

THE MANAGEMENT PLAN

Group Project

REPORT

1. Ten to Fifteen pages of material (excluding references), typewritten, double spaced, placed in a suitable cover.
2. Footnotes or end notes for proper documentation of quotations, sources of figures and tables, etc.
3. Figures, illustrations, tables, graphs, charts, and pictures, where they enhance the report.
4. References--six or more, up-to-date sources (two are to be within the last year) (two to be from government sources, i.e., US Census, City Planning Dept., US Bureau of Statistics)(two online).
5. The report is to be presented in class. The material in the report must be known well enough to answer questions on the topic.
6. Content of the material is to cover the textbook material as a general guideline for a management plan. You will use classroom lecture notes, handout materials and forms, and other sources.
7. Report sections to include: (a) Cover page/Title page, (b) Table of Contents, (c) Introduction, (d) Conclusion or Recommendations that has an Executive Summary at the beginning (in the first one or two paragraphs, (e) Bibliography or Reference Page). The last page should list the name of the city, the name of each person in the group along with their email address.
8. The written, bound report is due at the time that the oral presentation is given. No part of the report will be returned, so make your own copy, if desired.

INVESTOR GROUP

1. You are presenting your report to a group of investors. They consist of one general partner (your instructor) and a group of thirty limited partners (your classmates). After your initial presentation, you will only be dealing with the one general partner throughout the balance of the transaction.
2. The finances are set up such that each limited partner contributes \$10,000 each that is to be used on this project. The general partner contributes no cash, and gets 10% of the ownership for assembling and managing the project.
3. The Investor Group is planning on spending the entire amount or working capital, but this amount is to include ALL costs. (Down payment, negative cash flows, carrying costs, closing costs, etc.) The general partner is specifically not liable for any expenses.
4. The general partner has indicated at the end of the holding period, the investors are not sure if they will sell, exchange, or do something else.

PROPERTY CRITERIA

1. The AGE of the improvements must be less than 50 years.
2. Purchase must include Roof Certification, Heating/Cooling Certification, Termite/Pest Control Certification, Appliance Inspection, and Plumbing Inspection. Include any other items you deem necessary or applicable in a normal transaction for an apartment building.
3. The property may not be over a \$200/month Negative Cash Flow.
4. The property must have 4 or more unit POTENTIAL; must have rentable improvements, and may not be over 50 units.
5. Expected holding period on this project is 7 years.
6. The general partner indicates that your proposal, along with several others, will be given to the investor group in a few months. You are to prepare for this upcoming meeting.

GROUP HISTORY & PRIOR PURCHASINGS/PRESENT HOLDINGS

1. CYPRESS HOUSE A SFR, purchased in 1996 by the General Partner and 3 of the investors in Group #1. Purchased with only \$5,000 down; took over VA loan of 8%; \$1560 PITI; \$100/month NEG CF yr. 1; \$50/mo Neg CF yr 2; Breakeven yr. 3; \$75/mo Positive CF yr. 4; \$150/mo Pos CF yr. 5. The property was worth \$250,000 when thru bought it; appraised at \$725,000, in 2006, but is currently valued at \$550, 000. Purchased for tax write-off & equity capital. Expected holding period 7 years.
2. HOWARD DUPLEX. Two 2-bedroom, 1 bath units purchased in 1997 by the General Partner and 10 of the investors in Group #2. Purchased with \$160,000 down; took over 12% loan; Seller carried back second at 10% on \$50,000 due in 2010. Monthly positive net cash flow is now \$1500/month. Present equity is \$400,000. Purchased for tax write off. Expected holding period 5 years.
3. SAN ANTONIO 4-PLEX. Five 2-bedroom 2 1/2 bath units, each with a two-car garage. Purchased in 1999 by the General Partner & eight of the investors in group #3. Purchased with new variable interest rate loan which began at 7%, increases 1/2% every six months to 12 % ceiling. Required 20% cash down and full credit applications. All units rented by the builder at the COE. Neg CF estimated yr. 1 was \$500/mo; actual was 1,000/mo. Estimated yr. 2 Neg CF was \$300/mo; actual was \$600/mo. Current positive CF is \$100/mo. Their equity position was \$500,000 in 2006 but is now only \$450,000. Purchased to shelter income, but mainly for equity capital. Expected holding period 8 to 10 years.
4. RICHLAND 5-PLEX. Five 2-bedroom, 1 bath units with carports. Purchased in 2000 by the General Partner and 13 investors. Purchased with \$250,000 down; new loan with variable interest rate--began at 8%, increases annually by 1% to 16% ceiling. Required 30% cash down and full credit apps. All units rented by builder at COE. Rents monthly are positive cash flow. Present resale value \$1.1 million. Purchased solely to gain equity capital to exchange to larger & more units. Expected 15 yr. holding period.