Offering (the “Sponsor”) and also the Manager of the Company. PGP is also a Member of the Company. PGP, as Manager, will have full and exclusive control over the management, conduct and operations of the Company.

**The Company** PGP Cambridge Apartments, LLC

**The Sponsor** Prudent Growth Partners, LLC

**Project Total Cost** \$1,558,000 (including closing costs, escrows, and reserve funding)

**Equity Raise** \$550,000

<b>Breakdown of Costs</b>	Contract Price:	\$1,260,000
	Closing Costs:	\$ 56,700
	Reserve Account:	<u>\$ 241,300</u>
	Total Costs:	\$1,558,000
	Loan Proceeds:	<u>\$1,008,000</u>
	Equity Raised:	\$ 550,000

**Projected Debt Terms** PGP will be seeking to arrange the following debt to complete the purchase of the Property:

Loan Amount of \$1,008,000, which represents 80% of the purchase price and 65% of the total Capitalization. Interest rate of 4.50%, fixed for ten years (first year interest-only), with a 30-year amortization. Non-recourse to the Investors.

**The Offering** PGP is offering up to 100 Units at a price of \$5,500 per Unit, for a total offering size of \$550,000, under the circumstances described below (the “Offering”). At the discretion of the Sponsor, or if the full number of 100 Units are not sold, the offering will terminate, and the subscription funds will be promptly returned to the prospective Investors as described in the Operating Agreement.



<b>Minimum Investment</b>	The minimum investment amount is \$55,000 (10 Units), although the Sponsor, in its sole discretion and without notice to Investors, may permit smaller investments and fractional Units.
<b>Investment Strategy</b>	The strategy is to acquire the property, execute on the planned improvements, and lift rents to market levels. Exit in 7 to 10 years at a higher price based on a market cap rate tied to a higher NOI.
<b>Projected 5 Year IRR</b>	Projected 5-year IRR for the Company is 20+%.
<b>Investor Suitability</b>	The Offering is being made under an exemption from registration under applicable federal and state securities laws. In compliance with such exemption, each Investor will be required to represent, warrant and verify, among other things, that such Investor is an “accredited investor” as defined in Regulation D promulgated under the Securities Act.
<b>Risk Factors</b>	The Units offered hereby involve a high degree of risk, including risks associated with the ownership and renovation of real estate, as well as risks associated with the general economy. Investors should carefully review the information in the “Risk Factors” section of this Memorandum before making a decision to purchase Units.
<b>How to Subscribe</b>	In order to purchase a Unit in the Offering, each prospective Investor must complete and deliver to the Sponsor all Subscription Documents and contribute such prospective Investor’s initial Capital Contribution in accordance with the instructions provided in the offering materials. Once made, an Investor’s subscription is irrevocable unless otherwise specifically provided in the Subscription Documents.
<b>Use of Funds</b>	Subscription funds will be deposited directly into the Company’s bank account, not a separate escrow account, and will be available for the uses set forth in this memorandum at the Sponsor’s discretion. These uses include the acquisition of the Property, the payment of all closing costs and fees, the funding of any initial capital improvements to the Property, the funding of the initial LLC organization costs, and the securing of new debt. Notwithstanding the foregoing, the Sponsor will not use subscription funds of any Investor until the Sponsor accepts the applicable Investor’s subscription.
<b>Operating Agreement</b>	A copy of the Company’s Operating Agreement will be available to Investors prior to closing (“Operating Agreement”).
<b>Subscription Agreement</b>	The Subscription Agreement to subscribe for Units will be available to Investors prior to closing (“Subscription Agreement”).
<b>Distributions and Fees</b>	The Investors shall each receive Distributions in accordance with the Operating Agreement of the Company as follows:

**Cash Flow Distributions from Operations:**

1. First, to the Investors until the Investors have received an 8% preferred return on their Unrecovered Capital balance; and
2. Thereafter, 75% to the Investors, 25% to the Sponsor.

**Distributions from Capital Events:**

1. First, to the Investors until the Investors have received the full amount of any Unpaid Preferred Return; and
2. Second, to the Investors until each Investor receives a complete return of their Unrecovered Capital balance.
3. Thereafter, 75% to the Investors, 25% to the Sponsor.

**Managers of the LLC**

PGP will be the manager of the Company (“Manager”).

**Limited Liability**

The liability of each Member is limited to the amount of his capital contribution to the Company, together with his share of undistributed profits. The Members have no personal liability for Company obligations to third parties, the Company, the other Members or the Manager. The Members’ share of any Company debt, including the primary mortgage on the Property, is entirely non-recourse to the Members, and Prudent Growth Partners, LLC will provide whatever recourse or guarantee is required by the bank or lender.

Members are not required to make any additional capital contributions to the Company unless the Manager determines that an additional capital contribution is necessary for the operation of the LLC. If a Member does not make their required share of the additional capital contribution, then that Member’s unpaid share will may be funded by the Manager or other Members and treated as a loan to the LLC and will be repaid from that Member’s share of any distributions from operations or capital events. After one year the Manager or other Members, as applicable, will have the option to convert the loan into an additional capital contribution for the Manager or other Members, as applicable, and the Company will adjust the Member’s capital accounts accordingly to reflect the applicable change in ownership interest based on the updated capital accounts.

**Rights of Members**

As Manager, PGP will have significant authority with respect to the Property and the Company. Under the terms of the Operating Agreement, Members of the Company will have very limited rights to vote on matters with respect to the Property or the Company

**Restrictions on Transfer**

After the acquisition of Units by Investors, no Units may be transferred until the transferor and the transferee supply such instruments and assurances as the Managers may reasonably require, including the assurance that such transfer

would not be a violation of federal or state securities laws. Without the prior written consent of the Managers, a transferee will not be admitted as a Member of the Company, but may still have the economic rights of Units.

**Fees to the Manager:**

In addition to any share of distributions which the Manager may be entitled as a result of any membership interest or Units which the Manager may itself own in the Company, the Manager will also receive the following fees in exchange for bearing the full recourse of the debt and for managing the LLC and the investment of the property:

1. 1.00 % acquisition fee at the time of closing on the property, based on the purchase price.
2. 0.50% annual management fee/loan guarantee fee based on the purchase price of the property.
3. 1.00% one-time disposition fee based on the selling price of the property.

**Owner and Operator Information:**

The property will be owned by PGP Cambridge Apartments, LLC, a North Carolina LLC (the “Company”), which will be managed by Prudent Growth Partners, LLC (the “Manager” or “Sponsor”).

PGP’s President is Thomas F. Hahn, Jr., a successful real estate investor and operator with 20+ years of investing experience. Tom is an investor or manager in over three-dozen LLCs with holdings that consist of a neighborhood shopping centers, office spaces, single tenant retail properties, multi-family properties, and residential investment properties throughout the Midwest, Mid-Atlantic and the Southeast.

In addition to his involvement with PGP, Tom is employed by ICAP Energy, LLC, as an executive and manager of their US energy derivatives business. He divides his time between real estate investing, derivatives brokering, and activities with his family.

Tom is experienced in property acquisition and disposition, deal structuring, negotiation, management, finance, and investor relations. He has acquired, managed, sold and refinanced properties in a variety of economic cycles and interest rate environments, including the “great recession” of 2008-2009.

Past PGP deals include:

**PGP Stanton Medical, LLC:** \$881,000 purchase of a 4711 medical office space in the rapidly growing Christiana Hospital area of Newark, DE. The office is under a fresh long-term lease to St. Francis Healthcare, part of Trinity Health, the nation’s largest faith-based hospital operator. The deal was an off-market deal at a very desirable cap rate of 8.95% with cash returns to Investors of just over 10% in year one.

**PGP Hope Valley Pointe, LLC:** \$1,904,000 purchase of a controlling interest in the Hope Valley Pointe shopping center, located in Durham, NC. The center was 74% leased at the time of purchase, and PGP has been actively improving the center and adding new tenants. The

current plan is to have the center 100% occupied by year end. The projected investor returns for the second year of ownership will be greater than 12% cash-on-cash and close to 18% when considering the loan amortization payments.

**PGP Fisher Apartments, LLC:** \$2,625,000 purchase of a Class-B, 49-unit apartment complex located in Butner, NC. The apartments, since rebranded as “Granville Commons” enjoy high occupancy, many long-term tenants, and great third party, professional management. As rents are increased to market levels, this will result in a new annual NOI that will be \$50,000 higher than the NOI at the time of purchase. At a 7% cap-rate, this will increase the value of the property by nearly \$700,000. Projected returns to investors will be over 10% (cash-on-cash) and the projected IRR over the first five years will be greater than 20%.

**PGP Oakmont Apartments, LLC:** \$2,325,000 purchase of a Class-B, 48-unit apartment complex located in Reidsville, NC – anticipated closing date is May 27, 2016. Oakmont Apartments is a high-occupancy complex with an older population and low turnover. As units are remodeled rents will be increased 5% to 7% annually, allowing for cash-on-cash returns to investors of over 10%, with a projected IRR of over 20%.

# Risk Factors



## Risk Factors

The Offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this memorandum and the Subscription Documents before deciding to invest in the Company. An investment in the Company carries with it the inherent risks associated with investing in a real estate venture that competes in a competitive marketplace with low barriers to entry. These inherent risks and the risks described below are not the only ones the Company faces. Additional risks that the Company has not yet identified or that Company management currently thinks are not material may also impair the Company's business operations. In assessing these risks, you should also refer to the other information in this memorandum. If any of the following risks actually occur, the Company's business, financial condition and results of operations would likely suffer. The Units should be purchased only by Investors who have the resources to assume the risk characteristics of this type of investment and who have no need for liquidity in their investment.

### General Risks

*General Risks of Real Estate Ownership.* The Company will be subject to the risks generally incident to the operation of a commercial space, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive vacancies; relative appeal of particular types of facilities to tenants; the possible need for unanticipated renovations; adverse changes in interest rates and availability of funds and other changes in operating expenses; changes in governmental rules and fiscal policies; acts of God, including earthquakes, which may cause uninsured losses; environmental risks; loss to or condemnation of the Property; and other factors which are beyond the control of the Manager. Decreases in actual Company income from anticipated amounts, or increases in operating expenses, among other factors, could result in the Company's inability to meet all its cash obligations. Any decrease in income received by the Company may reduce, and possibly eliminate, the amount of cash available for distribution to Investors, since operating expenses, such as taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as labor, advertising, and promotion may increase.

*General Economic Conditions and Business Climate.* The Company's operations are subject to any general negative economic conditions existing in the commercial real estate investment sector, as well as the local and national economy as a whole. These risks would include, without limitation, any potential wage and price freezes or other restrictions imposed by governmental authorities; changes in federal, state or local tax laws applicable to the Company; availability of capital for future needs; and changes in consumer purchasing habits and trends. The Company may not have sufficient capitalization to enable the Property to survive extended work stoppages, strikes, lack of market acceptance, and economic exigencies in general.

*Lack of Diversification.* The Company will have all of its resources initially invested in a single category investment, namely, the operation of a commercial real estate investment. This investment will lack diversification of risk with respect to local economic, social, or environmental problems and other similar matters, the impact of which might be better absorbed or compensated for in an offering providing for diversified types of investments in diverse categories. This lack of diversification increases the risk of materially adverse results, including an Investor's loss of its entire investment.

*Environmental Risks.* Investing in businesses operated on real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Company, and can result from the actions of tenants, contractors, patrons, visitors, and other parties, including adjacent property owners to the Property, over whom the Company could exercise little or no control. The Company could be required to participate financially in the clean up or other abatement of such contamination, which could cause the Company to suffer a loss of some or all of the capital invested in the Property.

*Competition.* Competition in the commercial real estate sector is highly competitive with respect to (1) price and/or concessions, (2) amenities, (3) tenant loyalty, and (4) location. Competition includes established commercial buildings with potentially greater financial and other resources than the Company. The Property will operate in a highly fragmented and competitive environment. Business tenants have many options for commercial space. Further, the Property will compete with other establishments for qualified management personnel and other service providers. Although the Company will endeavor to compete in this market, no assurances can be given to Investors that the Property will be able to compete effectively and successfully. Instead, all this competition may materially reduce revenues and net income. The Company cannot assure any Investor that the Company will be successful in addressing the risks it may encounter, and its failure to do so could have a material adverse effect on business, and the financial condition and results of operations.

*Future Market Value of the Property.* The economic future of the Property's submarket, future construction activity, interest rates, demographic changes, changes in tax laws, and numerous other factors will determine the future market value of the Property and its assets. There is no assurance that the Property will increase in value, or even maintain its respective current value.

## **Management Risks**

*Reliance on Management.* The Members will have only limited rights to participate in only certain narrowly define aspects of the management of the Company or the decision made by the Manager or other Company management personnel. Thus, the Company will effectively be totally dependent upon the Manager for most aspects of its operations and affairs.

*Limitation of Manager's Liability.* The Operating Agreement provides that the Manager shall not be liable to the other Members for any loss or liability incurred in connection with the affairs of the Company, so long as such loss or liability did not result from willful misconduct or gross negligence. Therefore, Investors may have a more limited right of action against the Manager than they would have had absent these provisions in the Operating Agreement.

*Manager Conflict of Interest.* The obligations of the Manager to the Company are not exclusive, and the Manager need only devote so much time to the Company's affairs as the Manager, in its sole discretion, determines to be necessary to manage the Company's business. The Manager and/or its affiliates may, from time to time, be involved in the development of other properties that may compete with the Property. Separately, commitments undertaken by the Manager and/or its affiliates in connection with such other properties may materially and adversely affect its ability to manage the Property and the profitability of the Property and any investment in the Units in the Company.

*No Independent Counsel.* No independent counsel has been retained to represent the interest of the Investors. The Operating Agreement has not been reviewed by an attorney on behalf of the Investors but only by and on behalf of the Sponsor. Each Investor is therefore urged to consult with its own counsel as to the terms and provisions of the Operating Agreement and all other documents relating thereto, as well as its own accountant as to the financial information and projections provided.

*Lack of Operating History.* The Company is being formed for the specific purpose of owning and managing the Property. Accordingly, the Company has no operating history. The Manager has described certain aspects and projections for the Property in this Memorandum which are based primarily on its own knowledge and experience, and the Manager believes it can successfully acquire and manage the Property.

## Financial and Regulatory Risks

*Financial Projections.* Since the Company itself has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Company is available. The Financial Projections included in this memorandum are based upon what the Company believes to be reasonable assumptions concerning certain factors affecting the Property and probable future Property operations. Despite these future projections, no assurances can be made that these projections will prove to be accurate, and Investors are cautioned against placing excessive reliance on such projections in deciding whether to invest in the Company.

*Leverage and Other Factors Relating to Financing.* The use of secured indebtedness to finance a portion of acquisition costs and/or working capital is referred to as “leveraging.” Leveraging increases the risk of loss of the Company’s investment in the Property if and to the extent that the Property declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources would be required. Unless the Property generates such cash, the Company might be required to raise additional equity investment funds or to borrow additional funds for such purpose, and there can be no assurance that such equity investment, or such loans, will be available on favorable terms, if at all.

*Adequacy of Capital.* The Company has based the present Offering on certain assumptions regarding the costs and timing of acquiring and managing the Property. Although not anticipated, the management of the Property could require additional capital beyond what is anticipated. No assurance can be given that such capital would be available from banks or other sources. The failure to raise adequate capital could have a material adverse effect on the Company’s business and the financial condition and results of its operations.

*Reserves for capital expenditures may prove inadequate.* It is expected that the Company will be required to maintain and replace from time to time structural components of the Property, including roofs, parking lots and HVAC equipment and systems. These costs may not always be able to be passed through to tenants. Although the Company is planning to maintain reserves for those capital expenditures, these reserves may be inadequate if the Company’s assumptions and estimates on the useful life of these improvements are inaccurate. Costs and expenses for these capital expenditures over and above budgeted expenses could adversely affect the Company’s financial condition.

*Distributions from Operations.* There is no assurance that there will be cash from operations sufficient to pay distributions to the Investors in the Company.

*Illiquidity (Limited Transferability of Units).* The Units offered for sale hereby are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan or other obligation. Those Units have not been, and will not be, registered under the Securities Act or under any state securities law, in reliance upon certain exemptions provided thereunder. An Investor may not assign, sell, or transfer its Units to another party without the Manager’s consent, and then only as provided for in the Operating Agreement and otherwise only in accordance with available exemptions under applicable securities laws. There is no present plan to register the Units in the future. Accordingly, the Units must be acquired for investment purposes only, and not with a view to resale or other distribution. In addition, the Operating Agreement contains additional restrictions on the transfer of Units. For such reasons, it is likely that an Investor would not be permitted to sell or otherwise dispose of Units even if he or she wished to do so. Finally, there is no public market for sale of the Units, and it is not anticipated that a market will develop for the purchase or sale of the Units. Consequently, the Company’s Investors may not be able to liquidate their investment in the Company in the event of their desire or need to do so.

*Uninsured Losses; Casualty Insurance.* Certain risks in connection with the Property are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Company. Examples of uninsurable losses are those arising from flood, earthquakes, war, and acts of God, among others. Should such an uninsurable loss occur, the Company could suffer a loss of some or all of the capital invested in the Property, as well as the loss of any potential distributions or profits from the Company's operations.

*Unregistered Offering.* The Offering is not registered under state or federal securities laws, thereby reducing the level of oversight of the offering process and safeguards available in a registered public offering. In a registered public offering of securities, the U. S. Securities and Exchange Commission or a state regulatory authority may review the disclosures provided by the issuer (in this case, the Company) and comment upon its compliance with the disclosure requirement of applicable securities laws. Because of the nature of this Offering, there are no specific required disclosures (although the anti-fraud provisions of the securities laws are still applicable). Furthermore, there will be no regulatory authority reviewing or commenting upon the Subscription Documents or any of the Offering documents. In addition, in an underwritten public offering, the underwriter will retain separate counsel, and the underwriter and its counsel will perform due diligence on the issuer. Prospective Investors in the Company must rely on their own knowledge of the market and their own due diligence in making an investment decision regarding the Company.

*Government Regulation.* The operations of the Company are and will be subject to various federal, state, and local laws and regulations, as well as court decisions, affecting those operations and the Company's business. The Property's operations will also be subject to federal, state, and local regulations and court decisions, including regulatory provisions relating to sanitation, health, and safety. All of these laws, regulations, and court decisions could have both a positive and/or negative impact on the Property's operations and the financial results from those operations and on the Property's ability to compete. Suspension of the Company's ability to operate by any regulatory agency would have a material adverse effect on the profitability of the Company. Increased regulation of various aspects of the Company's operations, should this occur, could also have an adverse effect on the Company's financial position.

*Forward-looking Statements May Prove Materially Inaccurate.* The statements contained in this Memorandum that are not historical facts are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are based on current expectations, beliefs, assumptions, estimates, and projections about the industry and locale in which the Property will be operated. Investors should not rely on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors which are, in some cases, beyond the Company's control and may cause its actual results, performance, or achievements to differ materially from anticipated future results, or the performance or achievements expressed or implied by such forward-looking statements. While forward-looking statements in this Memorandum reflect the Company's estimates and beliefs, they are not guarantees of future performance. The Company does not promise to update any forward-looking statements to reflect changes in the underlying assumptions or factors, new information, future events, or other changes.

## **Tax Risks**

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR NO. 230, BE ADVISED THAT ANY FEDERAL TAX ADVICE IN THIS COMMUNICATION, INCLUDING ANY ATTACHMENTS OR ENCLOSURES, WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER. SUCH ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS MEMORANDUM. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

There are various federal income tax risks associated with an investment in the Units. Some, but not all, of the various risks associated with the federal income tax aspects of the Offering of which prospective Investors should be aware are set forth below. The effect of certain tax consequences on an Investor will depend, in part, on other items in the Investor's tax return and other items connection with such Investor's particular tax situation.

*Partnership Status.* The Company has been or will be organized as a Limited Liability Company under the laws of the State of North Carolina. The Company will not apply for a ruling from the IRS that it will be treated as a partnership for federal income tax purposes, but intends to file its tax returns as a partnership for federal and, if required, state income tax purposes. Investors should recognize that many of the advantages and economic benefits of an investment in the Units depend on the classification of the Company as a partnership (rather than as an association taxable as a corporation) for federal income tax purposes. A change in this classification would require the Company to pay a corporate level tax on its income which would reduce cash available to fund distributions to Investors, would prevent the flow-through of tax benefits, if any, for use on Investors' personal tax returns, and could require that distributions be treated as dividends, which together could materially reduce the yield from an investment in the Company. The discussion herein assumes that the Company will at all times be treated as a partnership for federal tax purposes.

*Federal Income Tax Liability in Excess of Cash Distributions.* Each Investor that is subject to U.S. tax will be, and other Investors subject to tax in other jurisdictions may be, required to take into account and pay taxes on such Investor's allocable share of the Company's taxable income, regardless of whether the Company distributes cash to Investors. Prospective Investors should be aware that the Company is not required to make distributions in an amount necessary to pay income tax on the Company's income and that the federal income tax on an Investor's allocable share of the Company's taxable income may exceed cash distributions to such Investor. Accordingly, each Investor should ensure that he or she has sufficient cash flow from other sources to pay all tax liabilities resulting from such Investor's ownership of Units in the Company.

*Tax Auditing Procedures Under Control of the Manager.* Any audit of items of income, gain, loss or credits of an Investor will be administered at the Company level. The decisions made by the Manager with respect to such matters will be made in good faith, consistent with the Manager's fiduciary duties to both the Company and to the Investors, but may have an adverse effect upon the tax liabilities of the Investors.

*Changes in Federal Income Tax Laws and Policies.* There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax consequences described in this Memorandum will not be changed in a manner that adversely affects the Units of Investors.

*Foreign Taxation.* Foreign tax laws may create tax liability for an Investor based on the acquisition, ownership and disposition and the receipt of income and distributions from the Company. The Company will not make any tax filings in any foreign jurisdiction, and will not prepare any special documentation for Investors to assist them with compliance with such foreign tax laws. Each Investor is responsible for ensuring compliance with all applicable tax laws.

*UBTI Exposure for IRA Owners.* Investors may choose to invest in the Company through their Individual Retirement Accounts ("IRA"). IRAs that invest in alternative investments that generate trade or business or debt-financed income could be subject to unrelated business taxable income ("UBTI"), which currently requires the IRA to file federal and state income tax returns when gross unrelated business income from such investments exceeds \$1,000. The Company and its subsidiaries may generate unrelated business taxable income for the Investors. Given the complexity of the UBTI rules, Investors purchasing Units in the Company through an IRA should consult with their tax advisors regarding such IRA's exposure to UBTI.