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E47 CAPITAL PARTNERS
Rare Opportunity Meets Solution

While the internet has transformed the way we invest in homes, not so for commercial real estate. Even with the passing of JOBS act in 2012 that was supposed to open a flood gate of capital into privately held real estate assets, the results have not quite been what a lot of investors have hoped for. Fast forward to 2020, the process is still inefficient favoring only larger institutional investors with the capital and human resources. For the rest of us, overvaluation, acquisition process inefficiency, long escrow periods and costly holding period are still prevalent that nothing has really changed in the way commercial real estate deals are done. As a result, one of the world's best investment continues to be elusive even to the experienced investor. Today, amid the coronavirus pandemic, is a rare opportunity for many of us to invest in commercial real estate. Commercial real estate properties are not dead as many doom and gloom analyst predicts it to be. Retail properties, after all, have the best infrastructure and best locations in real estate. And because our team spent the last decade adapting to technology and shaping leasing strategies for challenging retail and mixed-use properties, we have an upper hand over a more traditional investor now that the world has changed.

E47 Capital Partners is a California limited liability company formed as an opportunistic fund to originate, syndicate and invest in a diversified portfolio of commercial real estate primed for repurposing or redevelopment as a result of the now changing retail and living environment. The fund offers investments to individuals, high net worth individuals and family offices who seek to benefit from allocating capital to the commercial real estate market with an experienced manager.

Our mission is to create passive income to all our partners. We aim to achieve this objective primarily through raising private capital to invest in commercial real estate properties specifically retail and multifamily assets located primarily in the metropolitan areas of San Diego, Orange County and Inland Empire. The target properties are those with existing income, and through repositioning, the Manager will look to generate a 7%-10% stabilized cash yield for the Company's investors. The Company is seeking $10 million in aggregate capital commitments from investors that will be used to invest in assets often neglected by institutional capital. We will work with lenders to finance acquisitions so that the total purchasing power of the Company is greater than the capital commitments of the investors. The Company will focus on: (a) those valued between $1,000,000-$8,000,000 which are considered smaller investments, (c) those located in less desirable neighborhoods but poised for high growth – *some may be located in designated opportunity zones*, (d) neighborhood centers that is ideal for essential products and services, and (e) those with potential for income increases that requires minimal management. Given the current conditions of the economy and the state of the real estate market as a result of the recent Pandemic, we believe that unique investment opportunities are becoming available that may not necessarily be on the radar of larger investors and brokers.

Furthermore, through private capital and crowdfunding, our intent is to open a door to newer or first-time investors to put money into a zero-management investment by providing a platform that gives them the ability to transact online, receive automated distributions and financial reporting, and diversify investment portfolio by being able to participate in an asset class that historically have been difficult to access by smaller investors.

Opportunity Zones were created in 2017 to revitalize economically distressed communities using private investments that provides capital gains tax incentives to investors.

The General Partner is Cyrus Rapinan. Mr. Rapinan started his professional career in retail management in 1992 where he learned the ins-and-out of managing and growing multi-unit stores. In 1998, he was eager to try his hands in entrepreneurship and ventured into different businesses that included a successful start-up of a media company that included the ownership of television brands that he expanded internationally. After starting and selling several businesses, he started in commercial real estate in 2007 and eventually was hired as a Senior Managing Director for a boutique commercial real estate brokerage firm in Southern California where he was a top broker for a number of years. Currently, together with his wife and partner, Emilia Rapinan, they own and operate a commercial real estate brokerage firm located in San Diego. Mrs. Emilia Rapinan is a professional businessperson in her own right and has an in-depth background in real estate having managed a brokerage office with more than 10 agents. She received her certification in real estate financial analysis and investments from the University of San Diego in 2015.

Opportunity Convergence

As a result of Covid-19 Pandemic, Commercial real estate industry is expected to remain under severe stress even after states begin to ease lockdowns. But many are well aware of fortunes made during previous commercial property downturns.
Wall Street Journal
April 22, 2020

As of writing of this offering in the first quarter of 2020, a growing number of property investors are preparing for what they believe could be a *once-in-a- generation opportunity* to buy distressed real estate assets at bargain prices. Large institutional investment firms like Blackstone Group, Brookfield Asset Management and Starwood Capital Group are sitting on billions of dollars in cash. They are eyeing hotels, retail properties, mortgage backed securities and other assets that have come under stress in recent weeks as the spread of the coronavirus pandemic has closed businesses across the country. These investors expect a worse downturn than in 2008, resulting to property owners defaulting on their CMBS loans. Their capital commitments are typically raised from pension funds, sovereign wealth funds and other institutions that are focused on very-large deals. We believe that there is a large segment of smaller commercial real estate investment ranging from $1,000,000 to $8,000,000, considered to be small-sized assets, that will not be appealing to these investors. In a matter of time, these assets could be transferred to special services due to loan defaults. Some of these assets are in Qualified Opportunity Zones communities providing tax benefits to investors who invest eligible capital.

Because this type of properties is not within the larger investor's investment parameters, its assets are frequently undervalued by the marketplace. Furthermore, by the nature of its ownership background and operations, these assets have not attracted credit-worthy tenants and have been typically overlooked by larger and professional brokers for their services. This, we believe, is where the opportunity lies. With better management and creative leasing strategies, it will provide the prospect of greater appreciation than larger properties.

Undervaluation is an issue. Market undervaluation in relation to fundamental value may be the result of several factors, including: (i) difficulties in conducting thorough financial analysis; (ii) the natural characteristics of a start-up are present in these smaller properties which is unappealing to institutional investment funds; (iii) the general lack of reliable external sources of information, such as research reports, or professional advice to smaller investments to navigate the operations of the investment; and (iv) the lack of an experienced operator for this type of properties. Market undervaluation can also occur as a result of lack of accounting discipline. Despite of all of these, we think that we can build a portfolio of assets through a disciplined approach of cultivating relationships with small to mid-size property owners and staying focused in an investment criteria that are different from a more traditional investment fund. We have an advantage in these markets over other investors because we can utilize our experience and relationships to articulate an upside through repurposing, re-tenanting, or redeveloping. In addition, our decade of deal-making experience in smaller and neighborhood-based centers and multifamily properties gives us a higher confidence to digest the risk and can be more creative in our strategies to find and secure tenants that will work in this new retail and living experience as a result of the pandemic and advancements in technology.

More traditional investment funds, by the nature of their management covenants, is not focused in pursuing this type of investment strategy nor would they have the interest to put in the time or capital to invest in these smaller-sized assets. We think that the investment funds with a more traditional approach to real estate assets *will not* be the winners in this new environment.

Investment Solution

Key elements of our investment process include: (i) identification of investable assets whose loans are approaching distress or newly distressed, utilizing both conventional and proprietary sources of deal flow and data services we subscribe to – *as of this writing, we have identified just under 500 properties in the County of San Diego that meets our investment parameters and gone newly delinquent, added to our watchlist, or will have a loan maturity date in the next six months*; (ii) thorough analysis of the prospective investment, including a thorough examination of the asset's performance history and a

Covid-19 Initiates Surge in Late Payments in the Retail Market. In March Delinquency Report, retail logged a delinquency rate of 3.89% therefore setting the stage for loan defaults and investment opportunities for some.
Trepp CRE Research
April 2020

liquidation analysis to help quantify the investment downside; (iii) negotiation where necessary, to ensure appropriate pricing influence and structuring investments with a view toward enabling an exit plan; and (iv) active monitoring of investments and managing of the repositioning process, until an appropriate exit opportunity arises. We anticipate to benefit from our relationships with experienced industry veterans, brokers and our extensive network of entrepreneurs, attorneys, bankers and others specializing in real estate assets to find these distressed acquisition opportunities.

Investment Analysis

After identifying a potentially attractive investment opportunity, we will conduct a rigorous due diligence to identify the prospective risks and rewards of the investment. This analysis continues through the investment in the asset, and typically includes review of publicly available information, review of potential legal issues, analysis of operating characteristics, review of cash flow and earnings projections and development of projections of returns as a "going-concern" and on an "in-liquidation" basis. The liquidation analysis is a component of the due diligence process, as it helps our analysis to better understand the true downside of a potential investment.

From time to time, we will consult with advisors, contractors and others in order to understand the investment opportunity and the sources of fundamental value in an investment. These consultations can help to identify critical line items – targets for cost reductions and other improvements that, if implemented, may result in sufficient operational improvement to yield a profit on the investment. In addition, we will meet with existing owners prior to the acquisition to further our understanding of the causes of financial distress, to determine if they can be eliminated, and to estimate the duration of the growth and disposition process.

The reliability of financial statements provided by target acquisitions can become increasingly suspect as owners of these smaller asset type, in contrast to larger properties managed by professional managers, has not developed the financial discipline and reporting accuracy. Because of this, extra care will be given during the due diligence process so we can spot potential errors and flaws in financial statements. Typically, a comprehensive financial summary is prepared, including third-party analysis and/or valuation opinions before final decision is made to proceed. All of these systematic review process will allow us to mitigate risk providing for a predictable and stable returns to our investors.

Investment Repositioning

Once an investment is made, we will execute on a repurposing or redevelopment plan. This includes: (a) better management, cost reductions or lease renegotiations; (b) tenant mix reconsideration to a more essential-driven industries which will include grocery stores, drive-thru or take-out food retail, medical-oriented and service-based businesses; and (c) redevelopment to add residential units to convert the property into a mixed-use asset providing a more urban and more experiential-based living environment. Our team is in best position to execute this plan based on over a decade of experience and relationships in this type of assets.

Financial Strategy

Our goal is to align our interest with our investors. As managers, we will bear organization and offering cost in connection with the offer and sale of Interests in the Company. This is our initial investment. We will not receive commissions for selling our common shares or any other special servicing fee that are typically charged by other asset managers for organizing a fund. There is no management fee until a time that the Company achieve its financial objectives as outlined in the Company's offering and business plan. From time to time, our affiliate brokerage firm may separately represent a transaction and receive a brokerage or acquisition fee. We are pursuing a venture capital profit from operation distribution approach, with a distribution offering of 80.0% of net proceeds to investors (distributed pro rate and commensurate to the investors' capital contribution) and 20.0% of net proceeds to the General Partner, and for net proceeds from property sales, a 50%-50% split after expenses and return of investor's capital. Net proceeds are calculated on a quarterly basis with a goal to pay distributions as early as can be determined from an investment and generating cash flow. The Company's goal is to control 5-10 properties with a target of $40,000,000 in asset value at the end of initial 12 months of operations.

Subject to market conditions, we intend to have a liquidation event as a means for providing liquidity to our investors within 3-5 years from the completion of this offering. While we expect to seek a liquidity transaction in this time frame, there can be no assurance that a suitable transaction will be available or favorable within the proposed time frame. A liquidity transaction could consist of a sale or partial sale of our assets, a sale or merger of the company, or a listing of our common shares on a national securities exchange.

The Manager will maintain a flexible approach to both the timing and manner in which the Company exits investments. This requires an analysis of both the performance of the portfolio and current capital market dynamics to determine the optimal time to exit in order to maximize value to investors. The Company will routinely evaluate the portfolio to assess how the assets are performing relative to the operating performance, financing, leasing and rent roll, supply and demand dynamics and capital expenditures. The capital markets and market conditions are also continually monitored to ensure that the asset profile is aligned with the greatest depth of potential buyers with the lowest cost of capital.